



Green Bond and Sustainability Bond Development in Indonesia

Financial Services Authority 21 September 2022



Agenda

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Sustainable Finance Milestones in Indonesia

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Development of Green Bonds in Indonesia: Regulation, Issuance, Monitoring and Policy of the Green Bonds Market



Sustainable Finance Milestones in Indonesia

Sustainable Finance Milestones in Indonesian Capital Market



Before 2014

- Limited Liability Companies Law year 2007: Companies conduct business related to / in the area of natural resources must carry out Social and Environmental Responsibilities
- Capital Market Regulator Rule regarding Annual Report (2006): Companies must disclose their CSR activities and related cost
- First Sustainability index was issued in 2009 (Sri Kehati Index)

2014

Sustainable Finance Roadmap Phase I (2015-2019)

> OJK Rule No.60 year 2017 regarding Issuance and Requirements for Green Bonds

2017

• OJK Rule No.51 year

2017 regarding the

Implementation of

Financial Institution,

Issuers, & Public

Companies

Sustainable Finance for

2018

- Decision of OJK Commissioner No.24 year 2018 regarding 25% reduction in levy fees for green bond registration statement
- Public offering of PT SMI green bond

2020

- Sustainable Finance Roadmap Phase II (2021-2025)
- Relaxation of the implementation of sustainable finance for Issuers and Public Companies
- ESG Leader Index

2021

- OJK Circular Letter No.16 year 2021 regarding Form & Content of the Annual Report of Issuers & Public Companies
- Guidelines for Sustainable Finance Implementation for Securities Companies
- Task Force on Sustainable Finance in the Capital Market
- Mini website for Sustainable Finance in Indonesia Capital Market
- ESG Sector Leader IDX KEHATI
- Quality Index 45 IDX KEHATI

2022

- Indonesia Green Taxonomy
- Implementation of Sustainable Finance for Investment Manager
- Issuance of green bonds by PT. BRI Tbk & PT. BNI Tbk



Development of Green Bonds in Indonesia: Regulation, Issuance, Monitoring and Policy of the Green Bonds Market

Highlight OJK Rule No. 60 year 2017 regarding Green Bond

Indonesia Green Bond has characteristics:

- Verifier (individual/group/corporation) → green eligible projects;
- Action plan if green bond becomes "not green" (max 1 year);
- Buyback if green bond becomes "not green";

Eligible Projects

- renewable energy;
- energy efficiency;
- pollution prevention & control;
- sustainable management of living natural resources & land use;
- terrestrial & aquatic biodiversity conservation;
- environmentally friendly transportation;
- sustainable water & waste water management
- climate change adaptation;
- eco-efficient products;
- environmentally friendly buildings that meet national, regional, or international certification standards; and
- business activities and/or other environmentally sound activities.

Obligation

- Pre-Issuance
 - Submission of registration statement
 - Prospectus information
- Post-Issuance
 - Fund usage report
 - Reports on the results of periodic reviews of Environmental Experts



Green Bond

☐ Public Offering of Corporate Green Bonds

	Green Bond	Amount Issued (USD)	Date Issued	Use of Proceed/Project
1.	Sarana Multi Infrastruktur	33,5 Million (0,4% of total public offering of Corporate Bond in 2018)	9 July 2018	 36.3% for Renewable Energy 63,7% for Eco-friendly Transportation
2.	Bank Negara Indonesia	335 Million (4% of total public offering of Corporate Bond in 1 Jan – 16 Sept 2022)	22 June 2022	Eligible Environmentally Friendly Projects (renewable energy sector, energy efficiency, waste-to-energy processing and waste management, sustainable use of natural resources and land use, conservation of terrestrial and aquatic biodiversity, environmentally friendly transportation, sustainable management of water and wastewater, climate change adaptation, Building environmentally sustainable agriculture)
3.	Bank Rakyat Indonesia	335 Million (4% of total public offering of Corporate Bond in 1 Jan – 16 Sept 2022)	21 July 2022	 The two mitigation projects consist of two projects that will develop low emission palm oil mass, a transportation system in the form of environmentally friendly transportation, One adaptation project. Adaptation project will develop water treatment plant and irrigation system

Source: OJK – DSAT (processed from Prospectus)



Green Bond

☐ Public Offering of Indonesian Government Green Bond

	Bond/Sukuk	Amount Issued (Juta USD)	Date Issued	Use of Proceed/Project
1.	Republic of Indonesia	1250	March 2018	Energy, buildings, transport, waste, land use, adaptation
2.	Republic of Indonesia	750	February 2019	Buildings, transport, waste, land use, adaptation
3.	Republic of Indonesia	104,4	November 2019	Waste and Waste to Energy, Renewable Energy, energy efficiency, transport
4.	Republic of Indonesia	750	June 2020	Energy, waste, water
5.	Republic of Indonesia	385,7	November 2020	Energy, Building, Transport, Water, Waste, Land Use
6.	Republic of Indonesia	750	June 2021	Renewable Energy, resilience to climate change, waste management, transport
7.	Republic of Indonesia Sustainable Development Goals (SDG)	500,8	September 2021	-
8.	Republic of Indonesia	350.5	November 2021	sustainable transportation, resilience to climate change
9.	Republic of Indonesia	1500	June 2022	-



Investor Institutional's Perspective

Key Motivations for Investing in Green Bonds

- 1. Diversity investment portofolio
- 2. Greater transparancy

Main Obstacles Preventing Investors From Investing In Green Bonds

- 1. Inadequate supply of green bonds
- 2. Lack of internal guidance and resource

Key Considerations for Investing in Green Bonds

- 1. Credit Rating
- 2. Valuation and Pricing



OJK'S CHALLENGES TO CLIMATE CHANGE & SUSTAINABLE FINANCIAL ISSUES



Low Green
Loan/Financing
Portfolio and Green
Bond issuance (only 3
Issuers, namely SMI,
BBNI, BBRI)



The low awareness of the financial industry regarding sustainable finance initiatives



Huge untapped green investment opportunities, including the role of institutional investors in choosing ESG-based investment portfolios



The Government of Indonesia's commitment to the Paris Agreement and the country's steps to achieve the goal of Net Zero Emission



