

# Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

## Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

### Response

PT Bank Aladin Syariah Tbk ("Bank Aladin Syariah" or "The Bank") is a publicly listed digital sharia commercial bank in Indonesia. The Bank underwent a major change in 2021 by transforming from a traditional sharia commercial bank into a newly launched digital sharia financial services. Bank Aladin Syariah aims to serve the underserved and unserved segments in Indonesia, including the MSME and informal retail segments.

Following the Financial Supervisory Authority (OJK)'s permission for Bank Aladin Syariah to provide digital banking services in December 2021, we launched two funding products: Ala Dompot (regular savings product) and Ala Impian (goal savings product) at the beginning of 2022 to target the MSME and retail segments. We also launched two financing products: invoice financing and working capital financing in H2 FY2022, to serve the MSME segment. At the initial stage, these products are primarily marketed to potential clients in Java and Sumatra given the better quality of digital infrastructure and the huge underserved/unserved populations in these regions.

Bank Aladin Syariah applies an omni-channel strategy by combining online and offline channels, or Online-to-Offline (O2O), through the use of technology and partnerships. The bank engages with Alfamart Group, one of the biggest mini-market operators in the country with more than 17,000 outlets, with the aim of better serving the underserved segments who still have limited knowledge on financial and digital services, prefer banking via an agent, and predominantly transact in cash. The partnership with Alfamart allows customers to perform cash deposits and withdrawals, as well as donations and payments through Alfamart

### Links and references

Please refer to "Sustainability Strategy" on page 10 of our 2021 Sustainability Report <<https://aladinbank.id/uploads/2022/04/SR-ALADIN-2021-upload.pdf>>

counters by using the Aladin banking application in their mobile phones.

As a new bank that just launched and continues to launch products and services in 2022, our FY2022 target for funding composition is to achieve 77.36% from corporate and MSME depositors and 22.64% from retail. As for financing, we are targeting to get the majority of our customers from the MSME segment.

Our Q4 FY22 results were relatively in-line with the targets. As of December 31, 2022, financing to the SME segment accounted for 93.32% of the total financing outstanding, while the remaining went to corporates. In terms of funding, more than 90% of our deposits came from the corporates and MSMEs, while the remaining came from retail.

With regard to the sector loan exposure, all clients that we financed thus far are in the Other IT and Computer Service Activities sector. Going forward, we intend to expand our financing exposure to other sectors, mainly retail and wholesale trading and logistics.

## Strategy alignment

**Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?**

Yes

No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

**Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?**

UN Guiding Principles on Business and Human Rights

International Labour Organization fundamental conventions

UN Global Compact

UN Declaration on the Rights of Indigenous Peoples

Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: -----

Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----

None of the above

*Response*

Bank Aladin Syariah is committed to sustainability despite the bank's status as a new entrant in the digital banking space in Indonesia.

*Links and references*

Please refer to "Sustainability Strategy" on page 10

During the transformation process in 2021, we commissioned ERM, one of the leading global sustainability advisors, to assist us in developing a sustainability strategy that corresponds to our internal conditions (vision, mission, business strategy, and resources) and the needs of our stakeholders. The set strategy, which is also aligned with the Sustainable Development Goals, the Paris Agreement as well as the national sustainability strategy, serves as a framework for the bank in designing and implementing sustainability-related programs and activities in FY22 and FY23. The sustainability strategy framework consists of:

1. Banking Responsibly Pillar (SDG 16) : Bank Aladin Syariah is committed to acting with integrity in conducting our business and to be persistent in mitigating risks that can jeopardize our operation. Sustainability agenda under the Pillar include Business Ethics & Governance, Risk Management, Data Security & Privacy, and Customer Relationship Management.
2. Grow with Our People Pillar (SDG 5, 8): we are committed to supporting the interests of all employees as the main assets of the bank. The main aspects under this pillar are Employee Rights & Equal Opportunities and Talent Management & Retention.
3. Leave No One Behind Pillar (SDG 1, 5, 10, 11, 17): Bank Aladin Syariah is committed to supporting local communities and partners who become a critical part of the bank's growth. This pillar covers Sustainable Financing, Financial Inclusion, Community Development & Inclusive Growth, and Human Rights.
4. Act with Conscience for the Planet Pillar (SDG 13): we are committed to protecting and preserving the environment by ways of calculating our environmental footprint, financing green projects based on our financing strategy and appetite, and implementing energy management systems.

To further enhance the bank's commitment to sustainability, we joined the UN Global Compact initiative as a participant in December 2021. Ever since the signing of our commitment to the UNGC principles, the Bank has developed various policies and implemented a number of initiatives to align with UNGC's sustainability principles.

of our 2021 Sustainability Report <<https://aladinbank.id/uploads/2022/04/SR-ALADIN-2021-upload.pdf>>

Please refer to the Bank's Communication on Progress which was published on 28 November 2022 <<https://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/477300>>

# Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

## 2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly<sup>1</sup> and fulfil the following requirements/elements (a-d)<sup>2</sup>:

- a) **Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

### Response

Bank Aladin Syariah has undertaken the impact analysis on the bank's overall assets as at September 30, 2022, as well as the projected assets for FY23. Please note that the analysis only covers the financing business, and does not include the treasury operation since lending is expected to become the main revenue generator for the bank in the future.

### Links and references

Will be shared in the 2022 Sustainability Report

- b) **Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope
- i) by sectors & industries<sup>3</sup> for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
  - ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

### Response

As presented in Section 1.1, the majority of our financing as at December 31, 2022 went to the SME segment in Indonesia, while the remaining went to corporate clients. In terms of sector loan exposure, 100% of financing went into the Other IT and Computer Service Activities sector as defined by ISIC. In FY23, we plan to expand our financing to other sectors, particularly

### Links and references

Will be published in the 2023 Sustainability Report

<sup>1</sup> That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

<sup>2</sup> Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

<sup>3</sup> 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

retail and wholesale trading and logistics, and intend to allocate at least 20% of our financing portfolio to the SME segment.

By utilizing the UNEP FI Portfolio Impact Analysis Tool, we concluded that 100% of our financing assets that went to the Other IT and Computer Service Activities sector do in fact generate both positive and negative impacts. These impacts are identified as follows:

1. Positive impact, particularly in the areas of:
  - a. Employment
  - b. Wages
  - c. Flourishing MSMEs
2. Negative impact, notably in the area of energy, considering that the IT-related sector consumes considerable amount of electricity to operate.

c) **Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?<sup>4</sup> Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

*This step aims to put your bank's portfolio impacts into the context of society's needs.*

**Response**

Main challenges to sustainable development in Indonesia are as follows.

1. Financial inclusion is still a challenge: 95 million adults in Indonesia (and two-thirds of the poorest adults) do not have an account at a financial institution.
2. Level of poverty increases due to the Covid-19 pandemic.
  - a. Poverty is defined as those whose per capita expenditure is well below the poverty line. Per September 2021, the poverty line in Indonesia is IDR 486,168 per capita per month or IDR 2,187,756 per family per month.
  - b. The official national poverty rate increased from 9.0% (Sept 2019) to 9.7% (Sept 2021) out of 270.2MM people.
  - c. Aside from the poor, the World Bank estimates that there are 53 million people who are vulnerable (defined as those consuming between 1 and 1.5 times the poverty line) and could easily fall below the poverty line due to external shocks. Together, the poor and vulnerable groups account for the bottom 30 percent of the population.
3. Surging food and energy prices could further increase the poverty level since food accounts for about a third of total consumption for the poorest households.
4. MSMEs as the backbone of the Indonesian economy - contribute to 60.3% of the national economy and absorb about 97% of total employment - still lack access to credit based on the fact that only 18% of total commercial bank financing went to the MSME sector in 2021.
5. In Indonesia, climate change is likely to impact water availability, health and nutrition, disaster risk management, and urban development – particularly in coastal zones, with implications to increase poverty and inequality.
6. Indonesia's emissions (excluding land use) have increased by 140% between 1990 and 2017 to a total of 889 MtCO<sub>2</sub>e per year, with the highest increase being the energy sector.
7. The largest driver of overall GHG emissions are CO<sub>2</sub> emissions from fuel combustion. The industry sector contributes the most, at 37%, followed by transport (27%), electricity and heat generation (27%), building

**Links and references**

Please refer to the World Bank Country Context Assessment of Indonesia  
<https://www.worldbank.org/en/country/indonesia/overview>

<https://www.climate-transparency.org/wp-content/uploads/2020/11/Indonesia-CT-2020-WEB.pdf>

<sup>4</sup> Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

<p>(4%), other energy-related sectors (3%), and households (1%).</p> <p>8. The information and communication technology (ICT) sector is one of the fastest growing sectors in Indonesia. While ICT is not considered as the energy-intensive sector, it is estimated that ICT contributes 14% of global carbon emission to the atmosphere. Further, the use of ICT also leaves adverse impacts on the environment from toxic waste as technology keeps on changing.</p> <p>To address the above challenges, the Government is committed to focus on the following priorities.</p> <ol style="list-style-type: none"> <li>1. Poverty       <ol style="list-style-type: none"> <li>a. Reduce the rate of poverty to 7.5% in 2023 from 9.7% in Sept 2021.</li> <li>b. Strengthen the resilience of vulnerable groups.</li> </ol> </li> <li>2. Financial inclusion and job creation       <ol style="list-style-type: none"> <li>a. Provide access to financial services to the underserved segments which would enable them to build assets, expand their business and create more jobs.</li> <li>b. Increase penetration of bank financing to MSMEs to 30% by 2024.</li> </ol> </li> <li>3. To achieve archipelagic climate resilience by 2030:       <ol style="list-style-type: none"> <li>a. Mitigation: reduce emissions from energy, waste, industry, agriculture, forestry and other sectors to below 662 MtCO<sub>2</sub>e by 2030 to be within the 1.5 degree celsius IPCC scenario.</li> <li>b. Adaptation: develop resilience and adaptive capacity to reduce the impact of climate change, mainly along the coastal area (marine &amp; fishery), agriculture, water resources, forest, urban and rural areas, and health.</li> </ol> </li> </ol>	<p>The National Medium-Term Development Plan 2020-2024</p> <p><a href="https://perpustakaan.bappenas.go.id/e-library/file_upload/koleksi/migrasi-data-publikasi/file/RP_RKP/Narasi-RPJ_MN-2020-2024-versi-Bahasa-Inggris.pdf">https://perpustakaan.bappenas.go.id/e-library/file_upload/koleksi/migrasi-data-publikasi/file/RP_RKP/Narasi-RPJ_MN-2020-2024-versi-Bahasa-Inggris.pdf</a></p> <p>Enhanced Nationally Determined Contribution Republic of Indonesia - 2021</p> <p><a href="https://unfccc.int/sites/default/files/NDC/2022-09/23.09.2022_Enhanced%20NDC%20Indonesia.pdf">https://unfccc.int/sites/default/files/NDC/2022-09/23.09.2022_Enhanced%20NDC%20Indonesia.pdf</a></p>
<p>Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)<sup>5</sup>? Please disclose.</p>	
<p><i>Response</i></p> <p>Considering the scope and focus of our operation, portfolio composition, and country context, we determined that the most significant impacts which we prioritize are Financial Health &amp; Inclusion and Resource Efficiency &amp; Circular Economy.</p>	<p><i>Links and references</i></p> <p>Will be published in the 2023 Sustainability Report</p>
<p>d) For these (min. two prioritized impact areas): <b>Performance measurement.</b> Has your bank identified which sectors &amp; industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.</p>	

<sup>5</sup> To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.



In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

*The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.*

<i>Response</i>	<i>Links and references</i>
<p>Aligned with our sustainability strategy framework, we believe that the Bank can create the biggest positive impacts under the Financial Health and Inclusion by providing easy access and affordable financial products and services digitally to all segments in Indonesia, including the vulnerable groups (low income individuals, MSMEs including women-owned, and underbanked population who live in semi urban and rural areas), with the objectives to:</p> <ol style="list-style-type: none"> <li>1. Increase financial inclusion for vulnerable and un/underbanked.</li> <li>2. Provide further access to financial opportunities for existing clients, e.g. individual and MSME customers.</li> <li>3. Increase financial resilience.</li> </ol> <p>In this regard, we will be tracking the following indicators to assess the effectiveness of our engagements in achieving the overall Financial Health and Inclusion targets.</p> <ol style="list-style-type: none"> <li>1. Short term (output)               <ol style="list-style-type: none"> <li>a. Number of products/services in the portfolio with a focus on financial inclusion;</li> <li>b. Number of products/services in the portfolio with a focus on financial health;</li> <li>c. Number of individuals supported with financial / digital education initiatives;</li> <li>d. Number of active partnerships to achieve financial health/inclusion goals;</li> <li>e. Number of new individual and MSME customers per month;</li> <li>f. % of individual and MSME customers with effective access to a basic banking product.</li> </ol> </li> <li>2. Medium term (outcome)               <ol style="list-style-type: none"> <li>a. % of individual and MSME customers showing an increase or stable amounts in savings, deposit and or investment account balances;</li> <li>b. % of individual and MSME customers with a non-performing financing;</li> <li>c. % of individual and MSME customers actively using the digital banking platform.</li> </ol> </li> <li>3. Long term (impact)</li> </ol>	<p>Please refer to “Sustainability Strategy” on page 11 respectively of our 2021 Sustainability Report  <a href="https://aladinbank.id/uploads/2022/04/SR-A-LADIN-2021-upload.pdf">https://aladinbank.id/uploads/2022/04/SR-A-LADIN-2021-upload.pdf</a></p>



- a. % of individual and MSME customers with 2 or more active financial products from different categories, with the bank;
- b. % of individual and MSME customers with products connected to long-term saving and investment plans;
- c. % of individual and MSME customers that feel confident about their financial situation in the next 12 months;
- d. % of individual and MSME customers who have a minimum balance of four times the average monthly consumption expenses per capita in Indonesia to cover any unexpected emergencies.

Another area that the Bank can contribute positively is in the area of Resource Efficiency and Circular Economy since we are and will be engaging mostly with SMEs who tend to have a low awareness and knowledge on ways to efficiently use various resources, such as energy, water, and other inputs.

Under the Resource Efficiency and Circular Economy area, we intend to continuously monitor and evaluate on the following indicators:

1. Short term (output)
  - a. % of MSME customers who have the aspiration to reduce the use of resources in their operation;
  - b. % of MSME customers with knowledge on ways to reduce the use of resources in their operation;
  - c. Number of training/information sessions on resource efficiency delivered by the bank.
2. Medium term (outcome)
  - a. Number of clients who adopt technologies/techniques to reduce the use of resources in their operation;
  - b. Value of financing provided by bank to help MSME customers reduce the use of resources in their operation.
3. Long term (impact)
  - a. Energy use reduction reported by clients (%)

### Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?<sup>6</sup>

- |                          |   |                                      |                             |
|--------------------------|---|--------------------------------------|-----------------------------|
| Scope:                   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Portfolio composition:   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Context:                 | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Performance measurement: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

*Financial Health & Inclusion and Resource Efficiency & Circular Economy*

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.:  
(optional)

---

<sup>6</sup> You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

## 2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets<sup>7</sup> have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

- a) **Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with<sup>8</sup> have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

*You can build upon the context items under 2.1.*

### Response

The Bank has set the following indicators to achieve the desirable targets under the Financial Health & Inclusion and Resource Efficiency & Circular Economy areas.

1. Financial Health & Inclusion (aligned with SDG 1, 5, 8 and 10)
  - a. % of individual and MSME customers with 2 or more active financial products from different categories, with the bank;
  - b. % of individual and MSME customers with products connected to long-term saving and investment plans;
  - c. % of individual and MSME customers that feel confident about their financial situation in the next 12 months;
  - d. % of individual and MSME customers who have a minimum balance of four times the average monthly consumption expenses per capita in Indonesia to cover any unexpected emergencies.
  
2. Resource Efficiency & Circular Economy (aligned with SDG 8, 10, 12, and 13)
  - a. Energy use reduction reported by clients (%).

### Links and references

Will be published in the 2023 Sustainability Report

- b) **Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

*You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.*

<sup>7</sup> Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

<sup>8</sup> Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the [Annex](#) of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Climate change mitigation</i>	...	
	...	
	...	

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Financial health &amp; inclusion</i>	...	
	...	
	...	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

### *Response*

The Bank has determined that the 3Q FY22 serves as the baseline period for the proposed indicators given the fact that the Bank still has limited products and services, and just started with its banking activities in January 2022.

#### 1. Financial Health & Inclusion

- a. % of individual and MSME customers with 2 or more active financial products from different categories, with the bank: 1.01%
- b. % of individual and MSME customers with products connected to long-term saving and investment plans: 7%
- c. % of individual and MSME customers that feel confident about their financial situation in the next 12 months: none.
- d. % of individual and MSME customers who have a minimum balance of four times the average monthly consumption expenses per capita in Indonesia to cover any unexpected emergencies: 0.05%.

#### 2. Resource Efficiency & Circular Economy

- a. Energy use reduction reported by clients (%) as at Sept 30, 2022: 0.

### *Links and references*

Will be published in the 2023 Sustainability Report

c) **SMART targets** (incl. key performance indicators (KPIs)<sup>9</sup>): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

*Response*

We have set the following sustainability-related targets under each of the impact area:

To be achieved by end of 2024:

1. Financial Health & Inclusion
  - a. % of individual and MSME customers with 2 or more active financial products from different categories, with the bank: 10%
  - b. % of individual and MSME customers with products connected to long-term saving and investment plans: 20%
  - c. % of individual and MSME customers that feel confident about their financial situation in the next 12 months: 10%.
  - d. % of individual and MSME customers who have a minimum balance of four times the average monthly consumption expenses per capita in Indonesia to cover any unexpected emergencies: 1%
  
2. Resource Efficiency & Circular Economy
  - a. Energy use reduction reported by clients (%): 5%.

To be achieved by end of 2030:

1. Financial Health & Inclusion
  - a. % of individual and MSME customers with 2 or more active financial products from different categories, with the bank: 30%
  - b. % of individual and MSME customers with products connected to long-term saving and investment plans: 40%
  - c. % of individual and MSME customers that feel confident about their financial situation in the next 12 months: 20%.
  - d. % of individual and MSME customers who have a minimum balance of four times the average monthly consumption expenses per capita in Indonesia to cover any unexpected emergencies: 2.5%.
  
2. Resource Efficiency & Circular Economy
  - a. Energy use reduction reported by clients (%): 10%.

To be achieved by end of 2040:

1. Financial Health & Inclusion

*Links and references*

Will be published in the 2023 Sustainability Report

<sup>9</sup> Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

<ul style="list-style-type: none"> <li>a. % of individual and MSME customers with 2 or more active financial products from different categories, with the bank: 50%.</li> <li>b. % of individual and MSME customers with products connected to long-term saving and investment plans: 50%</li> <li>c. % of individual and MSME customers that feel confident about their financial situation in the next 12 months: 40%.</li> <li>d. % of individual and MSME customers who have a minimum balance of four times the average monthly consumption expenses per capita in Indonesia to cover any unexpected emergencies: 5%</li> </ul> <p>2. Resource Efficiency &amp; Circular Economy</p> <ul style="list-style-type: none"> <li>a. Energy use reduction reported by clients (%): 20%.</li> </ul>	
<p>d) <b>Action plan:</b> which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>	
<p><i>Response</i></p> <p>Bank Aladin Syariah has taken a number of actions to meet the set targets. These actions are as follows.</p> <ol style="list-style-type: none"> <li>1. Develop additional products and services that can meet the needs of the vulnerable groups.</li> <li>2. Increase the Sales Financing team to accelerate financing.</li> <li>3. Initiate discussions with potential new partners who can help the bank in achieving financial inclusion targets.</li> <li>4. Improve data monitoring capabilities to track the set indicators.</li> <li>5. Conduct a periodical customer satisfaction survey.</li> <li>6. Develop a guideline to categorize loans based on the Indonesia Green Taxonomy.</li> <li>7. Conduct sustainable finance training to relevant staff.</li> </ol> <p>Going forward, we have determined the following action plan to enable the bank in achieving the targets.</p> <ol style="list-style-type: none"> <li>1. Deepen the relationship with existing partners and offer additional products and services (including non-financial services) to the partners' ecosystems.</li> <li>2. Develop training materials/contents to increase financial and digital literacy of our clients.</li> <li>3. Develop training materials/contents to increase customers' awareness on resource efficiency.</li> <li>4. Run financial and digital literacy campaigns through the bank's media channels.</li> </ol>	<p><i>Links and references</i></p> <p>Will be published in the 2023 Sustainability Report</p>

- |  |  |
|--|--|
| <ol style="list-style-type: none"><li>5. Organize training sessions on financial and digital literacy in collaboration with partners.</li><li>6. Organize sharing sessions with MSME customers on available and proven techniques/technologies that can help reduce the use of resources.</li><li>7. Develop a tool to monitor the use of resources at client-level.</li><li>8. Conduct an assessment of the 2023 performance and revisit the targets at the end of 2023 to determine whether the set targets need to be adjusted.</li></ol> |  |
|--|--|



## Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	Financial Health & Inclusion	Resource Efficiency
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

## 2.3 Target implementation and monitoring (Key Step 2)

**For each target separately:**

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

**Or, in case of changes to implementation plans (relevant for 2<sup>nd</sup> and subsequent reports only):** describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

*Response*

The Bank has completed or is in the progress of completing a number of actions to meet the set targets. These actions are as follows.

1. We are currently developing additional products and services, such as individual/retail financing, Bank as a Service (BaaS), savings for children, and qurban savings plan, which will be launched in 2023.

*Links and references*

Will be published in the 2023 Sustainability Report

- |   |  |
|---|--|
| <ol style="list-style-type: none"><li>2. Five new Relationship Managers, including the Head of Sales Financing team, were hired in 2022 to enhance marketing activities.</li><li>3. In discussions with several potential partners, such as Plastic Bank Indonesia and Benih Baik, with the aim of tapping into the entities' MSME and/or low income networks within their ecosystems.</li><li>4. We have set a sustainability data tracking system to help track the set indicators.</li><li>5. Conduct a periodical customer satisfaction survey (including an assessment of the customers' financial wellbeing).</li></ol> |  |
|---|--|

# Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

## 3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers<sup>10</sup> in place to encourage sustainable practices?

- Yes       In progress       No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

- Yes       In progress       No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities<sup>11</sup>). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

*This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).*

### Response

As a digital sharia bank which primarily focuses on retail and MSME segments, we have put in place several measures to better serve the clients' needs and protect their privacy. Such measures include:

1. Customer Satisfaction Measurement: the bank initiated a weekly customer satisfaction survey in July 2022 to measure the level of satisfaction of our retail funding customers, while obtaining feedback from them to improve our offerings.
2. Privacy protection:
  - a. Develop and implement the IT Risk and Security Awareness Program.
  - b. Develop risk management policies and procedures related to data protection, including IT policy and procedures for managing data security and incident in case of security breach, accessibility of data, and disaster recovery plan.
  - c. Conduct an internal audit of data privacy policy compliance.
3. Create special units to effectively manage customer complaints (Customer Experience Department) and

### Links and references

Please refer to "Sustainable Finance Framework" and "Data Security & Privacy" on page 11 and page 63 respectively of our 2021 Sustainability Report  
<https://aladinbank.id/uploads/2022/04/SR-ALADIN-2021-upload.pdf>

<sup>10</sup> A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

<sup>11</sup> Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

<p>privacy and security of data (Information Security and Governance, Risk and Compliance).</p>	
<p><b>3.2 Business opportunities</b>  Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services , information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).</p>	
<p><i>Response</i></p> <p>Providing banking services and products to anyone, i.e. financial inclusion, through digital technology is one of the bank’s core values since digital technology allows Indonesians to easily access sharia banking services from anywhere.</p> <p>Based on the above value, the Bank launched several products that are aligned with sustainable financing. These products are:</p> <ol style="list-style-type: none"> <li>1. Savings product called Ala Dompot. This product offers terms that are affordable to budget conscious customers, mainly low income households and MSMEs, including free monthly administration fee, free transfer and cash withdrawals, no charges for dormant accounts, and low minimum amount (IDR 1,000 or USD 0.067) for account opening.</li> <li>2. Goal savings product called Ala Impian. Ala Impian provides customers an opportunity to personalize their target amount and objective of savings, while offering a flexibility to move the funds out in case of an emergency without charging any fees. While the product offers a higher profit sharing than the regular savings product, the bank does not charge any administration fee.</li> <li>3. Donations (Ala Berbagi). The bank partners with several reputable donation platform companies, such as Baznas (a zakat management institution formed by the Government of Indonesia) and Kitabisa (an online crowdfunding platform that focuses on social impact), to allow customers to make social donations via digital technology.</li> <li>4. Payments and purchases. The Aladin digital application allows customers to perform payments and purchases of various items, including payment of electricity bills, purchase of airtime top up, and purchase of electricity tokens.</li> <li>5. Cash deposits and withdrawals. The partnership with Alfamart enables our customers to perform cash deposits and withdrawals at 17,000+ Alfamart outlets located</li> </ol>	<p><i>Links and references</i></p> <p>Please refer to “Sustainability Strategy” on page 10 of our 2021 Sustainability Report  &lt;<a href="https://aladinbank.id/uploads/2022/04/SR-ALADIN-2021-upload.pdf">https://aladinbank.id/uploads/2022/04/SR-ALADIN-2021-upload.pdf</a>&gt;</p> <p>Please refer to “Products” on our website  &lt;<a href="https://aladinbank.id/">https://aladinbank.id/</a>&gt;</p>

<p>throughout Indonesia.</p> <ol style="list-style-type: none"> <li>6. Invoice financing. The Bank recently launched a collateral free invoice financing product to meet the immediate working capital needs of MSMEs.</li> <li>7. Working Capital Financing. The Bank also introduced working capital financing to meet the short-term financing needs of MSMEs. This particular product is currently targeted towards Alfamart’s MSME vendors.</li> <li>8. Payroll-based Financing. The Payroll-based Financing product is catered towards employees/workers whose profiles are aligned with the Bank’s target segment, particularly those who are earning minimum wages.</li> </ol>	
--	--

## Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.

### 4.1 Stakeholder identification and consultation

*Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups<sup>12</sup>) you have identified as relevant in relation to the impact analysis and target setting process?*

Yes                       In progress                       No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

#### *Response*

As part of the process of undertaking the impact analysis, the Bank consulted with various stakeholders which include partners (Alfamart), investors (Aladin Global Ventures as the ultimate shareholder), potential clients (MSMEs and informal sector), vendors (ERM), regulator (OJK), and other stakeholders (the International Finance Corporation) to gain their perspectives on the most relevant challenges and priorities related to sustainable development in Indonesia.

#### *Links and references*

Please refer to “Sustainable Finance” on page 61 of our 2021 Sustainability Report <<https://aladinbank.id/uploads/2022/04/SR-ALADIN-2021-upload>

<sup>12</sup> Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

Bank Aladin Syariah also commissioned ERM to assist us in determining the areas with the most impact in which the bank could support, based on the vision, mission, resources, strategy, and projected portfolios of the bank.

On the business side, Bank aladdin Syariah has engaged partnerships with the following institutions:

1. Google Cloud Indonesia with the objectives of obtaining top class Google cloud services, expand the scale of the bank's infrastructure, and strengthen data analytics and machine learning capabilities, which would allow the bank to access the underserved and unserved populations in Indonesia via digital technology.
2. Alfamart Indonesia, to allow customers to perform cash-in and cash-out transactions at 17,000+ Alfamart outlets in Indonesia.
3. Evermos, a social startup e-commerce, with the aim of providing financial and non-financial services to Evermos' network of more than 17,000 MSMEs who are mostly women.
4. BPKH, an institution that was set up by the Government to manage Hajj finance in Indonesia, to help digitize the servicing of the Hajj pilgrimage.
5. Baznas and Kitabisa (please refer to section 3.2 for brief profiles of these institutions) to allow customers to make social donations.
6. ZA Tech, a reputable insurtech provider in Asia, to accelerate the adoption of affordable insurance among the underserved and unserved segments in Indonesia.

The Bank partnered with several institutions to carry out various social and environmental responsibility activities, which comprise of:

1. Facebook Indonesia to improve financial and digital literacy of SMEs;
2. Halodoc, a health-tech startup platform, to support the COVID-19 vaccination program;
3. Anak Bangsa Bisa Foundation, an NGO that focuses on social development, to support the operation of the COVID-19 Oxygen House;
4. Sinar Utama Nusantara Foundation (SUN), an NGO that supports renewable energy sources as sources of power in remote areas in Indonesia, to support green tourism and provide access to renewable energy, particularly small-scale solar power plants, in a number of tourism spots in Indonesia;
5. Plastic Bank Indonesia, a social enterprise company, to support the collection of more than 1 million plastic bottles and support the livelihood of waste collectors along with their families;
6. Fairatmos, a supplier of community-based GHG sequestration projects, to partially offset Bank Aladin Syariah's Scope 1, Scope 2, and a portion of Scope 3 emissions.
7. Rekosistem, a waste management company, to support

- the bank in managing its operational wastes; and
8. Jejakin as a provider of carbon calculator application to calculate GHG emissions of the bank's operational activities.

To solidify the bank's commitment to sustainability, Bank Aladin Syariah also participated in the S&P Global Corporate Sustainability Assessment (S&P Global CSA) and became a member of the UN Global Compact as well as a signatory to the UN Principles for Responsible Banking. While the participation in the S&P Global CSA would assist us in identifying gaps in implementing all sustainability-related initiatives, the commitments in UN Global Compact and UNPRB would allow Bank Aladin Syariah to gain access to partnerships with a range of stakeholders, learn best practices and emerging solutions in addressing sustainability challenges, and provide opportunities for future engagements that will help us in delivering more impacts and achieving our sustainability targets.



# Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

## 5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes       In progress       No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

### Response

In alignment with the bank's sustainable finance framework pillars, particularly the Banking Services Responsibly Pillar, Bank Aladin Syariah is committed to uphold good business ethics and apply good corporate governance. This is manifested through the following initiatives:

1. Development of procedures on corporate governance, as well as incorporating and implementing good corporate governance (GCG) guidelines as per the regulation.
2. Creation of Sustainability Executive Committee, on top of other committees that are required by the regulator, to ensure that sustainability is fully integrated into all aspects of the bank's operation. The Committee, which meets at least once in every quarter, consists of the President Director and other senior management team.
3. Formation of the Sustainability Department which reports directly to the President Director, to specifically coordinate the overall sustainability-related programs and initiatives of the bank.
4. Creation of Sustainability Champions, a task force which represents various relevant departments within the bank with the objective of aligning sustainability principles into the bank's operational activities.

### Links and references

Code of Conduct can be downloaded from the company's website:

<https://aladinbank.id/ata-kelola/>

Please also refer to "Bank Aladin Syariah Governance Structure" in the 2021 Sustainability Report on page 45

<<https://aladinbank.id/uploads/2022/04/SR-ALADIN-2021-upload.pdf>>

5. Adoption of the Code of Conducts for all staff. The Code of Conducts, among others, covers conflict of interest, abuse of position and information, integrity and accuracy of data and transactions, fair treatment, relationship with customers, money laundering and terrorism financing, breach of laws and regulations, and whistleblowing policy.

6. Development of sustainability strategic framework which consists of:

- Pillar 1: Banking Responsibly
- Pillar 2: Grow with Our People
- Pillar 3: Leave No One Behind
- Pillar 4: Act with Conscience for the Planet.

7. Conducting a self-assessment of good corporate governance practices.

8. Development of the Environmental and Social Risk Management policy and procedure, including an exclusion list that prohibits Bank Aladin Syariah to finance activities that are deemed unethical, harmful to society, in breach of laws and international treaties, as well as in violation of sharia principles.

The bank's Exclusion List is available for download at <https://aladinbank.id/ata-kelola/>

**5.2 Promoting a culture of responsible banking:**

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

*Response*

To foster a culture of responsible banking, the bank has performed the following activities:

1. Develop sustainable finance strategy, sustainability framework, roadmap, and KPIs.
2. Adopt the Code of Conduct, and socialize the code to all staff to ensure that all staff are aware of and abide by the code.
3. Conduct a training on Sustainable Financing and Waste Management System to all staff.
4. Conduct a socialization on sustainability to all staff.
5. Revised the Financing Policy to embed sustainability as the basis of financing activities, and introduce a procedure of environmental and social risk management to be applied in the loan underwriting process.
6. Participate in the S&P Global CSA to identify any rooms for improvement in relations to sustainability, as part of integrating the sustainability aspect into the whole operational activities of the bank.

*Links and references*

Please refer to "Sustainable Finance Implementation" on page 23 of our 2021 Sustainability Report <<https://aladinbank.id/uploads/2022/04/SR-ALADIN-2021-upload.pdf>>

7. Request staff to participate in an internal survey in relation to their mobility, as part of calculating the Scope 3 emissions from staff travels.

8. Organized sustainable finance training sessions to the senior management and selected staff to build our internal capacity in assessing sustainable initiatives and monitoring the sustainable finance portfolio.

### 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?<sup>13</sup> Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

#### Response

As mentioned in section 5.1, we have introduced the Environmental and Social Risk Management policy and procedure which requires us to assess each financing proposal based on, among others, the environment and social criteria using the Indonesia Green Taxonomy as introduced by the regulator. Within the policy, we have also introduced the exclusion list that prohibits Bank Aladin Syariah to finance activities that are deemed unethical, harmful to society, in breach of laws and international treaties, as well as in violation of sharia principles.

#### Links and references

The bank's Exclusion List is available for download at <https://aladinbank.id/ata-kelola/>

### Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes  No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes  No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes  In progress  No

<sup>13</sup> Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.



# Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

## 6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes

Partially

No

If applicable, please include the link or description of the assurance statement.

### Response

This report is the first UNPRB publication that the bank will disclose. The bank plans to get an independent assurer for the 2022 Sustainability Report, to be published in Q2 2023, which would include this UNPRB report.

### Links and references

## 6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?



GRI



SASB



CDP



IFRS Sustainability Disclosure Standards (to be published)



TCFD



Other: ....

### Response

Our 2021 Sustainability Report has followed and is aligned with the GRI standard reporting format.

### Links and references

Our 2021 Sustainability Report is available for download at

<https://aladinbank.id/uploads/2022/04/SR-ALADIN-2021-upload.pdf>

### 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis<sup>14</sup>, target setting<sup>15</sup> and governance structure for implementing the PRB)? Please describe briefly.

#### *Response*

We intend to redo the exercise by assessing our 2023 portfolio, and review the impact analysis and targets that are outlined in this report. We will make adjustments as necessary if there are any changes to the conclusions as per the impact analysis, including revising the indicators and/or targets, and share the updates publicly.

#### *Links and references*

---

<sup>14</sup> For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

<sup>15</sup> For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

## 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- |  |  |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance                               | <input type="checkbox"/> Customer engagement             |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank                           | <input type="checkbox"/> Stakeholder engagement          |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability    |
| <input checked="" type="checkbox"/> Conducting an impact analysis                              | <input type="checkbox"/> Data quality                    |
| <input type="checkbox"/> Assessing negative environmental and social impacts                   | <input type="checkbox"/> Access to resources             |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies            | <input type="checkbox"/> Reporting                       |
| <input checked="" type="checkbox"/> Setting targets  | <input type="checkbox"/> Assurance                       |
| <input type="checkbox"/> Other: ...  | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these:

As a new signatory to the UNPRB, we encountered several issues in conducting an impact analysis, setting the targets, and preparing internally to track and monitor the data. However, we were able to resolve the issues, mainly the ones revolving around impact analysis and target setting, upon getting intensive support from the UNEP FI Regional Team.



