



KEMENTERIAN INVESTASI/BKPM



ASEAN Forum on Sustainable Investment

Thursday, November 4th 2021

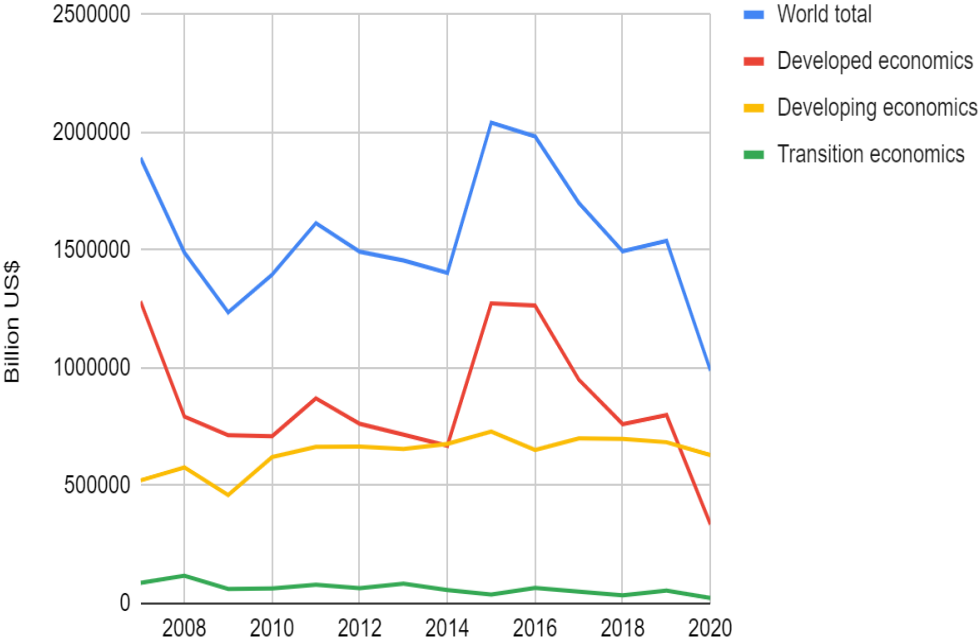
Fajar Usman

Director of Regional and Multilateral Cooperation
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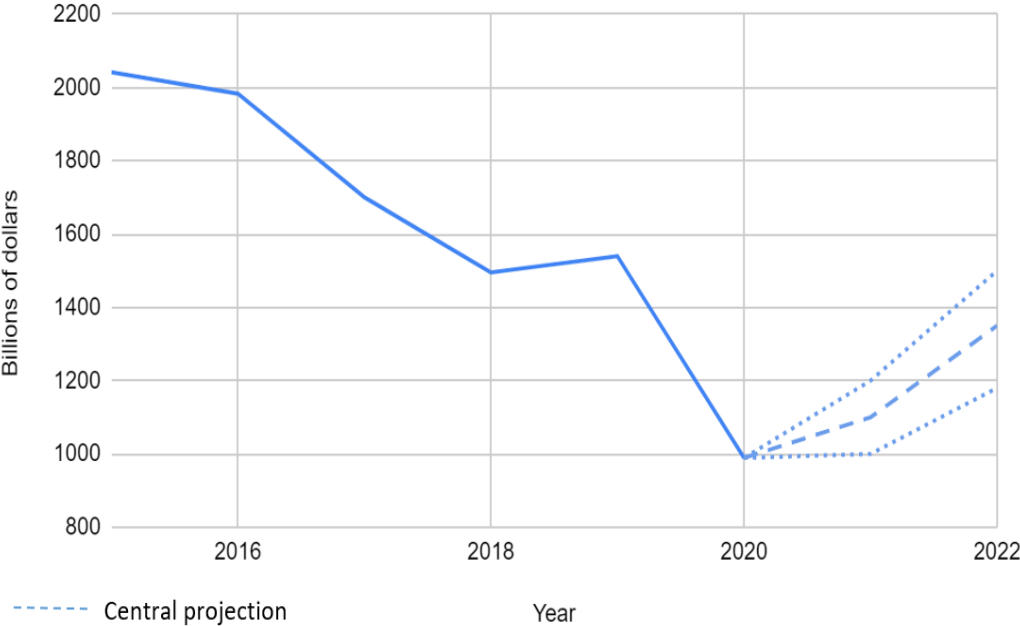
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The Decline of Global FDI Inflow

FDI inflows, global and by group of economies, 2007–2020



Global FDI inflows, 2015–2020 and 2021–2022 forecast



Source: UNCTADSTAT, 2021

Government's Initiative to Realize the Sustainable Development Goals (SDGs)

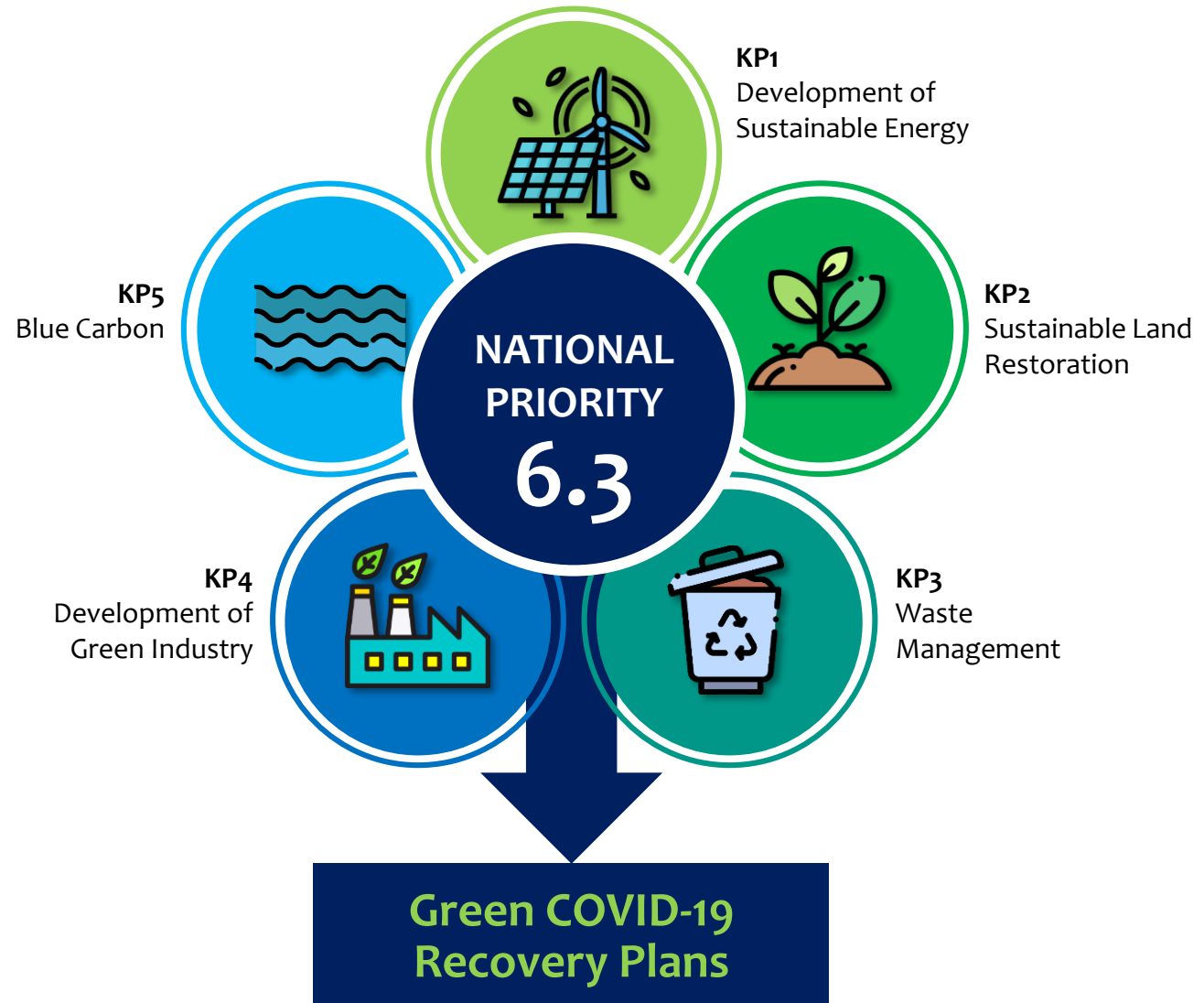


Government Plan in 2022: Building Resilience to Anticipate Unprecedented Shock in the Future



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As COVID-19 has changed development policies, Indonesia need to develop and integrate strategies to the **COVID-19 recovery plans**



Current Initiatives of Indonesia

RPJMN	RPJMN 2020-2024 stated three environmental-related national priorities	LTS-LCCR	Long term strategies from Ministry of Environment and Forestry to achieve net zero emission by 2070 unconditionally (without international support). The official document has not been authorized yet.
NDC 2016	Indonesia's commitment to tackle climate change → reduce 29% of its GHG emissions against the BAU or 41% of its emission with international support by 2030	Bappenas' Scenarios	Ministry of National Planning, or Bappenas, has prepared four more ambitious scenarios to achieve net-zero-emission, namely NZE-2045, NZE-2050, NZE-2060, and NZE-2070.
LDCI 2019	Elaboration of Indonesia's low carbon development strategy.	Carbon Pricing	Ministry of Finance (MoF) currently considers the introduction of carbon tax to support sustainable economic recovery from the COVID-19 pandemic.
Sustainable Finance Roadmap & Regulation	Roadmap on Sustainable Finance 2015-2019 & 2021-2025 OJK regulation on Sustainable Finance and Green Bonds	Local Initiatives	In July 2017, eight regencies established <i>Lingkar Temu Kabupaten Lestari</i> (LTKL) which is aimed to implement sustainable development in a better way. Some provinces and regencies have initiated Ecological Fiscal Transfers (EFT) to incentivize environmental protection by local government.

Sustainable Recovery through FDI

- ❑ Foreign direct investment (FDI) is crucial for building back better from the COVID-19 crisis and achieving the Sustainable Development Goals (SDGs). FDI can enhance growth and innovation, create quality jobs and develop human capital, including for women, and raise living standards and environmental sustainability. By linking domestic firms to multinational enterprises, it serves as a conduit for domestic firms to access international markets and integrate in global value chains.
- ❑ Realising the potential benefits from FDI is not a given: among countries receiving FDI, some have benefited more than others and, within countries, some segments of the population have been left behind. While, in principle, FDI has the potential to advance sustainable development, private sector incentives and both home and host country policies require careful consideration.



Source: Ministry of National Development Planning (Bappenas), Dec 2020

Upgrading FDI: Sustainable Investment



Sustainable Investment

Investments that direct capital to companies/projects that are committed to ESG (Environmental, Social, and Governance) while striving to achieve their investment goals.

Variety of Terms regarding Sustainable Investment

Sustainable Investing

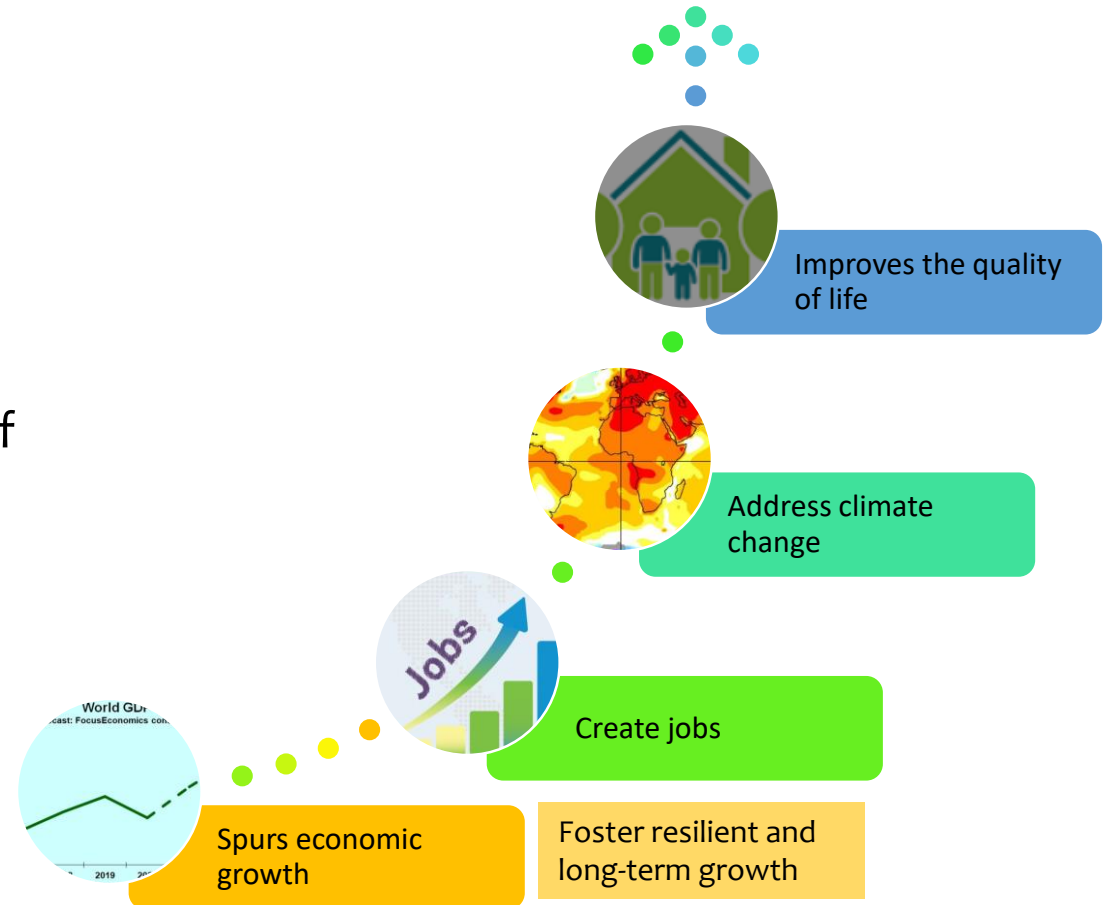
Impact Investing

Green Investment/Finance

Climate Finance

Sustainable Investment for Global Recovery

- Sustainable investment creates jobs, spurs economic growth, addresses climate change, and improves the quality of life.
- It can also stimulate much needed private sector for sustain and resilient investment.
- Sustainable investment can mitigate the impact of climate change and foster resilient and long-term growth (with quality infrastructure)



Criteria of Environment, Social, and Governance (ESG)

Environmental

- Greenhouse Gas Emissions
- Carbon Intensity
- Climate Change Strategy
- Sustainability Initiatives
- Carbon Footprint
- Energy Management
- Resource Depletion
- Air Quality
- Biodiversity
- Waste Management

Social

- Community Relations
- Customer Satisfaction
- Supply Chain Management
- Human Rights
- Gender and Diversity
- Health and Safety
- Labor Standards
- Product Quality and Safety
- Data Security
- Employee Engagement

Governance

- Business Ethics
- Compliance
- Board Diversity
- Lobbying Activities
- Political Contributions
- Transparency in Business Practices
- Shareholder Relations
- Accounting and Tax Practices

The Benefit of Sustainable Investment

Induce Innovation

Spur Economic Growth

Reduce Inequality

Creates Jobs

Address Climate Change

Improves Quality of Life

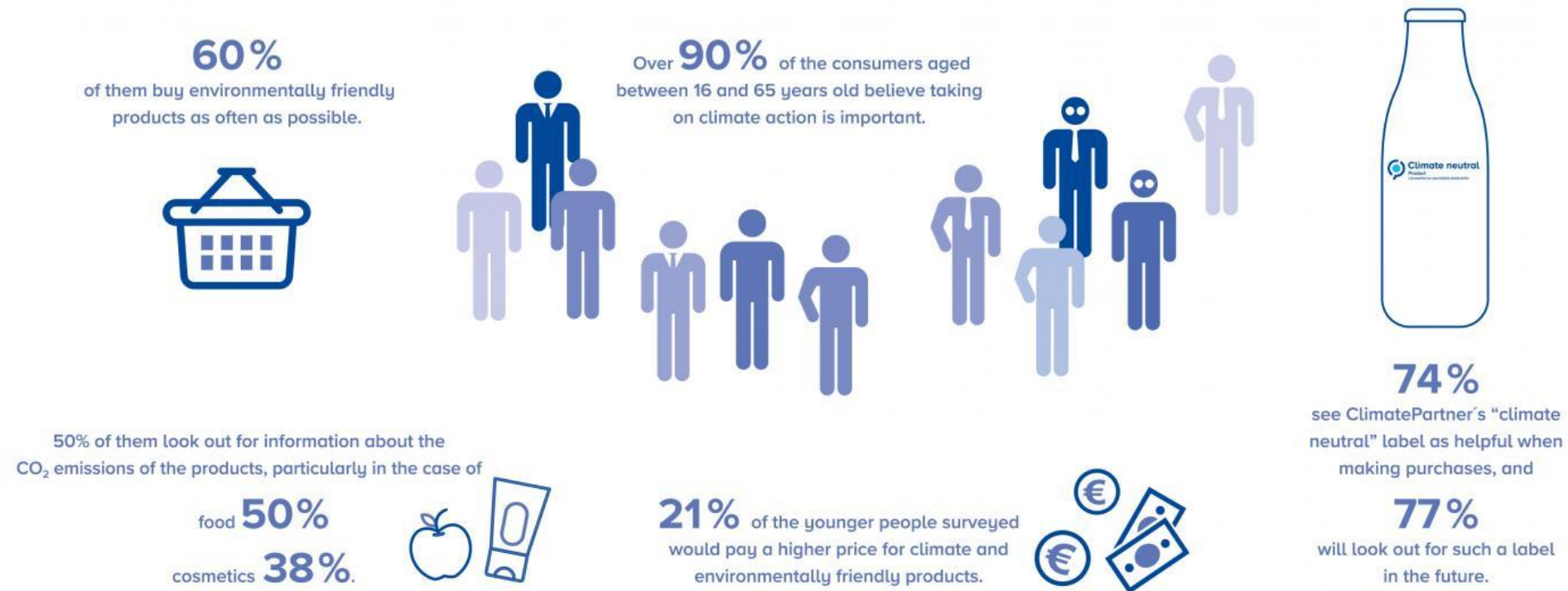
Doubling the share of renewables by 2030 would bring an increase in global GDP up to 1.1 percent, improvement of global welfare by 3.7 percent, and over 24 million people working in the renewable energy sector (IRENA).

If Indonesia implements a circular economy in the five main industrial sectors (food and beverage industry, textiles, wholesale and retail trade (with a focus on plastic packaging), construction, and electronics), it will increase the Gross Domestic Product (GDP) by Rp642 trillion and create around 4.4 million new jobs by 2030. (LCDI)

It is projected that if Indonesia succeeds in implementing the NZE in 2050, Indonesia's annual total real GDP growth is estimated to increase by 0.7%. (NZE – Bappenas)

Climate Awareness Report 2021: Great Demand for Carbon-Neutral Products

- Climatepartner surveyed more than one thousand consumers between the ages of 16 and 65 in central Europe about their attitude towards climate action.
- According to the survey, the willingness to make a contribution to climate action through their purchasing decisions is very high:



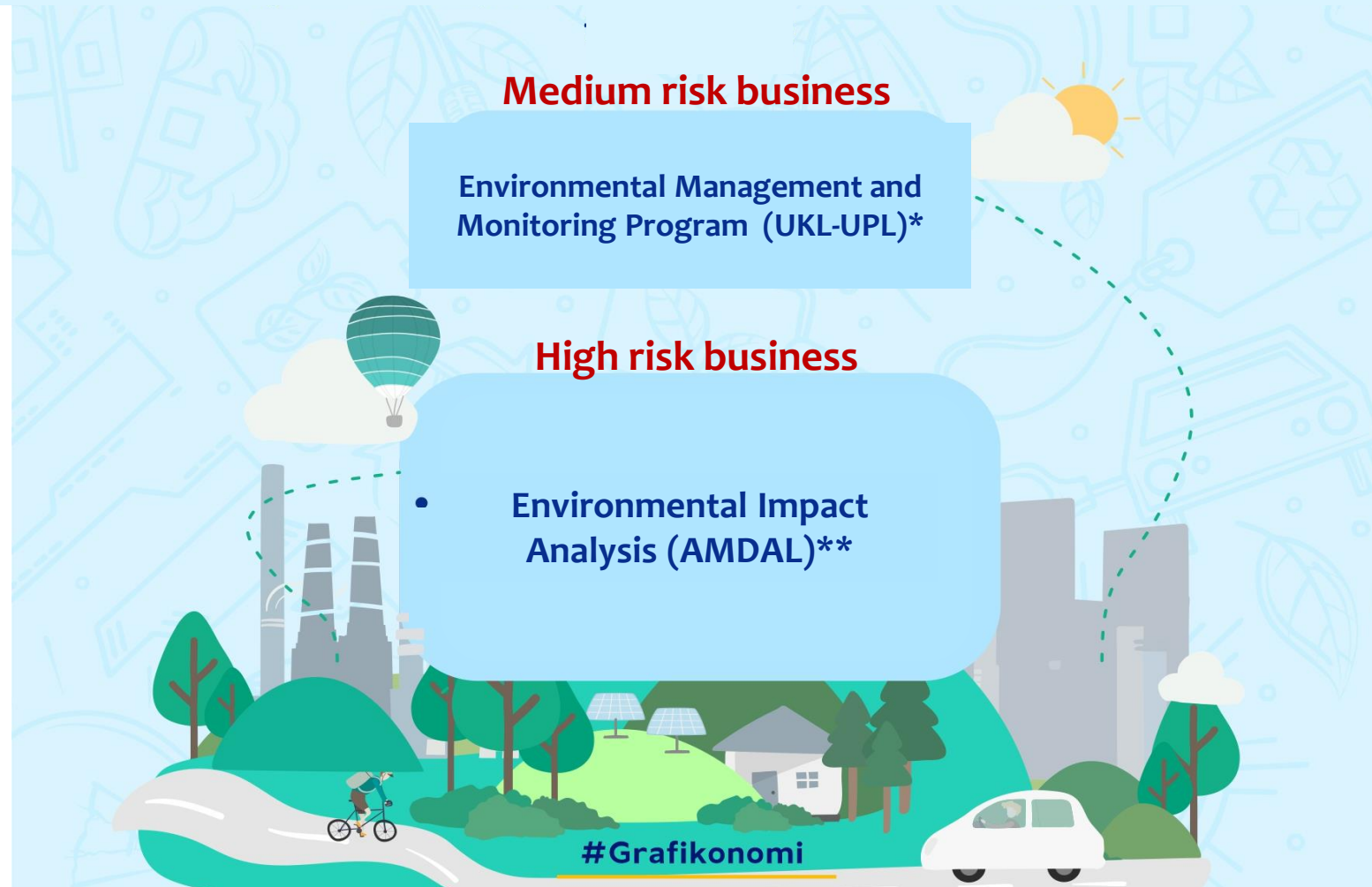
Source: Climate Awareness Report 2021 / ClimatePartner

National Strategy on Sustainable Investment



ENVIRONMENT – Mitigation from Business Operation

Environmental approvals are classified according to the level of risk, particularly the risk to environment

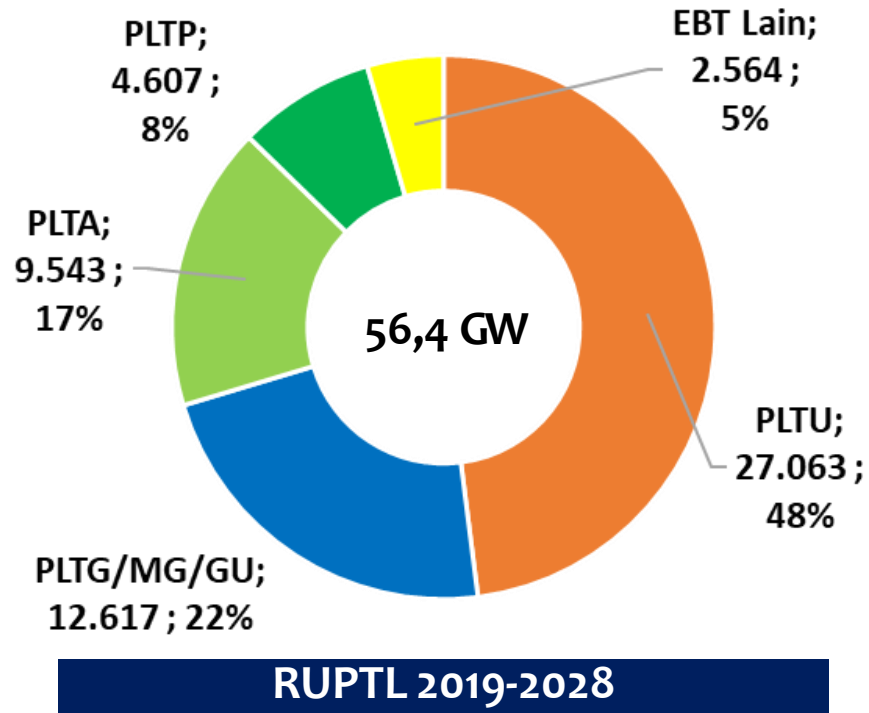


*in some cases, it may requires Environmental Impact Analysis (AMDAL) or self-declaration form (SPPL)

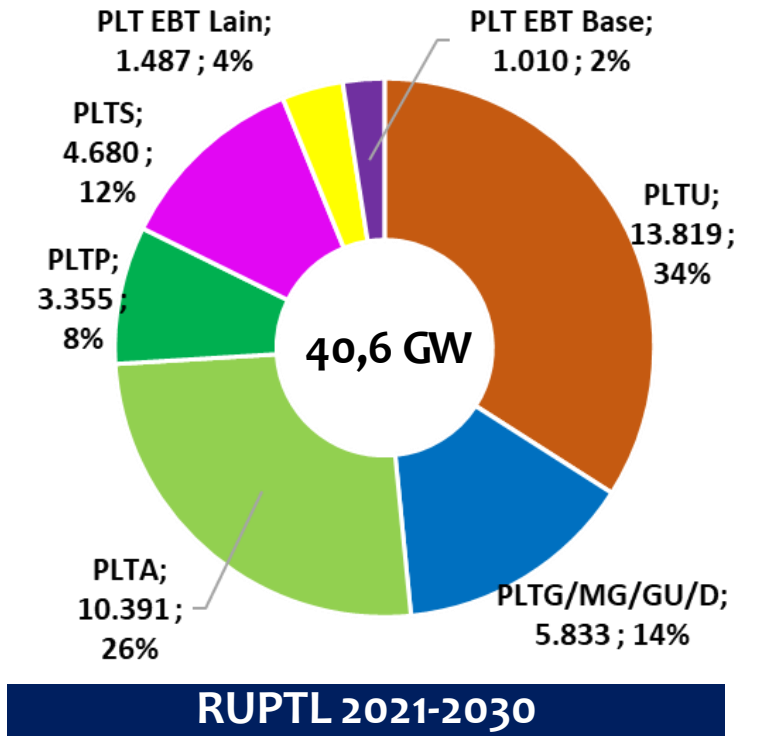
**In some cases, it only requires Environmental Management and Monitoring Program (UKL-UPL) or self-declaration form (SPPL)

Source: Institute for Economic and Social Research, University of Indonesia, and Ministry of National Development Planning/Bappenas, 2020

ENVIRONMENT – Cleaner Energy Supply on National Electricity Supply Business Plan (RUPTL) 2021-2030



EBT/NRE: 29,6%



EBT/NRE: 51,6%

Based on the New National Electricity Supply Business Plan (RUPTL) 2021-2030, PT. PLN (Persero) plans to increase the role of NRE generators from 29.6% to 51.6% in 2030.

SOCIAL - Contribution of Companies in Corporate Social Responsibility (CSR)



Law No. 40/2007 on Limited Liability Company

- Social and Environment Responsibility (CSR) is the company's commitment to participate in sustainable economic development in order to improve the quality of life and the environment that is beneficial, both for the company itself, the local community, and society in general.
- The companies related to natural resources are obliged to do social and environment responsibility.

Law No. 25/2007 on Investment

- Investor must do CSR
- The business entity or individual business, which does not fulfill the obligations, may be subject to administrative sanctions in the form of:
 - a. written warning;
 - b. limitation of business activities;
 - c. freezing of business activities and/or facilities
 - d. revocation of business activities and/or facilities

Government Regulation No. 47/2012 on CSR

- BoD is a duty bearer of CSR
- CSR should be funded by company's operational cost, not from portion of profit.
- CSR must be done based on an annual work plan that contains a plan of activities and the budget required for its implementation. The implementation of it by taking into account propriety and fairness.

Ministerial Regulation

Environment Ministerial Regulation No. 05/2011 on PROPER (Environmental Performance Assessment Ranking Program)

Performing CSR project is beyond compliance, so company doing CSR can be categorized as green or gold PROPER

Social Ministerial Regulation No. 13/2012 on CSR Forum

- CSR Forum is an institution initiated by elements of the community, business, and universities, that facilitated by the government. The aim of this forum is to coordinate, facilitate, and synergize the potential of business actors, social organizations, universities, and the community in the optimizing CSR for social welfare.
- Local government should establish CSR forum to incorporate businesses to provide social welfare and eradicate poverty.

GOVERNANCE – Implementation of Good Corporate Governance

LEGAL BASIS FOR GOOD CORPORATE GOVERNANCE

LAW:

- Law No. 40 of 2007 on Limited Liability Companies.
- Law No. 8 of 1995 on Capital Market

PRINCIPLES OF GOOD CORPORATE GOVERNANCE



TRANSPARENCY

- Company Annual Report
- Company Financial Statement



ACCOUNTABILITY

- Conduct annual reports and financial reports prepared by Independent Auditors
- The Board of Commissioners has the authority to appoint an Independent Auditor



RESPONSIBILITY

- Comply with the provisions of the company's articles of association, applicable laws and regulations
- Meet Corporate Social Responsibility (CSR) in the field of environment



INDEPENDENCE

- Mutual respect for their rights and obligations, duties, authority of management and other members of the company
- Avoid conflicts of interest



FAIRNESS

- Shareholders have the right to attend and vote at the Annual General Meeting of Shareholders
- Shareholders are entitled to get dividends



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