

Bank BRI

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Introduction

In 2019, PT Bank Rakyat Indonesia Persero Tbk (“Bank BRI”, or “the Bank”) issued sustainability bonds aimed at financing (i) affordable basic infrastructure, (ii) access to essential services, (iii) affordable housing, (iv) employment generation, (v) socioeconomic advancement and empowerment, (vi) renewable energy, (vii) green buildings, (viii) pollution prevention and control, (ix) environmentally sustainable management of living natural resources and land use, (x) clean transportation, and (xi) sustainable water and waste water management. In December 2019, Bank BRI engaged Sustainalytics to review the projects funded through the issued green bonds and provide an assessment as to whether the projects meet the Use of Proceeds criteria and the Reporting commitments outlined in the Bank BRI Sustainability Bond Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2019, namely (i) affordable housing, (ii) employment generation, (iii) green buildings, and (iv) clean transportation, based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Bank BRI Sustainability Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Bank BRI Sustainability Bond Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria that were financed during the 2019 bond issuance, and the associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators
Affordable Housing	The development of affordable houses or housing loans for low-income communities, each in line with the definition of low-income population under Decision of the Minister of Public Works and Public Housing of the Republic of Indonesia Number 552 / KPTS / M / 2016.	<ul style="list-style-type: none"> • Number of low-income individuals receiving a loan for affordable housing
Employment Generation	Including through the potential effect from financing MSMEs as defined under Law of The Republic of Indonesia Number 20 Year 2008 regarding Micro, Small, And Medium Enterprises.	<ul style="list-style-type: none"> • Number of MSMEs financed • Amount of MSME loans disbursed • Sector distribution of MSME loan portfolio
Socioeconomic Advancement and Empowerment	For underbanked or non-bankable communities and individuals based on (i) products with interest rates below than minimum commercial local lending rate, or (ii)	<ul style="list-style-type: none"> • Number of MSMEs or individuals financed through the KUR programme • Amount of KUR loan disbursement

	KUR Loans ¹ as defined under Regulation of the Coordinating Minister for Economic Affairs as Chair of the Financing Policy Committee for Micro, Small and Medium Enterprises No 1/2017.	
Green Buildings	New construction or the renovation of residential or commercial buildings that (i) earn or have earned any of the following certifications: Building Research Establishment Environmental Assessment Model (“BREEAM”) Excellent or above; Leadership in Energy and Environmental Design (“LEED”) Gold or above, or the equivalent levels from the Green Building Council Indonesia, or (ii) improvements in the energy efficiency of manufacturing facilities by more than 15% compared to the baseline.	<ul style="list-style-type: none"> • Energy consumption reduced • Number of eligible buildings with third party-verified green building certifications
Clean Transportation	The building or operating electrified transport, urban metro, rail, and non-motorized, multimodal transportation (such as bicycle lanes and walking routes), or the construction of infrastructure to support mass transportation, including depot and maintenance facilities, signaling equipment, platform gates, and facilities required for safe, clean and efficient operation or other enabling infrastructure that promotes sustainable transportation)	<ul style="list-style-type: none"> • Annual ridership of transit system(s) supported • Tons of CO2 (or other greenhouse gases) avoided

Issuing Entity’s Responsibility

Bank BRI is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Bank BRI’s Sustainability Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Bank BRI employees and review of documentation to confirm the conformance with the Sustainability Bond Framework.

Sustainalytics has relied on the information and the facts presented by Bank BRI with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Bank BRI.

¹ Bank BRI Website

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of the 2019 BRI Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Sustainability Bond Framework. Bank BRI has disclosed to Sustainalytics that the proceeds of the sustainability bond were fully allocated as of December 2019.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the sustainability bond in 2019 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Sustainability Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the sustainability bond in 2019 to determine if impact of projects was reported in line with the KPIs outlined in the Sustainability Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 2.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: Exclusionary Criteria

- Large-scale hydro projects (i.e., generation capacity of over 25 MW)
- Any assets involving fossil fuels, directly or indirectly
- Any palm-oil operations, activities, projects, production, or distribution
- Manufacture of alcoholic beverages or tobacco
- Manufacture or trade in weapons, ammunition, and other goods used for military or paramilitary purposes
- Production, trade in, or use of:
 - Nuclear reactors and related products, radioactive materials (except in the case of medical materials and quality-control equipment where the radioactive source is in small quantities and is adequately shielded), combustible elements not exposed to irradiation (cartridges for reactors), or
 - Harmful substances that are subject to international phase-outs or bans
- Gambling, casinos and equivalent enterprises to the extent that such activities constitute the main business of the borrower/recipient
- Agricultural or afforestation operations located on land designated as primary forest, high conservation value areas, or legally preserved areas
- Trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora
- Use of logging equipment in unmanaged primary tropical rainforests
- Economic activities involving harmful or exploitative forms of forced labour and/or child labour as defined by international conventions and/or national regulations
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements

Appendix 2: Impact Reporting by Eligibility Criteria

Use of Proceeds and Eligibility Criteria Category	Environmental Impact Reported by Eligibility Criteria
Affordable Housing	<ul style="list-style-type: none"> 0.56% of total proceeds were allocated to Affordable Housing, resulted in 1,200 low-income beneficiaries received subsidized loans to provide access to affordable housing.
Employment Generation	<ul style="list-style-type: none"> Under Kupedes Programme:³ <ul style="list-style-type: none"> Supported the development of MSME businesses, estimated to have created more than 65,000 jobs with the assumption that one debtor employs at least one employee.⁴ Sector distribution of MSME loan portfolio: <ul style="list-style-type: none"> 58% in processing industry 29% in agriculture 7% in trading 5% fishery 1% in rental
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> Under Micro KUR Programme:⁵ <ul style="list-style-type: none"> Supported the development of MSME businesses which is a bridge for un-bankable enterprises, estimated to have created more than 180,000 jobs.⁶ Sector distribution of MSME loan portfolio: <ul style="list-style-type: none"> 61% in agriculture 15% in trading 12% in processing industry 11% fishery 1% in rental
Green Buildings	<ul style="list-style-type: none"> One new building which has achieved “Platinum” level of the GREENSHIP New Building (version 1.1) by the Green Building Council Indonesia.
Clean Transportation	<ul style="list-style-type: none"> Supported 3 rail projects with a total of 145 km of rail built with expected 12 million passengers per year. 8,590 tons of CO₂ avoided or reduced per year per green bond.⁷

³ Bank BRI Kupedes programme aims at productive and consumptive micro enterprises and individuals, with loan ceiling capped at Rp 250 mil (EUR 16,060 as of December 2019)

⁴ Assuming one debtor to employ at least 1 additional employee. Bank BRI confirms all of these MSME loans financed are new loans as the time of disbursement.

⁵ Bank BRI KUR Micro programme aims at start-up micro entrepreneurs with loan ceiling capped at Rp 25 mil (EUR 1,605 as of December 2019)

⁶ Assuming one debtor to employ at least 1 additional employee. Bank BRI confirms all of these MSME loans financed are new loans as the time of disbursement.

⁷ The amount of CO₂ avoided or reduced is calculated following the EIB CO₂ evaluation method and the index for railway sector in the Railway Handbook 2017 published by the International Energy Agency and the International Union of Railways, link:

https://uiic.org/IMG/pdf/handbook_iea-uiic_2017_web3.pdf

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world’s leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics “Best SRI or Green Bond Research or Ratings Firm” and in 2018 and 2019, named Sustainalytics the “Most Impressive Second Party Opinion Provider. The firm was recognized as the “Largest External Reviewer” by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the “Largest Approved Verifier for Certified Climate Bonds” by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

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