MOODY'S RATINGS

ASSESSMENT

30 June 2026

Send Your Feedback

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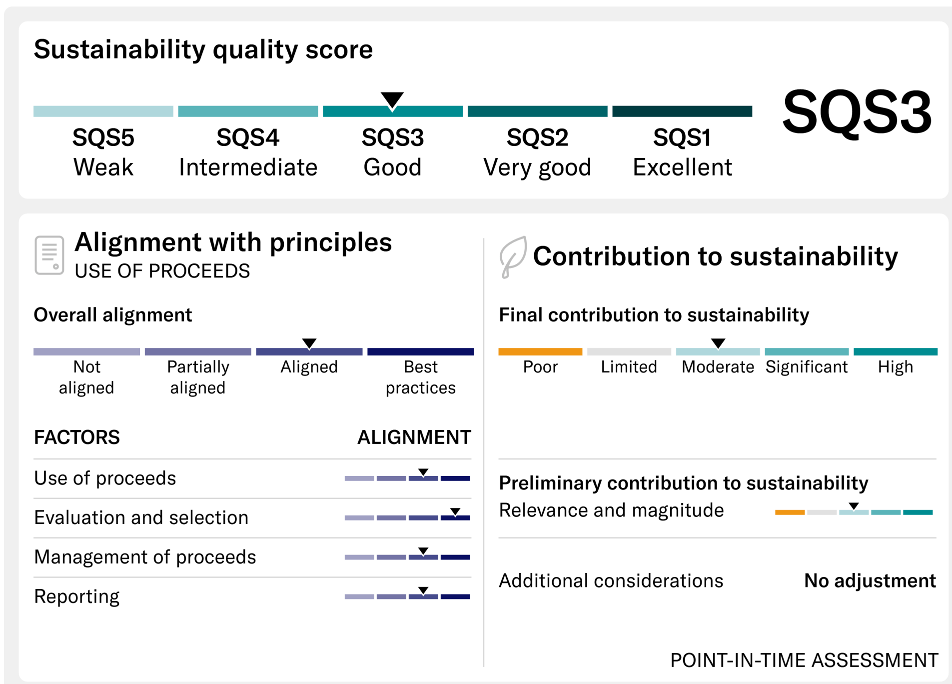
Bank Shinhan Indonesia (PT)

Second Party Opinion – Sustainable Finance Framework Assigned SQS3 Sustainability Quality Score

Summary

We have assigned an SQS3 Sustainability Quality Score (good) to Bank Shinhan Indonesia (PT)'s (BSI) sustainable finance framework dated June 2026. BSI has established its use-of-proceeds framework with the aim of financing projects across five green, five social and three blue categories. The framework is aligned with the four core components of the Loan Market Association, the Asia Pacific Loan Market Association and Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Green Loan Principles (GLP) 2025 and Social Loan Principles (SLP) 2025. The framework demonstrates a moderate contribution to sustainability.



Scope

We have provided a second party opinion (SPO) on the sustainability credentials of BSI's sustainable finance framework, including the alignment with the LMA/APLMA/LSTA's GLP 2025 and SLP 2025. Under its use-of-proceeds framework, BSI plans to finance eligible projects across five green, five social and three blue categories, as outlined in Appendix 3 of this report.

Our assessment is based on the last updated version of the framework received on 18 June 2026, and our opinion reflects our point-in-time assessment[1] of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our Assessment Framework: Second Party Opinions on Sustainable Debt, published in October 2025.

Issuer profile

Bank Shinhan Indonesia (PT) (BSI) is the Indonesian subsidiary of Korea-based Shinhan Bank, one of the largest banks in Korea in terms of assets. Shinhan Bank is the ultimate shareholder of BSI. The bank provides banking services to corporate, commercial, SME, and retail clients in Indonesia, with a primary focus on corporate clients. Corporate lending represents the majority of its loan portfolio, while the bank continues to expand its SME and retail segments. As of end-2025, BSI reported total assets of approximately IDR 27.2 trillion.

BSI is exposed to both physical climate and carbon transition risks, consistent with the broader banking sector in Indonesia, with exposure primarily indirect through financed activities rather than direct operations. To manage these risks, the bank has implemented an Environmental and Social Management System (ESMS) integrated into its core banking operations. The ESMS defines the scope of application, roles and responsibilities, and procedures for evaluating and managing environmental and social (E&S) risks associated with the bank’s financing activities.

Strengths

» Eligible categories address a range of key E&S challenges that are pertinent to the national context

» The evaluation and selection process is clearly defined and structured

Challenges

» Most eligible categories remain broadly defined and lack detailed thresholds, limiting a full evaluation of the projects' sustainable impact

» There is no firm commitment regarding whether allocation and impact reporting will be subject to external verification

Alignment with principles

BSI's sustainable finance framework is aligned with the four core components of the LMA/APLMA/LSTA's GLP 2025 and SLP 2025. For a summary alignment with principles scorecard, please see Appendix 1.

○ Green Bond Principles (GBP)	☑ Green Loan Principles (GLP)
○ Social Bond Principles (SBP)	☑ Social Loan Principles (SLP)
○ Sustainability-Linked Bond Principles (SLBP)	○ Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned	Partially aligned	Aligned ▼	Best practices

Clarity of the eligible categories – ALIGNED

BSI has clearly communicated the nature of expenditure and the eligibility and exclusion criteria for the eligible categories. The eligibility criteria for nearly all the project categories are clearly defined, although the criteria for some green and social categories are broadly defined. The bank has specified the location of the eligible projects as Indonesia.

The bank may finance pure-player borrowers and has confirmed that it applies the same disbursement process as it does for the other eligible borrowers, with the bank ensuring that 100% of the disbursed funds are earmarked and allocated to the borrower's eligible projects, where the evaluation of whether the project is green, social or blue is based on the project eligibility criteria.

Clarity of the environmental or social objectives – ALIGNED

The bank has clearly outlined relevant E&S objectives for nearly all the eligible categories. It has referenced the United Nations' (UN) Sustainable Development Goals (SDGs) and the International Capital Market Association's (ICMA) objectives in articulating the objectives of the eligible categories. The objectives are coherent with these recognized international standards for nearly all projects.

Clarity of expected benefits – ALIGNED

BSI has identified relevant expected environmental and social benefits for nearly all eligible categories. The benefits identified are measurable for nearly all eligible categories, but there is no firm commitment to include the identified impact indicators in its reporting. The bank will disclose the actual refinancing share in its annual sustainability reporting, but it has not committed to providing an estimated refinancing share in advance. The framework transparently communicated a maximum lookback period of 12 months.

Process for project evaluation and selection

Not aligned	Partially aligned	Aligned	Best practices ▼

Transparency and clarity of the process for defining and monitoring eligible projects – BEST PRACTICES

BSI's decision-making process for the evaluation and selection of projects is clearly structured and outlined in its framework, which will be made publicly available on the bank's website. The process begins with an initial screening against the framework's eligibility criteria and exclusion list by the business unit and credit analyst, followed by an environmental and social risk assessment based on industry sectors, project characteristics, geographic location and potential impacts. Additional social eligibility assessment will also be conducted for social categories. Subsequently, due diligence is conducted by the credit analysts and the ESG team under the bank's Environmental and Social Management System (ESMS), which may include site visits to verify compliance with applicable regulations. Projects that meet the requirements proceed to approval and documentation, with final inclusion in the eligible asset pool subject to approval by the credit approval committee upon recommendation from the E&S officer.

BSI monitors the continued compliance of financed projects with the eligibility and exclusion criteria set out in the framework, as well as any significant changes in borrower activities, on a semi-annual basis throughout the life of the loan or financing activities. The business unit, specifically the relationship manager, is responsible for monitoring, with oversight from the E&S officer. In the event of material developments, additional event-driven monitoring may be undertaken. If a project no longer meets the eligibility criteria, the bank has committed to reallocating financing to other eligible assets as soon as reasonably practicable.

Management of proceeds

Not aligned	Partially aligned	Aligned ▼	Best practices

Allocation and tracking of proceeds – ALIGNED

BSI has defined the process for the management and allocation of proceeds from the financing of eligible projects under this framework, which will be made publicly available on the bank's website. Eligible sustainable loans and financing are recorded in a sustainable finance portfolio register, which is integrated with the ESMS. The register includes borrower name, project category, allocated amounts, and outstanding balances. Proceeds are allocated on a portfolio basis, such that the total amount of sustainable financing is expected to be equal to or exceed the outstanding balance of eligible assets. Although the bank indicates that borrower-level controls are in place to support the use of proceeds for eligible projects and activities, which may include use-of-funds verification, contractual covenants, and periodic reporting requirements, there is limited visibility on the extent to which BSI tracks the use of proceeds at the borrower's end, particularly for retail loans.

The register will be periodically adjusted at least semi-annually. Proceeds will be allocated within 12 months of disbursement, with a maximum allocation period of 24 months. Temporarily unallocated proceeds may be temporarily placed in cash, money market instruments, or other liquid assets that do not conflict with the exclusion criteria or the sustainability objectives of the bank.

Reporting

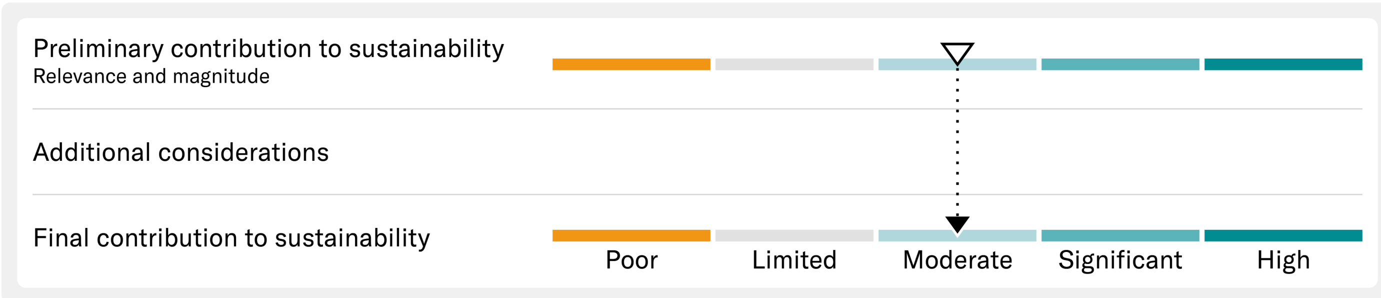
Not aligned	Partially aligned	Aligned ▼	Best practices

Reporting transparency – ALIGNED

The bank will report on their sustainable finance portfolio annually as part of its annual sustainability report as long as there is any outstanding sustainable financing under the framework, which will be made publicly available on the bank's website. This includes details such as the total amount allocated to eligible categories, the proportion of new financing versus refinancing, and examples of representative projects financed during the reporting period. The bank will report on the impact or expected impact of the eligible assets and, subject to information availability, may also report on qualitative and quantitative environmental and social impact indicators, including the accompanying calculation methodology and key assumptions. There is no firm commitment from the bank to obtain independent external verification for both allocation and impact reporting until full allocation of proceeds.

Contribution to sustainability

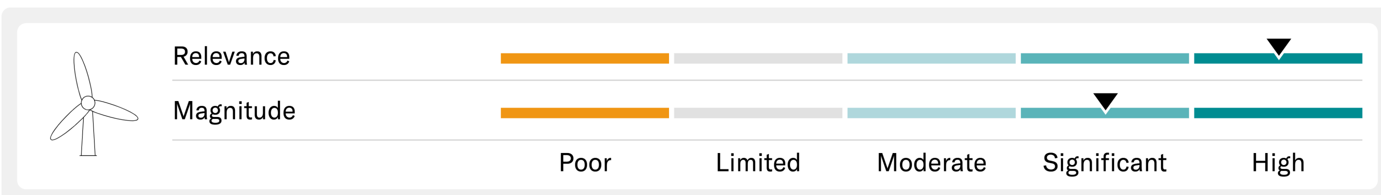
The framework demonstrates a moderate overall contribution to sustainability. This reflects a preliminary contribution to sustainability score of moderate, based on the relevance and magnitude of the eligible project categories, and we have not made an adjustment to the preliminary score based on additional contribution to sustainability considerations.



Preliminary contribution to sustainability

The preliminary contribution to sustainability is moderate, based on the relevance and magnitude of the eligible project categories. BSI indicated that the target allocation will be predominantly green, followed by social, with a smaller portion allocated to blue projects. According to the bank's 2025 sustainability report, financing has been directed toward renewable energy, clean transportation and MSMEs financing categories; we therefore expect these three categories to account for a larger share of the allocation relative to others. A detailed assessment by eligible category has been provided below.

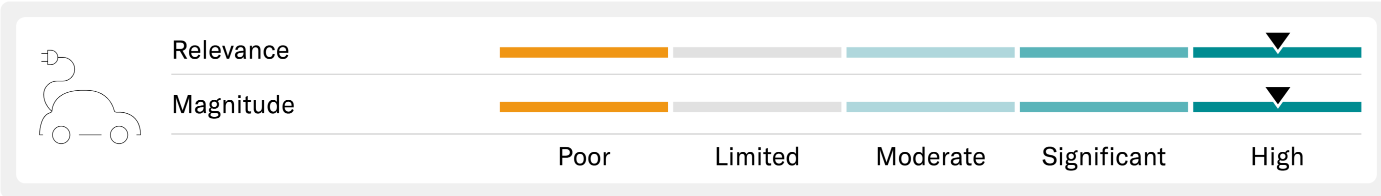
Renewable energy



Projects financed under this category address climate change mitigation and are highly relevant to Indonesia and the banking sector. Financing renewable energy projects will help reduce the country's heavy reliance on fossil fuels, given that coal alone accounted for around 70% of Indonesia's electricity generation in 2023.[2] While BSI is not among the largest domestic banks, renewable energy financing remains highly relevant given the banking sector's role in mobilizing long-term capital for the energy sector, and it is also aligned with the broader sustainability strategy of its parent, Shinhan Bank.

The magnitude of this category is significant, as the financed projects are expected to contribute to long-term environmental benefits. Eligible solar and wind projects represent best-available technologies with minimal externalities. Eligible concentrated solar power (CSP) projects are subject to water risk assessments, while offshore wind projects require marine biodiversity and ecosystem assessments, helping to mitigate water and biodiversity risks. Hydropower and geothermal projects reference Climate Bonds Initiative (CBI) criteria, including thresholds for power density and lifecycle GHG emissions. However, the overall magnitude is constrained by the inclusion of the green hydrogen and ammonia sub-category. While these projects apply a lifecycle emissions threshold of ≤3 tCO_2e/tH_2 and limit production to electrolysis powered by renewable energy, reliance on contractually sourced renewable electricity, such as PPAs or RECs, may reduce certainty over actual emissions reductions. As a result, this sub-category is assessed as moderate on a stand-alone basis. All eligible projects are required to comply with national and local environmental impact assessment requirements or permits as part of the bank's ESMS due diligence process.

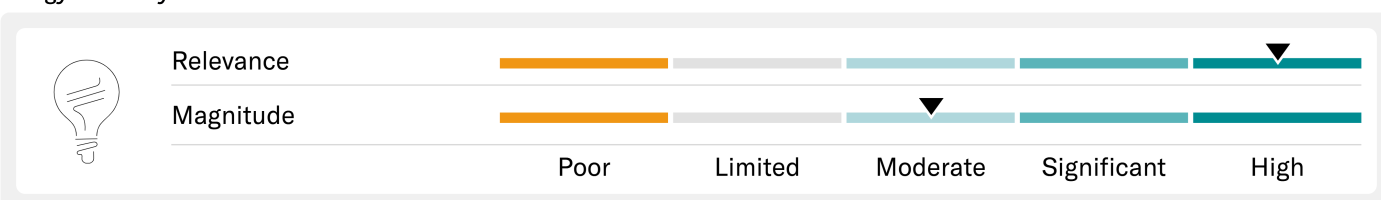
Clean transportation



The category is highly relevant to addressing the decarbonization challenges in Indonesia's transportation sector. Transport is a major contributor to national GHG emissions, with CO2 emissions reaching 154.4 million tonnes in 2024, accounting for 12% of the country's total emissions.[3] Eligible projects are in line with national regulations that promote fiscal incentives for electric vehicles (EVs), as well as with targets to electrify 90% of urban mass public transport by 2030 and 100% by 2045.[4] Financing clean transportation is also highly relevant for the banking sector, given its role in channeling capital toward the wider adoption of low-carbon transport solutions.

The financed projects under this category are expected to have a high impact on reducing GHG emissions from the transportation sector, as eligible vehicles produce zero tailpipe emissions and represent best available technologies with minimal carbon lock-in concerns. For eligible hydrogen fuel cells, the bank has confirmed that it will be limited to green hydrogen, produced through electrolysis with emissions intensity of less than 1.5 kgCO2e/kgH2, although there is limited visibility on how this requirement will be ensured at the end-user level. Regarding eligible charging and refuelling infrastructure supporting these vehicles, the bank requires at least 85% of electricity to be sourced from renewable energy. While this implies that a portion of electricity may be sourced from conventional grid sources in the near term, resulting in some residual emissions, the infrastructure remains primarily renewable-powered and serves as a key enabler of zero-emission transport. As power grids decarbonize over time, these assets are expected to deliver increasing long-term climate benefits, reinforcing their role in supporting sustainable transport.

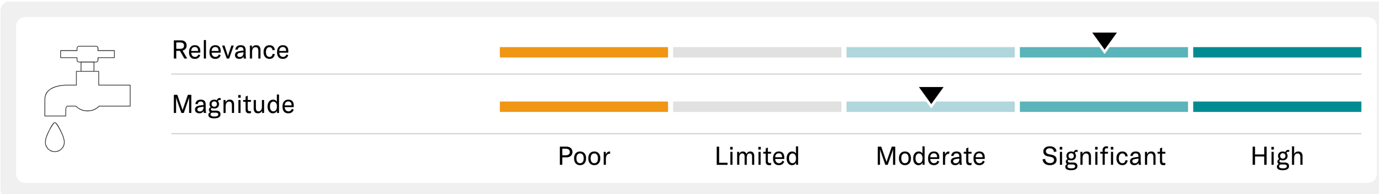
Energy efficiency



Improving energy efficiency is highly relevant for BSI and plays an important role in Indonesia's broader climate mitigation efforts, particularly given the bank's exposure to energy-intensive manufacturing sectors. Investments aimed at enhancing energy efficiency across these sectors contribute to reducing energy consumption and associated GHG emissions, while supporting Indonesia's commitment to achieve net-zero emissions by 2060, especially as the industrial sector accounts for a significant share of electricity consumption.

The magnitude is moderate because all eligible projects are subject to a minimum energy efficiency improvement of 20%, which is below the recommended industry best practice threshold of 30%–50%. The category covers a broad range of activities, including building retrofits, advanced manufacturing upgrades, and energy-efficient equipment. While most eligible technologies are established energy-efficiency measures, the broad scope of activities and limited detail on specific project types, end-use sectors, and expected allocation across sub-categories constrain visibility on the expected impact. However, this limited visibility is partially mitigated by the framework's exclusion criteria, which prohibit fossil fuel-related activities, including coal and oil and gas projects, thereby limiting exposure to potentially carbon-intensive end uses.

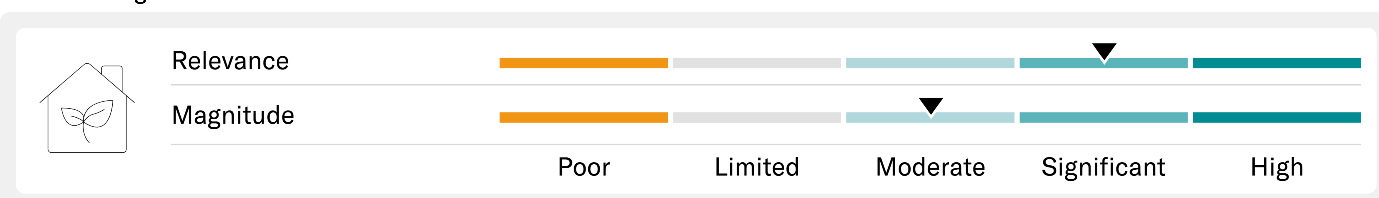
Waste and water management



The relevance of this category is significant, as waste and water management remain critical environmental challenges in Indonesia. The country ranks 105th globally in waste recovery rate[5], reflecting limited recycling and material recovery levels, while the government has set a target to achieve 100% waste management coverage by 2029, underscoring the need for increased investment in waste reduction and recycling. Water security is also a key concern, with significant regional disparities in water availability, high population density, and seasonal variability leading to acute localized water stress, particularly in densely populated areas such as Java. In addition, water quality remains an issue, with only around 7% of wastewater treated.[6] The category's overall relevance for BSI is moderated by the bank's currently limited exposure to the waste and water management sectors.

The magnitude of this category is assessed as moderate, as eligible projects are expected to support improved water and waste management outcomes, although limited technical detail constrains the assessment of impact. For wastewater treatment and water efficiency, the absence of clear performance thresholds and limited visibility on technologies and project types constrain the assessment of expected environmental impact. For recycling and waste reduction, the bank has committed to follow the waste hierarchy, prioritizing reduction, reuse, and recycling, and has confirmed that feedstock is limited to non-hazardous waste, with landfills excluded. However, there are no quantitative technical thresholds, such as material recovery or landfill diversion requirements. For waste-to-energy the bank references CBI criteria for emissions intensity and includes a minimum plant efficiency requirement. However, criteria have not been established for aspects such as bottom ash recovery, recovery of metals from ash, or ensuring that plant capacity does not exceed residual waste over the asset's lifetime.

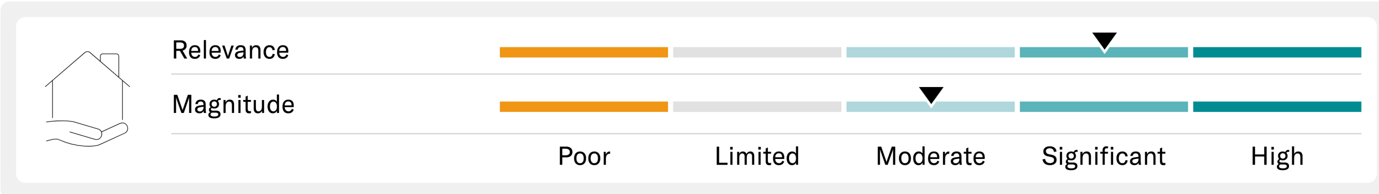
Green buildings



The relevance of this category is significant, as decarbonizing the building sector is critical in Indonesia. The sector accounted for approximately 23% of the country's total energy consumption, which remains highly reliant on fossil fuels, and is projected to increase to 40% by 2030 amid ongoing population growth and urbanization.[7] While the banking sector plays a key role in channeling capital toward green building initiatives, BSI's overall exposure to the real estate sector is limited.

The magnitude of this category is moderate, as financing green buildings is expected to contribute to reducing carbon emissions from the buildings sector. The financed activities include the construction, acquisition, renovation, and retrofitting of residential, commercial, mixed-use, and selected public buildings. For construction and acquisition, eligible certifications include EDGE certification with at least 20% savings, as well as LEED Gold or above and GREENSHIP Gold or above. EDGE provides stronger additionality given its explicit minimum thresholds for energy, water, and embodied carbon savings, and is therefore viewed as delivering greater impact in emerging markets. By contrast, LEED and GREENSHIP are point-based systems and, in the absence of additional energy or carbon intensity thresholds, provide less clarity on the level of actual energy efficiency achieved. For renovation and retrofitting, the bank requires projects to achieve at least 20% improvements in both energy efficiency and water savings. While this represents a meaningful standard, the energy efficiency threshold remains below widely referenced market best practices, which typically target improvements of 30% or higher for major renovations, thereby constraining the expected level of emissions reduction. Taken together, these considerations support a moderate magnitude assessment for the category.

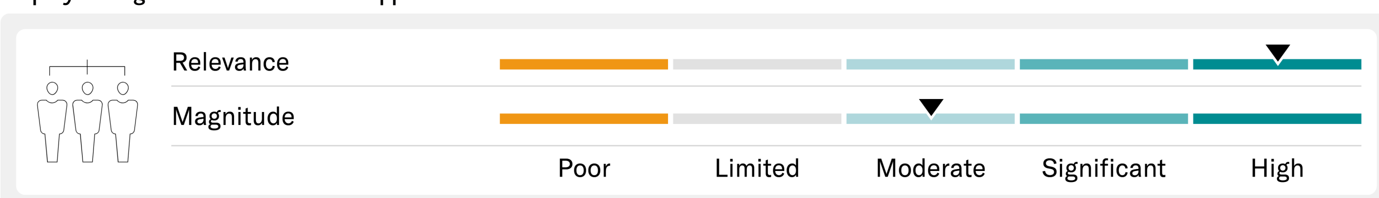
Affordable housing



Improving access to affordable housing is highly relevant in Indonesia, where rapid urbanization and limited housing supply continue to drive a significant housing deficit and place pressure on low income households. The country faces an estimated backlog of around 12.7 million housing units in 2021[8], and more than 57% of the population lived in urban areas as of 2020, with this share projected to rise to over 70% by 2046.[9] In response, the government has implemented programs to expand homeownership access for low-income groups following the rapid urbanization and persistent housing supply constraints.[10] Despite the importance of improving housing affordability, the category is not assessed high as BSI is not a designated provider of government-supported housing programs such as KPR Bersubsidi/FLPP, and therefore has relatively limited exposure to low-income households seeking housing finance.

The magnitude of this category is assessed as moderate, as it contributes to housing access, although with limited targeting of underserved populations. Eligible projects are expected to support home ownership through mortgage lending (KPR) to low- and middle-income households, as defined by government criteria. While the scheme is not part of a designated government subsidy scheme such as KPR Bersubsidi, the bank has voluntarily aligned certain eligibility parameters, including income thresholds, pricing limits, or eligibility requirements with government definitions. Interest rates are expected to be in line with prevailing market rates, which supports general affordability for eligible borrowers; however, there is limited visibility on whether rates will be fixed or floating, which may affect affordability over time. At the same time, eligibility remains linked to creditworthiness and income stability, which may limit access for lower-income or informally employed individuals. Compared with subsidized programs, general KPR products typically do not include additional financial support measures, such as interest rate subsidies or down payment assistance, which may constrain accessibility for more vulnerable borrower segments.

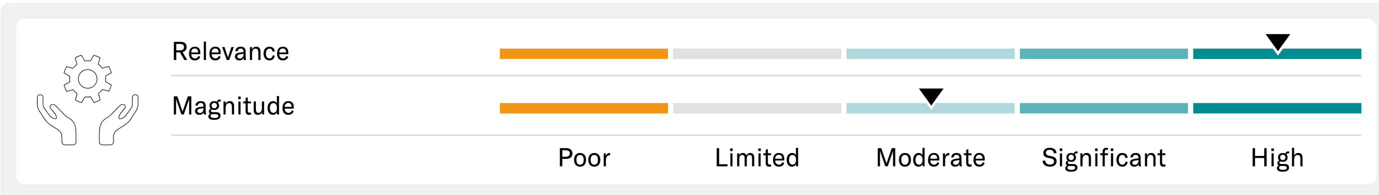
Employment generation and MSME support



Projects under this category are highly relevant for expanding employment opportunities and promoting financial inclusion for target MSME groups in Indonesia. MSMEs form the backbone of Indonesia's economy, playing a critical role in job creation and GDP contribution. As of 2023, Indonesia had approximately 66 million MSMEs, representing 99% of all business units and contributing 61% to the national GDP, highlighting their importance as key drivers of economic activity.[11] Despite their economic significance, MSMEs continue to face structural barrier to digital adoption and access to finance, with low uptake of digital tools and a large share of enterprises remaining outside the formal banking system, limiting their ability to grow or move up the value chain. This category is therefore strategically important for BSI to support MSME development as a financial intermediary contributing to job creation, economic resilience, and inclusive growth across Indonesia. The category also aligns with the bank's broader business strategy to increase its credit portfolio including credit to SMEs.

The magnitude of this category is assessed as moderate, as the projects are expected to support employment generation and improve access to financing for MSMEs. MSME lending is generally directed toward underserved segments, but there is limited visibility on the share of proceeds allocated to the most financially excluded populations. Affordability is supported through alignment with market-based pricing; however, there is no clear indication that financing terms are concessional or tailored to the most vulnerable groups, and there is limited visibility into key features such as interest rate structures or caps. In addition, while borrower due diligence is conducted at origination, there is limited information on ongoing monitoring or mechanisms to mitigate over-indebtedness and support clients in financial distress. The underlying MSME activities may include sectors with varying environmental and social risk profiles, including manufacturing, although exclusion criteria reduce the likelihood of financing highly controversial or GHG-intensive activities. Furthermore, there is no visibility into capacity-building or technical assistance programs accompanying the loans, which may otherwise enhance long-term outcomes for MSME beneficiaries. These considerations support a moderate magnitude assessment.

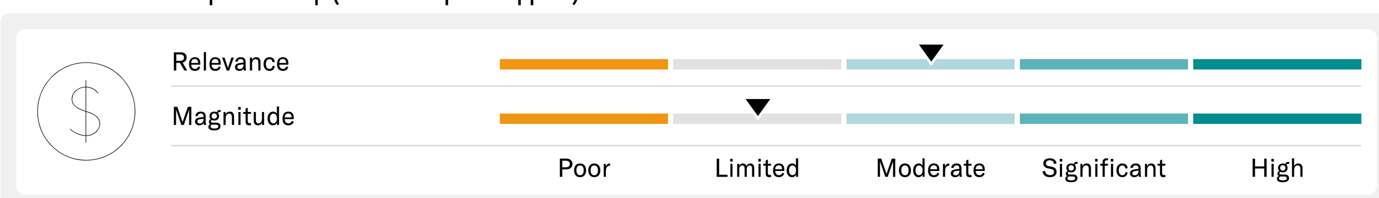
Access to essential services (including financial inclusion & microfinance)



The relevance of this category is high, given ongoing gaps in equitable access to essential services in Indonesia. Despite progress in healthcare coverage, challenges persist in service quality, infrastructure, and access, particularly in rural and underserved areas. Access to safely managed water services also remains limited, alongside regional disparities in digital connectivity. Addressing these gaps is a key government priority, with increasing emphasis on private sector participation. As such, the category is highly relevant for the banking sector, given its central role in channeling capital to improve access to essential services, including through financial inclusion and support to underserved populations. While BSI has relatively limited exposure to sectors such as water and healthcare, its meaningful exposure to information and communication technologies strengthens its overall contribution to improving access to essential services, supporting a high relevance assessment.

The magnitude of this category is assessed as moderate, as the projects are expected to support access to essential services for underserved populations. The target population is generally defined, and some eligible activities may benefit financially excluded or underserved groups; however, there is no clear indication of how proceeds will be allocated across activities with varying levels of impact. In addition, the inclusion of financing to OJK-licensed multi-finance companies and peer-to-peer platforms introduces uncertainty, given limited transparency on how these intermediaries will specifically serve the intended target population. In terms of affordability, the bank commits to ensuring that services are provided on affordable terms, including through free or subsidized access, capped fees, or scholarship support, which may reduce out-of-pocket expenditure for beneficiaries.

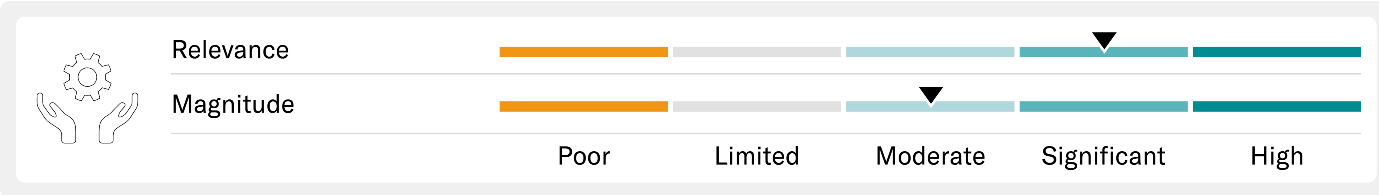
Innovation and entrepreneurship (venture capital support)



This relevance of this category is moderate. In Indonesia, venture and growth capital financing has remained relatively stagnant in recent years, reflecting investors' risk aversion and challenges in valuing non-financial returns. At the same time, financing to MSMEs declined sharply in 2025, falling by 17.6%, reinforcing persistent constraints faced by MSMEs, including high borrowing costs and complex application processes.[12] Yet, MSMEs play a critical role in scaling solutions that expand access to essential services and address inclusion gaps in underserved markets. Venture capital financing can therefore serve a complementary role by channeling capital to early-stage enterprises with longer commercialization timelines, supporting innovation and contributing to broader objectives for inclusive economic development. The moderate relevance also reflects that venture capital financing is not a major portfolio segment for the bank.

The magnitude of this category is assessed as limited. Financing through venture capital is expected to support early-stage enterprises that may deliver social benefits, including job creation and financial inclusion. However, the specific nature of the supported business activities and resulting social outcomes is not clearly defined. The absence of clear thresholds or criteria for job creation or financial inclusion further limits assurance that the financed activities will generate measurable or meaningful socioeconomic outcomes. While the category may facilitate positive indirect impacts through support for innovative and early-stage businesses, these limitations support a limited magnitude assessment.

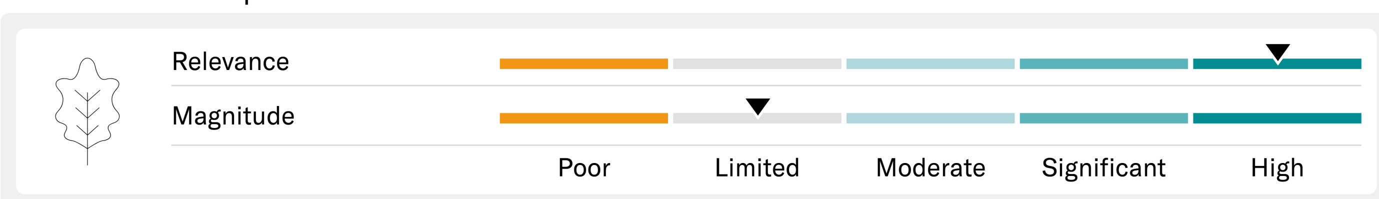
Education and skills development



This relevance of this category is significant. In Indonesia, gaps in education quality and skills development constrain workforce productivity and employability, particularly outside of Java. Learning outcomes remain a challenge, with learning poverty at around 52.8%, alongside persistent disparities between urban and rural areas and skills mismatches in key areas such as digital and technical capabilities.[13] While public investment in education is mandated, overall spending remains relatively low as a share of GDP, highlighting the need for complementary private sector support. However, the overall relevance is moderated by BSI's limited exposure to the education sector in its portfolio.

The magnitude of this category is assessed as moderate, as eligible projects are expected to improve access to education for rural and underserved populations. While there is limited visibility on whether financing will primarily support public or private education providers, the focus on the defined populations supports broader access to education and skills development. Affordability is supported through prudent pricing and alignment with the target segments, which may enhance accessibility for eligible beneficiaries, although the absence of free-of-charge options may limit reach among the most vulnerable groups. Service quality is supported through ESMS screening, compliance with regulatory requirements such as licensing and accreditation, and ongoing monitoring with corrective actions where needed. However, limited information on the design of educational programs and training constrains visibility on expected outcomes. These factors support a moderate magnitude assessment, reflecting meaningful contributions to education access while highlighting limitations in targeting, affordability, and program transparency.

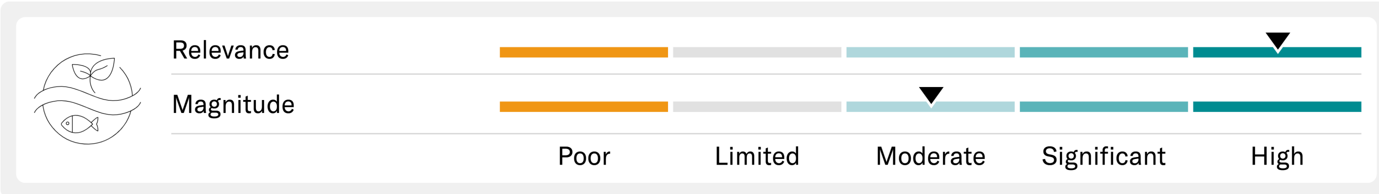
Wastewater and marine pollution reduction



The relevance of this category is high. Marine pollution, particularly from plastics, represents a critical environmental challenge for the country, where mismanaged land-based waste and limited waste and wastewater treatment infrastructure contribute to substantial leakage into the marine environment, estimated at around 346.5 kilotonnes of plastic annually.[14] The government has also set targets to achieve a 70% reduction in marine plastic leakage by 2025 and progress toward near-zero plastic pollution by 2040 through a transition to a circular plastics economy.[15] As a bank with exposure to sectors linked to plastic production and consumption, BSI is positioned to play a pivotal role in channeling capital toward initiatives that support reductions in marine pollution and advance the circular economy transition, underpinning the high relevance of this category.

The magnitude of this category is assessed as limited. While eligible projects are expected to support improvements in wastewater reduction and circular economy, the limited level of technical detail constrains the assessment of expected impact. The wastewater reduction sub-category is broadly defined, with no clear information on eligible technologies or processes, and limited visibility on whether projects are located within defined proximity to coastal areas, which is typically considered in a blue category. In addition, long-term and continuous improvements in wastewater management may involve large-scale construction activities, which could entail significant environmental and social externalities. Similarly, circular economy activities are described broadly, with limited clarity on the specific technologies applied or whether projects are primarily focused on addressing particular waste streams, such as plastics. While a minimum 20% reduction in virgin material use is required, the absence of additional technical thresholds constrains the assessment of expected impact.

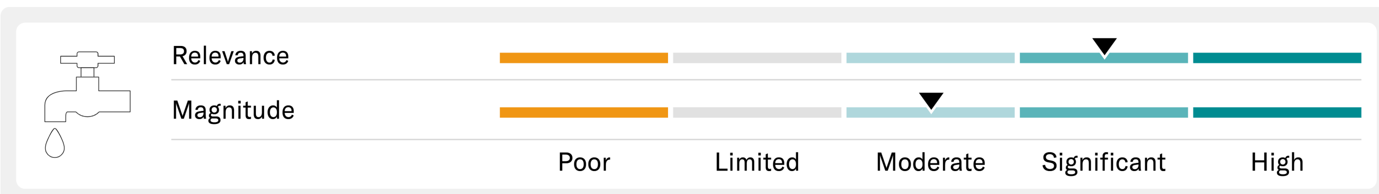
Sustainable fisheries and aquaculture



The relevance of this category is high, as Indonesia's fisheries sector is economically significant and highly exposed to illegal, unreported, and unregulated (IUU) fishing. The country's large exclusive economic zone and rich marine resources make monitoring challenging, resulting in substantial economic losses estimated at IDR 30 to 101 trillion annually.[16] The category is also relevant for the banking sector, given its role in supporting fisheries-related activities and channeling capital toward more sustainable practices, as well as BSI's exposure to this sector.

The magnitude of this category is assessed as moderate, as financed projects are expected to contribute positively to the stated environmental objective over the long term, supported by the issuer's commitment to align projects with Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) certification standards. These certifications promote sustainable fishing practices and responsible aquaculture, and help ensure that associated environmental and social risks are appropriately managed. However, the category remains broadly defined, with limited detail on specific project types or technical thresholds, which constrains the assessment of the expected impact.

Water resources management



The relevance of this category is significant, as water management remains a critical environmental challenge in Indonesia. Water security is a key concern, with significant regional disparities in water availability, high population density, and seasonal variability leading to acute localized water stress, particularly in densely populated areas such as Java. In addition, water-use efficiency remains weak, as reflected in high non-revenue water (NRW) levels of around 30–35%,[17] which are at or above the upper bound of government targets (approximately 20–30%),[18] indicating persistent inefficiencies in water distribution systems. The category's overall relevance for BSI is moderated by the bank's currently limited exposure to the water management sector.

The magnitude of this category is assessed as moderate, as eligible projects are expected to support improvements in sustainable water management, supported by a minimum 20% water efficiency improvement requirement. Eligible activities, such as clean water distribution, reuse, and irrigation systems, are generally associated with limited environmental and social externalities, and the exclusion of desalination projects further reduces exposure to potential risks. However, limited visibility on specific project types and technical criteria constrains the assessment of impact. In particular, for water distribution systems, the absence of more granular performance thresholds, such as leakage reduction or non-revenue water targets, and limited reference to energy efficiency considerations or applicable regulatory standards, reduce clarity on the expected environmental benefits.

Additional contribution to sustainability considerations

We have not made an adjustment to the preliminary contribution to sustainability score based on additional considerations.

BSI demonstrates a structured approach to identify and manage E&S risks associated with the financed projects. The bank has established an Environmental and Social Management System (ESMS), which serves as its due diligence framework for E&S risk identification and management. While BSI has not formally established a dedicated ESG or sustainability committee, the ESMS is embedded within existing governance structures through defined roles and responsibilities across functions and levels. These roles range from the board directors and president director, which provides oversight and strategic direction, including approving ESG and ESMS policies and allocating sufficient resources, to business units and credit analysts, which implement the ESMS in daily operations such as initial borrower assessment, due diligence, monitoring, and escalation of E&S issues to the E&S officer. The ESMS supports the integration of ESG considerations into the bank's decision-making, risk management, and financing activities. The bank's ESG governance is, in principle, implemented in accordance with Financial Services Authority (OJK) Regulation No. 51/POJK.03/2017 (POJK 51) on sustainable finance.

The framework is coherent with the bank's sustainability strategy, as projects to be financed align with its objective of supporting the Sustainable Development Goals (SDGs), the Indonesian Sustainable Finance Taxonomy (TKBI), and Indonesia's Net Zero Emissions target. While BSI has not established its own emissions-related or net zero targets, its sustainable finance activities are also consistent with the strategic direction of their ultimate shareholder Shinhan Bank and their ultimate holding group Shinhan Financial Group, which targets carbon neutrality by 2050.

Appendix 1 - Alignment with principles scorecard for Shinhan Indonesia's sustainable finance framework

<table>
<tr><th>Factor</th><th>Sub-factor</th><th>Component</th><th>Component score</th><th>Sub-factor score</th><th>Factor score</th></tr>
<tr><td rowspan="13">Use of proceeds</td><td rowspan="4">Clarity of the eligible categories</td><td>Nature of expenditure</td><td>A</td><td rowspan="4">Aligned</td><td rowspan="13">Aligned</td></tr>
<tr><td>Definition of content, eligibility and exclusion criteria for nearly all categories</td><td>A</td></tr>
<tr><td>Location</td><td>A</td></tr>
<tr><td>BP: Definition of content, eligibility and exclusion criteria for all categories</td><td>No</td></tr>
<tr><td rowspan="3">Clarity of the objectives</td><td>Relevance of objectives to project categories for nearly all categories</td><td>A</td><td rowspan="3">Aligned</td></tr>
<tr><td>Coherence of project category objectives with standards for nearly all categories</td><td>A</td></tr>
<tr><td>BP: Objectives are defined, relevant and coherent for all categories</td><td>No</td></tr>
<tr><td rowspan="6">Clarity of expected benefits</td><td>Identification and relevance of expected benefits for nearly all categories</td><td>A</td><td rowspan="6">Aligned</td></tr>
<tr><td>Measurability of expected benefits for nearly all categories</td><td>A</td></tr>
<tr><td>BP: Relevant benefits are identified for all categories</td><td>No</td></tr>
<tr><td>BP: Benefits are measurable for all categories</td><td>No</td></tr>
<tr><td>BP: Disclosure of refinancing prior to issuance and in post-allocation reporting</td><td>No</td></tr>
<tr><td>BP: Commitment to communicate refinancing look-back period prior to issuance</td><td>Yes</td></tr>
<tr><td rowspan="4">Process for project evaluation and selection</td><td rowspan="4">Transparency and clarity of the process for defining and monitoring eligible projects</td><td>Clarity of the process</td><td>A</td><td rowspan="4">Best practices</td><td rowspan="4">Best practices</td></tr>
<tr><td>Disclosure of the process</td><td>A</td></tr>
<tr><td>Transparency of the environmental and social risk mitigation process</td><td>A</td></tr>
<tr><td>BP: Monitoring of continued project compliance</td><td>Yes</td></tr>
<tr><td rowspan="5">Management of proceeds</td><td rowspan="5">Allocation and tracking of proceeds</td><td>Tracking of proceeds</td><td>A</td><td rowspan="5">Aligned</td><td rowspan="5">Aligned</td></tr>
<tr><td>Periodic adjustment of proceeds to match allocations</td><td>A</td></tr>
<tr><td>Disclosure of the intended types of temporary placements of unallocated proceeds</td><td>A</td></tr>
<tr><td>BP: Disclosure of the proceeds management process</td><td>No</td></tr>
<tr><td>BP: Allocation period is 24 months or less</td><td>Yes</td></tr>
<tr><td rowspan="9">Reporting</td><td rowspan="9">Reporting transparency</td><td>Reporting frequency</td><td>A</td><td rowspan="9">Aligned</td><td rowspan="9">Aligned</td></tr>
<tr><td>Reporting duration</td><td>A</td></tr>
<tr><td>Report disclosure</td><td>A</td></tr>
<tr><td>Reporting exhaustivity</td><td>A</td></tr>
<tr><td>BP: Allocation reporting at least until full allocation of proceeds, and impact reporting until full bond maturity or loan payback</td><td>Yes</td></tr>
<tr><td>BP: Clarity and relevance of the indicators on the sustainability benefits</td><td>No</td></tr>
<tr><td>BP: Disclosure of reporting methodology and calculation assumptions</td><td>No</td></tr>
<tr><td>BP: Independent external auditor, or other third party, to verify the tracking and allocation of funds</td><td>No</td></tr>
<tr><td>BP: Independent impact assessment on environmental and social benefits</td><td>No</td></tr>
<tr><td colspan="5">Overall alignment with principles score:</td><td>Aligned</td></tr>
</table>

Legend: BP - Best practice, A - Aligned, PA - Partially aligned, NA - Not aligned

Appendix 2 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The thirteen eligible categories included in BSI's framework are likely to contribute to eleven of the United Nations' Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 1: No Poverty	*Affordable housing* *Access to essential services (Including finacial inclusion and microfinance)*	1.4: Ensure all have equal rights to economic resources, access to basic services, property ownership and finance
GOAL 3: Good Health and Well-being	*Access to essential services (Including finacial inclusion and microfinance)*	3.8 Achieve universal health coverage with access to quality and affordable essential health-care services and medicines for all
	Education and skills development	3.C: Increase health financing and promote the recruitment, development and training of the health workforce in emerging markets
GOAL 4: Quality Education	*Education and skills development*	4.3 Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education
GOAL 6: Clean Water and Sanitation	*Access to essential services (Including finacial inclusion and microfinance)*	6.2: Achieve access to adequate sanitation and hygiene for all and end open defecation
	Waste and water management *Water resources management*	6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing hazardous chemicals and materials
	Waste and water management *Water resources management*	6.4: Increase water-use efficiency across all sectors and ensure sustainable supply of freshwater to reduce water scarcity
GOAL 7: Affordable and Clean Energy	*Renewable energy*	7.2: Increase substantially the share of renewable energy in the global energy mix
	Energy efficiency *Green buildings*	7.3: Double the global rate of improvement in energy efficiency
GOAL 8: Decent Work and Economic Growth	*Employment generation and MSME support* *Innovation and entrepreneurship (Venture capital support)*	8.3: Promote policies that support productivity, job creation, entrepreneurship, innovation, and encourage the growth of SMEs
GOAL 9: Industry, Innovation and Infrastructure	*Clean transportation*	9.1: Develop sustainable infrastructure to support economic development and human well-being, focusing on equitable access
	Employment generation and MSME support	9.3: Increase SMEs' access to finance, and their integration into value chains and markets, particularly in emerging markets
	Energy efficiency	9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 11: Sustainable Cities and Communities	*Affordable housing*	11.1: Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
	Clean transportation	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all
GOAL 12: Responsible Consumption and Production	*Waste and water management*	12.4: Achieve environmental management of chemicals and all wastes, and reduce their release to air, water and soil
	Waste and water management	12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse
GOAL 13: Climate Action	*Waste and water management*	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
	Green buildings	Measures to reduce GHG emissions contribute to climate action under SDG 13
GOAL 14: Life Below Water	*Wastewater and marine pollution reduction*	14.1 Prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities
	Sustainable fisheries and aquaculture	14.6: Prohibit certain forms of fisheries subsidies contributing to overfishing and eliminate subsidies leading to unregulated fishing

The United Nations' Sustainable Development Goals (SDGs) mapping in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the bank's sustainable finance framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 3 - Summary of eligible categories in BSI's framework

Eligible Categories	Sub-categories	Description	Sustainability Objectives	Impact Reporting Metrics
Renewable energy	Solar Power (PV & CSP)	- Electricity generation must be 100% derived from solar energy. - CSP projects must include water risk assessment under EIA/AMDAL. - Water use must be efficient and managed sustainably. - Lifecycle emissions must be significantly lower than fossil-based generation. - Projects must comply with Indonesian environmental regulations and IFC Performance Standards where applicable.	Climate change mitigation	- Renewable energy capacity installed (MW)
	Wind Power (Onshore & Offshore)	- Projects must generate electricity exclusively from wind resources. - Offshore wind projects must include EIA/AMDAL covering marine biodiversity and ecosystem risks. - Projects must avoid significant habitat destruction and impacts on critical biodiversity areas.		
	Hydropower	- Projects must meet at least one threshold: lifecycle emissions ≤50 gCO_2e/kWh, or ≤100 gCO_2e/kWh (pre-2020), or power density >10 W/m^2. - Projects must include environmental and social impact assessments. - Projects must implement biodiversity protection and water flow management measures.		
	Geothermal	- Direct emissions must be <100 gCO_2e/kWh. - Projects must include reinjection of geothermal fluids where feasible. - Projects must implement environmental monitoring and mitigation plans.		
	Green Hydrogen & Ammonia	- Production must be based on electrolysis powered by 100% renewable energy. - Lifecycle emissions must be ≤3 tCO_2e/tH_2 or aligned with recognized standards. - Renewable electricity must be physically sourced or contractually verified (e.g., PPA or certified RECs). - End-use must support decarbonization such as transport, industry, or energy storage.		
Clean transportation	Zero-Emission Vehicles	- Vehicles must be battery electric vehicles (BEV) or hydrogen fuel cell vehicles (FCEV). - Hydrogen used must be derived from renewable-based electrolysis. - Vehicles must have zero direct (tailpipe) emissions.	Climate change mitigation	- Estimated annual GHG emissions reduced or avoided (tCO_2e/year)
	Charging & Refueling Infrastructure	- Infrastructure must use ≥85% renewable electricity. - Renewable share must be calculated based on annual average consumption. - Renewable sourcing must be physically delivered or contractually verified.		
	Public Transport Electrification	- All financed fleets must consist of zero-emission vehicles. - Eligible assets include electric buses, electric rail, and electric logistics fleets.		

Eligible Categories	Sub-categories	Description	Sustainability Objectives	Impact Reporting Metrics
Energy efficiency	Building Retrofitting	- Projects must achieve ≥20% reduction in energy consumption. - Baseline must be based on historical data (minimum 1 year) or industry benchmarks. - Improvements must be supported by energy audits or engineering assessments.	Climate change mitigation	- Energy savings achieved (%)
	Advanced Manufacturing Technologies	- Projects must achieve ≥20% reduction in energy consumption or energy intensity. - Measurement must be based on operational data such as kWh/unit output or total consumption. - Eligible technologies include heat recovery, electrification, automation, and high-efficiency equipment.		
	Energy Efficient Equipment	- Equipment must meet recognized energy efficiency labels or standards. - Projects must demonstrate ≥20% efficiency improvement compared to baseline. - Performance should be supported by technical documentation or third-party verification where applicable.		
Waste and water management	Construction or upgrade of Wastewater Treatment	- Projects must comply with Indonesian discharge standards or IFC EHS Guidelines. - Projects must demonstrate measurable improvement compared to baseline conditions. - Improvements may include reduced untreated discharge, improved water quality, or increased treatment capacity.	Pollution prevention and control	- Water saved, treated, or reused (m^3/year); Waste diverted from landfill (tons/year)
	Recycling & Waste Reduction	- Projects must follow the waste hierarchy of prevention, reuse, recycling, and recovery. - Landfill-based activities are excluded. - Feedstock must be limited to non-hazardous waste.		
	Waste-to-Energy	- Projects must achieve ≥25% energy efficiency. - Projects should align with emissions thresholds such as <100 gCO_2e/kWh where applicable. - Projects must not undermine recycling or waste reduction efforts.		
	Water Efficiency	- Projects must achieve ≥20% reduction in water use. - Baseline must be based on historical consumption or engineering estimates.		
Green buildings	Construction/ Acquisition	- Buildings must achieve EDGE certification with ≥20% savings or LEED/Greenship Gold or above. - Certification must be verified by an accredited third party.	Climate change mitigation	- Number or total area of certified green buildings financed (m^2)
	Renovation/ Retrofitting	- Projects must achieve ≥20% energy savings. - Projects must achieve ≥20% water savings. - Improvements must be measurable and documented.		

Eligible Categories	Sub-categories	Description	Sustainability Objectives	Impact Reporting Metrics
Affordable housing	Affordable housing	- Financing and/or refinancing of affordable housing loans (KPR) targeted at low and middle-income households, as defined in accordance with Bank Indonesia (BI) and/or Badan Pusat Statistik (BPS) income classification and applicable government housing programs. - Eligible projects are those explicitly designed to meet affordability criteria, including income thresholds, pricing limits, or eligibility requirements established by relevant authorities. - Luxury housing and high-end residential developments are excluded under this category. - Affordability is assured through adherence to government program criteria (e.g., FLPP, subsidized KPR) or internal credit assessment that ensures loan installments do not exceed a reasonable percentage of borrower income. Note: Refer to BI/BPS classification of households by income level (low-income, middle-income) as published on their official websites : https://www.bi.go.id and https://www.bps.go.id	Affordable housing	- Number of affordable housing loans supported
Employment generation & MSME support	MSME Financing	- Financing and/or refinancing for Micro, Small and Medium Enterprises (MSMEs), as defined under OJK Regulation No. 7/POJK.03/2021 and/or applicable Indonesia regulations, including working capital loans and expansion financing. - Eligible financing is targeted at MSMEs operating in priority and productive sectors of the Indonesian economy, including but not limited to agriculture, manufacturing, logistics, trade and services, in line with relevant government policies and development priorities (e.g., RPJMN/National Medium-Term Development Plan). - The target population includes formally registered MSMEs in Indonesia, with a focus on: • MSMEs owned or managed by women; • MSMEs owned or managed by youth; • MSMEs located in underserved or remote regions (e.g., Eastern Indonesia, Papua, Kalimantan, Nusa Tenggara); and • MSMEs that provide employment opportunities for persons with disabilities, where feasible. - Financing for conventional vehicles (non-EV) is permitted only when used for productive business purposes by eligible MSMEs (e.g., logistics, public transport, delivery services). - Financing under this category is targeted at MSME borrowers and does not include financing to large corporates.	Employment generation	- Number of MSMEs supported

Eligible Categories	Sub-categories	Description	Sustainability Objectives	Impact Reporting Metrics
Access to essential services (including finacial inclusion & microfinance)	Healthcare, Water, ICT	Financing and/or refinancing of projects and service providers that improve access to essential services for underserved and vulnerable populations in Indonesia, including low-income households, rural communities, women and informal sector participants. Eligible activities: - Healthcare services (hospitals, clinics, mobile clinics) - Clean water, sanitation, and WASH infrastructure - Financing to OJK-licensed microfinance institutions, multi-finance companies, P2P platforms - Microenterprise loans, micro-housing, WASH financing, agriculture loans, women-focused programs - Digital/ICT-enabled services (health, education, financial services – excluding pure entertainment) - Education & skills development (vocational schools, training centers, edutech, digital literacy) - Conventional vehicles (non-EV) only for ambulances, mobile health units, water service vehicles, community transport Target population: - Low-income households (BI/BPS) - Rural communities (villages/desa per BPS) - Underserved regions (Eastern Indonesia, Papua, Kalimantan, Nusa Tenggara) - Women - Informal sector participants - Low-income students and youth Affordability: reviewed via pricing/fee policies (free, subsidized, capped fees, scholarships). Responsible lending: subject to OJK consumer protection and internal ESG/credit policies.	Access to essential services	- Number of beneficiaries with improved access to essential services; - Average loan size; Share of women beneficiaries (%) and Share of rural or non-urban beneficiaries (%)
Innovation & entrepreneurship (venture capital support)	Financing to Venture Capital Support	- Must support early-stage enterprises delivering social benefits. - Must contribute to job creation or financial inclusion.	Socioeconomic advancement and empowerment	- Number of healthcare, water, or sanitation facilities supported
Education & skills development	Education & skills development	- Financing for vocational school, training centers, and higher education institutions - Education-related enterprises (edutech, digital literacy programs, entrepreneurship training). - Projects must target underserved populations. - Institutions must comply with accreditation standards. - Service quality must be monitored.	Access to essential services	- Number of underserved or unbanked clients reached
Wastewater and marine pollution reduction	Wastewater Reduction	- Projects must demonstrate measurable reduction in discharge compared to baseline. - Improvements must be long-term and continuous.	Pollution prevention and control	- Water quality improvement
	Circular Economy	- Projects must achieve ≥20% reduction in virgin material use or equivalent efficiency improvement. - Eligible activities include recycling, material recovery, and circular production processes.		

Eligible Categories	Sub-categories	Description	Sustainability Objectives	Impact Reporting Metrics
Sustainable fisheries and aquaculture	Sustainable fisheries and aquaculture	- Financing for aquaculture and fisheries operations that are certified or verifiably sustainable, promoting responsible resources use and ecosystem protection. - Projects must align with recognized certifications such as MSC, ASC, or equivalent. - Projects must exclude illegal, unreported, and unregulated fishing practices. - Projects must comply with Indonesian regulations.	Environmentally sustainable management of living natural resources and land use	- Sustainable resource management
Water resources management	Water resources management	- Projects that improve efficiency of clean water distribution, reuse or irrigation systems - Projects must achieve ≥20% improvement in water use efficiency. - Baseline must be based on operational data such as water use, NRW, or irrigation efficiency. - Community-based or corporate initiatives that strengthen watershed management and enhance climate resilience.	Sustainable water and wastewater management	- Pollution reduction

Endnotes

1 Point-in-time assessment is applicable only on date of assignment or update.

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