

Be Ready for Application of Sustainable Finance Regulation

Indonesia Financial Services Authority (OJK) has issued a regulation on Application of Sustainable Finance to Financial Services Institution, Issuer and Public Company. Reporting of its implementation will start in 2020, and companies is better to be ready at least 2 years prior to that.

OJK has issued a regulation to create sustainable economic growth by harmonising economic, social and environmental interests through regulation No. 51/POJK.03/2017 which applicable to Financial Services Institution (FSI): institution that implements activities in banking, capital market, insurance, pension fund, financing institution and other financial services institutions.

What does it mean?

To apply the Sustainable Finance, FSI shall prepare Sustainable Finance Action Plan on annual basis to OJK at the same time as business plan submission, for FSI that is required to submit business plan; or on 31 January at the latest, if FSI is not required to submit business plan.

Sustainable Financial Action Plan is a written document containing FSI's short term (one year) and long term (five years) business plan and work programs relevant to the principles applied to Sustainable Finance, including strategy to realise the said

work plans and programs according to the predetermined targets and timeline, taking into account the principle of prudence and application of risk management.

The Sustainable Finance Action Plan shall be prepared based on each FSI priorities that cover at least: a. development of Sustainable Finance Product and/or Service including increase of financing portfolio, investment or placement on financial instruments or projects in line with the Sustainable Finance application; b. FSI internal capacity building; or c. adjustment of FSI organisation, risk management, governance and/or standard operating procedure in line with the principle of Sustainable Finance application.

When is it effective?

The effective date varied based on the type of entities, starting 2019 until 2025.

1 Jan 2019 will be the effective date for FSI in the form of a Commercial Bank that is classified as a Commercial

Banks – BUKU 3, BUKU 4 and foreign bank categories.

1 Jan 2020 will be the effective date for FSI in the form of BUKU 1 and BUKU 2, financing company, venture capital company, infrastructure financing company, insurance company, reinsurance company, Indonesian Export Financing Institution, secondary mortgage company, Social Security Administering Board, Issuers other than Issuers having small scale assets and Issuers having medium scale assets, and Publicly Listed Company.

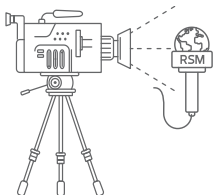
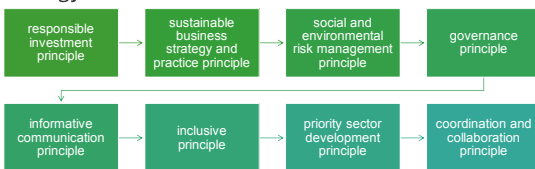
1 Jan 2022 will be the effective date for FSI in the form of RCB BUKU 3 including IRFB having a core capital equivalent to the BUKU 3 category, securities company managing the securities account of its customers, and Issuers having a medium scale asset.

Preparing to comply

Entities will need to map its current processes to ensure that the sustainable finance principles are applied in business activities. Perform business process improvement to close the gap before effective date to enable reporting of implementation for the full year period on the following year.



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KEY POINTS

- FSI shall apply sustainable finance within business activities, and business process improvement might be needed in governance and risk management areas.
- Sustainable report and action plan need to be submitted to OJK annually.
- Sustainable finance action plan need to be communicated to stakeholders.

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