

FROM ESG TO IMPACT INVESTING:

How Sustainable Finance is Shaping the Future of Business

7-8 DESEMBER 2022

09.00 - 16.00 WIB

ESG

Online With:



Social Investment Indonesia

Plenary-4: Impact Investing to Achieve Sustained Positive Change

8 DESEMBER 2022

09.00 - 10.30 WIB

Narasumber:

Moderator



Karyanto Wibowo

*Sustainable Development Director
Danone Indonesia*

Noor Syaifudin, Ph.D.

*Pejabat Fungsional Analis Kebijakan Ahli Madya
Badan Kebijakan Fiskal*

Fitriani Ardiansyah

*Executive Chairman & CEO
Inisiatif Dagang Hijau Indonesia*

Yudhi Pradhana

*Executive Director
B Market Builder Southeast Asia*

Arnolia Febrianty

*Senior Researcher
Social Investment Indonesia*



Online with:*



Social Investment Indonesia



Arief (0877-5570-7171)



Social Investment Indonesia



socialinvestment.id

ESG

ISIF 2022

INDONESIA SOCIAL
INVESTMENT FORUM

IMPACT INVESTMENT AND POSITIVE CHANGE

Experience in Indonesia

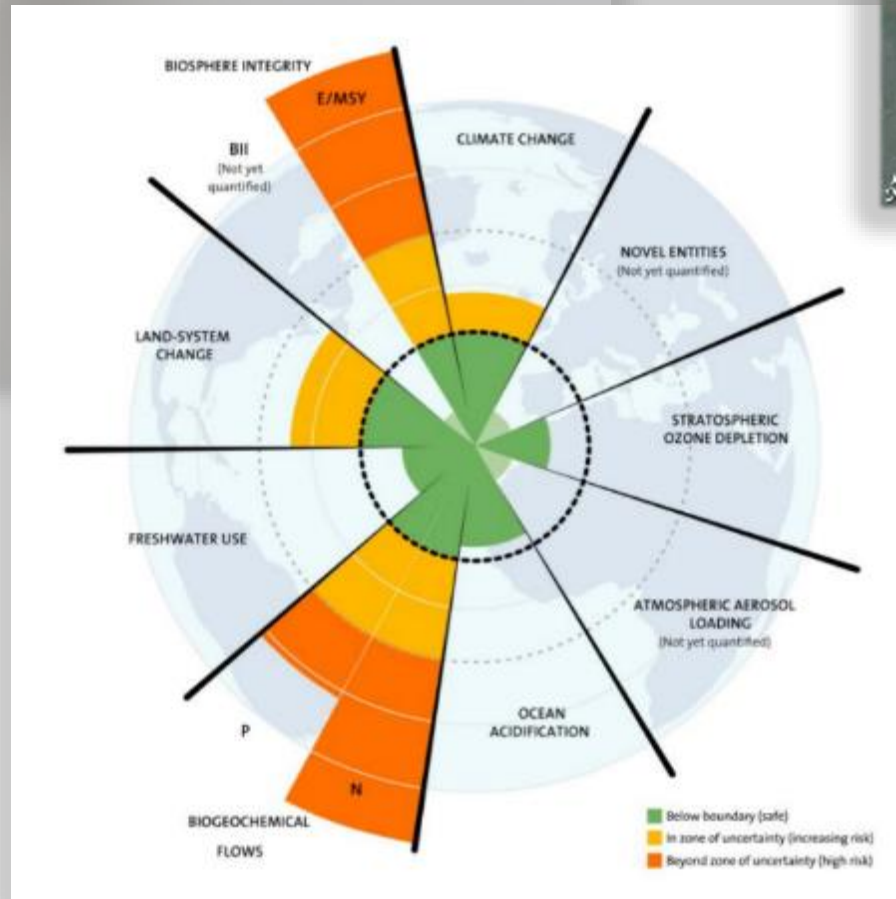
Fitrian Ardiansyah

Impact Investment and Social Entrepreneurship
Former Executive Chairman of
Inisiatif Dagang Hijau (IDH) and
Former Country Representative of IDH-Sustainable Trade
Initiative in Malaysia



We are facing a Nature Crisis as large as the Climate Crisis

And the two are inextricably linked



Environmental Challenges *Global and local*

Transforming supply chains of commodities towards sustainability is key so that nature and climate crisis can be addressed





Productivity and Business Challenges

Global and local

Key challenges include farm productivity, farmers welfare, capacity of farmer/SMEs organizations, length of supply chains, resource limitation



Figure 1: Supply chains evolve into value webs

Linear supply chains are evolving into...

← COMPETITION →



Value is based on the production of goods and services

complex, dynamic, and connected value webs

← COMPETITION →



Value is based on knowledge exchange that drives proactive production of goods and services

Source: Deloitte analysis.

Graphic: Deloitte University Press | DUPress.com

SUSTAINABLE PRODUCT SALES IN THE U.S.

\$ in billions



Sustainability includes Free from, Clean, Simple, Sustainable and Organic labels.

Source: Nielsen Product Analytics, Powered by Label Insights, Week ending 10/25/2018. Projections based on 3 and 2 year CAGR.

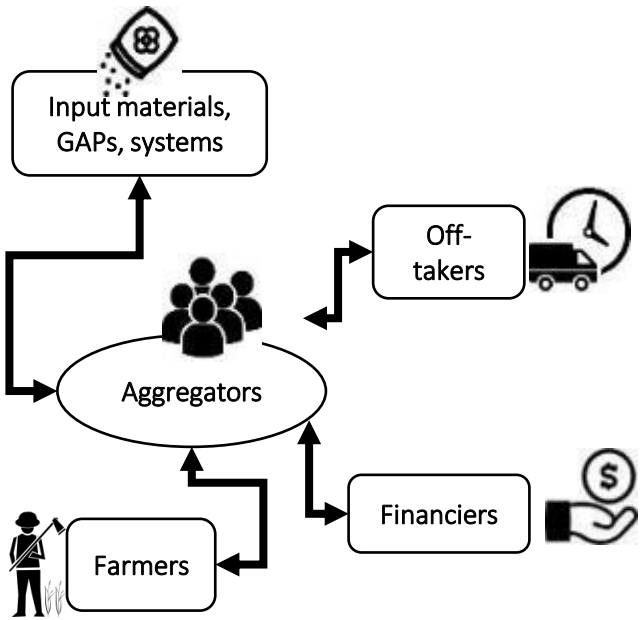
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Appetite from the Supply Chains

Global and local

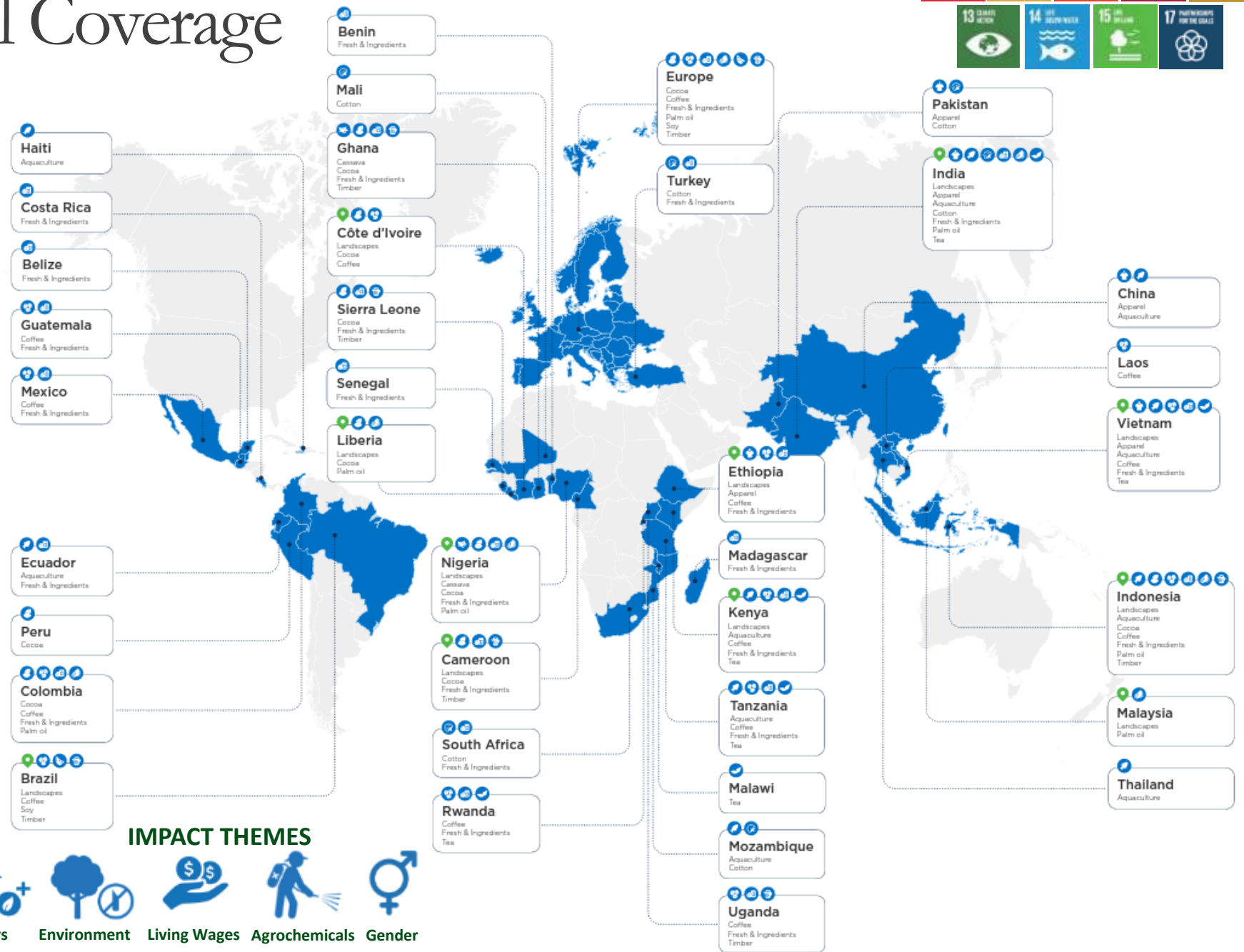
Understanding the market need and requirement, linking to potential support and investment in Indonesia

From IDH Global Coverage



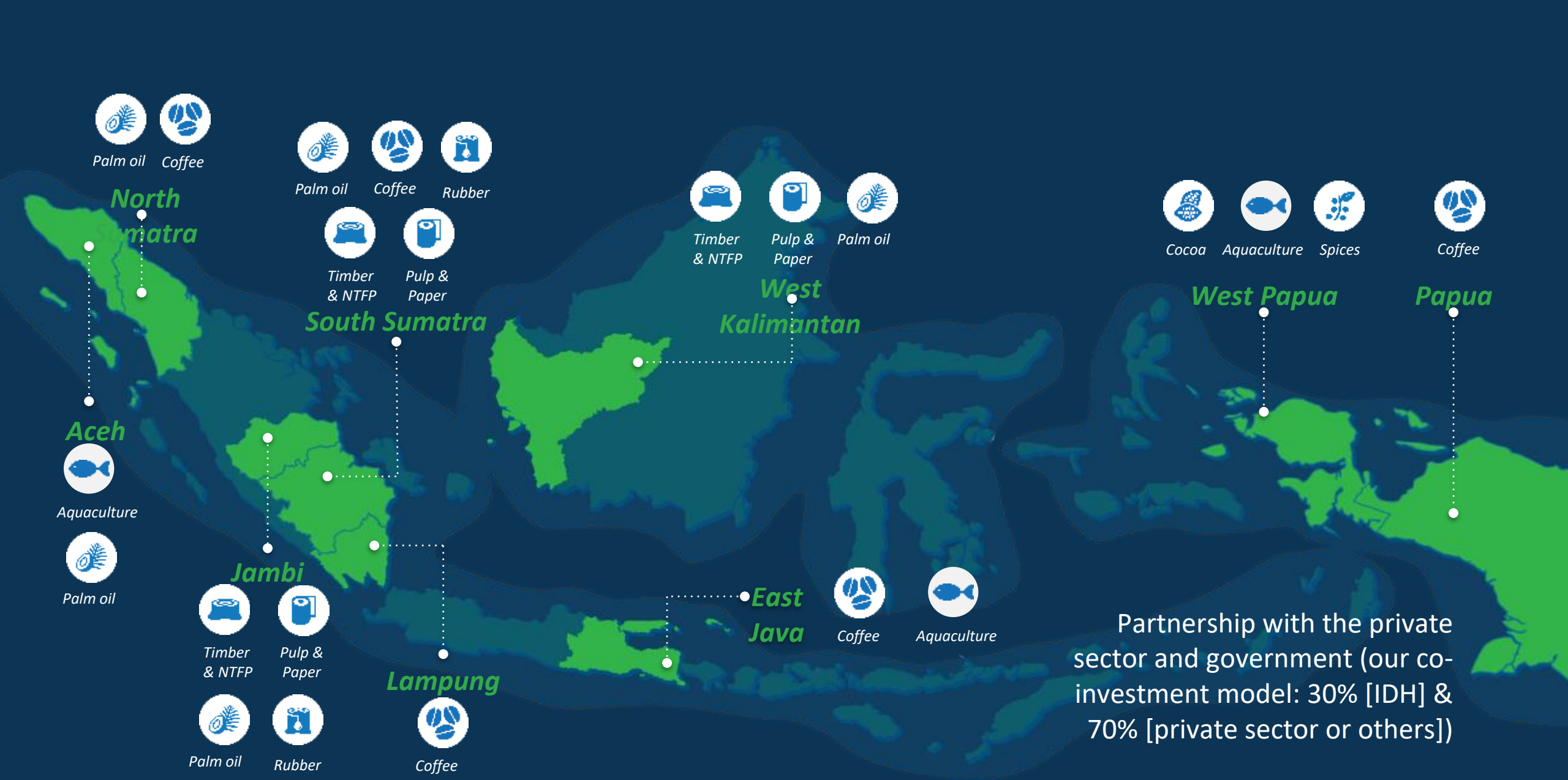
We believe **sustainable production and trade** can transform markets for the benefit of people and the planet.

**PRODUCTION-PROTECTION-
INCLUSION**



IMPACT THEMES





Partnership with the private sector and government (our co-investment model: 30% [IDH] & 70% [private sector or others])

Coverage in Indonesia



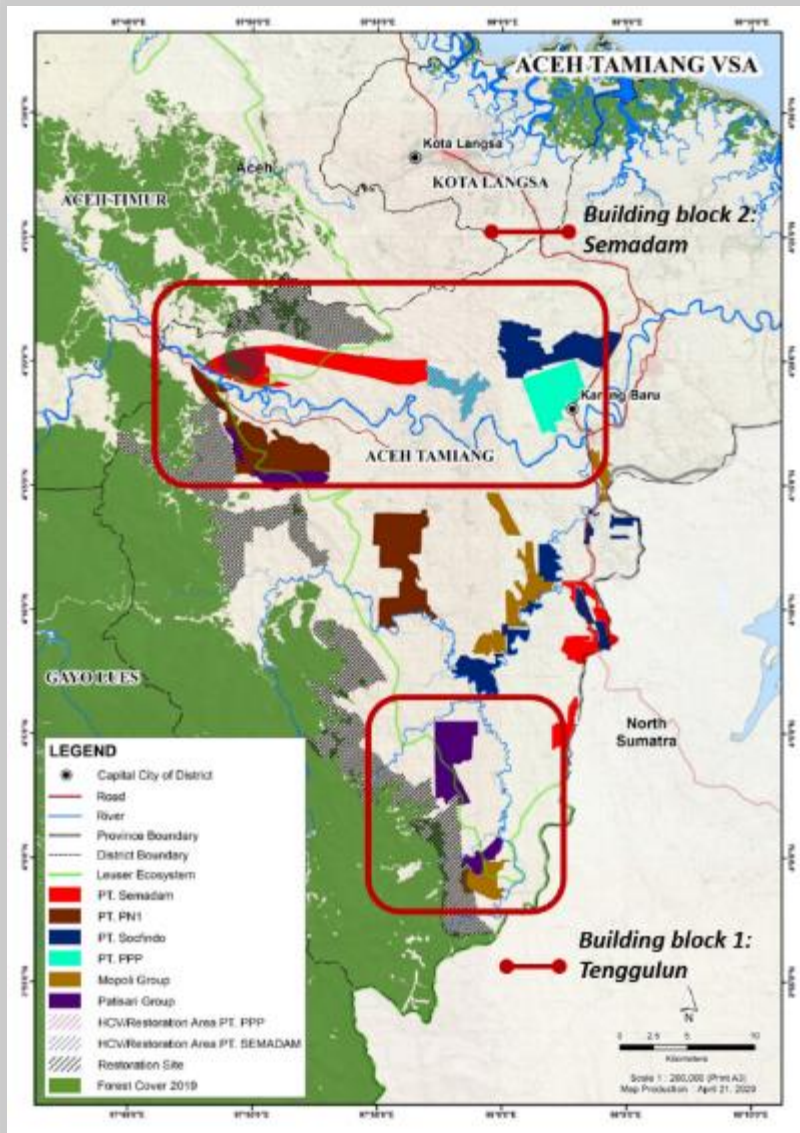
Framework of Workable Business and Investment Model

Example: Nestle Agri-service in Coffee

The infographic features a background of coffee plants with red and green cherries. On the left, two circular inset photos show a man in a red shirt examining coffee cherries and another man in a light blue shirt smiling in a coffee field. At the top, a white banner displays logos for Rainforest Alliance, IOH (The Sustainable Trade Institute), YARA, Rabobank, btpr WOW!, t.cash, Nestle, and NESCAFÉ. Below this, a green arrow-shaped process flow contains the following steps: Replanting Program, Capacity Building, Coffee sorting facilities at villages, Access to market, and Access to finance.



Example: Palm oil



Aceh Tamiang : A building block of Compact and VSA Pilot



Gov. of Aceh Tamiang, KPH III,
GAPKI Aceh, FKL, KTNA, IDH

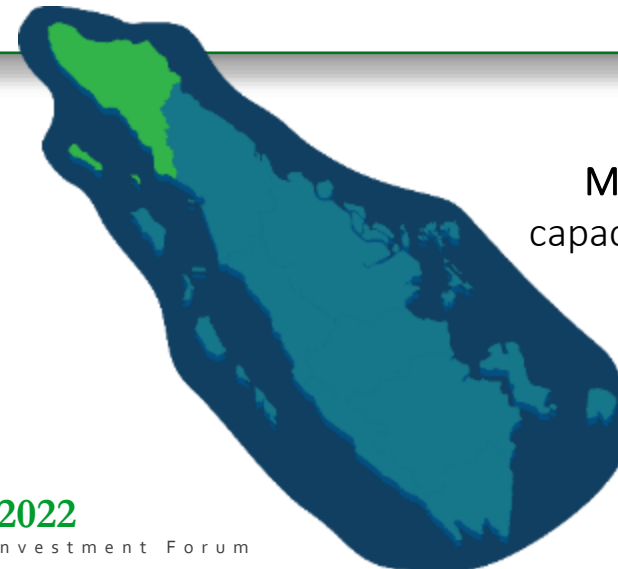
PPI Compact



Committed buyers



Verified Sourcing Area

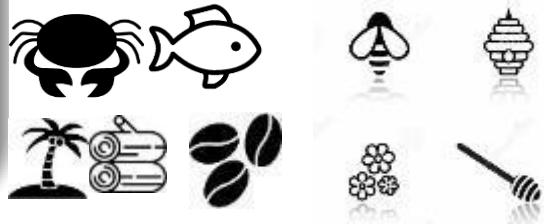


- VSA (Verified Sourcing Area)
- Mapping for land legality ISH for GAP, capacity, forest protection & restoration
- Off-taking agreement: big brands
- Access to finance & agri-inputs
- HCV/HCS management
- ISPO & RSPO linkage

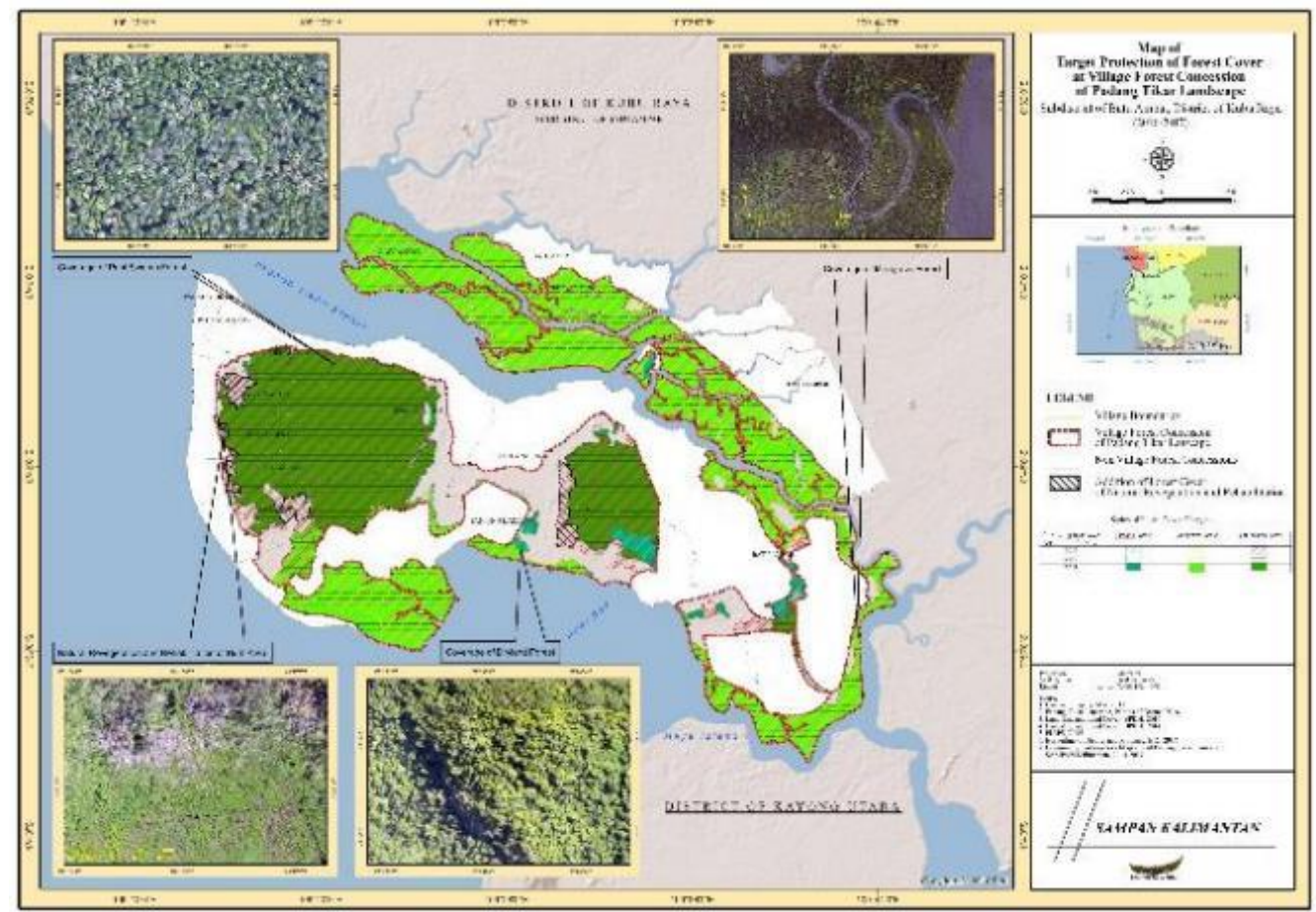
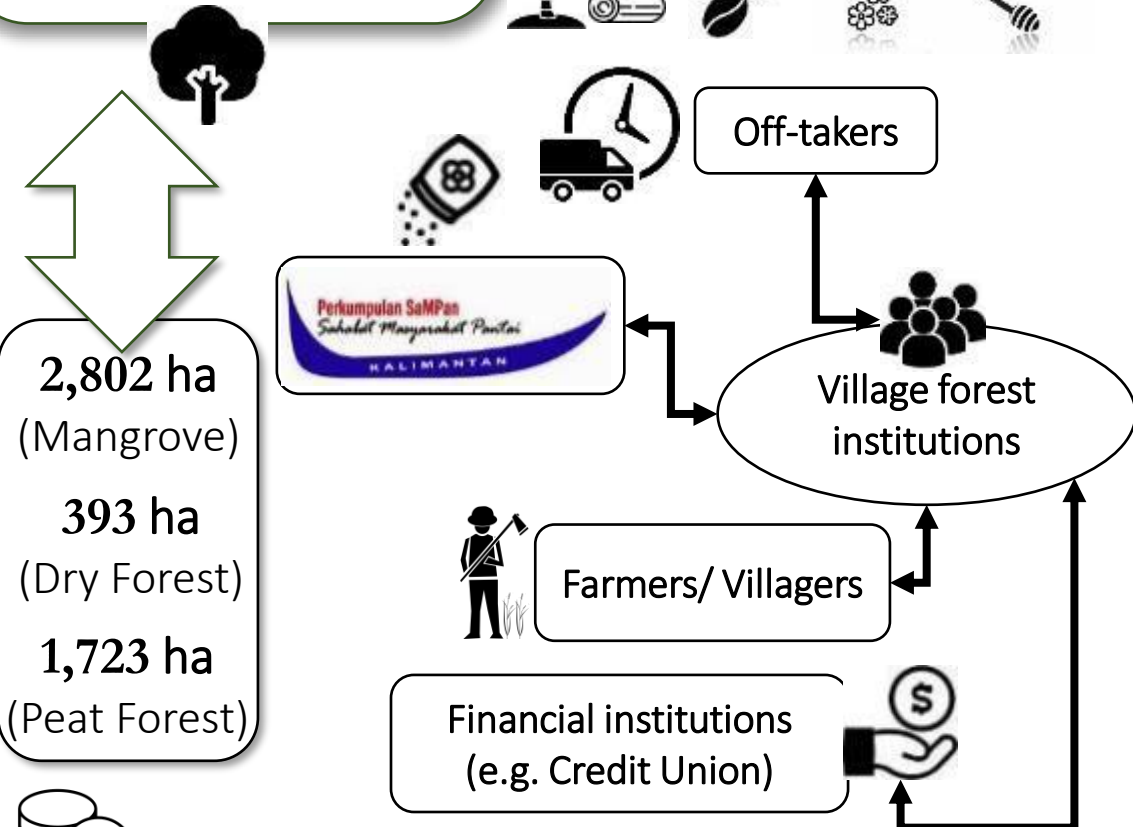
4,918 HA

Additional Forest Cover
(Reforestation & Natural
Regeneration 2015-17:
57,756 ha to 62,674 ha)

6-10,000 HA
(COCONUT, TIMBER,
HONEY, CRABS & SHRIMPS)



Example: Multi-commodities



US\$ 50K

US\$ 107K

Revenue: Honey (in 7 months)

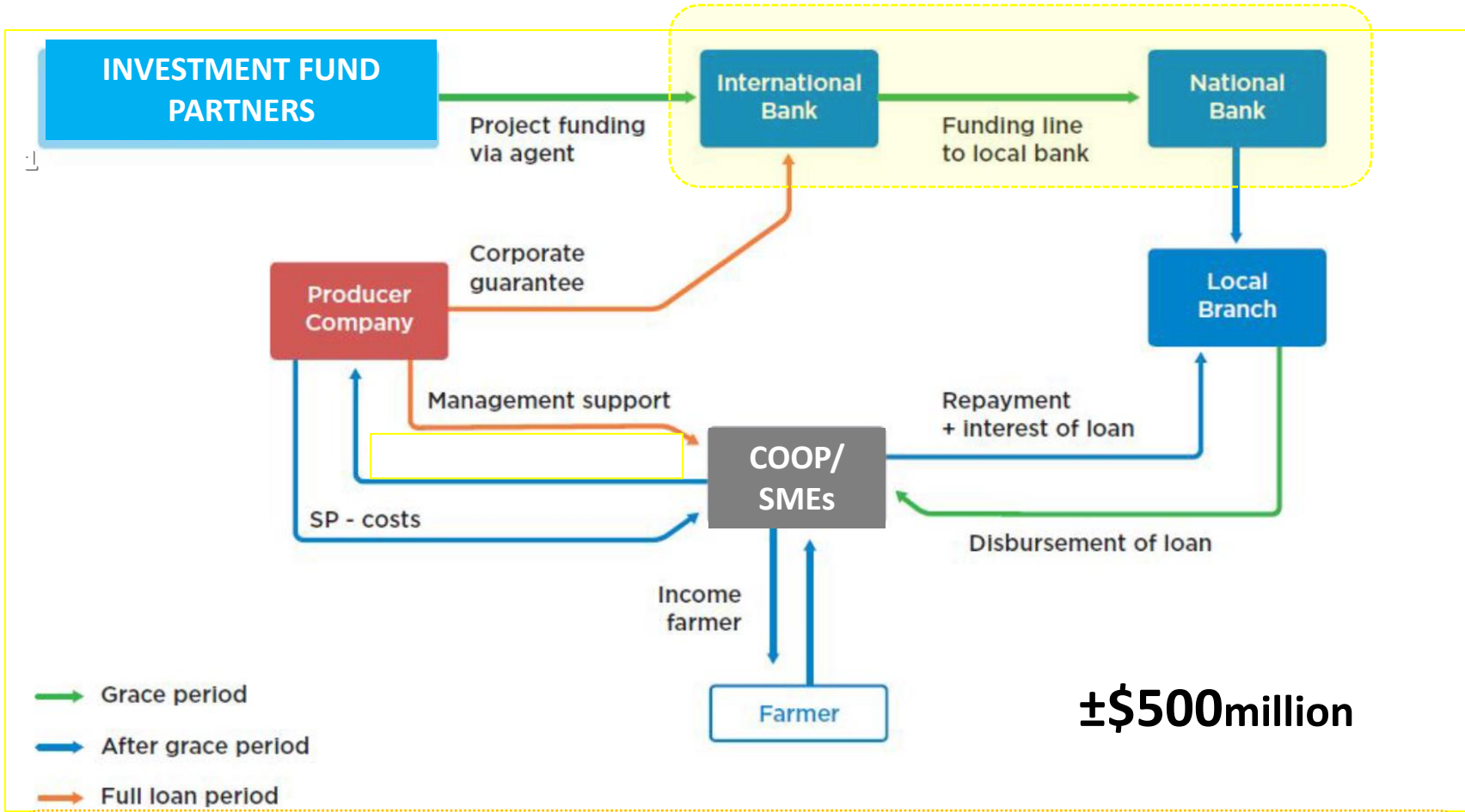
Coconut charcoal (in 6 months)

Example: Ransiki chocolate

COCOA, COMMUNITY AND FOREST
























(COLLABORATION:
PRIVATE SECTOR &
SMEs/COOPERATIVES)
→ DOMESTIC AND
EXPORTED MARKET TO
JAPAN, UK, FRANCE,
LATVIA, SWISS,
LITHUANIA





IDH Landscape Finance

Technical Assistance Facility partnerships with investment funds

Technical Assistance Facilities	Partner fund and impact targets	Partners
 <p>Land Degradation Neutrality Fund <i>Technical Assistance Facility (€5M)</i></p>	 <p>35 million tons of carbon sequestered</p>  <p>500,000 hectares converted to SLM</p>  <p>100,000 decent jobs created/supported</p>	    
 <p>AGRI3 Fund <i>Technical Assistance Facility (€5M)</i></p>	  	     
 <p>AndGreen Fund <i>Technical Assistance Facility (€2M)</i></p>		 

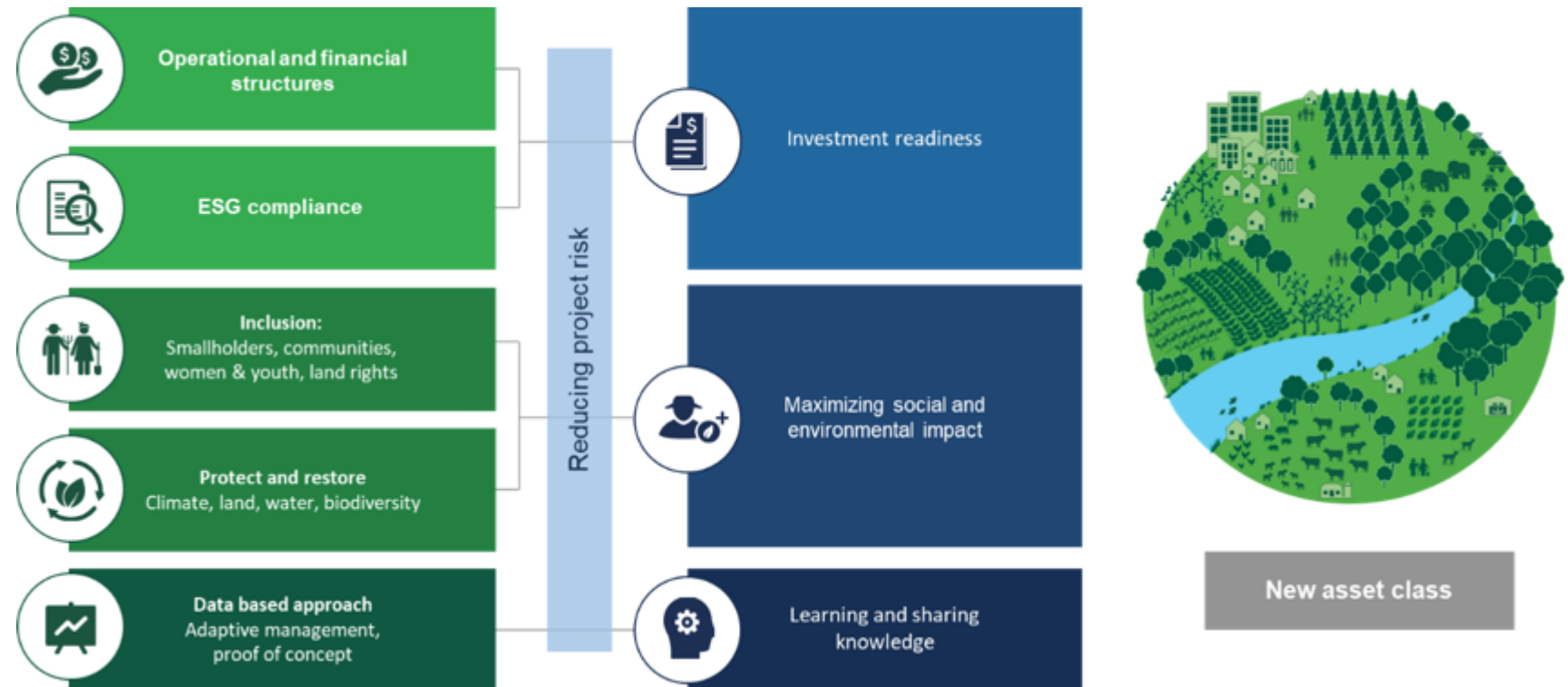
Technical Assistance Facilities' Services

What do our TAF services support

Projects seeking financing will be required to meet the Fund's investment readiness requirements, including financial, operational, environment and social aspects.

To support projects to meet these criteria, the Technical Assistance Facility:

- ▶ Provide grants and TA services for project investment preparation;
- ▶ Co-fund specific initiatives to increase the impact and commercial robustness of projects, therewith also reducing risk;
- ▶ Enable impact data to measure progress on ESG impact
- ▶ And share data and lessons to demonstrate viability and impact of these projects, and grow the market for sustainable landscape investments as a whole.



Indonesia: andgreen.fund invests USD 23.5 million for sustainable deforestation-free rubber

News article - 27 Mar 2019



The [andgreen.fund](#), which aims to drive green and inclusive agricultural investments, has made its first investment to protect around 56,000 ha of forest of the 90,000 ha concessions by PT Royal Lestari Utama, an Indonesian joint venture of the French tire manufacturer Michelin and Indonesian Barito Pacific Group. This landscape project in Jambi prov... approach, ... Fitrian Ard...

Example: Finance Deals

Indonesia releases first phase of EUR 6-million loan to boost sustainable farming based on IDH's village forest model

News article - 28 Feb 2019



Press Release

(for immediate release)

&Green Fund Makes Palm Oil Sector Investment in PT Dharma Satya Nusantara Tbk.

Jakarta/Amsterdam, June 3rd, 2020 - PT Dharma Satya Nusantara Tbk. ("DSNG") has signed a USD 30.0 million 10-year loan facility from Stichting andgreen.fund ("&Green"), a globally-focused impact investment fund financing sustainable commodity production to protect tropical forests. DSNG is a member of the Roundtable on Sustainable Palm Oil ("RSPO") and is committed to managing, operating and producing certified, sustainable palm oil.



01 / TRACEABLE, INCLUSIVE AND DEFORESTATION-FREE PALM OIL SUPPLY CHAIN

PT HILTON DUTA LESTARI (HDL)

&Green is working with HDL to reduce deforestation across four districts in the province of West Kalimantan and improve incomes for up to 85,000 inhabitants in the area. The loan from &Green will be specifically utilized to construct a Crude Palm Oil (CPO) mill. The mill will capture production from a 30km radius around HDL's estates and will obviate the need for ca. 5,000 farmers in the landscape as well as in HDL plantations to transport palm fruit ("FFB") up to 100km (at great commercial and environmental cost) to other non-RSPO* certified and non-NDPE** mills. Through HDL's NDPE-compliant mill, the project offers a replicable blueprint to sustainably finance independent mills across Indonesia.

* The Roundtable on Sustainable Palm Oil (RSPO) is the leading global palm oil certification that aims to make sustainable palm oil the norm.

** NDPE stands for No Deforestation, No development of Peatlands, and No Exploitation and is a policy commonly used to ensure sustainable operations.

Example: Finance Deal

LANDSCAPE PROTECTION PLAN

ENVIRONMENTAL & SOCIAL ACTION PLAN

PROJECT SUMMARY

COUNTRY	Indonesia
PROVINCIAL JURISDICTION	West Kalimantan
INVESTEES COMPANY	PT Hilton Duta Lestari (HDL)
SUPPLY CHAIN	Palm Oil
TOTAL &GREEN INVESTMENT	USD 12 million
EFFECTIVE DATE	31 March 2022
LOAN TERMS	8-year tenor

Thought Process

Convening

Convening governments, donors, companies, financial institutions and key partners to agree on:

- a. Target and efforts for impacts (e.g. forest protection, carbon emission reduction, targeted landscapes and farmers/villagers, partnership structure)
- b. Target and efforts for finance (e.g. the amount of finance required, financial structure, pipeline development and execution)

Donors and FIs

Providing initial fund and capital to develop pipeline and incubate business models, leading to scalable investment

Private sector

Providing off-taking guarantee, co-investment for scalable implementation (on commodities and carbon insetting/biodiversity)

Government

Providing clear regulatory framework and incentives, leading to credible impacts

Objective 1. Better Environment



Scaling up and ensuring protection, sustainable management and restoration of forests, peatland and mangrove ecosystems

Objective 2. Better Income



Progressive income improvement of smallholders and local and indigenous villagers from sustainable commodities, non-timber forest products and ecosystem services

Two streams of business models




1. Decarbonization of supply chains (scope 3 emission → carbon insetting + sustainable commodities)



2. Creating scalable incentives for the remaining standing stock of forest and key ecosystems (finance for forest protection, restoration: through carbon or biodiversity financing)

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 Fitrian Ardiansyah

Thank You

 +62 811 1357 100

 fitrian.ardiansyah@outlook.com

IG [@ecofitrian](https://www.instagram.com/ecofitrian)

LinkedIn:

<https://www.linkedin.com/in/fitrian-ardiansyah-11028a5/>



7