PRAKARSA
Welfare Initiative for Better Societies

ResponsiBank Indonesia

Bank Ranking Report 2024

Analysis on The Progress of Banks' Policy in Sustainable Finance

2025

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Penulis:
Dwi Rahayu Ningrum
Eka Afrina Djamhari
Ricko Nurmansyah
Herni Ramdlaningrum
Victoria Fanggidae

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Authors:
Dwi Rahayu Ningrum, Eka Afrina Djamhari, Ricko Nurmansyah, Herni Ramdlaningrum, Victoria Fanggidae

Researchers:
Fiona Armintasari, Adella Indah Nurjanah, Meliana Lumban Toruan, Eksanti Amalia Kusumawardhani

Person in Charge:
Ah Maftuchan

Layout and Design:
Bambang Nurjaman, Dedi Sunarya

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Perkumpulan PRAKARSA
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Disclaimer:
This paper is compiled as part of an effort to promote sustainable development, one of which is through the provision of an evidence base that can be used as a basis for advocacy of sustainable finance policies. This study is the result of collaboration from the Indonesian ResponsiBank Coalition. The contents of this book are entirely the responsibility of the author. This research received financial support from FFA – SIDA, Swedish Embassy in Bangkok.

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Foreword

Climate change has become a pressing global concern, prompting countries to take concrete steps to reduce carbon emissions and increase the use of renewable energy. Indonesia, as one of the countries affected, also has a responsibility to contribute to this effort. The banking sector plays a key role in supporting the achievement of these targets through sustainable financing that takes into account not only financial aspects, but also environmental, social and governance impacts.

In the past decade, the Indonesian Government has demonstrated a strong commitment to sustainable finance. This is evident from a series of strategic policies issued to encourage environmentally and socially friendly practices. One significant step was the issuance of the Indonesian Sustainable Finance Taxonomy, which serves as an important guideline for financial institutions in identifying and classifying sustainable economic activities. This policy not only supports the achievement of carbon emission reduction targets but also encourages investment in sectors that contribute to sustainable development.

The bank rating report you have in your hands now aims to explore the commitment of the Indonesian banking sector in implementing sustainability principles, including the adoption of Environmental, Social and Governance standards. In addition, we also discuss the progress that has been made in financial inclusion and the challenges that remain, such as gender equality and workers' rights. By understanding these dynamics, it is hoped that effective strategies can be found to strengthen the role of the banking sector in achieving sustainable development goals.

The PRAKARSA as part of the Indonesian ResponsiBank Coalition hopes that this report can provide in-depth insights and encourage discussion on steps that need to be taken to increase the contribution of the banking sector in facing the challenges of climate change and supporting broader financial inclusion in Indonesia.

Finally, thank you to the entire research team of The PRAKARSA and various parties involved in the process of compiling this report. I hope this report can provide reinforcement so that every stakeholder, especially the Financial Services Authority and banking in Indonesia, can increasingly contribute to supporting the implementation of sustainable finance in Indonesia.

Jakarta, November 2024

Ah Maftuchan
Executive Director of PRAKARSA
Coordinator of the Indonesian ResponsiBank Coalition

Executive Summary

Responsible economic growth is essential to achieving sustainable development goals. Indonesia has demonstrated its commitment to sustainable finance transition since 2014 through the launch of a roadmap by the Financial Services Authority (OJK). However, despite initiatives such as the Indonesian Green Taxonomy and the Indonesian Taxonomy for Sustainable Finance, financing for the green economy sector remains low. There are various challenges, including a lack of understanding of sustainable finance and absence of standardization. To address this, the financial industry needs to improve related policies and understanding, and manage climate change risks.

The Indonesian ResponsiBank Coalition also plays a role in assessing the progress of bank policies to support sustainable finance. The assessment, which has been carried out six times, is expected to be a reference for banks in monitoring progress and improving policies related to Environment, Social and Governance (ESG) in financing and investment. This study aims to determine the development of bank policies related to ESG integration in financing and investment portfolios based on the FFGI methodology, and to determine the bank's commitment and policies in mainstreaming sustainable financing to support national climate targets.

The banking sector in Indonesia plays a vital role in supporting carbon emission reduction and the transition to renewable energy through sustainable financing. The assessment results show that despite the commitment to ESG principles and an increase in scores in the financial inclusion theme, the average overall bank score only reached 2.1 (out of a maximum score of 10), which is still quite low and shows that there are still many aspects that need improvement. One of the banks in the assessment, CIMB Niaga, showed significant progress, especially in access to financial services for low-income communities and strict environmental policies. However, several large banks, namely BCA, BRI, and Danamon, actually experienced a decrease in ranking.

The average increase in bank policies in 2024 on the environmental aspect increased by 0.3 points compared to the 2022 ranking. The forestry and climate change themes are themes that have increased quite well, while the mining, nature and power plant themes only experienced a fairly small increase of below 0.3, and the oil and gas theme actually decreased by 0.1 points.

In the social aspect, just like the environmental aspect, the average bank policy only increased by 0.3 points. The themes of gender equality, human rights, consumer protection and financial inclusion increased by between 0.5 - 0.7 points. Meanwhile, the theme of workers' rights decreased by 0.6 points and the health theme did not experience a change in score. Although themes such as gender equality have increased because several banks have supporting regulations, the representation of women in leadership positions is still quite low.

Furthermore, in terms of governance, the average bank policy only increased by 0.2 points compared to 2022. The corruption theme was quite good, increasing by 0.8 points, while transparency and accountability only increased by 0.2 points and taxation did not experience any change in points.

Based on the findings, this study provides several main recommendations that need to be carried out immediately by banks and OJK. Banks in Indonesia need to 1) develop clear and firm written policies regarding financing commitments, including the establishment of specific criteria, safeguarding measures and risk evaluations for high-risk sectors, and 2) integrate social principles into financing and investment policies, and provide ongoing training for staff on ESG principles and Corporate Social Responsibility based on TKBI.

The Financial Services Authority needs to 1) strengthen and expand the Indonesian Sustainable Finance Taxonomy (TKBI), 2) provide incentives and disincentives for banks committed to sustainable financing and financial inclusion, and 3) encourage the issuance of specific derivative regulations for financial services institutions to implement TKBI effectively, with independent audits to ensure accountability.

Part 1

INTRODUCTION

The financial industry in Indonesia has shown a positive response to sustainable finance initiatives. The results of PRAKARSA's research (2022) show that there has been an increase in banking policies to support sustainable finance in Indonesia, but it is still considered inadequate. This shows that there are still challenges that must be faced to achieve sustainable finance goals as a whole, including the low level of understanding among business actors regarding the concept of sustainable finance and the absence of an agreement on the standardization of green categories at the national level.

1.1 Background

Responsible economic growth is an essential component to support sustainable development goals. To ensure an effective transition towards sustainable development, business activities should not only be financially profitable, but also consider social, environmental and governance (ESG) aspects. In order to support this transition, since 2014, Indonesia has shown a clear commitment to make a transition in the financial services sector. The launch of the sustainable finance roadmap by OJK is an initial guide for financial services institutions in implementing sustainability principles. The first phase of the roadmap (2015 – 2019) has produced several achievements such as the introduction of sustainable finance principles, grouping of sustainable business criteria, development of incentives and implementation of socialization and training for the financial industry (OJK, n.d).

However, despite the initiatives taken, financing of the economic sector classified as green is still relatively low, reaching only Rp. 426.58 trillion or 28 percent of the total debit balance of Rp. 2,153.82 trillion.

Following this step, OJK again issued a phase 2 roadmap (2021 - 2025) to accelerate the transition process. In 2022, OJK issued the Indonesian Green Taxonomy and carried out a pilot project for the implementation of the green taxonomy in 17 banks in KBMI categories 3 and 4.

The financial industry in Indonesia has shown a positive response to sustainable finance initiatives. The results of PRAKARSA's research (2022) show that there has been an increase in banking policies to support sustainable finance in Indonesia, but it is still considered inadequate. This shows that there are still challenges that must be faced to achieve sustainable finance goals as a whole, including the low level of understanding among business actors regarding the concept of sustainable finance and the absence of an agreement on the standardization of green categories at the national level. To optimize existing opportunities, the financial industry must immediately address this gap, especially considering the increasing demands from the market and society for environmentally friendly financial products and services. Utilization of these opportunities also needs to be accompanied by risk management related to climate change.

For this reason, the Indonesian ResponsiBank Coalition, as part of Fair Finance International, continuously assesses bank policies to review progress in implementing sustainable finance. The assessment, which has been conducted six times, aims to be a reference for banks in assessing progress and improving ESG-related policies in financing and investment. Updates to the assessment results are carried out every two years to monitor the development of policies implemented by banks in Indonesia, in line with global demands for more specific sustainable finance.

1.2 Problem Formulation

This study will answer the following research questions:

1. How is the development of bank policies regarding ESG integration in financing and investment portfolios to support the sustainable finance roadmap?
2. What are the bank's commitments and policies in mainstreaming sustainable financing to support national climate targets??

1.3 Research Objectives

The objectives of conducting bank policy rankings include:

1. Knowing the development of bank policies related to ESG integration in financing and investment portfolios based on the FFGI methodology.
2. Knowing the bank's commitment and policies in mainstreaming sustainable financing to support national climate targets.

1.4 Benefits of Research

1. As a reference for banks to improve their ability to formulate policies and implement sustainable finance, so that banks can increase their role in supporting sustainable development.
2. Providing information to investors and the general public to view bank policies and bank ratings related to ESG aspects.
3. Encourage the financial industry operating in Indonesia to compete to be the best or to carry out a 'race to the top' in increasing the sensitivity of lending and/or investment policies related to ESG aspects.

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Part 2

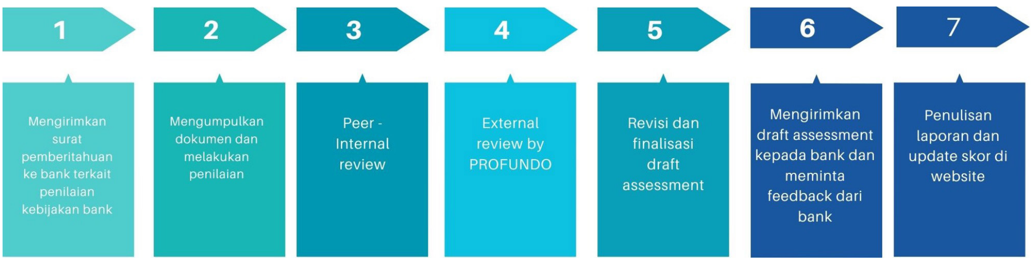
BANK POLICY ASSESSMENT METHODOLOGY

This year, the ResponsiBank Coalition uses the FFGI 2023 methodology. Several countries in the Fair Finance Asia network as part of the FFI platform that use this method are Japan, Vietnam, the Philippines, Cambodia, Thailand, Indonesia, Pakistan, and Bangladesh. The bank policy assessment was conducted for approximately 5 months (July – November 2024).

2024 is the 6th time that the Indonesian ResponsiBank Coalition has assessed bank policies in Indonesia. This assessment was carried out by assessing bank policies related to Environmental, Social, and Governance (ESG) aspects based on open information that can be accessed by the public. The bank rankings are based on the bank assessment methodology developed by PROFUNDO and the Fair Finance International network since 2008 and updated regularly by considering global trends and developments related to ESG. This year, the ResponsiBank Coalition uses the FFGI 2023 methodology. Several countries in the Fair Finance Asia network as part of the FFI platform that use this method are Japan, Vietnam, the Philippines, Cambodia, Thailand, Indonesia, Pakistan, and Bangladesh.

The bank policy assessment was conducted for approximately 5 months (July – November 2024). In general, the stages of the bank policy assessment can be seen in the following image:

Figure 1. Bank Policy Assessment Stages 2024



Source: FFGI, 2023

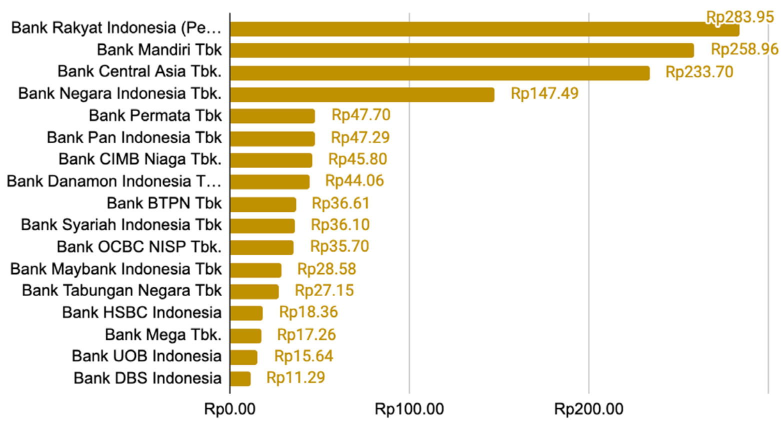
2.1 Bank Selection

This year, there are 12 banks assessed: Bank Rakyat Indonesia (BRI), Bank Mandiri, Bank Negara Indonesia (BNI), Bank Central Asia (BCA), CIMB Niaga, Maybank, Danamon, Bank Permata, Bank HSBC, Bank DBS, Bank OCBC, and Bank Syariah Indonesia (BSI). Several changes were made in the selection of banks, including the addition of Bank OCBC as a representative of foreign banks assessed, as well as the inclusion of BSI as a representative of Islamic banks replacing Bank BJB which was assessed in the previous period. OCBC NISP was chosen considering that foreign banks usually have more advanced commitments and policies in the sustainable sector, although practices in the field require further review. Meanwhile, BSI was chosen because it is one of the 10 largest Islamic banks in the world. In addition, the financial ecosystem in Indonesia with a Muslim majority population is also developing and adhering to Islamic principles.

Some considerations underlying bank selection include the size of core capital, total assets, and market capitalization. Core capital represents the financial reserves held by the bank as a basis for supporting operations and covering possible losses, which are regulated in accordance with regulations to maintain the bank's financial stability. Total assets describe the scale of the bank's operations and its ability to provide loans and run other banking businesses. Meanwhile, market capitalization shows how the bank's value is perceived by investors in the stock market, which can be influenced by financial performance, economic conditions, and market sentiment towards the banking sector. These three indicators together provide a complete picture of the bank's financial strength, stability, and risk. In addition, with large core capital, total assets and market capitalization, these banks have a strong influence in encouraging the responsible business sector and competing towards the top in terms of sustainability.

The amount of core bank capital is reflected in the Bank Group Based on Core Capital (KBMI), as regulated in POJK number 12 /POJK.03/2021 concerning Commercial Banks. In connection to sustainable financing, when there are new regulations and sectors, banks with large core capital are in better position because these banks have more capacity to increase the percentage of financing portfolios in sustainable sectors. Furthermore, as to the capital risk perspective, banks with significant financing capacity can mitigate the risk of collapse stemming from inaccuracies in investment sectors assessments.

Chart 1. Banks with the Largest Core Capital in 2023 (in trillion rupiah)



Source: processed from 2023 bank financial reports

Chart 1 reveals that Bank BRI, Bank Mandiri, BNI, and BCA have the highest core capital, surpassing 70 trillion rupiah, and are classified as KBMI 4 banks. Several other banks fall under the KBMI 3 category, with core capital between Rp. 14 trillion and Rp. 70 trillion. These include Bank Permata, Bank CIMB Niaga, Bank Danamon Indonesia, Maybank Indonesia, and BSI. Additionally, foreign banks such as Bank HSBC and Bank OCBC are also categorized under KBMI 3, while Bank DBS falls into the KBMI 2 category.

Chart 2. Banks by Market Capitalization and Total Assets in 2023 (in trillion rupiah)

Source: Banking Financial Report, 2023

Chart 2 shows that in 2023, HSBC Bank and DBS Bank, as holding entities, possess the highest level of investor confidence, demonstrated by market capitalizations exceeding Rp. 1,300 trillion. National banks, both private and state-owned, such as BCA, BRI, Bank Mandiri, and BNI, also feature prominently with market capitalizations ranging from Rp. 199 trillion to over Rp. 1,200 trillion. Meanwhile, in terms of total assets, state-owned banks, namely Bank Mandiri and BRI, have the largest total assets reaching Rp.1,900 to Rp.2,300 trillion.

International banks with substantial financing potential in Indonesia, including Bank HSBC Indonesia, Bank DBS Indonesia, and Bank OCBC NISP, are part of the 6th assessment. These banks are considered benchmarks for national banks due to their robust ESG commitments and stringent policies. They have policies in place to stop financing the coal sector, reflecting their commitment to tackling the climate crisis. Furthermore, they have set measurable emission reduction targets and have strict financing policies for high-risk sectors like mining and large-scale plantations, which are prone to environmental damage and social conflict.

2.2 Determination of Bank Policy Assessment Themes

Each Fair Finance Asia member country has the autonomy to choose the themes for assessment. In Indonesia, this year's bank policy assessment encompasses 15 themes, chosen based on public concerns and their relevance to the work of the Indonesian ResponsiBank Coalition members. Generally, the themes assessed cover overlapping, sectoral, and operational aspects related to ESG. The detailed assessment themes are outlined in the following table:

Table 1. Bank Assessment Themes

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

Source: FFGI, 2023

Cross-cutting Themes:

1. Climate change

Financial institutions can play pivotal role in reducing emissions by shifting investments toward a low-carbon economy. Within this theme, financial institutions were assessed based on their commitment to implementing CO2 reduction standards that align with global warming mitigation. In the 2024 assessment, 28 elements were evaluated, covering emission reduction policies in internal operations, bank policies on fossil fuel financing management, and regulations for funded companies.

2. Corruption

Corruption significantly impacts political, social, and environmental order. Politically, corruption is a major obstacle to developing the rule of law, as governments can lose legitimacy when power is used for personal gain. Corruption also reduces public funding for vital infrastructure projects such as schools, hospitals, and poverty alleviation programs. Lobbying practices can also be considered a form of corruption because they allow the private sector to influence policy. Financial institutions must be free from money laundering, bribery, and financing activities linked to terrorism.

3. Gender equality

Gender equality refers to the equal rights, responsibilities, and opportunities of women and men. The lack of female representation at leadership and decision-making levels 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 a driving force for change. Women's leadership and entrepreneurship significantly contribute to economic benefits and business effectiveness. Under this theme, financial institutions were assessed based on their policies on anti-gender discrimination, zero tolerance for sexual harassment, and and commitment to equal pay, both within the bank's own operations and in the companies they finance.

4. Human rights

Although financial institutions are generally not directly involved in human rights violations, they are still responsible for the impact of their financing and investments. Respecting human rights implies that businesses should not engage in or contribute to human rights violations, but they must also strive to mitigate negative human rights impacts on operations, products, or services provided. In this theme, financial institutions were assessed assessed based on human rights respect indicators in accordance with the UN Guiding Principles on Business and Human Rights. They were also evaluated on policies related to due diligence processes, remediation efforts, and grievance mechanisms concerning human rights impacts in the companies they finance. Financial institutions must ensure they do not violate land rights through FPIC (Free, Prior, and Informed Consent), and respect the rights of indigenous peoples, women, and children. Compliance with human rights principles should also be reflected in procurement processes and operational policies, including those applied to suppliers and subcontractors.

5. Workers' rights

Financial institutions are expected to respect local, national, and international labor laws and regulations, not only in their internal Human Resources (HR) policies, but also in their credit/investment policies to ensure that the companies they finance comply with applicable regulations. In 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 their procurement policies and company operations. Financial institutions need to ensure that the companies they finance respect workers' freedom of association and the right to collective bargaining, do not involve child labor or forced labor, and uphold anti-discrimination policies. Financial institutions must also ensure that companies implement fair wages, adhere to maximum working hours, establish occupational health and safety policies, and develop clear monitoring mechanisms to ensure compliance with labor standards.

6. Nature

Financial institutions can indirectly have serious impacts on biodiversity, especially when investing in the forestry, extractive industries, oil and gas, fisheries, infrastructure, and industries that use genetic materials such as agriculture, biotechnology, medicine, and cosmetics. In this theme, financial institutions were assessed based on their credit/investment policies to ensure that the companies they finance strive to prevent negative impacts on High Conservation Value (HCV), UNESCO World Heritage, and International Union for Conservation of Nature (IUCN) areas and are not involved in the trade of protected plants and animals.

7. Taxation

Tax revenue is essential for funding public services such as healthcare, education, infrastructure, and social protection programs. Financial institutions need to operate responsibly by avoiding tax evasion and avoidance and refraining from financing companies that engage in these practices. In this context, financial institutions are assessed based on country-by-country reporting elements, including income, profit, total assets, Full-Time Equivalent (FTE), government subsidies received, and tax payments to the government. They must also commit to not financing companies operating in tax havens. Additionally, financial institutions should encourage the companies they finance to publish their complete corporate structure, comply with tax regulations, including for suppliers and subcontractors.

8. Health

The Covid-19 pandemic, which began in early 2020, highlighted the necessity of having a responsive, equitable, and universal healthcare system. The pandemic has led to a significant increase in healthcare costs, which many developing countries find difficult to bear. Furthermore, aspects of health such as a clean and proper living environment, workplace safety and security, the prohibition of the production and use of toxic compounds, and the integration of health and safety aspects into procurement processes need to be taken into account by companies. In the context of financing, banks need to ensure that the companies they finance pay attention to these aspects and comply with applicable international standards.

Sectoral themes

1. Forestry

Forests and plantations play a crucial role on Earth, providing numerous benefits to humankind. Deforestation and forest degradation strip local communities of their means of livelihood, lead to biodiversity loss, soil erosion, and the decline of surface and groundwater resources. Moreover, deforestation triggers hazardous forest fires, which result in respiratory issues such as asthma, bronchitis, and pneumonia, in addition to causing eye and skin problems. A majority of these forest fires are a consequence of clearing forests for the expansion of large-scale plantations for the pulp and palm oil industries. Financial institutions can leverage their influence to curb deforestation and forest degradation by establishing stringent investment policies for the forestry sector. These policies should encompass all areas of forestry, including forests, logging, pulp, paper, and furniture production, as well as other wood processing and trading enterprises. In this theme, banks are evaluated based on their credit/investment policies towards the entities they finance.

2. Mining

The impact of extractive industries such as mining can be felt both immediately and in the long term, even after the extractive activities have ceased. Typically, remediation efforts alone are insufficient to restore the natural environment in extractive industry areas. Long-term issues, such as acid drainage from mines, can contaminate nearby water bodies for decades or even centuries. Furthermore, mineral ore mining and ore refining - even with modern technology - cause extensive air pollution. A common problem in the extractive industry is that mining companies often do not respect local residents' land rights. Companies frequently seize land and forests upon which local communities depend for their livelihoods. Additionally, mining pollution can lead to the accumulation of heavy metals in the surrounding soil, water, and air. Financial institutions investing in mining companies must ensure these companies comply with international social and environmental guidelines and agreements. This means that clear norms need to be outlined in the investment policies of financial institutions to address these issues.

3. Petroleum and gas

Certain processes within the petroleum and gas industry can harm the environment. Drilling, oil and gas production facilities, combustion, and refineries can contaminate soil, air, and water. High oil prices and the push to fill oil reserves drive oil companies to penetrate deeper into ecologically vulnerable areas. Pipeline cracks caused by earthquakes, other natural causes, and sabotage can lead to groundwater pollution and even fatal explosions and fires. Additionally, oil spills from tanker accidents have polluted many marine and coastal areas. The social consequences of the oil and gas industry can also be very detrimental. Pollution and infectious diseases endanger the health, food security, and culture of indigenous peoples. Oil and gas companies frequently seize land from local communities, disrupting their food sources and livelihoods. Investment policies for financial institutions in the oil and gas sector should focus on minimizing the industry's impact and transitioning towards sustainable energy development. In addition, these policies should incorporate social and environmental standards for the petroleum and gas sector.

4. Power plant

Power plants are crucial in meeting society's energy needs and play an essential role in achieving sustainable development goals and poverty alleviation. Energy suppliers need to generate electricity while ensuring supply security, affordability for consumers, and minimal environmental impact. 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 Intergovernmental Panel on Climate Change (IPCC). They might opt to specifically finance renewable energy power plants, or establish a clear roadmap to reduce financing for controversial fossil fuel energy sources and replace it with renewable energy financing.

Operational themes

1. Consumer protection

Consumers are important actors in the financial market, so the problems experienced by consumers should be a shared concern. Financial services and products geared towards consumers typically include checking and savings accounts, personal loans, debit and credit cards, mortgages, insurance, pensions and retirement benefits, and investment products. Lack of consumer protection in the financial sector can have major social and economic consequences. These include financial crises resulting from insufficient bank transparency and the growth of debt and excessive borrowing by clients of financial institutions. To ensure financial stability and fair practices, financial institutions need to integrate consumer protection into their financial inclusion policies.

2. Financial inclusion

Financial inclusion has emerged as a significant concern in relation to the financial sector's contributions to sustainable development. Financial inclusion is an instrument for poverty alleviation, as well as a means to address inequality, which has significantly increased worldwide. It has been recognized that unequal growth has limits and is not sustainable, since aggregate demand will be limited. High inequality levels can lead to various social consequences or even unrest, threatening economic growth and social stability. Financial inclusion means universal access, at reasonable costs, to a range of financial services. However, a broader interpretation of financial inclusion carries some risks. This is because banks, although not the sole financial entities involved, may face pressure from their governments to provide microcredit to small businesses and the poor. Nevertheless, financial institutions can play a crucial role in granting financial access to all income groups within society.

3. Transparency and accountability

Everyone has the right to be informed about how business activities impact their lives and the potential risks involved. People affected by economic activities cannot advocate for their interests without understanding the social, economic, and environmental benefits, costs, and risks associated with these activities. They also need information on possible alternative activities. To protect their social, cultural, and environmental interests, social organizations must have access to all pertinent information. Therefore, the public's right to information – essential for meaningful participation in decision-making processes – is recognized in various international instruments. Financial institutions that prioritize social responsibility must have strong transparency and accountability policies. In this context, financial institutions were assessed based on their internal operational policies.

2.3 Assessment Elements, Scope and Procedures for Bank Policy Assessment

The methodology identifies a number of assessment elements derived from national and international norms, standards and initiatives focused on sustainable development and CSR, as well as good practices considered important by organizations within the Fair Finance International network. The assessment elements also reflect the FFI network's expectations of financial institutions regarding their corporate social responsibility. The international standards and initiatives in the methodology include specific requirements for financial institutions or businesses in general, including funded companies. Some considerations in defining the assessment elements are as follows:

• Assessment elements formulated as principles

These principles can be applied by financial institutions to both new and existing investments and financial services. For example, financial institutions can incorporate these principles into the terms for new loans and use them as selection criteria for new investments and financial services. For existing loans and investments, these principles can be applied as guidelines for engagement activities and for agreements on improvements with companies that have existing investments. Based on these principles, financial institutions may ultimately decide to terminate investment relationships.

The Fair Finance Guide methodology does not evaluate the processes that financial institutions must follow to apply these principles to their investments and financial services, but it expects financial institutions to explain their working methods in their policies. Financial institutions must specify what these principles mean for various types of investments and financial services. If financial institutions only set certain conditions for specific types of investments or financial services, it is difficult to claim that the institution applies these principles. The Fair Finance Guide methodology assumes that the principles need to have meaningful relevance to the activities or products of the company for all types of investments in companies and all financial services for companies.

• Assessment elements for both the financed company and the financial institution itself

In its assessment of financial institutions' policies, the Fair Finance Guide methodology does not primarily address how financial institutions make decisions about their investments and financial services. Instead, it focuses on the basic principles or expectations of financial institutions regarding the companies they finance or invest in. In the table with assessment elements for each cross-sector theme and each sector theme, the principles are introduced as "the following elements are very important for policies regarding companies invested in by financial institutions."

The assessment elements included in these themes are mostly related to the financial institution's business operations, including how decisions about investments and financial services are made. Some elements related to the financial institution's operational activities have also been included in cross-cutting or sectoral themes. These assessment elements are introduced separately as elements that are critical to the financial institution's internal operations policy.

The assessment scope consists of bank policies on four types of financing/investment as follows:

1. Corporate credit, namely financing that covers all corporate financing (loans and guarantees) for companies (including general corporate loans, trade financing, mortgages to companies, and underwriting), including loans to SMEs.

2. Project finance, a special type of financing, is mostly used to finance large infrastructure and industrial projects. Unlike regular corporate credit, the loans are secured by the projected cash flows of the project, rather than the balance sheets of the companies involved in the project.
3. Proprietary assets refer to investments made by financial institutions with money on their own balance sheets, particularly investments in securities such as corporate stocks and bonds.
4. Asset management refers to money managed by a financial services institution on behalf of its clients. These assets are not listed on the financial institution's balance sheet. Clients can include institutional investors such as pension fund managers or insurance companies, as well as individual investors.

In each theme, each financial institution's score is based on the proportion of elements included in the policy. Scores are given for financing or investment categories that are relevant to the implementation of the policy. Scoring also takes into account the content of the policy and the scope of the financing or investment policy. This means that the policy can apply generally or be explicitly stated to regulate each financing/investment category.

The policy is analyzed by assessing its compliance with the assessment criteria for each assessment element listed in the assessment guidelines. A base score of 1 is given if an element is fully described or explicitly mentioned in the policy. If no adequate policy is found, the score is 0. If the financial institution's policy meets all the criteria for the assessment element, the base score can be multiplied by the coverage score, which is expressed as a percentage based on the coverage of the four financing/investment categoriesi.

If a financial institution does not clarify the scope of its policy, it is assumed that 50% of the financial institution's activities are covered. For this reason, the coverage score is 50% by default. This percentage increases for each investment category to which the policy is explicitly and clearly applied, in proportion to the number of relevant investment categories for the financial institution. If all relevant investment categories are covered, the coverage score is 100%, resulting in a final element score of 1.

The scores for all elements included in a theme were summed up and then divided by the number of elements within the theme, resulting in a final score for a theme. The final score at both the theme and banking levels can be presented in decimal form as follows:

0 – 1.9	2.0 – 3.9	4.0 – 5.9	6.0 – 7.9	8.0 – 10.0
very poor	poor	fair	good	very good

The documents assessed were sourced from the bank's 2023 annual report, the bank's 2023 sustainability report and policy documents available on the company's website accessed in July – September 2024.

2.4 Research Limitations

This research is limited to the 12 assessed banks. Among these banks, some that are solely focused on retail financing may become irrelevant in certain assessment scopes, such as project financing or corporate credit. Conversely, some banks that focus on large-scale financing, such as project financing and corporate credit, may be less relevant in assessments related to consumer protection and financial inclusion.

Due to methodological considerations, this ranking does not evaluate field practices. To bridge the gap between bank policies and practices, ResponsiBank Indonesia conducts separate, in-depth studies in the form of case studies on strategic priority sectors. For example, examining how bank financing flows to companies in extractive sectors, such as coal mining, nickel, or large-scale plantations like palm oil, which have high risks of environmental damage and social conflict.

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Part 3

PROGRESS OF BANK POLICIES IN IMPLEMENTING SUSTAINABLE FINANCE

From the ranking results, seven banks did not experience changes in their ranking positions compared to the previous year. HSBC, DBS, and CIMB Niaga remain in the top positions.

3.1 Bank Assessment Results 2024

Banks in Indonesia have shown a fairly good commitment to financial inclusion. Based on the results of the 2024 bank rankings, the financial inclusion theme scored the highest, followed by the corruption theme with scores of 5.7 and 4.4, respectively. However, despite this encouraging achievement, many other themes still scored relatively low, with an average overall score of only 2.1. This shows that although there has been progress in some aspects, there is still much room for improvement in various other areas so that the banking industry is more responsive to existing challenges.

Table 2. Summary of Bank Assessment Results per Theme and Sector in 2024 (in points)

Nama Bank	Perubahan Iklim	Korupsi	Kesetaraan Gender	Kesehatan	Hak Asasi Manusia	Hak Pekerja	Alam	Perpajakan	Kehutanan	Pertambangan	Minyak dan Gas	Pembangkit Listrik	Perlindungan Konsumen	Inklusi Keuangan	Transparansi dan Akuntabilitas	**Nilai rata-rata per bank**
HSBC	3,8	5,8	3,1	2,5	4,5	4,8	3,4	2,4	3,8	2,0	2,4	2,4	5,3	4,6	2,5	**3,5**
DBS	3,0	3,8	1,4	2,3	3,6	3,7	3,7	1,9	3,0	1,7	1,5	2,1	4,0	4,3	2,1	**2,8**
CIMB NIAGA	2,2	4,6	1,9	0,0	4,7	2,6	0,4	0,6	4,3	1,0	0,3	3,2	3,2	6,4	3,9	**2,6**
OCBC	2,0	4,4	1,5	0,0	2,4	1,1	2,1	4,1	2,0	0,9	1,7	2,8	4,2	6,4	1,5	**2,5**
BCA	0,3	5,4	1,0	0,0	2,5	2,4	0,5	1,8	2,5	0,0	0,0	0,7	7,4	4,3	2,6	**2,1**
MAYBANK	1,2	3,1	1,0	0,0	0,3	1,4	1,0	0,6	1,8	2,0	0,3	2,3	3,7	6,4	2,7	**1,9**

BRI	2,5	4,6	0,5	0,5	1,8	0,8	1,1	0,0	2,7	0,0	0,0	1,5	5,3	6,4	2,5	**2,0**
MANDIRI	1,3	3,8	3,0	0,5	0,7	0,4	2,1	0,0	1,4	0,0	0,0	0,7	6,8	6,4	2,1	**1,9**
BNI	0,9	4,6	1,3	0,0	0,7	2,4	0,0	0,6	1,4	0,2	0,0	0,7	7,6	6,4	1,7	**1,9**
BANK PERMATA	0,4	4,6	1,5	0,0	0,0	1,1	0,0	2,4	0,0	0,0	0,0	0,7	6,3	5,7	1,1	**1,6**
DANAMON	1,2	4,6	2,0	0,0	0,7	0,0	0,5	2,4	0,7	0,0	0,0	0,7	2,6	5,7	2,4	**1,6**
BSI	0,0	3,8	0,0	0,0	0,0	0,8	0,0	0,0	0,0	0,0	0,0	0,7	4,7	5,4	1,6	**1,1**
Nilai rata-rata per tema	**1,5**	**4,4**	**1,5**	**0,5**	**1,8**	**1,8**	**1,2**	**1,1**	**2,0**	**0,6**	**0,4**	**1,4**	**5,2**	**5,6**	**2,3**	**2,1**

Source: research results

The bank ranking also evaluates the progress of each bank's policies based on the scores obtained in 2024 and compared to 2022. From the ranking results, seven banks did not experience changes in their ranking positions compared to the previous year. HSBC, DBS, and CIMB Niaga remain in the top positions. However, there are three banks that experienced a decrease in ranking, namely BCA, BRI, and Danamon. On the other hand, OCBC, BSI, and BJB showed no changes in their rankings because they were only assessed and removed from the ranking in 2024.

Table 3. Comparative Summary of Bank Ratings for 2024 and 2022

Bank	Ranking 2024	Ranking 2022	Perubahan Ranking	Nilai rata-rata tahun 2024	Nilai rata-rata tahun 2022	Penambahan/ pengurangan skor
HSBC	1	1	=	3,6	3,6	0,0
DBS	2	2	=	2,8	2,6	0,2
CIMB NIAGA	3	3	=	2,4	1,9	0,5
OCBC (Baseline)	4	-		2,4	-	-
BCA	5	4	↘	2,0	1,9	0,1
MAYBANK	6	6	=	1,9	1,6	0,3

BRI	7	5	↘	1,9	1,8	0,1
MANDIRI	8	8	=	1,8	1,4	0,4
BNI	9	9	=	1,8	1,4	0,4
BANK PERMATA	10	10	=	1,5	1,3	0,1
DANAMON	11	7	↘	1,5	1,5	0,0
BSI (Baseline)	12	-		1,1	-	-
BJB	-	11		-	1,0	-

Source: research results

Almost all banks experienced an increase in their scores, although the increase was relatively small, ranging from 0.1 to 0.5. The highest score increase was recorded by CIMB Niaga, which experienced an increase of 0.5. This increase was influenced by CIMB Niaga's policies on the themes of forestry, financial inclusion, and human rights.

Under the forestry theme, CIMB Niaga has established sector guidelines detailing mandatory minimum environmental, social and governance (ESG) performance requirements, prohibited activities and encouraged aspects for sustainable practices. The guidelines cover the following sectors: agriculture, forestry, other land use, and land-use changes, including palm oil, coal, oil and gas, forestry, natural rubber, construction services, infrastructure, mining, and manufacturing.

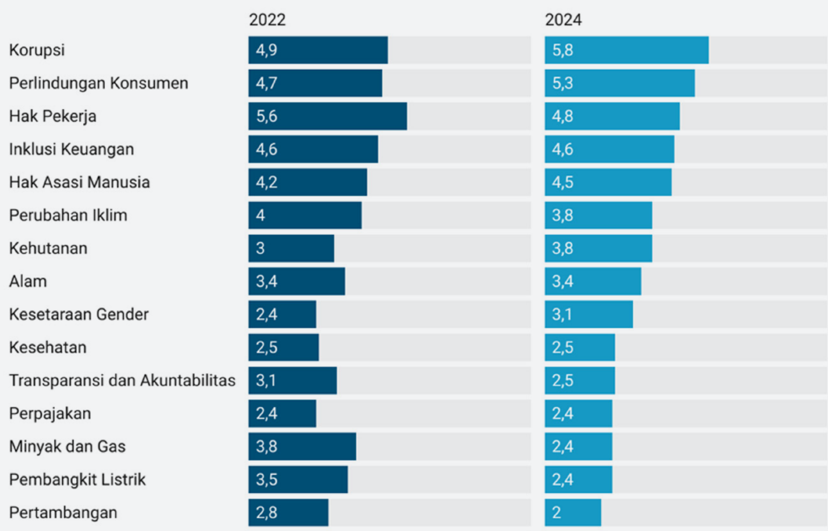
CIMB Niaga also requires debtors with certain concession areas to commit to No Deforestation, No Peat, and No Exploitation (NDPE) principles. In addition, debtors should present environmental documents, implement the principles of Occupational Health and Safety (K3), and respect human rights by implementing the principles of Free, Prior, and Informed Consent (FPIC) and providing a complaint mechanism.

3.2 Assessment Results Based on Bank

HSBC

In general, HSBC's score changes are incremental, with no drastic increases compared to the previous year's assessment results. However, HSBC's score is still influenced by several important factors that demonstrate the bank's commitment to sustainability and environmental risk management. HSBC also implements international best practices, adopting various standards such as the Equator Principles, IFC Environmental, Health, and Safety Guidelines, and the UN Global Compact.

Chart 3. HSBC Bank Policy Score on ESG Aspects in 2024



Source: research results

HSBC scored the highest on the corruption theme at 5.8, the largest increase of 0.9 compared to 2022. HSBC also scored quite well on the consumer protection theme, obtaining a score of 5.3. However, the corruption policy only applies to the bank's operational activities and is not binding on clients.

In the environmental aspect, one of the main factors behind the score obtained by HSBC is the development of sectoral policies, which serve as a risk management framework to identify and mitigate reputational, credit, and legal risks related to the environmental and social impacts of the clients. This policy includes limitations, prohibitions, targets, and conditions that must be adhered to in each transaction, besides a clear scope regarding the types of assets and entities bound by the policy. However, HSBC's sectoral policies still have weaknesses. The focus tends to be on environmental standards and does not fully cover social and governance aspects. Although several criteria are set out in the Equator Principles, each sector has specific issues that are considered important, so a more comprehensive social and governance policy is needed.

In the mining theme, HSBC applies partial exclusion, which means it only prohibits financing by applying a certain threshold. For example, the difference in treatment between new and existing clients; the difference in treatment by applying a certain time limit. It should be noted that the decline in this theme is also due to technical changes in the methodology, namely the elimination of several elements that were previously assessment indicators.

Furthermore, HSBC has disclosed financed emissions under scope 3, although this disclosure is limited to certain sectors and covers the entire portfolio and asset classes held. The bank has also set a measurable target for financing the oil and gas sector, with a target of reducing emissions by 34% by 2030 compared to 2019. In addition, HSBC prohibits financing for new coal-fired power plants and thermal coal mining projects. However, there are exceptions in the treatment for new and existing clients, where existing clients are given leniency through the use of a lower threshold.

HSBC has financed renewable energy projects but does not yet have a clear target for increased financing, both in absolute terms and relative to its fossil fuel portfolio. In the forestry sector, HSBC has a policy that includes certification requirements such as the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). These policies prohibit involvement in projects that support illegal logging. However, because HSBC only requires compliance with one of the standards (FSC or PEFC), the score is low because FSC is more stringent than PEFC.

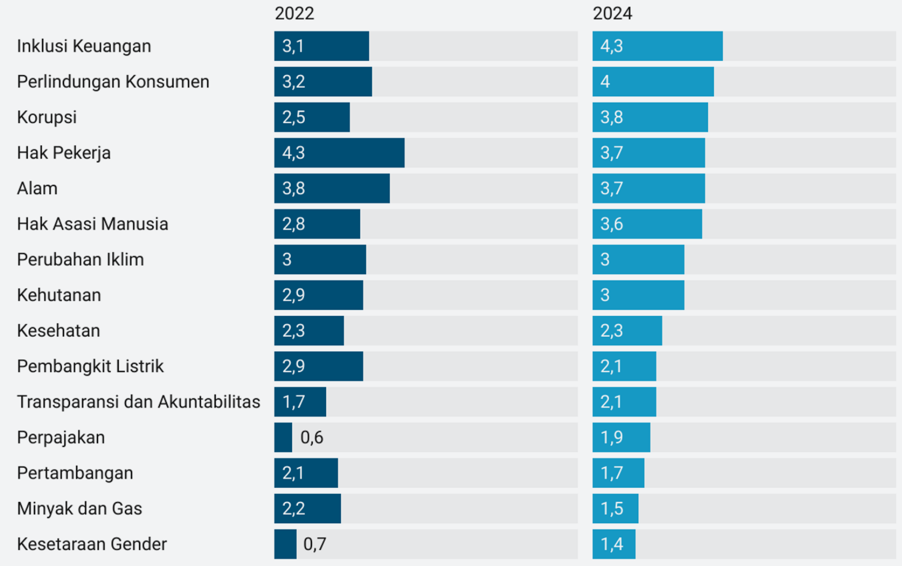
In the social aspect, the assessment of the theme of Human Rights (HAM) indicates that workers' rights are driven by the ratification of relevant international standards. However, HSBC's policy on the theme of human rights does not yet include protection for vulnerable groups, such as children and people with disabilities. In consumer protection and financial inclusion, HSBC has implemented regulations related to data protection, product transparency, complaint services, debt collection procedures, and financial literacy, which are the minimum standards of the regulator.

On the governance aspect, specifically in terms of transparency, there was not much change from the previous assessment because HSBC has met the applicable minimum standards. However, HSBC has not disclosed the names of the companies that received new investments and credits, as well as all of its ongoing project transactions, in accordance with best practices such as the Equator Principles

DBS

DBS has shown progress in various aspects, but there is still room for improvement towards higher sustainability standards. In 2024, DBS received the highest score on the financial inclusion theme of 4.3 points; this was also supported by an increase in the score of 1.2 compared to 2022.

Chart 4. DBS Bank Policy Score on ESG Aspects in 2024



Source: research result

In environmental aspects, DBS Bank has a score of 3.0, specifically on the climate change theme. The bank has pledged not to finance thermal coal projects and power plants and to cease funding new customers who earn over 25% of their revenue from thermal coal. However, the score for the nature theme dropped from 5.7 in 2022 to 3.7 in 2024. This decline was attributed to DBS not scoring on new elements introduced in the nature theme assessment, such as the absence of biodiversity footprint measurements in its portfolio and the lack of a policy on exclusions for deep-sea mining.

For the forestry theme, DBS' score decreased from 3.3 in 2022 to 3.0 in 2024. Although the bank demonstrated a commitment not to finance activities that negatively impact high conservation value (HCV) areas and not to engage in the illegal timber trade, the decrease was due to the removal of previously existing assessment elements.

On the social aspect, under the human rights theme, the score increased from 3.2 in 2022 to 3.6 in 2024. DBS has adopted the Equator Principles and

IFC Performance Standards, and demonstrated its commitment to the United Nations Guiding Principles on Business and Human Rights. The gender equality theme increased from 0.7 in 2022 to 1.4 in 2024. This improvement is altered by DBS' commitment to preventing discrimination and gender-based violence in the workplace, as well as providing specialized training, equal remuneration policies, and professional development programs to support women's access to senior positions.

However, the labour rights theme's score decreased from 4.3 in 2022 to 3.7 in 2024. While DBS has adopted labour rights standards that align with the ILO Declaration on Fundamental Principles and Rights at Work, it does not have a policy in place that complies with the ILO Maternity Protection Convention, nor has the bank ensured that companies it funded provide conducive working environments.

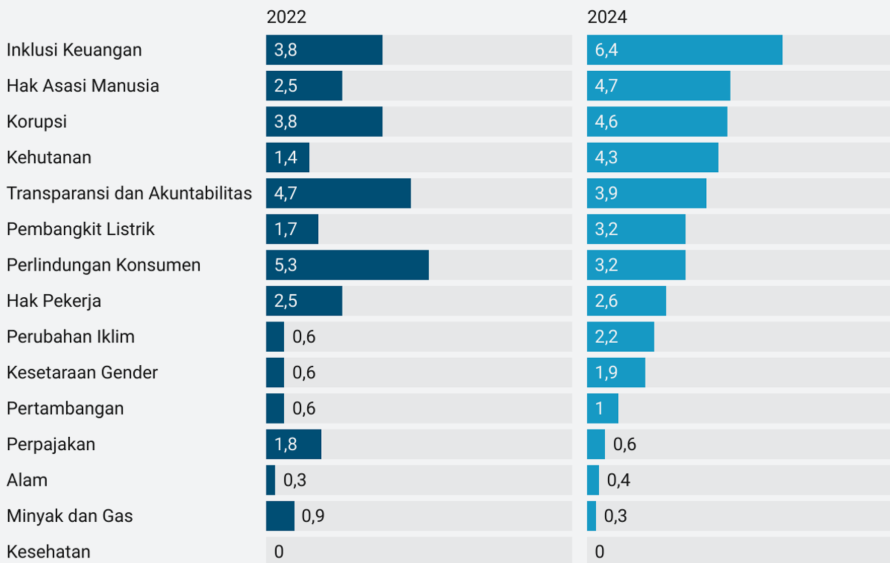
Under the governance aspect, DBS showed significant improvement in its commitment to transparency and accountability, corruption, and taxation. For the transparency and accountability theme, the score increased from 1.7 in 2022 to 2.1 in 2024. DBS has outlined its financial and investment framework in response to environmental and social issues and ensured that investments meet the requirements of its Approach to Responsible Banking policy. The bank's published sustainability report has also been externally verified and aligned with GRI standards, including information on all outstanding project finance transactions, as well as the portfolio breakdown by region, size, and industry.

The improvement in the corruption theme score from 2.7 in 2022 to 3.8 in 2024 demonstrates DBS's commitment to preventing bribery, money laundering, and the financing of terrorism, which also applies to external supply chains thanks to the adoption of the Equator Principles and IFC Performance Standards. In the tax theme, the score improved from 0.6 in 2022 to 1.9 in 2024. The improvement in the score is partly due to DBS reporting revenue, profit, and tax based on the country of operation, as well as having a commitment to prohibit clients from setting up international structures to avoid taxes and not engaging in related transactions.

CIMB BANK

CIMB Niaga has shown significant progress in various aspects of sustainability, especially in the environmental and social themes. In 2024, CIMB Niaga received the highest score in the financial inclusion theme of 6.4, up 2.6 compared to 2022.

Chart 5. CIMB Niaga Bank Policy Score on ESG Aspects in 2024



Source: research results

In the environmental aspect, CIMB Niaga experienced an increase in its score on the climate change and forestry theme. On the climate change theme, CIMB Niaga experienced a significant increase in its score, from 0.4 in 2022 to 2.2 in 2024. This increase was supported by strategic steps taken by CIMB Niaga to set climate targets that are in line with the Paris Agreement, with the main objective of limiting global warming. The bank's main target is to keep global temperature increases below 2°C, ideally reaching 1.5°C, compared to pre-industrial levels.

In the forestry theme, CIMB Niaga's score increased from 0.7 in 2022 to 4.3 in 2024. This improvement was achieved thanks to CIMB Niaga's commitment to following the UN Global Compact, as well as requiring clients in certain sectors to implement Free Prior Informed Consent (FPIC) in their social approach. The

FPIC policy is applied in all sectors financed by the bank, including forestry, rubber, coal, oil and gas, manufacturing, palm oil, and construction.

In several themes such as mining and oil and gas, CIMB Niaga received an increase in score because it has implemented the UN Global Compact Principles, as well as policies that prohibit lending to borrowers using the Mountain Top Removal mining method and exclude investment in new thermal coal mines. In the power generation sector, CIMB Niaga also experienced an increase in score from 1.7 in 2022 to 3.2 in 2024. This increase is supported by CIMB Niaga's policy to achieve a target of reducing emission intensity by 38% in the power generation portfolio from the 2022 baseline, with a priority on investment in low-carbon solutions and renewable energy.

On the social side, CIMB Niaga has improved its scores in several key themes, including human rights and gender equality, reflecting the bank's efforts in creating an inclusive and fair work environment. Policies that support the empowerment of women and people with disabilities also demonstrate CIMB Niaga's commitment to diversity and inclusion.

On the gender equality theme, CIMB Niaga had an increased score from 0.6 in 2022 to 1.9 in 2024. This increase was achieved thanks to policies that ensure the provision of banking services without discrimination based on ethnicity, religion, race, social status, gender, or other factors that can violate human rights. In addition, CIMB Niaga also published data related to the bank's support in empowering women in the MSME sector. For the theme of human rights and workers' rights, CIMB gets such a score thanks to the implementation of the UN Global Compact Principles. Meanwhile, on the theme of consumer protection, CIMB Niaga experienced a decrease in score from 5.3 in 2022 to 3.2 in 2024. This decrease was due to the lack of data in the sustainability report and the 2023 annual report regarding accessibility policies for customers with disabilities and special needs in all physical branches and electronic services.

In the governance aspect, there was an increase but also a decrease in scores on several themes. In the corruption theme, the score was increased from 3.5 in 2022 to 4.6 in 2024, due to the bank's commitment not to provide funding for the activities of any political party. However, the bank gives employees the freedom to express their political aspirations within certain limits to avoid the potential for corruption.

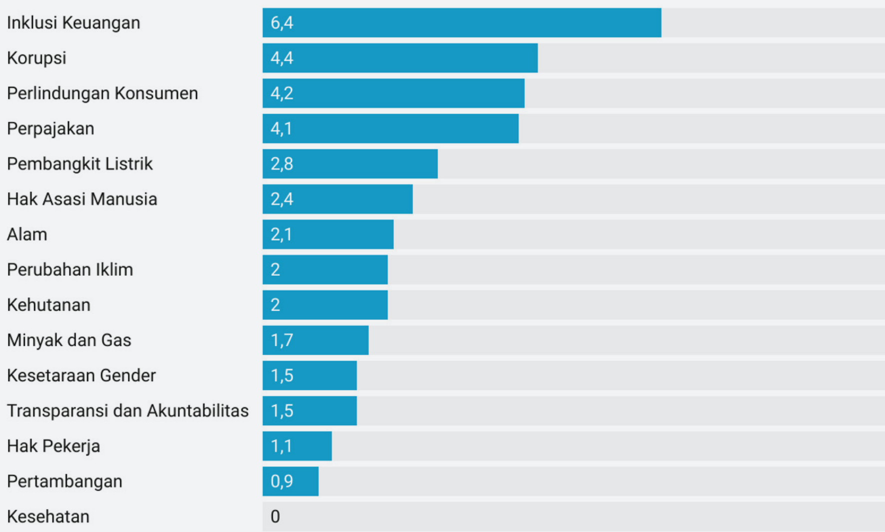
However, in the taxation theme, CIMB Niaga experienced a score decline from 1.8 in 2022 to 0.6 in 2024. This decrease was the effect of limited coverage of CIMB Niaga's tax policy, which covers only tax evasion aspects but neglects tax avoidance issues, and it only applies to certain audiences. In the transparency and accountability theme, CIMB Niaga's score decreased from 4.7 to 3.9. The decrease in the score is linked to the fact that the bank only discloses its roles as organiser and participant in events on sustainable finance but does not openly mention the number of companies it collaborates with on social and environmental issues. Further, the bank does not publish the results of engagement on these topics, including the objectives and deadlines set.

OCBC

Bank OCBC NISP shows significant progress in the sustainability aspect, achieving positive scores across a range of environmental and social themes. Despite being the first assessment for OCBC NISP this year, it is ranked fourth out of 12 banks assessed.

OCBC NISP recorded the highest score on the financial inclusion theme, namely 6.4. This achievement is scored thanks to policies that ensure access to banking products for the poor, marginalized, and MSME groups. Credit distribution to MSMEs has exceeded 10% of total credit. In addition, OCBC provides mobile banking services, is committed to improving financial literacy, and provides information on the credit process and public housing credit services without burdensome fees.

Chart 6. OCBC NISP Bank Policy Score on ESG Aspects in 2024



Source: research results

In terms of environmental performance, Bank OCBC NISP received scores across various themes. The scores are as follows: climate change scored 2, nature scored 2.1, forestry received a score of 2, mining scored 0.9, oil and gas received a score of 1.7, and power plants scored 2.8. Generally, OCBC NISP's climate-related policies are detailed in six priority sectors outlined in the OCBC Group's responsible financing documentation, which includes the implementation of the Equator Principles. Additionally, other positively scored policies include a prohibition on illegal logging and initiatives to protect forests with high carbon stocks (High Carbon Stock/HCS).

OCBC Group already has documents on sustainable financing that can be integrated into OCBC NISP's sustainability report in Indonesia. Although OCBC Group has published a TCFD Report, only OCBC Hong Kong did so in this assessment. Therefore, we recommend that the TCFD Report for the Indonesian region should also be implemented. On the power generation theme, OCBC Group has implemented a net zero scheme for six priority sectors, including in Indonesia. This policy has a positive impact on the renewable energy financing score. In addition, OCBC has a long-term target to achieve net zero emissions, demonstrating its commitment to sustainability.

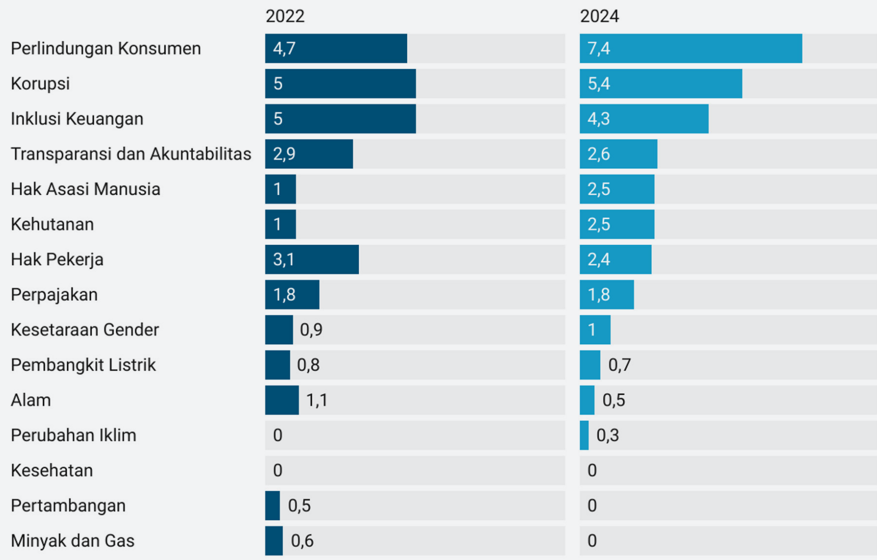
In the social aspect, OCBC NISP scored 1.5 on the gender equality theme. This score is obtained because it has adopted policies that ensure equal rights and opportunities for male and female workers. The proportion of women's representation at the management level shows some progress in reaching at least 30%. However, more attention needs to be paid to the Board of Directors position. In addition, lending to MSMEs owned by women is an added value that shows inclusiveness in lending.

On the human rights theme, OCBC NISP scored 2.4. This result was contributed to by the action taken by OCBC Group, which has adopted the principles of the UN Global Compact. The bank's internal policies applied across all subsidiaries also refer to the UK Modern Slavery Act 2015 and the Australian Modern Slavery Act 2018, which relate to the labour rights theme. While on the consumer protection theme, OCBC NISP received a score of 4.2 because it has policies that cover consumer rights, complaints and resolution channels, consumer data protection, as well as information on tariff changes and investment risks for consumers.

On the governance aspect, OCBC NISP scored fairly well in various governance themes. On corruption, it scored 4.4 due to having an AML-CFT policy that applies to all employees and publishing beneficial ownership information, which is then contributed to the positive score. On taxation, OCBC NISP scored 4.1. In its policy, OCBC NISP has demonstrated a commitment to reporting total assets, revenues, and profits in each operating country. The bank is also committed to not engaging in transactions aimed at tax avoidance. However, the transparency and accountability theme scored 1.5 due to the lack of disclosure regarding contributions to sustainable finance events. Another issue is that the bank does not publish the number of companies it works with on social and environmental issues.

BCA Bank shows varying achievements in sustainability aspects.BCA received the highest score on the consumer protection theme. This shows that BCA has taken positive steps to support accessibility and comprehensive protection for its consumers.

Chart 7. BCA Bank Policy Score on ESG Aspects in 2024



Source: research results

In the environmental aspect, Bank BCA obtained a relatively low score. In themes of climate change, nature, forestry, and power plants, it obtained a score between 0.4 and 2.5. The scores recorded within the theme of climate change are attributed to BCA's imposed policy that requires debtors (or potential candidates) to comply with the requirements for submission of complete documents adhering to national standards, for example, the Timber Legality Verification System (SVLK) and V-Legal for exports of forestry industry products.

In the nature theme, BCA has implemented a policy to protect forests with high carbon stocks and seeks to protect UNESCO heritage from the impact of financing provided to debtors. In the forestry theme, BCA regulates the provision of credit to companies that meet the Forest Stewardship Council (FSC) standards. In the mining and oil and gas themes, BCA scored thanks to its efforts to protect UNESCO's world heritage. Meanwhile, in the power plant theme, BCA scored because it has a policy that supports renewable energy financing. However, BCA did not score in the mining and oil and gas themes.

In the social aspect, Bank BCA recorded a 0.9 score on the theme of gender equality, 1 on the theme of human rights (HAM), and 3.1 on the theme of workers' rights. On the theme of gender equality, BCA has adopted a policy that guarantees equal rights and opportunities for all workers, both men and women. The bank implements a zero-tolerance policy against gender-based violence in the workplace, including verbal, physical, and sexual violence.

Regarding human rights, BCA has a policy that refers to the UN Guiding Principles on Business and Human Rights. The bank also scored positively for respecting the rights of local communities in financing. On the theme of labour rights, BCA adopts the ILO Declaration on Fundamental Principles and Rights at Work, as well as addressing forced labour and prohibiting under-age labour in all aspects of financing. Despite implementing policies that support gender equality and respect human rights, BCA did not score on the health theme as no policy elements were found.

Regarding consumer protection, BCA scored 4.7 because it has various policies, including information on consumer rights and product or service risks, complaint channels with progress updates on settlements, and consumer data protection. In addition, BCA regulates debt resolution and provides training to employees to ensure consumer protection policies are implemented effectively.

In the financial inclusion theme, BCA scored 5 thanks to policies that ensure access to banking products for the poor, marginalized, and MSME groups. Credit distribution to MSMEs has exceeded 10% of total credit. BCA also provides mobile banking services, is committed to improving financial literacy, and does not charge burdensome fees when opening an account, with terms and conditions adjusted to the national/local language.

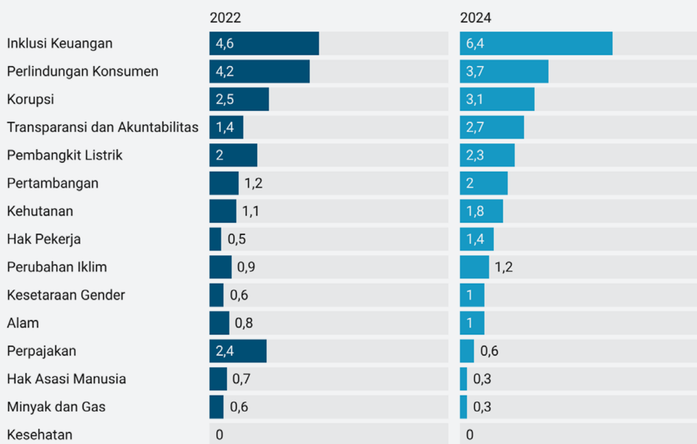
In terms of governance, BCA scored 5 on the anti-corruption theme, 1.8 on the tax theme, and 2.9 on the transparency and accountability theme. In terms of corruption, BCA has an Anti-Money Laundering and Combating the Financing of Terrorism (AML-CFT) policy that applies to all employees. BCA also scored well thanks to publications related to beneficial ownership and a commitment to conduct due diligence on debtors who are Politically Exposed Persons (PEP).

In terms of tax, BCA has reported the revenue and profit from its branches in Singapore and Hong Kong.

On transparency and accountability, BCA has developed a financial and investment framework policy for high-risk sectors associated with ESG aspects. The bank discloses the names of governments involved in each of its investments, along with details on investment portfolios categorized by region, value, and industry, as well as sustainability reports that comply with GRI standards.

Maybank Indonesia has demonstrated its commitment to sustainability and corporate social responsibility, although commitment to some themes is still quite low. Maybank Indonesia has also improved its environmental, social, and governance (ESG) performance through better policies and initiatives. Maybank Indonesia focuses on developing business practices that are not only financially profitable but also contribute positively to society and the environment, one of which is shown by the highest score for the financial inclusion theme of 6.4.

Chart 8. Maybank Bank Policy Score on ESG Aspect in 2024



Source: research results

In the environmental aspect, Maybank Indonesia has a score of 1.2 on the climate change theme, 1 on the nature theme, and 1.8 on the forestry theme, indicating an increase in scores in all three areas. Under the climate change theme, the score increased from 0.9 in 2022 to 1.2 in 2024. Maybank Indonesia has committed to not financing thermal coal and steam power plant (PLTU) projects, as well as protecting High Conservation Value (HCV) and High Carbon Stock (HCS), including peatlands.

In the nature theme, the score increased from 0.8 in 2022 to 1 in 2024. This increase was achieved thanks to Maybank Indonesia's commitment to blacklist activities that can damage world heritage sites/UNESCO and not to finance deep-sea mining projects. However, in other elements, the bank did not get a score. In the forestry theme, the score increased from 1.1 in 2022 to 1.8 in 2024. Maybank Indonesia received a score because of its commitment not to trade illegal timber and to implement the principle of Free, Prior, and Informed Consent (FPIC).

On social aspects, Maybank Indonesia scored 0.3 on human rights, 1 on gender equality, and 1.4 on labour rights. However, on consumer protection, the bank has a score of 3.7, and it gets a score of 6.4 on financial inclusion. Unfortunately, Maybank Indonesia did not score on the health theme.

On the human rights theme, the score decreases from 0.7 in 2022 to 0.3 in 2024. Maybank Indonesia only received a basic score for its commitment to FPIC. However, no commitment was found to require companies it invests in and subcontractors to respect human rights, including children's rights, disability rights, and Indigenous peoples' rights to their customary land.

On the gender equality theme, the score increased from 0.6 in 2022 to 1 in 2024. This increase was obtained from the bank's commitment to prevent and mitigate gender discrimination against consumers. However, there was no commitment related to professional development for women at the senior manager level, disclosure of the percentage of female participation in managerial and director positions, and the absence of a zero-tolerance policy against gender-based violence in the workplace. On the workers' rights theme, the score increased from 0.5 in 2022 to 1.4 in 2024. Maybank Indonesia has stated its commitment to freedom of association, the elimination of forced labor and child labor, and the elimination of discrimination. Although there has been an improvement in gender equality and workers' rights, this commitment is still limited to the internal scope.

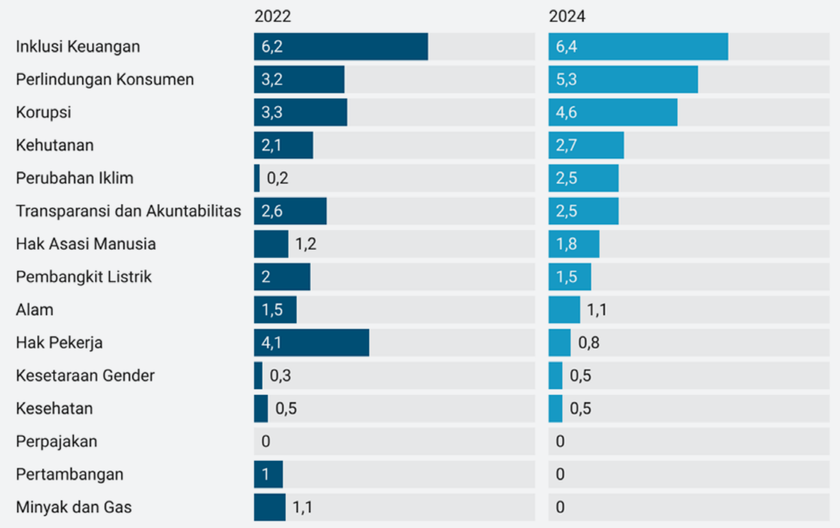
In terms of governance, Maybank Indonesia has shown a significant increase in its commitment to transparency and accountability, as well as corruption. However, it has decreased in the theme of taxation. Under the theme of transparency and accountability, the score increased from 1.4 in 2022 to 2.7 in 2024. Maybank Indonesia has published a sustainability report that has been externally verified and is per GRI standards. Details of the financial portfolio by region, size, and industry have also been published. However, there has been no commitment to provide an accessible reporting mechanism and detailed explanation of complaint resolution.

On the corruption theme, the score increased from 2.5 in 2022 to 3.1 in 2024. Maybank Indonesia has stated its commitment to prevent all activities related to bribery, money laundering, terrorism financing, and political contributions. However, this commitment only applies internally, and no similar commitment is found in external activities down to the supply chain.

On the taxation theme, the score decreased from 2.4 in 2022 to 0.6 in 2024. This low score was affected by the lack of commitment from Maybank Indonesia and Maybank Holding Group in publishing tax payment results based on their branch countries. Maybank Holding Group's financial report only covers Indonesia, Singapore, and Malaysia and only reports net operating income and profit before tax and zakat geographically.

Bank Rakyat Indonesia (BRI) has committed to improving sustainability practices in its operations and financing policies. In an era that increasingly demands social and environmental responsibility, BRI strives to integrate sustainability principles into every aspect of its business. BRI received the highest score on the financial inclusion theme of 6.4.

Chart 9. BRI Bank Policy Score on ESG Aspects in 2024



Source: research results

In the environmental aspect, BRI experienced an increase in scores on the climate change and forestry themes. The value on the climate change theme increased from 0.2 to 2.5. This increase was triggered by the disclosure of financed emissions (scope 3), which includes the bank's financing and investment activities, except for the asset management portfolio. BRI targets a reduction in scope 3 emissions in the power generation, real estate, and pulp and paper sectors, in line with the Science Based Targets initiative (SBTi).

On the forestry theme, BRI's score increased from 2.1 to 2.7. This improvement was obtained thanks to the negative list/exclusion list policy against illegal logging business activities. BRI also has a specific sectoral policy for pulp and paper that requires debtors in the sector to ensure that the wood raw materials used come from legal sources recognised by the government, as well as requiring customers in this sector to have a Timber Legality Verification Certificate (SVLK).

However, BRI has not yet developed sectoral policies for the activities or projects it finances, which should include criteria, terms, and conditions for transaction decisions and sustainability targets. BRI's approach to managing environmental, social, and governance (ESG) risks is still limited to exclusion or negative lists, consistent with assessments in previous years. BRI has started to finance projects on renewable energy, but it has not set specific targets for the sector. On the other hand, the absence of restrictions for financing in the coal or other extractive sectors suggests that these sectors still have opportunities for financial support, which could increase the risk of stranded assets for the bank in the long run.

In the social aspect, BRI had a strong commitment to the theme of financial inclusion and consumer protection. In contrast, other themes, like gender equality, workers' rights, and human rights, are relatively low. Even so, BRI excels in the theme of social inclusion, as shown by achieving a score of 6.4 as a result of compliance with the mandate from the Financial Services Authority (OJK), such as a minimum of 20% of the total financing distributed to MSMEs, as stated in Bank Indonesia Circular Letter Number 15/35/DPAU, and the provision of branch-less financial services in accordance with POJK No. 19/2014.

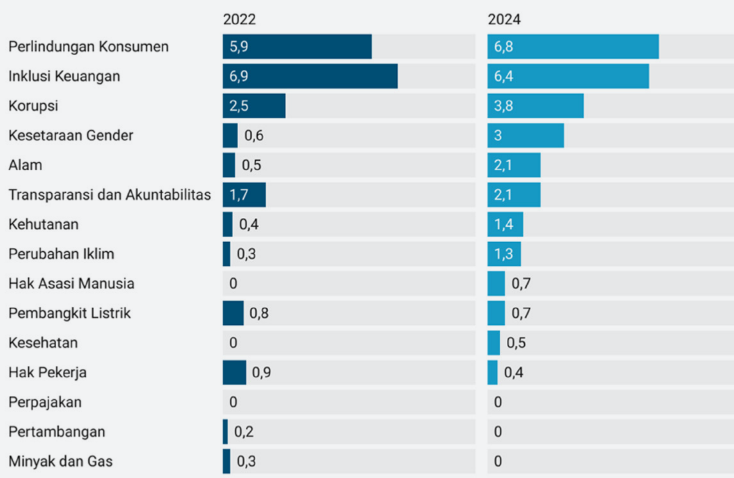
On the consumer protection theme, BRI's score increased significantly from 3.2 to 5.3, driven by several elements, including responsible debt collection policies and procedures, debt settlement policies for consumers in debt, transparent and fair delivery of product and service information, monitoring and reporting of consumer complaint services.

Meanwhile, on the gender equality theme, BRI obtained a relatively low score, namely 0.5. This is due to the fact that BRI's social policies (including gender) are still very limited, without any specific rules that are specifically designed. On the human rights theme, BRI's score increased from 1.2 to 1.8. BRI is committed to protecting human rights in the company's operations by integrating the principles of UNGP Business and Human Rights. This includes respect for ten areas of human rights in operational and business activities, including in the workforce, business partners, and supply chains. BRI also has an anti-discrimination policy in all aspects of human resource management, including recruitment, career development, and remuneration. However, BRI has not expanded its social policies to include indigenous peoples and other vulnerable groups and increased its commitment to international standards.

In terms of governance, BRI currently only covers bank operational activities and does not comprehensively cover all aspects of financing and investment, especially related to corruption and taxation. BRI's score on the corruption theme reached 4.6, while on the taxation theme it did not score. Although governance risk is a material factor with high exposure, especially in the agricultural sector, such as palm oil and pulp and paper, this policy has not been a top priority for the bank, which still focuses on environmental aspects (E in ESG). On the transparency and accountability theme, BRI's score decreased to 2.5.

Bank Mandiri has shown significant progress in several aspects of sustainability, with increasing scores in various themes compared to the previous year. This shows Mandiri's commitment to integrating sustainability principles into every aspect of its operations and financing policies. In 2024, Mandiri received the highest score for the consumer protection theme of 6.8.

Chart 10. Bank Mandiri Policy Score on ESG Aspects in 2024



Source: research results

In the environmental sector, Mandiri has noted accomplishments in areas such as climate change, nature, forestry, and power generation. The substantial advancements in these themes indicate significant progress from 2022 in efforts to reduce emissions and protect ecosystems. By contrast, Mandiri did not achieve any scores in the mining and oil and gas sectors.

On the climate change theme, the score dramatically increased from 0.2 in 2022 to 1.3 in 2024. This progress reflects Bank Mandiri's ambitious commitment to reducing greenhouse gas emissions. Bank Mandiri has calculated and disclosed scope 1, 2, and 3 emissions to the public and, at the same time, set emission reduction targets aligned with the global 1.5 degrees Celsius as the goal. On top of that, the bank also measures emissions with absolute targets for every funded and invested activity.

On the nature theme, the score increased from 1.6 in 2022 to 2.1 in 2024. Bank Mandiri is committed to ensuring that every company it funds is not involved in business in High Conservation Value (HCV) areas, complies with the International Union for Conservation of Nature (IUCN) guidelines, and maintains world heritage recognised by UNESCO and complies with the Ramsar Convention on Wetlands.

In the forestry theme, Mandiri's score rose from 0.4 in 2022 to 1.4 in 2024. The bank is dedicated to making sure that the businesses it funds do not engage in unlawful trade and work to mitigate adverse effects on High Carbon Stock (HCS) areas that are part of their operations.

Concerning the social aspects, Mandiri scored well in human rights, gender equality, labor rights, and health. For the consumer protection and financial inclusion themes, Bank Mandiri scored fairly high at 6.8 and 6.4, respectively. In the human rights theme, Mandiri's score increased from 0.0 in 2022 to 0.7 in 2024. This is because Mandiri has implemented a zero-tolerance policy against all forms of discrimination, whether based on race or gender, against its staff. A significant improvement also occurred in the gender equality theme, with the score rising from 0.6 in 2022 to 3.0 in 2024.

Bank Mandiri has also provided special training to address gender-based discrimination in the workplace and ensure equal remuneration. Currently, 46% of positions at the Board of Directors (BoD), executive, and senior management levels are filled by women. However, Bank Mandiri does not yet have a policy that is implemented for companies in which the bank invests.

Regarding labor rights, Mandiri experienced a decrease in score from 0.9 in 2022 to 0.4 in 2024. The current policy only covers the safety and health aspects for funded companies, while there are no additional policies relevant to this sector.

In the governance aspect, Mandiri achieved scores in the themes of transparency and accountability, as well as corruption, although it did not score in the taxation theme. The score on the transparency and accountability theme rose from 1.7 in 2022 to 2.3 in 2024. This improvement is partly due to Mandiri's development of a financial and investment framework addressing environmental and social issues, ensuring that all investments comply with the policy requirements. Additionally, Mandiri publishes its sustainability reports aligned with the GRI framework, which has been externally verified. The bank also reveals the names of its external asset managers and offers an accessible grievance mechanism with a clear explanation of the grievance process.

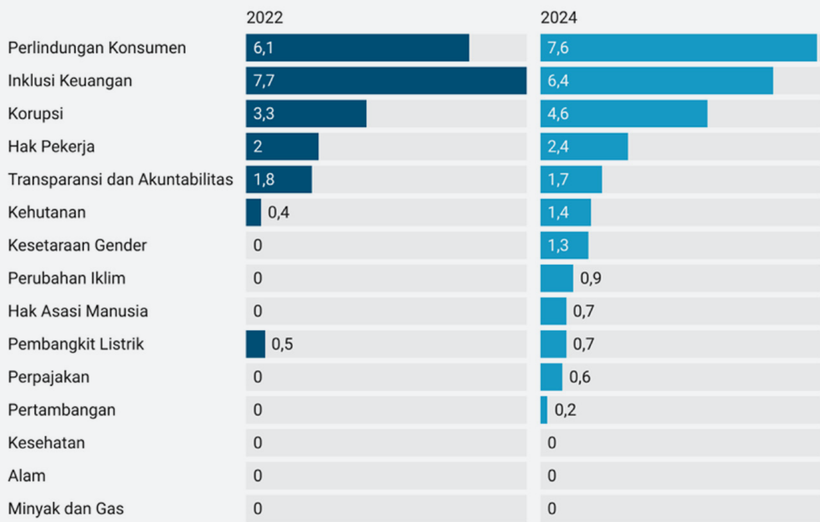
The score on the corruption theme also increased from 2.3 in 2022 to 3.8 in 2024. Bank Mandiri has a clear commitment and policy regarding the prevention of money laundering, corruption, bribery, and terrorism financing. However, on the taxation theme, Mandiri did not record an increase in score, remaining at 0.0 in both 2022 and 2024. Thus, although there has been commendable progress, Mandiri still faces challenges that need to be addressed, especially in developing more comprehensive policies and implementing best practices across all operational aspects.

BNI

Melayani Negeri, Kebanggaan Bangsa

BNI is committed to integrating sustainability principles into every aspect of its operations and financing policies. In the 2024 assessment, BNI has shown positive progress, especially in consumer protection, which is indicated by a score of 7.6.

Chart 11. BNI Bank Policy Score on ESG Aspects in 2024



Source: research results

In terms of environmental aspects, according to the information shared by BNI in 2023, BNI received a score of 0.9 for the climate change theme and 1.4 for the forestry theme. BNI did not receive scores in certain areas, such as the nature and oil and gas themes, while it did demonstrate an improvement in scores for other environmental-related themes.

In the climate change theme, BNI's score increased to 0.9. Although still relatively low, BNI's commitment to reducing greenhouse gas (GHG) emissions should be appreciated. This commitment can be seen through a roadmap towards Net Zero Emission (NZE) that BNI targets to achieve in the medium term by 2028 for its operational activities and in the longer term by 2060 for financing activities.

BNI has identified three scopes of GHG emissions generated from its credit portfolio, including sectors with high-emission financing.

On the forestry theme, BNI's score rose from 0.4 in 2022 to 1.4 in 2024. This increase was achieved thanks to BNI's policy in ensuring that companies in the forestry industry have supply chains free from illegal wood and requiring certification such as the Forest Stewardship Council (FSC), ISO 14001, and the Timber Legality Verification System (SVLK). BNI has also taken the initiative to map the environmental risks of debtors in accordance with the Indonesian Green Taxonomy (THI).

In the social aspect, BNI improved its scores in several social themes, including human rights (HAM), gender equality, and labour rights, with respective scores of 0.7, 1.3, and 2.4. The consumer protection and financial inclusion themes achieved impressive scores of 7.6 and 6.4, respectively, despite a decreased score in the financial inclusion theme. However, BNI has not yet received a score for the health theme, and this needs to be addressed.

On the human rights theme, BNI's score increased to 0.7 after previously not getting a score. This increase is thanks to BNI's commitment and internal policies in implementing the principle of equality and opposing discrimination in the recruitment process until employees leave the bank. BNI is also committed to providing fair treatment to people with disabilities and ensuring a fair supply chain. However, this commitment is still limited to the internal scope of the bank. In protecting workers' rights, BNI's employment policy has incorporated human rights elements following the ILO Declaration, UN Global Compact, and the Employment Law. BNI provides a system and channels for employees to submit complaints that can affect work safety and comfort. BNI also regulates that companies it funds are not involved in the use of forced labor and child labor.

On the theme of gender equality, BNI's score increased to 1.3, after previously receiving no score. This improvement is derived from policies that ensure equal participation and access for women to positions on the board of directors and senior management, with a minimum target of 30%. For example, by 2023, the percentage of women at the manager level and above will reach 30.9%. BNI also implements an Accelerated Career Track policy to encourage women's career advancement and increase leadership representation.

The score on the consumer protection theme reached 7.6, an increase of 1.6 points. This increase was due to the disclosure of more detailed information, including data on the type and number of consumer complaints. BNI also ensures that employees apply the principles of fairness and non-discrimination to each customer through policies and regular employee capacity building.

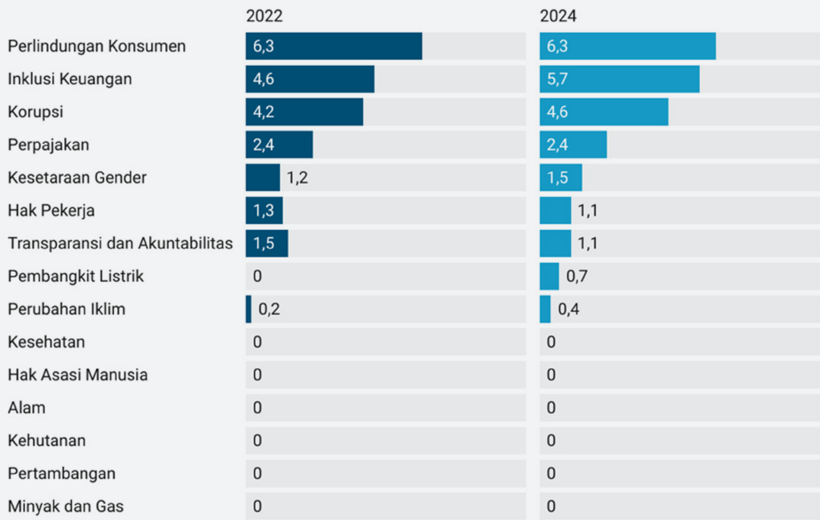
In terms of governance, BNI experienced an increase in scores on the themes of taxation and corruption. However, on the transparency and accountability theme, BNI's score decreased slightly compared to the previous year. On the taxation theme, BNI's score increased to 0.6, up from no previous score. This improvement is due to the disclosure of financial performance information by geographical segment for 2022-2023, including information on tax income and expenses.

In terms of corruption, the increase in score is due to the disclosure of information related to BNI's policy of not making political contributions. BNI asserts that they do not engage in political affairs in any form, either directly or indirectly. All of BNI's employees do not participate in any political parties. Although in the themes of transparency and accountability, BNI's score slightly decreased from 1.8 in 2022 to 1.7 this year, the disclosure regarding the whistle-blowing system has not been sufficient to improve the assessment of the channels and complaint handling mechanisms for communities affected by the bank's financing activities.

Permata Bank

Bank Permata has demonstrated efforts to improve performance across a number of themes, such as climate change and gender equality, as well as a commitment to consumer protection and financial inclusion. In 2024, Bank Permata received the highest score for the consumer protection theme at 6.3.

Chart 12. Permata Bank Policy Score on ESG Aspects in 2024



Source: research results

In terms of the environment, Bank Permata scored on the themes of climate change and electricity generation but did not score on the themes of nature, forestry, mining, and oil and gas. On the climate change theme, Bank Permata's score increased from 0.2 in 2022 to 0.4 in 2024. However, this score is still very low, reflecting the disclosure of greenhouse gas (GHG) emissions and not yet specifically linking this disclosure to its financial and investment portfolio.

In the power generation theme, Bank Permata did not score in 2022. But it managed to score 0.7 in 2024. This increase was driven by financing for renewable energy, which in total amount of the financing has reached Rp. 3.8 trillion in 2023. Despite this progress, Bank Permata did not score in other aspects related to this theme.

Currently, women dominate executive and managerial positions, with percentages of 43.8% and 49%, respectively. However, at the director level, the percentage of women only reaches 25%. Unfortunately, this commitment is still limited to the bank's internal affairs and does not include the companies it finances or its supply chain. Currently, women dominate executive and managerial positions, with percentages of 43.8% and 49% respectively. However, at the director level, the percentage of women only reaches 25%. Unfortunately, this commitment is still limited to internal banks and does not include the companies they finance or their supply chains.

On the workers' rights theme, Bank Permata's score dropped from 1.3 in 2022 to 1.1 in 2024. This decrease was due to two new assessment elements, namely the adoption of the ILO Maternity Protection Convention and the provision of decent working conditions for financed companies. Bank Permata did not receive a score for these two new elements, although its 2022 score remained the same.

In the consumer protection theme, Bank Permata kept the same score of 6.3 as in the 2022 assessment due to unchanged policies. On the other hand, in the financial inclusion theme, Bank Permata's score rose from 4.6 in 2022 to 5.7 in 2024. This increase was driven by the bank's effort to simplify the process for consumers to open basic bank accounts without specific monetary requirements. Furthermore, Bank Permata implemented a program to improve access to financial services for women entrepreneurs, which contributed to the improved score in this theme.

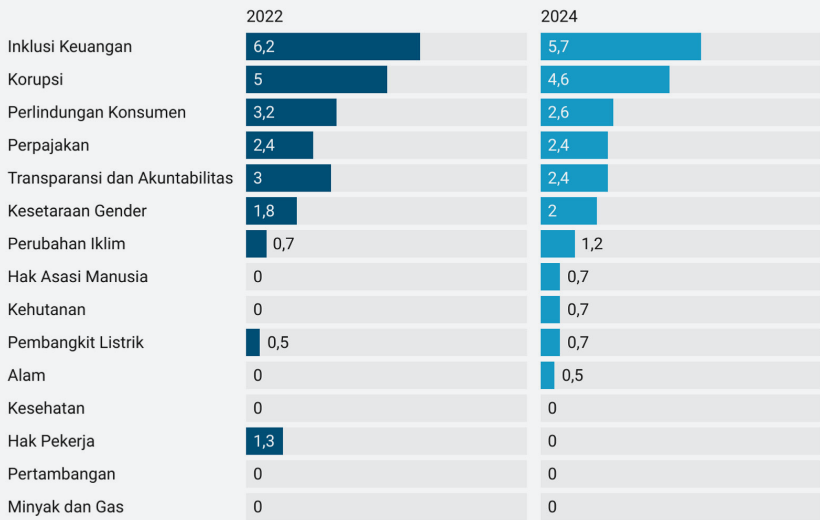
In terms of governance, Bank Permata scored on the themes of corruption, taxation, and transparency and accountability. On the theme of corruption, Bank Permata experienced an increase in its score from 4.2 in 2022 to 4.6 in 2024. The bank has stated its commitment to prohibit acts related to bribery, money laundering, financing of terrorist activities, and other political contributions. However, this policy is still limited to the bank's internal affairs and has not been extended to the companies it finances or its supply chain.

In the transparency and accountability theme, Bank Permata's score dropped from 1.5 in 2022 to 1.1 in 2024. This decline occurred due to the bank's lack of commitment to publishing a detailed financing portfolio based on NACE and ISIC classifications, as well as the absence of publication regarding the voting track record related to the companies it finances.

Danamon

Bank Danamon for 2024 experienced a decrease in scores on numerous themes. This result gives an overview of the achievements and improvements that need to be considered by Bank Danamon in its efforts towards better sustainability practices.

Chart 13. Bank Danamon's Policy Score on ESG Aspects in 2024



Source: research results

In terms of the environment, Danamon recorded scores in the climate change, nature, and forestry themes. Although there were increases in scores for these three themes, the changes were not very significant. Concerning the climate change theme, the score rose from 0.4 in 2022 to 1.2 in 2024. Bank Danamon has disclosed greenhouse gas (GHG) emissions across scopes 1, 2, and 3, which are associated with its finance and investment portfolio. Furthermore, the bank has implemented a policy requiring the companies it finances to have a supply chain traceability system to ensure zero deforestation. This includes compliance with RSPO and ISPO standards and a ban on peatland farming.

In the nature theme, the score rose from 0.0 in 2022 to 0.5 in 2024. Bank Danamon has a policy that discourages companies from operating in High Conservation Value (HCV) areas. However, currently, there is only one policy on this theme.

For the forestry theme, the score improved from 0.0 in 2022 to 0.7 in 2024. This progress is due to Bank Danamon's policy that prohibits companies and their supply chains from engaging in illegal timber trade. In the themes of mining and oil and gas, no relevant policies have been identified, and therefore no score was obtained.

In the social aspect, Danamon scored on the themes of human rights and gender equality and did not score on the themes of labor rights and health. For the consumer protection and financial inclusion themes, the bank scored 2.6 and 5.7, respectively, which is a decrease from the previous year.

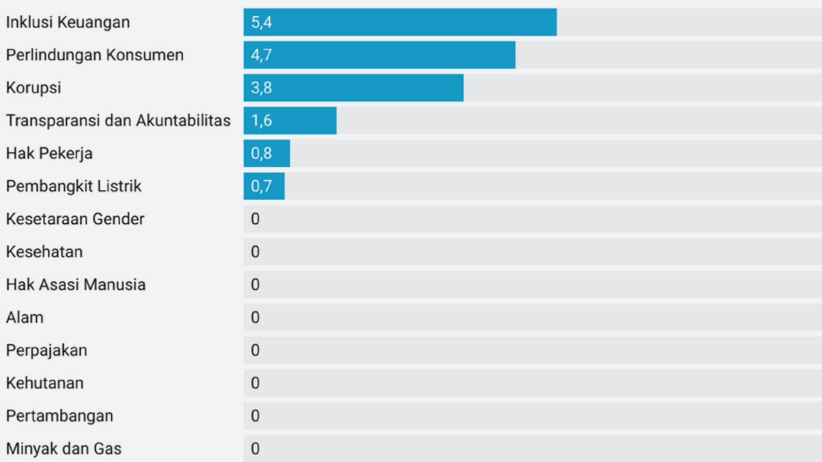
Responding to the human rights theme, the score has increased from 0.0 in 2022 to 0.7 in 2024. Danamon enforces a zero-tolerance policy against discrimination based on gender, race, and disability within the company. For the gender equality theme, the score rose from 1.8 in 2022 to 2.0 in 2024. Danamon maintains a zero-tolerance policy for gender discrimination in all its forms, provides workplace training to address gender-based violence, and ensures equal pay. However, in the labor rights theme, the score decreased from 1.3 in 2022 to 0.0 in 2024, attributed to the lack of policy publications that address workers' rights.

In terms of governance, Danamon scored on the themes of transparency and accountability, corruption, and taxation. On the theme of transparency and accountability, the score decreased from 3.0 in 2022 to 2.6 in 2024. Although Bank Danamon has a financial and investment framework related to environmental and social issues and publishes externally verified sustainability reports according to GRI standards, this decrease in score reflects the lack of detail in the disclosure of financing portfolios and complaint mechanisms.

The score on the corruption theme remained stable at 4.6 in both 2022 and 2024. The policies implemented include money laundering prevention mechanisms, reporting of policy-making processes, and verification of ultimate beneficial owners. On the taxation theme, Bank Danamon also maintained a score of 2.4 from 2022 to 2024. Existing policies remain the same, including reporting income, profits, and tax payments respecting the regulations in the countries where the bank operates. The bank does not have subsidiaries or associates in non-taxable jurisdictions to avoid issues related to tax avoidance.

This year marks the first time Bank Syariah Indonesia's (BSI) assessment took place using the FFGI methodology. The value obtained will be the baseline for assessment in the following years. BSI received the highest score on the financial inclusion theme of 5.4.

Chart 14. BSI Bank Policy Score on ESG Aspects in 2024



Source: research results

In terms of the environment, BSI recorded a score of 0.7 for the power generation theme. However, this score only covers the bank's internal policies, as these policies have not been used for financing and investment activities. In the power generation theme, the increase in value occurred thanks to the bank's initiatives in financing renewable energy projects. However, BSI does not yet have a policy forbidding financing for large-scale coal-fired, nuclear, and hydroelectric power plants (PLTA). BSI also sets financing limits for companies affiliated with or obtaining a majority of their income from coal-fired PLTU activities, with a certain threshold.

At present, BSI lacks a sectoral policy document that outlines restrictions, prohibitions, criteria, and procedures to comply with environmental, social, and governance (ESG) principles. The current ESG policy is presented as an exclusion/negative list, detailing activities that are prohibited from receiving financing. This exclusion list is principle-based, including the prohibition of activities that violate Sharia principles or regulations, as well as activities lacking Environmental Impact Assessment (AMDAL) and the PROPER and ISPO/RSPO programs.

In the social aspect, BSI scored 4.7 on consumer protection, 5.4 on financial inclusion, and 0.8 on workers' rights. The absence of scores on other themes was due to the lack of relevant information in the Sustainability Report, Annual Report, the bank's website, and other publications in 2023.

BSI attained the highest score in the financial inclusion theme, driven by the Financial Services Authority's (OJK) mandate to promote financial inclusion. These mandates include requiring banks to allocate at least 20% of their financing to Micro, Small, and Medium Enterprises (MSMEs), as outlined in Bank Indonesia Circular Letter No. 15/35/DPAU, and implementing Laku Pandai Services, which provide branchless financial services according to POJK No. 19/2014. Additionally, BSI achieved the second highest score in the consumer protection theme, which was influenced by policies on product and service transparency, fair and anti-discriminatory treatment of customers, as well as grievance procedures and customer data protection.

In terms of governance, BSI scored 3.8 on the corruption theme and 1.6 on the transparency and accountability theme. On the corruption theme, BSI scored for policies that reflect the bank's internal policies but have not been implemented in financing and investment activities. BSI already has policies related to Anti-Money Laundering and Prevention of Terrorism Financing (APU-PPT), political donations, and verification of ultimate beneficial owners. However, these policies have not been applied to clients financed by BSI or in which BSI invests. OJK's mandate regarding this includes POJK Number 8 of 2023 concerning the Implementation of the APU-PPT Program and Prevention of the Proliferation of Weapons of Mass Destruction Funding in the Financial Services Sector, as well as OJK Regulation Number 12 of 2024 concerning the Implementation of Anti-Fraud Strategies for Financial Services Institutions.

The score on the transparency and accountability theme is also driven by the OJK mandate, which regulates disclosure standards through POJK No. 37/2019 concerning Transparency and Publication of Bank Reports and POJK No. 51/2017 concerning the Implementation of Sustainable Finance. However, BSI can improve its score on this theme by adopting best practices, not just meeting regulatory requirements. This includes disclosing the names of companies in which BSI invests and has been given credit, following Equator Principle 4. With this assessment, BSI can improve its sustainability performance and comply with the established principles.

Part 4

BANK COMMITMENTS AND POLICIES ON ENVIRONMENTAL ASPECTS TO SUPPORT NATIONAL CLIMATE TARGETS

Indonesia requires an average annual funding of Rp. 266.3 trillion until 2030. However, the average budget allocation in the state budget for the period 2020-2022 is approximately Rp. 37.9 trillion (source: Climate Budget Tagging in Business Intelligence DJA-Thematic Krisna), indicating a funding gap.

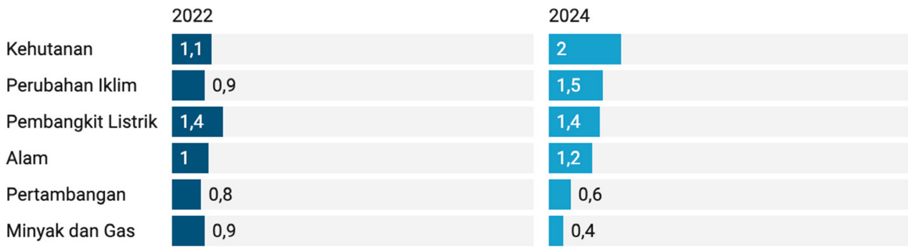
4.1 Overview of Bank Policy on Environmental Aspects

The 2015 Paris Agreement is still a reference for all countries to mitigate the impacts of climate change. The Indonesian government has translated the results of this conference into a Nationally Determined Contribution (NDC) document and a roadmap to achieve Net Zero Emission (NZE). At the G20 Conference in Bali, Indonesia increased its commitment to reduce Greenhouse Gas (GHG) emissions by 31.89% through its efforts by 2030. The increased target is based on the policy of accelerating the use of electric vehicles, the B40 policy, the 2030 net-sink forest and other land uses (FOLU) policy, and improving the agricultural and industrial sectors (KLHK, 2022).

The government's commitment to achieving national climate targets is also stated in the National Long-Term Government Plan (RPJPN) and guidelines for financial institutions in the taxonomy manuscript for Indonesian Sustainable Finance (TKBI) issued by OJK. OJK periodically updates the TKBI based on NDC priority sectors and in line with Indonesia's RPJPN. This commitment shows the direction of the green transition in Indonesia will happen across numerous sectors.

The Finance Minister stated that to achieve the 2030 NDC target alone, the country will need at least 4.52 quadrillion rupiah ($310 billion). According to the World Bank (2022), the budget allocation for climate change management in Indonesia's state budget remains relatively small compared to the amount needed to achieve the Nationally Determined Contribution (NDC) targets. Indonesia requires an average annual funding of Rp. 266.3 trillion until 2030. However, the average budget allocation in the state budget for the period 2020-2022 is approximately Rp. 37.9 trillion (source: Climate Budget Tagging in Business Intelligence DJA-Thematic Krisna), indicating a funding gap. In this assessment, banks in Indonesia have enhanced their policies to support environmental aspects in achieving NDC targets.

Chart. 15 Average Score of Bank Policies on Environmental Aspects



Source: Research result

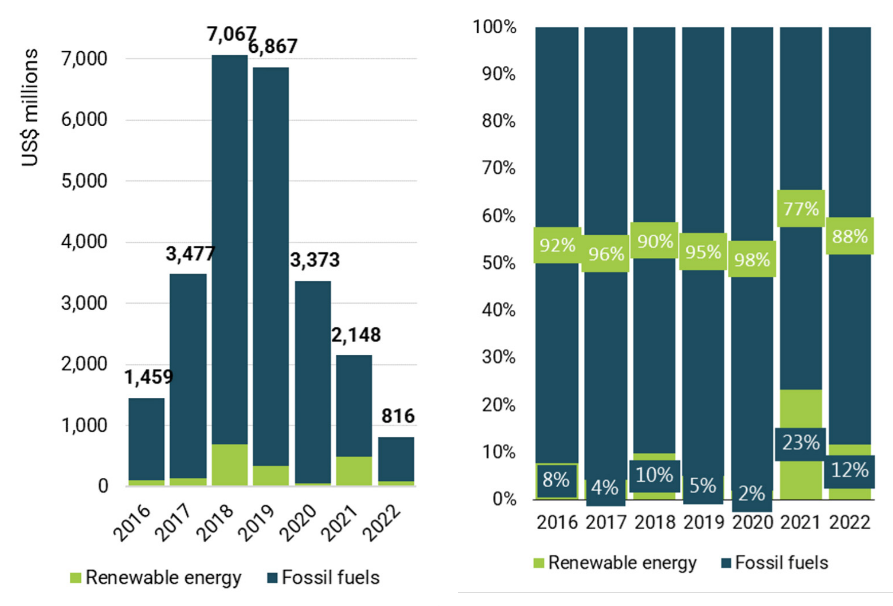
The graph above demonstrates the progress in several Indonesian banks' policies concerning environmental aspects. The score for the Forestry theme increased from 1.1 in 2022 to 2 in 2024. This improvement indicates a potential for environmentally focused financing in the forestry sector. According to the FOLU Net Sink 2030 document, an estimated funding of USD 16.5 billion is required. It is projected that 45% of the total financing will be provided by the government, while 55% is expected to come from the private sector (MoEF, 2021).

The 2030 FOLU net sink target is not merely supported by policies on the forestry theme but also the nature theme. The 2024 bank policy assessment shows an increase in this theme of only 0.2 from 2022 to 1.2 in 2024. This indicates that the increase in commitment to maintaining biodiversity is not yet high in the banking sector. As a matter of fact, the 2030 FOLU net sink target also talks about maintaining and restoring biodiversity.

The climate change policy theme is still rated as inadequate, despite an increase in the score from 0.9 in 2022 to 1.5 in 2024. This theme is intertwined with forest and natural environment themes, as well as the energy sector. The electricity generation theme continues to score poorly with no improvement since 2022. The mining theme, another energy-related area, has seen a significant drop in its score compared to 2022. Additionally, the oil and gas theme's average score declined from 0.9 in 2022 to 0.4 in 2024.

The low commitment to energy sector themes is linked to the credit provided for coal-fired power plants. According to the Just Energy Transition Partnership (JETP) in the Comprehensive Investment and Policy Plan (CIPP) 2022 document, from 2018 to 2022, the annual capital expenditure in the energy sector averaged around USD 10 billion or Rp. 154 trillion (at an exchange rate of Rp. 15,400) (International Energy Agency, 2023). The greater part of this expenditure was spent on building coal and gas power plants and electricity networks. Only about one-fifth of the capital expenditure was allocated to renewable energy. Based on bank involvement, the proportion of national banking financing in the fossil fuel sector remains significantly higher compared to renewable energy (PRAKARSA, 2022).

Chart 16. Total loans and issuance of shares and bonds to fossil and renewable energy companies (2016-2022)



Source: PRAKARSA, 2022

The share of bank financing in the renewable energy sector has increased over the past two years as policies have shifted towards sustainable development. There was a significant rise in the proportion of renewable energy financing between 2020 and 2021, and even though it fell in 2022, it remains substantial compared to 2016-2019 (Figure 16). Nevertheless, this share is still insufficient to meet the financing needs. The investment requirements for the energy transition are projected to grow due to population growth, which increases the demand for electricity and vehicles. The JETP estimates that by 2030, more than USD 15 billion, or Rp. 231 trillion (at an exchange rate of Rp. 15,400), will be needed. This amount is projected to exceed USD 25 billion, or Rp. 385 trillion, during the period of 2031-2040, and nearly USD 30 billion, or Rp. 462 trillion, during 2041-2050. If the full JETP financing scenario is applied, there will still be a shortfall of up to USD 110 billion or Rp. 1,694 trillion for cumulative investment in the energy sector by 2030. This financing gap can only be bridged by banks.

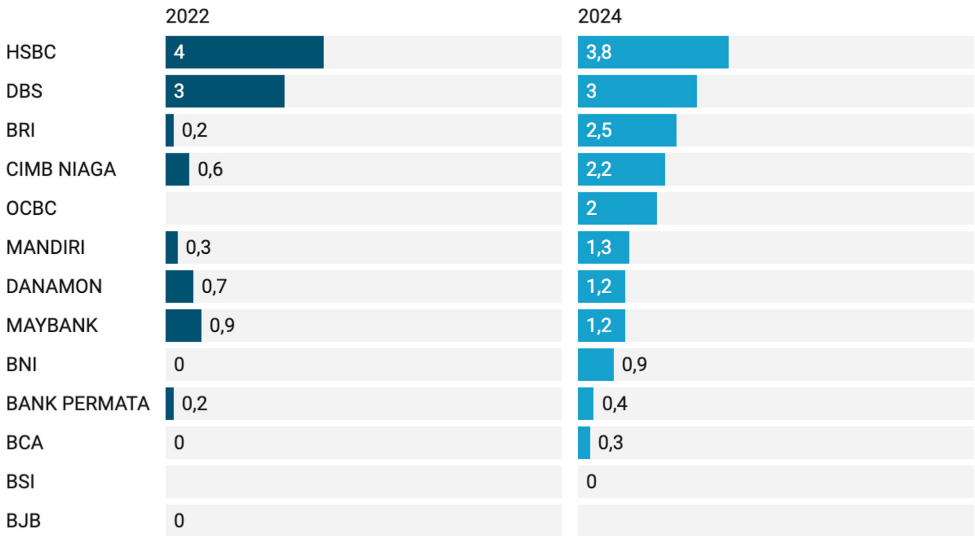
To support sustainable development, banks in Indonesia, such as BNI and Mandiri, have started to distribute Sustainability Linked Loans (SLL). SSL is a credit distribution scheme that provides incentives to debtors for the company's Sustainability Initiative (ESG) achievements. This initiative aims to support environmentally friendly projects and activities, as well as encourage the transition to a low-carbon economy. However, although this step shows their commitment to sustainability, there are still challenges to ensuring that the distribution of credit can truly contribute to low-carbon development.

4.2 Assessment on the Theme of Climate Change

The climate change theme was used to evaluate banks' policies supporting climate change mitigation goals. In this assessment, all banks were scored except for BSI. This evaluation indicates that, despite being the largest Islamic bank in Indonesia, BSI has not demonstrated a commitment to climate change mitigation financing. According to a Greenpeace study, the Islamic finance industry is rapidly growing, and by allocating just 5% of its total assets, it could generate investments worth USD 4.5 trillion. Given BSI's substantial assets, it should be well-positioned to align its financing policies with national climate targets.

State-owned banks such as BNI, Mandiri, BRI, and Permata have increased their scores by disclosing emissions up to scope 3. This achievement aligns with the new OJK guidelines released in early 2024, namely the Climate Risk Management & Scenario Analysis (CRMS) that guides banks to disclose scope 3 emissions and mitigate climate and natural disaster risks. Other banks that have disclosed their scope 3 emissions in financing, with a dominant investment proportion in high-emission sectors, include CIMB, Danamon, DBS, and HSBC. In this context, HSBC has already established a policy to stop providing new financing to companies earning more than 10% of their revenue from thermal coal.

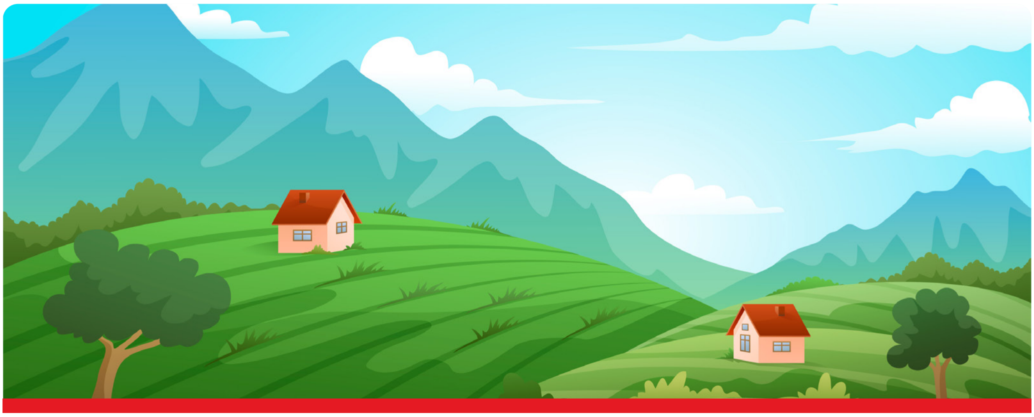
Chart 17. Bank Scores on Climate Change Theme



Source: Research result

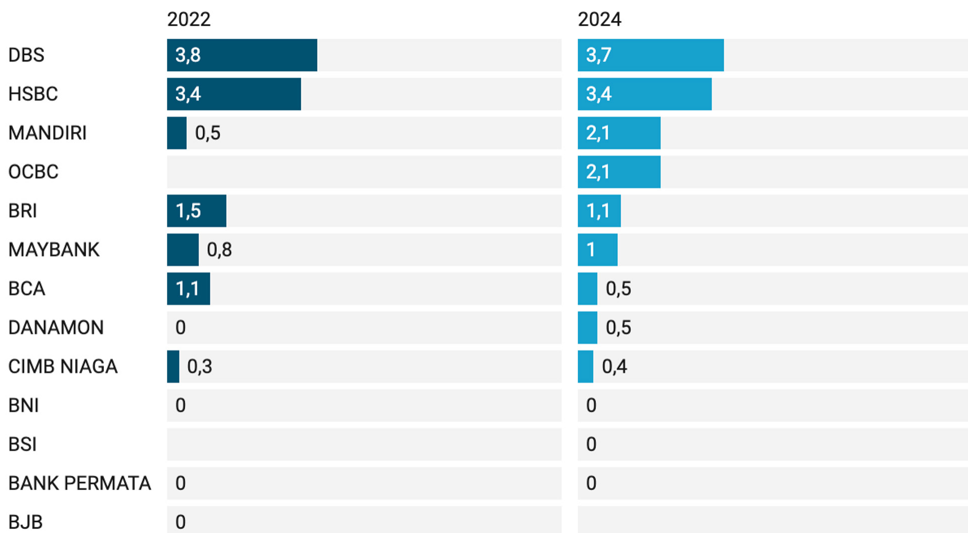
HSBC Bank's score decreased slightly due to changes in scoring indicators, including one focused on internal operations using only renewable energy. DBS Bank's score remained unchanged, but they introduced a new policy to stop financing thermal coal and coal plants. The most significant improvement was seen at BRI Bank, which rose from 0.2 in 2022 to 2.5 in 2024. The score improvement for BRI Bank includes the environmental impact assessment area, which covers greenhouse gas emission data, setting measurable goals, and aligning with the limitation of the maximum global temperature rise to 1.5°C. BRI also published a TCFD report in 2023 and implemented an anti-deforestation policy in the forestry sector supply chain, referencing SVLK, HCV, and HCS standards.

4.3 Assessment on the Nature Theme



To achieve sustainable development, financial institutions in Indonesia, such as banks, are steadily focusing on the importance of environmental impact assessments in their portfolios. This assessment includes various elements aimed at protecting biodiversity and ensuring that business operations do not have a negative impact on the environment. In the nature theme, there are 15 policy elements that are looked at in each of the banks assessed. Overall, the average score experienced only a slight increase, rising from 1.0 in 2022 to 1.2 in 2024.

Chart 18. Bank Score on Nature Theme



Source: Research result

As a result, in the nature theme in 2024, DBS achieved the highest score of 3.7, although it slightly decreased compared to the previous year. Scores in several themes were automatically achieved because DBS has implemented the Equator Principles and IFC Performance Standards in its project financing activities. Additionally, DBS has stated that, in line with the Bank's credit risk policy, it will not knowingly finance activities related to deforestation with High Carbon Stock (HCS) and High Conservation Value (HCV), as well as illegal logging.

Bank Mandiri, Maybank, Danamon, and CIMB Niaga also saw modest improvements in their scores. In its 2023 annual report, Bank Mandiri highlighted that to manage ESG risks in the agriculture sector, particularly palm oil & CPO plantations, it mandates ISPO and/or RSPO compliance or at least proof of ISPO and/or RSPO registration from relevant certification bodies. Additionally, Bank Mandiri considers the debtor's environmental and labor policies (including Occupational Health and Safety (OHS)), land fire prevention and handling procedures in line with applicable standards, and policies such as No Deforestation, No Peat, No Exploitation (NDPE). This includes policies related to land clearing, the preservation of High Conservation Value (HCV) areas, and Waste Treatment Plants (WWTP). Furthermore, Bank Mandiri has a policy of not providing financing to new companies that plan to clear new land. The bank is also gradually integrating ESG aspects into its credit policy by requiring the fulfilment of minimum criteria, such as positive and negative screening of prospective borrowers' business activities.

Maybank received the score, among others, for disclosing its portfolio classified by region, size, and industry. Maybank also wrote that they made sustainability reports in accordance with OJK standards and regulations, Global Reporting Initiatives (GRI) Standards, GRI-G4, Sustainable Banking Assessment (SUSBA), International Financial Reporting Standards (IFRS)-S2, and ASEAN Corporate Governance Scorecard.

Danamon's score in the nature theme reflects its proactive stance on supporting biodiversity and environmental conservation initiatives, as stated in the 2023 report. This is demonstrated through their strict adherence to the Sustainable Credit Guidelines and the Environmental and Social Risk Assessment (ESRA) Guidelines, which guide their financing activities to support environmentally conscious projects and promote conservation efforts, including biodiversity. The standards and initiatives adhered to for biodiversity protection include CITES, UNEP-WCMC, the UN List of National Parks and Protected Areas, and IUCN Category IV.

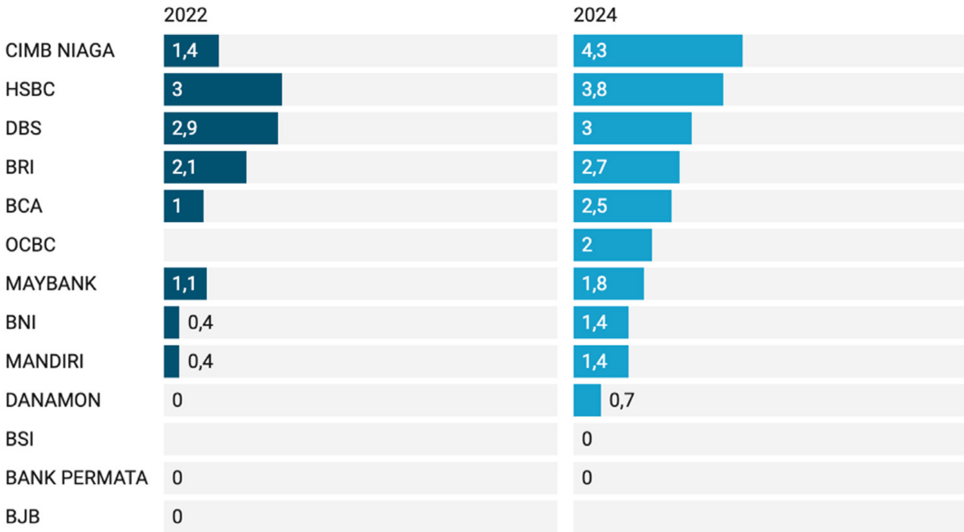
CIMB Niaga was acknowledged for its commitment to promoting sustainability principles among borrowers in the oil palm plantation sector. This includes adhering to various standards and providing information on debtors and the amount of financing related to HCV commitments. On the contrary, BNI, BSI, and Permata did not score in 2024 because there were no policies assessed on the elements of this theme.

4.4 Assessment on Forestry Theme

Assessing bank policies in the forestry context is crucial to ensure that their activities are sustainable and socially responsible. The evaluation covers 11 elements, including high carbon stock management policies, the prevention of illegal logging, pollution reduction, respect for local community rights, forest management certification, and supply chain transparency.

Banks play a crucial role in the protection and sustainable management of forest resources. By mitigating negative impacts on High Carbon Stock (HCS) areas and ensuring timber is sourced through legal means, companies can greatly contribute to environmental conservation. These measures are essential not only for the sustainability of forests but also for the long-term viability of businesses, particularly in an era increasingly focused on environmental concerns.

Chart 19. Bank Scores on Forestry Theme



Source: Research resulti

Graph 19 illustrates that CIMB Niaga achieved the highest score of 4.3 in the forestry theme, marking a significant increase from the previous year, which was 1.4. This improvement is partly due to CIMB Niaga's implementation of its Sector Guidelines, which stipulate mandatory minimum ESG performance requirements, prohibited activities, and encourage sustainability practices. These guidelines cover sectors such as Agriculture, Forestry, Other Land Use, and Land Use Change (AFOLULUC), including industries like palm oil, coal, oil and gas, forestry, natural rubber, construction and infrastructure services, mining and quarrying, and manufacturing. In its financing portfolio, CIMB Niaga has disclosed clients that have obtained sustainability certifications and the Timber Legality Verification System (SVLK).

In addition, CIMB Niaga mandates that clients in specific sectors implement Free, Prior, and Informed Consent (FPIC) in their social practices. FPIC must be applied across all sectors financed by the bank, including forestry and rubber, coal, oil and gas, manufacturing, palm oil, and construction.

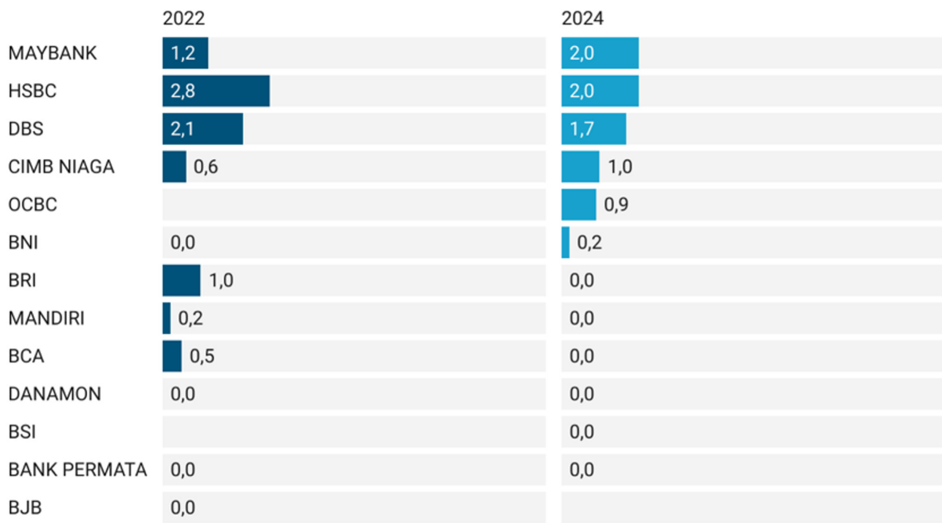
Almost all banks experienced a fairly good increase in their scores. Overall, the average score for this theme increased from 1.1 in 2022 to 2.0 in 2024. However, Permata still has not received a score for this theme.

4.5 Assessment on Mining Theme

Mining is a high-risk sector. Uncontrolled mining operations can result in significant negative impacts on local communities and the surrounding environment. These impacts include environmental degradation, severe pollution of soil, water, and air, as well as disruptions to the wider community, such as damage to homes and public infrastructure. Dynamite blasting, used to open mine sites, is particularly damaging (Listiyani, 2017).

The mining theme assessment includes 21 critical elements to ensure sustainability and environmental responsibility. Banks have the responsibility to ensure that companies in this sector can mitigate accident risks and establish robust emergency plans. On top of that, they must manage extractive waste responsibly and conduct post-mining ecosystem restoration. It is imperative for banks to have policies that adhere to human rights principles and prevent harmful practices. Banks play a crucial role by excluding investments in activities that damage the environment or negatively impact communities. By engaging in transparent sustainability reporting and adhering to environmental, social, and governance (ESG) criteria, banks can promote more responsible and sustainable mining practices.

Chart 20. Bank Scores on Mining Theme



Source: Research result

According to the assessment results (Figure 20), Maybank had the most significant increase, placing it at the top. Maybank Indonesia's policy includes blacklisting certain activities, such as unbound asbestos fibre. The bank has stated its policy to avoid financing new borrowers who are involved in thermal coal and related activities, those deriving a substantial portion of their annual revenue from thermal coal, and those without an existing relationship with the Maybank Group. For existing clients, Maybank will not provide new financing for thermal coal mining and related activities, and it plans to gradually divest from coal-related businesses.

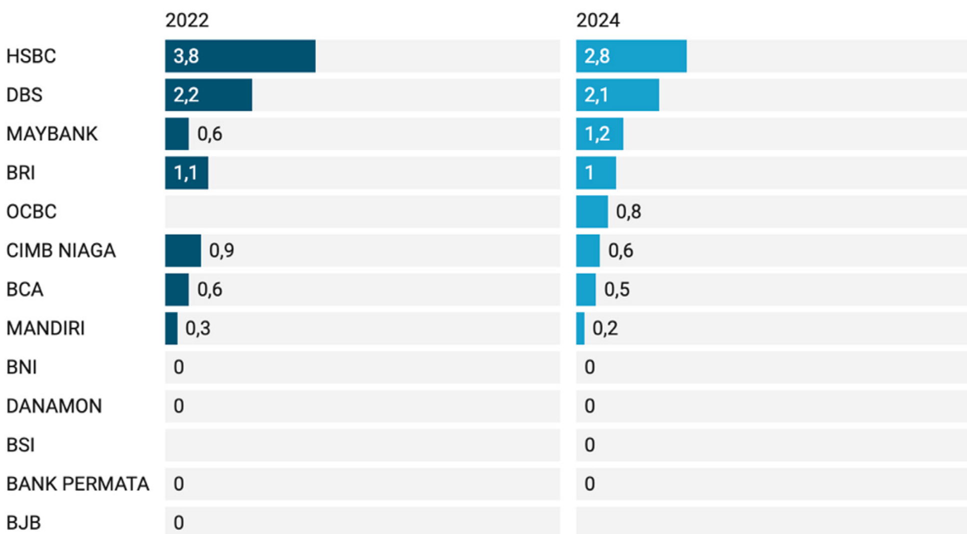
HSBC ranked second in the mining theme with a score of 3. This score is attributed to HSBC's implementation of the IFC Performance Standards as part of its Equator Principles membership. Additionally, HSBC has made a firm commitment not to provide financial services for mines using the Mountain Top Removal Method (MTR). The bank will also not provide new financing or advisory services for new thermal coal assets, new thermal coal-fired power plants, and coal-to-liquid/gas conversion plants. This policy applies to HSBC and its related subsidiaries, encompassing both financing and advisory services, as well as asset management.

The average score in this theme increased from 0.8 in 2022 to 1.1 in 2024. However, banks like BRI, Mandiri, and BCA experienced a decrease in their scores, as the 2024 assessment did not find any policies relevant to the evaluation elements. Meanwhile, Danamon and Permata remained unscored in this theme, just as in the previous year

4.6 Assessment on Oil and Gas Theme

The bank's 2024 assessment for the oil and gas theme identified 16 critical elements. These elements reflect a company's commitment to managing the risks and environmental impacts associated with extraction and exploration activities. The assessment emphasises the importance of banks paying attention to how companies mitigate risks of accidents from business activities and whether they have comprehensive contingency plans in place. The bank also encourages debtors or financed companies to reduce waste and manage environmental impacts responsibly, thereby minimising negative effects on the environment and society.

Chart 21. Bank Scores on Oil and Gas Theme



Source: Research result

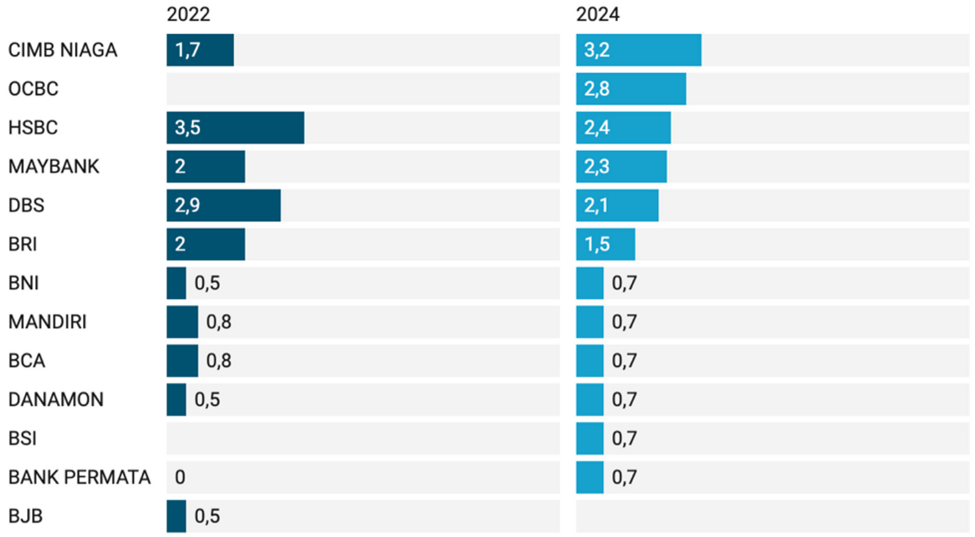
The average score for the oil and gas theme dropped from 0.9 in 2022 to 0.8 in 2024. Despite this decrease, HSBC retained the top position, just as in the previous year. In 2024, HSBC did not score on some elements due to its policy, which commits to avoiding oil and gas projects only for new initiatives and not existing exploration activities. The themes that did receive scores were because HSBC implemented the IFC Performance Standards as part of its Equator Principles membership.

Like last year's results, banks such as BNI, Danamon, and Permata have not yet been awarded scores. This suggests that these banks still lack policies that support the assessment elements for the oil and gas theme.

4.7 Assessment on the Power Plant Theme

Power plant development projects in various regions face a number of problems. These issues arise from both environmental and social aspects. Factors like climate change, water availability, loss of agricultural land, and ecosystem damage significantly impact local communities' livelihoods. In this context, the involvement of financial services institutions is crucial. There are 15 elements assessed under this theme to ensure that all aspects are considered thoroughly.

Chart 22. Bank Scores on Power Generation Theme



Source: Research result

Figure 22 shows that CIMB Niaga ranked highest in 2024 with a score of 3.2. Among the banks, CIMB Niaga achieved the most significant score increase, rising by 1.5 points. In this theme, CIMB Niaga has an exclusion list and has committed not to finance the expansion of thermal coal mines and coal-fired power plants (CFPPs), including those using Mountain Peak Removal (MTR) techniques. The bank also excludes financing and investment in CFPPs, but since oil and gas-fired power plants are not excluded, this was insufficient to earn additional points.

Moreover, CIMB Niaga has been actively supporting Energy Efficiency and Renewable Energy projects by providing loans to the renewable energy sector. The bank has also outlined its 2030 Emissions Reduction Target, which includes power generation as a key focus area. CIMB Niaga has set an ambitious goal to achieve a 38% reduction in emissions intensity across its portfolio, emphasising low-carbon and renewable alternatives to fast-track its clients' decarbonisation efforts.

Overall, even though all banks received scores, the average score for the power generation theme only slightly increased from 1.4 in 2022 to 1.5 in 2024. This modest increase is attributed to certain elements not being scored by all banks, such as the lack of measurable targets for reducing financing and investment in coal-fired power generation companies, adherence to the 12 principles of the Roundtable on Sustainable Biomaterials (RSB), and the commitment to include ESG compliance clauses in contracts with subcontractors and suppliers. Ensuring these measures are consistently applied at every project stage is crucial for comprehensive sustainability.

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Part 5

PROGRESS OF BANK'S POLICY AND COMMITMENT ON SOCIAL AND GOVERNANCE ASPECTS

Overall, there were changes in scores for each theme from 2022 to 2024, with improvements in themes such as financial inclusion, consumer protection, and gender equality, but a decline in the labor rights theme. Meanwhile, the score for health remained unchanged. Although the scores are still far from the maximum, the improvements in these themes are commendable and should encourage banks to take more concrete steps to integrate these issues into their financing and investment policies.

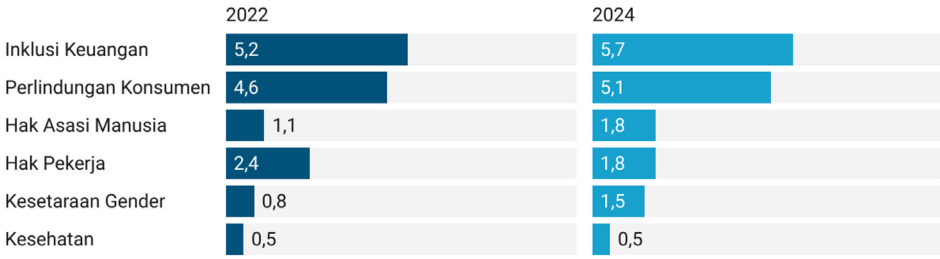
5.1 Bank Progress in Integrating Social Aspects into Financing and Investment Policies

The integration of social aspects into banks' financing and investment policies has become increasingly important within the framework of international standards. Institutions like the World Bank and the International Finance Corporation (IFC) insist that banks pay attention to social impacts in every project they finance, including the protection of human rights, empowerment of local communities, and social justice. Additionally, the UN-initiated Sustainable Development Goals (SDGs) emphasise the importance of poverty eradication and reducing social inequality, further encouraging banks to incorporate social dimensions in their investment decisions. Adhering to these standards not only reduces social and reputational risks but also enhances long-term stability for financial institutions.

In Indonesia, the Financial Services Authority (OJK) has issued the Indonesian Taxonomy of Sustainable Finance (TKBI), which provides guidelines for banks and financial institutions on financing sustainable economic activities taking into account social dimensions, such as poverty alleviation, gender equality, and protection of human rights. Banks that comply with TKBI can support projects that have positive impacts on society and mitigate social and legal risks associated with projects that do not consider social factors. This integration of social aspects contributes to inclusive sustainable development, aligns banks with the country's commitment to the SDGs, and mitigates risks that could harm their reputation and financial stability.

In this year's bank policy assessment, six themes were evaluated under the social aspect: financial inclusion, consumer protection, human rights, labor rights, gender equality, and health. The scores for social aspects varied from very poor to fair. Overall, there were changes in scores for each theme from 2022 to 2024, with improvements in themes such as financial inclusion, consumer protection, and gender equality, but a decline in the labor rights theme. Meanwhile, the score for health remained unchanged. Although the scores are still far from the maximum, the improvements in these themes are commendable and should encourage banks to take more concrete steps to integrate these issues into their financing and investment policies.

Chart 23. Average score of Bank Policy on Social aspects



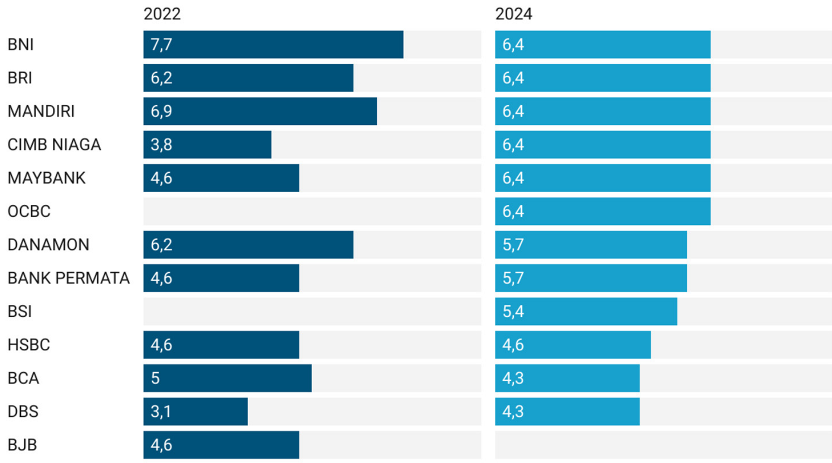
Source: research results

Figure 23 shows that the financial inclusion theme receives the highest score, reaching 5.2 in 2022 and increasing to 5.7 in 2024. This indicates that banks are disclosing better information in terms of improvements to encourage people's access to financial services. Consumer Protection (4.6 to 5.1) and Human Rights (1.1 to 1.8) show positive progress, although human rights remain at a low level. On the gender equality theme, the score increased most significantly from 0.8 in 2022 to 1.5 in 2024, reflecting greater attention to gender equality in the banking sector. However, this score remains low compared to other aspects, indicating that there is still much room for improvement. On the health theme, the score has stagnated at 0.5 for two years, indicating a lack of focus on health issues in banks' policies. Meanwhile, the Labour Rights theme shows a decline from 2.4 in 2022 to 1.8 in 2024.

5.1.1 Assessment on the Financial Inclusion Theme

Financial inclusion is access to diverse and quality financial services, such as savings, loans, insurance, and payments, that enable low-income people to increase income, build assets, and reduce economic vulnerability. It plays a crucial role in reducing poverty, addressing inequality, and supporting sustainable development by emphasising cost efficiency, service diversity, and product development tailored to the needs of vulnerable communities. According to OJK's 2022 National Survey on Financial Literacy and Inclusion (SNLIK), the financial inclusion index in 2022 was 85.10%, up from 76.19% in 2019. Meanwhile, the financial literacy index of Indonesians stood at 49.68%, up from 38.03% in 2019. This data highlights the gap between financial literacy and inclusion levels, indicating that people are at risk when using financial services due to a lack of understanding of the benefits and risks associated with financial products.

Chart 24. Bank Scores on Financial Inclusion Theme



Source: research results

Based on the assessment results of bank policies on financial inclusion, there was a notable increase in the average score, indicating improvements in the banking sector's provision of more inclusive financial services, as shown in Figure 24. However, many banks did not score on assessment elements related to improving customer literacy, such as policies to disclose customer rights, product or service risks (including the risk of excess debt) offered to customers, and non-literate MSMEs. Only a handful of banks received commendable scores for policies aimed at enhancing the financial literacy of low-income communities, marginalized groups, and MSMEs. This emphasizes the critical need for banks to take on a more proactive role in educating customers, particularly those with low literacy levels or from marginalized groups.

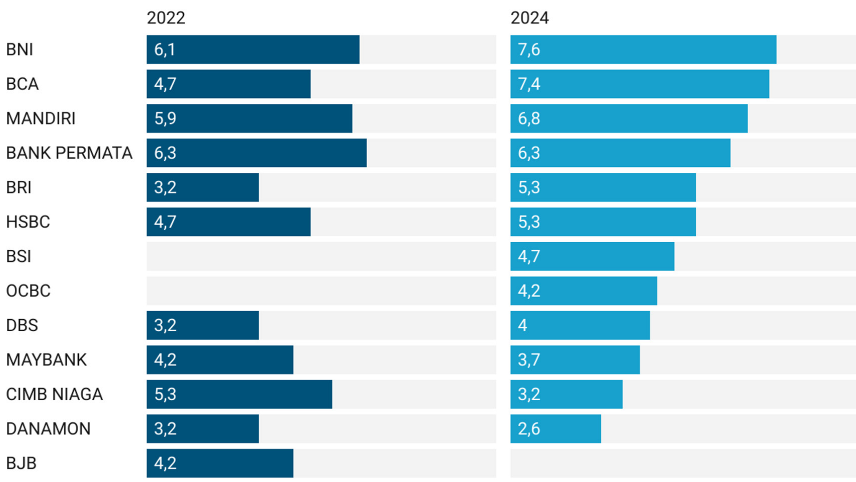
In Chart 24, it can be seen that in 2024, several banks, such as BNI, BRI, Mandiri, CIMB Niaga, Maybank, and OCBC, managed to achieve the highest score of 6.4, indicating good performance in expanding access and financial services to the community. Bank CIMB Niaga recorded the most significant increase, from 3.8 in 2022 to 6.4 in 2024. CIMB Niaga managed to increase its score on the financial inclusion theme because it has policies that support increasing financial literacy for low-income communities, marginalized groups, and MSMEs. CIMB Niaga also provides housing financing for low-income communities and offers products and services that support increasing access to banking and financial services for women, including women entrepreneurs.

On the other hand, several banks experienced a decrease in their scores, such as BCA, which dropped from 5.0 to 4.3, and Danamon, which declined from 6.2 to 5.7. This indicates challenges in expanding the accessibility or quality of their financial inclusion services. This decrease occurred because some information previously disclosed in the report was no longer disclosed this year, such as the absence of information related to the policy of providing relief for MSMEs in applying for loans without collateral. In addition, banks such as BSI and OCBC, which were only assessed this year, obtained scores of 5.4 and 6.4, which can be categorized as sufficient and good.

5.1.2 Assessment on the Consumer Protection Theme

The lack of consumer protection in the financial sector can impact social and economic aspects, including the risk of a financial crisis due to the lack of bank transparency related to markets, as well as the growth of debt and delays in consumer debt repayments. Given the impact on the lives of individuals and society at large, consumers must be aware of and understand the risks and specific conditions associated with each financial product. Consumers International defines consumer protection as the responsibility of financial service providers to offer clear, sufficient, reliable, comparable, and timely information that enables consumers to compare options, consider them carefully, and make informed decisions.

Chart 25. Bank Scores on Consumer Protection Theme



Source: research results

In general, the assessment scores for almost all banks increased from 2022 to 2024, as seen in Chart 25. This indicates an improvement and increase in the quality of consumer protection implemented by these banks. BNI, BCA, and MANDIRI have relatively high scores and have experienced a significant increase from 2022 to 2024. BNI obtained the highest score on this theme, from 6.1 to 7.6, in 2024. This increase is due to progress in disclosing information related to monitoring consumer complaints, designing a remuneration structure to encourage responsible business behavior, and training employees and authorized agents on consumer protection policies and practices. Likewise, BCA increased from 4.7 to 7.4 in 2024. This relatively significant increase is because BCA has a policy to protect consumers from excessive debt, maintain the confidentiality of personal data, issue debt collection procedures, notify consumers of changes in fees on time, and provide accessibility for customers with disabilities in all services.

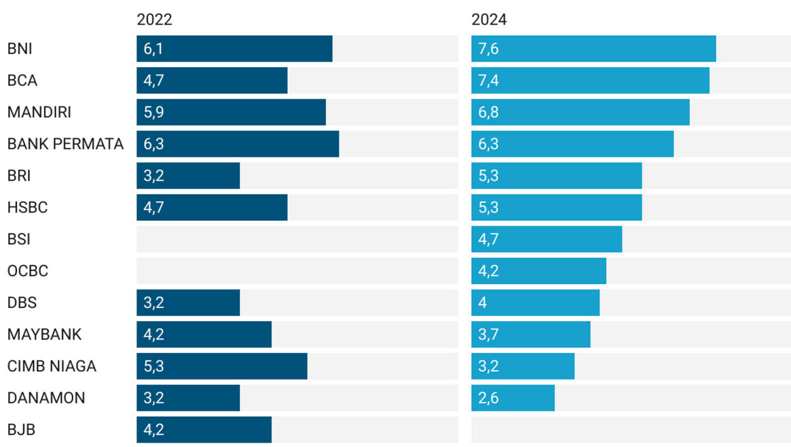
Chart 25 also demonstrates that HSBC and DBS have experienced a relatively moderate increase in their scores, indicating efforts towards improvement but still needing further development in consumer protection. MAYBANK, CIMB NIAGA, DANAMON, and BJB have lower scores compared to other banks, though they have also shown improvements from 2022 to 2024. This highlights the need for these banks to place greater emphasis on enhancing consumer protection practices.

5.1.3 Assessment on the Theme of Workers' Rights and Human Rights

In terms of internal operations, BNI, BRI, BCA, CIMB Niaga, Maybank, Permata, HSBC, and BSI stated that they respect the ILO Declaration on Fundamental Principles and Rights at Work. BNI, BCA, CIMB Niaga, DBS, HSBC, and OCBC enforce regulations on companies they finance to prevent forced labor and the use of child labor.

HSBC and DBS are the only banks that require the companies they finance to implement comprehensive health and safety policies, ensure equal treatment and working conditions for migrant and informal workers, establish procedures for addressing and processing employee grievances, resolve violations and conflicts in cooperation with relevant trade unions, and integrate labor rights into their procurement policies.

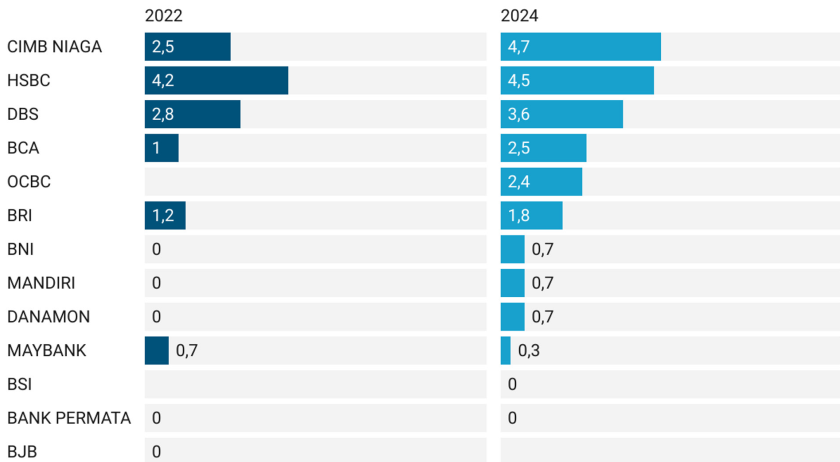
Chart 26. Bank Scores on Workers' Rights Theme



Source: research results

As a matter of the bank's internal operations, BRI, BCA, CIMB Niaga, DBS, and HSBC have declared their respect for all forms of human rights as outlined in the UNGPs on Business and Human Rights. BNI, BRI, Mandiri, BCA, CIMB Niaga, Danamon, and HSBC have robust anti-discrimination policies. CIMB Niaga, DBS, HSBC, and OCBC require companies they finance to uphold all human rights as specified in the UNGPs BHR, conduct human rights due diligence, and have processes in place for remedying adverse impacts on human rights. Additionally, BCA, Maybank, HSBC, DBS, and OCBC are committed to regulating financed companies to prevent land conflicts, ensure meaningful consultations, and secure Free, Prior, and Informed Consent (FPIC). CIMB Niaga, DBS, HSBC, and OCBC have specific policies or statements addressing human rights aspects.

Chart 27. Bank Scores on Human Rights Theme



Source: research results

5.1.4 Assessment on the Theme of Gender Equality

Gender equality is a key element in many of the Sustainable Development Goals (SDGs), including SDG 5, which focuses on eliminating gender discrimination, violence, and early marriage, as well as ensuring equal rights to economic resources and empowering women. Other SDGs, such as SDG 10 on Reducing Inequality, SDG 1 on No Poverty, SDG 4 on Quality Education, and SDG 8 on Decent Work, also highlight the importance of gender inclusion and equality in access to education, employment, and economic resources. However, gender mainstreaming is still under-adopted in the private sector, although initiatives such as Equileap have been working to measure gender equality in businesses since 2016.

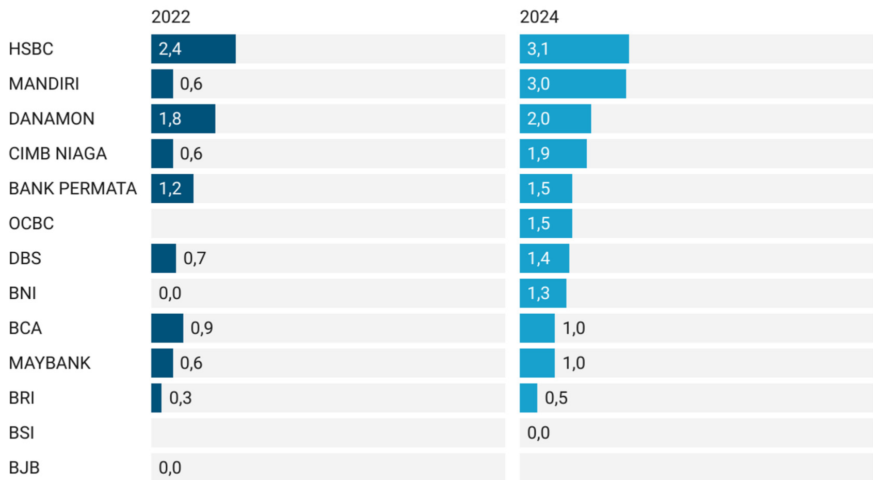
Studies show that gender diversity at the corporate leadership level is associated with better performance on sustainability and social responsibility indicators. By integrating gender equality into policies and operations, companies and financial institutions can drive positive change across sectors. This is important given the gender-based risks associated with environmental, social, and governance issues, as well as its potential to advance sustainability and inclusion across multiple sectors.

Various international regulations, such as the UN Charter, the Universal Declaration of Human Rights, and the International Covenant on Human Rights, affirm the importance of gender equality as a fundamental right, including in economic activity. ILO Conventions and OECD Guidelines highlight that gender equality, such as equal access to employment, wages, and promotion, and protection from discrimination, are essential elements in achieving corporate social responsibility and sustainability. The UN Guiding Principles on Business and Human Rights and the International Finance Corporation (IFC) Performance Standards support gender mainstreaming in financial institutions, including ensuring equal employment opportunities, fair treatment, and measures to prevent harassment, intimidation, or exploitation, especially of women. By integrating these principles, financial institutions can support human rights, enhance sustainability, and meet relevant international standards.

Gender mainstreaming in banking financing and investment in Indonesia is still in the early stages of implementation. Although Indonesia has ratified various international conventions, such as the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and has domestic regulations that support gender equality, its implementation in the banking sector is not yet systematic. Key challenges include the lack of awareness, capacity, and operational mechanisms to integrate gender perspectives in policies, credit processes, and investments.

Furthermore, the involvement of women in strategic positions in the Indonesian banking sector is still low. A report from the World Economic Forum in 2023 showed that women only filled around 22% of leadership positions in the Indonesian financial sector. The low representation of women at the decision-making level also slows down the integration of gender perspectives into banking policies.

Chart 28. Bank Scores on Gender Equality Theme



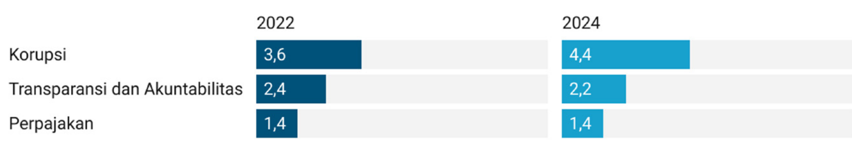
Source: research results

Bank evaluations indicate that in terms of gender equality, banks are still performing poorly. Chart 28 shows that HSBC obtained the highest score of 3.1, an increase from the previous assessment period of 2.4. On this theme, BCA, CIMB Niaga, Danamon, Permata, HSBC, and OCBC explicitly have a commitment to a gender-sensitive zero tolerance policy against all forms of discrimination. CIMB Niaga, Maybank and HSBC have systems to prevent and mitigate gender discrimination against their customers. BNI, Mandiri, CIMB Niaga, OCBC guarantee at least 30% participation and equal access between women and men at the Board of Directors, Executive positions, and senior management levels. BNI, BRI, Bank Mandiri, DBS, and HSBC Financial institutions provide professional development for employees to promote equal access for women to senior-level positions. DBS and HSBC regulate financed companies to actively manage equal remuneration.

5.2 Progress of Bank Financing and Investment Policies in Governance Aspects

In terms of governance, the average bank policy score only increased by 0.2 points compared to 2022. The corruption theme showed significant improvement, rising by 0.8 points, whereas transparency and accountability saw a modest increase of 0.2 points. The taxation theme did not see any change in points. Tax policies at banks in Indonesia remain quite low, with an average score of just 1.4.

Chart 29. Average Score of Banks on Governance Aspects



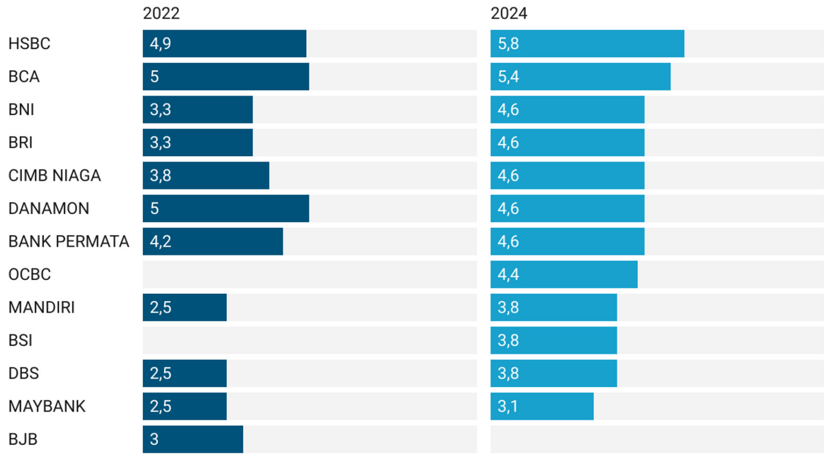
Source: research results

5.2.1 Assessment on the Corruption Theme

In the corruption theme, all assessed banks had scores due to government policies requiring companies and banks to implement anti-money laundering and anti-terrorism financing measures. Graph 30 illustrates that the scores in this area are categorized as less than sufficient. HSBC achieved the highest score of 5.8, an increase from the previous assessment's score of 4.9.

All banks that gain certain scores on this element have existing anti-corruption and money laundering policies. Those policies are meant to prohibit their employees, either directly or indirectly, from offering, promising, giving, and requiring bribes and other benefits to obtain and maintain positions or appointments, as well as other improper benefits. All banks assessed have anti-money laundering policies and policies to prevent terrorist financing and proliferation financing as internal policies that regulate operational activities.

Chart 30. Bank Scores on Corruption Theme



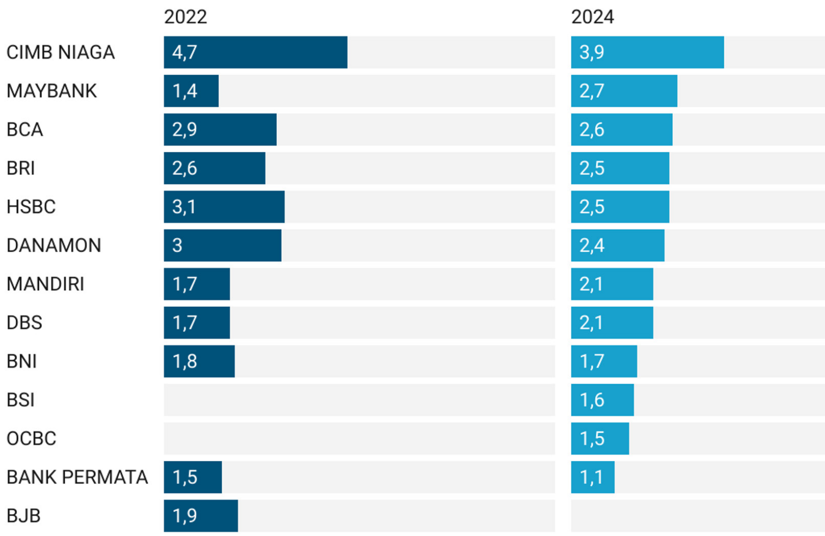
Source: research results

However, only DBS and HSBC require that the financed companies/debtors are not involved in bribes, agreements, or offers that benefit certain parties.

5.2.2 Assessment on the Transparency and Accountability Theme

All banks scored some points on the element that describes the financing and investment framework related to environmental and social issues and provides insight into how the bank ensures investments meet the conditions set out in its policies. All banks scored points on the element related to the publication of sustainability reports that may contain (some) disclosures from the GRI Standards, are in line with the GRI Standards (Core or Comprehensive option), and are externally verified. Only CIMB Niaga is committed to respecting and cooperating in good faith with country-based non-judicial and judicial mechanisms when cases related to the bank are submitted to them. The grievance mechanisms disclosed by the banks were all related to product complaint mechanisms and whistle-blowing systems.

Chart 31. Bank Scores on Transparency and Accountability Theme

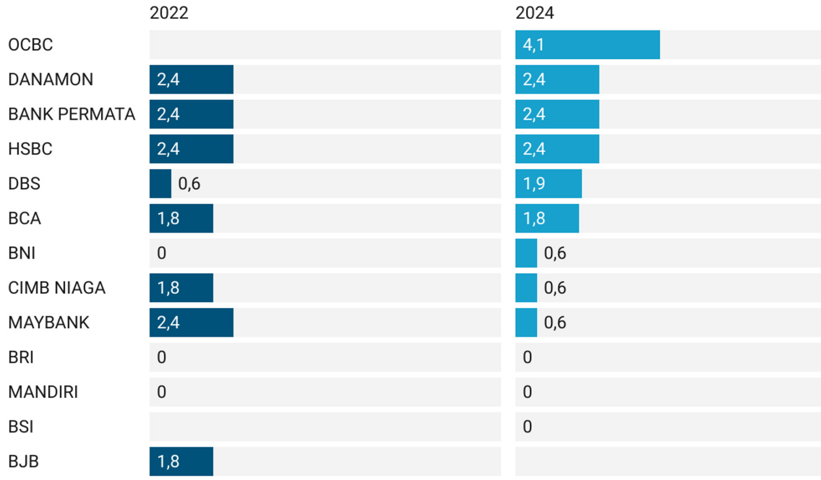


Source: research results

5.2.2 Assessment on Taxation Theme

The taxation theme is critical, as taxes are essential for financing public services like health, education, infrastructure, and social protection programs. In this theme, banks are evaluated based on country-by-country reporting elements such as revenue, profit, total assets, Full-Time Equivalent (FTE), government subsidies, and tax payments. Banks also score if they commit to not financing companies operating in tax havens. Additionally, banks score if the financed company publishes its complete company structure, complies with tax regulations, and maintains transparency in its supply chain.

Chart 32. Bank Scores on Taxation Theme



Source: research results

In this theme, OCBC, a newly assessed bank in this period, achieved the highest score of 4.1, which is still considered adequate. Other banks received low scores, while BRI, Bank Mandiri, and BSI did not receive a score on this theme.

Part 6
CONCLUSION

This year's bank rankings reveal several changes in the assessed elements of various themes, with climate change receiving the most attention. This focus aligns with the global and Indonesian government commitments to support the achievement of the NDC. In 2024, the average increase in bank policies related to environmental aspects rose by 0.3 points compared to the 2022 ranking.

6.1 Conclusion

Global attention to climate change has prompted countries, including Indonesia, to set ambitious targets for reducing carbon emissions and increasing renewable energy. The banking sector in Indonesia plays a crucial role in supporting the achievement of these targets through sustainable financing. Banks in Indonesia have begun integrating the Environmental, Social, and Governance (ESG) criteria and implementing sustainability standards in their credit and investment policies. These initiatives include green financing and reducing funding for sectors with high environmental and social risks. In this way, the banking sector is not only demonstrating its social responsibility but also trying to reduce the risks associated with climate change that could threaten economic stability.

The research findings show that banks in Indonesia have demonstrated a good commitment to financial inclusion, with the highest score of 5.7 in the 2024 ranking. However, the overall average score was only 2.1, indicating that there are still many aspects that require improvement. Although seven banks did not experience a change in ranking and several banks, such as CIMB Niaga, recorded an increase in their scores, there was a decrease in the ranking of large banks such as BCA, BRI, and Danamon.

The theme of financial inclusion has seen significant growth, with banks such as CIMB Niaga showing remarkable progress in their policies to increase access to financial services for low-income communities. CIMB Niaga has also been highlighted for its stringent environmental policies, including the guidelines for the forestry sector that require borrowers to comply with sustainability principles and human rights protection. This reflects the bank's efforts to improve social and environmental responsibility and shows that despite progress, challenges remain in achieving greater inclusion and sustainability in the banking sector.

This year's bank rankings reveal several changes in the assessed elements of various themes, with climate change receiving the most attention. This focus aligns with the global and Indonesian government commitments to support the achievement of the NDC. In 2024, the average increase in bank policies related to environmental aspects rose by 0.3 points compared to the 2022 ranking. The forestry and climate change themes saw notable improvements, whereas the mining, nature, and power plant themes experienced only modest increases of less than 0.3 points. Conversely, the oil and gas theme saw a decline of 0.1 points.

In Indonesia, the Indonesian Taxonomy of Sustainable Finance (TKBI) offers guidelines to support sustainable and inclusive financing. Banks adhering to the TKBI contribute to poverty alleviation, gender equality, and the reduction of social and legal risks. However, similar to the environmental aspect, the average bank policy for social aspects only increased by 0.3 points. Themes such as gender equality, human rights, consumer protection, and financial inclusion improved by 0.5 to 0.7 points. In contrast, the labor rights theme saw a decline of 0.6 points, and the health theme remained unchanged. Although themes like gender equality have seen improvements due to supportive regulations from some banks, the representation of women in leadership positions remains fairly low.

Another point to mention on the governance aspect is that the average bank's policy only improved by 0.2 points compared to 2022. The corruption theme has gained 0.8 points, whereas transparency and accountability have only gained 0.2 points, and taxation has remained unchanged. The taxation policy of Indonesian banks is still quite low, with an average score of only 1.4.

The taxation theme is indeed a vital topic, as taxes are essential for funding public services such as healthcare, education, infrastructure, and social welfare programs. In this context, banks are evaluated based on various country-by-country reporting factors, including revenue, profit, total assets, Full-Time Equivalent (FTE) employees, government subsidies received, and tax contributions made to the government. Furthermore, banks receive points for making a pledge not to finance companies that operate in tax havens. Additionally, banks are awarded points if the companies they finance disclose their complete organizational structure and abide by tax regulations throughout their supply chain.

6.2 Recommendations

This study provides several recommendations for financial sector players, particularly for banking and policy-makers:

1. Banks in Indonesia:

- Formulate internal policies that demonstrate a commitment to sustainable and responsible practices that align with the sustainability criteria recommended by the Fair Finance Guide International (FFGI) and various other international standards.
- Commit to climate action by establishing financing policies that support the renewable energy transition, circular economy, and other low-carbon economic activities, as well as divestment from fossil-related businesses. Banks also need to set measurable targets and metrics, as well as strategies for reducing operational and financing emissions based on science.
- Develop stricter policies in high-risk business sectors, such as mining and large-scale plantations, including establishing more specific credit screening criteria that address environmental and social aspects, implementing stricter safeguarding measures, and ensuring transparent and accountable monitoring and evaluation processes.
- Integrate social criteria, such as gender equality and human rights into financing and investment policies, and provide a continuous capacity building system for staff regarding ESG integration and Corporate Social Responsibility.
- Establish systematic operational mechanisms to ensure gender perspectives and other social aspects are integrated in credit and investment processes. This includes clear procedures for evaluating and monitoring the social impact of each financed project. In addition, establish mechanisms to increase women's leadership in executive and senior management positions by ensuring at least 30% equal participation and access with adequate capacity building.
- Increase transparency in reporting on consumer protection, human rights, and gender equality policies and practices. These reports should be publicly accessible and include relevant information on the performance and environmental and social impacts of these policies.
- Set-up or establish a transparent and inclusive complaint handling mechanism for communities affected by financing

2. Financial Services Authority:

- Strengthening and expanding the Indonesian Sustainable Finance Taxonomy (TKBI) by:
  - Produce best practice guidelines on the integration of social aspects into financing and investment policies.
  - Ensure meaningful participation of local communities, indigenous peoples, civil society organisations, industry, and international organisations in policy development, development of training and education programs for banks on ESG principles, and establishment of measurement and evaluation systems to assess bank performance, including clear indicators to measure the social impact of sustainable banking activities.
  - Making the implementation of TKBI mandatory to accelerate the mobilisation of finance that supports climate change response.
  - Incorporate a 'red' business sector classification that does not support green economy and transition, to provide more detailed information on the level of environmental and social risks, and enhance investor and bank prudence.
  - Ensure a science-based approach to the taxonomy development.
  - Establish more detailed Technical Screening Criteria, not only based on ownership of sustainability certification. Determination of TSC criteria must be in line with the achievement of TKBI's environmental goals and be science-based.
  - Establish transparent and accountable reporting standards that extend to the supply chains of the financed companies.
- Provide incentives for banks that commit to sustainable finance and financial inclusion and disincentives for those that do not commit. The incentives could be in the form of reduced licensing fees or easier access to funding sources from international financial institutions, and the disincentives could be rigorous law enforcement against environmental violations, including tangible sanction mechanisms for deforestation activities and degradation of sensitive ecosystems.
- Encourage the issuance of specific derivative regulations for financial services institutions to implement TKBI effectively, with independent audits to ensure accountability.

- Develop guidelines that ensure financial institutions use independent auditing mechanisms to ensure that the products and projects they finance strictly comply with the ESG criteria.

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www.theprakarsa.org

Komplek Rawa Bambu 1
Jl. A No. 8E Kel. Pasar Minggu,
Kec. Pasar Minggu, Jakarta Selatan

+62 21 7811 798

perkumpulan@theprakarsa.org

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