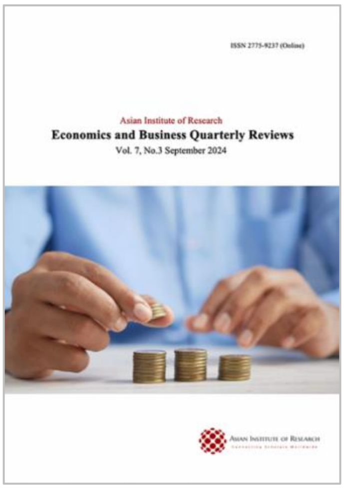

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Analyzing Potential Implementation of Sustainability Linked Loan in PT United Tractors Tbk

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Abstract
Since the Paris Agreement in 2015, climate change has become an important global issue, prompting companies to adopt sustainable practices. PT United Tractors Tbk (UT), which relies heavily on coal, faces challenges due to the declining coal market and increasing emphasis on Environmental, Social and Governance (ESG) principles. This research explores UT's strategic transition to diversify into the minerals and renewable energy sectors and assesses the potential of Sustainability Linked Loans (SLL) to support this transition. The research aims to evaluate UT's readiness to implement SLL by examining its business strategy, ESG initiatives, and financial performance. A qualitative approach was used, involving semi-structured interviews with UT management and analysis of annual reports. Findings show that UT is committed to achieving a 50-50 revenue balance between coal and non-coal businesses by 2030. SLL offers a viable funding solution, providing financial flexibility and incentivizing ESG improvements through interest rate discounts. The study concludes that UT's strong commitment to sustainability and proactive management puts it in a good position to obtain SLL, enhancing its ability to balance its portfolio and achieve long-term sustainability. Recommendations include improving ESG measurement systems, securing SLL agreements, and continuously monitoring ESG achievements to maximize benefits.

Keywords: Sustainability Linked Loans, ESG, Business Strategy, Sustainable Business, Coal Transition, UT

1. Introduction

Since the Paris Agreement was signed on 12 December 2015, the issue of climate change has become a prominent global topic. The agreement obliges countries to keep the global average temperature rise below 2°C above pre-industrial levels and pursue efforts to limit the temperature rise to 1.5°C. It also mandates countries to enhance their ability to adapt to adverse climate impacts, promote climate resilience, and encourage the development of low greenhouse gas emissions without compromising food production. The 2030 Agenda for Sustainable Development, adopted by the United Nations on 25 September 2015, underscores the importance of green finance. Initially focussing on projects directly related to environmental improvement, green finance has evolved to include mechanisms such as Sustainability Linked Loans (SLL). SLLs aim to encourage borrowers to engage in economic sustainability activities that are aligned with Environmental, Social, and Governance (ESG) principles (APLMA, LMA, and LSTA, 2023).

Indonesia, as the largest economy in Southeast Asia, faces significant climate risks due to its exposure to flooding and high heat (WBG and ADB, 2021). Recognising the need to manage these risks, Indonesia has developed an Enhanced Nationally Determined Contribution (Enhanced NDC) to reduce emissions and achieve Zero Emissions (NZE) by 2060 or sooner. PT United Tractors Tbk (UT), a major player in Indonesia's heavy equipment, mining and energy sectors, faces challenges due to its reliance on coal, a non-renewable resource with high greenhouse gas emissions. The global shift towards reducing coal consumption, influenced by the Paris Agreement and ESG trends, threatens UT's sustainability. Financial institutions are increasingly reluctant to fund coal-related projects, further limiting UT's funding options (Chan et al., 2022). Therefore, UT must develop a business strategy to shift from coal dependency to sustainable practices.

Several researchers have focused on the impact of ESG criteria on financial performance and the role of green financing in promoting sustainability. However, there is still limited research on the application of ESG in business transition from coal dependency. This research intends to fill this gap by exploring the strategic use of SLL in supporting UT's business transformation. The objectives of this study are to understand UT's business strategy for sustainability, assess the potential of SLL in implementing the strategy, and evaluate UT's readiness to adopt SLL.

2. Literature Review

2.1. Business Strategy

Business strategy plays an important role in how companies operate and compete to generate revenue and profit. According to Magerakis and Habib (2021), business strategy has a significant impact on financial reporting quality, tax avoidance, investment efficiency, audit quality, stock price stability, voluntary information disclosure, and corporate social responsibility (CSR) performance. A well-conceived strategy enables a company to outperform its competitors and achieve superior profitability (Thompson et al., 2022). Effective business strategies aim for short-term success and long-term sustainability and growth. Companies should follow a structured strategic management process, which involves analysis, strategy development, and implementation to achieve competitive advantage and above-average profits (Hitt et al., 2019). This process, represented by the A-S-P Model (Figure 1), requires continuous monitoring and adaptation to changing market conditions and internal dynamics.

In addition to a robust strategic management process, firm-level strategies such as horizontal integration, vertical integration, and diversification help companies maintain and optimise profitability by navigating current and future business trends (Hill et al., 2019). Sustainable business practices, which integrate environmental, social, and governance (ESG) aspects, are also critical for long-term success (Thompson et al., 2022; Zahan, 2021). Companies that prioritise CSR and sustainability often experience increased customer loyalty and reduced reputational risk (Simon et al., 2024; Wang et al., 2024). An integrated sustainability strategy, supported by top management commitment, positively influences firm performance and investor confidence (Rahman et al., 2023; Thun et al., 2024). By implementing these strategies, companies can ensure their operations remain competitive and profitable while promoting sustainable development.

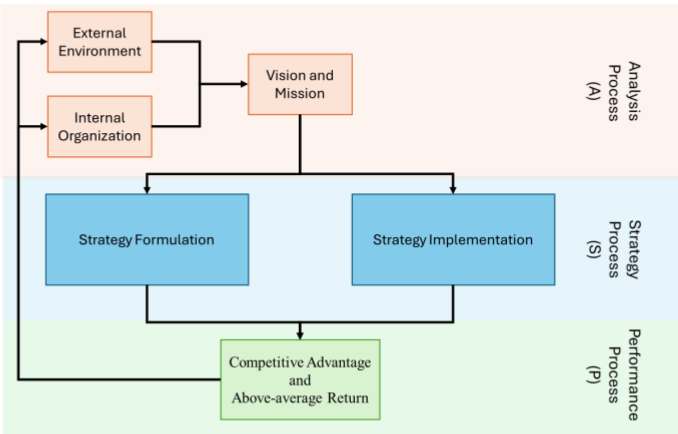

Figure 1: A-S-P Model

2.2 Sustainability Linked Loan (SLL)

Sustainability Linked Loans (SLLs) were first introduced in 2019 as financial tools, including loans and contingent facilities, whose economic features can change based on the borrower's achievement of specific and measurable sustainability goals (APLMA, LMA, and LSTA, 2023). These transition tools are designed to assist borrowers in improving their sustainability performance during the transition process. Unlike taxonomies that aim to identify specific sustainable economic activities, SLLs directly link a company's ESG attributes to the cost of debt, providing interest rate discounts if the company fulfills its non-financial indicators (Pop and Atanasov, 2021). SLL incentivises borrowers to improve their sustainability performance through loan interest rate adjustments based on audit reports and findings (Carrizosa and Gosh, 2023). Borrowers with a strong environmental profile may benefit from lower interest rates, while failure to achieve sustainability targets may result in higher interest rates (Du, 2022).

SLLs are available to any borrower subject to applicable laws and credit assessment, provided they can demonstrate the necessary strategic components, including certain KPIs and SPTs (APLMA, LMA, and LSTA, 2023). Unlike green loans, which are limited to green projects, SLL funds can be used for general purposes, with the key difference being the incorporation of ESG measurements (Kim et al., 2021). The core elements of SLL include KPI selection, SPT calibration, unique loan characteristics, reporting, and verification. KPIs should be relevant to the borrower's industry and ESG challenges, while SPTs should show significant improvement beyond business-as-usual activities and compared to external references. Reporting of SPT achievements is critical for determining interest rate discounts, and verification by independent and external parties ensures the credibility of reported achievements (APLMA, LMA, and LSTA, 2023). SLL offers flexible finance solutions that align borrower incentives with sustainability goals, providing potential cost efficiencies through interest rate adjustments. By allowing customization of KPIs and SPTs, SLLs enable customized sustainability improvements, subject to independent verification to ensure relevance and accuracy in ESG measurement (Kim et al., 2021). This unique structure supports a company's financial and sustainability strategies, driving continuous progress towards environmental, social, and governance goals.

2.3. External Analysis

The external analysis aims to identify strategic opportunities and threats in the firm's environment that impact the firm's objectives (Hill et al., 2019). This analysis examines three interrelated environments: the industry, the national environment, and the broader socioeconomic or macro environment. The industry analysis covers the competitive structure, company position, and key competitors, focusing on the nature, stage, dynamics, and history of the industry. The national environment assessment considers the domestic and global context, taking into account players from developed and emerging economies. Socioeconomic analysis, or macro-environmental analysis, involves evaluating political, economic, social, technological, environmental, and legal conditions using PESTEL analysis to understand their impact on the company (Thompson et al., 2022). For competitor analysis, Michael E. Porter's Five Forces framework is used to evaluate competition from rivals, potential new entrants, substitute products, supplier power, and customer power, and identify opportunities and threats (Hitt et al., 2019; Goyal, 2020). Market analysis involves market segmentation, targeting, and positioning to effectively identify customer needs and competitive positioning (Hitt et al., 2019; Camilleri, 2018). By integrating these analyses, companies can devise robust business strategies that align with the external environment and competitive landscape, ensuring they capitalize on opportunities and mitigate threats.

2.4. Internal Analysis

Internal analysis allows a company to determine how to utilize its resources, capabilities and core competencies to develop an accurate business strategy (Hitt et al., 2019). This process focuses on evaluating the internal aspects of the company to identify strengths and weaknesses, as emphasized by Hill et al. (2019). Conducting internal and external analyses is critical to building a sustainable competitive advantage (Hill et al., 2019). Resource analysis, an important part of internal analysis, uses the Resource Based View (RBV) theory to understand a firm's resources and capabilities that can create competitive advantage (Lubis, 2022; Wernerfelt, 1984; Barney, 1991). Resources are classified into tangible resources, such as financial, organizational, physical, and technological resources, and intangible resources, such as human resources, innovation resources, and reputation resources (Hitt et al., 2019; Hill et al., 2019; Thompson et al., 2022). Once resources are understood, firms must perform value chain activities to produce and offer goods and services to the market. These activities, which are essential for creating customer value, include key activities such as supply chain management, operations, distribution, sales and marketing, and after-sales service, and supporting activities such as research and development, human resource management, and general administration (Thompson et al., 2022; Hitt et al., 2019). By analyzing these components, companies can effectively formulate strategies to maintain competitiveness and achieve long-term success.

2.5. *SWOT Analysis*

SWOT analysis is an effective tool for strategising an organisation by identifying the company's internal strengths and weaknesses, as well as external opportunities and threats (Kumar and Praveena, 2023). It is commonly used in business planning and decision-making processes to evaluate various circumstances. Benzaghta et al. (2021) state that SWOT analysis is more useful when combined with other analytical tools. Therefore, this research integrates SWOT with internal and external analyses to properly assess the topic and achieve the research objectives. The strengths and weaknesses identified in the SWOT analysis come from the internal analysis, while opportunities and threats arise from the external analysis. Hill et al. (2019) advocate the use of SWOT to capitalise on opportunities, counter threats, build on strengths, and overcome weaknesses. This analysis is crucial to evaluate the readiness of PT United Tractors Tbk (UT) in implementing Sustainability Linked Loans (SLL), as it examines the company's resources, capabilities, and challenges. After conducting the SWOT analysis, the results should be further analysed using the Threats, Opportunities, Weaknesses, and Strengths (TOWS) framework to develop an effective business strategy. TOWS helps manage risks by capitalising on opportunities, addressing weaknesses with opportunities, and mitigating threats (Dandage et al., 2019; Aransyah, 2023). This combined approach ensures the formulation of a well-implemented business strategy.

3. Method

This research was designed with a qualitative objective, focusing on understanding UT's business strategy amidst the downturn in the coal industry and assessing its readiness to adopt Sustainability Linked Loans (SLL). Merriam and Tisdell (2016) define a qualitative case study as an in-depth analysis of a bounded system, making it ideal for exploring UT's strategic approach and management's perspective on SLL as a funding source. This research used semi-structured interviews to gather detailed insights into UT management's values, experiences and knowledge of coal business trends, sustainability, financing, ESG, compliance and SLL (Ruslin et al., 2022).

To ensure the research obtained relevant and in-depth information, expert sampling was conducted by targeting UT executives responsible for finance, sustainability and legal aspects. This included the President Director, Finance Director, Sustainability Director, and the Heads of Finance, Sustainability and Legal Divisions, to ensure that the participants had in-depth knowledge related to the research objectives (Kumar, 2011). The data collection process involved developing a list of key questions for semi-structured interviews, including questions about experiences, opinions, values and knowledge, which provided flexibility to explore participants' responses while maintaining a structured discussion (Merriam and Tisdell, 2016).

Following data collection, the analysis process involved organising, coding and interpreting the interview data to identify themes and relationships, in accordance with Creswell's (2013) methodology. This process included verifying the data through triangulation with UT's Annual Report and Sustainability Report for 2023, and other data as available to public, to ensure reliability and consistency. In addition, the interpreted data was analysed using theoretical underpinnings to validate the scientific merit of the findings. This comprehensive methodology aims to provide a reliable, ethical and academically sound analysis of UT's business strategy and its readiness to implement SLL.

4. Results

The interviews with six key respondents from UT, including the President Director, Finance Director, Sustainability Director, and Head of Finance, Sustainability and Legal, revealed three main themes: business strategy, sustainability, and Sustainability Linked Loans (SLL). The interviews were transcribed, coded and analyzed to identify patterns and key themes, providing a basis for creating relevant business solutions. The transcriptions were carefully analyzed to determine key themes and recurring trends, with each section summarized using relevant codes that represent respondents' thoughts, feelings and concepts.

For business strategy, respondents indicated a transition from coal to non-coal sectors, with UT aiming to diversify into minerals and renewable energy. The President Director stated, *"We have a policy of not adding coal assets,"* while the Finance Director mentioned, *"We are installing solar panels across Astra's business units."* This shift is in line with UT's goal to have a balanced portfolio of coal and non-coal businesses by 2030. The Head of Finance highlighted, *"UT has publicised that by 2030, UT's target is 50-50 between coal and non-coal businesses."* The Director of Sustainability also emphasised, *"We are entering the mineral business and renewable energy business,"* reinforcing the strategic direction towards diversification.

In terms of sustainability, compliance with ESG aspects and commitment to carbon reduction were highlighted. The President Director stated, *"We have 10 (ten) ESG initiatives,"* and the Finance Director added, *"Our KPIs on ESG impact UT's management assessment."* Efforts to reduce CO2 emissions by 20% by 2030 were also discussed, with the Finance Director stating, *"Until 2030, we are trying to reduce CO2 emissions by about 20% using the 2019 baseline."* The Head of Sustainability mentioned, *"The aspiration related to the environment is related to Greenhouse Gas Emission Reduction,"* indicating UT's proactive steps in sustainability initiatives.

Regarding SLL, respondents expressed interest in this funding option due to the potential for competitive interest rates and its alignment with UT's ESG initiatives. The Director of Finance stated, *"With the ESG initiatives that we have undertaken, entering into a sustainability-related loan would be very helpful."* The Head of Finance mentioned, *"We see this SLL as an opportunity for us to implement it because the benefits we can get include a reduction in the interest rate."* All respondents expressed confidence in UT's readiness to implement SLL, citing their ongoing ESG initiatives and strategic business transition. The President Director affirmed, *"I think, initiative-wise, we are ready."* The Head of Legal added, *"We have clear direction and high commitment from management to comply with regulations including in terms of ESG aspects, I can assure myself that we are ready for SLL."*

These themes, supported by theoretical underpinnings, provide a strong basis for proposing business solutions for UT in the face of the anticipated coal market downturn and exploring SLL as a funding option. The scientifically grounded approach ensures that the proposed solutions are feasible and actionable for UT's business processes. The integration of strategic business transition, ESG compliance, and SLL implementation can help UT achieve long-term sustainability and competitive advantage in an evolving market landscape.

4. Discussion

4.1. Business Strategy of UT

UT has set its business strategy to address the declining coal business trend by diversifying into non-coal sectors, including mineral mining (gold and nickel) and renewable energy. According to UT management statements, such as the Finance Director and Sustainability Director, UT is committed to this diversification, focusing on the acquisition of non-coal mining assets and the development of renewable energy projects. The Finance Director and Sustainability Director emphasised UT's goal to achieve a 50-50 revenue balance between coal and non-coal businesses by 2030, in line with the President Director's statement in UT's 2023 Annual Report. This strategy began in 2018 with the acquisition of a gold mine and continued with investments in renewable energy and nickel mining. UT's vision to be a world-class solutions-based company and its mission to create sustainable value for stakeholders underpin this strategy, which aims to balance the portfolio and reduce reliance on coal. UT's 2030 Sustainability Aspiration integrates ESG factors into its business strategy, with a focus on reducing greenhouse gas emissions, resource management, and community development. The company's alignment with the TCFD framework and the achievement of a renewable energy mix of 32.47% by 2023 demonstrate its commitment to sustainability. Using the A-S-P Model by Hitt et al. (2019), UT's strategy reflects an assessment of the declining coal trend and increasing demand for minerals and renewable energy, formulating a corporate-level strategy that focuses on diversification to ensure long-term sustainability and profitability.

4.2. Sustainability Linked Loan

UT requires considerable investment funds to diversify into mineral mining and renewable energy due to the decline of the coal business. Although the coal business provides some funds, it is not sufficient to acquire new companies and cover operating costs. UT faces funding constraints due to its coal-centric image and 3L restrictions under Indonesian Financial Services Authority (OJK) regulations, which limit funding from Indonesian financial institutions for consolidated groups such as Astra. To overcome these challenges, UT is considering Sustainability Linked Loans (SLL) as a viable option. SLLs offer flexibility for capital expenditure and operating costs and are in line with ESG objectives. The President Director said, *"We have to see if we can get SLL. For me, if we can lower the investment cost, why not."* The Finance Director emphasised the difficulty of getting financing and the potential benefits of SLL, *"Even to get financing itself, it is no longer easy for us. So, interest rate is the second priority. Firstly, getting funding. Second, getting a better interest rate."*

Several banks have approached UT with SLL proposals, showing their interest in supporting UT's sustainable transition. SLL offers benefits such as lower interest rates, additional funding for diversification, and improved ESG performance through rigorous external verification. The Chief Financial Officer highlighted SLL as a way to introduce UT's ESG commitment to the financial markets, *"SLL as 1 (one) sustainable loan is being reviewed by us in 2024. We see SLL can be one of our efforts to introduce UT that UT has a loan with ESG as its KPI."*

UT's readiness to implement SLL is supported by interviews with management. The President Director stated, *"I can say that in terms of initiatives, we are ready (to implement SLL)."* The Director of Finance noted UT's pioneering role in ESG implementation, and the Director of Sustainability emphasised UT's strategic programme to diversify by 2030. The Chief Financial Officer confirmed UT's clear objective to transition to a diversified business model, and the Chief Sustainability Officer highlighted UT's strong position to deliver ambitious ESG programmes. In summary, UT's consideration of SLL is strategic to secure the necessary funding for diversification and improved sustainability performance, with management confident in UT's readiness to adopt SLL based on established ESG practices and clear strategic direction.

4.3. External Analysis

External analysis is essential to assess opportunities and threats in the company's external environment (Ashutosh et al., 2020). This analysis helps determine how external factors may affect UT's readiness to implement Sustainability Linked Loans (SLL). The external analysis for UT's adoption of SLL involves PESTEL analysis, competitor analysis, and market analysis.

Using PESTEL analysis, UT can understand broader macro environmental factors. Politically, global trends and Indonesia's commitment to the Paris Agreement support SLL as a mechanism to improve ESG practices. Economically, the limited availability of funds for fossil energy highlights the need for sustainable financial instruments such as SLLs, which also offer interest rate incentives (Chan et al., 2022). Socially, UT's commitment to corporate social responsibility is aligned with SLL principles. Technologically, sophisticated monitoring and evaluation tools are essential for tracking ESG targets, thus enhancing UT's sustainability efforts. Environmentally, SLL can support UT's goal to reduce greenhouse gas emissions, contributing to Indonesia's NZE targets. Legally, regulations such as Indonesian Presidential Regulation No. 112 Year 2022 and the 3L Limitation challenge UT funding sources, but also create opportunities for SLL to facilitate compliance and sustainability (Hill et al., 2019; Thompson et al., 2022).

Competitor analysis using Michael E. Porter's Five Forces framework revealed that the threat of new entrants in the heavy equipment industry is low due to high capital requirements. UT's long-term relationships with suppliers reduce their bargaining power, while high bargaining power from customers is a challenge due to dependence on coal prices. The threat of substitute products is low, given the specialised nature of heavy equipment. However, competition among competitors remains high due to the industry's dependence on coal (Hitt et al., 2019). This analysis shows that while UT faces significant competition, it also highlights the stability and long-standing relationships UT has with its suppliers, which is a strong strategic advantage.

Market analysis through segmentation, targeting and positioning shows that UT caters to the B2B market in Indonesia, specifically focusing on the mining sector. UT's extensive branch network and service solutions position it as a leading heavy equipment provider. In addition, UT is transitioning to be recognised as a sustainable company, as reflected in its Sustainability Aspiration 2030 and efforts to introduce ESG-focused financial instruments such as SLL (Camilleri, 2018). This dual focus on market leadership and sustainability is critical to UT's long-term strategy, especially given the global shift towards greener practices. In summary, external analyses show that SLL aligns with UT's strategic objectives, helps balance its portfolio between coal and non-coal businesses, enhances ESG practices, and secures necessary funding amidst challenging financial regulations. This comprehensive approach ensures that UT can maintain its competitive advantage and profitability while advancing its sustainability goals.

4.4. Internal Analysis

The internal analysis evaluated UT's resources, capabilities, and competencies to identify strengths and weaknesses in acquiring SLL facilities from banks (Hill et al., 2019; Thompson et al., 2022). This analysis, which focuses on resources and value chain activities, complements the external analysis to formulate a comprehensive SWOT analysis, which examines UT's readiness to obtain SLL.

The resource analysis begins with financial resources, where UT demonstrates a strong financial position. The Director of Finance stated, "If we look, historically, UT has a strong balance sheet because of the existing business." This is supported by the Head of Sustainability Division's statement, "*UT still has enough resources to try to run the ESG programme, to evaluate and improve the programme*." Organisational resources include established KPIs related to ESG that are integrated into UT's management evaluation, supported by the Sustainability Directorate and Sustainability Division. Facility resources include UT's waste treatment and recycling facilities, which demonstrate a strong commitment to ESG. Technologically, UT has adopted advanced technologies such as IoT to monitor ESG performance, which enhances its readiness for SLL.

Furthermore, analysis of value chain activities highlighted key activities such as supply chain management, operations, distribution, sales, and after-sales service. UT's strong relationships with green machine manufacturers such as Komatsu, Bomag, and Scania support its supply chain. Operations are optimised through a widespread network of branches and representative offices, with a focus on efficiency and productivity. Distribution is facilitated by UT's extensive logistics infrastructure, ensuring timely delivery of products. Sales and marketing strategies include direct sales and digital platforms, emphasising customer relationship management. After-sales services, including 24/7 support through UT Call and UT Command Centre, ensure customer satisfaction.

Support activities include product R&D, technology, and system development, where UT invests in environmentally friendly equipment and renewable energy solutions. Human resource management focuses on continuous development and training aligned with sustainability goals. General administration adheres to strict regulatory compliance, exploring various funding sources to support business diversification into minerals and renewable energy. This diversification is critical to UT's sustainability amid current business trends. An internal analysis of financial, organisational, facility and technology resources, as well as a detailed value chain activity assessment, provided a clear understanding of UT's strengths and readiness to implement SLL. This comprehensive approach ensures UT can effectively leverage its internal capabilities to support sustainable growth and secure SLL funding.

4.5. SWOT Analysis

SWOT analysis is an important tool used to evaluate the effectiveness of a company's business strategy, and in this study, SWOT analysis is combined with external and internal analyses to assess UT's readiness to obtain a Sustainability Linked Loan (SLL). Internally, UT's strengths lie in its strategic plan to diversify its portfolio into minerals and renewable energy by 2030, as well as a strong ESG framework integrated into day-to-day operations. This commitment to sustainability, coupled with proactive leadership and strong financial performance, enhances UT's credibility and attractiveness to banks offering SLL. However, weaknesses include UT's perceived dependence on coal, which poses challenges in achieving the KPIs and SPTs required under the SLL, and the complexity and resource intensity involved in implementing accurate monitoring and evaluation systems for ESG compliance.

Externally, opportunities arise from the increasing global and domestic emphasis on sustainability and green finance facilities, which allow UT to improve ESG measurement and secure additional funding sources despite regulatory limitations. In addition, SLL can help UT assert its market position as a leading heavy equipment company committed to sustainability. Threats include potential lenders' perception of UT's dependence on coal, evolving ESG criteria, and competition from competitors who are also transitioning to sustainable practices. To meet these challenges, UT can leverage its strengths to capitalise on opportunities, address weaknesses by investing in ESG compliance infrastructure, and mitigate threats by improving ESG reporting and maintaining its market leadership through continuous improvement of sustainability initiatives.

Based on this analysis, it is clear that UT is well positioned to secure a Sustainability Linked Loan (SLL) from the bank. SLL offers significant benefits, addressing UT's need for funding to acquire mineral and renewable energy companies, thus ensuring business sustainability amidst the downturn in the coal industry. With limited financial facilities for the coal business and regulatory restrictions such as OJK's 3L Limitation, SLL provides a flexible and suitable funding solution. This multi-purpose finance facility can be utilised for acquisitions and operating expenses, thus enhancing UT's ability to balance its portfolio between coal and non-coal businesses. In addition, the ESG-related KPIs and SPTs in the SLL can enhance and improve UT's existing ESG measurements as outlined in Sustainability Aspiration 2030 of UT. To effectively implement the SLL, UT must engage in activities that interest banks and ensure that they can utilise the full benefits of the SLL.

5. Conclusion

In conclusion, UT's strategic approach to diversify and balance its portfolio between coal and non-coal sectors by 2030 is critical for sustainability amidst the declining coal business trend. This strategy requires additional funding to acquire companies in the minerals (nickel and gold) and renewable energy sectors. Given the limited funding from traditional sources due to green financing trends and regulatory constraints such as the 3L Limitation, SLL became a viable alternative. SLL offers general purpose funding while enhancing ESG initiatives through specific KPIs and SPTs. If UT successfully meets these targets, it can benefit from better ESG measurement and potential interest rate discounts, which in turn can improve profitability. The company's strong commitment to sustainability, evidenced by its ESG-related KPIs and 2030 Sustainability Aspirations, as well as management's dedication to these goals, underscores UT's readiness to adopt SLL as a source of funding for its diversification strategy.

It is recommended that UT apply for SLL due to its benefits in improving ESG aspects, providing additional funding, and improving profitability through interest rate incentives. To implement this recommendation, UT should first improve ESG measurement through initiatives that improve evaluation systems, enhance ESG infrastructure, educate employees on ESG competencies, and communicate a strong commitment to ESG. Secondly, UT must secure SLL by opening communication with lenders, negotiating SLL agreements, and finalising these agreements. Finally, UT must continue to monitor and evaluate its achievements against the agreed KPIs and SPT to benefit from the interest rate reduction and continuous ESG improvement.

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