

# **Social Finance Framework**

## **Bank Rakyat Indonesia**

February 2025

## Table of Content

<b>1. Introduction .....</b>	<b>3</b>
<b>1.1. BRI .....</b>	<b>3</b>
<b>1.2. Commitment to Sustainability .....</b>	<b>4</b>
<b>2. Social Finance Framework Overview .....</b>	<b>5</b>
<b>3. Eligible Use of Proceed Projects and Contributions to SDGs .....</b>	<b>6</b>
<b>3.1. Social Projects .....</b>	<b>6</b>
<b>3.2. Activities Ineligible Under the Framework .....</b>	<b>9</b>
<b>4. Process Evaluation and Selection.....</b>	<b>11</b>
<b>5. Management Of Proceed .....</b>	<b>12</b>
<b>6. Reporting.....</b>	<b>13</b>
<b>6.1. Allocation Reporting .....</b>	<b>13</b>
<b>6.2. Impact Reporting .....</b>	<b>13</b>
<b>6.3. External Review .....</b>	<b>14</b>
<b>7. References.....</b>	<b>15</b>

## 1. Introduction

### 1.1. BRI

PT Bank Rakyat Indonesia (Persero) Tbk (BRI), is one of the largest banks in Indonesia, founded on December 16, 1895. BRI's vision is to become "The Most Trusted Lifetime Financial Partner for Sustainable Growth," and its mission is to provide the best, offer excellent services, and work optimally and well. In line with this, BRI also has a sustainability aspiration to become a "World Class Sustainable Banking Group Focusing on Environmental, Social, and Governance Dimensions." BRI's efforts to achieve sustainability aspirations by creating sustainable economic value are realized through offering innovative products and services that meet customer needs.

Our focus is to empower micro, small, and medium enterprises (MSMEs), which are the backbone of the national economy. With a broad service network and ongoing advancements in digital innovations, we are committed to consistently meeting the needs of customers throughout Indonesia. As part of our responsibility to the environment and society, we integrated Environmental, Social, and Governance (ESG) principles into our business strategy. Through social finance initiatives, we support social projects. These efforts reflect our commitment to addressing global and domestic challenges, such as climate change, while improving the welfare of the Indonesian people. BRI also considers its contributions to the Sustainable Development Goals (SDGs) through financing activities, including the distribution of loans focused on MSME activities and environmentally friendly businesses.

Indonesia, as the world's largest archipelagic nation, possesses diverse socio-economic backgrounds, encompassing ethnicities, cultures, languages, and beliefs. In addressing economic equality amid Indonesia's geographical and cultural challenges, the community requires easy and affordable financial access. Therefore, the enhancement of financial inclusion becomes crucial. Inclusive finance means involving vulnerable and disadvantaged groups in the banking economy. BRI's support for easy and inclusive financial access, reaching from the top to the bottom of the societal pyramid, is realized through the Hybrid Bank BRI business model. This model integrates conventional banking (physical presence) with digital innovation elements (digital capabilities).

Through this business model, BRI has successfully created affordable financial solutions and a well-distributed banking network, connecting Indonesia from urban areas to the underdeveloped regions, frontier area, and outermost areas. BRI also supports the

achievement of SGDs, but not limited to, Number (1) No Poverty, (2) Zero Hunger, (5) for Gender Equality, (8) Decent Work and Economic Growth, (10) Reduced Inequalities.

## **1.2. Commitment to Sustainability**

BRI's commitment to sustainability is reflected in its strategic focus on the MSME segment, actively supporting efforts to enhance the capabilities of MSMEs across Indonesia. This commitment is realized through various programs designed to improve financial literacy and inclusion, including initiatives such as student savings account openings, empowerment and financial management training for MSMEs and business groups, and the provision of facilities that enhance banking access.

These efforts encompass the expanding infrastructure and distribution channels, offering specialized services for customers and communities with disabilities and the elderly, supporting government initiatives such as social assistance distribution, and providing digital financial service applications. These initiatives underscore BRI's strategic role in driving sustainable development and broadening financial inclusion across the nation.

The adoption of a social finance framework strategically aligns with BRI's commitment to sustainability and its focus on empowering MSMEs. This initiative reinforces BRI's role in advancing financial inclusion, driving community development, and supporting national priorities. By leveraging social framework, BRI strengthens its position as a leader in sustainable financing, demonstrating its dedication to addressing key societal challenges while fostering long-term economic growth and resilience.

## 2. Social Finance Framework Overview

BRI's Social finance framework is designed to support financing activities and bond issuance that contribute to positive impacts on social aspects. This framework identifies social projects. Additionally, the social finance framework includes life quality improvement, and inclusive & sustainable communities' development.

This framework is aligned with the social finance principles outlined in:

1. ICMA<sup>1</sup> Social Bond principles (SBP) 2023
2. LMA/APLMA/LSTA<sup>2</sup> Social Loan Principles (SLP) 2023
3. POJK Number 51 Year 2017 about Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies
4. POJK Number 18 Year 2023 about Issuance and Terms of Debt Securities and Sustainability-Based Sukuk (2023)
5. Indonesia Taxonomy for Sustainable Finance

---

<sup>1</sup> International Capital Markets Association

<sup>2</sup> Loan Market Association, the Asia Pacific Loan Market Association, and the Loan Syndications and Trading Association

### 3. Eligible Use of Proceed Projects and Contributions to SDGs

We developed Social Finance Framework that serves as a guiding blueprint for navigating our journey toward responsible and impactful financial practices. The framework focuses on fostering resilience and driving positive change through a balanced emphasis on Social Projects. This Framework reflects our commitment to integrating sustainability into the foundation of our business strategy. It allows us to address global challenges proactively while positioning us as a leader in encouraging sustainability within the financial sector. Through this approach, we strive to make a significant contribution toward a more inclusive, equitable, and environmentally sustainable future.

#### 3.1. Social Projects

The following list outlines common types of projects supported or expected to be supported in the Social Loan/Bond. These Social Projects can include assets, investments, and related expenses that may address one or more than one social category. Our target populations include, those who are:













No	Target Population	Additional description
1	Living below the poverty line	Poverty line definition provided by Statistics Indonesia <sup>3</sup> .
2	Undereducated (including illiteracy/digital illiteracy)	Individuals with less than 9 years of education <sup>4</sup> .
3	Underserved, owing to a lack of quality access to essential goods and services <sup>5</sup>	Individuals or communities that lack adequate access to essential goods and services, particularly those that are crucial for maintaining a decent quality of life. This lack of access may be due to geographic, economic, social, or systemic barriers that prevent people from obtaining necessary resources.
4	Unemployed and/or workers affected by climate transition	-
5	Women and/or sexual and gender minorities	-
6	Other vulnerable groups, including as a result of natural disasters, climate change, and/or climate transition projects that cause or exacerbate socioeconomic inequity	Individuals whose conditions are determined by physical, social, economic and environmental factors or processes that increase the susceptibility of an individual, a community, assets or systems to the impacts of hazards into the "unemployed" target

<sup>3</sup> <https://www.bps.go.id/en/pressrelease/2023/07/17/2016/profil-kemiskinan-di-indonesia-maret-2023.html>












<sup>4</sup> Stated in Government Regulation No. 47 of 2008 about "Compulsory Education"

<sup>5</sup> Refer to individual who are living in category low and medium (under 70.00) in accordance of Indonesia's Human Development Index released by Indonesia Statistic  
<https://www.bps.go.id/en/pressrelease/2023/11/15/2033/indonesias-human-development-index-in-2023-reached-74-39--an-increase-of-0-62-points--0-84-percent--compared-to-previous-year--73-77--.html>

Net proceeds raised will be exclusively allocated to financing and/or refinancing in part or in full new and/or existing social projects that provide or promote one or more of the following categories to qualified target populations, in no particular order:

No	Categories	Description	Projects	Target Population	Linked to SDGs
1	Affordable basic infrastructure	This category includes clean drinking water, sewers, sanitation, transport, energy infrastructures	Project includes development, product, infrastructure, and appliances for infrastructures for: a. Clean drinking water b. Sewers c. Sanitation d. Transportation e. energy	1, 2, 3, 5, 6	   
2	Access to essential services	This category includes health, education and vocational training, healthcare, financing and financial services	Project includes development, products, infrastructure and appliances that support access to essential services, such as: a. Health b. Education c. Vocational training d. Healthcare e. Financing and financial services	1, 2, 3, 5, 6	    
3	Affordable housing	Project includes development of affordable houses or housing loans for low-income communities	Project includes the development of affordable houses or housing loans for low-income communities <sup>6</sup> .	1, 2, 3, 5, 6	  

<sup>6</sup> The definition of low-income population under Decision of the Minister of Public Works and Public Housing of the Republic of Indonesia Number 1/2021

No	Categories	Description	Projects	Target Population	Linked to SDGs
4	Employment generation and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a “just transition”	This category includes provision and/or promotion include SME financing and microfinance <sup>7</sup> .	Projects include provision and/or promotion to: a. SME financing b. Microfinance	1, 2, 3, 4, 5, 6	  
5	Food security and sustainable food systems	This category includes physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers	Project includes production, agriculture, product, infrastructure, and distribution to support: a. food security, and/or b. food supply chain	1, 2, 3, 4, 5, 6	   
6	Socioeconomic advancement and empowerment	This category includes equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality	Projects include provision and/or promotion to one or more criteria: a. micro and small enterprises b. women lead enterprises c. aging population, vulnerable youth d. other vulnerable population	1, 2, 3, 4, 5	   

<sup>7</sup> as defined under Law of The Republic Of Indonesia Number 20/2008 regarding Micro, Small, And Medium Enterprises



### 3.2. Activities Ineligible Under the Framework

We have excluded the following activities from our framework:

1. Illegal drugs and narcotics related activities;
2. The utilization of coral from nature for building materials and souvenirs, including live and dead coral;
3. Trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
4. Chemical weapon related industries;
5. Manufacture of industrial chemicals and chemicals material harmful for ozone;
6. Gambling, casinos and equivalent enterprises to the extent that such activities constitute the main business of the borrower/recipient;
7. Prohibited activities under Indonesia's Law:
  - a. Direct export of raw material or core under Indonesia Law Number 3 Year 2020 about Amendment of Indonesia Law Number 4 Year 2009 about Coal and Mineral Mining;
  - b. Ministry of Trade of Indonesia Regulation Number 12 Year 2022 about Third Amendment of Ministry of Trade of Indonesia Regulation Number 19 Year 2021 about Export Regulation and Policy;
  - c. Export activities for mining products referring to Ministry of Energy and Mining of Indonesia Regulation Number 17 Year 2020 about Third Amendment of Ministry of Energy and Mining of Indonesia Regulation Number 25 Year 2018 about Minerals and Coals Mining Activities;
  - d. Import activities under Ministry of Trade of Indonesia Regulation Number 36 Year 2023 about Import Regulation and Policy;
  - e. Export activities under Ministry of Trade of Indonesia Regulation Number 23 Year 2023 about Export Regulation and Policy;
  - f. Ornamental fish export under Ministry of Maritime and Fishery of Indonesia Regulation Number 18/Permen-KP/2020 about Export Prohibition of Arwana Fish (*Scleropages sp.*) and Botia Fish (*Chromobotia macracanthus*);
  - g. Export and Import activities under Ministry of Trade of Indonesia Regulation Number 18 Year 2021 about Prohibited Export and Import Products;
  - h. Fishery business under Ministry of Maritime and Fishery of Indonesia Regulation Number 18 Year 2021 about Placement of Fishing Gear and Fishing Aids in the Fisheries Management Areas of the Republic of Indonesia and the High Seas, as well as the Regulation of Andon Fishing Activities;
  - i. Other activities prohibited under Indonesia Laws.

8. Based on business considerations and in support of environmental conservation efforts, certain wood-related businesses, such as logging, moulding, and sawmills, are not eligible for financing unless they utilize wood sourced from industrial plantation forests or community plantation forests. This must be proven with a valid Industrial Plantation Forest (HTI) certificate and Community Plantation Forest (HTR) certificate.
9. Any assets involving fossil fuels, directly or indirectly;
10. Manufacture of alcoholic beverages or tobacco;
11. Manufacture or trade in weapons, ammunition, and other goods used for military or paramilitary purposes;
12. Production, trade in, or use of: -
  - a. Nuclear reactors and related products, radioactive materials (except in the case of medical materials and quality-control equipment where the radioactive source is in small quantities and is adequately shielded), combustible elements not exposed to irradiation (cartridges for reactors), or
  - b. Harmful substances that are subject to international phase-outs or bans;
13. Agricultural or afforestation operations located on land designated as primary forest, high conservation value areas, or legally preserved areas;
14. Use of logging equipment in unmanaged primary tropical rainforests;
15. Economic activities involving harmful or exploitative forms of forced labor and/or child labor as defined by international conventions and/or national regulations; and
16. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.

## 4. Process Evaluation and Selection

The process evaluation and selection is designed to ensure that all funded projects align with BRI's social criteria and have positive impacts to the society. This process aims to mitigate risks and ensure that each project provides benefits in line with BRI's strategic social objectives. The main stages of this process are as follows:

- a. Relevant business units will be tasked with identifying and proposing projects for financing or refinancing. This process includes independently assessing the projects against eligibility and exclusion criteria as part of their credit evaluation procedures; and
- b. The ESG units responsible for reviewing and approving financing or refinancing of nominated projects to ensure alignment with the framework will include, but are not limited to, the following:
  - a. Market, Portfolio & Enterprise Risk Management Division
  - b. Asset & Liabilities Management Desk
  - c. Treasury Business Division
  - d. Enterprise Data Management & Analytics Division
  - e. Environmental, Social and Governance Division

Relevant business units play a key role in identifying and categorizing financing and refinancing activities in alignment with the eligible project categories outlined in the framework. This process ensures that the focus remains solely on projects with a positive social impact. For refinancing activities, Bank BRI imposes a strict limitation, allowing only financing that is no more than two years old.

To support this initiative, BRI will establish and maintain a dedicated pool of qualifying assets—referred to as the “Asset Pool”—that are financed or refinanced using the proceeds from bonds and/or loans issued under the framework. These assets will be carefully selected and monitored in accordance with BRI's robust prudential risk management policies, ensuring that they meet the required standards and align with the institution's social objectives. BRI will also monitor, identify, mitigate as well as disclose transparently potential environmental and social risks associated with potential project(s). Through this structured approach, Bank BRI reinforces its commitment to driving positive social outcomes while maintaining financial integrity.

## 5. Management Of Proceed

In managing proceeds, BRI utilizes its internal information system to monitor social financing transactions. This approach ensures accountability and transparency, aligning with best practices and established processes. This includes periodic monitoring of fund allocations to ensure that Social Projects align with the criteria in the Social Finance Framework. All information related to the use of funds will be recorded in an internal register, which serves to document the allocation of proceeds from social finance instruments.

Unallocated funds will be managed according to internal policies, including the possibility of being temporarily placed in high-quality market instruments. If a project or asset no longer meets eligibility criteria, BRI will promptly replace it with a suitable alternative. Internal tracking method involves document reviews, site visits and communication with related project stakeholders to identify risks or challenges, corrective actions and other method as required. To maintain the integrity of fund management, BRI will engage third parties or independent auditors as needed to review and verify the accurate tracking and allocation of proceeds. This approach ensures that financed projects deliver tangible impacts on sustainability goals while minimizing the risk of double counting.

## 6. Reporting

BRI is dedicated to ensuring accountability and transparency in executing its social financing initiatives. BRI publishes reports annually providing details such as, project description, allocated amounts, and the expected impacts. This report will include quantitative and/or qualitative assessments across economic, social, and environmental dimensions.

The report will offer periodic updates on fund utilization until all funds are fully allocated and provide timely information on any significant developments. It will also feature a list of funded Social Projects, along with brief descriptions of these projects, their target populations, methodologies, allocated funding amounts, and the expected as well as achieved impacts.

### 6.1. Allocation Reporting

Allocation Reports will provide the following details:

1. Amount of eligible assets by project category
2. Remaining balance of un-allocated proceeds at the end of the reporting period.

Bank BRI may provide its Allocation Report(s) under one of more of the following channels:

1. Sustainability Report;
2. BRI Website, <https://bri.co.id>, <http://www.ir-bri.com/>;
3. BRI Newsletter.

BRI will provide information on individual financed assets when possible, ensuring compliance with confidentiality agreements and considering competitive factors.

### 6.2. Impact Reporting

BRI will provide insights into the social impact of the Bank BRI Social Bond/Loan Asset Portfolio, where practical. The metrics used to measure these impacts may include, but are not limited to, the following.

Categories	Impact metric
<b>Affordable basic infrastructure</b>	<ul style="list-style-type: none"> <li>• Number of households provided by electricity facilities</li> <li>• Number of households provided by clean drinking water facilities</li> <li>• Number of households affected by sewer facilities</li> <li>• Number of households affected by transportation facilities</li> </ul>
<b>Access to essential services</b>	<ul style="list-style-type: none"> <li>• Number of health services new beds</li> </ul>
<b>Affordable housing</b>	Number of low-income individuals receiving a loan for affordable housing
<b>Employment generation</b>	<ul style="list-style-type: none"> <li>• Number of MSMEs financed</li> <li>• Amount of MSME loans disbursed</li> <li>• Sector distribution of MSME loan portfolio</li> <li>• Number of job created</li> </ul>
<b>Socioeconomic advancement and empowerment</b>	<ul style="list-style-type: none"> <li>• Number of MSMEs or individuals financed through the programs</li> <li>• Amount of MSMEs loan disbursement</li> </ul>

### 6.3. External Review

BRI will engage an external party to review the alignment and consistency of this Social Finance Framework with the standards of the International Capital Market Association (ICMA), Asia Pacific Loan Market Association (APLMA), Loan Market Association (LMA), and Loan Syndications and Trading Association (LSTA) for pre-issuance. External Reviews include:

#### 1. Pre-issuance External Review (Second Party Opinion)

BRI will engage an external party to independently review the alignment and consistency of this Social Finance Framework with relevant sustainable finance principles as well as taxonomies in relevant jurisdictions. The results of the review - a Second Party Opinion, will be made available online and publicly accessible.

#### 2. Post-issuance External Verification

Post-issuance of this framework and allocation proceeds, BRI will engage an independent qualified third party to verify the allocation of social financing net proceeds to Eligible Social Projects. The external review will be performed on an annual basis until full allocation of the proceeds and in case of material development. The results of the review will be published online and made publicly accessible.

## 7. References

1. Asia Pacific Loan Market Association (APLMA), Loan Market Association (LMA), dan Loan Syndications and Trading Association (LSTA). 2023. Social Loan Principles.
2. Indonesia Financial Services Authority. 2023. POJK Number 18 Year 2023 about Issuance and Terms of Debt Securities and Sustainability-Based Sukuk.
3. International Capital Market Association (ICMA). 2023. Social Bond Principles.
4. Ministry of Energy and Mining of Indonesia Regulation Number 17 Year 2020 about Third Amendment of Ministry of Energy and Mining of Indonesia Regulation Number 25 Year 2018 about Minerals and Coals Mining Activities. 11 November 2020.
5. Ministry of Maritime and Fishery of Indonesia Regulation Number 18/Permen-KP/2020 about Export Prohibition of Arwana Fish (*Scleropages sp.*) and Botia Fish (*Chromobotia macracanthus*). 20 Juli 2020.
6. Ministry of Maritime and Fishery of Indonesia Regulation Number 18 Year 2021 about Placement of Fishing Gear and Fishing Aids in the Fisheries Management Areas of the Republic of Indonesia and the High Seas, as well as the Regulation of Andon Fishing Activities. 28 May 2021.
7. Ministry of Trade of Indonesia Regulation Number 18 Year 2021 about Prohibited Export and Import Products. 15 November 2021.
8. Ministry of Trade of Indonesia Regulation Number 12 Year 2022 about Third Amendment of Ministry of Trade of Indonesia Regulation Number 19 Year 2021 about Export Regulation and Policy. 17 March 2022.
9. Ministry of Trade of Indonesia Regulation Number 23 Year 2023 about Export Regulation and Policy. 10 Juli 2023.
10. Ministry of Trade of Indonesia Regulation Number 36 Year 2023 about Import Regulation and Policy. 11 December 2023.
11. PT Bank Rakyat Indonesia (Persero) Tbk. 2023. Annual Report.
12. PT Bank Rakyat Indonesia (Persero) Tbk. 2023. Sustainability Report.

--o0o--