REGULATION OF FINANCIAL SERVICES AUTHORITY
NO. 51/POJK.03/2017
ON
APPLICATION OF SUSTAINABLE FINANCE
TO FINANCIAL SERVICES INSTITUTION, ISSUER AND PUBLICLY LISTED COMPANIES

BY THE GRACE OF THE GOD ALMIGHTY
BOARD OF COMMISSIONER OF THE FINANCIAL SERVICES AUTHORITY,

Considering:

a. WHEREAS, to realise sustainable development capable of maintaining economic stability and inclusive, it is necessary to establish a national economic system upholding the harmony between economic, social and environmental aspects;

b. WHEREAS, to drive the national economic system upholding harmony between economic, social and environmental aspects capable of maintaining economic stability and inclusive, sources are necessary to provide sufficient funds;

c. WHEREAS, development of environmentally sound financial institution system is instructed under Law 32 of 2009 on Environmental Protection and Management;

d. WHEREAS, it is necessary to follow up the Roadmap of Indonesian Sustainable Finance issued by the Financial Services Authority with specific regulations binding all financial services agencies, issuers and public companies;

e. WHEREAS, based on the considerations under point a to d hereof, it is necessary to issue the Regulation of Financial Services Authority on Application of Sustainable Finance to Financial Services Institution, Issuer and Publicly Listed Company.
In view of:

1. Law 7 of 1992 on Banking (State Gazette of the Republic of Indonesia Year 1992 No. 31, Supplement of State Gazette of the Republic of Indonesia No. 3472) as amended by Law 10 of 1998 on Amendment of Law 7 of 1992 on Banking (State Gazette of the Republic of Indonesia Year 1998 No. 182, Supplement of State Gazette of the Republic of Indonesia No. 3790);

2. Law 11 of 1992 on Pension Fund (State Gazette of the Republic of Indonesia Year 1992 No. 37, Supplement of State Gazette of the Republic of Indonesia No. 3477);

3. Law 8 of 1995 on Capital Market (State Gazette of the Republic of Indonesia Year 1995 No. 64, Supplement of State Gazette of the Republic of Indonesia No. 3608);

4. Law 21 of 2008 on Islamic Banking (State Gazette of the Republic of Indonesia Year 2008 No. 94, Supplement of State Gazette of the Republic of Indonesia No. 4867);

5. Law 2 of 2009 on Indonesian Export Financing Institution (State Gazette of the Republic of Indonesia Year 2009 No. 2 Supplement of State Gazette of the Republic of Indonesia No. 4957);

6. Law 21 of 2011 on Financial Services Authority (State Gazette of the Republic of Indonesia Year 2011 No. 111, Supplement of State Gazette of the Republic of Indonesia No. 5253);

7. Law 24 of 2011 on Social Security Administering Board (State Gazette of the Republic of Indonesia Year 2011 No. 116, Supplement of State Gazette of the Republic of Indonesia No. 5256);

8. Law 40 of 2014 on Insurance (State Gazette of the Republic of Indonesia Year 2014 No. 337, Supplement of State Gazette of the Republic of Indonesia No. 5618);
9. Law 1 of 2016 on Underwriting (State Gazette of the Republic of Indonesia Year 2016 No. 9, Supplement of State Gazette of the Republic of Indonesia No. 5835);

DECIDES TO:

Stipulate: REGULATION OF FINANCIAL SERVICES AUTHORITY ON APPLICATION OF SUSTAINABLE FINANCE TO FINANCIAL SERVICES INSTITUTION, ISSUER AND PUBLICLY LISTED COMPANY.

SECTION I
GENERAL PROVISION

Article 1

The following definition shall apply hereto.

1. Financial Services Institution, hereinafter referred to as FSI, shall mean the institution that implements activities in banking, capital market, insurance, pension fund, financing institution and other financial services institutions.

2. Other Financial Services Institution shall include pawnshop, underwriting institution, Indonesian Export Financing Institution, secondary mortgage company, and Social Security Administrating Board as provided under laws and regulations on pawnshop, underwriting, Indonesian export financing institution, secondary mortgage company and social security administrating board.

3. Commercial Bank shall mean:


b. Islamic Commercial Bank under Law 21 of 2008 on Islamic Banking.

5. Islamic Rural Financing Bank, hereinafter referred to as IRFB, shall mean the Islamic Rural Financing Bank under Law 21 of 2008 on Islamic Banking.

6. Issuer shall mean the party that carries out public offering.

7. Publicly Listed Company shall mean company whose shares are already held by at least three hundred (300) shareholders and retaining a paid-up capital of at least Three Billion Indonesian Rupiahs (IDR 3,000,000,000) or otherwise another number of shareholder and amount of paid-up capital provided under Government regulation.

8. Sustainable Finance shall mean comprehensive support from financial services sector to create sustainable economic growth by harmonising economic, social and environmental interests.

9. Environment shall mean the spatial unity that include all materials, forces, circumstances and living beings including human beings along with their behaviour that affect the nature itself, continuity of life, as well as the well-beings of humans and other living beings.

10. Sustainable Financial Product and/or Service shall mean financial product and/or service that integrate economic, social and environmental aspects, as well as the governance within its features.

11. Sustainable Financial Action Plan shall mean written document containing FSI short term (one year) and long term (five years) business plans and work programmes relevant to the principles applied to Sustainable Finance, including strategy to realise the said work plans and programmes according to the predetermined targets and timeline, taking into account the principle of prudence and application of risk management.

12. Corporate Social and Environmental Responsibilities, hereinafter referred to as CSER, shall mean commitment to participate in sustainable economic development to improve life and environmental quality favourable to the company itself, local community and public in general.

**Article 2**

(1) FSI, Issuer and Publicly Listed Company shall apply Sustainable Finance in their business activities.

(2) Sustainable Finance application under paragraph (1) of this article hereof shall implement the following:

a. responsible investment principle;

b. sustainable business strategy and practice principle;

c. social and environmental risk management principle;

d. governance principle;

e. informative communication principle;

f. inclusive principle;

g. priority sector development principle; and

h. coordination and collaboration principle.

**Article 3**

(1) Sustainable Finance application in case of FSI, Issuer and Publicly Listed Company under Article 2 hereof shall:

a. take effect as of the date of 1 January 2019 for FSI in the form of a Commercial Bank that is classified as a Commercial Banks - BUKU\(^1\) 3, BUKU 4 and foreign bank categories,

b. take effect as of the date of 1 January 2020 for FSI in the form of BUKU 1 and BUKU 2, financing company, Islamic financing company, venture capital

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\(^1\) OJK categorizes banks in Indonesia into 4 categories based on its equity:
BUKU 1 for banks with equity less than IDR 1 Trillion;
BUKU 2 for banks with equity between IDR 1 – 5 Trillion;
BUKU 3 for banks with equity between IDR 5 – 30 Trillion; and
BUKU 4 for banks with equity more than IDR 30 Trillion.
(This note is inserted to provide further clarification of the English version of the policy).
company, Islamic venture capital company, infrastructure financing company, insurance company, Islamic insurance company, reinsurance company, Islamic reinsurance company, Indonesian Export Financing Institution, secondary mortgage company, Social Security Administering Board, Issuers other than Issuers having small scale assets and Issuers having medium scale assets, and Publicly Listed Company;

c. take effect as of the date of 1 January 2022 for FSI in the form of RCB BUKU 3 including IRFB having a core capital equivalent to the BUKU 3 category, securities company managing the securities account of its customers, and Issuers having a medium scale asset;

d. to FSI taking form of BUKU 1 and BUKU 2, and IRFB with core capital equal to BUKU 1 and BUKU 2, Issuer with small scale asset, securities company that does not administer securities customer account, pawnshop company, underwriting company, and Islamic underwriting company, take effect as of the date of 1 January 2024; and

e. to FSI taking form of pension fund with total asset of at least One Trillion Indonesian Rupiahs (IDR 1,000,000,000,000), take effect as of the date of 1 January 2025.

(2) In case the FSI under paragraph (1) of this article hereof is also Issuer or Publicly Listed Company, its application of Sustainable Finance shall refer to one of the applicable dates, whichever earliest.

SECTION II

APPLICATION OF SUSTAINABLE FINANCE

Article 4

(1) To apply the Sustainable Finance under Article 2.1 hereof, FSI shall prepare Sustainable Finance Action Plan provided under Schedule I as an integral and inseparable part hereof.
(2) The Sustainable Finance Action Plan under paragraph (1) of this article hereof shall be submitted on annual basis to the Financial Services Authority:

a. at the same time as business plan submission, in case of FSI required to submit business plan as part of business plan or in separate document; and

b. on 31 January at the latest, in case of FSI not required to submit business plan.

(3) If the deadline of Sustainable Finance Action Plan under paragraph (2) of this article hereof falls on Saturday, Sunday, or holiday, it shall be submitted on the next working day.

(4) Sustainable Finance Action Plan shall be prepared by board of director and approved by board of commissioner.

(5) FSI that is also Issuer or Publicly Listed Company shall be subject to the provision under paragraph (1) to (4) of this article hereof.

**Article 5**

FSI shall effectively implement Sustainable Finance Action Plan.

**Article 6**

FSI shall communicate Sustainable Finance Action Plan to:

a. shareholders; and

b. all organisational levels within FSI.

**Article 7**

(1) The Sustainable Finance Action Plan under Article 4.1 hereof shall be prepared based on each FSI priorities that cover at least the following:

a. development of Sustainable Finance Product and/or Service including increase of financing portfolio, investment or placement on financial instruments or projects in line with the Sustainable Finance application;

b. FSI internal capacity building; or
Article 8

(1) FSI required to perform CSER shall allocate a portion of their CSER funds to support Sustainable Finance application activities.

(2) Issuer and Publicly Listed Company that are not FSI but required to perform CSER shall allocate a portion of their CSER funds to support Sustainable Finance application activities.

(3) CSER fund allocation under paragraph (1) of this article hereof shall be set forth in Sustainable Finance Action Plan.

(4) The use of CSER fund under paragraph (1) and (2) of this article hereof shall be reported in Sustainability Report.

SECTION III

INCENTIVES

Article 9

(1) FSI, Issuer and Publicly Listed Company that effectively apply Sustainable Finance may be incentivised by the Financial Services Authority.

(2) The incentive under paragraph (1) of this article hereof may take form of the following:

a. engaging the FSI, Issuer and Publicly Listed Company in programmes of human resources capacity building;

b. awarding with Sustainable Finance Award; and/or
c. other incentives.

SECTION IV
SUBMISSION OF SUSTAINABLE FINANCE ACTION PLAN, REPORTING AND PUBLICATION

Article 10

(1) FSI, Issuer and Publicly Listed Company shall prepare Sustainability Report.

(2) The said Sustainability Report under paragraph (1) of this article hereof shall be made as either separable or inseparable part of the annual report.

(3) The Sustainability Report under paragraph (1) of this article hereof shall be submitted to the Financial Services Authority on annual basis, in accordance with the time limit of annual report relevant to the respective FSI, Issuer and Publicly Listed Company.

(4) In case where FSI, Issuer and Publicly Listed Company submit their Sustainability Report separately from the annual report, the Sustainability Report shall be submitted annually to the Financial Services Authority at the latest 30 April of the next year.

(5) Where the time limit of the Sustainability Report submission under paragraph (4) of this article hereof falls on Saturday, Sunday or holiday, the report shall be submitted on the next working day.

(6) The initial submission of Sustainability Report shall be made for the following reporting periods:

a. 1 January-31 December 2019 in case of FSIs in the form of BUKU 3, BUKU 4 and foreign bank;

b. 1 January-31 December 2020 in case of FSIs in the form of BUKU 1 and BUKU 2, financing company, Islamic financing company, venture capital company, Islamic venture capital company, infrastructure financing company, insurance company, Islamic insurance company, reinsurance company, Islamic reinsurance company, Indonesian Export Financing Institution, secondary mortgage company, Social Security Administering Board, Issuer excluding Issuer with small and medium scale asset, and Publicly Listed Company.
c. 1 January-31 December 2022 in case of FSIs in the form of RCBBA 3 including IRFB with core capital equal to BUKU 3, securities company that administers securities customer account, and medium scale Issuer;

d. 1 January-31 December 2024 in case of FSIs in the form of BUKU 1 and BUKU 2, and IRFB with core capital equal to BUKU 1 and BUKU 2, Issuer with small scale asset, securities company that does not administer securities customer account, pawnshop company, underwriting company, and Islamic underwriting company; and

e. 1 January-31 December 2025 in case of FSIs in the form of pension fund with total asset of at least One Trillion Indonesian Rupiahs (IDR 1,000,000,000,000).

(7) Where the FSI under paragraph (1) of this article hereof is also Issuer or Publicly Listed Company, its submission of initial Sustainability Report shall refer to one of the applicable periods, whichever earliest.

(8) The Sustainable Report under paragraph (1) of this article hereof shall be prepared using the format provided under Schedule II as an integral and inseparable part hereof.

**Article 11**

The Sustainable Finance Action Plan under Article 4.1 hereof and the Sustainability Report under Article 10.1 hereof shall be submitted offline to the Financial Services Authority, subject to the following:

a. in case of bank FSI, shall be addressed to:

   1. the relevant Supervision Department or Islamic Banking Department in case of banks with principal office in the Special Capital Region of Jakarta, or foreign banks with branch office in the said region; or

   2. Regional Office or Office of the Financial Services Authority that supervises the bank principal office;
b. in case of FSI in the form of Securities Companies, Non-FSI Issuer and Non-FSI Publicly Listed Company, shall be addressed to the relevant Department of Capital Market Supervision;

c. in case of FSI in the form of financing company, Islamic financing company, venture capital company, Islamic venture capital company, infrastructure financing company, insurance company, Islamic insurance company, reinsurance company, Islamic reinsurance company and pension fund, shall be addressed to the relevant Department of Non-Bank Finance Industry Supervision; and

d. in case of other FSIs, shall be addressed to the relevant department in charge of supervising them.

**Article 12**

(1) FSI, Issuer and Publicly Listed Company shall publish the Sustainability Report as provided under Article 10.1 hereof.

(2) The Sustainability Report under paragraph (1) of this article hereof shall be published to the FSI, Issuer and Publicly Listed Company websites at the latest on 30 April of the next year.

(3) FSIs that are yet to have websites shall publish their Sustainability Report through print media or other media easily accessible to public at the latest on 30 April of the next year.

**SECTION V**

**SANCTIONS**

**Article 13**

(1) Any violation by FSI of the provisions under Article 2.1, Article 3-Article 7, Article 8.1, Article 10 and/or Article 12 hereof shall be punishable with administrative sanctions in the form of written admonition or warning.

(2) Any violation by Non-FSI issuer and Non-FSI Publicly Listed Company of the provisions under Article 2.1, Article 10 and/or Article 12 shall be punishable with administrative sanctions in the form of written admonition or warning.
SECTION VI
CLOSING PROVISION

Article 14
This Financial Services Authority Regulation shall take effect as of the promulgation date.
For public cognizance, this decree shall be announced by publishing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta
on the date of July 18, 2017

CHAIRMAN OF THE BOARD OF COMMISSIONER
OF FINANCIAL SERVICES AUTHORITY

MULIAMAN D. HADAD

Promulgated in Jakarta
on the date of July 27, 2017

MINISTER OF LAW AND HUMAN RIGHTS
OF THE REPUBLIC OF INDONESIA,

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2017 NO. 169
I. General


II. Executive Summary

This section contains the Sustainable Finance Action Plan description of at most three (3) pages and covers at least the following:

1. Sustainable Finance Action Plan achievement;
2. vision and mission;
3. Sustainable Finance Action Plan objectives;
4. programmes to implement under the Sustainable Finance Action Plan including 1-year and 5-year timelines. Sustainable Finance Action Plan that involves a period of up to five (5) years must be submitted once every five years;
5. allocation of resources (funding, human and cooperation partner) for the Sustainable Finance Action Plan implementation; and
6. staff, officials or work unit responsible for Sustainable Finance Action Plan implementation.
III. Sustainable Finance Action Planning Process

Sustainable Finance Action Planning process must include statement covering at least the participation in preparing the plan, along with the references used during the plan preparation.

IV. Determinants of Sustainable Finance Action Planning Process

Determinants underlying the establishment of the Sustainable Finance Action Plan objectives and priorities must include at least the following:

1. business strategic plan;
2. institutional capacity;
3. financial condition and technical capacity;
4. cooperation with external parties;
5. communication strategy;
6. monitoring, evaluation and mitigation systems; and
7. Governmental policies.

These determinants are elaborated based on their relationship to the Sustainable Finance principle as well as strength and weakness analysis of these factors.

V. Sustainable Finance Action Plan Priorities and Description

FSI must set priorities of Sustainable Finance program implementation as provided under Article 7 hereof.

See the following examples of action programmes for the implementation of Sustainable Finance Action Plan.

1. 1st Programme: Improvement of Green Portfolio – Bank X

   Complete point a to e below to elaborate work priorities.

   a. Rationale
1) FSI selects 1st priority;
2) FSI explains the reason of making the 1st priority; and
3) FSI elaborates activities to implement against the 1st priority and objectives.

b. Activity

Complete the table below with activities, implementation period, resources required, and activity PIC. Activities are specifically and realistically described.

<table>
<thead>
<tr>
<th>No.</th>
<th>Activity Description</th>
<th>Initial Period</th>
<th>Final Period</th>
<th>Resources Required</th>
<th>Activity PIC</th>
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c. Resources

Complete this section with details on resources required to implement Sustainable Finance Action Plan, including:

1) source of fund;
2) human resources; and
3) cooperation partners.

d. Programme Implementation Evaluation System

FSI should develop and mention a system to monitor the effectiveness of the action programme implementation and achievement including short and long term measures to take in case of problems in the implementation and achievement.

FSI employs monitoring and evaluation mechanism for each action programme, including monitoring and evaluation method and phases, as well as measures to take in case of deviation between the action programme and its realisation.
e. Challenges and Future Plan

Complete this part by elaborating the identified challenges and obstacles likely to encounter in the action programme, as well as plans to implement in order to sort out the challenges and obstacles.

2. 2nd Programme: (input programme type)

(template follows the 1st programme; replicate until the last programme)

VI. Follow Up of Sustainable Finance Action Plan

In this section, FSI elaborates the process in evaluating Sustainable Finance Action Plan for further determining the follow up.

Monitoring and evaluation system for assessing progress in general includes the following:

1. staff, official and/or work unit responsible for monitoring and evaluation;

2. reasonable timeline to measure the realisation of Sustainable Finance Action Plan;

3. follow up of Sustainable Finance Action Plan; and

4. risk mitigation in case Sustainable Finance Action Plan cannot be appropriately implemented or when the desired goals are not achieved.

Stipulated in Jakarta

on the date of July 18, 2017

CHAIRMAN OF THE BOARD OF COMMISSIONER

OF FINANCIAL SERVICES AUTHORITY

MULIAMAN D. HADAD
I. GENERAL

1. Sustainability Report may be made as either separable or inseparable part of the annual report.

2. In case Sustainability Report is made separated from the annual report, it must at least contain the following information:
   a. sustainability strategy elaboration;
   b. summary of sustainability aspects (economic, social and environmental);
   c. brief profile of FSI, Issuer or Publicly Listed Company;
   d. description on Board of Directors;
   e. sustainability governance;
   f. sustainability aspect performance
   g. written verification from independent parties, if any;
   h. feedback sheet for reader, if any; and
   i. FSI, Issuer or Publicly Listed Company response to the previous year’s feedback.

3. In case Sustainability Report is made integrated to the annual report, it must contain information as mentioned in point 2 above.
4. Sustainability Report is made in Indonesian. When necessary, Indonesian and English versions can be placed side by side.

5. Sustainability Report can be provided with figures, statistic, table and/or diagram with clear notes and must be easily readable to the reader.

II. SUSTAINABILITY REPORT CONTENT

See the following elaboration of Sustainability Report content as mentioned by section I point 2 above.

A. Sustainability Report must contain information as follow:

1. Elaboration on Sustainability Strategy
   
   This section must contain elaboration on FSI, Issuer and Publicly Listed Company sustainability strategy.

2. Summary of Sustainability Aspect Performance
   
   This section must contain comparison of performances in the past three (3) years (in case of FSI, Issuer and Publicly Listed Company having been operational for more than three (3) years) involving the following information:

   a. economic aspect that must cover at least the following information:

      1) quantity of products/services offered;
      2) revenue or sales;
      3) nett profit/loss;
      4) environmental-friendly products; and
      5) engagement of local stakeholders concerning the Sustainable Finance business process;

   b. environmental aspects that must cover at least the following information:

      1) energy consumption (including electricity and water);
2) total emission reduction (in case of FSI, Issuer and Publicly Listed Company whose business process directly relates to environment);

3) reduction of waste and effluent (waste entering the environment) achieved (in case of FSI, Issuer and Publicly Listed Company whose business process directly relates to environment); or

4) biodiversity conservation (in case of FSI, Issuer and Publicly Listed Company whose business process directly relates to environment);

c. Social aspects that must describe positive and negative impacts out of Sustainable Finance application on community and environment (including human, area and fund).

3. Brief profile on comprehensive description on FSI, Issuer, and Publicly Listed Company characteristics. This part must include at least the following information:

a. FSI, Issuer and Publicly Listed Company vision, mission and sustainability values;

b. FSI, Issuer and Publicly Listed Company name, address, phone number, fax number, email address and website, as well as their branch and/or representative office;

c. FSI, Issuer and Publicly Listed Company business scale in brief, including:

1) total asset or asset capitalisation and total liabilities (in million IDR);

2) number of employee by sex, position, age, education and employment status;

3) shareholding percentage (public and government); and

4) operational area;

d. short description on products, services and business activities;
4. Description on Board of Directors that must include:

a. policy to respond challenges in keeping up with the sustainability strategy, that must cover at least the following:

1) elaboration on FSI, Issuer and Publicly Listed Company sustainability values;
2) elaboration on FSI, Issuer and Publicly Listed Company responses towards issues concerning Sustainable Finance application;
3) elaboration on commitment of FSI, Issuer and Publicly Listed Company leadership in achieving Sustainable Finance application;
4) achievement of Sustainable Finance application performance; and
5) challenges in Sustainable Finance application performance achievement;

b. application of Sustainable Finance that must cover at least the following:

1) achievement of Sustainable Finance application (economic, social and environmental aspects) against targets; and
2) elaboration on achievement and challenges including notable moments during the reporting period (in case of FSI required to make Sustainable Finance Action Plan);

c. target achievement strategy that must include at least the following:

1) risks management due to the application of Sustainable Finance concerning economic, social and environmental aspects);
2) seizure of business opportunity and prospect; and

3) description on economic, social and environmental external situations that may potentially affect FSI, Issuer and Publicly Listed Company sustainability.

5. Sustainability governance that must include:
   a. description of tasks performed by Board of Directors and Board of Commissioners, employee, official and/or work unit responsible for the application of Sustainable Finance;
   b. elaboration on competence development for members of Board of Directors and Boards of Commissioners, employee, official and/or work unit responsible for the application of Sustainable Finance;
   c. elaboration on procedure that FSI, Issuer and Publicly Listed Company applies in identifying, measuring, monitoring and controlling risks out of the application of Sustainable Finance relating to economic, social and environmental aspects, including roles of Board of Directors and Board of Commissioners in managing, carrying out regular review towards, and analysing the effectiveness of FSI, Issuer and Publicly Listed Company risk management process;
   d. description on stakeholders that includes:
      1) involvedness of stakeholders based on output of assessment over management, General Meeting of Shareholders (GMS), decision letters or others; and
      2) FSI, Issuer and Publicly Listed Company approach in engaging stakeholders in the application of Sustainable Finance, such as through discussion, survey and seminar.
   e. Problems faced, progress and influence to the application of Sustainable Finance.

6. Sustainability criteria that must include at least the following:
a. Elaboration on sustainable culture development activities in the internal of FSI, Issuer and Publicly Listed Company.

b. Elaboration on economic performance in the past three (3) years including:
   1) comparison of target to performance of production, portfolio, financing target, or investment, revenue and profit/loss in case Sustainability Report is prepared separately from the Annual Report; and
   2) comparison of target to performance of portfolio, financing target, or investment in financial instruments or projects in line with the Sustainable Finance application.

c. Social performance in the past three (3) years:
   1) FSI, Issuer or Publicly Listed Company commitment to providing services for the equal product and/or services to customers;
   2) employment that must include at least the following:
      a) statement on the equality of employment or whether or not forced and child labours are employed;
      b) percentage of permanent employee remuneration at the lowest level against regional minimum wage;
      c) decent and safe work environment; and
      d) training and capacity building for employees;
   3) community, that must include at least the following:
      a) information on operational activities or area producing positive and negative impacts on local community including financial literacy and inclusion;
      b) community complaint mechanism and number of community complaints received and followed up; and
c) CSER relatable to supports to sustainable development objectives including community empowerment programme activity achievements.

d. FSI, Issuer and Publicly Listed Company Environmental Performance that must include at least:

1) environmental costs that incur;

2) description on the use of environmentally friendly materials such as materials of recyclable type; and

3) description on the use of energy that must at least include the following:
   a) amount and intensity of energy consumed; and
   b) efforts and achievements made for energy efficiency including use of renewable energy sources;

e. Environmental Performance of FSI, Issuer and Publicly Listed Company whose business process directly relates to Environment, that must include at least the following.

1) the performance under point d above;

2) information on operational activities or areas producing positive and negative impacts on the surrounding Environment, especially ecosystem carrying capacity improvement;

3) biodiversity that must include at least the following:
   a) impacts from operational areas close to or situated in areas of conservation or otherwise those that contain biodiversity; and
   b) biodiversity conservation business carried run including flora or fauna species protection;

4) emission that includes at least as follow:
   a) amount and intensity of emission produced by type; and
   b) efforts and achievements made in emission reduction;
5) waste and effluent that must include at least the following:
   a) amount of waste and effluent produced by type;
   b) waste and effluent management mechanism; and
   c) spillover that occur (if any); and

6) number and content of Environmental complaint received and resolved.

f. Sustainable Finance Product and/or Service development responsibility that must include at least the following:

1) Sustainable Finance Product and/or Service innovation and development

2) number and percentage of product and service having undergone safety test for customers;

3) positive and negative impacts caused by Sustainable Finance Product and/or Service and the process of distribution and mitigation taken to address negative impacts;

4) number of product recalled and the reason; or

5) survey of customer satisfaction on Sustainable Finance Product and/or Service

7. Written verification from independent party, if any.

Stipulated in Jakarta

on the date of July 18, 2017

CHAIRMAN OF THE BOARD OF COMMISSIONER

OF FINANCIAL SERVICES AUTHORITY

MULIAMAN D. HADAD
ELUCIDATION
OF
REGULATION OF FINANCIAL SERVICES AUTHORITY
NO. 51/POJK.03/2017
ON
APPLICATION OF SUSTAINABLE FINANCE
TO FINANCIAL SERVICES INSTITUTION, ISSUER AND PUBLICLY LISTED COMPANY

I.  GENERAL

In order to realise steadily growing, inclusive and sustainable national economy, with the ultimate goal to deliver economic and social prosperity to all the people, as well as to wisely protect and manage Environment in Indonesia, the economic development must prioritise the harmony between economic, social and Environmental aspects. That is, because otherwise a development targeting sheer economic growth will lead to social inequality and deteriorating Environmental quality, along with all the implications.

To achieve such steadily growing, inclusive and sustainable national economy, it is imperative that support be rallied to prevent against financing or investment practices contributing to business activities that involve excessive use of natural resources, increase social inequality and lead to the destruction of Environment.

The said financial system must apply sustainable principles capable of establishing economic, social and ecologic values in models, processes and practices at the level of business policy and decision making towards financial system stability and business success in the long run by keeping contribution to the achievement of sustainable development goals including guarantee of Environmental integrity, as well as the current and future generations’ safety, capacity, prosperity and life quality.
As a developing country, Indonesia faces social inequality issues worth appropriate concern. In addition, Indonesia is also a country geographically exposed to climate change risks. Therefore, the better management of and prevention against social and environmental risks is needed.

Application of Sustainable Finance to Indonesian financial institution system is the implementation of Law 32 of 2009 on Environmental Protection and Management to develop and apply environmentally aware economic instruments including Environmentally friendly policies in the sectors of banking, capital market and non-bank financial industry.

Application of Sustainable Finance principles also serves as a concrete realisation of Indonesia’s commitment for the world to providing financial sources to allow climate change mitigation and adaptation.

As per Law 21 of 2011 on Financial Services Authority, Financial Services Authority functions to administer an integrated regulation and supervision system over all activities in financial services sector. This way, Financial Services Authority exercises full authority over the implementation of Sustainable Finance in Indonesia. The commitment to implementing Sustainable Finance has been established through the launching of Sustainable Finance Roadmap in December 2014.

Under the Sustainable Finance Roadmap, one of the elements to realise is the availability of specific, binding regulations for all actors in financial services sector in relation to the implementation of Sustainable Finance in Indonesia. Sustainable Finance regulations are the answer to how all financial services or FSI stakeholders will make commitment and implement concrete actions to endeavour the implementation of sustainable development in Indonesia. The direction of the arrangement of Sustainable Finance application is the established Sustainable Finance in financial sector to promote economic, social and environmental sustainability in the development process in Indonesia.

This arrangement of Sustainable Finance application aims to allow all FSIs, Issuers and Public Companies to have consciousness or commitment to the implementation of Sustainable Finance principles and contribute to the development of products
and services taking into account economic, social and Environmental aspects. Furthermore, it is expected that such arrangement bring about conditions for fair competition and avoid arbitrary activities harming parties thereto.

Sustainable Finance implementation objectives are as follow:

a. provide sources of financing necessary to achieve sustainable development goals and financing pertaining to climate change in sufficient amount;
b. improve FSI, Issuer and Publicly Listed Company persistence and competitiveness by means of the better social and Environmental risk management by developing financial products and/or services applying Sustainable Finance to allow positive contribution to financial system stability;
c. reduce social inequality, reduce and prevent against Environmental destruction, maintain biodiversity and promote energy and natural resources use efficiency; and
d. develop financial products and/or services that apply Sustainable Finance principles.

II. ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Paragraph (1)

Self-explanatory.

Paragraph (2)

Point a

“Responsible investment principle” shall mean financial investment approach in sustainable development projects and initiatives, natural preservation products and policies promoting sustainable economic development and believing that long term investment margin set up depends on economic, social, Environmental and governance system.
Sustainable development shall be a fully conscious and planned effort that integrates economic, social and Environmental aspects into development strategy to guarantee the Environmental integrity as well as the current and future generations’ safety, capacity, prosperity and life quality.

Point b

“Sustainable business strategy and practice principle” shall mean development of values to financial services sector to contribute to the people through business policies and practices, as well as business strategy application by FSI, Issuer and Publicly Listed Company by minimising negative impacts and integrating social, economic, Environmental and governance aspects in each sector and strategy of respective business line.

Point c

“Social and environmental risk management principle” shall mean integration of aspects of social responsibility and Environmental protection and management in risk management to avoid, prevent against, and minimise negative impacts coming out from social and Environmental aspect-related risk exposure.

Point d

“Governance principle” shall mean application of governance to aspects of social responsibility and Environmental protection and management in a transparent, accountable, responsible, independent, equal and reasonable manner.

Point e

“Informative communication principle” shall mean the use of appropriate communication model concerning business organisational strategy, governance, performance and prospect in all stakeholders.
“Inclusive principle” shall mean distribution of access to FSI, Issuer and Publicly Listed Company products and/or services for the people and to reach out the entire territory of the Unitary State of the Republic of Indonesia to accelerate economic advance, social prosperity and Environmental protection, especially for those who has been without or otherwise lacked for access to such products and/or services.

Point g

“Priority sector development principle” shall mean provision of larger portions to flagship sectors prioritised to achieve sustainable development goals including climate change mitigation and adaptation.

Point h

“Coordination and collaboration principle” shall mean improvement of coordination and collaboration of all stakeholders in financial services sector including ministries, agencies, sectors or business units running work programmes closely relating to the implementation of sustainable development in order to accelerate economic and social welfare and Environmental quality for all the people of the Republic of Indonesia and to boost public participation relating to economic, social, Environmental and governance aspects.

Article 3

Paragraph (1)

Point a

“BUKU 3 and BUKU 4” shall mean Banks with business activities provided under Financial Services Authority Regulation on business activities and office network by Bank core capital.

“Foreign bank” shall mean:

1. branch office of the bank domiciled in foreign country;
2. Commercial Bank taking the form of Indonesian legal entity whose more than fifty per cent (50%) of its shares are individually or jointly held by foreign nationals and/or foreign legal entities; and/or

3. Commercial Bank taking the form of Indonesian legal entity whose maximum fifty per cent (50%) of its shares are individually or jointly held by foreign nationals and/or foreign legal entities, but involves control by Indonesian nationals and/or legal entities.

Point b

“BUKU 1” shall mean Banks with business activities as provided under Financial Services Authority Regulation on business activity and office network by Bank core capital.

“Issuer with small scale asset” shall mean Issuers with small scale asset as provided under Financial Services Authority Regulation on registration statement for public offering and capital increase by provision of rights issue by issuer with small or medium scale asset.

“Issuer with medium scale asset” shall mean Issuer with medium scale asset as provided under Financial Services Authority Regulation on registration statement for public offering and capital increase by provision of rights issue by issuer with small or medium scale asset.

Point c

“RCB BUKU 3” shall mean RCB with business activities as provided under Financial Services Authority Regulation on RCB business activity and office network by core capital.

Point d

“RCB BUKU 1 and RCB BUKU 2” shall mean RCB with business activities as provided under Financial Services Authority Regulation on RCB business activity and office network by core capital.

Point e
Paragraph (2)

E.g.:

1. FSI taking form of *BUKU 3* that is also Issuer, which is required to apply Sustainable Finance as of the date of 1 January 2019;

2. FSI taking form of pawnshop company that is also an Issuer with medium scale asset, which is required to apply Sustainable Finance as of the date of 1 January 2022.

**Article 4**

Paragraph (1)

*Self-explanatory.*

Paragraph (2)

*Sustainable Finance Action Plan* in case of Islamic business unit may be submitted separately from the *Sustainable Finance Action Plan* of the FSI constituting parent company of the Islamic business unit.

Paragraph (3)

*Self-explanatory.*

Paragraph (4)

*Self-explanatory.*

Paragraph (5)

*Self-explanatory.*

**Article 5**

“Effectively implement Sustainable Finance Action Plan” shall mean the involvement of the following between Sustainable Finance Action plan and its realisation:

a. no deviation;
b. deviation is found but non-material;

c. material deviation is found but FSI has endeavoured to the best of its capacity to comply, along with explanation appropriate and acceptable/reasonable to the Financial Services Authority.

**Article 6**

Point a

Communication with shareholders may be carried out through, among others, the general meeting of shareholders.

Point b

Sustainable Finance Action Plan shall be communicated to all organisational levels of FSI to harmonise the action plan policies and implementation by all stakeholders with FSI vision and mission.

**Article 7**

Paragraph (1)

Sustainable Finance Action Planning may be prioritised based on the readiness of each FSI where at least one of the priorities under point a to c is met. Other than the priorities under point a to c, FSI may plan for other initiatives.

Point a

Sustainable Finance Products and/or Services shall be in line with the needs of the communities that support the prioritised flagship sector as provided under laws and regulations on national medium term development plan.

Priority shall be set for flagship sectors based on the applicable laws and regulations without prejudice to other sectors access to financial services sector.
Examples for projects in line with the application of Sustainable Finance shall include financing to renewable energy projects (financing of electricity generation sourced from water, geothermal, wind, solar, biogas, biomass, and other renewable energy sources set by the Government), energy efficiency (financing of replacement of air conditioning chiller, energy saving textile machinery, building renovation to enhance energy efficiency by replacement with energy saving lamps), sustainable agriculture (financing of organic farming and compost entrepreneur), sustainable fishery (fishing activities without trawl and explosive), green building project (financing of green building construction); and green tourism (tourism to restore biodiversity, as well as conservation of wildlife and other natural resources).

Point b

Examples of FSI internal capacity building shall include trainings aiming at enhancing FSI human resources’ capacity and capability in implementing Sustainable Finance.

Point c

Examples of organisational adjustment shall include sustainable function in place in the organisation.

Examples of risk management adjustment shall include FSI’s consideration on and assessment of social and environmental risks in all decision making activities.

Examples of FSI governance adjustment shall include insertion of sustainable component to FSI structure and governance process.

Examples of FSI standard operating procedure shall include consideration on and assessment of social and environmental aspects in all of its standard operating procedures.

Paragraph (2)

*Self-explanatory.*
Article 8

Paragraph (1)

Examples of CSER fund allocation that supports Sustainable Finance application activities shall include:

1. financing to micro businesses that are feasible but yet to have access to FSI financing for sustainable business development;
2. training on sustainable business for prospective customers;
3. campaign of sustainable production and consumption; and
4. insurance premium subsidy for farmer, fisherman, and poor and/or low income communities vulnerable to disasters.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 9

Paragraph (1)

Granting of incentives shall be the implementation of environmental economic instruments as provided under Law 32 of 2009 on Protection and Management of Environment and shall be awarded to FSI, Issuer and Publicly Listed Company for their active participation in Sustainable Finance application.

Paragraph (2)

Self-explanatory.

Article 10
Paragraph (1)

*Self-explanatory.*

Paragraph (2)

Sustainability Report in case of Islamic FSI may be submitted separately from the Sustainable Report of the FSI constituting parent company of the Islamic business unit.

Paragraph (3)

*Self-explanatory.*

Paragraph (4)

*Self-explanatory.*

Paragraph (5)

*Self-explanatory.*

Paragraph (6)

*Self-explanatory.*

Paragraph (7)

E.g.:

1. in case of FSI taking form of BUKU 3 that is also Issuer, initial submission of Sustainability Report shall be made for the period of 1 January-31 December 2019;

2. in case of FSI taking form of pawnshop company that is also Issuer with medium scale asset, initial submission of Sustainability Report shall be made for the period of 1 January-31 December 2022.

Paragraph (8)

*Self-explanatory.*

**Article 11**

*Self-explanatory.*
Article 12

Self-explanatory.

Article 13

Self-explanatory.

Article 14

Self-explanatory.

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