

SUSTAINABLE FINANCING POLICY PT BANK SYARIAH INDONESIA, TBK

Bank Syariah Indonesia (BSI) provides financing across a wide range of sectors, including both green and brown industries. To ensure that its financing activities remain aligned with its sustainability commitments, BSI has established a set of dedicated policies that integrate environmental and social considerations into its decision-making process.

Since 2023, BSI has reaffirmed its commitment to contribute to national emission reduction efforts by embedding the principles of sustainable finance into its business strategy. This commitment has been translated into concrete measures, such as:

- Expanding the negative list to limit exposure to high-risk sectors.
- Implementing portfolio restrictions for brown industries.
- Embedding an exclusion list into financing procedures to enhance accountability.
- Updating the Industry Acceptance Criteria (IAC) to include environmental considerations.
- Defining Green Financing Sectors guided by the principle of *Do No Significant Harm (DNSH)*.

Sectoral Financing Distribution (2025)

Sector	Value (IDR Billion)
Agriculture, Hunting, And Forestry	22,819
Fishery	606
Oil And Gas	580
Coal	1,068
Other Mining And Exploration	1,386
Manufacturing Industry	12,943
Electricity, Gas, And Water	6,842
Construction	17,220
Wholesale And Retail Trade	30,649
Provision Of Accomodation, Food, And Beverages	3,683
Transportation, Storage, And Communication	12,280
Financial Intermediaries	6,265
Real Estate, Leasing, And Business Services	6,270
Government Administration, Defense, And Mandatory Social Insurance	254
Education Services	5,238
Healthcare And Social Services	11,049
Community, Socio-Cultural, Entertainment, And Other Individual Services	3,681
Personal Services Of Households	148
Activities With Unclear Boundaries	-
Household	175,849
Other Non-Business Sectors	13
Total	318,844

At the national level, the financial regulator has set exposure limits for brown sectors, namely:

- Coal industry: IDR 14.42 trillion.
- Oil and gas industry: IDR 16.82 trillion.

When compared with these thresholds, BSI's exposure remains relatively minor:

These sectors account for only about 0.57% of BSI's total outstanding financing portfolio.

This demonstrates that BSI's exposure to brown industries is well below the national limits and highlights the bank's cautious approach in aligning its portfolio with long-term sustainability goals.

Sector-Based Financing Policy

a. Exclusion List (Restricted Financing Activities)

- Illegal logging activities, including the production and trade of timber or other forest products sourced from forests that are not sustainably managed.
- Activities involving any form of forced labor, exploitation of minors, or violations of Human Rights (such as prostitution, human trafficking, and labor smuggling).
- Production, trade, distribution, and import of weapons conducted outside officially authorized entities or institutions that possess special permits/legal authorization from the government.
- Production, trade, and distribution of narcotics, psychotropic substances, and addictive substances conducted outside officially authorized entities or institutions that possess legal permits from the government.
- Production, distribution, trade, or slaughter of pigs or other animals prohibited under Sharia principles.
- Production or trade of alcoholic beverages.
- Activities that negatively impact UNESCO World Heritage Sites or nationally and/or internationally protected areas.
- Trade in wildlife or wildlife products (such as ivory, horns, and shark fins).
- Fishing activities using nets longer than 2.5 km.
- Production or trade of radioactive materials (except for medical equipment and other equipment deemed safe by the International Finance Corporation ((IFC)).

b. Sectoral Policy

- Palm Oil:
 - 1) Land must not be located in protected forest areas.
 - 2) Companies are required to have a valid environmental impact assessment (AMDAL).
 - 3) Must hold ISPO/RSPO certification, or at minimum, demonstrate a contractual engagement with an ISPO-accredited certifier.

- 4) Must achieve at least a *Blue* rating in the national PROPER environmental compliance program.
- Oil & Gas:
 - 1) Upstream Oil & Gas
 - Must have an Environmental Impact Assessment (AMDAL).
 - Must possess a Plan of Development (POD) approved by SKK Migas or any other authorized authority.
 - Eligible projects include upstream oil and gas exploitation activities and supporting sectors such as oil and gas construction, non-construction services, and other related services.
 - Financing in this sector is subject to limitations in accordance with the Bank's requirements and established criteria.
 - 2) Additional Requirements for Arctic Drilling
 - Must have a stringent Environmental Impact Assessment (AMDAL).
 - Must have an independently verified disaster preparedness plan.
 - 3) Additional Requirements for Oil Sands
 - Must have international certifications related to land reclamation and water management.
 - Manufacturing Industry:
 - 1) Mandatory AMDAL compliance.
 - 2) Adequate waste management and treatment facilities are required.
 - Coal:
 - 1) Financing is limited strictly to production stages (exploration is excluded).
 - 2) Must possess a valid Mining Business License (IUP).
 - 3) Must hold *Clean and Clear (CNC)* status.
 - 4) Mandatory AMDAL compliance.

c. Green Financing

BSI actively supports the growth of a sustainable economy by channeling financing into projects and industries that qualify as green financing. Eligible sectors must meet the following criteria:

- Fall within one of the 11 categories of *Environmentally Sustainable Business Activities (KUBL)*.
- Not appear in the exclusion list.
- Adhere to the *Do No Significant Harm (DNSH)* principle, ensuring that financed activities do not generate negative impacts on other sustainability objectives.

d. Principles of Transition and Just Transition

- BSI acknowledges that the shift toward a low-carbon economy is a gradual and complex process. For this reason, the Bank adopts a balanced approach by:
- Continuing to finance sectors that are in the early stages of adopting sustainable practices, provided they demonstrate a clear commitment to improvement.

- Applying responsible financing standards to encourage industries to strengthen their environmental and social performance.
- Extending transition support to nationally strategic industries, ensuring that the low-carbon transition is both equitable and inclusive (*just transition*).