

Financing Policy for Oil Palm Plantation and Industry

Statement

This document is the “Financing Policy for Oil Palm Plantation and Industry” of PT Bank Central Asia, Tbk, based on Board of Directors’ Decree No. 268/SK/DIR/2021 which is drafted in accordance with the company's business processes and refers to national and international regulations and standards. This policy is in line with BCA's commitment to responsible financing. This policy becomes a sectoral umbrella that forms the basis for BCA in providing financing to debtors for the Oil Palm Plantations and Industries by taking environmental, social and governance (ESG) risks into account. Meanwhile, the implementation of this policy will be carried out gradually, effectively, and efficiently in accordance with the resources availability, needs, and the urgency of each aspect listed in this policy.

Preface

PT Bank Central Asia Tbk (BCA), hereinafter referred to as “BCA”, is one of the largest banks in Indonesia. Various banking solutions are offered by BCA in responding to the customers financial needs, both personal and business customers. In running the business, BCA continues to strengthen its commitment as a company that practices the principles of sustainability and social responsibility.

BCA understands that lending involves risks that can affect the health and business continuity of the bank. As one of the bank's main businesses, financing business, which is run using the entrusted public funds, carried out by BCA with utmost precautionary in protecting and maintaining the interests and trust of the public. Therefore, BCA understands the importance of aligning environmental, social and governance (ESG) aspects in carrying out sustainable business practices.

The oil palm sector is one of the sectors that has environmental and social risks. Environmental risk is the actual and/or potential impact or influence by an organizational activity that causes direct or indirect changes to the physical, chemical, and/or biological properties of the environment so that it exceeds the environmental threshold, which includes loss of biodiversity and extinction of protected species, environmental permits that are not in accordance with laws/regulations, as well as illegal land use or land acquisition. Meanwhile, social risk is an event or occurrence that can potentially cause social vulnerabilities borne by individuals, families, groups, and/or communities as a result of organizational activities, such as human rights violations against forced labor or child labor as well as conflicts with indigenous people or locals. Therefore, BCA is committed to paying attention, managing as well as attempting to minimize the negative impact of financing the oil palm plantation and industry business sector so that it is in line with BCA's commitment to responsible financing and sustainable business practices.

This encourages BCA to channel financing to the oil palm plantation and industry business sector based on sound lending principles and prudential principles so that the quality of the financing portfolio is well maintained and the bank's reputation is protected.

Scope and Context of the Financing Policy for Oil Palm Plantation and Industry

Bank financing plays an important role in supporting customers' business growth, bank's business growth, as well as sustainable economic growth. Therefore, BCA looks carefully and considers the commitment, capacity, and capability of the debtors in environmental, social, and governance aspects in providing any form of loan, investment, and other services/products.

Considering the high environmental and social risks faced by the oil palm industry, BCA is encouraged to apply precautionary principle before financing. The formulation of this policy applies to productive business lending under the corporate category for financing related to the oil palm plantation and industry business sector, which includes the economic sector of oil palm plantations, crude palm oil industry and palm kernel oil industry.

Financing Policy for Oil Palm Plantation and Industry

In channeling financing to the oil palm plantation and industry business sector, BCA has the following policies.

1. BCA requires (prospective) debtors to fulfil the following conditions:

- Have complete legal documents on the land used for business, as well as related environmental and social permit documents, such as the Principle Permit, Location Permit, Plantation Business Permit (IUP), Environmental Impact Analysis documents (AMDAL) or Environmental Management Efforts/ Environmental Monitoring Efforts (UPL-UKL) documents in accordance with applicable laws.
- Comply with relevant laws, government regulations, and policies that apply to (prospective) debtors, especially those related to human rights, labor, environment, and social responsibility.

2. BCA encourages (prospective) debtors to implement sustainable practices, which are:

- Complete the process of securing land certificates (Cultivation Rights/Building Rights) for land that has not been certified.
- Obtain certifications (ISPO/RSPO/other similar certifications) in accordance with applicable regulations.
- Adopt the principle of No-Deforestation, No-Peat, No-Exploitation (NDPE).
- Pay attention to high conservation value (HCV) and high carbon stock (HCS) in new planting activities.
- Have Standard Operating Procedures (SOP) for Prevention and Handling of Land Fires.
- Implement best practices for peatland management and water management.

- Implement best practices for circular economy, low carbon energy use, and climate change adaptation and mitigation efforts.
- Adopting the principle of Free, Prior, and Informed Consent (FPIC),
- Establish good relations and improve the quality of life of local communities, one of which is through effective and efficient social and economic empowerment.

Monitoring and Evaluation

In implementing and monitoring the above policies, BCA takes the following steps:

- Identify the condition of (prospective) debtors regarding the fulfillment of the provisions of the mentioned policy.
- Request debtors to make an action plan in order to fulfill the conditions required in the policy (if any have not been fulfilled), in which the action plan must be accompanied by a reasonable time target for its fulfillment.
- Periodically review debtors' progress in realizing their action plan.
- Continuously encourage debtors to implement sustainable business practices.

Closing

Further information can be obtained through:

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