INDONESIAN GREEN TAXONOMY AND SUSTAINABLE FINANCING GOVERNANCE: A LEGAL ANALYSIS OF THE SUSTAINABILITY REPORT OF BANK SYARIAH INDONESIA LIMITED COMPANY

Hidayah Ken Kinasih[1], Wardah Yuspin[2*]
Universitas Muhammadiyah Surakarta, Surakarta, Indonesia
E-mail: [1] C100220131@student.ums.ac.id [2]wy204@ums.ac.id*

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Abstract

Economic development focused solely on financial gain has triggered various environmental damages. In response to this problem, the banking sector is now required to implement sustainable financing principles. Unlike previous studies that generally only discuss sustainable finance descriptively, this article's novelty lies in the development of integrated compliance parameters—based on the Green Taxonomy, POJK No. 51/POJK.03/2017, IFRS S1/S2, and Maqashid Syariah—to critically assess the risk of greenwashing in Islamic banks. This study aims to analyze the Indonesian Green Taxonomy criteria as a banking governance standard and to examine the conformity of Bank Syariah Indonesia Limited Company's (BSI) Sustainability Report to these guidelines. Using a normative juridical approach, this study finds that BSI has a dual responsibility: compliance with state regulations (POJK No. 51/POJK.03/2017) and compliance with the principles of environmental preservation in Islam (Hifz al-Bi'ah). The results of the study indicate that compliance with the Green Taxonomy instrument is very important to prevent the practice of manipulating environmentally friendly images (greenwashing), so that the distribution of bank funds is proven to be in line with the constitutional mandate and human responsibility to protect the earth.

Keywords: Green Taxonomy; Sustainable Financing; Maqashid Syariah; Sustainability Report; Islamic Banking Law.

INTRODUCTION

The problem of environmental damage today is no longer just an ordinary issue, but a real threat to human life, including in Indonesia (Keraf, 2010). So far, development models that only pursue economic profit often ignore environmental sustainability, resulting in quite severe environmental damage (Rahardjo, 2006). This raises awareness that the direction of national development must be changed towards the concept of Sustainable Development (Asshiddiqie, 2010). The legal basis for this is very strong in our Constitution, namely in Article 33 paragraph (4) of the 1945 Constitution of the Republic of Indonesia, which states that the national economy must be organized based on sustainable and environmentally friendly principles. In carrying out this environmentally friendly economic mission, the banking sector has a very important role (Kasmir, 2014). Banks should no longer only think about monetary profits, but must also think about the social and environmental impact of the businesses they finance (Rivai, 2012). Banks must ensure that the funds they provide to customers are not used for projects that damage the environment (M. B. Nasution, 2019). This combination of economic interests and environmental conservation is what gave birth to the Sustainable Finance system (M. A. Nasution, 2022).

As a concrete step, the Financial Services Authority (OJK) has issued OJK Regulation Number 51/POJK.03/2017 (Sitompul, 2020). This regulation requires every bank to prepare a Sustainability Report as proof of their environmental responsibility. Furthermore, the government has created a guide called the Indonesian Green Taxonomy. This guide is useful for distinguishing between truly green (environmentally friendly) businesses and those that are damaging the environment. This is crucial to prevent companies from feigning environmental concern for image purposes, often referred to as greenwashing (M. A. Nasution, 2022). For PT Bank Syariah Indonesia Tbk (BSI/Bank Sharia Indonesia Limited Company), this regulation has a deeper meaning. BSI is not only obliged to comply with state law but also with Islamic principles. In Islamic law, preserving nature is part of the religious objectives (Maqasid Syariah), known as Hifz al-Bi'ah (protecting the environment) (Bakrie, 1996; Mangunjaya, 2019). Humans as caliphs on earth have a duty to care for nature, not destroy it (Arifin, 2023). However, in practice, there is often a gap between what banks promise and what actually happens on the ground. Therefore, legal research into BSI's Sustainability Report is crucial to determine whether their fund distribution truly aligns with the

Indonesian Green Taxonomy and Islamic values. Although the urgency of sustainable finance has been widely studied, previous research has generally focused on conceptual stages and general administrative evaluations. For example, Andarsari's study only highlighted the application of the green banking concept in state-owned banks from the perspective of reporting completeness, and Rafiqi and Sarah's study focused on mapping sustainability research trends through bibliometric analysis. Meanwhile, Ridwan and Harahap's study touched on the transformation of green financing at BSI from an Islamic law perspective, but their approach was still a literature review and did not address material testing of the Green Taxonomy (Andarsari, 2020; Rafiqi & Sarah, 2026; Ridwan & Harahap, 2024). These studies have not addressed the empirical aspects of compliance testing. Therefore, there is little legal research that specifically examines the substance of Islamic banking sustainability reports using a compliance matrix that integrates the Indonesian Green Taxonomy guidelines and the Maqasid Syariah instruments. Based on the description above, the problems that will be answered in this article are: (1) How is the legal construction of the Indonesian Green Taxonomy as an instrument for preventing manipulation of the environmentally friendly image (greenwashing) in banking financing?; (2) To what extent does the Sustainability Report of PT Bank Syariah Indonesia Tbk reflect substantive compliance with the Green Taxonomy guidelines and the principles of Maqashid Syariah?

METHOD

This research uses a doctrinal or normative juridical approach. In this approach, law is seen as written norms established by authorized institutions. The type of research used is descriptive, which aims to clearly describe the classification criteria for business activities in the Indonesian Green Taxonomy as a standard for banking financing governance and the conformity of PT Bank Syariah Indonesia Tbk's Sustainability Report with the Indonesian Green Taxonomy guidelines. The data used is secondary data, consisting of primary legal materials such as OJK regulations and the Green Taxonomy, as well as public documents in the form of the BSI Sustainability Reports for 2023, 2024, and 2025. All of this data was then analyzed using a qualitative method with a deductive mindset, namely connecting generally applicable legal rules with specific facts found in the company's Sustainability Report (Soekanto & Mamudji, 2016). To ensure the objectivity and depth of the study, the data analysis technique was conducted in a structured manner through four stages. First, an inventory of regulations and global standards governing sustainable financial governance was conducted. Second, a compliance parameter was developed that integrates the Indonesian Green Taxonomy with the Maqashid Syariah principles. Third, a comparison was made between the empirical data presented in the BSI Sustainability Report and the indicators in the established parameters. Fourth, a critical compliance assessment was conducted to measure the extent to which BSI's governance operates substantively and mitigates the risk of greenwashing.

RESULTS AND DISCUSSION

How is the legal construction of the Indonesian Green Taxonomy as an instrument for preventing manipulation of the environmentally friendly image (greenwashing) in banking financing

The evolving discourse on environmental protection has brought about fundamental changes to the national legal and economic governance system. The banking sector, as the lifeblood of the economy and controlling the circulation of capital, is now faced with moral and legal demands to halt the flow of funds to industrial sectors that contribute to environmental degradation (Asshiddiqie, 2010). This shift toward a green economy cannot simply rely on voluntary initiatives from financial services industry players; it requires government intervention through binding legal instruments. This aims to establish uniform compliance standards and minimize unilateral interpretations by banks regarding the boundaries of the concept of "environmentally friendly" (Sitompul, 2020).

In response to this need for standardization, business activity classification is a crucial tool for clearly distinguishing economic activities that align with natural resources and those that are destructive. Therefore, regulations regarding these classification criteria serve not only as administrative guidelines but also as standards for financial governance that have legal and ethical consequences (Rahardjo, 2006). The discussion in this section will outline how these criteria are legally constructed and implemented as compliance parameters for Islamic banking through the Indonesian Green Taxonomy instrument.

a. Conceptual Basis and Business Activity Classification Matrix

The implementation of sustainable finance in the banking sector is a change in perspective, from one that was initially purely profit-oriented to a business model that is ecologically and socially responsible (M. A. Nasution, 2022). This transformation requires banking institutions to act not merely as intermediaries for capital flows, but also as "gatekeepers" ensuring that any disbursed funds do not trigger environmental damage. However, in practice, this commitment cannot be measured solely by the completeness of administrative documents. Often, the environmental awareness narratives outlined in Sustainability Reports do not reflect the reality of financing directions on the ground, potentially leading to information manipulation (Sitompul, 2020).

Therefore, the Green Taxonomy instrument, or the Indonesian Taxonomy for Sustainable Finance (TKBI), was introduced by state authorities as an objective and legally binding measurement tool. To ensure the taxonomy's effectiveness, the business activity classification criteria must be comprehensively assessed across three main pillars: Environmental, Social, and Governance (Asshiddiqie, 2010). This three-pillar based assessment aims to ensure that the classification of businesses into Green (environmentally friendly), Transition/Yellow (adaptation), or Red (destructive) is truly measurable based on a legitimate regulatory basis and strict ethical standards (M. A. Nasution, 2022). This can be seen in Table 1 below:

Table 1. Matrix of Criteria and Classification of Sustainable Business Activities

Assessment Pillars	Compliance Criteria and Red Flags	Classification	References/ Sources Criteria
1. Environment	Funding is directed toward sustainable business sectors (e.g., renewable energy, energy efficiency). Environmental Impact Assessment (EIA) permits and emissions impact assessments are mandatory. Financing projects with a high risk of triggering deforestation is strictly prohibited.	GREEN: Fully compliant with emission thresholds and ecological standards. YELLOW: Not yet fully environmentally friendly, but in the process of improvement or energy transition. RED: Violations and proven merusak alam.	TKBI (OJK), POJK 51/2017, IFRS S2, and the Do No Significant Harm (DNSH) Principle.
2. Social	Financing supports economic inclusivity (for MSMEs) and social justice. It must guarantee the protection of project-affected communities (without triggering agrarian conflicts) and customer privacy.	GREEN: Fully compliant and provides real protection to the community. YELLOW: Meets minimum standards of protection, but its inclusiveness remains limited. RED: Violates community rights or triggers social conflict.	Law No. 4/2023 (P2SK), POJK 51/2017, and the principles of Islamic business ethics.
3. Governance	Have a valid Sustainability Report and demand the availability of full independent audits (Assurance) to ensure the honesty of data and prevent greenwashing.	GREEN: Compliant and audited by an independent party using a measurable methodology. YELLOW: Has a sustainability report, but the independent verification (assurance) process is still partial/limited. RED: Violated or proven to have manipulated reporting data.	POJK 51/2017, IFRS S1, and Sharia Good Corporate Governance (GCG) Principles.

Source: Processed Secondary Data (2026).

Based on the matrix in Table 1, it can be seen that the classification of business activities focuses not only on physical environmental preservation but also on ensuring economic justice and institutional integrity. Each assessment indicator has a clear legal basis and standards, ranging from national regulations to international references. This ensures that every banking financing decision has a strong basis of legitimacy and is not subjective (IFRS Foundation, 2023). In the Environment pillar, the use of the Taxonomy for Sustainable Finance Indonesia (TKBI) instrument and the International Financial Reporting Standards (IFRS) S2 standard ensures that banks have a definite measure in calculating the climate risk and carbon footprint of the projects they finance (PT Bank Syariah Indonesia Tbk, 2026). The application of more operational indicators—such as compliance with environmental impact assessments (EIA), sectoral emission impact calculations, and deforestation risk mitigation—serves as a clear demarcation for determining whether a financing portfolio qualifies for the Green label or remains in the Transition/Yellow category. A concrete implementation of this standard is the use of a Digital Carbon Tracking system to calculate financed greenhouse gas emissions, demonstrating that banks are monitoring not only their internal impacts but also the ecological impacts of their customers.

This pillar is the embodiment of Hifz al-Bi'ah (protecting the environment), where banks play an active role in preventing damage to the earth (mafsadah) through strict financing filters (Kasmir, 2014).

Furthermore, the Social pillar integrates the mandate of Law Number 4 of 2023 (P2SK Law) to strengthen the people's economy through empowering MSMEs (Arifin, 2023). Operationally, this pillar also requires banks to ensure that the large-scale projects they finance provide protection for affected communities and are free from agrarian disputes or conflicts. From a sharia perspective, this supports the principle of Hifz al-Mal (protecting wealth), which ensures that capital flows do not circulate within a select group but instead benefit the wider community (Rivai, 2012). In addition, the adoption of Islamic business ethics in this pillar serves to protect the privacy and security of customer data, which indicates that sustainability also includes moral ethics and protection of customers' basic rights as part of human rights (Bakrie, 1996).

All of these aspects are ultimately secured through the Governance pillar. The requirement for an independent audit or assurance report serves as a control mechanism to ensure that the bank's published reports are truly honest and accountable (M. A. Nasution, 2022). Without transparent governance and the availability of credible audits, the risk of report manipulation for image-based reasons (greenwashing) is highly likely. This reporting integrity embodies the virtues of Siddiq (honesty) and Amanah (trustworthiness), which are the primary foundations of Sharia Good Corporate Governance (GCG) operations (Rivai, 2012). Thus, these classification criteria not only serve as technical banking rules, but also as ethical and spiritual guidelines to ensure that financial institutions remain bearers of benefits for nature and humanity (Sitompul, 2020).

b. Sustainable Financing Governance Compliance Parameters

Determining compliance parameters is a crucial step in transforming normative regulations into applicable evaluation instruments that adhere to applicable legal regulations. To ensure that the implementation of the Indonesian Green Taxonomy (THI) and sustainability regulations is not merely administrative jargon, the evaluation process for banking institutions requires measurable, objective, and legally binding parameters (Abubakar & Handayani, 2018). These parameters are designed not to rely solely on one sectoral regulation, but rather to be comprehensively integrated with national legal updates to ensure material accountability in every financial transaction (Redi, 2021).

Synergy between domestic legal instruments and global standards is the primary foundation for measuring the ecological health of a financial institution. The enactment of Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK) provides a stronger "coercive force" or legal framework for strengthening oversight and accountability in the financial services sector regarding sustainability issues (Christiawan, 2023). On the other hand, the adoption of international disclosure standards is an important instrument to ensure the transparency of climate data, so that reports published by banks have the same quality as world-class banking practices and avoid information manipulation or greenwashing (Radyati, 2014).

Therefore, bank compliance assessment indicators are classified into four main areas that integrate regulations from the Financial Services Authority (FSA), financial sector strengthening laws, and global disclosure standards. These four areas include strategic governance, environmental risk management, precise portfolio classification, and transparent public disclosure (Usanti & Shomad, 2017). Details of the indicators and legal basis for each area are described in Table 2 below:

Table 2. Categories and Indicators for Bank Compliance Assessment of Sustainable Finance Standards

Main Area	Compliance Indicators and Assessment	Legal Basis and Standard References
Governance and Strategy	a. Written Policy. This is demonstrated by the existence of policies and procedures for implementing sustainable finance. b. Top-level Involvement. This is evident in the active participation of the Board of Directors and Commissioners in developing and overseeing the strategy (as evidenced by meeting minutes and supervisory reports). c. Measurable Targets. This is evident in the inclusion of quantitative green financing targets in the Bank's Business Plan. d. Institutional Accountability. This is demonstrated by the commitment of governance as part of strengthening the accountability function of the financial services sector.	a. Articles 4, 5, and 7 of POJK 51/2017 b. Law No. 4 of 2023 (P2SK Law) (as a legal umbrella for strengthening supervision and accountability in the financial sector).
Risk Management	a. SOP Integration. This is evident in the ESG (Environmental, Social, and Governance) risk analysis that must be included in the credit approval process. b. Stress Testing. This is evidenced by the existence of climate risk scenarios for the financing portfolio. c. Emission Calculation. This is evident in the measurement of the emissions footprint of financed projects to mitigate broader environmental risks.	a. Articles 10 and 11 of POJK 51/2017 b. IFRS S2 (Climate-related Disclosures - as a methodological standard for measuring climate risk and financing emissions).
Classification of Business Activities and Portfolios	a. Portfolio Mapping. This is demonstrated by the percentage of loans successfully mapped into the Green, Transition (Yellow), and Red categories. b. DNSH Principle. This is used to ensure the financing portfolio adheres to the Do No Significant Harm principle (does not cause severe ecological damage). c. Product Innovation. This is evidenced by the development of specific green products (e.g., Green Mortgages, electric vehicle loans).	a. Article 13 of POJK 51/2017 b. TKBI / Indonesian Green Taxonomy (as a technical guide that provides thresholds for sectoral classification criteria).
Transparency and Disclosure	a. Sustainability Report. This is evident in the publication of a comprehensive report containing quantitative data on the breakdown of the credit portfolio based on the Green/Yellow/Red classification. b. Methodology. This is evidenced by the explanation of the methodology used by the bank to classify the portfolio. c. Global Risk Disclosure. This is evident in the transparency of sustainability impacts, which aligns with international governance practices to prevent greenwashing.	a. Articles 15 and 16 of POJK 51/2017 b. IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information - as a reporting disclosure standard).

Source: Processed Secondary Data (2026).

The four key areas of sustainable finance governance assessment are essentially measuring tools to determine whether a bank truly cares about the environment or is simply following a trend. An explanation of each indicator is as follows:

1) **Governance and Strategy Area.**
   This area aims to see whether concern for the environment has become a real commitment from the bank's top leadership.
   a) Written Policy. In this case, banks are required to have written regulations regarding the implementation of sustainable finance. This document serves as the primary guideline for ensuring bank activities comply with the Green Taxonomy. Without these regulations, banks lack a strong foundation for implementing environmentally friendly programs. (Source: Article 5 of POJK No. 51/POJK.03/2017) (Sitompul, 2020).
   b) Top-level Involvement. Commitment to environmental protection must come from the top. Evidence of this can be seen in meeting minutes or decisions of the Board of Directors and Commissioners. This ensures that environmental conservation efforts (Hifz al-Bi'ah) are not merely the responsibility of field employees, but are directly supervised by the highest level of management. (Source: Article 4 of POJK Number 51/POJK.03/2017).
   c) Measurable Targets in the Bank's Business Plan (RBB). A good plan must have a definite target figure. Compliance is assessed by whether the bank includes a target for the amount of green financing in the Bank's Business Plan (RBB). This means that channeling funds to protect the environment has become an official target that banks must achieve annually. (Source: Article 7 of POJK Number 51/POJK.03/2017).
   d) Institutional Accountability. Banks' failure to protect the environment is now considered a serious problem by the government. Therefore, these environmental governance regulations are strengthened by law to ensure stricter banking oversight and accountability to the public. (Source: Law Number 4 of 2023 concerning P2SK) (Christiawan, 2023).

2) **Risk Management Area.**
   This area measures the bank's readiness to prevent environmental damage caused by its customers, as well as manage the risk of losses due to climate change.
   a) Integration of ESG (Environmental, Social, and Governance) Analysis SOPs. Banks are required to include environmental impact assessments in their credit approval requirements. For example, if a palm oil plantation company applies for a loan, the bank is required to first check its environmental certification. This ensures that bank funds are not used to damage the environment. (Source: Articles 10 and 11 of POJK No. 51/POJK.03/2017).
   b) Climate Stress Testing. Banks must have calculations or simulations in place in the event of a climate disaster. The goal is to determine whether their customers can still repay their debts if their business is disrupted by the impact of weather changes or extreme natural disasters. (Source: IFRS Standard S2 - Climate-Related Disclosures).
   c) Calculation of Financing Emissions. A bank's greatest source of pollution doesn't come from electricity consumption at its branches, but from the factories or projects it finances. Therefore, banks are required to calculate the amount of pollution (carbon emissions) generated by their customers to determine their overall negative impact on the environment. (Source: IFRS Standard S2 - Climate-related Disclosures) (IFRS Foundation, 2023).

3) **Business Activity Classification Area and Portfolio.**
   This area is real evidence in the field, where banks must be able to distinguish which businesses are good for nature and which are destructive.
   a) Portfolio Mapping (Green, Yellow, Red). Banks are required to present data on the percentage of their financing that falls into the Green, Yellow, or Red categories. This data separation demonstrates that banks are truly using the Green Taxonomy as a measuring tool, not simply for advertising purposes. (Source: Indonesian Taxonomy for Sustainable Finance Document/TKBI).
   b) The Do No Significant Harm Principle (DNSH). Projects deemed environmentally friendly must not harm others. For example, a hydroelectric power plant (green category) would be deemed unfeasible if its construction process dispossesses people of their land or violates human rights. (Sources: European Union Taxonomy, TKBI, and principles of Islamic business ethics) (Rivai, 2012).
   c) Green Product Innovation. Islamic banking is being challenged to be more creative. This is demonstrated by creating new loan products specifically supporting environmental conservation, for example,

providing loans with easier terms for the purchase of electric vehicles or the construction of eco-friendly homes. (Source: Article 13 of POJK No. 51/POJK.03/2017) (Usanti & Shomad, 2017).

4) **Transparency and Disclosure Area.**
This area assesses the bank's level of honesty in reporting its work results to the wider public.
    a) Comprehensive Sustainability Report. Compliance is measured by the publication of an annual Sustainability Report. This report should not only contain photos of charitable activities, but should also display detailed data on the distribution of funds to the Green, Yellow, and Red sectors to prevent greenwashing. (Source: Articles 15 and 16 of POJK No. 51/POJK.03/2017) (Radyati, 2014).
    b) Explanation of Methodology. Banks are required to explain the calculation method or formula they use when determining whether a project qualifies as Green. This explanation is crucial to prevent banks from arbitrarily labeling projects as environmentally friendly without a clear basis. (Source: IFRS Standard S1 - General Requirements for Disclosure).
    c) Global Risk Disclosure. To ensure bank reporting is credible and internationally recognized for its quality, banks must prepare their reports in accordance with global standards. This demonstrates that the bank's information disclosure meets international accounting standards. (Source: IFRS Standards S1 and S2) (IFRS Foundation, 2023).

By rigorously operationalizing the Table 2 matrix, the analysis process will not be bogged down in subjective judgments. There are four concrete outcomes (outputs) that will be obtained from using this matrix:
1) Measurable Legal Compliance Map. The matrix above provides a very clear picture of the extent to which banks comply with national laws (POJK 51/2017 and the P2SK Law). These results demonstrate whether banks are simply evading reporting obligations or are truly complying with these regulations, down to the strategic and risk management levels (Abubakar & Handayani, 2018).
2) Detecting Greenwashing Practices. This matrix serves as an institutional deception detector. Using emissions disclosure indicators and the Do-No-Harm (DNSH) principle, it will be clear whether a bank's "Green" portfolio is truly environmentally friendly, or simply a matter of reporting manipulation (Redi, 2021).
3) Finding In-Concreto Law (Final Conclusion). The results of this matrix matching will lead to a definitive conclusion. This will determine whether the bank's Sustainability Report aligns with the mandate of the Indonesian Green Taxonomy and the environmental conservation values of Islamic law (Hifz al-Bi'ah).
4) Targeted Recommendations for Improvement. If any indicators are found to be unmet (for example, the bank's weaknesses in methodological transparency), these weaknesses can be immediately used as the basis for specific and targeted recommendations for future improvements in the bank's governance.

By operationalizing this matrix, the evaluation of Islamic banking becomes highly rational, systematic, and fair. This ensures that the integration of regulatory compliance with the values of Maqasid Syariah can truly be empirically demonstrated in the field (Bakrie, 1996).

b. Compliance Gaps in BSI's Sustainability Report

Although ideal compliance criteria and parameters have been rigidly established through legal instruments and global standards, their actual implementation in the Sustainability Report of PT Bank Syariah Indonesia Tbk (BSI) still leaves several gaps or compliance gaps. When analyzed using the Green Taxonomy matrix, the BSI report is generally very strong in presenting an affirmative narrative and achieving targets, but still requires comprehensive strengthening in three critical aspects.

First, the transparency of the portfolio classification methodology is less than optimal. BSI generally has not disclosed in detail the testing process, technical criteria, and calculation formula used by management to determine whether a customer's business activity is worthy of the Green, Yellow, or Red label. This lack of methodological detail risks creating subjective bias on the part of the bank.

Second, there is a lack of specific financing sector details. The majority of claims for sustainable financing distribution, both in the social and green categories, are still presented in the form of aggregate figures (logs). The public has not been provided with mapping details regarding specific types of industry (for example, what percentage goes to renewable energy, green transportation, or sustainable agriculture), so the validity of "environmentally friendly" claims is difficult to test empirically.

Third, there is inadequate risk disclosure for non-green portfolios. The narrative in the BSI Sustainability Report tends to be biased towards highlighting the positive impact of the green labeled portfolio, but very little exposes the risk map of the remaining portfolio which is still in transition (Yellow) or high risk (Red) sectors. In fact, disclosure of information regarding this risky sector is strictly required by the IFRS S2 standard to assess the resilience of the banking climate as a whole. These three gaps indicate that BSI's reporting governance, even though it is administratively compliant, is still vulnerable to material image manipulation (greenwashing) practices.

Analysis of the Conformity of the Sustainability Report of PT Bank Syariah Indonesia Tbk (2023-2025) to Compliance Parameters

The assessment of the level of compliance with sustainable financing governance at PT Bank Syariah Indonesia Tbk (BSI) was conducted through a review of the Sustainability Report documents for the 2023, 2024, and 2025 periods. The analysis focused on the application of four areas of compliance indicators to see the consistency of Islamic banking institutions in realizing environmentally sound governance.

a. Evaluation of Governance and Strategy Areas

A review of the governance and strategy of PT Bank Syariah Indonesia Tbk (BSI) reveals consistent data dynamics in its sustainability reports from 2023 to 2025. Four key data sets are found in the bank's official documents. First, in terms of internal documents, BSI consolidated its sustainability policies from the standard operating procedure (SOP) level in 2023 to the SOP on Sustainable Finance and ESG Guiding Principles, published in 2024 (PT Bank Syariah Indonesia Tbk, 2025). Second, in terms of organizational structure, there has been an evolution in leadership oversight, starting with general oversight by the Board of Directors in 2023, followed by the establishment of a dedicated ESG Group work unit under the Deputy President Director in 2024, and finally the establishment of an ESG Working Group in 2024 (PT Bank Syariah Indonesia Tbk, 2025). Third, in terms of business plans, BSI is gradually increasing its financing volume target for the Sustainable Business Activities (KKUB) Category, from IDR 57.7 trillion (2023), to IDR 66.5 trillion (2024), and reaching IDR 73.92 trillion by the end of 2025 (PT Bank Syariah Indonesia Tbk, 2026). Fourth, in terms of public transparency, BSI routinely publishes an annual Sustainability Report that includes an assurance report from an independent external auditor to guarantee the validity of these achievements (PT Bank Syariah Indonesia Tbk, 2026).

When discussed using the parameters in Table 2, the data above demonstrates that BSI's governance has systematically met the four main compliance criteria. Regarding Written Policies, the presence of the Sustainable Finance Standard Operating Procedures (SOP) and the ESG Guiding Principles demonstrates the bank's clear guidelines for employee performance. Regarding Top Involvement, the ESG work unit's direct supervision of the Deputy President Director and the establishment of the ESG Sub-Committee demonstrate that environmental issues have become a primary agenda for the Board of Directors, not merely a supplementary task (Financial Services Authority (Otoritas Jasa Keuangan/OJK), 2017). Regarding Measurable Targets, the consistent annual increase in KKUB financing demonstrates the bank's real commitment to allocating capital to environmentally friendly sectors. Finally, regarding Accountability, third-party audit reports ensure that all data published by the bank is honest and accountable (M. A. Nasution, 2022).

Based on the results of this evaluation, BSI demonstrated a high level of administrative compliance in the areas of governance and strategy. However, the existence of these internal documents and special committees does not automatically prove substantive compliance. A more critical evaluation is needed to determine whether these high-level policies actually influence real-world financing decisions, such as the willingness to reject customers in risky sectors or the implementation of regular customer ecological evaluations. These changes in organizational structure and the clarity of green targets reflect the institution's integrity, which aligns with the principles of Sharia Good Corporate Governance (GCG), particularly the values of transparency and accountability (Rivai, 2012). Spiritually, this means that the bank has carried out its mandate as a caliph through the principle of Hifz al-Bi'ah (protecting the environment) to ensure that economic activities bring real benefits to nature and humanity (Bakrie, 1996).

b. Evaluation of Risk Management Areas

A review of PT Bank Syariah Indonesia Tbk's (BSI) risk management area shows a progressive strengthening of ecological mitigation during the period 2023 to 2025. Three key data sets are historically recorded in the reporting documents. First, regarding operational procedures, BSI has consistently tightened the integration of Environmental, Social, and Governance (ESG) risk assessments into the financing approval process since 2023, and established an Exclusion List that explicitly rejects funding for environmentally destructive extractive industries (the brown sector) (PT Bank Syariah Indonesia Tbk, 2025). Second, in terms of climate risk testing, BSI recorded a significant leap from the pilot phase in 2024 to the full implementation of Climate Risk Management & Scenario Analysis (CRMS) simulations across 100% of the total financing portfolio in 2025 (PT Bank Syariah Indonesia Tbk, 2026). Third, in terms of carbon footprint measurement, BSI has successfully operated a comprehensive Digital Carbon Tracking system, so that by the end of 2025 it has successfully monitored and recorded a reduction in greenhouse gas emissions from the projects it finances (Scope 3 Emissions) of 14.07 Tons of CO_2-eq (PT Bank Syariah Indonesia Tbk, 2026).

If discussed using the parameters in Table 2, BSI's mitigation governance has met the three main criteria for precise risk management compliance. In the ESG Analysis SOP Integration aspect, the existence of the Exclusion List proves that the bank has a strict initial screening system to ensure that fund distribution is not used on projects that violate environmental law. In the Climate Stress Test aspect, the application of CRMS to the entire portfolio ensures that the bank has a measurable scenario regarding customer resilience in facing the impact of natural disasters or extreme weather changes (IFRS Foundation, 2023). In the aspect of Financing Emission Calculation, the successful operation of Digital Carbon Tracking proves the bank's technical capacity in meeting global reporting standards (IFRS S2) to calculate the real pollution produced by third parties receiving funding flows (Christiawan, 2023).

While BSI demonstrates a high level of compliance in this area, its risk management practices still raise critical questions regarding material transparency. The public cannot yet determine for certain which specific sectors are actually included in the Exclusion List, or whether the emissions measurement data (Scope 3) truly represents all financing customers or is simply a limited sample. The lack of transparency regarding BSI's environmentally risky portfolio (brown sector) makes BSI's risk mitigation claims not fully verifiable by the public. Preventing financing in environmentally destructive sectors through the Exclusion List is a manifestation of the principle of blocking the path to destruction in order to uphold the principle of preserving nature (Hifz al-Bi'ah) (Bakrie, 1996). Furthermore, the use of customer carbon emission tracking technology reflects the application of Islamic business ethics, where technology is used as an instrument to record human accountability (mas'uliyyah) towards the sustainability of the earth (M. B. Nasution, 2019).

c. Evaluation of Business Activity Classification Areas and Portfolios

A review of PT Bank Syariah Indonesia Tbk's (BSI) business activity classification and portfolio reflects a consistent upward trend in the sustainable business sector from 2023 to 2025. Three key data sets are confirmed by the Sustainability Report. First, in terms of portfolio mapping, total financing in the Sustainable Business Activities Category (KKUB) was recorded at IDR 57.7 trillion in 2023, then increased to IDR 66.5 trillion in 2024, and then soared again to IDR 73.92 trillion in 2025 (PT Bank Syariah Indonesia Tbk, 2026). More specifically, the composition of financing in 2025 is divided into IDR 15.66 trillion for green (environmentally friendly) financing and IDR 58.26 trillion for inclusive social financing (PT Bank Syariah Indonesia Tbk, 2026). Second, in terms of portfolio monitoring, BSI confirmed that the distribution of KKUB funds is strictly monitored to ensure that it adheres to the principle of not causing serious environmental damage or Do No Significant Harm (DNSH) (PT Bank Syariah Indonesia Tbk, 2026). Third, in terms of product innovation, BSI has demonstrated its progressiveness through the launch of the Sustainability Sukuk instrument, which will reach an issuance value of IDR 3 trillion in 2024 (Phase I) and expand to IDR 5 trillion in 2025 (Phase II) (PT Bank Syariah Indonesia Tbk, 2026).

When discussed with the Classification Criteria Matrix in Table 1, BSI has proven to have operationalized the three main pillars of the Indonesian Green Taxonomy. In the Environmental Pillar, BSI proactively included financing worth IDR 15.66 trillion into the GREEN classification, which avoided the strict limits (red flags) of deforestation project funding through the implementation of the Exclusion List. In the Social Pillar, the distribution of IDR 58.26 trillion was classified as GREEN because it was directly aimed at economic inclusivity and MSMEs without triggering agrarian conflicts. Meanwhile, in the Governance Pillar, BSI maintained its GREEN classification by successfully obtaining a valid independent Assurance Report to prevent reporting manipulation (PT Bank Syariah Indonesia Tbk, 2026). To avoid overly general green claims, the details of the sustainable financing portfolio can be represented in a sectoral mapping as described in Table 3 below:

Table 3. Details of Sectoral Mapping of BSI's Sustainable Finance Portfolio

Portfolio Categories	Financing Value	Target Sector Details (Indicative)	Taxonomic Classification
Green Financing	Rp. 15.66 trillion	Renewable energy, energy efficiency, green buildings, and clean transportation.	GREEN
Social Financing	Rp. 58.26 trillion	Empowerment of MSMEs, financial inclusion, education, and public health services.	GREEN / YELLOW (Transition)
Ecologically Risky Sectors	(Not Yet Open to the Public)	Mining, large-scale plantations, and carbon-intensive industries.	RED / YELLOW

Source: Secondary Data Processed from BSI Sustainability Report (2026).

Furthermore, when discussed using the parameters in Table 2, the quantitative data demonstrates that BSI's portfolio governance meets the three main classification criteria. In the Portfolio Mapping aspect, the disaggregated KKUB achievement figures verify the bank's ability to map and promote its portfolio to align with the Indonesian Green Taxonomy thresholds. In the DNSH Principles aspect, the assurance that KKUB financing projects do not harm the environment or social order demonstrates the bank's adherence to strict ecological protection guidelines (Redi, 2021). Furthermore, in terms of Product Innovation, the increasing issuance of Sustainability Sukuk (Bonds) is a real manifestation of the ability of Islamic banking to create specific investment products that are environmentally friendly (Financial Services Authority (Otoritas Jasa Keuangan/OJK), 2017).

BSI has demonstrated a high level of compliance in the portfolio classification area. However, the mapping based on Green, Yellow, and Red categories still needs to be refined. The absence of transparent data in the table regarding "Ecologically Risky Sectors" indicates that BSI is still reluctant to disclose its non-green portfolio posture to the public, so the picture of the bank's taxonomy compliance is not fully complete. The proportion of inclusive social financing that dominates the composition of KKUB (Rp 58.26 trillion) is a concrete manifestation of upholding the principle of Hifz al-Mal, namely ensuring equitable distribution of wealth for the wider community and MSMEs (Arifin, 2023). Meanwhile, the green financing and Sustainability Sukuk portion embodies Hifz al-Bi'ah. The successful conversion of commercial investment instruments into environmentally friendly sharia-compliant products aligns closely with the Maqasid Sharia values, where rational innovation in the economy is in no way detached from ethical awareness and the principle of justice to maintain the balance of the universe (Usanti & Shomad, 2017).

d. Evaluation of Transparency and Disclosure Areas

A review of PT Bank Syariah Indonesia Tbk's (BSI) transparency and disclosure areas demonstrates a commitment to increasingly measurable and rigorously verified reporting over the period 2023 to 2025. Three key data sets confirm the integrity of this reporting. First, in terms of publication, BSI consistently publishes a Sustainability Report separate but integrated with the Annual Report, containing a comprehensive breakdown of quantitative portfolio data at the end of each fiscal year (PT Bank Syariah Indonesia Tbk, 2024). Second, in terms of methodological explanation, the preparation of the BSI report uses a layered approach; at the national jurisdiction level, it refers to POJK Number 51/POJK.03/2017, while at the global level, it adopts the provisions of the Consolidated GRI Standards and the International Financial Reporting Standards (IFRS S1 and S2) which specifically measure climate strategies (PT Bank Syariah Indonesia Tbk, 2026). Third, in terms of data integrity monitoring, all claims of achievements and figures in the BSI sustainability report have gone through an independent audit and verification process (Assurance) at a moderate level by an external institution, namely Moores Rowland (PT Bank Syariah Indonesia Tbk, 2024).

Discussed using the parameters in Table 2, BSI's reporting governance has fully met the three main transparency criteria. In terms of the Sustainability Report, the consistent publication of public documents demonstrates the bank's readiness to periodically disclose details of its financing portfolio (Green, Yellow, and Red) to the public. In terms of Methodology, the disclosure of the POJK and IFRS frameworks provides a very definitive explanation of the institution's procedures for calculating and classifying the ecological impact of each project it finances (IFRS Foundation, 2023). Furthermore, in the aspect of Global Risk Disclosure, the existence of an Assurance Report from a third-party auditor is an absolute guarantee that the data presented is free from corporate image manipulation (greenwashing), so that the quality of information disclosure is in line with international banking practices (Radyati, 2014).

In terms of transparency, BSI has once again demonstrated an adequate level of compliance. However, the quality of the independent audit (assurance) used by BSI deserves criticism. Currently, verification provided by external auditors is generally limited assurance, not reasonable assurance. A limited audit scope means the auditors do not delve into the fundamental level of customer operations. This limitation suggests that the verification strength of BSI's sustainability reports still needs to be improved in the future to avoid biased reporting (Pratama & Setiawan, 2024). The independent audit process and precise disclosure of methodology are manifestations of the characteristics of Siddiq (honesty) and Amanah (trustworthiness), which simultaneously close the gap for the occurrence of gharar practices (uncertainty or manipulation of information) in corporate reporting (Rivai, 2012). More deeply, mitigating greenwashing through this global verification instrument is a concrete manifestation of the comprehensive application of sharia compliance principles. This confirms that the integrity of Islamic banking institutions is measured not only by their good intentions to protect the environment (Hifz al-Bi'ah), but also by their capacity to account for those intentions through data accuracy and reporting governance that upholds ethical values.

Legal Implications of Greenwashing Practices in Banking Sustainability Reports

The practice of greenwashing, or the manipulation of an environmentally friendly image, is not simply a violation of business ethics but a material legal problem with serious legal implications. In the context of sustainable financing, greenwashing occurs when a bank presents exaggerated, misleading, or concealed claims regarding the ecological impact of its portfolio. If a sustainability report is found to contain information that does not reflect the reality on the ground (for example, concealing funding for environmentally damaging sectors), the bank could potentially violate several national legal instruments (Situmorang & Handayani, 2024).

First, violation of the Principle of Transparency of Information. Under the Capital Markets Law and corporate governance principles, investors and the public have the right to accurate, material information. Manipulating emissions data or concealing portfolio risks constitutes a form of misleading public information (The Government of the Republic of Indonesia, 1995). Second, violations of the Consumer Protection Act. Depositors, particularly those in Islamic banks, have a moral preference for placing their funds in institutions that are halal and environmentally conscious. False green claims constitute a breach of corporate promises to their customers (The Government of the Republic of Indonesia, 1999).

Third, the consequences of administrative sanctions from the Financial Services Authority (OJK). In accordance with POJK No. 51/POJK.03/2017, the OJK has full authority to evaluate the quality of Sustainable Finance Action Plans (RAKB) and Sustainability Reports. Massive greenwashing practices can result in administrative sanctions in the form of written warnings, fines, and even a downgrade of the bank's health rating, which will ultimately seriously damage the bank's reputation internationally (Financial Services Authority (Otoritas Jasa Keuangan/OJK), 2017).

In the context of the evaluation of BSI's Sustainability Report, while the bank has not been proven to have intentionally engaged in greenwashing, the findings regarding transparency gaps—particularly regarding the classification methodology and the reluctance to disclose portfolio details in ecologically risky sectors (Yellow and Red)—represent a vulnerability that jeopardizes the principle of information transparency. If these gaps are not immediately addressed through a Reasonable Assurance audit, BSI could potentially face future reputational and legal risks, as the material information presented does not provide a complete picture of climate risk to investors and customers.

Maqashid Syariah as an Ethical Standard for Sustainable Financing

Examination of Islamic banking sustainability reports will be incomplete if it relies solely on positive legal rationality (Green Taxonomy). Therefore, the concept of Maqasid Sharia must be integrated as an ethical standard and primary analytical tool. Within this framework, banks' obligation to disburse green financing is not merely a form of administrative compliance with the state, but rather a manifestation of the principle of Hifz al-Bi'ah (protecting environmental sustainability) (Yafie, 2006). Banks hold the mandate to ensure that every flow of capital (Hifz al-Mal) does not cause mafsadah (ecological damage/disaster), but must create maslahah (collective good) for nature and humans (Bakrie, 1996).

In the context of preventing greenwashing, Maqasid Syariah provides a very rigid moral foundation. The practice of manipulating sustainability reports directly undermines the values of Amanah (trust placed in customers) and Siddiq (institutional honesty). Furthermore, labeling a project that secretly damages the environment can be categorized as a form of gharar (uncertainty or deception of information) because it conceals material flaws in a transaction.

This Maqasid Syariah analysis provides critical insights into BSI's governance. The dominance of inclusive financing (Rp 58.26 trillion) convincingly represents Hifz al-Mal (the principle of good deeds) and social maslahah (the principle of social welfare). However, the concealment of data on portfolios in risky extractive sectors (Red/Yellow) could undermine the values of Amanah and Siddiq. As a sharia-compliant institution, BSI is required to mitigate the risk of gharar (uncertainty of information) by transparently disclosing its entire financing landscape. Only with complete reporting integrity can the sharia objective of preventing environmental damage (daf'u al-mafsadah) be truly empirically proven (Zubair & Asri, 2022). Therefore, sharia compliance in modern banking should no longer be understood narrowly only as the validity or invalidity of a contract according to Islamic jurisprudence, but should include the institution's commitment not to manipulate its ecological reporting (Karim, 2014).

CONCLUSION

Based on the research results and discussion, the following conclusions can be drawn:

The legal structure for classifying business activities in the Indonesian Green Taxonomy is based on three main pillars (environmental, social, and governance), operationalized into four compliance parameters: strategic governance, risk management, portfolio classification, and disclosure transparency. Based on POJK No. 51/POJK.03/2017, the P2SK Law, the TKBI guidelines, and IFRS standards, these parameters serve as a legal and objective instrument to prevent greenwashing practices. From an Islamic legal perspective, this instrument represents a concrete manifestation of upholding Maqashid Sharia, specifically the protection of environmental sustainability (Hifz al-Bi'ah) and the protection of assets (Hifz al-Mal), to ensure that capital flows lead to the public good and avoid destructive financing (mafsadah).

PT Bank Syariah Indonesia Tbk (BSI)'s Sustainability Report for the 2023-2025 period administratively demonstrates a high level of compliance with the Indonesian Green Taxonomy guidelines and Maqashid Syariah values, as evidenced by the increase in its sustainable portfolio and innovation in Sustainability Sukuk. However, BSI's substantive compliance still has vulnerabilities. The transparency of the portfolio classification methodology, the openness of detailed data on risky financing sectors (Yellow and Red categories), and the quality of independent assurance (which is still limited to Limited Assurance) need to be strengthened. These governance improvements are crucial to prevent potential information manipulation (gharar/greenwashing) and ensure that Islamic banking's commitment to environmental preservation is not merely a reporting formality.

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