

IMPLEMENTATION OF SUSTAINABLE FINANCE FOR FINANCIAL SERVICES INSTITUTIONS, ISSUERS, AND PUBLIC COMPANIES

This summary aims to provide information for investors or any other related stakeholders. This is not an official translation of OJK Regulation. All of the information refers to OJK Regulation (POJK) Number 51/POJK.03/2017. If there are any inconsistencies between this document and the respective POJK, the respective POJK prevails and becomes the main reference.

I. Background

OJK Regulation (POJK) Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies was issued to support stable, inclusive, and sustainable national economic growth that prioritizes an alignment of economic, social, and environmental aspects. In this regard, support from the financial system is necessary to prevent credit disbursement or investment in business activities that use excessive resources, increase social inequality, and damage the environment.

The goal of regulating the implementation of Sustainable Finance is for Financial Services Institutions, issuers, and public companies to be aware of and committed to implementing the principles of Sustainable Finance as well as in developing goods/services that prioritize economic, social, and environmental aspects.

II. General Provisions

1. Financial Services Institutions, hereinafter abbreviated as FI, are institutions that carry out activities in the sector of banking, capital market, insurance, pension funds, finance institutions, and other financial services institutions.
2. Other Financial Services Institutions are pawnshops, guarantee companies, Indonesian Export Financing Institution (*Lembaga Pembiayaan Ekspor Indonesia*), secondary housing finance companies, and the Social Security Agency (*Badan Penyelenggara Jaminan Sosial*).
3. Issuer is a party that conducts a public offering.
4. Public Company is a company whose shares are owned by at least 300 (three hundred) shareholders and has a paid-up capital of at least Rp3,000,000,000.00 (three billion rupiah) or several shareholders and paid-up capital as stipulated by a government regulation.
5. Sustainable Finance is comprehensive support from the financial services sector to create sustainable economic growth by aligning economic, social, and environmental interests.
6. Sustainable Financial Product and/or Service is a financial product and/or service that integrates economic, social, and environmental aspects, as well as governance in its features.
7. Sustainable Finance Action Plan (*Rencana Aksi Keuangan Berkelanjutan* or RAKB) is a written document that describes the short-term (one year) and long-term (five years) business activity plans and work programs of a Financial

Services Institution in accordance with the principles in the implementation of Sustainable Finance.

8. Social and Environmental Responsibility, hereinafter abbreviated as *Tanggung Jawab Sosial dan Lingkungan* or TJSL, is a commitment to participating in sustainable economic development to improve the quality of life and the environment, that is beneficial for the Company, local community, and society in general.
9. Sustainability Report is a report published to the public that contains an economic, financial, social, and environmental performance of a Financial Services Institution, Issuer, and Public Company in running a sustainable business.
10. Financial Services Institutions, Issuers, and Public Companies are required to implement Sustainable Finance in their business activities.
11. The implementation of Sustainable Finance is carried out by adhering to:
 - a. principle of responsible investment;
 - b. principle of sustainable business strategy and practice;
 - c. principle of social and environmental risk management;
 - d. principle of governance;
 - e. principle of informative communication;
 - f. principle of inclusivity;
 - g. principle of priority leading sector development; and
 - h. principle of coordination and collaboration.

III. Implementation of Sustainable Finance

a. Sustainable Finance Action Plan

1. Financial Services Institutions, including those categorized as Issuers and Public Companies, are required to prepare a Sustainable Finance Action Plan that is submitted annually to OJK.
2. The Sustainable Finance Action Plan must be prepared by Directors and approved by the Board of Commissioners.
3. Financial Institutions are required to communicate the Sustainable Finance Action Plan to shareholders and all of their organizational levels.
4. The Sustainable Finance Action Plan must be prepared based on the priorities of each Financial Institution, which contains at least:
 - a. Development of Sustainable Financial Products and/or Services including increasing the portfolio of financing, investment or placement in financial instruments or projects that are in line with the implementation of Sustainable Finance;
 - b. Development of the internal capacity of the Financial Institution; or
 - c. Adjustment of the organization, risk management, governance, and/or standard operating procedures of the Financial Institution in accordance with the principles of Sustainable Finance implementation.

b. Social and Environmental Responsibility

1. Financial Institutions that are required to implement TJSL are required to allocate a portion of their TJSL funds to support the implementation of Sustainable Finance.
2. Issuers that are not Financial Institutions and Public Companies that are not Financial Institutions, but are required to implement TJSL, can allocate part of the TJSL funds to support the implementation of Sustainable Finance.
3. The allocation of TJSL funds is stated in the Sustainable Finance Action Plan.
4. The use of TJSL funds is included in the Sustainability Report.

c. Incentives

1. Financial Institutions, Issuers, and Public Companies that implement Sustainable Finance effectively can receive incentives from OJK.
2. The incentives can be in the form of:
 - a. Involving Financial Institutions, Issuers, and Public Companies in human resource competency development programs;
 - b. Conferring the Sustainable Finance Award; and/or
 - c. Other incentives.

IV. Submission of Sustainable Financial Action Plan, Reporting, and Publication

1. Financial Institutions, Issuers, and Public Companies are required to prepare a Sustainability Report.
2. The Sustainability Report can be prepared separately or as an integral part of the annual report.
3. The Sustainability Report is submitted to OJK at the latest every year, in accordance with the applicable annual report submission deadline for each Financial Institution, Issuer, and Public Company.
4. Financial Institutions, Issuers, and Public Companies are required to publish the Sustainability Report through their websites. For Financial Institutions that do not own a website, the Sustainability Report must be published in a printed media or other media announcements that are easily accessible by the public.

V. Sanction

Financial Institutions, Issuers, and Public Companies that violate the provisions are subject to administrative sanctions as regulated by this OJK Regulation.
