

# Bank BRI

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## Introduction

In 2019, PT Bank Rakyat Indonesia Persero Tbk (Bank BRI) issued a sustainability bond aimed at financing projects and assets that can contribute to decreasing Indonesia's environmental footprint and supporting socioeconomic empowerment of vulnerable communities. In 2021, Bank BRI engaged Sustainalytics to review the projects funded through the issued sustainability bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Bank BRI Sustainability Bond Framework (the "Framework").<sup>1</sup>

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2019 based on whether the projects and loans:

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, Eligibility Criteria and associated KPIs.

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

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
<b>Affordable Housing</b>	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"> <li>• Number of low-income individuals receiving a loan for affordable housing</li> </ul>
<b>Employment Generation</b>	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. <sup>2</sup>	<ul style="list-style-type: none"> <li>• Number of MSMEs financed</li> <li>• Amount of MSME loans disbursed</li> <li>• Sector distribution of MSME loan portfolio</li> </ul>
<b>Socioeconomic Advancement and Empowerment</b>	For underbanked or non-bankable communities and individuals based on (i) products with interest rates below than minimum commercial local lending rate, or (ii) KUR Loans <sup>3</sup> as defined under Regulation of the Coordinating Minister for Economic Affairs as Chair of the Financing	<ul style="list-style-type: none"> <li>• Number of MSMEs or individuals financed through the KUR programme</li> <li>• Amount of KUR loan disbursement</li> </ul>

<sup>1</sup> The Bank BRI Framework is available at: <https://ir-bri.com/misc/SR/BRI-Sustainability-Framework-Final-March-vF.pdf>

<sup>2</sup> Definition of MSMEs by the Government of Indonesia is available at: <http://eng.kppu.go.id/newkppu/wp-content/uploads/LAW-OF-THE-REPUBLIC-OF-INDONESIA-20-OF-2008.pdf>

<sup>3</sup> Bank BRI, "Micro Business Loan", at: <https://bri.co.id/en/kur>

	Policy Committee for Micro, Small and Medium Enterprises No 1/2017.	
<b>Green Buildings</b>	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"> <li>• Energy consumption reduced</li> <li>• Number of eligible buildings with third party-verified green building certifications</li> </ul>
<b>Clean Transportation</b>	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"> <li>• Annual ridership of transit system(s) supported</li> <li>• Tons of CO<sub>2</sub> (or other greenhouse gases) avoided</li> </ul>

## 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, amounts allocated, 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 Bank BRI 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.

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,<sup>4</sup> nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of

<sup>4</sup> 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.

Bank BRI's Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Bank BRI Sustainability Bond Framework. Bank BRI has disclosed to Sustainalytics that the proceeds of the sustainability bond were fully allocated as of December 2020.

## Detailed Findings

**Table 3: Detailed Findings**

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

## Appendix

### Appendix 1: Impact Reporting by Eligibility Criteria

In 2020, Bank BRI allocated 25% (USD 127 mn) of the proceeds to green eligible categories and 75% (USD 373 mn) to social eligible categories. Compared to the previous year (2019), the Bank increased the share of green projects under the Clean Transportation category, while reallocating proceeds to social projects to assist the National Economic Recovery on Pandemic Covid-19 Situation Programmes through the Super Micro KUR and KMK Tangguh loans.

Use of Proceeds Category	Total Allocation (USD in mn)	Social and Environmental Impact Reported by Eligibility Criteria
Affordable Housing	3	<ul style="list-style-type: none"> <li>Number of low-income beneficiaries: approximately 300</li> </ul>
Employment Generation	100	<ul style="list-style-type: none"> <li>Project: Kupedes loan<sup>5,6</sup> <ul style="list-style-type: none"> <li>Number of jobs created: approximately 40,000</li> <li>Sector distribution:                             <ul style="list-style-type: none"> <li>62% in retail trade</li> <li>25% in agriculture</li> <li>7% in transportation</li> <li>5% in fishery</li> <li>1% in rental &amp; services</li> </ul> </li> </ul> </li> </ul>
Socioeconomic Advancement and Empowerment	271	<ul style="list-style-type: none"> <li>Project: Micro KUR loan (USD 64 mn)<sup>7</sup> <ul style="list-style-type: none"> <li>Number of jobs created: approximately 90,000</li> <li>Sector distribution:                             <ul style="list-style-type: none"> <li>52% in agriculture</li> <li>13% in fishery</li> <li>19% in processing industry</li> <li>15% in big and retail trade</li> <li>1% in transportation sectors<sup>8</sup></li> </ul> </li> </ul> </li> <li>Project: Super Micro KUR loan (USD 142 mn)<sup>9</sup> <ul style="list-style-type: none"> <li>Number of micro enterprises affected by COVID-19: approximately 250,000</li> <li>Sector distribution:                             <ul style="list-style-type: none"> <li>43% in agriculture</li> <li>32% in fishery</li> <li>18% in big and retail trade</li> <li>5% in processing industry</li> <li>2% in transportation</li> </ul> </li> </ul> </li> <li>Project: KMK Tangguh loan (USD 65 mn)<sup>10</sup></li> </ul>

<sup>5</sup> Bank BRI Kupedes programme aims at productive and consumptive micro enterprises and individuals, with a loan ceiling capped at IDR 250 million (USD17,605).

<sup>6</sup> 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.

<sup>7</sup> Micro KUR is a loan with low interest rates which is a collaboration between Bank BRI and the government in an effort to provide access to bank funding for micro enterprises. KUR loan for start-up micro entrepreneurs that have never received a commercial loan (new business). Loan ceiling of IDR 25 million (USD 1,760).

<sup>8</sup> 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.

<sup>9</sup> KUR Super Micro is government subsidized micro loan with a maximum loan size of IDR 10 million (USD 710) and a 6% annual interest rate.

<sup>10</sup> KMK Tangguh is government guaranteed working capital loans with a maximum loan size of IDR 10 billion (USD 710,000) and low interest rate of 9.5% per year so that the Bank can help the continuity of the borrowers' businesses in the SME segment.

		<ul style="list-style-type: none"> <li>- Number of SMEs affected by COVID-19: approximately 3,000</li> <li>- Sector distribution: <ul style="list-style-type: none"> <li>▪ 35% in agriculture</li> <li>▪ 28% in retail trade</li> <li>▪ 22% in processing industry</li> <li>▪ 8% in transportation</li> <li>▪ 5% in fishery</li> <li>▪ 2% in services sectors</li> </ul> </li> </ul>
<b>Green Buildings</b>	31	<ul style="list-style-type: none"> <li>• One building with the “Platinum” level of the GREENSHIP New Building by the Green Building Council Indonesia.</li> </ul>
<b>Clean Transportation</b>	95	<ul style="list-style-type: none"> <li>• Three rail projects with a total length of 145 km</li> <li>• Annual ridership of transit systems supported per year: 84.5 mn passengers</li> <li>• Tons of CO<sub>2</sub> avoided or reduced per year: approximately 8,590 tons of CO<sub>2</sub> emissions<sup>11</sup></li> </ul>
<b>Total</b>	<b>500</b>	

<sup>11</sup> The amount of CO<sub>2</sub> avoided or reduced is calculated following the EIB CO<sub>2</sub> 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, which is available at: [https://uic.org/IMG/pdf/handbook\\_iea-uic\\_2017\\_web3.pdf](https://uic.org/IMG/pdf/handbook_iea-uic_2017_web3.pdf)

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