

# ESG Deposit Framework

## PT Bank SMBC Indonesia Tbk

VERSION 2.0



### Disclaimer:

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## Amendment Tracker:

### 1. Version 2.0: March 2025

No.	1.0 Version	2.0 Version
1.	PT Bank BTPN Tbk Bank BTPN	PT Bank SMBC Indonesia Tbk SMBC Indonesia
2.	Page 23: Pollution Prevention and Control 3. The sourcing of the energy required for the processes mentioned under point 2 from natural gas to minimizes the generation of SO2 and particulate matter in the combustion.	Page 23: Pollution Prevention and Control (Deletion of project example)
3.	Blue Category and eligible criteria	N/A
4.	Example of Projects for Blue Category Relevant Impact Indicators for Blue Category	N/A
5.	ISPO certification	N/A
6.	Page 10: Access to Essentials Services <ul style="list-style-type: none"> <li>• SDGs 3, 4, 8</li> <li>• Other: Other governmental office servicing select populations (and/or) in low/low middle income districts)</li> </ul>	N/A
7.	Page 24 : Clean Transportation SDGs 9, 11, 13 4. Public transport development such as buses, trucks, and rails with zero direct emissions	4. Public transport development such as buses, trucks, and rails with zero direct emissions (Public mass transportation systems and related infrastructure under 50gCO <sub>2</sub> /p-km up to 2040)
8.	Emerging Markets	Indonesia
9.	Page 23 : Clean Transportation SDGs 9, 11, 13 Traffic Management System, Stations and Terminals (number 3)	N/A
10.	Page 6: SMBC Indonesia defines the use of proceeds of ESG Deposits as financing new or existing eligible ESG Deposit Projects (including other related and supporting expenditures, including Research & Development (R&D)).	SMBC Indonesia defines the use of proceeds of ESG Deposits as financing new or existing eligible ESG Deposit Projects (including other related and supporting expenditures, including Research & Development (R&D) and activities).

<p>11.</p>	<p>Page 17:</p> <ul style="list-style-type: none"> <li>• Ellen MacArthur Foundation. (2020). Financing the circular economy—Capturing the opportunity. <a href="https://emf.thirdlight.com/link/17z1dk7idbty-lrrp3s/@/preview/1?o">https://emf.thirdlight.com/link/17z1dk7idbty-lrrp3s/@/preview/1?o</a></li> <li>• Loan Market Association (LMA). (2025). Green Loan Principles. <a href="https://www.lsta.org/content/green-loan-principles/">https://www.lsta.org/content/green-loan-principles/</a></li> <li>• Loan Market Association (LMA). (2025). Social Loan Principles. <a href="https://www.lsta.org/content/social-loan-principles-slp/">https://www.lsta.org/content/social-loan-principles-slp/</a><a href="https://www.lsta.org/content/green-loan-principles/">https://www.lsta.org/content/green-loan-principles/</a></li> <li>• The International Capital Market Association (ICMA). (2021). Green Bond Principles. <a href="https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/">https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/</a></li> <li>• The International Capital Market Association (ICMA). (2022). Guidance Handbook. <a href="https://www.icmagroup.org/assets/GreenSocialSustainabilityDb/The-GBP-Guidance-Handbook-January-2022.pdf">https://www.icmagroup.org/assets/GreenSocialSustainabilityDb/The-GBP-Guidance-Handbook-January-2022.pdf</a></li> <li>• The International Capital Market Association (ICMA). (2023). Harmonized Framework for Impact Reporting (green projects). <a href="https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf">https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf</a></li> <li>• The International Capital Market Association (ICMA). (2023). Harmonized Framework for Impact Reporting (social projects). <a href="https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf">https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf</a></li> <li>• The International Capital Market Association (ICMA). (2023). 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<p>12.</p>	<p>N/A</p>	<p>Adding 1 (one) new product that is covered by ESG Deposit Framework: Liquid ESG Deposit.</p>

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# 1. Introduction

## 1. About the Bank

SMBC Indonesia Tbk (SMBC Indonesia, or Bank) is a foreign exchange bank resulting from the merger of PT Bank Tabungan Pensiunan Nasional Tbk with PT Bank Sumitomo Mitsui Indonesia (SMBCI).

SMBC Indonesia focuses its business activities on efforts to reconcile economic and natural conservation interests, provide a process of economic transformation, and expand people's access to financial independence. This is achieved through a sustainable financial policy that expresses SMBC Indonesia's concern for environmental and social issues, while continuing to increase SMBC Indonesia's profitability for shareholders and other stakeholders.

SMBC Indonesia focuses on serving the mass market segment consisting of retirees, micro, small, and medium enterprises (MSMEs), productive underprivileged communities, medium income consumers, and corporates.

## 2. SMBC Indonesia's Commitment to Sustainability

SMBC Indonesia, as part of SMBC Group, aligns its sustainability commitments to those of SMBC Group. SMBC Group's sustainability commitment identifies efforts to realize sustainability as the foundation of the group's business strategies, with a particular focus on "Environment", "Community", and the "Next Generation" as material issues. SMBC Group defines sustainability as "creating a society in which today's generation can enjoy economic prosperity and well-being and pass it on to future generations".

SMBC Indonesia pursues these commitments by delivering sustainable finance through programs (i.e., green financing improvement for corporate segments, integrating environmental, social and governance (ESG) into organizational policies and procedures, conducting training in sustainable finance, etc.) to meet the Bank's objectives as outlined in SMBC Indonesia Sustainable Finance Action Plan.

We aim to provide products and services that create value for society and respond to global challenges, such as climate change, and national challenges, such as financial inclusion and poverty. Building on our expert knowledge, we seek to identify, stimulate, and actively support sustainable growth.

With the issuance of the SMBC Indonesia ESG Deposit Framework (the Framework), we aim to contribute to the further advancement of the sustainable finance market and raise funds that match those we lend to our clients to achieve their goals in transforming their business in a climate and/or social-friendly manner, as well as to profit from the manifold opportunities provided by a low-emissions economy.

## 3. SMBC Group Sustainability Policy

As part of SMBC Group, SMBC Indonesia also aligns its policy with SMBC Group's sustainability policy. This contains three pillars based on the SMBC Group Statement on Sustainability and the Group Environmental Policy: "Promotion of Environmental Businesses", "Management of Environmental Risks", and "Reduction of Environmental Impacts".

## 4. SMBC Indonesia Sustainability Policy

Since establishment, SMBC Indonesia has upheld sustainability in its business activities, especially regarding social activities through empowerment programs.

SMBC Indonesia defines sustainability as the governance of social and environmental aspects to create a more meaningful life for today's society and future generations. The implementation of sustainability in this context refers to the practical application of the SMBC Indonesia Sustainability Policy.

## 5. Intent of the Framework

SMBC Indonesia, as one of SMBC's affiliates, will use the Framework to guide the development of ESG Deposit and Liquid ESG Deposit and ensure that all transactions categorized as ESG Deposit and Liquid ESG Deposit adhere to the Framework. This Framework will also assist the Bank in identifying eligible green and/or social projects. SMBC Indonesia shall consider more granular technical criteria when screening individual projects, aligning with market developments, particularly those related to the relevant regulations and application of taxonomies.

The purpose of this Framework, which will be subject to periodic updates, is to establish a single robust methodology for the future issuance of 'use of proceeds' based sustainable financing instruments, including but not limited to loans and bonds.

Based on the criteria under this Framework, the proceeds from ESG Deposits will be allocated to the eligible green and/or social projects (ESG Deposit Projects) held by SMBC Indonesia and will be managed and tracked through a portfolio approach. The ESG Deposit Projects which have been selected will become part of the green and/or social loan portfolio (ESG Deposit Project Portfolio).

## 6. Internal Review

SMBC Indonesia ESG Deposit and Liquid ESG Deposit will be offered to clients who are seeking to invest in an interest-bearing deposit earmarked for the funding of ESG Deposit Projects that meet the relevant eligibility criteria.

The Bank will regularly review and update the Framework and/or the eligibility criteria as defined in Section 2 of this document, in line with market developments, and to incorporate best practice evaluation, management, and reporting.

The Corporate Banking Japanese (CBJ) team of SMBC Indonesia is responsible for developing and maintaining the Framework, including ensuring that the underlying themes and activities are aligned with the Indonesian government's ESG related policies, relevant international guidance, market practices and expectations.

## 2. Structure of the Framework

SMBC Indonesia has established this ESG Deposit Framework to ensure that our clients have access to financing that helps them pursue the necessary transition to an environmentally and socially sustainable future.

Generally, the Framework is aligned with the Loan Market Association's (LMA) Green Loan Principles (GLP) 2025, LMA's Social Loan Principles (SLP) 2025, the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2025 and Social Bond Principles (SBP) 2025, and. As such, the Framework consists of the following components:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting
5. External review

In developing the Framework, care was also taken to reflect the United Nations Sustainable Development Goals (SDGs), Sumitomo Mitsui Banking Corporation (SMBC) Green Deposit Framework 2022, SMBC China's Limited ESG Deposit Framework 2022, 51/POJK.3/2017 including its technical guidelines for banks, 60/POJK.04/2017 and the Indonesia Integrated National Financing Framework (INFF) 2022. The complete list of sources is shown in Chapter 9 of this framework.

## 3. Use of Proceeds

SMBC Indonesia defines the use of proceeds of ESG Deposits as financing new or existing eligible ESG Deposit Projects (including other related and supporting expenditures, including Research & Development (R&D) and "activities").

ESG Loans advanced by SMBC Indonesia, which meet the eligibility criteria detailed below shall, in aggregate, make up a portfolio of ESG Deposit Projects. The net proceeds from ESG Deposits, in accordance with this Framework, shall be allocated to the financing of these eligible ESG Deposit Projects.

To be eligible for inclusion in the ESG Deposit Project portfolio, the project of the client (the borrower) must fall into at least one of the categories and criteria described in the tables below (eligible ESG Deposit Projects).

The tables below explain the categories of economic activities viewed as eligible ESG Deposit Projects. It also explains the relevance to SMBC Indonesia’s selected SDGs that show how SMBC Indonesia is contributing to sustainable development.

However, there may be projects for which the proposed indicators in Annex 1 are either not applicable or the data is not available. In such cases, SMBC Indonesia is encouraged to use metrics appropriate for these projects, to the extent acceptable by SMBC Indonesia and aligned with the desired use of the proceeds.

Designated ESG Deposit Projects should provide clear environmental and social benefits. These benefits can encompass various aspects of the environment, including but not limited to reduced carbon emissions, clean air and water, resource efficiency, renewable energy adoption, ecosystem restoration, sustainable transportation, waste reduction, and management, and climate change adaptation. The Framework also encompasses various social aspects, including, but not limited to, poverty alleviation, education enhancement, health and wellness, and access to basic needs.

## 1. Eligible ESG Deposit Projects Portfolio



The tables below show lists of eligible ESG Deposit Projects and exclusionary criteria. The lists will be reviewed and updated at periodic intervals by the CBJ Department, considering developments in the economic, policy, and regulatory landscape.












Transparency is key in communicating the expected and/or achieved impact of the projects. SMBC Indonesia will use, where feasible, quantitative performance measures and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination.









A project that qualifies based on the eligibility criteria below must also align with the relevant provisions of the exclusionary criteria detailed at section 3.2.

Details of the performance indicators that SMBC Indonesia will include, on a best-efforts basis, as part of the impact reporting in the annual ESG Deposit Report can be found in Annex 1.



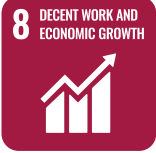

The eligible ESG Deposit Projects and SDG mapping are presented in the table below.

Eligible Category	Eligible Criteria
<b>Green</b>	
<p><b>Renewable Energy</b></p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="229 1641 384 1794">  </div> <div data-bbox="400 1641 555 1794">  </div> </div>	<ol style="list-style-type: none"> <li>1. Acquisition, development, construction, operation, transmission, maintenance, and products of electricity generation projects/assets from diverse renewable sources such as:             <ol style="list-style-type: none"> <li>a. Solar and wind (both onshore and offshore).</li> <li>b. Geothermal (with emissions below 100gCO<sub>2</sub>/kWh).</li> <li>c. Hydropower: Generation plant meets the criteria (1) and (3) or (2) and (3) :                 <ol style="list-style-type: none"> <li>1) The electricity generation facility is a run-of-river plant and does not have an artificial reservoir. or</li> <li>2) Power density of the electricity generation facility is above 5 W/m<sup>2</sup>. and</li> </ol> </li> </ol> </li> </ol>


Eligible Category	Eligible Criteria
<p><b>Renewable Energy</b></p>  	<ul style="list-style-type: none"> <li>3) Lifecycle GHG emissions from the generation of electricity by the entire facility &lt;100 gCO<sub>2</sub>e/kWh.</li> <li>d. Biomass energy from sustainable feedstock that does not compete with food production.</li> </ul> <ol style="list-style-type: none"> <li>2. Manufacturing components essential for renewable energy technology.</li> <li>3. Research and development (R&amp;D) of products or technology for renewable energy generation.</li> </ol>
<p><b>Green Building</b></p>   	<ol style="list-style-type: none"> <li>1. Earning or have earned at least one certification from regional, national or internationally.</li> <li>2. Renovating structures to attain at least a 30% enhancement in energy efficiency and/or a 30% decrease in greenhouse gas emissions.</li> </ol>
<p><b>Clean Transportation</b></p>   	<ol style="list-style-type: none"> <li>1. Transportation network upgrades to higher climate-resilient design standards.</li> <li>2. Development, manufacture (including spare parts), or purchase of clean passenger vehicles, such as: <ul style="list-style-type: none"> <li>a. Electric vehicles, including hybrid vehicles.</li> <li>b. Non-motorized transport.</li> </ul> </li> <li>3. Procurement, deployment, development, manufacture, purchase, or upgrades of clean public land transport and multi-modal transportation.</li> <li>4. Acquisition, development, operation, and maintenance of supporting infrastructure for clean transport, including: <ul style="list-style-type: none"> <li>a. Construction, extension, and/or improvement to core sustainable transport infrastructure.</li> <li>b. Construction and/or improvement to the auxiliary sustainable transport infrastructure.</li> </ul> </li> </ol>
<p><b>Energy Efficiency</b></p>   	<ol style="list-style-type: none"> <li>1. Expenditures related to developing, manufacturing and/or R&amp;D of products or technologies that reduces the energy consumption of an underlying asset, technology, product, or system(s), with official comparable national energy efficiency label with 'A' score or document proving the saving of at least 20% of energy compared with the baselines.</li> </ol>

Eligible Category	Eligible Criteria
<p><b>Energy Efficiency</b></p>   	<ol style="list-style-type: none"> <li>2. Improvement of the energy efficiency of infrastructure (i.e. roads, bridges, tunnels, water supply, electric grids, internet &amp; phone networks) which results in energy consumption of at least 10% below the average national energy consumption of an equivalent infrastructure.</li> </ol>
<p><b>Pollution Prevention and Control</b></p>  	<ol style="list-style-type: none"> <li>1. Reducing air emissions, only if the expected outcomes of the project in the energy sector exceed the requirements specified in the Ministry of Energy and Mineral Resources Regulation Number 16/2022.</li> <li>2. Remediating soil conditions from hazardous and toxic waste, only if the expected outcomes of the project exceed the requirements specified in the Ministry of Environment and Forestry Regulation Number 101/2018.</li> <li>3. Waste prevention, reduction, and recycling, including but not limited to municipal waste treatment following the waste hierarchy.</li> <li>4. Rehabilitation of landfill areas.</li> <li>5. Air pollution prevention facilities and monitoring systems.</li> <li>6. Waste-to-energy power plants.</li> </ol>
<p><b>Sustainable Water and Wastewater Management</b></p>   	<ol style="list-style-type: none"> <li>1. Infrastructure for water quality improvement, efficiency, and conservation, including: <ol style="list-style-type: none"> <li>a. Installation or upgrade of clean and/or drinking water infrastructure.</li> <li>b. Water recycling facilities.</li> <li>c. Wastewater treatment facilities.</li> </ol> </li> <li>2. Infrastructure for flooding mitigation and water management, with the exception of operations that expand or promote expansion into areas of high carbon stocks or high biodiversity areas, such as: <ol style="list-style-type: none"> <li>a. Sustainable urban drainage systems.</li> <li>b. River training.</li> </ol> </li> <li>3. Water metering activities and/or water conservation initiatives.</li> </ol>

Eligible Category	Eligible Criteria
<p><b>Climate Change Adaptation</b></p> <div data-bbox="233 259 389 416"> </div> <div data-bbox="413 259 569 416"> </div>	<ol style="list-style-type: none"> <li>1. Data driven climate monitoring solutions.</li> <li>2. Research leading to technology innovation with sustainability benefits.</li> <li>3. Drought management.</li> </ol>
<p><b>Eco-efficient and/or Circular Economy Adapted Products, Production, Technologies and Processes</b></p> <div data-bbox="233 658 389 815"> </div> <div data-bbox="413 658 569 815"> </div> <div data-bbox="233 837 389 994"> </div>	<ol style="list-style-type: none"> <li>1. Development and introduction of environmentally sustainable products with eco-labels or environmental certifications, including resource-efficient packaging and distribution.</li> <li>2. Design and implementation of strategies for reusable, recyclable, and refurbished materials, components, and products. This also encompasses the development of circular tools and services to support a circular economy.</li> </ol>
<p><b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b></p> <div data-bbox="233 1229 389 1386"> </div> <div data-bbox="413 1229 569 1386"> </div>	<ol style="list-style-type: none"> <li>1. Sustainable agriculture, which uses facilities, infrastructure, procedures and technology that do not interfere with environmental functions, whether biologically, mechanically, geologically or chemically, that meets third-party certifications, such as USDA Organic or EU Organic, including but not limited to the following activities: <ol style="list-style-type: none"> <li>a. Green agrochemicals, such as green fertilizers, bio-stimulants, bio-pesticides, agricultural robots.</li> <li>b. Sustainable intensification, such as precision agriculture, perennial crops, gene editing, and controlled environment.</li> <li>c. Climate smart farm inputs, aligned with UN FAO, such as biological crop protection and organic fertilizer.</li> <li>d. Sustainable protein and fats such as production of plant-based, fermented or cultivated proteins and feed supplements.</li> <li>e. Environmentally sustainable animal husbandry.</li> </ol> </li> </ol>

Eligible Category	Eligible Criteria
<p><b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b></p>  	<ol style="list-style-type: none"> <li>2. Environmentally sustainable forestry including afforestation or reforestation, and preservation or restoration of natural landscapes. Forestry (FSC/PEFC/SFI certified) and smallholders should have sustainable forest management plans in place. Reforestation and preservation of natural landscapes that meet one of the following criteria: <ol style="list-style-type: none"> <li>a. Reforestation/afforestation should use tree species that are well adapted to the site conditions.</li> <li>b. A sustainable management plan should be in place, preferably with FSC/PEFC/SFI certification.</li> <li>c. Measures should be in place to ensure protection, restoration and/or co-management of High Carbon Stock forests, peat lands and other areas identified as having High Conservation Value by competent, accredited assessors, as per the RSPO New Planting Procedure. High Carbon Stock forests are deemed to be compliant with the requirements of 'no natural landscape conversion since 2010'.</li> </ol> </li> <li>3. Preservation or restoration of natural landscapes.</li> </ol>
<b>Social</b>	
<p><b>Employment Generation</b> <i>Including through the Potential Effect of SME Financing and Microfinance Socioeconomic Advancement and Empowerment</i></p>    	<ol style="list-style-type: none"> <li>1. Programs designed to prevent and/or alleviate unemployment stemming from socioeconomic inequality.</li> <li>2. Social protection and assistance programs aiming to extend basic, and universal social welfare in Indonesia.</li> <li>3. Empowerment of rural communities and governance, especially in borders and disadvantaged villages, to provide local employment opportunities by managing existing local resources.</li> <li>4. Financing MSMEs as defined under the Law of The Republic of Indonesia Number 20 Year 2008 regarding Micro, Small, and Medium Enterprises.</li> <li>5. Supporting financial literacy programs.</li> </ol>

Eligible Category	Eligible Criteria
<p><b>Food Security and Sustainable Food Systems</b></p> 	<ol style="list-style-type: none"> <li>1. Resilient agricultural practices.</li> <li>2. Projects aiming at reduction of food loss and waste.</li> <li>3. Improved productivity of small-scale producers.</li> <li>4. Production subsidies to small and medium farmers for basic food production.</li> <li>5. Providing access to safe, nutritious, and sufficient food that meets dietary needs and requirements.</li> <li>6. Goods that are Fairtrade certified.</li> </ol>
<p><b>Access to Essentials Services</b></p>   	<p>Health:</p> <ol style="list-style-type: none"> <li>1. Trainings for health human resources to improve quality health services.</li> <li>2. Communicable and non-communicable disease control through screening and case detection, prevention services, surveillance, and treatment.</li> <li>3. Improvement of access and quality services to reproductive health and family planning.</li> <li>4. Strengthening the national vaccine program.</li> <li>5. Improvement of preparedness for public health emergencies, including provision of clean energy.</li> <li>6. Improvement of integration and utilization of health information and e-health solutions.</li> <li>7. Financing of public healthcare centers.</li> </ol> <p>Education:</p> <ol style="list-style-type: none"> <li>1. Quality improvement of primary, secondary, and vocational education (excluding infrastructure/buildings).</li> <li>2. Low-cost or free access to universities, schools, and other tertiary education targeted for rural and/or underserved communities and target populations.</li> </ol>
<p><b>Affordable Basic Infrastructure</b></p>   	<ol style="list-style-type: none"> <li>1. Development of affordable housing or housing loans for low-income communities, each in line with the definition of low-income populations under the Decision of the Minister of Public Works and Public Housing of the Republic of Indonesia Number 552/KPTS/M/2016 and other relevant regulations.</li> <li>2. Activities that improve access to clean water.</li> <li>3. Improvement of reliability and sustainability of internet or connectivity services.</li> <li>4. Construction and maintenance of public clean drinking water infrastructure and sewers system, sanitation facilities and infrastructure, communication infrastructure, and public electricity infrastructure to increase access to electricity.</li> </ol>

Eligible Category	Eligible Criteria
<p><b>Socioeconomic Advancement and Empowerment</b></p> 	<ol style="list-style-type: none"> <li>1. Providing equitable access to and control over assets, services, resources, and opportunities, as well as equitable participation and integration into the market and society, including reduction of income inequality.</li> <li>2. Supporting the underbanked or non-bankable communities and individuals through (i) products with interest rates below than minimum commercial local lending rate, or (ii) Kredit Usaha Rakyat (KUR) Loans as defined under the Regulation of the Coordinating Minister for Economic Affairs as Chair of the Financing Policy Committee for Micro, Small and Medium Enterprises No 11/2017.</li> </ol>

## 2. Exclusionary Criteria

SMBC Indonesia explicitly excludes non-committed or non-performing exposures, as well as loans to businesses or projects that are involved in the following projects or activities from being eligible for the ESG Deposit Project portfolio:

Exclusionary Criteria
<ol style="list-style-type: none"> <li>1. Alcoholic beverage related projects.</li> <li>2. Nuclear reactors and related products.</li> <li>3. All mining and quarrying related activities.</li> <li>4. Coal fired power generation.</li> <li>5. Biofuels, biogas or biomass which utilize food crops as sources.</li> <li>6. Hydropower projects which have not undertaken an environmental and social impact assessment that ensures no significant controversy surrounding the project.</li> <li>7. Unsustainable lumbering projects.</li> <li>8. Unsustainable fishery projects.</li> <li>9. Fossil fuels assets.</li> <li>10. Fossil fuel transport/infrastructure or transportation with the main objective of transporting fossil fuels.</li> <li>11. Tobacco.</li> <li>12. Chemical recycling of plastic.</li> <li>13. Non-waste biomass to energy relying on feedstock that contributes to deforestation, biodiversity loss or decrease in soil carbon pools.</li> <li>14. Any palm-oil operations, activities, projects, production, or distribution without RSPO.</li> <li>15. Large-scale development or construction projects that have a significant impact on the habitat of endangered species, without an appropriate environmental impact assessment or environmental management plan.</li> </ol>

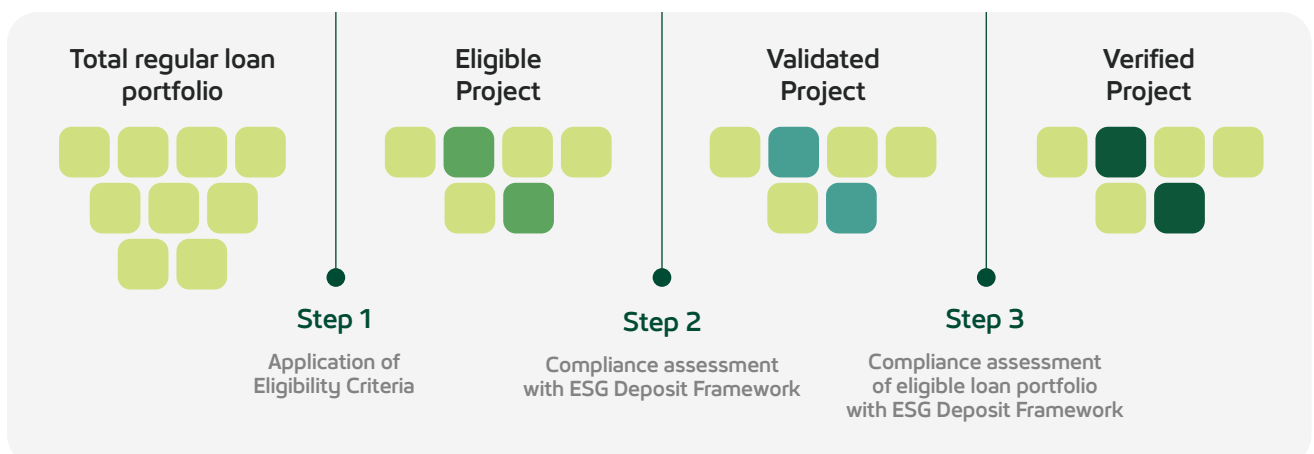
## Exclusionary Criteria

16. Large-scale development or construction projects that are located or may have significant negative impacts on the sites that are subject to Ramsar Wetlands, UNESCO World Heritage Sites, and IUCN (International Union for Conservation of Nature) Category I-IV Protected Areas.
17. Businesses that involve deforestation on High Carbon Stock (HCS) and High Conservation Value (HCV) areas, as well as allowing illegal logging or labor abuses.
18. Manufacture or trade in weapons, ammunition, and other goods used for military or paramilitary purposes.
19. Gambling enterprises related projects.
20. Predatory lending enterprises related projects.
21. Luxury services or goods related (precious minerals wholesale or brokerage, artworks and antiques wholesale or brokerage).
22. Defense and security.
23. Economic activities involving harmful or exploitative forms of forced labor and/or child labor as defined by Indonesia's regulations and/or international conventions.
24. Production or trade in any product or activity deemed illegal under Indonesia's laws or regulations or international conventions and agreements.
25. Bribery.
26. Activities that adversely affect Cultural Heritage Site.
27. Projects that are proven violating rights of local communities or operate in locations of social conflict. For large-scale projects, are required to have a permit equivalent to FPIC (Free, Prior, and Informed Consent).
28. Terrorism.
29. Smuggling.
30. Political Campaign Transactions.
31. Pornography or other businesses that are against social norms.

## 4. Process for Selection and Evaluation

SMBC Indonesia has formed a Sustainability Committee (the "Committee"). The Committee consists of directors and division heads from business lines and all departments relevant to sustainability. The Committee is assigned to oversee the governance process covering selection and evaluation of ESG Deposit Projects.

To identify eligible ESG Deposit Projects that are in line with the suitable category and related eligible criteria defined in the "Use of Proceeds" section, SMBC Indonesia follows a three-step process:



## Step-1: ESG Deposit Project screening and preselection via the application of Eligibility Criteria.

For each unit of the existing regular loan portfolio and/or new loan pipeline, the respective Business Teams (Wholesale Banking Group (WBG), CBJ, Business Banking, and Micro Banking) will obtain the following information from the clients:

1. Their environmental and/or social sustainability objectives.
2. The process or activities of the clients' project to determine how it fits within the eligible criteria set out in the ESG Deposit Projects.
3. The related eligibility criteria, including any criteria, for exclusion or other methods used to identify and manage risks related to the proposed projects.

To determine how a prospective borrower's project fits within the eligibility criteria, the following documents should be submitted:

1. **Project Description:** a detailed description of the proposed project, including its location, size, and scope. This should also include information on the project's objectives, design, and expected outputs. In detail, it would include the following elements:
  - a. **Description:** a brief description of the project with an emphasis on the background, the objectives and the expected business, environmental & social impacts.
  - b. **Permits and Licenses:** detail on all relevant permits, licenses, and regulatory approvals needed for the project e.g. land use permits, environmental permit, etc.
  - c. **Work Plan:** a detailed project timeline outlining activities, key milestones, expected start and completion dates, and any significant project phases.
  - d. **Methodology:** a methodology document should describe the approach, strategies, and technologies that will be used in the project.
  - e. **Project Developer Information:** this would include information about the project developer or company behind the project, including their track record, previous ESG performance, and details about its corporate governance practices.
  - f. **Project Financing Plan:** this will show how each project will be financed, e.g. budgeting, resource allocation, technical and economical feasibility and funding sources.
  - g. **Expected Outputs:** this section relates to the expected outputs to be generated after a project is financed that can demonstrate the project's direct positive contributions, from an environmental and social perspective, such as decreased emissions of greenhouse gas, lower energy consumption, less water usage, or decreased waste generation, as well as on social aspects, including job creation and provision of particular services needed by communities.
2. **Baseline Condition:** an assessment of the existing environmental, social, and economic conditions of the project site and surrounding area. This should describe the current state of the environment and social factors.
3. **Impact Analysis:** this amounts to a summary of positive and negative environmental and social impacts and risks that the project has. If the project has not yet started, the Environmental & Social (E&S) impacts submissions represent potential impacts. However, if the project is already underway, the prospective borrowers can submit identified actual impacts, as well as potential impacts that may occur. Key information regarding assets and management of E&S risks and impacts should focus on (but not be limited to):
  - a. Assessment and management of environmental and social risks and impacts;
  - b. Labor and working conditions;
  - c. Resource efficiency and pollution prevention;
  - d. Community health, safety, and security;
  - e. Land acquisition and involuntary resettlement;
  - f. Biodiversity conservation and sustainable management of living natural resources;
  - g. Indigenous peoples; and
  - h. Cultural heritage.

It is recommended that the Business Teams request information related to the borrowers' objectives, strategies, policies, or procedures regarding sustainability. Moreover, borrowers are encouraged to disclose any criteria or certifications they plan to follow. The respective Business Teams should thoroughly explain and document the eligibility justification for the fund in the assessment document.

The existing regular loan portfolio or new loan pipeline shall not be re-tagged (double tagged) and included as part of other SMBC Indonesia's sustainable financing instruments. The Treasury Department will maintain oversight in this aspect.

## **Step-2: Internal validation to assess compliance with the ESG Deposit Framework.**

An internal department of SMBC Indonesia, as the second line, bears the responsibility for performing the internal validation of preselected financing provided by the origination/front office/marketing units. The internal validation process ensures compliance of preselected projects with the Framework, and if needed, an Environmental & Social due diligence (ESDD) process will be conducted to confirm that eligible projects do not have material negative environmental and/or social impacts. The department has full discretion to object to the inclusion of any project(s) into the eligible ESG Deposit Project portfolio or into the eligible new loan pipeline, ultimately blocking them from being included in the ESG Deposit Project portfolio and/or eligible new loan pipeline in case of relevant concerns.

Potential future changes to the Framework's selection criteria will not affect the treatment of eligible ESG Deposit Projects retroactively. In other words, eligible ESG Deposit Projects that have successfully cleared the preselection and validation steps will not be affected by ex-ante Framework changes and will remain in the ESG Deposit Project portfolio. Removal of a project from the Portfolio is possible when there are changes in the Framework that might be triggered by any changes in SMBC Indonesia internal policy, group policy, government regulation and international guidance that are relevant to this Framework, or there are findings from an external verifier in Step-3.

## **Step-3: External verification in the process of selection.**

Upon SMBC Indonesia's readiness to undertake step-3, a reputable external verifier is assigned to evaluate the compliance of an internally validated loan and new loan pipeline with the requirements set by this Framework to ensure eligibility. In this process, any issue raised by the verifier over one or multiple ESG Deposit Projects, including those in the new loan pipeline, can lead to the ex-ante exclusion of the respective loan(s), following the exclusion process as described in Step-2.

After Step-3 is accomplished, the Business Teams shall be responsible for nominating projects to finance and refinance as part of their credit evaluation process.

## **5. Management of Proceeds**

The Business Team will track and manage ESG Deposit proceeds and allocate them to the eligible ESG Deposit Project portfolio. The Business Team should conduct monitoring of the ESG Deposit Project as part of the overall monitoring process to identify any events or changes that may result in ineligibility. SMBC Indonesia will provide written notification to the borrower to explain the reasons for the ineligibility. An ESG Deposit Project will be removed from the portfolio if it is no longer eligible or if it meets one of the conditions for exclusion. Additionally, SMBC Indonesia will monitor the maturity of the ESG Deposit and validity period of Liquid ESG Deposit, and the underlying projects being financed to ensure green/social projects continue to be funded by the ESG Deposits.

ESG Deposit Project must have 100% of the proceeds dedicated towards Green or Social Projects. As projects may disburse over time, for the unallocated proceeds from ESG Deposit and Liquid ESG Deposit (or pending allocation), SMBC Indonesia will clearly explain to and inform the customers annually through the ESG Deposit and Liquid ESG Deposit Report for the ineligible projects and temporary use of proceeds until appropriate uses of the proceeds are determined. SMBC Indonesia should seek to ensure that, in the selection of such temporary use of proceeds, they do not damage the integrity of the green/social loan market. SMBC Indonesia will track the proceeds from the ESG Deposit and Liquid ESG Deposit through the most appropriate categorization.

## 6. Reporting

The ESG deposit and Liquid ESG Deposit raised under this Framework will be the subject of an annual allocation and impact report that SMBC Indonesia will draft and publish until full allocation, and on a timely basis in case of material developments. This ESG Deposit and Liquid ESG Deposit Report will be published on SMBC Indonesia's website.

The ESG Deposit and Liquid ESG Deposit Report will provide information on:

### 1. Allocation Reporting

1. Confirmation that the use of proceeds of ESG Deposit and Liquid ESG Deposit outstanding are in alignment with the eligibility criteria set by the Framework.
2. The amount of net proceeds allocated to each eligible ESG Deposit Projects and the balance of net proceeds not yet allocated to eligible ESG Deposit Projects (if any).
3. In addition, the reporting can be made available to include illustrative examples of ESG Financing Projects that could be considered eligible for allocation of net proceeds from the ESG Deposit and Liquid ESG Deposit.

### 2. Impact Reporting

Subject to feasibility and data availability, the impact reporting will focus on the following information:

1. Project-specific results (where possible) and related environmental and/or social impact indicators (e.g., quantity of CO2 emissions reduced, number of accessible clean water, etc.).
2. Project category aggregated results and related environmental and/or social impact indicators (e.g., CO2 emissions avoided, patients in financed hospitals, etc.).
3. An overview of selected requirements for the respective categories to be financed are outlined in the eligible ESG Deposit Project Portfolio in the section of "Use of Proceeds". However, indicators for each ESG Deposit Project can be developed using indicators as provided in Annex 1. If needed, SMBC Indonesia will use the guidance from the Harmonized Framework for Impact Reporting for Social Bonds (2025) and/or The Handbook – Harmonized Framework for Impact Reporting (2025) by ICMA to select indicators and methods for measuring impacts.

In the event that other eligible sectors are added in the future, the Framework update would also include the addition of the respective impact reporting indicators for those project categories.

## 7. External Review

### 1. Review of the Framework

The Framework will be reviewed and updated with support from external parties. SMBC Indonesia will ensure that the external parties have capabilities in updating the Framework based on relevant international guidance and government regulations as mentioned in Chapter 2 of this Framework.

### 2. Review on the Reporting

External parties will also provide limited assurance annually to ensure that SMBC Indonesia allocates the proceeds of ESG Deposit and Liquid ESG Deposit to the eligible ESG Deposit Projects appropriately in compliance with this Framework.

## 8. Disclaimer

It does not constitute or solicit an offer or commitment by SMBC Indonesia to underwrite or extend any credit, subscribe for or place any securities, buy or sell any security or financial instrument, or to provide any other services nor (save to the extent explicitly contracted for outside of this Framework) is it intended as investment or other advice or as a recommendation that you, or any other person, participate in any transaction.

Prior to participating in any transaction, you should:

- a. Make your own independent judgment if such transaction is suitable for you (without reliance upon any information contained in this Framework or provided by SMBC Indonesia or any other advisers).
- b. Consult your own independent, competent, legal, financial, accounting, regulatory and/or other professional advisers.
- c. Take full responsibility for the economic risks and merits as well as the legal, financial, corporate, tax, and accounting characteristics and consequences of the proposed transaction.

This Framework is not intended to form the basis of any investment decision. There may be, among others, tax, corporate, financial accounting, legal, or regulatory consequences of the proposed transaction and SMBC Indonesia nor any of the advisers express any opinion on these matters; you should consult with experienced advisers on tax, accounting, legal financial, and regulatory, as well as any other relevant matters.

SMBC Indonesia makes no representation or warranty as to, and does not take any responsibility for, the accuracy or completeness of the information contained, or opinion expressed herein. The information contained in this Framework may be amended from time to time without prior notice.

This Framework should not be quoted, copied, forwarded, or distributed to any other party by using electronic or mechanical methods without our consent.

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