

OIL PALM SECTOR GUIDANCE

Bank already has developed a Sector Guidance that provides financing guidelines for Banks in sectors/industry considered as having high sustainability risks. 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.

One of sectors that considered as having high sustainability risks is oil palm, including business activities of **oil palm plantation, crude oil industry from plant and animal, and cooking oil industry from crude palm oil**. Hence, Bank expects debtors to have Indonesia Sustainable Palm Oil (ISPO) certificate and/or Roundtable Sustainable Palm Oil (RSPO) certificate or International Sustainability & Carbon Certification (ISCC) for oil palm plantation company or group company; and have Environmental Document. Debtors with ownership of a certain concession area are required to have No Deforestation, No Peat, and No Exploitation (NDPE) commitment. In addition, for **manufacturing business activities (palm oil mill, kernel crushing plant and refinery)** expects to have 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 this sector. These sustainability practices include, but not limited to: take High Carbon Stock (HCS) approaches before land clearing, implement best practice peatland and water stewardship, implement good corporate governance including transparency of sustainability governance information and implement good agricultural practices.

Furthermore, Bank in line with our sustainability commitments, will not provide financing to oil palm companies involved in activities such as illegal logging, uncontrolled fire, violations of human rights and labor laws and regulations.