

# ESG Tilting in Indonesia Using Sustainability Scores

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Indonesia is an emerging market with a vibrant capital market and has begun to set its sights on sustainable finance. Indonesian companies and the financial market regulator Otoritas Jasa Keuangan (OJK) have made significant progress in recent years to enhance sustainability practices, which has resulted in a consistent improvement in the S&P Global ESG Scores of some Indonesian companies over the past few years.

The Indonesia Stock Exchange (IDX) has recently partnered with S&P Dow Jones Indices (S&P DJI) to develop the [S&P/IDX Indonesia ESG Tilted Index](#). This paper will illustrate that, via the back-tested performance of the S&P/IDX Indonesia ESG Tilted Index, Indonesian companies that tilted toward higher environmental, social and governance (ESG) scores outperformed a broad market index over most time periods since index inception.

Furthermore, the development of a number of Indonesian ESG-oriented equity indices by several index providers, including the IDX, could provide an incentive for local companies to follow best practices in reporting and disclosure requirements. Access to capital via mutual funds and exchange-traded products indexed or benchmarked to sustainability-oriented indices is just one possible incentive for companies to implement better ESG practices.

# Growth of ESG Data and Reporting Metrics in Indonesia

As of Dec. 31, 2025, over 130 Indonesian companies had an S&P Global ESG Score, up from fewer than 50 in 2019. The S&P Global ESG Score measures a company's performance on and management of material ESG risks, opportunities and impacts informed by a combination of company disclosures, media and stakeholder analysis, modeling approaches and in-depth company engagement via the S&P Global Corporate Sustainability Assessment (CSA).

Over the past several years, S&P Global has increased its capacity in Indonesia to score more companies, and there are more companies actively responding to engagement via the CSA. S&P Global ESG Scores—and the CSA research process that underpins them—form the basis of a robust ecosystem that can help drive corporate disclosures and raise the bar on sustainability standards over time.

There is now a rich data set of ESG-scored companies in Indonesia that can be used to measure and analyze the direction or trend of ESG scoring in a broad market index such as the [S&P Indonesia LargeMidCap](#). In March 2019, the 40 constituent companies of this index had a weighted average S&P Global ESG Score of 31.99. As of Dec. 31, 2025, the weighted average score for this index had improved to over 45.

The S&P Indonesia LargeMidCap is the benchmark of the newly launched S&P/IDX Indonesia ESG Tilted Index, which aims to improve upon the benchmark's weighted average ESG score (see Exhibit 1).

## Exhibit 1: Weighted Average ESG Score

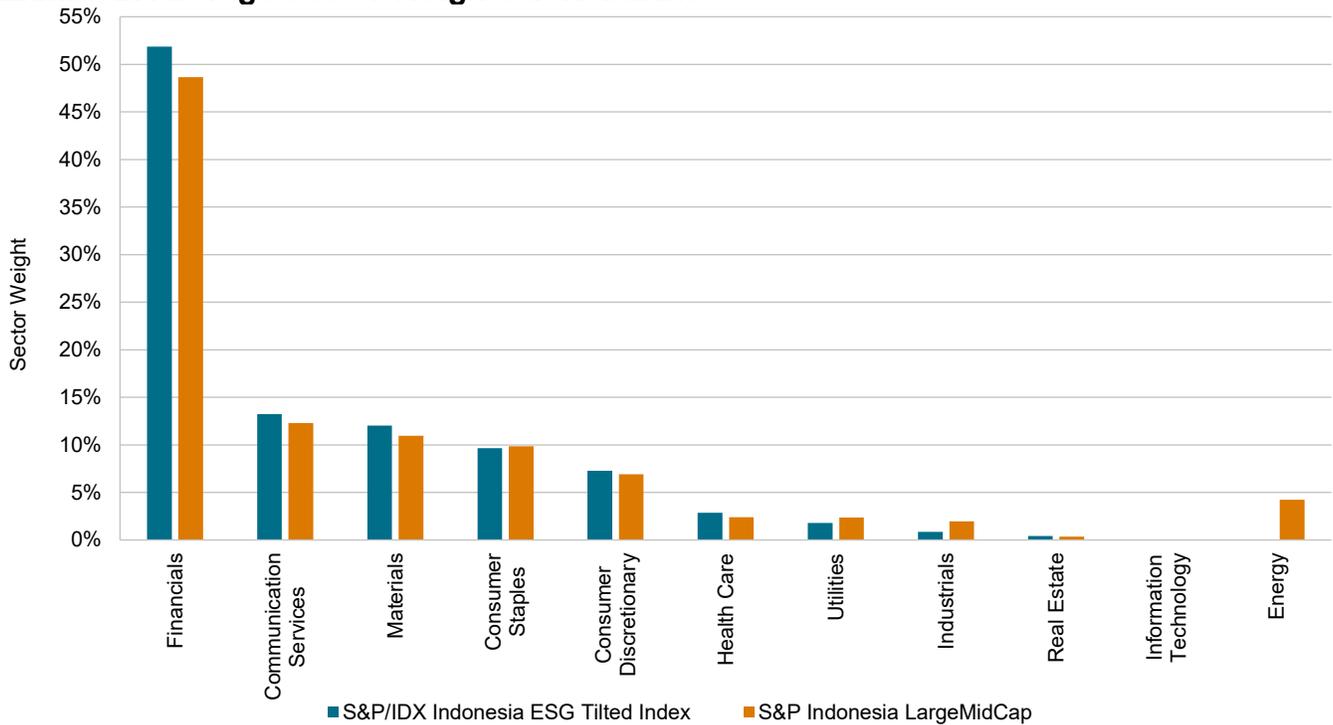
Index Rebalance Year	S&P Indonesia LargeMidCap		S&P/IDX Indonesia ESG Tilted Index	
	Constituent Count	Weighted Average S&P Global ESG Score	Constituent Count	Weighted Average S&P Global ESG Score
2019	40	31.99	33	33.69
2020	37	32.96	31	34.45
2021	29	38.39	24	40.00
2022	42	39.21	38	41.00
2023	49	46.18	42	47.95
2024	51	42.44	41	44.69
2025	45	45.76	35	49.95

Source: S&P Dow Jones Indices LLC. Data as of March 31, 2025. Annual rebalance reference date is typically the last business day of March each year. The S&P/IDX Indonesia ESG Tilted Index was launched Oct. 6, 2025. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

# A New Index to Highlight Companies with the Highest ESG Scores

The S&P/IDX Indonesia ESG Tilted Index was launched in October 2025 and was developed by the IDX and S&P DJI to provide a benchmark for Indonesia’s large- and mid-cap companies, with the objective of improving S&P Global ESG Scores compared to the underlying index—the S&P Indonesia LargeMidCap. Index constituent weights are tilted, with higher weights in the companies with the highest ESG scores within each Global Industry Classification Standard (GICS®) sector. To maintain a reflection of the broad equity market at each rebalance period, the index sector weights are recalibrated to align with the benchmark to maintain relative sector neutrality as optimally as possible (see Exhibit 2).

**Exhibit 2: Average Sector Weights at Rebalance**



Source: S&P Dow Jones Indices LLC. Data as of March 31, 2025. Annual rebalance reference date is typically the last business day of March each year. Chart is provided for illustrative purposes.

## ESG Tilts Combined with Sustainability Exclusions

The S&P/IDX Indonesia ESG Tilted Index’s approach also excludes companies based on business activities deemed undesirable within a sustainability index. As of the 2025 rebalance, there were 10 companies in the S&P Indonesia LargeMidCap universe that were excluded from the S&P/IDX Indonesia ESG Tilted Index.

Companies must meet eligibility criteria to be included in S&P ESG Tilted Indices. First and foremost, a company must have an S&P Global ESG Score to be considered for inclusion.<sup>1</sup> Second, there are exclusion criteria based on controversies, non-compliance with UN Global Compact (UNGC) principles and business revenue generated from fossil fuels and power generation, as well as business involvement thresholds (via revenue) in the following areas: small arms, military contracting, coal, thermal coal, oil sands and tobacco (see Exhibit 3).

### Exhibit 3: Business Involvement Exclusion Thresholds

S&P Global Business Involvement	S&P Global Category	S&P DJI Level of Involvement Threshold (%)	S&P DJI Significant Ownership Threshold (%)
Controversial Weapons	Customized Weapons, Related Products and Services	>0	=>25
Small Arms	Production of Small Arms Weapons for Civilian Use, Production of Small Arms Weapons for Non-Civilian Use, Product of Key Components	>0	=>25
	Retail and Distribution of Small Arms Weapons	>5	N/A
Military Contracting	Integral Military Weapons, Weapon-Related	>10	N/A
Coal	Thermal Coal Mining	=>5	N/A
Thermal Coal	Generation	=>5	N/A
Oil Sands	Extraction and/or Production	=>5	N/A
Tobacco	Production	>0	=>25
	Related Products and Services, Retail and Distribution	=>5	N/A

Source: S&P Dow Jones Indices LLC. Data as of January 2026. Table is provided for illustrative purposes.

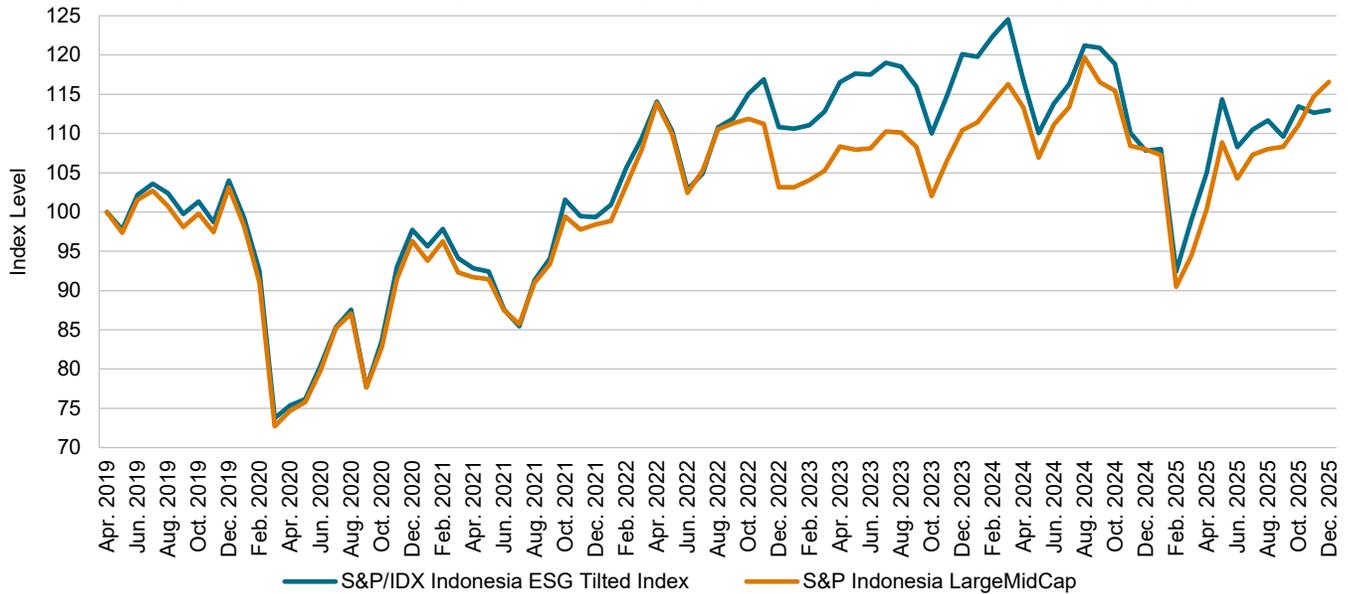
## Performance versus Benchmark

While the S&P/IDX Indonesia ESG Tilted Index was launched Oct. 6, 2025, back-tested index levels start in April 2019. From the back-tested data inception date until Dec. 31, 2025, the S&P/IDX Indonesia ESG Tilted Index underperformed the S&P Indonesia LargeMidCap.

However, for most time periods since the back-tested index inception, the S&P/IDX Indonesia ESG Tilted Index outperformed the benchmark. Recent underperformance has been primarily driven by the strong growth in H2 2025 of a handful of non-ESG-scored companies—particularly in the Materials sector. The Materials sector was a net performance contributor for the benchmark in H2 2025, while being a net performance detractor in the S&P/IDX Indonesia ESG Tilted Index during the same period (see Exhibit 4).

<sup>1</sup> Please see the full [index methodology](#).

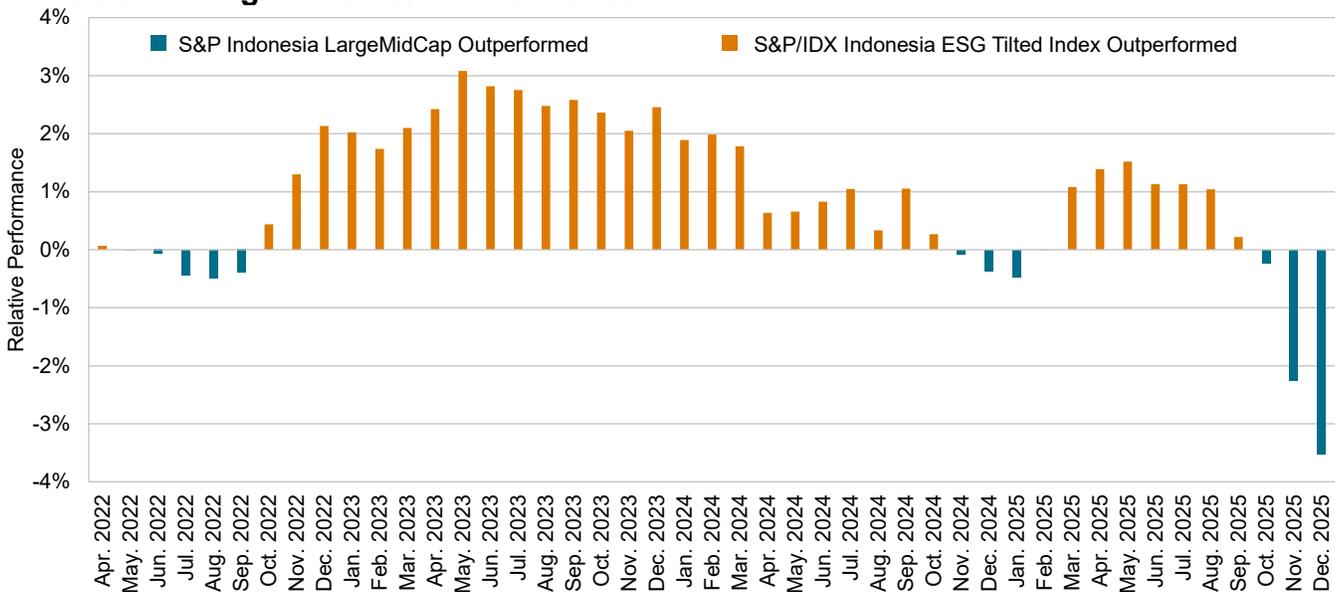
**Exhibit 4: Performance of the S&P/IDX Indonesia ESG Tilted Index versus Benchmark**



Source: S&P Dow Jones Indices LLC. Data from April 30, 2019, to Dec. 31, 2025. Indices were rebased to 100 on April 30, 2019. The S&P/IDX Indonesia ESG Tilted Index was launched Oct. 6, 2025. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Index performance based on total return in IDR. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Despite the recent underperformance, when looking at rolling three- and five-year periods, the S&P/IDX Indonesia ESG Tilted Index outperformed in over 73% and 75% of studied periods, respectively (see Exhibit 5).

**Exhibit 5: Rolling Three-Year Performance**



Source: S&P Dow Jones Indices LLC. Data from April 30, 2019, to Dec. 31, 2025. Index performance based on total return in IDR. The S&P/IDX Indonesia ESG Tilted Index was launched Oct. 6, 2025. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

With fewer constituents, the S&P/IDX Indonesia ESG Tilted Index had slightly higher volatility than the S&P Indonesia LargeMidCap (see Exhibit 6). The sector alignment to the benchmark mentioned earlier helped reduce tracking error, which was under 4% over the longer term.

### Exhibit 6: Performance and Risk versus Benchmark

Period	S&P/IDX Indonesia ESG Tilted Index (TR)	S&P Indonesia LargeMidCap (TR)	Difference
<b>Performance (%)</b>			
Three-Month	3.04	7.65	-4.61
Six-Month	4.32	11.82	-7.50
One-Year	4.75	7.96	-3.21
Three-Year Annualized	0.63	4.16	-3.53
Five-Year Annualized	2.94	3.90	-0.96
Since April 2019	1.84	2.33	-0.48
<b>Risk (Standard Deviation, %)</b>			
Three-Year Annualized	15.36	14.86	0.50
Five-Year Annualized	14.62	14.27	0.36
Since April 2019	17.65	17.32	0.33
<b>Risk-Adjusted Return</b>			
Three-Year Annualized	0.04	0.28	-0.24
Five-Year Annualized	0.20	0.27	-0.07
Since April 2019	0.10	0.13	-0.03
<b>Information Ratio</b>			<b>Tracking Error (%)</b>
Three-Year Annualized	-0.75	-	4.72
Five-Year Annualized	-0.22	-	3.98
Since April 2019	-0.12	-	3.88

Source: S&P Dow Jones Indices LLC. Data from April 30, 2019, to Dec. 31, 2025. The S&P/IDX Indonesia ESG Tilted Index was launched Oct. 6, 2025. All data prior to such date is back-tested hypothetical data. Index performance based on total return in IDR. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

## Performance versus Local Market Indices

Similar to the benchmark, the S&P/IDX Indonesia ESG Tilted Index has underperformed recently compared to well-known local market Indonesian equity indices such as the LQ45 and IDX30; however, the S&P/IDX Indonesia ESG Tilted Index outperformed over longer periods.

Comparisons can only be made in price return terms relative to the local market indices. Nevertheless, as of Dec. 31, 2025, the S&P/IDX Indonesia ESG Tilted Index outperformed over the five-year period and to the back-test inception date of April 30, 2019. Furthermore,

the S&P/IDX Indonesia ESG Tilted Index outperformed the LQ45 and IDX30 in over 84% and 93% of the 45 monthly rolling three-year periods, respectively.

Risk-adjusted returns were also positive for the S&P/IDX Indonesia ESG Tilted Index versus the local market indices over all longer time periods. Tracking error was limited to under 4% versus both the LQ45 and IDX 30 over the entire back-tested period (see Exhibit 7).

### Exhibit 7: Performance and Risk Table versus Local Market Indices

Period	S&P/IDX Indonesia ESG Tilted Index	IDX LQ45	IDX30	Difference versus LQ45	Difference versus IDX30
<b>Performance (%)</b>					
Three-Month	0.58	6.62	5.12	-6.05	-4.54
Six-Month	3.22	9.57	9.63	-6.34	-6.40
One-Year	-0.38	2.41	3.25	-2.79	-3.63
Three-Year Annualized	-3.64	-3.33	-3.60	-0.31	-0.04
Five-Year Annualized	-0.72	-1.97	-2.74	1.25	2.02
Since April 2019	-1.65	-2.71	-3.63	1.06	1.98
<b>Risk (Standard Deviation, %)</b>					
Three-Year Annualized	14.97	14.41	15.49	0.56	-0.52
Five-Year Annualized	14.52	13.96	14.78	0.56	-0.27
Since April 2019	17.58	17.61	17.81	-0.04	-0.24
<b>Risk-Adjusted Return</b>					
Three-Year Annualized	-0.24	-0.19	-0.23	-0.05	-0.01
Five-Year Annualized	-0.05	-0.12	-0.19	0.07	0.14
Since April 2019	-0.09	-0.14	-0.20	0.05	0.11
<b>Information Ratio</b>				<b>Tracking Error (%)</b>	
Three-Year Annualized	-	-0.09	-0.01	3.46	3.35
Five-Year Annualized	-	0.30	0.47	4.09	4.33
Since April 2019	-	0.28	0.50	3.80	3.94

Source: S&P Dow Jones Indices LLC, IDX. Data from April 30, 2019, to Dec. 31, 2025. The S&P/IDX Indonesia ESG Tilted Index was launched Oct. 6, 2025. All data prior to such date is back-tested hypothetical data. Index performance based on price return in IDR. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

# Conclusion

The Indonesian Stock Exchange has begun to place more importance on sustainability reporting and disclosure requirements for domestic companies, which has enabled a deeper universe of companies with S&P Global ESG Scores.

The newly launched S&P/IDX Indonesia ESG Tilted Index uses a large-mid-cap market benchmark as its universe to measure the performance of the broad Indonesian equity market while granting greater representation to those with better S&P Global ESG Scores relative to their sector peers, and it has shown low tracking error to this benchmark over the back-tested period.

Despite shorter-term performance fluctuations, over the longer term, the group of Indonesian companies with higher S&P Global ESG Scores, as represented by the S&P/IDX Indonesia ESG Tilted Index, outperformed over more of the historical back-tested periods compared to both a broad market capitalization-weighted universe and local market indices.

## Performance Disclosure/Back-Tested Data

The S&P/IDX Indonesia ESG Tilted Index was launched October 6, 2025. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance, and is based on the index methodology in effect on the index launch date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. Complete index methodology details are available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji). Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

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