

## **Environmental, Social, and Governance (ESG) Policy on Financing for Timber and Forest Products Industry Sector**

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### **Disclaimer**

This document is the "Environmental, Social, and Governance (ESG) Policy on Financing for Timber and Forest Products Industry Sector" of PT Bank Central Asia, Tbk., based on Decree No. 212/SK/DIR/2022, which is prepared in accordance with the company's business processes and refers to regulations and standards concerning national and international issues. This policy is made in line with BCA's commitment to responsible financing. It is the sectoral umbrella that serves as the basis for BCA in providing financing to debtors in the timber and forest products industry sector by considering environmental, social, and governance (ESG) risks. This policy will be implemented gradually, effectively, and efficiently in accordance with the availability of resources, needs, and the level of urgency of each aspect stated in this policy.

### **Introduction and Scope**

PT Bank Central Asia Tbk (BCA), hereinafter referred to as "BCA", understands that lending carries risks that may affect the health and business continuity of the bank. The timber and forest products industry sector has the potential to pose environmental, social, and governance risks. Therefore, BCA considers, manages, and harmonizes environmental, social, and governance (ESG) aspects in carrying out sustainable business practices.

BCA encourages debtors in the timber and forest products industry to minimize the negative impact of their business activities, which aligns with BCA's commitment to responsible financing. Therefore, BCA applies sound credit principles and prudential principles in disbursing financing to the timber and forest products industry to maintain the quality of the bank's financing portfolio and reputation.

The policy applies to productive credit in the corporate category of the timber and forest products sector financing, including:

- Forest utilization and its products
- Industry of wood products, rattan, bamboo, and other products
- Non-furniture industrial goods from rattan and other forest products
- Plywood industry
- Wood and rattan handicraft goods industry
- Wood building materials industry
- Wood industry for packaging
- Pulp and paper industry

## **Timber and Forest Products Industry Sector Financing Policy**

In channeling financing to the timber and forest products industry sector, BCA has the following policies.

### **1. BCA requires (prospective) debtors to comply with the following conditions:**

- Holding complete documents for industries that utilize and manage timber sources\* in upstream and downstream industries, including:
  - a. Timber Legality Verification System (SVLK)\*\* for all wood products circulating and traded in Indonesia; and/or
  - b. V-Legal documents for export of forestry industry products.
- Holding complete documents on the legality of timber sources, business activities, and environmental and social permits in accordance with applicable laws.
- Complying with laws and regulations, government regulations, and government policies that apply to (prospective) debtors, especially those concerning occupational health and safety, labor, the environment, and social responsibility.

Note:

\* Wood sourced from recycled products are excluded from this requirement.

\*\* The Timber Legality Certificate (SVLK) has a verified validity period.

### **2. BCA encourages prospective debtors to implement sustainable practices, including:**

- Having clear policies and management systems in environmental management.
- Holding environmental and occupational health & safety certificates.
- Preventing and no illegal logging in its business processes.
- Managing and improving the environmental conditions of industrial activities through land rehabilitation, the application of sustainable forest management practices, and other efforts.
- Using raw materials sourced from certified sustainable forests.
- Carrying out prevention and control of forest and land fires.
- Conducting efforts to reduce the environmental impact of water, air, and soil pollution by adopting the best techniques in the management of air, water, solid waste, hazardous materials, and liquid waste.
- Participating in sustainable timber and forest products industry associations.
- Conducting efforts to improve the quality of the company's operations in accordance with the criteria of the Indonesia Green Taxonomy (THI) relevant to the Timber and Forest Products Industry Sector.
- Respecting the community and/or customary rights.
- Conducting social and stakeholder mapping and using it as the basis for the process of preparing, implementing, monitoring, and evaluating community empowerment carried out by the company.
- Ensuring that all land used for activities is not in conflict.

- Conducting empowerment and coaching programs for the surrounding community to improve their quality of life.
- Implementing FPIC (Free, Prior, and Informed Consent) with surrounding and/or customary communities before carrying out operational activities.
- Respecting human rights and minimizing other social risks in the company's area of operation
- Integrating, managing, and monitoring ESG aspects in the supply chain and value chain for its business activities.
- Implementing practices for the utilization, management, and processing of forest products by minimizing the risks of occupational health and safety aspects, minimizing and controlling the impact of environmental damage, as well as respecting and protecting the rights of surrounding/indigenous communities and workers.
- Identifying or mapping ESG risks, including climate change risks, as a basis for creating various sustainability initiatives and considering them in risk management practices on risk management activities, business planning investment decisions, and company business activities.
- Having a function or section that is responsible for managing ESG issues and performance.
- Having a clear and transparent grievance mechanism and process related to ESG aspects and are accessible to all stakeholders, both internal and external.
- Implementing best practices for managing fraud and whistleblowing reporting.
- Involving stakeholders strategically, effectively, and efficiently in managing aspects of sustainability and mapping ESG risks.
- Evaluating the ESG implementation in accordance with provisions of laws, government regulations, and government policies, as well as ensuring that the impact of ESG is mitigated and resolved.

### **Monitoring and Evaluation**

In implementing and monitoring the aforementioned policies, BCA takes the following measures:

- Identifying the condition of (prospective) debtor in fulfilling the mandatory provisions in the policy.
- Continuously encouraging debtors to implement sustainable business practices.



## **Closing**

For more information, please contact:

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