

ENVIRONMENTAL, SOCIAL & GOVERNANCE INTEGRATION FOR BANKS

Closing Ceremony of First Movers on Sustainable Banking Pilot Project

Udayana University, Denpasar - Bali

On July 12, 2017, The Financial Services Authority (OJK) officially closed the First Movers on Sustainable Banking Pilot Project. For sixteen months starting from February 2016, eight banks representing 46% of national banking assets were supported by OJK and WWF-Indonesia in building the banks' preparedness towards sustainable finance implementation. The banks have been provided with capacity building through training and workshops, including technical facilitation in building the ESG integration framework, as well as developing a responsible lending sectoral policy on palm oil, as the pilot focus.



Closing ceremony of the First Movers on Sustainable Banking at Udayana University. Witnessed by the First Movers Banks and WWF-Indonesia representative on the stage.

The banks have gained basic knowledge on ESG integration from determining ambitions to monitoring and reporting. At this initial stage, the banks are expected to develop its sustainable finance implementation roadmap for two years ahead, starting to work on how to embed the existing organizational structure with ESG functions in order to implement its responsible policies effectively and demonstrate its ESG milestones by disclosing measures that have been taken by the banks.

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The competencies that the banks have gained are a meaningful milestone of Indonesia's Sustainable Finance Roadmap (2014-2019), subsequent to the sustainable finance regulation that was recently enacted by OJK on July 20, 2017. All banks, particularly those classified as IV and III¹ are required to effectively implement sustainable finance practices. The ESG integration development plan and its effective implementation, as well as the sustainability report, becomes mandatory by January 2019.

Muliaman D Hadad, Chairman of OJK mentioned in his opening speech that a regulation on sustainable finance, soon to be enacted, would be applied gradually to non-bank institutions, issuer companies, as well as public companies in a certain timeline.

“Towards the sustainable finance implementation, OJK has developed some responsible financing guidelines for financial institutions in collaboration with important partners such as IFC, USAID, GIZ and WWF-Indonesia. Said Muliaman.”

To date, the First Movers Pilot Project has trained more than 200 bankers at the director, manager and VP level, comprising credit risk, business, and planning areas. The WWF's ESG Integration guide and sustainable palm oil financing developed by WWF-Indonesia have been used as a main reference by the eight banks.

In addition, the closing ceremony was part of the launching event of the Bali Center for Sustainable Finance (BCSF). In collaboration with Bali Udayana University, OJK launched the Bali Center for Sustainable Finance (BCSF). The center was established with the purpose of generating a center of excellence on Sustainable Finance development for all stakeholders of sustainable finance in Indonesia.

¹ Bank classified as Bank IV: has capital 5 to 30 trillion rupiah. Bank classified as Bank III has capital at least 30 trillion rupiah.

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