SCALING IMPACT WITH TECHNOLOGY

ACCELERATING ESG ADOPTION IN INDONESIA'S DIGITAL ECONOMY

OCT 2022
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When we set out to write this report, the idea was to forge a framework—a scaffolding if you will—that would guide the way for tech companies and investors who can see a new paradigm of ESG and impact reporting on the horizon in emerging markets.

Until recently, in places like Indonesia, ESG compliance was always more of an afterthought for investors, rather than a focal point. But now, with more institutional capital from overseas trying to get into the market, local venture firms and startups alike are seeing a true need to get their ducks in a row.

Mounting pressure from governments around the world, and from the public at large, is propelling multinational companies to satisfy stringent ESG requirements in their home countries. The same can be said about how they deploy capital overseas.

Europe is undoubtedly leading the charge on impact reporting standards. But the next three to five years will be absolutely paramount in setting the tone for markets like Indonesia.

The good news is that the table is already set. Even as we speak, foreign investors are asking local venture capitalists tough questions about the net impact of their portfolio companies. If they don’t answer correctly and prove claims with hard data, these investors won’t be securing capital. In turn, their investees (early-stage tech entrepreneurs) will suffer.

With the writing so clearly on the wall, AC Ventures decided to get active and partner with the two most authoritative players we could find in the ESG and net impact reporting game: The Upright Project and Boston Consulting Group.

The Upright Project is a global organization on a mission to incentivize companies to optimize their net impact. To make this possible, it is building and implementing a special reporting model focused on what companies actually put out into the world: products and services.

A true harbinger of global change, Upright has launched the world’s first open-access platform for impact data, as part of its mission to make companies’ holistic impact more transparent, accessible, and comparable.

In the context of global ESG and impact reporting, Upright’s platform is increasingly being viewed as the single most authoritative tool for investors, companies, and governments worldwide.

Its AI-powered data engine maps the impact of 14,000+ companies based on more than 200 million scientific publications. With it, investors may optimize their portfolios and draw direct impact profile comparisons from other companies and funds. Enterprise users can understand baselines by checking out data (displayed in an easily digestible format) from brands like Pfizer, Siemens, and Tesla, as well as the Fortune Global 500 and Nasdaq Helsinki.

Boston Consulting Group (BCG) needs no introduction. As one of the world’s leading consulting firms, it partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, it works closely with clients to embrace a transformational approach aimed at benefiting all stakeholders—empowering organizations to grow, build sustainable competitive advantages, and drive positive societal impact.

BCG works with clients to accelerate their climate and sustainability journeys. It helps them identify and harness climate innovation, embed sustainability at scale into their businesses, and capture the value they create. It leverages partnerships and proprietary products to support clients on their net-zero transitions.
BCG has demonstrated longstanding commitment and deep expertise in advancing the climate agenda, and as the Exclusive Consulting Partner of COP27, BCG will play an integral role in support of efforts to mobilize the international community for climate action.

AC Ventures is a leading Southeast Asian venture capital firm backing early-stage startups focused on Indonesia. Our mission is to partner with and empower entrepreneurs with more than just capital. We combine operational experience, industry knowledge, deep local networks, and resources to create value for startups. Our vision is to be a generational partner to founders driving positive societal change and economic impact in the archipelago and beyond.

We currently have over US$500 million in assets under management, invested across five funds. Since 2012, the firm’s partners have invested in more than 100 technology companies in the region, including some of the most iconic names in Southeast Asia’s digital ecosystem. AC Ventures’ partners Adrian Li, Michael Soerijadji, Helen Wong, and Pandu Sjahridi lead a team of over 35 professionals with offices in Jakarta and Singapore.

Regardless of whether you’re a capital allocator or an aspiring founder, we hope you find value in this report. We sincerely believe it can serve as a proper baseline and act as a roadmap for your own impact reporting.

Best wishes,
Lauren Blasco
Principal | Head of ESG
AC Ventures

“Driving positive impact is fundamental to our purpose at BCG. Recognizing and celebrating ways of scaling impact with technology even more so.” Neels Steyn, BCG Digital Ventures
E-COMMERCE AS AN OPENING ACT

E-commerce has been an important catalyst to Indonesia’s digital economic growth over the last decade.

This vibrant industry has delivered powerful economic uplift, but there remains more to be done. Underinvestment continues to be a persistent and acute problem in the nation’s remote and rural areas. While connectivity in these areas is improving, it lags behind that of major urban centers such as Jakarta and Surabaya.

Addressing this challenge is critical in the context of environmental, social, and governance (ESG) considerations. MSMEs act as the single biggest driver of socio-economic improvement for communities across Indonesia. Empowering these enterprises with digital opportunities could significantly improve their revenue potential, unlock new markets, and provide game-changing economic opportunities for local communities.

FUELING POLICY AND TALENT

Supportive digital policies are being championed by the current Widodo administration, although still a work in progress. The Government should look to further improve policies around consumer protection, data privacy, cybersecurity, and other key digital elements if it is to succeed in creating a truly equitable and inclusive digital economy.

Access to appropriate tech talent remains a persistent problem. The new Omnibus law goes some way to address this, simplifying the process for employing foreign talent, and providing a pathway for ambitious tech companies to source in-demand talent.

These efforts are further complemented by an ongoing Government focus on bolstering the quality and quantity of local graduates in science, technology, engineering, and math (STEM) fields.

TECH-POWERED IMPACT

Indonesia has enjoyed a significant increase in impact investing and social entrepreneurship in recent years. In the two years from 2018 to 2019, Indonesia saw just US$630 million in capital deployed to social enterprises. Compare that to 2019 and 2020, where that figure spikes to US$307 million, with 42% of recipients being tech companies.

This trend has not gone unnoticed by mainstream investors, who are now seeking investments in impact and sustainability-related tech plays, with public-private partnerships increasingly seen as an effective route forward.

This encouraging environment puts Indonesia on the edge of a flourishing tech-investment landscape, reflecting the valuable synergy of growing affluent consumers, improved infrastructure, and supportive policies.

The key question we seek to answer in this report is: How can the nation’s digital economy at large achieve environmental, sustainability, and governance compliance on par with those in developed markets?
IMPACT ACROSS INDONESIA

Indonesia boasts one of the fastest growing economies in Southeast Asia. For decades, it has enjoyed well-balanced development between urban and rural areas. Its lower-income groups and micro-, small-, and medium-sized enterprises (MSMEs) represent the nation’s largest drivers of growth. They contribute more than 60% of Indonesia’s GDP and account for over 80% of its employment.

The impact of digitalization has spread rapidly around the globe, with Indonesia a shining example.

Indonesia’s digital economy has ramped up significantly in recent years, driven in large by the growth in e-commerce. Smartphone penetration has now reached 77%, projected to grow to over 80% by 2025. 4G networks now cover roughly 90% of Indonesia, offering valuable digital connectivity with greater coverage than regional neighbors such as Malaysia, Thailand, Vietnam, and the Philippines.

Indonesia saw significant increases in consumer demand for e-commerce and online media during the pandemic. E-commerce GMV grew by 52% in 2021, and is a primary driver of Indonesia’s digital economic growth. BCG has predicted that e-commerce will grow an additional 23% by 2025.

Digital competitiveness across Indonesian provinces has also increased consistently on average.

MSMEs contribute a large proportion of Indonesia’s employment and GDP

<table>
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<th></th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
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<tbody>
<tr>
<td>Contribution to GDP (%)</td>
<td>75%</td>
<td>50%</td>
<td>25%</td>
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<tr>
<td>Contribution to employment (%)</td>
<td>100%</td>
<td>75%</td>
<td>50%</td>
<td>25%</td>
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</table>
These improvements can be attributed to the progress of digitalization outside Java, with improved infrastructure, increased spending on information and communication technology (ICT), and improved local government capacity to promote digital competitiveness across regions.

Supporting equal digital access and development in Indonesia can enable the digitalization of MSMEs. This will contribute to sustainable and inclusive economic growth. Not only do MSMEs contribute significantly to the country’s GDP and employment, more than 50% of MSMEs also employ from their local communities. Digitalization enables MSMEs to sell more goods nationwide, export abroad, and boost their revenue by 1.1x. Online MSMEs are also 1.1x more likely to involve their local communities in their businesses and 1.3x more likely to do so in the context of employment. Digital infrastructure offers a path to scale up the socio-economic benefits that MSMEs deliver to local communities.

However, challenges still remain especially in rural areas which suffer from poor connectivity compared to urban regions. 24% of Indonesia’s rural areas do not have adequate internet infrastructure, and high rates of connectivity are found in the heavily populated Java region, which accounts for over half of national internet users. Indonesia’s unique geography of 17,000 islands creates a further barrier for connectivity, evidenced by the 20–25% of MSMEs in rural areas with no access to the internet.

Indonesia’s policy landscape has slowly improved to bolster digitalization.

Fortunately, today’s policy environment has become more favorable to digital economic growth. The Digital Indonesia plan is a key presidential priority, and a core element of delivering digital Government 4.0. This forms part of Indonesia’s wider path to a digitally-enabled Indonesia 4.0, which leverages digital connectivity to power up industries and communities. These expanding technology opportunities provide a powerful platform to scale greater technology penetration to drive positive impact in Indonesia.

The government continues to undertake regulatory reforms to improve the investment environment and commit to Digital Indonesia. Indonesia’s policy landscape is undergoing an encouraging evolution in efforts to scale technology impact. The recently passed Omnibus Law has simplified regulations for employing foreign workers in Indonesia. This is an important step to attract valuable global digital talent that powers innovation and facilitates valuable knowledge and skills transfer. Investment in high technology is also showing positive growth, as US tech giants such as Tesla, Google, and Amazon reveal early signs of interest around investing in Indonesia. In the financial sector, a roadmap for 2020–2024 has been launched to digitize the financial space. It aims to establish a financial sector that is inclusive, sustainable, and contributes to community empowerment and the development and financing of MSMEs.

But continuous effort is needed to improve the regulatory environment and create a safe and inclusive digital economy.

Government can champion a more streamlined technology opportunity. Government can act as a powerful enabler to accelerate the positive impact of technology, but the right infrastructure and regulations must be in place. As of December 2020, the digital economy in Indonesia was regulated by at least 14 government entities, including ministerial and non-ministerial. Despite the assignment of a coordinating body, this fragmented landscape still offers barriers to scaling the impact of technology.

Consumer protection, data privacy, cybersecurity, and e-payments are four key policy areas that the government should focus on. Regulations must reflect Indonesia’s unique business landscape, and avoid creating additional barriers for the nation’s large number of informal MSMEs. Complex legislation on data privacy and consumer rights must be balanced against this need, with data privacy currently covered through at least 32 different laws. Indonesia also lacks a specific cybersecurity law, which is a pressing need in a landscape where over 88 million cyber attacks occurred between January and April 2020 alone! The regulatory framework for e-payments offers a positive picture of how important tech-enabling policies can be delivered.

Government and private sector can collaborate to deliver enabling policies. The Center for Indonesian Policy Studies suggests that a co-regulation approach be taken, whereby public and private stakeholders distribute responsibilities in policy making and enforcement. This collaborative approach to adoption, enforcement, and evolution aims to ensure that the state has the necessary data and knowledge, as well as mechanisms for dialogue, to flexibly and responsively enforce fit-for-purpose policies that boost digital economic growth.
Areas with key regulations yet to be passed to ensure a safe digital ecosystem:
- Consumer Protection
- Cybercrime Prevention
- Data Protection

Indonesia’s impact investing ecosystem is growing and becoming more relevant to the UN’s SDGs.

The impact investment landscape in Indonesia has seen significant development since 2013. Development aid agencies have been instrumental in shaping the local impact investing ecosystem in alignment with the UN’s Sustainable Development Goals (SDGs). They commissioned research projects, delivered capacity building programs, and supported entrepreneurship. This fostered growth intermediaries that focus on key topics, help build social enterprises and enable collaboration within the field. Today, impact investors are actively investing in Indonesia, and mainstream investors are joining them in backing social enterprises.

The increase in impact investment activity was also matched by the growth in the number of social enterprises. The amount of capital deployed in Indonesia increased from just US$80 million in 2013-2015 to US$307 million in 2019-2020. Financial services (US$145 million) was the industry with the most capital deployed by both impact investors and mainstream investors combined. This was followed by forestry and land use (US$114 million). Based on data from investment network ANGIN, 42% of social enterprises funded in Indonesia are tech-centric and 18% are women-led or women-owned.

Impact investment activities consistently increased since 2013

- Amount of capital deployed
- # of social enterprises

<table>
<thead>
<tr>
<th>USD 400m</th>
<th>USD 300m</th>
<th>USD 200m</th>
<th>USD 100m</th>
<th>USD 0m</th>
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42% 18%
Tech-enabled Women-led or -owned

Financial services is the industry with the greatest total capital deployed (USD million) by impact investors and mainstream investors.
Alongside impact investors, mainstream investors are actively funding social enterprises and those operating in impact areas, particularly, those that are tech-enabled. Mainstream investors in Indonesia now show a greater appetite for tech-enabled enterprises (96%), particularly in financial services (41%). This often complements deals made by impact investors, who tend to invest less in tech (23%) and focus more on natural resources such as forestry, agribusiness, fisheries, and others. In financing, mainstream investors make capital available for enterprises that have passed early development stages, but may not yet be fully mature—the stage where funding from impact investors is lacking due to a focus on early-stage and mature companies.

“Financial services in Indonesia is where the most capital is deployed by impact and mainstream investors combined, followed by forestry and land use.”

Blending public and private capital is increasingly seen as an attractive approach for impact investing, especially in natural resources and women-led businesses. This can help bridge a financing gap in these areas. According to a report by UNSDG, US$3.3 trillion to US$4.5 trillion annually is needed to achieve the 2030 Agenda for Sustainable Development. The current level of public and private investments in SDG-related sectors falls short, especially in developing countries like Indonesia, where the average annual funding gap reached US$2.5 trillion.

This gap was expected to increase to US$4.2 trillion in 2020 as a result of the pandemic. With strong participation from impact investors, blended finance is seen as a powerful tool to address the problem and deploy capital to areas less well addressed by conventional impact investing. Based on an assessment of 20 blended finance deals and 63 conventional deals, investment platform ANGIN showed that blended finance tends to benefit social enterprises in the fisheries (10%), agribusiness (47%), and forestry (21%) sectors. A large portion of the capital also goes to women-led businesses (47%), but only 11% is allocated to tech. This contrasts with conventional impact investments, which tend to focus on tech-enabled (83%) and non-women-led business (87%).

“US$3.3 trillion to US$4.5 trillion annually is needed to achieve the 2030 Agenda for Sustainable Development. The current level of public and private investments in SDG-related sectors falls short, especially in developing countries like Indonesia, where the average annual funding gap reached US$2.5 trillion.”

E-commerce: Indonesia has experienced significant growth in its e-commerce industry with GMV reaching $51B in 2021. E-commerce not only offers convenience and time savings for shoppers, but also increased opportunities for MSMEs. As of January 2022, 16.4 million MSMEs have gone digital, corresponding to a tremendous 105% increase from pre-pandemic levels. Digitally-engaged MSMEs are likely to sell more goods and services nationwide and even export abroad, which positively boosts their revenue. Very few of Indonesia’s MSMEs have utilized digital platforms, while the majority of MSMEs remain offline due to barriers in adapting to new technologies. Continuous support is key to enabling MSMEs to better operate in an increasingly digitized world.

Agriculture: Agriculture is a key sector in Indonesia that contributes as much as 13% of GDP and 30% of national employment. The sector is central to the nation’s food security and vital to nourishing a growing population. Improving agricultural productivity, sustainability, and competitiveness are crucial to deliver on this need. Digital agriculture offers tech-enabled solutions that can accelerate critical transformation in the agricultural sector. Indonesia’s startup ecosystem has experienced rapid expansion in digital solutions for agriculture, with US$185 million across 26 deals raised by agritech or foodtech companies in Indonesia in 2020. These tech actors have made important contributions in enhancing efficiency across the sector’s value chain. Embracing digital transformation can increase yields, improve the efficiency of resource use, and build sustainability and resilience in the sector. The benefits will not only accrue to farmers, but also help in establishing food security for a growing population.
Logistics: The logistics sector has experienced rapid growth as a result of substantial expansion of e-commerce. Significant improvements are now needed in Indonesia’s supply chain, as logistics performance at large has been hindered by poor infrastructure, complex bureaucracy and regulations, as well as limited standardization. Indonesia’s sprawling archipelago also creates significant geographical challenges for robust and efficient supply chain management. Technological adoption is key to improved logistics performance, with tech-enabled logistics able to deliver more efficient management, reduce costs, and help propel the development of the digital supply chain in Indonesia.

Health: Indonesia’s digital health space remains in its infancy, but the rise of healthcare startups has facilitated digital transformation in the sector. The results include new, wide-ranging, and integrated services, such as online consultations, crowdfunding, COVID-19 test booking, doctor appointments, digital drugs purchases, and more. Nonetheless, a shortage of physicians, low service quality, and a lack of regulation and technological adoption are key problems that should be addressed to establish an optimal healthcare system in Indonesia. The development of a robust health tech ecosystem can help deliver on this goal through improved digital access to healthcare, the transfer of knowledge on digital health, and by introducing technologically-advanced devices to traditional healthcare settings.

Education: There is still significant room to improve Indonesia’s education sector. The Program for International Student Assessment (PISA) 2018 ranked Indonesia 71st out of 79 countries assessed, partly due to an unequal distribution of high-quality education programs and infrastructure. Like in other sectors, the pandemic has accelerated the adoption of digital technology in education. Education technology (edtech) in Indonesia has introduced initiatives and solutions that benefit teachers, students, parents, and other stakeholders in enhancing students’ learning. Nonetheless, low education quality, low participation in pre-school and higher education, as well as low graduate employment rates remain key challenges in the country. In this respect, edtech can be a game-changer by enabling the transformation of the education industry. It can provide learning resources and support to large sections of the population. It can facilitate equal access to better education, as well as an inclusive learning framework to help create digitally skilled talents in Indonesia.

Fintech: Digital financial services is a national tech sector that has experienced robust growth, partly driven by the substantial increase in internet adoption. Lending (50%) and Payment services (23%) make up the largest share of the fintech landscape in Indonesia. The pandemic particularly accelerated the growth of person-to-person (P2P) lending, likely due to the growing need for financing amid economic turmoil.

Indonesia’s Financial Services Authority (OJK) reported that the number of borrower accounts increased by a staggering 287% to reach 71.8 million between 2019 and 2021. The success of fintech has delivered real benefits to financial inclusion in the country by making financial services more accessible to previously unbanked and underserved populations. Providing financial education and improving financial literacy will be key to ensuring locals are able to access these opportunities and enhance their own economic well being.

Climate Technology: The increasingly apparent consequences of global climate change have amplified awareness and intensified the global effort to mitigate worst-case scenarios. The adoption of environmental, social, and governance (ESG) principles among corporations is accelerating, as pressure mounts to find sustainable solutions and pursue a true ‘green recovery.’ This, in turn, created a new flow of investments in climate technology. There was a 210% increase in climate technology investments globally between 2020 and 2021. Indonesia is likely to play a pivotal role in provision of nature-based solutions, as well as technological breakthroughs for climate change mitigation and adaptation. A growing number of Indonesian tech startups are emerging to offer state-of-the-art green solutions. Integrating ESG principles in business practices is also becoming the new norm, with a commitment to create not just financial worth, but also positive social and environmental value.

Moving forward...

Indonesia is set to experience rapid and ongoing digital growth. Demand will be driven by consumers, corporations, and the government.

Consumers: Indonesia has seen rapid expansion of digital solutions across the consumer landscape, particularly in the area of digital payments—a trend projected to continue in 2022. The greater availability of government-backed digital payments tools (such as LinkAja) that target rural, aspirant, and ultra-micro groups will play a key role. These offer a wide range of features (bill payments, remittances, toll road access, etc.), and will enable improved access to formal financial services for a greater share of Indonesians moving forward.
Digital payment users in Indonesia has consistently increased and is likely to grow

![Graph showing digital payment users growth from 2017 to 2022](image)

LinkAja is a government-backed digital payment service provider with the mission to provide a payment platform and financial services to middle-class/aspirant population and MSMEs in Indonesia. LinkAja 34 provinces financial and economic inclusion. 77% of its users are classified as Tier 2 (rising urbanities) and Tier 3 (slow adopters) – groups that are poised to be major contributors to Indonesia’s digital economy.

The platform collaborates with state-owned companies to provide comprehensive payment features for daily needs (e.g. data purchase, electricity bill payments, public transportation, gas payments, toll road payments, and domestic remittance). It launched its Shariah service in 2019. LinkAja secured its Series B funding via a strategic investment from Grab which complemented simultaneous investments made by Telkomsel, BRI Ventures, and Mandiri Capital. Source: BCG Report (2021), Alpha JWC and Kearney Report (2021), LinkAja website.
Corporations: As Indonesia’s economic engine, MSMEs will be at the forefront of expanding digital demand. Digital technologies will unlock and scale up opportunities for MSMEs that continue to contribute the greatest share of employment and GDP in Indonesia. According to a 2017 report by Indonesia’s Commission for the Supervision of Business Competition (KPPU), MSMEs can unlock an 80% increase in revenue growth by leveraging technology in operations.

Government: Demand for digital government services will increase, as Indonesia progresses in its journey towards the Government 4.0 objective. This digital transformation will entail: (1) the establishment of an Indonesia One Data policy to create more efficient national data centers; (2) the use of new technology (e.g., big data, internet of things, machine learning, blockchain) to improve governance transparency, effectiveness, and efficiency; (3) the creation of a one-stop-shop platform to synergize and integrate licensing processes and public service provision; and (4) the strengthening of regulations for digital government. This strategic plan will stimulate the digital ecosystem and bolster digital growth nationwide.

With increased digital demand, digital supply must also keep pace, particularly in technological advancements and the availability of digital infrastructure. Indonesia has promising technology foundations. The country leads in the number of billion-dollar startups (unicorns) compared to other Southeast Asian countries. BCG’s insight on Indonesia’s Digital Economy (2021) also reported that startups in Indonesia had the most financing in Southeast Asia in 2020. In terms of digital infrastructure, Indonesia’s data center market has seen the fastest growth in Southeast Asia. There remains room for improvement as the number and capacity of data centers in Indonesia still lag that of neighboring Singapore. The country’s tech sector will benefit particularly from increased infrastructure investments via the Indonesian Investment Authority (INA)—a recently established sovereign wealth fund that will pave the way for domestic and international investors to finance infrastructure development in the nation’s tech ecosystem.

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Indonesia has more unicorns than any other country in Southeast Asia

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<th>Indonesia</th>
<th>Singapore</th>
<th>Malaysia</th>
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<td>tiket.com</td>
<td>traveloka</td>
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Indonesia’s number and capacity of data centers exceed some of its middle-income counterparts

<table>
<thead>
<tr>
<th>Country</th>
<th>Data center IT capacity in 2019</th>
<th>Number of data centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>20 MW</td>
<td>28</td>
</tr>
<tr>
<td>Malaysia</td>
<td>40 MW</td>
<td>44</td>
</tr>
<tr>
<td>Indonesia</td>
<td>50 MW</td>
<td>61</td>
</tr>
<tr>
<td>Singapore</td>
<td>410 MW</td>
<td>97</td>
</tr>
</tbody>
</table>

0 MW  100 MW  200 MW  300 MW  400 MW  500 MW
Key challenges moving forward...

Digital talent remains scarce in Indonesia, but several measures have been implemented by the government to improve the country’s talent pool. STEM graduates account for just 8 out every 10,000 tertiary degree holders in Indonesia. Yet according to a BCG report, Indonesia needs at least 600,000 new digital talents annually to establish an adequate digital ecosystem over the next 15 years. To address this issue, the government offered digital talent scholarships to 50,000+ participants in 2020 to participate in intensive training in information technology (IT). Gadjah Mada University (UGM) also provided 450 scholarships to final year students or recent graduates to pursue studies in artificial intelligence (AI), IoT, or cybersecurity. It is hoped that these initiatives will contribute to an expanded talent pool of digital talents in Indonesia.

Despite an increase in the number of Indonesian internet users in recent years, digital literacy remains low. The Economic Intelligence Unit ranks Indonesia 81st out of 100 countries in digital literacy—significantly lower than Malaysia (33rd) and Singapore (22nd). This low level of digital literacy is particularly prevalent in rural areas. Among MSMEs surveyed by BCG and BIBL, only 20% of MSMEs are rated as digitally literate. This implies the need to bridge an increasingly critical digital divide and address low adoption of digital technology by MSMEs. Low levels of digital literacy not only limit digital economic opportunities, but also makes users vulnerable to hoaxes and scams.

It may also lead to naive users engaging in unacceptable behavior online (cyberbullying, cybercrime, etc), a point highlighted in Microsoft’s Digital Civility Index Report which ranked Indonesia 28th out of 32 countries. Improving the nation’s digital literacy should be a key priority, not only to ensure the equal benefit of digitalization to all, but to engender a safer digital environment across Indonesia.

Indonesia needs to boost gender diversity in the technology industry. Gender diversity in the workplace creates added value for everyone. A study by the International Labour Organization (ILO) highlighted that improving gender diversity in the workplace can boost profitability and productivity, increase the ability to retain talent, and foster greater creativity. BCG research reveals that the share of women in Indonesia’s workforce (32%) is the lowest among the countries surveyed by BCG. This also translates to the lowest share of women in the field of technology (22%). Continued and more aggressive efforts are needed to encourage more women into the tech industry. This should also look to address a landscape where women tend to participate less in technology-related degrees. Setting gender diversity programs in the workplace, building female leadership capacity, creating allies with male peers, and shaping a gender-responsive education curriculum are among the actions that technology companies, government, and women themselves can all take to progress in gender diversity.

“A study by ILO highlighted that improving gender diversity in the workplace can boost profitability and productivity, increase ability to retain talent, and foster greater creativity.”
CREATING POSITIVE IMPACT WITH A DIVERSE PORTFOLIO

A major focus of our mission at AC Ventures is to create a positive impact across a variety of sectors. We aim to do this by investing in companies that seek to bring about meaningful change for the environment and society at large.

We remain committed to deepening our portfolio across the region, with a key focus on Indonesia. In total, more than 7.5 million lives and businesses are directly affected by our portfolio companies, of which more than 4 million exist in the lower- to middle-income segment.

ESG measurements are assessed through a net impact ratio – a measure of how effectively a group of companies turns resources into positive impact. The method measures how startups impact the world around them in terms of environment, health, society, and knowledge. We leverage the respected net impact assessment model of The Upright Project to assess our portfolio’s impact.

This year, the net impact ratio of our firm and its portfolio clocked in at an impressive positive 37% with our strongest areas being Society and Health.

In our effort to deliver positive change, we also look to align with the United Nations’ 17 Sustainable Development Goals (SDGs). SDGs are a call to action for countries and organizations to work toward a sustainable and equitable future. AC Ventures’ portfolio is currently most aligned with the ‘Zero Hunger’ SDG through our investments in companies focused on the nutrition space.

Companies within our portfolio deliver further positive impacts through job creation, societal infrastructure, and equality, aligning with the ‘Decent Work and Economic Growth’ with ‘Industry Innovation and Infrastructure’ SDG also aligning well thanks to knowledge-creation and infrastructure at scale.

SOCIETAL CONTRIBUTION

Our firm and portfolio make the largest positive societal contributions through job creation and societal infrastructure with more than 200,000 jobs created for Indonesians with the direct help of our portfolio. 61% of our companies boast a presence in second- and third-tier cities.

Aruna—a fishing industry startup—offers a powerful case study, working with local fishermen to achieve direct global market penetration through digital platforms. It works with more than 28,000 fishermen across 150 communities throughout Indonesia.

We are also committed to fostering diversity in the workplace, with a particular focus on female inclusion. Our in-house team has a 1:1 gender ratio, and 41% of our portfolio companies have female founders.

DRIVING INNOVATION

By contributing to the nation’s overall knowledge infrastructure, our portfolio companies also contribute to the SDG of ‘Industry, Innovation and Infrastructure.’

JULO—a digital credit platform—has provided credit to more than 500,000 customers since its launch in 2016. By offering direct bank transfer software and installment loans to small- and medium-sized businesses, JULO helps enhance financial inclusion, knowledge, and options for working capital.

Portfolio company Waste4Change offers a further example within the waste management sector. It focuses on reducing waste-to-landfill through innovative waste management services, aligning with the SDG “Industry innovation and Infrastructure” alongside “Responsible Consumption and Production.”

IMPROVING HEALTHCARE

Our portfolio provides a path to improved healthcare through a focus on nutrition. Reliable access to affordable, nutritious food is a key building block to improve Indonesia’s health as a nation.

Portfolio company EdenFarm provides an optimized B2B food supply chain, working with local farmers to deliver food products to restaurants, providing diverse and affordable choices that align strongly with the SDG of ‘Zero Hunger.’

In addition, portfolio company Ula works with more than 70,000 warungs—informal, open-air food stalls—across Indonesia to improve access to nutritious food through its digital marketplace platform and home delivery services. This generates a positive net impact on health and welfare for local communities.

These companies represent select examples of how AC Ventures and its portfolio look to drive measurable, positive change throughout Indonesia.
Delivering impact nationwide

By investing in early-stage, high-growth tech businesses, our vision is to be a generational partner to founders driving positive societal change and economic impact in Indonesia and beyond.

US$500M
AUM
100+
COMPANIES
3
OFFICES
50:50
GENDER BALANCED TEAM
200+
FOUNDERS
35
PROFESSIONALS
12
UN Sustainable Development Goals (SDG) contributed
AC Ventures has made tremendous progress in building its portfolio of companies across Southeast Asia. With dedicated continuous support, these companies have created positive economic, societal, and environmental impacts across the region.

**IMPACTING LIVES AND BUSINESSES**

- 7.5M+ total lives and businesses impacted by our portfolio
- 4M+ lower- to middle-income individuals and businesses impacted by our portfolio

**EXPANDING THE REACH OF SERVICES**

- 61% of portfolio companies have a presence in Tier 2 and Tier 3 cities

**INCREASING GENDER EQUALITY**

- 41% of portfolio companies have women co-founders

**BUILDING JOBS FOR INDONESIANS**

- 200K+ jobs created from portfolio investments

**EMPOWERING RURAL COMMUNITIES**

- 20K+ fishermen collaborating with portfolio
FEMALE FOUNDERS FOCUS

At AC Ventures, we believe in the importance of gender diversity as a key element of building businesses that address the diverse needs of customers. That’s why a focus on female founders plays an important part in our portfolio of companies.

Gender diversity can make companies more innovative and agile while at the same time improving their financial performance. BCG research highlights that companies where women account for more than 20% of the management team have approximately 10% higher innovation than companies with male-dominated leadership.

This is why we are committed to fostering diversity and monitoring gender balance, particularly female participation, across our portfolio.

This is in line with Indonesia’s national commitments to achieve female economic empowerment. Currently, 41% of our companies that we invest in have female founders [FF].

At AC Ventures, we also bring diversity in our workplace. We strive to ensure that fair and non-discriminatory opportunities and practices are followed within our firm. To date, we have a 50:50 gender balance team. We are also currently participating in IFC’s Invest2Equal program and have made 2 on-going pledges on both the fund side as well as the investment side.

IMPACT ACROSS INDUSTRIES

AC Ventures is committed to delivering industry-agnostic investment with impact, unleashing the power of enterprises through tech-driven innovation to unlock widespread socio-economic benefits. The following case studies offer a non-exhaustive representative sample of those investments across e-commerce, agriculture, education, financial services, and environmental industries.

37% Female Founders
Supercharging Digital Transformation with E-commerce

Despite the devastating impact of COVID-19, Indonesia’s e-commerce market has experienced significant growth, largely thanks to mobility restrictions and physical distances driving a substantial increase in online shopping and e-commerce usage. Indonesia’s e-commerce GMV grew from US$21 billion in 2018 to US$35 billion in 2020. The e-Conomy SEA 2021 report projects that the number could grow to US$104 billion by 2025, as Indonesia solidifies its position as the biggest e-commerce market in Southeast Asia.

The rise in online commerce has also provided new revenue streams to businesses during the COVID-19 pandemic. The World Economic Forum found that 25% of all entrepreneurs in Indonesia only started their online businesses during the pandemic. This growth in online presence has given MSMEs the advantage of increased revenue from more goods being sold and contributed to economic growth beyond Indonesia’s economic powerhouse of Java.

Further development in Indonesia’s ICT and logistics capacity are needed to further propel the growth of e-commerce. Equal access to digital opportunities, resources, and improved digital literacy among MSMEs and individuals is imperative to encourage higher adoption of online platforms. Continuous support from favorable government policies and industrial training will be pivotal in further reducing the digital divide and amplifying the benefits of e-commerce to all.

Highlights

Ula is an e-commerce startup focused on activities supporting Indonesian MSMEs to better manage their distribution, inventory, and working capital through technology. To date, the company has attracted more than 10,000 stores to register with Ula, and positively contributed to job creation, societal infrastructure, and nutrition.
Ula’s net value creation contributes to a net impact ratio of +45%. Among the four key dimensions (Society, Knowledge, Health, and Environment) used to measure the net impact ratio, Ula creates positive impact in all four dimensions, with the greatest value created in the Society and Health dimensions.

Ula’s largest positive impact comes from its societal contribution, particularly in creation of jobs, tax payment, and providing essential societal infrastructure. This is driven by Ula’s contribution in providing digital marketplaces connecting consumers with retailers (both in food and in clothing), enhancing their reach to relevant customers. Ula enables these retailers to grow their operations and provide vital retail services to society, which is seen as a part of societal infrastructure.

Through its activities, Ula also creates positive value in the Health dimension, with the most significant impact related to the nutrition indicator. This is driven by its digital marketplace for food, direct selling of food, and grocery home delivery services that facilitate easy access to nutritious food products.

Ula’s digital marketplace operations distribute knowledge (e.g. about inventory) for their users, which is seen as a positive impact in the Knowledge dimension.

On the other hand, software production assisting small retailers (in e.g. working capital management and inventory) requires specialized knowledge and skills of highly educated people such as programmers. The opportunity cost of their skills and time is considered to be a resource use as there is only a limited number of these talents available.

On the Environment side, Ula’s activity does create a negative impact, particularly related to the GHG emissions indicator. GHG emissions from operations and the value chains of the products and services can be high, if not managed sustainably.

Ula is a tech startup that focuses its services on small retailers and MSMEs in Indonesia. It aims to modernize Indonesia’s warungs by providing them with working capital, inventory, and distribution services through technology, so that they can improve their margins and grow their businesses.

Since its establishment in January 2020, Ula has grown by 230x, and now offers more than 6,000 products and serves over 70,000 traditional retailers in Indonesia.

In supporting small retailers in Indonesia, Ula offers three technology-enabled solutions:

- Sobat Ula: A B2B marketplace that provides small retailers with a wide range of products, competitive prices, and reliable delivery.
- Teman Ula: A community selling program that supports entrepreneurial individuals who wish to earn additional income, while helping their communities.
- Titik Ula: An initiative to offer store owners (or anyone) with unutilized space the opportunity to become an Ula pick-up point and earn extra income.

In 2021, Ula secured Series B funding, and aims to use the funds to invest in geographic, product, and team expansion, focusing on supporting underserved retailer communities in Tier 2-4 cities through technology.

In the same year, Ula was also offered cooperation by an independent township project, Shila at Sawangan, to develop a modern market (Pasar Modern) in the Sawangan area of West Java.
Transforming Agriculture with Technology

Agriculture is one of the most important sectors in Indonesia: it accounts for 30% of total national employment, contributing to over 13% of the country’s GDP. Yet businesses in this sector face key and persistent challenges around easy access to market, capital, and technology for farmers.

Farmers often lack direct access to end-consumers due to long and complex supply chains involving multiple layers of intermediaries. Farmers also face difficulties in obtaining financing at reasonable interest rates, primarily owing to lack of collateral required to access bank loans. At the same time, traditional financial products match poorly with farmers’ seasonal income cycles. Despite the technological innovation in the agricultural sector, farmers in rural areas also often lack the basic technical skills required to access new technology.

The Indonesian Government has ramped up ambitious initiatives to increase digital adoption in agriculture, which provides fertile ground for the emergence and growth of agricultural technology (AgriTech) startups. These tech actors have made important contributions, such as cutting intermediaries in the agriculture supply chain and enabling farmers to be more directly connected to end-consumers.

Embracing this digital transformation will be a critical factor in the positive evolution of the sector in Indonesia, and one which can significantly improve the sector’s productivity, supply chain, market access, and financing, as well as offering a driver for continuous future growth.

Highlights

EdenFarm has been providing marketplace solutions to local farmers that simplify the agricultural supply chain, enhancing agricultural output and boosting farmers’ incomes.

Net impact ratio

<table>
<thead>
<tr>
<th>Category</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Society</td>
<td></td>
</tr>
<tr>
<td>Knowledge</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td></td>
</tr>
</tbody>
</table>

Net impact ratio comparison

- EdenFarm: +49%
- US Foods: -20%
- McDonald’s: -40%
Since its launch in 2017, EdenFarm has utilized technology to successfully build an integrated food distribution network, streamlining agricultural supply chains to increase margins by reducing prices and cutting out intermediaries. EdenFarm also works with local farmers across Indonesia to improve production consistency by providing accurate demand forecasts that contribute to forward planning to ensure reliable supply chains. Through this solution, EdenFarm empowers local farmers, offering a path to improved livelihoods.

EdenFarm’s mission to create a sustainable food ecosystem was implemented through various strategic efforts, such as the launch of the Eden Collection Facility (ECF) Caringin in March 2022.

This is an EdenFarm commodity center that will provide assistance to farmers with a structured cropping pattern scheme (skema pola tanam yang terstruktur) and continuously utilize produce from local agricultural communities.

To date, EdenFarm has served more than 50,000 customers and operates in 14 cities and three districts in Java. EdenFarm is also a trusted ingredient supplier to top culinary businesses in Indonesia. During the pandemic, EdenFarm helped various culinary businesses with continued availability of food supplies at stable prices.

“We entrust our supply of raw materials at EdenFarm, having been subscribers since we opened our first outlet in Jakarta. Service and quality has become even more satisfying as time goes by. Thank you EdenFarm!” – Crunchäus Salads
Improving Education Outcomes with Technology

Indonesia has made significant progress on expanding access to education. This has been driven by key reforms in the public education system, increased quality of spending, and the increasing use of information, communication, and technology (ICT). The use of education technology (EdTech) offers significant promise to further catalyze progress in education. A 2018 study by Cambridge International showed that almost 40% of all Indonesian students use ICT suites or computer rooms in their classrooms, more than many other countries. The COVID-19 pandemic has only accelerated the use of technology, with educational institutions encouraged to use remote learning to maintain educational continuity and improve resilience for future crises.

Although the overall Indonesian EdTech sector remains in its infancy, the rise of new startups in education has enabled the sector to catch up with global pioneers. Indonesian EdTech companies have contributed through helping students with learning and upskilling, and helping educators with teaching, communication, and student management. With increasing digitalization in Indonesia, there is significant potential for Indonesia’s education sector to embrace technology to improve learning outcomes.

Key challenges remain to be overcome, including poor connectivity and suitable devices in rural areas, inconsistent quality of educators in Indonesia, and poor understanding of key skills needed within the next-generation workforce.

The rise of EdTech startups offers fresh impetus to revolutionize Indonesia’s education system and upskill digital talents in the country. Continuous support from the government, among others, through improved digital infrastructure, increased digital literacy, and improved data security and privacy, are needed for the Indonesian EdTech sector to thrive.

Highlights

CoLearn—an online educational application—provides e-learning content, study tools, online teaching services, and an interactive learning platform designed to help students improve their learning processes and support them with assignments and test preparation. It combines conventional and technology-based educational methods with a focus on mathematics, physics, and chemistry. Through these tools, CoLearn strives to elevate Indonesia to the top 50% of global educational assessment PISA scores, and address the need for digital talents in Indonesia.

Net impact ratio

- Society: 52%
- Knowledge: 40%
- Health: 20%
- Environment: 10%

Net impact ratio comparison

- CoLearn
- EF Education First
- Duolingo
Combining conventional and technology-based educational methods, CoLearn strives to enhance STEM education by providing the best tech-enabled educational content in mathematics, physics and chemistry.

CoLearn was launched during the height of the COVID-19 pandemic. Recognizing the need for reliable educational content to support remote learning, CoLearn quickly reached 3.5 million students and received more than 5 million questions per month.

A survey showed that 80% of students saw an increase in grades after using CoLearn.

Additionally, the company utilizes artificial intelligence technology to respond to questions and improve the experience.

In August 2020, CoLearn successfully released its digital application to support high school students in mathematics. To date, CoLearn has more than 4.8 million users and provides more than 60,000 mathematical solutions, as well as offering interactive, live classes. The CoLearn app was named as the Best Google Play Apps 2020 in the category of Best Personal Growth.

Indonesia’s Avg GDP / Capita: US$4,200 (or IDR 5.5m / month)

“Mathematics becomes a fun subject! Galena’s learning development is improving. The enthusiasm for learning has increased since joining the CoLearn’s live classes.”

– Parent
Making Finance Accessible to All Through Technology

Almost half the population in Indonesia is still unbanked, making it one of the largest unbanked populations in the world. Access to finance also remains a challenge across the business ecosystem. MSMEs contribute to more than 80% of Indonesia’s GDP. Yet of the 58 million MSMEs in Indonesia, only 12% have access to credit or financial products—largely due to the lack of collateral or credit history. Financial inclusion is a key development outcome championed by the Indonesian Government. The adoption of financial technology (FinTech) is seen as a crucial lever in this ambition, with the goal of leveraging the FinTech industry as a core element of the national program for economic recovery.

FinTech development in Indonesia has been notably accelerated by the COVID-19 pandemic. This is largely due to both the increase in internet adoption and increased demand for P2P lending to weather financial turmoil. Increased financial inclusion of MSMEs and unbanked populations has been a major benefit of FinTech growth.

FinTech complements financial institutions, government, and non-governmental programs in increasing MSMEs’ access to funds, while offering accessible microcredit products to all levels of Indonesian society.

Given the benefits of FinTech development, improving financial literacy becomes imperative to accelerate the growth of FinTech and boost wider financial inclusion.

**Highlights**

KoinWorks is committed to providing integrated and accessible financial services to entrepreneurs and MSMEs in Indonesia through technology. The company assists customers in obtaining digital banking services through KoinWorks Neo that are suitable to their business needs with products ranging from gold savings, artificial intelligence-based P2P lending, funds for education, access to initial wages, and bond purchases.

Net impact ratio

- Society: +63%
- Knowledge
- Health
- Environment

Net impact ratio comparison

- KoinWorks
- Mastercard
- Goldman Sachs
- Bank Central Asia
Additionally, KoinWorks’ impact on the Environment is limited, including mostly just a negative impact on low GHG emissions driven by the energy needs of the company.

Established in 2016 as a P2P lending company that connects retail lenders and institutional lenders with MSME loans, KoinWorks is now Indonesia’s first financial super app, providing full-stack financial solutions to more than 300,000 active users. KoinWorks was established with the mission to provide easy and affordable access to financial solutions through technology—essentially contributing to the Indonesian Government’s mission to increase financial inclusion and provide accessible quality financial services at affordable costs.

Since its inception in 2016, KoinWorks has been committed to meeting the financial service needs of entrepreneurs and business owners. KoinWorks has expanded its product offering to include gold savings, artificial intelligence-based P2P lending, invoice guaranteed financing, fund for education, access to initial wages, and bond purchases.

In 2021, KoinWorks launched its new product — KoinWorks NEO—an integrated financial service for MSMEs, with the goal of assisting access to digital banking services such as deposit accounts, payments, and more, and allow users to meet their business needs in one click, in line with its tagline “One Click to Grow Your Business”.

The most impressive thing about KoinWorks is the service. The administration (the loan application and disbursement process) is really quick. At most, three to four days the funds are already disbursed”. – Eunike Adelia Kopitagram

KoinWorks’ net value creation delivers a net impact ratio of +63%. Among the four key dimensions (Society, Knowledge, Health, Environment), KoinWorks creates the most significant positive Impact in the Society dimension.

KoinWorks’ largest positive impact comes from its societal contribution, particularly from job creation, tax payments, provision of social infrastructure, and improving equality and human rights. KoinWorks’ products in providing P2P money lending platforms for installment loans and consumer credit are part of critical financial infrastructure in the society. With its integrated financial services, KoinWorks also targets MSME players and assists them in utilizing digital banking services for their business needs, thereby enhancing equal access to financial services.

In the Knowledge dimension, KoinWorks creates a major positive impact by contributing to distributing knowledge through its P2P money lending platforms, as the company can inform entrepreneurs and MSMEs about important financial aspects. Nonetheless, KoinWorks’ use of scarce human capital does not account for a significant negative impact. This is due to the need for specialized knowledge and skills required for creating their financial products and services.

In the Health dimension, KoinWorks delivers a positive, albeit minor, contribution. It stems from the measurement of meaning and joy, as having a possibility to grow your business with the help of proper financial services often creates positive feelings among entrepreneurs.

Highlights:
1.7M PERSONAL USERS / 740K BUSINESS USERS
US$60M MONTHLY DISBURSEMENT
US$153M AUM
Tackling Climate Change Through Clean Technology

The 2021 United Nations Climate Change Conference (COP26) delivered a renewed and more ambitious commitment from all countries to mitigate the impact of climate change and seek to limit global warming to no more than 1.5°C above pre-industrial levels. This followed in the wake of a stark warning issued by the International Panel for Climate Change (IPCC) that, on current business models and pathways, there is greater than a 50% chance that the earth will warm more than 1.5°C within the next two decades. It is clear that companies need to accelerate their energy transition and align their vision to reduce their climate impact. This is vital if companies are to continue innovating and creating value without exacerbating the environmental impact on the planet.

In line with this challenge, the investment landscape in climate tech has seen strong growth. According to PeC State of the Climate Tech 2021 report, there was a 210% increase in global investment in climate tech between 2020 and 2021, representing US$60 billion invested in 3,000 climate tech startups globally.

In Indonesia, the climate tech ecosystem is also gaining traction. With its abundant biodiversity and natural capital, Indonesia holds great potential for nature-based solutions to mitigate the impact of climate change.

Innovators are identifying these opportunities and building innovative green solutions to contribute to climate change mitigation with global benefit. Integrating ESG principles in business practices is, therefore, becoming pivotal to create not just financial worth, but also achieve social and environmental aspirations.

**Highlights**

Waste4Change—one of Indonesia’s leading clean tech startups—has been providing end-to-end waste management solutions to individuals, government, public, and private organizations in Indonesia. Since its founding in 2014, the company has engaged with 253 clients, delivered 273 projects, and managed over eight million kilograms of waste. The company also collaborates with provincial governments and companies such as Pixel to improve waste management practices and promote recycling. Waste4Change’s ultimate aim is to shift waste management in Indonesia toward a responsible ecosystem that supports the implementation of a circular economy.
Waste4Change is a sustainable waste management company that aims to reduce waste to landfill through its waste management service and campaign/advisory service.

Waste4Change’s unique approach is captured in the use of a zero waste to landfill method, where waste segregation is carried out at the source, ensuring that waste is processed without being dumped in landfills. The company provides the opportunity of collection and sorting services to recover valuable inorganic and organic materials from the waste supply chain.

To date, about 38% of the collected waste is recycled, and now Waste4Change operates in major cities across Indonesia such as Jakarta, Bogor, Depok, Tangerang, Bekasi, Surabaya, Sidoarjo, Semarang, Medan and Bandung.

The company targets to increase its waste management capacity to 2,000 tons per day in the next 5 years. Waste4Change is also developing a smart city platform focusing on waste management that will include waste monitoring, financing solutions for waste management projects from upstream to downstream, and providing education related to waste management.

Waste4Change’s net value creation achieves a net impact ratio of +70%. Among the four key dimensions (Society, Knowledge, Health, Environment), Waste4Change creates the greatest overall positive value on the Society and Environment dimensions.

As all companies do, also Waste4Change contributes positively to society in job creation and tax payments. The company’s main products and services include recycling education, waste management planning, provision of dumpsters, waste treatment with black soldier flies, and waste data analytics and optimization software.

As a waste management company, Waste4Change generates a positive impact on the Environment. Proper handling and recycling of waste e.g. reduces GHG emissions and waste that ends up in landfills, which shows as a positive impact in the company’s net impact profile.

On the other hand, the company uses environmental resources and creates some emissions in their operations.

Additionally, Waste4Change creates a minor positive impact in the Health dimension, as improving the waste management of societies is good for basic hygiene and human health, and creates feelings of meaning and joy.

Lastly, Waste4Change’s use of scarce human capital contributes to its negative impact, due to the need for highly skilled workers. However, many of their technology products create and distribute knowledge about waste management, which balances the impacts in the Knowledge dimension.
ACV’s Impact Philosophy

At AC Ventures, we recognize the power of technology to help address pressing global issues. Through investing in tech-focused, high-growth and early-stage businesses we aim to drive positive impact that leads to transformational outcomes for Indonesia and the wider world. Equipped with our extensive local networks, industry knowledge, operating experience, and resources, we back founders with the vision to reshape markets with disruptive new business models. Our mission is to invest in the best Indonesian startups and help them grow into world-class companies to create meaningful impact.

IMPACT FACTORS AT AC VENTURES

At AC Ventures, we take a strategic approach to ensure our portfolio delivers a positive societal impact, while mitigating any consequential negative impacts. We take into account a list of factors when considering a company’s impact. These factors are guided by the following key questions:

1. Does the business model allow the delivery of products/services in a more resource-efficient way than the existing practice?
2. Does the business model leverage the use of technology to create value and transform the industry within which it operates?
3. Does the business create positive changes to its customers’ lives?
4. Does the company measure and monitor its impact on the environment and the society?

IMPACT PRINCIPLES AT AC VENTURES

We frame ‘impact’ as the change our portfolio companies deliver for all stakeholders—employees, founders, shareholders, and the surrounding community.

Our approach is guided by the following principles:

- Tech-focused: Championing a positive tech-driven future
- Founders-first: Passionate about helping entrepreneurs succeed
- Opportunity-led: Focused on innovation that drives sustainable opportunities
- Growth-focused: Leveraging a strategic alliance with a leading alternative capital provider to amplify our growth impact

Our commitment is built on the belief that innovators and entrepreneurs can drive meaningful and lasting change across every aspect of society and the economy.

ACV’s ESG Considerations

At AC Ventures, ESG considerations are critical to our operational practice. We work closely with potential and existing portfolio companies to identify and manage ESG opportunities and risks throughout the investment process.

Prudent management of ESG risks is key to facilitating the greatest positive impact for all stakeholders, while also informing better investment decisions that deliver superior financial returns. In 2022, AC Ventures made a concerted effort to integrate global ESG/impact standards throughout its investment lifecycle.

We take reference from the internationally recognized International Finance Corporation’s (IFC) Performance Standards and Corporate Governance Methodology as our benchmark.

We became a signatory of the United Nations Principles for Responsible Investment (UNPRI) and adhere to the six principles of responsible investing.

We also are committed to diversity and inclusion as we are a signatory of the UNWEP and are participating in the IFC Invest2Equal program.
ENVIRONMENT

AC Ventures generates minimal environmental impact from Scope 1 and Scope 2 GHG emissions. However, we generate indirect impact through Scope 3 activities which present an opportunity for ongoing monitoring.

As a VC firm, we take into account our broad portfolio impacts. Much of our portfolio generates very minor Scope 1 and Scope 2 GHG emissions due to its digital focus. A limited number of companies are monitored and reported for Scope 3 impacts, particularly those operating in e-commerce and AgriTech.

AC Ventures’ ESG collaboration and consultation with our portfolio companies focuses on Net Impact Assessment, developing governance practices, and promoting diversity in company management to enhance growth. We also incorporate industry-specific and enterprise-specific roadmaps and risk assessments, and develop strategies to mitigate these risks.

SOCIAL AND DIVERSITY

Diversity and inclusion is central to our investment strategy, and we strive to empower female entrepreneurs and fund startups that cater to all sections of the society. Currently, 41% of companies that we invest in have female founders.

We are also committed to reflecting that ambition in our own company representation, recognizing the value of gender diversity among our employees and leaders.

Post Investment Monitoring – The Upright Project.

AC Ventures is a committed participant of the IFC Invest2Equal program, which provides a framework to assess and inform our own diversity efforts.

AC Ventures’ engagement with portfolio companies includes a key focus on enhancing business operations and growth, including improving diversity of management teams and workforces, providing a path to added value and improved profitability for our portfolio.

GOVERNANCE AND GOOD BUSINESS PRACTICE

At AC Ventures, we prioritize good governance, robust codes of business conduct, professionalization of business operations, transparency in decision making and reporting, both internally and within our portfolio companies.

AC Ventures endeavors to preserve open, frequent, and transparent communication, disclosures and engagement with our investors and stakeholders through multiple channels, including quarterly reporting, regular newsletters, press releases and market reports.

AC Ventures has also adopted a Code of Ethics and ESG Policy to foster good internal business practice. We promote company training across risk management, ESG, and sustainability topics to ensure that our employees are equipped and empowered to deploy this knowledge across daily business operations.

ESG is deeply integrated in our pre- and post-investment framework to promote value creation. We leverage the Upright Project to compile our Net Impact Assessments.

Our impact is driven by our products and services. We focus on the impacts of a company’s revenue generating products and services and how they contribute to a more sustainable world.

We focus on net positive. We assess both negative and positive impacts, and strive to invest in net-positive enterprises.

We utilize consistent and robust impact methodology. The Upright Project Net Impact Model enables us to quantify a company’s net impact, providing a clear understanding of impacts and in which categories they are generated.

The Upright Model quantifies and estimates the positive and negative impacts of a company’s products and services in 19 impact categories across four dimensions: Society, Knowledge, Health, and Environment.

The maximum net impact value is 100%, representing a theoretical company with no negative impacts, while there is no minimum value. Using this estimate, we gauge and compare our firm’s and companies’ impacts. Currently, AC Ventures creates an overall positive impact, with the most significant impact generated in the Societal dimension.
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