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Second Party Opinion

Bank Rakyat Indonesia (Persero) Tbk. PT Social Finance Framework

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Primary contact

Vanessa Lai
Hong Kong
+852-2912-3019
vanessa.lai@spglobal.com

(Editor's note: This Second Party Opinion [SPO] was completed on Feb. 20, 2025, using the Social Bond Principles and Social Loan Principles in effect at that time. It has not been updated and therefore does not include an alignment opinion with the Social Loan Principles released on March 26, 2025. On June 12, 2025, we published this opinion at the issuer's request.)

Location: Indonesia

Sector: Diversified Banks

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

- ✓ Social Bond Principles, ICMA, 2023
- ✓ Social Loan Principles, LMA/LSTA/APLMA, 2023

See [Alignment Assessment](#) for more detail.

Strengths

Eligible social projects support financial inclusion and economic empowerment in Indonesia, in line with the bank's mandate as a state-controlled entity. For example, facilitating access to essential infrastructure and services is critical to empower underserved groups. The bank also defines target populations based on local regulations or official statistics, adding credibility to its screening of projects.

Weaknesses

The social impact indicators Bank Rakyat Indonesia (Persero) Tbk. PT will disclose are largely outputs (number of beneficiaries) rather than social outcomes (e.g., wealth creation). This limits insight into the effectiveness and impact of projects. However, such choice of indicators is not unusual for social instruments due to the complexity of measuring their impact.

Areas to watch

Some eligible categories are broad. This means that the bank could finance projects with disparate characteristics and widely different social outcomes, from sewers to funding small-scale producers and elderly people, for instance.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Company Description

Founded in 1895, Bank Rakyat Indonesia (Persero) Tbk. PT (BRI; "Indonesian People's Bank") is one of the largest banks in Indonesia, serving customers through 7,745 domestic branches, units, and rural service posts, nine overseas business units, and e-channel networks throughout the country. As of Dec. 31, 2023, the bank had total assets of Indonesian rupiah (IDR) 1,965 trillion (US\$121 billion).

BRI has five operating segments:

- The micro segment serves individual customers and micro entrepreneurs (43% of total income amounting to IDR183 trillion; US\$11 billion in 2023);
- The retail segment serves small and midsize enterprises (SMEs) (24%);
- The subsidiary segment includes conventional and Islamic financial services, remittance services, life insurance, general insurance, venture capital, and securities (18%);
- Other segments include treasury business, international business, and capital market support services business (10%); and
- The corporate segment includes corporate business, institutional business and transaction banking, syndication business, and nonbank financial institution services (5%).

The Government of the Republic of Indonesia owns 53% of BRI, which is listed on the Indonesia Stock Exchange.

Material Sustainability Factors

Access and affordability

Banks' large impact on society and the economy stems from their role in enabling access to financial services to individuals and businesses, and in ensuring the correct functioning of payments systems, which are cornerstones of economic development and stability. In most countries, unbanked and underserved population segments are still meaningful, although the access gap is most acute in emerging economies. Market imperfections such as low competition, incomplete information, and lack of financial literacy, often result in costly alternatives for small businesses and low-income people, so ensuring affordable access to financial services remains a challenge for the banking industry. New technologies will, however, increasingly enable banks to close this gap through cost efficiencies and product innovation. While structural issues such as poverty, informality and lack of financial literacy partly limit access to financial services, banks have large opportunities to support economic development through financial inclusion. The Indonesian central bank's (Bank Indonesia) strategy includes programs to increase financial literacy and accessibility specifically targeting micro, small, and medium enterprises (MSMEs) and subsistence groups. The Indonesia Financial Services Authority's (OJK) 2024 National Survey on Financial Literacy and Inclusion showed that Indonesia citizens' financial inclusion (defined as financial products and services usage) index was at 75%.

Privacy Protection

Banks rely heavily on IT systems, using digitization (or computer processing of information) extensively. Growing use of client data collection, data mining, and artificial intelligence (AI) have brought significant efficiency gains and facilitated financial access. However, this has increased banks' exposure to the risk of IT infrastructure failures and cyber attacks. Privacy protection risks are rising and evolving as cyber hackers become more sophisticated. According to Statista, Indonesia is one of the most

adaptable countries to digital banking services globally mainly as most of its population is relatively young and is therefore receptive to digital payment options. For instance, the number of mobile wallet users could reach 202 million by 2025.

Responsible marketing and labelling

While the financial services sector depends on customer satisfaction and trust, opaque pricing and misleading sales have undermined customer trust. Regulators are closely watching certain subsectors such as subprime lending, student loans, and residential mortgage origination/servicing. Furthermore, investors, regulators, and the broader community are subjecting sustainable products to scrutiny. There is skepticism about sustainability claims, based on the possibility that such statements may make the products and services appear more proactive on the underlying issues than they are. Such ethical challenges, if not properly managed with responsible marketing practices and customer engagement considerations, could pose material social risks to financial services companies. Regulation and consumer protection mechanisms have evolved over the past decade and should continue to help limit these risks in the financial services sector. In Indonesia, the OJK Regulation No. 1/2013 establishes consumer protection principles in Indonesia's financial services sector, including transparency, fair treatment, reliability, data privacy protection, and effective complaint handling/dispute resolution.

Climate Physical And Transition Risks

Banks finance a wide array of business sectors that are exposed to physical climate risks. Similarly, banks' physical footprints (e.g., branches or ATMs) may also be exposed to physical risks, which may disrupt their ability to service clients in the event of a natural catastrophe. Banks may contribute to mitigating the effects of physical climate risks by financing adaptation projects and climate-resilient infrastructure, as well as by investing in solutions that support business continuity in exposed geographies. As an archipelagic country, Indonesia is highly vulnerable to climate change impacts, including extreme events such as floods and droughts, and long-term changes such as rising sea levels, shifting rainfall patterns, and rising temperatures.

Likewise, banks are highly exposed to climate transition risk through their financing of economic activities. Policies and rules to reduce emissions could raise credit, legal, and reputational risks for banks with large exposures to high-emitting sectors. These medium- to long-term risks are significant and will be proportional to the impact of climate change on the economy. Positively, financing the climate transition offers a growth avenue for banks through lending, debt structuring, and other capital market activities. Indonesia aims to reduce its greenhouse gas emissions by at least 31.9% by 2030, against a business-as-usual scenario. The country expects to achieve net zero emissions by 2060 or sooner.

Issuer And Context Analysis

BRI's eligible categories aim to improve access to credit. Loans meeting the framework's eligibility criteria aim to enhance the target groups' (underprivileged and disadvantaged segments of the population in Indonesia) ability to borrow money through formal channels. The Badan Pusat Statistik (BPS) found that over 9% of the population of Indonesia remains under the poverty line of IDR550,458 (US\$34) per capita per month in March 2023. According to the 2021 Global Findex Database, 52% of adults in Indonesia have a bank account. Despite this, Indonesia has the third-largest unbanked population in the world and a relatively low financial literacy rate of 40%.

BRI's sustainability strategy focuses on supporting MSMEs and improving financial inclusion and literacy in the country, through both digital and physical channels. The bank complies with OJK's financial inclusion programs, and endeavors to offering customer-centric and affordable financial products and services, particularly targeting underserved groups. This includes individuals with limited access to conventional financing, low-income individuals, underprivileged women, students, and Indonesian migrant workers.

BRI's policies should ensure responsible marketing and labelling practices. The bank has a Code of Ethics and Fair Marketing Policy. Its products terms and conditions are accessible through its digital platform and all terms and conditions are communicated to all clients. There is a grievance redressal mechanism and a publicly accessible customer complaint service helpline. BRI's financial literacy programs include basic financial management, managerial capacity enhancement, and digital literacy for MSMEs. As the Government of Indonesia is BRI's majority

shareholder, there is a close alignment between the bank's undertakings and public policies for economic and social development.

The acceleration of the bank's digital offerings exposes its clients to data protection and privacy risks. BRI has developed a Cybersecurity Framework based on the NIST (National Institute of Standards and Technology) guidelines to detect, analyze, and mitigate cyber threats. BRI sees some challenges and vulnerabilities with AI, which could be a catalyst for cyber crimes, and is working to update and review its e-KYC (know your customer) technology and algorithms to ensure their effectiveness in detecting visual and audio manipulation technologies. Furthermore, the bank has a digital risk division in place to manage digital data security. There has been no major cyber security attack or data breach over the past three years.

Transition and physical climate risks are growing for banks, especially in Indonesia. Some social projects may entail the construction of sizable assets, such as buildings (affordable housing) or plants (affordable basic infrastructure), which are primarily exposed to weather events, and for which greenhouse gas emissions performance may become increasingly relevant. The bank calculates scope 1, 2, and 3 emissions and has incorporated financed emissions using Partnership for Carbon Accounting Financials (PCAF) standards into its scope 3 reporting. BRI has set interim and long-term targets to achieve net zero emission in its operations by 2050, and also specific targets and pathways for four industrial sectors, namely paper and pulp, commercial real estate, power generation, and project finance power generation. The interim term target has been validated by the Science Based Targets initiative (SBTi). In addition, BRI has conducted scenario analysis for both transition (Net Zero Emissions by 2050 Scenario) and physical (SSP1 – 2.6 and 8.5) climate risks. The Indonesian archipelago faces relatively high risk of natural disasters due to its extensive coastline and geographic location. The bank has started with the implementation of climate risk stress test (CRST) in line with OJK guidelines. Furthermore, as per these guidelines, the progressive and full coverage of the loan portfolio by CRST is beginning in 2025. Additionally, BRI incorporates recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) into its management systems.

Alignment Assessment

This section provides an analysis of the framework's alignment to Social Bond and Loan Principles.

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✕

- ✓ Social Bond Principles, ICMA, 2023
- ✓ Social Loan Principles, LMA/LSTA/APLMA, 2023

✓ Use of proceeds

All the framework's social project categories are considered aligned with the principles, and BRI commits to allocate the net proceeds raised under the framework exclusively to eligible social projects. Please refer to the Analysis of Eligible Projects section for more information on our analysis of the social benefits of the expected use of proceeds. The look-back period is 24 months, which is shorter than market practice of 36 months.

✓ Process for project evaluation and selection

Relevant business units will first identify and propose projects based on the framework's eligibility criteria. Then the ESG unit, comprising representatives from the market, portfolio and enterprise risk management division, asset and liabilities management desk, treasury business division, enterprise data management and analytics division, and ESG division, will review and approve the nominated projects. The bank will also identify, monitor, and mitigate potential environmental and social risks related to eligible projects as part of credit approval, for instance through having dedicated marketing teams per customer segment and through training relationship managers on credit and risk. The framework includes an exclusion list, covering topics such as any assets involving fossil fuels, weapons, alcoholic beverages, tobacco, and gambling.

✓ Management of proceeds

BRI will track the net proceeds in an internal register, with periodic monitoring of fund allocations to ensure that social projects align with the eligibility criteria. The bank commits to replacing projects, which cease to comply with the framework's eligibility criteria as soon as practicable. Pending allocation, unallocated proceeds will be temporarily placed in market instruments, in accordance with the bank's internal policies.

✓ Reporting

BRI commits to report annually on the allocation of the net proceeds and on the impact of financed projects, until full allocation of the net proceeds and in case of material developments. Reporting will be available on the bank's website. Allocation reporting will include the amount of eligible assets by project category, a brief description of the projects and their target populations, and the remaining balance of unallocated proceeds at the end of the reporting period. The company will also report on the impact of the financed projects. These disclosures typically cover social outputs (number of health services new beds for Access to essential services) rather than outcomes (increased income of beneficiaries), providing indirect insight into the effectiveness of projects. BRI commits to third-party verification of its allocation reporting post-issuance, which adds to the invested projects' transparency.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects considered to have clear social benefits and to address or mitigate a key social issue.

For the first issuance, BRI expects to allocate 50% of proceeds to employment generation (eligible category 4 in the framework), and the remaining 50% to socioeconomic advancement and empowerment (eligible category 6). The bank expects 100% of proceeds to be allocated to refinancing projects.

Social project categories

Affordable basic infrastructure

This category includes clean drinking water, sewers, sanitation, transport, energy infrastructures

Analytical considerations

- This category aims to facilitate water, transportation, and energy infrastructure development in undeveloped regions, as classified in Government Regulation number 63 Year 2020. Regions are considered underdeveloped due to factors such as lower economic output, limited infrastructure, poor access to health and education services, and high levels of poverty. The Indonesian government has designated these areas as priorities for development assistance, aiming to improve their infrastructure, economic prospects, and overall wellbeing.
- Target populations are people living below the poverty line, undereducated, underserved, women and/ or sexual and gender minorities, and other vulnerable groups. BRI has referenced local regulations or official statistics to define:
 - Poor people, as those living below the poverty line of IDR550,458 (US\$34) per capita per month in March 2023, according to Statistics Indonesia;
 - Undereducated as individuals with less than nine years of education, according to the Government Regulation No. 47 of 2008 about compulsory education; this group also includes people with digital illiteracy; and
 - Underserved people as individuals with insufficient quality access to essential goods and services, due to geographic, economic, or social barriers, and whose human development status is low (Human Development Index [HDI] lower than 60) to medium (HDI between 60 to 70) category, according to Indonesia's HDI 2023 by Statistics Indonesia. The Government Regulation no 63 on Designation of underdeveloped regions lists 49 regions with lack of adequate access to modern infrastructure.
 - Other vulnerable groups, including people impacted by natural disasters, climate change, and/or climate transition projects that cause or exacerbate socioeconomic inequity. Examples include individuals living in frontier regions, outermost and deprived, those especially affected by climate change events such as floods, landslides, wildfires, or rising sea levels on coastal lines.
- BRI communicated that these infrastructures will be typically free of charge or subsidized. For example, the Indonesian government provides subsidies to make electricity more affordable for low-income households.
- Investments in drinking water, sanitation and sewers have considerable health benefits. Nearly 25 million people in Indonesia do not have immediate access to toilets. Open defecation and untreated wastewater contaminate water supplies and facilitate the spread of diarrheal diseases such as cholera. A quarter of children under five suffer from diarrhea, which is the leading cause of child mortality in the country. In 2023, only 82% of households had access to improved sanitation (private or community defecation facility). Likewise, 190 million people lack access to safe water. A 2017 survey of drinking water in Yogyakarta, a well-off urban center in Java, found that 89% of water sources and 67% of household drinking water were contaminated by fecal bacteria. Moreover, only 7% of wastewater in Indonesia is treated.
- Examples of eligible transportation projects include construction of roads and bridges in undeveloped areas. Given the complexity of Indonesia's topography, roads are critical to connect remote parts of the country. In general, road infrastructure in emerging countries is key to development, as it can improve access to economic services, allow more efficient transport of goods, and link producers to markets, thereby lifting populations out of poverty. In 2022, the total

length of city roads in Indonesia amounted to 447,000km, compared with 55,000km for provincial roads, according to Statistica. In 2019, the average value of road quality was 4.2 points, compared to 4.1 on average for 141 countries (maximum is 7), suggesting there is a need to improve roads in the country, besides expanding the national network. The roads financed under the framework will not all be free to use, undermining their impact, as it is unclear to what extent subsidies will mitigate the financial burden of tolls on low-income users, and the extent. Rapid motorization and road expansion in the country will also continue to exacerbate road safety problems. In addition, roads will convey mostly fossil-fuel powered vehicles with associated climate impacts and local pollution concerns. Roads can also cause ecosystem and biodiversity degradation from habitat fragmentation and direct or indirect land-use change driven by increased adjacent economic activities. Construction materials such as asphalt have links to fossil fuel inputs.

- Eligible energy infrastructure includes expanding or upgrading electricity access and renewable energy utilization (e.g., solar, hydro, or wind) in undeveloped areas. Although 91.3% of Indonesia's population has access to electricity as per the World Bank, rural areas or remote villages still face challenges such as uneven quality of electricity services, and unstable electricity supply.
- Infrastructure development besides roads could also bring negative environmental impacts to the community (e.g., air pollution, noise, smell). BRI will rely on environmental impact assessments to manage such issues.

Access to essential services

This category includes health, education and vocational training, healthcare, financing, and financial services

Analytical considerations

- This category aims to support target population's access to basic services (health care, education) and financial services. The same target populations and definitions apply to this category.
- Eligible health care facilities and services include basic primary healthcare services, emergency medical care, and medical supplies and equipment. These projects could improve patient access to essential medical care, and could translate into greater efficacy of existing health care infrastructure. Indonesia faces health challenges including an increase in noncommunicable diseases, ongoing infectious disease issues, maternal and child health, and undernutrition and overnutrition. In addition, the country's maternal mortality ratio of 173 deaths per 100,000 live births remains significantly higher than the average for the East Asia and Pacific region of 77. Likewise, it compares unfavorably in life expectancy and infant, under-five, and neonatal mortality, pointing to a need for improved mother and child health services. In addition, community, proximity structures such as "Posyandu, Polindes, Poskesdes" facilities have a key role to play to enhancing the health of rural populations. The facilities funded will be freely accessible or under co-payments, depending on location and government regulations.
- According to the Organization for Economic Cooperation and Development's (OECD) Education at a Glance 2023, Indonesia has one of the highest percentages of adults aged 25 to 64 with less than primary education (12.7%, ranked two out of 34). Similarly, more than three in four 15-year-olds in Indonesia did not meet minimum proficiency levels in mathematics and reading. Eligible projects could support the country's education reform agenda (Merdeka Belajar), covering early childhood to tertiary education and promoting equal education opportunities. Vocational training is essential to sharpen the overall competitiveness of the labor force. The World Bank points at a lack of a proper skills development system, and adequate infrastructure and trained teachers in Indonesia. Eligible education or vocational training projects include courses provided by a nongovernment organization for individuals lacking nine-year education and courses for specific skills such as entrepreneur and business management skills, agriculture and organic farming, basic carpentry, and construction skills.
- Bank account ownership in Indonesia was 52% in 2021, compared to the worldwide rate of 76%, according to the World Bank's Global Findex Database. Meanwhile, Indonesia citizens' financial inclusion index was at 75% in 2024 as per the OJK. It suggests that gaps exist in financial access, especially for underserved populations. Expanding access and availability of inclusive financial products and services is one of the missions of OJK's 2021-2025 National Strategy on Indonesian Financial Literacy Framework. BRI has been focusing in the MSME segment and subsidized loans are allocated for MSMEs that have never received any other loans, including consumer loans. Please refer to the "employment generation" category for detailed analytical considerations on MSME financing.

Affordable housing

Project includes the development of affordable houses or housing loans for low-income communities.

Analytical considerations

- According to Statistics Indonesia, the percentage of household with access to adequate housing was 65% in 2024. Meanwhile, as per the World Bank, 20% of urban residents live in informal settlements, often in precarious and overcrowded homes. These self-built structures account for 70% of the housing stock in many cities, lacking resilience against natural disasters such as floods and landslides and causing serious hygiene issues. With 67% of the population expected to live in urban areas by 2035, the demand for housing will be further increased, sparking concerns over affordability.
- Indonesia could be facing the threat of a housing crisis, with 12.7 million people or 16% of its households lacking homeownership as of 2022, according to the Housing and Real Estate Information System (HREIS) of the Ministry of Public Works and Housing (the number is above 50% in the Jakarta Megapolitan Area). About 81 million millennials still do not have their own houses. The development of affordable housing projects could help improve housing conditions for low-income households. The government is considering extending the maximum home mortgage tenor to 35 years to reduce monthly payments for lower-income households.
- Same target populations and definitions apply to this category. In addition, low-income communities are also eligible. The definition of low-income individuals references the Decision of the Minister of Public Works and Public Housing of the Republic of Indonesia Number 1/2021, outlining the maximum income for married, non-married, or Tapera (government-initiated public housing saving program) members, respectively. The regulation also sets criteria on floor area limits-- maximum 36m² for landed houses and affordable housing flats, and maximum of 48m² for individually built houses.
- BRI offers subsidized housing downpayment assistance, subsidized loan/ financing interest rates/ margins, subsidy period and loan/ financing tenure for home ownership. For example, the maximum downpayment subsidized is IDR4 million (US\$250) or IDR10 million (US\$620) for people in Papua and Papua Barat. The government subsidized mortgage loan is also available for first-time home buyers.
- The framework does not specifically consider environmental criteria for prospective housing units, potentially exposing new constructions to climate resilience or climate transition issues.

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”

Projects include provision and/or promotion to: a) SME financing; and b) Microfinance

Analytical considerations

- MSMEs play a prominent role in Indonesia's economy and GDP growth. The government estimates that there were 64.2 million MSMEs in 2022 (including self-employed individuals), contributing to 61% of the country's GDP and occupying 97% of its total workforce. However, only 17.5 million of them have digital expertise and take advantage of e-commerce. In addition, they grapple with access to local and global markets, to financial products or services to support business expansion, and low competitiveness and productivity. The economic contribution of individuals benefiting from microfinance, and the opportunity loss given lack of funding, is more complex to estimate.
- The definition of SMEs adheres to the Law No. 20 of 2008, amended by Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation and Government Regulation of the Republic of Indonesia Number 7 of 2021 on the Facilitation, Protection, and Empowerment of Cooperatives (Koperasi) and Micro, Small, and Medium Enterprises. Micro enterprises (which would be recipients of microfinance rather than SME financing) have an annual turnover up to IDR300 million (US\$18,300), and assets of up to IDR50 million (US\$3,050); small enterprises have an annual turnover between IDR300 million (US\$18,300) to IDR2.5 billion (US\$152,200), and assets of between IDR50 million (US\$3,050) to IDR500 million (US\$30,400); medium enterprises have an annual turnover between IDR2.5 billion (US\$152,200) to IDR5 billion (US\$3.1 million), and assets between IDR500 million (US\$30,400) to IDR10 billion (US\$609,000).
- The government has taken various measures to support MSMEs, such as easing the process to create legal entities and lowering their income tax burden, to grow their count to 83.3 million within 10 years. However, only 19% of bank loans went to

small businesses in 2023, compared to the government's 30% target. Despite government subsidies provided through the micro credit program (KUR), data suggest financial institutions remain selective and that many MSMEs may be struggling to obtain affordable funding. 65% of BRI's loan exposure is to the MSME segment. The bank has a granular microloan portfolio, with an average ticket size of IDR40 million-IDR45 million (US\$2,500-US\$3,000). Indonesia has set targets to reduce greenhouse gas emissions by 29%-41% by 2030 and achieve carbon neutrality by 2060, which necessitates decommissioning coal-fired power plants by 2050 and cancelling some coal projects currently in development. The country has the world's sixth-largest fleet of operational coal-fired power plants, which produce two-thirds of electricity. Decarbonizing Indonesia's economy may leave some people behind in the absence of upskilling and help in job reconversion.

- While this category covers all target groups, microfinance, which typically has high interest rates, would primarily appeal to populations with no access to conventional funding, and limited borrowing needs in absolute terms. Microfinance refers to providing financial services to low-income entrepreneurs or individuals who would not qualify for traditional bank loans. BRI has no sectorial restrictions. In addition, it is not a microfinance institution as defined by OJK. This means the bank has both more flexibility and scale, and less constraint to deploy capital to micro-scale businesses.
- BRI provides both unsecured and secured loans, with a digitalized application process to accelerate the credit approval process. Given its dense network, the bank can reach customers in even remote areas. Collaterals can be physical, in the form of gold, land, and buildings, certificate of vehicles ownership (BPKB) and properties, or financial (deposits, securities, guarantees from government and other third parties). Uncollateralized funding tends to achieve higher social outcomes, being less risky for borrowers. Loans typically fund income-generating assets.
- In 2023, the micro business loan products offered to micro customers included Kupedes, Micro People's Business Credit (Kredit Usaha Rakyat--KUR), and KUR Super Micro, which have different objectives and target markets. The company's KUR is aligned with Coordinating Ministry of Economy Policy No. 1 of Jan. 25, 2023.
- BRI has capacity building programs such as Desa BRILiaN (village digital incubation program), Klaster Hidupku (formation of joint-liability group based on common interests, environmental conditions, and/or familiarity to improve and develop members' economic activities), and Pasar Rakya Indonesia (digital food commodity marketplaces bypassing intermediaries, with more than 18,000 producers connected to more than 50,000 buyers throughout Indonesia).
- BRI has embedded policies (including its Fair Marketing Communication Policy, which covers transparency, fair treatment, reliability, confidentiality, and consumer data security) to ensure fair treatment for all customers, as well as handling complaints and resolving disputes diligently and effectively. These schemes aim at ensuring clients understand their obligations and get access to market opportunities. However, there is always a residual risk of mis-selling and over-indebtedness.

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.

Analytical considerations

- Eligible investments are consistent with national policies and include 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.
- Projects aim to improve both access to, and quality of, food. Both are important social considerations in the country. According to the World Food Program, Indonesia faces challenges in terms of limited food access and malnutrition. Nearly 23 million people are unable to meet their dietary requirements and 21.6% of children under five are stunted. There is a higher prevalence among families reliant on subsistence farming or who live in slums. The lack of affordability of diverse and nutritious diets is leading to the burden of malnutrition in Indonesia. The country aims to decrease the proportion of households experiencing moderate to severe food insecurity to 4%, the prevalence of undernourishment to 5%, and stunting among children under five to 14% by 2024, as stated in its National Medium-Term Development Plan 2020-2024.
- This category covers all target groups, given the widespread issue of access to sufficient and quality food in the country. Small-scale holders are self-employed or own MSMEs, i.e., businesses with operations of up to IDR50 billion (US\$3.1 million).

This definition is broader than that of the Constitutional Court Decision Number MK 99/PUU-X/2012, which defines smallholder farmers are those who work daily in the agricultural sector with an income that is just enough to meet their living needs.

- BRI's loan products for these projects consist of both subsidized and commercial loans, depending on borrower characteristics. Food security will typically cover agricultural supplies, equipment, and logistics (stocking and distribution). Farmers can, for instance, benefit from subsidized fertilizers and seeds, while end consumers would get preferential prices for basic supplies, such as rice and eggs.
- Such projects could involve some land conversion to agriculture, and an increase in the number of livestock farmed (protein processed). Likewise, spending could cover chemical pesticides and fertilizers.

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; and d) Other vulnerable populations.




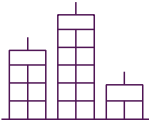




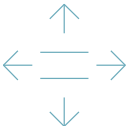


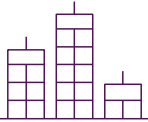



Analytical considerations

- This category focuses on reduction of income inequality. There is some overlap with funding to SMEs and microfinance, with the distinction that the loans could be to individuals rather than enterprises, with a focus on groups that struggle to access funding. The definition of this category is broad and could pave the way for loans with a wide range of social outcomes.
- Indonesia was the sixth country of greatest wealth inequality in the world in 2017, according to Oxfam, with the four richest persons in the country having more wealth than the combined total of the poorest 100 million people. Indonesia's HDI in 2023 reached 74.4, an increase of 0.8%, in line with the world average but still well below the best performing nations.
- Target groups are those living below the poverty line, undereducated, underserved, unemployed, and women. BRI will focus lending on income-generating assets, potentially at subsidized rates. According to the World Bank, around 7% of Indonesia's total population was aged 65 and above in 2023 (12% for upper-middle income countries). The population is young, with a median age around 30 years, establishing better the case for supporting youth in their economic integration. Women-led enterprises mean small-scale businesses owned, managed, or significantly influenced by women, where they play a leadership role in decision-making, operations, and strategy. There are no income criteria for women, which could lead to a less effective allocation of funding. However, women are broadly at an economic disadvantage in the country.
- Indonesia's Global Gender Gap Index ranking improved from 92 in 2022 to 87 in 2023, including an increase in the share of women in legislative, senior, and managerial roles to over 30.0% today. Indonesia faces a 28.6% gender gap due to the stagnant female labor force participation rate of 53% over the past two decades, compared to 85% for men, with marriage and childbearing becoming the factors that drive women to exit the workforce. The country has committed to reducing the gender gap in labor force participation by 25% by 2025. Women hold 8.3% of board seats, 5.2% of board chair positions, and 3.1% of CEO roles, indicating a notable gender gap in corporate leadership. Likewise, the percentage of women in senior and middle management positions is at a low 19.4%, compared to men at 80.6%, and women are underrepresented in business ownership.

Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs				
Affordable basic infrastructure					
	1. No poverty	*3. Good health and well-being	*6. Clean water and sanitation	*11. Sustainable cities and communities	
Access to essential services					
	*1. No poverty	*3. Good health and well-being	*4. Quality education	5. Gender equality	*10. Reduced inequalities
Affordable housing					
	*1. No poverty	5. Gender equality	*11. Sustainable cities and communities		
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"					
	1. No poverty	5. Gender equality	*8. Decent work and economic growth		

Food security and sustainable food systems



1. No poverty



*2. Zero hunger



5. Gender equality



*12. Responsible consumption and production

Socioeconomic advancement and empowerment



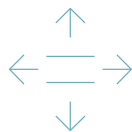
*1. No poverty



*5. Gender equality



*8. Decent work and economic growth



*10. Reduced inequalities

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- [Analytical Approach: Second Party Opinions: Use of Proceeds](#), July 27, 2023
- [FAQ: Applying Our Integrated Analytical Approach for Use-of-Proceeds Second Party Opinions](#), July 27, 2023
- [Analytical Approach: Shades of Green Assessments](#), July 27, 2023
- [S&P Global Ratings ESG Materiality Maps](#), July 20, 2022

Analytical Contacts

Primary contact

Vanessa Lai
Hong Kong
+852-2912-3019
vanessa.lai@spglobal.com

Secondary contacts

Bertrand Jabouley
Singapore
+65-9180-4765
bertrand.jabouley@spglobal.com

Ivan Tan
Singapore
+65-6239-6335
ivan.tan@spglobal.com

Research contributor

Saily Balasubramanian
Mumbai
CRISIL Global Analytical Center, an S&P affiliate

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