

## CLIMATE CHANGE RISKS AND OPPORTUNITIES

Climate change can have a significant impact on the banking sector. One of impacts is the increased risk of debt repayment failure by debtors whose business sectors are directly affected by climate change such as agriculture, forestry and tourism. To that end, the company must determine certain conditions related to the environment before distributing credit so as not to provide funds to developers who will use them for projects or activities that are detrimental to the environment. This is essential for the company to avoid risks related to financing projects or activities that hurt the environment.

The company has carried out mapping of risks and opportunities caused by climate change in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures. The company has also identified the financial impacts resulting from the risks and opportunities of climate change. [TCFD Gov.b]

The following are the risks and opportunities of climate change mapped by the company. [GRI 201-2] [FS10, FS11] [TCFD Stratg.a,b] [TCFD Risk.a, b, c]

Description	Risk 1	Risk 2	Risk 3
Type of Risk	Reputation	Technology	Market
Risk Trigger	Regulation and supervision of climate-related risks in the financial sector.	Failure in new technology investments.	Inability to attract funds and/or investors due to uncertain risks related to climate.
Risk Explanation	Reputational risk is the presence of demands from the public, media, and the government for not complying with the prevailing regulations.	Technology risk where there is the possibility of failure in high-cost digital banking technology investments.	Risks related to a drop in competitiveness, a drop in potential green bond buyers.
Major Financial Impact	Increased indirect (operating) costs.	Increased capital expenditure.	Drop in competitiveness and potential bond buyers, and the possibility of withdrawal of funds by investors.

Description	Risk 4	Risk 5	Risk 6
Type of Risk	Acute Physical	Chronic Physical	Regulations that Emerge
Risk Trigger	Worsen severity and higher frequency of extreme weather events such as hurricanes and floods.	Rising sea levels.	Regulation and supervision of climate-related risks in the financial sector.
Risk Explanation	Acute physical/systemic risks are caused by active volcanic eruptions, frequent cases of earthquakes, floods, tornadoes and landslides.	Risks related to extreme weather changes such as long dry seasons or prolonged rainy seasons.	One of the Indonesian government's efforts to achieve the emission contribution targets set nationally is through Presidential Regulation Number 98 of 2021 on the Implementation of Carbon Economic Value for Achieving Nationally Determined Contribution Targets and Controlling Greenhouse Gas Emissions in the National Development.
Major Financial Impact	Decreased income due to reduced production capacity/debtor income.	Increased lending risk.	Increased lending risk.

Description	Opportunity 1	Opportunity 2	Opportunity 3
Type of Opportunity	Market	Energy Source	Goods and Service
Opportunity Trigger	Improved ranking by sustainability/ESG index.	Use of energy sources with lower emissions.	Development of low-emission goods and services.
Major Financial Impact	Increased capital expenditure.	Reduction of indirect (operational) costs.	Increased revenue resulting from increased demand for products and services.
Opportunity Explanation	The company has developed a framework, a strategy and a roadmap to strengthen ESG implementation which can have a positive impact on BTN's ESG rating.	The company has implemented a green office and started using electric vehicles in operational activities.	The company continues to strive and ensure that the existing IT system is well planned and can adapt to the needs and direction of business development (IT as business enabler) in terms of product and service development as well as digitalization of business processes.

Description	Opportunity 4	Opportunity 5
Type of Opportunity	Goods and Service	Goods and Service
Opportunity Trigger	Changes in customer preferences.	Development of low-emission goods and services.
Opportunity Explanation	Issuance of financing instruments that support ESG aspects in the forms of sustainability loans and sustainability-linked loans.	Home Ownership Credit (KPR) products that care about the environment and climate change will attract debtors and improve the company's reputation.
Major Financial Impact	Increased revenue resulting from increased demand for products and services.	Increased revenue resulting from increased demand for products and services.



## GOTONG ROYONG BOYONG POHON CAMPAIGN

BTN reinforces its commitment to play an active role in improving the quality of life of the community and supporting economic growth by considering aspects of education, health and environmental preservation. In line with this commitment, BTN participated in the Gotong Royong Boyong Pohon campaign, which was initiated by Ministry of State-Owned Enterprises. This commitment reflects the company's seriousness in maintaining environmental sustainability and making concrete contributions to overcoming the impacts of climate change. In addition, this commitment is also in line with SDGs Goal 13 of Addressing Climate Change, and Goal 15 of Protecting Land Ecosystems. [OJK F.1]

