Sustainable Fitch
a FitchSolutions Company

Banks
Universal Commercial Banks
Indonesia

PT Bank Tabungan Negara (Persero) Tbk

Second-Party Opinion — Sustainable Finance Framework

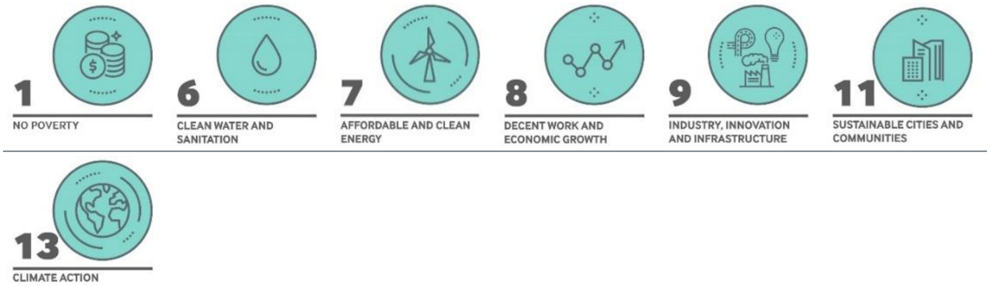
Framework Type	Sustainability
Alignment	✓ Green Bond Principles 2021 (ICMA) ✓ Social Bond Principles 2023 (ICMA) ✓ Sustainability Bond Guidelines 2021 (ICMA) ✓ Green Loan Principles 2023 (LMA/LSTA/APLMA) ✓ Social Loan Principles 2023 (LMA/LSTA/APLMA) ✓ ASEAN Green Bond Standards 2018 (ACMF) ✓ ASEAN Social Bond Standards 2018 (ACMF) ✓ ASEAN Sustainability Bond Standards 2018 (ACMF)
Date assigned	18 February 2025

See Appendix B for definitions.

Excellent ✓ | Good | Aligned | Not Aligned

Pillar	Alignment	Key Drivers
Use of Proceeds	Excellent	• PT Bank Tabungan Negara (Persero) Tbk's (BTN) green use of proceeds (UoP) categories describe projects with clear environmental benefits that contribute to emissions reductions in the energy, transport and real estate sectors. • Its social UoP categories describe projects with clear social benefits, supporting housing for low-income people, job creation and improved access to clean drinking water.
Use of Proceeds – Other Information	Good	• The lookback period for refinancing expenditures is three years, which is in line with standard market practice. • The framework's exclusions list is comprehensive and aligned with the requirements of the ASEAN Green Bond Standards and the ASEAN Social Bond Standards. • The framework does not specify the expected ratio of refinancing to financing; specifying the ratio is recommended by the ICMA, LMA and ASEAN Capital Markets Forum. This information will be provided in the allocation reporting after issuance, which is common market practice.
Evaluation and Selection	Excellent	• The framework clearly defines the evaluation and selection process; it is a multi-layered process involving members with relevant skillsets in treasury and sustainability.
Management of Proceeds	Excellent	• Proceeds will be tracked through a virtual register, with monitoring on an annual basis to remove and replace ineligible projects where necessary. • Unallocated proceeds will be temporarily held in cash or short-term liquid instruments, which is in line with standard market practice.
Reporting and Transparency	Excellent	• Allocation and impact reporting will be provided on an annual basis for each instrument and at least until full allocation. • The allocation of proceeds will be verified by an external party on an annual basis.

Relevant UN Sustainable Development Goals



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Use of Proceeds Summary – ICMA Categories

Green	Renewable energy Clean transportation Energy efficiency Green buildings
Social	Affordable housing Employment generation Affordable basic infrastructure

Source: BTN sustainable finance framework (February 2025)

Framework Highlights

Sustainable Fitch considers transactions under BTN's sustainable finance framework to be aligned with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines from the ICMA; the Green Loan Principles and Social Loan Principles from the LMA, LSTA and APLMA; and the ASEAN Green Bond Standards, Social Bond Standards and Sustainability Bond Standards from the ASEAN Capital Markets Forum (collectively, "sustainable finance principles"). BTN's sustainable finance framework sets out its standards for financing and refinancing eligible green and social projects through green and social bonds, loans and other debt financing instruments.

Proceeds from instruments issued under this framework are aligned with the green and social project categories recommended by the sustainable finance principles and listed in the "Use of Proceeds Summary – ICMA Categories" table.

Issuances from the framework will contribute to BTN's target for sustainable product offerings in its five-year ESG roadmap, to launch IDR3 trillion in green or social bonds by 2028, as well as to its commitment to support Indonesia's climate ambitions to reach net zero by 2060.

We expect the eligible green and social projects to have clear and direct environmental and social benefits.

The green UoP categories describe projects that contribute to emissions reductions in the energy, transport and real estate sectors. Buildings with the certifications eligible under the green buildings UoP criteria also promote sustainable practices such as energy conservation, water savings and waste management.

The affordable housing UoP describes projects that will support Indonesia's national housing programme to address housing deficits in the low-income segment. The employment generation UoP finances loans to micro-, small- and medium-sized enterprises (MSMEs), supporting job creation and economic growth across various sectors. The affordable basic infrastructure UoP describes projects that will expand the service coverage ratio of drinking water supply systems in Jakarta, supporting the provincial target to reach 100% coverage by 2030.

The framework has a comprehensive exclusions list that prevents proceeds, including unallocated proceeds, from financing environmentally and socially harmful activities. The exclusion of activities related to fossil fuel generation, alcohol, tobacco, gambling and weapons aligns with the requirements of the ASEAN Green Bond Standards and the ASEAN Social Bond Standards.

The ICMA recommends that eligible projects are clearly described in the legal documentation for transactions. We have only reviewed the sustainable finance framework for this Second-Party Opinion and have not reviewed any transaction legal documents or marketing materials.

Source: Sustainable Fitch, BTN sustainable finance framework (February 2025)

Entity Highlights

BTN is a state-owned bank in Indonesia, with the government holding a 60% stake and the remaining 40% being owned by domestic and foreign public investors. BTN was the fifth largest bank in the country by total assets at end-2024, amounting to IDR470 trillion (USD30.5 billion). BTN dominates the Indonesian mortgage market, with a share of 39% of Kredit Pemilikan Rumah (KPR; Indonesian housing loans for home ownership) loans and 83% of the subsidised

KPR loans that target low-income households in Indonesia. BTN projects that its total assets will reach IDR500 trillion (USD 32.4 billion) by end-2025. The bank operates 742 offices nationwide and employs 12,847 people.

The bank classifies its main business segments into conventional (consumer and commercial) and sharia, both of which primarily focus on offering housing loans. Housing loans made up about 85% of its total financing at the consolidated level as of end-2024, encompassing both the conventional and sharia segments.

Housing financing accounted for about 93% of its total sharia financing within the sharia business unit. Subsidised mortgages are a significant part of its business, comprising 57% of total housing loans at the consolidated level. In addition to housing loans, the bank provides MSME loans, including those backed by commercial property, as well as other sharia-compliant working capital and investment financing products. BTN plans to adjust the share of its housing to non-housing financing to 80:20 by 2029.

In 2023, BTN became a signatory to the UN Environment Programme – Finance Initiative and joined the UN Principles for Responsible Banking (UN PRB) initiative, indicating a commitment to aligning its business with the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement. BTN has integrated ESG principles across its business activities and operations to meet this commitment, by developing a comprehensive ESG framework and strategy.

The ESG framework covers sustainable finance, climate change risk management, the value chain, community engagement and governance. BTN has outlined a five-year ESG roadmap for 2023–2028, featuring 10 priority initiatives to support this framework. These initiatives include implementing sustainable bank operations and procurement programmes; expanding portfolio coverage for climate risk stress testing; and increasing the share of sustainable products and loans such as green and social bonds, green mortgages and SME loans. BTN has also established a long-term strategy to improve its contribution to the government-subsidised KPR programme, although it does not publicly disclose specific targets or trajectories.

BTN discloses its non-financial information in line with international reporting standards, such as the Global Reporting Initiative standards. The bank also began calculating financed emissions in 2023, focusing on sectors such as construction, energy, transportation, and industrial process and production use, though it has not set a specific reduction target for financed emissions. BTN has committed to increasing its sustainable loans by at least 20% in sectors designated by the Indonesian Financial Services Authority as sustainable, as well as in green mortgages. The bank also aims to achieve a minimum of 30% reduction in GHG emissions in its operations over the next five years.

BTN prioritises certain sectors to integrate ESG aspects into its lending policy. These sectors include clean transportation and logistics, healthcare and education services, residential properties and renewable energy.

Source: Sustainable Fitch, BTN annual report 2023, BTN sustainability report 2023

Use of Proceeds – Eligible Projects	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
Renewable energy	
• This UoP covers financing of projects related to production, transmission, distribution and storage of energy from solar, wind, hydropower, geothermal and ocean sources, as well as projects involving green hydrogen and green ammonia. • Solar energy projects include PV and concentrated solar power, with the latter requiring at least 85% solar-derived sources. • Hydropower projects, including pumped storage, are required to have a power density over 5W/sqm or life-cycle GHG emissions below 100gCO_2e/kWh. • Geothermal projects are required to have direct emissions below 100gCO_2/kWh. • Green hydrogen and ammonia are produced via electrolysis using 100% renewable energy, or with life-cycle GHG emissions capped at 3kgCO_2e per kg of hydrogen (kgH_2).	• We consider this UoP to be aligned with the renewable energy category of the sustainable finance principles. • Investments in renewable energy contribute to SDG 7 (affordable and clean energy), especially as coal is the main source of energy in Indonesia, accounting for 71% of the local energy mix, while renewable energy accounts for about 23%, according to the International Energy Agency. • We view the solar, wind, ocean energy and hydropower projects to make significant and direct contributions to climate change mitigation. These projects are aligned with the relevant EU taxonomy substantial contribution criteria (SCC). • The concentrated solar power systems align with the Climate Bonds Initiative (CBI) taxonomy; however, the 15% provision for non-solar energy sources may reduce their contribution to climate change mitigation, as backup power could be derived from fossil fuels or non-green sources. • We consider the geothermal projects as aligning with the CBI taxonomy technical criteria of having direct GHG emissions below 100gCO_2/kWh. • Green hydrogen and green ammonia projects provide sustainable energy and reduce fossil fuel dependence. Projects that have emissions below 3kgCO_2e/kgH_2 are aligned with the CBI taxonomy technical criteria. • Science-based taxonomies also require significant life-cycle GHG emissions savings, eg the EU taxonomy requires savings of at least 73.4% over conventional processes, as well as independent third-party verification of the emissions.
Clean transportation	
• This UoP covers financing for projects related to zero-direct emissions vehicles for passenger and freight transportation, including road and fully electrified rail transportation. • Projects include investments and expenditure on the construction, maintenance and renovation of charging infrastructure and battery-swapping stations for electric vehicles.	• We consider this UoP to be aligned with the clean transportation category of the sustainable finance principles. • The Indonesian Ministry of Energy and Mineral Resources reports that the transportation sector requires the second-highest energy consumption, accounting for about 37% of total energy demand in 2023 in Indonesia. A significant part of this is from fossil fuel-based transportation, which accounts for over 99% of total transportation. • The government has set regulations to reduce dependency on fossil fuel-based transportation by promoting incentives for local manufacturers to increase adoption of electric vehicles; it also aims to expand deployment of charging infrastructure. • Investment in zero-direct emissions transportation and its related infrastructure contributes to a low-carbon economy and improves urban resilience by reducing GHG emissions and decreasing reliance on fossil fuels. These investments support SDG 11 (sustainable cities and communities). • The financing of zero-direct emissions vehicles, electric vehicle charging and battery-swapping stations is eligible in international taxonomies and in particular aligns with the EU taxonomy SCC for climate change mitigation. • Electrified rail systems encourage the use of mass transit over personal vehicles, thereby contributing to reducing GHG emissions. These are also aligned with the EU taxonomy SCC for climate change mitigation.

Energy efficiency

- This UoP includes the following:
  - investments in components of smart grids (eg smart meters), energy meters and energy management systems; and
  - energy-efficient equipment for buildings, such as LED lighting and heating, ventilation and air-conditioning systems.

- We consider this UoP to be aligned with the energy efficiency category of the sustainable finance principles.
- Funding energy-efficiency technologies contributes to SDGs 7 and 9 (industry, innovation and infrastructure), as they can help make industries more sustainable by reducing GHG emissions.
- Smart meters are eligible under the EU taxonomy. We expect investments in smart meters to improve distribution efficiency of the energy grid by enabling the monitoring of real-time energy data and helping to stabilise electricity supply from high-variability renewable sources such as solar and wind.
- We understand from the issuer that investments in energy meters and energy management systems are intended to improve energy efficiency in buildings. We view these investments as aligned with the EU taxonomy SCC for climate change mitigation.
- We expect that energy-efficient equipment for buildings, such as LED lighting and heating, ventilation and air conditioning systems, will help reduce energy consumption and thereby potentially contribute to decreasing GHG emissions from buildings.

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9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Green buildings

- Projects related to acquisition, development, construction and refurbishment of buildings that belong to the top 15% of their local market in terms of energy efficiency, or have received, or are expect to receive based on their 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; or
  - Greenship Gold or above.

- We consider this UoP to be aligned with the green buildings category of the sustainable finance principles.
- The Climate Policy Initiative reports the building sector accounted for 23% of Indonesia's total energy consumption in 2021, and projects it will reach 40% in 2030. This makes development and renovations to improve energy consumption and resource use in the real estate crucial for reducing emissions. This supports SDGs 7, 11 and 13 (climate action).
- We understand from engagement with BTN that financing allocated to refurbishment projects will be limited to projects that enable existing buildings that have not yet met the eligibility criteria requirements to do so.
- Acquisition, development and refurbishment of buildings to meet specific environmental criteria under recognised green building certifications promotes sustainable practices in areas such as energy performance, water use and waste reduction, which aligns with international and national standards.
- Acquisition, development and refurbishment of buildings to be in the top 15% of the local building stock is an ambitious benchmark to finance best-in-class buildings in terms of energy efficiency.
- We understand from engagement with BTN that the energy efficiency will be measured through common industry metrics such as primary energy demand. This eligibility criterion is similar to the operational primary energy demand requirements used by science-based taxonomies such as the EU taxonomy for acquisitions of existing buildings.
- For the acquisition and development of new buildings, the EU taxonomy SCC reference nearly zero-energy building standards, which are regulatory standards common in more advanced markets in terms of green building developments. Indonesia does not yet have such standards, so we are unable to compare and assess the alignment of the eligibility criteria for this UoP criteria with the EU taxonomy.

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13 CLIMATE ACTION

Affordable housing

- This UoP covers the financing and refinancing of subsidised KPR under government schemes as well as financing of development and construction of homes covered under such schemes.
- It targets populations in the low-income category, (referred to as Masyarakat Berpenghasilan Rendah) that are eligible for the subsidised mortgages. This corresponds to households with a monthly income below IDR8 million (except in Papua and Papua Barat), and below IDR10 million in Papua and Papua Barat, in accordance with the applicable regulations.

- We consider this UoP to be aligned with the affordable housing category of the sustainable finance principles.
- Providing subsidised housing loans and financing the development of such homes both enable home ownership for low-income households, allowing individuals to have a safe and stable place to live and contributing to improved housing security. This supports SDGs 1 (no poverty) and 11.
- Subsidised housing loans are administered by BTN through various government schemes, including the housing financing liquidity facility programme, the Three Million Houses Programme and the Tapera programmes. These all aim to address housing deficits in Indonesia, and have features such as subsidised down-payments and transparent, fixed interest rates for borrowers.
- All housing units supported by these schemes are equipped with basic sanitation facilities. Electricity subscription rates are also offered to occupants at subsidised rates under government-regulated schemes, which increases affordability.
- These schemes target households with a monthly income below IDR8 million, except in Papua and Papua Barat, where the threshold is IDR10 million. BTN indicates this aligns with the focus populations that the Indonesian government identified as having the most pressing housing needs in the country, specifically populations with a household income below IDR8.5 million. As such, we consider the UoP to benefit target low-income populations that require support for basic housing needs.

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Employment generation, and programmes designed to prevent and/or alleviate unemployment from socio-economic crises

- This UoP covers the financing and refinancing of loans to MSMEs and microfinance clients (under the people's business credit scheme), as well as the provision of support measures to these clients, such as extensions of payment periods and exemption of facility fees during natural disasters and pandemics.
- It targets MSMEs and people's business credit borrowers, which include individual debtors and business entities that are considered as non-bankable (ie do not meet standard banking requirements).
- The people's business credit provides lending or working capital financing or investments to individual debtors, business entities or business groups that are productive and viable, or do not have additional collateral.
- MSMEs are defined in accordance with Indonesia's Government Regulation 7 of 2021 (GR 7/2021), which defines MSMEs as follows:
  - micro enterprises are businesses that have capital of no more than IDR1 billion and annual sales of no more than IDR2 billion;
  - small enterprises are businesses that have capital of more than IDR1 billion and annual sales of more than IDR2 billion but less than IDR15 billion; and
  - medium enterprises are businesses with capital of more than IDR5 billion and annual sales of more than IDR15 billion but less than IDR50 billion.

- We consider this UoP to be aligned with the employment generation category of the sustainable finance principles.
- We understand from engagement with BTN that loan products financed under this UoP refer to SME credit products offered by its sharia banking segment, and to MSME credit products and people business credit products offered by its conventional banking segment. The share of borrowers, based on the number of accounts at end-2024, indicates that about 49% of BTN's borrowers for these products were SMEs.
- Indonesia has about 64 million MSMEs, which collectively contributed to 62% of the nation's GDP and 97% of employment in 2023, according to data from the Indonesian Coordinating Ministry for Economic Affairs.
- Providing MSMEs access to credit promotes economic growth and job creation across various sectors, supporting SDGs 8 (decent work and economic growth) and 9.
- The remaining 51% of borrowers were micro-enterprises. Micro-enterprises represent a more vulnerable group of borrowers that are more likely to be under-served by financial services due to their smaller scale of operations and working capital.
- These borrowers mainly receive loans under the people business credit product, which is regulated by the Indonesian Coordinating Ministry for Economic Affairs. This product has a fixed interest rate and credit limits based on income levels, which we view positively as it helps ensure responsible lending practices that limit potential risks of over-indebtedness.

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9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Affordable basic infrastructure		
• This UoP covers projects to enhance access to basic infrastructure, specifically to drinking water supply system projects, which include water treatment plants and distribution networks to improve access to clean drinking water. These aim to increase the service coverage ratio for drinking water supply services and reduce reliance on groundwater. • It targets the general population in areas lacking access to clean drinking water.	• We consider this UoP to be aligned with the affordable basic infrastructure category of the sustainable finance principles. • Corporate loans to support drinking water supply system projects increases the accessibility and availability of drinking water resources, contributing to SDG 6 (clean water and sanitation). Access to clean drinking water is an internationally recognised human right. • Projects financed under this UoP cover drinking water supply systems in Jakarta under the Governor Regulation (PERGUB) No. 7/2022, according to information obtained during internal engagement with BTN. These projects aim to support the provincial government's target to increase the service coverage ratio of drinking water systems to 100% by 2030, from 66% in 2022. As such, the projects will serve target populations in areas that do not yet have adequate access to safe drinking water. • An example of an eligible project under this UoP is the Jatiluhur Project, which aims to develop water treatment plants to process surface water for consumption to increase drinking water service coverage ratio in Jakarta. The project also aims to reduce reliance on groundwater resources, which is associated with land subsidence issues in the region.	
Source: BTN sustainable finance framework (February 2025)	Source: Sustainable Fitch, Climate Policy Initiative, Indonesia Coordinating Ministry for Economic Affairs, Indonesia Ministry of Energy and Mineral Resources, International Energy Agency, World Resources Institute	

Use of Proceeds – Other Information	Alignment: Good
Company Material	**Sustainable Fitch's View**
• A maximum three-year lookback period would apply for refinanced projects; BTN expects each issuance under this framework to be fully allocated within two years from the date of issuance. • BTN will, where possible, disclose to investors the expected share of financing versus refinancing for any sustainable financing instrument. • Proceeds of any sustainable financing instruments will not be allocated to projects within BTN's exclusion list, covering: – oil and gas-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 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.	• The framework does not specify the expected ratio of refinancing to financing. We view a higher share of new financing to have greater additionality, and therefore to be more aligned with best practice. BTN has a soft commitment to disclose the share of new financing and refinancing to investors, subject to information availability; having a full commitment to disclose this information is recommended by the sustainable finance principles. • BTN has disclosed the maximum lookback period to be three years, which is in line with market practice. Disclosing the intended lookback period is aligned with the recommendations of the sustainable finance principles. • BTN has a comprehensive exclusions list that prevents issuances under the framework from financing controversial sectors with negative environmental and social impact. The exclusions are aligned with the ASEAN Green Bond Standards and Social Bond Standards, which require green bonds to have exclusions for fossil fuel power generation and social bonds to have exclusions for alcohol, gambling, tobacco and weaponry.
Source: BTN sustainable finance framework (February 2025)	Source: Sustainable Fitch

Evaluation and Selection	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
• BTN's sustainable finance working group (SFWG) will be responsible for governing and implementing the initiatives set out in the framework. The SFWG comprises certain bank management personnel, including representatives from the following departments for the selection and evaluation of the eligible sustainable projects: ESG committee (includes members from the board of directors), financial institution unit, enterprise and ESG risk management unit, treasury unit and credit risk unit. • The SFWG will meet at least once each year, to ratify, monitor and review eligible sustainable projects, which are initially proposed by individual business units such as the corporate banking unit, subsidised 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; – undertaking regular monitoring of the asset pool to ensure the eligibility of sustainable projects with the eligibility criteria, while replacing any ineligible sustainable projects with new eligible sustainable projects;	• We consider the project evaluation and selection process that is described in the framework to be clearly defined, in line with the requirements of the sustainable finance principles. • BTN has a multi-layer process with a segregation of responsibilities between the teams that select and approve the projects, which increases accountability. The business units administering the loans are responsible for initial project selection, while the SFWG, comprising representatives from the treasury and sustainability functions as well as the board-level ESG committee, is responsible for approving the projects for financing. • The SFWG includes members with sustainability expertise, from the ESG committee and the enterprise and ESG risk management units. In particular, the enterprise and ESG risk management unit is responsible for developing BTN's ESG risk assessment process; its involvement and oversight ensures that the selected projects are aligned with BTN's internal ESG risk assessment guidelines. We consider this to be in line with best practice.

Evaluation and Selection	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
– facilitating regular reporting on any sustainable issuance in alignment with BTN's reporting commitments; – managing any future updates to the sustainable finance framework; and – ensuring that the approval of eligible sustainable projects follow BTN's existing loan approval processes. • BTN has a systematic evaluation and ESG risk assessment process that is laid out by the enterprise and ESG risk management unit. The unit plays a dual role of oversight and guidance, ensuring projects align with BTN's sustainability objectives.	
Source: BTN sustainable finance framework (February 2025)	Source: Sustainable Fitch

Management of Proceeds	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
• The proceeds of each of BTN's sustainable financing instruments will be deposited in BTN's general funding accounts and earmarked for allocation to eligible sustainable projects using the sustainable finance register. BTN will periodically adjust the balance of the tracked proceeds to match allocation to eligible projects. • The sustainable finance register will contain the following information: – details on the sustainable financing instrument details, including pricing date, maturity date, principal amount of proceeds, coupon and ISIN number; – details on the allocation of proceeds, including the eligible sustainable projects list, and, for each project, the eligible sustainable project category, project description, project location, total loan amount, BTN's loan amount, amount disbursed, settled currency, etc; and – the amount of unallocated proceeds. • Any proceeds that are temporarily unallocated will be invested according to BTN's asset and liabilities management policy, which includes cash or marketable instruments such as government bonds. • Unallocated proceeds will be managed in line with the exclusion criteria listed in the framework.	• We consider the management of proceeds, as described in the framework, to be in line with the requirements of the sustainable finance principles. • The use of a virtual register to earmark and track the allocation of proceeds is common market practice. A higher degree of segregation of proceeds, for instance, by using a dedicated bank account, would provide greater assurance that the proceeds will be used in line with the framework and not be commingled with other general-purpose funds. • Temporarily unallocated proceeds will be held in cash or invested in short-term liquid instruments, which is common market practice. We consider investing unallocated funds in instruments that align with the sustainability goals of the framework to be best practice, as this would ensure unallocated proceeds support positive environmental and social outcomes. • We understand from the issuer that the individual business units that proposed the eligible projects will monitor the allocated projects on an annual basis, and that projects that no longer meet eligibility criteria will be replaced with new projects.
Source: BTN sustainable finance framework (February 2025)	Source: Sustainable Fitch

Reporting and Transparency	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
• 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. 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. • Allocation reporting will include: – the list of eligible sustainable projects; – the amount of proceeds allocated to each eligible sustainable project category; – when possible, descriptions of the eligible sustainable projects financed, such as project locations and amount allocated; – the share of financing versus refinancing; – selected examples of projects financed; and	• We consider the reporting and verification commitments described in the framework to be in line with the requirements of the sustainable finance principles. • BTN will provide allocation and impact reporting on an annual basis and at least until full allocation of proceeds for each sustainable financing instrument issued under the framework. • Information obtained during internal engagement with the issuer indicates it will provide allocation reporting at the sub-category level for each sustainable financing instrument where applicable. The amount of unallocated proceeds will be disclosed for each sustainable financing instrument; this is common market practice. • Some project-level information, such as case study examples and geographical location, may be provided subject to information availability. We view best practice to be providing project-level allocation information where possible, as it provides the highest level of transparency to investors. • Information obtained during internal engagement with the issuer indicates it will also provide impact reporting at the sub-category level for each sustainable financing instrument where applicable. For

– the amount of unallocated proceeds. • BTN 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 impact reporting metrics listed in the framework. In addition, calculation methodologies and key assumptions will be disclosed. • In order to provide timely and transparent information about the reporting of the funds from sustainable financing instruments issued under the framework, BTN 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.	example, it will report impact indicators for each type of renewable energy source financed under the renewable energy UoP. We consider project-level impact reporting as best practice, as it provides the highest level of transparency to investors. • The impact indicators listed in the framework are specific and measurable. We view positively that BTN has committed to align the reporting of its impact indicators, on a best-efforts basis, with the reporting guidelines in the ICMA Handbook – Harmonised Framework for Impact Reporting. • Obtaining external verification on the allocation of proceeds on an annual basis is a common market practice that meets the recommendations of the sustainable finance principles. In addition to verifying the allocation of funds, we consider having technical verification of impact data to be best practice, as it provides assurance on the measurement and reporting of environmental and social impact.
Source: BTN sustainable finance framework (February 2025)	Source: Sustainable Fitch

Relevant UN Sustainable Development Goals

- **1.4:** By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

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- **6.4:** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

6 CLEAN WATER AND SANITATION

- **7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix.
- **7.3:** By 2030, double the global rate of improvement in energy efficiency.

7 AFFORDABLE AND CLEAN ENERGY

- **8.3:** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
- **8.10:** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

8 DECENT WORK AND ECONOMIC GROWTH

- **9.3:** Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.
- **9.4:** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- **11.1:** By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
- **11.2:** By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
- **11.3:** By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

11 SUSTAINABLE CITIES AND COMMUNITIES

- **13.2:** Integrate climate change measures into national policies, strategies and planning.

13 CLIMATE ACTION

Source: Sustainable Fitch, UN

Appendix A: Principles and Guidelines

Type of Instrument: Sustainability

Four Pillars	
1) Use of Proceeds (UoP)	Yes
2) Project Evaluation & Selection	Yes
3) Management of Proceeds	Yes
4) Reporting	Yes

Independent External Review Provider	
Second-party opinion	Yes
Verification	Yes
Certification	No
Scoring/Rating	No
Other	n.a.

1) Use of Proceeds (UoP) – based on expected or actual instrument allocation

UoP as per Green Bond Principles (GBP)	
Renewable energy	Yes
Energy efficiency	Yes
Pollution prevention and control	No
Environmentally sustainable management of living natural resources and land use	No
Terrestrial and aquatic biodiversity conservation	No
Clean transportation	Yes
Sustainable water and wastewater management	No
Climate change adaptation	No
Certified eco-efficient and/or circular economy adapted products, production technologies and processes	No
Green buildings	Yes
Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP	No
Other	n.a.

Use of Proceeds as per Social Bond Principles (SBP)	
Affordable basic infrastructure	Yes
Access to essential services	No
Affordable housing	Yes
Employment generation (through SME financing and microfinancing)	Yes
Food security	No
Socioeconomic advancement and empowerment	No
Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP	No
Other	n.a.

Target Populations	
Living below the poverty line	No
Excluded and/or marginalised populations and /or communities	Yes
People with disabilities	No
Migrants and/or displaced persons	No
Undereducated	No

Type of Instrument: Sustainability

Under-served, owing to a lack of quality access to essential goods and services	Yes
Unemployed and/or workers affected by climate transition	No
Women and/or sexual and gender minorities	No
Aging populations and vulnerable youth	No
Other vulnerable groups, including as a result of natural disasters, climate change, and/or climate transition projects that cause or exacerbate socioeconomic inequity	n.a.
Other	MSMEs.

2) Project Evaluation & Selection	n.a.
Evaluation & Selection	
Credentials on the issuer's social and green objectives	Yes
Documented process to determine that projects fit within defined categories	Yes
Defined and transparent criteria for projects eligible for sustainability bond proceeds	Yes
Documented process to identify and manage potential ESG risks associated with the project	Yes
Summary criteria for project evaluation and selection publicly available	Yes
Other	n.a.

Evaluation & Selection/Responsibility & Accountability	
Evaluation/selection criteria subject to external advice or verification	No
In-house assessment	Yes
Other	n.a.

3) Management of Proceeds	
Tracking of Proceeds	
Sustainability bond proceeds segregated or tracked by the issuer in an appropriate manner	Yes
Disclosure of intended types of temporary investment instruments for unallocated proceeds	Yes
Other	n.a.

Additional Disclosure	
Allocations to future investments only	No
Allocations to both existing and future investments	Yes
Allocation to individual disbursements	Yes
Allocation to a portfolio of disbursements	No
Disclosure of portfolio balance of unallocated proceeds	Yes
Other	n.a.

4) Reporting	
UoP Reporting	
Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual bond(s)	Yes
Other	Sub-category level where applicable.

UoP Reporting/Information Reported	
Allocated amounts	Yes
Sustainability bond-financed share of total investment	No
Other	n.a.

Type of Instrument: Sustainability

UoP Reporting/Frequency	
Annual	Yes
Semi-annual	No
Other	n.a.

Impact Reporting	
Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual bond(s)	Yes
Other	Sub-category level where applicable.

Impact Reporting/Information Reported (exp. ex-post)	
GHG emissions/savings	Yes
Energy savings	Yes
Decrease in water use	No
Number of beneficiaries	Yes
Target populations	Yes
Other ESG indicators	Number of housing units constructed and beneficiaries; number of MSME loans; and number of water infrastructure projects built or upgraded. The framework includes a full list.

Impact Reporting/Frequency	
Annual	Yes
Semi-annual	No
Other	n.a.

Means of Disclosure	
Information published in financial report	No
Information published in ad hoc documents	Yes
Information published in sustainability report	No
Reporting reviewed	Yes
Other	n.a.

Source: Sustainable Fitch, ICMA
Note: n.a. – not applicable.

Appendix B: Definitions

Term	Definition
Debt types	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability-linked Bond Principles or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.
Standards	
ICMA	International Capital Market Association. In the Second-Party Opinion we refer to alignment with ICMA's Bond Principles: a series of principles and guidelines for green, social, sustainability and sustainability-linked bonds.
LMA, LSTA and APLMA	Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). In the Second-Party Opinion we refer to alignment with Sustainable Finance Loan Principles: a series of principles and guidelines for green, social and sustainability-linked loans.
EU Green Bond Standard	A set of voluntary standards created by the EU to "enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market".

Source: Sustainable Fitch, ICMA, UN, EU Technical Expert Group

Appendix C: Second-Party Opinion Methodology

Second-Party Opinion

Second-Party Opinions (SPO) are a way for issuers to obtain an independent external review on their green, social, sustainability and sustainability-linked instruments.

As per the ICMA Guidelines for External Reviewers, an SPO entails an assessment of the alignment of the issuer's green, social, sustainability or sustainability-linked bond or loan issuance, framework or programme with the relevant principles. For these purposes, "alignment" should refer to all core components of the relevant principles.

Sustainable Fitch analysts vary the analysis based on the type of instruments, to consider whether there are defined uses of proceeds or KPIs and sustainability performance targets. The analysis is done on a standalone basis, separate to the entity.

Analytical Process

The analysis considers all available relevant information (ESG and financial). The reports transparently display the sources of information analysed for each section and provide a line-by-line commentary on the sub-factors analysed. The ESG analysts working on an SPO will also engage directly with the issuer to acquire any additional relevant information not already in the public domain or in instrument-related documentation.

An important part of the analysis is the assessment of the E and S aspects of the use of proceeds. In addition to the alignment with ICMA Principle and Guidelines, the analysis may also refer to major taxonomies (eg the EU taxonomy for E aspects, and the UN Sustainable Development Goals for S aspects).

Once the analyst has completed the analysis, with commentary for the related SPO, it is submitted to the approval committee, which reviews it for accuracy and consistency. Based on issuer preference and mandate, an SPO can be monitored (annually or more frequently, if new information becomes available) or on a point-in-time basis.

Scale and Definitions

	ESG Framework
Excellent	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet excellent levels of rigour and transparency in all respects and are well in excess of the standards commonly followed by the market.
Good	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet good levels of rigour and transparency; in some instances, they go beyond the standards commonly followed by the market.
Aligned	Sustainable finance framework and/or debt instrument structure is aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet the minimum standards in terms of rigour and transparency commonly followed by the market.
Not Aligned	Sustainable finance framework and/or debt instrument structure is not aligned to relevant core international principles and guidelines. Practices inherent to the structure fall short of common market practice.

Source: Sustainable Fitch

SOLICITATION STATUS

The Second-Party Opinion was solicited and assigned or maintained by Sustainable Fitch at the request of the entity.

A Sustainable Fitch ESG Analytical Product (ESG Product) provides an assessment of the Environmental, Social and/or Governance ("E", "S" and "G") qualities of an issuer and/or its securities. ESG Products include without limitation ESG ratings, ESG scores, ESG second-party opinions and other ESG assessments and data-related products, among other ESG Products. An ESG Product is not a credit rating. ESG Products are provided by Sustainable Fitch, a Fitch Solutions company, and an affiliate of Fitch Ratings. Sustainable Fitch has established specific policies and procedures intended to avoid creating conflicts of interest and compromising the independence or integrity of Fitch Ratings' credit rating activities and Sustainable Fitch's ESG Product generation activities. For a description of the methodology, limitations and disclaimers relating to Sustainable Fitch's ESG Products, please use this link: www.sustainablefitch.com.

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