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# ENGAGING PRIVATE SECTOR INTO GREEN INVESTMENT

Financial Markets' Perspective in Indonesian Context

ADB Institute - CAREC

18 JUNE 2020

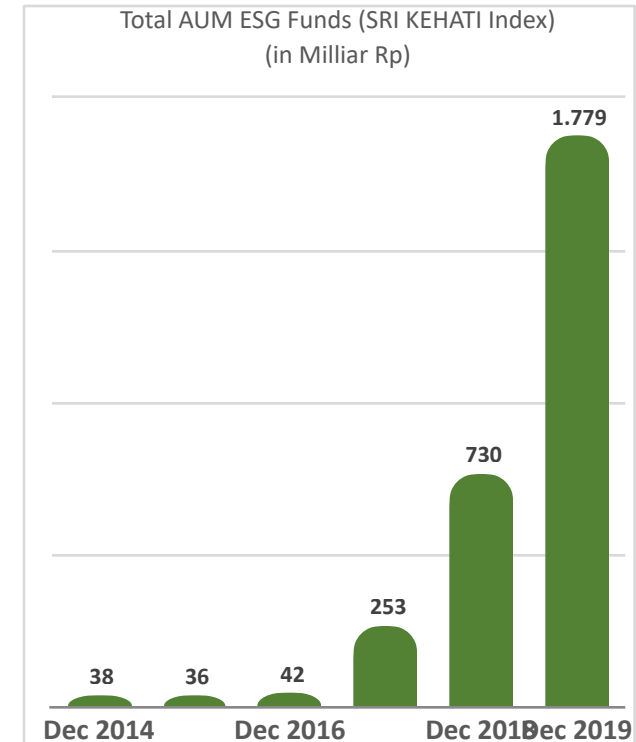
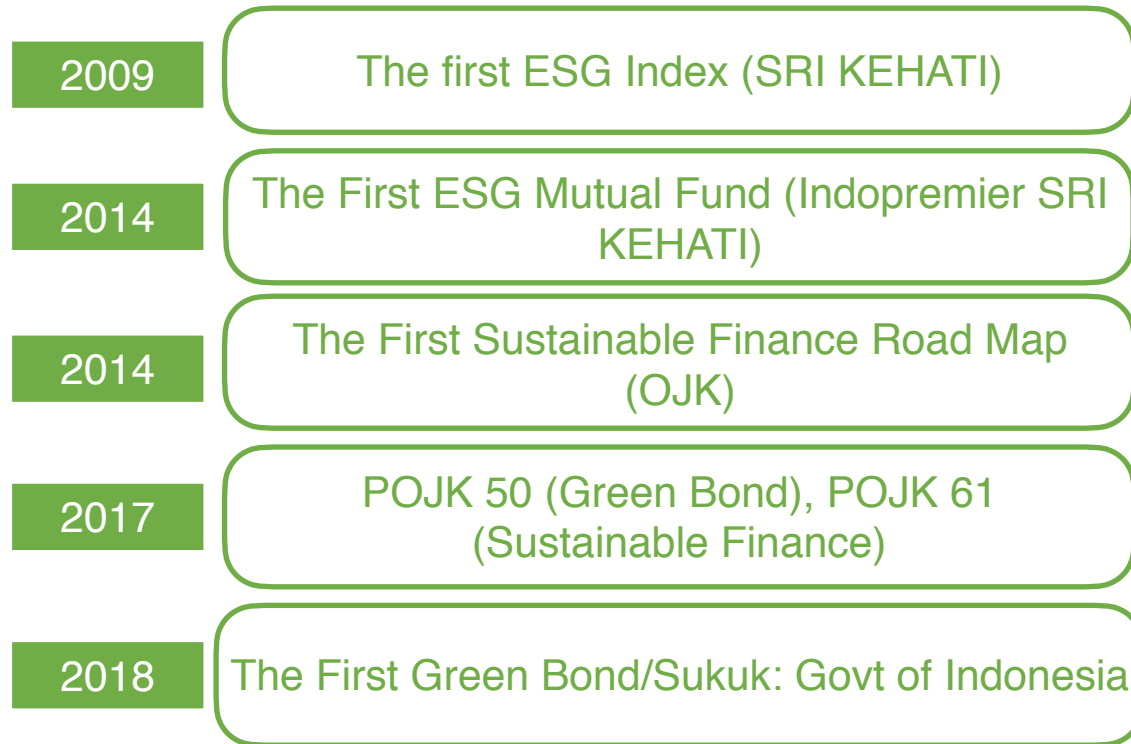


**Riki Frindos**

Executive Director, KEHATI Foundation, INDONESIA



# GREEN INVESTMENT IN INDONESIA: MILESTONES & PROGRESS



- Sustainable investment is still a small part of the markets, but experiencing an acceleration in growth and growing interest from financial market participants in the last 2-3 years
- **ESG:** From two funds to ten funds and more to come
- **Impact Investing:** The spread of impact investment to traditional VCs, Angels, etc
- **Green Bond:** 5 issuances + 3 sustainability & private placement



# ENGAGING PRIVATE INVESTORS: CHALLENGES

- Lack of systematic approach to engage private investors across different spectrum of sustainable investment in capital market
- Green bond is on the forefront, especially from the perspectives of govt and DFIs
- Almost non-existent systematic top down initiatives on ESG Investing, Impact Investing, etc.
- Climate or green investment goals has to be translated into specific types of required financing . Different types of financing involves different parts of financial markets and types of investors
- *Different strategy, approach, and supporting ecosystem needs to be developed to effectively engage the private investors*



# MAPPING THE CLIMATE GOALS TO ENGAGEMENT STRATEGY WITH CAPITAL MARKET

- **Objective:** To influence big listed companies to transition into low carbon business (eg, comply with Paris Agreement)...**Investors:** Asset Managers and Institutional Investors...**Strategy:** Stewardship & Engagement, ESG Integration, Thematic ESG Funds... **Regulator:** FSA/OJK ...**Others/Enablers:** IB, ESG Research/Rating House, Proxy Advisors, NGOs, etc.
- **Objective:** To directly finance green project... **Investors:** PE Firms, Commercial Banks...**Strategy:** Private Financing. **Regulators:** Finance Ministry, Sectoral Ministry, BKPM, OJK...**Others/Enablers:** IB, DFIs, Verifiers, NGOs, etc.
- **Objective:** To support green project/programs through green bond issuance...**Investors:** Asset Manager, Institutional Investors, Commercial Banks...**Strategy:** Public Debt Financing. **Regulator:** OJK...**Others/Enablers:** IB, DFIs, Verifiers, Rating Agency, etc.
- **Objective:** To support smaller scale green projects, foster new green technology innovation, green startups...**Investors:** Impact Fund, Venture Capital, Philanthropic Investors, Angel Investors...**Strategy:** Impact Investment...**Regulators:** Finance Ministry, Sectoral Ministry, BKPM, OJK. **Others/Enablers:** Accelerators/Incubators, Investor Network, IB/Brokerage, NGOs, etc.



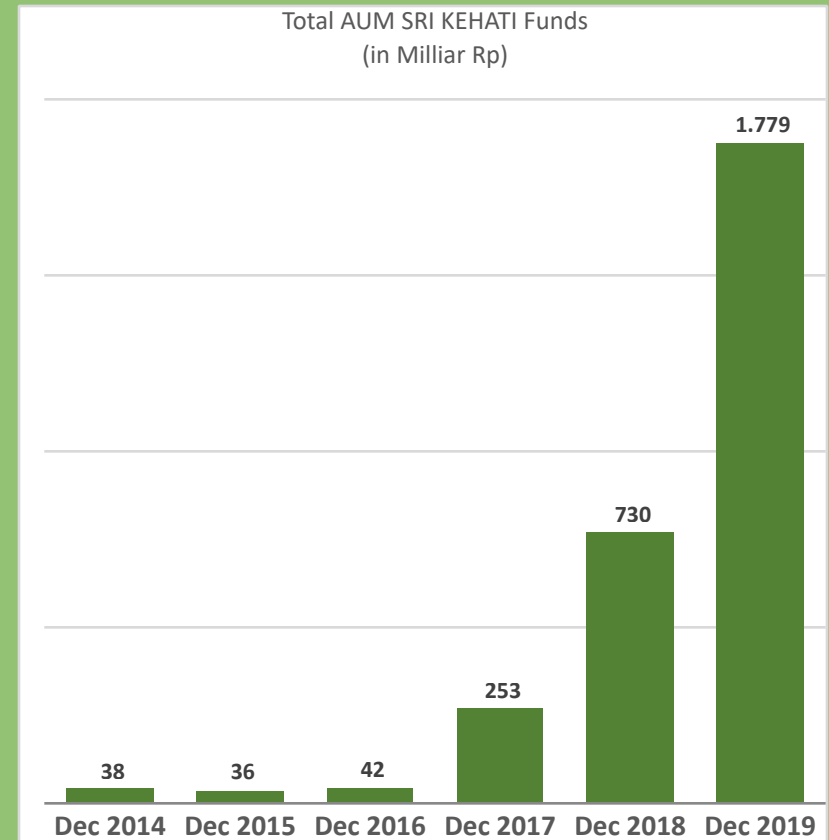
# IN A NUTSHELL

- **Identify each type of climate financing** required to support the climate agenda, and develop strategy and action plan to engage + support relevant private investors
- There are more **beyond Green Bond**. While we need to do more on green bond, it should not just focus on green bond.
- **Stewardship & Engagement** with big businesses is very important. Develop investor initiatives like CDP, IIGCC, Climate Action 100++etc. Also, push for **ESG adoption** by asset managers and asset owners
- Grooming **green entrepreneurs**
- **Level the playing field** for green business/investment. It is not about “subsidy” or “incentive”, but compensation to level the playing field. For instance, to level the playing field between solar PV business with fossil fuel industry which do not pay for negative externalities
- Boost both demand and supply side of the climate/green investments



# GREEN INVESTMENT INITIATIVES BY KEHATI FOUNDATION

- KEHATI issued the first SRI/ESG Index in Indonesia
- Get Fund Manager to launch green mutual fund by benchmarking to KEHATI ESG Index
- Fund Managers/investors set aside part of the fund's return or management fee, and donate it to KEHATI
- Two goals:
  - To promote ESG investment in Indonesia stock market
  - To raise funds to finance KEHATI's green projects





## ABOUT



Riki Frindos is the Executive Director of KEHATI Foundation. Prior to joining KEHATI he has built more than 20-years career in capital market, in Jakarta and Singapore. His latest position in financial market was the CEO and Chief Investment of PT Eastspring Investments Indonesia. Previously, he was Investment Director with Global Macro team of Eastspring Investments Singapore.

Riki graduated from Bandung's Institute of Technology (ITB) majoring in Electrical and Telecommunication Engineering. He also studied Economics in Padjadjaran University.



KEHATI was established in 1994 by a number of prominent figures in Indonesia, led by former Environment Minister of Prof. Emil Salim. It focuses on the conservation, sustainable and fair use of Indonesia biodiversity resources. By playing role primarily as grant making institution and program administrator, KEHATI has grown to one of the leading conservation and environmental organizations in Indonesia. It has also helped groom and empower more than 1,000 local civil society organizations across Indonesia.

