



# MESSAGE FROM THE BOARD OF DIRECTORS [102-14, 102-15]



Facing the challenges of the COVID-19 pandemic in 2020, BCA has strengthened its cooperation with all stakeholders and has continued to innovate by improving its digital technology-based financial services. BCA supports the Government in its efforts to provide a stimulus to the real sector for the national economic recovery (PEN) due to the impact of the COVID-19 pandemic through policy adjustments and strategies to stay with our customers in all situations. In addition, BCA also supports the Government's call to start shifting to a low-carbon economy. In response to this call, we are making adjustments to our credit policy with an environmental, social and governance (ESG) insight, as well as mapping our banking activities to start mitigating and adapting to climate change.

## Dear Respected Stakeholders,

The message from the World Economic Forum on January 21-24, 2020, made us all aware that environmental risks are the main risks and will have an impact on world economic conditions. The call for a low-carbon economy and support for the achievement of the Sustainable Development Goals (SDGs) continues to resonate, especially during the COVID-19 pandemic. In line with the dynamics of Government policies and conditions during 2020, BCA has undertaken a number of initiatives to quickly adapt to the latest market needs.

The COVID-19 Pandemic Empathy Program and the #BankingFromHome Movement that prioritize digital features were two of the initiatives we put in place during 2020. These activities have had huge positive impacts amid the challenges, including breaking chain of the pandemic and reducing customer mobilization to the branch offices. All of our efforts enabled us to provide services that were safer, easier, more comfortable, and met customer needs. Anywhere and at anytime.

## Policies to Respond to Sustainability Challenges

The health of our customers and employees was a sustainability challenge during the COVID-19 pandemic. We responded to this by adjusting our work activities and implementing strict health protocols, in line with the Government and WHO health protocols related to COVID-19. We encouraged our customers to make their transactions through the BCA mobile application and internet banking KlikBCA. In all branch offices, body temperatures were checked, hand sanitizers were provided and we implemented social distancing. Other preventive measures included implementing COVID-19 risk self-assessments, and disinfecting the facilities and

infrastructure in the banking hall, and the counter desks and waiting chairs on a regular basis.

Overall, the pandemic also had an impact on the challenges of managing the interrelated economic and social aspects. From an economic perspective, the spread of the COVID-19 outbreak directly and indirectly impacted debtor performance. To improve the weakening economic stimulus and to support the Government's policy, BCA issued a regulation for restructuring BCA debtors' loan facilities, for those affected by the spread of COVID-19. The provision was guided by the Financial Services Authority Regulation No. 11/POJK.03/2020 concerning the National Economic Stimulus as a Countercyclical Policy on the Impact of the Spread of Coronavirus Disease 2019. BCA also made adjustments to its BCA Credit Card provisions and implemented a BCA Credit Card Easing Program based on Bank Indonesia Letter No. 22/263/DKSP/Srt/B dated April 15, 2020 concerning the Policy for Implementing Credit Cards in Emergency Times for COVID-19. The provision for interest subsidies for MSME and BCA KPR loans was also instigated in the framework of the national economic recovery program (PEN).

BCA continued to provide banking services that could be accessed safely and comfortably by our customers. Education on technology-based banking services became more relevant with the increased variety of digital banking services provided by BCA. Online opening accounts via BCA mobile, and adjusting the limits for fund transfers, were some of the adjustments made to our banking services. Our customers no longer have to come to the branch offices to make these transactions, and debtors' businesses can continue to adapt to the new normal period.

Apart from challenges related to COVID-19, BCA continued to manage other sustainability challenges, one of which is the impact of climate change. BCA's support and inspiration to reduce the negative impacts of climate change is manifested by implementing financing policies that cover the environmental, social and governance (ESG) aspects. Overall, in response to the sustainability challenges, BCA has developed a Sustainable Governance with three pillars as a strategy for implementing Sustainable Finance. These three pillars cover the economic, environmental, and social aspects, which are reflected in the Pillars of Responsible Banking, Sustainability Culture, and Social Value Creation. In 2020, BCA has reviewed the Basic Bank Credit Policy (KDPB) of PT. BCA, Tbk with the addition of a new policy to prohibit lending to businesses with potential environment, social and governance (ESG) risks.

### Sustainable Finance Implementation and Target Achievement Strategies

Throughout 2020, BCA continued to carry out its operational activities to the maximum extent possible, especially by remaining at the side of its customers. All BCA employees adapted and carried out their respective responsibilities, including serving the needs of all customers and implementing the principles of Sustainable Finance.

Sustainability performance includes the economic, social and environment sustainable finance performance. For economic performance, we recorded a net profit of Rp27.1 trillion, down 5.0% compared to last year. Loans disbursed in 2020 amounted to Rp574.6 trillion, a decrease of 2.1% YoY. Sustainable financing amounted to Rp127.0 trillion (an increase of 1.5% YoY), with non-MSMEs contributing Rp49.8 trillion and MSMEs contributing Rp77.2 trillion. The non-MSME Sustainable Financing helped increase the overall Sustainable Finance portfolio in 2020.

We appreciated the regulator's swift response in relaxing the restructuring policy as this helped the banks and customers through these difficult times. BCA has always been on the side of its customers during these economic challenges, helping them by restructuring their loans since the beginning of the pandemic. As of the end of December 2020, BCA's total loans restructured amounted to Rp104.2 trillion, or around 18% of the total loans, for approximately 100,000 customers.

Apart from lending, BCA also remained focused and committed to providing excellent service during the COVID-19 pandemic to both customers and employees.

We continued to serve all of our customers and partners with enthusiasm and inspiration. Transaction Banking BCA goes hand in hand to support the Financial Inclusion program. Through LAKU BCA, we served 152,678 customers in the regions, supported by 2,633 LAKU BCA agents who assist customers in non-bankable areas with their financial transactions. One significant impact of this financial inclusion service was the opening of access to financial services for migrant workers and their families, as well as access to financial services in remote areas. Customers with special needs also enjoyed equal services, and ease in making their transactions, through the ATM Wicara.

In providing services to our employees, throughout 2020, BCA continued their competency development through webinars, with 39,237 employees attending online training. Sustainable Finance Training was also held, and was attended by 874 employees. The employee competency management activities respected the concept of human rights and ensured equal opportunities and mutual respect for diverse backgrounds. This diversity and equality policy is contained in the 2019-2021 Collective Labor Agreement. BCA used internal communication media for this education and development, using Community of Practice (COP), BLIMS (digital library), Instagram @bcasemuaberes. In November 2020, BCA held a Sustainability Awareness Month to introduce the concept of environment, social, governance (ESG) to all BCA employees. About 24,500 BCA employees were exposed to the values of Sustainable Finance when BCA organized this event.

We truly appreciate the excellent service and solid performance provided by the BCA personnel during the pandemic situation, despite the adjustments they had to make in their work activities. The spirit of "One BCA" with the tagline "One Goal, One Soul, One Joy" united the determination, ideas, and dreams into their work, creating a feeling of goodness within BCA. One of BCA's forms of concern for employees' health was to improve facilities and implement health protocols, at a cost of Rp47.6 billion. We will continue to maintain this healthy and safe working environment to ensure that all BCA personnel are able to perform well.

BCA's social responsibility through its Bakti BCA Program continued to show BCA's concern for the communities. Throughout 2020 Bakti BCA Program, 396 students took part in the non-degree Accounting Education Program, and 172 students took part in the non-degree Technological Information Education Program. In addition, the total distribution of Bakti BCA scholarships was worth Rp5.45 billion, an increase

# Stakeholder Engagement [102-40, 102-42, 102-43, 102-44]

BCA identifies key stakeholders, namely parties related to the bank’s business activities that influence the Company’s sustainability and vice versa, including the involvement of local parties related to the Sustainable Finance process. There are seven key stakeholder groups that have been mapped to their needs, and BCA’s engagement and needs response. This stakeholder engagement is managed collectively by various units, one being the Corporate Secretary & Communication Division.

Method of Engagement and Frequency		Stakeholder Needs Response
Meetings/Mean of Engagement and Frequency	Significant Topics and Stakeholder Needs	
 <p><b>Regulator</b></p>		
<ul style="list-style-type: none"> <li>Compliance implementation report, at least once a year, or incidentally</li> <li>Evidence of the announcement for the Annual and Extraordinary General Meeting of Shareholders (AGMS and EGMS), a summary of the Consolidated Financial Statements, at least once a year or incidentally</li> <li>Monthly reports, Public Expose Implementation Plan, at least once a year or incidentally</li> </ul>	<ul style="list-style-type: none"> <li>Compliance and implementation of the precautionary and governance principles</li> <li>Environmental and social risk analysis for lending</li> <li>Anti Fraud and anti corruption, Anti Money Laundering/Terrorism Financing Prevention</li> <li>Green banking</li> <li>Financial inclusion and literacy</li> <li>Sustainable finance</li> <li>Payment of taxes and other obligations</li> </ul>	<ul style="list-style-type: none"> <li>Implement compliance</li> <li>Prepare a Sustainable Finance Action Plan (RAKB)</li> <li>Prepare annual reports and sustainability reports</li> <li>Ensure governance is carried out properly</li> <li>Establish an ESG Sub Division to monitor the implementation of the RAKB and green banking</li> <li>Increase the reach of banking access</li> <li>Pay taxes according to obligations and on time</li> </ul>
 <p><b>Investors and Shareholders</b></p>		
<ul style="list-style-type: none"> <li>GMS at least once a year</li> <li>Quarterly reports, every quarter</li> <li>Annual reports</li> <li>Sustainability Reports</li> </ul>	<ul style="list-style-type: none"> <li>Financial performance</li> <li>Improved information on environmental, social and governance (ESG) performance</li> <li>Security of customer privacy in the use of digital products</li> <li>Support for actions to address climate change</li> <li>Loan management</li> </ul>	<ul style="list-style-type: none"> <li>Carry out a strategy to achieve business targets</li> <li>Disclose ESG performance information more comprehensively in the Sustainability Report</li> <li>Follow up recommendations on ESG aspects from rating agencies and observers</li> <li>Develop a Security Monitoring Center (SMC), implement Data Loss Prevention, and continuously improve IT systems to anticipate cyber crime</li> <li>Develop strategies and road maps for action to address climate change</li> <li>Pay attention to the loan portfolio mix, maintain the level of Non-Performing Loan (NPL)</li> <li>The Investor Relations work unit held 213 meetings during 2020</li> </ul>
 <p><b>Employees</b></p>		
<ul style="list-style-type: none"> <li>Internal communication media, periodically</li> <li>Internal meetings based to the needs of the related divisions, at least once a year</li> <li>Sharing Sessions, regularly</li> <li>Sports and artistic events, regularly</li> </ul>	<ul style="list-style-type: none"> <li>Training and education</li> <li>Career path planning</li> <li>Employee understanding of Human Resources (HR) management support applications</li> <li>Equality, health, safety and security of employees (K5)</li> <li>Work and post-work welfare</li> <li>Freedom of association</li> <li>Balance of life and work to enable employees to stay fit</li> </ul>	<ul style="list-style-type: none"> <li>Availability of communication facilities, for example internal media, gatherings, sharing sessions, and Halo SDM</li> <li>Availability of a whistleblowing system</li> <li>In-class training and e-learning</li> <li>Performance appraisals and promotion systems</li> <li>Provide adequate work facilities to ensure K5</li> <li>The existence of a Labor Union</li> <li>Provide welfare during work and post-work</li> <li>Guarantee the safety and rights of employees in accordance with the Collective Labor Agreement (CLA)</li> <li>Availability of facilities and infrastructure to carry out activities</li> </ul>



Method of Engagement and Frequency		Stakeholder Needs Response
Meetings/Means of Engagement and Frequency	Significant Topics and Stakeholder Needs	
 <p><b>Customers</b></p>		
<ul style="list-style-type: none"> <li>Banking activities at branch offices, frequency at any time</li> <li>Other meetings, frequency at any time if needed</li> </ul>	<ul style="list-style-type: none"> <li>Sufficient information on financial products and services</li> <li>Competitive lending rates</li> <li>Data confidentiality and customer privacy</li> <li>Excellent service and innovations</li> <li>Banking access</li> <li>Fraud prevention</li> </ul>	<ul style="list-style-type: none"> <li>HaloBCA: 1500888, websites and social media</li> <li>Information on banking products and services available on the BCA website</li> <li>Provide loan interest rates by taking into account the interest rates set by Bank Indonesia</li> <li>Quality service with regular customer surveys</li> <li>Develop technological innovations</li> <li>Security Monitoring Center (SMC), running Data Loss Prevention (DLP), and continue to improve technological innovation systems to anticipate cyber crime</li> <li>Implement financial inclusion and literacy</li> <li>Run SMART SOLUTION</li> </ul>
 <p><b>Business Partners/Suppliers/Vendors</b></p>		
<ul style="list-style-type: none"> <li>Interaction through website, any time</li> <li>Code of conduct for vendors, socialization of procurement requirements annually</li> <li>Meetings with the Logistics and Procurement Division, if needed at least once a year</li> </ul>	<ul style="list-style-type: none"> <li>Openness in building cooperation</li> <li>Clear tender procedures</li> <li>Smooth communications</li> <li>Occupational health and safety (OHS)</li> <li>Timely payments</li> </ul>	<ul style="list-style-type: none"> <li>Provide the required information</li> <li>Instigate fair and appropriate partner selection process</li> <li>Socialize procurement procedures policies</li> <li>Instigate good communications and cooperation</li> <li>Ensure healthy and safe working conditions</li> <li>Payment system according to work contracts</li> </ul>
 <p><b>General Public</b></p>		
<ul style="list-style-type: none"> <li>General seminars or training, held regularly</li> <li>Community development activities</li> <li>Meetings with institutions related to Sustainable Finance, including WWF, USAID-ICED</li> </ul>	<ul style="list-style-type: none"> <li>Continuity of empowerment programs over the following years</li> <li>Education and training</li> <li>Strategically assisted Bakti BCA programs</li> <li>Banking access</li> </ul>	<ul style="list-style-type: none"> <li>Bakti BCA program</li> <li>Internships and provision of job opportunities as needed</li> <li>Financial inclusion and literacy programs</li> </ul>
 <p><b>Media</b></p>		
<ul style="list-style-type: none"> <li>Banking information, periodically or incidentally</li> <li>Media coverage (print, online, electronic)</li> <li>Daily communication</li> </ul>	<ul style="list-style-type: none"> <li>Schedule of meetings during press conferences</li> <li>Clarity of material to be reported</li> <li>Similarity in perception and knowledge regarding ESG to facilitate reporting</li> </ul>	<ul style="list-style-type: none"> <li>Provide 138 press releases in 2020</li> <li>Develop communication facilities, for example press conferences, pressrooms on the BCA website, e-mail humas@bca.co.id</li> <li>Update information related to banking solutions or company performance on the <a href="http://www.bca.co.id">www.bca.co.id</a> website</li> </ul>

**Note:**  
The method of mapping and stakeholder engagement is carried out in accordance with the AA1000 SES: 2011 Stakeholder Engagement Standard, namely: dependency, responsibility, tension, and influence.

● dependency ● responsibility ● tension ● influence

BCA has established an ESG risk management policy with an exclusionary principle, which covers:

- Requirements for debtors/prospective debtors to fulfill environmental regulations in accordance with the type and scale of the business activity's impact, which includes environmental permits accompanied by environmental impact analysis (AMDAL) documents, environmental management efforts/environmental monitoring efforts (UKL/UPL).
- Results of the environmental management performance assessment (PROPER) issued by the Ministry of Environment. If the PROPER assessment results do not meet environmental requirements, then BCA will request more information on the debtor's follow-up. Currently, BCA demands a minimum requirement of PROPER Blue for each debtor as a sign of compliance with all environmental regulations.
- Climate change risk, through risk management and three lines of defenses carried out by internal control.
- For debtors with significant risks to climate change, forest destruction and biodiversity, BCA will request a risk mitigation plan be periodically submitted as an improvement report.

### Climate Change Risk Identification

In 2020, BCA started to raise awareness among the risk management teams on the impact of climate change. BCA has conducted a preliminary assessment of the climate physical risks. Known climate physical risks are related to the agriculture, construction, and infrastructure sectors.

BCA has identified eight (8) economic sectors related to climate physical risks namely (1) Agriculture, hunting, and forestry (2) Fishery (3) Manufacturing (4) Electricity, gas, and water (5) Construction (6) Wholesale and retail trading, (7) Transportation, warehousing, and communications and (8) Real estate, rental and business services. Some of the possible climate risks identified in these sectors include harvest failure, delay or inability of operations, damaged infrastructure, and delayed projects, which pose risks on the ability of debtors to repay the loan to BCA. Based on the data receivables by sector in 2020, in total these economic sectors connected to climate physical risks make up 26% of BCA's total receivables. Based on the data receivables by debtors in 2019, the profile of debtors connected to climate physical risk is made up of 85% corporations, 8% commercial, and 7% public sector entities. The risk mitigation carried out by BCA for business sectors at risk of climate change is by implementing an ESG risk management policy, which is an exclusionary principle.

The transition risk related to the implications of a country moving towards a low carbon economy has not been identified. However, Indonesia has ratified the Paris Agreement that obliges its citizens to reduce GHG with a commitment to reduce 29% of GHG emissions by 2029.

## Sustainable Finance Achievements, Opportunities and Challenges

Since applying the sustainable finance concept, BCA's achievements, opportunities and challenges have included. BCA's Sustainable Finance achievements and support:

- Participating in the establishment of the Indonesian Sustainable Finance Initiative (IKBI);
- Being ranked second in the private banks with the largest KUR funding category in 2020;
- Receiving appreciation at the 2020 Environmental, Social & Governance Award (ESG) organized by Investor Magazine;
- Receiving an Award for Governance as an Asset Class Company 2020 from ACGS.
- A+ rating for public company with Best Sustainability Report 2019 from Foundation For International Human Rights Reporting Standards (FIHRRST).



The challenges faced when applying Sustainable Finance include:

- Gaps in the understanding and competence of its internal and external stakeholders;
- The rapid changes in information technology, increasing the risk of disruption for banks;
- Tight business competition between banks, many kinds of regulations, and competition for e-commerce from non financial institutions.

The opportunities identified when applying Sustainable Finance include:

- More and more businesses are starting to pay attention to environmental aspects when doing business;
- There is increasing attention from the Government and investors regarding sustainable business that delivers environmentally friendly products, for example electric vehicles, use of renewable energy, and green certified buildings;
- Number of MSMEs that started their business by recycling waste;
- Emergence of technology-based MSMEs that can reduce transportation or paper.

Challenges and opportunities go hand in hand, however BCA remains optimistic that the opportunities and plans for its KKUB lending can increase within a range of 5.5%, including KUR financing that is targeted to reach Rp138.3 billion in 2021. Since first applying sustainable finance, BCA has not faced any significant problems or challenges.

## Sustainable Finance Action Plan (SFAP/RAKB)

In line with OJK regulations, BCA prepares a RAKB for a five-year period. The RAKB is prepared in line with the business strategies and support for the SDGs. In the RAKB, BCA reports increases in its sustainable finance portfolio, including its financing quality targets and achievements based on KKUB, for the MSME and Non-MSME segments

By the end of December 2020, the Sustainable Finance portfolio had increased by 1.5% with the non-MSMEs environmentally friendly business (KUBL) category growing by 14.0%, and MSMEs decreasing by 5.2%. This achievement was below the target set of 7% due to the conditions caused by the COVID-19 pandemic.

During 2020, internal capacity building was carried through sustainable finance training for units directly related to KKUB financing, 874 or 23% of the total employees attended Sustainable Finance training, exceeding its target of 15%. [FS4]

The development of Sustainable Finance was also supported by adjustments to corporate governance and policies, including:

- a. Board of Directors' Decree No. 193/SK/DIR/2020 dated December 14, 2020 concerning Sustainability Governance Framework;
- b. Board of Directors' Decree 169/SK/DIR/2020 concerning updating the Basic Bank Credit Policy (KDPB) by adding an exclusion list related to ESG;
- c. Circular No. 114/POL/2020 concerning updating the provisions in the BCA Associate Data Management Centralization that added a Partner Compliance Statement document with provisions related to ESG, and the implementation of a Occupational Health and Safety (OHS) management system;
- d. Adding KKUB information to the ICOS (Integrated Credit Origination System) application;
- e. Board of Directors' decree No. 139/SK/DIR/2020 concerning Anti Fraud Declaration and Integrity Pact;
- f. Board of Directors' decree No. 017/SK/DIR/2020 concerning the policy on the provisions for environmentally friendly property and motor vehicle loans;
- g. Improving activities that have been carried out in 2020.