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Sustainable Symphony: Echoes of Change

Sustainable Finance Strategy: Aligning Investments with Impact

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Speaker's Profile

Sumiyati is an inspiring figure who currently serves as Commissioner of PT Bahana Pembinaan Usaha Indonesia (Persero) or Indonesia Financial Group (IFG), a state-owned holding company for insurance and guarantee enterprises.

She is also active as a member of the Audit Committee at the Ministry of Health. Previously, she was one of the prominent women in the Ministry of Finance (MoF), being the first female Inspector General.

Sumiyati has a long history and extensive experience, having worked at the Ministry of Finance for more than 39 years. Her achievements and contributions have proven to be exemplary. In fact, toward the end of her service, the Minister of Finance referred to Sumiyati as an extraordinary role model for all officials in the Ministry of Finance due to her dedication and integrity.

Additionally, she has served as the Head of the Financial Education and Training Agency (BPPK). Born in Sragen on July 6, 1961, she holds a Diploma III and Diploma IV in Accounting from the State College of Accountancy, Jakarta. Sumiyati further pursued her Master's degree in Financial Management at Central Queensland University, Australia.

> "Investing sustainably isn't just about returns. It's about ensuring our actions today build a better world for tomorrow."

SUSTAINABLE INVESTMENTS FRAMEWORK FOR MANAGING SUSTAINABILITY FACTORS

How can investors align their portfolios with sustainable development goals (SDGs) and ESG investment strategies to maximize impact ?

INVESTMENT PORTFOLIOS

PROPRETARY INSURANCE INVESTMENTS - GENERAL ACCOUNT

Direct Investments

Indirect Investments

ESG APPROACHES

AVOID

- NEGATIVE SCREENING: Exclude issuers due to ESG issues, not aligned to minimum standards of business practice/based on international norms

INTEGRATE

- POSITIVE SCREENING: Select investments in companies also for their positive ESG performance relative to peers
- INVESTMENT WITH SUSTAINABLE CHARACTERISTICS: Define investment strategies aimed at creating long-term for the society as a whole

INFLUENCE

- ACTIVE OWNERSHIP *(ENGAGEMENT AND VOTING)*:
  1. Integrate sustainability considerations in voting exercise
  2. Engage to influence issuers sustainability practices

ESG criteria for the **selection and monitoring** of Asset Managers/Funds

STRATEGIC GOALS AND COMMITMENTS

SDG investing is gaining traction as socially responsible investors align ESG approaches with UN sustainability goals

Sustainable Symphony:
Echoes of Change

Key Challenges and Opportunities in Transitioning to Sustainable Finance Models

Businesses face a dual challenge: navigating policy and legal mandates, carbon pricing obligations, litigation risks, shifting market signals, and evolving consumer preferences while capitalizing on opportunities in resource efficiency, emerging markets, and resilience.

CHALLENGE

Transition

Policy and Legal

- Carbon pricing and reporting obligations
- Mandates on and regulation of existing products and services
- Exposure to litigation, MFM

Technology

- Substitution of existing products and services with lower emissions options
- Unsuccessful investment in new technologies

Market

- Changing customer behavior
- Uncertainty in market signals
- Increased cost of raw materials

Reputation

- Shift in consumer preferences
- Increased stakeholder concern/negative feedback
- Stigmatization of sector

Physical

- Acute: Extreme weather events
- Chronic: Changing weather patterns and rising mean temperature and sea levels

OPPORTUNITIES

Resource Efficiency

- Use of more efficient modes of transport and production and distribution processes
- Use of recycling
- Move to more efficient buildings
- Reduced water usage and consumption

Energi Source

- Use of lower-emission sources of energy
- Use of supportive policy incentives
- Lise of new technologies
- Participation in carbon market

Products & Services

- Development and/or expansion of lowemission goods and services
- Development of climate adaptation and insurance risk solutions
- Development of new products or services through R&D and innovation

Markets

- Access to new markets
- Use of public-sector incentives
- Access to new assets and locations needing insurance coverage

Resilience

- Participation in renewable energy programs and adoption of energy- efficiency measures
- Resource substitutes/diversification

Strategic Planning Risk Management

Financial Impact

Developing Low Carbon Goods and Services Become A Key Competitive Advantage

Through strategic risk management, these challenges can be transformed into financial advantages, with low-carbon goods and services becoming a key competitive differentiator in a sustainable economy.

How Financial Institutions Can Assess the Impact of ESG Investments and Ensure Sustainable Outcomes

Financial institutions can ensure their ESG investments contribute to sustainable outcomes by setting clear objectives, leveraging robust measurement tools and independent verification, engaging stakeholders, and maintaining transparency through comprehensive reporting.

1. **Define Clear Objectives and Metrics**
   - Establish specific, measurable ESG goals aligned with sustainability standards (e.g., SDGs, Paris Agreement).
   - Use standardized frameworks like GRI, SASB, or TCFD to identify relevant metrics for tracking environmental, social, and governance impacts.
2. **Implement Robust Impact Measurement Tools**
   - Utilize tools such as Life Cycle Assessment (LCA) or carbon footprint calculators to quantify environmental outcomes.
   - Apply Social Return on Investment (SROI) methodologies to evaluate social impact.
3. **Adopt Third-Party Verification**
   - Engage independent assessors or auditors to validate ESG performance and ensure adherence to global best practices.
   - Leverage certifications like LEED, Fair Trade, or Carbon Neutral certifications to bolster credibility.
5. **Engage Stakeholders and Beneficiaries**
   - Collaborate with impacted communities, clients, and other stakeholders to gain insights into the effectiveness of ESG initiatives.
   - Incorporate feedback loops to adapt and optimize investment strategies.
6. **Incorporate Dynamic Impact Frameworks**
   - Use tools like Theory of Change or Program Logic Models to link investments to desired sustainability outcomes.
   - Regularly reassess frameworks to account for evolving priorities and emerging challenges.
7. **Use ESG Rating and Benchmarking Services**
   - Partner with rating agencies (e.g., MSCI ESG Ratings, Sustainalytics) to benchmark investments against industry peers.
   - Incorporate findings into decision-making to refine strategies and enhance alignment with sustainability goals.

Innovative Financial Products & Services Emerging to Support ESG Investment

Green Bonds
Fixed-income instruments specifically designed to fund projects with environmental benefits, such as renewable energy, energy efficiency, or sustainable agriculture.

Social and Sustainability Bonds
Bonds funding projects addressing social issues (e.g., affordable housing, education) or combining social and environmental objectives.

ESG-focused ETFs and Index Funds
Exchange-traded funds and mutual funds targeting companies or industries with strong ESG performance.

Carbon Credit Markets
Platforms where organizations can trade carbon credits, offsetting their emissions by funding carbon reduction projects.

Green and ESG Insurance Products
Insurance products incentivizing sustainable practices, such as coverage for renewable energy assets or ESG performance bonds.

ESG-linked Derivatives
Financial instruments, such as swaps or futures, tied to ESG indices or sustainability benchmarks.

Sustainable Finance Products Matrix *(by types)*

	Green Loans/Bonds	Sustainability linked Loans/Bonds	Transition Loans/Bonds
Type	Activity-based	Outcome-based (linked)	Activity-based and/or Outcome-based (linked)
Definition	Loans made exclusively to finance of re-finance, in whole or in part, new and/or existing eligible green projects.	Loans where the interest rate is pagged to the sustainability performance of a customer.	Loan serves to support customers that are transforming their business model to steadily reducing their GHG emissions in accordance with their long term strategy for a carbon free society
Use of Proceeds	Renewable Projects	Flexible	Transition related activities

Investment Spectrum Mapping

The **investment spectrum mapping**—ranging from **social investing**, **impact investing**, to **ESG investing**—illustrates how diverse investment approaches align with decarbonization goals

ESG investments play a pivotal role in global decarbonization by mobilizing capital toward initiatives that reduce greenhouse gas emissions and foster sustainable practices.

	Philanthropy		Social Impact Investing		Sustainable and Responsible Investing	Conventional financial investing
Investment Type	Traditional Philanthropy	Venture Philanthropy	Social Investing	Impact investment	ESG investing	Fully commercial investment
Focus	Address societal challenges through the provision of grants	Address societal challenges with venture investment approaches	Investment with a focus on social and/or environmental outcome and some expected financial return	Investment with an intent to have a measurable environmental and/or social return	Enhance long-term value by using ESG factors to mitigate risks and identify growth opportunities.	Limited or no regard for environmental, social or governance practices
			Use of ESG metrics and methodologies			
Return Expectation	Social return only	Social return focused	Social return and sub-market financial return	Social return & adequate financial market rate	Financial market return focused on long-term value	Financial market return only

Social impact ←→ **Social and financial** ←→ **Financial returns**

ESG Initiatives Strategies and the Application to Drive Broader Industry Change

Integrating ESG into Core Strategy

Lesson: Leading initiatives have shown that embedding ESG considerations into the heart of corporate strategy—not just as a compliance measure—drives both financial performance and societal impact. For example, companies prioritizing renewable energy adoption have reduced costs and gained competitive advantages.

Application: Encourage industries to shift from reactive to proactive ESG integration by aligning sustainability goals with long-term business strategies and decision-making processes.

Leveraging Data and Transparency

Lesson: Transparent reporting and robust ESG data analytics help attract investors and build stakeholder trust. Successful initiatives often rely on clear frameworks such as GRI, TCFD, or SASB to measure and communicate impact.

Application: Promote standardized ESG reporting across industries to facilitate benchmarking, enable informed decision-making, and enhance accountability.

Driving Innovation through Impact Investments

Lesson: Investments targeting innovation in areas such as renewable energy, green infrastructure, and sustainable agriculture have catalyzed transformative change.

Application: Foster industry-wide adoption of impact investing by creating financial incentives, such as tax benefits or subsidies, for projects aligned with environmental and social priorities.

Collaboration and Ecosystem Building

Lesson: Collaborative efforts between governments, businesses, and NGOs have amplified the scale and scope of ESG initiatives. Public-private partnerships (PPPs) are particularly effective in driving systemic change.

Application: Encourage cross-sector collaboration to create a unified approach to industry challenges, such as decarbonization and circular economy models.

Resilience and Risk Management

Lesson: ESG-driven risk management has enabled businesses to navigate environmental and regulatory challenges effectively.

Application: Embed ESG considerations into enterprise risk management frameworks to prepare industries for future uncertainties, including climate-related risks.

Successful ESG investment initiatives demonstrate that integrating sustainability **into core strategies, fostering innovation**, and **prioritizing stakeholder value** can drive long-term resilience and industry-wide transformation toward a sustainable future.

In the era of climate change and social inequality, sustainable finance is no longer optional, it's essential!

Thank you