



2024 Climate-Related Report Ensuring Climate Resilience

PT Bank Rakyat Indonesia (Persero) Tbk

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Introduction

The financial sector plays a critical role in the global response to climate change. At BRI, we recognize our responsibility to integrate climate considerations into our operations and decision-making processes. This document outlines our approach to addressing climate-related risks and opportunities, demonstrating our commitment to sustainability and transparency.

BRI hopes that this report will help our stakeholders understand the climate-related risks the Bank is facing, as well as the approaches the Bank is taking to manage risks and capitalize on new opportunities. BRI has published a Sustainability Report that contains information on the Bank’s comprehensive efforts to manage the environmental footprint from operations.

Our Public Commitment

BRI's Sustainability Strategy contributes to the global sustainable development agenda through the implementation of the Sustainable Development Goals (SDGs) where we can have the greatest positive impact in our core markets and create long-term value for our stakeholders. SDG 13 on Climate Action is the main focus of our sustainability efforts, and thus, BRI has undertaken the following initiatives:

- BRI is the first institution in Indonesia to join the Partnership of Carbon Accounting Financials (PCAF) and use its methodology to measure and disclose financed emissions.
- BRI has complied with the Science Based Targets initiative (SBTi) requirements for the measurement of financed emissions.
- Since October 2021, BRI has been a supporter of the Task Force on Climate-related Financial Disclosures (TCFD).
- BRI publishes financed emissions annually in accordance with best practices and disclose progress towards our specific sector transition targets and strategies.
- BRI is committed to reducing attributable Greenhouse Gas (GHG) emissions from lending and operational activities to align with the pathway to net zero by 2050.

In line with BRI's commitment, BRI is dedicated to sustainable development and ensuring long-term value for the Bank by considering environmental and social risks (including climate-related risks) and by conducting business and financing our clients responsibly. BRI will also enhance its ESG risk management based on international and industry standards such as International Financial Reporting Standards (IFRS).



02

Governance

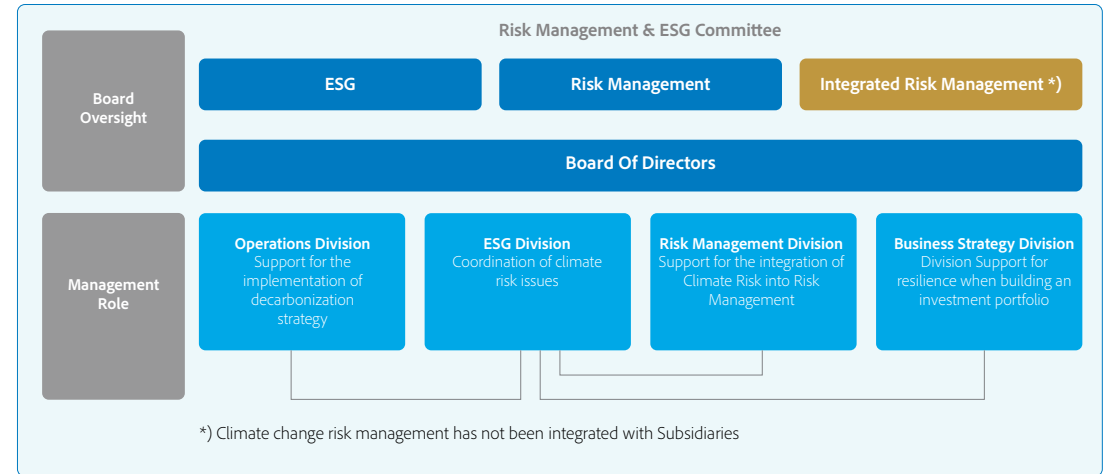


Climate Change Governance

Every Bit of Warming Matters, Every Year Matters, Every Choice Matters

Climate change has given rise to significant environmental damage, including the melting of glaciers, a rise in sea levels, as well as increased frequency and intensity of extreme weather events. These changes can devastate ecosystems, biodiversity, and natural resources. Given the urgency of the climate crisis, addressing climate change requires collective action from individuals, organizations, and governments worldwide. We all have a responsibility to reduce greenhouse gas emissions and mitigate the impacts of climate change. Taking measures to combat climate change is essential for protecting not only the environment but also the economy, health, and social well-being. This is a global problem that demands a global solution, and together, we can ensure a sustainable future for generations to come.

As Indonesia's leading financial institution, BRI acknowledges the importance of its roles and responsibilities in this matter. BRI is committed to urgently addressing the climate crisis and actively contributing to the successful transition towards a sustainable net-zero society. BRI's climate change response governance structure consists of the Board and Group management. To ensure an effective response to climate change, BRI has clearly outlined the responsibilities and roles of both the Board and management. Within this structure, seamless communication takes place, allowing a thorough understanding of the impact of climate change-related risks and opportunities on its business model.



ESG Committee

- Oversees climate-related issues relevant to BRI
- Advises on the implementation and monitoring of climate strategy

Risk Management Committee

- Oversees BRI's enterprise risk profile (including the ESG rating as part of reputation risk)

Integrated Risk Management Committee

- Oversees BRI's integration of risk management (including ESG risk management in subsidiaries)

Board of Directors

- CEO and Vice CEO become the chairman / Vice Chairman of the committee, and the other Board of Directors are the committee members
- Oversee the overall direction, supervision, and control of the Group and its management
- Delegate responsibilities to management for climate strategy implementation

ESG Division

- Execution of climate strategy
- Coordination between risk, operational and business for effective climate strategy implementation

Risk Management Division

- Collaboration with ESG to map and assess climate risks and opportunities by analyzing climate change scenarios

Operations Division

- Identification and response to physical risks for BRI's offices and outlets
- Budget planning for climate change management initiatives

Business Strategy Division

- Maintenance of financed emission policies and engagement with BRI's portfolios in achieving BRI's financed emissions reduction targets

Climate Change Governance

Board Oversight

BRI's Commitment to Sustainable Finance

Since 2015, the Board of Directors of BRI has demonstrated its commitment to sustainable finance by actively engaging in sustainability issues, including climate change. This commitment is concretely expressed through:

- Integration of climate change into the responsibilities of the Risk Management Director: Recognizing climate change as a material aspect requiring prioritization.
- Issuance of the inaugural policy for the Board of Directors on climate change: This policy underscores the significance of climate change and encourages the implementation of strategic measures to address it.
- Regular discussions on climate change in board meetings: High-level commitment ensures that climate change issues are systematically and comprehensively discussed.

Risk Management & ESG Committee

In 2021, BRI established the Risk Management & ESG Committee to enhance focus and oversight on sustainability issues, including climate change. This committee convenes regularly, at least once every six months, to ensure systematic discussions on ESG issues. The committee is led by the CEO, a high-level leader emphasizing the importance of ESG for BRI, and ensuring that the committee wields significant influence. The Risk Management & ESG Committee comprises board members with the expertise and experience necessary to make informed decisions regarding ESG developments.

The authority and responsibilities of the ESG Committee include:

- Approval of sustainability policies, strategies, and implementation roadmaps: Empowering the committee to guide BRI's efforts in achieving its sustainability goals.
- Approval of net-zero emissions targets and decarbonization measures: Reflecting BRI's commitment to combating climate change and reducing greenhouse gas emissions.

The ESG Committee actively monitors and evaluates BRI's performance in ESG, including ensuring the committee receives up-to-date information on BRI's progress in ESG, reviewing the integration of climate change into formal risk management processes, and monitoring progress in addressing climate change issues through periodic reports.

Board Commitment

As a follow-up to ensuring that ESG becomes an integral part of BRI's strategy and operations, the BRI Board demonstrates its commitment by incorporating ESG-related Key Performance Indicators (KPIs), including the BRI's ESG Rating/Score, into the performance evaluation system.

Role of the Management

BRI Management has been proactively addressing climate change issues since 2016. This is evidenced by:

- Establishment of a specialized unit within the Risk Management Division in 2016: BRI recognizes the risks associated with climate change and is committed to addressing them seriously.
- Increased level of responsibility related to climate change to the Division level in 2020: Demonstrates BRI's enhanced commitment to tackling the challenges of climate change.
- Formation of the ESG Division under the supervision of the Compliance Director in 2023: Reflects BRI's stronger commitment to ESG and ensures that these issues are integrated into the entire company's operations.

ESG Division

The ESG Division plays a crucial role in:

- Developing governance structures and implementing climate policies to provide BRI with a clear framework for managing risks and opportunities related to climate change.
- Conducting a comprehensive review of current policies, procedures, and practices.
- Researching international best practices and consulting with external experts to ensure that BRI's policies and governance structures align with global standards.
- As the initiator and coordinator of climate policy implementation, the Head of the ESG Division has a specific responsibility for achieving BRI's Net Zero Target 2050, with KPI for emission reduction incorporated into the performance assessment system.

Coordination and Collaboration with Management Teams

The ESG Division does not operate independently but actively coordinates with all relevant units to address issues related to climate change. This is achieved by identifying key areas to be addressed in climate policy and governance structures.

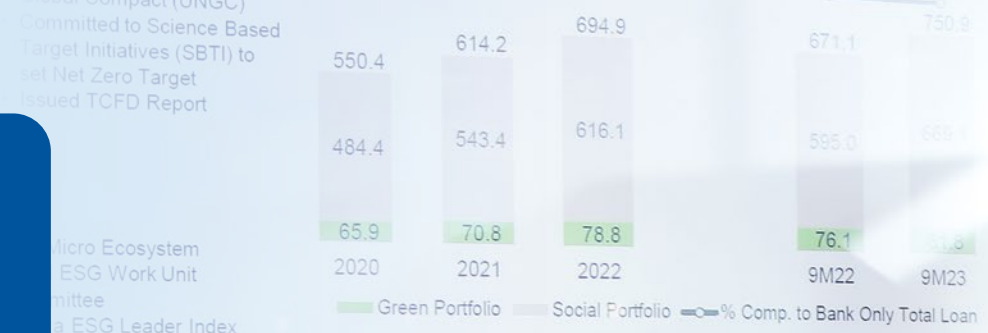
- Collaborating with the risk management team to identify, measure, and effectively mitigate climate change.
- Supporting sustainable projects and activities with the business to achieve emission reduction targets.
- Engaging the entire operational hierarchy in planning and implementing climate change initiatives.

To ensure that BRI achieves its ESG goals, the Strategy Division also regularly monitors and reports ESG performance to the Board of Directors.

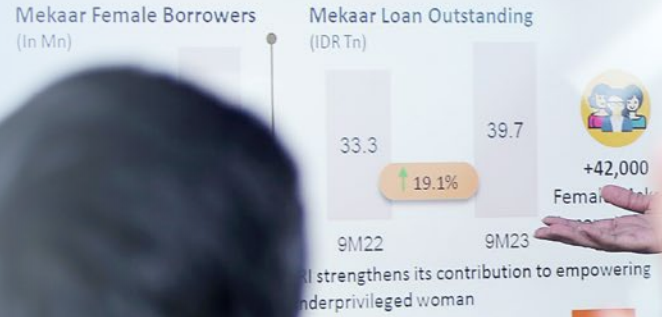


03

Strategy



Empowering Women Through Ultra Micro Ecosystem



Climate Change Strategy

Climate Change Poses Risks but also Creates Opportunities

Indonesia is committed to reducing carbon emissions to mitigate global temperature rise by increasing the target of Enhanced Nationally Determined Contribution (E-NDC) to 32%, equivalent to 912 million tons of CO₂, by 2030, compared to the previous 29% target. Anticipating more carbon-related regulations in the near future, these developments will impact Indonesia's industries and, inevitably, financial intermediaries. BRI has identified and analyzed climate risk, categorizing it into transition risk and physical risk. This analysis is integrated into the risk management and business strategies across the organization, enhancing the ability to withstand and adapt to climate-related challenges, thereby bolstering our climate resilience.

The identification and analysis of climate risks and opportunities encompass all markets in which BRI operates, risks are categorized into transition and physical risks, while opportunities are classified into resource efficiency, energy resources, products/services, markets, and resilience.

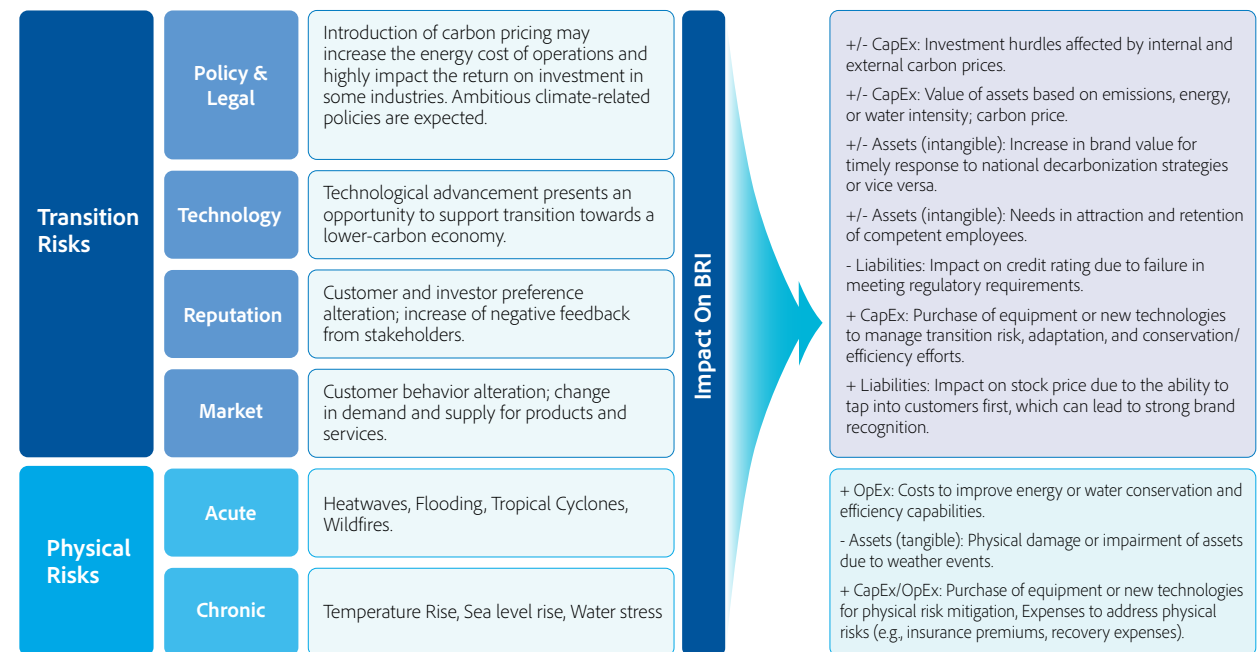
Transition risks include regulatory risks from regulations, market risks from climate change impacts on consumer choices, interest rates, and commodity prices, and reputational risks from changes in consumer preferences. Physical risks refer to infrastructure losses due to natural disasters. As businesses in sectors particularly exposed to physical risks, managing these risks has become increasingly important.

Opportunities involve operational cost savings through improved resource efficiency, increased revenue from eco-friendly products/services, enhanced corporate image, and higher product demand. BRI has identified and analyzed climate risks and opportunities based on short-term (~2025), medium-term (~2030), and long-term (~2050) periods, allowing for the minimization and proactive management of uncertainties that may arise until future goals are achieved.

The most significant opportunity resulting from climate change on our business operations is the higher product demand which comes from the changes in investor attitude due to our action on climate change in the form of ESG Funding. We are currently experiencing a lower interest rate from ESG based funding compared to conventional funding. In the future we will continue to increase diversification of our ESG based financial assets (eg, green bonds, sustainable bonds, social loan, sustainability linked loan and other ESG funding/lending).

To better understand the potential impacts of climate change on our business, we conduct climate scenario analyses. These analyses involve evaluating various climate scenarios, including different temperature rise projections and their associated economic impacts. The insights gained from these scenarios inform our strategic planning and risk management practices.

BRI has become a catalyst in the government's agenda to drive energy transition in Indonesia, by participating in the inaugural carbon market opened by the President of the Republic of Indonesia on September 26, 2023. BRI purchased carbon units totaling 4,501 tons of CO₂, the acquisition of which is also utilized to enhance BRI's internal awareness of transition risks. These carbon units have been retired for the year 2023.



Climate Change Scenario Analysis (CCSA)

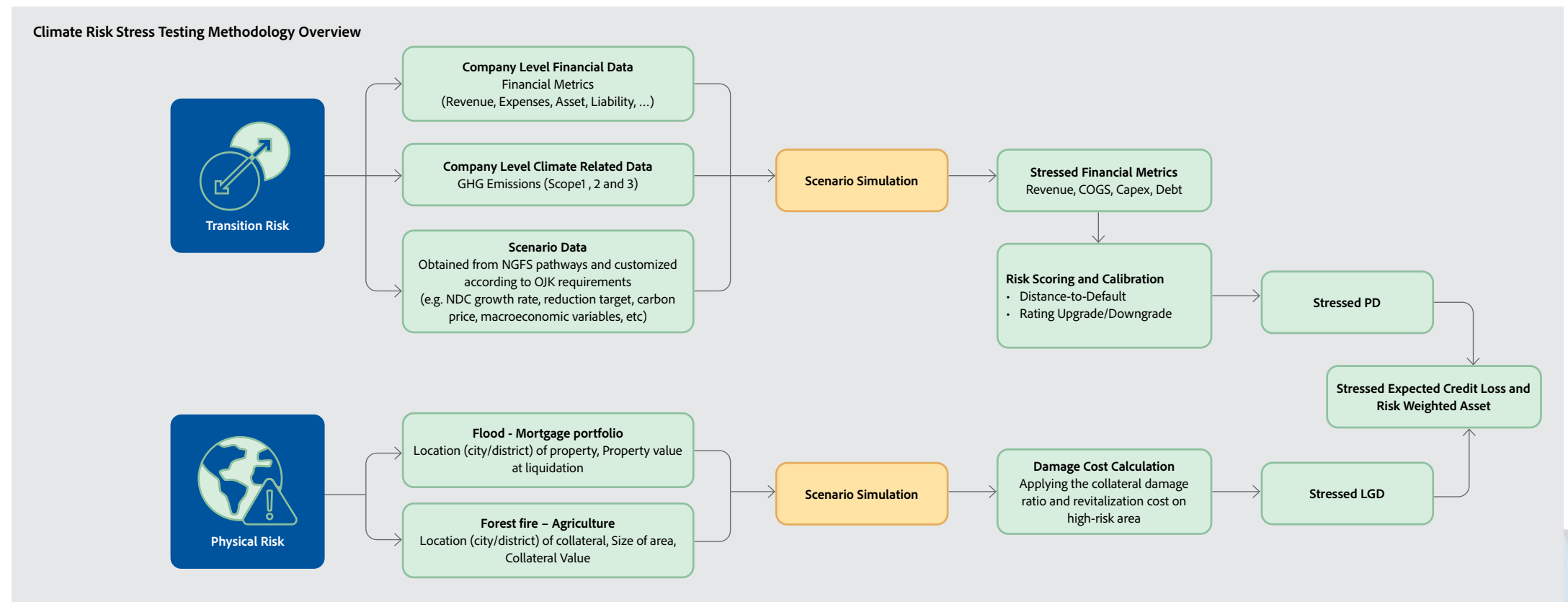
Main Process of the Climate Change Stress Test Methodology

Financial authorities and relevant organizations in major countries are strengthening climate risk supervision, transitioning from recommendations to obligations in recognizing climate change as a significant risk to financial systems. In March 2024, the Financial Services Authority (OJK) revised the Climate Risk Management & Scenario Analysis (CRMS)*, adopting principles from the Basel Committee on Banking Supervision (BCBS). This aims to encourage the financial industry to manage climate risk effectively.

BRI conducted a Climate Change Stress Test (CRST) to evaluate its impact, using the CRMS framework model. This test applied climate crisis scenarios presented by the Network of Central Banks and Supervisors for Greening the Financial

System (NGFS). Through this stress test, we analyzed both the physical risks posed by climate change to BRI and the transition risks arising from the shift to a low-carbon economy. Additionally, we evaluated the impact of climate risk on credit risk, including borrowers' default risk and the decline in collateral value.

Aligned with the Financial Services Authority (OJK) roadmap for CRMS implementation, BRI conducted CRST in 2 phases. The analysis in this phase 1 report covers 71.41%** of our portfolio (OJK requirement for phase 1 is 50%) and phase 2 will cover 100% that will be delivered in 2025.



*<https://ojk.go.id/id/berita-dan-kegiatan/info-terkini/Pages/Climate-Risk-Management-and-Scenario-Analysis-CRMS.aspx>

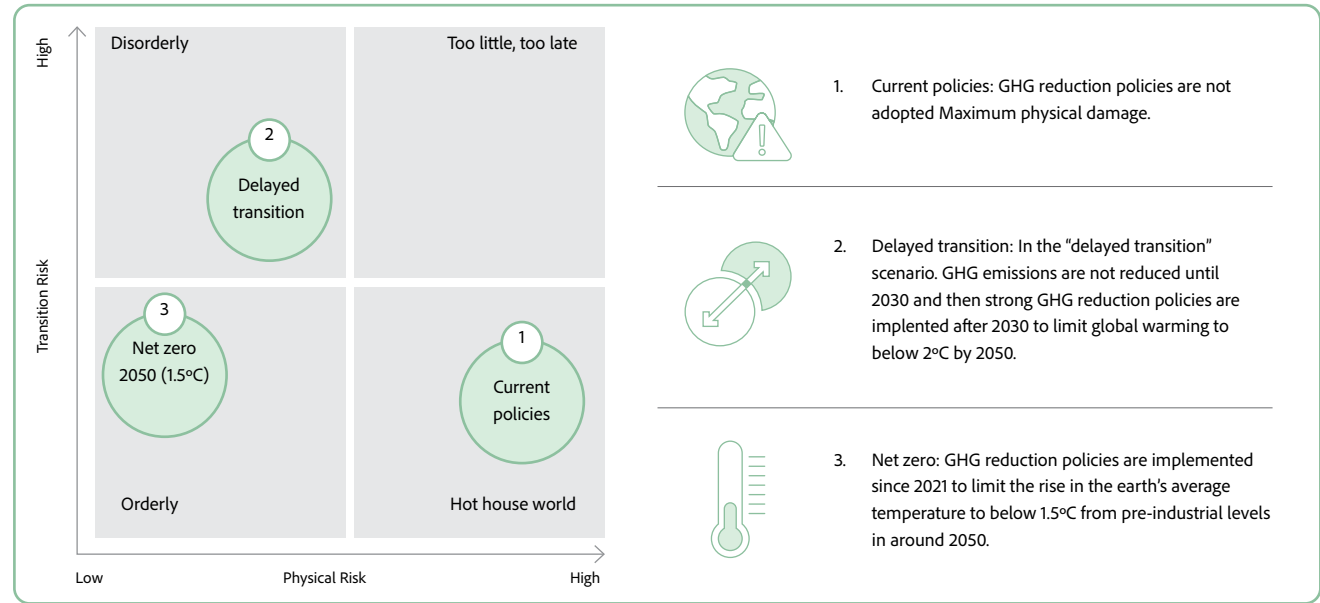
**Sectors included: 1. Agriculture, hunting & forestry, 2. Mining & quarrying, 3. Electricity, gas & water, 4. Construction, 5. Transportation & storage, 6. Manufacturing, 7. Wholesale & retail trade, 8. Mortgage.

Climate Risk Stress Testing

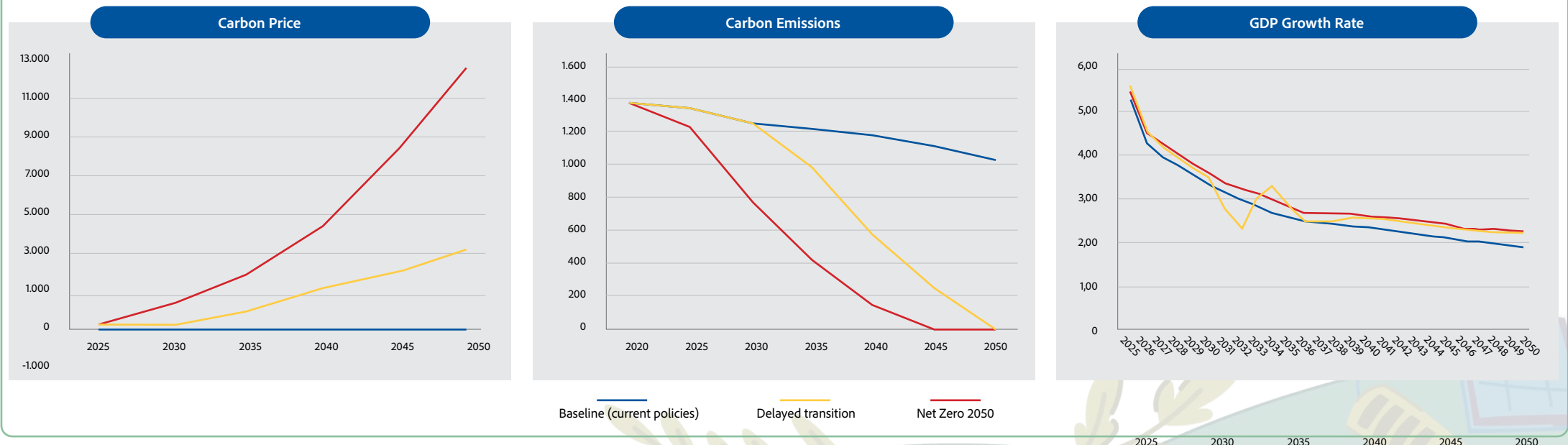
NGFS Climate Scenarios

The climate change stress test was conducted by categorizing into three NGFS (Network for Greening the Financial System) scenarios: 1. Current policies, 2. Delayed transition, and 3. Net zero.

In the current policies scenario, GDP growth starts high but decreases over the long term. Carbon emissions are expected to decrease at significantly slower rate compared to the other scenarios in the current policies scenario, decrease steadily after 2030 in the delayed transition scenario, and drop significantly from 1.203 million tons in 2025 to 325 million tons by 2050 in the net zero scenario. Additionally, carbon emission prices are assumed to be highest in the net zero scenario with no carbon emission prices imposed in the current policies scenario.



Estimated Carbon Price, Carbon Emissions, and GDP Growth Rate by Scenario



Climate Risk Stress Testing

Transition Risk Scenario Analysis

Our financial impact analysis, based on the NGFS (Network for Greening the Financial System) climate scenarios, the probability of default in net zero scenario would have difference between 3.9% and 4.4% higher compared to baseline 2023, while in delayed transition scenario, it would have difference between between 1.2% and 1.3% higher. The probability of default is especially high in 2040 in the net zero 2050 scenario, as the price of carbon credits is expected to be higher than other scenarios.

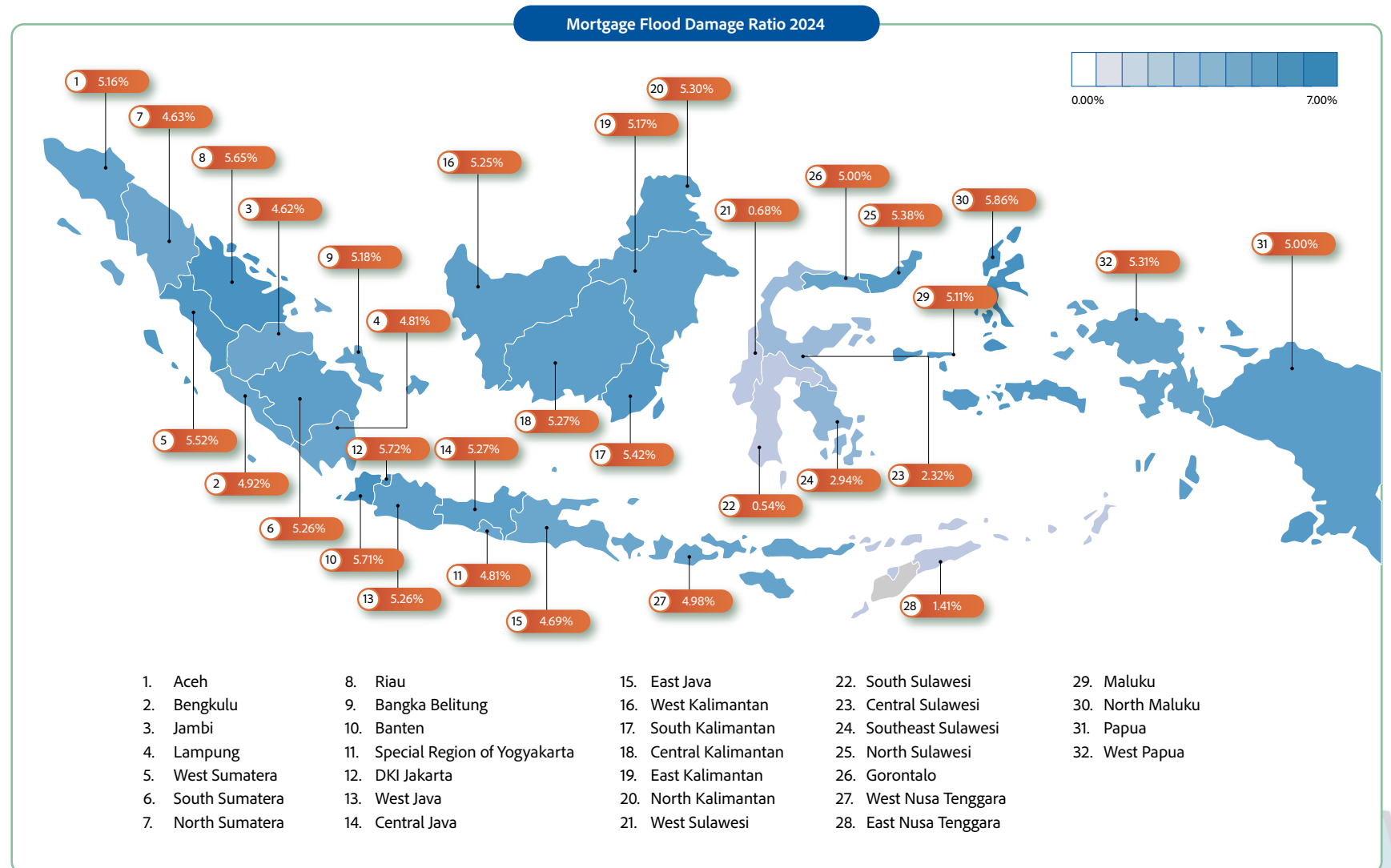
Changes in Probability of Default by Transition Risk Scenario



Climate Risk Stress Testing

Physical Risk Scenario Analysis

In March 2024, the Financial Services Authority (OJK) published a comprehensive Climate Risk Management & Scenario Analysis (CRMS) as a guidance for climate change risk management. It consists of 6 books including the technical guidance for measuring physical risk in Book 2: OJK CRMS Technical Guidance*, and Book 5: OJK CRMS Disaster Data**. Using the OJK's guidance on the physical scenario, we conducted physical risk scenario analysis, and forecast the extent of damage that floods and forest fire could cause to our asset portfolio.



*https://ojk.go.id/id/berita-dan-kegiatan/info-terkini/Documents/Pages/Climate-Risk-Management-and-Scenario-Analysis-CRMS/Buku%202_Panduan%20Teknis%20CRMS%20OJK%202024.pdf

**https://ojk.go.id/id/berita-dan-kegiatan/info-terkini/Documents/Pages/Climate-Risk-Management-and-Scenario-Analysis-CRMS/Buku%205_Data%20Bencana%20CRMS%20OJK%202024%20%281%29.pdf



Climate Risk Stress Testing

Climate Risk Stress Testing Results

BRI conducted a climate change impact analysis through 2050 based on assets as of the end of 2023. We estimated credit loss impact on 71.41% of our portfolio that have carbon emissions data and estimate the one that do not have carbon emissions data through estimation on their corporate financial and industry specific information.

Forecasting Probability of Default (PD) and Loss Given Default (LGD)

We conduct debtor-level financial modeling to quantify the impact and transmission channels of both micro and macro climate-related stress factors on debtors' financial statements.

The stressed financial statements will serve as the foundation for calculating stressed Probability of Default (PD), which subsequently influences the stressed credit rating. These stressed components will be utilized to determine the stressed Expected Credit Loss (ECL) and stressed Capital Adequacy Ratio (CAR).

We estimated that PD will continue to rise through 2030 in the current policies scenario. However, starting in 2030, PD will slightly go down through 2050. In the delayed transition scenario, PD is similar to that of the current policies scenario up to 2030. However, starting in 2030, facility construction and carbon costs will increase due to strong enforcement of GHG reduction policies, leading to greater increases in PD through 2050. In the net zero scenario, costs continue to arise as GHG reduction policies are enforced from the beginning, resulting in greater PD increases. However, we estimated that PD will steadily decrease after 2040.

To estimate Loss Given Default (LGD), we incorporated regional damage assessments derived from the OJK's impact functions for flood and wildfire risks. These impact functions translate physical risk damage into an impact on collateral value, which is then reflected in the LGD calculation. We estimated that there is no significant impact on the LGD increase rate from the occurrence of physical risk.

Forecasting Expected Credit Loss and Capital Adequacy Ratio

Results of estimating the expected credit loss amount per scenario indicate that in Net Zero 2050 Scenario, expected credit loss coverage would have difference between 0.9%-1.2% higher compared to baseline 2023, the highest compared to other scenarios. We calculated the capital adequacy ratio by considering the increase in expected credit loss for each scenario. This analysis showed that in the Net Zero 2050 Scenario, the capital adequacy ratio would have difference between 2.3%-2.7% lower, which is the largest drop compared to other scenarios.

What's Next

BRI used Financial Services Authority (OJK) CRMS methodology and internal risk model for Climate Risk Stress Testing and reported the forecasting results to the ESG Committee.

Achieving carbon neutrality in our operations is a key priority. We are committed to reducing our carbon footprint through energy efficiency measures, the use of renewable energy, and offsetting residual emissions. Our goal is to achieve net-zero carbon emissions across our operations by 2050.

Transparency in our climate-related activities is essential for building trust with our stakeholders. To achieve this, we adhere to internationally recognized disclosure standards, including the IFRS-S disclosure. This ensures we provide clear and comprehensive information on our climate strategy, risks, and performance.

We believe in the importance of raising awareness about climate change and building capacity within our organization and among our stakeholders. We provide training and resources to our employees, engage with clients and partners on sustainability issues, and participate in industry initiatives to promote climate action. We will provide our clients and partners that do not have emissions data support, so they can measure and disclose their emissions.





04

**Risk
Management**





Risk Management

A robust risk management infrastructure is critical to BRI's success in achieving our strategic goals and creating balanced, sustainable value for our stakeholders.

Climate change is a driver of traditional bank risks, potentially impacting our business and operations directly and indirectly. Based on the results of the CRST we conducted, we assess that the credit and reputational implications of climate risk, which can occur through transition and physical risk channels, are more likely to have a material impact on our business and operations compared to other traditional risks.

The implications of transition and physical risk drivers on credit risk can vary across sectors, customer profiles, and time horizons. We see transition risks as potentially significant in the short- to medium-term horizon as the structural and technological transformations to achieve rapid and deep decarbonization by 2030 gather momentum. Certain sectors and customer types could be adversely affected by stricter climate and energy policies, carbon pricing, market expectations, and technology standards, particularly those in carbon-intensive and hard-to-abate sectors.

Additionally, we recognize that physical risks could affect our customers and our operational resilience if global warming continues at its current rate, increasing in materiality in the long term. While acute physical risks such as extreme weather events could affect customers across all sectors, chronic physical risks could give rise to sector-specific effects. For example, customers dependent on ecosystem services could be more adversely affected by climate-induced physical effects such as declining water tables, falling agricultural yields, and rising sea levels.

We will review this assessment regularly to ensure it remains relevant, leveraging the growing knowledge and evidence base for climate risk.

This section provides an overview of BRI's ESG risk management process and the results of our initial assessment of climate-related risks.

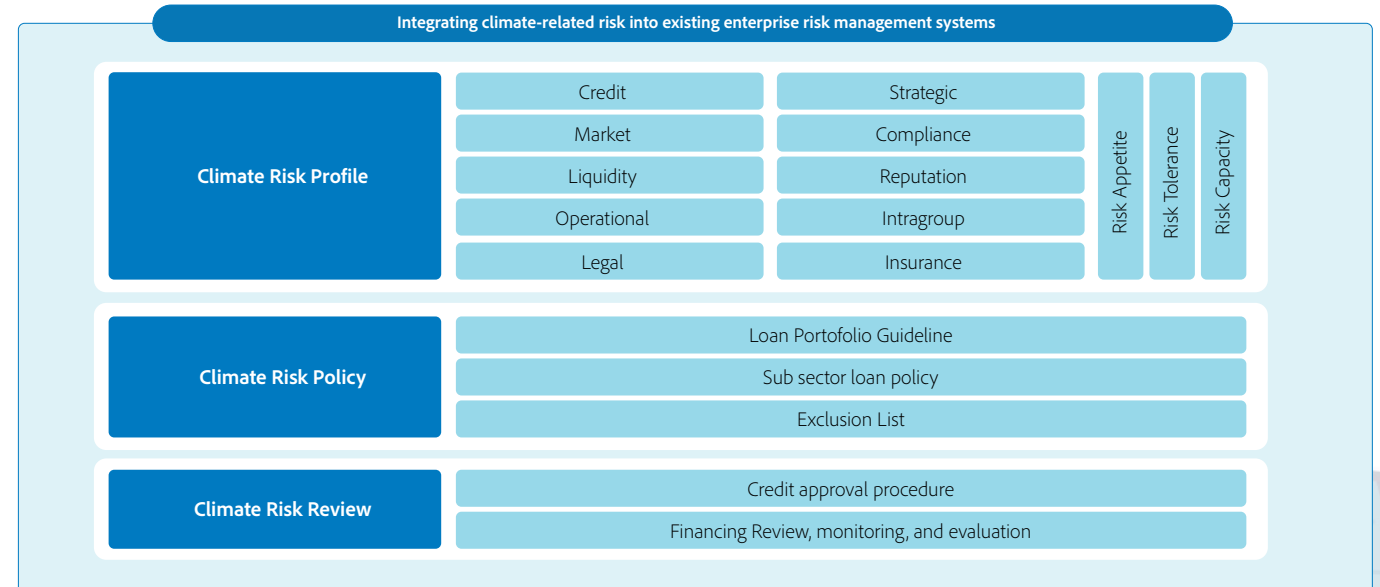
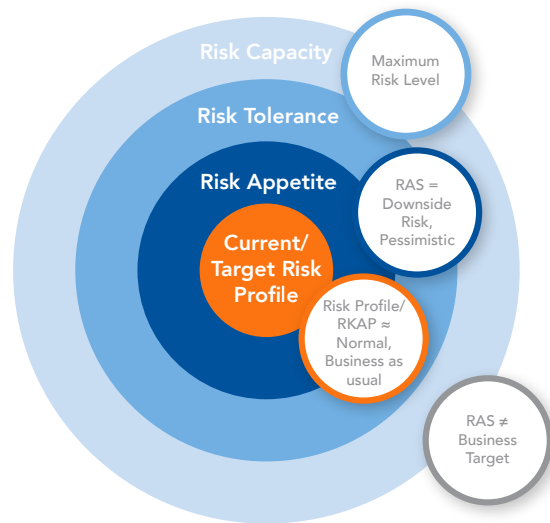
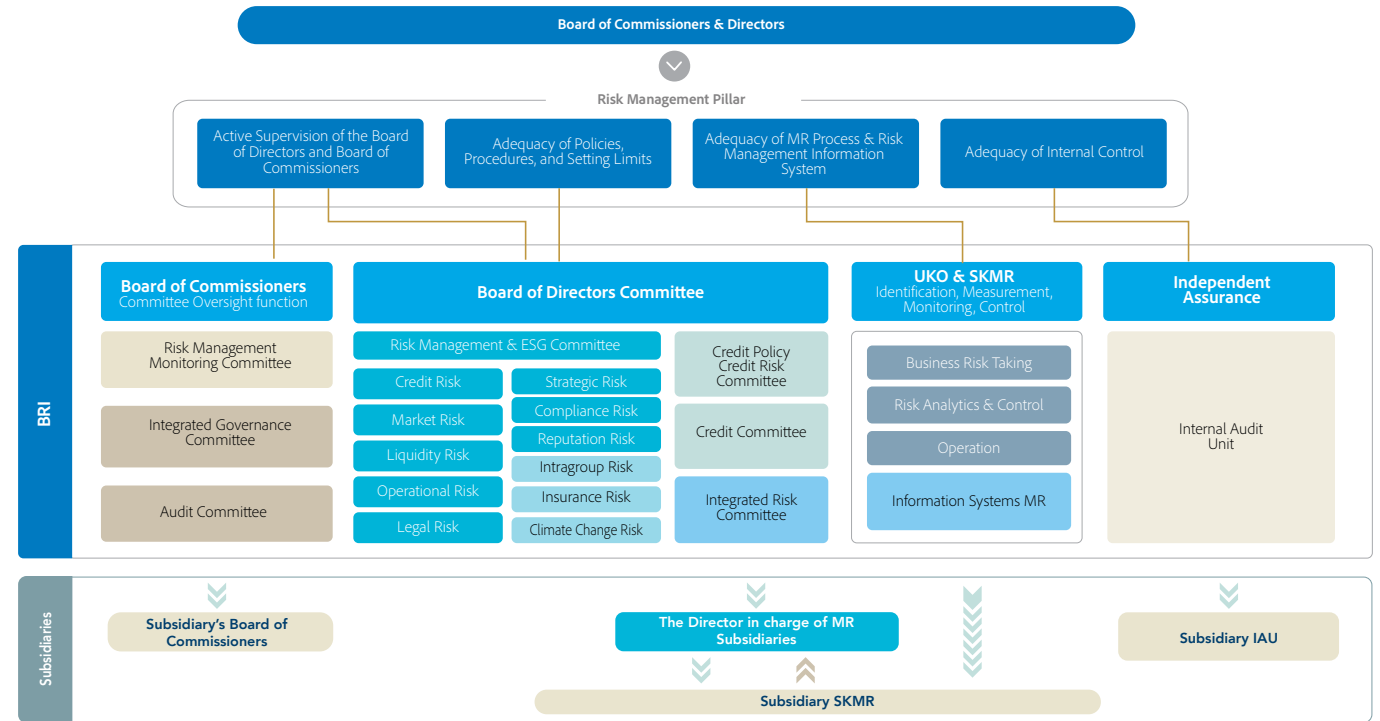


Climate Change Risk Management

Risk Management Framework

Through an evolutionary process, BRI has prioritized stakeholder engagement, actively seeking input from customers, investors, regulators, and industry experts. These engagements have enabled BRI to better understand stakeholder expectations and incorporate diverse perspectives into its risk management approach. The integration of climate-related risks into BRI's risk management practices shows the bank's commitment to responsible banking and sustainable finance. By effectively managing climate risks, BRI aims to enhance its resilience, safeguard its stakeholders' interests, and contribute to global efforts in mitigating climate change. This ongoing journey reflects BRI's dedication to continuously improving its risk management framework and staying at the forefront of sustainable banking practices.

Scenario analyses could be considered the first step in understanding the impacts of relevant climate-related risks on BRI's operations and investment portfolio. The results are used as the basis for understanding the potential risks and impacts of the relevant climate-related risk.



Climate Change Risk Impact & Management

BRI incorporates an evaluation of both risks and opportunities posed by climate change within its business operations. Specifically, during the identification and response phases of managing climate-related risks, BRI not only pinpoints potential threats but also recognizes opportunities linked to climate change. This approach positions climate change not merely as a crisis, but as a transformative juncture for fostering new business ventures and achieving enhanced growth.

To assess climate change risks and opportunities, BRI has categorized the impact and duration of each risk to gauge the required response urgency. This involved assigning high, medium, or low classifications for impact on the Business Resilience Initiative (BRI), and short-term, medium-term, or long-term classifications for the duration of each identified risk. BRI addresses each risk comprehensively by tailoring responses to the identified key drivers associated with each potential risk.

Risk Profile Type	Climate Risk Type	Key Driver	Response Activities
Credit Risk	Policy & legal	<ul style="list-style-type: none"> Carbon Pricing National decarbonization strategies Climate related disclosure obligation 	<ul style="list-style-type: none"> Engaging with portfolios to encourage the adoption of policy & legal related to carbon pricing, decarbonization strategies, and climate disclosure
	Market	<ul style="list-style-type: none"> Increased market demand for greener products Changing customer behavior Market demand for green finance 	<ul style="list-style-type: none"> Giving advice on portfolios to shift into green infrastructure Developing green banking products and services
Compliance Risk	Policy & legal	<ul style="list-style-type: none"> Carbon pricing National decarbonization strategies Climate-related disclosure obligation 	<ul style="list-style-type: none"> Actively implementing BRI's carbon neutrality strategy Strengthening the application of global standards within the climate change response framework
	Market	<ul style="list-style-type: none"> Market demand for green finance 	<ul style="list-style-type: none"> Developing green banking products and services in accordance with regulations
Reputation Risk	Policy & legal	<ul style="list-style-type: none"> National decarbonization strategies 	<ul style="list-style-type: none"> Revamping strategies and implementation to meet the needs of stakeholders Securing customer and investor confidence by strengthening environmental management Disclosing the climate change issues through TCFD report and SR
	Market	<ul style="list-style-type: none"> Increased market demand for greener products 	
	Reputation	<ul style="list-style-type: none"> Risk of loss of trust and confidence in investors Opportunity to enhance reputation & brand value 	
Operational Risk	Technology	<ul style="list-style-type: none"> Increased demand for lower-carbon technology 	<ul style="list-style-type: none"> Expanding lower-carbon technology related investment Monitoring lower-carbon technology and research trends
	Market	<ul style="list-style-type: none"> Increased demand for lower-carbon technology 	
	Acute	<ul style="list-style-type: none"> Heatwaves Flooding Tropical cyclones Wildfires 	<ul style="list-style-type: none"> Establishing a Business Continuity Plan (BCP) Executing mock exercises and emergency evacuation drills Developing climate change response strategy according to the physical risk and chronic scenario analysis
	Chronic	<ul style="list-style-type: none"> Temperature rise Sea level rise Water stress 	
Strategic Risk	Market	<ul style="list-style-type: none"> Increased market demand for greener products Changing customer behavior Market demand for green finance 	<ul style="list-style-type: none"> Identify the ESG risks within products and services Revamp the composition of green products and services



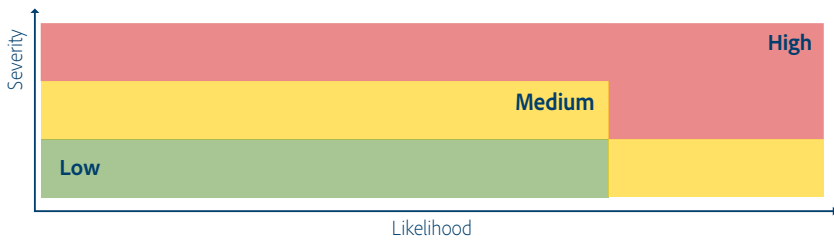
Climate Risk Assessment

BRI assesses material risks based on the severity of impact and the likelihood of the risk concluding in a risk level for material climate-related risks on operations.

Severity × Likelihood = Risk level

Severity
The level of impact that directly or indirectly affects BRI's operating performance or its financial condition

Likelihood
The frequency of the risk impacting on BRI's operating performance or its financial condition



Risk Level	Description
High	A high-risk level refers to risk that is expected to deliver long-term adverse impacts on BRI's operations and business strategies and that may cause changes in business direction or strategies
Medium	A medium risk level refers to risk that is expected to deliver a long-term impact on BRI's operations and business strategies, requiring actions that can be taken within the existing operational and strategic business framework.
Low	A low risk level refers to risk that is expected to deliver short-term impact on BRI's operations and that requires one-off measures to adapt to the existing operation model or on-going monitoring of risk

As most BRI branches, specifically 7,749 out of 7,755 branches, along with 3 offices and 2 data centers, are located in Indonesia, the impact of climate-related risks in the country has the greatest effect on BRI's operations. Analyses focus on the impacts on BRI's operations in Indonesia. In the exercise, physical risks on this page illustrate risks identified under the high emission scenario, in which transition risks illustrate risks identified under the 2°C aligned scenario. Physical risks under the low emission scenario are deemed to be low, whereas transition risks under the high emission scenario are deemed to be irrelevant, as it is expected that policies/risks related to low-carbon transition will be irrelevant under a fossil fuel-driven economy.

Risk	Risk Level per Scenario		Time Period	Risk Trend		
	Low Emission	High Emission				
Transition Risk	Policy & Legal	Carbon pricing	High	N/A	M - L	+
		National decarbonization strategies	High	N/A	S - M	-
		Climate-related disclosures obligations	Medium	N/A	S - M	-
	Technology	Increased demand of lower-carbon technology	Low	N/A	M - L	+
		Increased adoption of renewable energy	Low	N/A	M - L	=
		Market	Increased market demand for greener products	Low	N/A	S - M
	Changing customer behavior		Low	Low	M - L	=
	Reputation	Market demand for green finance	Medium	N/A	M - L	=
		Risk of loss of trust and confidence in investors	Medium	Low	M - L	+
	Opportunity to enhance reputation and brand value	Medium	Low	M - L	=	
Physical Risk		Acute	Heatwaves	Low	High	M - L
	Flooding		Low	High	M - L	+
	Tropical cyclones		Low	Medium	S	=
	Chronic	Wildfires	Low	Low	S	=
		Temperature rise	Low	High	L	=
Sea level rise	Low	High	L	=		
	Water stress	Low	Medium	L	+	

Time Period

- S** Less than 5 years
- M** 5 - 10 years
- L** Over 10 years

Risk Trend

- Decrease over time
- =** Remain stable over time
- +** Increase over time



Sustainable Financing Solutions

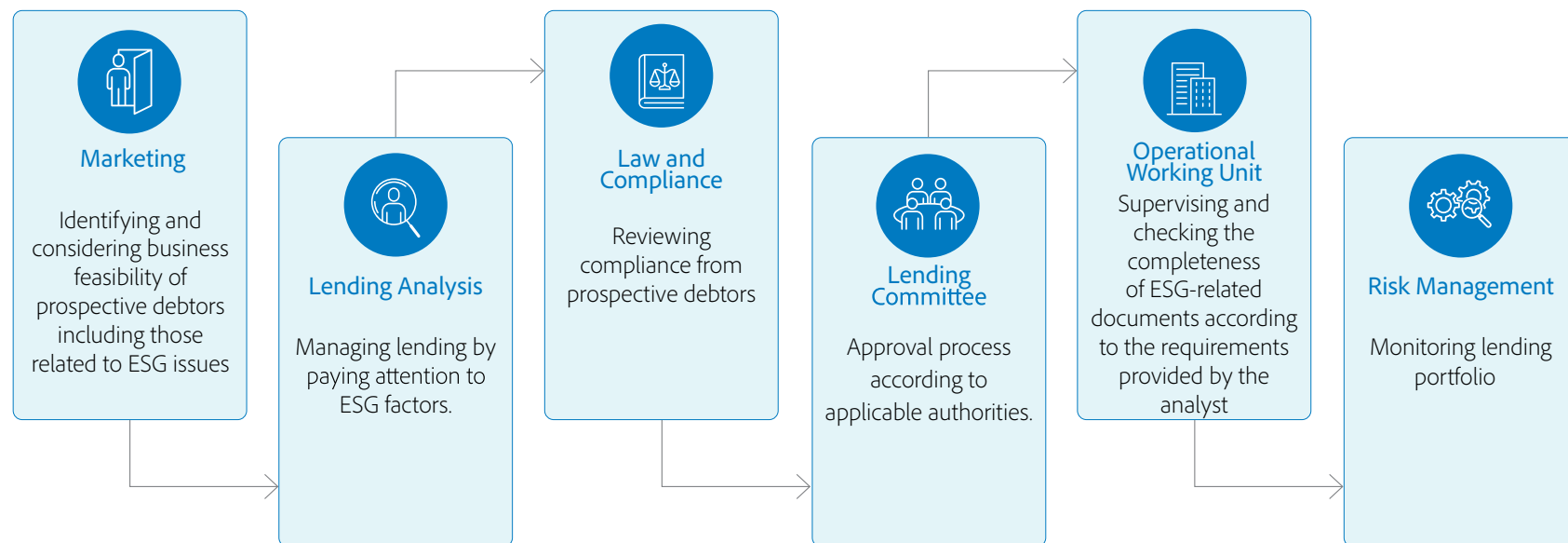
Climate Risk Policy and Review on Loan Portfolio

We are committed to promoting sustainable development through our financing activities. This includes providing loans, investments, and other financial products that support green projects and initiatives. Our sustainable financing solutions focus on:

1. Responsible Financing Products and Policies (Sustainable Palm Oil Sector Financing Policy, Pulp & Paper Sector Financing Policy, Sustainability-Linked Loan, Financing Review).
2. Increasing the portfolio of renewable energy, energy efficiency, sustainable agriculture, and other sectors that contribute to environmental sustainability.

Environmental, Social, and Governance (ESG) risk management is a cornerstone of our approach to sustainability. We incorporate ESG considerations into our risk assessment processes to identify and mitigate potential impacts on our business and society. This holistic approach ensures that we address a broad range of sustainability risks, including those related to climate change. BRI has a climate risk policy applied to financing policies covered in the Generally Accepted Risk Criteria, exclusion list, and Sub-Sector Financing Policy.

Lending Approval Procedure

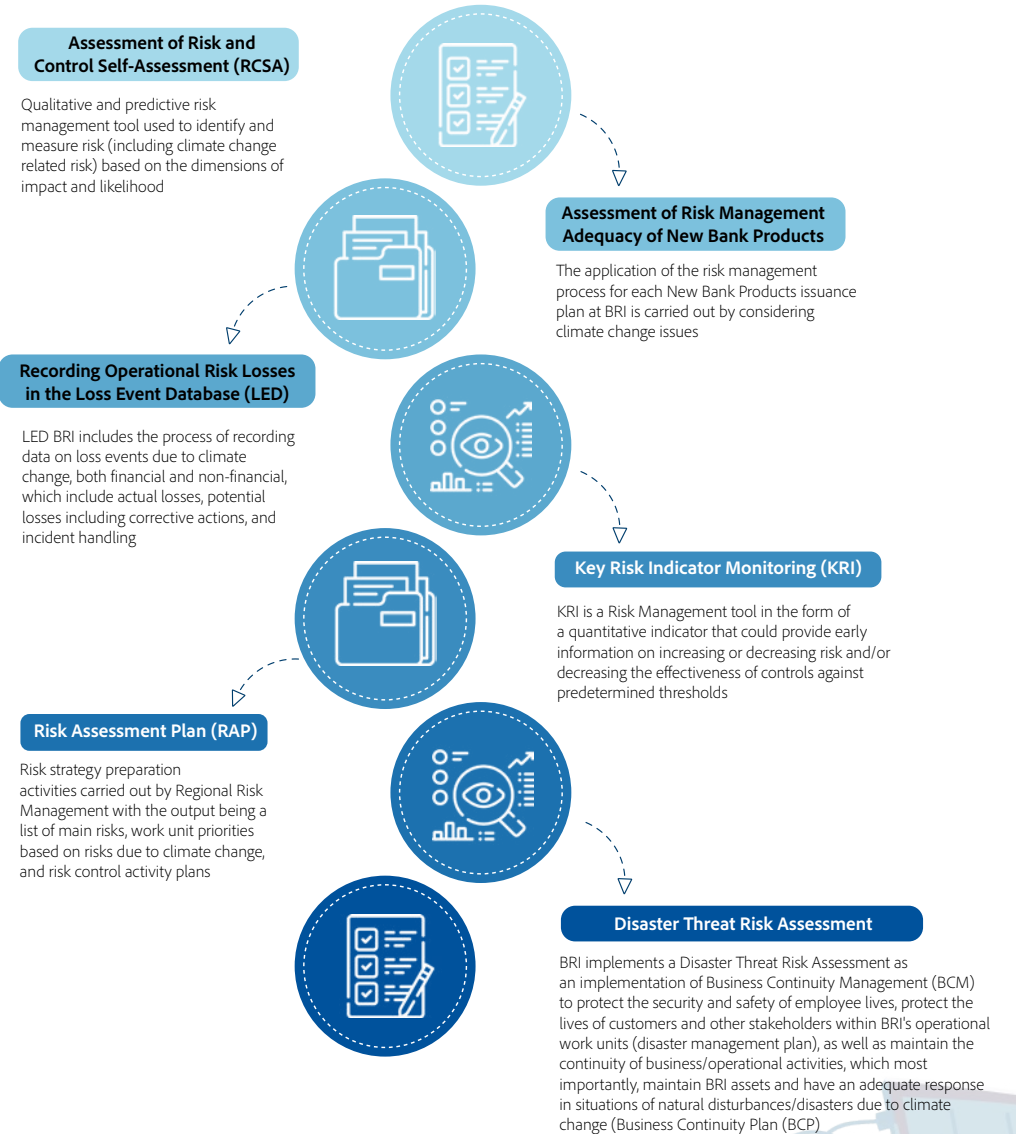
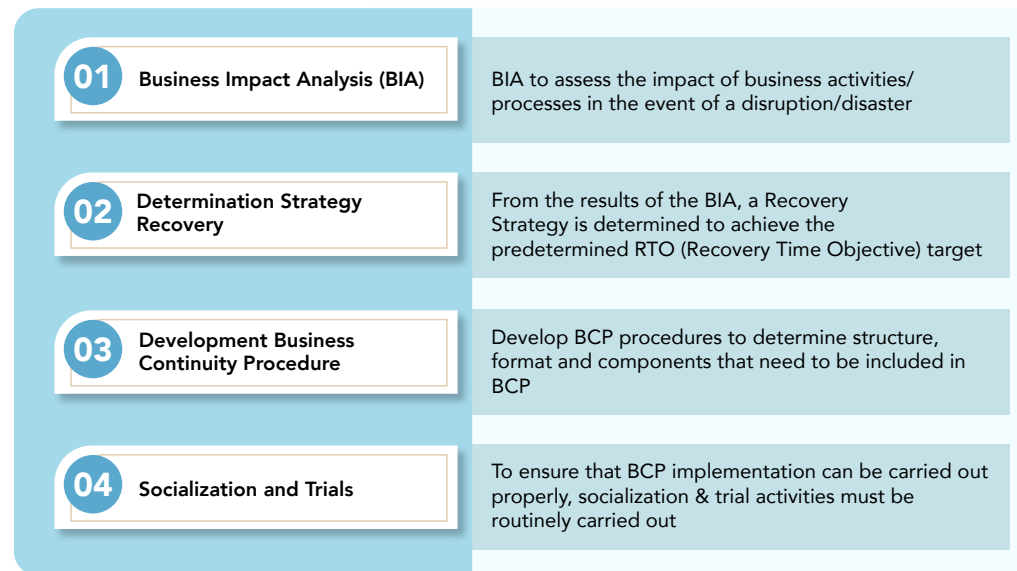


Sustainable Financing Solutions

Operational Risk Management Process - Related to Climate Change

The operational risk management process is carried out in accordance with governance set out in the operational risk management framework and uses tools in accordance with regulatory provisions and best practices. The process of measuring and calculating operational risk is carried out through the following activities:

Business Continuity Plan (BCP) Implementation



Physical Climate Risk Adaptation

Based on the results of the CRST, BRI will undertake Physical Climate Risk Adaptation measures to mitigate the potential impacts of climate change. These measures include:

1. **Transferring Physical Risks to Insurance:** BRI will explore options to transfer physical risks associated with climate change to insurance providers. This approach can help offset the financial burden of climate-related damages and losses.
2. **Risk and Threat Assessment Optimization:** As a key part of our operational risk adaptation strategy, our business continuity plans are developed with consideration of disruptions that could be caused by extreme weather events, among other potential incidents or risks. We have a business continuity plan in place to ensure that we maintain critical crisis management and execution capabilities in the event of major incidents, including extreme weather events. To protect our business from physical risks, BRI will optimize our risk and threat assessment such as monitoring weather changes and allocating protective devices and emergency equipment ahead of possible climate disasters. These actions are integral to our commitment to sustainable business practices and proactive risk management in the face of climate-related challenges.
2. **Asset Reallocation:** Assets located in high-risk areas will be considered for reallocation to lower-risk locations. This proactive step aims to reduce exposure to physical risks such as flooding, extreme weather events, and other climate-related hazards. The reallocation strategy will involve thorough risk assessments and feasibility studies to ensure that the new locations offer a safer environment for the assets.

By implementing these adaptation measures, BRI aims to enhance its resilience to the physical impacts of climate change and protect its assets from potential damages. These actions align with BRI's commitment to sustainable business practices and proactive risk management in the face of climate-related challenges.



05

Metrics and Targets



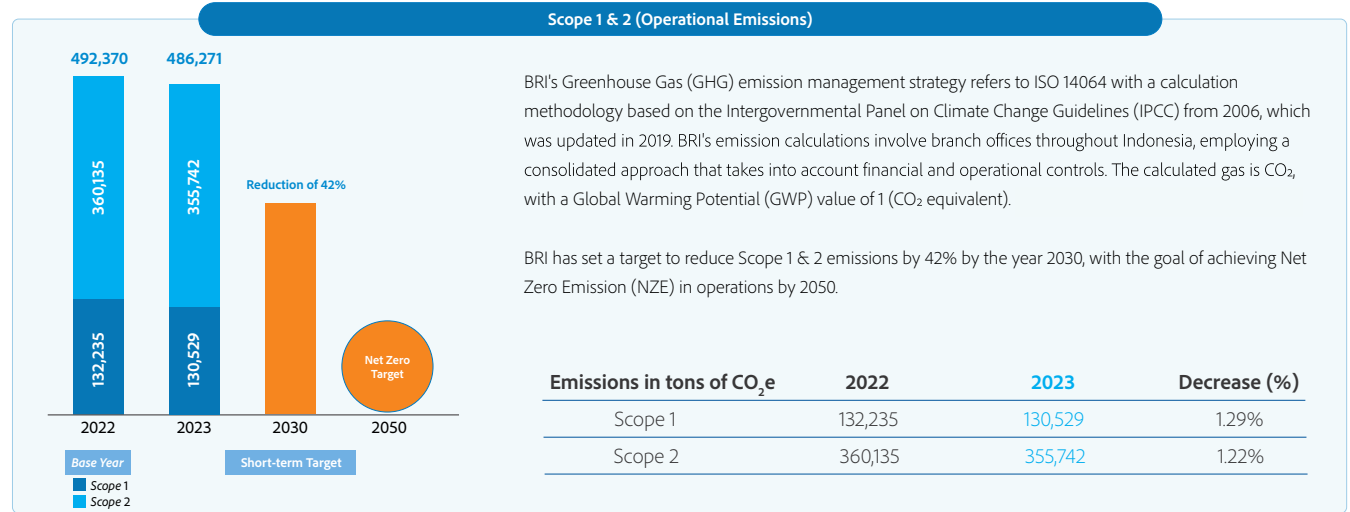
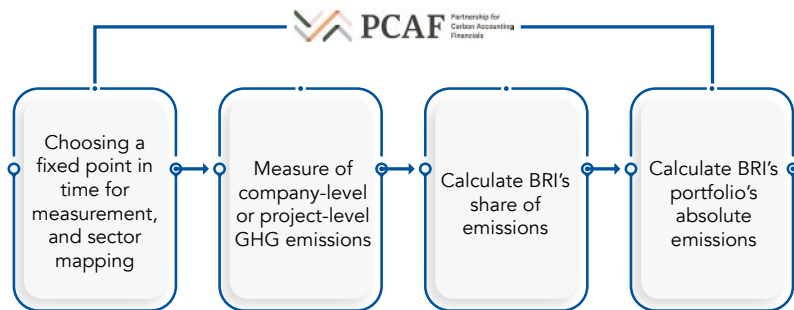
What Gets Measured, Gets Managed

Measurement is a critical component of improvement. Without measuring performance, it would be difficult to determine whether progress is made or whether the desired results are being achieved. By measuring and managing progress over time, it becomes easier to make data-driven decisions and to continuously improve performance. BRI measures and manages both Scope 1 & 2 and Scope 3 emissions. Scope 1 & 2 emissions are generated from BRI operations, while Scope 3 financed emissions are incurred by its investment and lending activities, and account for the majority of the bank's total GHG emissions.

BRI is the first institution in Indonesia to join the Partnership of Carbon Accounting Financials (PCAF) and utilize its methodology to measure and disclose financed emissions¹. The PCAF methodology was devised based on the Greenhouse Gas Protocol - a global accounting standard for greenhouse gas emissions - and provides consistent and validated measurement standards.

Furthermore, BRI has followed the SBTi's coverage requirements for financed emission measurement per asset type, including corporate loans, electricity generation project finance, commercial real estate, listed equity, and bonds.

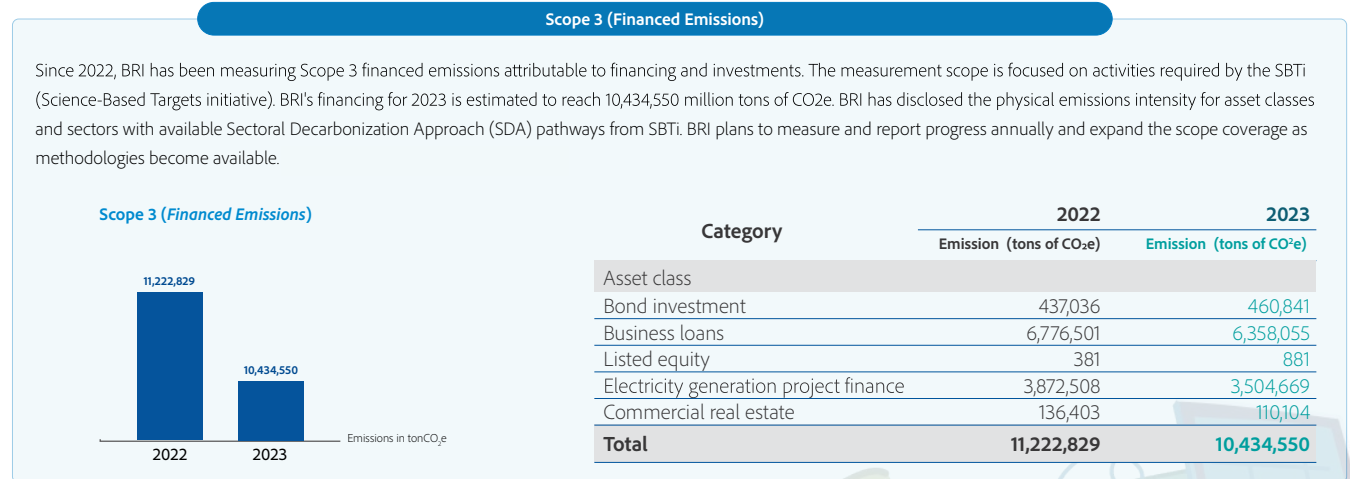
BRI Financed Emission Measurement Approach



BRI's Greenhouse Gas (GHG) emission management strategy refers to ISO 14064 with a calculation methodology based on the Intergovernmental Panel on Climate Change Guidelines (IPCC) from 2006, which was updated in 2019. BRI's emission calculations involve branch offices throughout Indonesia, employing a consolidated approach that takes into account financial and operational controls. The calculated gas is CO₂, with a Global Warming Potential (GWP) value of 1 (CO₂ equivalent).

BRI has set a target to reduce Scope 1 & 2 emissions by 42% by the year 2030, with the goal of achieving Net Zero Emission (NZE) in operations by 2050.

- Note:**
- Scope 2 emission factors: Directorate General of Electricity, Ministry of Energy and Mineral Resources (DJK-ESDM) in 2019
 - Fuel emission factor: Oil and Gas Institute (Lemigas) Energy and Mineral Resources in 2021
 - Other emission sources use emission factors agreed by the IPCC.
 - Ozone depleting substances (ODS), biogenic emissions, NOx, SOx, VOC (volatile organic compound gas), PM (particulate matter), and other significant gases contributing to air emissions have not been considered in this calculation.



- Note:**
The calculation and reporting of financed emissions refer to the Global GHG Accounting and Reporting Standard, The Partnership for Carbon Accounting Financials (PCAF) standard, and SBTi (s3) [s3-s3]

Target Setting Methodology

More than 4,500 companies worldwide have committed to establishing science based targets through SBTi, indicating the increasingly widespread adoption of these standards in environmental impact reduction efforts. In this context, BRI, as the largest financial institution in Indonesia, became the first bank to submit a commitment letter for approval from SBTi. In alignment with this commitment, BRI supports its corporate clients in setting emission reduction targets in accordance with SBTi standards. Through this engagement, BRI aims to achieve carbon neutrality by the year 2050.

BRI has set Scope 3 (Finance Emissions) targets according to SBTi's criteria for Scope 3 Portfolio Targets.

FI-C15 - Requirement to Set Target(s) on Investment and Lending Activities: All financial institutions shall set targets on their investment and lending activities as required by FI-C16, irrespective of the share of quantified Scope 3 portfolio emissions as compared to the total emissions or Scope 1,2 and 3 emissions of the financial institution. FIs may choose from the applicable methods for target setting, by asset class.

FI-C16 - Portfolio Target Boundary: Financial institutions shall set targets on all "Required Activities" in the Required Activities and Methods Table following the minimum boundary coverage requirement.

As part of its sustainable business practices, BRI has developed a methodology for setting emission reduction targets, taking into consideration factors such as:

- The bank's contribution to GHG emissions: BRI utilizes internationally recognized methodologies, such as the Greenhouse Gas Protocol, to calculate emissions.
- The bank's ability to reduce emissions: BRI formulates various strategies to reduce emissions both directly and indirectly.
- National and international emission reduction goals: BRI aligns its targets with broader objectives, such as Nationally Determined Contributions (NDC) and the Paris Agreement.

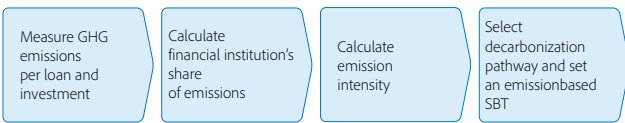
Considering these factors, BRI measures and sets carbon emission reduction targets using the SBTi methods, namely the Sectoral Decarbonization Approach (SDA) and Temperature Ratings Method.

Sectoral Decarbonization Approach (SDA)

BRI establishes emission reduction targets for each industry sector based on the principles of the Sectoral Decarbonization Approach (SDA). This approach places specific emphasis on carbon intensity as the key indicator in determining reduction targets. The effectiveness of this approach is evident as different economic sectors contribute differently to greenhouse gas emissions, leading to varied speeds in achieving net-zero emissions.

A profound understanding of specific emission sources in each sector enables BRI to design more specific and efficient solutions. Consequently, BRI can achieve emission reductions more effectively and have a positive impact in supporting global efforts to address climate change.

Referring to the SBTi guidelines for financial institutions, the following outlines the SDA approach adopted by BRI.

Target	Paper & Pulp, Commercial Real Estate, Power Generation, and Power Generation Project Finance
Base Year	2022
Calculating Baseline Emission Intensity to Establish SDA Targets	 <p>Measure GHG emissions per loan and investment → Calculate financial institution's share of emissions → Calculate emission intensity → Select decarbonization pathway and set an emissionbased SBT</p>
Establishment of Carbon Neutrality Targets	Setting targets and reduction pathways based on scenarios below 2oC

Temperature Ratings Method

BRI utilizes the Temperature Ratings Methodology to establish emission reduction targets for various other sectors in corporate financing where the SDA approach is not applied. This method measures the extent to which companies have adopted carbon emission reduction targets in line with scientific global warming goals. The method provides temperature ratings to associate carbon emission targets with estimated global temperature increases and offers an intuitive perspective on the impact of a company's emission reduction on climate change. The higher the emission reduction targets, the lower the temperature score and temperature rating of BRI's asset portfolio.

Formulating greenhouse gas emission reduction targets using the Temperature Ratings Methodology involves:



To formulate greenhouse gas (GHG) emission reduction targets using the Temperature Ratings Methodology, BRI categorizes sectors within the loan, bond, and listed equity portfolios, setting carbon reduction targets based on their respective temperature ratings. BRI is committed to progressively reducing the portfolio's temperature score toward the 2040 goal, which is a temperature rating of 1.75% for Scope 1&2 and 2.0% for Scope 1&2&3.



Our Progress

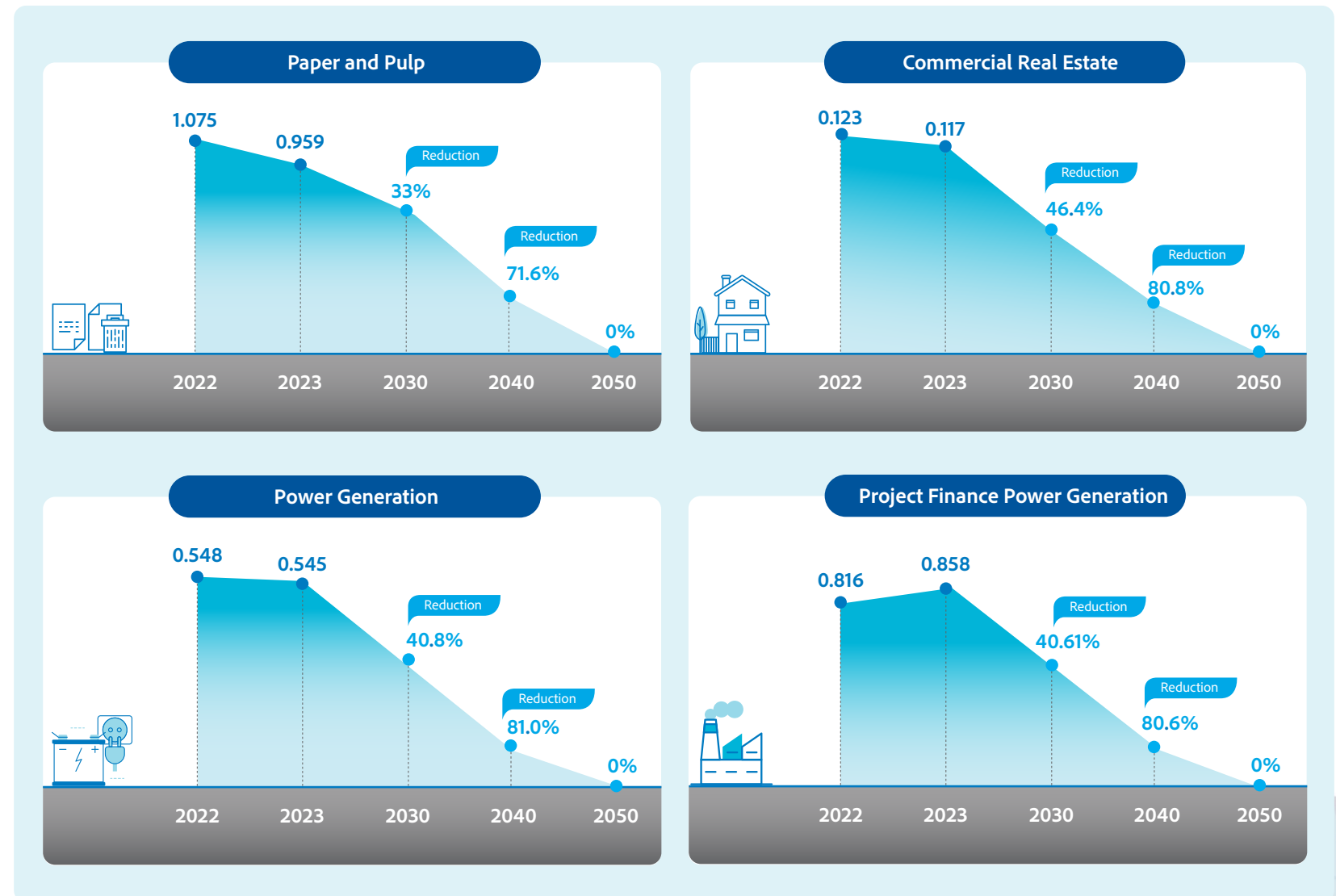
Sectoral Decarbonization Approach (SDA)

In the effort to achieve the net-zero target by 2050, BRI has conducted calculations of the carbon intensity from financed emissions. BRI establishes specific targets and pathways for industrial sectors, such as paper & pulp, commercial real estate, power generation, and power generation project finance, using the base year 2022.

Generally, in 2023, there was a decrease in emission intensity in the sectors financed by BRI, except for the power generation project finance industry, which experienced an increase from the base year. This phenomenon can be explained by the settlement of companies that had set carbon emission reduction targets among the targeted companies calculated in the previous year.

These changes result from the dynamics of changes in our financed emission portfolio and are part of our commitment to continuously monitor, assess, and adjust strategies to achieve the set emission reduction targets. BRI remains committed to actively supporting the

Target and Pathway of Reduction for Each Industrial Sector Based on SDA



Our Progress

The Formulation of GHG Emission Reduction Targets Using the Temperature Ratings Methodology

Temperature Ratings Method (TRA)

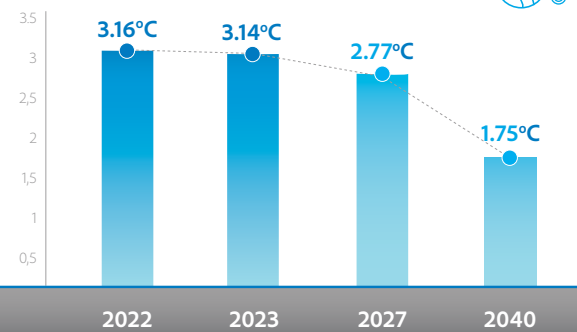
In setting emission reduction targets for portfolios that do not follow the Sectoral Decarbonization Approach (SDA), BRI employs the Temperature Ratings Methodology to establish and manage emission reduction targets. In 2023, there is a trend of decreasing temperature ratings in BRI's loan portfolio compared to 2022. To achieve future targets, BRI has planned concrete steps, such as improving energy efficiency in operations, investing in renewable energy sources, and collaborating with our borrowers to accelerate the transition to environmentally friendly business practices.

Our commitment extends beyond target setting; it involves regular monitoring and evaluation of progress. We are prepared to adapt to scientific developments and the evolving demands of climate change. We are open to dialogue and sharing information with stakeholders regarding our efforts, achievements in achieving emission reduction targets, and the positive impact on climate change.

Loan

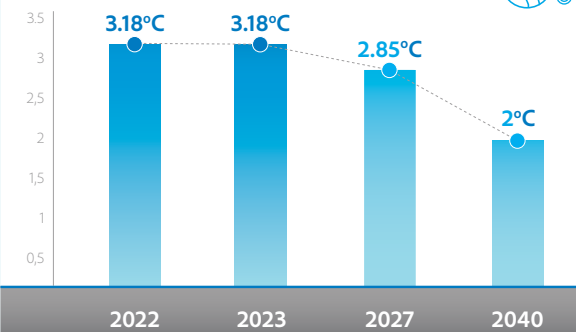
Scope 1, 2

Annual Reduction Rate (°C/ year) 0.0783



Scope 1, 2, 3

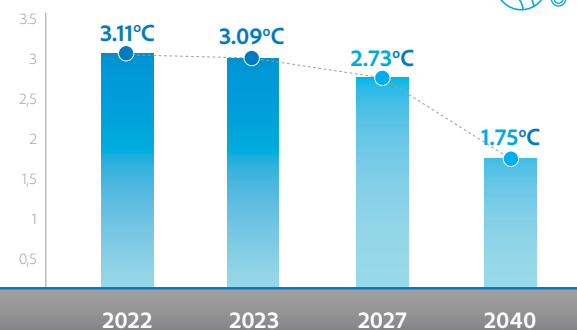
Annual Reduction Rate (°C/ year) 0.0656



Bond & Listed Equity

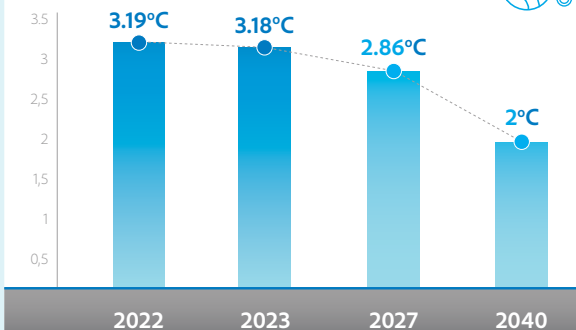
Scope 1, 2

Annual Reduction Rate (°C/ year) 0.0756



Scope 1, 2, 3

Annual Reduction Rate (°C/ year) 0.0661





06

Looking
Forward





Next Steps - Enhance our Climate Risk Management Efforts

We are continuously working to enhance our climate risk management efforts. This includes refining our risk assessment methodologies, improving our data collection and analysis capabilities, and strengthening our engagement with stakeholders on climate issues. Our next steps also involve setting new targets and initiatives to further integrate climate considerations into our business strategy.

Looking Forward

BRI is committed to supporting the transition to a low-carbon economy and recognizes that high-quality disclosure is a critical component of this effort. Sustainability reporting will continue to underpin BRI's strategic priorities in building a low-carbon future and creating a positive impact on society, by acting with integrity and embedding responsible and sustainable business practices in all our endeavors.

Our Board of Directors and senior management will continue to oversee the management and monitoring of sustainability at BRI, both in strategy formulation and decision-making. This includes assessing ESG risks across BRI's loan portfolio and implementing recommendations put forward by various international standards. BRI has made several strides towards the targets we have set but is aware of the challenges that still lie ahead. Looking ahead, we are committed to improving performance across all our material ESG factors, achieving targets, and developing practices as needed.

We recognize that addressing climate change requires collective action and are committed to collaborating and partnering with others to drive systemic change. BRI's success is not only linked to the success of all our stakeholders but is also closely tied to the health of the planet. We are committed to keeping climate change at the forefront to ensure that the Bank remains relevant, builds resilience, and creates sustainable long-term value.

Our journey towards sustainability is ongoing, and we are committed to making continuous improvements. Looking forward, we will continue to advance our climate strategy, deepen our understanding of climate risks and opportunities, and enhance our efforts to support the global transition to a sustainable, low-carbon future. We will regularly review and update our climate-related disclosures to ensure they reflect our progress and evolving best practices. Our ultimate goal is to create long-term value for our stakeholders while contributing to a more sustainable world.





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