

# **Technical Guidelines for Banks on the Implementation of OJK Regulation POJK Number 51/POJK.03/ 2017**



OTORITAS  
JASA  
KEUANGAN

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# **I. Preliminary**

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Technical Guidelines on Sustainable Finance Implementation for the Banking Sector is a practical guideline for banks, both Commercial Banks and *Bank Perkreditan Rakyat* (BPR)/ Rural Bank and *Bank Perkreditan Rakyat Syariah* (BPRS) Islamic Rural Bank, in implementing Sustainable Finance in accordance with the Financial Service Authority Regulation (hereinafter to be referred to as POJK) Number 51/POJK. 03/2017 on Sustainable Financial Implementation for Financial Services Institutions, Issuers and Public Companies (POJK Sustainable Finance). These guidelines are formulated to provide technical explanations on (1) the practical meaning of the Sustainable Finance principles; (2) priorities of the Sustainable Finance program; (3) strategic steps in the implementation of the Sustainable Finance program; (4) outline and contents of the Sustainable Financial Action Plan (RAKB); (5) outlines and contents of the Sustainability Report (SR); (6) criteria and categories of sustainable business activities; and (7) allocation and use of Social and Environmental Responsibility (TJSL) funds to support the Sustainable Finance implementation activities.

In accordance with Article 3 of POJK Sustainable Finance, Sustainable Finance implementation for banks is gradually executed as follows:

**Table 1.1 Summary of the Implementation Period and Document Submission related to the Sustainable Finance Implementation**

No.	Bank	Implementation Starting Date	1 <sup>st</sup> Submission of RAKB	Delivery of Sustainability Report
1.	BOOK 3, BOOK 4, and Foreign Banks	January 1, 2019	Correspond with the presentation time of the Bank Business Plan (RBB) 2019	Correspond with the presentation time of the 2019 Annual Report
2.	BOOK 1 and BOOK 2	January 1, 2020	Correspond with the presentation time of the 2020 RBB	Correspond with the presentation time of 2020 Annual Report
3.	BPRKU 3 and BPRS with core capital equivalent to BPRKU 3	January 1, 2022	Correspond with the presentation time of 2022 RBB	Correspond with the presentation time of 2022 Annual Report
4.	BPRKU 1, BPRKU 2, and BPRS core capital equivalent to BPRKU 1 and BPRKU 2	January 1, 2024	Correspond with the presentation time of 2024 RBB	Correspond with the presentation time of 2024 Annual Report

This guideline can be revised in accordance with the development of the Sustainable Finance process and implementation, changes in economic conditions, social and political developments, as well as (regional/ national/local) technological developments. This guideline does not cover procedures for risk management implementation that will include economic, social, environmental and governance

components.



## **II. Practical Meanings of the Eight Principles of Sustainable Finance**

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In accordance with POJK Sustainable Finance, in implementing Sustainable Finance, banks must gradually adopt and internalize 8 (eight) principles of Sustainable Finance into their vision, mission, strategic plan, and work program. The implication is that banks no longer carry out business as usual (BAU) strategies. Bank strategies are implemented as part of the Sustainable Finance implementation. Therefore, an interpretation of the practical meaning of 8 (eight) principles of Sustainable Finance is required to facilitate the banks in adopting and internalizing those principles. The practical meanings of each Sustainable Finance principle as elaborated in POJK Sustainable Finance are as follows:

### **1. Responsible Investment**

Responsible investment is an investment approach that considers economic, social, environmental, and governance factors in investment decisions. Therefore, banks can manage risk better and produce sustainable long-term benefits. This principle applies to the collection and distribution of funds that consider economic benefit improvement, social welfare, environmental quality, and governance enforcement as the ultimate objectives. The implementation of this principle is performed in stages commensurate to the financial condition, structure, and complexity of each bank. The practical measure is the bank assets and liabilities allocation that take into account the impact of economic, social, environmental and governance risks.

### **2. Strategy and Practice of Sustainable Business**

In applying this principle, each bank has to establish and implement sustainable business strategies and practices for each decision made. The Bank emphasizes achieving long-term goals and establishing short-term strategies that are part of an effort to achieve long-term goals. The strategies and business practices referred to include vision, mission, organizational structure, strategic plans, standard operating procedures and work programs to establish risk factors in the collection or distribution of funds.

### **3. Managing Social and Environmental Risks**

Each bank shall use prudential principles in measuring social and environmental risks from fund raising and distribution activities. These activities include identification, measurement, mitigation, supervision and monitoring. Social and environmental risks in bank activities include negative social and environmental impacts from the financed project or activity.



#### **4. Governance**

Governance enforcement in banks is implemented through management and business operations which include, among others, transparency, accountability, responsibility, independence, professionalism, equality and fairness.

#### **5. Informative Communication**

Each bank shall prepare and provide informative reports including the company/institution strategies, governance, performance and prospects. Reports have to be easily understood, accountable and delivered through effective communication media that can be accessed by all stakeholders. The reports that have to be developed by the banks are RAKB and a Sustainability Report. Descriptions of the two reports are presented in chapters VI and VII of this Guideline.

#### **6. Inclusivity**

Each bank has to strive to ensure the availability and affordability of products and/or services so that all levels of society including those who do not have access to banking products and/or services can access them. The types of banking products and/or services offered are expected to cover all economic sectors based on the community needs and government policies.

#### **7. Priority Superior Sector Development Principle**

In determining the sector priorities, each bank must consider priority superior sectors that have been set by the Government through the Medium and Long Term Development Plan (RPJMN and RPJP). This is done to support the achievement of sustainable development goals, including the mitigation of climate change.

#### **8. Coordination and Collaboration Principle**

In order to align strategies/policies, business opportunities, and product innovation with national interests, banks shall actively participate in fora/activities/cooperation related to Sustainable Finance, either at regional/national/local levels.



## **III. Priorities of the Sustainable Finance Program**

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In accordance with Article 7 paragraph (1) POJK Sustainable Finance, there are 3 (three) priorities for Sustainable Finance implementation, i.e.:

- 1) development of Sustainable Financial products and/or services, including an increase in financing, investment or portfolio placement in financial instruments or projects that are in line with Sustainable Finance implementation;
- 2) internal capacity development of the Financial Services Institution (LJK); or
- 3) adjustments on organizational, risk management, governance, and/or LJK standard operating procedure standards that are in line with the principles of Sustainable Finance implementation.

In implementing Sustainable Finance, banks are directed to conduct these three priorities. This can lead banks to achieve the Sustainable Finance targets, namely to encourage economic growth through increasing portfolio and risk management capabilities, specifically social and environmental aspects. The plan for implementing these three priorities is carried out in stages based on the financial conditions, structure and complexity of each bank and has to be stated in the long-term and short-term draft budget. Furthermore, the implementation of the RAKB has to be submitted in the Sustainability Report.

### **III.1. Development of Sustainable Financial Products and/or Services**

Banks has to make adjustments/developments/innovations for Sustainable Financial products and/or services, including increasing financing, investment or placement portfolios in financial instruments or projects that are in line with the Sustainable Finance implementation. The application has to be in line with the criteria and categories of Sustainable Financial products and/or services described under chapter V of this guideline. If the bank already has Sustainable Financial products and/or services, then the financial products and/or services are expected to be the bank's superior products/services at the regional/national/local level.

### **III.2. Bank Internal Capacity Development**

In the internal development of the bank, the main thing to do is to prepare human resources (HR) who understand and are able to apply the principles of Sustainable Finance. HR development is also directed to drive the innovation/development of various Sustainable Financial products and/or services as part of the efforts to improve bank services to customers regarding Sustainable Financial products and/or services.

If the bank has Sustainable Financial products and/or services, the bank has to increase the employees' capacities to better understand the characteristics and advantages of the respective products and/or services. This program includes employees who work in risk management, business development, and customer service units.

Banks have to start designing and implementing of an internal capacity building program before the implementation. Priority is provided for bank administrators and employees responsible for implementing Sustainable Finance. Subsequently, the long-

term target of the internal capacity building program is intended for all employees because the successful Sustainable Finance implementation requires the support of all employees.

### **III.3. Organizational, Risk Management, Governance, and/or Standard Operating Procedure (Standard Operating Procedure) Adjustments**

In the framework of implementing POJK Sustainable Finance, banks will gradually and accordingly make organizational, risk management, governance, and/or standard operating procedures (SOP) adjustments based on the financial conditions, structure, and complexity of each bank. The intended adjustment is also performed by the banks to respond the market demands/needs, and support government policies related to Sustainable Development Goals (SDGs) and Climate Change.

Organizational adjustments to the principles of Sustainable Finance include the vision, mission, strategic plan, organizational structure, and main tasks and functions (*tupoksi*) concerning Sustainable Finance implementation. The adjustment process is carried out in accordance with the bank's priorities. Organizational structure adjustment can be done by adding the main tasks and functions of Sustainable Finance to the existing units or adding special units that carry out the Sustainable Finance programs.

One of the principles of Sustainable Finance is governance implementation. If necessary, a bank has to make adjustments to the existing governance so as to be able to support the achievement of the Sustainable Finance objectives. The intended adjustment requires dissemination accompanied by the bank's HR capacity development program so that the governance can be properly accepted and implemented.

The implementation of transparent, accountable, responsible, independent, equal and fair governance is part of improving the bank's reputation and credibility by the stakeholders. Implementation of sustainable governance may be elaborated through a brief explanation on the standard operating procedures written in the sustainability report.

One of the consequences of implementing the principle of Sustainable Finance to banks is to adjust the principles, systems and analysis of risk management by adding social, environmental and governance components as the considerations. Hence, the banks have to make adjustments to the risk management principles, systems and analysis that are in accordance with the characteristics of bank products and/or services as well as risk exposure.



## **IV. Strategic Steps in the Implementation of Sustainable Finance Programs**

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The enactment of POJK Sustainable Finance has to be followed up with the bank's efforts to gradually internalize 8 (eight) principles of Sustainable Finance in its business plans and activities, as well as the development of its business products. As the effort to internalize the principle of Sustainable Finance, the strategic steps consist of several stages, namely: (1) preparation stage, (2) initial implementation stage, (3) next implementation stage. In carrying out these stages, the bank establishes activities as the derivative programs of the priority selected from Article 7 POJK based on each bank's financial conditions, structure and complexity. Table 4.1 describes each stage of Internalization the Principles of Sustainable Finance.

**Table 4.1 Stage of Internalization of the Principles of Sustainable Finance**

Stage	Start of Implementation
<p><b>1) Preparation Stage</b></p> <p>The preparation stage is the period when the banks perform internal preparation activities to carry out the full implementation of Sustainable Finance. The preparation activities, among others:</p> <ul style="list-style-type: none"> <li>a) Internal education;</li> <li>b) SOP Adjustment;</li> <li>c) Preparation of long-term and short-term RAKB.</li> </ul> <p>As part of the banks' efforts to compile RAKB, banks that are required to implement CSR shall determine fund allocation and CSR activities that support Sustainable Finance. In addition, banks can begin to define/adjust their vision, mission, policy strategies and implementation programs for the principle of Sustainable Finance, and set targets to implement Sustainable Finance in the banks' strategic planning. This adjustment is performed by looking at the financial condition, structure, and complexity of each bank.</p>	<p>Before the Start of Full Implementation:</p> <ul style="list-style-type: none"> <li>1. BOOK 3, BOOK 4, Foreign Bank: Before January 1, 2019</li> <li>2. BOOK 1 and BOOK 2: Before January 1, 2020</li> <li>3. BPRKU 3 and BPRS with Core Capital equal to BPRKU 3: Before January 1, 2022</li> <li>4. BPRKU 1, BPRKU 2, and BPRS with core capital equivalent to BPRKU 1 and BPRKU 2: Before January 1, 2024</li> </ul>
<p><b>a. Internal education</b></p> <p>Internal education is aimed at administrators, employees in managerial/decision-making levels, and employees with additional Sustainable Finance duties to existing units or special units that run the Sustainable Finance programs. In carrying out the internal education, banks may cooperate with various parties, including regulators, international institutions, and practitioners as efforts to disseminate and improve the understanding of the POJK Sustainable Finance implementation.</p>	
<p><b>b. SOP Adjustment</b></p> <p>Banks has to adjust the SOP, for example, on the changes of responsibilities, authorities and duties in the existing units or develop new SOP for special units that run Sustainable Finance programs.</p>	
<p><b>c. Long Term and Short Term RAKB Formulation</b></p> <p>At this stage, the bank shall prepare long-term and short-term RAKB. RAKB is part of the bank's business plan or strategic planning and is reported to the Financial Service Authority (hereinafter to be referred to as OJK) along with the time of RBB</p>	

<p>submission to acquire assessment and approval. After obtaining the approval from OJK, the long-term and short-term RAKB has to be communicated to the bank's stakeholders.</p> <p>For BOOK 3, BOOK 4, and Foreign Banks, the long-term RAKB is a five-year action plan that applies from January 1, 2019 until December 31, 2024, while the short-term RAKB is a year action plan, starting from January 1, 2019 until December 31, 2019.</p> <p><b>c.1. Determination of vision, mission, strategy, governance, SOP, and programs that support Sustainable Finance</b></p> <p>In this stage, the bank determines its vision and mission in supporting the Sustainable Finance implementation whereas the vision and mission are in line with the bank's main vision and mission. In addition, the bank can develop policies, governance, SOP, and programs that are appropriate and in line with the 8 (eight) principles of Sustainable Finance that are carried out in stages based on its financial conditions, structure and complexity.</p> <p>Determination of vision, mission, strategy, governance, SOP, and programs that support Sustainable Finance has the obtain approval from the bank's management through review and evaluation of the bank management upon these adjustments. The results of these stipulations can be submitted at the Bank General Meeting of Shareholders/Member Meetings to obtain approval from the bank shareholders/members/stakeholders. After the approval, adjustments have to be written in the long and short term RAKB, and become part of the Sustainability Report contents.</p> <p><b>c.2. Determination of Social and Environmental Responsibility (TJSL) Target and Fund Allocation for Activities that Support the Sustainable Finance Implementation into Bank Strategic Planning</b></p> <p>In this stage, the determination of sustainable financial implementation in the bank's strategic planning is adjusted to the financial conditions, structure and complexity of each bank. The implementation target is a target that can be measured by using performance indicators, and delivered in the RAKB, then its achievements can be reported in the Sustainability Report. Furthermore, as part of the contents of the short-term RAKB, the banks that are required to implement CSR shall determine the fund allocation and the types of activities that support the Sustainable Finance implementation. The preparation and stipulation of this TJSL is conducted every year at the preparation stage of the RAKB implementation.</p>	
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<p><b>2) Initial Implementation Stage</b></p> <p>In this stage, the bank builds a Sustainable Finance system in its corporate organization. This stage starts from the first year of the full implementation period, which is conducted in stages according to the financial conditions, structure, and complexity of each bank. This stage consist of activities, among others:</p> <ol style="list-style-type: none"> <li>HR development</li> <li>SOP adjustments to the existing units or special units for sustainable finance;</li> <li>adjustment of information and reporting technology systems;</li> <li>environmentally friendly internal environment management;</li> <li>adjustment of bank activities or businesses classification with the criteria and categories of sustainable business activities;</li> <li>design, development, and innovation of the bank's Sustainable Financial products and/or services in accordance with the market demand;</li> <li>portfolio initiation; and/or</li> <li>external education.</li> </ol>	<p>In the Beginning of the First Year in Full Implementation:</p> <ol style="list-style-type: none"> <li>BOOK 3, BOOK 4, Foreign Bank: January 1, 2019</li> <li>BOOK 1 and BOOK 2: January 1, 2020</li> <li>BPRKU 3 and BPRS with Core Capital equivalent to BPRKU 3: January 1, 2022</li> <li>BPRKU 1, BPRKU 2, and BPRS with core capital equivalent to BPRKU 1 and BPRKU 2: January 1, 2024</li> </ol>
<p><b>a. HR Development</b></p> <p>The first thing that the bank should do is to prepare its own HR to run the Sustainable Finance programs. HR preparation can be in the form of criteria adjustment in the process of recruiting new employees, training, sieving processes, adjustment of performance appraisals and remuneration systems.</p> <p>The HR preparation aims to develop the employee capacity so that they will be able te to understand the following materials:</p> <ol style="list-style-type: none"> <li>the determination of the project/customer based on the sustainable business activities category on the selection method and due diligence;</li> <li>development of sustainable financial products and/or services;</li> <li>adjusting the principle of Sustainable Finance into the current system; and/or</li> <li>establishment of a new system that complies to the principles of Sustainable Finance.</li> </ol>	
<p><b>b. SOP adjustments to the existing units or special units related to Sustainable Finance</b></p> <p>Adjustments to bank SOPs can be developed in the special units related to Sustainable Finance, which would be extended to other units. This activity is carried out in stages in accordance with the financial conditions, structure, and complexity of each bank.</p>	
<p><b>c. Adjustment of Information and Information Technology Systems</b></p> <p>Adjustment of information technology and reporting systems is needed to assist banks in supporting the distribution of products/services related to Sustainable Finance, reports preparation related to Sustainable Finance, and the need for information dissemination needed by internal and external banks.</p>	



<p><b>d. Environmentally Friendly Internal Environment Management</b></p> <p>The Banks issued internal guidelines that support environmentally friendly practices in the banks' daily operations, including the practice of 'green office', including savings in water, electricity, paper use and waste management in the head office as well as in each branch office (old or new).</p>	
<p><b>e. Adjustment of Bank Business Activities Classification with Criteria and Categories of Sustainable Business Activities</b></p> <p>For the purposes of developing the RAKB and Sustainability Report, the banks adjust the classification of bank business activities with the criteria and categories of sustainable business activities determined by the OJK as per Chapter V point B of this guideline.</p>	
<p><b>f. Design, Development and Innovation of Bank's Sustainable Products and/or Financial Services in Accordance with Market Demand</b></p> <p>The banks can start designing, developing, and innovating Sustainable Financial products and/or services in accordance with the market demand.</p>	
<p><b>g. Portfolio Initiation</b></p> <p>In the event that the banks have no Sustainable Finance portfolios or plans to issue sustainable financial products and/or services, the banks will begin the introduction to people who have interest and potential on Sustainable Financial products and/or services.</p>	
<p><b>h. External Education</b></p> <p>To expand the customer base, to improve the existing customer understanding, and in the context of consumer education and protection related to Sustainable Finance, the banks provide external education related to the concept and introduction on Sustainable Finance and Sustainable Finance products and/or services.</p>	
<p><b>3) Advanced Implementation Stage</b></p> <p>This stage is performed in the second year of the full implementation period or will be adjusted to the financial conditions, structure, and complexity of each bank. This stage includes:</p> <ul style="list-style-type: none"> <li>a. advanced HR development;</li> <li>b. portfolio development;</li> <li>c. supervision and reporting;</li> <li>d. preparation of business management systems that integrate social, environmental, and governance components in risk management;</li> <li>e. customer education.</li> </ul>	<p>Second Year Full Implementation:</p> <ul style="list-style-type: none"> <li>1. BOOK 3, BOOK 4, Foreign Bank: January 1, 2020</li> <li>2. BOOK 1 and BOOK 2: January 1, 2021</li> <li>3. BPRKU 3 and BPRS with Core Capital equivalent to BPRKU 3: January 1, 2023</li> </ul>

<p><b>a. Advanced HR Development</b></p> <p>HR development continues to be carried out so that all bank internal divisions are expected to have high responsiveness to the challenges of Sustainable Finance implementation.</p>	<p>4. BPRKU 1, BPRKU 2, and BPRS with core capital equivalent to BPRKU 1 and BPRKU 2: January 1, 2025</p>
<p><b>b. Portfolio Development</b></p> <p>The fund required for the SDGs and Climate Change will be even greater. To continuously meeting the community expectations, banks are required to continue the market development and sustainable financial products and/services innovation. Through market development and innovation, it is expected that the banks' portfolios will increase.</p>	
<p><b>c. Supervision and Reporting</b></p> <p>With Sustainable Finance implementation, the banks have new obligations and responsibilities to effectively conduct supervision and reporting regarding these applications. If necessary, the banks can perform adjustments/prepare monitoring and reporting system. Follow-up monitoring and reporting are included in the Sustainability Report.</p>	
<p><b>d. Development of Business Management Systems that Integrate Environmental, Social and Governance Components in Risk Management</b></p> <p>In this stage, banks may develop systems that integrate social risk, environmental risk, and governance into the overall risk management of the banks. The integration process is performed on credit/financing/funding assessments, corporate risk portfolios, SOP, and due diligence. The integrated system is documented in writing so that it becomes the reference for the relevant employees.</p>	
<p><b>e. Customer Education</b></p> <p>Bank policies and sustainable financial products and/or services are relatively new for bank customers. To be accepted by both customer and prospective customer, banks need to develop customer education program. In customer education program, two-way communication process is also expected, therefore the banks also benefit from improving their sustainable financial program.</p>	



## **V. Sustainable Business Activities**

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For the realization of sustainable development, by referring to the Long Term Development Plan (RPJP) and the National Medium-Term Development Plan (RPJMN), the government has set the priority sectors, including food sovereignty, energy sovereignty, maritime and marine affairs, and tourism as well as industry. To support this, OJK has issued POJK Sustainable Finance and POJK No.60/POJK.04/2017 on the Issuance and Requirements of Green Bond, whereas both regulations are the implementation of the 2015-2019 Sustainable Finance Roadmap policy.

In addition to the 2015 Paris Agreement, Indonesia also has NDCs (Nationally Determined Contributions) commitment to reduce voluntary greenhouse gas (GHG) emissions by 29% with its own efforts and up to 41% with international support compared to the business as usual scenario in 2020. To meet the NDCs target, it can be achieved, among others, through the forestry sector, energy sector, including transportation, waste, industrial processes and product use, and agriculture.

Based on the conveyed background and reviewed preferences set by several countries, namely China, Mongolia, Bangladesh and international institutions such as UNEP - FI, World Bank, IFC World Bank and by referring to POJK Green Bond, OJK has set the criteria and categories of sustainable business activities. The following business activity criteria and categories are the bank's reference in classifying the list of projects/activities/customers that are in line with the principles of Sustainable Finance as mentioned in chapter IV on strategic steps in the Sustainable Finance implementation program.

## **A. Criteria of Sustainable Business Activities**

As a reference for Financial Service Institution (LJK), including banks, sustainable business activities are interpreted as follows:

"Projects/activities/products/services that meet the principles of Sustainable Finance and are included under the criteria of sustainable projects/activities/products/ services."

The respective project/activity/product/service shall receive investment/funding/financing/credit from LJK if the business process prioritizes efficiency and effectiveness in natural resources utilization with a sustainable manner, and prevents/limits/reduces/corrects the environmental damage, increasing pollution, waste, ecosystem damage, and social injustice/inequality or provides solutions for people who face climate change impacts.

Referring to the definition of sustainable business activities, below are the criteria for sustainable projects:

1. efficiency and effectiveness  
to prioritize efficiency and effectiveness in natural resources utilization with a sustainable manner, including utilization efficiency of input materials and alternative input materials, effective use of clean energy, water saving and unconventional water sources usage;
2. mitigation  
to prevent/limit/reduce/repair environmental damage, increase pollution, waste, damage to ecosystems, and social inequalities/inequalities, including preventing and handling pollution/waste, not triggering and impacting social conflict, creating impact on community welfare improvement, protecting the environment and producing with low-carbon process; **or**
3. adaptation  
to provide solutions for people who face the climate change impacts, including technology renewal on energy saving and low emission, resources conservation and recycling, and welfare improvement for the affected communities;

As the supporting reference, criteria-related descriptions from several countries, including Indonesia and international institutions, regarding environmentally friendly business activities are attached to Appendix 2 of the Guidelines. Appendix 2 may be a complementary document for the bank to determine the OJK criteria of sustainable business activities.

Below is the list of activities that do not meet the criteria for sustainable business activities as ratified by Indonesia in international agreements, namely:

1. Activities involving all forms of forced labor/exploitation for children under the age of 16;
2. Commercial logging operations in tropical wet forests;
3. Production and trade of timber or other forestry products from forests that are not managed sustainably;
4. Production or activities that take over land ownership from indigenous peoples without the community/population's consent; and/or
5. Production or trade of illegal products or activities pursuant to Indonesian regulations or international conventions/agreements including on ozone layer depleting substances, wildlife or products regulated under CITES<sup>2</sup>.

In order to affirm this, the bank may request official documents as a form of support (example: ISO 14000, RSPO, ISPO) or a statement letter from the debtor.

## **B. Category of Sustainable Business Activities**

As part of the Sustainable Finance implementation, banks shall record the financing/credit portfolio based on the category of sustainable business activities. The categorization of sustainable business activities refers to Article 4 of POJK Green Bond, which describes 11 (eleven) environmentally sound business activities (KUBL). To fulfill one of the principles of Sustainable Finance, namely the inclusiveness principle, 1 (one) category of sustainable business activities is added, i.e. the Micro, Small and Medium Enterprises (MSMEs) category. Hence, the categories of sustainable business activities consist of 12 (twelve) categories, which are used as the reference in recording Sustainable Finance/credit portfolios. Table 5.1 is the working paper that is used and stored by banks to categorize sustainable business activities based on the economic sector. When necessary, the bank shall submit the information to OJK. Table 5.2 explains the meaning and examples of activity in each category.

Completion of Table 5.1 is performed by:

1. classifying the products and/or services, i.e. the bank fund distribution activity into the 12 (twelve) categories of sustainable business activities;
2. in classifying 11 (eleven) categories of sustainable business activities that are part of KUBL, the banks shall separate between the funding from MSMEs and non-MSMEs sustainable business activities;
3. The 12th category column, i.e. the MSME activity intended for MSME funding that is not included in the 11 (eleven) KUBL.

In the event that there is one credit facility that meets more than one category of sustainable business activities, the bank may categorize the credit facility to:

1. the most dominant category of sustainable business activities; or
2. several categories of sustainable business activities if the bank has the ability to classify the available categories of sustainable business accordingly.

**Table 5.1 Categories of Sustainable Business Activities**

Category of Sustainable Business Activities																								
No	Sector Name (Based on LBU)	Renewable Energy (1)		Energy Efficiency (2)		Pollution Prevention and Control (3)		Management of Biological natural resources and Sustainable Land Use (4)		Land and Water Biodiversity Conservation (5)		Environmentally Friendly Transportation (6)		Sustainable Water and Wastewater Management (7)		Adaptation to Climate Change (8)		Products that can reduce resource use and produce less pollution (Eco-efficient) (9)		Environmentally Sound Building that Meets and Recognized by National, Regional or International Standards or Certifications (10)		Other Business Activities and/or Environmentally Sound Activities (11)		MSME Activities (12)
		Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	
1	Agriculture, Hunting and Forestry																							
2	Fishery																							
3	Mining and excavation																							

4	Processi ng Industry																							
5	Electricity , Gas and Water																							
6	Construct ion																							
7	Big and Retail Trade																							
8	Acco mmod ation and Food & bever ages provis ions																							



Category of Sustainable Business Activities																								
No	Sector Name (Based on LBU)	Renewable Energy (1)		Energy Efficiency (2)		Pollution Prevention and Control (3)		Management of Biological natural resources and Sustainable Land Use (4)		Land and Water Biodiversity Conservation (5)		Environmentally Friendly Transportation (6)		Sustainable Water and Wastewater Management (7)		Adaptation to Climate Change (8)		Products that can reduce resource use and produce less pollution (Eco-efficient) (9)		Environmentally Sound Building that Meets and Recognized by National, Regional or International Standards or Certifications (10)		Other Business Activities and/or Environmentally Sound Activities (11)		MSME Activities (12)
		Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	Non-MSMEs	MSMEs	
9	Warehousing, Transportation, and Communication																							
10	Intermediary Finance																							
11	Real Estate, Rental Business, and Company Services																							

12	Government Administration, Defense and Obligatory Social Security																							
13	Education Services																							
14	Health Services and Social Activities																							

Category of Sustainable Business Activities																								
No	Sector Name (Based on LBU)	Renew a-ble Energy (1)		Energy Efficiency (2)		Pollution Prevention and Control (3)		Manageme nt of Biological natural resources and Sustainabl e Land Use (4)		Land and Water Biodiversity Conservatio n (5)		Environ- mentally Friendly Transport a-tion (6)		Sustainable Water and Wastewater Management (7)		Adapta- tion to Climate Change (8)		Products that can reduce resource use and produce less pollution (Eco- efficient) (9)		Environ- mentally Sound Building that Meets and Recogn- ized by National, Regional or Internatio nal Standard s or Certifica- tions (10)		Other Business Activities and/or Environmen tally Sound Activities (11)		MSM E Activ i-ties (12) Non- MSM Es
		Non - MSM Es	MSM Es	Non - MSM Es	MSM Es	Non - MSM Es	MSM Es	Non - MSM Es	MSM Es	Non - MSM Es	MSM Es	Non - MSM Es	MSM Es	Non - MSM Es	MSM Es	Non - MSM Es	MSM Es	Non - MSM Es	MSM Es	Non - MSM Es	MSME s	Non- MSM Es	MSME s	
15	Communit y, Socio- cultural, Entertain ment and Others Individual Services																							
16	Individ ual Service s that Serves the Househol d																							

17	International Agency and Other Extra-International Agency																								
18	Activities that Have No Clear Limitations																								

**Table 5.2 Definition of Categories and Examples of Sustainable Business Activities**

No.	Activity Category	Definition	Examples of Business Activities
1.	<b>Renewable energy</b>	<ul style="list-style-type: none"> <li>• Renewable energy is a source of energy produced from energy resources that naturally will not be exhausted and can be sustainable if managed properly, including: geothermal, biofuel, river water flow, solar heat, wind, biomass, biogas, ocean waves and ocean depth temperature. (Government Regulation, PP No. 5 of 2006)</li> <li>• Renewable energy sources are energy sources produced from sustainable energy resources if managed properly, including geothermal energy, wind, bioenergy, , water flow and waterfall, and movements and differences in ocean temperature. Renewable energy is energy derived from renewable energy sources. (Law No. 30 of 2007)</li> </ul> <p>Renewable Energy Sources include:</p> <ol style="list-style-type: none"> <li>a. Solar;</li> <li>b. Wind;</li> <li>c. Hydropower;</li> <li>d. Biomass;</li> <li>e. Biogas;</li> <li>f. Municipal waste; and</li> <li>g. Geothermal.</li> </ol> <p>(Regulation of Ministry of Energy, Permen ESDM no. 12 of 2017)</p> <ul style="list-style-type: none"> <li>• Renewable energy is a source of energy produced from sustainable energy resources if managed properly, including geothermal energy, wind, bioenergy, solar, water flow and waterfall, and movements and differences in the temperature of the ocean layer. The examples of business activities and/or other activities that utilize renewable energy include the development of mini-hydro and the use of solar power for electricity generation. (POJK No. 60/POJK.04/2017)</li> </ul>	<ul style="list-style-type: none"> <li>- Financing of power plant development projects that use geothermal, wind, bioenergy, solar, water flow and waterfall, and movements and differences in ocean layer temperature.</li> <li>- Financing the development of hybrid renewable energy with wind and solar sourced technology in Yogyakarta.</li> <li>- Financing energy utilization derived from inorganic waste in cement production of a cement company in Indonesia.</li> <li>- Home Biogas Financing or BIRU Program, which is the result of collaboration between the Ministry of Energy and Mineral Resources with the Dutch and Norwegian governments to provide biogas reactors in nine provinces in Indonesia.</li> <li>- Financing the application of eco-farming and the use of energy derived from methane from animal waste in the agricultural sector communities.</li> <li>- Financing Processing of wood chips and local timber waste from timber factories certified to be wood biomass as a substitute for natural gas.</li> </ul>

No.	Activity Category	Definition	Examples of Business Activities
2.	<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>• Energy efficiency is energy managed based on the principles of benefit, rationality, fair efficiency, increased value added, sustainability, community welfare, preservation of environmental functions, national security, and integration by prioritizing national abilities. The meaning of "fair efficiency" is the principle in energy management, which must achieve equal access to energy at an economical and affordable price. (Law No. 30 of 2007)</li> <li>• Energy Management is an integrated activity to control energy consumption in order to achieve effective and efficient energy use to produce maximum output through structured and economical technical actions to minimize energy use including energy for the production process and minimize raw materials and supporting materials consumption. What is referred to as "Efficient" in this provision is the maximum value generated from the comparison between the Energy output and input in the Energy utilization equipment. (PP No. 79 of 2014)</li> <li>• What is referred to as "energy efficiency" is a step, method, or principle that is expected to be able to use energy efficiently. The examples of business activities and/or other activities that utilize energy efficiency, among others:               <ol style="list-style-type: none"> <li>a. The construction of new and renovated buildings that are environmentally friendly by reducing power usage for lighting and air circulation which allows reducing the use of Air Conditioners (AC);</li> <li>b. Energy storage;</li> <li>c. District heating; or</li> <li>d. Smart grids. (POJK No. 60/POJK.04/2017)</li> </ol> </li> <li>• Energy Efficiency is a business with the objective to reduce the amount of energy needed when using an equipment or even a system related to energy (Wikipedia, <a href="https://id.wikipedia.org/wiki/Eficiency_energi">https://id.wikipedia.org/wiki/Eficiency_energi</a>)</li> </ul>	<ul style="list-style-type: none"> <li>- Renovation of buildings to improve energy efficiency by replacing energy-saving lamps, air circulation in buildings;</li> <li>- Financing more efficient and environmentally friendly chiller replacement</li> <li>- Financing Replacement of energy-saving textile machines;</li> <li>- Financing Sales of equipment to meet energy conservation standards, for example: LED lighting sales and AC sales that have been certified as energy efficient (four stars, for Indonesian standards), etc.</li> <li>- Financing a Lamp Manufacturer that applies the Energy Performance Minimum Standards (SKEM) and labeling Compact Fluorescent Lamp (CFL) and air conditioner.</li> <li>- Financing for companies that use clean production technology in several large industries in Indonesia.</li> <li>- Financing the Development of Low cost and energy saving ATM.</li> </ul>

No.	Activity Category	Definition	Examples of Business Activities
3.	<b>Pollution Prevention and Control</b>	<ul style="list-style-type: none"> <li>• Prevention of air pollution includes efforts to prevent air pollution by:               <ol style="list-style-type: none"> <li>a. Determining the ambient air quality standards, quality standards of emission for immovable sources, standard level of disturbances, exhaust emissions and motorized vehicles noise thresholds;</li> <li>b. Determining the air pollution control policies. (Government Regulation PP No. 41 of 1999)</li> </ol> </li> <li>• Air pollution control includes activities that are basically as follow:               <ol style="list-style-type: none"> <li>a. Regional air quality inventory by taking into account various criteria in air pollution control;</li> <li>b. Determination of ambient air quality standards and emission quality standards used as benchmarks for air pollution control;</li> <li>c. Determination of air quality in an area including planning for allocating activities that have air pollution impacts;</li> <li>d. Monitoring ambient air quality and emissions followed by analysis evaluation;</li> <li>e. Supervision of structuring air pollution control regulations;</li> <li>f. The role of the community for their concern for air pollution control;</li> <li>g. Fuel policy followed by a series of integrated activities by referring to clean and environmentally friendly fuel;</li> <li>h. Establishment of basic policies both technical and non-technical in national level air pollution control. (Government Regulation PP No. 41 of 1999)</li> </ol> </li> <li>• Air pollution control is prevention and/or handling of air pollution as well as air quality recovery. (Regulation of Ministry of Environment Permen LH No. 12/2010)</li> <li>• What is referred to as "pollution prevention and control" includes wastewater treatment, reduction of air emissions, control of greenhouse gases, land remediation, waste prevention, waste reduction, recycling waste for energy to add value to products and waste reconditioning, and environmental monitoring analysis. (POJK No. 60/POJK.04/2017)</li> </ul>	<ul style="list-style-type: none"> <li>- Project financing for the waste management system construction in factories, recycling industries, including the reduction of (Persistent, Bioaccumulative, and Toxic) PBT chemicals presence</li> <li>- Project Financing that uses environmentally friendly chemicals and chemical processes that reduce or eliminate harmful substances.</li> </ul>

No.	Activity Category	Definition	Examples of Business Activities
4.	<b>Management of Biological natural resources and Sustainable Land Use</b>	<ul style="list-style-type: none"> <li>Basically all natural resources, including biological natural resources, have to be utilized for the welfare of society and humanity in accordance with their abilities and functions. However, the utilization has to comply with the Law so it will be sustainable for the present and future. Utilization and preservation has to be carried out in a harmonious and balanced manner as an embodiment of the principle of conservation of biological natural resources and ecosystem. Biological natural resources are the ecosystem elements that can be used to improve people's welfare and human life quality. However, the balance of the ecosystem has to be guaranteed sustainably. Sustainable use of biological natural resources and their ecosystems is carried out through the following activities:               <ol style="list-style-type: none"> <li>Utilization of environmental conditions of the natural conservation areas;</li> <li>Utilization of wild plants and animals. (Law No. 5 of 1990)</li> </ol> </li> <li>Environmental management is an integrated effort to preserve environmental functions, which include the environment structuring, utilization, development, maintenance, recovery, supervision and control policies. The target of environmental management is:               <ol style="list-style-type: none"> <li>Achieving harmony, coordination and balance between humans and the environment;</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>Agriculture Sector financing with low-carbon crops, organic farming, RSPO/ISPO in the palm oil industry, SVLK certification (Timber Verification and Legality System), financing of organic agriculture, compost entrepreneurship financing, etc.</li> <li>Program financing for the management and protection of coral reefs, seagrass beds and mangroves in Mamuju, West Sulawesi.</li> <li>Financing business activities that implement Smart Land Use Management (SALUT)</li> <li>Financing Dryland Management for Agriculture and Plantation in 4 (four) districts in Sumba</li> <li>Funding for Mother Cooperatives in the Merapi area, Yogyakarta for hydroponic plantation.</li> </ul>



No.	Activity Category	Understanding	Examples of Business Activities
		<ul style="list-style-type: none"> <li>b. The realization of Indonesian people as as environmental beings who have the attitudes and actions to protect and foster the environment;</li> <li>c. To secure the interests of present and future generations;</li> <li>d. Achieving sustainability of environmental functions;</li> <li>e. Wise control resources utilization;</li> <li>f. The protection of the Unitary State of the Republic of Indonesia against the impact of business and/or activities outside the territory of the country, which causes environmental pollution and/or destruction. (Law No. 23 of 1997)</li> <li>• Environmental management and environmental monitoring efforts, hereinafter referred to as UKL-UPL, are the management and monitoring of businesses and/or activities that do not have important impact on the environment yet required for the decision-making process regarding business operations and/or activities. Economic, social and cultural benefits are carried out based on the prudence, environmental democracy, decentralization, and recognition and appreciation of local wisdom and environmental wisdom principles. (Law No. 32 of 2009)</li> <li>• "Sustainable management of natural resources and land use" includes sustainable agriculture, sustainable livestock farming, fisheries, aquaculture, forestry and agriculture that are resistant to climate change as well as conservation of biological food crops or irrigation. (POJK No. 60/POJK.04/2017)</li> </ul>	<ul style="list-style-type: none"> <li>- Financing business activities that implement natural resource management based on the principle of eco-efficiency (the principle of using low cost natural resources and minimizing negative impacts to the the environment).</li> <li>- Financing forest planting and rehabilitation and forest management that applies the principle of sustainable forests, such as Forest Stewardship Council (FSC), Indonesian Ecolabel Institution, Program for the Endorsement of Forest Certification (PEFC).</li> <li>- Financing the development of community forests and village forests.</li> </ul>
5.	<b>Conservation of Land and Water Diversity</b>	<ul style="list-style-type: none"> <li>• Conservation of biological natural resources is the management of biological natural resources, which utilization is carried out wisely to ensure the continuity of its supply while maintaining and improving the quality of its diversity and value. Conservation of biological natural resources and its ecosystem has the objective to realize the preservation of biological natural resources and the balance of its ecosystem so that it can better support the efforts to improve community welfare and human life quality. (Law No. 5 of 1990)</li> </ul>	<ul style="list-style-type: none"> <li>- Financing in the framework of integrating management plans for production and preservation of endangered species through sustainable forest management for companies in the forestry sector.</li> <li>- Funding for the establishment of the Eagle Conservation Center Kamojang/PKEK in Garut, West Java.</li> </ul>

No.	Activity Category	Definition	Examples of Business Activities
		<ul style="list-style-type: none"> <li>• Conservation of biological natural resources and their ecosystems is conducted through the activities below:               <ol style="list-style-type: none"> <li>a. Protection of life support systems;</li> <li>b. Preservation of the diversity plant and animal species and their ecosystems;</li> <li>c. Sustainable utilization of biological natural resources and their ecosystem. (Law No. 5 of 1990)</li> </ol> </li> <li>• Three conservation goals, namely:               <ol style="list-style-type: none"> <li>a. To ensure the conservation of ecological processes that support the life support system for the continuity of development and human welfare (protection of life support systems);</li> <li>b. To ensure the conservation of genetic resources and types of ecosystems diversity so as to be able to support development, science, and technology that enables the fulfillment of human needs that utilize biological natural resources for welfare (preservation of germplasm sources);</li> <li>c. To control biological natural resources utilization methods so that the sustainability is secured. The less wise side effects of science and technology, the non-harmonious use and allocation of land, not yet optimal success of conservation goals, both on land and in the waters can lead to the emergence of symptoms of genetic erosion, pollution, and decreased potential of natural resources (sustainable use). (Law No. 5 of 1990)</li> </ol> </li> <li>• Conservation of natural resources is the management of natural resources to ensure wise utilization and continuous availability while maintaining and improving the quality of their values and diversity. (Law No. 32 of 2009)</li> <li>• What is referred to as "land and water biodiversity conservation" includes the protection of the coastal environment beach, sea and watershed (POJK No. 60/POJK.04/2017)</li> </ul>	<ul style="list-style-type: none"> <li>- Funding for the establishment of the Aspinall Foundation Primate Animal Rehabilitation Center in Bandung District.</li> <li>- Financing water and irrigation management in Indonesia.</li> <li>- Financing of Wamena Biology Garden</li> <li>- Financing the management and rehabilitation of coral reefs in Indonesia.</li> </ul>

No.	Activity Category	Definition	Examples of Business Activities
6.	<b>Environmentally Friendly Transportation</b>	<ul style="list-style-type: none"> <li>• What is referred to as "environmentally friendly transportation" includes electric transportation, hybrids, public transportation, electric trains, non-motorized vehicles, multi-modal transportation, infrastructure for vehicles with environmentally friendly energy and reductions of hazardous emissions (POJK No. 60/POJK.04/2017)</li> <li>• Sustainable/Environmentally Friendly Transportation, often referred to as Green Transport, is a form of transport mode that does not use/depend on fossil resources that can be depleted but depends on sustainable renewable energy. Therefore, the mode has minimum negative impact on the environment (<a href="http://www.earthtimes.org/encyclopaedia/environment-issues/sustainable-transport">http://www.earthtimes.org/encyclopaedia/environment-issues/sustainable-transport</a>)</li> <li>• There is no regulation from the Ministry of Transportation on environmentally friendly transportation</li> </ul>	<ul style="list-style-type: none"> <li>- Infrastructure Project financing of Electric Rail, Mass Rapid Transit (MRT), Light Rail Transit (LRT), Bus Rapid Transit (BRT).</li> <li>- Financing the production and/or distribution of motorcycles and electric cars for private vehicles;</li> <li>- Financing the construction of power lines and trains</li> <li>- Financing the construction of transportation facilities including stations, terminals and airports with solar power</li> </ul>
7.	<b>Sustainable Water and Waste Water Management</b>	<ul style="list-style-type: none"> <li>• Waste management is a series of activity that include storage, collection, transportation, utilization, waste treatment including the piling up of the treatment's result. The obligation to conduct the mentioned management is an effort to decrease risk possibility to the environment in the form of environmental pollution or degradation; noting that the hazardous and toxic materials have considerably big potential to cause negative effects. (Law Number 23 of 1997).</li> <li>• Water quality management is the measure to conserve water, therefore, the desired water quality is achieved, based on its allocation to ensure that water quality is still on its natural condition. Water pollution control is water pollution prevention and countermeasure effort, as well as water quality recovery, to ensure fulfill the water quality standard. Water quality is water quality condition that is measured and/or tested based on specific parameters and methods based on the prevailing regulations and laws (Government Regulation Number 82 of 2001)</li> </ul>	<ul style="list-style-type: none"> <li>• Financing Integrated Water Resource management</li> <li>• Financing wastewater treatment installation (IPAL)</li> <li>• Financing the making of biopores and water recycle treatment installation, including the use of stabilization pond. <ul style="list-style-type: none"> <li>• Financing of household wastewater treatment installation development in exclusive settlement area in Jakarta</li> </ul> </li> <li>• Financing for projects that implement Nereda technology (biologically purified wastewater by using unhulled rice or <i>gabah</i>).</li> </ul>

		<ul style="list-style-type: none"> <li>• Water quality management is carried out to ensure the expected water quality based on its appropriation hence it will still be on its natural state. Water quality management efforts are implemented on: <ul style="list-style-type: none"> <li>a. Water source in protection forest;</li> <li>b. Water spring outside protection forest; and</li> <li>c. Deep ground water aquifer.</li> </ul> (Government Regulation Number 82 of 2001) </li> <li>• Water pollution control is carried out to ensure water quality to be aligned with water quality standard through water pollution prevention and countermeasure and water quality recovery efforts. The effort to control water pollution is conducted for example by limiting the pollution burden that can be contained by the water within the limit, i.e. as long as it does not pollute the water (as long as it still fulfill the water quality standard). Water pollution negative impact has economic (cost) values, aside to ecological, social and culture values. Based on the definition, water pollution, which is indicated by the decrease of water quality to certain level that causes water cannot function anymore based on its allocation. (Government Regulation Number 82 of 2001)</li> <li>• Water resource management is the effort to plan, implement, monitor, and evaluate the implementation of conservation of water resource, utilization of water resource, and control of water's disruptive power. Water resource is managed based on the principles of sustainability, balance, public benefit, integration and harmonization, equity, self-reliance, as well as transparency and accountability. (Law Number 7 of 2004)</li> <li>• What is referred to as sustainable water resource management is water resource management that is not only targeted for the present generation, but also for the interest of the future generation. (Law Number 7 of 2004)</li> <li>• Water quality management and water pollution control is aimed to maintain and recover the quality of water that comes in and exists in water sources. Water quality treatment is carried out by improving water quality in water sources and water source infrastructure. (Law Number 7 of 2004)</li> </ul>	
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		<ul style="list-style-type: none"> <li>• The management of hazardous and toxic waste is an activity that includes decreasing, storing, collecting, transporting, utilizing, treating and/or piling (Law Number 32 of 2009)</li> <li>• What is referred to as “<i>sustainable water and wastewater management</i>” includes environmentally-friendly infrastructure and/or drinking water, urban drainage system, and various forms of flood mitigation. (POJK No. 60/POJK.04/2017)</li> </ul>	
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8.	<b>Climate Change Adaptation</b>	<ul style="list-style-type: none"> <li>• Climate Change Adaptation is a process to strengthen and develop strategy to anticipate climate change impact and to implement it, hence, there is ability to decrease the negative impact and reap the positive benefit (Law Number 32 of 2009)</li> <li>• Adaptation capacity is the potential or capacity of a system to adapt itself with climate change, including climate and extreme climate variabilities, hence, the degradation potential can be reduced/prevented. (Minister of Environment's Regulation No. P.33/Menlhk/Setjen/Kum.1/3/2016)</li> <li>• What is referred as "<i>climate change adaptation</i>" includes information system supports, such as climate observation and early warning system. (POJK Number 60/POJK.04/2017)</li> <li>• Climate change adaptation is a response towards global warming and climate change with the objective to decrease vulnerability of natural environment and social environment towards relatively sudden change. Climate change adaptation balances out the effect of global warming. (Wikipedia, <a href="https://en.wikipedia.org/wiki/Climate_change_adaptation">https://en.wikipedia.org/wiki/Climate_change_adaptation</a>)</li> <li>• Climate change adaptation means improving sustainable development to be more resistant towards the impact of climate change that is happening or that perhaps will happen in the future. (UNDP Climate Change Adaptation, <a href="http://www.adaptation-undp.org/about">http://www.adaptation-undp.org/about</a>)</li> <li>• Climate change adaptation is an effort to improve resistance to climate change impacts. (OECD, <a href="http://www.oecd.org/env/cc/adaptation.htm">http://www.oecd.org/env/cc/adaptation.htm</a>)</li> </ul>	<ul style="list-style-type: none"> <li>- Financing of abrasion-resistant houses in coastal areas, which experience sea level rise.</li> <li>- Financing of the development or production of plant variety seeds that are more tolerant to heat, drought, flood, and torrential rain.</li> <li>- Financing of production and/or the procurement of forest and land fire extinguisher equipment.</li> <li>- Financing to protect and conserve coral reef, mangrove, seaweed, and sea coastal vegetation;</li> <li>- Financing of production technology development for capture fisheries and new cultivated fisheries that are resistant to global climate change;</li> <li>- Financing of industrial forest planting and rehabilitation and the management of sustainable industrial forest</li> </ul>
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No.	Activity Category	Definition	Examples of Business Activities
9.	<b>Product that may reduce the Use of Resources and Generate Less Pollution (Eco-Efficient)</b>	<ul style="list-style-type: none"> <li>What is referred to as “<i>product that may reduce the use of resources and generate less pollution (eco-efficient)</i>” is the development and introduction of environmentally-friendly product with eco-label or environmental certification as well as packaging and distribution that are resource-efficient. (POJK Number 60/POJK.04/2017)</li> <li>Environmentally-friendly Goods and Services procurement is the procurement of goods and services that prioritizes goods and services with environmentally-friendly label. Environmentally-friendly label is the marking or labelling of environmentally-friendly products. (Government Regulation Number 46 of 2017)</li> <li>“<i>Environmentally-friendly criteria</i>” means the whole aspects of environment during the product’s life cycle, including for example raw material selection, energy type selection for production, as well as the process of production, utilization, and after-use. (Government Regulation Number 46 of 2017)</li> </ul>	<ul style="list-style-type: none"> <li>Financing of production, distribution, and sales of products that are based on timber, palm, paper, and fisheries product with ecolabel certification.</li> <li>Financing of electronic, paper, plastic, and other waste recycling business.</li> </ul>

10.	<b>Environmentally Sound Building, that adheres to the Nationally, Regionally, or Internationally Recognized Standard or Certification</b>	<ul style="list-style-type: none"> <li>• Green building is a building that implements environmental principle in its design, development, operation, and management. It also implements important aspect in addressing climate change impacts. (Minister of Environment's Regulation Number 8 of 2010)</li> <li>• A building can be categorized as environmentally-friendly building if it fulfills the criteria, such as: <ul style="list-style-type: none"> <li>a. It uses environmentally-friendly building material, which includes: <ul style="list-style-type: none"> <li>1) Building material with eco-label certificate;</li> <li>2) Local building material.</li> </ul> </li> <li>b. There are facilities, tools, and infrastructure for water resource conservation within the building, such as: <ul style="list-style-type: none"> <li>1) It has quantifiable water utilization system;</li> <li>2) It uses water source that considers water resource conservation;</li> <li>3) It has rainwater utilization system.</li> </ul> </li> <li>c. Facilities, tools, and infrastructure for energy conservation and diversification are available, for example: <ul style="list-style-type: none"> <li>1) It uses renewable alternative energy source, which is low in greenhouse gas emission;</li> <li>2) It uses lighting and synthetic air conditioning systems that are energy efficient.</li> </ul> </li> <li>d. It uses materials that are non-ozone depleting substances within the building, for example: <ul style="list-style-type: none"> <li>1) The refrigerant for air cooler is not ozone depleting substances;</li> <li>2) Complementing building with fire extinguisher tools that are not ozone depleting substances.</li> </ul> </li> <li>e. There are facilities, tools, and infrastructure for domestic wastewater treatment in the building, such as: <ul style="list-style-type: none"> <li>1) Complementing building structure with domestic wastewater treatment in the building that has business function and specific function;</li> <li>2) Complementing building structure with domestic wastewater treatment re-use system within</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Financing of buildings which already have green building certificate, such as Greenship or other standards that are based on water use efficiency, conservation, energy use efficiency, as well as green, open space availability in the building, as well as good waste management.</li> <li>- Financing of building built by using secondhand materials or environmentally-friendly materials.</li> <li>- Examples of environmentally—friendly buildings: Sequis Center, Menara BCA, Sampoerna Strategic building, Ministry of Public Works, L'Oreal Indonesia Office, and Pacific Place Mall, The Pakubuwono apartment, Indonesia's Central Bank in Solo.</li> <li>- The abovementioned buildings fulfill the Greenship certification from Green Building Council Indonesia.</li> </ul>
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		<p>building structures that has business function and specific function.</p> <p>f. Waste-sorting facility is available;</p> <p>g. It considers the health aspect of the building's occupants, for example to:</p> <ol style="list-style-type: none"> <li>1) Conduct management of clean air circulation system;</li> <li>2) Maximize the use of sunlight.</li> </ol> <p>h. Facilities, tools, and infrastructures to manage Sustainable Sites are available, for example:</p> <ol style="list-style-type: none"> <li>1) It complements the building structure with green, open space as a park and biological conservation, rainwater storage infiltration, and parking lot;</li> <li>2) It considers micro climate and climate change variabilities;</li> <li>3) It has building structure management planning based on the spatial plan;</li> <li>4) It implements building structure management based on the planning; and/or</li> </ol> <p>i. Facilities, tools, and infrastructure to anticipate disaster are available, for example:</p> <ol style="list-style-type: none"> <li>1) It has early warning system towards disaster and disasters that are related to climate change, such as: flood, typhoon, storm, landslide, and sea level rise;</li> <li>2) It uses building materials that are resistant against climate or extreme weather, high rain intensity, drought, and rising temperature.</li> </ol> <p>(Minister of Environment Regulation Number 8 of 2010)</p> <ul style="list-style-type: none"> <li>• Green building (also known as green construction or sustainable building) leans to structure and process utilization, which are environmentally-responsible and energy-efficient, during the life cycle of the building, starting from the location selection to the design, construction, operation, maintenance, renovation, and demolition. (Minister of Environment Regulation Number 8/2010)</li> </ul>	
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		<ul style="list-style-type: none"> <li>• Green building is designed to reduce the building's environmental impact towards humans' health and natural environment by:             <ol style="list-style-type: none"> <li>a. Using energy, water, and other resources efficiently</li> <li>b. Protecting the occupants' health and increasing employees productivity</li> <li>c. Reducing waste, pollution, and environmental degradation</li> </ol>             (Wikipedia,  <a href="https://id.wikipedia.org/wiki/Bangunan_hijau">https://id.wikipedia.org/wiki/Bangunan_hijau</a>)           </li> </ul>	
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No.	Activity Category	Definition	Examples of Business Activities
11.	<b>Business Activities and/or Other Activities from Other Environmentally sound Business Activities</b>	Excluding the abovementioned ten definitions	<ul style="list-style-type: none"> <li>- Financing for business activities orienting towards environmental quality improvement besides the 10 categories above</li> <li>- Activities to improve biodiversity, fauna and other natural resource conservation.</li> </ul>
12.	<b>Business Activities and/or other Activities of the Micro, Small, and Medium Enterprises</b>	<ul style="list-style-type: none"> <li>• Micro-enterprise is a productive business owned by individuals and/or individual business entity that fulfills the criteria of Micro Enterprise as regulated in Law Number 20 Of 2008. Micro-enterprise Criteria are as follow:               <ol style="list-style-type: none"> <li>a. It has the net worth of Rp 50,000,000.00 (fifty million rupiah) at the most, not including the land and building for enterprise activities; or</li> <li>b. Its annual sale is Rp 300,000,000.00 (three hundred million rupiah) at the maximum.</li> </ol>               (Law Number 20 of 2008)             </li> <li>• Small Enterprise is a productive, economic activity that is standalone, that is carried out by individuals or business that is neither the subsidiary nor the branch of a company that is owned, controlled, or directly or indirectly is a part of a Medium Enterprise or Big Enterprise, which fulfills the Small Enterprise criteria, as regulated in Law Number 20 Of 2008. Small Enterprise Criteria are as follow:               <ol style="list-style-type: none"> <li>a. It has net worth not more than Rp 50,000,000.00 (fifty million rupiah) to at the most Rp 500,000,000.00 (five hundred million rupiah), not including the land or building for enterprise space; or</li> <li>b. It has annual sale result for more than Rp 300,000,000.00 (three hundred million rupiah) to at the most Rp 2,500,000,000.00 (two billion five hundred million rupiah).</li> </ol>               (Law Number 20 Of 2008)             </li> <li>• Medium Enterprise is a productive economy enterprise that is a standalone, carried out by individuals or business entity that is not the subsidiary or branch of companies that are owned, controlled,</li> </ul>	<ul style="list-style-type: none"> <li>- Financing of seaweed processing business activity (KOSPERMINDO - ASPERLI – seaweed processing enterprise), and coconut processing business (PT Multi Coco Indonesia) is part of the Green Business Center (GBC), in cooperation between the Government of Indonesia and South Korea.</li> <li>- MSMEs that use environmentally-friendly packaging for their products.</li> <li>- Rattan SMEs that implement programs to promote sustainable production and consumption of eco-friendly rattan products or Prospect.</li> <li>- Timber SMEs in Jepara, Central Java, that has Timber Legality Verification System (SVLK).</li> <li>- Financing environmentally-friendly craft producing MSMEs.</li> <li>- Financing the SMEs in the sector of bioenergy, network and energy storage, heating industry and renewable energy that includes sea wave, wind energy on the land</li> </ul>

		<p>or is a direct or indirect part of a Small Enterprise or a Large Enterprise with the net worth or annual sales as regulated in Law Number 20 of 2008. Medium Enterprise is not allowed to own and/or control the Micro Enterprise and/or the Small Enterprise of their business partners. The criteria of Medium Enterprise are as the following:</p> <ol style="list-style-type: none"> <li>It has net worth for more than Rp 500,000,000.00 (five hundred million rupiah) to Rp 10,000,000,000.00 (ten billion rupiah at the most), not including the land and building as business space; or</li> <li>It has annual sale revenue for more than Rp 2,500,000,000.00 (two billion and five hundred million rupiah) to maximum of Rp 50,000,000,000.00 (fifty billion rupiah). (Law Number 20 Of 2008)</li> </ol> <ul style="list-style-type: none"> <li>“Net worth” is defined as the result of total business asset value subtracted by total of liability value, not including land and building for business space. What is referred to as “annual sales revenue” is net sales revenue that comes from goods and services sales in one accounting year.</li> </ul> <p>Micro, Small, and Medium Enterprise’s principles:</p> <ol style="list-style-type: none"> <li>Familial; What is referred to as “familial principle” is the principle that bases the empowerment effort of Micro, Small, and Medium Enterprise as a part of national economy that is carried out based on economic democracy with the principles of togetherness, efficiency with fairness, sustainability, environmental awareness, self-reliance, balance of progress, and national economic unity for the welfare of the entire Indonesian citizens.</li> <li>Economic democracy; What is referred to as “economic democracy principle” is the empowerment of Micro, Small, and Medium Enterprises that are carried out as a unity from national economic development to realize people’s welfare.</li> <li>Togetherness; What is referred to as “togetherness principle” is the principle that encourages the roles of the whole Micro, Small, and</li> </ol>	<p>or the sea in the United Kingdom.</p>
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		<p>Medium Enterprises, and Business Sector together in their activities to materialize people's welfare.</p> <p>d. Equitable Efficiency; What is referred to as "equitable efficiency" is the principle that bases the empowerment implementation for Micro, Small, and Medium Enterprises by prioritizing equitable efficiency in their business to realize business climate that are equitable, conducive, and competitive.</p> <p>e. Sustainable; What is referred to as "sustainability principle" is the principle that is in a planned manner, strives for development process through the empowerment of Micro, Small, and Medium Enterprises, that are carried out sustainably, hence, solid and self-reliant economy is formed.</p> <p>f. Environmentally sound; What is referred to as "environmentally-sound principle" is the principle of Micro, Small, and Medium Enterprise that is carried out by considering and prioritizing environmental protection and conservation.</p> <p>g. Self-reliance; What is referred to as "self-reliance" principle is the principle of Micro, Small, and Medium enterprise empowerment that is carried out by maintaining and prioritizing the potential, capacity, and self-reliance of Micro, Small, and Medium Enterprises.</p> <p>h. Balance of progress; and What is referred to as "balance of progress principle" is the principle of Micro, Small, and Medium Enterprise empowerment that strives to maintain the balance in the regional economy progress within the national economy.</p> <p>i. National economic unity. What is referred to as "national economic unity principle" is the principle of Micro, Small, and Medium Enterprise empowerment that is a part of national economic unity development. (Law Number 20 of 2008)</p> <ul style="list-style-type: none"> <li>• Micro, Small, and Medium Enterprise aim</li> </ul>	
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		<p>to grow and develop their enterprises in developing national economy based on equitable economic democracy. The nominal criteria of net worth and annual sales can be changed based on the economic development that is regulated under President's Regulation (Law Number 20 of 2008).</p> <ul style="list-style-type: none"> <li>• Micro, Small, and Medium Enterprise are business activities that may broaden job opportunities and provide economic service extensively to the community, it can have a role in the process of community revenue equality and improvement, encourage economic growth, and have a role in realizing national stability. (Law Number 20 of 2008)</li> </ul>	
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## **VI. Sustainable Financial Action Plan (RAKB)**

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Pursuant to Article 4 POJK on Sustainable Finance, banks should develop their RAKB based on the implementation period. RAKB consists of: (a) executive overview; (b) RAKB development process; (c) RAKB determining factors; (d) RAKB's priorities and elaboration; (e) RAKB follow up. The RAKB that is prepared by the bank and describes the priority options that are decided by the bank. RAKB is developed as the following:

#### A. Executive Overview

Executive overview consists of brief elaboration regarding the vision, mission, objective, program, monitoring and evaluation indicator of Sustainable Financial program, resources allocation (fund, human, and cooperation partner) to implement Sustainable Finance program; and the entire parties that are responsible for the implementation of Sustainable Finance program, with the details as follow:

##### A.1. RAKB Achievement

On this part, the bank conveys brief explanation regarding the achievements of the work program of RAKB from the previous 1 (one) year including if there is some significant deviation. In the first-year RAKB, this part can be emptied. The explanation of RAKB achievement for the second year and so on, at least should consist of the following information:

**Table 6.1 RAKB Achievement**

Description/ Year	N-1	
The amount of product that fulfills the criteria of sustainable enterprise		
a. Fund Collection	xx (Amount)	xx (Nominal)
b. Fund Distribution	xx (Amount)	xx (Nominal)
The Total of Productive Asset of Sustainable Business activity		
a. Total of Credit/Financing of Sustainable Business Activity (IDR)	xx	
b. Total of Non-Credit/Financing of Non-Sustainable Business Activity (IDR)	xx	
Percentage of total credit/financing of sustainable business activity from the total credit/bank financing (%)	xx	
Amount and quality of credit/financing based on sustainable business category	n (IDR)	NPL (%)
a. Renewable energy	xx	xx
b. Energy efficiency	xx	xx
c. Pollution prevention and control	xx	xx
d. The Management of Biological Natural Resource and Sustainable Land Use	xx	xx



e. Land and Water Biological Conservation	xx	xx
f. Environmentally friendly transportation	xx	xx
g. Sustainable Water and Waste Water Management	xx	xx
h. Climate Change Adaptation	xx	xx
i. Product that may Reduce the Use of Resource and Generate Less Pollution (Eco-efficient)	xx	xx
j. Environmentally sound Building that adheres to the recognized Nationally, Regionally, or Internationally Standard or Certification	xx	xx
k. Business activity and/or other Activities that are Environmentally sound	xx	xx
l. SME's Activities	xx	xx

## **A.2. Vision and Mission in the Implementation of Sustainable Finance**

The bank shall establish its visions and mission regarding Sustainable Finance as well as explains the relations with bank's vision and mission in a thorough manner (bank-wide's vision and mission).

Example of bank's VISION:

XXX Bank's Vision:

- Main Vision  
"To become the main bank of choice among the Asian community"
- Vision in Sustainable Finance Implementation  
"To become the main bank of choice in Sustainable Finance"

YYY Bank's Vision:

- Main Vision  
"To become a bank with the role as Indonesia's development pillar"
- Vision in Sustainable Finance Implementation  
"To become a pioneer bank in Sustainable Finance in Indonesia"

Example of bank's MISSION:

Main Missions of Bank XXXX:

1. To provide services with international standard for the entire community.
2. To provide maximum benefit for stakeholders.
3. To create conducive work environment for all employees

Bank XXX's Missions in Sustainable Finance Implementation:

1. To create Sustainable Financial product and/or service.
2. To care about the community and environment's interests.

## **A.3. RAKB's Objective**

RAKB's objective is the interpretation of vision and mission of Sustainable Finance implementation. The respective objective of RAKB is a form of bank strategy, including time target, risk management, and the intended outcomes.

An example of RAKB's OBJECTIVE for the Bank:

*In 2024, becoming a Bank that is nationally superior in achieving sustainable development objective in Indonesia, whereas it is implemented through the main strategies, namely organizational restructuring that is based on performance as well as human resources appropriation with the strategic needs, integration of social and environmental aspects into risk management, as well as the increase of financing portfolio for environmentally sound businesses.*

#### **A.4. Programs to be implemented in RAKB**

The bank shall issue long-term action plan (five years) and short-term action plan (one year). The content description for each timeline is as follow:

##### **a. Five-year plan**

Five-year plan should at least consist of:

##### **1. Priority activity target for five years**

Bank stipulates the target of priority activities that it would like to achieve in 5 (five) years. Priority activity that is referred above is bank's effort in materializing the achievement of priorities as written in Article 7 POJK of Sustainable Finance.

##### **2. Success indicator of each priority activity per year**

In measuring the success of priority activity targets, bank stipulates the indicators of each priority activity target. Below are performance indicator examples that support the success of priority activities:

##### **a. Indicators regarding product and/or service development;**

- 1) the amount and quality of sustainable business activity credit/financing, and, compared with the amount and quality of bank's credit/financing as a whole;
- 2) the amount and quality of credit/financing per sustainable business activity category
- 3) the amount and quality of sustainable business activity productive asset as a whole, and, compared with the amount and quality of bank's productive asset as a whole; and/or
- 4) The type of Sustainable Finance product and/or services that will be launched.

The indicators above are made for five-year time frame, and each year's target. The five-year target is encouraged not to be amended and is encouraged to be achieved.

b. Indicators regarding bank's internal capacity development;

- 1) the number of employees who participate in training regarding implementation of Sustainable Finance; and/or
- 2) Bank's Human Resources development budget allocation regarding the implementation of Sustainable Finance.

c. Indicators of organizational, risk management, governance, and/or standard operational procedure adjustments.

- 1) the formation of special working unit or function to implement Sustainable Finance;
- 2) Sustainable Finance Implementation SOP exists;
- 3) Risk management of Sustainable Financial product and/or services exists; and/or
- 4) Bank operational efficiency index. This index is to see the result of the bank's effort in doing its operational efficiency, such as the use of paper, water, and electricity.

**Table 6.2. Example of 5 (five) Year RAKB**

No.	Year	PriorityActivity Target	Success Indicator (Commercial bank)	Success Indicator (BPR/BPRS)
1.	2019	Most of the committee, the employees on the managerial/decision-making level, have participated in capacity improvement program regarding Sustainable Finance.	As much as 80% from the total committee, employees on the managerial/decision-making level, have participated in the Basic level of Environmental Analyst training or the similar training.	As much as 70% of the total committee, employees on the managerial/decision-making level, have participated in the Basic level of Environmental Analyst training or the similar training.

		<p>Most of the credit analyst for business sector that has high social and environmental risks have participated in the related risk management capacity improvement program.</p> <p>Et cetera.</p>	<p>As much as 60% of the credit analysts have participated in the training regarding Environmental Impact Assessment/social and environmental risk management.</p> <p>Et cetera.</p>	<p>As much as 60% of the credit analysts have participated in the training regarding Environmental Impact Assessment/social and environmental risk management.</p> <p>Et cetera.</p>
2.	2020	<p>Conduct assessments regarding:</p> <ul style="list-style-type: none"> <li>• market demand towards Sustainable Finance product and/or services</li> <li>• the suitability of the existing product and/or services with the criteria of sustainable business activity</li> <li>• Sustainable Finance product and/or service development</li> <li>• Integration of social, environmental, and governance risk management in bank's business activities</li> <li>• Et cetera.</li> </ul>	<p>Assessment regarding green building financing has been carried out. The result will be used as the reference to develop an SOP and to develop Sustainable Finance product and/or services.</p> <p>Et cetera.</p>	<p>Assessment regarding the financing of recycling business of electronic waste, paper, plastic, and others has been made. The result will be used as the reference for SOP development and to develop Sustainable Finance product and/or services.</p> <p>Et cetera.</p>

3.	2021	Issuing 2 (two) Sustainable Finance products and/or services. Et cetera.	One out of 2 (two) new Sustainable Finance products and/or services, credit/financing has been disbursed to 10 (ten) factory units that have ISO 50001 certification. Et cetera.	New Sustainable Finance products and/or services, credit/financing has been disbursed to 2 (two) recycling business units for electronic waste, paper, and plastic, as well as to 4 (four) SMEs of environmentally-friendly craft products. Et cetera.
4.	2022	Social, environmental, and governance risks have been integrated into bank's business activities. Et cetera.	SOP regarding the integration of social, environmental, and governance risks has been developed into business activities in green building sector credit/financing. Et cetera.	SOP regarding the integration of social, environmental, and governance risks have been developed into business activities in credit/financing of Sustainable Finance product and/or services. Et cetera.
5.	2023	Since the first year of implementation, sustainable portfolio has experienced 45% increase. Et cetera.	The amount of sustainable credit/financing on December 31, 2023 is Rp.500 billion or increasing 40% from the amount of sustainable credit/financing on December 31, 2019. Et cetera.	The amount of sustainable credit/financing on December 31st 2026 is Rp.700 million or increasing 40% from the amount of sustainable credit/financing on December 31, 2022. Et cetera.

The bank may revise long-term RAKB targets, only if it meets the following conditions:

- a. realization of annual activities does not reach the target of the specified indicator;
- b. banks have the capacity to reach higher indicators;
- c. changes in external factors (economic conditions, social and political developments, and technological developments); and/or
- d. targets achieved by banks in implementing Sustainable Finance is below its peer group.

Revision is done in long-term period, for example:

- a. Bank XYZ (BOOK IV) develops a long-term draft Budget for the period of 2019-2023 with a growth target of Sustainable Finance financing of 20%. By 2020 the target has been reached, the bank may revise its financing of Sustainable Finance target for the remainder of the period up to 2023.
- b. Bank ABC (BPRKU 2) develops a long-term draft budget for the period 2024-2028 with the target of launching new Sustainable Finance products with 10 types of products with two products for each year. In 2021 a total of new products that have been launched is only two out of four that are targeted, the bank may revise new product launch targeted for 2026, 2027 and 2028 by maintaining the initial target.

**b. One year plan**

The bank details the long-term plan, in a one-year plan. This section consists of:

- a. a description of the main activities;
- b. the purpose of each activity;
- c. achievement indicators for each activity.

The one-year action plan is arranged in three stages as mentioned in section IV of this guideline. These stages include the preparation stage, the initial implementation stage, and the advanced implementation stage.

**Table 6.3 Example of RAKB 1 (one) Year For  
For Commercial Bank**

<b>RAKB 2019</b>			
Priority Activities Target: All managers, employees at managerial level/decision makers, and employees have participated in capacity building programs related to Sustainable Finance. Indicator of Success: As many as 80% of the total managers, employees at managerial/decision-making levels, and employees have taken Environmental Impact Assessment (EIA or AMDAL) certification.			
Month	Breakdown of activities	Purpose of activities	Indicators of Achievement
January	Organizing workshops on the basic concepts of Sustainable Finance	Increased awareness	<ul style="list-style-type: none"> <li>• Have been held 3 (three) times in each of branch offices</li> <li>• Attended by 200 employees per branch office</li> </ul>
And so on	-	-	-

**For BPR/BPRS**

<b>RAKB 2022</b>			
Priority Activities Target: Some managers, managerial/decision-making staff, have participated in capacity building programs related to Sustainable Finance.			
Indicator of Success: As many as 70% of the total managers, employees at managerial level/decision makers, attend Environmental Analyst Training on a Basic or similar level.			
Month	Breakdown of activities	Purpose of activities	Indicators of Achievement
January	The involvement of the board and employees in workshops about the basic concepts of Sustainable Finance	Increased awareness	<ul style="list-style-type: none"> <li>• Have been held 2 (two) times in each of branch offices</li> <li>• Attended by 25 employees per branch office</li> </ul>
So on..	-	-	-

**A.5. Allocation of Resources (funds, people and partners) to Implement Sustainable Program**

The Bank gives a brief explanation of the amount of resources such as funds, people, and cooperation partners allocated in implementing the Sustainable Finance program. The use of cooperative partners is tailored to the needs of the bank. For example:

*XYZ Bank assigns certain units/work units/positions with a budget allocation of Rp. XXX for the implementation of the Sustainable Finance program. In terms of supporting the realization of RAKB, Bank XYZ is*

*assisted by collaborative partners from practitioners/consultants who are experts in the field of renewable energy, which is the target of RAKB.*

#### **A.6. All Parties in Charge of the Implementation of the Sustainable Finance Program**

The Bank delivers a brief explanation of the parties responsible for the implementation of the Sustainable Finance program including names, positions, SPO, and duties and authorities.

#### **B. RAKB Preparation Process**

The Bank explains that the process of preparing RAKB should at least includes:

- a. The references used as guidance, among which are the Equator Principle, UNEP-FI, and literature on Sustainable Finance.
- b. The involvement of the parties compiling RAKB such as directors, officials and/or consultants (if any).

#### **C. RAKB Determining Factors**

This section specifically describes the factors that support the determination of the goals and priorities of Sustainable Finance. The factors mentioned are internal and external factors that have been owned or are happening in the external and internal environment of the bank. The Bank explained the relevance of these factors to the bank's efforts in planning and running a Sustainable Finance program. These factors may be:

1. Existing business strategic plan;
2. Capacity of organizations that are currently owned;
3. Current financial condition and technical capacity;
4. Collaboration with external parties, if any;
5. Existing communication strategies;
6. Monitoring, evaluation and mitigation systems that have been implemented so far; and
7. Government policies related to the issue of Sustainable Finance.

These factors have to be explained based on the relevance of the principles of Sustainable Finance and an analysis of the strengths and weaknesses of these determinants in supporting the plan and implementation of Sustainable Finance.

#### **D. Priority and Description of RAKB**

The bank has to determine the priority of the implementation of Sustainable Finance as referred to in Article 7 POJK Sustainable Finance as described in section III, then to provide an explanation regarding the following aspects:

##### **D.1. Rationale**

This section explains:

- 1) priorities chosen by banks for the implementation of Sustainable Finance along with an overview of these priorities;



- 2) criteria and bases for choosing the priority for implementation of Sustainable Finance that is associated with:
  - a the objective conditions of the economy and the business environment faced by banks in their general business operations at the regional/national/local scale in accordance with the scope of the operational area of the bank;
  - b. general description of the external and internal challenges faced by banks in carrying out Sustainable Finance in their business operations; and
- 3) description regarding activities to be carried out on the selection of pre-determined priorities

## D.2. Activities

The Bank completes the table below with a description of activities, implementation period, resources needed and the person in charge of Sustainable Finance activities. The activity description is specific and realistic for a period of one year. For example:

**Table 6.4 Description of RAKB Activities**

No.	Description of activities	Beginning of period	End of period	Resources needed	Responsible Parties/Division
1.	SOP formulation for the implementation of Sustainable Finance	January 2019	June 2019	<ul style="list-style-type: none"> <li>• Units involved include: HR, Business, Compliance, Risk Management, and / or Finance</li> <li>• Allocation of funds: Rp.XXX</li> </ul>	<i>Corporate Secretary</i>

## D.3. Resources

This section contains an explanation of the resources needed for the implementation of Sustainable Finance, including:

- 1) source of funds: an explanation of the source and amount of funds that will be used for the implementation of Sustainable Finance activities/ programs. Sources of funds can come from, among others, operational costs (such as costs budgeted by banks for lending), funds allocated by banks for TJSL.
- 2) human resources: an explanation of the role of directors of banks and

units involved in implementing Sustainable Finance, and the coordination mechanism to be implemented; and

- 3) cooperation partners: an explanation of the collaboration with other parties related to the implementation of the Sustainable Finance program, including the period of cooperation carried out, both long term (five years) and short term (one year), as well as the mechanism of cooperation.

#### **D.4. Program Implementation Evaluation System**

The evaluation and implementation system of action programs aim to monitor the effectiveness of the implementation and achievement of action programs, including actions that must be taken in the event that there are problems in the implementation and achievements of both short and long term.

The bank shall describe:

- monitoring and evaluation mechanisms for each action program, including methods and stages of monitoring and evaluation; and
- actions taken in the event that there is a deviation between the realization and the action program, which is carried out periodically (quarterly or semesterly).

In carrying out evaluation activities, banks can consult with the board of commissioners/supervisors. In the first year of RAKB submission, this section is left blank.

#### **D.5. Future Challenges and Plans**

This section explains in more detail the challenges and obstacles associated with changes in the internal and external environment as referred to in section D.1 which affect the implementation of RAKB, accompanied by anticipatory measures. For example:

- Externals include, among other things, changes in government policies related to incentives for infrastructure financing programs, natural disasters in an area that have been targeted by banks, the impact of international trade wars, volatility in the Rupiah exchange rate;
- Internal, among others, changes in ownership that affect the focus of the bank's business, decreasing the overall financial performance of the bank.
- Anticipatory actions against external and internal changes, among others, hedging for projects exposed to market risk, improving communication with the central and regional governments through associations, networking (international, national, and local).

In the first year of RAKB submission, this section is left blank.

### **E. Follow-up RAKB**

This section contains an explanation of the process used in the RAKB review/evaluation that has not been implemented and subsequently realized or adjusted. Furthermore, the bank establishes a follow-up to RAKB if revision or changes are needed while still referring to the long-term RAKB that can be in the form of:

- Reviewing performance indicators used for subsequent years based on the realization of the Sustainable Finance program that has been implemented;
- Assessing the sustainability of the Sustainable Finance program in the following years as measured by predetermined performance indicators.

The overall RAKB monitoring and evaluation system includes:

- E.1. employees, officials, and/or work units responsible for monitoring and evaluation;
- E.2. timing to measure the realization of RAKB;
- E.3. Follow-up of RAKB; and
- E.4. risk mitigation in the event that RAKB cannot be implemented properly or does not reach the desired goal.

Measurement of realization also considers the achievement of targets for each activity carried out in the context of implementing the Sustainable Finance program. In the first year of RAKB submission, this section is left blank.



## **VII.Sustainability Report**

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## **A. Preliminary**

In accordance with Article 10 of POJK Sustainable Finance, banks are required to prepare a Sustainability Report. A Sustainability Report is a report that is announced to the public that contains the economic, financial, social and environmental performance of a bank in carrying out a sustainable business.

Sustainability reports are an organizational tool for setting goals, monitoring performance, evaluating, and managing change in order to make bank operations more sustainable and efficient, especially with the dynamics of increasingly rapid economic, social and environmental changes. The Sustainability Report measures, expresses and becomes the aspect of accountability for organizational performance related to economic, social and environmental aspects.

The Sustainability Report consists of the organization's commitment in supporting Sustainable Development Goals - SDGs<sup>1</sup> in real terms. Therefore, sustainability reports need to show progress in increasing transparency and business activities carried out ethically and accountably, and provide an overview of risks, challenges and strategies to overcome them.

The Sustainability Report provides more strategic quantitative and/or qualitative information for organizational positions and activities in maintaining and improving economic, social and environmental performance delivered in accordance with the bank's priority scale. The Sustainability Report is also one of the measurement tools for other external stakeholders to carry out a benchmark test as well as a means for banks to get feedback from stakeholders.

In a Sustainability Report, banks must convey information on the impact of operational activities, both positive and negative in accordance with the needs of stakeholders. The positive and negative impacts of operational activities are related to the achievement or implementation of the eight principles of Sustainable Finance. Some of the information contained in annual reports can be used in sustainability reports, including information on economic, financial, vision and mission aspects, and governance.

Awareness of the need to provide information to stakeholders comprehensively will have a positive impact on the performance of the bank itself. By developing a Sustainability Report, the bank will receive benefits, among others:

- increasing competitiveness;
- increasing aspects of transparency in implementing governance;
- increase in share value;
- organizational reputation;
- consumers' satisfaction and loyalty;

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<sup>1</sup> <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

- increasing bank attractiveness for investors;
- acquire feedback for innovations in Sustainable Financial products and/or services;
- attract quality workers;
- increase worker motivation;
- increase cost savings;
- prevent stakeholder conflicts; and
- reduce risk.

All of these benefits are enjoyed by banks in the long term and will strengthen the bank's competitive position, such as regional, national and local scales.

## **B. Disclosure of Sustainability Report**

Standardization in the delivery of Sustainability Reports is very important so that assessments, measurements, and comparisons can be done in a balanced way. The Bank prepares a report in the format as referred to in Attachment II to POJK Sustainable Finance by referring to the RAKB that has been prepared. In the event that it is needed, the scope of the Sustainability Report can be expanded as needed, including by referring to international standards in addition to increasing evaluative ability (including responses to bank feedback) to stakeholders.

## **C. Format of Composition of Sustainability Reports**

Sustainability reports can be arranged separately from the annual report or as an inseparable part of the annual report. The following is an explanation of the contents of the Sustainability Report:

### **1. Explanation of the Sustainability Strategy**

Sustainability strategy is a translation of the vision and mission in implementing Sustainable Finance in a comprehensive manner that includes the target time line (long and short term), risk management and the results needs to be achieved. Disclosure of sustainability strategies is delivered in accordance with the objectives or strategies in the RAKB.

### **2. Overview of the Performance of Sustainability Aspect**



This section contains an overview of the bank's performance over the past 3 (three) years on economic, social and environmental aspects that are integrated into a portfolio of banking products and/or services. In addition, banks can disclose operational internal activities that have an impact the social and the environment sectors.

Disclosure of overview of sustainability aspects can be delivered in the form of narratives, illustrations, or tables. In the event that a bank is less than 3 years old and data is not yet available, then an overview of the performance of sustainability aspects is presented with any available data.

- a. Economic aspects, containing information on sustainable economic performance, at least covering a) types of products and/or services provided and their nominal value; b) bank operational revenue; c) bank net profit or loss; d) products and/or services that meet the criteria for sustainable business activities; and e) local parties involved in the business process of Sustainable Finance.

Example:

**Table 7.1 Overview of Economic Aspect Performance**

Description/Year	2017	2016	2015
Bank operational revenue (IDR)*	xx	xx	xx
	xx	xx	xx
			
Bank net profit (IDR)*			
Economic Aspect Performance related to Sustainability			
Types of products that meet the criteria for sustainable business activities	xx	xx	xx
Nominal products and/or services that meet the criteria for sustainable business activities (IDR)	xx	xx	xx
Percentage of total portfolio of ongoing business activities to the total portfolio (%)			
a. Fundraising	xx	xx	xx
b. Fund distribution	xx	xx	xx
Inclusive Financial Performance**			
Smart Practice			
a. Number of Agent	xx	xx	xx
b. Nominal products and/or services provided by the Agent	xx	xx	xx

\* Data is retrieved from the Bank's Annual Report

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Data is retrieved from the Smart Practice Report.

- b. Environmental aspects, comprises overview of information regarding bank activities that meet the criteria for sustainable business activities, namely:
- 1) Internal activities such as efficient use of energy (e.g. electricity and water), green buildings, efficient use of paper and plastic. Example: Using a chiller saves xx% costs in 2017, the implementation of e-office reduces the use of paper as much as XX ream of paper equivalent to RpXXX, -
  - 2) TJSL funding allocation for activities with high environmental impacts, for example:

- the provision of assistance in the form of welfare money from the bank to the villages in remote area in the forest so as to maintain the preservation of the environmental ecosystem to ensure the project continuation; and/or
  - provision of waste disposal facilities for people who live on the river banks, so that they do not throw garbage into the river followed by community development in waste management
- 3) TJSL, which is related to improving the quality of the environment and supporting the bank's core business. For example: the provision of agricultural production facilities for independent smallholders who have not met the requirements for commercial financing in the province of xxx in the amount of Rpxxx; the implementation of environmentally related dissemination activities as many as xxx times in 2017.
- c. The social aspect, comprises an overview of information about bank activities related to regional and community empowerment including positive impacts and efforts to minimize negative impacts and allocation of funds which include:
- 1) internal performance, e.g. related to employment as measured by proportional number of bank managers and branch heads based on sex, proportional to the number of employees from the local area;
  - 2) TJSL fund allocation for activities with high social impacts (example: Allocation of TJSL funds for the provision of scholarship facilities to underprivileged communities is Rp. xx, increasing xx% compared to the previous year); and/or
  - 3) TJSL activity that is related to community empowerment and supports the bank's core business. For example: assistance for mentoring activities for SMEs in city xxx in the amount of Rpxxx in 2017.

### **3. Short profile, at least consists of:**

- a. vision, mission, and bank sustainability value:
 

Vision and Mission : in accordance with RAKB

Sustainability Value : corporate culture
- b. name, address, telephone number, facsimile number, e-mail address and bank page, as well as the branch office and / or bank representative office;
- c. bank business scale briefly, including: total assets and total liabilities (in millions of rupiah); the number of employees divided according to gender, position, age, education, and employment status; share ownership percentage; and operational area
- d. brief explanation of the products, services, and business activities performed, for example: savings, financing, securities, e-banking;



- e. membership in regional/national/local associations, for example: *Bank XXX has been a member of the Indonesian Banking Association since 2010 or BPR ABC has been a member of Perbarindo since 2008.*
- f. significant bank transition, including related to branch closure or opening, and ownership structure

#### **4. Statement of the Directors**

This section contains statements from bank directors regarding an overview of achievements, challenges, and strategies, covering economic, social and environmental aspects, and includes the following:

- a. Brief information regarding bank policies to respond to challenges in implementing sustainability strategies, as well as efforts to build a culture of sustainability within the internal part of the bank to support the achievement of consistent and sustainable sustainability performance. The statements of directors include:
  - delivery of interpretations of the value of sustainability in the implementation of sustainable financial programs;
  - the bank's response to issue related to the implementation of Sustainable Finance
  - leadership commitment in implementing Financial Sustainability;
  - performance achievement; and/or
  - challenges in implementing Sustainable Finance
- b. Brief information concerning the implementation of Sustainable Finance includes:
  - performance achievement in implementing Sustainable Finance (economic, social, and environmental aspects) compared to the target; and
  - descriptions of achievements and challenges including important events during the reporting period.
- c. Brief information on the target achievement strategies; at least mentions the following:
  - information on risk management for the implementation of Sustainable Finance related to economic, social, and environmental aspects;
  - utilization of opportunities and business prospects; and
  - an explanation of economic, social and environmental external situations that have the potential to affect the sustainability of the bank.

#### **5. Sustainability Governance**

This section conveys the bank's commitment in performing its governance by taking into account the economic, social and environmental aspects that include:

- a. A description of the duties, authorities and responsibilities of the Board of Directors and the Board of Commissioners, employees, officials and/or work units who are responsible for implementing Sustainable Finance

For example:

- *The Directors are responsible for ensuring the governance and standard operating procedures of the bank have covered the principles of Sustainable Finance*
- *Employees run a Sustainable Finance program that has been formulated.*

- b. Explanation of competency development carried out to the members of the Board of Directors, members of the Board of Commissioners, employees, officials and/or work units who are responsible for implementing Sustainable Finance, for example by training

Example:

- *During 2017, the Board of Directors in charge of credit activities participated in Sustainable Finance training;*
- *Head of the Risk Management Unit and Head of the Business Unit in training for environmental analysts*

- c. Explanation of bank procedures in identifying, measuring, monitoring, and controlling risks for the implementation of Sustainable Finance related to economic, social and environmental aspects, including the role of the Board of Directors and the Board of Commissioners in managing, conducting periodic reviews, and reviewing the effectiveness of the company's management process

Example:

- *The bank already has the risk management SOP related to environmental and social aspects.*
- *Part of the procedure for this implementation is:*
  1. *The Director periodically evaluates the achievement of portfolio targets that support the implementation of Sustainable Finance. Evaluation outcomes are followed up by respective responsible officers;*
  2. *The results of the planning, implementation and target of credit/financing are reported by the Director xx to the President Director as one form of the duties and responsibilities performed.*

- d. The description of stakeholders which consists of:

- 1) stakeholder engagement based on management assessment, GMS, decree or other results. For example:  
*The Bank engages stakeholders in each decision-making process and determines strategies including in determining opinions on the*

*importance of issues that have to be submitted into the report.*

- 2) the approach used by banks in engaging stakeholders in the implementation of Sustainable Finance, including in the form of dialogues, surveys and seminars.

For example:

*The Bank engages stakeholders by conducting a face-to-face discussion with customers, practitioners, academics, and getting feedback through questionnaires to the stakeholders, employee, partner, mass media, and the government.*

- e. Problem faced, developments, and influence on the implementation of Sustainable Finance.

This chapter contains brief information of problems and development of the current sustainable governance implementation. Problems can include operational and external conditions. Meanwhile, development information includes the bank's effort to resolve these problems.

## **6. The sustainability performance**

This chapter explains the bank's commitment in building a culture of sustainability to all stakeholders. This sustainability culture is important to build to achieve sustainability performance.

This chapter also details the company's performance on economic, social and environmental aspects. The company's performance on economic, social and environmental aspects is integrated into the bank's product and/or service portfolio. Disclosure of the performance of sustainability aspects can be delivered with narration and/or in the form of illustration or tables.

For example:

- *Banks are committed to minimize paper use.*
- *The bank is committed to replace all non-LED lights into LED lights.*

### **a. Economic Performance**

A description of economic performance in the last 3 (three) years, which includes:

1. Comparison of target and production performance, portfolio, financing target or investment, revenue, and profit and loss. If the sustainability report is prepared separately from the annual report, this chapter contains a brief description, with the least format as follows:

**Table 7.2 Comparison of Target and Performance of Production, Portfolio, Target Financing, or Investment, Revenue and Profit and Loss**

Description/Year	2017	2016	2015
Total Asset	xx	xx	xx
Productive Asset	xx	xx	xx
Bank's funding/credit	xx	xx	xx
Third Party Financing	xx	xx	xx

Operational Revenue (IDR)	xx	xx	xx
Operational Cost (IDR)	xx	xx	xx
Net Profit (IDR)	xx	xx	xx
<b>Performance Ratio</b>			
Minimum Capital Adequacy Ratio (KPMM)	xx	xx	xx
Problematic productive assets and non-productive assets have problems with total productive assets and non-productive assets	xx	xx	xx
Productive assets have problems with total productive assets	xx	xx	xx
Impairment on Financial Assets (CKPN) against productive assets	xx	xx	xx
NPL gross	xx	xx	xx
NPL nett	xx	xx	xx
Return on Asset (ROA)	xx	xx	xx
Return on Equity (ROE)	xx	xx	xx
Net Interest Margin (NIM)	xx	xx	xx
Efficiency Ratio (BOPO)	xx	xx	xx
Loan to Deposit Ratio (LDR)	xx	xx	xx
Loan to Deposit Ratio (LCR)*			
a. LCR individually	xx	xx	xx
b. LCR on consolidated basis	xx	xx	xx

\*) Only filled by Banks that are required to compile and publish the calculation and value Quarterly Liquidity Coverage Ratio (LCR) as stipulated in the provisions concerning the obligation to fulfill the liquidity adequacy ratio for commercial banks. The LCR value is first presented for the report position in March 2019.

2. Comparison of target and portfolio performance, financing targets, or investment in financial instruments of projects that are in line with the implementation of Sustainable Finance, with the least format as follows:

**Table 7.3. Comparison of Target and Portfolio Performance, Financing Targets, or Investment in Financial Instruments or Projects that are in Line with the Implementation of Sustainable Finance**

*(in million rupiah)*

Description/Year	N	n-1	n-2
Number of products that meet the criteria for sustainable business activities			
a. Fund raising	xx dan xx (total & nominal)	xx	xx
b. Fund distribution	Xx	xx	xx
c. Total Productive Assets of Sustainable Business Activities			
a. Total Credit/Financing for Sustainable Business Activities (IDR)	Xx	xx	xx

b. Total Non-Credit/Financing Non-Sustainable Activities (IDR)	Xx	xx	xx
Percentage of total credit /financing of ongoing business activities for total credit/financing bank (%)	xx	xx	xx

b. Social Performance

Description of social performance in the last 3 (three) years, which includes:

1) Company Commitment

This chapter explains the company's commitment to provide equal services to consumers for the intended products and/or services, as well as delivering accurate product and/or service information to consumers.

Information submitted, for example:

*The bank provides funding to groups of people with special needs/disabilities who have MSME projects.*

2) Employment, this chapter contains at least:

- a. Statement of equality of opportunities for employment and the presences or absence of forced labor<sup>2</sup> and child labor<sup>3</sup>.

Example:

*Bank XXX is committed to providing the same career opportunities and levels in accordance with the competencies of female and male employees. The Bank is committed to not employing underage employees in accordance with labor regulations.*

- b. The percentage of remuneration for permanent employees at the lowest level against regional minimum wages needs to be conveyed so that stakeholders know that the company provides remuneration in accordance with government regulations.

Example:

*The company provides compensation for the services of permanent employees at the lowest level of Rp.xx, higher xx% of the provincial minimum wages set by the Government. In addition to the form of basic wages/salaries given to all permanent employees, the company also provides benefits and bonuses, as well as other benefits in accordance with the level of office and tenure.*

<sup>2</sup> Law of the Republic of Indonesia Number 19 of 1999 concerning Ratification of ILO Conveniton No 105 Concerning the Abolition of Forced Labour (ILO Convention on the Elimination of Forced Labor)

<sup>3</sup> Law of the Republic of Indonesia Number 13 of 2003 concerning Manpower, Article 68.

- c. Guranteed decent and safe work environment for all workers. The feasibility and safety of the work environment includes many things, including cleanliness of toilets, dining rooms, the existence of breastfeeding rooms, smoke detection devices and light fire extinguishers, places of workship, bicycle parking lots and so on.
- d. Training and capacity building of employees, especially to support the implementation of Sustainable Finance.

3) Society

This chapter describes information related to community empowerment to describe the relationship between the company and the community as one of the main stakeholders, which at least consists of:

- a. Information of activities that produce positive and negative impacts on the community and the development of operational areas in disadvantaged areas including financial literacy and inclusion.

Example:

*The Bank develops officeless banking services and non-cash transactions by utilizing mobile phone devices and disadvantaged areas to improve financial access to people who have not been touched by financial service.*

Or presented in table form of such as:

**Table 7.4 Infomation on Activities Affecting the Community**

<b>Name of Business Group/partner</b>	<b>Location</b>	<b>Type of activities</b>	<b>Total partner (for example SMEs perpetrator)</b>
xx	xx	xx	xx

- b. Public complaint mechanisms and the number of public complaint received and acted upon.

Information submitted, for example:

*Handling customer complaints is received and responded to by a special unit of customer complaints at each branch office. During 2018 there were xx complaints with the most subjects were complaints about ATM cards. Of the total xx complaints, xx% has been completed.*

- c. TJSL

This chapter contains TJSL activities related to community empowerment and supports to bank's core business. All activities are associated with 17 (seventeen) goals of sustainable development in Indonesia<sup>4</sup>, whereas the bank prioritizes the objectives to be achieved in accordance with the strategy type of

business activities.

For example, this information:

**Table 7.5 TJSL Activities, related to Community Empowerment**

No.	TJSL Types of Activities	Objective of Sustainable Development	Description
1.	Technical assistance for women micro-enterprises	SDG #1 without poverty and SDG #5 Gender Equality	Fund allocation Rpxxx  Implementation period of the month xxx up to month xxx
2.	Eco-friendly entrepreneurship training for fisherman on the coast of East Java	SDG #8, Decent work and Sustainable Economic growth	Fund Allocation Rpxxx  The implementation period of the month xxx up to month xxx

c. Environmental Performance for banks.

This chapter explains in detail information about:

- 1) Internal activities such as efficient use of energy (example electricity and water), green buildings, efficient use of paper and plastic.

Example:

*In the context of energy efficiency, in 2019 Bank XXX has succeeded in replacing a conventional air conditioner at the head office on 5 (five) branch offices. This activity can save costs around xx% equivalent to Rp. xxx,-*

- 2) TJSL funding allocation to activities with high environmental impacts.

Example:

*As an effort to show care to areas lacking clean water in the Eastern Indonesia Region, Bank XXX provides assistance in the form of construction of water pipe from water source to meet household needs in Village A, Village B, and Village C, in 2019, Bank XXX allocated Rp. Xxx,- for this activity.*

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<sup>4</sup> <http://www.id.undp.org/content/indonesia/id/home/post-2015.html> or <http://indonesia2050.info/tujuan-pembangunan-berkelanjutan/>

- 3) TJSL activities related to improving environmental quality and supporting the bank's core business.

Example:

*Bank XXX provides assistance to fisherman in coastal areas in the form of fishing equipment that is environmentally friendly so as not to damage the marine ecosystem. In addition to providing assistance, Bank XXX also provides dissemination and assistance to fishermen regarding fishing methods without damaging the marine ecosystem. The bank has allocated funds amounting to Rp. XX. for the provision of fishing equipment and dissemination activities.*

Information regarding the support for environmental sustainability for banks, includes:

- 1) Description of the use of environmentally friendly materials, for example the use of recycled materials types.

Efforts to use recycled material delivered, for example:

*In collaboration with XX Foundation, Company tries to utilize the remnants of paper waste in each Division at the Jakarta Head Office through the action of collecting paper waste in the building area through a recycling program. During 2017, xx kg of paper waste was collected. The paper waste is processed by the XX Foundation into xx useful value recycled, xx paper bags, xx notebooks. This notebook we use for office operational activities and managed to save Rp. xx,-. In addition to recycling efforts, paper savings are also carried out through efforts to change the way paper-based transactions become electronic-based transactions (e-banking and e-statements). This effort resulted in saving Rp. xx and decreasing paper usage from xx ream/month to xx ream.*

- 2) Description of energy use, at least contains: a) the amount and intensity of energy used; and b) energy efficiency efforts and achievement, including the use of renewable energy sources. The intended energy, for example the use of electricity and water.

Information submitted, for example:

*The Bank performs efforts to save energy by using energy – saving equipment namely LED lights and AC Inverters on offices. The effort was accompanied by campaign initiatives and outreach to employees.*

*The use of water has applied a press-type water faucet for a new building or renovations. This type of faucet uses automatic closing function so that it can reduce the amount of wasted water. Throughout 2017, water savings of xx m<sup>3</sup>, increased by xx% compared to the previous year.*

Information submitted in the form of tables, for example:



**Table 7.6 Description of Energy Utilization**

Use of Electricity and Water at Headquarters

Description	2019
Electricity (kWh)	Xx
Water Volume from PDAM (water company) (m <sup>3</sup> )	Xx
Water Volume from wells (m <sup>3</sup> )	Xx

- d. Responsibility for the Development of Sustainable Financial Products and/or Services.

This chapter explains in detail the information on the development of products and/or services that meet the criteria and categories of sustainable business activities. The example of these information disclosures is the related example of the number of products that meet the criteria for sustainable business activities and the total productive assets of sustainable business activities. Information presented includes:

- 1) Innovation and development of Sustainable Financial Products and/or Services.

Example:

*The Bank believes that the xx online market will have a positive impact on improving & empowering the MSME–assisted sector, tourism and other potential. Observing this situation, service innovation to facilitate customer needs is carried out, one which is mobile or mobile outlet services, in the form of vehicles specifically designed to fulfill customer banking transactions anywhere and anytime. At present, the number of mobile services with ATM facilities that have been operating since 2008 totals xx mobile service units using mini van vehicles that function in rural areas to reach people in the area.*

- 2) The number and percentage of products and services that have been evaluated for the security of the customers. This information ensures that banks only sell products and services that have been tested for security through the delivery of risks and the selection of partners, such as investment companies or insurance companies that work together.

Example:

*The form of the bank's main responsibility to customers is providing product protection and security for customers. Before selling their products to customers, all products have been tested for safety, through xx, xx, xx stages to ensure the minimum risk of loss for the products. The Bank always provides information on all risks that can occur, such as market risk and the risk of currency fluctuations. Thus, each customer is expected to understand and invest according to the different risk profiles of each customer.*

- 3) Positive impacts and negative impacts arising from Sustainable

Financial products and/or services and distribution processes, as well as mitigation carried out to overcome negative impacts. This information needs to be conveyed to stakeholders to demonstrate transparency and balance in the delivery of information, which is not only positive, but also the negative impacts or risks of each product and/or service.

Example:

*The Bank evaluates all products (collection and distribution of funds) that are sold to customers and has made product groupings in accordance with the risk profile listed in the bank's SOP related to social and environment aspects. Products with negative impacts on environmental aspects, for example products sold to the mining sector, while the products with a positive impact, for example products sold to the renewable energy sector. Furthermore, products with negative impact on social aspects, for example products sold to industries that use a lot of underage worker. As for products with a positive impact on social aspects, for example products sold to industries that are able to empower disadvantaged people.*

- 4) The number of products being recalled and the reason

If a product is withdrawn, the bank needs to convey the reason for the withdrawal.

Example:

*In 2015, the bank issued bancassurance products that received less response so that this product was withdrawn from the market.*

- 5) Customer satisfaction survey of Sustainable Financial Products and/or Services.

The survey is one of the company's means of communication and stakeholder engagement. Customers as one of the main stakeholders, banks need to maintain good relation with the customers to obtain input that can be used as material for evaluating bank performance. In addition to customers, input from other stakeholders, such as employees, also needs to be considered by the bank.

Example:

*To better understand customer, every year the bank cooperates with independent parties namely xx to conduct customer satisfaction surveys. Surveys are conducted by using the xx method. The survey results show that xx.*

Or:

*In 2019, the bank conducts the third time employee engagement survey (EES). Previously, the survey was conducted in 2017, 2016 (if it has been done). EES aims for xx. The survey outcomes are presented in the xx table.*

## **7. Written Verification from an Independent Party (if any)**

This chapter presents a statement of assurance independent statement on the content of the Sustainability Report to increase stakeholder confidence, especially investors.

The verification process or so-called assurance is one way to improve the quality of information presented in the sustainability report. This process is carried out by examining documentary evidence, interviews of clarification of information conveyed in the report, through a sample focussing on material information.

The verification process shall be conducted by an independent party that is not involved in the report making process, so that there is no conflict of interest and the quality of the verification process is maintained. The verification outcome is the statement of the independent verification or the assurance independent statement, which are contained in the Sustainability Report. The verifier is an institution that has experience and credibility in verifying the Sustainability Report.

Example:

*Sustainability report has been verified by xx, an independent and credible institution for verification. The verification process is done on xx to xx at xx. The process is preceded by inspecting xx. The results of the verification are an independent verification statement and management report in the form of input to the next Sustainability Report.*


## **8. Feedback for Readers (if any)**

This chapter presents a feedback sheet for stakeholders to show the bank's openness in receiving corrective inputs to the Sustainability Report. The response from feedback sheet is one part of stakeholder's involvement in efforts to improve the quality of the information presented in the Sustainability Report.

## **9. Bank Response to Previous Year Report Feedback**

The chapter explains the bank's response to feedback provided by stakeholders. If there is no feedback, the bank shall submit an effort to reach stakeholder participation in the existence of a Sustainability Report.

- D.** Sustainability report has to be written in Indonesian language. If a report is required, it can also be submitted in Indonesian and English languages side by side in one report. Sustainability reports are accompanied by pictures, graphics, tables, and/or diagrams with clear and easily digested information for the reader.



## **VIII. Social and Environmental Responsibility (TJSL) Fund to Support Financial Implementation**

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In accordance with Article 8 of POJK Sustainability Finance, all financial service institutions that are required to implement TJSL, shall allocate a portion of TJSL funds to support the activities of implementing Sustainability Finance. The allocation of TJSL funds must be included in the RAKB, while the target recipient of the TJSL funding program is the customer and/or prospective customer. Furthermore, the report on the use of these funds must be stated in the Sustainability Report every year. The amount of the allocation of the use of TJSL funds is adjusted to the financial conditions, structure and complexity of each bank.

The forms of bank TJSL activities that can support the implementation of Sustainable Finance, include:

1. Activities related to community empowerment and/or inclusive financial activities,

For example:

*Community empowerment and education programs in the economy in accordance with local capacity and comparative advantages. This aims to improve the status of unbankable society to be bankable.*

2. Activities that have positive impacts on social and environmental conditions, or at least can avoid negative impacts by implementing mitigation activities for the target activities.

For example:

*Clean water assistance program to village/urban village that are still having trouble getting clean water pipes.*

3. Activities that may have implication for improving and achieving the meaning of Sustainable Finance, especially at the location of these activities are carried out and in general in Indonesia. The main definition of implementing Sustainable Finance in Indonesia is the overall support of Financial services sector to create sustainable economic growth by harmonizing economic, Social and environmental interest.

For example:

*A pilot project for a group of micro entrepreneurial women in the field of handicrafts in several region.*

*Financing program for community groups to be able independently meet energy needs through micro-hydro power plants (PLTMH) or solar power plants (PLTS).*



# **Appendix 1: Benchmark of the Definition of Sustainable Projects/Industries**

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The following are references for banks in classifying and selecting customers for sustainable projects, along with an understanding of green projects from several countries and international institutions:

1. *World Bank*: Green projects aim to reduce poverty and improve the local economy with a main focus on addressing the problem of climate change. The World Bank divides green projects into two criteria, namely climate change mitigation and climate change adaptation. Green projects that enter climate change mitigation groups are hydropower and wind power, the use of new technologies that reduce carbon emissions, increase efficiency in the transportation sector, manage waste and green buildings, and reduce carbon through reforestation and avoid deforestation. Green projects that are included in climate change adaptation groups are flood prevention, food security and strengthening agricultural systems, sustainable forest management and avoiding deforestation. Good green projects included in the climate change mitigation and adaptation group are eligible projects to be funded by the World Bank from the results of the green bond issuance.
2. *UNIDO*: green industry is a process of production and industrial growth that does not endanger the nature's "health" and public health.
3. *UNIDO-GIZ*: focuses on efficiency and reducing waste and pollution, and focuses on new markets for environmentally friendly products and/or renewable energy, as well as support for "green jobs". Green jobs are jobs related to monitoring and limiting the environmental impact of the company.
4. *United States*: green industry as the industry that produces "green" goods and services and/or industries that run environmentally friendly production process (Shapira et al, 2013). Green industries in the United States are classified into five broad categories: renewable energy: energy efficiency, reducing and eliminating pollution, reducing greenhouse emissions, recycling: conservation of natural resources; and environmental compliance.
5. *United Kingdom*: green industries are low carbon and environmentally friendly goods and service sectors.
6. *The Netherlands*: green projects are classified into five sectors: agriculture; energy; sustainable construction; sustainable mobility; and other projects.
7. *Eurostat dan OECD*: green industries as industries that measure, prevent, limit, reduce and repair environmental damage and issues related to pollution, waste and ecosystems, including the use of "clean" technology, goods and services that reduce risks to the environment, and reduce position and use of resources.

8. *Brazil*: defines green projects into five sectors: renewable energy; agribusiness; biodiversity; and the process towards “smart cities”. Green projects, in this case are defines as projects that support the goals of a green economy and green growth.
9. *China*: green sectors include energy intensive industries and commerce, energy distribution and management, green buildings renewable energy, regulation and absorption of waste and pollution, transportation, and adaptation. The financing of China’s largest green projects is allocated for the five sectors: regulation of industrial sector pollution, environmental improvements, renewable energy, environmentally friendly infrastructure and energy and resource conservation (KMPG, 2016)
10. *Ministry of Industry of the Republic of Indonesia*: defines green industry as an industry that prioritizes efficiency and effectiveness of sustainable use of resources in its production process. Green industry is a business that is oriented towards increasing efficiency through saving raw material use, using materials that are safe for humans and the environment, and using low-carbon technology with the aim of increasing productivity and minimizing waste with the objective to increase economic and environmental efficiency.
11. *Ministry of Environment and Forestry of the Republic of Indonesia*: defines green industry as the development of energy forests, ecotourism and the establishment of botanical gardens or urban forest capturing endangered species, developing non-timber forest products (tree sap and so on), developing imported substitution products, processing energy waste from the result of microbial utilization, and geothermal utilization. (*Tropical Landscape Summit, 2015*).





## **Appendix 2: Benchmark of Criteria for Sustainable Business Activities**

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To complement the criteria for sustainable business activities, the following are some references for selecting customers/activities/projects that will access credit/financing from several countries and international institutions:

1. **India:** there are nine principles and/or criteria that have to be applied by the project/business: a) implementing good ethics, transparency and accountability; b) providing safe goods and services and contributing to sustainability; c) support the welfare of workers; d) respect the interests and responsiveness of all *stakeholders*, especially those who are disadvantaged, weak or marginalized; e) respect and support human rights; f) respect, protect and strive to improve the environment; g) behave well in influencing the public and implementing existing rules; h) support fair and comprehensive growth; and i) provide good values to consumers (UNEP, 2016).
2. **China:** Green project criteria are energy saving, pollution prevention and regulation, resource conservation and recycling, "clean" transportation, "clean" energy, ecological protection and climate change adaptation, "clean" use of fossil fuels, renewable energy-saving technology and low emissions, green urbanization, effective use of clean energy, circular economic development (reduce, reuse, recycle), water conservation and the use of unconventional water sources, pollution prevention and handling, ecological agriculture and forestry, energy saving, environmental protection and low industrial carbon, trials and demonstrations of eco-friendly civilization programs, and trials of low-carbon projects.

In the Green Credit Guidelines, China issued a checklist to identify the environmental impacts of a project. Table appendix 1.1 shows an illustration of a checklist of environmental components for a green project.

**Table Appendix 2.1 Illustration of Environmental Component Checklist**

Question	High (H), Medium (M), Low (L)
<b>Environmental Standards and Policies</b>	
Is the proposal in line with bank and regulator policies? (Yes-L; No-H; Unclear-M)	
Does the proposal require a basic or advanced environmental impact analysis document? (Continued-H; Basic-M; Not both-L)	
Has the proposal received a certificate that passed the environmental feasibility test for the planning/construction/operation phase and is the certificate available? (No-H; Multiple-M, Yes-L)	

Does the company include a list of companies that have a bad reputation? (Yes-H; Unclear-M; No-L)	
Does the proposal import hazardous solid waste? (Yes-H; No-L) Do you have permission to import raw material from your home country? (Yes-H; No-L)	
<b>Environment and Climate Change</b>	
Is the project located in a location that has the risk of disasters such as floods, earthquakes, storms and so on? (Yes-H; Part of the project-M; No-L)	
Are the project activities located in protected areas or areas that have sensitive environmental carrying capacity? (Yes-H; Part of the project-M; No-L)	
Is the project in an area with high biodiversity or an impact on the destruction of the surrounding natural ecosystem? (Yes-H, Part of the impact-M; No-L)	
Are the results of the project impacting the environment affected by climate change? (Yes-H; Some projects-M; No-L)	
<b>Environmental Awareness from Company Management</b>	
Does the management of the company have a clear understanding of environmental risks? (No-H; Yes-L) Has the management of the company established environmental risk management procedures and policies? (No-H; Yes-L) Has the management of the company taken concrete action in mitigating environmental risks? (No-H; Part of the risk is known/part of the action has been carried out-M; Yes-L)	
Are budgets for managing environmental risks and mitigating environmental risks available? (Yes-L; No-H; Unclear-M)	
Has the company conducted an environmental impact audit? (Yes-L; No-H; Unclear-M)	
Does the company have sufficient skilled workforce to run environmental risk management and is there external assistance to fill capacity gaps? (No-H, Part of the business has been done-M; Yes-L)	
Are there environmental risks and social impacts from the project activity chain? (Yes-H, Risks may occur at the industrial level-M; No-L)	

3. **Bangladesh:** has issued guidelines for green credit for the banking sector. The guideline includes the criteria used to select credit as described in Table appendix 2.2.

**Table Appendix 2.2 Industry Criteria/Green Sector in Bangladesh**

No	Sector	Sub-sector	Criteria for business activities
1.	Agri Business Sector	Poultry farms	<ul style="list-style-type: none"> <li>- Who have implemented a system of poultry protection against diseases/viruses, especially bird flu.</li> <li>- Which has implemented the management of solid waste (food waste, poultry manure, carcasses, etc.) as well as good disposal methods related to wastes originating from livestock.</li> <li>- Who have implemented plants that absorb wastewater or other wastewater treatment management processes.</li> <li>- Those who have implemented a system of using and storing hazardous materials and the use of hazardous materials are only hazardous materials that are permitted.</li> <li>- Those who have implemented environmental monitoring, especially protection against diseases originating from viruses.</li> </ul>
		Dairy company	<ul style="list-style-type: none"> <li>- Those who have implemented facilities to treat wastewater.</li> <li>- Those who have implemented a method of solid waste disposal or sediment from a good waste treatment system.</li> <li>- Which has implemented prevention of air emissions and regulation of disposal of engine combustion (turbines, compressors, and other machinery).</li> <li>- Those who have implemented environmental monitoring specifically regarding the characteristics of liquid discharge.</li> </ul>
2.	Cement Sector		<ul style="list-style-type: none"> <li>- Which has implemented prevention of air emissions and air emission control systems in all sources of emissions both in the process of operation, <i>handling</i>, and storage.</li> <li>- Those who have implemented facilities to treat wastewater.</li> <li>- Those who have implemented a method of solid waste disposal or sediment from a good waste treatment system.</li> <li>- Which has implemented good management of solid waste management, including residual solid waste production and dust.</li> </ul>

			<ul style="list-style-type: none"> <li>- Those who have applied sound pollution regulation methods in the process of grinding, handling, and transportation.</li> <li>- Those who have implemented continuous monitoring of all areas of dust emission.</li> </ul>
3.	Chemicals Sector	Fertilizer	<ul style="list-style-type: none"> <li>- Those who have implemented design handling, storage and transportation of hazardous chemicals in fertilizer manufacturing.</li> <li>- Those who have implemented facilities to treat wastewater.</li> <li>- Those who have implemented a method of solid waste disposal or sediment from a good waste treatment system.</li> <li>- Those who have implemented good management of handling hazardous chemical waste.</li> <li>- Who have implemented prevention of air emissions and air emission control systems in all sources of emission.</li> <li>- Those who have applied sound pollution regulation methods to large sized rotors.</li> <li>- Those who have implemented environmental monitoring include continuous monitoring of the content of ammonia, fluoride and ammonia from the water flow.</li> </ul>
		Pesticide	<ul style="list-style-type: none"> <li>- Manufacturing of pesticides in accordance with guidelines from WHO, Stockholm Convention and Rotterdam Convention.</li> <li>- Those who have implemented design handling, storage and transportation of hazardous chemicals in pesticide manufacturing.</li> <li>- Those who have implemented facilities to treat wastewater.</li> <li>- Those who have implemented a method of solid waste disposal or sediment from a good waste treatment system.</li> <li>- Which has implemented good solid and liquid chemical waste management.</li> <li>- Those who have implemented prevention of air emissions and air emission control systems in the pesticide manufacturing process.</li> <li>- Those who have implemented fire and explosion hazard prevention designs from the use, handling and storage of chemicals.</li> <li>- Those who have implemented environmental monitoring specifically related to monitoring liquid discharge characteristics periodically.</li> </ul>
		Pharmacy	<ul style="list-style-type: none"> <li>- Those who have applied the method of storing and using hazardous chemicals safely.</li> </ul>

			<ul style="list-style-type: none"> <li>- Those who have implemented facilities to treat wastewater.</li> <li>- Those who have implemented a method of solid waste disposal or sediment from a good waste treatment system.</li> <li>- Those who have implemented good and responsible methods of removing drugs that fail or damage.</li> <li>- Those who have implemented air pollution management from hazardous substances and sharp-smelling substances.</li> <li>- Those who have implemented procedures that are in accordance with the rules in the use of genetic resources that can endanger the environment.</li> <li>- Those who have applied bioethics management both in genetic modification of food or other related areas.</li> <li>- Those who have implemented environmental monitoring, especially related to air pollution produced by chemicals on a regular basis.</li> </ul>
4.	Manufacture of machinery and metals		<ul style="list-style-type: none"> <li>- Those who have implemented good controls on air pollution in machine or metal manufacturing processes.</li> <li>- Those who have implemented facilities to treat wastewater.</li> <li>- Those who have implemented a method of solid waste disposal or sediment from a good waste treatment system.</li> <li>- Those who have implemented good management in accordance with different solid wastes.</li> <li>- Those who have applied the method of regulating noise pollution to mechanical devices and physical activity.</li> <li>- Those who has implemented a fire and explosion hazard prevention design in the operation process.</li> <li>- Those who have implemented environmental monitoring, especially related to air pollution resulting from periodic manufacturing processes.</li> </ul>
5.	Housing		<ul style="list-style-type: none"> <li>- Those who have applied domestic wastewater treatment plants that are in accordance with the existing conditions, and on the basis of determining which are suitable for wastewater treatment needs.</li> <li>- Which has implemented good dust pollution management control in construction activities.</li> <li>- Which has implemented sound pollution treatment management in construction activities.</li> <li>- Those who have implemented management regarding construction debris.</li> </ul>

			<ul style="list-style-type: none"> <li>- Those who have implemented environmental monitoring, especially related to air pollution and regular discharge of water.</li> </ul>
6.	Paper and pulp		<ul style="list-style-type: none"> <li>- Those who have implemented production wastewater treatment in accordance with the existing conditions, and on the basis of determining which are suitable for wastewater treatment needs.</li> <li>- Those who have implemented air pollution control tools in the pulp and paper production process.</li> <li>- Those who have implemented facilities to treat wastewater.</li> <li>- Those who have implemented a method of solid waste disposal or sediment from a good waste treatment system.</li> <li>- Which has implemented management regarding large-sized solid waste.</li> <li>- Those who have implemented prevention efforts and regulated stinging odors from the production process.</li> <li>- Those who have implemented sound pollution management control due to large machines and physical activity.</li> <li>- Those who have implemented environmental monitoring specifically related to monitoring liquid discharge characteristics periodically.</li> </ul>
7.	Sugar and distillation		<ul style="list-style-type: none"> <li>- Those who have applied processing plants for production of wastewater that are in accordance with the existing conditions, and on the basis of determining which are suitable for wastewater treatment needs.</li> <li>- Those who have implemented facilities to treat wastewater.</li> <li>- Those who have implemented a method of solid waste disposal or sediment from a good waste treatment system.</li> <li>- Who has implemented a good solid waste storage and disposal method planning.</li> <li>- Those who have adopted the approach to reduce water use to reduce overall water use.</li> <li>- Who have implemented air pollution control devices in air emission areas.</li> <li>- Who have applied the stinging odor control method.</li> <li>- Those who have implemented environmental monitoring specifically related to monitoring liquid discharge characteristics periodically.</li> </ul>

8.	Leather tanning		<ul style="list-style-type: none"> <li>- Those who have applied management of the use of hazardous chemicals in accordance with the rules and needs in the <i>pretreatment</i> process, coloring and other processes.</li> <li>- Those who have implemented facilities to treat the company's wastewater in accordance with the rules, have chrome recovery units and processed wastewater from the waste treatment system used for other processes/applications.</li> <li>- Those who have implemented a method of solid waste disposal or sediment from a good waste treatment system.</li> <li>- Who have implemented good disposal methods and solid waste planning management.</li> <li>- Which has applied a method of regulating stinging odors from the tanning process.</li> <li>- Those who have implemented environmental monitoring, specifically related to Chromium VI, are conducted regularly.</li> </ul>
9.	Textiles and Clothing		<ul style="list-style-type: none"> <li>- Those who have applied management of the use of hazardous chemicals in accordance with the rules and needs in the pre-treatment process, coloring and other processes.</li> <li>- Those who have implemented facilities to treat wastewater.</li> <li>- Those who have applied methods of limiting certain chemicals in water disposal.</li> <li>- Who have implemented disposal methods and management of solid waste planning and deposits from good sewage treatment systems.</li> <li>- Those who have implemented air pollution control equipment in the finishing process that is able to regulate air pollution containing toxic substances.</li> <li>- Who has implemented a fire and explosion hazard prevention design in the operation process.</li> <li>- Those who have implemented environmental monitoring specifically related to monitoring liquid discharge characteristics periodically.</li> <li>- All consumers demands related to the environment are fulfilled in export-oriented businesses.</li> </ul>
10.	Destruction of the ship		<ul style="list-style-type: none"> <li>- Those who have applied management methods with the aim of obtaining certification from the exporting country.</li> <li>- Those who have applied management of the use of hazardous chemicals in accordance with the rules and needs in the process of sorting, feeding and reusing.</li> </ul>



			<ul style="list-style-type: none"> <li>- Those who have implemented the design of waste processing facilities to treat wastewater.</li> <li>- Who have implemented good disposal methods and solid waste planning management.</li> <li>- Those who have implemented environmental monitoring specifically related to monitoring liquid discharge characteristics periodically.</li> </ul>
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4. **Ministry of Industry of the Republic of Indonesia:** establish seven (7) green industry characteristics, namely: a) efficient use of input materials; b) using alternative input materials; c) low energy intensity; low water intensity; d) competent natural resources; e) minimization of waste produced; and f) low carbon technology. The standard of the green industry is a reference for raw materials, auxiliary materials, energy, yields, products, management systems, waste management and/or other aspects that are standardized and compiled to realize a green industry. Green Industry Standards have become a reference for seventeen (17) industries, including the ceramic tile industry, cement industry, fertilizer industry, sugar industry, steel industry (bars and sheets), dairy industry (milk powder), leather industry (leather tanning), rubber industry (crumb rubber), ribbed smoked sheet rubber, pulp & paper industry, glass industry, and oleo-chemical industry. The general criteria for aspects of technical requirements and Management requirements for green industries in Indonesia are shown in Table Appendix 2.3 and Table Appendix 2.4, as follows:

**Table Appendix 2.3 Aspects of Technical Requirements**

No	Aspects of Technical Requirements	Criteria
1.	Raw material	<ul style="list-style-type: none"> <li>- Source of raw materials (internal and external)</li> <li>- Raw material specifications</li> <li>- Handling of raw materials</li> <li>- Comparison of products against the use of raw materials</li> </ul>
2.	Indirect Materials (or specific materials used in an industry)	<ul style="list-style-type: none"> <li>- Quality and quantity of chemical auxiliaries</li> </ul>
3.	Energy	<ul style="list-style-type: none"> <li>- Energy sources</li> <li>- Energy consumption</li> </ul>
4.	Water	<ul style="list-style-type: none"> <li>- Water consumption (water source and water use permit, total water consumption)</li> <li>- Recycling ratio</li> </ul>
5.	Production process	<ul style="list-style-type: none"> <li>- Performance of production equipment</li> <li>- Production failure rate</li> </ul>
6.	Products and/or packaging	<ul style="list-style-type: none"> <li>- Product quality (product specifications)</li> </ul>

		- Quality of product packaging (product packaging specifications)
7.	Waste	- Waste management (solid, liquid, gas) - Waste disposal quality standards
8.	Greenhouse gas emissions	- CO2 emission level or CO2 equivalent

**Table Appendix 2.4 Aspects of Management Requirements**

No.	Aspect Requirements Management	Criteria
1.	Policy and Organization	- Green industry policy - Green industry organizations - Green policy and industry dissemination
2.	Strategic Planning	- Green industry goals and objectives - Strategic planning and programs
3.	Implementation and Monitoring	- Program implementation - Program monitoring
4.	Management Review	- Implementation of management reviews - Consistency of the company towards meeting the requirements of technicians and management in accordance with applicable green industry standards

5. **World Bank:** defining green project criteria is a project that aims to 1) mitigate climate change (including investment in low carbon and clean energy programs) and 2) adapt to climate change (including investment in climate change-resistant growth, sustainable growth).
6. **IFC World Bank:** there are several terms and definitions of green projects, among others:
  - renewable energy (including production, transmission, appliances and products);
  - energy efficiency (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products);
  - pollution prevention and control (including wastewater treatment, reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy, value added products from waste and remanufacturing, and associated environmental monitoring);
  - environmentally sustainable management of biological natural resources and land use (including environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally

sustainable fishery and aquaculture; environmentally-sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes);

- terrestrial and aquatic biodiversity conservation (including the protection of coastal, marine and watershed environments);
- clean transportation (such as electric, hybrid, public, rail, non-motorized, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions);
- sustainable water and wastewater management (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation);
- climate change adaptation (including information support systems, such as climate observation and early warning systems);
- eco-efficient and/or circular economy adapted products, production technologies and processes (such as development and introduction of environmentally friendlier products, with an eco-label or environmental certification, resource-efficient packaging and distribution);
- green buildings which meet regional, national or internationally recognized standards or certifications;

- *Mengikuti Green Bonds Principles*  
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

7. **REDD+**: Criteria for a green project or program are in accordance with the objectives REDD+ is

**Table Appendix.5 Project Criteria or Green Program REDD+**

No.	Criteria	Indicator
1.	Project priority	<p>a) Regional priorities The project area is focused on the area of deforestation or environmental degradation. The project is aimed at reducing deforestation and environmental degradation in the region.</p> <p>b) Political priorities The project is in the province determined by Indonesia's REDD+ representatives and aims to achieve the National REDD+ Strategic Goals.</p>
2.	Project supporting capacity	<p>a) Technical capacity</p> <p>b) Financial capacity</p> <p>c) Management capacity</p> <p>d) Expertise/experience</p> <p>e) Government capacity</p> <p>f) Accreditation</p>

3.	Project design	<ul style="list-style-type: none"> <li>a) Issue of land clearing to be addressed</li> <li>b) The purpose of the project</li> <li>c) Project activities</li> <li>d) Stakeholders</li> <li>e) Project security</li> <li>f) Cost planning</li> <li>g) Organizational structure</li> <li>h) Risk Assessment</li> <li>i) Project timeline</li> <li>j) Monitoring and Evaluation Framework</li> <li>k) Carbon methodology</li> <li>l) Benefits of the project for all <i>stakeholders</i></li> <li>m) Jurisdictional Aspects</li> <li>n) Coordination with other projects/activities</li> </ul>
4.	Project impact	<ul style="list-style-type: none"> <li>a) Greenhouse gas emissions</li> <li>b) Carbon stock</li> <li>c) Conservation of biodiversity</li> <li>d) Economic growth</li> <li>e) Justice and equity</li> <li>f) Economic and natural resilience</li> <li>g) Transformation/change</li> </ul>
5.	Adjustment and political support	<ul style="list-style-type: none"> <li>a) Pillar of the National REDD + Strategy</li> <li>b) RAN-GRK</li> <li>c) SRAP/RAD-GRK</li> <li>d) Legal compliance</li> <li>e) Support from the government</li> <li>f) Support for government programs</li> </ul>
6.	Project sustainability	<ul style="list-style-type: none"> <li>a) Long-term financing</li> <li>b) Long-term capacity</li> <li>c) Knowledge sharing</li> </ul>