

FORESTRY AND NATURAL RUBBER SECTOR GUIDANCE

Bank already has developed a Sector Guidance that provides financing guidelines for Banks in sectors/industry considered as having high sustainability risks, including Forestry and Natural Rubber. Sector/industry identification is carried out by taking into account environmental, social, governance, climate change, carbon emissions, biodiversity, and human rights aspects. The Sector Guidance is expected to be able to encourage the formation of a financing ecosystem towards a low-carbon economy, achieve the Sustainable Development Goals, and contribute positively to climate change mitigation and adaptation actions in line with Paris Agreement goal.

Bank expects debtors who have business activities directly related to timber harvesting in **natural forest and/or forest plantation and/or natural rubber** to have permit IUPHHK – HA or permit IUPHHK – HTI or operation permit (IUP). Debtors with ownership of a certain concession area are required to have No Deforestation, No Peat, and No Exploitation (NDPE) commitment. In addition, Bank expects debtors of **forestry and natural rubber manufacturing** to have Environmental Document and prioritizing the principles of Occupational, Health, and Safety (OHS) by having a OHC Policy which contain risk management, mitigation, and OHS monitoring. Debtors are also expected to prioritizing the principles of Human Rights in terms of use the principle of Free, Prior and Informed Consent (FPIC), have a human rights commitment/policy, identify main risks related to human rights, and have a grievance mechanism.

Bank also continues to encourage debtors to implement best sustainability practices in forestry and natural rubber sector. These sustainability practices include, but not limited to: have a policy or code of ethics that prohibits all forms of bribery and corruption; have a transparent mechanism for making complaints for all stakeholders; have a policy for gender equality in business processes; upgrading or repairing low-efficiency plants with high-efficiency and low-emissions technology; and regularly monitor and disclose environmental and social data.