



Implementation of Principle for Responsible Investment in Distribution of Bank Credits on Infrastructure Projects

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Article	Abstract
<p>Keywords: Sustainable Finance; Responsible Investment; Bank Credit; Infrastructure.</p> <p>Article History Received: Dec 31, 2020 Reviewed: Jan 4, 2021 Accepted: Mar 5, 2021 Published: Mar 12, 2021</p> <p>DOI: https://doi.org/10.22219/ljih.v29i1.15063</p>	<p><i>This research aims to discuss a large amount of credit lending is in line with the potential risk to the environment which is also caused by Toll Road construction activities. Therefore, Banks, Development, and the environment cannot be separated from one to another mainly because the Bank is responsible for taking preventive steps, other than implementing the substance of 5C principles, Bank is also obliged to implement several principles mentioned in POJK 51/2017, one of which is Principle for Responsible Investment. However, there are still no standards for the implementation of these principles or any strict penalties for Banks that are not applying the principle. This creates legal uncertainty, as it causes a potential risk that the Bank indirectly has not any obligation to implement it, yet only as a form of recommendation, whereas on the other hand, infrastructure development still damages the environment as it happened at the construction of Trans Sumatra Toll Road. In contrast to what Indonesia has done, Australia uses a variety of strategies to implement the Principle for Responsible Investment. In line with this issue, this research is using the normative legal research method where it is expected to provide different perspectives that will be useful for maximizing the realization of the Principles for Responsible Investment as part of Sustainable Finance in credit lending practices for Infrastructure development projects. Thus, it aims to make more detailed legal reforms, primarily regarding the standardization and sanctions of Principles for Responsible Investment including its derivative regulations hence that a sustainable environment will be realized.</i></p>

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INTRODUCTION

Environmental degradation is one of the main issues that should be considered, because the quality of the environment will greatly affect the quality of human's life, either directly or indirectly. In essence, not all business sectors are run by the community which has a direct impact on the environment. However, several business sectors have a strategic role in balancing and harmonizing between development and the environment, includes (among them is) the Banking sector.

Banking sector in general indeed does not have any connection with environmental development and has no direct impact on environmental damage (Jeucken & Bouma, 2013). However, either Banks, development, and the environment become a link that cannot be separated from one to another, because the Bank is mainly one of the financial institution with a very significant role to play in economic activity (Saputri & Fernos, 2019). Banking and the environment meet in many respects, especially through large Banks' corporate lending operations, which lend significant sums to commercial customers to fund activities that ultimately influence the quality of the natural environment. It follows, therefore, that Banks have a role to play in helping to raise environmental standards (Derek, 1995). Along with this, the Bank plays an important role in fostering sustainable development as an integral pillar and enabler of economic development (Weber et al., 2010). Sustainable Banking includes the conduct of Banking activity by integrating social and ethical environmental concerns into business policy and fostering sustainable growth (Kumar & Prakash, 2019).

In particular, infrastructure such as the Toll Road is a basic prerequisite for development and growth, since Toll Roads are beneficial to increase regional connectivity, national economic competitiveness, and reduce the level of disparities between regions. Due to that condition, Toll Road is not a simple object and requires a huge cost, besides its relation with environmental aspects is very important. For instance, based on Bank Mandiri's annual report of 2019, the total funds disbursed by Bank Mandiri to its corporate debtors to build Toll Roads is IDR 16,419 trillion.

The amount of credit disbursed to Toll Road construction is in line with the potential risks that occur in Toll Road construction. Toll Road construction often creates environmental problems, such as limited accessibility of residents around Toll Roads, reduces water absorption areas, land acquisition problems, and so on (Sumaryoto, 2010). Given the magnitude of the potential risk that occurs, Banks need to implement preventive steps in conducting any every form of investment credit distribution, one of which is through the application of the Principle for Responsible Investment. However, until now there has never been any stipulation of standardization or strict sanctions for not applying this Principle for Responsible Investment, thus the implementation still depends on the internal policies of the respective Bank.

As mentioned above, there has never been any standardization on the implementation of Principle for Responsible Investment in Bank Credit. Whereas, the issue of Banking obligations in realizing the Principle for Responsible Investment is a fundamental issue that can help reduce the potential risk of environmental damage. By managing and monitoring the impact caused by the development of infrastructure and facilities, the operation of infrastructure and facilities can follow the concept of a sustainable development strategy (Razif, 2018). Thus, the contribution of this research is expected to provide different perspectives that will be useful for maximizing the realization of the Principle for Responsible Investment as part of Sustainable Finance in credit lending practices for infrastructure development projects.

METHOD

The preparation of this research is based on the normative legal research method used by the review of various literature which are not limited in time and place. This research will look at the various results of previous legal research and related regulations which can be accessed through book sources and online sources related to the problems studied (Soekanto, 1984).

RESULTS AND DISCUSSION

Bank Functions in Distribution of Environmental-Friendly Credit

As an intermediary institution, Banks in Indonesia play a key role in the development of the economy through their role as Agents of Development and Agents of Trust (Nazrian & Hidayat, 2012). Banks become alternative business finance and play a part in driving the economy through the use of funds entrusted by the Bank to the public (Abubakar & Handayani, 2017). With the enactment of Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking (Banking Law), it has explained and provided legal certainty that Banking has a great impact in development and efforts to support the implementation of national development with an aim of improving equity, economic growth and national stability (Bank, 2014) towards improving people's welfare. Simultaneously, it can be understood that national economic and Banking activities in Indonesia support each other to continue to grow, in which the economy can attract (backward linkage) the Banking sector and the Banking sector has a role to encourage (forward linkage) various economic activities. Banks as intermediary institutions have a strategic effect on the economy, namely acting as financial inter-mediation institutions that allocate funds effectively and efficiently to effective sources (Suhendra & Ronaldo, 2017).

One of the main businesses of Banks is their credit lending, which on the provisions of Article 1 Number 11 of Banking Law explains that "Credit is the provision of money or an equivalent claim, based on a loan agreement or agreement

between the Bank and another party which requires the borrower to pay off the debt after a certain period of time by distributing interest."

In line with this definition, Banks have an important role in credit activity in the overall movement of the economy (Siringoringo, 2012), this would have a beneficial impact on stimulating a country's economic growth. At the macro-economic level, the Bank is an instrument for assessing monetary policy, and at the micro-economic level, the Bank is the primary source of funding for entrepreneurs and individuals.

Reckon with the importance of risk management in credit and financing, the implementation of it must consider the prudential Banking principle (Lastuti Abubakar & Tri Handayani, 2018). In this regard, before the credit is granted, it is essential for the Bank to conduct an analysis or assessment to prospective debtor which in the Banking world known as the 5C Principles (Lailiyah, 2014), namely: Character, Capacity, Capital, Conditions of economic, and Collateral. Banks are required to pay attention to the provisions in Article 8 paragraph (1) and (2) of the Banking Law which have stipulated that commercial Banks are expected to have confidence in providing credit or financing based on the principles of sharia, based on an in-depth review of the purpose and willingness of the debtor customer to pay off their debts or return the said financing as agreed. Moreover, in compliance with the requirements stipulated by Bank Indonesia, commercial Banks are expected to provide and implement lending and financing guidelines based on Sharia principles. These provisions are the basis for Banks in distributing their credit to customers. As the distribution of credit is one of the key functions of a Bank, this provision also incorporates and applies the principles of prudence referred to in Article 2 of the Banking Law.

Not only the 5C principles, yet the elucidation of Article 8 of the Banking Law also explains that "... In addition, Banks in providing credit or financing based on Sharia Principles must also pay attention to the results of the Environmental Impact Analysis (AMDAL) for large-scale and/or high-risk companies so that the financed project maintains environmental sustainability." Where the AMDAL obligations are again in line with Article 22 paragraph (1) and (2) of Law Number 32 of 2009 concerning Environmental Protection and Management (PPLH Law) which explains that:

1. Every business and/or activity that has an important impact on the environment is required to have an AMDAL.
2. Significant impacts are determined based on the following criteria:
 - a. the large number of people who will be affected by the planned business and/or activity;
 - b. the area of distribution of the impact;
 - c. intensity and duration of impact;
 - d. the number of other environmental components that will be affected;
 - e. the cumulative nature of the impact;
 - f. reversal or irreversibility of impact; and/or

- g. other criteria according to the development of science and technology.”

Based on the explanation of this article, it is clear that in the credit analysis process, Banks are obliged to pay attention to the provisions concerning AMDAL, especially for companies that have a direct environmental impact. This mainly aims to conduct credit analysis on whether a prospective customer is feasible or not worthy of Bank credit. Furthermore, in POJK Number 40/POJK.03/2019 on Asset Quality Assessment for Commercial Banks (POJK40/2019), AMDAL is one of the evaluations of the quality of Bank credit assets based on the debtor's obligations. Whereas, in this circumstance, the debtor proves that AMDAL exists, and the findings of AMDAL enable the Bank to ensure that the environment is protected by the project they financed. This is stated in Article 10 POJK 40/2019 concerning Assessment of Commercial Bank Asset Quality which explains that "Credit quality is determined based on the following assessment factors: a. business prospect; b. debtor performance; and c. ability to pay."

Hereafter, in Article 11 paragraph (1) letter e this regulation also explains that "Assessment of business prospects as referred to in Article 10 letter a includes an assessment of the components: e. efforts made by the debtor to preserve the environment."

According to these two articles, it can be seen that the debtor, in this situation, is the debtor who, in compliance with the rules of the laws and regulations, has the responsibility to make environmental conservation efforts, primarily efforts that large-scale and/or high-risk debtors need to make in order to maintain and conserve the environment. It has been mentioned in the POJK that the evidence is being carried out by AMDAL. In the POJK, it has been stated that the proof is carried out by AMDAL. The AMDAL results would later be required by the Bank to ensure that the ecosystem is protected by the funded project. In particular, the Bank also pays attention to the outcomes of the evaluation made by the Ministry of Environment and Forestry of the Company Performance Rating Program in Environmental Management (PROPER).

Theoretical Basis of Principle for Responsible Investment

A Sustainable Financial Roadmap for 2015-2019 was launched in 2014 by OJK as a state agency with the task of controlling and overseeing financial service operations in the Banking sector in an attempt to map strategic and systematic steps in leading the financial services sector to play an active role and to make a meaningful contribution to the process of sustainable development. By the launch of this Roadmap considers several aspects that social and environmental problems so far have not been taken into account in economic calculations. Specifically, the background for the launch of this roadmap rests on the 3 P principles, namely: Profit, People, and Planet. This Sustainable Finance roadmap should be in line with the National Long-Term Development Plan (RPJPN) and the National Medium-Term

Development Plan to guide the development of the financial services sector (RPJMN) which based on their master plan it is stated that the development is characterized by the pro-growth, pro-job, pro-poor, and pro-environment. Later in 2017, OJK issued OJK Regulation Nr. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies (POJK 51/2017), Which this Regulation implements the PPLH Law, the development and implementation of environmental economic instruments, including environmentally sustainable policies in the Banking, capital markets and non-Bank financial industries.

The true fact is that the environment is governed by the society and economy (Giddings et al., 2002). As in Indonesia, Infrastructure development refers to the concept of development to achieve high economic growth, however this development often does not pay attention to provisions relating to environmental aspects, one of which is the preservation of environmental functions. This action is not in line with the commitment of Indonesia to the world to support the SDGs across a number of objectives, namely 5 P, People, Planet, Prosperity, Peace, and Partnerships. Therefore, when Indonesia agreed to commit to the SDG agenda, any development agenda has to meet the needs of present and future generations, hence the sustainable development should be capable of protecting natural resources from over-exploitation and degradation of the environment. Infrastructure development carried out to support economic development which is solely aimed at gaining profits without paying attention to sustainability and maintaining environmental functions not only would this have a negative effect on the environment, yet also on culture (Astriani & Adharani, 2017).

The enormous number of Infrastructure development planned during this period certainly requires a lot of funds, where the government cannot finance itself by relying on the State Budget (APBN), hence the government often seeks external funding for large Infrastructure projects (Laurance et al., 2015). The need for Infrastructure funds reaches Rp. 4,796 trillion with a percentage of financing as much as 40% comes from the APBN and 22% from Regional Expenditure Budget (APBD) comes from state-owned enterprises (*Badan Usaha Milik Negara*/BUMN), and the remaining 36.5% is funded by the private sector. With the small government-owned budget, the government cannot be the only party distributing infrastructure construction funds, therefore both government and private institutions are interested in the funding of infrastructure projects. In this situation, includes the Banking sector.

As the intermediary institution, the Bank is required to facilitate credit or financing for the Infrastructure development sector. In this case, Bank is obliged to provide Credit with due observance of the provisions as mandated in Article 8 of the Banking Law. Thus, in line with the Sustainable Finance agenda, as the Bank distributes its credit funds, it is also important to look at the regulations relating to POJK 51/2017 in its evaluation of prospective debtors, where the concept of Responsible Investment is affirmed. With a large amount of investment credit

disbursed by Banks to the Infrastructure development sector, Banks certainly have an obligation to implement the Principle for Responsible Investment. Banks are expected to be prepared to face the possibility of losses from the credit they distribute as a consequence of their business sustainability and also as a form of accountability for introducing Sustainable Finance. If Infrastructure development on a large scale is not carried out by considering sustainability aspects and prioritizing instruments for preventing and/or environmental damage, it will not only damage the landscape, although this will also has an impact on pollution, environmental damage, and impact on the surrounding community.

In line with the objective of implementing Sustainable Finance, through the POJK 51/2017, there are several reasons why Banks have to apply the Sustainable Finance Principle, this is due to the fact that Bank is an industry that dominates Indonesia's financial sector, Banking regulations always comply with international guidelines and standards issued by international institutions, making it easier to make regulatory adjustments, and lastly The framework used to control and supervise the financial services sector is based on an integrated approach, namely the ties between the financial services sectors, therefore Banks are either linked to other sectors of the financial services sector or to other Banks (Handayani & Abubakar, 2017).

In accordance with the priorities and explanations for the introduction of Sustainable Finance by Banks, POJK 51/2017 explains that Banks must progressively adopt and internalize 8 (eight) Sustainable Finance Principles in an attempt to implement Sustainable Finance, emphasizing the overall support of the financial services industry for sustainable growth that incorporates environmental, social and governance criteria in business or investment decisions into the vision, mission, strategic plans and work program. As a consequence, Banks are no longer carrying out Business As Usual (BAU) policies and operations, yet are carried out as part of the implementation of Sustainable Finance.

The Principle for Responsible Investment is one of the most key fundamentals to be applied, and this principle is an investment approach that takes into consideration different aspects in any investment decision, starting from economic, social, environmental and governance factors. In practice, this principle refers to the collection and allocation of funds for which the ultimate purpose is to improve economic gains, social security, environmental quality and governance regulation. By allocating Bank assets and liabilities that take account of the impacts of economic, social, environmental and governance risks, the criteria for the implementation of this concept are evaluated. However, until now, the policy for implementing the Principle for Responsible Investment has neither standardization nor sanctions for Banks that do not implement it. In Article 13 paragraph (1) POJK 51/2017 only regulates administrative sanctions for Banks that do not implement Sustainable Finance, however this form of implementation does not have an implementation standard. Furthermore, POJK 51/2017 does not regulate any sanctions for not internalizing the Principle for Responsible Investment in any investment decisions

made by Banks on certain projects. This is a drawback in that it implies that the application of this principle would be left to the Bank, which has the potency to fail to fulfil the spirit of the Principle for Responsible Investment.

In line with the absence of standards for the principle of Responsible Investment, Banks as providers of funds for Infrastructure development still have to provide sustainable business activities. This is a preventive step in considering environmental aspects in every investment decision made by the Bank. As a reference based on the technical guidelines for Bank in implementing POJK 51/2017, sustainable business activities are described as follows "Projects/activities/products/services that meet the principles of Sustainable Finance and are included in the criteria for sustainable projects/activities/products/services."

This description can be taken to imply that a Bank can only obtain investment/funding/financing/credit from a project/activity/product/service if its business process prioritizes efforts to make productive and effective use of natural resources in a sustainable manner, preventing/limiting/reducing/repairing environmental harm, growing emissions, waste, damage to the ecosystem, and social injustice/inequality, or offering solutions to the impacts of climate change on societies. In providing credit, the Bank in this case needs to pay attention to Sustainable Finance principles, particularly the Principle for Responsible Investment. In implementing this principle, it is necessary to have good cooperation with industry players who prioritize the principle of being responsible in each of their work to continue to support sustainable Infrastructure development and balance social, economic, and environmental factors.

The requirements for a type of business, refer to the concept of sustainable business practices, are categorized as a sustainable project, include:

1. Efficiency and effectiveness, which mean that the project prioritizes the quality and efficiency of the effective use of natural resources, includes the efficient use of input materials and the use of alternative input materials, the efficient use of renewable energy, the saving of water and the use of unconventional sources of water.
2. Mitigation, which implies that the project avoids/limits/reduces/repairs environmental harm, increases emissions, waste, damage to the ecosystem, and social injustice/inequality, including pollution/waste prevention and handling, does not cause and affect social tensions, has an effect on increasing community health, environmental conservation, and processes of low carbon production;
3. Adaptation, which means that the project offers solutions for communities face climate change effects, including low-emission and sustainable energy-saving technology, reuse and recycling of resources, and enhancing the well-being of impacted communities.

Banks must record their financing/credit portfolios based on the category of sustainable business activities as part of the implementation of Sustainable Finance.

Implementation of Responsible Investment Principles in Credit Infrastructure Projects

Based on data from the Weighted Net Balances survey conducted by Bank Indonesia for the fourth quarter of 2019, it has been shown that investment credit growth was 70.3% by the end of 2019, which is a significant amount for investment credit distribution banks. With a large number of credit figures, the Bank is confronted with the concept of sustainable finance as a party that plays an active role.

In this framework, the Bank's Sustainable Finance Strategy on the basis of POJK 51/2017 notes that it is mandatory to prepare a Sustainable Financial Action Plan for the implementation of financial services institutions (RAKB) where the RAKB contains at least an executive summary, the drafting process RAKB, the determining factors for the RAKB, the priority action for Sustainable Finance, as well as the follow-up of the RAKB. This RAKB is also required to be reported annually to the OJK. Through this RAKB, it can be seen how the Bank determines its strategy, as for the example in Bank Mandiri's RAKB reviews policies, processes, and activities that are running in the company, and establishes a methodology to determine priority sectors and strategies for implementing Sustainable Finance. Their RAKB program will be focused on a 1 (one) year and 5 (five) years program for financing 4 (four) priority sectors in the segment Large Corporate, which are implemented through the preparation of investment and financing policies, reporting procedures, and disclosure of RAKB to OJK. In addition, the RAKB also includes the Micro Banking Environmental, Social and Governance program, as well as the introduction of Corporate Social Responsibility (CSR) activities that conform with the sustainable development principle.

In preparation of the RAKB 2020-2024, on the basis of its 2019 Sustainable Report, Bank Mandiri has drawn up a program to be implemented over the next 1 (one) to 5 (five) years, focusing on 3 (three) strategic pillars of Sustainable Finance, one of which is the Sustainable Banking pillar. Bank Mandiri has selected 4 (four) priority Sustainable Finance sectors which will then be implemented in stages, one of which is the Infrastructure Construction Services sector. The Infrastructure development sector which is being promoted by the government has challenges to face, for example, the gap in connectivity between regions and a high level of urbanization (53% of the population living in urban areas). Under such conditions, the government has developed various policies, instruments, and fiscal frameworks to create opportunities for Infrastructure growth. The 2020-2024 budget plan reaches IDR 2.058 trillion and shall be the potency in strengthening Infrastructure to support economic development and basic services. As of 2019, Bank Mandiri had financed Infrastructure projects with a total value of IDR 320,365 billion. Starting from the amount of total financing made, Bank Mandiri has then mapped the social and environmental issues and risks related to the construction service sector. The mapping was carried out thus that Bank Mandiri could take the best steps that the

impact of these issues or risks on the sustainability of the Bank Mandiri program could be minimized.

Bank Mandiri pays focus on the prudential aspects and the ideals of good governance in its attempts to enforce the principles of Responsible Investment. In addition, during the reporting year, Bank Mandiri exercised control through risk management. To enhance Bank Mandiri's social role and concern for environmental risks and as a manifestation of the implementation of the principle of responsibility in good corporate governance, Bank Mandiri has prepared Technical Guidelines for Environmental and Social Analysis in Credit which are used as references in conducting environmental analysis in credit extension analysis. This is in line with Bank Indonesia's efforts, in which the Bank Indonesia Policy on the Asset Quality Assessment for Commercial Banks provides that the assessment of the debtor's business prospects is also related to the environmental protection efforts of the debtor. Furthermore, Bank Mandiri has begun to introduce sustainable Banking by applying RAKB to build business processes and portfolios by taking into account Environmental, Social, and Governance (ESG) variables. The Business Unit and the Risk Management Unit are planning the Action Plan for the Infrastructure Construction Services sector as follow-up action taken by Bank Mandiri on indicators that cannot be met by customers. This action plan is then included in the credit application process by the recommendation committee to the credit committee as a consideration in providing credit by making a checklist.

One of the projects that has become a National Strategic Program (*Program Strategis Nasional/PSN*) is the Trans Sumatra Toll Road project. The construction of this Toll Road has been carried out since April 30th, 2015, which is a mega project of 2,818 KM of Toll Road networks in Indonesia. This Toll Road financing was through the syndication method, in which Bank Mandiri together with state-owned Banks and regional Banks disbursed their credits to the Trans Sumatra Toll Road construction project. It indeed needs a lot of funds, which Bank Mandiri and other Banks disbursed credit worth of IDR 9 Billion to Hutama Karya (Anastasia Avirianty, 2018) as the administrator and developer of most Toll Road projects in Trans Sumatran, where Medan-Binjai Toll Road, Palembang-Indralaya Toll Road, Bakauheni-Terbanggi Besar Toll Road, and Terbanggi Besar-Pematang Panggang-Kayu Agung Toll Road are located.

Infrastructure development is a process of change towards something better, where development should pay attention to important things to support each process in such way it will not harm the other aspects (Rosana, 2018), especially environment. However, as a matter of fact, the development of the Trans Sumatra Toll Road remains has a negative environmental impact.

Trans Sumatra Toll Road construction, which demands a very large area of land, would lead to a decrease in rainwater absorption capacity (Fakhurozi et al., 2020). A water catchment area is an area where rain water absorbs into the ground which then becomes groundwater (Wibowo, 2006), this area also provided a path to a water-

saturated zone for the entry of rainwater or surface water and will form a water flow that is in the land, thus that catchment areas play an important role as a factor in flood control during the rainy season and drought during the dry season. Decreased water absorption capacity around Toll Roads will increase the potency for flood. A flood occurs due to accumulated water that falls and cannot be accommodated by the ground (Yohana et al., 2017) as a result it is caught on the ground. Floods can have several negative impacts on the affected environment, it can damage facilities and Infrastructure, including people's homes, buildings, public facilities, rice fields, gardens, paralyzing transportation routes, etc. In addition, floods also cause environmental pollution. Apart from overflowing water and washing away waste, floods can also cause various diseases (Rosyidie, 2013).

Moreover, the development of this Toll Road can affect the loss of plantation and agricultural land. Plantation and agricultural land can be lost not only because it is used as a place for the construction, though consequently becomes a relocation place for residents who live displaced because of the construction of Toll Roads. This causes a decrease in the level of food security in the affected areas, which indicates that it should bring in food sources from other areas (Fakhurozi et al., 2020). Last, with the development of Trans Sumatra Toll Road, the green areas will disappear, whereas the green area serves to neutralize the air condition from various air pollution that occurs. With the increasing volume of vehicles, the volume of carbon dioxide (CO₂) gas also increases. This kind of condition causes poor air quality due to carbon dioxide (CO₂) gas accumulation, it raises the risk of illness and respiratory problems with the disappearance of the green environment.

Australia's Implementation on Principle for Responsible Investment

Australia is known as one of the countries that have maximized their implementation of Principle for Responsible Investment. In light of these issues, based on the 2020 Responsible Investment Association Australasia Benchmark Report, seven forms of approaches are used by Australia to help them identify responsible investment approaches for their investments as follows: (1) Integration of ESG; (2) Negative or exclusionary screening; (3) Norms-based screening; (4) Corporate engagement and shareholder action; (5) Positive or best-in-class screening; (6) Sustainability-themed investing; (7) Impact investing.

In regard to ESG integration, risk and opportunities are included in financial analysis and investment decisions based on systematic and relevant sources of research. They use norm-based screening to screen companies and issuers who may not follow minimum standards of business practice based on international standards and conventions as part of their responsible and ethical investment measures to manifest Responsible Investment, and may include screening for participation in disputes. For instance, started on November 2019, Riksbank, Sweden's central bank, Queensland bonds, and sold Western Australia will no longer invest in assets from emitters with a wide climate footprint, even if the yields are high. Riksbank believes it

has a role to play in ensuring that there is no intensification of global warming and that its operations should be in line with international treaties, such as Paris Convention.

CONCLUSION

It can be concluded, based on an analysis and discussion as mentioned, that the Bank has their responsibilities on the environment, therefore it requires Bank attention to environmental conditions. Where, through POJK 51/2017, the Bank is obliged to internalize the Principle for Responsible Investment by using an investment strategy that, in each investment decision, considers different aspects, starting from economic, social, environmental and governance factors. Even though the existing laws and regulations clearly state that the Bank is also responsible for environmental preservation through various forms of preventive measures, in fact the effort to realize the Principles for Responsible Investment in Infrastructure Project remains not been maximally realized. The implementation of the Principle of Responsible Investment remains has its weaknesses, which this principle does not have a standard of application applied to the Bank, thus the implementation of this principle is only lying on the Bank without any specific reference.

Furthermore, the absence of any strict penalties imposed on the Bank if it does not internalize this principle is also a drawback that must be followed up immediately if no penalties are applied, the Bank would implicitly not undertake to enforce the principle and will be liable for the future credit lending risk to the environment. This results in the Bank indirectly does not have the obligation to implement it, yet only as a form of recommendation that should be implemented to achieve sustainability. This condition is applied differently in Australia where they implement Principle for Responsible Investment through seven types of approaches which included the norms-based screening to divide companies and issuers that do not meet minimum business practice requirements based on international standards and conventions and that may require screening for intervention in disputes. With the current regulation that Indonesia has this will lead to legal uncertainty, as a result of which more detailed legal reforms are needed to maximize the implementation of Sustainable Finance.

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