

Sustainability Report

PT. Bumiputera-BOT Finance

2022

I. Introduction

PT. Bumiputera-BOT Finance (here in after referred as Company) has entering its 3rd year on the implementation of sustainable finance. In 2022, Company has tried to implement new control system on disbursement for customers in coal sector. On the other hand, we also try to finance in some sectors such as truck with Euro 4 and Euro 5 technology which has more efficient fuel process. With this effort, Company shows seriousness by its commitment on the implementation of sustainable finance in the Company.

II. Explanation on Sustainable Energy

Company has prepared action plan in 2022 regarding implementation of sustainable finance, as follows:

- a. Increase knowledge and awareness of all employees related to sustainability.
- b. Have procedure in order to control disbursement for customers in coal sector.
- c. Expand prospective customers and suppliers related to sustainability and environment sector.

In 2022, Company aimed for the main goals of sustainable finance such as:

- a. Keep awareness and understanding on the sustainability and the environmental issues.
- b. Contribute to the society through company's core business which is providing financing facilities.

III. Overview of Sustainability Aspect Performance

a. Economy Aspect

	2020	2021	2022
New Disbursement	601.955.111.495	769.002.000.000	1.392.300.722.014
New Disbursement on Sustainable Sector	0 (0%)	42.241.177.975 (5,49%)	108.127.966.877 (12,87%)
Income	232.228.751.651	175.992.180.461	149.511.778.271
Net Profit	16.839.403.512	(7.254.343.873)	(21.393.953.551)

Throughout year 2022, Indonesian current account had been surplus and recorded USD4.3 billion which was USD3.3 billion in year 2021. The hike of commodity price such as Coal or Palm Oil contributes the Trade surplus. It supports to strengthen the new investment appetite of industries. In the result, GDP in 2022 recorded 5.31% which was 3.69% in 2021.

Supported by the macro-economic condition mentioned above, in terms of disbursement, it recorded almost double compared to the previous year (2021). It is recognized that Customers' confidence towards the recovery of business got stronger and started to make orders and new investment, which was reflected in the Company's disbursement result.

On the disbursement of sustainable sector, we can see that there is also quite jump in 2022 compared to 2021. In 2022, we have bought receivable from other financing company including the portfolio of medical service sector. We have also provided disbursement for trucks with Euro 4 and Euro 5 technology that applied with many brands such as: Hino, UD Trucks, Mitsubishi, and others.

In 2022, Income is lower than the previous year. Even though the disbursement increased as mentioned above, its contribution to Income is limited since the balance increase started in 2nd semester which caused almost no increase of average balance compared to the previous year.

The Company also faced difficulty to raise the financing interest to customer even the interest in the market significantly increased. Indonesian inflation had rapidly increased during 1Q-3Q in year 2022, which recorded 5.95% in October 2022 (highest). To control the inflation and to protect value of Indonesian Rupiah, Bank Indonesia (BI) decided to increase its policy rate in August 2022. US Fed had also increased its policy rate aggressively during year 2022 since March in order to control the inflation.

In 2022, Net Profit is recorded with deficit. We increased impairment reserve to keep financial soundness of the company. The status of some customers changed from PKPU to Homologation (restructured), which requires the change of impairment calculation base from asset value to cash flow. In addition, by considering the Company's financial soundness and sustainability, the Company determined to increase its impairment reserve in 2022 based on precise investigation of customers' payment capability. We're hoping that in 2023, we will able to have better profit by keeping good financial soundness level.

b. Environment Aspect

On the environmental aspect, we can see that in 2022, we have provided facility for truck with Euro 4 and Euro 5 technology. With the technology, the emission level will be much lower compare the other truck that did not have the technology. We see this as a good example of the implementation of sustainable finance through our core business. In the future we hope that the demand for truck with this technology will be higher in 2023.

On the other hand, Company has prepared policy to control the disbursement amount for customer in coal sector. First, company set risk appetite for the maximum financing amount that we can provide on this sector. Second, we set up the monitoring sheet through credit scoring to prioritize good quality customer for disbursement process to be put on the waiting list. The assessment is using some indicators such as: credit worthiness, quality of the financing asset, and current exposure of the customer in our company. By having assessment and risk appetite, we can control the amount of disbursement in coal

sector. It shows our commitment on supporting the sustainable finance program itself, and hopefully we may continue to decrease the exposure in the future, in order to have fully support government effort for the sustainability program.

c. Social Aspect

Related to social aspect, in 2022 we increased our financing asset on medical services sector from the purchase of receivable from PT. Century Tokyo Leasing Indonesia. One of our customers was Siloam Group which has many hospitals all over Indonesia. We believe that through indirect contributions on the medical service sector, we can support to strengthen health services in Indonesia.

IV. Company Profile

a. Vision and Mission of the Company

Vision : to be the most trusted finance company in Indonesia

Mission :

- 1) Cooperate to exceed customer expectation
- 2) Give continuous and reliable support to customer
- 3) Expand and strengthen our presence globally

b. Company Information

Head Office

Name : PT. Bumiputera-BOT Finance

Address : Wisma Bumiputera 11th-12th floor, Jalan Jendral Sudirman
Kav 75 Jakarta

Phone : (021) 5706762, 6224522

Fax : (021) 5255610, 5706773

Email : mkt@botfinance.co.id

Website : <https://www.botlease.co.jp/global/indonesia/indonesia.html>

Branch

1) Bandung Branch

Menara BRI Lantai 11- Suite 1101

Jalan Asia Afrika No. 57-59

Bandung 40111

2) Surabaya Branch
Plaza BRI Lantai 9- Suite 909
Jalan Jendral Basuki Rahmat No.122
Surabaya 60271

c. Business Scale

1) Total asset and liability as of Dec 2022

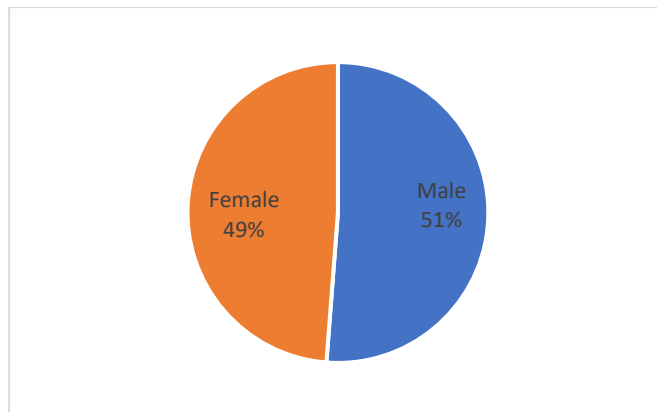
Asset : 2,090,938,099,663

Liability : 1,856,994,214,527

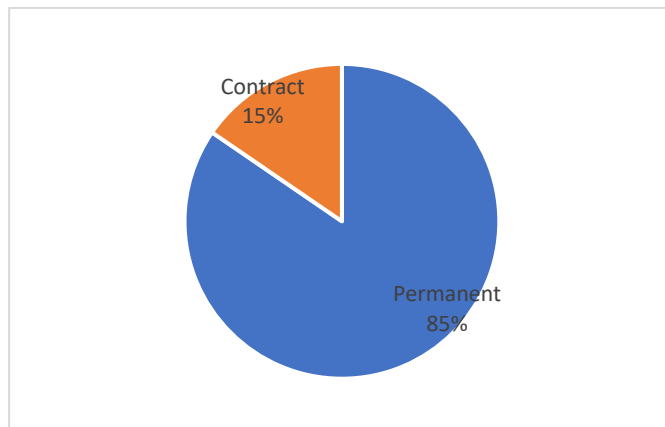
2) Number of Employee (123 as of December 2022)

Employee Percentage based on category:

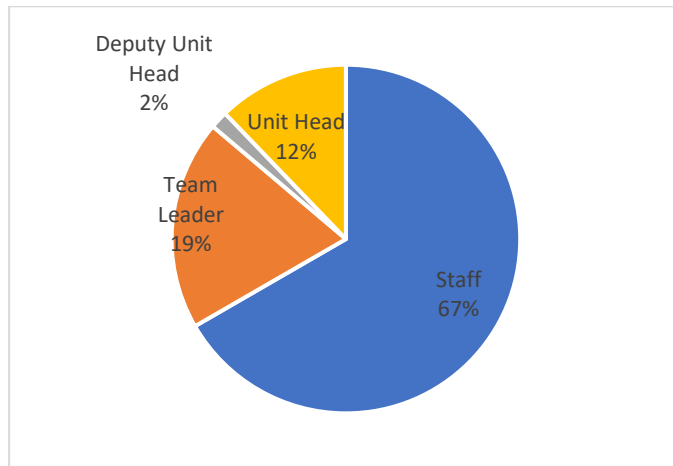
a) Gender



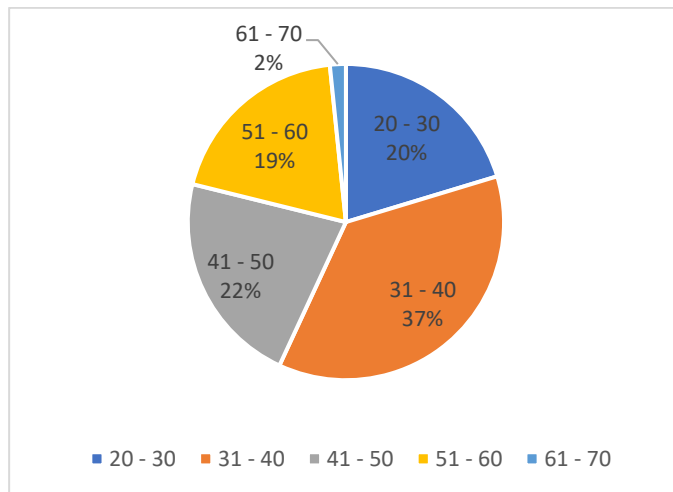
b) Employee Status



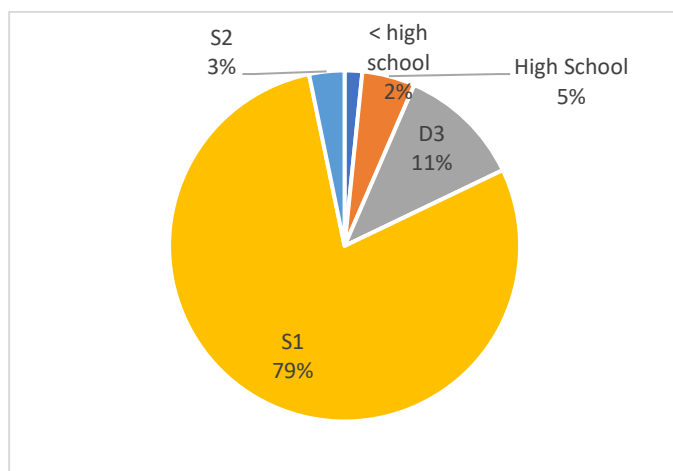
c) Title



d) Age



e) Education



3) Shareholders Compositions

BOT Lease. Co.Ltd	: 60%
Asuransi Jiwa Bersama Bumiputera 1912	: 30%
Yayasan Pendidikan Keluarga Wiryoprawiro	: 10%

d. Product, services, and business activities

Business Activities:

- Investment financing
- Working capital financing
- Multipurpose financing

Financing Products:

- Finance Lease
- Sales and Lease Back
- Instalment Financing
- Operating Lease
- Factoring

e. Membership on Association

- Indonesian Financial Services Association
- Alternative Dispute Resolution Institution

f. Significant Changes

- Appointment of New President Director based on Notarial Deed Number 56 Dated 17 May 2022.

V. Directors Explanation

a. Policy to response challenges for fulfilment of sustainable energy

1) Sustainable Value

Company keeping the principle of sustainable finance as sustainable value as follows:

- a) Responsible investment
- b) Sustainable strategy and business practice
- c) Social and environment risk management
- d) Governance
- e) Communicative and informative
- f) Inclusive
- g) Expansion of priority flagship sector

h) Coordination and collaboration

2) Company response on issue related to sustainable finance

As finance company, we currently always been updated with the issue related to sustainable finance through many media. With our main business with corporate or mostly company's, we're facing many demands from mining and manufacturing sector company. When processing the application from this prospect customer, through due diligence process on the beginning, we may check their profile to ensure that the customer has proceed their business in accordance with the law. Especially from the customer that has business that involving natural resources, we need to ensure they have license to proof their business are in accordance with environmental standards.

As the response for sustainability, in 2022 we have implemented risk appetite on customer in coal sector also risk rating to ensure that we limit the facility for the customer in this sector which using natural resources for their business. In the future we have commitment to lessen the exposure for this type of customer and also increasing the facility for customer in green sector/green products. This is how we respond to the issue related to sustainable finance.

3) Director's commitment on fulfilment on sustainable finance implementation

Director's commitment on the implementation of sustainable finance is described in the action plan that has been prepared in 2023, also based on the policy made in 2022 such as coal financing related policy to ensure limitation on the exposure to the customer in coal sector as explained previously. On the other hand, we always ensure employee comprehension on this implementation on their daily job in order to have awareness on the issues related to environment and sustainability.

4) Fulfilment of sustainable finance implementation performance

Unit Type	Financing Type	O/S Principal as of Dec 2022
Machine for Syringe Production	Finance Lease	25,369,002,742
Waste Management	Finance Lease	1,199,440,432
AC	Finance Lease	947,455,098
LED lamp	Finance Lease	355,637,382
Medical Equipment	Sales and Lease Back	55,786,403,712
Trucks (Euro 4 and 5)	Finance Lase & Sales and Lease Back	24,470,027,511

5) Challenge on sustainable finance implementation performance fulfilment

The challenge on sustainable finance implementation still the same as last year. It's related to low demand on sustainable products, and partners for supplier or new customer group in green sector. In 2022, we try to use our own resources for the sustainable finance implementation. Most the effort has indirect impact but we still have commitment by showing consistency for financing on sustainable sectors. We also see OJK efforts on supporting the electric vehicle sector by providing benefits on the finance company which facilitates electric vehicles or related industries, but for us entering the electric vehicle sector still need more research and development from risk point of view.

b. Sustainable Finance Implementation

1) Achievement of sustainable finance performance (economy, social, and environment)

In 2022, we can say that this year has been a good year for the implementation of sustainable finance on our core business which is

financing facility. As we can see from the new disbursement amount on sustainable sector, there is significant increase on the percentage from 5,49% to be 12,87%. The most contributed sector was from medical service sector due to purchase of receivable from PT. Century Tokyo Leasing Indonesia. On the other hand, we have new sector on the sustainable sector which is truck using Euro 4 and Euro 5 technology. We believe that in near future, this technology will be using widely by many brands, so the usage of the truck itself will contribute for less emissions compare to the truck without that technology. Transportation business has been one of the prime sectors with high demand for financing facilities, we hope that our support on this sector may have also indirect contributions for the environment.

2) Explanation about achievement and challenge including important event during reporting period

✓ Purchasing of Finance Receivable

As mentioned above, the purchase of finance receivable from other finance company contributed our sustainability in terms of ESG's and also the sustainability of the Company itself.

✓ Hike of Interest Rate

It was challenge for us how to manage the significant hike of interest rate in year 2022. The Company needed to control the funding cost as well as both interest risk and liquidity risk.

✓ The Control of Non-Performing Finance

As mentioned above as well, the Company also had challenge how to manage non-performing finance. By considering the financial soundness and sustainability of the Company, it determined to increase the impairment reserve in 2022.

c. Target Achievement Strategy

1) Risk management on sustainable finance implementation

In 2022, for risk management aspect for sustainable finance implementation, we have been focusing on the control on the exposure and disbursement for coal sector related customers. We have been establishing risk appetite also policy in order to decide the list of priorities for the

disbursement. We have commitment to keep control of the amount related to coal sector, and have it decreased gradually in the future. This policy is realization of its commitment, and then it was discussed in Credit Control Committee Meeting in routine. We need to ensure that the exposure was in line with company's policy as part of the sustainable finance implementation.

2) Utilization of business opportunities and prospect

As mentioned before in 2022, we have opportunity to purchase good quality receivable from PT. Century Tokyo Leasing Indonesia, which give positive impact on the asset part. For the sustainability sector, we have quite big asset on medical equipment also truck with Euro 4 and Euro 5 technology. With this business opportunities, we have certainly increased the amount asset in 2022 which strengthen our financial soundness level.

3) Explanation on economy, social, and environment situation that has been impacting sustainability.

Throughout the year 2022, Indonesian current account had been surplus and recorded USD4.3 billion which was USD3.3 billion in year 2021. The hike of commodity price such as Coal or Palm Oil contributes the Trade surplus. It supports to strengthen the new investment appetite of industries. In the result, GDP in 2022 recorded 5.31% which was 3.69% in 2021.

Indonesian inflation had rapidly increased during 1Q-3Q in year 2022, which recorded 5.95% in October 2022 (highest). To control the inflation and to protect the value of Indonesian Rupiah, Bank Indonesia decided to increase its policy rate in August 2022. In addition, US Fed had increased its policy rate aggressively during year 2022 since March in order to control the inflation.

The gradual recovery of Indonesian economy supported the business growth of the Company's business. On the other hand, the hike of interest rate depressed its Profit. The Company also increased the impairment reserve for its financial soundness and sustainability by investigating the credit risk.

As part of MUFG Group, we also study about the program that has been implemented in the group also in our parent company BOT Lease, Co. Ltd. They have been more advance on the implementing the sustainability, thus we can learn from them and choose about which one suitable to be implemented in our company. MUFG as one of the biggest financial group in the world has been seriously responding on sustainable issue, and as subsidiaries, we can also followed the path for having contribution on empowering the bright future just how MUFG vision it.

VI. Sustainable Governance

Governance in BBF was ensure through many of the supporting committee that discuss issues that happened from so many risk/factors, in order to finding the solutions together and mitigate the risk in the future. We have some committee under BOD such as:

- 1) Asset and Liability Management Committee
- 2) Compliance committee
- 3) Credit Control Committee
- 4) IT Risk Management Committee
- 5) Operation Committee
- 6) Risk Management committee

For BOC, we also have supporting committee such as:

- 1) Audit Committee
- 2) Risk Monitoring Committee
- 3) Remuneration and Nomination Committee

We have complied with all of the OJK regulations requirements to ensure that our governance structure is according to our needs also comply with all applied regulations.

In terms of sustainable governance, we have proceeded with some steps such as:

- 1) Governance framework and sustainable finance was managed by Corporate Planning Unit (CPU). The implementation was done with collaboration with other units. Program implementation was reported monthly in Operation

Committee which attended by all BOD and Unit Head to keep updated with the latest information related to sustainable finance.

- 2) Every year, CPU also supported BOD on preparing action plan on sustainable finance also sustainability report to BOC so BOC can be informed, give response and suggestion to develop sustainable finance implementation in the future.

VII. Sustainable Performance

a. Activities to develop sustainable culture

Related to development of sustainable culture, we always put awareness as priorities. To keep the awareness, we use monthly Morning Briefing session to share about the sustainability topics, for example related to green taxonomy. For daily operations, we still have work from home method for 3 times per months, also preparing plan for overtime. By having more control on the working hours, we may also have control on the usage of electricity also related to the company's expense. We have also sold unused office items and replacing all our PC to be laptops. On the IT sectors, we have move our Data Centre and Disaster Recovery Centre to the new location with better and stable environments. All of Company's effort are done to ensure sustainable was implemented well in the Company.

b. Financial Performance explanation as of Dec 2022

(in million rupiah)

	Financial Year 2022	
	Plan	Realization
New Disbursement	1.076.416	1.392.301
Vehicle	398.123	413.978
Machinery	352.139	426.080
Heavy Equipment	326.154	552.242
Financing Balance	1.516.333	1.867.101
Vehicle	508.110	531.298

Machinery	494.820	643.999
Heavy Equipment	513.402	691.804

	Financial Year 2022	
	Plan	Result
Income	148.645.561.530	149.511.778.271
Expense	146.153.631.085	169.444.652.016
Net Profit Before Tax	2.491.930.445	(19.932.873.745)
Corporate Tax	548.224.698	1.461.080.089
Net Profit After Tax	1.943.705.747	(21.393.953.834)

c. Social Performance

1) Commitment of company to provide equal services to customers

Most of our customers are corporate, we provide the same basic requirements for the applications, and during the application process, we may ask for other additional documents to support the application in accordance with customer conditions. As long as the customer fit our requirements on getting the facility, we always proceed with the disbursement process in accordance with internal policy also applied regulations. We ensure compliance with regulations, and ensure that providing equal services to customer can be implemented.

2) Manpower

Related to remuneration percentage of permanent employee in lowest level compared to regional minimum wages in 2022 is as follows:

- Jakarta : 1.14 %
- Bandung : 1.46 %
- Surabaya : 1 %

In 2022, company has provided training for employee as follows:

- Tax training
- PSAK for professional
- Risk management process
- Brevet C regular
- Collector Certifications

Company committed to develop quality of human resources by using sustainable point of view.