Environment, Social, and Governance (ESG) Framework in Government Support and Facility for Infrastructure Financing
Environment, Social, and Governance (ESG) Framework in Government Support and Facility for Infrastructure Financing
## List of Abbreviations

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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>AP</td>
<td>Availability Payment</td>
</tr>
<tr>
<td>B3</td>
<td>Hazardous and Toxic Waste (Bahan Berbahaya dan Beracun)</td>
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<tr>
<td>ENDC</td>
<td>Enhanced Nationally Determined Contribution</td>
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<tr>
<td>ESG</td>
<td>Environment, Social, and Governance</td>
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<tr>
<td>FPIC</td>
<td>Free, Prior, and Informed Consent</td>
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<tr>
<td>GCA</td>
<td>Government Contracting Agency</td>
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<td>GHG</td>
<td>Greenhouse Gas</td>
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<td>GoI</td>
<td>Government of Indonesia</td>
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<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
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<tr>
<td>IBE</td>
<td>Implementing Business Entity</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<td>ILO</td>
<td>International Labor Organization</td>
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<tr>
<td>MDGs</td>
<td>Millennium Development Goals</td>
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<tr>
<td>MSCI</td>
<td>Morgan Stanley Capital International</td>
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<tr>
<td>NDC</td>
<td>Nationally Determined Contribution</td>
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<tr>
<td>OJK</td>
<td>Otoritas Jasa Keuangan (Financial Service Authority)</td>
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<tr>
<td>PDF</td>
<td>Project Development Facility</td>
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<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
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<tr>
<td>RPJMN</td>
<td>Rencana Pembangunan Jangka Menengah Nasional (National Medium-Term Development Plan)</td>
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<td>SASB</td>
<td>Sustainability Accounting Standards Board</td>
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<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<tr>
<td>SOE</td>
<td>State-Owned Enterprise</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNESCO</td>
<td>United Nations Educational, Scientific, Cultural Organization</td>
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<td>VGF</td>
<td>Viability Gap Fund</td>
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<td>WB</td>
<td>The World Bank</td>
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<td>World Health Organization</td>
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As part of the world community, Indonesia has declared its commitment and agreed to the Sustainable Development Goals to end poverty, fight inequality, and mitigate the impact of climate change. This commitment is clearly stated in the Enhanced Nationally Determined Contribution (“ENDC”) by setting an emission reduction target (unconditional emission reduction) of 31.89% (previously 29%), and a conditional reduction target of 43.2% (previously 41%) in 2030.

At the national level, the implementation of this commitment has been translated into a number of policies. In the context of development planning, the National Medium Term Development Plan (RPJMN) for 2020 – 2024 has considered the Sustainable Development Goals as part of the goals to be achieved. This is aligned with the mandate in Presidential Regulation number 111 of 2022 concerning the Implementation of Achieving Sustainable Development Goals.

In the context of fiscal policy, the Ministry of Finance has established several policy breakthroughs and created instruments that are oriented towards achieving sustainable goals and dealing with climate change. We can mention the Climate Change Fiscal Framework (CCFF), Carbon Pricing or the Economic Value of Carbon, Thematic Securities Instruments through the Green Sukuk Framework and SDG Framework, and the initiative to establish the Energy Transition Mechanism Country Platform (ETM Country Platform).

Moreover, the Ministry of Finance also sees great potential in how to encourage more effective use of the state budget to achieve sustainable goals, particularly in infrastructure financing. Embedding environmental, social, and governance aspects in the provision of government support for infrastructure financing is considered effective to promote sustainable infrastructure development: not only contributes positively to the economy, but also minimizes the potential negative impact to the environment and society.

The Environmental, Social and Governance Framework and its Manual (developed by the Ministry of Finance) is one of the efforts to direct infrastructure development that brings benefits now and the future generations. The Framework and its guidance are prepared in a pragmatic approach. While the Framework is conceptual, the Manual provides a clear explanation on how to implement the Framework. I believe both can be used easily by stakeholders.

This Environmental, Social and Governance Framework should be seen as a living document that needs to be continuously improved. If it is a journey, this is just the first step. This journey ahead will bring many lessons that encourage us to continue to make improvements. As a first step, this Framework is certainly not perfect. Therefore, the Ministry of Finance is always open for improvements. And I would invite all stakeholders to provide constructive feedback for better Framework and Manual.

Sri Mulyani Indrawati
Minister of Finance of the Republic of Indonesia
In 2015, world leaders agreed on the Sustainable Development Goals (SDGs), a blueprint for achieving global prosperity and well-being by 2030. The SDGs build upon the success of the Millennium Development Goals (MDGs) Agenda by expanding its scope and setting new and aspirational targets. The seventeen interlinked goals of the SDGs then became a shared commitment to end poverty, fight inequality, and mitigate the adverse impacts of climate change.

In line with SDGs, in 23 September 2022, Indonesia has committed to increase its ambition in reducing the Green House Gas (GHG) emission through the Enhanced Nationally Determined Contribution (ENDC) by 31.89% (from 29% previously) unconditionally and by 43.2% (from previously 41%) conditionally.¹ The ENDC document is a renewal of the National Determined Contribution (NDC) document which shows the strong commitment of Indonesia in achieving a low-carbon climate-resilient economy and is part of the SDGs achievement.

The Government of Indonesia’s (GoI) efforts to achieve the SDGs has also been followed up by the publication of Indonesia’s SDGs Roadmap.² The Roadmap shows that development and provision of infrastructure plays an important role and underlies the achievement of almost every development target, from the goal of eradicating poverty and hunger, developing quality education, creating clean and sustainable energy, as well as other aspects. This Roadmap also becomes a guideline in preparing the National Development Plan, including the Indonesia National Medium-Term Development Plan (RPJMN) 2020-2024 and has become a strong evidence in mainstreaming the SDGs as a priority to be achieved.

Efforts to achieve the SDGs are increasingly needed since the COVID-19 pandemic, which has tremendously affected all sectors of life. The health and social challenges caused by COVID-19, coupled with the continued threat of climate change, have shifted the direction of global policies to be more “green and blue”, and prioritize risk management to prevent the potential of even greater losses in the future.

Along with the increasing global awareness on climate change and the loss of biodiversity, capital owners are also starting to shift their investment priorities. The interest of investors, as well as multilateral institutions, are now changing towards more sustainable investments, which highly consider how programs or projects pay attention to environmental, social, and governance aspects.

At the policy level and the creation of fiscal instruments, the Ministry of Finance realizes the importance of adapting with the current dynamics. Fiscal policies, schemes, and instruments continue to be directed towards contributing to the achievement of national commitments on global agreements—such as the SDGs and greenhouse gas emissions reduction. These examples have been demonstrated through the issuance of market instruments in the form of Green Sukuk and SDG Bond. Most recently, the Ministry of Finance also issued regulations on carbon tax and energy transitions.

Directing government’s support for environmentally-sound and socially impactful infrastructures will generate real impact to the achievement of SDGs and climate change mitigation and adaptation actions. Efforts to achieve national commitments need to be continuously pushed to a deeper level, at the level of development implementation, especially in the provision of infrastructure. The achievement of SDGs through infrastructure is important to ensure that benefits of infrastructure development can be enjoyed by those in need while optimizing the potential for positive environmental and social impacts. On the other hand, conventional infrastructure development will eventually become stranded assets due to the global trend and paradigm shift toward sustainable development.

Integrating Environmental, Social, and Governance (ESG) factors into investment strategies is one solution to measure the contribution of an institution’s or company’s sustainable investment to its stakeholders. In the context of the Indonesian government, the Ministry of Finance initiated the implementation of ESG principles in government support and facilities for infrastructure financing and is expected to contribute to the achievement of the SDGs and ENDC targets. This initiative is based on, and strengthened by, the ESG Policy Brief which was developed with the support from United Nations Development Program (UNDP). This support was then continued with the preparation of the ESG Framework that serves as the basis for the ESG standard guidelines and the preparation of the ESG Manual.
Objective

The ESG Framework is one of the Ministry of Finance’s action to mainstream ESG in the provision of government facility support for infrastructure financing. The objectives of the ESG Framework are as follows:

1. Strengthen the quality of infrastructure projects that receive facility or financing support from the Ministry of Finance through ESG standard implementation;
2. Maximize the environmental, social, and governance benefit and profit, while simultaneously preventing negative impact toward society and the environment;
3. Minimize, mitigate, and manage negative impacts from a project if unavoidable;
4. Strengthen the capacity of the Ministry of Finance, Project Preparation and Transaction Facility Implementer (Facility Implementer), Government Contracting Agency(ies) (GCA), and Business Entity(ies) in managing ESG risks, as well as ensure active participation from stakeholders, including by providing complaint handling mechanisms; and
5. Provide guidance for the preparation of the ESG Manual

Legal Foundation

In preparing the ESG Framework, the Ministry of Finance refers to several legal and policy foundations related to infrastructure provision in Indonesia that support or encourage the implementation of ESG principles, especially in infrastructure development. These include laws and regulations on job creation, conservation of natural resources, human rights, protection and management of the environment, cultural reserve, water source, cultural improvement, waste management, as well as provision of land for development and public service. This Framework also refers to government regulations such as controlling environmental damage and/or pollution related to forest and land fires or spatial planning. In addition, this Framework also refers to the Financial Services Authority’s (OJK) Sustainable Finance Roadmap in Indonesia.

The list of legal and policy basis in the development of the ESG Framework can be found in Appendix 1.
Scope

As referenced above, the Ministry of Finance is committed to implement ESG principles in government support and facilities, particularly for infrastructure financing that involves private financing. One of the schemes that involve the private sector in infrastructure financing is through the Public Private Partnership (PPP) scheme.

In reference to the Presidential Regulation No. 38/2015, PPP is a cooperation between the Government and Business Entities in the provision of infrastructure for the public interest that conforms to the specifications determined by the Minister/Head of Institution/Head of Region/State-Owned Enterprises/Regional Owned Enterprises, which partially or wholly utilizes resources from the Business Entity with due observance of the risk sharing between parties.

To encourage PPP implementation in Indonesia, the Government, through the Ministry of Finance provides facilities and support in the form of Project Development Facility (PDF), Viability Gap Fund (VGF), Infrastructure Guarantee (Guarantee), and implementation of Availability Payment (AP) schemes.

The implementation of Government support in infrastructure financing is carried out through several channels, both by the Ministry of Finance itself or through the Facility Implementer, namely PT. Sarana Multi Infrastruktur (Persero) and PT. Penjaminan Infrastruktur Indonesia (Persero). The Facility Implementer’s involvement in providing or distributing Government’s support is generally limited to PDF and Guarantee facilities. Nevertheless, involvement in the PDF Facility plays an important role in preparing bankable projects and ensuring that the project’s business concept meets the expectations of potential investors, including the fulfillment of ESG aspects. Moreover, the Ministry of Finance also provides space for PT SMI and PT PII to cooperate with international institutions in providing PDF Facility, including with PT Indonesia Infrastructure Finance (IIF).

In addition to support for PPP projects, the GoI also provides support for non-PPP infrastructure projects, in the form of Infrastructure Guarantee through State-Owned Enterprises (SOE) Assignment, National Strategic Project Guarantee, Direct Lending Guarantee, and other support.

The increasing global concern for climate change encourages the Ministry of Finance to move in line with the changes that occur. Directing Government support for PPP and non-PPP projects to be more integrated with ESG will make the implementation of infrastructure provision in line with sustainability principles.
The ESG Framework is focused on providing PPP infrastructure financing support. Therefore, the following sections will focus more on the stages and procedures for implementing as well as managing the ESG Framework in PPP projects. The development and implementation of the ESG framework on non-PPP infrastructure financing support will be determined later and would require adjustments to the framework in line with relevant business stages and processes.

**Stakeholders and ESG Framework Implementation Mechanism**

In order for the ESG Framework in Government support and facility for infrastructure financing to generate optimum impact, its implementation need to involve the following stakeholders:

1. Ministry of Finance as the Government representative in the provision of financing support
2. GCA(s) as defined by applicable laws and regulations
3. Facility Implementer as well as transaction advisors involved in the infrastructure project preparation; and
4. Implementing Business Entity (IBE) as appointed through tendering mechanism as prescribed by applicable laws and regulations

The roles and responsibilities of each stakeholder in the ESG Framework implementation shall refer to the provisions contained within the ESG Manual.

The ESG Framework shall be implemented as part of the business process of implementing Government support for infrastructure financing, and therefore, the commitment and active participation of stakeholders are highly required. For the ESG Framework to be implemented effectively, the following process would be required:

1. The Ministry of Finance and the GCA agree on the scope of the PDF Facility, in which includes risk analysis and assessment, impact, and mitigation of ESG aspects relevant to the project
2. The facility Implementer identifies, conducts impact assessments, and proposes ESG-related risk mitigation measures to the GCA as part of the process of providing transaction advisory services in the preparation and implementation of project transaction
3. The GCA agrees on and takes necessary mitigation measures toward the ESG risk assessment results throughout the entire project cycle according to risk identification and assessment result
4. In proposing Government support, the GCA together with the Facility Implementer, ensure that the project and its proposal have considered the ESG factors as well as including analysis and mitigation measures for ESG factors
5. The Ministry of Finance and Government support organizations should consider ESG factors in the evaluation process and, if needed, provide recommendations for improvement including on ESG factors
6. The GCA and the Facility Implementer prepare and include ESG elements in transaction documents, and whenever possible incorporate ESG elements in the
main performance indicators of the IBE

7. The GCA and the IBE agree on the implementation of the infrastructure project and ensure that all infrastructure development and operational processes that have received support from the Ministry of Finance apply and take into account ESG factors as outlined in the Partnership Agreement between the two parties

8. The GCA, together with the IBE prepare, establish, and implement an ESG management system in the implementation of infrastructure projects

9. The Ministry of Finance conducts reporting on the implementation of ESG factors in the provision of Government support for infrastructure financing

10. The GCA and IBE, collectively or separately, conducts reporting on ESG factor implementation in infrastructure projects that are being collaborated, and provide the implementation impact whenever possible

The processes, procedures, risk factors, and other details pertaining to the ESG Framework implementation are comprehensively explained in the ESG Manual.

**ESG Framework Implementation Roadmap**

The implementation of the ESG Framework in Government support for the provision of infrastructure by the Ministry of Finance will be done in stages. This is to ensure all stakeholders involved in the infrastructure provision process receive adequate time to study and implement the ESG Framework comprehensively.

The following is the roadmap for ESG Framework implementation in infrastructure provision projects in Indonesia:
Environment, Social, and Governance (ESG) Framework in Government Support and Facility for Infrastructure Financing

ESG Framework and ESG Manual development

2022

Piloting on PPP projects receiving PDF support

Sector
Public Works and Public Housing

Project
- Housing projects
- Water resource sector projects

2023

Implementation on every PPP project receiving PDF support

Sector
Every sector proposing and receiving PDF support

Project
Every PPP project receiving PDF support

2024

Implementation on every PPP project receiving PDF support or Government support

Sector
Every sector proposing and receiving PDF support, or proposing and receiving Government support

Project
Every project receiving PDF support, or proposing and receiving Government support

2025 or advanced implementation, determined after a review of the initial implementation stages

Implementation on non-PPP projects proposing and receiving Government Support, including State/Regional-Owned Enterprise guarantee, direct lending, National Strategic Projects, National Economic Recovery)

Sector
Every sector receiving Government support

Project
Every project receiving Government support

2025
ESG Framework Positioning and Implementation

As stated above, the objective of the ESG Framework is to ensure that Indonesia’s infrastructure supported by the Ministry of Finance meets the ESG principles. In its implementation, the ESG Framework will become one of the assessments in determining the support for infrastructure provision by the Ministry of Finance. Referring to the ESG Framework Implementation Roadmap, the Ministry of Finance will include the ESG Framework as a consideration to determine the provision of support toward PPP, starting in 2023, and starting in 2025 for non-PPP projects by considering the review of ESG early implementation in PPP projects.

To support the ESG Framework implementation by project managers, the Ministry of Finance also developed an ESG Manual as a technical reference. Contents of the ESG Manual describe each of the standards stipulated in the ESG Framework, including details of risks, the impact scale, and its relevance in every stage of infrastructure project provision. With the introduction of an ESG Framework and a technical reference in the implementation of ESG principles for infrastructure projects receiving support from the Ministry of Finance, project managers can easily and quickly adapt to the implementation of the ESG Framework.

Reporting, Monitoring, and Evaluation Mechanism

Reporting from the implementation of the ESG Framework shall be periodically prepared and published by the Ministry of Finance. Additionally, reporting of ESG implementation will also be conducted by the GCA and IBE for projects receiving Infrastructure Financing Facility/Support. Reporting by both the Ministry of Finance and the GCA and/or the IBE can be done separately or collectively. In addition to providing information on ESG implementation, the reporting, wherever possible, should also provide information on the impact of ESG implementation and the contribution toward achieving SDGs.

The monitoring and evaluation standards in the ESG Framework are elaborated in detail in the ESG Manual.
The development of the ESG Framework refers to seven references that regulates ESG, both in the context of infrastructure project implementation, as well as in the context of operating a business entity. Each of the reference has several standards that provide guidance on how project managers and/or business entities implement ESG principles. The adoption of the seven references in developing the ESG Framework also takes into consideration the existing regulatory context, as well as considerations on the environmental and social standards previously developed by Facility Implementers.

The references used in the development of this ESG Framework include:

1. United Nations Development Programme (UNDP) Social and Environmental Standards (SES) - 8 standards;
2. The World Bank (WB) Environmental and Social Framework - 10 standards;
3. International Finance Corporation (IFC)'s Environmental and Social Performance Standards - 8 standards;
4. Global Reporting Initiatives (GRI) Standards - 36 standards;
5. MSCI ESG Score - 35 standards;
6. Schroders ESG Risk Analysis Framework - 18 standards; and
7. Sustainability Accounting Standards Board (SASB) - 26 standards.
In addition to referencing international practice, the development of the ESG Framework also refers to existing environmental and social standards within the Facility Implementers, each referencing to practices by the IFC Environmental and Social Performance Standard and the World Bank Environmental and Social Framework. The Facility Implementers’ environmental and social standards are developed as references for their corporate business operations. The ESG Framework is expected to be an overarching guide for Facility Implementers in preparing and providing guidance to project owners in preparing, designing, conducting transactions, and operating infrastructure projects.

### Environmental and Social Standards of Facility Implementers

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<thead>
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<th>Facility Implementer</th>
<th>Environmental and Social Standard</th>
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<td>Environmental and Social Management Framework</td>
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<td>PT Sarana Multi Infrastruktur (Persero)</td>
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<td>PT Indonesia Infrastructure Finance</td>
<td>Environment and Social Principles</td>
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### Mapping of ESG Standards against SDGs

This ESG Framework is comprised of 10 standards. As previously mentioned, the SDGs are one of the main motivating forces to develop this Framework. To support and align this, the following table describes the mapping of the ESG standards with the 17 SDGs.

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<td>Goal 6: Clean Water and Sanitation</td>
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<td>Goal 11: Sustainable Cities and Communities</td>
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<td>Goal 13: Climate Action</td>
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<td>Goal 14: Life Below Water</td>
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<tr>
<td>Dimension</td>
<td>Standard</td>
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<td>Goal 12: Responsible Consumption and Production</td>
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<td>Goal 13: Climate Action</td>
<td>Goal 15: Life on Land</td>
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<td>Climate Change Mitigation and Adaptation, and Disaster Risk</td>
<td>Goal 7: Affordable and Clean Energy</td>
<td>Goal 9: Industry, Innovation, and Infrastructure</td>
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<td>Social</td>
<td>Employment and Work Environment</td>
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<td>Goal 4: Quality Education</td>
<td>Goal 8: Decent Work and Economic Growth</td>
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Environment, Social, and Governance (ESG) Framework in Government Support and Facility for Infrastructure Financing

1. Standard 1: Pollution Prevention and Waste Management
2. Standard 2: Biodiversity Conservation
4. Standard 4: Climate Change Mitigation and Adaptation, and Disaster Risk
5. Standard 5: Employment and Work Environment
7. Standard 7: Social Interest
8. Standard 8: Cultural Heritage
10. Standard 10: Risk and Control

10 ESG Standards
CHAPTER IV  ESG Standards

This chapter elaborates on the details of the background, definitions, and objectives of the 10 (ten) ESG standards as formulated in the previous chapter.

ENVIRONMENTAL DIMENSION

Standard 1: Pollution Prevention and Waste Management

Background

1. Project activities are susceptible to producing various types of pollutants in various forms, such as solid, liquid, and gas—which are included in the Hazardous and Toxic Waste (B3) or non-B3 categories. Pollutants that are not appropriately managed can pollute and/or damage the environment, and/or endanger the environment, health, and survival of humans and other living beings. At the same time, reducing pollutant generation, either by prevention or management, can improve the quality of the environment as well as human health and well-being.

2. In addition to reducing and/or managing pollution, this standard indirectly supports the GoI’s commitment to meeting the SDGs targets. The targets met through this standard are Goal 3: Good Health and Well-being, Goal 6: Clean Water and Sanitation, Goal 11: Sustainable Cities and Communities, Goal 13: Climate Action, and Goal 14: Life Below Water.

Definition

1. Pollution Prevention and Waste Management is a standard that discusses aspects that project managers should consider in preventing pollution and managing solid, liquid, and gaseous waste generation—both B3 and non-B3—appropriately and responsibly to reduce all adverse impacts that may arise so as not to endanger ecosystems, human health, and well-being.

2. In addition, this standard assist project managers in describing the direct and indirect emission sources, making it easier to determine policies to be taken, and making it easier to report emission sources.

3. The scope of this standard covers Product Carbon Footprint, Solid Waste Management, Liquid Waste Management, and Hazardous Waste Management.

Objectives

1. Ensure that all projects that receive support from the Ministry of Finance can implement every scope of the Pollution Prevention and Waste Management Standard.

2. Ensure that every project that receives support complies with and implements all kinds of rules and regulations related to the standard.

3. Encourage project managers to develop a greenhouse gas (GHG) emission inventory plan, including:
a. identification of the types of emissions resulting from project activities;
b. collection and classification of emission data; and
c. determining emission calculation factors and calculating emissions.

4. Encourage project managers to prepare and implement plans for reducing greenhouse gas emissions from time to time.

5. Encourage project managers to develop treatment plans for solid waste arising from project activities to maintain the quality of soil, groundwater, surface water, and supporting life.

6. Encourage project managers to prepare water and wastewater treatment plans from project activities so that water quality is maintained and reusable according to its designation.

7. Encourage project managers to prepare plans to treat B3 waste from project activities to avoid direct or indirect changes to the environment’s physical, chemical, and/or biological properties so that it exceeds the Standard Criteria for Environmental Damage (Kriteria Baku Kerusakan Lingkungan Hidup).

Biodiversity and healthy ecosystems strengthen resilience against environmental and social change and shocks, including the impacts of climate change and disaster risk. It is undeniable that various infrastructure project developments and industrial activities often disturb and threaten the biodiversity on land (terrestrial) and in the waters.

Various project activities, such as port construction, deep sea oil drilling, dam construction, and land conversion cause the loss of land and water biota and reduce the function of biodiversity as a support for human life.

This standard is developed to protect, restore, and enhance the sustainable use of terrestrial and aquatic ecosystems. This standard indirectly supports the GoI’s efforts to achieve the SDGs, namely Goal 14: Life Below Water and Goal 15: Life on Land for a more global purpose.

**Definition**

1. Biodiversity Preservation is a standard that encourages conservation efforts that project managers must carry out in protecting and conserving terrestrial and aquatic biodiversity.

2. The scope of this standard covers Biodiversity Impacts on Land and Biodiversity Impacts Underwater.
Objectives
1. Ensure that all projects that receive support from the Ministry of Finance can implement every scope of the Biodiversity Preservation standard.
2. Ensure that every project that receives support complies with and implements all kinds of rules and regulations related to the standard.
3. Encourage project managers to reduce the impact of infrastructure activities on terrestrial and underwater biodiversity through planning, protection, and conservation.
4. Ensure that every project that receives support from the Ministry of Finance complies with and implements all kinds of laws and regulations relating to the conservation of biota and habitats, both terrestrial and aquatic.

Standard 3: Natural Resource Management and Energy Efficiency

Background
1. Project activities often reduce water quality and quantity, disrupt the availability of clean water, increase pollutant concentrations in the air, and degrade soil quality.
2. The Natural Resources Management and Energy Efficiency standard encourage project managers to maintain the quality of water, air, and soil standards set out in the applicable laws and simultaneously encourage energy efficiency and the use of renewable energy.
3. This standard supports the GoI’s commitment to meeting the targets set out in the SDGs, including Goal 6: Clean water and Sanitation, Goal 7: Affordable and Clean Energy, Goal 9: Industry, Innovation, and Infrastructure, Goal 12: Responsible Consumption and Production, Goal 13: Climate Action, and Goal 15: Life on Land.

Definition
1. Water Quality discusses aspects that project managers must consider in maintaining water quality in the project area by preventing or reducing the release of pollutants or all kinds of activities that can affect water quality throughout the project activities (pre-construction, construction, and operation).
2. Soil Quality discusses the project manager’s preventive steps to maintain the soil quality around the project area.
3. Air Quality discusses aspects that project managers must consider in maintaining air quality in the project area by managing the emissions produced and reducing the release of pollutants in the air during project activities (pre-construction, construction, and operation).
4. Energy management is the process of planning, monitoring, and controlling energy-related processes to conserve energy resources, save energy costs, and protect the environment. This standard is used to ensure energy management is included in the infrastructure design process until the operational process.

5. The scope of this standard covers Air Quality, Water Quality, Soil Quality, and Energy Management.

Objectives
1. Ensure that all projects that receive support from the Ministry of Finance implement every scope of the Natural Resource Management and Energy Efficiency standard.

2. Encourage project managers to develop a plan to prevent and/or reduce the release of pollutants into the air, water, and soil to ensure that air, water, and soil quality remains following the established Air Quality Index, Water Quality Index, and Land Quality Index.

3. Encourage project managers to construct buildings that consume energy efficiently, and comply with and implement all kinds of laws and regulations related to green buildings and other related regulations.

Standard 4: Climate Change Mitigation and Adaptation, and Disaster Risk

Background
1. Almost every economic sector, including infrastructure, face both short-term and long-term risks from climate change. Floods, rising sea levels, rising earth temperatures, landslides, and other similar catastrophes caused by climate change make this sector vulnerable.

2. There are two strategies for anticipating climate change: mitigation and adaptation. Planning, designing, anticipating, and preparing climate-resilient infrastructure is a necessity and are part of adaptation measures. The provision of infrastructures that are climate resilient, responsive, and quick-recovering can reduce risks of social and economic threats.

3. This standard also supports the Government in achieving the SDGs, namely Goal 7: Affordable and Clean Energy, Goal 9: Industry, Innovation, and Infrastructure, and Goal 13: Climate Action.

Definition
1. Climate-resilient infrastructure is planned, designed, built, and operated by anticipating, preparing for, and adapting to changing climate conditions. Infrastructure can also withstand, respond to, and recover quickly from disturbances caused by climate conditions.

2. Changes in climate conditions result in several phenomena, such as increase in the earth’s temperature, increase in sea level, changes in rainfall patterns, and changes in storm patterns.
3. This standard ensures that project managers consider and manage the impacts of climate change as well as including it in the design of buildings until its resulting construction. In addition, this standard encourages project managers to ensure guaranteed protection or insurance for buildings from climate change phenomena.

4. The scope of this standard covers the Physical Impact of Climate Change and Disasters.

Objectives
1. Ensure all projects that receive support from the Ministry of Finance can implement every scope of the Climate Change Mitigation and Adaptation, and Disaster Risk.
2. Encourage project managers to design climate change-resilient buildings and constructions.
3. Ensure that every project that receives support from the Ministry of Finance complies with and implements all kinds of laws and regulations relating to buildings and green buildings, as well as other related regulations.

Background
1. Employment and Work Environment is a standard that encourages employers to maximize the workforce’s contribution sustainably and simultaneously provides various facilities according to what they should receive. Employment and Work Environment is not about forcing the workforce to work continuously beyond the limits of ability but rather to how management and the workforce cooperate to benefit both parties in the short and long term.

2. Employment and Work Environment Standards are closely related to labor practices and regulations that regulate workers' and employers' fundamental rights and obligations. In other words, this standard adopts the primary approaches used in drafting various labor regulations at national and international levels.

3. Manpower is one of the crucial success factors in building an infrastructure. Unfortunately, workers are vulnerable to not receiving their rights as they are entitled to, including but not limited to workers who receive wages lower than the minimum standard of wages following applicable provisions or regulations.

4. Other crucial labor rights for infrastructure projects are opportunities to develop through various human resource development programs. Human resource development can develop various things, including the economy, through innovation, social welfare, equality, increasing productivity, and increasing participation.

5. A good work environment pays attention to occupational safety and health. Project activities, equipment, and infrastructure can increase the exposure of workers and the community around the project site to risks and impacts, especially those affecting
6. These risks can arise from infrastructure development activities, changes in the nature and volume of traffic and transportation, water, and sanitation problems, use and management of hazardous chemical materials, and other project activities.

7. This standard also addresses the need to avoid or minimize risks and impacts on health and safety that may arise from project-related activities, particularly to project workers and the communities surrounding the project.


Definition
1. In the context of infrastructure projects, Employment provides directions to project managers in implementing various employment practices that adhere to applicable laws and regulations.

2. This standard also focuses on how project managers provide various training and human resource development programs to all workers involved in infrastructure projects. The training and development program can adapt to the individual needs of the workforce and the relevance of the scope of technical needs related to infrastructure projects.

3. This standard also discusses the health and safety of project workers and the community around the project site. In this standard, the project manager can create a health and safety system that guarantees performance.

4. Workforce of this standard includes, but not limited to:
   - Employee workforce
   - Non-employee workforce (referring to workers who (i) obtain contract directly from clients, or receive contract through contractors or other intermediaries; and (ii). workers who are directly associated with essential functions of the client’s products or services for a substantive duration).

5. The scope of this standard covers Workforce Management, Human Resource Development, and Health and Safety.

Objectives
1. Ensure all infrastructure projects that receive support from the Ministry of Finance implement every scope of the Employment and Work Environment standard.

2. Maximize the satisfaction and welfare of the workforce of their work within the scope of infrastructure projects, especially unskilled labor.

3. Encourage workers in the infrastructure project environment to have a labor union or community of labor representatives for them to be able to express their opinions and engage in discussion with project managers.
4. Ensure that infrastructure project workers receive proper rights based on their capacity. The rights here include, but not limited to, the provision of wages following applicable requirements or regulations.

5. Encourage project managers to provide value-added training and development programs to all infrastructure project workers according to the needs of each workforce.

6. Encourage occupational safety and health application to every worker and others (communities and local communities) in the workplace and around the project site (routine and non-routine).

**Standard 6: Diversity, Equality, Inclusivity, and Access**

**Background**

1. Indonesia is one of the countries with the most ethnic groups in the world. This multi-ethnic and multicultural condition of Indonesia makes Diversity, Equality, Inclusivity, and Access become one of the standards for determining the willingness of the Ministry of Finance to provide support for infrastructure projects.

2. Various international specialized agencies under the United Nations (UN), such as the International Labor Organization (ILO), World Health Organization (WHO), and United Nations Educational, Scientific, Cultural Organization (UNESCO), emphasize the importance of implementing the principles of anti-discrimination and equal opportunity, in the context of the operational focus of each of these institutions.

3. The Ministry of Finance is committed that the target of the state budget is to support the interests of all Indonesian people, regardless of their background, including vulnerable groups.

4. Every infrastructure development aims to meet a specific need of the infrastructure users. In the context of government infrastructure, including infrastructure from infrastructure project financing schemes, some of these are intended for users who are often less prioritized than existing infrastructure. The main priority of the Diversity, Equality, Inclusivity, and Access Standards is to ensure that these community groups have access to existing facilities and do not allow abuse of access to the infrastructure.

5. Diversity, Equality, Inclusivity, and Access Standards indirectly support the achievement of the GoI’s commitment to meeting Goal 5: Gender Equality, Goal 10: Reduced Inequality, Goal 11: Sustainable Cities and Communities, and Goal 16: Peace, Justice, and Strong Institutions.
Definition

1. The Diversity, Equity, Inclusivity, and Access standards regulate how project managers develop infrastructure in such a way as to maximize use by pre-determined users. Furthermore, this standard focuses on preventing irresponsible parties’ misuse of project infrastructure.

2. The Diversity, Equity, Inclusivity, and Access standards focus on how project managers treat all infrastructure project stakeholders equally in proportion to each. Project managers must provide fair treatment though stakeholders have different backgrounds which makes them part of a vulnerable group.

3. There is no universal definition of indigenous people. For this Standard, “indigenous people” refers to different collectives, regardless of the local, national, and regional terms applied to them, that meet one of the general definitions of indigenous peoples. These definitions include, collectively:
   - has pursued its concepts and modes of human development in specific socio-economic, political, and historical contexts.
   - has tried to maintain different group identities, languages, traditional beliefs, customs, laws and institutions, worldviews, and ways of life which are differing from the wider community.
   - has exercised control and management over land, territory, and natural resources that have historically been used and occupied, which have unique relationships, and on which their physical and cultural survival as indigenous people depend.
   - identify themselves as indigenous peoples, as acknowledged by external groups.

4. This standard defines vulnerable groups as individuals or communities who receive unequal treatment, suffer losses, or have certain vulnerability attributes on the basis of on ethnicity, gender, age, language, disability, religion, political opinion, origin, property rights, or another status from the community or the individual.


Objectives

1. Ensure that all infrastructure projects that receive support from the Ministry of Finance implement every scope of the Diversity, Equality, Inclusivity, and Access standard.

2. Support all parties involved in infrastructure projects to have equal opportunities and treatment regardless of the party’s background that causes them to belong to a vulnerable group.

3. To ensure that infrastructure projects that may impact indigenous peoples are designed in a spirit of partnership with them, with their full and effective participation, with the objective of securing their free, prior, and informed consent (FPIC) where their rights, lands, territories, resources, traditional livelihoods may be affected.

4. To promote greater control and management by indigenous peoples over developments affecting them, including their lands, resources, and territories, and ensure alignment of projects with indigenous peoples’ different visions and self-identified development priorities.
5. To avoid adverse impacts on the rights of indigenous peoples, their lands, territories, and resources, to reduce and alleviate residual impacts, and to ensure the provision of fair and equitable benefits and opportunities to indigenous peoples in a culturally appropriate manner.

6. Maximizing access of facility users to infrastructure as intended and minimizing misuse of infrastructure facilities by irresponsible parties.

**Standard 7: Social Interest**

**Background**

1. Infrastructure development and operations as part of the infrastructure project financing scheme will undoubtedly impact the surrounding community, both positive and negative. For this reason, project managers must maximize the social interests of all communities directly or indirectly affected by the construction and operation of the infrastructure.

2. One of the crucial issues related to social interests due to infrastructure development is physical and/or economic displacement. The Ministry of Finance seeks to avoid physical and economic displacement in infrastructure project financing schemes. In exceptional circumstances and where avoidance is impossible, the transfer can only occur with complete justification, legal protection and appropriate compensation in line with the requirements set out in this standard.

3. Activities involving physical and economic displacement, including land acquisition, land use restrictions, or access to resources, can pose risks of impoverishment and other potential impacts. Potential impacts can include loss of livelihoods, homelessness, food insecurity, social cohesion, welfare, and other adverse impacts. These impacts can lead to social unrest and political instability.

4. As infrastructure development and operations impact the community, project managers must establish good communication with communities affected by infrastructure development and operations.

5. As technology advances, data security and privacy risks also increase. Currently, digital form stores almost all data and information. The practice of securing digital data and information is undoubtedly different from the practice of securing conventional data and information. In addition, the intensity of cybercrime has also increased over time. This matter is also directly proportional to cases involving digital data security.

Definition
1. One of the focuses of this standard discusses efforts to avoid the involuntary displacement and resettlement of local people from the land they own due to the implementation of infrastructure projects. Local resettlement activities include, but are not limited to, land acquisition, restrictions on land use, and restrictions on access to specific resources.
2. If the project manager cannot carry out efforts to avoid the displacement and involuntary resettlement of residents, the project manager must strive to minimize adverse risks to residents, including resettlement efforts.
3. In this standard, displacement has two definitions, namely:
   - Physical displacement, i.e., when the project manager has to relocate the local population affected by the infrastructure provision project and make the local population homeless due to infrastructure land acquisition
   - Economic displacement, i.e., when an infrastructure provision project causes the affected local people to lose certain assets or access which results in the loss of their source of income.
4. The second focus of the Social Interest standard is how project managers in the planning, transaction, and project implementation stages prioritize the involvement of various individuals and communities, both directly and indirectly affected. This involvement is intended to maximize the potential for positive impacts and minimize the potential negative impacts from infrastructure projects.
5. The third focus of this standard is data privacy and security. Data privacy and security in the context of infrastructure projects is how project managers develop and maintain a system capable of protecting data related to infrastructure development projects. In addition, this standard also regulates curative actions in the event of a cyber-attack on the managed database.
6. The scope of this standard includes Involuntary Transfer and Resettlement, Public Relations, and Data Privacy and Security

Objectives
1. Ensure all infrastructure projects that receive support from the Ministry of Finance implement the Social Interest standard requirements.
2. Anticipate and avoid displacement, or, where avoidance is not possible, minimize the adverse social and economic impacts of land or resource acquisition or land or resource use restrictions.
3. Improve and restore the livelihoods of all displaced persons, improve their living standards and socioeconomic status as a whole, and progressively support efforts to realize the right to adequate housing and standard of living for the displaced population.
4. Encourage discussions with representatives of the beneficiaries of the existence of infrastructure in various stages of infrastructure projects. Therefore, infrastructure can be designed in such a way as to maximize its positive impact.
5. Encouraging reporting and communication practices to related communities affected by the existence of infrastructure regarding potential negative impacts as well as plans and practices for mitigating the risks of these negative impacts.

6. Encouraging security practices for privacy and data and preventing various cyber-crimes, which include but are not limited to data theft, data misuse, and dissemination of state secret information.

Standard 8: Cultural Heritage

Background
1. As one of the countries with various cultural heritages recognized by various international organizations, including UNESCO, Indonesia has a high urgency to maintain and preserve cultural heritage. These various cultural heritages can also be utilized in such a way as to obtain specific economic values to assist in the preservation and preservation of these various cultural heritages.

2. The Ministry of Finance commits to using the state budget to support the interests of all Indonesian people regardless of ethnicity, religion, race, and class, including cultural heritage from these various backgrounds. Every Indonesian stand equal in the eyes of the State.

3. Standards on inclusion, cultural heritage, and indigenous peoples indirectly support the achievement of the GOI’s commitment to fulfilling the indicators of SDG 10: Reduced Inequality and SDG 11: Sustainable Cities and Communities.

Definition
1. This standard focuses on how project managers treat and protect intersecting cultural heritage during the construction of infrastructure projects. Cultural heritage in this case is: (1) the cultural heritage of objects such as movable or immovable objects, sites, structures, groups of structures, and parts of nature or landscapes that have archeology, paleontology, history, architecture, religious values, aesthetics, or other significant aspects of culture and cultural heritage; and (2) intangibles cultural heritage such as practices, representations, expressions, knowledge, and social skills—as well as related instruments, objects, artifacts, and cultural spaces—that are recognized by communities and groups as part of their cultural heritage, as these groups pass it on from generation to generation and constantly reinventing them in response to the environment as well as interactions with nature and the group’s history.

2. This standard also ensures that the existence of cultural heritage is guaranteed, respected, and protected by all project managers, including avoiding the risks and negative impacts of project activities on cultural heritage. Project managers are also expected to be able to integrate the understanding that cultural heritage is an integral aspect of sustainable infrastructure development and the use of cultural heritage for
mutual benefit must go through in-depth consultation with relevant stakeholders or cultural heritage experts.

3. The scope of this standard covers Cultural Heritage.

**Objectives**

1. Ensure all projects that receive support from the Ministry of Finance implement all the requirements of the Cultural Heritage Standard.
2. Support the formulation of regulations to realize and monitor cultural heritage practices within the scope of infrastructure projects.
3. Protect cultural heritage from damage, inappropriate alteration, disturbance, displacement, or misuse.
4. Preserve and protect cultural heritage.
5. Promote the equitable sharing of benefits from the use of cultural heritage.
6. Promote meaningful consultation with stakeholders on the preservation, protection, use, and management of cultural heritage.

**Background**

1. Good Governance is a guideline for every entity, including infrastructure project managers in making decisions and carrying out actions based on high morals, compliance with applicable laws and regulations as well as awareness of the social responsibility to stakeholders consistently.

2. This standard indirectly supports the commitment of the Indonesian government in meeting the SDGs targets. The targets that can be met through this standard are Goal 9: Industry, Innovation, and Infrastructure, Goal 16: Peace, Justice, and Strong Institutions, and Goal 17: Partnership for the Goals.

**Definition**

1. Leadership and governance include the governance structure and its functions to carry out the process of implementing activities and their management in support of a fair and sustainable development.

2. In addition, this assists project managers in describing good project governance to facilitate management of projects.

3. The scope of this standard covers Regulatory Compliance, Financial Fraud and Corruption, and Management Structure.

**Objectives**

1. Encourage every project receiving support from the Ministry of Finance applies every scope of the Leadership and Governance standard
2. Encourage project managers to adhere to applicable laws and regulations.
3. Encourage project managers to avoid financial fraud and corruption in all its forms.
4. Encourage project managers to have transparent reports and uphold values of accountability.
5. Encourage project managers to develop governance structures and their functions.
6. Encourage project managers to avoid any form of conflict of interest.

Background
1. Managing and controlling risk is necessary to ensure business activities can be maintained or restored promptly during a disruption. The goal is to minimize human, operational, financial, legal, regulatory, reputational, and other material consequences arising from an incident.
2. This standard indirectly supports the GoI’s commitment to meeting the SDGs targets. The targets met through this standard are Goal 12: Responsible Consumption and Production, Goal 13: Climate Action, and Goal 16: Peace, Justice, and Strong Institutions.

Definition
1. Internal control and risk include risk management for the possibility of external events that can adversely affect the organization and require an immediate response. Internal control includes processes and procedures to ensure that it meets project objectives. It relates to critical event that could have a major impact on operations and commercial prospects, degrade reputation, or cause an impact on society at large.
2. The scope of this standard covers Critical Incident Risk Management, Internal Control Systems, and Supply Chain Management.

Objectives
1. Encourage every project receiving support from the Ministry of Finance applies every scope of the Risk and Control standard.
2. Encourage project managers to keep all parties safe from endangering incidents.
3. Encourage project managers to have an internal control system that can trigger an increase in organizational strength to achieve organizational sustainability.
4. Encourage project managers to improve the quality of their internal controls.
5. Ensure the project has a sustainable supply chain system.
The ESG Framework is developed to assist the Ministry of Finance in assessing, helping the preparation, and monitoring the provision infrastructure projects under PPP scheme, which will or have received government support. The ESG Framework is expected to become an overarching reference for each of the Facility Implementer’s environmental and social standards in implementing PDF Facility for PPP projects, and in the broader application of the ESG principles. It should be underlined that this ESG Framework remains in accordance with the best practices, including practices within the Facility Implementer.

This ESG Framework is a living document that requires improvements and adjustments, both adjustments due to changes in the references used and adjustments based on the results of the implementation review. Adjustments will present opportunities for the ESG Framework to become a comprehensive, adaptive, and actionable document.
Appendix 1

Legal and Policy Foundation

In the ESG Framework development, the Ministry of Finance refers to several legal and policy foundations related to the provision of infrastructure in Indonesia that supports and/or encourage the implementation of ESG principles, including:

Legal Foundations:

1. Law No. 5/1990 on Conservation of Biological Natural Resources and Their Ecosystems
2. Law No. 39 / 1999 on Human Rights
3. Law No. 28/2022 on Buildings
4. Law No 11/2008 on Electronic Information and Transaction
5. Law No. 32/2009 on Environmental Protection and Management
6. Law No. 11/2010 on Cultural Conservation
7. Law No. 7/2017 on Cultural Advancement
8. Law No. 17/2019 on Water Resources
9. Law No. 11/2020 on Job Creation
10. Government Regulation No. 150/2000 on Soil Degradation Control for Biomass Production
11. Government Regulation No. 4/2001 on Control of Environmental Damage and/or Pollution Related to Forest and/or Land Fires
12. Implementation of Law No. 28/2022 on Buildings
15. Government Regulation No. 16/2021 on Regulation on Implementing Regulations of Law Number 28 of 2002 concerning Buildings
16. Government Regulation No. 21/2021 on Implementation of Spatial Planning
17. Government Regulation No. 22/2021 on Implementation of Environmental Protection and Management
18. Presidential Regulation No. 38/2015 on Public Private Partnership
19. Presidential Regulation No. 59/2017 on Implementation of the Achievement of Sustainable Development Goals
21. Minister of Public Works and Housing Regulation No.29/PRT/M/2006 on Guidelines for Building Technical Requirements
22. Minister of Environment Regulation No. 21/2008 on Emission Quality Standards for Immovable Sources for Business and/or Thermal Power Generation Activities
23. Minister of Environment Regulation No. 13/2009 on Immovable Emission Quality Standards for Oil and Gas Businesses and/or Activities
24. Minister of Finance Regulation No.100/PMK.010/2009 on Infrastructure Financing Company
25. Minister of Environment Regulation No. 3/2010 on Wastewater Quality Standards for Industrial Estates
26. Minister of Public Works and Housing Regulation No. 2/2015 on Green Buildings
27. Minister of Environment Regulation No. 68/2016 on Domestic Wastewater Quality Standard
30. Minister of Environment Regulation No. 12/2020 on Storage of Hazardous and Toxic Waste
31. Minister of Marine and Fisheries Regulation No. 31/2020 on Conservation Area Management
32. Minister of Environment and Forestry Regulation No. 27/2021 on Environmental Quality Index
33. Minister of Marine and Fisheries Regulation No. 28/2021 on Implementation of Marine Spatial Planning
34. Minister of Environment and Forestry Regulation No. 19/2021 on Procedures for the Management of Non-Hazardous and Toxic Waste
35. Financial Services Authority Regulation No. 51/POJK.03/2017 on The Application of Sustainable Finance for Financial Service providers, Issuers, and Publicly Listed Companies

Policy Foundations
1. Bappenas “Roadmap of SDGs Indonesia” publication on Indonesia SDGs Roadmap toward 2030
2. Ministry of Environment publication on Nationally Determined Contribution, published in October 2017
3. Financial Services Authority “Sustainable Finance Roadmap Phase II”, published in January 2021
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