

Pertamina's Sustainable Finance Framework

In February 2024, **Pertamina released its inaugural Sustainable Finance Framework (Framework)**. This Framework more deeply integrates Pertamina's sustainability goals into its financing strategy. As a result, Pertamina and/or its subholdings/subsidiaries have now unlocked an access to sustainable financing for its green and transitional projects.



The Framework Overview

1. Best Market Practice

The framework is in accordance with the **Green Bond Principles (GBP)** set by the **International Capital Market Association (ICMA)** and the **Green Loan Principles (GLP)** established by the **Loan Market Association (LMA)**.

2. Flexible

Including both **Green** (adhering to international standards and considering technical criteria from the EU Taxonomy) and **Transition categories** (supporting Pertamina's decarbonization strategy).

3. High Standard

The framework provides clear connections to **essential sustainability goals and the reasoning behind issuing Use of Proceeds Financing Instruments**. It is the second Green + Transition framework following the one published by Repsol.

4. Strategy

Utilize the framework to achieve the following objectives:

- **Generating positive net impact** through green and transition categories.
- **Enhancing certainty and provide information on projects in the pipeline or research and development (R&D) phase**. This includes allocating a minimum of 30% of realized investment and operational budget for R&D focused on decarbonization by 2025, increasing to 44% by 2030.
- **Contributing to the group's decarbonization strategy**.

5. Powerful Communication Tool

The inaugural framework will communicate vital messages to investors and stakeholders about Pertamina's dedication to integrating sustainability into future financing plans, aligning with its decarbonization strategy.

Benefits of Pertamina's Sustainable Finance Framework

1. By having a framework, it will ease access to the ESG market, allowing funding methods within the Pertamina group not to be solely through conventional means.
2. It offers **cheaper pricing compared to conventional methods**.
3. Verified by credible independent institutions, Pertamina's ESG Roadmap is recognized as **contributing effectively to the United Nations (UN) Sustainable Development Goals (SDGs)** & in line with international standards and existing SDG targets, showcasing the strength of Pertamina's ESG roadmap.

The Framework's Stage In Pertamina

01

Stage 1 (Completed - on February 2024): Use of Proceeds Framework successfully established, with a robust and positive Second Party Opinion obtained from ISS ESG.

02

Stage 2 (Next Step - On progress): Advancing the Sustainability-linked Framework is contingent upon finalizing Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs) as well as ensuring full alignment between Pertamina and its Subholding/Subsidiaries.

- **Prepared to utilize the framework** for financing purposes.
- **Begin the second phase - Establishing the Sustainability-linked Framework**. Several of the previously discussed KPIs fell short of expectations. Moving forward will be more demanding as KPIs and targets will be assessed against industry benchmarks and peer performance.

Categories in The Sustainable Finance Framework (Use of Proceeds) & Relevant SH

No	Categories	Criteria	Relevant SH/Companies
Green	Renewable Energy	<ul style="list-style-type: none"> Expenditures and costs for renewable energy Solar PV/CSP power Onshore/offshore wind power Geothermal facilities (GHG<100gCO₂e/kWh), Hydropower (meeting specified criteria) Bioenergy (with eligible feedstock) Associated transmission/distribution/storage infrastructure directly linked to eligible renewable energy facilities 	  
	Green Hydrogen	<ul style="list-style-type: none"> Green hydrogen production, storage, and transport with lifecycle GHG emissions below 3tCO₂e/tH₂, utilizing electrolysis with low-carbon electricity sources like geothermal 	
	Transmission and distribution networks for renewable and low-carbon gases	<ul style="list-style-type: none"> Infrastructure development includes new hydrogen-focused networks Converting existing natural gas networks to 100% hydrogen Retrofitting gas networks to integrate hydrogen and low-carbon gases, facilitating increased blending in the system 	
	Green Buildings	<ul style="list-style-type: none"> Buildings undergo certification from LEED® (Gold+), BREEAM (Very Good+), or Singapore's BCA Green Mark (GoldPLUS+) for new developments and existing structures 	ALL (Pertamina & its Subholdings/Subsidiaries)
	Clean Transportation	<ul style="list-style-type: none"> Electric vehicle charging infrastructure Battery swapping stations Procurement of zero-emissions passenger cars and light commercial vehicles, and manufacturing components including batteries 	
	Low- Carbon Fuels	<ul style="list-style-type: none"> Biofuel production, distribution, and refining focus on biological origin fuels meeting at least 65% GHG savings compared to fossil fuels 	
	Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> Rehabilitating and restoring natural forests with detailed management plans Projects aimed at protecting and expanding primary natural habits in Indonesia 	ALL (Pertamina & its Subholdings/Subsidiaries)
Transition	Emission Reduction	<ul style="list-style-type: none"> Energy efficiency plans include monitoring and mitigating methane and flaring emissions Developing, constructing, installing, and maintaining CO₂ capture and storage projects 	  
	Transition in Shipping	<ul style="list-style-type: none"> Investments include ballast or reverse osmosis water treatment equipment for vessels New builds focused on decarbonization with alternative or low-carbon fuel sources R&D for vessel retrofitting to enhance operational efficiency and lower emissions 	

Pertamina is committed to supporting the Net Zero Emission 2060 target by continuously promoting programs that directly impact the United Nations (UN) Sustainable Development Goals (SDGs) achievement. All these efforts align with Environmental, Social, and Governance (ESG) implementation across all Pertamina's business lines and operations. Pertamina is also driving its Sub Holding to expand the core business through several method such as strategic partnership, joint cooperation or research, M&A, green/sustainable funding, and listing.