

SUSTAINABLE FUNDING FRAMEWORK

For PT SMI's fundraising activities through the issuance of Bonds, Medium-term Notes, Loans, Sukuk & Sharia-financing Facilities, and Other Sustainable Funding sources.

MARCH 2025

PT SARANA MULTI INFRASTRUKTUR (PERSERO)



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1. Introduction

Purpose

Through this Sustainable Funding Framework, PT SMI looks to advance the market by providing an opportunity for banks and investors to support the Company through Green, Social, Sustainability, Blue, Orange, and SDG thematic sources of funding.

About PT SMI

Established on February 26, 2009, PT Sarana Multi Infrastruktur (Persero) (hereinafter referred to as PT SMI or the Company) is a state-owned enterprise (SOE) in Indonesia, fully owned by the Ministry of Finance and engaged in infrastructure financing. The Company was established under Presidential Regulation No. 9 of 2009 jo. Regulation of the Minister of Finance No.100/PMK.010/2009 on Infrastructure Financing Company. PT SMI employed 416 people as of 31 December 2024.

In 2024, PT SMI received an international “Baa2” rating with a stable outlook from Moody’s Ratings, equivalent to the rating of the Republic of Indonesia. This rating complements existing credit ratings from Fitch Ratings, which had affirmed “BBB” (international) and “AAA” (national) ratings with a stable outlook. PEFINDO also affirmed its “idAAA” national rating for the company. Additionally, PT SMI received its first ESG rating of “AA” (leader) from MSCI, placing it in the top 34% among the 65 companies in the Diversified Financials industry measured.

PT SMI aims to act as a catalyst for infrastructure development, support Public-Private Partnerships (PPP), and address climate change through sustainable financing. The company's vision is to become a sustainable development agent dedicated to improving the nation's welfare. The mission includes: (i) Being a strong catalyst in enhancing the nation's welfare; (ii) Being a trusted partner in realizing the nation's aspirations for inclusive and sustainable development; and (iii) Being a leading force in accelerating infrastructure development.

Business Activities

PT SMI was established to accelerate infrastructure development in Indonesia and support PPP. Initially, it focused on eight sectors: roads and bridges, transportation, oil and gas, telecommunications, waste management, electricity, irrigation, and water supply.

The scope later expanded to include geothermal projects, local government financing, social infrastructure (hospitals, markets, terminals, etc.), tourism infrastructure, rolling stock, water resources, waste management, and renewable energy. In 2020, PT SMI received a special mandate from the Government of Indonesia to support the National Economic Recovery Program (PEN) during the COVID-19 pandemic.

According to FSA Regulation No. 16/2024, PT SMI currently covers 23 infrastructure sectors and other mandates assigned by the Government of Indonesia, including initiatives for climate change mitigation and adaptation.

Products and Services

PT SMI offers a range of financing products:

- **Senior Loans:** High-priority repayment loans, including investment financing, working capital financing, bailout funding, take-out financing, promoter financing, and non-cash financing.
- **Subordinated Loans:** Junior financing products with lower repayment priority.
- **Mezzanine Loans:** Junior financing with options for debt conversion into shares.
- **Equity Investment:** Direct ownership of shares in infrastructure projects, including equity investment, shareholder loans, and land bailout funding.
- **Financing Services:** Services generating income beyond financing interest, such as arranger and underwriter services.

In terms of financing function, the Company has two type of infrastructure financing, which are:

- **Corporate Financing:** Provides funding for commercial projects, including those related to State Owned Enterprises (SOEs) and private entities.

- **Public Financing:** Offers medium and long-term financing to local governments, as well as program funding for basic and social infrastructure.

Both Corporate Financing and Public Financing can accommodate sharia principles and sustainability-based financing.

Advisory

PT SMI provides advisory services tailored to infrastructure projects, including:

- **Investment and Financial Advisory:** Business planning, transaction advisory, business feasibility, financial modelling, capital structuring, mergers and acquisitions, financial restructuring, and project management.
- **Fund Raising Advisory:** Assistance with equity and loan fund raising.
- **ESG Advisory:** Preparation of ESG corporate policies and establishing of ESG corporate system.

Sustainability Efforts

ESG Policy Commitment

PT SMI is deeply committed to Environmental, Social, and Governance (ESG) principles, integrating these aspects into its policies, objectives, and operations. Guided by the 3P framework (Profit, Planet, People), PT SMI has evolved towards a 5P approach: People, Planet, Prosperity, Peace, and Partnership, to achieve more tangible sustainable development goals and foster impactful sustainable finance. By embedding ESG policies into its daily operations, PT SMI aims to enhance operational efficiency, uphold high governance standards, and deliver financially viable, environmentally friendly, and socially responsible projects.

To ensure the sustainability of its infrastructure projects, PT SMI conducts rigorous ESG impact and risk assessments based on its latest policies, guidelines, and management systems. These assessments aim to maximize positive impacts and minimize adverse effects, aligning with both Indonesia's legal framework and international best practices upheld by bilateral and multilateral development finance institutions. By prioritizing environmental and social sustainability, PT SMI reinforces its commitment to achieving sustainable development goals.

Environmental and Social Safeguards

PT SMI is committed to managing its business activities in an environmentally and socially responsible manner. This approach ensuring that financed projects benefit communities and the environment, in addition to generating financial profit. To achieve this, PT SMI implements Environmental and Social Safeguards (ESS) to avoid potential environmental and social risks. For each financing and equity investment origination PT SMI conducts Environmental and Social Due Diligence (ESDD) referring to PT SMI Environmental and Social Safeguard (ESS) Guidelines (which comply to national standard and adopt international standards including World Bank, IFC, ADB). In case gaps are identified based on the ESDD results, Corrective Action Plans (CAP) will need to be fulfilled by the clients/debtors.

PT SMI oversees the clients/debtors' environmental and social management and monitoring implementation throughout the duration of the facility agreement. The CAP fulfillment for each financing facility is also monitored using monitoring tools, including Safeguard Monitoring System (SMS) and Environmental and Social Monitoring Report (ESMR). Implementation Completion Report (ICR) is also prepared at the end of the financing agreement or in any case of termination of the agreement.

The Division of Environmental Social Evaluation and Technique (DELST) oversees these efforts, ensuring that projects bring positive value to all stakeholders and protect their sustainability from various risks. PT SMI manages and monitors its progress in applying international best practices in ESG aspects, particularly on environmental and social, and share these results with its stakeholders – through its annual report, or other instruments

10 Prinsip ESS | ESS Principals

ESS 01	Assessment dan Pengelolaan Risiko dan Dampak Lingkungan dan Sosial Environmental and Social Risk and Impact Assessment and Management
ESS 02	Ketenagakerjaan dan Lingkungan Kerja Employment and Work Environment
ESS 03	Pencegahan dan Pengurangan Polusi Pollution Prevention and Reduction
ESS 04	Keselamatan, Kesehatan, dan Keamanan Safety, Health and Security
ESS 05	Pembebasan Lahan dan Pemukiman Kembali Secara Tidak Sukarela Land Acquisition and Involuntary Resettlement
ESS 06	Pelestarian Keanekaragaman Hayati dan Pengelolaan Sumber Daya Alam Biodiversity Conservation and Natural Resource Management
ESS 07	Masyarakat Adat Indigenous Community
ESS 08	Warisan Budaya Cultural Heritage
ESS 09	Konservasi Energi dan Penggunaan Energi Ramah Lingkungan Energy Conservation and Use of Environmentally Friendly Energy
ESS 10	Konsultasi dan Mekanisme Penanganan Keluhan Consultation and Grievance Handling Mechanism

Climate Change Statement

PT SMI is committed to supporting Indonesia's Enhanced Nationally Determined Contribution (NDC) targets and achieving net zero emissions by 2060 or sooner, in line with the country's Long-Term Strategy for Low Carbon and Climate Resilience. The Company pursues positive contributions toward climate mitigation and adaptation, by promoting and financing among others renewable energy, energy efficiency, sustainable transportation, clean water supply, waste management, and climate-resilient infrastructures across the country. Since 2019, PT SMI has not provided any new financing or investments aimed at increasing the capacity or extending the lifespan of coal-fired power plants.

The Energy Transition Mechanism (ETM) scheme is one of PT SMI's approaches to realize an equitable or just energy transition while also focusing on carbon reduction and scaling up green energy. Its commitment is further strengthened by its status as a Green Climate Fund Accredited Entity, enabling access to global climate financing and enhancing its capacity to mobilize funds for climate action initiatives. Through its Sustainable Finance Action Plan, PT SMI aims to limit a financing for coal-fired power plants and significantly increase investments in green (climate change mitigation and adaptation) and social projects, targeting up to **IDR 16,54 trillion** (or minimum 20% of total portfolio) **by 2029**.

Gender Policy Statement

PT SMI is committed to supporting Indonesia's national infrastructure development through sustainable development practices, with a focus on promoting gender equality and social inclusion. This commitment aligns with Presidential Instruction Number 9 of 2000 and the Indonesian Law on the Ratification of the CEDAW. PT SMI implements a Gender Equality and Social Inclusion (GESI) approach across its business processes, encouraging the involvement of all individuals regardless of gender, social background, or other factors in planning, implementation, monitoring, and evaluation. PT SMI also ensures gender equality in employee management, including fair recruitment, compensation, and a safe working environment, as well as a grievance mechanism for gender-related issues. The company applies this approach across its business pillars, such as financing, project development, and advisory services, while establishing a working group and internal studies to advance GESI. Ultimately, PT SMI aims to create a broader social impact by promoting gender equality and social inclusion, contributing to the achievement of Sustainable Development Goal 5: Gender Equality.

Green Initiatives - Highlights

PT SMI's commitment to the SDGs includes utilizing funding from the Green Climate Fund (GCF). PT SMI was the first entity in Southeast Asia to receive GCF accreditation, allowing access to funding for climate change mitigation and adaptation projects. This accreditation enables PT SMI to support projects that address climate change and contribute to sustainable development.

In 2024, PT SMI is participating in the National Development Banks' Urban Climate Action Programme (NUCA Programme) to demonstrate its commitment to addressing global climate change issues. The NUCA Programme is a grant financed by The International Climate Initiative (IKI), implemented by five National Development Banks (NDBs) which operate in Brazil, Colombia, Indonesia, South Africa, and Mozambique. The programme will support NDBs in systematically strengthening their institutional capacity for urban climate finance and advisory, help NDBs and cities to jointly bring a pipeline of lighthouse projects to financial closure, and foster global knowledge exchange.

To support Indonesia's ENDC target, PT SMI commits to achieving carbon neutrality from business operations by 2028. This includes internal measures such as improving energy, paper, and water efficiency; implementing waste management towards zero-waste-to-landfill practices; and transitioning operational vehicles to electric or hybrid models. Additionally, PT SMI engages in offset initiatives, including restoring 30 hectares of critical land in West Java with the Forestry Agency and local farmers, rehabilitating mangroves in West Kalimantan and South Sulawesi, and supporting solar PV installations in public facilities across various regions.

Beginning in 2024, PT SMI initiated the strategy development for achieving net zero emissions, focusing on emissions generated from financing and investment activities (financed emissions). This involves data collection, financed emissions calculations, and the formulation of strategies or roadmaps to reach net zero. These efforts align with PT SMI's self-assessment and gap analysis results regarding climate risk and opportunity disclosure standards based on IFRS-S2.

Social Initiatives - Highlights

Since 2021, PT SMI's Corporate Social Responsibility (CSR) Unit launched a partnership program, with PT Bahana Artha Ventura, acting as a Channeling Partner for SME Funding Program funds. This initiative aims to empower small businesses and enhance community welfare through financing, assistance, and guidance for SMEs. By the end of 2024,

PT SMI has allocated approximately IDR 1 billion to this program. The CSR program under the social sector has allocated approximately IDR 17.95 billion, focusing on education and training, public facility development, community health improvement, and poverty alleviation. Notable initiatives include providing boats for student and teacher transportation in island cities, supporting the development of Dayak woven products in West Kalimantan, establishing an integrated domestic waste management facility in Mojokerto Regency, and fostering long-term SME development in areas such as maggot cultivation, arts, culinary, agriculture, and livestock in Cikuya Village, Banten.

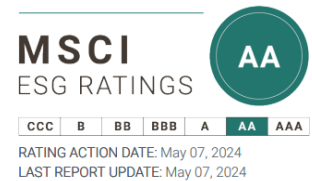
While the CSR program in the environmental sector (end of 2024) reached approximately IDR 3 billion, focusing on natural conservation efforts. Key initiatives included tree planting along the Cimanggis-Cibitung toll road, constructing a junior high school in Timor Tengah Selatan, NTT, damaged coral reefs restoration, and rehabilitating critical land in West Java as part of PT SMI's carbon neutrality offset efforts.

There is also *SMI Berbagi*, an initiative involving the participation of PT SMI's internal divisions from various departments. The purpose of *SMI Berbagi* is to deliver positive benefits to the community. Meanwhile, the forms of the CSR Program that integrate these various scopes include the *Desa Bakti Untuk Negeri* (DBUN) program, joint financing programs under the SDG Indonesia One (SIO) scheme, priority programs conducted in synergy with the Ministry of Finance's Special Mission Vehicles (SMVs), or other relevant programs.

Finally, by integrating environmental, social, and governance considerations into its operations, PT SMI aims to create a positive impact on society and the environment while achieving its business objectives. The company's comprehensive approach to sustainability ensures that it remains a leader in promoting sustainable development and addressing the challenges of climate change.

ESG Ratings

In 2024, PT SMI received the first provisional ESG Rating from MSCI. The company earns an overall grade of "AA" (leader), putting it in the top 34% percentile among the 65 companies in the Diversified Financials industry rated by MSCI.



2. Alignment with Standards

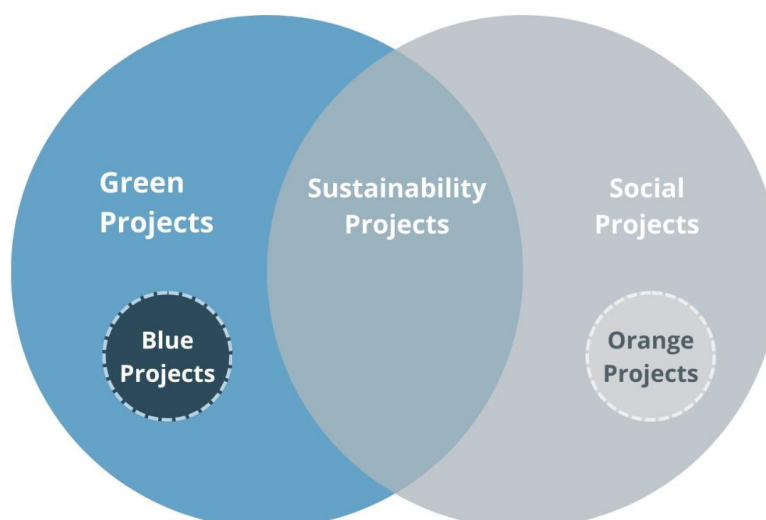
This Framework has been established in accordance with the respective applicable market standards:

- Indonesia Financial Services Authority Regulation (*Peraturan Otoritas Jasa Keuangan* or “POJK”) Number 18 Year 2023 on Sustainability Bonds, as amended from the previous POJK Number 60 Year 2017 on Green Bonds.
- Green Bond Principles - June 2021, with June 2022 Appendix 1 (ICMA)
- Social Bond Principles - June 2023 (ICMA)
- Sustainability Bond Guidelines - June 2021 (ICMA)
- ASEAN Green Bond Standards - October 2018 (ACMF)
- ASEAN Social Bond Standards - October 2018 (ACMF)
- ASEAN Sustainability Bond Standards - October 2018 (ACMF)
- Green Loan Principles – February 2023 (LMA, APLMA, LSTA)
- Social Loan Principles – February 2023 (LMA, APLMA, LSTA)

The Framework also takes into consideration the respective guidelines pertaining to Blue Bonds/Loans and Orange Bonds/Loans.

- Guideline Blue Finance - January 2022 (IFC)
- A Practitioner’s Guide for Bonds to Finance the Sustainable Blue Economy: SBE Guides - September 2023 (ICMA, IFC, UNEP FI, UNGC and ADB)
- Sustainable Blue Economy Finance Principles: SBEFP (UNEP FI)
- Orange Bond Principles – October 2022 (Orange Movement)

Under the Framework, PT SMI can issue Green, Social, Sustainability or other thematic fundraising instrument, including bonds, medium-term notes, loans, sukuk & sharia-financing facilities and other sustainable funding sources (collectively “**Sustainable Funding Instruments**”). Thematic fundraising instrument refers to Blue, Orange, SDG or other types of thematic labels focusing on specific environmental, social or sustainability objectives. For Green and/or Social projects which may qualify for Blue or Orange under Thematic fundraising instrument, we have provided annotations beside the relevant eligibility criteria: **B** for Blue and **O** for Orange.







3. PT SMI's Sustainable Funding Framework



a. Use of Proceeds

GREEN PROJECTS

PT SMI will raise funds for a pool of eligible green projects, including new and existing projects, which should have clear environmental benefits, promote the transition to low carbon and climate-resilient growth, and aim to conserve, preserve, and/or improve the qualities and functions of the environment. The green funding will finance projects in the following sectors:

Examples Eligible Green Projects




No.	Sectors	Green Projects	Potential Impact	SDG Targets
1	Renewable energy	<p>Generation and transmission of energy from renewable energy sources, including:</p> <ul style="list-style-type: none"> Onshore wind facilities Onshore Solar Photovoltaic (PV) Mini hydropower plants, with capacity below 10 MW* Geothermal energy Marine Renewables**: Offshore Wind, offshore hydropower plants, floating solar-pv, stream, and tidal-based power plant developed in coastal/marine areas^B <p>To be eligible, activities' emissions level must be <100gCO₂e/kWh.</p> <p><i>*We have limited the hydropower project only in small scale (≤ 10 MW) or called as Mini hydropower which usually use run-off river source instead of storage dam. For that kind of hydro type, we use the lifecycle carbon emissions intensity is 100g CO₂e/kwh</i></p> <p><i>** In case of marine renewables, fossil fuel backup should be limited to power monitoring, operating, and maintenance equipment as well resilience or protection measures and restart capabilities</i></p>	Reduction and avoidance of GHG emission; Increasing of new renewable capacity.	<div>  <p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</p> </div> <div>  <p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources</p> </div> <div>  <p>13.2 Integrate climate change measures into national policies, strategies and planning</p> </div>
2	Energy efficiency	<p>Improvement of the energy efficiency of infrastructure, which results in a reduction of energy consumption of at least 20% from baseline conditions or initial performance of the asset/ product/ technology.</p> <p>The infrastructure comprises smart streetlighting, improved chillers,</p>	<p>GHG emission reduction, and energy saving</p> <p>Number of electrical vessels", annual GHG emissions reduced, energy saving</p>	<div>  <p>7.3 By 2030, double the global rate of improvement in energy efficiency</p> </div>

No.	Sectors	Green Projects	Potential Impact	SDG Targets
		<p>improved lighting technology, district cooling and heating, smart grids, heat recovery and installation of heat pumps as a part of energy efficiency infrastructure*</p> <p>Projects that involve increasing environmental performance and sustainability of maritime transportation (electrical boat)^B</p> <p>This excludes:</p> <ul style="list-style-type: none"> - Energy-efficient technologies intended for inherently carbon intensive processes, powered by fossil fuels. - Development and manufacture of heat pumps driven by fossil fuels, such as natural gas or propane; refrigerants that have high global warming potential; and that such as project will measure refrigerant leakage and include measures to monitor leaks. <p><i>*For the district cooling and heating, we refer to industrial waste heat. If the expenditure includes the installation of heat pumps, both electric heat pumps and solar heat pumps could be financed.</i></p>		<div>  <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p> </div> <div>  <p>13.2 Integrate climate change measures into national policies, strategies and planning</p> </div> <div>  <p>14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans</p> </div>
3	Pollution management and prevention	<p>The management of pollution and waste:</p> <ul style="list-style-type: none"> • Waste minimization, collection, management, recycling • Waste treatment and decontamination • Waste prevention 	Reduction in pollution, GHG emission reduction, added waste treatment installation as basic infrastructure, increase treated waste or water treated (in tons/volume), contribute to circular economy	<div>  <p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</p> </div>




No.	Sectors	Green Projects	Potential Impact	SDG Targets
		<ul style="list-style-type: none"> Waste to energy activities in municipal and industries¹ Rehabilitation of landfill areas City drainage Improvement of municipal sanitation system <p>Several examples of the project: waste water treatment plant, Refuse-Derived Fuel (RDF)² plant, bark gasifier of pulp manufacturing, Integrated domestic waste water treatment plant.</p> <p>Projects that increase environmental performance and sustainability of port functions and infrastructure^B</p> <p>This excludes: Conversion of plastics to fuel from chemical recycling</p>	<p>Ports with improved environmental management, Total GHG emissions reduction, amount of electricity from renewable energy (kwh), port-generated waste reduction (tons per annum), area of rehabilitated mangrove (ha)</p>	<p>11.6.1 Proportion of urban solid waste regularly collected and with adequate final discharge out of total urban solid waste generated, by cities</p>  <p>12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>  <p>13.2 Integrate climate change measures into national policies, strategies and planning</p>  <p>14. 1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities,</p>

¹ Specifically for waste-to-energy activity: segregation of recyclable wastes (including plastics and metals) should be done before energy conservation; projects/activities with waste heat from fossil fuel production are not eligible.

² Eligible criteria for RDF plant: (i) Plant efficiency $\geq 25\%$; (ii) Bottom ash recovery; (iii) $\geq 90\%$ recovery of metal from ash; (iv) Average carbon intensity of electricity and/ or heat over the life of the plant \leq waste management allowance; (v) The capacity of the plant does not exceed the calculated residual waste at any time in the plant's life.

No.	Sectors	Green Projects	Potential Impact	SDG Targets
				including marine debris and nutrient pollution.
4	Sustainable natural resources and land use management	<p>Implementation and improvement of irrigated, dams, water ponds, and soil management system</p> <p>Several project examples are irrigation project to local agriculture provided by the Government, rehabilitated dams or water ponds for water conservation.</p>	More efficient water use, increase in crop yield, increase irrigation services (in Ha), increase production (tons/year), number of farmer beneficiaries, planted areas (ha)	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p></p> <p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources.</p> <p>15 LIFE ON LAND</p> <p></p> <p>15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements</p>
5	Clean transportation	<p>Developing mass and/or clean transportation systems (electricity transportation), hybrid vehicle³, light rail transit, mass rapid transit (bus and train), improvement of parking system</p> <p>Transportation network upgrade to higher climate resilient design standards, including provide new special lanes within existing road for mass transportation (bus) that consider the climate resilient design (higher shelter to avoid flood).</p>	GHG emission reduction, added sustainable urban transport, increase annual passenger-trips or passenger/day	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p></p> <p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p>

³ To be eligible, hybrid passenger vehicles must meet the threshold of 50gCO₂e/p-km and hybrid freight vehicles (such as heavy trucks, locomotives) must meet threshold of 25gCO₂e/t-km. In addition, the tailpipe emissions intensity of the eligible passenger vehicles must not exceed 50g CO₂e/p-km until 2025, and from 2026 onwards, eligible vehicles must have emissions intensity of 0g CO₂e/p-km (<https://www.climatebonds.net/standard/transport>)

No.	Sectors	Green Projects	Potential Impact	SDG Targets
		<p>This excludes: Standalone Parking facilities which can also be utilized by fossil fuel reliant vehicles</p>		<div>  <p>11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.</p> </div> <div>  <p>13.2 Integrate climate change measures into national policies, strategies and planning</p> </div>
6	Sustainable water and wastewater management	<p>New and improvement of public and private water supply (capacity of Water Treatment Plant, distribution and transmission water pipeline) and rehabilitation of water pipeline.</p> <p>Prevent ocean pollution through waste management in coastal and small island regions, including wastewater management (within 100 km of the coast), solid waste management (within 50 km of the coast or a river that drains to the ocean), waste prevention and reduction.^B Some project examples are municipal or integrated waste treatment plant (located within 100km of the coast), hazardous waste management generated by vessel operation at port⁴</p> <p>New, expansion and rehabilitation of water treatment infrastructure, wastewater treatment plants^B</p>	<p>Number of households connected to water supply (households), total served population.</p> <p>Reduction in marine pollution, GHG emission reduction, added waste treatment installation as basic infrastructure, increase treated waste (in tons/time)</p> <p>Water savings, number of beneficiaries (people), total served population</p> <p>Number of beneficiaries (people), total served population</p>	<div>  <p>6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all</p> <p>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally</p> </div>

⁴ For hazardous waste, a robust preliminary robust waste management process will be in place to mitigate the associated risks

No.	Sectors	Green Projects	Potential Impact	SDG Targets
		<p>New drinking water treatment, storage, and sustainable supply infrastructure, rehabilitation of existing water infrastructure, water efficiency technologies and equipment, water management activities^B</p> <p>This excludes:</p> <ul style="list-style-type: none"> • Treatment of wastewater from fossil fuel operations such as produced water from fracking • Systems & treatment facilities dedicated to controversial activities having harmful social or environmental impact such as industrial scale livestock • Integrated Water and Power Plant (IWPP) with fossil fuel power 		<div>  <p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p> </div> <div>  <p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.</p> </div> <div>  <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p> </div> <div>  <p>14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.</p> </div>
7	Green buildings	<p>Internationally, regionally, and/or nationally certified green buildings, such as but not limited to:</p> <ul style="list-style-type: none"> • Greenship: "Gold" or above. • BREEAM: "Excellent" or above • LEED: "Gold" or above • EDGE: Certified 	reduction of GHG emissions, reduction of energy consumption, energy capacity from RE sources (kwh/mwh), reduction of water consumption, volume of waste which send to landfill	<div>  <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and</p> </div>





No.	Sectors	Green Projects	Potential Impact	SDG Targets
		<p>The green building system covers but not limited to improvement of lighting technology, green cooling system, water efficiency, and 3R activities in managing waste. This includes retrofit, upgrade, renovate, refurbish existing building and development of new green buildings.</p> <p>This excludes:</p> <ul style="list-style-type: none"> • Development or acquisition of industrial facilities designed for or intended to controversial activities having harmful social or environmental impact (which includes tobacco, weapons, gambling). • Buildings designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels. 		<p>greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p> <p></p> <p>11a. Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials.</p> <p></p> <p>12.a Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production.</p> <p></p> <p>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p>





SOCIAL PROJECTS





PT SMI will raise funds for a pool of eligible social projects, including new and existing projects, which should be socially sound and sustainable that achieve greater social benefits. The social funding will finance projects in the following sectors:

Examples Eligible Social Projects

No	Sectors	Projects	Potential Impact	SDG Targets
1	Affordable Basic Infrastructure	<p>Affordable basic infrastructure, which refers to public clean drinking water infrastructure and sewers system, sanitation infrastructure, public transport, public electricity infrastructure to increase access to electricity and telecommunication projects such as satellite, Base Transceiver Station (BTS) and other supporting facilities.</p> <p>This excludes:</p> <ul style="list-style-type: none"> • Construction, upkeep, or upgrade of major roads or highways where road connectivity is adequate. • Upkeep or upgrade of existing major roads or highways. • Integrated water and power plant with fossil fuel power. • Desalination plants with dedicated on-site fossil fuel power. 	GHG emission reduction, increase in access to basic infrastructure, number of beneficiaries (people), total served population, new renewable capacity, worker's gender ratio, numbers of receive internet access in rural area (people).	<div>  <p>5.1 End all forms of discrimination against all women and girls everywhere.</p> <p>5.4 Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate</p> </div> <div>  <p>6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all.</p> <p>6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.</p> </div>

No	Sectors	Projects	Potential Impact	SDG Targets
				<div>  <p>7.1: By 2030, ensure universal access to affordable, reliable and modern energy services.</p> </div> <div>  <p>9.8 Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020.</p> </div> <div>  <p>11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries</p> </div>
2	Access to essential services	<p>Projects include healthcare and educational facilities. Some project examples are construction of educational facilities, and construction of hospitals.</p> <p>This excludes: Private schools where there is no robust targeting / subsidization for low-income students</p>	<p>Increase in access to essential infrastructure, numbers of beneficiaries (students or teachers), numbers of bed occupancy ratio, worker/beneficiaries' gender ratio</p>	<div>  <p>3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all</p> </div>

No	Sectors	Projects	Potential Impact	SDG Targets
				 <p>4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.</p>  <p>5.1 End all forms of discrimination against all women and girls everywhere.</p>  <p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p>
3	Affordable Housing	Development of affordable houses or housing loans for low-income communities in Indonesia in accordance with national guidelines/ legislation.	Increase number of affordable housings, numbers of beneficiaries	 <p>1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new</p>

No	Sectors	Projects	Potential Impact	SDG Targets
				<p>technology and financial services, including microfinance.</p>  <p>11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.</p>
4	Food Security and Sustainable Food Systems	Reduction of food loss and waste; Food warehousing to improve access to safe and sufficient food for local populations.	Numbers of food warehousing, numbers of farmers/breeder involved, increase production (tons/year)	 <p>2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.</p>  <p>12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.</p>
5	Socioeconomic advancement and empowerment	<p>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.</p> <p>Financing the development and/or provision of products and/or services that substantially and disproportionately benefit for women. ^o</p>	Increase number of job opportunity, increase number of employment, gender ratio, number of beneficiaries	 <p>1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land</p>

No	Sectors	Projects	Potential Impact	SDG Targets
		<p>Projects or enterprises with a substantially gender diverse, equitable workforce, and/or gender-inclusive value chain. ^o</p> <p>Financing enterprises or organizations that are i) founded by a woman or has more than 50% ownership by a woman; or ii) has at least 30% women representation in senior leadership, including C-suite executives, key decision makers or head of departments. ^o</p> <p>Financing other ESG or SDG-aligned projects or initiatives that are intentionally designed to substantially and disproportionately have a positive net impact on women, children, and vulnerable groups. ^o</p>		<p>and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.</p>  <p>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p> <p>5.a Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.</p>  <p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.</p>

No	Sectors	Projects	Potential Impact	SDG Targets
				 <p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p>

Additional Alignment with Orange Bond Principle

PT SMI will consider fulfilling one or more of the following:

- Over 30% of the leadership team (e.g., the Board, the officers, and/or the Investment Committee) are women and/or vulnerable groups (socially marginalized part of community).
- Over 30% of the team working on the core functions of the Orange Bond (e.g. structuring, due diligence, portfolio management, investor relations, and/or reporting) are women and/or vulnerable groups (socially marginalized part of community).
- The leadership team and/or team working on the core functions of the Orange Bond includes women and/or vulnerable groups (socially marginalized part of community) from the same ethnicity as the target population in one or more regions where proceeds of the Orange Bonds will be allocated.

The aforementioned project categories/criteria may provide direct or indirect benefit(s) to one or more of the following targeted populations:

- Low-income households⁵
- Indigenous community
- Rural population
- Women
- Infants and children under 5
- Unemployed
- Full time students and part time students under the age of 21
- Population in poverty and urban peripheries
- Elderly
- Micro, Small and Medium Enterprises (MSME)⁶

Non-Eligible Projects

PT SMI's ESS guidelines do not permit the financing of the following:

1. Production or trade in radioactive materials. This excludes construction of nuclear reactors and their components used to generate electricity, as well as the production or sale and purchase of medical equipment, quality control (measurement) devices, and other equipment where radioactive sources are not preferred or the equipment is adequately protected from radioactive sources;
2. Production, distribution or sale and purchase of any type of product or activity that is considered prohibited or is phased-out based on statutory regulations;
3. Production, trade, storage or transportation of large quantities of hazardous chemicals, or commercial scale use of hazardous chemicals that are prohibited under statutory regulations;

⁵ Classified as people with income < IDR 8 Million/month according to Ministry of Public Works and Public Housing

⁶ As defined under the prevailing of Law of the Republic of Indonesia No. 20 Year 2008 Articles 1 and 6 and Government Regulation 7 of 2021 (GR 7/21)

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4. Production, trade and/or use of loose asbestos fibers which are prohibited under statutory regulations. This exclude the purchase or use of bonded asbestos cement sheets with an asbestos concentration of less than 20% (twenty percent).
 5. Alteration or destruction of natural and critical habitats⁷ that are significant and/or without appropriate management;
 6. Mining or excavating of live coral, or development that will disturb and destroy coral reef habitats that are not accompanied by appropriate management;
 7. Conversion, clearing, burning, or commercial logging operations in humid tropical primary forest or primary forest that is included in the area of moratorium of permit issuance;
 8. Production or trade in wood or other forestry products, from non-sustainably managed forests;
 9. Destruction, vegetation cutting, drainage, burning, commercial or small-scale logging, development of plantations or agriculture on peatland with a protection function or peat with a depth of more than 3 (three) meters;
 10. Destruction, plants cutting, drainage, or burning of freshwater wetlands which have a protective function and/or are prohibited under statutory regulations;
 11. Significant destruction, plants cutting, drainage, or burning of mangrove forests and/or without proper management and/or prohibited under statutory regulations;
 12. Production activities or business activities that involve forced labor⁸ and/or minors⁹ employment which are dangerous and exploitative, and are prohibited under statutory regulations;

b. Project Selection and Evaluation

PT SMI has a project selection and evaluation process in place for all projects it funds. Under this process, projects are evaluated based on their financial viability as well as environmental, social, and governance risks. The team involved in this process include at least: Financing Divisions (includes the sustainable and sharia), Financing Risk Evaluation Division, Legal Division, Finance & Investor Relations Division, and Environmental and Social Evaluation Division, that in charge of conducting due diligence, project approval review, and technical monitoring with respect to environment and social risk management and supervising mitigation activities throughout the project life cycle.

Specifically for projects that are financed or refinanced under this framework, projects are selected if they meet eligibility sectors described in section 3a. Eligible Green, Social, Sustainability, Blue and Orange projects will go through the following steps:

- 1) The Finance & Investor Relations Division and the Environmental and Social Evaluation Division conducted additional review on Environmental & Social Due Diligence (ESDD), and monitoring to determine the underlying basket of eligible Green, Social, Sustainability, Blue and Orange projects from the financing portfolio/pipelines of PT SMI Business Units, considering the eligibility and exclusionary criteria under this framework.
- 2) The Finance & Investor Relations Division and the Environmental and Social Evaluation Division will discuss with the related Business Units that are responsible for the targeted projects.

⁷ Critical habitat is defined as habitat of significant importance to supporting endangered populations (IUCN red list, protected by national law or listed in CITES) or endemic animal or plant species. This includes locally or nationally rare and threatened plant habitats and habitats of high value for the provision of other ecosystem services (e.g protection of floods, erosion and landslides, support for infiltration function and supply of water resources)

⁸ Forced labor refers to Law no. 19/1999 concerning Ratification of the ILO Convention on the Elimination of Forced Labor and Law No. 13/2003 concerning Manpower. The principles of the convention prohibit and must not use any form of forced labor as a means of political suppression, a means of mobilizing for development purposes, a means of disciplining workers, as a punishment for involvement in strikes, and as an act of discrimination. In other laws and regulations there is an explanation regarding the exploitation of workers that is in line with the meaning of forced labor, namely actions with or without the consent of the victim which include but are not limited to forced labor or service, slavery, oppression, extortion, physical exploitation and others to obtain benefits both material and immaterial (Law No. 21/2007 on the Eradication of the Human Trafficking)

⁹ Minor employment means employing children whose age is below the minimum working age under Law No. 13/ 2003 concerning Manpower.

- 3) The final list will be approved by the Board of Directors and Head Divisions of Financing Divisions (includes the sustainable and sharia) through asset-liability committee, to ensure that selected projects are complying with all the standards under the section 2 of this framework.
- 4) The Environmental and Social Evaluation Division will monitor the environment and social risks and supervise mitigation activities throughout the project life cycle.

Sustainability Funding Task Role

	Underlying Identification	List of Project Approval	Fund Raising Execution	Allocate & Manage Proceeds	Project Monitoring & Supervision	Reporting
Finance and Investor Relations Division	✓	✓	✓	✓	✓	✓
Environmental and Social Evaluation Division	✓	✓	-	-	✓	✓
Financing Division	✓	✓	-	-	✓	-
Legal	-	-	✓	-	-	-
Asset-liability committee	-	✓	-	-	-	-

Environmental and Social Risks

All projects financed under this framework will be screened according to [PT SMI's ESS](#).

c. Management of Proceeds

The proceeds from each Green, Social, Sustainability, Blue and Orange funding received will be allocated and managed by PT SMI's Finance & Investor Relations Division following specific approval from the Board of Directors as described in section 3.b. The Finance & Investor Relations Division will track the allocation of proceeds to such projects within its internal management system, including brief descriptions of the projects, the regions in which the projects are located, and the amount of proceeds allocated to the projects.

100% (one hundred percent) of the Green, Social, Sustainability, Blue and Orange funding received will be used to finance Eligible Projects. The proceeds of each Green, Social, Sustainability, Blue and Orange funding received can be used both for the financing and/or refinancing of eligible projects. PT SMI will allow a look-back period of three years for re-financed projects.

Pending allocation (if any), net proceeds from sustainable funding activities may be invested in cash, cash equivalents and/or marketable securities, in accordance with PT SMI's cash management policies and the exclusion criteria. Any unallocated proceeds will be disclosed accordingly. The allocation of the proceeds is expected to be completed within 24 months after funds is received by PT SMI.

PT SMI will review the eligibility of those projects and ensure that the proceeds are used in accordance with the frameworks established. Should a project be no longer meeting the criteria detailed above, PT SMI is committed to reallocating proceeds on a best-efforts basis to ensure the full amount of proceeds are allocated to eligible projects. Such monitoring will be done throughout the life of the outstanding amount.

d. Reporting

To enable all investors/lenders to follow the implementation of this framework, PT SMI will publish a report of the project allocation on an annual basis that includes, at the minimum, the following information:

- 1) A list of the projects to which proceeds have been allocated
- 2) Brief description of the projects
- 3) The final allocation of proceeds received under this framework to eligible projects.
- 4) The estimated environmental and/or social as well as other impacts (indirect impact) of the projects allocated (where relevant and feasible)

PT SMI will publish the following on its website:

- 1) This Sustainable Funding Framework
- 2) The second party opinion report on this framework
- 3) The report of the project allocation under this framework

Amendments to this Framework

PT SMI will regularly review this Framework to ensure its alignment with updated versions of the principles as they are released, aiming to adhere to best market practices. Such reviews may result in updates and amendments to this Framework. Significant updates will require prior PT SMI internal approval and the review of the Second Party Opinion (SPO) provider.

Any future updated version of this Framework will maintain or enhance the current levels of transparency and reporting disclosures, including a corresponding review by an external reviewer. The updated Framework, if any, will be published on PT SMI's website and will replace the existing framework.

4. External Review

This framework has been reviewed by Sustainalytics, that has provided a Second Party Opinion (“SPO”) report confirming the alignment with the standards listed in section 2. A complete SPO report can be found on www.ptsmi.co.id.

PT SMI is also committed to mandate a qualified external party or other relevant counterparties to provide a review of our annual project allocation report that will also be made public on our website (if required by applicable standard and regulation).



PT SARANA MULTI INFRASTRUKTUR (PERSERO)

Sahid Sudirman Center, 47-48 Floor
Jl. Jenderal Sudirman No. 86
Jakarta 10220, Indonesia

(+62-21) 8082 5288 (hunting)
(+62-21) 8082 5258

www.ptsmi.co.id
ir@ptsmi.co.id

