Shinhan Bank

Bank Shinhan Indonesia Sustainable Finance Framework

Environmental

Social

Governance

TABLE OF CONTENT

About PT Bank Shinhan Indonesia

PT Bank Shinhan Indonesia (BSI) is a subsidiary of Shinhan Bank, one of the leading commercial banks in South Korea and part of Shinhan Financial Group. BSI provides financial solutions for corporate, commercial, SME, and consumer segments in Indonesia through services such as loans, deposits, remittance, export-import, and electronic banking. The Bank strategically focuses on corporate clients, with corporate loans representing the majority of its loan portfolio, while continuing to expand services to SMEs and retail customers. With branch and sub-branch offices across Indonesia, BSI is positioned as a trusted financial partner that combines the strength of a global banking group with a deep understanding of the local market.

To ensure sustainable practices in its operations, BSI has adopted an Environmental and Social Management System (ESMS). The ESMS forms part of the Bank's overall management system, particularly relevant to eligible social sub-projects, and is integrated into core banking operations. It defines the scope of application, roles and responsibilities, practices and procedures, as well as resources and tools for evaluating and managing environmental and social (E&S) risks and impacts associated with financing activities.

ESG Context and Positioning in the Banking Sector

The adoption of Environmental, Social, and Governance (ESG) principles has become a defining standard for modern banking. ESG ensures that financing activities are not only profitable but also environmentally responsible, socially inclusive, and governed with integrity. For BSI, ESG integration strengthens business resilience, reduces long-term risks, and builds stakeholder trust in a rapidly changing financial ecosystem.

Globally, financial institutions are expected to play a leading role in achieving the Paris Agreement and the United Nations Sustainable Development Goals (SDGs). This requires shifting capital flows toward renewable energy, sustainable infrastructure, and low-emission mobility. Studies estimate that more than USD 100 trillion in sustainable investment will be needed by 2050 to achieve net-zero targets, creating both opportunities and responsibilities for the banking sector.

In Indonesia, sustainable finance is reinforced by an evolving regulatory framework led by the Financial Services Authority (OJK), Bank Indonesia (BI), and the Government of Indonesia. Key regulations include POJK 51/2017 on Sustainable Finance, which mandates Sustainable Finance Action Plans (RAKB) and Sustainability Reports; POJK 17/2023 on banking governance, which emphasizes climate risk management and board diversity; POJK 18/2023 governing Green Bonds, Social Bonds, Sustainability-Linked Bonds (SLBs), and Sukuk; as well as POJK 14/2023 concerning the implementation of carbon trading through the Carbon Exchange (IDXCarbon). In addition, Presidential Regulation (Perpres) No. 110 of 2025 provides high-level guidance on Carbon Economic Value (Nilai Ekonomi Karbon/NEK), while Bank Indonesia Regulation PBI 11/2023 introduces reserve requirement (GWM) incentives for banks expanding green financing portfolios. The implementation of sustainable finance is further supported by the Indonesian Green Taxonomy (TKBI Version 2 & 3), which serves as the technical classification framework for environmentally sustainable economic activities. Complementing these frameworks are government initiatives such as Presidential Regulation No. 55 of 2019 on accelerating the adoption of electric vehicles. Collectively, these policies support Indonesia's ambition to reduce carbon emissions by 31.89% (unconditional) and 43.20% (conditional) by 2030, and to achieve Net Zero Emissions by 2060.

Recognizing these global and national imperatives, BSI views ESG as an integral part of its long-term growth strategy. The Bank is committed to:

- Embedding sustainability into governance and culture.
- Driving green and social financing that support low-carbon transition and inclusive growth, including:
  - ✓ Green Financing : Renewable energy, clean transportation, energy efficiency, green buildings and sustainable water and waste management;
  - ✓ Social Financing : affordable housing, MSME support including agriculture and productive sectors), access to essential services (healthcare, clean water, financial inclusion), education and skills development.
- Supporting social impact initiatives such as financial literacy, employee development, and community empowerment.
- Implementing transparent risk management aligned with international standards (Equator Principles, IFC Performance Standards, and TCFD).

Through these commitments, BSI positions itself not only as a financial institution but also as an enabler of Indonesia's transition to a low-carbon, inclusive, and sustainable economy.

ESG Governance

BSI's ESG governance is guided by OJK Regulation No. 51/POJK.03/2017 on the Implementation of Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies. The Bank applies the following principles:

- Responsible investment.
- Sustainable business strategy and practices.
- Social and environmental risk management.
- Governance.
- Informative communication.

- Inclusivity.
- Priority sector development.
- Coordination and collaboration.

BSI's 2025 Sustainability Report reaffirms its commitment to advancing sustainable finance as a strategic approach to achieving long-term financial performance while balancing environmental, social, and governance (ESG) considerations. The Bank recognizes sustainability as a key driver to strengthen competitiveness, resilience, and long-term value creation, while contributing to national economic development and environmental preservation. ESG governance is overseen by management through structured roles and responsibilities, ensuring that sustainability considerations are embedded into decision-making processes, risk management, and day-to-day operations across the organization.

BSI implements its sustainable finance commitment through the application of prudent banking principles in all business activities, the promotion of environmentally friendly and resource-efficient operations, and the continuous development of employee competencies related to social and environmental issues. The Bank also emphasizes financial inclusion by expanding access to financial services for underserved and remote communities, while actively participating in initiatives aimed at improving community welfare and supporting inclusive economic growth.

PT Bank Shinhan Indonesia Sustainability Philosophy

At PT Bank Shinhan Indonesia (BSI), sustainability is not a separate initiative but an integral part of how we create long-term value for all stakeholders. Guided by the sustainability vision and group-wide priorities of Shinhan Financial Group and aligned with Indonesia's national sustainable finance agenda, BSI embeds Environmental, Social and Governance (ESG) principles into its business strategy, risk management, and day-to-day operations. Group-Level sustainability priorities and targets are cascaded to the Bank through governance, policies and portfolio-level implementation, taking into account local market conditions and regulatory requirements.

We believe that sustainable finance is the foundation for resilient growth. This means:

- Responsible Decision-Making – integrating ESG considerations into lending, investment, and operational strategies.
- Inclusive Relationships – building meaningful partnerships with customers, employees, regulators, and communities to promote shared prosperity.
- Innovative Solutions – developing products and services that support the low-carbon transition, financial inclusion, and sustainable development.
- Resilient Business – ensuring that long-term profitability is aligned with environmental stewardship, social responsibility, and strong governance.

Through this philosophy, PT Bank Shinhan Indonesia (BSI) seeks to be more than a financial intermediary. We aim to be a catalyst of positive change—enabling Indonesia's transition toward a sustainable economy while upholding trust, transparency, and impact.

PT Bank Shinhan Indonesia Sustainability Finance Framework

PT Bank Shinhan Indonesia (BSI) adopts this Sustainable Finance Framework as a guiding reference to ensure that its financing activities are aligned with international sustainability standards and Indonesia's national agenda on sustainable finance. Unlike some financial institutions, BSI does not currently plan to issue Green, Social, or Sustainability Bonds and Loans ("Sustainable Financing Instruments"). Instead, this Framework serves as an internal governance and strategic tool to embed sustainability into the Bank's financing decisions and operational processes.

In line with global best practices and local regulatory requirements, including OJK Regulation No. 51/POJK.03/2017 on sustainable finance and POJK No

18/POJK.04/2023 on the issuance and requirements of Sustainability-Based Debt Securities and Sukuk, this Framework is anchored on the following principles and guidelines. The principles of POJK 18/2023 are adopted as best practices for BSI's sustainable loan framework:

- International Capital Market Association (ICMA) Green Bond Principles (GBPs) 2025, Social Bond Principles (SBPs) 2025, and Sustainability Bond Guidelines (SBGs) 2021 (adapted for internal financing purposes).
- Loan Market Association (LMA) Green Loan Principles (GLPs) 2025 and Social Loan Principles (SLPs) 2025.
- ASEAN Capital Markets Forum (ACMF) ASEAN Green Bond Standards (ASEAN GBS, 2018), ASEAN Social Bond Standards (ASEAN SBS, 2018), and ASEAN Sustainability Bond Standards (ASEAN SUS, 2018).
- IFC Blue Finance Guidance version 2.0 (2025), applied to eligible Blue Finance categories under this framework. Where applicable, the ICMA Blue Bond Guidance (2025) is used as a supplementary reference.
- the Indonesia Taxonomy for Sustainable Finance (TKBI) version 3 issued by the Financial Services Authority (OJK).

Project eligibility under this Framework is assessed with reference to applicable sustainability taxonomies, including the Indonesian Green Taxonomy (2022) and relevant ASEAN standards. Other international taxonomies (such as the EU Taxonomy) may be referenced, where relevant, for benchmarking purposes only. Further details on the application of taxonomies in project selection are provided in section 2 (Project Evaluation and Selection process).

The Framework is presented through the four core components:

1. Use of Proceeds

PT Bank Shinhan Indonesia provides sustainable financing under this Framework through the following approaches:

1. Project-Level Financing

   Financing is provided directly to eligible projects or assets, including capital expenditure (CAPEX), operational expenditure (OPEX), and, where applicable, research and development (R&D), provided such expenditures meet the eligibility criteria defined in this Framework.
2. Corporate-Level Financing (Use-of-Proceeds Based)

   Financing may be extended to corporate borrowers, provided that:
   - The proceeds are fully allocated to eligible projects or activities, and
   - The Bank ensures clear tagging and monitoring of the use of proceeds.
3. Pure-Play Financing

   The Bank may provide general corporate financing to companies that:
   - Derive at least 90% of their revenues from eligible green, social, or blue activities under this Framework, and
   - The remaining activities do not conflict with the Bank's exclusion criteria or sustainability objectives.
   - The following categories represent sectors and activities eligible for financing under the sustainable Finance Portfolio of PT Bank Shinhan Indonesia

PT Bank Shinhan Indonesia ensures that 100% of the financing amount provided under this Framework is allocated exclusively to eligible projects or activities that meet the applicable eligibility criteria. The allocation may be conducted either at the individual project level or through a portfolio-based approach, whereby sustainable financing is matched against a pool of eligible assets maintained and monitored by the Bank. The Bank applies internal tracking and monitoring processes to ensure transparency, traceability, and continued alignment with the objectives of this Framework.

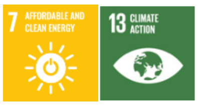
Eligible clients under this Framework include borrowers undertaking projects or activities that meet the Framework's eligibility criteria, as well as pure-play entities deriving at least 90% of their revenues from eligible green, social, or blue activities. All eligible clients are subject to the Bank's Environmental and Social Management System (ESMS), exclusion list screening, and applicable environmental and social laws and regulations. The Bank also conducts internal review and due diligence processes to assess alignment with the Framework and relevant sustainability standards.

The Bank's sustainable financing activities under this Framework are primarily limited to lending-based instruments. Equity investments are currently not a core component of the Framework.

The following categories represent sectors and activities eligible for financing and/or refinancing under the sustainable Finance Portfolio of PT Bank Shinhan Indonesia. Refinancing, where applicable, may include eligible assets originated within a look-back period of up to 12 months prior to the date of allocation under this framework.

At this stage, the Bank does not specify an expected share of financing versus refinancing. While no fixed share is set at this stage, the bank will disclose the actual proportion of financing versus refinancing in its annual sustainability or impact reporting. Relevant information on the allocation of proceeds, including the proportion of financing and refinancing, will be disclosed in the Bank's annual sustainability or impact reporting.

Green Categories

Category	Sub-Category	Eligibility Criteria
Renewable Energy  Objective: Climate Change Mitigation SDG Goals: SDG 7, SDG 13 SDG Targets: • 7.2 Increase share of renewable energy • 13.1 Strengthen climate resilience and mitigation Rationale: Supports transition to low-carbon energy systems General Eligibility: Projects related to the production, transmission, distribution, and storage of renewable energy from renewable sources, including subcategories stated in sub-category column of this category.	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.
	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 Objective: Climate Change Mitigation SDG Goals: SDG 11, SDG 13 SDG Targets: • 11.2 Sustainable transport systems • 13.1 Climate mitigation Rationale: Reduces emissions from mobility sector General Eligibility: Projects that enable low-carbon and zero-emission mobility, including subcategories stated in sub-category column of this category.	Acquisition, operation, and maintenance 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.
	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.
Energy Efficiency Objective: Climate Change Mitigation SDG Goals: SDG 7, SDG 9 SDG Targets: • 7.3 Double energy efficiency improvement rate • 9.4 Upgrade infrastructure for sustainability Rationale: Reduces energy consumption and emissions General Eligibility: Projects that improve energy efficiency in industrial, commercial or SME operations, including subcategories stated in sub-category column of this category.	Building Retrofitting (HVAC, lighting, insulation)	• 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.
	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 & Water Management Objective: Pollution Prevention and Control SDG Goals: SDG 6, SDG 12, SDG 14 SDG Targets: • 6.3 Improve water quality • 12.5 Reduce waste generation • 14.1 Reduce marine pollution Rationale: Improves resource efficiency and reduces pollution	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.
	Recycling & Waste Reduction	• Projects must follow the waste hierarchy of prevention, reuse, recycling, and recovery.

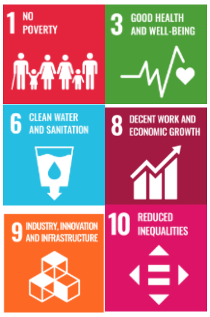
General Eligibility: Projects that promote efficient use of water and responsible waste management, such as subcategories stated in sub-category column of this category.		• Landfill-based activities are excluded. • Feedstock must be limited to non-hazardous waste.
	Waste-to-Energy	• Projects must achieve ≥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 Objective: Climate Change Mitigation SDG Goals: SDG 7, SDG 11 SDG Targets: • 7.3 Energy efficiency • 11.6 Reduce environmental impact of cities Rationale: Reduces energy use in built environment	Financing for the 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.
	Financing for the Renovation/ Retrofitting	• Projects must achieve ≥20% energy savings. • Projects must achieve ≥20% water savings.

		• Improvements must be measurable and documented.

Social Categories

Category	Sub-Category	Eligibility Criteria
Affordable Housing Objective: Affordable Housing SDG Goals: SDG 1, SDG 11 SDG Targets: • Access to basic services and economic resources • 11.1 Access to adequate housing Rationale: Improves access to housing for underserved groups	General	• 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
Employment Generation & MSME Support Objective: Employment Generation SDG Goals: SDG 8, SDG 9 SDG Targets: • 8.3 Support SMEs and job creation • 9.3 Increase access to financial services for SMEs Rationale: Drives inclusive economic growth	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.
Access to Essential Services (Including Financial 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:**

Objective: Access to Essential Services SDG Goals: SDG 1, 3, 6, 8, 9, 10 SDG Targets: • 1.4 Access to financial services • 3.8 Access to healthcare • 6.1 Safe drinking water • 10.2 Social inclusion Rationale: Expands access to critical services		• 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.
Innovation & Entrepreneurship Objective: Socioeconomic Advancement SDG Goals: SDG 8, SDG 9 SDG Targets: • 8.2 Economic productivity through innovation • 9.5 Enhance research and innovation Rationale: Supports innovation-driven growth	Financing to Venture Capital Companies	• Must support early-stage enterprises delivering social benefits. • Must contribute to job creation or financial inclusion.
Education & Skills Development	General	• Financing for vocational school, training centers, and higher education institutions

Objective: Access to Essential Services SDG Goals: SDG 4, SDG 8 SDG Targets: • 4.3 Access to education and training • 4.4 Skills for employment Rationale: Enhances human capital		• 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.

Blue Categories

Category	Sub-Category	Eligibility Criteria
Wastewater & Marine Pollution 6 CLEAN WATER AND SANITATION 14 LIFE BELOW WATER Objective: Pollution Prevention and Control SDG Goals: SDG 6, SDG 14 SDG Targets: • 6.3 Improve water quality • 14.1 Reduce marine pollution	Wastewater Reduction	• Projects must demonstrate measurable reduction in discharge compared to baseline. • Improvements must be long-term and continuous.
	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.

Rationale: Reduces water pollution and protects oceans		
Sustainable Fisheries & Aquaculture Objective: Sustainable Natural Resource Management • SDG Goals: SDG 12, SDG 14 • SDG Targets: • 12.2 Sustainable resource use • 14.4 Sustainable fisheries Rationale: Ensures sustainable marine resource use	General	• 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.
Water Resources Management Objective: Sustainable Water Management SDG Goals: SDG 6, SDG 14 SDG Targets: • 6.4 Increase water-use efficiency	General	• 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.

• 6.5 Integrated water management Rationale: Improves water efficiency and resilience		

Exclusion List

The following exclusion list is adapted from the IFC Exclusion List and BSI's internal ESG policy. Financing will not be provided (directly or indirectly) to projects, businesses, or activities that involve:

1. Illegal Products and Activities

    Production or trade in any product or activity deemed illegal under host country laws or regulations, international conventions, or agreements, or subject to international bans (e.g., pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs, wildlife or products regulated under CITES).

2. Weapons and Munitions

    - Production or trade in weapons, munitions, or military contracting.
    - Illegal arms and ammunition, including illegal arms trade.
    - Terrorism-related activities.

3. Alcohol, Tobacco, and Gambling

    - Production or trade in alcoholic beverages (excluding beer and wine).
    - Production or trade in tobacco.
    - Gambling, casinos, horse racing, and equivalent enterprises.

4. Harmful Materials and Substances

- Production or trade in radioactive materials (except medical equipment, quality control equipment, and trivial/adequately shielded sources).
- Production or trade in unbonded asbestos fibers (except bonded asbestos cement sheeting with <20% asbestos content).
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial-scale use of hazardous chemicals (including gasoline, kerosene, and other petroleum products).

5. Human Rights Violations

- Production or activities involving harmful or exploitative forms of forced labor or harmful child labor.
- Human rights violations, including human trafficking, sexual exploitation, and pornography.
- Activities that impinge on lands owned or claimed under adjudication by Indigenous Peoples, without full documented consent of such peoples.

6. Environmental Harm

- Drift net fishing in the marine environment using nets longer than 2.5 km.
- Commercial logging operations for use in primary tropical moist forests.
- Production or trade in wood or other forestry products not sourced from sustainably managed forests.
- Illegal logging activities.
- New peatland clearing.
- Coal-related activities (coal mining, coal-fired power plants, transportation, and distribution, as well as infrastructure dedicated to coal).
- Oil & Gas exploration, extraction, generation, distribution, and transportation.

- Other businesses that cause significant environmental harm, disrupt protected areas, or impact UNESCO World Heritage Sites.

7. Other Restricted Sectors

- The sale and production of narcotics and illegal drugs.
- Nightclubs, prostitution, Turkish baths, massage parlors, and other activities violating public moral norms.
- Non-certified palm oil and palm oil products (only Roundtable on Sustainable Palm Oil – RSPO certified palm oil is permitted).
- K–12 educational facilities.
- Hydropower projects or Category A Activities (projects classified as having significant adverse environmental and social risks and impacts).
- Any other businesses that do not comply with government regulations or international standards.

2. Project Evaluation and Selection Process

PT Bank Shinhan Indonesia (BSI) has established a governance structure to oversee the implementation of this Sustainable Finance Framework and ensure that financed assets remain aligned with the Framework's environmental and social objectives. The governance structure is supported by the Bank's Environmental and Social Management System (ESMS), which is used to identify, assess, manage, and monitor environmental and social risks associated with financed activities.

Under this Framework, only projects and activities that (i) meet the eligibility criteria defined in Section 1 (Use of Proceeds); (ii) are not included in the Exclusion List; and (iii) successfully pass the Bank's environmental and social screening process, may be included in the Sustainable Finance Portfolio. The Framework applies to both financing and refinancing activities.

Governance Structure

The implementation of this Framework is overseen through the following governance structure:

Role	Responsibility
Board Directors / President Director	Provides overall oversight and strategic direction, approves sustainability-related policies, and ensures sufficient resources for implementation of the Framework and ESMS.
E&S Officer	Oversees implementation of the Framework and ESMS, reviews environmental and social assessments, supports business units, and provides recommendations regarding eligible assets.
Credit Policy & Control	Ensures that Framework requirements and ESMS procedures are incorporated into credit processes and remain aligned with applicable regulations and internal policies.
Business Unit & Credit Analyst (Branch Managers, Relationship Managers, Credit Analyst)	Conduct initial screening of borrowers and projects, collect required documentation, perform preliminary assessments, and escalate material environmental and social issues.
Credit Legal	Ensures environmental and social requirements are appropriately reflected in financing documentation and contractual arrangements.
Strategic Planning	Maintains the Sustainable Finance Portfolio Register, monitors portfolio composition, supports allocation and reporting activities, and coordinates Framework reviews.
Credit Approval Committee (CAC)	Reviews financing proposals and provides final approval for inclusion of eligible assets in the Sustainable Finance Portfolio, taking into

	consideration recommendations from the E&S Officer and relevant functions.

Environmental and Social Management System (ESMS)

BSI applies an Environmental and Social Management System (ESMS) across its financing activities to ensure that financed projects comply with applicable Indonesian regulations, relevant international standards, and the Bank's sustainability objectives. The ESMS is documented in the Bank's ESMS Standard Operating Procedure (SOP).

The ESMS supports the implementation of this Framework by providing a structured process for environmental and social risk identification, assessment, mitigation, and monitoring.

Evaluation and Selection Flow

2.1 Initial Screening

- All financing proposals are screened against the Eligibility Criteria and Exclusion List defined under this Framework.
- Proposals that do not meet the eligibility requirements are excluded from the Sustainable Finance Portfolio.
- Eligible proposals proceed to environmental and social assessment.

2.2 Environmental and Social Risk Assessment

- BSI reviews whether the borrower has a history of material environmental or social incidents, regulatory breaches, or significant controversies.
- Environmental and social risks are assessed based on industry sector, project characteristics, geographic location, and potential impacts.

- Risks are categorized as Low, Medium, or High according to their severity and likelihood
- Where material risks are identified, borrowers may be required to implement an Environmental and Social Action Plan (ESAP) before approval or as a condition precedent to disbursement.

2.3 Social Eligibility Assessment

The Social Component is intended to support:

- MSMEs as defined under OJK Regulation No. 7/POJK.03/2021.
- Eligible financing institutions licensed by OJK, including Multi-Finance Companies, Venture Capital Companies, Microfinance Institutions, and P2P Lending Platforms.

The Principal Loan amount at origination shall not exceed USD 1.000.000 (One million dollars) or the equivalent in IDR, consistent with the Framework's social eligibility requirements.

For on-lending activities through financial intermediaries, BSI requires contractual arrangements and periodic reporting to ensure proceeds are allocated exclusively to eligible social activities.

2.4 ESMS Due Diligence

- The Credit Analyst and ESG team conduct due diligence, including compliance with Indonesian regulations (POJK 51/2017, Indonesian Green Taxonomy), and International standards (IFC Performance Standards, Equator Principles, TCFD).
- Site visits may be conducted if necessary to verify compliance.
- Assessment covers:
    - Environmental Risk and Impact: compliance with regulations, climate-related risk mitigation, alignment with Indonesia's NZE 2060 target.

  - Social Risk and Impact: impacts on human rights, labor standards, occupational health and safety, and community well-being.

2.5 Approval and Documentation

- Projects that meet E&S requirements proceed with all ESMS-related documentation.
- Final authority to include an asset in the Eligible Asset Pool rests with the Credit Approval Committee (CAC), with recommendation from the E&S Officer.
- Results are provided to Credit Evaluation and Lending teams as supporting documentation for approval.

2.6 Ongoing Monitoring

- BSI monitors significant changes in borrower activities and conducts a semi-annual review of the Sustainable Finance Portfolio.
- Additional event-driven monitoring is triggered by material E&S incidents or complaints, as reported by the borrower or identified by the Relationship Manager.
- The Business Unit (Relationship Manager) is responsible for monitoring, with oversight from the E&S Officer.
- If a project no longer meets E&S standards, financing will be reallocated to other eligible assets. Reallocation is recorded in the Sustainable Finance Portfolio Register by Strategic Planning and occurs as soon as reasonably practicable upon identification of non-compliance.

Review of Eligibility Criteria and Exclusion List

The Eligibility Criteria and Exclusion List are reviewed at least annually, or more frequently if required by regulatory developments, market practices, or internal policy updates. Ownership of the review process resides with Credit Policy & Control and the E&S Officer.

3. Management of Proceeds

PT Bank Shinhan Indonesia (BSI) will establish and maintain an internal process to ensure that financing allocated to sustainable projects is properly tracked, monitored, and reported. The Bank will manage these proceeds through a Sustainable Finance Portfolio Register, integrated with ESMS monitoring.

The Bank aims to allocate the majority of proceeds within 12 months of disbursement, with a maximum allocation period of 24 months.

Key principles of proceeds management include:

Tracking and Allocation

- All eligible sustainable loans and financing will be recorded in the Sustainable Finance Portfolio Register.
- The register will capture key details such as borrower name, project category (Green, Social or blue), amount allocated, and outstanding balance.
- Proceeds will be allocated on a portfolio basis, ensuring that the total amount of sustainable financing is equal to or greater than the outstanding balance of eligible assets.
- Borrower-level controls are implemented to ensure that financing provided under this Framework is used for eligible projects and activities. These may include use-of-funds verification, contractual covenants, or periodic reporting requirements, as applicable.

Temporary Holding

- Pending full allocation, unallocated proceeds may be temporarily placed in cash, money market instruments or other liquid assets.
- Such temporary holdings will not be invested in activities that conflict with the exclusion list (see Section 1 - Exclusion List) or the sustainability objectives of the framework.

Reallocation

- If a financed project no longer meets the eligibility criteria (e.g., due to changes in business activities or regulatory non-compliance), the Bank will reallocate the proceeds to other eligible projects as soon as reasonably practicable.
- Reallocation is recorded in the Sustainable Finance Portfolio Register by Strategic Planning

Oversight and Review

- The E&S Officer, in collaboration with Credit and Risk Management, oversees the monitoring of proceeds and portfolio compliance.
- Reviews are conducted regularly, including semi-annual performance checks and evaluation of E&S procedures.
- Periodic reports are prepared to ensure accountability and alignment with both OJK regulation No. 51/2017 and international sustainability finance principles.

4. Reporting and External Review

Allocation Reporting

PT Bank Shinhan Indonesia (BSI) is committed to transparent communication of its sustainable finance activities. In the event of any outstanding Green, Social or Blue financing under this framework, the Bank will disclose information on its Sustainable Finance Portfolio through the annual Sustainability Report, which will published on BSI's website.

Allocation reporting will be provided annually and will continue until full allocation of proceeds has been achieved. The reporting will include:

- Total amount allocated to each eligible category or project type
- The proportion of new financing versus refinancing
- Any unallocated balance as of the reporting date
- How unallocated proceeds are temporarily held (e.g., cash, money market instruments, or other liquid assets not conflicting with the exclusion list)
- Expected timeline to allocate the remaining balance (within the maximum 24-month allocation period)
- Examples of representative projects financed during the reporting period.

Impact Reporting

Access to Essential Services (including Financial Inclusion and Microfinance)

PT Bank Shinhan Indonesia (BSI) will disclose the environmental and social outcomes of eligible projects financed under this Framework as part of its annual Sustainability Report, published publicly on BSI's website. Impact reporting will focus on output and outcome indicators, rather than impact metrics, and will be presented by eligible activity or category, subject to data availability and confidentiality considerations.

Impact indicators to be reported include, but are not limited to:

Green Financing Activities

- Renewable energy capacity installed (MW)
- Estimated annual GHG emissions reduced or avoided (tCO_2e/year)
- Energy savings achieved (%)
- Water saved, treated, or reused (m^3/year)
- Waste diverted from landfill (tons/year)

Social Financing Activities

- Number of affordable housing loans supported
- Number of MSMEs supported
- Number of beneficiaries with improved access to essential services
- Number of healthcare, water, or sanitation facilities supported
- Number of underserved or unbanked clients reached

Financial Inclusion and Microfinance

- Average loan size
- Share of women beneficiaries (%)
- Share of rural or non-urban beneficiaries (%)

Blue Financing Activities

- Water quality improvement (e.g., reduction in untreated discharge)
- Pollution reduction (e.g., marine plastic collected or recycled)
- Sustainable resource management (e.g., water use efficiency improvement)

Case Studies

Where feasible, BSI will include case studies of selected social projects as part of its impact reporting.

Methodology and Assumptions

Where feasible, BSI will disclose the methodology and key assumptions used in calculating the above impact indicators in the annual Sustainability Report.

Material Developments

In the event of material developments related to financed projects or clients (e.g., significant environmental or social incidents), BSI will provide ad-hoc reporting on a timely basis.

Material Adverse E&S Events

Borrowers are expected to promptly inform PT Bank Shinhan Indonesia (BSI) of any significant environmental or social incidents within 5 working days of the incident that may materially affect their operations. Such events may include, but are not limited to:

- Major injuries or fatalities involving employees, contractors, or the general public.
- Strikes or significant employee disputes.
- Regulatory actions in relation to Environmental and social matters.
- Serious incidents such as spills, pollution, fires, or explosions.

Routine Reporting

This E&S performance summary is complementary to the allocation and impact reporting in Section 4 above and focuses on environmental and social risk management, not on impact indicators. BSI will periodically prepare an Environmental and Social (E&S) performance summary as part of its internal monitoring and annual sustainability reporting. The summary will highlight portfolio performance against E&S requirements, progress achieved during the reporting period, and any necessary follow-up actions to strengthen environmental and social risk management.

External Review

To reinforce accountability and credibility, BSI may appoint independent third parties—such as auditors or consultants—to review the Bank's reporting and confirm alignment with applicable regulations and best practices. This process aims to enhance stakeholder confidence and support continuous improvement of BSI sustainable finance practices.

5. Amendment to the Framework

PT Bank Shinhan Indonesia will annually review this Framework to ensure its continued alignment with evolving international principles, regulatory requirements, and market best practices. Where necessary, updates may be made to reflect changes in regulations, internal policies, or sustainability priorities.

Any future revisions will aim to maintain or enhance the current level of transparency and disclosure. The revised version of the Framework, if issued, will be made publicly available and will supersede the previous version.

In parallel, the Environmental and Social Management System (ESMS) will also be reviewed periodically to ensure its effectiveness and consistency with this framework. Updates may be made to incorporate lessons learned, stakeholder feedback, or new sustainability requirements introduced by regulators or industry standards.

Closing Statement

Through this Sustainable Finance Framework, PT Bank Shinhan Indonesia reaffirms its commitment to integrating Environmental, Social and Governance (ESG) considerations into its business strategy and decision-making processes. The Bank recognizes that sustainability is a continuous journey that requires collaboration, innovation and accountability.

BSI remains dedicated to supporting Indonesia's transition towards a low-carbon and inclusive economy by financing projects that create long-term environmental and social value, while consistently upholding the highest standards of transparency and integrity.