



2024

Responsible Banking Progress Statement

for PRB
Signatories
Year 2024

PT Bank Tabungan Negara (Persero) Tbk



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1. Executive Summary

The United Nations Environment Programme Finance Initiative (UNEP FI) is a partnership between the United Nations and the global financial sector. The UNEP is the leading global environmental authority that sets the global environmental agenda, promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system, and serves as an authoritative advocate for the global environment.

In 2019, UNEP FI launched the Principle of Responsible Banking (PRB). The Principle of Responsible Banking (PRB) is a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals (SDGs) and the Paris Climate Agreement. The purpose of the PRB is to enable the banking sector to be a driving force for the achievement of the United Nations SDGs and the Paris Agreement.

BTN committed to the "Principle for Responsible Banking" or "PRB" in 2023. This commitment involves **implementing six key principles** that integrate sustainability into strategic planning, portfolio management, transactions, and overall business practices. By doing so, BTN emphasizes its dedication to actively supporting the goals of the Paris Agreement and redirecting capital flows toward sustainable activities.

Six key principles in PRB are below:

Principle 1 : Alignment	
	We will align our business strategy to be consistent with and contribute to individuals' needs and society goals, as expressed in Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks
Principle 2 : Impact & Target Setting	
	We will continuously increase our positive impacts while reducing the negative impacts on and managing the risk to people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.
Principle 3 : Clients & Customers	
	We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generation.

BTN became the 1st Indonesia's SOE Bank to sign the UNEP FI and committed to implementing the Principles for Responsible Banking (PRB) starting in December 2023.

Principle 4 : Stakeholders	
	We will proactively and responsibility consult, engage and partner with relevant stakeholder to achieve society's goals.
Principle 5 : Governance & Culture	
	We will implement our commitment to these principles through effective governance and a culture of responsible banking.
Principle 6 : Transparency & Accountability	
	We will periodically review our individuals and collective implementation of these principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

BTN at a Glance

BTN is Indonesia's state-owned bank which operates solely in Indonesia. Our business model is focused on the housing ecosystem, and the majority of our portfolio is related to mortgages, especially for low-income communities.

BTN's commitment to building a sustainable financial ecosystem needs to be translated into smart strategic steps. The development of a long-term strategy is highly needed so that BTN can answer the need to give innovative solutions and benefit society and the environment.

BTN is also committed to supporting sustainable growth for Indonesia. The "Green Indonesia" concept is our basis for implementing sustainability initiatives. BTN believes that by implementing the principles of sustainability and PRB in all areas, we can make a positive contribution to economic, environmental and social aspects.

BTN Initial Impact Analysis

The impact analysis using UNEP FI Portfolio Impact Analysis Tools **covers the consumer portfolio**, which is the bank's largest business area. The data measured in this impact analysis consist of 70% of BTN's portfolio, which covers the consumer segment. The consumer segment is divided into current accounts, savings accounts, and loans. The data is measured using three indicators: IDR amount volume, number of products, and number of customers for each consumer product. Each consumer product is separated by income, gender, age, and location.

Therefore, we concluded that Finance and Housing were the bank's areas of most significant

2. Introduction

BTN in PRB Implementation Journey

BTN may take up to 4 years to initially implement the PRB by applying 3 Key Steps and fulfilling the requirements for each of the Key Steps as detailed further below and in more depth in the Reporting and Self-Assessment Template. A 3-step process guides signatory through implementing their commitment:

1. **Impact Analysis** Identifying the most significant impacts of products and services on the societies, economies and environments bank operates in.
2. **Target Setting** Setting and achieving measurable targets in a bank's areas of most significant impact
3. **Reporting** Publicly report on progress on implementing principles, being transparent about impact and contribution

The implementation phase, which began in 2023, will take three key steps designed to ensure the effective implementation of the principles and enable the Bank to continuously improve its impact and contribution to society. The PRB implementation journey will take up to 4 years to initially implement the PRB with the timeline below:

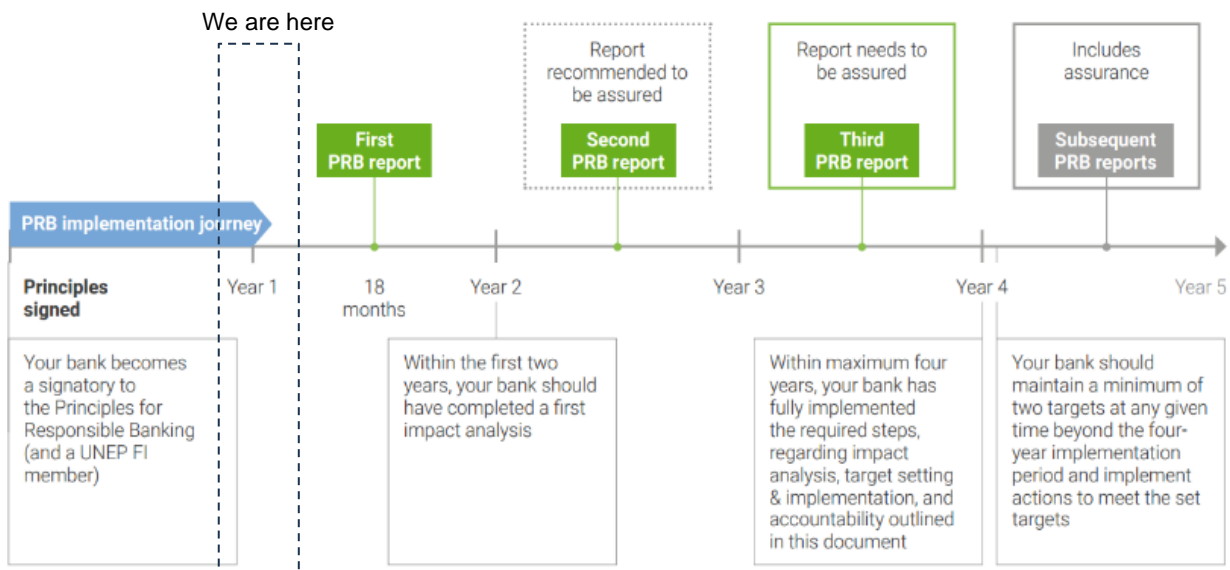


Figure 1 BTN PRB Implementation Journey

BTN, as a signatory bank, is demonstrating its commitment by conducting an impact analysis of its consumer portfolio, which is the Bank's largest business area. Within one year of signing as a signatory, BTN completed the initial phase of the impact analysis well within the abovementioned requirement (18 months to complete the first PRB report). This analysis discloses the most significant impacts of BTN's consumer products and services on the societies and economies in which the bank operates.

3. Method and Relevance

When carrying out our impact analysis, we have used UNEP FI’s Portfolio Impact Analysis Tool for Banks, version 3 (latest update 29 January 2024), specifically using the Consumer Banking Module. These tools conduct an impact analysis to identify BTN’s most significant (potential) positive and negative impacts on the societies and environment where it operates.

The analysis focused on the business activities of consumer banking specifically in Indonesia, as our operations are limited to this market. **As of December 2023, consumer banking accounted for 70% of our total assets.**

BTN, as the respective signatory bank, is initially demonstrating its commitment by conducting an impact analysis of its consumer portfolio, which is the bank’s largest business area.

A significant portion of our portfolio consists of subsidized mortgages for low-income households, which make up 60% of our consumer loan offerings.

This methodology rests on key principles, which are described below.

Holistic

The holistic approach, **UNEP FI Impact Radar**, aims to provide practitioners with a means to holistically understand the sustainability topics they may be impacting, positively or negatively, through the products and services rendered to their customers and clients.



Figure 2 Three Pillars of Sustainable Development: The Basis Of Impact Radar

Scope

In this analysis, we examined the effects of **credit, current accounts, and savings** on consumer banking. During the data collection process, we identified several consumer products, including:

- 21 savings account products.
- 2 certificates of deposit products.
- 3 consumer loans & overdraft products.
- 22 home loan mortgage products.
- 2 microcredit products.

Portfolio Composition

The data related to all consumer products are categorized based on the following criteria: IDR amount, number of products, and number of customers. This information is further divided into:

Section		Indicator
Income	<ul style="list-style-type: none"> • Low-income population < IDR 8.000.000 • Middle-income Population IDR 8.000.000 – IDR 15.000.000 • High-income Population > IDR 15.000.000 • Unspecified 	Amount Number of Product Number of Customer
Gender	<ul style="list-style-type: none"> • Male • Female • Unspecified 	Amount Number of Product Number of Customer
Age	<ul style="list-style-type: none"> • Youth : 18 - 30 years old • Middle-age : 30 – 60 years old • Senior : 60 years old • Unspecified 	Amount Number of Product Number of Customer
Location	<ul style="list-style-type: none"> • Rural • Urban • Unspecified 	Amount Number of Product Number of Customer

Notes:

Unspecified : Data not registered in system.

Context and Relevance

The point of the analysis is to enable impacts to be managed and to increase the positive and reduce/mitigate the negative impact in a financially viable manner. The method projected in Impact Radar as a resource for Holistic Impact Analysis (revised edition July 2022). **The Impact Radar uses the three pillars of sustainable development.**

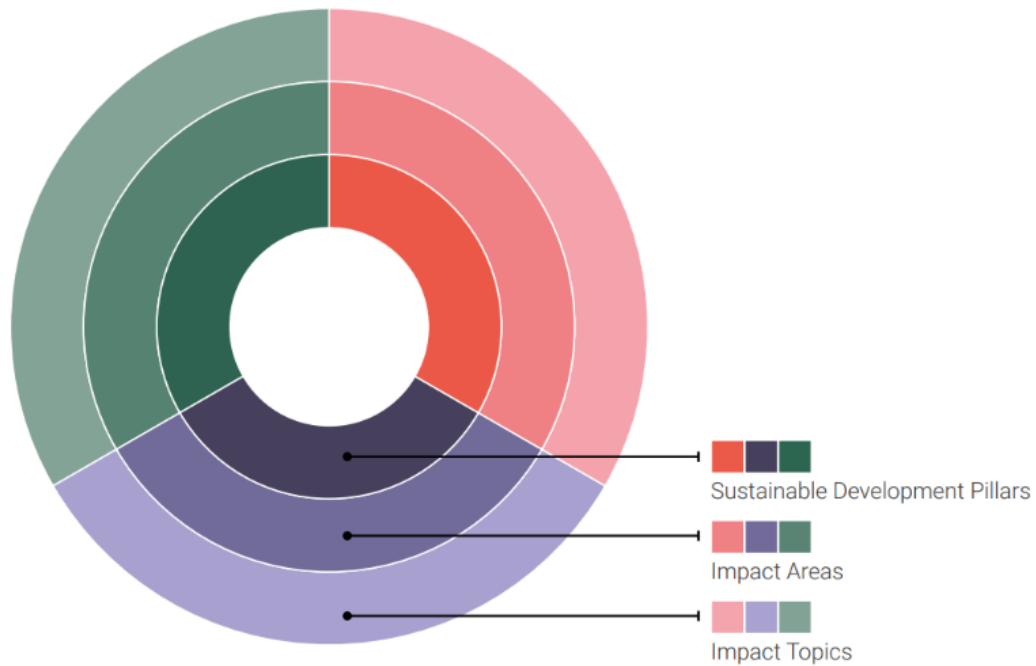


Figure 3 Impact Areas & Topics

Customised

The methodology is flexible and can be adapted to different enterprises and business areas, with the main business being the consumer segment. The tool integrates a number of analyses, data, and indicators. It is designed to support impact assessment as an iterative process.

Transparent and Comparable

The Excel-based analysis tool and all associated technical specifications may be downloaded from UNEP FI's website.

The model and process comprise the following stages:

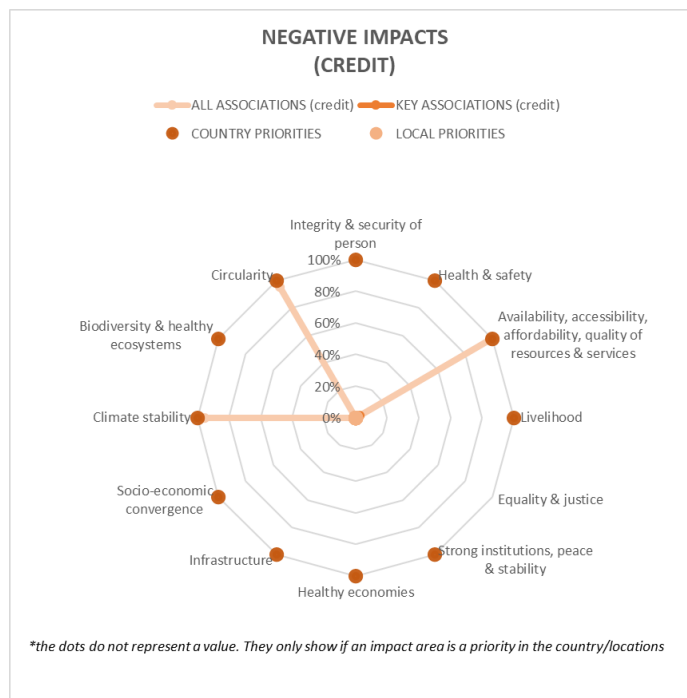
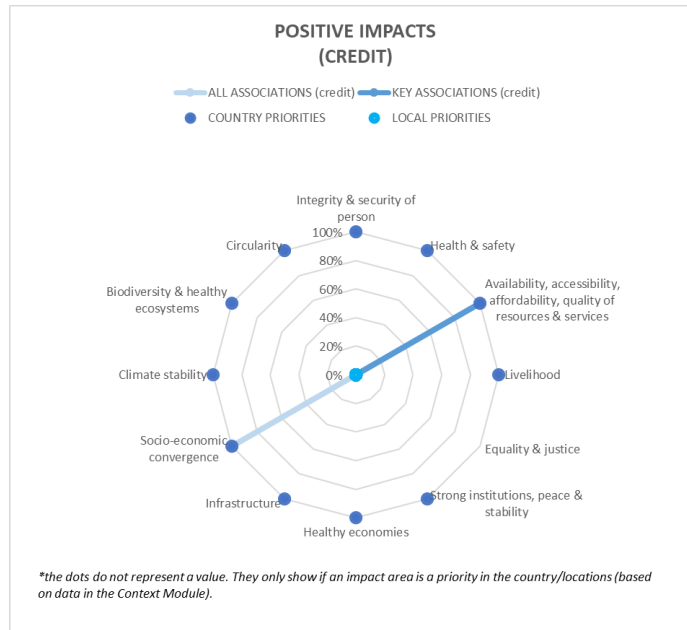
1. Define the main business activities (consumer or institution).
2. Complete the Context Module in UNEP FI Portfolio Impact Analysis Tools for Banks (V3).
3. Put the "data out" worksheet from the Context Module to "data in" worksheet the Consumer Banking / Identification Module UNEP FI Portfolio Impact Analysis Tools for Banks (V3).
4. Fulfil the parameters and portfolio composition.
5. Identify potential positive and negative impact areas.
6. Determine and prioritize the bank's most significant impact areas/topics.
7. Continue to work on the prioritized impact areas and mitigation for negative impact.

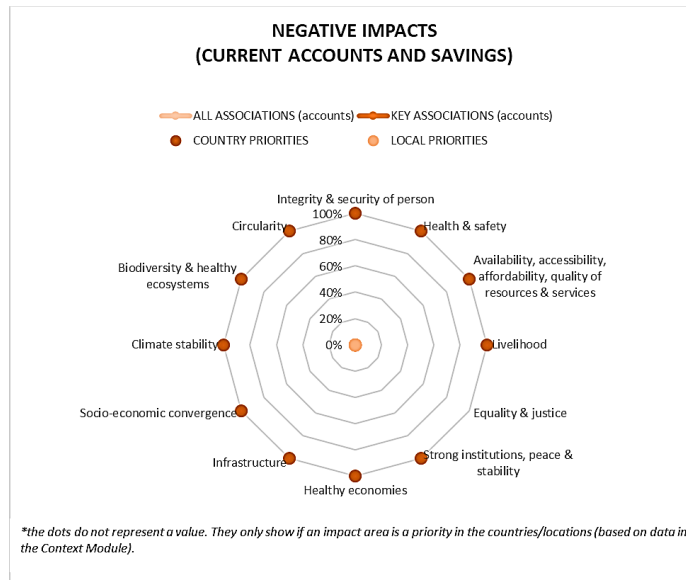
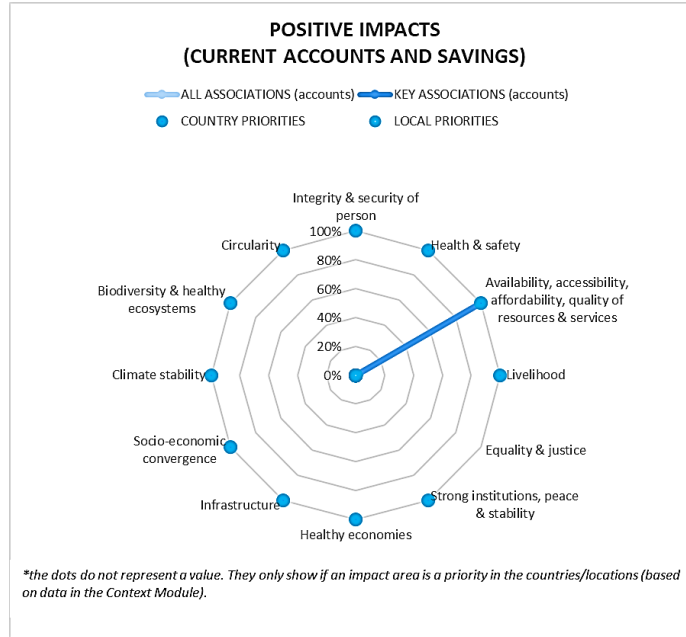
4. Result, Assessments and Priorities

The most important factors affecting the degree of impact are the bank's business areas, industry, and products, as well as the score of various sustainability parameters in the country in which the bank operates.

Result Impact Associations Driven by Products and Services

Below is detailed view of country priorities and impact association (heatmap):





The lines in the spider charts represent the proportion of portfolios associated with the different impact areas (blue lines represent positive impact associations; orange lines represent negative impact associations). In addition, the dots on the charts represent the priorities in the country based on the needs assessment conducted in the Context Module for Indonesia.

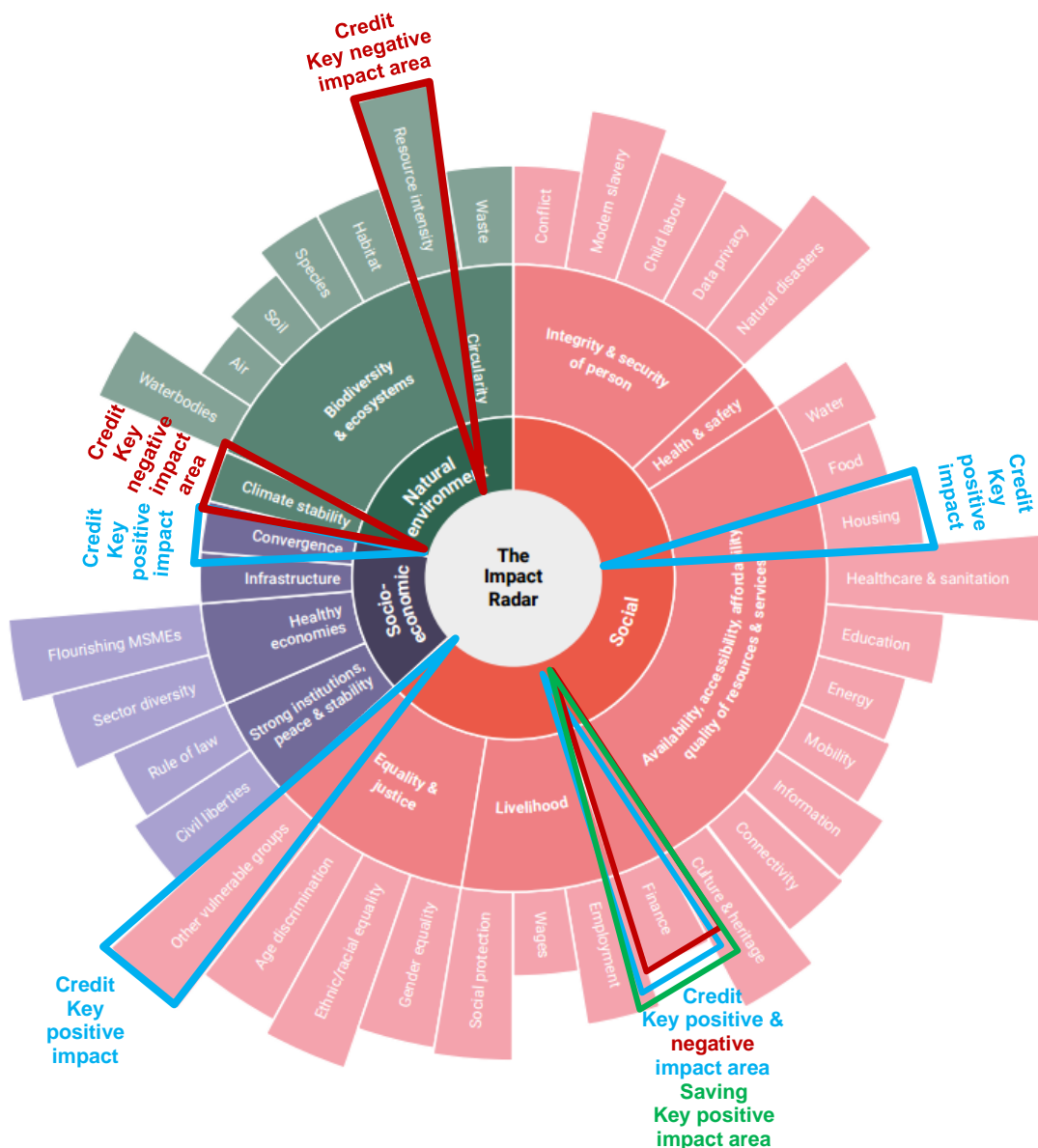


Figure 4 BTN's Impact Radar

Based on UNEP FI Portfolio Impact Analysis Tool, our primary financing segment is consumer banking, which makes up 70% of our portfolio. Within this consumer banking segment, 60% of which comprises the housing sector. An analysis of home loans/mortgages reveals:

- The mortgages are allocated 59% for subsidized mortgages and 36% of mortgages for non-subsidized mortgages.
- A total of 64% of mortgages are disbursed to a low-income population.
- Of the beneficiaries of mortgages, 63% are male, while 31% are female.
- The age distribution of borrowers shows that 68.12% are between 30 and 60 years old
- 61% of total beneficiaries live in rural areas, whereas 30% reside in urban areas.

The detailed explanation regarding the measurement is:

1. CREDIT

a. Positive impact

i. Social

1) Availability, accessibility, affordability, quality of resource & services

Population’s ability to access resources and services that pertain to their individual needs; this includes the availability, accessibility, affordability, and quality of resources and services.

a Impact topic : **Housing**

Definition : Population’s accessibility to adequate, safe, and affordable housing; a place where to live in security, peace, and dignity (source: OHCHR, UN-Habitat)

Impact : Contributes to access to housing

b. Impact topic : **Finance**

Definition : Population’s accessibility to the use of financial services by individuals and firms. Financial inclusion allows individuals and firms to take advantage of business opportunities, invest in education, save for retirement, and insure against risks. Financial health means a state in which an individual, household, micro, small or medium-sized enterprise can smoothly manage their current financial obligations and have confidence in their financial future. This includes four elements: managing day-to-day finances to meet short-term needs; capacity to absorb financial shocks (resilience); capacity to reach future goals; feeling secure and in control of finance (confidence) (Source: The World Bank, UNEP).

Impact : Individuals’ access to finance is an integral part of a well-functioning economy, Access to credit, Financial inclusion, and individual access to finance

2) Equality & Justice

Population’s ability to live free from discrimination of all kinds (gender, racial, ethnic, age, et al.) and to access justice in an equal and inclusive way (Source: UNGA).

- Impact topic : **Other vulnerable groups**
- Definition : Population’s ability for vulnerable groups to live free from discrimination. These groups can include persons with disabilities, migrants, refugees, and asylum-seekers (Source: OHCHR).
- Impact : Helps to alleviate inequality in low-income populations, helps to alleviate inequality, and is key for under-represented groups.

ii. Socio-economic

Socio-economic Convergence

Ability of countries to reduce inequality at the individual population level (Source: UNDESA).

Impact : Contributes to convergence through access to finance.

b. Negative impact

i. Social

Availability, accessibility, affordability, quality of resources & services

Population’s ability to access resources and services that pertain to their individual needs; this includes the availability, accessibility, affordability, and quality of resources and services.

- Impact topic : **Finance**
- Definition : Population’s accessibility to the use of financial services by individuals and firms. Financial inclusion allows individuals and firms to take advantage of business opportunities, invest in education, save for retirement, and insure against risks. Financial health means a state in which an individual, household, micro, small or medium-sized enterprise can smoothly manage their current financial obligations and have confidence in their financial future. This includes four elements: managing day-to-day finances to meet short-term needs; capacity to absorb financial shocks (resilience); capacity to reach future goals; feeling secure and in control of finance (confidence) (Source: The World Bank, UNEP).
- Impact : Risk of overburden.
- Mitigation : BTN will increase access to mortgage financing to low-income households, micro, female clients and youth with specific risk acceptance criteria such as for first time home buyers for mortgages and finds new segment for micro loan as a mitigation for overburden.

ii. Natural environment

1) Circularity

Circularity is the model of production and consumption that involves the following process:

- Reduce by design: Reducing the amount of material used, particularly raw material, should be applied as an overall guiding principle from the earliest stages of the design of products and services
- From a user-to-user perspective: Refuse, Reduce and Re-use
- From a user-to-business intermediary perspective: Repair, Refurbish, and Remanufacture
- From business-to-business: Repurpose and Recycle

Impact topic : **Resource intensity**

Definition : Efficient use of limited, non-renewable natural resources (which cannot be regenerated after exploitation) and renewable natural resources in the process of exploiting nature for production and consumption purposes. It can also be read as resource security.

Impact : Energy intensive product.

Mitigation : BTN is actively pursuing housing projects that utilize energy efficiency through “Low Carbon Emission House Project” in mortgages. BTN also requires AMDAL certificate to finance the housing projects.

2) Impact topic : **Climate stability**

Definition : State of the climate when not affected by human activities. Human activities change the composition of the global atmosphere with exposure to greenhouse gas (GHG) emissions being a direct factor contributing to climate change. Climate stability can be achieved through the:

- Avoidance of GHG emissions
- Reduction of GHG emissions
- Removal of GHG emissions

(Source: Intergovernmental Panel on Climate Change, Global CCS Institute, World Resources Institute)

Impact : Emissions.

Mitigation : BTN is actively pursuing housing projects that utilize energy efficiency and using green/eco-friendly material through “Low Carbon Emission House Project” in mortgages. BTN also requires AMDAL certificate to finance the housing projects.

2. CURRENT ACCOUNT AND SAVING

a. Positive impact

Social

Availability, accessibility, affordability, quality of resources & services

Population’s ability to access resources and services that pertain to their individual needs; this includes the availability, accessibility, affordability, and quality of resources and services.

Impact topic : **Finance**

Definition : Population’s accessibility to the use of financial services by individuals and firms. Financial inclusion allows individuals and firms to take advantage of business opportunities, invest in education, save for retirement, and insure against risks. Financial health means a state in which an individual, household, micro, small or medium-sized enterprise can smoothly manage their current financial obligations and have confidence in their financial future. This includes four elements: managing day-to-day finances to meet short-term needs; capacity to absorb financial shocks (resilience); capacity to reach future goals; feeling secure and in control of finance (confidence) (Source: The World Bank, UNEP).

Impact : Individual’s access to finance an integral part of a well-functioning economy.

Priorities

Based on the analysis conducted using the UNEP FI Portfolio Impact Analysis Tool, we identified two impact areas: **Finance and Housing**.

Furthermore, we identified the following relevant Sustainable Development Goals:

 <p>5 GENDER EQUALITY</p> <p>Gender equality</p>	 <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Decent work and economic growth</p>	 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p>Industry, innovation and infrastructure</p>	 <p>10 REDUCED INEQUALITIES</p> <p>Reduces inequalities</p>	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>Sustainable cities and communities</p>
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5. Next Steps

Moving forward, aligning with the PRB’s 4-year journey, we aim to establish targets for the abovementioned key impact areas, Finance and Housing.

6. Responsible Banking Progress Statement PT Bank Tabungan Negara (Persero) Tbk 2024

<p>Principle 1: Alignment</p>	<p>Principle 2: Impact & Target Setting</p>	<p>Principle 3: Clients & Customers</p>
<p>Content PT Bank Tabungan Negara (Persero) Tbk or BTN is committed to supporting our customers and clients. Our approach to sustainability is integrated within our business strategy and is aligned with UN Sustainable Development Goals, Indonesia’s Net Zero Emission target and NDC.</p> <p>In 2021, we began reporting in accordance with the TCFD and GRI, analysing climate-related risk and opportunities, dependencies and impact. In compliance with the Otoritas Jasa Keuangan Republik Indonesia (the Indonesia’s FSA), BTN has conducted climate-related risk stress testing to 50% of our portfolio with plans to expand this coverage to 100% by July 2025.</p> <p>Our sustainability strategy is closely linked to the bank’s main business strategy, which is to provide housing for low-income households. BTN has developed the ESG roadmap to implement the strategy and will continuously refine it as we progress.</p>	<p>Content In 2024, we performed an impact analysis using the UNEP FI Impact Analysis Tools which resulted in key impact areas: Finance and Housing. For more details on the impact analysis.</p> <p>We assessed our consumer banking portfolio, which represented 86% of our total assets, using data from December 2023. Notably, subsidized mortgages for low-income households constitute a significant portion of our portfolio, making up 60% of our consumer loan offerings.</p> <p>In the next Progress Statement, we look forward to setting targets for the identified key impact areas, in alignment with the PRB’s 4-year journey.</p>	<p>Content By fulfilling our purpose to help low-income households to have a decent home and increase their prosperity, we grow as a business and support society’s efforts to face global challenges, which drives our ambition in environmental, social and governance.</p> <p>For more details on our client engagement, please see BTN Sustainability Report.</p>
<p>Links & references For more details on our business model, please see BTN Sustainability Report.</p> <p>For more details on our ESG roadmap and strategy alignment, please see BTN Sustainability Report.</p>	<p>Links & references For more detail on the impact analysis, please see the Responsible Banking Progress Statement: Supplement on BTN Sustainability Report.</p>	<p>Links & references For more detail on Clients & Customers, please see BTN Sustainability Report.</p>

<p>Principle 4: Stakeholders</p>	<p>Principle 5: Governance & Culture</p>	<p>Principle 6: Transparency & Accountability</p>
<p>Content We proactively engage with our main stakeholders, which are customers, investors, NGOs, senior management, employees as well as regulators and supervisors. Their contributions are key to understanding the importance of the impact, risks to and opportunities of sustainability matters we identify. The involvement of key stakeholders in discussing important challenges faced by the bank occurs after a thorough identification process. This process employs stakeholder mapping to effectively categorize stakeholders based on their significance to BTN, the nature of our relationship with them, the topics that need to be addressed, and the appropriate communication strategies to use. This step aims to help BTN achieve its goals through effective communication efforts.</p>	<p>Content We have a governance system in place that incorporates the PRB. This governance structure includes ESG Committee and ESG Department to focusing on ESG governance and ESG initiatives. We promote a culture of responsible banking. In 2024 we initiated sustainability training for key employees on our most significant impact areas.</p>	<p>Content We are transparent and accountable about our commitments to the Principle of Responsible Banking. The assurance of sustainability information has been undertaken with AA1000 and GRI Standards for Sustainability Report.</p>
<p>Links & references For more details on our stakeholder relations please see BTN Sustainability Report.</p>	<p>Links & references For more details on our governance structure please see BTN Sustainability Report. For more details on our sustainability training please see BTN Sustainability Report.</p>	<p>Links & references For more details on our assurance please see BTN Sustainability Report.</p>

Responsible Banking Progress Statement: Supplement

Principle 2: Impact & Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Impact Analysis

We used UNEP FI Portfolio Impact Analysis Tool to undertake our impact analysis.

Scope

Our analysis focused on the products, services, and activities within the bank’s retail portfolios, as the majority—70%—of BTN's portfolio is in retail.

Portfolio composition

Our primary financing segment is consumer banking, which accounts for 70% of our portfolio. Within that, the housing sector constitutes 60% of the consumer banking segment. The data breakdown for mortgages reveals that 53% are for low-income households in terms of subsidized mortgage and 36% for middle-income households. Additionally, 63% of the beneficiaries are male, while 31% are female, with 61% located in rural areas and 30% in urban areas.

Context

We were also able to determine that the most relevant challenges and priorities in Indonesia included socio-economic convergence and availability, accessibility, affordability, quality of resources & services. These priorities were determined through a context module.

Impact results

The identified challenges and priorities led us to look more closely at availability, accessibility, affordability, quality of resources & services because these were priorities in Indonesia, and due to the scale of our exposures in sectors that are key contributors to these areas of impact.

To measure performance in these areas of impact, we conducted an assessment of the portfolio in consumer segments that were the primary contributors to these impact areas. We determined the impact on our portfolio was attributable to financing extended to MSME and the housing sector.

Therefore, we concluded that **Finance** and **Housing** were the bank’s areas of most significant impact.

Performance measurement

BTN will establish milestones and key performance indicators (KPIs) to monitor progress toward our targets. We will remain vigilant regarding any potential negative impacts that may arise from the target-setting process and will address them as needed while we set and monitor our progress against these targets.



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