

# SUSTAINABLE FINANCE FRAMEWORK

**PT BANK TABUNGAN NEGARA (PERSERO) Tbk**

February 2025



## 1. Introduction

PT Bank Tabungan Negara (Persero) Tbk ("**BTN**", or the "**Bank**") is a state-owned enterprise (BUMN) in the form of a limited liability company and operates in the banking financial services sector. BTN is committed to becoming a bank that serves and supports housing sector financing through three main products, including personal banking, business banking, and sharia banking.

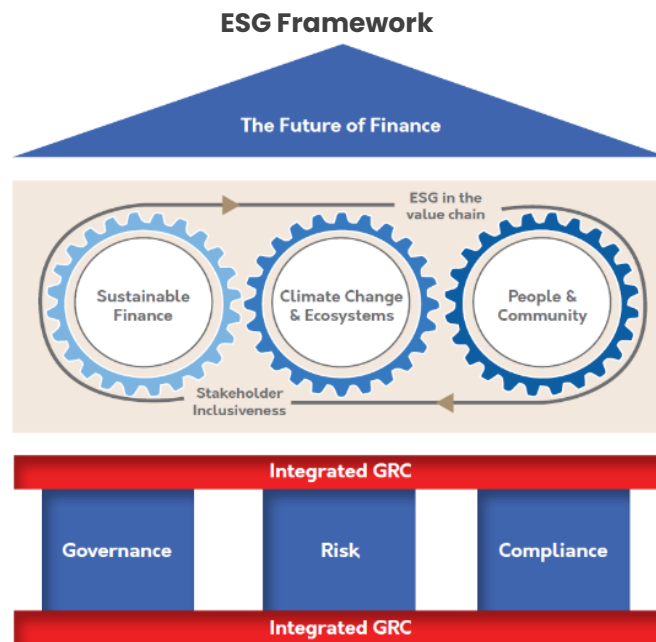
In line with the government's program to promote housing programs for the people, BTN was appointed by the government as the only institution that distributed Home Ownership Credit (HOC) in 1974. The first realization of HOC distribution was carried out in 1976 at Tanah Mas Housing Complex in Semarang City. In 2002, BTN has been designated as a commercial bank that focuses on home financing. In 2015, the company played an important role in assisting the government program, namely the "Program Sejuta Rumah untuk Rakyat" (the Million Houses for the People Program). The company was appointed as one of the banks that supports this program through mortgage financing.

BTN's Vision is "Leading partner in empowering the financials of Indonesian families", and its mission includes actively to become government's primary partner in housing and financial inclusion, in order to provide the best customer experience through digital and financial integration. BTN also aims to enhance shareholder value through sustainability profitability growth and implement good corporate governance practices and sustainable business innovation for societal welfare and environmental sustainability.

BTN actively contributes to economic growth through the housing sector. As part of the Asta Cita Program, BTN facilitates the implementation of the "Program Tiga Juta Rumah untuk Rakyat" (Three Million Houses for the People Program), ensuring that low-income communities have access to adequate and livable housing. This initiative not only promotes inclusive homeownership opportunities, particularly for the lower economic segment, but also drives the growth of related industrial subsectors and strengthens national economic development.

## 2. BTN's Approach to Sustainability

BTN's sustainability strategy is closely linked to the Bank's main business strategy, which is to provide housing for low-income households. BTN has developed a series of frameworks, strategies, and roadmaps to encourage sustainable finance and support the company's ESG performance. The company emphasizes its focus on addressing ESG-related issues in the mortgage banking sector with the aim of achieving long-term sustainability and responsible banking practices.



The company has developed an ESG framework called the Future of Finance. The ESG framework provides guidance for the company in managing and implementing business practices that are oriented towards impact performance and supporting the achievement of the Sustainable Development Goals (“SDGs”).

BTN’s ESG framework consists of six components, including:

<p><b>1</b> <b>Sustainable Finance</b></p> <p>Management of products and services that support the transition process towards a low-carbon economy and maintain social balance in opening equal access to capital.</p>	<p><b>2</b> <b>Climate Change and Ecosystems</b></p> <p>Managing climate change risks and their impact on ecosystem capacity.</p>	<p><b>3</b> <b>People and Community</b></p> <p>Management of impacts on individuals, communities, and wider society in general.</p>
<p><b>4</b> <b>Stakeholder Inclusiveness</b></p> <p>Prioritizing stakeholder inclusivity as the main focus for achieving sustainability goals.</p>	<p><b>5</b> <b>ESG in the Value Chain</b></p> <p>Creating interdependent systems to effectively manage sustainability risks and opportunities from upstream to downstream (value chain).</p>	<p><b>6</b> <b>Integrated Governance, Risk, and Compliance (GRC)</b></p> <p>Ensuring that sustainability is not only a cornerstone of business but also thoroughly integrated into every aspect of governance, risk management and compliance.</p>

In implementing the ESG framework, the company has formulated 9 (nine) strategic steps that are implemented inclusively, as follows:

1. Implementing sustainable bank business operations;
2. Developing sustainable and inclusive bank products and portfolio management;

3. Integrating ESG components in business risk management frameworks and programs (enterprise risk management);
4. Developing an ESG culture program and responsible leaders;
5. Building a control environment that is integrated with ESG components;
6. Developing ESG monitoring, communication and reporting programs;
7. Building ESG data management;
8. Navigating trends in ESG rules and regulations;
9. Building partnerships and cooperation.

### **ESG Roadmap**

BTN also laid out an ESG Roadmap that will serve as a guideline for managing environmental impacts, addressing social issues, and maintaining good governance in accordance with banking industry standards. In particular, the implementation of ESG principles is focused on the housing sector which becomes the company's priority sector. The ESG Roadmap includes three main phases, namely the Action Phase (2023–2025), the Advance Phase (2025–2026), and the Accelerate Phase (2026–2028).

- **Action Phase (2023–2025):** During this phase, the Company takes steps to integrate ESG principles into its operational activities. The objective is to strengthen the foundation for implementing ESG principles in every aspect of the Company's operations and to become an integral part of the Company.
- **Advance Phase (2025–2026):** The Company increases its commitment to ESG by expanding the scope and impact of the initiatives taken. BTN focuses on efforts to strengthen social and environmental responsibility, in line with global developments.
- **Accelerate Phase (2026–2028):** This phase demonstrates the Company's commitment to accelerating the positive impact of implementing ESG principles on the environment, society, and corporate governance.

BTN has 24 strategic initiatives in its 5-year ESG roadmap with 10 priority initiatives as follows:

- |   |   |
|---|---|
| <p><b>1 Implementing the Clean Energy Transition</b></p> <p>Become a Pioneer of green mortgage carbon trading</p> <ul style="list-style-type: none"> <li>• <b>Target:</b> Enter the carbon trading exchange by becoming a seller in green mortgage carbon trading</li> <li>• <b>Timeline:</b> 2024-2025</li> </ul>  | <p><b>6 Sustainable Product Offering</b></p> <p>Consistently launching sustainable products, including: green/social bonds and green products (third-party funds)</p> <ul style="list-style-type: none"> <li>• <b>Target:</b> green/social bonds: Rp3 trillion &amp; 5 green product</li> <li>• <b>Timeline:</b> 2024 - 2028</li> </ul>   |
| <p><b>2 Sustainable Bank Operational Program</b></p> <p>The implementation of sustainable banking operations through the efficient use of paper and electricity, adoption of Electronic Vehicles (EVs), and utilization of solar panels</p> <ul style="list-style-type: none"> <li>• <b>Target:</b> Reducing paper and electricity use: 50% in 5 years, EV vehicles: 50 units; Solar Panels: 20 Branch Offices</li> <li>• <b>Timeline:</b> 2024 - 2028</li> </ul> | <p><b>7 Channeling Sustainable Loans</b></p> <p>Enhancing the Bank's role in supporting the distribution of sustainable loans (according to sectors designated by OJK), SMEs, and green mortgages</p> <ul style="list-style-type: none"> <li>• <b>Target:</b> Sustainable sectors: minimum 20% of the loan portfolio; green mortgages: 20%</li> <li>• <b>Timeline:</b> 2024 - 2028</li> </ul> |
| <p><b>3 Sustainable Procurement Program</b></p> <p>Increasing awareness among stakeholders and bank partners, and establishing sustainable procurement policies</p> <ul style="list-style-type: none"> <li>• <b>Target:</b> sustainable practices to 50 core vendors</li> <li>• <b>Timeline:</b> 2024 -2026</li> </ul>  | <p><b>8 Diversity, Equity, and Inclusion Program</b></p> <p>Prioritizing the social aspect within the human resources scope</p> <ul style="list-style-type: none"> <li>• <b>Target:</b> Hiring people with disabilities: 2% of total employees and Increasing the representation of women talent in management positions: 30%</li> <li>• <b>Timeline:</b> 2024 - 2028</li> </ul>              |
| <p><b>4 Climate Risk Stress Test</b></p> <p>Conducting climate risk assessments that impact the financial condition of the Bank</p> <ul style="list-style-type: none"> <li>• <b>Target:</b> Climate Risk Stress Testing in accordance with OJK regulations and best practices</li> <li>• <b>Timeline:</b> 2024</li> </ul>   | <p><b>9 Developing ESG Policies</b></p> <p>Regularly aligning internal regulations and policies with relevant ESG policies according to best practices and regulations.</p> <ul style="list-style-type: none"> <li>• <b>Target:</b> ESG Policy Review</li> <li>• <b>Timeline:</b> 2024 - 2028</li> </ul>  |
| <p><b>5 Developing ESG University</b></p> <p>Enhancing the competence, capacity, and capability of employees related to ESG by developing an ESG Curriculum and training program</p> <ul style="list-style-type: none"> <li>• <b>Target:</b> 75% of employees in strategic positions</li> <li>• <b>Timeline:</b> 2024 - 2026</li> </ul>   | <p><b>10 Becoming Signatories to Sustainable Finance Commitments</b></p> <p>Actively engaging in international-level ESG networks and communities</p> <ul style="list-style-type: none"> <li>• <b>Target:</b> Member of 4 sustainability institutions (domestic &amp; international)</li> <li>• <b>Timeline:</b> 2024 - 2028</li> </ul>   |

## Greenhouse Gas (GHG) Emissions Reduction

Under BTN's ESG Framework, GHG emission management is included in the Climate Change and Ecosystems pillar. The company has set a minimum emission reduction target of 30% in its operational activities for the next five years. Efforts to fulfill this target are carried out with various initiatives, such as adopting solar panels as an energy source, using electric vehicles as much as 20% or at least 50 of the total company fleet, and other programs. Through its commitment, BTN aims to support the Republic of Indonesia's Enhanced Nationally Determined Contributions target as well as Net Zero by 2060 target.

In 2023, BTN commenced on its first year of calculating Scope 3 emissions in the financed emissions category, in line with Partnership for Carbon Accounting Financials (PCAF) standards. For the inaugural reporting, BTN focused on calculating financed emissions per sector such as construction, energy, transportation, Industrial Process and Production Use (IPPU), and others.

## UN Principles of Responsible Banking (“PRB”) Signatory

In January 2024, BTN became an official signatory of the UN PRB, and a member of the United Nations Environmental Program Finance Initiative (“**UNEP FI**”). As a signatory to the PRB, BTN is required to implement six key principles that integrate sustainability into strategic planning, portfolio management, transactions, and overall business practices, with the goal of supporting the goals of the Paris Agreement and redirecting capital flows toward sustainable activities.

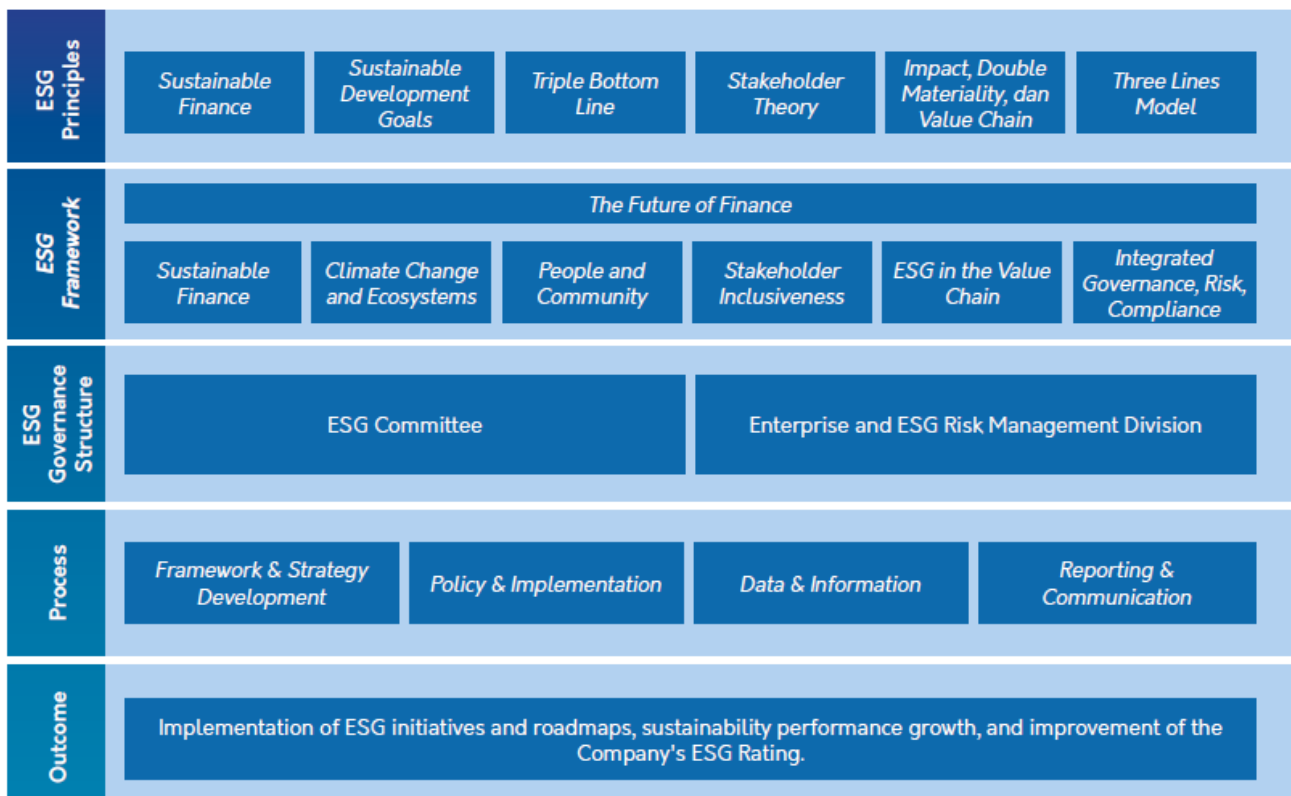
As part of its commitments under the PRB, BTN conducted an impact analysis of its consumer portfolio based on the UNEP FI Portfolio Impact Analysis tool, which is the bank’s largest business area covering 70% of the business. Within the consumer lending segment, 60% comprises of the housing sector. Within the loans to the housing sector, 59% are allocated to subsidized mortgage, though an overall 64% of the consumer lending consists of mortgages for low-income households. The split between male to female beneficiaries of the mortgages are 63% and 31%, respectively, and geographically, 61% of the total beneficiaries reside in rural areas, whereas 30% live in urban areas.

## Sustainability Disclosure

In 2021, BTN began its sustainability reporting in line with recommendations provided under the Task Force on Climate-related Financial Disclosures (TCFD) and Global Reporting Initiative (GRI) Standard. BTN has also begun to align with the latest disclosure requirements under Sustainability Accounting Standard Board (SASB) as of 2021. 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.

## 2.1 Sustainability Governance of BTN

BTN has established an ESG Committee, which is chaired by the CEO and composed of the Board of Directors and SEVP, to support the implementation of the ESG roadmap and integrate the roadmap into the Company’s structure. The ESG Committee is responsible for formulating policies, strategies, and targets for ESG and Social and Environmental Responsibility (TJSL) programs impacting the environment, social aspects, and governance. Additionally, the ESG committee oversees ESG risks and opportunities, as well as decision-making related to the implementation of the Company’s ESG and TJSL programs through annual meetings.



## 2.2 BTN’s Sustainability Risk Management Policy

BTN has developed a lending policy based on ESG aspects, including determining 15 industrial sectors that can be used as guidelines for granting credit by considering ESG aspects, prudential principles and sound credit management. In addition, BTN has developed a sustainability risk management policy, to ensure that lending is provided in accordance with social and environmental aspects. This includes requirements, such as:

- Environmental Feasibility Efforts or Environmental Management Efforts (UKL/UPL) and/or Requirements for Environmental Impact Analysis (AMDAL), Flood Peil Permit (permit to carry out the construction of a building in a certain area), and other permits;
- Undertaking direct field visits or observations to verify that the location of the residential land to be built is not green land or disputed land;
- Including ecolabelling regulations or the use of environmentally friendly materials that have been certified by the Indonesian Ecolabelling Institute (LEI) in middle class construction financing;
- Ensuring that the house or construction being built meets the Greenship homes criteria compiled by the Green Building Council Indonesia (GBCI);
- Arranging requirements for developers to plant trees in every house or provide large allocations for social and environmental related facilities and infrastructure. This policy refers to the company's commitment to efforts to realize biodiversity; and

- Formulating an exclusion list that lists activities and practices that the bank does not want to carry out, including activities that have a negative impact on humans and the planet.

### 2.3 Commitment to Support Affordable Housing in Indonesia

BTN for being a major contributor to the national housing program to reduce the housing backlog in Indonesia, especially in the low-income community (MBR) segment. In support of the government's efforts to realize decent and affordable housing, the Company ensures subsidy allocations for subsidized housing finance programs through the distribution of subsidized KPR to low-income communities (MBR). The Company facilitates loan disbursement as a commitment to support the "Three Million Homes Program", which is a government initiative to address the prevailing housing deficit issue in Indonesia.

Through the provision of subsidized mortgage, BTN plays a significant role in realizing SDG 11, "Sustainable Cities and Communities" by contributing through housing ownership financing products (KPR) to build cities and settlements that are livable, safe, and affordable by 2030. This involvement aligns with the mandate of Law No. 14 of 2016 concerning Housing and Settlement Areas, which, in turn, not only contributes to addressing sustainability issues but also enhances the company's resilience to sustainability risks.

The Subsidized KPR contributes to other SDGs, such as the following:





In order to address potential negative impacts on providing access to finance, including debt overburden for borrowers, BTN has specific risk acceptance criteria such as for first time home buyers for mortgages and has developed a new segment for micro loans to serve as a mitigant. Furthermore, BTN is actively pursuing housing projects that utilize energy efficiency through **“Low Emission Housing”** in mortgages. In particular, BTN encourages developers to utilize eco-friendly materials in housing construction, with a minimum requirement of 10% from eco-friendly materials in 2024. BTN has also set out a roadmap, which includes a target for 10,000 housing units to use at least 15% eco-friendly materials in 2025, with a goal of reaching 150,000 housing units by 2029.

### 3. Sustainable Finance Framework

BTN intends to use this Framework as the basis to issue Green, Social or Sustainability Bonds and Loans (“Sustainable Financing Instruments”). The Sustainable Financing Instruments will fund Eligible Sustainable Projects that conform to the sustainable finance principles listed below:

- the International Capital Market Association (“ICMA”) Green Bond Principles (“GBPs”) 2021 (within June 2022 Appendix 1)<sup>1</sup>, Social Bond Principles (“SBPs”) 2023<sup>2</sup> and Sustainability Bond Guidelines (“SBGs”) 2021<sup>3</sup>; and/or
- the Loan Market Association (“LMA”) Green Loan Principles (“GLPs”) 2023<sup>4</sup> and Social Loan Principles (“SLPs”) 2023<sup>5</sup>; and/or
- the ASEAN Capital Markets Forum (“ACMF”) ASEAN Green Bond Standards 2018 (“ASEAN GBS”)<sup>6</sup>, ASEAN Social Bond Standards 2018 (“ASEAN SBS”)<sup>7</sup> and ASEAN Sustainability Bond Standards 2018 (“ASEAN SUS”)<sup>8</sup>.

In aligning with the above principles and guidelines, the Bank’s Sustainable Finance Framework is presented through the four core components of the GBPs, SBPs, SBGs, GLPs, SLPs, ASEAN GBS, ASEAN SBS, ASEAN SUS, as well as their recommendation for external review:

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting

<sup>1</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>2</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

<sup>3</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

<sup>4</sup> <https://www.lsta.org/content/green-loan-principles/>

<sup>5</sup> <https://www.lsta.org/content/social-loan-principles-slp/>

<sup>6</sup> <https://www.theacmf.org/images/downloads/pdf/AGBS2018.pdf>

<sup>7</sup> <https://www.theacmf.org/images/downloads/pdf/ASBS2018.pdf>

<sup>8</sup> <https://www.theacmf.org/images/downloads/pdf/ASUS2018.pdf>


Bond(s) and Sukuk issued under this Framework may take the form of public transactions or private placements, in bearer or registered format, and may take the form of senior unsecured or subordinated issuances. Such bonds and any loans entered into under this Framework will be standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the underlying allocated eligible asset exposures.

### 3.1 Use of Proceeds

BTN will allocate an amount at least equivalent to the net proceeds of the Sustainable Financing Instruments issued under this Framework to finance and/or re-finance, in whole or in part, sustainable projects which meet the eligibility criteria of the following Eligible Green and/or Social Project categories (“Eligible Sustainable Projects”), as defined as below.

A maximum 3-year look-back period would apply for refinanced projects and BTN expects each issuance under this framework to be fully allocated within 2 years from the date of issuance. The Bank will, where possible, disclose to investors the expected share of financing versus refinancing for any Sustainable Financing Instrument.

#### Eligible Green Categories

GBP Category	Eligibility Criteria
<p><b>Renewable Energy</b></p> 	<p>Projects related to the production, transmission and distribution, and storage of energy from the following renewable sources (including manufacture of dedicated components for renewable energy):</p> <ul style="list-style-type: none"> <li>• Solar (PV and Concentrated Solar Power with a minimum 85% of power generation derived from solar sources)</li> <li>• Wind energy (including onshore and offshore)</li> <li>• Hydropower, including pumped storage, with either a power density above 5W/m<sup>2</sup> or lifecycle GHG emissions intensity below 100gCO<sub>2</sub>e/kWh</li> <li>• Geothermal, with direct emissions intensity threshold below 100gCO<sub>2</sub>/kWh</li> <li>• Green hydrogen and green ammonia (from electrolysis powered by 100% renewable energy including wind and solar), or with a lifecycle GHG emissions intensity at or below 3kgCO<sub>2</sub>e/kgH<sub>2</sub></li> <li>• Ocean energy (Tidal, wave)</li> </ul>

**Clean Transportation**



Projects related to acquisition, operation and maintenance of zero-direct emission vehicles for passenger and freight transportation, including road and rail transportation that is fully electrified.

Investments and expenditure into construction, maintenance and renovation of dedicated charging infrastructure and battery swapping stations for electric vehicles

**Energy Efficiency**



Projects that reduce energy consumption:

- Investment in components of smart grids (e.g. smart grid meters), energy meters and energy management systems
- Energy efficient equipment for buildings including LED lighting and HVAC infrastructure

*For the avoidance of doubt, improvement activities that result in the lock in of fossil fuel technologies will be excluded*




**Green Buildings**



Projects related to acquisition, development, construction and refurbishment of buildings that belongs to the top 15% in terms of energy efficiency of their local market or have received, or expect to receive based on its design, construction and operational plans, certification according to third-party verified green building standards, including:

- LEED “Gold” or above
- BREEAM “Excellent” or above
- EDGE Certified
- Greenship “Gold” or above

## Eligible Social Categories

GBP Category	Eligibility Criteria
<p><b>Affordable Housing</b></p> 	<p>Financing and/or refinancing of subsidized <i>Kredit Pemilikan Rumah</i> (KPR, or home ownership financing products) under government schemes as well as financing of development and construction of homes covered under such schemes.</p> <p><b>Target Population</b></p> <p>Populations in the low-income category (MBR) which are eligible for the subsidized mortgages. MBR corresponds to monthly income of &lt;IDR8mn (except Papua and Papua Barat), and &lt;IDR10mn (Papua and Papua Barat) in accordance with the applicable regulations</p>
<p><b>Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socio-economic Crises</b></p> 	<p>Financing and/or refinancing of loans to Micro, Small and Medium Enterprises (MSME) and microfinance clients (under the People’s Business Credit (PBR) Scheme), as well as the provision of support measures to these clients such as offering extension of payment periods and exemption of facility fees during natural disasters and pandemics</p> <p><b>Target Population</b></p> <ul style="list-style-type: none"> <li>MSMEs<sup>9</sup></li> <li>PBR<sup>10</sup> borrowers, which include individual debtors and business entities that are considered as non-bankable (i.e., do not meet standard banking requirements)</li> </ul>
<p><b>Affordable Basic Infrastructure</b></p> 	<p>Projects to enhance access to basic infrastructure:</p> <ul style="list-style-type: none"> <li>Drinking water supply system (SPAM projects) which includes water treatment plants and distribution network to improve access to clean drinking water, with the aim of increasing the service coverage ratio for drinking water supply services and reducing reliance on groundwater</li> </ul> <p><b>Target Population</b></p> <p>General Population in areas lacking access to clean drinking water</p>

<sup>9</sup> MSMEs are defined in accordance with Indonesia’s Government Regulation 7 of 2021 (GR 7/2021), which defines MSMEs as follows: (i) Micro enterprises are businesses that have capital of no more than IDR1 billion rupiah and annual sales of no more than IDR2 billion; (ii) Small enterprises are businesses that have capital of more than IDR1 billion and annual sales of more than IDR 2 billion but less than IDR15 billion rupiah; (iii) medium enterprises, they are businesses with a capital of more than 5 billion rupiah and annual sales of more than 15 billion rupiah but less than 50 billion rupiah .

<sup>10</sup> People’s Business Credit (PBR) provides lending or working capital financing and/or investment to individual debtors, business entities, or business groups who are productive and viable, or do not have additional collateral.

## Exclusions Criteria

Proceeds of any Sustainable Financing Instruments will not be allocated to projects within BTN's Exclusion List:

- Oil & Gas (O&G) related exploration, extraction, generation, distribution and transportation
- Military contracting and weapons
- Illegal arms and ammunition, including illegal arms trade;
- Terrorism;
- Alcohol;
- Tobacco;
- The sale and production of narcotics;
- Pornography and prostitution;
- Human rights violations, including human trafficking and child exploitation;
- The trade of endangered animal species;
- Gambling;
- Horse racing;
- Nightclubs, Turkish baths, and massage rooms;
- Actions that violate moral norms;
- New peatland clearing;
- Coal (including coal mining, generation, transportation and distribution);
- Illegal logging activities;
- Other businesses that could harm the environment and disrupt protected areas or world heritage sites; and/or
- Other businesses that do not comply with government and regulatory provisions.

## 3.2 Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that the proceeds of any BTN Sustainable Financing Instrument are allocated to finance or refinance Eligible Sustainable Projects that meet the criteria and objectives set out above in section 2.1, Use of Proceeds.

BTN's Sustainable Finance Working Group (the "SFWG") will be responsible for governing and implementing the initiatives set out in the Framework.

The SFWG is comprised of certain Bank management personnel, including but not limited to representatives from the following departments for the selection and evaluation of the Eligible Sustainable Projects:

- ESG Committee (consists of the Board of Directors)
- Financial Institution Unit
- Enterprise & ESG Risk Management Unit
- Treasury Unit
- Credit Risk Unit

The SFWG will:

- Meet at least once each year to ratify, monitor, and review Eligible Sustainable Projects.
- Ratify Eligible Sustainable Projects, which are initially proposed by the individual Business Units, such as Corporate Banking Unit, Subsidized Mortgage Unit, and SME Banking Unit. The Business Units are responsible for selecting projects by taking into consideration the following requirements: Ensuring the project does not fall under exclusion risks as defined in BTN's guidelines and performing a comprehensive risk assessment, including ESG risks, based on BTN's internal ESG risk management practices.
- Undertake regular monitoring of the asset pool to ensure the eligibility of Sustainable Projects with the criteria set out above in section 2.1, Use of Proceeds, whilst replacing any ineligible Sustainable Projects with new eligible Sustainable Projects.
- Facilitate regular reporting on any Sustainable issuance in alignment with our Reporting commitments.
- Manage any future updates to this Framework.
- Ensure that the approval of Eligible Sustainable Projects will follow the Bank's existing loan approval processes.

BTN has a systematic Evaluation and ESG Risk Assessment process which is laid out by the Enterprise and ESG Risk Management Unit (ERM Unit). The ERM Unit plays a dual role of oversight and guidance, ensuring projects align with BTN's sustainability objectives.

**Creation of ESG Risk Assessment:** The ERM Unit develops the ESG Risk Assessment as a guideline for the Business Unit when evaluating projects.

- **Risk Levels:** Risks are categorized into three levels: Low, Medium and High Risk, with further mitigation actions and detailed mitigation plans required for Medium and High-risk projects.
- **Mitigation Standards:** For medium and high-risk projects, the ERM Unit requires projects to meet BTN's mitigation standards or checklist to ensure risks are properly addressed.

- **Evaluation:** The ERM Unit reviews selected projects to ensure the assessments conducted by the Business Unit align with BTN's internal ESG guidelines and sustainability best practices.

### 3.3 Management of Proceeds

The proceeds of each of BTN's Sustainable Financing Instrument will be deposited in BTN's general funding accounts and earmarked for allocation towards the Eligible Sustainable Projects using the Sustainable Finance Register. The Bank will periodically adjust the balance of the tracked proceeds to match allocation to eligible projects.

The Sustainable Finance Register will contain the following information:

- I. Sustainable Financing Instrument (Bond/Loan etc.) details: pricing date, maturity date, principal amount of proceeds, coupon, ISIN number, etc.
- II. Allocation of Proceeds:
  - a. The Eligible Sustainable Projects List, including for each Eligible Sustainable Project, the Eligible Sustainable Project category, project description, project location, total loan amount, the Bank's loan amount, amount disbursed, settled currency, etc.
  - b. Amount of unallocated Proceeds

Any proceeds temporarily unallocated will be invested according to the Bank's Asset and Liabilities Management (ALMA) Policy, which includes cash or marketable instruments such as government bonds. Unallocated proceeds will also be managed in line with the Exclusion Criteria listed in the Framework.

### 3.4 Reporting

On an annual basis, BTN will publish an allocation report and an impact report on its Eligible Sustainable Projects that have been allocated to each Sustainable Financing Instrument, as detailed below. BTN intends to report on allocations to each Sustainable Financing Instrument at the instrument-level reporting will be updated annually until full allocation of the net proceeds of any Sustainable Financing Instrument issued, or until the Sustainable Financing Instrument is no longer outstanding. Furthermore, additional reports are intended to be produced on a timely basis in case of material developments.

#### 3.4.1 Allocation Reporting

- a. List of eligible Sustainable projects
- b. The amount of Proceeds allocated to each Eligible Sustainable Project category

- c. When possible, descriptions of the Eligible Sustainable Projects financed, such as project locations, amount allocated, etc.
- d. Share of financing vs. refinancing
- e. Selected examples of projects financed
- f. Amount of unallocated Proceeds

### 3.4.2 Impact Reporting

The Bank will provide reporting on the environmental and social benefits of the Eligible Sustainable Projects. Subject to data availability and confidentiality, impact reporting may cover the following impact reporting metrics listed below, and where available, taking reference from the relevant indicators suggested in the ICMA Harmonized Framework for Impact Reporting<sup>11</sup>. In addition, calculation methodologies and key assumptions will be disclosed.

#### Green Project Categories

Eligible Sustainable Project Categories	Impact Reporting Metrics
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>Capacity of renewable energy plant(s) constructed or rehabilitated in MW</li> <li>Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)</li> <li>Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent (where possible)</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>Number and type of clean transportation infrastructure financed</li> <li>Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>Annual energy savings in MWh (electricity) and GJ/TJ (other energy savings)</li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>Type of scheme, certification level</li> <li>Energy efficiency gains in MWh or % versus baseline/building code</li> </ul>

<sup>11</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf>  
<https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/ICMA-Handbook-Harmonised-Framework-for-Impact-Reporting-for-Social-Bonds-September-2024-250924.pdf>



## Social Project Categories

Eligible Sustainable Project Categories	Impact Reporting Metrics
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>• Number of affordable housing units constructed</li> <li>• Number of individuals and families benefiting from affordable housing / subsidized mortgages</li> </ul>
<b>Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises</b>	<ul style="list-style-type: none"> <li>• Number and amount of loans to MSMEs</li> <li>• Number and amount of loans to linkage institutions to be lent to MSMEs</li> <li>• Number of borrowers/ debtors under the People’s Business Credit (PBR)</li> </ul>
<b>Affordable Basic Infrastructure</b>	<ul style="list-style-type: none"> <li>• Number of water infrastructure projects built / upgraded</li> <li>• Number of people provided with access to clean water</li> <li>• Increase in service coverage ratio for drinking water</li> </ul>

## 4. External Review

### 4.1 Second Party Opinion (SPO)

BTN has appointed Sustainable Fitch to assess this Sustainable Finance Framework and its alignment with the GBPs, SBPs, SBGs, GLPs and SLPs and issue a Second Party Opinion accordingly.

The Second Party Opinion will be made publicly available on the Bank’s official website: <https://www.btn.co.id/en/About/ESG/ESG-Framework/Sustainable-Finance-Framework>

### 4.2 Post Issuance External Verification

In order to provide timely and transparent information about the reporting of the funds from Sustainable Financing Instruments issued under this Framework, the Bank intends to engage a third-party reviewer to provide an annual assessment on the alignment of the allocation of funds with the Framework’s criteria.

## 5. Amendments to this Framework

The SFWG will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of the Bank and Sustainable Fitch. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on our website and will replace this Framework.