

INDONESIA UNLOCKING ESG INVESTMENT OPPORTUNITIES FOR PRIVATE CLIENTS



SUMMARY

- *In recent years, Environmental, Social, and Governance (ESG) investing has gained significant traction among investors worldwide. Indonesia, with its commitment to sustainable finance, emerging regulatory developments, and growing focus on ESG objectives, presents a promising investment opportunity for private clients seeking to align their values with their portfolios.*

This article explores Indonesia's potential as an ESG investment hub, particularly for High Net Worth (HNW) private clients who prioritize ESG principles and value sustainable investing.



» Leveraging Sustainable Finance and SDGs

Indonesia has been actively promoting sustainable finance and focusing on financing initiatives related to the UN Sustainable Development Goals (SDGs). In September 2021, the country launched new bonds, loans, and the region's first SDG-linked bond, aiming to promote environmental protection and accelerate socio-economic development. This demonstrates Indonesia's commitment to addressing global challenges and aligning its financial initiatives with sustainable objectives.

G20 and Indonesia's Commitment to Sustainability

During its G20 Presidency in 2022, Indonesia showcased its dedication to sustainability by spearheading international progress towards ESG-aligned goals. The country emphasized the sustainable energy transition, calling for a common-ground taxonomy and standardized reporting to facilitate informed investment decisions. This commitment to international best practices further solidifies Indonesia's position as a strong contender for ESG investment opportunities.

Regulatory Developments and Strengthening ESG Practices

In March 2023, Indonesia made a significant move towards

promoting ESG practices in the corporate sector. The country's stock exchange, IDX, entered into a memorandum of understanding (MoU) with the International Finance Corporation (IFC) and the Swiss State Secretariat for Economic Affairs (SECO). This MoU encourages listed companies and prospective listers to strengthen their ESG practices, including climate-related risk assessments. As a result, Indonesian firms gained access to a potentially huge pool of capital, making them more attractive to investors seeking sustainable assets.

Deepening Onshore Offerings and Encouraging Domestic Investment

Indonesia's officials have shown a desire to boost revenue and prevent tax avoidance by Indonesian HNWIs with offshore assets. To accomplish this, the country introduced the Law of the Republic of Indonesia No. 11/2016 on Tax Amnesty, encouraging the repatriation of assets to increase domestic liquidity, improve the exchange rate, and enhance investment. By bolstering the domestic investment offering and providing attractive ESG solutions, Indonesia can encourage more HNW nationals to invest their wealth within the country, driving economic productivity and generating tax revenues.

Shifting Investor Priorities Towards ESG

The investor landscape has evolved significantly, with a growing emphasis on ESG metrics. Indonesian private client investors are increasingly interested in incorporating ESG-friendly investments into their portfolios. Investors are becoming more conscious of their impact on the environment and society, demanding that companies integrate ESG considerations into their decision-making processes.

Net Zero and Green Taxonomy Initiatives

Indonesian companies are making commitments to net-zero targets, recognizing the value of managing physical and energy transition risks. The Green Taxonomy, a voluntary classification of economic activities, is guiding industries and investors toward a greener transformation. This initiative supports the implementation of sustainable practices and aligns with ESG principles.

Growing Demand for Sustainability Assurance

As ESG regulations and disclosure requirements become more stringent, there is an increasing need for third-party verification to tackle greenwashing. Transparent reporting and reliable ESG metrics are vital for investors seeking credible sustainable investment opportunities. ■

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