

**Banks' Policy Assessment 2022**

# Tracking Progress on Sustainable Finance in Indonesia

2022

The background of the entire page is a vibrant, futuristic cityscape. In the foreground, there are lush green fields and a large, stylized globe-like structure composed of intricate, colorful patterns. In the mid-ground, a modern city with glass skyscrapers and a prominent wind turbine is visible. The sky is a clear, bright blue with some light clouds. The overall aesthetic is clean, modern, and focused on sustainability and technology.

**Report Banks' Policy Assessment 2022:  
Tracking Progress on Sustainable Finance in Indonesia**

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**P R A K A R S A**  
Welfare Initiative for Better Societies

**2022**

## **Bank Rankings Report 2022: Tracking Progress on Sustainable Finance in Indonesia**

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### **Disclaimer:**

This paper was prepared as part of an effort to encourage sustainable development, one of which is by providing an evidence base that can be used to advocate for sustainable finance policies. This study is the result of a collaboration with the ResponsiBank Indonesia Coalition. The contents of this book are fully the responsibility of the author. This research received funding from FFA – SIDA, Swedish Embassy in Bangkok.

## ResponsiBank Indonesia Coalition

The ResponsiBank Indonesia Coalition is a group of civil society organizations in Indonesia that are active in promoting the responsibility of the financial industry in Indonesia on social, environmental, and governance aspects to encourage the implementation of sustainable finance. As a party that has an intermediary role in collecting public funds through savings and investment and channeling them back through credit and investment, the financial industry, especially the banking sector, cannot only pay attention to the financial aspect (profit) but must consider humans (people), the environment (planet), general welfare (prosperity), and peace. To avoid negative impacts on loans and investments disbursed, banks need comprehensive and careful policies as an integral part of their business practices. This ranking was carried out by researchers from the ResponsiBank Indonesia Coalition, which consists of thirteen civil society organizations, namely:





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## List of Abbreviations

BCA	Bank Central Asia
BNI	Bank Negara Indonesia
BRI	Bank Rakyat Indonesia
CDP	Carbon Disclosure Project
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
DBS	the Development Bank of Singapore Limited
EITI	Extractive Industries Transparency Initiative
FAO	Food and Agriculture Organization
FFGI	Fair Finance Guide International
GGGI	Global Green Growth Institute
GRI	Global Reporting Initiative
HAM	Human Rights ( <i>Hak Asasi Manusia</i> )
HCS	High Carbon Stock
HCV	High Conservation Value
HSBC	Hongkong and Shanghai Banking Corporation Limited
ICMM	International Council on Mining and Metals
IFC	International Finance Corporation
ILO	International Labour Organization
IPO	Initial Public Offering
KBMI	Bank Groups based on Core Capital ( <i>Kelompok Bank berdasarkan Modal Inti</i> )
KKUB	Sustainable Business Activities Category ( <i>Kategori Kegiatan Usaha Berkelanjutan</i> )
KUBL	Environmentally Friendly Business Activities ( <i>Kegiatan Usaha Berwawasan Lingkungan</i> )
LST	Environment, Social, and Governance ( <i>Lingkungan, Sosial, dan Tata Kelola</i> )
NBZA	Net-Zero Bank Alliance
NDC	Nationally Determined Contribution

NDPE	No Peat and No Exploitation
OECD	Organization of Economic Co-operation and Development
OJK	Financial Services Authority ( <i>Otoritas Jasa Keuangan</i> )
RAKB	Sustainable Finance Budget Plan ( <i>Rencana Anggaran Keuangan Berkelanjutan</i> )
SASB	Sustainability Accounting Standards Board
SUSBA	Sustainable Banking Assessment
TCFD	Task Force on Climate-related Financial Disclosures
UMKM	Micro Small and Medium Enterprises ( <i>Usaha Mikro, Kecil dan Menengah</i> )
UNCLOS	United Nations Convention on the Law Of the Sea
WWF	World Wide Fund for Nature



## Forewords

Indonesia has made progress in sustainable finance regulations. However, if we explore further, there is still gap between these good regulations and the practice in the field. One of the agendas as we advance that needs to be pushed, therefore, is the implementation of these already good regulations so that they become more concrete and advanced, hence closing the gap between regulation and implementation.

Indonesia has also become one of the countries that have contributed to the birth of a more sustainable financial industry committed to implementing Environmental, Social and Governance (ESG) principles in work or business activities. As a Civil Society Organization (CSO), we need to continuously strengthen our commitment and contribution to business activities that are more environmentally and socially friendly, which can strengthen the reduction of poverty and inequality so that we can create better conditions in the future.

The presence of good regulations needs to be followed by bank policies and commitments to be serious about implementing ESG aspects in their business activities. Banks must assess the environmental and social risks in the financing, especially in high-risk sectors such as mining and large-scale plantations. Banks need to start developing specific policies on certain issues such as protection of human rights, gender equality, biodiversity, or sectoral policies according to the banking portfolio, such as financing policies in the palm oil, mining and coal sectors. Banks can make stricter safeguards for financing high-risk sectors, exclusion lists for sectors that will not be funded, and commitments and policies to achieve net zero emission (NZE).

This report is a bank ranking report prepared with the encouragement and commitment of the ResponsiBank Coalition to continue contributing to sustainable development, specifically sustainable finance. This report does not only want to invite readers to know about the financial services sector's progress in its ESG policies but also to provide critical notes on policies that need improvement. It is hoped that this report will become one of the pieces of evidence that can be used as a reference for policymakers, banks, CSOs and academics. The important thing is that this report is expected to be the latest source of information on the progress of sustainable finance, especially from the banking sector in Indonesia.

Furthermore, this report seeks to advance a collective understanding of financing policies carried out by banks, including their operational policies. Another challenge that needs to be considered by policymakers is the presence of regulations that can support banks to practice more responsibly with sustainability commitments and policies. This report also offers recommendations on issues of policy improvement based on specific themes and

sectors so that banks can find out what policies on which themes need improvement.

Finally, thank you to the entire PRAKARSA research team and the various parties preparing this report. I hope this report will enrich existing sources of knowledge and provide reinforcement so that every stakeholder can contribute more to supporting the implementation of sustainable finance in Indonesia, especially from the banking sector.

Jakarta, December 2022

**Ah Maftuchan**

Executive Director, The PRAKARSA

Coordinator, ResponsiBank Indonesia Coalition



The theme that experienced the most significant change is climate change, in which **banks have started to commit to reducing climate impacts** in their operations and financing.

## Executive Summary

In 2022, the ResponsiBank Indonesia Coalition assessed policies in various aspects of 11 financial institutions in Indonesia, representing the largest group of commercial banks in Indonesia in terms of total assets and core capital owned, including state-owned banks. This is the fifth time ResponsiBank has conducted an assessment using international financial guidelines according to the Fair Finance Guide International (FFGI) criteria.

The purpose of conducting this bank assessment is to comprehend banking policies in Indonesia that comply with international standards and to discover the latest developments in banking policies in Indonesia in promoting sustainable finance. The results of this assessment serve as evidence for banks to improve their policies and as an effort to encourage the financial industry operating in Indonesia to compete to be the best or 'race to the top' in increasing the sensitivity in lending and or investment policies related to environmental, social and governance (ESG) aspects.

In 2022, 16 themes were assessed using open information disclosed to the public through annual reports, sustainability reports, websites and other relevant policy documents. The ranking was conducted by comparing the total scores obtained on each theme and the accumulation of all themes. The assessment was carried out for each theme based on elements related to internal banking operational policies and financing and investment policies. The score of each bank was established on the proportion of elements contained in the policies, with a score range of 0 - 10. Scores were given if there were bank policies that met the criteria for the elements being assessed. A basic score of 1 was given if the bank provided an explicit statement in the policy document. If no adequate policies were found, a score of 0 was given. The policy assessment included project financing, corporate credit, and asset management.

The results of the assessment of 11 banks in Indonesia, according to the assessment criteria, show that the scores/values at four banks increased by more than 0.63 points in 2022 compared to 2020.



These five banks with the highest average scores are still in the “very inadequate” and “inadequate” category because they are in the range of 1.9 - 3.6.

Out of all the banks assessed, four banks experienced an increase in ranking, namely CIMB Niaga, BCA, BRI and Danamon. Danamon rose significantly from rank 11 in 2020 to rank 7 in 2022. On the other hand, four banks experienced a downgrade, namely Maybank, BNI, Bank Permata and BJB. BNI experienced the most significant decline of the four banks, from rank 5 in 2020 to rank 9 in 2022.

In the 2022 ranking results, when viewed by theme, the three themes with the highest average scores included financial inclusion (5.2), consumer protection (4.6) and corruption (3.6), though still in the “fair” and “inadequate” categories. The theme that experienced the most significant change is climate change, where banks have started to commit to reducing climate impacts in their operations and financing. In this year’s assessment, eight banks scored on the climate change theme; compared to 2020, only three banks scored. The theme of workers’ rights also experienced a significant increase where all banks succeeded in receiving scores, and the majority experienced an increase even though they were still in the minimum value range. Some national banks have started to ratify international standards or policies; 7 out of 11 banks have policies to comply with the ILO Declaration on Fundamental Principles and Rights at Work. However, only 5 of 11 banks have integrated ILO standards into their procurement policies.

Based on the results of the assessment, most of the bank’s sustainability information or policies have not referred to international standards such as the Equator Principles,

IFC Environmental, Health, and Safety Guidelines, IFC Performance Standards, OECD Guidelines for Multinational Enterprises, UN Global Compact, UN Principles for Responsible Investment, and UN Principles for Responsible Banking. Nonetheless, banks in Indonesia have begun to make progress in complying with existing national regulations on sustainable finance. This can be seen from the increase in the average score at all banks.

The results of the assessment led to several recommendations, including:

1. Banks need to increase their commitment to several themes that still receive low scores, such as health, gender equality, mining, climate change, and oil and gas,
2. Banks need to have written and explicit policies related to financing commitments, such as setting criteria and safeguarding loans for high-risk sectors,
3. In making policies, banks can refer to sustainability criteria developed by FFGI and various existing international standards,
4. OJK needs to encourage a sustainable financing and investment climate through policies and good practices carried out by state-owned financial service institutions. Policy references and adaptation of sustainable financing standards need to follow international standards, and
5. OJK can accelerate the implementation of sustainable finance and green financing by implementing a mandatory green taxonomy. OJK also needs to develop incentive and disincentive schemes to attract banks. Furthermore, a task force consisting of all stakeholders, including CSOs and the private sector, is needed to ensure the implementation of a green taxonomy.

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## Chapter 1

# INTRODUCTION

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The ResponsiBank Indonesia Coalition, as part of Fair Finance International, conducted this assessment to determine the progress of the banking sector's performance in implementing sustainable finance in Indonesia. The assessment results can be used as a reference for banks to assess progress and as material for improving policies related to ESG for financing and investment.

## 1.1 Background

Sustainable development has been the main agenda for countries in the world with the set of the 2030 Sustainable Development Goals (SDGs). This development agenda not only highlights economic growth but also pays attention to environmental and social sustainability for current and future generations. Furthermore, countries' commitment to climate change is contained in the ratification of the Paris Agreement in 2015. This commitment is legally binding for countries to maintain the increase in the earth's temperature below 1.5 degrees Celsius above pre-industrial levels. This commitment has been expressed at the country level as a Nationally Determined Contributions (NDCs) containing emission reduction targets for related sectors. In the enhanced NDC document, Indonesia has committed to climate change mitigation and adaptation efforts with higher emission reduction targets, namely 31.89% with its efforts and 43.20% with international support in 2030.

Large amounts of financing are needed to achieve SDGs as well as climate change adaptation and mitigation. The commitment of developed countries to disburse funds amounting to 100 billion US dollars per year for developing countries has yet to be realized. Bappenas data in 2021 showed that to achieve SDGs in 2030, Indonesia needs funding of IDR 67,803 trillion, while there is still a difference to be met, reaching IDR 14,108 trillion (Bisnis.com, 2022). Furthermore, related to climate financing, as stated in the NDC roadmap, Indonesia is estimated to need funding of US\$322.9 billion to implement mitigation actions, not including the cost of adaptation actions and the creation of a supporting environment (BKF, 2022). With limited resources, financing cannot only come from the state budget. Private financial institutions, including banks, are crucial to closing the existing financing gaps/differences.

The financing paradigm that considers non-financial aspects, such as environment, social, and governance in Indonesia, has become mainstream. The Financial Services Authority (OJK) has developed regulations for implementing sustainable finance that encourage financial institutions to carry out responsible financing and contribute to the environment and society. Several regulations to support the implementation of sustainable finance include the Sustainable Finance Roadmap Phase 1 and 2, POJK 51 of 2015 concerning the Implementation of Sustainable Finance for Financial Services Institutions, POJK 60 of 2017 concerning Issuance and Requirements for Green Bonds, and the latest, namely the Green Taxonomy document which is a guideline for the classification of business sectors that contribute to environmental preservation. The implementation of sustainable finance is also strengthened by the obligation for banks to develop a Sustainable Finance Budget Plan (RAKB) and sustainable reports. This policy encourages banks to be more accountable and transparent in their financing.

Based on the green taxonomy document, 17 banks included in the Bank Classification based on Core Capital (KBMI) 3 and 4 have reported the top 450 debtors with a total debit balance of IDR 2,153.82 trillion (OJK, 2023). The total credit covers 34.13% of Indonesia's total bank credit as of January 2023, IDR 6.310 trillion. The credit/financing portfolio for the economic sector

classified as Green has a relatively low value of IDR 426.58 trillion/28% compared to Yellow and Red, which total IDR 1,547.95 trillion.

Implementing sustainable finance, especially the green taxonomy, must be supported by all stakeholders, including the government, the private sector, civil society and academia. One of the civil society initiatives, namely Fair Finance International (FFI), sees that a strong and responsible financial sector is needed to allocate investment funds more efficiently, provide risk-sharing solutions, and provide adequate and accessible financial services for everyone. This aligns with the global consensus that views the need for ESG integration. Civil society also has an important role in ensuring that products and services labelled as sustainable are truly applied and avoid greenwashing. FFI regularly conducts assessments on banks regarding various cross-sectoral and industrial issues in several member countries. This activity is expected to contribute to achieving a fair and sustainable financial sector.

The ResponsiBank Indonesia Coalition, as part of Fair Finance International, conducted this assessment to determine the progress of the banking sector's performance in implementing sustainable finance in Indonesia. The assessment results can be used as a reference for banks to assess progress and as material for improving policies related to ESG for financing and investment. This assessment is the fifth time conducted by the ResponsiBank Coalition. It is important to update the assessment every two years, bearing in mind the growing global movement in promoting sustainable finance, thus encouraging enforcement of policies more specific to banks.

## 1.2 Research Questions

This research will answer the following questions:

1. Do banks in Indonesia already have policies that comply with international sustainability standards?
2. Have the latest banking policies in Indonesia supported the implementation of sustainable finance according to government regulations?

## 1.3 Objectives

The objectives of conducting this research on bank policy ranking are, among others:

1. To identify the banking policies in Indonesia that follow international standards.
2. To understand the latest banking policy developments in Indonesia in encouraging the implementation of sustainable finance following government regulations.

## 1.3 Benefits

1. As evidence for banks to improve their capabilities in implementing sustainable finance so that banks can gain higher trust from investors.

2. Providing information for investors who wish to invest in banking by seeing that the banks have a good rating in terms of environmental, social and governance aspects.
3. Encouraging the financial industry operating in Indonesia to compete to be the best or carry out a 'race to the top' in increasing the sensitivity of lending and/or investment policies related to environmental, social and governance aspects.



## Chapter 2

# ASSESSMENT METHODS

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In this year's assessment, 16 themes were assessed. The themes for the assessment were selected based on issues of concern to the international community and relevant to the Indonesian context. In general, the themes assessed consist of intersecting, sectoral and operational themes.

## 2.1 Bank Selection

The assessment was carried out on 11 banks representing Indonesia's largest group of conventional/commercial banks regarding asset size and the amount of core capital held. These 11 banks were selected according to banking industry financial data at the end of 2021. These banks included:



Referring to the classification of banks in Indonesia, BCA, BRI, Bank Mandiri and BNI are included in the national commercial banks in the KBMI (Bank Classification Based on Core Capital) 4 category with a core capital of more than IDR 70 trillion. HSBC, CIMB Niaga, Bank Danamon, Bank Maybank and Bank Permata belong to KBMI 3, with core capital reaching IDR 14-70 trillion. Meanwhile, BJB and Bank DBS Indonesia are included in the KBMI 2 category, with core capital reaching IDR 6-14 trillion. Bank DBS Indonesia and HSBC Indonesia represent foreign banks, and BJB represents regional development banks.

Due to limited capacity, this ranking was not carried out on other banks in the KBMI 3 category, all banks in the KBMI 2 and KBMI 1 categories, sharia-based banks, and Rural Credit Banks (BPR).

## 2.2 Assessment Methods

The bank rankings were set by assessing lending and investment policies on several themes and sectors, especially social issues, human rights, the environment, and corporate governance. Several aspects of the banks' internal policies/operations were also assessed, including financial inclusion, taxation and corruption, as well as transparency and accountability.

The 2022 rankings are the 5th time conducted by the ResponsiBank Indonesia Coalition. The assessment was accomplished by assessing bank policies based on publicly accessible information such as the 2021 Annual Report, 2021 Sustainability Report, and policy documents available on the companies' websites accessed in 2022. Due to methodological

considerations, this ranking did not assess practice in the field. To fill the gap between bank policies and practices, ResponsiBank conducted in-depth studies in the form of case studies.

In this year’s assessment, 16 themes were assessed. The themes for the assessment were selected based on issues of concern to the international community and relevant to the Indonesian context. In general, the themes assessed consist of intersecting, sectoral and operational themes, as shown in the following table:

Table 1. The Themes for the 2022 Bank Assessment

Cross-cutting Theme	Sectoral Theme	Operational Theme
Climate change	Armament	Consumer protection
Corruption	Forestry	Financial inclusion
Gender equality	Mining	Transparency and accountability
Human rights	Oil and gas	
Workers’ rights	Power plants	
Nature		
Taxation		
Health		

The explanations for each theme are as follows:

## CROSS-CUTTING THEMES

### 1. Climate Change

Discussions about climate change are inseparable from efforts to reduce carbon emissions. Accordingly, strict emission reduction targets are very important in encouraging businesses to reduce CO<sub>2</sub> emissions generated by their business activities. One of significant contributors to carbon emissions is the fossil energy-based energy sector. Here, financial institutions can play an important role in reducing emissions by starting to direct investment towards a low-carbon economy. Under this theme, financial institutions were assessed based on their commitment to implementing CO<sub>2</sub> reduction standards that align with global warming mitigation.

### 2. Corruption

Corruption has significant negative impact on the political, social and environmental order. Corruption is major obstacle to developing the rule of law in politics, because governments can lose legitimacy when power is used for personal gain. Corruption also causes reduction in public funds for vital infrastructure projects, such as schools and hospitals, as well as poverty alleviation programs when available funds are absorbed into high-cost, prestigious projects. Lobbying practices can also be considered as form of corruption because it allows the private sector to influence policy. Responsible financial institutions must also be free from money laundering, bribery, and terrorism-related financing.

### 3. Gender Equality

Gender equality refers to the equal rights, responsibilities and opportunities of women and men. The lack of representation of women in leadership and decision-making in public and private institutions can lead to gender bias in public services, equality, and non-discrimination. On the other hand, the private sector can be driving force for change. This can be seen within women's leadership and entrepreneurship making important contributions to economic profit and business effectiveness. On this theme, financial institutions were assessed based on policies of anti-gender discrimination, zero tolerance for sexual harassment, and equal pay, both in the financial institutions' internal operations and the companies they finance.

### 4. Human Rights

Although, in general, not directly involved in violations of human rights (HAM), financial institutions are also responsible for the impact caused by the financing and investments they make. Respect for human rights does not only imply that a business may not commit or contribute to the occurrence of human rights violations but also must seek to mitigate negative impacts on human rights related to the operations, products and services

provided. On this theme, financial institutions were assessed based on indicators of respect for human rights according to the UN Guiding Principles on Business and Human Rights. Financial institutions were also assessed from policies related to the due diligence process, remediation efforts, and complaint mechanisms regarding the impact of human rights through the companies being financed. Financial institutions must also ensure they do not violate land rights by conducting FPIC (Free, Prior and Informed Consent) and respecting indigenous peoples' rights, women's, and children's rights. Compliance with human rights principles must also be reflected in the procurement process and company operational policies, including those applied to suppliers and sub-contractors.

## 5. Labour Right

Financial institutions are expected to respect local, national, and international regulations and legal systems regarding employment in internal Human Resources (HR) policies and credit/investment policies to ensure companies financed comply with applicable regulations. On this theme, financial institutions were assessed based on their respect for the ILO Declaration on Fundamental Principles and Rights at Work by integrating these principles into the policies for procurement of goods/services and company operations. Financial institutions must also ensure that the companies they finance respect workers' freedom to assemble and associate, do not involve child and forced labour, and are anti-discriminatory. Financial institutions must also ensure that the companies apply decent pay, maximum working hours limits, occupational health and safety policies, and clear monitoring mechanisms to measure compliance with labour norms.

## 6. Nature

Financial institutions can indirectly impact biodiversity, especially when investing in forestry, extractives, oil and gas, fisheries, infrastructure and industries that use genetic material, such as agriculture, biotechnology, medicine and cosmetics. On this theme, financial institutions are assessed based on lending/investment policies to ensure that the companies being financed seek to prevent negative impacts on areas included in High Conservation Value (HCV), UNESCO World Heritage, and the International Union for Conservation of Nature (IUCN) as well as ensure that the companies are not involved in trade in protected plants and animals.

## 7. Tax

Tax revenue is crucial for financing public health, education, infrastructure, and social protection programs. Developing countries lose potential revenues of up to 100 billion due to tax avoidance and evasion by companies. Financial institutions must operate responsibly by not doing tax avoidance and evasion and not financing companies that do these. On this theme, financial institutions were assessed based on country-by-country reporting

elements on revenue, profit, total assets, FTE, subsidies received from the government, and tax payments to the government. Financial institutions must also commit not to channel financing to companies operating in tax haven areas. In addition, financial institutions need to encourage the companies financed to publish the complete company structure and comply with tax regulations, including those for suppliers and sub-contractors.

## 8. Health

The COVID-19 pandemic in early 2020 showed how a responsive, equal and universal healthcare system was needed. The pandemic has significantly increased healthcare costs, which are hard to bear for many developing countries. Furthermore, businesses must consider the health aspects of a proper and clean-living environment, safety and security at work, prohibition of producing and using toxic compounds and integrating health and safety aspects into the procurement process. Banks must ensure that the financed businesses pay attention to these aspects and comply with applicable international standards.

## SECTORAL THEME

### 1. Armament

States have rights and obligations to protect citizens and maintain security. States' responsibility for public security includes regulating, inspecting, and monitoring the production, transfer, possession, stockpiling and use of weapons. In practice, however, there is so little room for governments and multilateral bodies (such as the UN Security Council) to monitor the international arms trade that the industry continues exploiting regulatory loopholes to sell weapons to regimes that violate human rights and conflict zones. In this industrial sector, financial institutions must not extend credit/investment to weapons companies that produce, maintain, or sell landmines, cluster bombs or nuclear, chemical, and biological weapons.

### 2. Forestry

About 30% of the earth's surface - nearly 4 billion hectares - is covered in forests. Of this amount, around 271 million hectares are timber plantations. Despite having a different function, plantations are often classified as 'forests'. Forests and plantations play an important role on earth and benefit humans. Deforestation and forest degradation deprive local people of their livelihoods, causing biodiversity loss, soil erosion and subsidence of the surface and groundwater. In addition, deforestation also causes dangerous forest fires. Due to the air pollution caused by these fires, there are respiratory problems - such as asthma, bronchitis and pneumonia - and other consequences, such as eye and skin problems. Most

forest fires are caused by forest destruction for large-scale plantation expansion for the pulp and palm oil industry. Financial institutions can use their influence to prevent deforestation and forest degradation. Financial institutions can do this by establishing strict policies for investment in the forestry sector. These policies apply to all forestry sectors, including forests, logging, pulp, paper and furniture production, and other wood processing and trading companies. Within this theme, this tool assesses financial institutions' credit/investment policies towards the entities they provide loans/investments.

### 3. Mining

The impact of extractive industries such as mining can be felt immediately or long-term after the extractive activities have been completed. Generally, repair efforts alone are insufficient to restore natural sustainability in extractive industrial areas. Long-term problems - such as acid leaks from mines - can contaminate nearby bodies of water for decades or even centuries. In addition, mining mineral ores and refining ores, even using modern technology, cause widespread air pollution. A common problem in the extractive industry is that mining companies do not respect local people's land rights. Companies often take over the land and forests on which local communities depend for their livelihoods. In addition, mining pollution can cause the accumulation of heavy metals in the soil, water, and air around them. Financial institutions investing in mining companies must be aware of whether they comply with international guidelines and social and environmental agreements. This means that in the investment policies of financial institutions, clear norms need to be developed.

### 4. Oil and gas

Several processes in the oil and gas industry can harm the environment. Drilling, oil and gas production facilities, flaring, and refineries can pollute soil, air, and water. High oil prices and the drive to replenish petroleum reserves are causing oil companies to penetrate far deeper into ecologically vulnerable areas. Pipeline cracks caused by earthquakes, other natural causes, and sabotage can lead to groundwater contamination and even fatal explosions and fires. In addition, the oil spilt from the tanker involved in the accident has polluted many marine and coastal areas. The social consequences of the oil and gas industry can also be dire. Pollution and infectious diseases endanger indigenous peoples' health, food safety and culture. Oil and gas companies often take local people's land and divert them from their sources of food and livelihoods. Investment policies of financial institutions in the oil and gas sector must emphasize that the main challenge for the oil and gas sector is to reduce it and move towards sustainable energy development. In addition, financial institution policies must incorporate social and environmental norms for the oil and gas sector.

## 5. Power Plant

Power generation is critical to meeting society's energy needs and achieving the goals of sustainable development and poverty reduction. Energy suppliers need to produce electricity that offers the security of supply, is affordable for consumers, and has a minimal environmental impact. Energy, including electricity and heat for businesses and households and transportation energy, is the largest source of human-made greenhouse gas emissions (64% of all global emissions), with electricity and heat generation being the largest components. Financial institutions investing in the energy sector must carefully consider how they can direct their investments to support the transition to a low-carbon economy, in line with the roadmap suggested by the IPCC. They can choose to finance renewable energy generation specifically or set a clear roadmap to reduce financing of controversial fossil-fuel energy sources and replace them with low-carbon financing. Financial institutions investing in dam projects, for example, must develop sectoral policies for investment according to recommendations from the World Commission on Dams (WCD). This policy should at least apply to all major dam projects but ideally cover all critical water infrastructure projects.

## OPERATIONAL THEME

### 1. Consumer Protection

Consumers are important actors in financial markets, and as such, their problems require the attention of others. Most financial services and products aimed at consumers are current and savings accounts, personal loans, debit and credit cards, mortgage loans, insurance, pension and annuities and investment products. These types of transactions generally are the purview of retail banks and insurance companies. Lack of consumer protection in the financial sector can have dire social and economic consequences. Among other things, the financial crisis was due to banks' lack of transparency in relation to the market, as well as the growth of debts and excessive indebtedness from customers of financial institutions. Financial institutions must integrate financial consumer protection into financial inclusion policies to ensure financial stability and fair practices.

### 2. Financial inclusion

Financial inclusion has become a hot topic relating to questions about the contribution of finance to sustainable development. Financial inclusion has been seen as an instrument of poverty alleviation and a means of addressing inequality, which is significantly increasing worldwide. There is a growing awareness that unequal growth has limits and is not sustainable because aggregate demand will be limited. If inequality is deeply unendurable, it will lead to a number of social consequences, at worst, social unrest, which will threaten economic growth and social stability. Financial inclusion is universal access to various financial services at a reasonable cost.

Nonetheless, a broader definition of financial inclusion also poses some risks. This is because banks, although they are not the only financial institution actor regarding financial inclusion, may be pressured by their country's government to provide micro-credit to small businesses and people experiencing poverty. Financial institutions can play an important role in providing access to finance for all income groups in society.

### 3. Transparency and Accountability

Every individual has the right to know the consequences of business activities on their lives and the risks that can occur to them as a result of these activities. People whose lives are affected by economic activities cannot defend their interests if they are not fully aware of the social, economic, and environmental benefits and the costs and risks associated with those activities. They should also be informed of possible alternative activities proposed. Social organisations must also have access to all relevant information to defend their social, cultural, and environmental interests. For this reason, the public's right to

information - to participate meaningfully in decision-making processes - is recorded in various international instruments. For financial institutions that take social responsibility seriously, a solid transparency and accountability policy is essential. This theme assessed financial institutions based on their internal operational policies.

As a basis, several international agreements are referred to in the preparation of this assessment, including:

1. The Equator Principles
2. EU Code of Conduct for Arms Exports
3. Extractive Industries Transparency Initiative / EITI
4. IFC Environmental, Health, and Safety Guidelines
5. IFC Performance Standards
6. International Council on Mining and Metals / ICMM
7. OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
8. OECD Guidelines for Multinational Enterprises
9. Rio Declaration
10. UN Global Compact
11. UN Guiding Principles on Business & Human Rights
12. WWF Gold Standard
13. UN Convention on the Law of the Sea (UNCLOS)
14. FAO Code of Conduct on Responsible Fishing
15. And others.

Even though there are pros and cons both from the business world and within civil society itself towards these international standards, globally, these standards have been agreed upon by the international community so that banks in Indonesia are expected not only to refer to regulations and policies from domestic financial industry regulators but also to be “one step ahead” by trying to refer to these relatively ‘higher’ standards.

In addition, this assessment tool also refers to several other international principles and agreements, such as certain industry standards and sustainability and certifications that have been widely applied in certain industries.

This bank assessment was undertaken at the element level in each theme. The scope of the assessment consisted of bank policies on the types of financing/investment as follows:

1

**Corporate credit**, namely financing that includes all company financing (loans and guarantees), such as general corporate loans, trade finance, mortgages to companies, underwriting, and loans to SMEs.

2

**Project financing/project finance**, namely a special type of financing, which is mostly used to finance large infrastructure and industrial projects. Unlike ordinary corporate loans, these loans are secured by the project's projected cash flows, not by the company's balance sheets.

3

**Proprietary assets**, which refer to investments made by financial service institutions with money on their balance sheets, especially investments in securities such as stocks and corporate bonds.

4

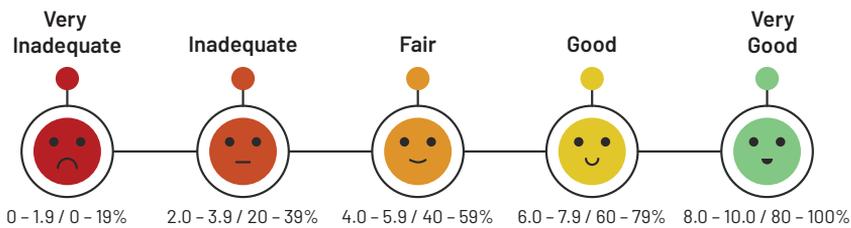
**Asset management**, which refers to money managed by financial service institutions on behalf of their clients. These assets are not listed on the financial services institutions' balance sheet. Clients can be institutional investors such as pension fund managers, insurance companies, or individual investors.

Each financial institution's score was established for each theme on the proportion of elements included in the policies. Scores were given to financing or investment categories relevant to implementing the policies. Scoring also considered the content and scope of the financing or investment policies in the sense of whether the policies applied in general or were explicitly stated to regulate each category of financing/investment.

The contents of the policies were analyzed by assessing whether they matched the scoring criteria for each assessment element listed in the assessment guidelines. For each assessment element that was fully/explicitly written in the policies, a base score of 1 was given. If no adequate policies were found, a score of 0 was given. If the financial institutions' policies meet all the assessment element criteria, the base score could be multiplied by the coverage score, expressed as a percentage based on the coverage of four financing/investment categories.

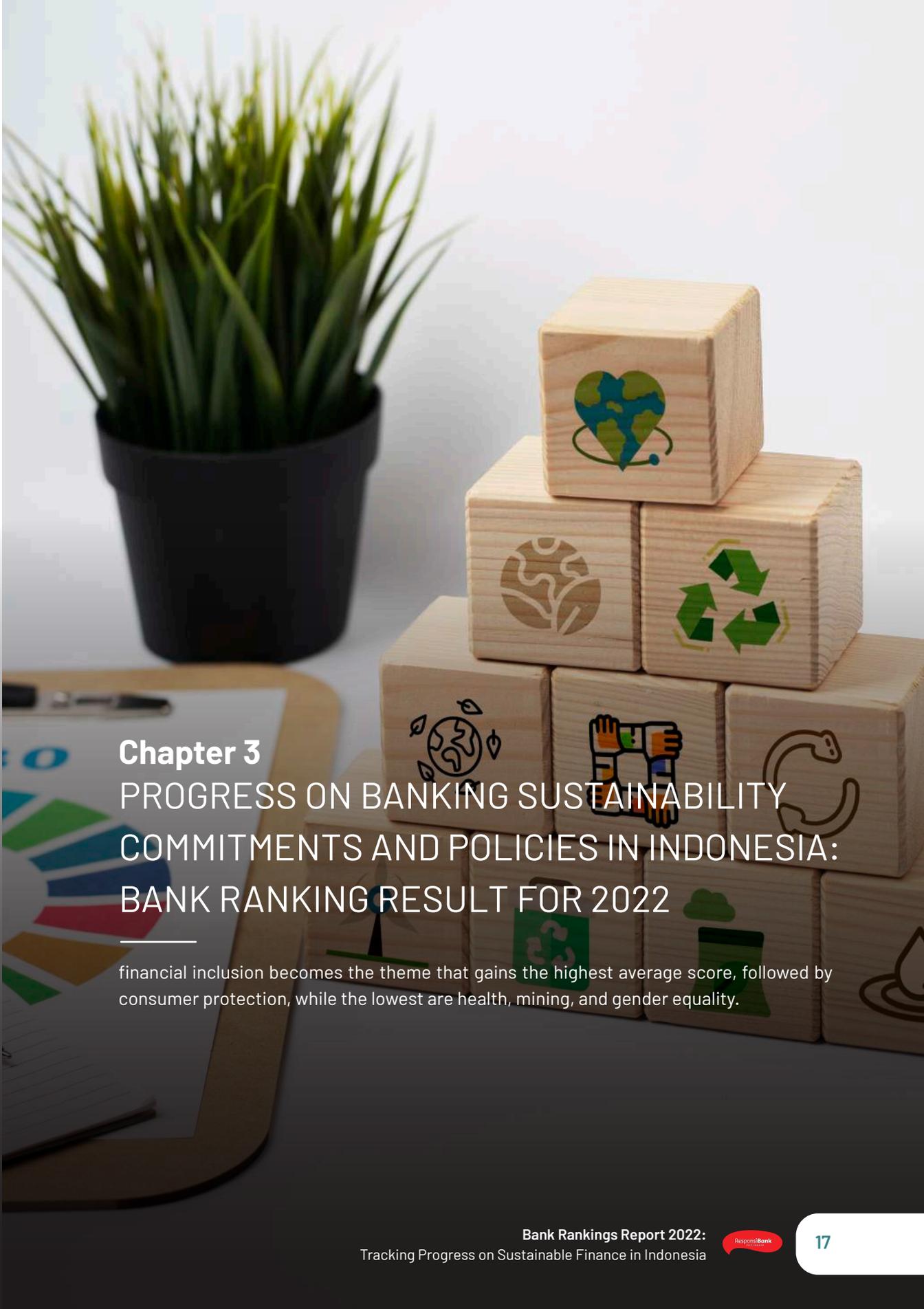
If the financial institutions did not clarify the scope of their policies, it was assumed that 50% of the financial institutions' activities were covered. For this reason, the coverage score by default was 50%. This percentage increased for each investment category for which explicit and clear policies were applied, in proportion to the number of relevant investment categories for those financial institutions. If all relevant investment categories were covered, the coverage score was 100%, resulting in an end element score of 1.

The scores for all the elements included in the theme were added up and then divided by the number of elements in the theme, resulting in a final score for a theme. The final score at the theme or bank-level can be presented in decimal or percentage form. The description of the assessment range is as follows:



For each policy document, the researcher verified whether the investment policies assessed applied to each category. For each scoring element in a financial institution's policy document, a base score would be awarded points, plus additional points for each applicable policy category.

This methodology was more targeted at financial institutions' lending and investment policies. More elements were assessed in this aspect, although operational policy elements were still considered to a lesser extent. The elements of the operational policy were called "low-hanging fruits" – that is, the elements that were relatively easy for financial institutions to gain value under this methodology.



## Chapter 3

# PROGRESS ON BANKING SUSTAINABILITY COMMITMENTS AND POLICIES IN INDONESIA: BANK RANKING RESULT FOR 2022

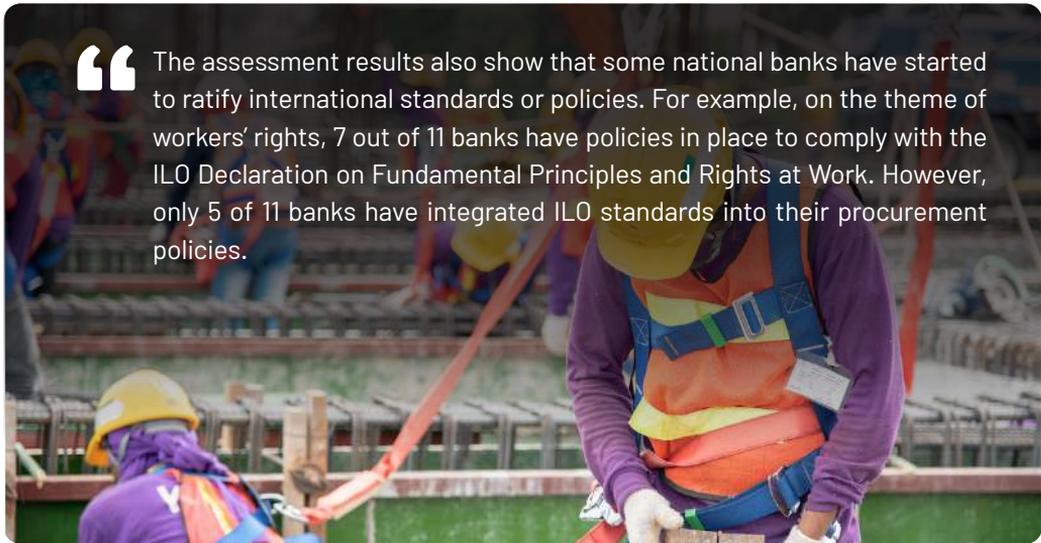
financial inclusion becomes the theme that gains the highest average score, followed by consumer protection, while the lowest are health, mining, and gender equality.

The 2022 bank assessment shows progress in banking sustainability policy information based on the method developed by the Fair Finance Guide International (FFGI). Based on the assessment results, several commercial banks have improved their credit policies and had a list of businesses not provided with financial support (exclusion list), such as businesses that significantly impact climate change. For example, HSBC, DBS, and Maybank announced they would not provide financing support for new coal and phased out loans on the project to reach NZE by 2050.

The national banks have started to move to support NZE, but there have yet to be any commitments to stop financing coal. For example, BRI already has a list of exceptions for financing assets related to fossil fuels, but commitments/policies have yet to be found to stop financing in the coal sector.

Of the 11 banks assessed, only HSBC and DBS have adopted IFC performance standards and are included in the Equator Principles membership. Meanwhile, nine other banks have not ratified the policies. In general, national banks in Indonesia have started to have policies to support sustainable finance, although in various policies. One is BRI, which has an environmental, social and governance (ESG) risk management policy for the palm oil sector.

“ The assessment results also show that some national banks have started to ratify international standards or policies. For example, on the theme of workers’ rights, 7 out of 11 banks have policies in place to comply with the ILO Declaration on Fundamental Principles and Rights at Work. However, only 5 of 11 banks have integrated ILO standards into their procurement policies.



In addition, other international standards have also begun to be implemented; one example is BRI already has the results of a social impact study/analysis, in which the bank is committed not to provide loans to businesses that damage the environment, such as for national parks and historical sites, does not support financing for land acquisition activities through violence, and not finance activities or businesses that could damage UNESCO World Heritage Sites.

On international standards, BRI has also prepared its sustainability report based on various policies and standards, such as POJK Number 51/POJK.03/2017, Financial Services Authority Circular Letter Number 16/SEOJK.04/2021, Global Reporting Initiative Standards, Task Force for Related Financial Disclosures Climate Change (TCFD), Sustainability Accounting Standards Board (SASB), Sustainable Banking Assessment (SUSBA), and Carbon Disclosure Project (CDP). However, this measure only applies to BRI's internal, so no score was given.

In the 2022 ranking results, the theme that has experienced the most significant change is climate change, where banks have started to commit to reducing climate impacts both in their operations and in the financing they carry out. On this theme, eight banks received scores, an increase compared to 2020, with only three banks. The theme of workers' rights also experienced an increase in which all banks managed to score, and there was an increase in scores in several banks.

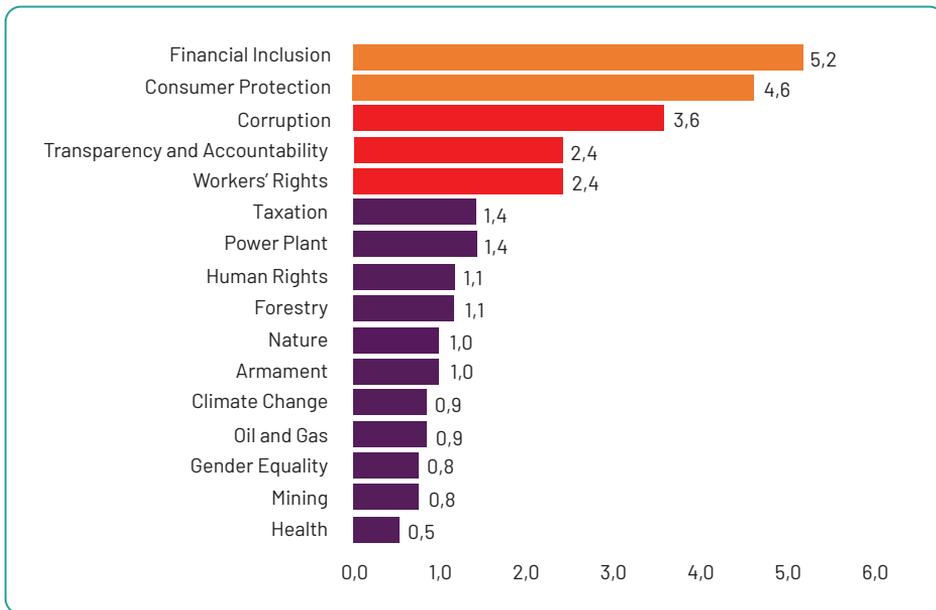
Table 2. Summary of Bank Assessment Results per Theme and Sector in 2022 (in points)

Assessment Themes	Bank (in points)										
	BNI	BRI	Mandiri	BCA	CIMB Niaga	Danamon	Maybank	BJB	Permata Bank	DBS	HSBC
<b>Commitment to Cross-cutting Themes</b>											
Climate change	0,0	0,2	0,3	0,0	0,6	0,7	0,9	0,0	0,2	3,0	4,0
Anti Corruption	3,3	3,3	2,5	5,0	3,8	5,0	2,5	3,0	4,2	2,5	4,9
Gender equality	0,0	0,3	0,6	0,9	0,6	1,8	0,6	0,0	1,2	0,7	2,4
Health	0,0	0,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	2,3	2,5
Human rights	0,0	1,2	0,0	1,0	2,5	0,0	0,7	0,0	0,0	2,8	4,2
Workers' Rights	2,0	4,1	0,9	3,1	2,5	1,3	0,5	0,6	1,3	4,3	5,6
Nature or Biodiversity	0,0	1,5	0,5	1,1	0,3	0,0	0,8	0,0	0,0	3,8	3,4
Tax	0,0	0,0	0,0	1,8	1,8	2,4	2,4	1,8	2,4	0,6	2,4
<b>Sectoral Themes</b>											
Armament	0,0	0,0	1,7	1,9	0,0	0,0	2,7	0,0	0,0	2,8	2,3
Forestry	0,4	2,1	0,4	1,0	1,4	0,0	1,1	0,0	0,0	2,9	3,0
Mining	0,0	1,0	0,2	0,5	0,6	0,0	1,2	0,0	0,0	2,1	2,8

Oil and gas	0,0	1,1	0,3	0,6	0,9	0,0	0,6	0,0	0,0	2,2	3,8
Power plants	0,5	2,0	0,8	0,8	1,7	0,5	2,0	0,5	0,0	2,9	3,5
<b>Operational Theme</b>											
Consumer protection	6,1	3,2	5,9	4,7	5,3	3,2	4,2	4,2	6,3	3,2	4,7
Financial Inclusion	7,7	6,2	6,9	5,0	3,8	6,2	4,6	4,6	4,6	3,1	4,6
Transparency and Accountability	1,8	2,6	1,7	2,9	4,7	3,0	1,4	1,9	1,5	1,7	3,1
<b>Average score</b>	1,4	1,8	1,4	1,9	1,9	1,5	1,6	1,0	1,3	2,6	3,6

When viewed based on scores acquired by theme, financial inclusion becomes the theme that gains the highest average score, followed by consumer protection, while the lowest are health, mining, and gender equality.

Graph 1. The average bank score based on the 2022 themes



Source: processed by researchers

The following is a summary of the increase or decrease in the banking ranks based on the 2020 and 2022 assessment results:

Table 3. Summary of Bank Ratings Comparison for 2020 and 2022

Bank	2022 Ranking	2020 Ranking	Increase/ Decrease in Ranking	2022 Score	Increase/ Decrease in Score
HSBC	1	1	↔	3,6	+0,05
DBS	2	2	↔	2,6	+0,02
CIMB NIAGA	3	4	↑	1,9	+0,74
BCA	4	6	↑	1,9	+0,82
BRI	5	7	↑	1,8	+0,80
MAYBANK	6	3	↓	1,6	+0,40
DANAMON	7	11	↑	1,5	+0,63
MANDIRI	8	8	↔	1,4	+0,48
BNI	9	5	↓	1,4	+0,25
BANK PERMATA	10	9	↓	1,3	+0,42
BJB	11	10	↓	1,0	+0,16

In 2022, judging from the scores acquired, almost all banks experienced an increase in scores from the lowest of 0.02 to the highest of 0.82 points. HSBC and DBS still occupied the top positions, no different from the previous year. Bank Mandiri also did not experience a shift in position.

Out of all the banks assessed, four banks experienced an increase in ranks, namely CIMB Niaga, BCA, BRI and Danamon. Danamon increased significantly from 11th place in 2020 to 7th place in 2022. Danamon already has policies and scores on several themes, including power generation. Danamon has disclosed total renewable energy financing and has committed to increasing sustainable financing to 25% of the overall portfolio in the next five years. On the climate change theme, Danamon has committed to reducing greenhouse gas emissions by 1.5°C and set concrete reduction targets for its operations. In addition, Danamon has required debtors/prospective debtors to commit to No Deforestation, No Peat and No Exploitation (“NDPE”). Suppose the debtors/prospective debtors have not made an NDPE commitment. In that case, Danamon will ask them to submit an action plan to comply with the NDPE.

Four banks experienced a downgrade: Maybank, BNI, Bank Permata and BJB. BNI experienced the most significant decline of the four banks, from rank 5 in 2020 to rank 9 in

2022. The declines in consumer protection, workers' rights, taxation, and gender equality were due to BNI's documents not disclosing policies on those themes in writing.



## Chapter 4

# SUSTAINABILITY POLICY PROGRESS AT EACH BANK

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At the internal company level, BRI has regulated how to reduce greenhouse gas emissions by optimizing banking digitalization as a measure of energy efficiency and utilization of renewable energy sources. However, it has yet to be clearly stated how the steps taken by BRI can contribute to preventing the increase in the earth's temperature above 1.5 degrees Celsius.

## 1. HSBC



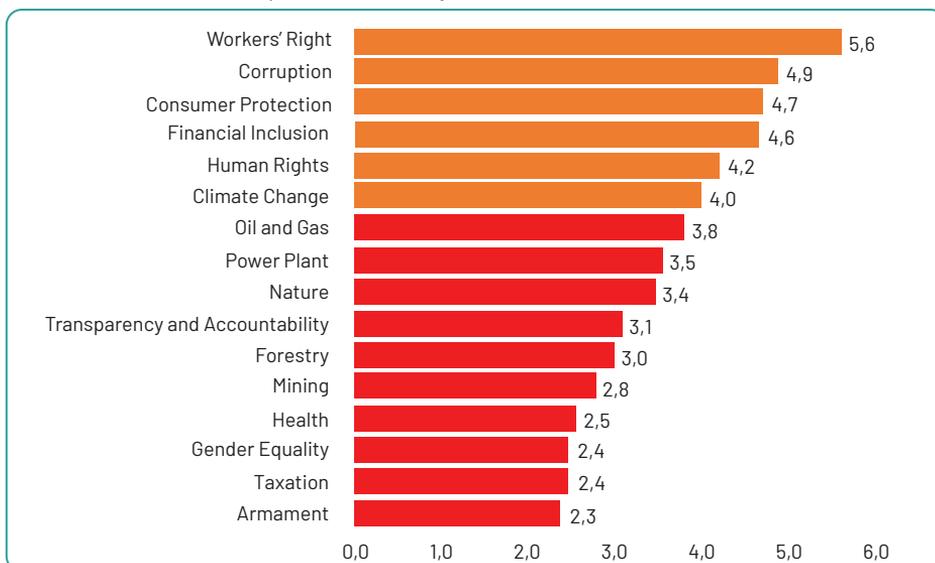
**HSBC**

Hong Kong and Shanghai Banking Corporation Limited (HSBC) opened its first branch in Indonesia in 1989 under its registered company, PT Bank HSBC Indonesia. HSBC Indonesia has developed into an international bank in Indonesia that offers wholesale banking services for corporate and institutional customers, global markets for treasury, capital markets, wealth management, and personal banking. HSBC has branch offices in 64 countries worldwide. In 2021, this bank had 54 branches in 23 cities throughout Indonesia.

Bank HSBC Indonesia posted its total assets in 2021 of Rp 124.46 trillion. These total assets increased by 10.53% or Rp 11.86 trillion, whose source came from increasing customer deposit balances. HSBC's assets were dominated by lending to customers worth Rp51,328 billion (net), investment securities of Rp 21,121 billion, and placement at Bank Indonesia amounting to Rp 19,135 billion.

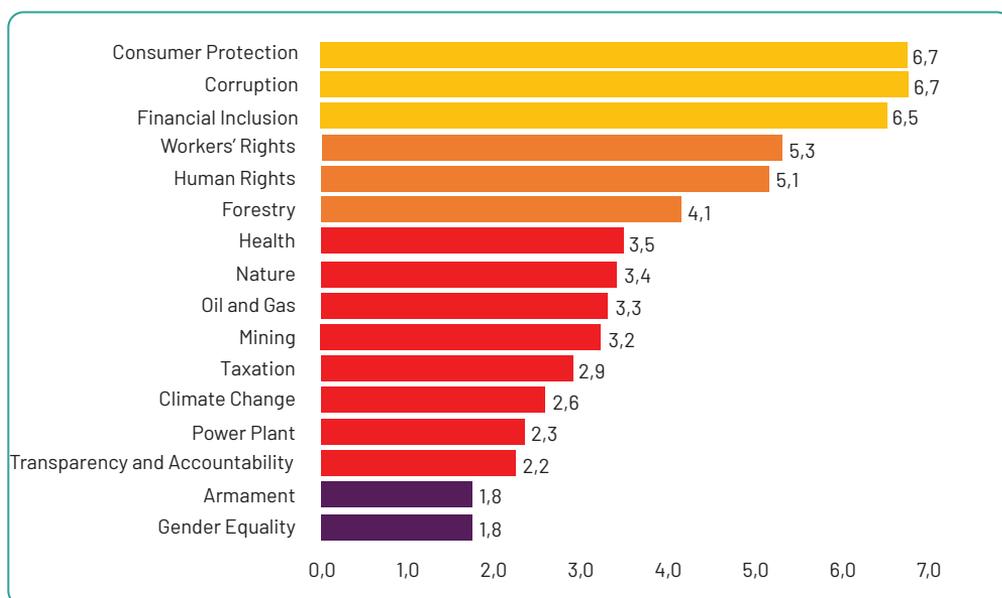
Related to the application of sustainable finance, HSBC has been registered in several international standards, including Equator Principles in Project Finance; IFC Environmental, Health, and Safety Guidelines in Project Finance; IFC Performance Standards in Project Finance, OECD Guidelines for Multinational Enterprises in Corporate Credit and Project Finance; and UN Global Compact in Proprietary Assets and Asset Management. The sustainable financing carried out by HSBC Group from 1 January 2020 to 2021 reached USD 126.7 billion. HSBC is committed to facilitating sustainable financing between USD 750 billion and USD 1 trillion of financial forms and sustainable investment in 2030. This sustainable financial target includes financing infrastructure and sustainable energy systems, encouraging decarbonization efforts throughout the real economy, and increasing investor capital through ongoing investment.

Graph 2. HSBC Policy Assessment Result, 2022



Source: processed by researchers

Graph 3. HSBC Policy Assessment Result, 2020



Sumber: olahan peneliti

HSBC is ranked 1 of the 11 banks assessed, with an average score of 3.6 from 10 (maximum score). The graph above shows HSBC has experienced a score change in most themes. The themes with decreased scores include consumer protection, anti-corruption, financial inclusion, human rights, forestry, health, mining, and taxation. Meanwhile, the themes whose scores have increased include workers' rights, climate change, oil and gas, power plants, transparency and accountability, armament, and gender equality.

The most significant increase in score is in the climate change theme. HSBC has carried out several policy updates to prevent climate change. The factor contributing to the increase, among others, is the application of international standard documents in sustainable financing. HSBC has also implemented financial scopes 1, 2, and 3 in the oil and gas sector. Other factors that encourage an increase in the score are the delivery of banking emissions, lending and sustainable investment distribution, including the target to reach USD 1 trillion in 2030 and documents stating HSBC is out of coal financing. This policy also encouraged a significant increase in scores on the theme of electricity and slightly increased the score on the oil and gas theme.

The score in the gender equality theme has also increased, though relatively low. HSBC is committed to reviewing pay based on gender to enforce commitment to inclusion and equal pay. A policy update regarding workers' rights has also occurred, in which HSBC already has a clear complaint mechanism.

Increased scores in climate change, electricity, oil and gas, gender equality, and workers' rights are not balanced with policy updates on other themes. HSBC experienced a significant decrease in anti-corruption, forestry, health, consumer protection, and financial inclusion themes. The decline in score in the anti-corruption theme occurred because there was no commitment in the HSBC 2021 report on three elements, namely: 1) that the company has a management system that produces immediate action if suspicion arises that employees or suppliers are found guilty of corruption; 2) that the company reports their participation in the decision-making process of norms and international laws (lobbying practices); and 3) that the company integrates corruption criteria in their procurement and operational policies.

HSBC is ranked 1 of the 11 banks assessed with an average score of 3.6 out of 10 (maximum score). Meanwhile, scores on the themes of financial inclusion and consumer protection have decreased significantly due to the fact that the policies and applications previously listed in the 2020 Bank Assessment report were not addressed. This also occurs in other themes such as health and forestry. The five themes can provide a special room for improvement considering that in 2020 the bank already had the policies.

## 2. DBS

 PT Bank DBS Indonesia is a foreign bank of the DBS Group based in Singapore. DBS Bank has a head office and branch offices in 15 major cities in Indonesia. In 2021, DBS recorded a net profit of Rp 568.41 billion, an increase compared to the previous year, which suffered a loss of up to Rp 276.79 billion. The bank's total assets reached Rp 86.1 trillion. DBS Indonesia provides banking services in the corporate banking, SMEs, and consumer loans segments.

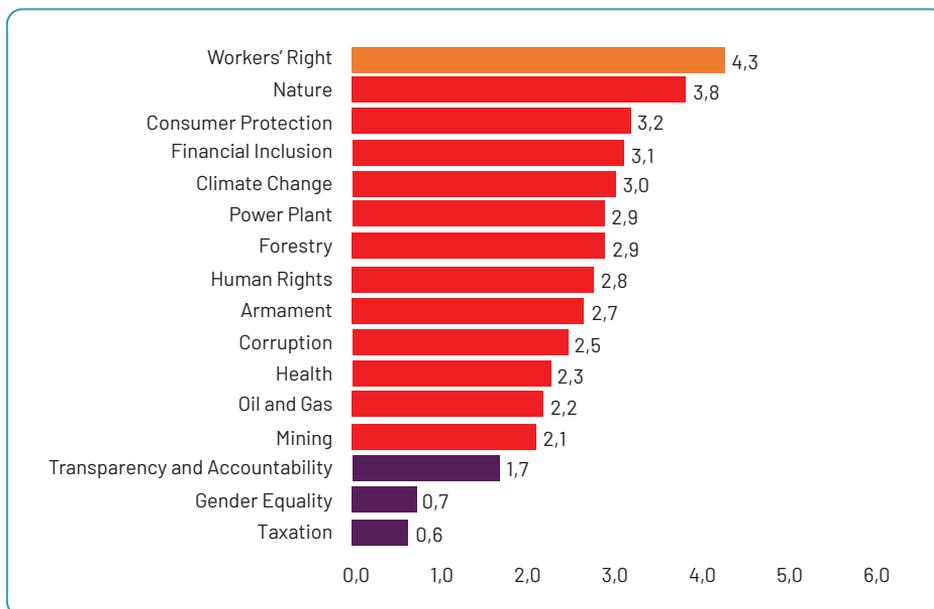
DBS Indonesia has prepared a report on sustainability and a sustainable financial action plan. This bank seeks to increase green financing portfolios and internal capacity development to achieve sustainable financial goals. DBS Indonesia has also assessed ESG risks for all new debtors and has become part of a credit memorandum. Meanwhile, at the group level, DBS has been a signatory to the Global Compact UN and is committed to the ten principles and adopts international standards, including IFC Performance Standard and OECD Guideline for Multinational Enterprises.

Based on the financing portfolio, DBS Indonesia has not categorized how much financing is encompassed in the Sustainable Business Category (KUBL). Based on the economic sector, the bank's biggest financing is in the industrial, transportation, warehousing, and communication sectors and business services.

The assessment conducted by ResponsiBank shows that the score from DBS Indonesia on all themes is 2.6, down compared to the previous year, which reached 2.7. This score is also still categorized as low, meaning the disclosure of sustainability information needs

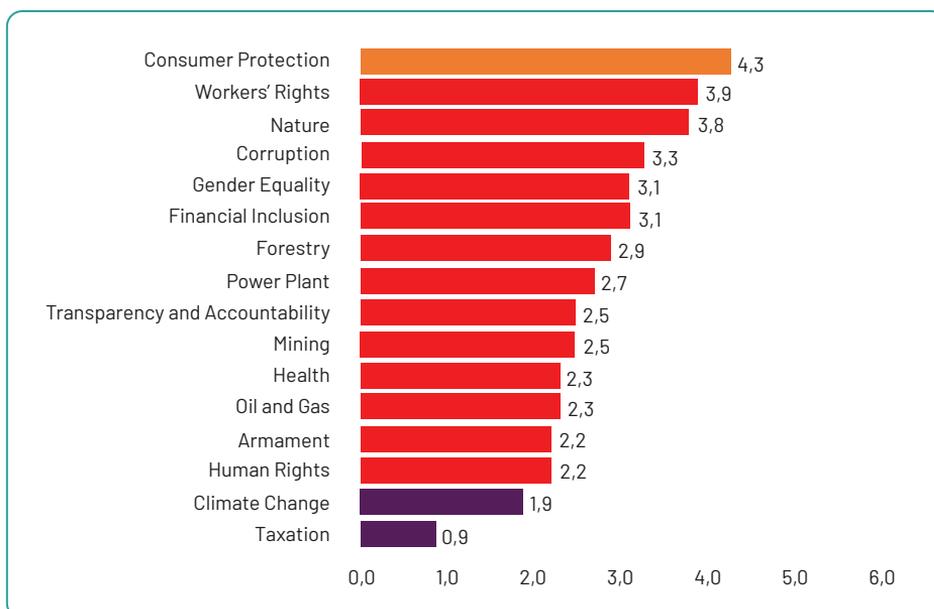
improvement. As part of DBS Group, the bank's policies related to ESG are already quite complete in regulating several sectors. It is just that DBS Indonesia's sustainability report did not explicitly reveal detailed information related to ESG.

Graph 4. DBS Policy Assessment Results, 2022



Source: processed by researchers

Graph 5. DBS Policy Assessment Results, 2020



DBS Indonesia received the highest score on the workers' rights theme, which is 4.3. Meanwhile, the themes of transparency and accountability, gender equality and taxation are categorized as very low. Regarding workers' rights, DBS Indonesia has regulated how the companies financed must uphold freedom of association, with the bank not financing companies that employ child labor or forced labor. With the ratification of international standards, namely the IFC Performance Standard and Equator Principles, DBS Indonesia also regulates its debtors to treat migrant workers with equality, has a system to monitor compliance with employment law, and integrates workers' rights in procurement policies.

DBS Indonesia scored very low on transparency and accountability, gender equality and tax. Some information listed in the previous reporting was not disclosed in 2021, so there was a decline in scores, such as from not explaining how third parties audited financing frameworks related to environmental and social problems. Meanwhile, on the theme of gender equality, DBS's score has decreased because the policy related to equal pay has not stated a clear goal.

### 3. CIMB Niaga

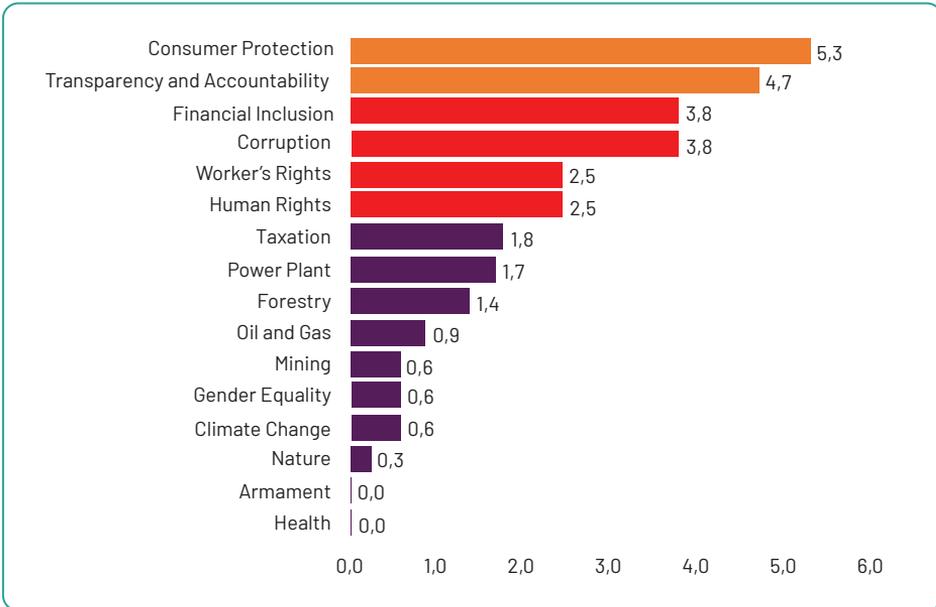
 PT Bank CIMB Niaga Tbk was founded on September 26, 1955. In 1987, CIMB Niaga became the first local bank to launch banking services through the Automatic Teller Machine (ATM) in Indonesia, marking Indonesia's entrance into modern banking.

Until now, CIMB Niaga has 417 branches, including conventional branches, sharia branches, digital lounges, mobile branches, and kiosks; 3,278 ATM units; 4 Multi Denom Machine (MDM) units, and 925 units of Cash Recycle Machine (CRM); as well as 10,936 employees spread throughout Indonesia.

CIMB NIAGA provides banking products and services ranging from consumer banking, small and medium business banking (SMEs), commercial banking, and corporate banking, supported by the ability of treasury and transaction banking and branchless banking networks. In addition, CIMB Niaga also has commercial and Sharia products and services through the CIMB Niaga Sharia Business Unit.

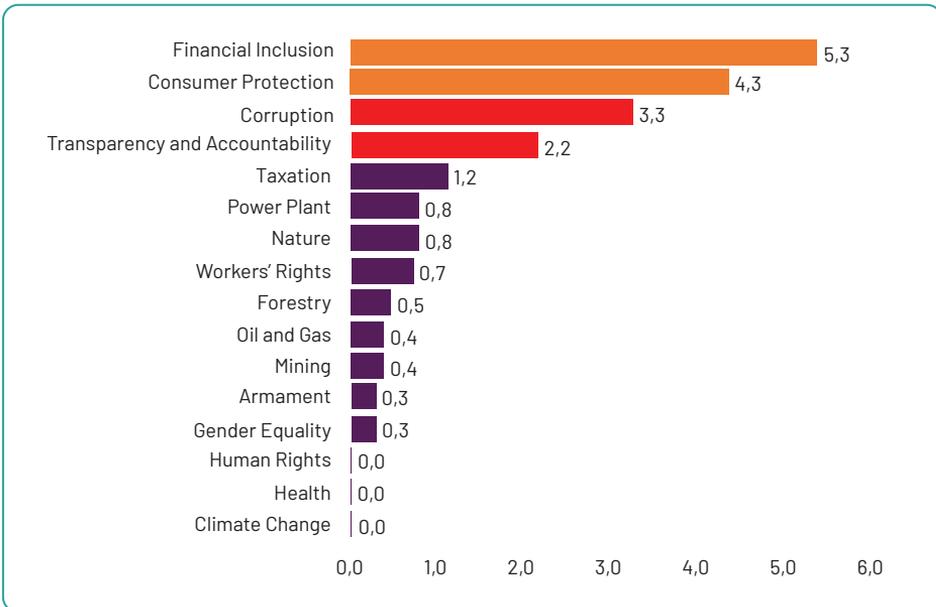
Through its economic recovery vision in 2021, CIMB Niaga increased 3.9% of credit portfolios in Indonesia to Rp181.61 trillion. This achievement was balanced with quality improvement and credit expansion in the customer base, all achieved by complying with the prevention principles and through strict supervision.

Graph 6. CIMB Niaga Policy Assessment Result, 2022



Source: processed by researchers

Graph 7. CIMB Niaga Policy Assessment Result, 2020



Through this bank assessment, CIMB Niaga acquired the highest score in the customer protection sector, with 53%. The score was achieved because CIMB Niaga has policies and regulations to protect the rights and data of customer, a process of handling customer complaints with detailed and published processes, and a policy that was committed to providing accessibility for customers with disabilities and special needs in all physical branches and electronic services, such as on online platforms. In addition, adequate scores were also attained for the accountability and transparency, corruption, and inclusive finance sectors.

CIMB Niaga has the lowest scores in armament and health, namely 0%. In addition, it has low scores on mining, oil and gas, nature, gender equality, and climate change themes. The score in those fields did not reach 1%. The low scores were due to CIMB Niaga's lack of regulations and policies to regulate these sectors in the companies where the bank invested or provided funds.

#### 4. BCA

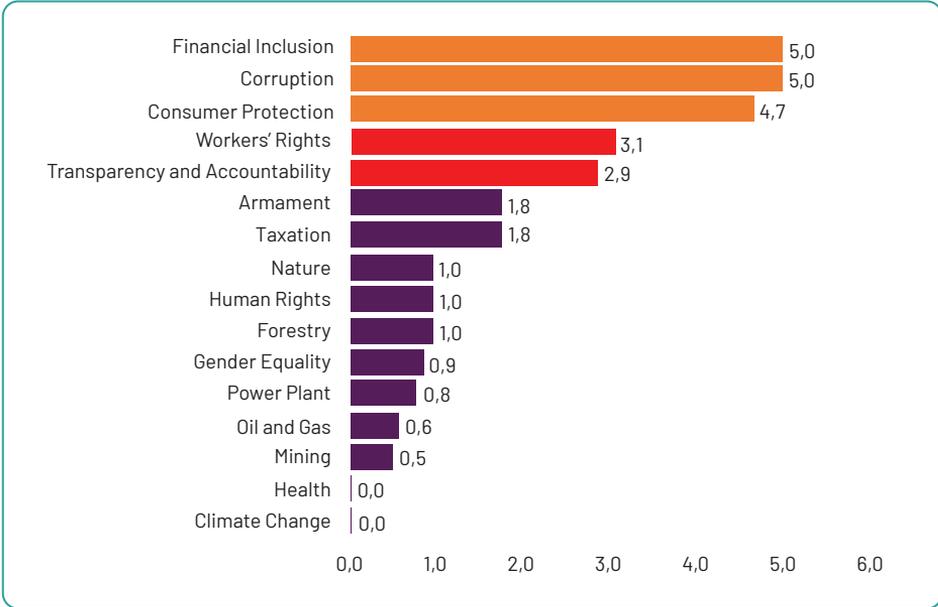


Bank Central Asia (BCA) is one of the largest private banks in Indonesia, established on February 21, 1957, under the name Bank Central Asia NV in Jakarta. BCA has over 1,200 branches throughout Indonesia and branches in several other countries, such as Singapore, Hong Kong and the United States. According to BCA's financial reports, as of September 2021, it was noted that the number of employees working at BCA was 31,226 people.

BCA's business lines are retail banking, corporate banking, treasury and international banking. Based on BCA's financial report as of September 30, 2021, BCA managed to record a net profit of Rp. 15.7 trillion, or an increase of 10.3% compared to the same period in the previous year. In addition, BCA has succeeded in improving asset quality by reducing the NPL ratio from 2.1% in September 2020 to 1.7% in September 2021

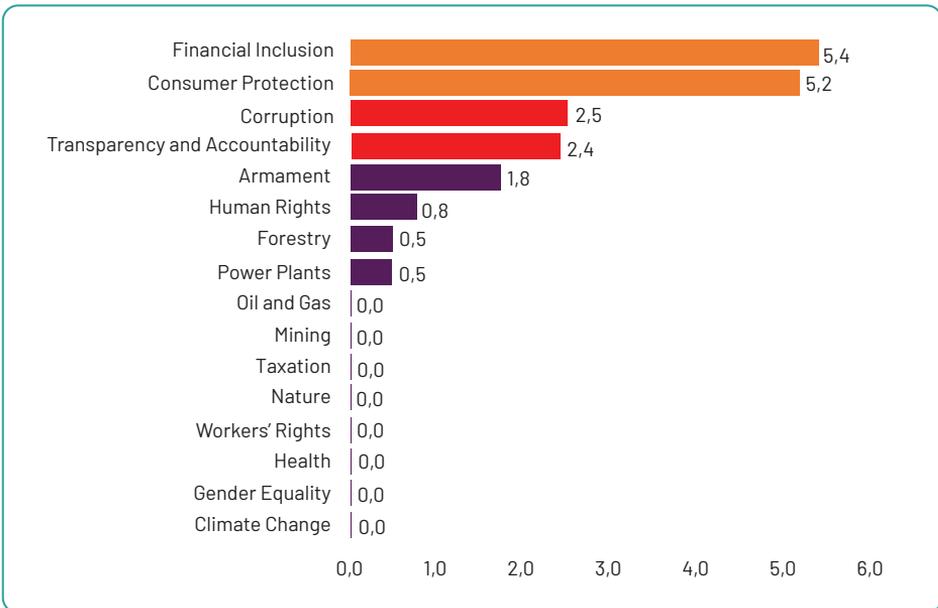
BCA's measures to strengthen sustainable financial practices include: issuing sustainable financial reports since 2004, financing green investments for environmental projects such as developing renewable energy and energy efficiency, sustainable financial literacy programs, and financing for sustainable business practices.

Graph 8. BCA Policy Assessment Result, 2022



Source: processed from researchers

Graph 9. BCA Policy Assessment Result, 2020



BCA is ranked 4th out of 11 banks assessed. The themes that received the highest scores were corruption, financial inclusion and consumer protection, although they are still in the fair category.

In the assessment on the corruption theme, BCA received a score for having an anti-bribery, money laundering, and terrorist financing policy. The commitment to avoid such activities is in line with OJK regulations and meets the requirements of the USA Patriot Act. In addition, BCA verifies the company's ultimate beneficial owner and has an additional safety net regarding financing related to Politically Exposed Persons. Finally, BCA reported needing to provide funds for political activities throughout 2021 and in previous years.

BCA scored on the theme of financial inclusion because it has a policy of providing services for marginalized and poor groups, including mobile banking services. BCA distributes more than 10 percent of financing to MSMEs and is free from guarantees for several sectors. Unlike the previous period's assessment, no commitment is found from BCA to improve financial literacy for low-income, marginalized people and MSMEs. There are savings products from BCA that do not charge a fee when opening an account. In addition, BCA provides information on its services using the Indonesian language.

On the consumer protection theme, BCA has a policy to disclose clients' rights and risks related to their products and services and a program to train employees and authorized agents about these offerings. They ensure consumers have access to adequate complaint handling, disclose complaints monitoring results, and have a public commitment to reducing complaints. BCA has an Alternative Dispute Resolution mechanism, a debt settlement policy, a risk profile for investment products, and respects consumer data protection.

On the transparency and accountability theme, BCA scored for having an environmental and social-related framework that is audited by a third party and disclosed to the public, publishing a list of governments and companies in which it invests, disclosing the number of companies that interact with social and environmental topics, publishing sustainability reports verified according to the GRI Standards, and having a clear grievance mechanism.

On the Workers' Rights theme, BCA's internal policies comply with the ILO Declaration and integrate it into procurement policies. In addition, BCA has procedures in place to handle employee complaints and allows settlement through labor unions. Regarding companies financed, BCA requires companies to pay the minimum wage for their workers and prohibits forced and child labor.

BCA's policies on the Arms, Forestry, Mining, Oil and Gas and Power Generation sectors were still considered in the very inadequate category. Meanwhile, the cross-cutting themes include Gender Equality, Nature, Taxation and Human Rights. BCA did not get a score on the Health and Climate Change theme assessment because no specific information was found in the documents published.

## 5. BRI

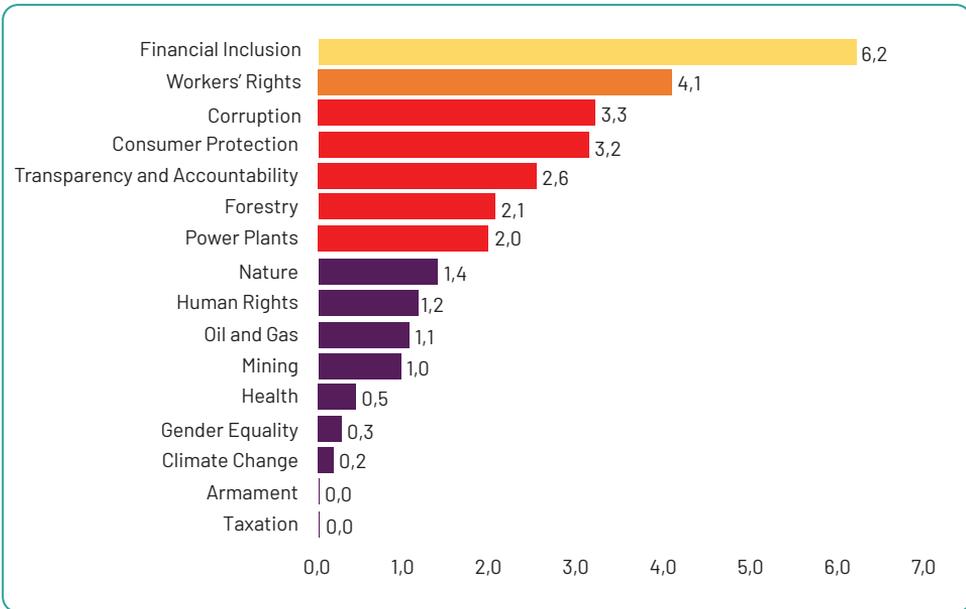


PT Bank Rakyat Indonesia (Persero) Tbk, or Bank BRI, is one of the largest state-owned banks in Indonesia. Apart from operating in Indonesia, this bank has opened overseas branch offices in the United States (New York), Cayman Island, Hong Kong, Taiwan, Singapore and Timor Leste. In 2021, BRI recorded a net profit of IDR 32.2 trillion, an increase of 48.1 percent compared to the previous year. Meanwhile, total assets reached IDR 1.57 quadrillion. BRI's operations are supported by branches from the city to sub-district levels to bank services without offices. BRI also provides banking services for remote areas or islands with the working units of Teras BRI, Mobile Offices, and Teras Kapal.

Regarding disclosing information related to sustainability, BRI has referred to applicable national regulations, namely POJK 51 of 2017, SUSBA, SASB, TCFD, and the Global Reporting Initiative (GRI). BRI has also prepared a Sustainable Finance Action Plan (RAKB) and is one of the banks that is part of the First Mover on Sustainable Finance. BRI reported several achievements in the planned activities in the RAKB and reviewed policies, specifically adding aspects of the Environment Social Governance (ESG) assessment and risk assessment matrices for the palm oil and manufacturing sectors in the debtor loan analysis report.

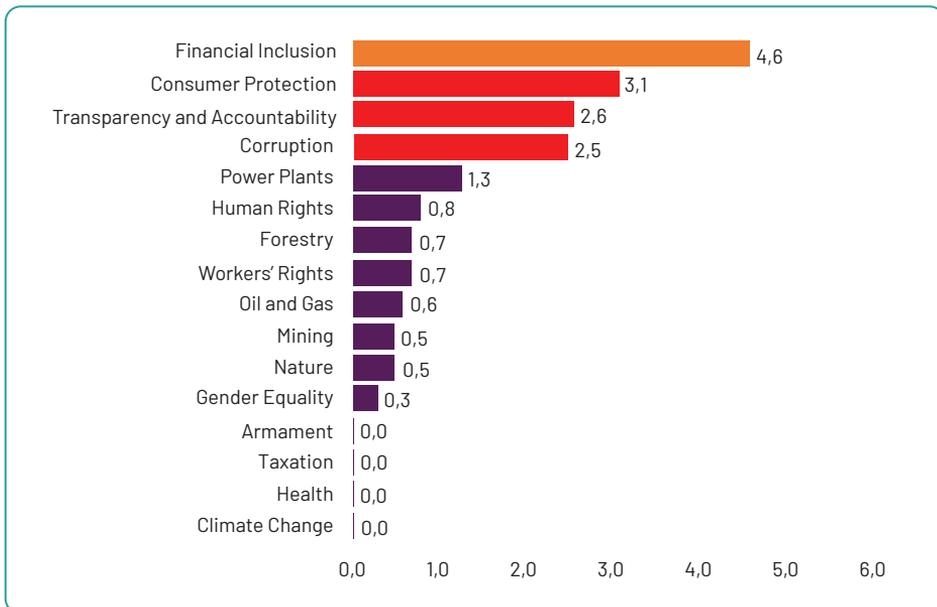
Based on the financing portfolio, BRI disbursed to environmentally sound business activities (KUBL) mostly for the MSME sector, which reached IDR 543.4 trillion (81.8 percent of total credit), while the remaining IDR 70.8 trillion was for KUBL in 2021. Furthermore, the outstanding financing portfolio for renewable energy has increased by IDR 5.6 trillion, environmentally friendly transportation by IDR 14.9 trillion, and pollution prevention and control by IDR 25 billion. BRI has also issued environmentally sound bonds, such as Global Sustainability Bonds.

Graph 10. BRI Policy Assessment Result, 2022



Source: processed by researchers

Graph 11. BRI Policy Assessment Result, 2020



Source: processed by researchers

The assessment conducted by ResponsiBank shows that BRI's score has generally increased from 1.1 to 1.8. The acquired score is generally categorized as low, meaning that BRI's policy disclosures related to sustainability issues are still low. However, BRI experienced significant improvement in scores on several themes, such as workers' rights, forestry, and nature. Furthermore, when compared between assessment themes, BRI received the highest score on the financial inclusion theme. BRI, a bank that grows from MSME financing, has advanced in providing products targeting marginal and low-income groups.

BRI experienced a significant increase in its score on the workers' rights theme due to an improved policy governing debtors in the palm oil sector to pay attention to workers' rights. BRI's policy regulates that companies financed must comply with applicable labor regulations regarding child labor, forced labor, anti-discriminatory treatment of workers, freedom of association and support for gender equality. Similarly, there is an increased score on the themes of nature and forestry whereby BRI has regulated companies financed in the palm oil sector not to operate in high conservation areas, high carbon stocks, and UNESCO world heritage sites. BRI has also regulated client companies to complete an assessment of water resource needs and the impact of water discharge by considering the need for groundwater for plants and hydrological conditions.

On the other hand, in several assessment themes, BRI's policies are still relatively low, such as human rights, gender equality, to climate change. Elements of the assessment on the human rights theme relate to how banks regulate companies financed to respect human rights as stated in the UN Guiding Principles for Business and Human Rights. With the policy of mitigating ESG risks in the palm oil sector, several elements in this theme were adequate to get scores, such as how BRI will not finance companies that acquire land by force. However, BRI has not explicitly explained its position regarding the involvement of indigenous people's rights, particularly the application of the Free Prior Informed Consent (FPIC) principle.

On the theme of gender equality, several BRI policies specifically to promote gender equality in its operational activities need to be sharpened. BRI already has an anti-discrimination policy regarding employment and labor but has not explicitly stated discrimination based on gender. In addition, BRI has regulated equality in pay between men and women but has yet to explain how the system is in place to ensure the monitoring of its implementation. Furthermore, the representation of women in senior company positions, which reached more than 30 percent, was only at the assistant vice president level, while in other senior positions, it was still less than 30 percent. On the other hand, BRI has not regulated its debtors to promote gender equality in corporate practices.

BRI's policies related to climate change are also still weak and need improvement. At the internal company level, BRI has regulated how to reduce greenhouse gas emissions by optimizing banking digitalization as a measure of energy efficiency and utilization of renewable energy sources. However, it has yet to be clearly stated how the steps taken by BRI can contribute to preventing the increase in the earth's temperature above 1.5 degrees

Celsius. Meanwhile, BRI is still limited in disclosing the amount of emissions generated from their internal activities, not yet disclosing how much emissions are generated from corporate financing practices. Although BRI recognizes TCFD as a climate risk disclosure standard, there is no specific information on how BRI discloses alignment of climate-related impact disclosures with TCFD. BRI has also classified fossil financing in an exclusion list, but this is still limited to bond financing.

## 6. Maybank



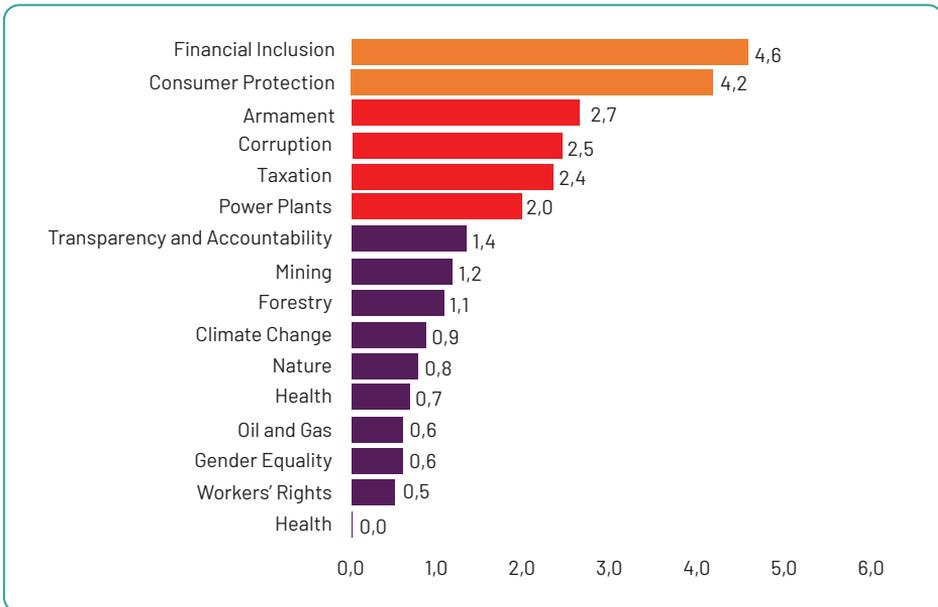
PT Bank Maybank Indonesia, Tbk, is a private bank, part of the Malayan Banking Berhad (Maybank) Group, established in Indonesia in 1959. It obtained a foreign exchange bank license in 1988 and has been a public company on the Indonesia Stock Exchange since 1989.

Since December 2021, Maybank Indonesia has had 356 branches, including Sharia branches, spread throughout Indonesia and one overseas branch in Mumbai and India. Maybank Indonesia has 22 Mobile Cash Cars and 1,033 ATMs that are connected to more than 20,000 ATMs that are members of ATM PRIMA, ATM BERSAMA, ALTO, CIRRUS, and are connected to 3,500 Maybank ATMs in Singapore, Malaysia and Brunei. Maybank Indonesia manages customer deposits with total assets of IDR 168.8 trillion as of December 2021.

In 2021, Maybank Indonesia's total green loan disbursement reached IDR 38,187 billion, or 42.1% of the Bank's total loan disbursement individually in 2021 of IDR 90,708 billion. Maybank Indonesia also disbursed MSME loans in 2021 of IDR 18,521 billion, or 20.4% of total bank loans individually in that year and was above the minimum requirements set by the regulator.

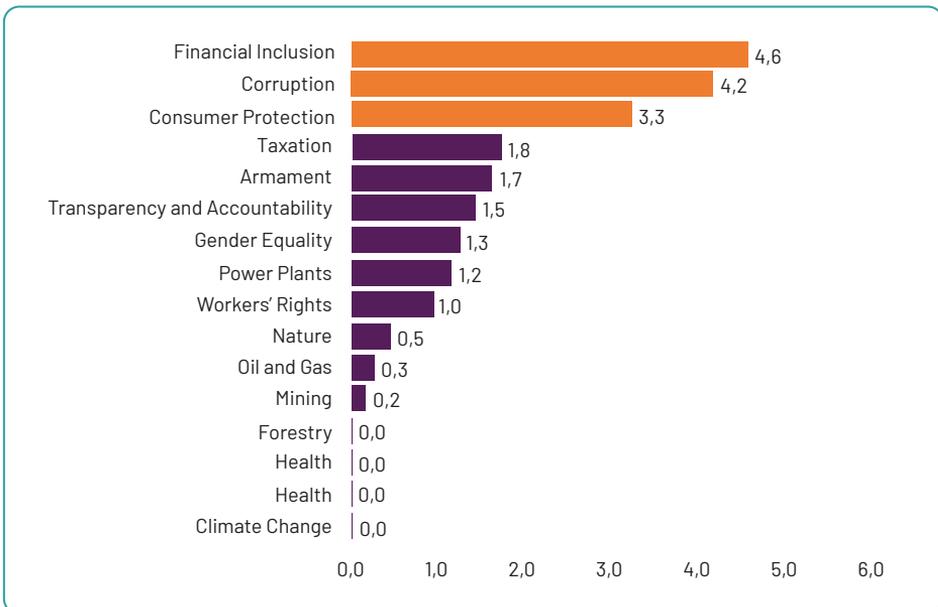
In this bank assessment, PT Bank Maybank Indonesia received the highest score in the financial inclusion sector with a score of 4.6 or 46% because it has committed to creating financial policies, products and services that help and target marginal and poor groups, especially through loans to MSMEs.

Graph 12. Maybank Policy Assessment Result, 2022



Source: processed by researchers

Graph 13. Maybank Policy Assessment Result, 2020



PT Bank Maybank Indonesia received fair scores on the corruption, taxation, armament, and customer protection themes. Maybank's customer protection score reached 42%, with several policies obtained by Maybank to protect customer privacy and rights and to have clear and detailed policies regarding debt resolution (on an overindebted policy).

PT Maybank Indonesia has a very low score for the health sector, with a score of 0%. Maybank Indonesia did not get a score in this sector because it does not have a policy on companies where the bank provides funding or invests, which includes policies on occupational health and safety for employees and the environment surrounding the companies. In addition, Maybank Indonesia still has scores in workers' rights, gender equality, human rights, climate change, nature, and oil and gas. The scores on the sectors do not even top 1%.

## 7. Danamon



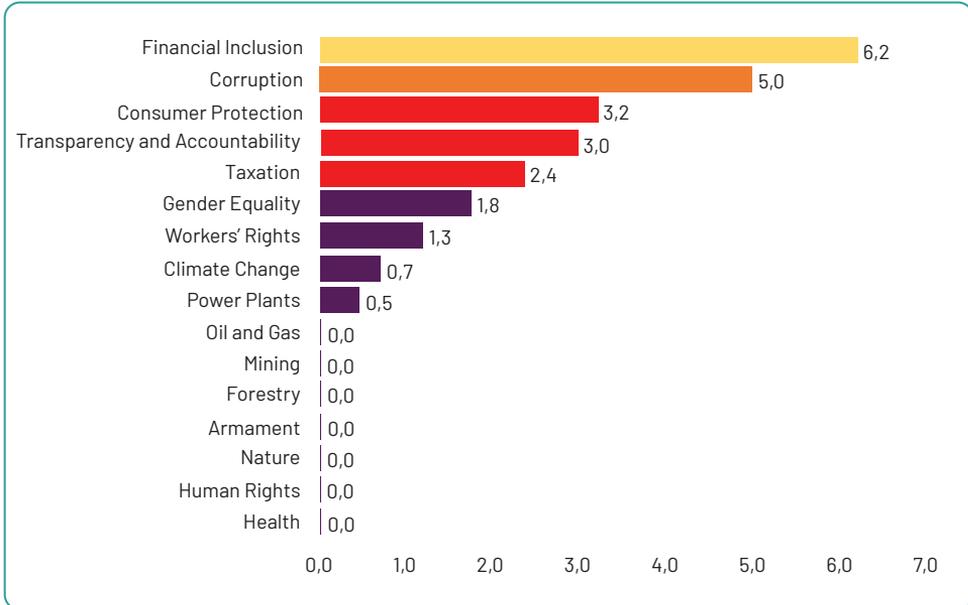
Bank Danamon Indonesia is one of the largest private banks in Indonesia. This bank was founded in 1956 under the name Bank *Kopra dan Gula Nasional*. In 1976, this bank changed its name to Bank Danamon Indonesia and underwent a change of ownership until it was finally acquired by MUFG Bank in 2018. Bank Danamon Indonesia focuses on corporate and commercial financing as well as retail banking products and services. In 2021, Bank Danamon Indonesia launched the Bank Danamon Digital program, which is a digital banking platform that provides a variety of banking products and services for retail customers. On the financial aspect, in 2021 Bank Danamon recorded a net profit of IDR 1.57 trillion, an increase of 56.1 percent compared to the previous year.

Bank Danamon Indonesia has committed to promote sustainable finance and improve the company's sustainable financial performance. In 2021, this bank launched a Sustainability Bond worth IDR 1.75 trillion to support sustainable business activities. Bank Danamon Indonesia has also issued a Sustainability Report. It has signed several agreements to support sustainable finance practices, such as a cooperation agreement with the International Finance Corporation (IFC) to promote sustainable housing finance and a cooperation agreement with the Global Green Growth Institute (GGGI) to promote green growth in Indonesia.

The results of the assessment conducted by Responsibank at Bank Danamon show that there has been an average increase from 0.9 in 2020 to 1.5 in 2022. In general, the score obtained is in the low category. There has been a significant increase in scores on several themes, namely transparency and accountability, corruption and financial inclusion.

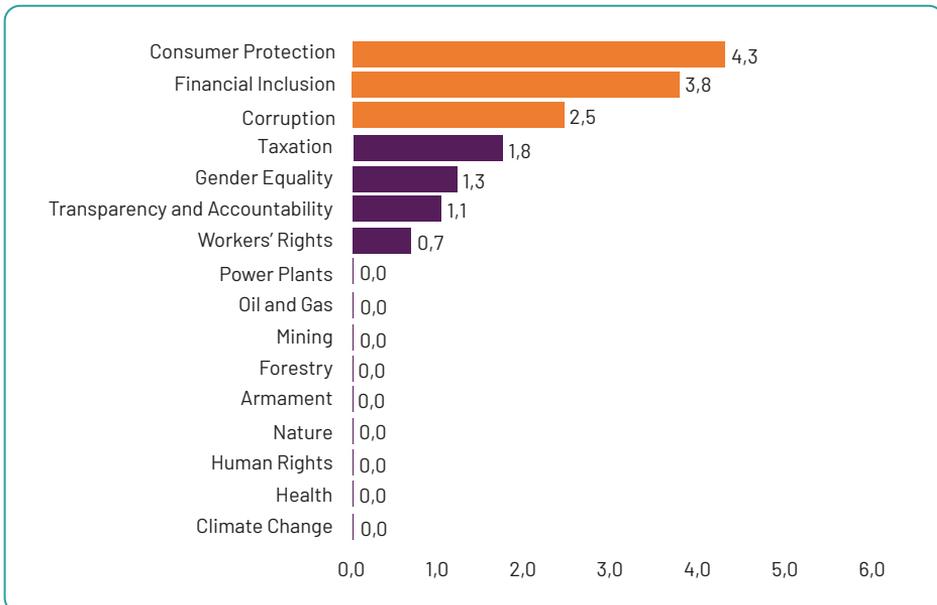
The financial inclusion theme in the 2022 assessment is the highest score among other themes and is included in the fair category. Bank Danamon has financial services that can support increased access for low-income communities and other marginalized groups. This measure is supported by the provision of affordable services and a commitment to increase financial literacy.

Graph 14. Danamon Policy Assessment Result, 2022



Source: processed from researchers

Graph 15. Danamon Policy Assessment Result, 2020



In addition, this score was obtained by Bank Danamon for implementing the Anti-Money Laundering and Prevention of the Financing of Terrorism (APU and PPT) policies. Finally, Bank Danamon has a policy regarding not participating in political activities, including making donations in any form, where the bank specifically reported in 2021 that it did not provide funds for political activities.

Bank Danamon's Transparency and Accountability Policy has developed significantly in the 2022 assessment. This is indicated by an increase in the score from 1.1 in 2020 to 3.0 in 2022. In addition, Bank Danamon obtained the third-highest score among all banks assessed in 2022. One of the elements that earned a score on this theme is related to the grieving mechanism because Bank Danamon has adequate policies and systems. Furthermore, Bank Danamon provides detailed loan information based on the economic sector, geographical area, and syndicated loans, but only for corporate loans and project financing and does not refer to coding standards such as NACE and ISIC.

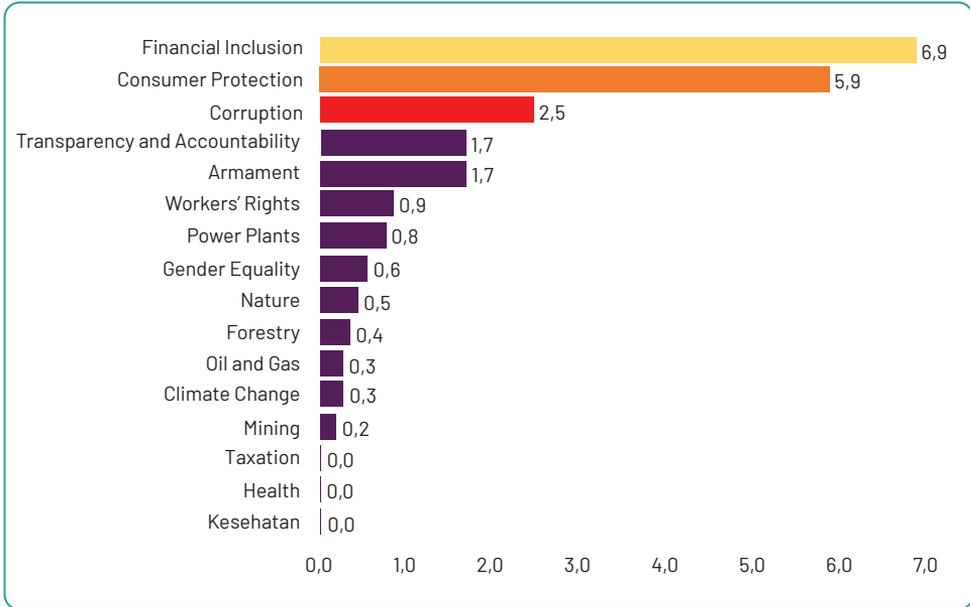
## 8. Bank Mandiri



Bank Mandiri was established on October 2, 1998, as part of a banking restructuring program implemented by the Indonesian government.

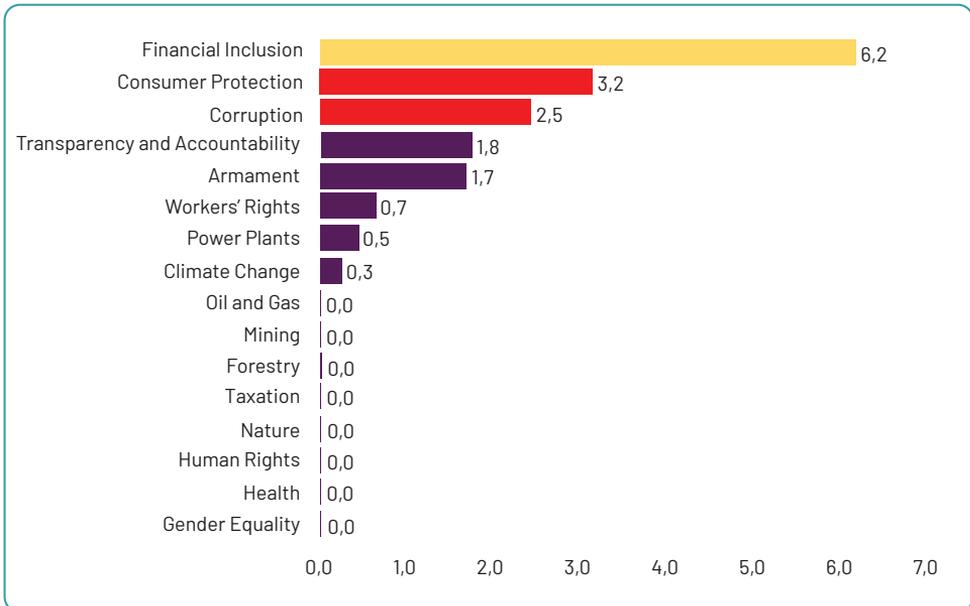
In 2021, Bank Mandiri's Sustainable Portfolio reached IDR 205.4 trillion or 25% of the bank's total loan portfolio, in which non-MSME contributions were IDR 101.9 trillion and MSME IDR 103.5 trillion. Non-MSME Sustainable Financing contributed to increasing Bank Mandiri's 2021 sustainable finance portfolio, particularly in renewable energy financing in financing hydropower plant and geothermal power plant projects and environmentally friendly transportation. In April 2021, Bank Mandiri issued a USD 300 million Sustainability Bond with a 5-year tenor with an oversubscription rate of 8.3 times.

Graph 16. Bank Mandiri Policy Assessment Result, 2022



Source: processed by researchers

Graph 17. Bank Mandiri Policy Assessment Result, 2020



From the results of this bank assessment, Bank Mandiri received the highest score in the inclusive financial sector, with a score of 69%. This score was obtained because Bank Mandiri has policies, services and products that support and target marginalized and poor groups. This includes having branches in remote areas, providing loans to MSMEs above 10%, not burdening customers when opening new savings by providing low fees for opening a savings account and providing loans for housing loans for low-income customers. In addition, Bank Mandiri has a high score in the consumer protection and corruption sectors.

Bank Mandiri has a very low score for the health, tax and human rights sectors, whereas, for these sectors, Bank Mandiri gets a score of 0%. This score was obtained because Bank Mandiri does not have policies and/or regulations governing companies where Bank Mandiri provides funds or invests to have policies relating to the health, tax and human rights sectors. Bank Mandiri has regulations governing its operational activities but still needs regulations required of the companies it invests in. Likewise, Bank Mandiri scored very low in other sectors, not reaching 1%. These areas include climate change, gender equality, labor rights, nature, forestry, mining, oil and gas, and power generation.

## 9. BNI



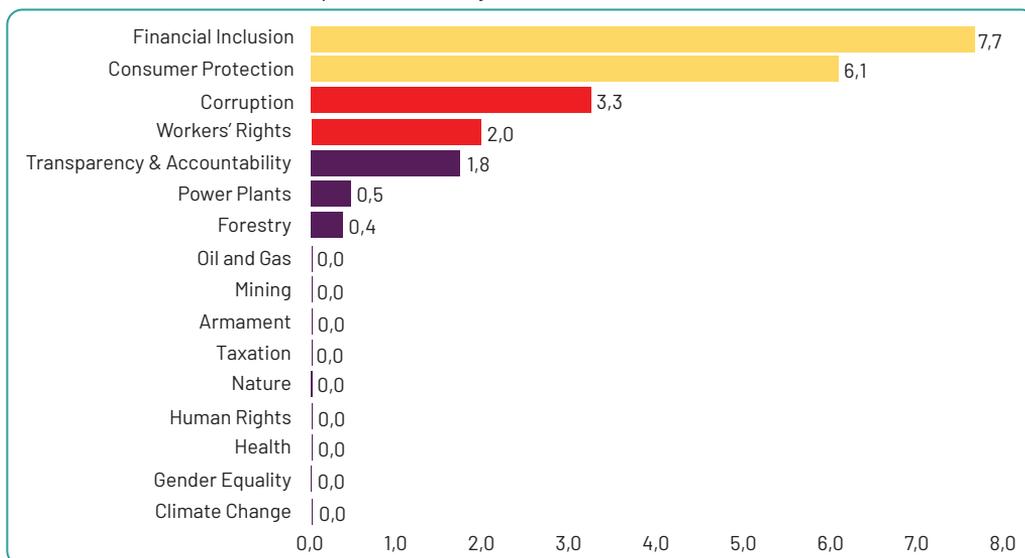
PT. Bank Negara Indonesia (persero), Tbk or Bank BNI is the first state-owned Bank founded in 1946 and listed on the stock exchange in 1996. Bank BNI has six overseas branch offices (KCLN) in Singapore, Hong Kong, Tokyo, New York, London, and Seoul. BNI focuses on developing overseas branches to support Indonesian businesses to go global. In 2021, BNI established Representative Offices in Amsterdam, the Netherlands and Los Angeles, United States of America. As for domestic services, BNI has a network of offices that reach 448 cities/regencies or 87% of cities/regencies in Indonesia.

Bank BNI's total assets in 2021 reached IDR 964.84 trillion, an increase of 14.9% compared to 2020. The asset growth was mainly influenced by loans that increased by 5.3% from IDR 553.1 trillion in 2020 to IDR 582.4 trillion in 2021. The corporate segment contributes substantially to the Bank's interest income and sharia-net income, while the treasury and financial institution segments contribute substantially to the Bank's total assets.

On the sustainability aspect, BNI prepares a sustainability report that refers to standards and regulations for preparing reports, namely Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017, the GRI standard as per the comprehensive option, GRI - Financial Services Sector Disclosure, as well as the SUSBA-WWF criteria. In this report, BNI has implemented a credit identification and screening process for the Sustainable Business Activities Category (KKUB), including those in the palm oil, renewable energy, and social forestry sectors according to the target. KKUB's credit distribution in 2021 reached 29.6% of BNI's total loans. Of this percentage, the largest portion of financing was

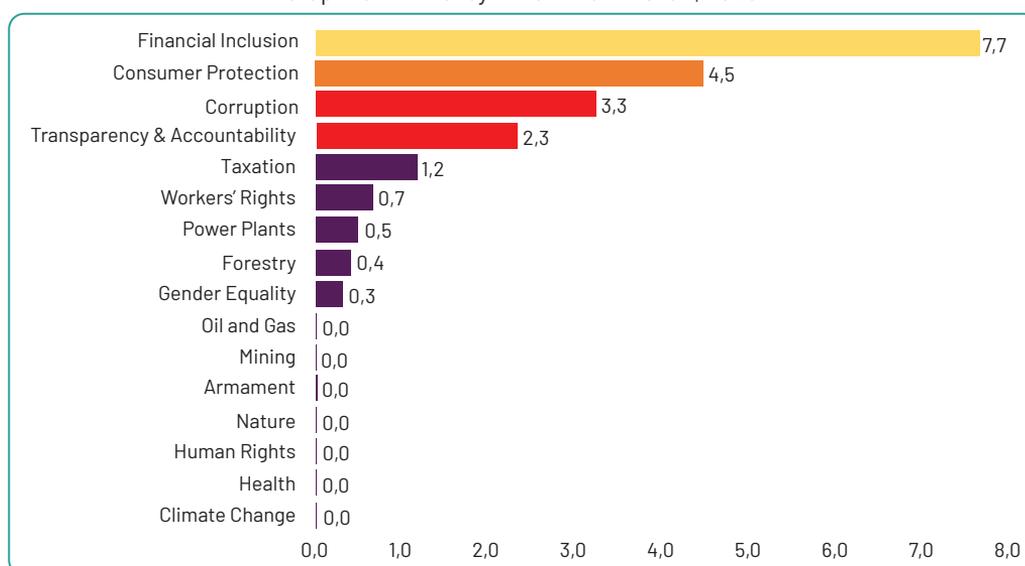
channelled to MSMEs which was recorded at IDR 117.0 trillion, followed by energy efficiency at IDR 17.7 trillion, the natural resources sector and sustainable land use at IDR 14.0 trillion, renewable energy financing at IDR 9.5 trillion, and the eco-efficient product sector worth IDR 0.3 trillion. In addition, BNI also invested USD 54 million in Green and Sustainable Bonds.

Graph 18. BNI Policy Assessment Result, 2022



Source: processed by researchers

Graph 19. BNI Policy Assessment Result, 2020



Source: processed by researchers

The bank assessment results show that BNI has the highest scores on financial inclusion of 7.7 and consumer protection of 6.1. The biggest increase in score occurs in the consumer protection theme. This increase is driven by BNI's commitment to reducing consumer complaints and a policy to protect consumer financial and personal information. To support this, BNI has a training program for employees and authorized agents. In the financial inclusion element, BNI already has policies, services and products that support marginalized groups and poor groups in the form of branches in remote areas, MSME loans, and that absence of cost for opening savings account. Other elements that scored below consumer protection were anti-corruption and employment policies.

BNI's achieving scores on other elements such as gender equality, taxes, and transparency and accountability have actually decreased. The biggest decrease in score occurred in the elements of transparency and accountability due to the existence of a new indicator, namely disclosing voting policies in the form of guidelines on shareholder decisions related to environmental, social and governance issues. In addition, BNI still has many opportunities for improvement in various elements, especially those related to aspects of sustainable financing, human rights, and gender equality.

BNI did not score on elements of climate change, environment and sectoral themes such as mining, oil and gas, and power plants. These elements are generally related to efforts to prevent climate change and reduce carbon emissions. In this case, BNI's bank policies and measurable strategic plans related to climate are still not disclosed. Then, on the human rights element, BNI has yet to disclose human rights policies that refer to international standards. This is also the case with the gender equality element. In the gender equality element, there are important indicators related to the proportion of gender at the director level, which is still very lame. This can make room for improvement for BNI to design a gender-responsive training system to create increased elements of gender equality.

## 10. Permata



Permata Bank Indonesia is one of the largest private banks in Indonesia. This bank was founded in 1954 under the name Bank Industri Jaya, which later changed its name to Bank Permata in 2002. In May 2020, Bangkok Bank officially became the controlling shareholder of Bank Permata after taking over 89.12% of Permata Bank shares previously held by Standard Chartered Bank and Astra International. Until 2021, PermataBank had more than 4.2 million consumers and 291 branch offices. Some of the main business lines in 2021 included retail business, commercial business, wealth management, sharia, and digital banking.

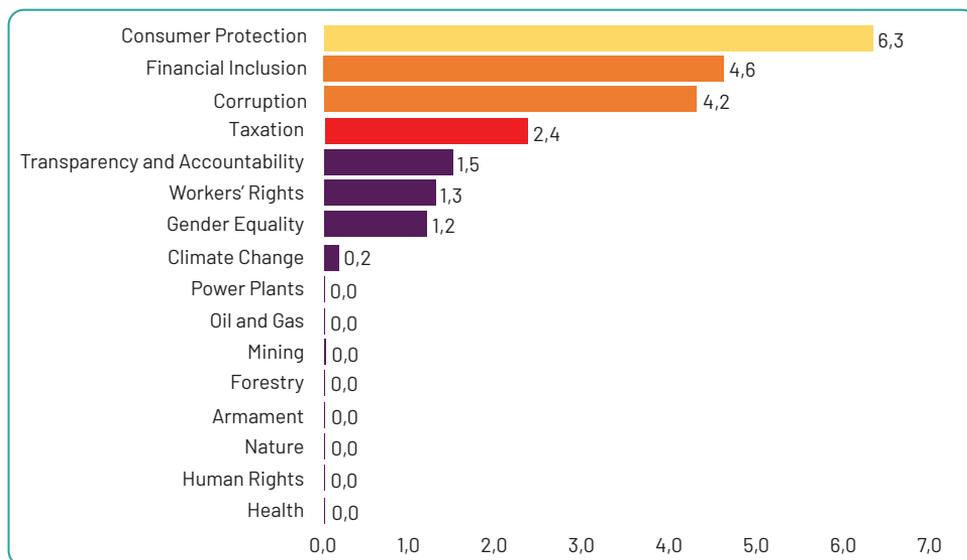
PermataBank supports the implementation of sustainable finance through the Sustainable Finance Action Plan (RAKB). At the end of 2021, Bank Permata implemented its 2021 action plan to extend sustainable credit to small and medium enterprises and develop digital products that support financial inclusion through collaboration with fintech P2P lending and Rural Credit Banks (BPR). The total loans disbursed reached IDR 175.8 billion and IDR

18.4 billion for People’s Business Credit (KUR). Until the end of 2021, the total disbursement of funds for sustainable business activities reached IDR 508.6 billion, an increase of 16.30% compared to the previous year, which reached IDR 437.3 billion.

The results of the assessment conducted by Responsibank on PermataBank showed an increase in the average score from 0.9 in 2020 to 1.3 in 2022. In general, this score is in the low category. However, scores have been significantly increased on several themes, namely gender equality and consumer protection. Apart from being a theme with a significant increase, the score achieved on the consumer protection theme is the highest when compared to the scores on other themes.

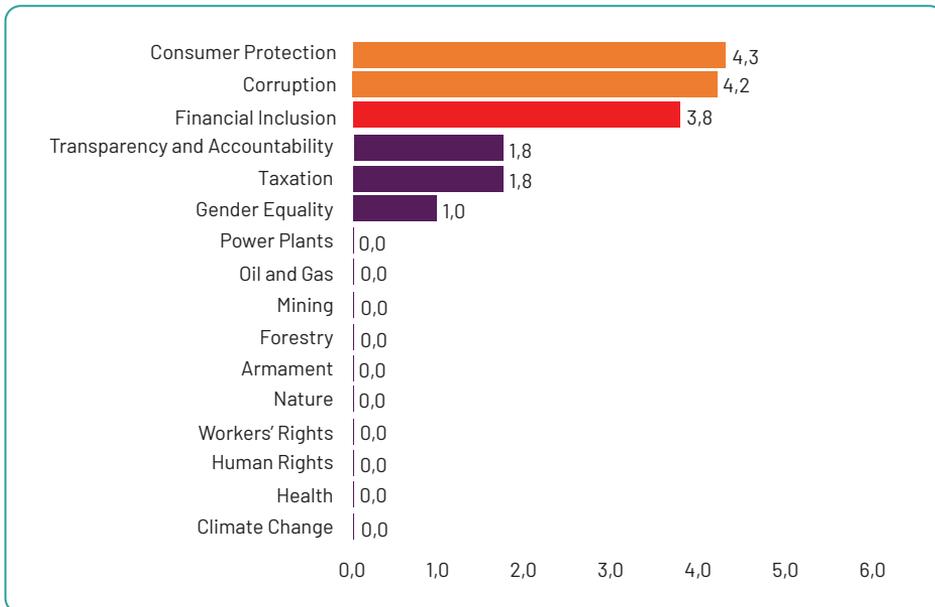
The driving factor for achieving high scores on consumer protection is that PermataBank has a high commitment to transparency with consumers regarding services, risks and costs in its various products. This is marked by a clear policy that informs the rights and risks of products and services, implements risk profiles on investment products, has procedures to avoid unfair sales practices (miss-sell or misrepresent) and is committed to informing if costs change. In addition, PermataBank has a policy of providing the highest quality customer service through relevant employee training, anti-discrimination treatment, and adequate handling of consumer complaints.

Graph 20. Permata Policy Assessment Result, 2022



Source: processed by researchers

Graph 21. Permata Policy Assessment Result, 2020



Regarding the gender equality policy, on the internal aspect, there have been several improvements made by PermataBank; namely, there is a gender anti-discrimination policy that is not only in the recruitment cycle but up to the commitment to create an inclusive workplace and ensures equal opportunities for every employee regardless of gender. In addition, gender equality at the leadership level at PermataBank is progressing. This is indicated by the representation of women in two of the three highest levels of positions at PermataBank, which has reached 40 percent of the composition of existing positions. Unfortunately, gender equality policies in financing and investment up to the 2022 assessment did not experience significant improvement.

Several other improvements were observed in the assessment related to the climate change theme. PermataBank demonstrates that it has an Environmental and Social Assessment for risky sectors and large-scale projects, which includes emissions as a criterion. On the theme of workers' rights, although it does not mention the fundamental principles and rights at work of ILO, PermataBank accommodates the four main principles in it, namely freedom of association and recognition of the rights to collective bargaining, elimination of all forms of forced and compulsory labor, elimination of child labor, and elimination of discrimination in jobs and positions.

The assessment on sectoral themes, namely armament, forestry, mining, oil and gas and power plants, did not experience significant improvement in the two observed periods. PermataBank has a credit policy that includes the mining and forestry sectors as risky sectors. Still, no publication explains environmental assessments for projects and companies in these two sectors in detail.

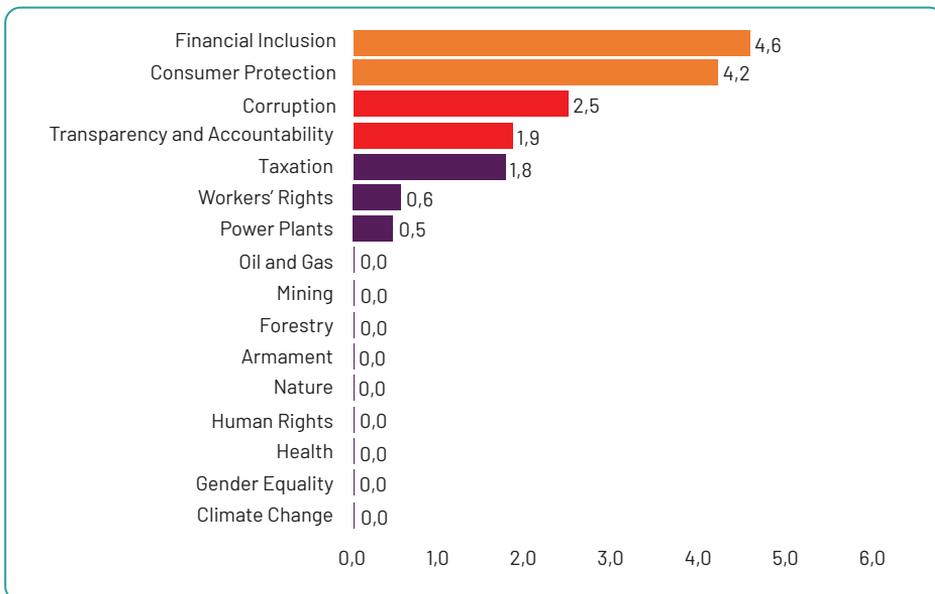
## 11. BJB



PT Bank Pembangunan Daerah Jawa Barat dan Banten, Tbk. or bank BJB began operating commercially in 1961 after the nationalization from the Netherlands in 1960. Bank BJB has main customers in civil servants, individuals, employees, cooperatives, BUMD, BUMN, and other government and private institutions. As of October 31, 2021, Bank BJB had 5 Regional Offices, 65 Branch Offices, 873 Sub-Branch Offices, 6 Functional Offices and 1,773 TPE Networks. As of October 31, 2021, Bank BJB's total third-party funds were contributed by Government funds which reached 29.1%; corporate funds amounted to 42.6%; and retail funds to 28.3%. In addition, the Company has also distributed loans to 592,530 debtors in all the Company's operational areas, consisting of 86% consumer credit debtors, 1.2% commercial credit debtors, 6.3% mortgage credit debtors and 6.6% micro-credit debtors. In 2021, Bank BJB increased its total assets by 12.36% to IDR 158.36 trillion.

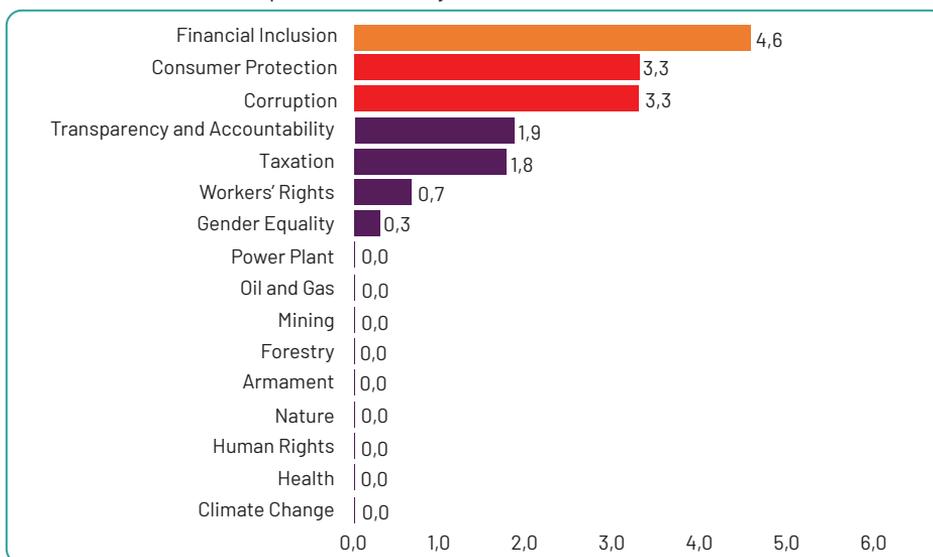
On the sustainability aspect, BJB has prepared a sustainability report that refers to standards and regulations for preparing reports, namely Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017, GRI standard according to the comprehensive option, and GRI - Financial Services Sector Disclosure. BJB submitted total financing for the Sustainable Business Activity Category (KKUB) of IDR 7.6 trillion in the sustainability report. The largest value of this financing was in the MSME category, with a total credit of Rp. 3.1 trillion, then the other largest loans were in environmentally friendly transportation of Rp. 2.2 trillion and renewable energy of Rp. 168 billion.

Graph 22. BJB Policy Assessment Result, 2022



Source: processed by researchers

Graph 23. BJB Policy Assessment Result, 2020



The bank assessment results show that Bank BJB has developments in the themes of electricity and consumer protection. Bank BJB scored on the financing element for renewable energy companies in the electricity element. This is based on Bank BJB's KKUB data in the sustainability report which stated that financing for renewable energy reached IDR 168 billion.

The highest score increase by Bank BJB is on the consumer protection theme. Two factors affect this increase in score, namely, Bank BJB is committed to reducing public complaints, setting goals to be achieved, and making this information accessible to all stakeholders. This commitment is demonstrated by the creation of the BJB whistleblowing system website. Then the second factor that supports the increase is Bank BJB's commitment to developing and implementing risk profiles related to investment products. Supervision is carried out by the board of directors, who are assisted by the Risk Monitoring Committee (KPR), which conducts regular oversight through coordination with the risk management work unit. The supervision involves monitoring the application of treasury limits regularly.

Bank BJB received the highest score on the financial inclusion theme. Bank BJB already has special services and products for the poor and marginal groups. Bank BJB rarely fulfills many factors on financial inclusion, which include policies to increase public financial literacy, to not charge fees for opening an account or at a reasonable fee, and to provide housing finance for low-income people. However, other themes, such as corruption, experienced a lower score on the extra protection element when establishing indirect or direct business relationships with Politically Exposed Persons. As for other themes, bank BJB did not update the policies.

## Chapter 5

# COMMITMENTS AND POLICIES OF THE BANKS IN SEVERAL THEMES

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Following the power plants theme assessment, almost all banks received scores; only one bank did not score, namely Permata Bank. The average banking score observed on this theme in 2022 was 1.4, a slight increase compared to the 2020 achievement of 0.9.

The banking sector's commitments to overcoming climate change, fulfilling and respecting human rights and gender equality, and disclosing information related to bank sustainability.

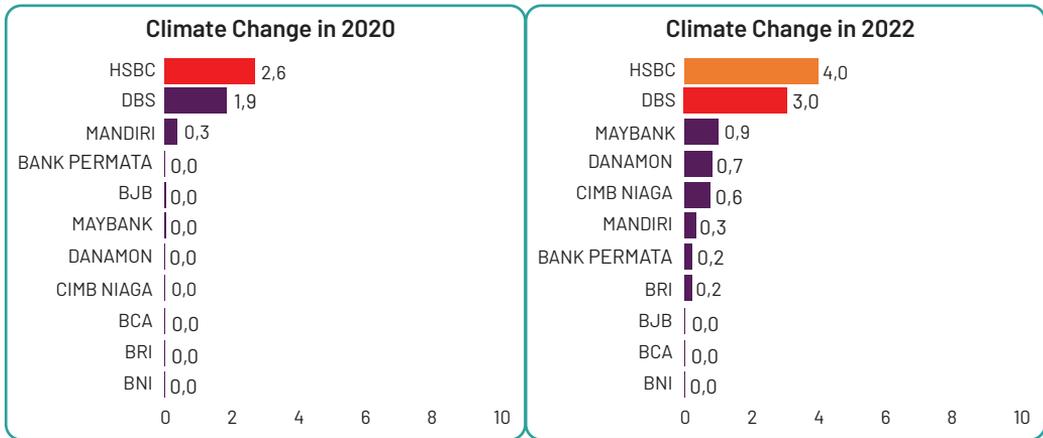
## 5.1 Banks' Commitments to Overcoming Climate Change

### CLIMATE CHANGE THEME

Having assessed the climate change theme, eight banks acquired a score, while the other three did not. The average banking score in the climate change theme in 2022 was 0.9, which slightly increased compared to the 2020 achievement of 0.4. The assessment elements on this theme were still relatively low, ranging from 0.0 to 4.0. Hence they are included in the "very inadequate" category. This was caused by the fact that there were several elements in almost all banks assessed that did not have related regulations or were valued at 0.0. One example was the element on the GHG emission disclosure policy related to financing, where banks do not finance or invest in companies active in coal power plants and/or thermal coal mining for more than 20%, 30%, or more than 0% of their activities. The other elements pointed at included policies that the biomaterial production policy complies with the 12 Roundtable on Sustainable Biomaterial (RSB) principles, on the criteria for the relevant certification scheme for CO2 compensation, that the companies financed do not participate in the lobby directly or indirectly (trying to influence decisions made by regulators) aimed at weakening climate policies, as well as policies on integrating climate change criteria in procurement and operational policies to their supply chain.

In 2022 HSBC again ranked first, with a score of 4.0, an increase from 2020, a score of 2.6 according to the 1 – 10 scale. This was followed by DBS and Maybank, with a score of 3.0 and 0.9. There was an intensification in policies in several banks that scored on this theme, such as Maybank, Danamon, CIMB Niaga, Permata Bank and BRI.

Graph 24. Bank rankings on climate change theme in 2020 and 2022



HSBC earned several points automatically for project financing because the bank has implemented IFC Performance Standards and Equator Principles membership. In important sectors (oil and gas, thermal coal), HSBC has encouraged companies/clients to have a gradual transition/decarbonization plan. The bank already has a target to increase renewable electricity for operations by up to 100% in 2030 and harmonize emissions financed with the objective of the Paris Agreement in 2050, namely achieving net zero emissions. However, no additional points were earned for an asset of ownership rights and asset management because there is only a general commitment to net zero in 2050 for asset management. In addition, HSBC has set emission targets financed and report climate according to Task Force on Climate-related Financial Disclosures (TCFD).

DBS gained points for several elements because it has adopted IFC Performance Standards and Equator Principles membership. DBS has been a signatory to the net-zero bank alliance (NBZA), and points were given because the bank's commitment is following the scenario of 1.5 °C and the scope score for all categories of financing was also given. Since 2018, DBS has begun measuring emissions from all selected intensive carbon customers financed and disclosed regularly. In addition, DBS has aligned the IBG loan portfolio with its climate commitment. DBS has also provided 'mapping to the TCFD index', but only the basic value was given because the bank did not include concrete targets/KPIs to assess climate-related issues in all four thematic areas. In addition, DBS has a policy of helping companies transition and a time frame in which the bank will stop financing/investment in thermal coal (mining and power plants).

Maybank received scores on only three elements. Among others, for its operational activities, Maybank has had a policy and effort to reduce greenhouse gas emissions by themselves both directly and indirectly. The internal policies have included reducing operational car use and switching to using online taxis for bank operational activities, implementing the Green Office, and as addressed as commitments in the Maybank Group Sustainability Framework 2021,

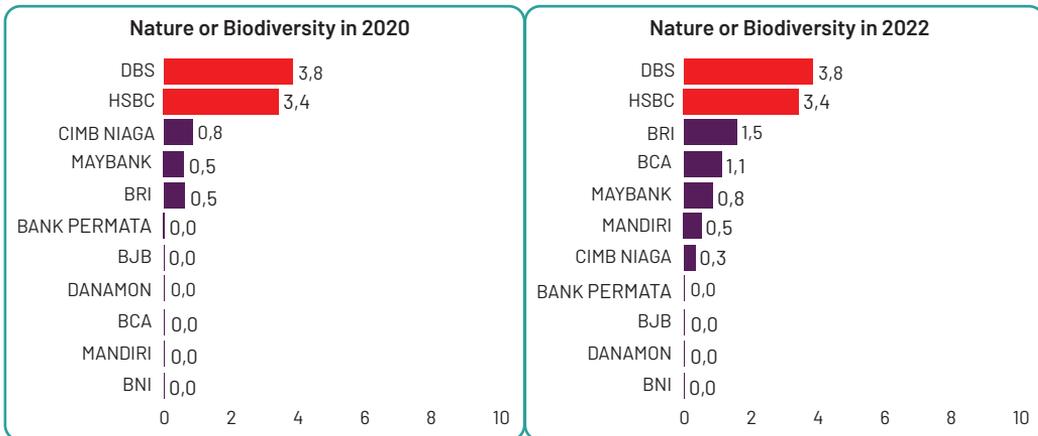
achieving a Carbon Neutral position over the bank's operational emissions in 2030 and the Net Zero Carbon Equivalent in 2050. Maybank has also committed to avoiding financing new borrowers involved in thermal and coal-related activities.

## NATURE OR BIODIVERSITY THEME

On the theme of nature or biodiversity, only seven banks received scores. The average banking score observed on the biodiversity theme in 2022 was 1.0, a slight increase compared to the 2020 achievement of 0.8. The assessment elements on this theme were still relatively low, ranging from 0.0 to 3.8, so they are in the very poor category. This is because several elements in all banks were considered to have no regulations or have a score of 0.0. This includes the policy on trade in endangered plant and animal species according to CITES requirements, activities in the field of genetic material and genetic engineering according to the UN Convention on Biological Diversity and related Bonn Guidelines or the Nagoya Protocol, then the policy on the production or trade of genetically modified living organisms, mitigation measures to address community and environmental ecosystem needs, and on including clauses on compliance with natural criteria in contracts with subcontractors and suppliers.

In 2022, DBS was again in first place, the same as in 2020, with a score of 3.8 on a scale of 1-10. Following this, there were HSBC and BRI with scores of 3.3 and 1.5. In 2022 two banks received scores, namely Mandiri and BCA.

Graph 25. Banks rankings on nature or Biodiversity theme in 2020 and 2022



DBS occupied the top position in this regard partly because DBS has implemented IFC Performance Standards and the Equator Principles membership in project financing so that it received a content score and basic score on several elements. DBS has a credit risk policy; the bank will not deliberately fund the following activities: Deforestation of High Carbon Stock (HCS), High Conservation Value Car (HCV) forests, and illegal logging. Points were also awarded for not financing activities that could harm the UNESCO Heritage Site. In addition, it commits not to knowingly finance activities involved in trade (wholesale or retail) of wildlife or wildlife products that violate CITES, including ivory, rhino horn and pangolin, but the policy does not cover plant species, so only content values were given.

HSBC also received a base score on several elements for adopting the IFC Performance Standards and the Equator Principles membership for project financing and committing not to finance companies that threaten UNESCO World Heritage Sites or Ramsar Wetlands. The bank has a forestry policy for corporate credit whereby HSBC will not provide financial services to companies involved directly or indirectly through the supply chain in illegal logging, logging that violates traditional and civil rights; timber logged in forests where high conservation value is threatened by industry; or forests being converted to plantations or other non-forest uses (deforestation). But this policy and Ramsar's wetlands policy were not enough for extra points on corporate credit, as they only apply to direct project financing.

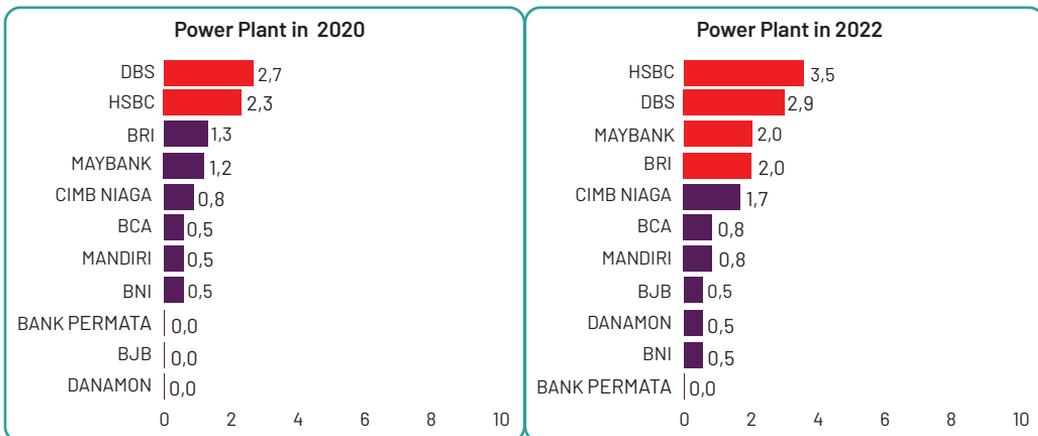
A national bank occupied the next sequence, BRI, because it managed to get scores in several elements even though they were in the very poor category. BRI already has an ESG risk management policy for the palm oil sector, in which one of them mentions the protection of priority areas: that the land used must not convert, or must maintain, primary forest or High Conservation Value Forest (HCVF), and that the land used has not converted from a primary forest or HCV since November 2005. BRI also has the results of a social impact assessment/analysis, in which the bank is committed not to providing loans to businesses that damage the environment, such as for national parks and historical sites, does not support financing for land acquisition activities through violence, and not finance activities or businesses that could damage the UNESCO World Heritage Site.

## POWER PLANT THEME

Following the power plants theme assessment, almost all banks received scores; only one bank did not score, namely Permata Bank. The average banking score observed on this theme in 2022 was 1.4, a slight increase compared to the 2020 achievement of 0.9. The assessment elements on this theme were still relatively low, ranging from 0.0 to 3.5, so they were in the very poor category. This was due to several policy elements in all banks considered to have no regulations or a score of 0.0. This includes: that dam construction policies comply with the World Commission on Dams 7 Principles; that biomaterial production adheres to the 12 principles of the Roundtable on Sustainable Biomaterial; and that large companies and multinational companies issue sustainability reports according to the GRI Standards, integrate ESG in their procurement and operational policies, and incorporate clauses regarding compliance with ESG criteria in their contracts with their supply chain.

In 2022 HSBC was ranked first with a score of 3.5 on a scale of 1 – 10, followed by DBS and Maybank with scores of 2.9 and 2.0. In 2022, two banks received a score compared to before, namely Danamon and BJB.

Graph 26. Bank rankings on power plants theme in 2020 and 2022



HSBC received base scores on several elements because it has implemented the IFC Performance Standards, membership in the Equator Principles and implementation of the UN Global Compact Principles from HSBC GAM. HSBC stated that it supports the Energy Transition Mechanism, a public-private partnership led by the Asian Development Bank, which seeks to accelerate the retirement of coal-fired power plants and increase demand for or investment in renewable energy. Furthermore, they have a policy of eliminating coal for power plants but no policy for oil and gas power plants, so they only earned a basic score. On the social aspect, HSBC has a sustainability risk policy by not providing financing to companies or suppliers that violate local communities' rights.

Like HSBC, DBS received base scores on several elements due to its implementation of the IFC Performance Standards and membership of the Equator Principles. Other scored elements include DBS committing to finance companies in the renewable and clean energy sector close to SGD 1.1 billion. In addition, by 2021, DBS increased its commitment to finance SGD 50 billion by 2024 towards sustainable finance (covering green loans, transition loans, sustainability-related loans and renewable financing). This commitment increased compared to last year's of SGD 10 billion for developments related to renewable and clean energy and SGD 10 billion for environmentally friendly projects, assets and activities (other than renewable energy) by 2024. DBS has committed to zero thermal coal exposure (covering loans for mining and power plants) by 2039. It also has a Green Bond Framework but only covers a small portion of bank financing activities, so no points were awarded

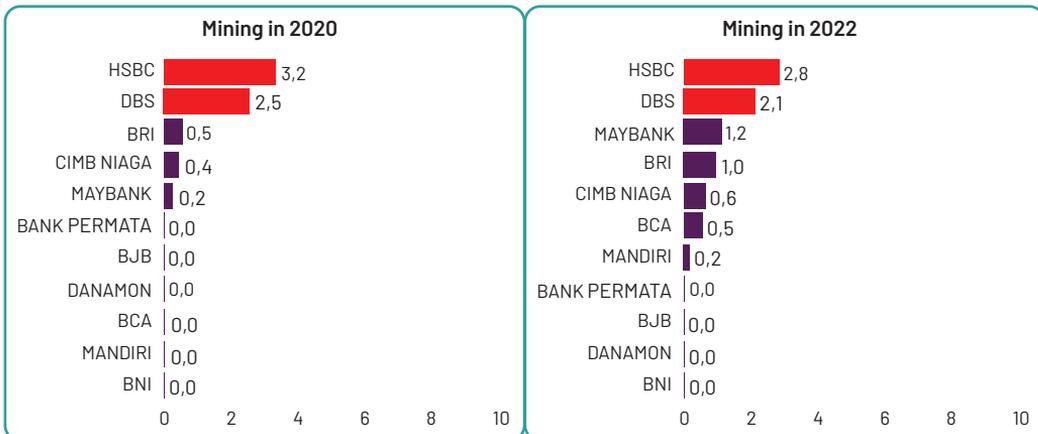
Maybank was ranked third on the power plants theme. The bank provides financing to the renewable energy sector following ESG principles. It also provides financing for motorized vehicles with electricity and hybrid power and purchasing bonds under sustainable finance principles. Furthermore, Maybank has a Sustainable Finance Implementation Action Plan, which consists of extending credit to customers to finance renewable energy projects and their supporters. To achieve this, the bank set the achievement indicators by the end of 2022. Maybank also has a blocklist of activities, namely the production or trading of radioactive materials, including nuclear power plants and related services, so that a score was given.

## MINING THEME

Following the mining theme assessment, only seven banks received scores. The average banking score observed on the mining theme in 2022 was 0.8, a slight increase compared to the 2020 achievement of 0.6. The assessment elements on the mining theme were still relatively low, ranging from 0.0 to 2.8, hence in the very poor category. This was because several policy elements in almost all banks assessed were considered to have no regulations or have a score of 0.0. This includes policies such as on the safe locations of the companies, on the companies having environmental impact mitigation, ensuring that ecosystem recovery is included in planning and requiring companies to apply ESG in their activities and sustainability reports and their supply chain.

In 2022, HSBC was again in first place with a score of 2.8 on a 1 – 10 scale. This was followed by DBS and Maybank, with scores of 2.1 and 1.2. In 2022, Mandiri and BCA gained scores more than before.

Graph 27. Bank rankings on Mining Themes in 2020 and 2022



HSBC received the highest score, partly because it has implemented the IFC Performance Standards and Equator Principles membership and the UN Global Compact Principles from HSBC GAM, so it received a basic score and coverage score. In addition, HSBC also gained scores for corporate loans and project financing because it has an anti-bribery policy. HSBC's parent company, in particular, has a mining and metals policy. HSBC does not provide financing to clients for the specific purpose of building a new thermal coal asset. However, no general-purpose financing restrictions exist for companies involved in establishing new thermal coal mines. Through the 2020 Task Force on Climate-Related Financial Disclosure

(TCFD) as its baseline, HSBC intends to reduce coal financing by at least 25% by 2025 and 50% by 2030.

DBS also earned a content score and a score for project financing on several elements because it already has a policy of implementing the IFC Performance Standards and Equator Principles membership. In February 2018, the DBS group stated that it was limiting and, in April 2019, not financing any new coal mining projects. DBS is committed to assisting companies' transition and has a time frame to stop financing/investing in coal (mining and power generation), but the highest threshold is >50%, so it only received a basic score.

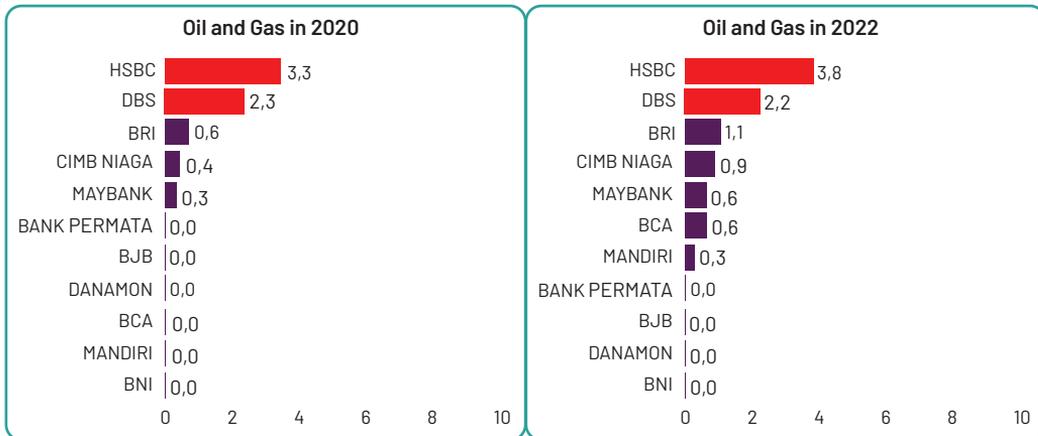
Meanwhile, Maybank received scores in several elements, one of which was because it had clearly stated that it would not provide new financing facilities to businesses that were not in line with its ESG position, one of which was the "No Deforestation" attitude, especially in six industries - oil palm, forestry and logging, construction and real estate, power, oil and gas, and mining and quarrying. Maybank is also committed not to financing new coal mining and will eventually divest from coal-related businesses. The bank also has an anti-corruption and bribery policy and a sustainability report containing several disclosures from the GRI Standards. Still, these only apply internally to the bank, so a score could not be given.

## OIL AND GAS THEME

Only seven banks received scores following the oil and natural gas theme assessment. The average banking score observed on this theme in 2022 was 0.9, a slight increase compared to the 2020 achievement of 0.6. The oil and gas theme assessment elements were still relatively low, ranging from 0.0 to 3.8, so they were in the very poor category. This condition is due to several elements in almost all banks assessed being considered to have no regulations or have a score of 0.0, such as financing policies for companies that do not operate in locations where the consequences of accidents for the environment cannot be managed; financing policies for companies that have comprehensive mitigation measures to address societal needs and environmental impacts, follow voluntary principles on safety and human rights, pay taxes in the countries where they operate; for financial reporting; and a policy for companies to publish sustainability reports according to GRI standards and encourage compliance with ESG aspects right down to their subcontractors and suppliers.

In 2022, HSBC was again in first place with a score of 3.8 from a range of 1 - 10, followed by DBS and BRI with scores of 2.2 and 1.1. Two banks earned scores than before, namely BCA and Mandiri.

Graph 28. Bank Rankings on Oil and Gas Themes in 2020 and 2022



HSBC occupied the first position because it has implemented IFC Performance Standards and membership of the Equator Principles so that it received a basic score and a coverage score. HSBC has committed not to finance companies that threaten the UNESCO World Heritage Site or the Ramsar Wetlands. It is also HSBC's policy not to provide new financing, or new advisory services, to any client for the specific purpose of projects relating to 1) new oil and gas fields where the final investment decision is taken after December 31, 2021, or 2) infrastructure whose main use is related to new oil and gas fields.

DBS scored on several elements because they have applied the Equator Principles and IFC Performance Standards for their financing activities. DBS also does not finance activities that may harm UNESCO Heritage Sites, will not finance activities or projects that intentionally violate local or national laws or engage in gas exploration or production without regard to the management of methane leaks and does not have a contingency plan or crisis plan to mitigate the crisis.

A national bank, BRI is in third place because it scored on several elements, such as commitment not to finance activities that could harm UNESCO Heritage Sites. BRI also has an ESG risk management policy for the palm oil sector, such as the companies conducting a complete assessment of the need for water resources and the impact of water release by considering the need for groundwater for plants and hydrological conditions. BRI also encourages the application of ESG aspects for the palm oil sector, such as employment, discrimination and gender. Although BRI's sustainability report has been prepared based on various policies and standards, such as POJK Number 51/POJK.03/2017, Financial Services Authority Circular Letter Number 16/SEOJK.04/2021, Global Reporting Initiative Standards, Climate-Related Financial Disclosure Task Force (TCFD), Sustainability Accounting Standards Board (SASB), Sustainable Banking Assessment (SUSBA), and Carbon Disclosure Project (CDP), it is only applicable to BRI's internal so no score was given.

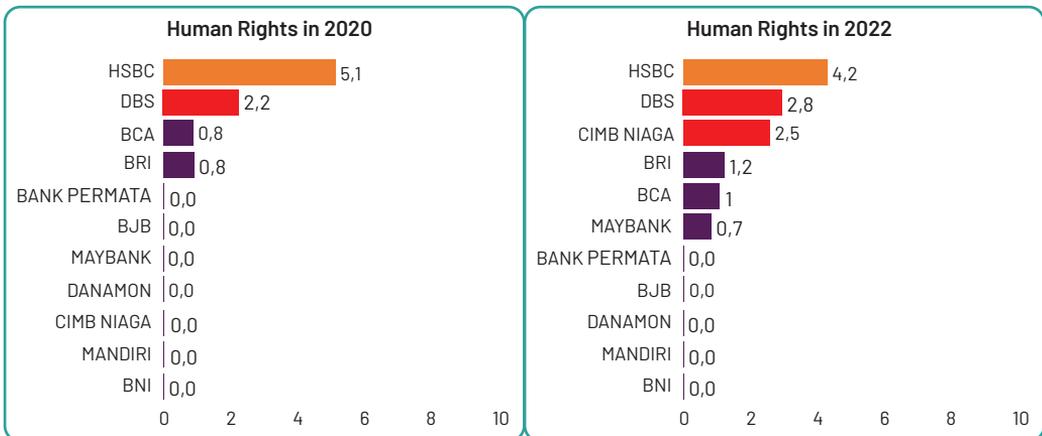
## 5.2 Fulfilment and Respect for Human Rights and Gender Equality

### HUMAN RIGHTS THEME

The assessment of sustainability commitments on the human rights theme 2022 shows six banks getting scores. The average banking score observed in this theme is 1.13, experiencing a slight increase compared to the 2020 achievement of 0.81. There has been increased commitment to human rights in bank operations, but the score obtained is still relatively low, ranging from 0 to 4.2.

On the internal aspect, only two assessment elements are related to human rights policies. The first concerns implementing human rights compliance policies that refer to the United Nations Guiding Principles on Business and Human Rights (UNGPs). Only HSBC and BCA received scores in this element assessment because both showed commitment to adopting the UNGPs. The second is related to anti-discrimination policies in jobs and positions based on differences in gender, ethnicity, sexuality and physical ability. The results of this element assessment showed that only CIMB Niaga and HSBC received scores. In the 2021 Annual Report, CIMB Niaga has shown its commitment to ensuring equal opportunities for all employees regardless of ethnicity, religion, race, class, social status, gender, or other discriminatory factors which constitute a violation of human rights.

Graph 29. Bank Rankings on Human Rights Themes in 2020 and 2022



Although banks tend not to be directly involved in human rights violations, human rights violations can occur indirectly through the companies that banks finance. Therefore, it is important to assess banking policies' commitment to avoiding human rights violations through financing. As the bank with the highest score on this theme, HSBC has adopted international standards relating to the recognition of human rights, such as the Equator Principles, IFC Performance Standards, UN Global Compact, and UN Principles for Responsible Investment. The bank recognizes human rights in its internal and financing or investment policies.

BRI, CIMB Niaga, Maybank, DBS and HSBC scored on the assessment of elements related to corporate financing policies that prevent conflicts related to land rights and utilization of natural resources by conducting serious consultations with local communities and obtaining Free Prior Informed Consent (FPIC), especially when this concerns indigenous peoples. Two elements received high attention from these banks, namely policies related to financing companies that are committed to human rights and companies whose operations respect the rights of indigenous peoples. Four banks scored on each of these elements.



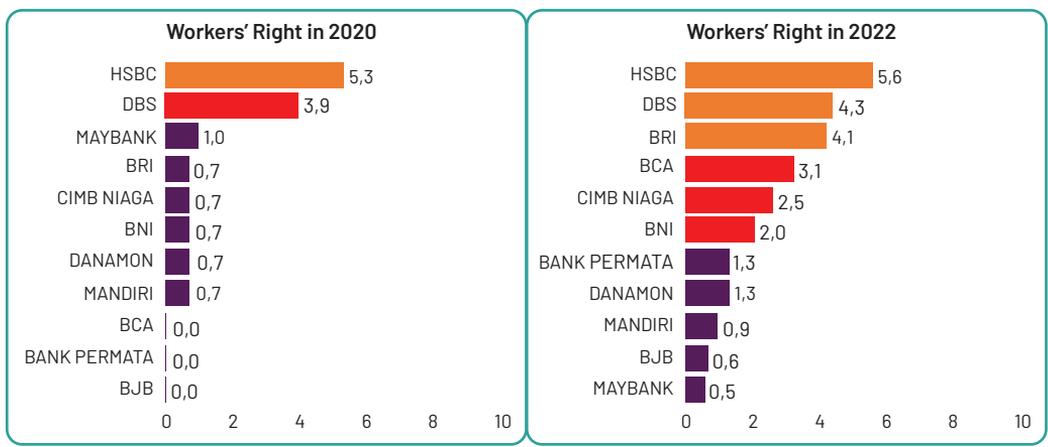
## WORKERS' RIGHT THEME

The results of the bank assessment in 2022 show that all banks scored on the theme of labours' rights. There has been a significant increase in the average bank score assessed in 2022, which is 2.4 from the previous 1.2 in 2020. However, banks' commitment to this theme is still relatively low because the scores achieved range from 0.5 to 5.6. The cause of the low score on this theme is that banks do not fully have the policy to finance companies that have a high commitment to the rights of their workers. Meanwhile, the policy to fulfill workers' rights at the internal bank is quite good.

Eight conventions from ILO are fundamental and can be categorized into four topics that are considered fundamental principles and rights at work, namely freedom of association and recognition of the right to collective bargaining, elimination of all forms of forced and compulsory labor, elimination of child labor and elimination of discrimination in employment and positions. However, not all of these principles are implemented in internal operations and banking supply chain policies.

Regarding banks' internal, 7 out of 11 banks have a policy to comply with the ILO Declaration on Fundamental Principles and Rights at Work. However, only 5 of 11 banks have integrated ILO standards into their procurement policies. In addition, seven banks have established procedures for managing complaints and settlement of violations of the rights of internal banking employees.

Graph 30. Bank Rankings on Workers' Rights Theme in 2020 and 2022

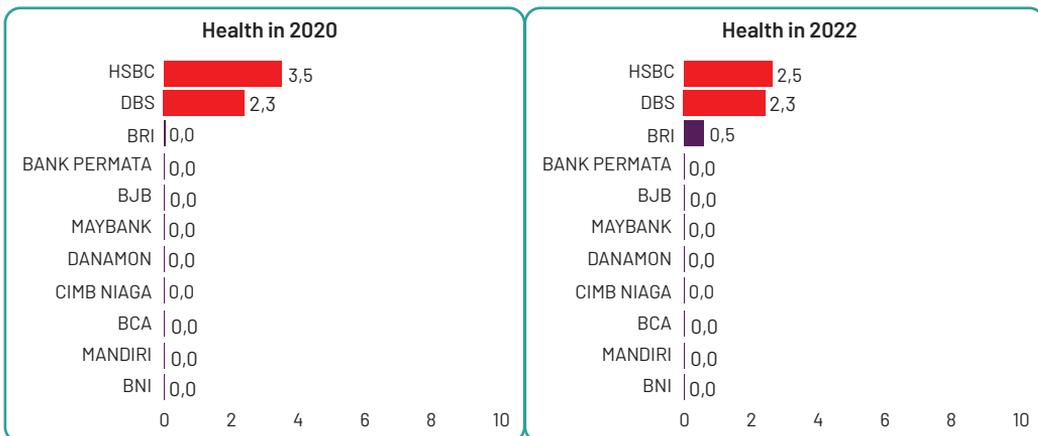


In terms of financing for companies, more than half of the banks are considered to commit not to finance companies that use forced labor and child labor. No related policies are found in Danamon, Permata Bank and BJB. Another element derived from the ILO Declaration is related to the commitment to finance companies that guarantee the freedom of workers to organize and prohibit discrimination in employment and positions. However, these two elements are still not fully a concern for banks. Only BRI, CIMB Niaga, DBS and HSBC have a policy requiring companies they finance to uphold freedom of association for workers.

## HEALTH THEME

The assessment of sustainability commitments on the theme of health focuses on policies toward companies financed by banks and does not assess the internal operational policies of the banks. Among the banks assessed, HSBC and DBS received the highest scores, 2.5 and 2.3. The two banks apply the Equator Principles and IFC Performance Standards. They are committed to financing companies that seek to systematically improve worker health and safety and develop a culture of prevention. Applying the two principles above also encourages banks to fund companies that comply with the Montreal Protocol, Stockholm Convention, Basel Convention and Rotterdam Convention to avoid business activities related to hazardous, toxic materials and prohibited chemical waste.

Graph 31. Bank Rankings on Health theme in 2020 and 2022

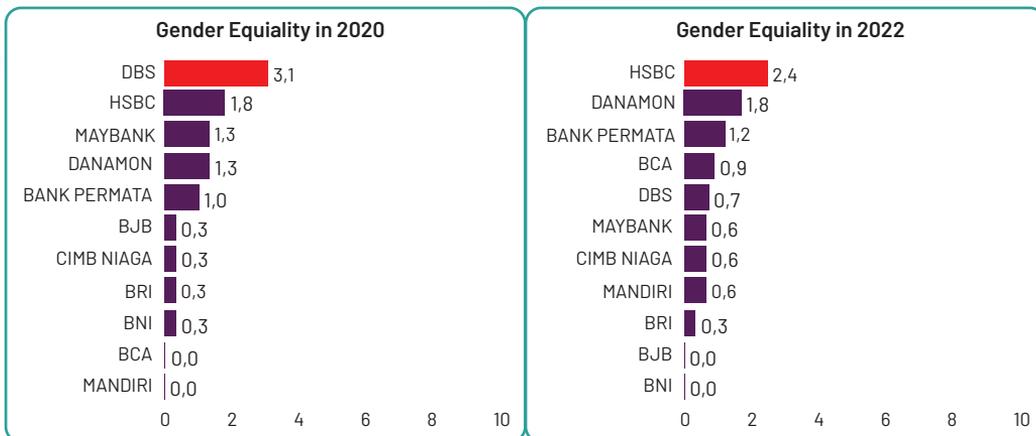


Based on the 2022 assessment, Bank BRI is committed to financing palm oil companies with health and safety SOPs. Therefore, BRI earned a score on the assessment of elements related to policies on financing companies that implement worker health and safety standards, even though this commitment is not comprehensive in all sectors financed. Meanwhile, eight other banks did not score in the health theme assessment. This condition indicates the low awareness of banking in Indonesia to commit to financing companies that prioritize occupational health and safety and the environment.

## GENDER EQUALITY THEME

On the theme of gender equality, 9 out of 11 banks received a score, while the two banks that did not get a score were BJB and BNI. The average banking score observed on the theme of gender equality in 2022 is 0.91, a slight increase compared to the 2020 achievement of 0.89. Even though it has shown an increased commitment to gender equality, the score is still relatively low, ranging from 0 to 2.4, so it is included in the very inadequate category and inadequate category. This condition is caused by the lack of detailed regulations in the gender equality policies these banks implement regarding investment and credit, even though regulations are already applied at the internal company level.

Graph 32. Banks Rankings on the Theme of Gender Equality in 2020 and 2022



In the 2022 assessment, HSBC was ranked the top with a score of 2.4. HSBC's internal policy is committed to equal salary payments between men and women. The representation of women on HSCBC's board of directors reached 38 percent in 2021 and targets to reach 40 percent in 2023. In addition, HSCBC's commitment to gender equality at the leadership level is also translated into a policy of providing training and leadership development specifically for female workers. In operational activities, HSBC applies the IFC performance standards and the Equator Principles, encouraging them to finance companies with a gender-fair pay system. Apart from HSBC, DBS has a similar policy, but other banks assessed have not owned it.

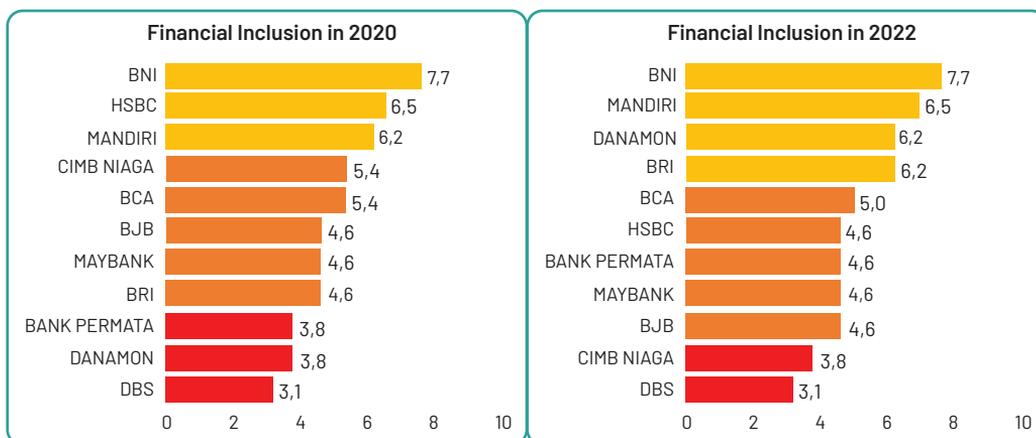
Gender equality policies that many banks have are related to gender anti-discrimination elements and fair remuneration. Four banks have policies stating that gender discrimination will not be tolerated. In addition, 5 out of 11 banks have systems designed to manage fair wages between women and men.

## FINANCIAL INCLUSION THEME

The assessment on the theme of financial inclusion resulted in all banks receiving scores. The average banking score observed on the theme of financial inclusion in 2022 is 5.2, a slight increase compared to the 2020 achievement of 5.1. Even though it has shown an increased commitment to financial inclusion, the score is still relatively low, ranging from 3.1 to 7.7, so it is in the fair category and inadequate category. This condition is caused by the lack of detailed regulations in the financial inclusion policies these banks implement regarding collateral requirements for MSMEs in lending capital, policies that favor illiterate customers, and standards and information regarding credit processing time to customers.

In 2022 BNI was again in first place with a score of 7.7 from a range of 1 – 10, followed by Bank Mandiri with a score of 6.9, and BRI and Danamon with a score of 6.2. On this theme, several banks' scores have increased quite significantly, namely Danamon, CIMB Niaga, and BJB.

Graph 33. Bank Rankings on Financial Inclusion Theme in 2020 and 2022



The top three banks excel in several assessment elements, including policies, services and products targeting the poor and marginalized groups, having branches in rural areas, and being pro-MSMEs. The four banks also excel with various programs to increase financial literacy and inclusion as mandated by the government. This can be seen, for instance, from the portion of financial institution loans channeled to MSMEs above 10%. For example, in 2021, Bank provided MSME loans of 20% of its total loans. This follows BI's policy which requires banks to gradually increase their lending ratio to the MSME sector, namely, by 20% in 2022, 25% in 2023 and 30% in 2024.

Another important element of financial inclusion is that banks have branches in rural areas, provide branchless and non-cash services, and do not charge clients a fee to open a basic bank account or at a reasonable fee. These elements are important to accelerate financial inclusion and facilitate access for the unbanked. For example, state banks such as BNI and BRI have branches across 34 provinces, providing 46 agent and BRILink agent services. This service serves as an extension of the banks in facilitating access to public financial services in remote areas so that people can carry out transactions like at a branch office.

In the service element for migrant workers, only Bank BNI, Mandiri and Maybank earned scores. Many banks did not get a score even though they have this policy, for example, BRI. Although the bank has provided remittance services supported by more than 10,000 offices and more than 150,000 e-banking partners, no information is found regarding its remittance fees that are at most 5 % of transaction fees.

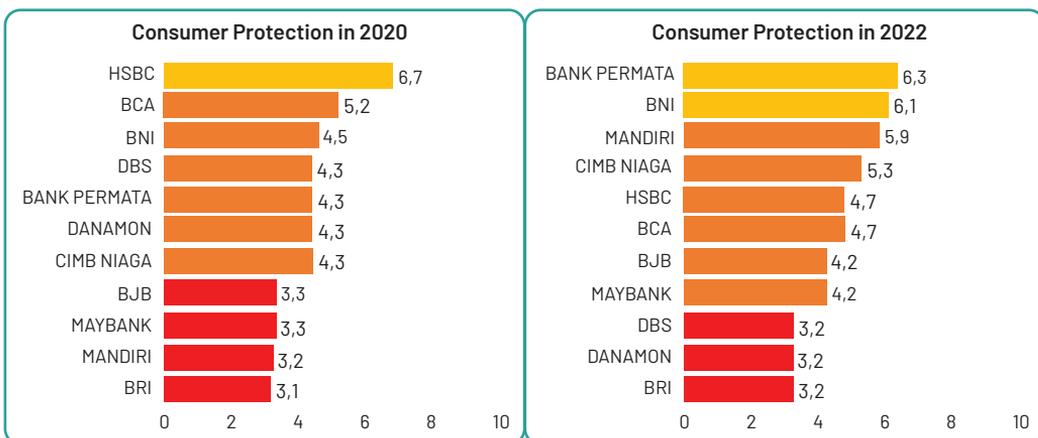
Bank DBS and CIMB Niaga received the lowest scores on the theme of financial inclusion, with scores of 3.1 and 3.8 in the very poor category. The acquisition of scores is influenced by the ownership of branches in rural areas and policies for the MSME sector and marginal groups.

## CONSUMER PROTECTION THEME

The assessment on the theme of financial inclusion shows all banks received scores. The average banking score observed on the theme of consumer protection in 2022 is 4.6, a slight increase compared to the 2020 achievement of 4.2. Even though it has shown an increased commitment to consumer protection, the scores are still relatively low, ranging from 3.2 to 6.3, so they fall into the fair and inadequate category. This is caused by the lack of detailed regulations in consumer protection implemented by these banks in terms of clear policies/ codes of ethics to protect consumers from excess debt, debt collection procedures and companies that represent them (third parties), responsible business behavior, fair treatment to consumers, and on avoiding conflicts of interest.

In 2022 PermataBank was ranked first with a score of 6.3 from a range of 1 – 10, followed by Bank BNI and Mandiri with scores of 6.1 and 5.9, respectively. In 2022, Permata Bank, Mandiri and CIMB Niaga’s scores increased significantly.

Graph 34. Bank Rankings on Consumer Protection Theme in 2020 and 2022



The top three banks excel in several assessment elements, including having a policy on disclosing the results of monitoring complaints to the public, regulating non-discriminatory service ethics, and protecting financial information and personal consumer data. These banks also have programs to train employees properly and authorized agents about products and services to consumers and have policies on providing accessibility for customers with disabilities and special needs in all physical branches and electronic services, including online platforms.

PermataBank has implemented strict policies and procedures to protect the confidentiality of customer data in line with OJK regulations. The bank uses a technological approach and a process approach to ensure no breach of customer data confidentiality. The 2021 sustainability report also stated that PermataBank adheres to the principle of customer protection, including treating consumers fairly and non-discriminatively. These aspects are included in the employee code of ethics and training or refreshment to related human resources to ensure understanding that products and services meet quality standards.

Bank BNI and Mandiri have specific policies to support persons with disabilities. BNI has implemented disability-friendly services based on Financial Authority Regulation No.1/POJK.07/2013 concerning Consumer Protection in the Financial Services Sector, which requires financial service industry players to provide facilities for persons with disabilities. As of 2021, BNI had 3,184 ATMs used by persons with disabilities. Bank Mandiri also has a new savings product called SEKARANG (NOW) Savings which is accessible through the digital channel, Livin' by Mandiri. SEKARANG is expected to facilitate the banking needs of disabled customers to open a savings account without coming to a branch office, perform other banking transactions without going to an ATM and withdraw cash without using a Mandiri Debit card at a Mandiri ATM. To make it easier for customers to make financial transactions, these customers can also use Independent Agents with special skills, such as sign language, at the nearest locations.

Bank BRI, Danamon and DBS received the lowest score on the consumer protection theme with scores of 3.2 in the inadequate category. These scores were acquired, in part, because the bank did not include several policies in the published documents, such as personal data protection, complaint mechanisms, adequate complaint handling and compensation, or having a due diligence process. One example is BRI, which, although it has regulated employee ethics in serving customers in a way that is not discriminatory, this policy does not yet detail how to protect consumers with disabilities according to a variety of disabilities, fair and equal treatment, and the protection of consumers' data.

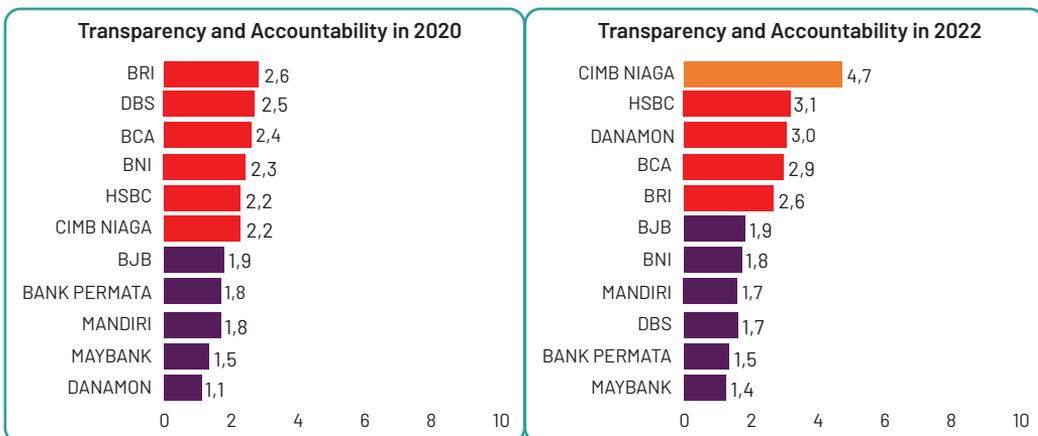
### 5.3 Disclosure of Information Related to Bank Sustainability

#### TRANSPARENCY AND ACCOUNTABILITY THEME

The assessment on the theme of transparency and accountability resulted in all banks receiving scores. The average banking score observed on transparency and accountability in 2022 is 2.4, a slight increase compared to the 2020 achievement of 2.0. Even though it has shown an increased commitment to transparency and accountability, the scores are still relatively low, ranging from 1.4 to 4.7, hence in the inadequate category. This condition is caused by the absence of regulations in the assessment elements, such as opening information on companies that have been granted new credit or funding on their websites; publishing portfolio details in cross tables by combining industry and regional data or, for example, based on the first four digits of NACE and ISIC; and the bank publishing the names of companies excluded from investment due to sustainability issues, including the exclusion reasons.

In 2022 CIMB Niaga was in first place with a score of 4.7 from a range of 1 – 10, followed by HSBC and Danamon with scores of 3.1 and 3.0, respectively. In 2022, scores from several banks increased significantly, such as Danamon, CIMB Niaga and HSBC. These banks have gradually had policies for more transparent and accountable disclosures in their reporting.

Grafik 35. Bank Rankings on the Theme of Transparency and Accountability in 2020 and 2022



CIMB Niaga has experienced a significant increase in ranking from being ranked 6th with a score of 2.2 in 2020 to being ranked first with a score of 4.7 in 2022. This increase is due to CIMB Niaga having improved its policies regarding elements of transparency and accountability, among other things, such as an information disclosure policy regarding the disclosure of the names of the companies where they invest and fund, the number of companies they have involved in social and environmental topics, and having voting mechanisms and electronic voting calculations (e-Voting). In addition, CIMB Niaga has a complaint mechanism that includes activities funded through the Whistle Blowing System (WBS), which an independent third party and a whistleblower confidentiality mechanism manage. In 2021, CIMB Niaga's whistleblowing service received 133 reports, a decrease of 3.6% from 2020. Throughout 2021, the bank has completed 27% of investigations (36 reports), with 30 reports proven valid. The WBS policy is based on OJK Regulation No.39/POJK.03/2019, which requires commercial banks to implement an anti-fraud strategy.

HSBC and Danamon also experienced quite good increases. In its report, HSBC states that they have provided increased knowledge regarding ESG; the published sustainability report also covers ESG topics and is in accordance with SASB Standards. Danamon has published the names of the governments in which they invest, detailed information on loans by economic sector, geographical area, and syndicated loans. Danamon also has a public complaints mechanism, including disclosure of the number, type, and percentage of resolution of public complaints.

Maybank received the lowest score on the theme of transparency and accountability, with a score of 1.4, which is in the very inadequate category. Even though the bank has explicitly integrated ESG into investment and financial policies and reporting according to GRI standards, no information is found related to other elements that result in the very low score, such as complaint mechanisms, disclosure of financing and investment information, and other information such as detailed financing portfolios.

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## Chapter 6

# CONCLUSIONS AND RECOMMENDATIONS

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On a global scale, financial regulators and central banks are increasingly aware of the importance of managing Environmental, Social and Governance (ESG) risks in bank lending policies. The ESG component is important to ensure that the financing that is made does not harm the environment and society.

## 6.1 Conclusion

The financial sector plays a role in supporting sustainable financing, for example, in preventing damage to nature and world climate change. The banking sector, in particular, can play a major role in changing corporate behavior. Banks can offer credit to clients with financial conditions on legal or ongoing operations. Financing provided by banks should be able to ensure that companies that receive financing have real efforts to make changes in support of sustainable development.

On a global scale, financial regulators and central banks are increasingly aware of the importance of managing Environmental, Social and Governance (ESG) risks in bank lending policies. The ESG component is important to ensure that the financing that is made does not harm the environment and society.

Sixteen themes were assessed, and the assessment themes were selected based on issues that were the main focus of the international community and relevant to the Indonesian context. Broadly speaking, the themes assessed were cross-cutting, sectoral and operational.

Based on the cross-cutting themes, it is shown that the banks assessed generally do not have strong policies to encourage practices on the themes of climate change, corruption, gender equality, human rights, workers' rights, nature, taxation and health. For example, the highest point on climate change is still in the moderate score range (4.0). Some banks that earned a score of 0.0 on this theme were BNI, BCA and BJB. These three banks still do not have published policies explicitly related to the disclosure of GHG emissions in their financing and a clear commitment to coal financing.

On average, banks are still in the less score range in the sectoral themes such as armament, forestry, mining, oil and gas, and power plants. For example, Bank Permata is the only bank that received a score of 0.0 for the power plants theme. In the power plants theme, not all banks have a policy of setting loan criteria for all high-risk sectors. For example, Permata Bank, despite having a credit policy that includes the mining and forestry sectors as risky sectors, no publication the bank describes in detail environmental assessments for projects and companies in those two sectors.

Based on the operational themes, including consumer protection, financial inclusion, transparency and accountability, banks that were assessed generally received good points. As with the theme of financial inclusion, the national banks BNI and Mandiri received adequate marks for having implemented government mandates such as having a loan portion policy for MSMEs, services and products that specifically target the poor and marginalized groups, branches in rural areas, and various programs to increase literacy and financial inclusion.

In general, judging by the score per theme, there are themes that still scored below one, namely health (0.5), gender equality and mining (0.8 each), as well as climate change and gas and oil (each 0.9). On the health theme, almost all banks do not have health protection policies from the risk of disease, both in internal operations, protection of workers, and in procurement. This is important as preparation in dealing with health disasters such as COVID-19. The gender equality theme is also low, where banks still do not have anti-discrimination policies against women, provide equal opportunities in high positions, and systems to prevent gender discrimination against customers. Bank BNI and BJB received a score of 0.0 each for the gender equality theme.

Another important finding is that banks in Indonesia generally do not have policies following international sustainability standards such as the equator principles; IFC Environmental, Health, and Safety Guidelines; IFC Performance Standards; OECD Guidelines for Multinational Enterprises; UN Global Compact; UN Principles for Responsible Investment; and UN Principles for Responsible Banking. Only two banks, namely HSBC and DBS, have policies that refer to IFC Performance Standards and equator principles following the main offices in their countries of origin. In addition to the standards above, national banks have started to ratify international standards or policies, namely the ILO Declaration on Fundamental Principles and Rights at Work. However, only 5 of 11 banks have integrated ILO standards into their procurement policies.

The latest banking policies in Indonesia have begun to lead to sustainable finance. This can be seen from the increase in the average score for all banks. The theme that has experienced the most significant change is climate change, where banks have started to commit to reducing climate impacts both in their operations and financing. On this theme, eight banks received scores, compared to 2022, in which three banks only gained scores.

## 6.2 Recommendation

Based on the results of the banking assessment that has been carried out, several recommendations are given:

1. Banks need to increase their commitment to several themes that still receive low ratings, such as the themes of health, gender equality, mining, climate change, and gas and oil;
2. Banks need to have written and explicit policies related to financing commitments, such as setting criteria and safeguarding loans for high-risk sectors;
3. Banks can refer to sustainability criteria developed by FFGI and various existing international standards in policy-making;
4. OJK needs to promote a sustainable financing and investment climate through policies and good practices implemented by state-owned financial service institutions. Policy references and adaptation of sustainable financing standards need to follow international standards; and
5. OJK can accelerate the implementation of sustainable finance and green financing by implementing a mandatory green taxonomy. OJK also needs to develop incentive and disincentive schemes to attract banks. Furthermore, a task force consisting of all stakeholders, including CSOs and the private sector, is needed to ensure the implementation of a green taxonomy.



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