



PT Japfa Comfeed Indonesia Tbk
Sustainability-Linked Financing Framework

March 2021

PT Japfa Comfeed Indonesia Tbk

Sustainability-Linked Financing Framework

Contents

1. Introduction	3
1.1. About PT Japfa Comfeed Indonesia Tbk	3
1.2. Our Values	4
1.3. Our Mission	4
1.4. Sustainability	5
1.4.1 Sustainability Strategy	5
1.4.2 Sustainability Development Goals (SDGs) Compass	7
1.4.3 Life Cycle Assessment (LCA)	11
1.4.4 Sustainability Committee	12
2. Overview of PT Japfa Tbk’s Sustainability-Linked Finance Framework	14
3. Sustainability-linked Bonds	15
3.1. Selection of Key Performance Indicators (KPIs)	15
3.2. Calibration of Sustainability Performance Targets (SPTs)	18
3.3. Bond Characteristics	19
3.4. Reporting	19
3.5. Verification	19
4. Sustainability-linked Loans	20
4.1. Relationship to Borrower’s Overall Sustainability Strategy	20
4.2. Target Setting	20
4.3. Reporting	20
4.4. Review	20
5 External Review	21

1. Introduction

1.1. About PT Japfa Comfeed Indonesia Tbk

PT Japfa Comfeed Indonesia Tbk (“PT Japfa Tbk” or the “Company”) is a leading integrated agri-food company based in Indonesia. We are a public company listed on the Indonesia Stock Exchange and are majority owned by Japfa Ltd (“Japfa” or the “Group”) listed on the Singapore Stock Exchange. Our business is vertically integrated from animal feed production and breeding to commercial farming and food processing. This creates opportunities for us to capture value at different points along the agri-food chain while providing our customers with greater food security and traceability.



We operate the second largest vertically integrated industrialised poultry company in the country, with 16 poultry feed mills, 76 poultry breeding farms and over 100 company-owned commercial farms. In addition, we also operate poultry slaughterhouses and further processing plants.

Approximately 85% of chickens from our commercial farms are sold as live chickens to wholesalers who distribute them to wet markets. The rest of the chickens produced (approximately 15%) are sent to our slaughterhouses for further processing to produce raw meat products and branded consumer foods.

The poultry operations contribute approximately 85% of the Company’s annual revenue. Aside from poultry operations, PT Japfa Tbk also has aquaculture and beef operations.

1.2. Our Values

Central to the success of PT Japfa Tbk is the nurturing of sustainable, growth-oriented relationships based on trust and integrity. “*Growing Towards Mutual Prosperity*” is the vision which we practise and uphold with our various stakeholder groups.



1.3. Our Mission

To be the **leading dependable** provider of **affordable protein foods** in Indonesia, building on the foundation of **our excellent teamwork and proven experience** for the benefit of **all stakeholders**.

LEADING

- Top of mind
- Reference point by Industry
- A continuing process
- Ahead of competition

AFFORDABLE

- Cater mainly to the masses
- Not the cheapest, but good value
- Role in alleviation of food shortages
- Efficient protein converter, leading to reasonable long-term profit for business sustainability

DEPENDABLE

- Dependable to all partners, farmers, consumers & staff
- Consistent, traceable, good quality, safe, disease free products
- Responsible to the community & environment

PROTEIN FOODS

- Emphasis on poultry, livestock & marine proteins
- Including key upstream operations of feed, livestock breeding & raising, vaccines etc.
- Food grade, for human consumption

EXCELLENT TEAMWORK

- Co-operate & support each other even without being asked
- Seamless coordination
- Operate as one unit
- Differences in opinions encouraged but move as a team

PROVEN EXPERIENCE

- Experienced in farming and emerging economies

STAKEHOLDERS Include:

- Staff
- Customers
- Suppliers
- Contract Farmers
- Shareholders
- Community

1.4. Sustainability

1.4.1 Sustainability Strategy

Sustainability has been ingrained in our operations since the founding of our Company 50 years ago. Sustainability is deeply rooted in the Company's vision and in what we do every day, which is nourishing millions of people with affordable staple protein foods. Over time, more and more people across our Company have embraced sustainability in their daily activities. We believe that we can only grow if we grow together towards mutual prosperity. Together with our employees, business partners, farmers and suppliers, we support local communities, the nation and the world to achieve sustainable development goals.

We align our strategies with the United Nations Sustainable Development Goals (UN SDGs), especially UN SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture. We have set up the Japfa Sustainability Pillars to guide the implementation of best practices in sustainability across the Group and the Company. The pillars focus on establishing an Efficient Production System, Developing Our People and Improving Nutrition.



Sustainability Pillars

Affordable Nutritious Protein



Efficient Production System

Large Scale Operations & Advanced Technology

Healthy Animals

Biosecurity
Vaccines
Animal Welfare
Balanced Feed

Efficient Use of Resources

Energy
Water
Reusable Packaging
Local Sourcing

Minimise Waste & Emission

Manure to Fertiliser
Air Pollution Control
Wasterwater Treatment



People Development

Knowledge Management

Employees

Training & Development
Sports for Life Balance

Farmers

Technical Assistance
Skills Improvement

Community

Education Programmes
Focus on Agriculture



Improving Nutrition

Feed More People

Facilitating Access to Affordable Protein

Geographical Reach
Industrialised Approach

JAPFA for Kids











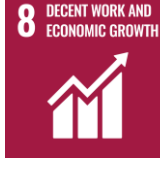







Education Programmes
about Balanced Diets for
Children & Teachers

Food Safety & Traceability

Food Safety &
Hygiene Standards
Halal Slaughterhouses
Traceability back to the
Farm

1.4.2 Sustainability Development Goals (SDGs) Compass

We align our efforts to contribute to the UN SDGs, with an emphasis on UN SDG 2: End hunger, to achieve food security and improved nutrition and promote sustainable agriculture.

Sustainability Pillars	Description	Contribution to UN SDGs
Efficient Production System	We contribute to hunger reduction and provide nutrition for our society through healthy animals, efficient use of resources and waste and emission minimisation. These efforts ensure that we produce responsibly while providing affordable and nutritious food for people in emerging economies.	     
People Development	Through our large-scale operations, we create jobs to reduce poverty and support infrastructure development around our operating units, as well as knowledge management for our employees, farmers and community by providing trainings, technical assistance and skills improvement for farmers and education programmes.	     
Improving Nutrition	Our industrialised vertically integrated operations and local sourcing facilitates access to affordable nutritious protein for people through transparent and traceable supply chain that ensure food safety. We also approach community to adopt healthy lifestyle by promoting healthy balanced diet through our Japfa for Kids programme.	     

Providing Affordable and Nutritious Protein

UN SDG 2 is the cornerstone of our sustainability strategy as it underscores our mission to provide affordable protein foods in Indonesia. Starting from a single poultry feed mill in Indonesia in the early seventies, we have progressively expanded our business to include breeding, commercial farming and food processing. Today, we have become one of the major industrialised agri-food companies in Indonesia, and we help improve the nutrition of millions of people by producing essential proteins that are nutritious, safe and affordable through an Efficient Production System. This is how we live up to our value of “*Growing Towards Mutual Prosperity*” and contribute towards the goal of UN SDG 2, which is to end hunger, achieve food security and improved nutrition and promote sustainable agriculture.

As reflected in our Sustainability Pillars, an Efficient Production System can be achieved by ensuring the health and welfare of our chickens, the efficient use of resources and by minimising waste.

Efficient Production System

Healthy Animals

Animal Welfare

We treat our animals in accordance with the Five Freedoms of Animal Welfare. We conduct appropriate veterinary care, provide housing facilities that are safe and designed to promote animal well-being. Our chickens are raised in a condition where they can eat, drink, rest and roam freely in closed or open-house farm systems.

In our aquaculture operations, water quality is of critical importance. We monitor the physical and chemical condition of our aquatic ecosystem’s water to maintain the optimum range of our aquaculture needs. Our efforts are recognised by the certifications from the Best Aquaculture Practice (BAP) and Aquaculture Stewardship Council, which are testimonies that fish has been farmed in a responsible manner.

Biosecurity

We practise strict biosecurity and hygienic procedures to prevent the entry and spread of pathogens into our operations. We adopt international best practices such as the Principle of Good Agricultural Practices and Hazard Analysis Critical Control Point (HACCP) system as part of our biosecurity control policies.

Our measures include frequent sampling to prevent salmonella infection and routine monitoring of animals’ health. We also adopt a three-zone biosecurity system that requires visitors and personnel to take a shower and change into clean clothes and footwear provided before entering our farms. Likewise, vehicles are cleaned and disinfected before coming into the farms.

Balanced Feed

We create quality, specially formulated, animal feed through innovative research and development. Our formula considers the requirements for balanced nutrition suitable for various phases of chicken development, especially in the tropical climate where we operate. Working alongside our expert nutritionists, we use advanced technology such as the Near Infrared Reflectance (“NIR”) to develop balanced feed formulation and improve production efficiency.

Efficient Use of Resources

It is critical for us to transform our production and resource consumption. An initiative adopted in tackling this issue is a Life Cycle Assessment that we have piloted for some of our business units. The assessment will provide a scientific analysis on the environmental impacts resulted from our production processes and identify areas where improvements can be made.

Water availability presents a material risk in the animal protein sector, yet an indispensable part of our production. Water is used across our operations, from producing steam in the boilers, serving as drinking water for our animals, as well as for our aquaculture business. Rainwater harvesting systems and biopores are important parts of water resources management to reduce intakes from groundwater and overcome water scarcity. These systems are important particularly in areas where water is scarce. As part of our efforts to conserve water, we are looking at wastewater treatment and water recycling facilities in relevant operations.

We continue to explore means that will lead to resource efficiency. A new initiative that is being studied is a poultry manure digester for biogas production to test the possibility and effectiveness of treating the source of the impact (water pollution) by transforming chicken manure into biogas (renewable energy). If successful, the biogas produced could be utilised to reduce the consumption of fossil fuel from our operations.

Minimise Waste & Emission

We aim to minimise waste generated and maximise recycling through thorough waste sorting. Our operations generate mainly non-hazardous waste, of which half is recycled, reused or composted into fertilizers. The balance of non-hazardous waste is distributed to third parties, sent to landfills or incinerated. Waste from used woven plastic bags are either donated to local farmers to be used in their farms or recycled to make new packaging. Hazardous waste is collected and handled by licensed third-party contractors.

People Development

Community

Supporting Our Farmers

In Indonesia, many farmers still live in poverty despite a growth in the demand of poultry and aquaculture products driven by the country's strong economic performance. The problem has found to be linked with a lack of education, skill and access to funding. Guided by our value of *"Growing Towards Mutual Prosperity"*, we constantly support our farmers in addressing these challenges to enhance their productivity, which in turn improves their livelihoods. This once again demonstrates our strong commitment to be aligned with SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture, where one of its targets is to double the agricultural productivity and income of small-scale farmers by 2030.

We collaborate with external contract farmers in over 10,000 commercial farms throughout Indonesia to produce live chickens for sale to wet markets, providing affordable, accessible fresh animal protein to local communities.

We set up a poultry partnership scheme to impart technical skills such as farm selection, premium input selection, sanitation maintenance and vaccine administration. In addition to technical knowledge, we also have mentoring and training programmes targeted at the other aspects of their operations such as accounting and marketing. Through these knowledge developments, we hope to contribute to the improvement of their livelihood.

Improving Nutrition

Japfa for Kids

According to the United Nations International Children's Emergency Fund (UNICEF), more than two million children in Indonesia suffer from wasting and more than seven million children under-5 are stunted¹. Experts believe that this problem is not merely due to poverty, but also due to the lack of a nutritionally balanced diet². As a leading protein provider, we play a role in the battle to combat malnutrition.

Japfa for Kids is our social flagship programme dedicated to the wellbeing of children with the objective to support the Indonesian Government's efforts to tackle stunting. The programme focuses on educating primary school students and teachers on the importance of nutrition and hygiene, where we provide mentorship and training to foster the awareness of balanced diet, safety and hygiene awareness to improve the general wellbeing and health especially those in rural areas. In addition, we also conduct free health, dental and optical screenings for the children.

Food Safety and Traceability

Consumers today are more concerned about how their food is produced and sourced. Our vertically integrated operations, from animal feed manufacturing to breeding of poultry and aquaculture for further processing, allow us to trace products within our vertically integrated production system.

¹ UNICEF (30 June 2020) **Indonesia: Number of Malnourished Children Could Increase Sharply Due to COVID-19 Unless Swift Action Is Taken.** www.unicef.org/indonesia/press-releases/number-of-malnourished-children-in-indonesia-could-increase-sharply-due-to-covid-19

² World Health Organization (2018) Reducing stunting in children: equity considerations for achieving the Global Nutrition Targets 2025. p.7-8 Geneva. Licence: CC BY-NC-SA 3.0 IGO. Access via <https://www.who.int/publications/i/item/9789241513647>

1.4.3 Life Cycle Assessment (LCA)

By having an Efficient Production System, we are able to efficiently manage our resources and minimise toxic release into the environment, which allows us to align with UN SDG 12: Responsible Consumption and Production.

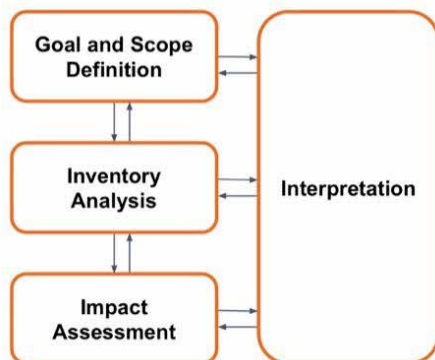
In 2019, we commenced a formal Life Cycle Assessment (LCA) with the aim to better understand impacts associated with our products and identify opportunities to improve the environmental performance of our products at various points in their life cycle. LCA is a science-based methodology where the procedures and standards have been developed and outlined within the ISO 14040/14044:2006.

What is Life Cycle Assessment (LCA)?

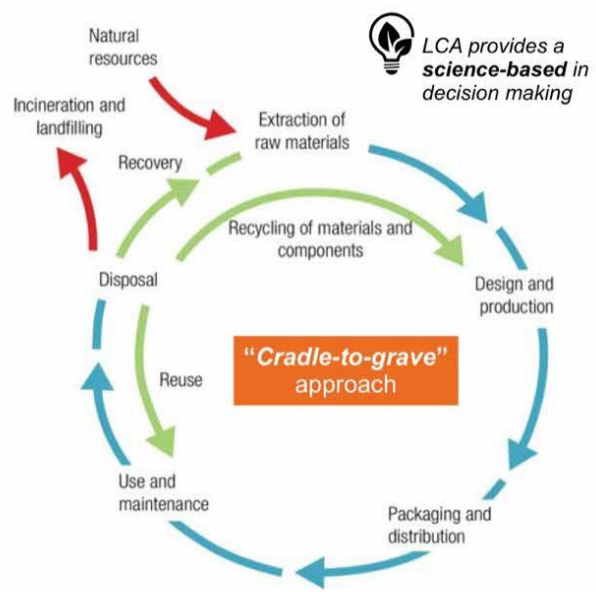
According to ISO 14040/44:2006:

“Compilation and evaluation of input, output and potential environmental impact of a system product throughout its life cycle”

LCA Framework:



Source: ISO 14040:2006



Source: UNEP/SETAC. Life Cycle Management: A Business Guide to Sustainability, Paris, 2007.

We are the first vertically integrated poultry producer in Indonesia to carry out an LCA to measure the environmental impacts of our poultry products throughout the supply chain. The LCA covers 27 poultry units in Indonesia representing approximately 12% of our poultry operations, from the production of the feed to the end product, throughout the vertical integrated chain. The quantitative analysis considers the required inventory within the cradle-to-gate boundary, from raw materials, energy, transportation, packaging, waste to emissions, which are later calculated as environmental impact values of our production system.

In addition to the environmental LCA, we have participated as the road tester in the Social LCA Project initiated by the United Nations Environment Life Cycle Initiative and Social LC Alliance. Similar to the environmental LCA, Social LCA is a technique to assess the social impacts of products and organizations from raw material extraction to final disposal. We are the only company that represented the food and agricultural sector and the Southeast Asian region.

These LCAs provide insights into our environmental hotspots and form the backbone of our on-going efforts on water and wastewater management, energy efficiency, waste minimisation and process improvements. The most material topics identified include wastewater management, animal welfare, and farmer livelihood.

1.4.4 Sustainability Committee

Over the years, we have continuously enhanced our sustainability processes. In 2017, we started by monitoring, and reporting our sustainability practices.

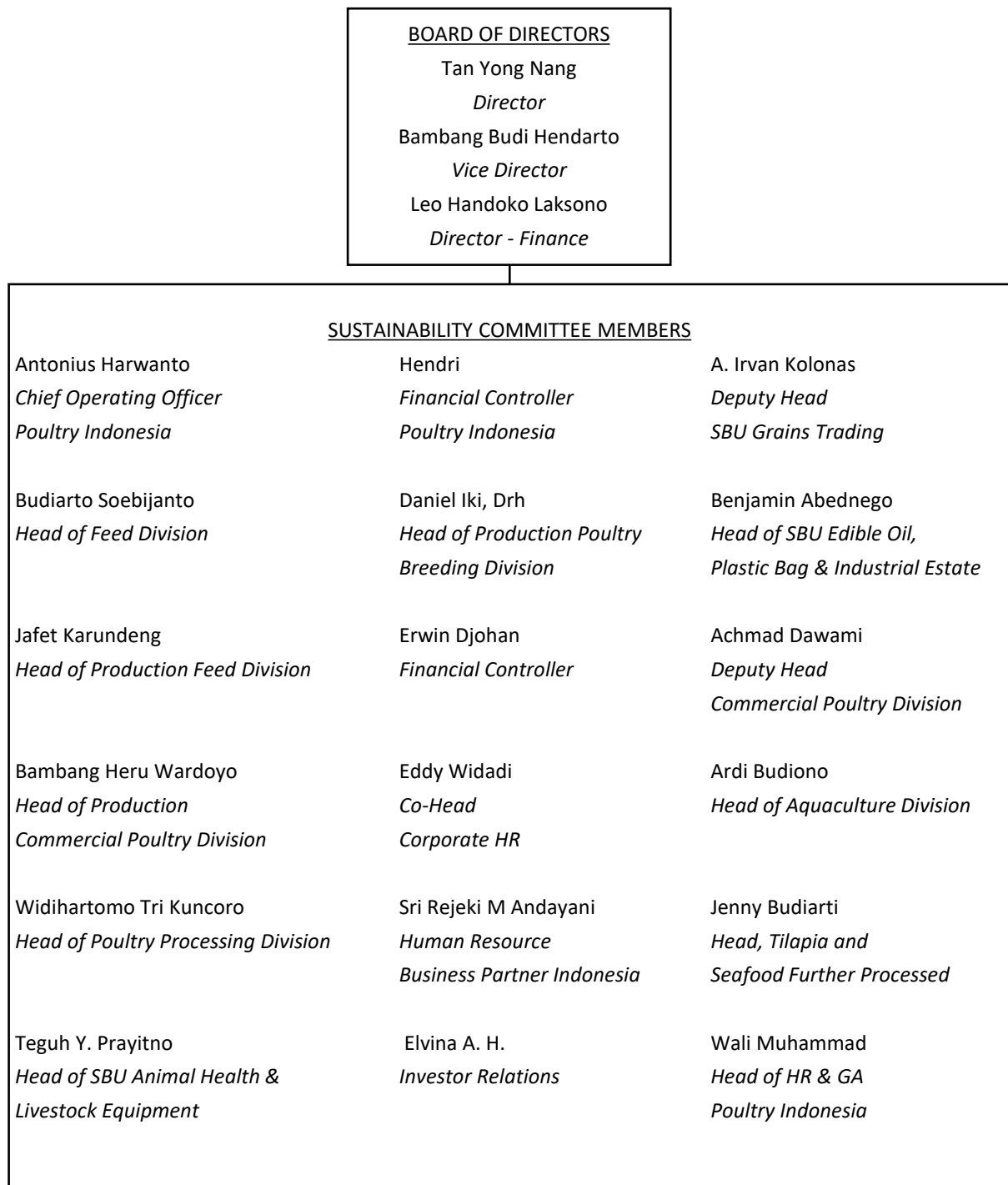
Backed by the commitment of the top management, PT Japfa Tbk has embraced sustainability more fully across the organisation. In 2019, PT Japfa Tbk set up a Sustainability Committee to strengthen our commitment in sustainability along with Japfa Sustainability Pillars to align the practices across the Company and guide the implementation of best practices in sustainability.

The Sustainability Committee is composed of the Board of Directors and Sustainability Committee members. The Sustainability Committee provides advice and assists the Board of Directors in strategic sustainability decision-making and long-term planning, as well as facilitates sustainability initiatives.

The Sustainability Committee has the following roles and responsibilities:

- Establish and propose sustainable development policy and direction to the Board of Directors for its approval
- Develop sustainability strategies with timeframes
- Consider and assess the results of the implementation of sustainability strategies, give advice for the development, and report to the Board of Directors at least once a year
- Approve Sustainability Report annually
- Appoint Sustainability Sub-committees, as considered appropriate, for implementation of sustainability strategies in operational divisions
- Review and approve KPIs and SPTs of sustainability-linked transactions

Organisation Chart of PT Japfa Tbk's Sustainability Committee



2. Overview of PT Japfa Tbk's Sustainability-Linked Finance Framework

PT Japfa Tbk recognises the importance of incorporating sustainability in our day to day operation for our long-term success. We believe that sustainable finance not only represents an opportunity for PT Japfa Tbk but it will be a strong motivator in driving the change toward a sustainable future. These financing activities will also allow our investors and stakeholders to partner with PT Japfa Tbk in achieving long term sustainability goals. This Sustainability-Linked Finance Framework (hereinafter referred to as the "Framework") has been established in alignment with Japfa's Sustainability Pillars to provide guidance on debt issuances covering the following types of sustainability-linked instruments:

- Sustainability-Linked Bonds
- Sustainability-Linked Loans

This Framework is applicable to PT Japfa Tbk and all our subsidiaries. For the avoidance of doubt, the Sustainability-Linked Instruments can be in any currency, tenor or with other terms or conditions.

3. Sustainability-linked Bonds

The *Sustainability-linked Bond Principles* (SLBP) released, and administered, by ICMA in June 2020 provide guidelines on the approach for issuance of sustainability-linked bonds. This Framework is in alignment with the five key components of the SLBP:

- Selection of Key Performance Indicators (KPIs)
- Calibration of Sustainability Performance Targets (SPTs)
- Bond characteristics
- Reporting
- Verification

3.1. Selection of Key Performance Indicators (KPIs)

Our sustainability strategy described in *Section 1.4.1, 1.4.2 and 1.4.3* has been formulated around material topics that are relevant to PT Japfa Tbk as well as our stakeholders. The efforts that we put in implementing programmes addressing these material topics will not only minimise the environmental, social and governance (ESG) risks PT Japfa Tbk faces but also contribute positively to the UN SDGs. We are committed to selecting sustainability KPIs that are relevant, core, and material to our business and sustainability strategy. Moreover, the selection of KPIs has been informed by the LCAs discussed in *Section 1.4.3*, which are a science-based study aims at identifying areas of improvement of our operations.

Our bond issuance will prioritise Environmental KPIs. An example of the KPI includes but is not limited to the following:

KPI: Water Recycling Facilities for Sustainable Water and Wastewater Management at Poultry Operations

Objective

Minimise impacts related to water pollution from untreated wastewater by reducing eutrophication potential through the management, treatment and/or recycling, and utilisation of wastewater.

Treated wastewater will improve the environmental condition of the farm and the surrounding community.

Background

- Livestock production has high potential to impact water availability and/or water quality. Based on our LCA, wastewater management has been identified as a key area where we can manage our impact on the environment.
- Wastewater from livestock production is commonly utilised as organic fertiliser, that is beneficial for the surrounding communities, and/or discharged to the environment.
- Wastewater needs to be treated before it is discharged to the waterbody. Untreated wastewater may affect the quality of the receiving waterbody and its ecosystem. From the social perspective, it can also cause distress to the surrounding community from the odour, which may affect communities' safe and healthy living conditions.

- By Indonesian government regulations, companies are required to meet certain standards of wastewater discharge quality, namely:
 - UU 32 Tahun 2009
 - PP 82 Tahun 2001
 - PerMenLH No. 5 Tahun 2014 (Appendix XLVII)
- The national regulation only governs the wastewater discharge quality, where having a wastewater treatment facility is only a recommendation and not a requirement. The implementation of the regulation depends on local government policy and local governments have introduced varied policies on wastewater management in different locations throughout Indonesia.
- A Wastewater treatment plant (WWTP) is usually recommended to treat wastewater and achieve discharge quality that is safe for the environment. An increase in the total volume of water discharge does not necessarily correspond to greater negative impacts, since these impacts depend on the quality of the water discharge and the sensitivity of the receiving waterbody. An organisation with a high volume of water discharge, but also a high level of treatment and strict quality standards, can have positive impacts on the receiving waterbody³.
- We acknowledge the issue of water scarcity in certain geographical locations and in specific operations that require large amounts of water. To conserve the natural water resources, minimise water withdrawal and improve water circularity, we are introducing these initiatives to manage our water and wastewater.
- In our poultry slaughterhouses, we plan to embark on installing water recycling facilities in 8 out of our 15 poultry slaughterhouses. At this time, none of our slaughterhouses have water recycling facility.
- We are also going to build a pilot water recycling facility at one of our hatcheries. This will be a pilot project as none of our hatcheries currently have any water recycling facilities.
- In view of our commitment to sustainability, Japfa aims to go beyond basic compliance to bring environmental and social benefits through the water and wastewater management.

Action Plan

Over the next 3 years 9 months, we will carry out the following initiatives related to sustainable water and wastewater management.

Initiatives	Rationale
Water recycling facilities in slaughterhouses	Presently, all the slaughterhouses are equipped with a wastewater treatment facility. Under this KPI, a water recycling facility will be added to allow the treated water to be reused, which will in turn avoid it to be discharged and improve water circularity.
Water recycling facility in a hatchery	Same as the practice at the slaughterhouses, we will install a water recycling facility at a hatchery to improve water circularity.

³ Global Reporting Initiative, GRI Standards 303: Water and Effluents 2018.

Track Record

Annual wastewater discharge at the poultry operations (in m³) is presented in the following table.

Operating Units	2019		2020	
	Wastewater Discharge (m ³)	% wastewater compared to total wastewater discharge	Wastewater Discharge (m ³)	% wastewater compared to total wastewater discharge
Poultry Breeding	460,290	30%	369,038	25%
Poultry Feed	12,038	1%	14,184	1%
Poultry Slaughterhouses	867,811	57%	926,749	64%
SGF Secondary Processing	177,945	12%	135,215	9%
SBU AHLE (vaccine)	941	0%	3,985	0%
SBU EPI (woven bag)	5,426	0%	2,537	0%
Total	1,524,452	100%	1,451,708	100%

Based on the above, wastewater discharged from the slaughterhouse operations represents 64% of total wastewater discharged from our poultry operations in 2020. Wastewater from the poultry breeding unit is observed to account for 25% which is the second highest in 2020. Therefore, wastewater discharged from these operating units is considered material and presents an area of improvement.

The following table presents details of the water recycling facilities that will be installed at the poultry breeding and slaughterhouse units:

Operating Units	Wastewater discharge in 2020 (m ³)	No. of Water Recycling Facilities	Estimated Wastewater to be Recycled* (m ³)	Estimated % Wastewater recycled
Poultry Breeding	369,038	1	12,000	3%
Slaughterhouses	926,749	8	566,557	61%

*Footnote: The volume of wastewater volume that will be recycled has been estimated based on the volume of water discharged in 2020.

The proposed construction completion schedule for the water recycling facilities is as follows:

- Year 1: 1 at a slaughterhouse and 1 at a hatchery
- Year 2: 3 at slaughterhouses
- Year 3: 3 at slaughterhouses
- Year 3 and 9 months: 1 at a slaughterhouse

Sustainability Standards Contribution

- UN SDGs
 - Goal 6: Clean water and sanitation
 - Goal 12: Responsible consumption and production
 - Goal 14: Life below water

- Life Cycle Assessment
 - Eutrophication potential
 - Water footprint
- Global Reporting Initiative (GRI) Standards
 - GRI 303: Water and effluents
 - GRI 307: Environmental compliance
 - GRI 413: Local communities
- Regulation of Financial Services Authority No. 51/POJK.03/2017
 - 2.B.3: Waste and effluents reduction
 - 6.E.2: Activities that result positive & negative impacts towards ecosystem
 - 6.E.5.B: Mechanism for waste and effluents treatment
- Green Bonds Principles
 - Sustainable water and wastewater management category is a primary contribution to pollution prevention and control

3.2. Calibration of Sustainability Performance Targets (SPTs)

In the spirit of sustainability-linked bonds to promote sustainability performance of the issuer, PT Japfa Tbk will ensure that SPTs are ambitious and represent realistic improvements beyond a “Business as Usual” trajectory. The SPTs will be clearly defined, in the form of numerical value, with a pre-defined timeline.

An example on how a SPT will be set, using the sample KPI under *Section 3.1*, is as follows:

SPT Water Recycling Facilities for Sustainable Water and Wastewater Management at Poultry Operations

Within 3 years 9 months, PT Japfa Tbk will construct the following new facilities with respect to this KPI:

- 8 water recycling facilities out of 15 slaughterhouses under Japfa operations
- 1 water recycling facility at a hatchery within the poultry breeding unit.

The target is defined as the number of new facilities constructed with certification of completion from the building contractor. This target will serve to inform future roll out at relevant operations owned by the company and where water scarcity is identified as a material risk.

Our annual Sustainability Report will update the progress of the construction of the water recycling facilities, including the number of facilities completed. We will also report the annual amount of wastewater treated in the water recycling facilities and/or water saved in m³ as a result of the water recycling facilities in our poultry operations.

3.3. Bond Characteristics

We will tie our performance of the selected KPI to the financial structure of the sustainability-linked bond.

Our sustainability-linked bonds will have a tiered structure where the coupon adjustment will result in a coupon adjustment if our performance does not achieve the stated SPT. In essence, there will be a 25-bps coupon step-up if the SPT *Water Recycling Facilities for Sustainable Water and Wastewater Management at Poultry Operations* is not met. If the SPT is achieved, there will be no coupon adjustment.

Details pertaining to the point of review and coupon adjustment mechanism will be provided as part of the pre-issuance documentation to the investor or announced publicly.

3.4. Reporting

PT Japfa Tbk will disclose the progress on the KPI and SPT at least once a year, in our Annual Sustainability Report or as a separate document whichever is more suitable considering the timeline and administrative arrangement. Either way, the document will be made publicly available. We will communicate via the report, our progress and indicate if we are on track to achieve the SPT. If our progress is not as planned, we will describe the reasons. The report will also discuss the methodologies or supporting documents used to derive the numbers against the SPT.

The document will compare PT Japfa Tbk's performance of the selected KPI against the SPT set for the target observation date. Where appropriate, Japfa will also include positive impacts made through the achievement of the SPT as part of the reporting.

3.5. Verification

PT Japfa Tbk will seek external verification on the performance against each KPI by a qualified external reviewer with relevant expertise at least once a year. The external reviewer could be an auditor or environmental consultant, depending on the nature of the KPI and SPT selected.

PT Japfa Tbk will publish the verification report in its Annual Sustainability Report mentioned in *Section 3.4*.

4. Sustainability-linked Loans

Sustainability-linked loans share similar traits as sustainability-linked bonds where the loan characteristics, e.g. the interest margin, are tied to the borrower's ESG performance.

This part of the Framework has been prepared in accordance to the *Sustainability-linked Loan Principles* published by the Loan Market Association (LMA) and Asia Pacific Loan Market Association (APLMA) in May 2020, which consist of the following four key components:

- i. Relationship to Borrower's Overall Sustainability Strategy
- ii. Target Setting – Measuring the Sustainability of the Borrower
- iii. Reporting
- iv. Review

4.1. Relationship to Borrower's Overall Sustainability Strategy

PT Japfa Tbk's sustainability strategy is described within *Section 1.4* of this Framework.

4.2. Target Setting

PT Japfa Tbk will adopt the same method described in *Section 3.1* when selecting KPIs for a sustainability-linked loan. In summary, we will consider the following principles when formulating KPIs:

- high strategic significance to the company's current and/ or future operations
- measurable or quantifiable on a consistent methodological basis
- externally verifiable
- able to be benchmarked against peers or an industry standard

In addition to the KPIs, PT Japfa Tbk will agree with the lender on the SPTs, as discussed in *Section 3.2*, and commercial terms including interest rate adjustment to be made once the SPTs are achieved.

4.3. Reporting

Our annual sustainability report discusses issues that are material to our operations and actions taken to address them. It will be used as evidence to verify the attainments if the selected KPI and SPT are already part of the content. Otherwise, we will provide additional information to facilitate the lender's verification of our performance.

4.4. Review

We will ensure that any evidence provided to the lender will be externally assured.

5 External Review

PT Japfa Tbk has obtained a second party opinion (SPO) of the Sustainability-linked Finance Framework from V.E that it is aligned with all the principles mentioned within the respective sections.

PT Japfa Tbk will seek another SPO for any material changes to this Framework.

The SPO is available at <https://www.japfacomfeed.co.id/id/investors/sustainability-report>.