

RSPO

Roundtable on Sustainable Palm Oil

ROUNDTABLE MEETING ON SUSTAINABLE PALM OIL



**LEARNING TO LIVE TOGETHER
FROM VISION TO TRANSFORMATION**



OTORITAS
JASA
KEUANGAN



Supporting OJK: Sustainable Finance
First Movers, a first step in
Sustaining commodities financing

Irwan Gunawan
Deputy Director Market Transformation
Bangkok, 8 November 2016

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On 23 November 2015, 8 banks representing 46% of total national banking asset commit to be the first movers on sustainable banking. The commitment manifests in a pilot project called “First step to be a sustainable bank”, a partnership between Indonesia Financial Service Authority (FSA) and WWF-Indonesia.



Eight CEOs of participating banks on pilot project MOU signing ceremony.



Ahmad Basri Gunadi, CEO of Bank Mandiri

Muliaman D. Hadid, Chairman of Board of Commissioners, Indonesia Financial Service Authority (FSA/OJK)

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Participating Banks



Objectives

The pilot aims to support the participating banks in preparing their competency towards the targets in the Sustainable Finance Roadmap in Indonesia for the period of 2014-2019:

- Competency targeted through the pilot project is organization ability in managing environmental, social and governance (ESG) aspects in its business decision
- increasing funding portfolio for businesses implementing sustainable practices.

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Primary goals

The results of this pilot project will lead to the following goals:

- Development of an applicable and inclusive regulation to integrate ESG aspects into banks' operations and of a guideline on responsible lending to the palm oil industry for banks,
- Application of this pilot project to other industries such as agriculture, mining, fisheries and other industries.
- This pilot project enables a conducive roundtable dialogue for sustainable banking practitioners by involving banking experts and practitioners and industrial practitioners to exchange expertise and experiences.

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Rationale

Government's commitment on climate change

- The GoI has committed to reduce GHG emission by 29%-41% by 2030
- The GoI acknowledges forestry and land utilization significantly control climate change
- Moratorium on new licenses in **primary natural forests and peatlands**
- Moratorium on palm oil and mining new licenses (to be issued)

- Palm oil is a strategic commodity for Indonesia and the sustainability journey of this commodity is leading to other agri-commodities—a strong basis of lessons learned to other commodities;
- Banks has the ability to encourage this commodity's sustainability performance;



Impact to business environment

A Structured Practical Approach

ESG Integration: Taking into account of ESG issues in bank operations and lending activities:

- A structured, systematic approach with logic and sequence
- Ongoing and evolving process

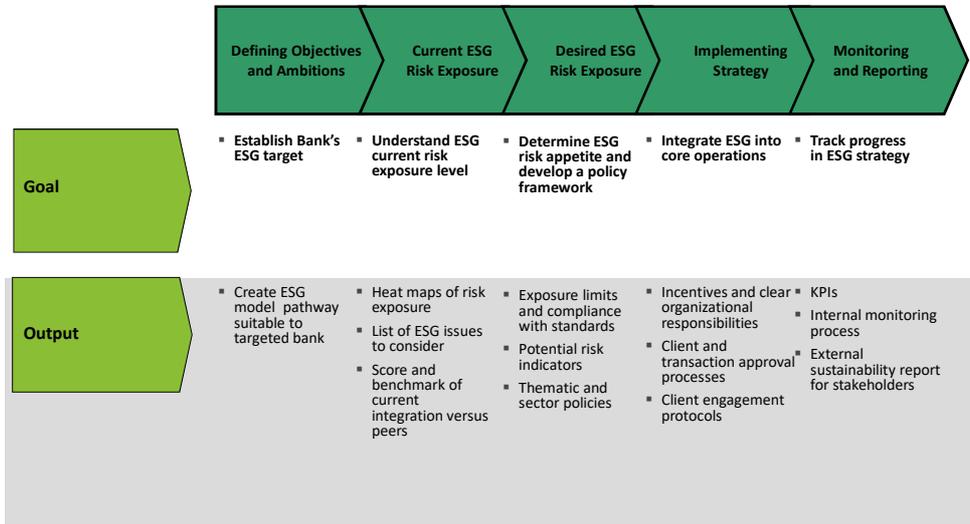
WWF ESG Guide offers practical guidance for banks:

- How to understand and assess the bank's exposure to ESG risks
- What measures to put in place for managing and monitoring them
- How to leverage ESG issues for value creation and strategic growth





ESG Guide: 5 Steps to ESG Integration



Progress to date (1)

Activity	Timeline
Baseline identification of the current ESG integration level and ESG risk exposure within banks,	Completed. Feb – Mar 2016
Determination of a bank's target regarding ESG integration and related risk indicators	Completed. Feb – Mar 2016.
Established a coordination forum to share knowledge and updates	Completed. April 2016
A two days training on: a. First steps to ESG integration b. Organizational Structure for ESG integration	Completed. 3-4 March 2016
A three days of ESG master class on palm oil sector to provide in-depth understanding of the ESG issues associated with palm oil, and mitigating actions required to address material ESG mitigating issues in the lending portfolio,	Completed. Training and field visit to SMART plantation and mill. 30-1 Jun 2016.

Progress to date (2)

Development of a lending policy framework focused on the palm oil sector (including transaction/client approval and client engagement processes and protocols, adopting simplified credit appraisal tools to carry out ESG due diligence and ESG risk classification processes to support the policy framework, as well as internal monitoring system of the developed policy)	On-going.
Training on the credit appraisal and due diligence tool	On Going
Recommendations for mitigating actions within loan covenants and client engagement and follow-up processes.	On Going
Implementing and monitoring ESG integration	Dec 2016 – Jun 2017
One time Palm oil masterclass for each pilot project member separately	Jan – Jun 2017



Thank You