



PT BANK NEGARA INDONESIA (PERSERO) TBK.

GREEN BOND FRAMEWORK

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This Green Bond Framework (“Framework”) has been created in order to maintain transparency, integrity, and quality on how PT Bank Negara Indonesia (Persero) Tbk. (“BNI”) will issue and manage its Green Bonds.

1. Introduction

BNI recognizes that in the past 20 years, there have been significant development in technology, information, and economy sectors. This rapid development should also have sustained growth to preserve the environment to provide us indefinitely. As a financial institution which acts as intermediary, BNI also prepares to channel investments in green assets and thereby contribute to the Republic of Indonesia’s (ROI) National Determined Contributions stated on Paris Agreement in 2016. BNI has engaged Sustainalytics to provide a Second Party Opinion to (i) assess the validity of the Framework; (ii) assess and confirm that the underlying projects of Green Bond issuance are having real contribution for the environment; and (iii) provide investors with an annual independent assessment related to the projects’ developments. The Framework and the Second Party Opinion will be published on BNI’s website particular for ESG (<https://www.bni.co.id/en-us/company/esg/bnigreenbond>).

2. Background

a. About PT Bank Negara Indonesia (Persero) Tbk.

BNI is a leading provider of banking and financial services in Indonesia and benefits from the combination of a long and successful history, a strong customer base, customer trust, and brand recognition, as well as extensive scale and scope in products and networks. BNI has been established in 1946 as Indonesian Central Bank and commenced commercial operations in 1955 as one of the state-owned banks. BNI is currently the fourth largest Indonesian bank in terms of total assets, total loans, and customer deposits. BNI has rated AAA by Pefindo; BBB- by S&P Global Ratings and Fitch Ratings; and Baa2 by Moody’s. BNI has an MSCI ESG rating of A as of 22 November 2021 and an ESG risk rating of 27.5 (Medium Risk) from Sustainalytics as of 4 March 2021. BNI was ranked as the top leader among 30 publicly listed companies by IDX ESG Leaders Index in 2021. For more information, please visit <https://www.bni.co.id/>.

b. Commitments and Environmental Policies

The influence of climate change has been experienced by the global community. Increased environmental and social concerns have resulted from an unbalanced natural cycle. Pandemics in 2020 and beyond have sparked an unprecedented crisis, while also become a momentum for all stakeholders to assess the necessity of incorporating environmental, social, and governance considerations into all development initiatives.

In 2016, Indonesia ratified the Paris Agreement and submitted its Nationally Determined Contributions (NDCs) to the UNFCCC (NDCs). Indonesia's commitment to a low-carbon, climate-resilient future is outlined in this document. Sustainable development goals necessitate responsible economic growth. In this regard, the Indonesian Financial Service Authority published the Sustainable Finance Roadmap Phase I (2015-2019) and Phase II (2021-2025), which aims to improve the financial services sector's awareness and capacity to move in an environmentally friendly manner.

The sustainable finance initiative developed through Indonesia FSA Phase II will integrate seven major components in one ecosystem, which consist of policy, products, market infrastructure, coordination among related ministries/institutions, non-governmental support, human resources, and awareness. BNI will contribute to products and market infrastructure development.

In response to Indonesian government's and FSA's appeals, BNI, as the intermediary for sustainable growth in Indonesia, is committed to promote green financing. BNI understands the importance of funding projects that will help a greener Indonesia in the future, such as those in the energy and transportation sectors. To implement this, BNI established Sub-Committee Environmental, Social & Governance ("Sub-Committee ESG") in October 2021. This sub-committee consists of Vice President, Risk Management Director, Finance Director, Corporate Banking Director, Institutional Relations Director, MSME Business Director, Treasury & International Director, Consumer Director, Service and Network Director, and SEVP Treasury as permanent members with voting rights.

BNI's approach is based on the triple bottom line philosophy (people, planet, profit), which states that projects sponsored by BNI should provide advantages to affected communities and the environment in addition to financial gain. BNI uses the Environmental and Social Safeguard (ESS) framework and guidelines to achieve the commitment, which are consistent with related national laws and subject to periodic evaluations. The framework and guidelines are referred to as Environmental and Social Management Framework (ESMF) and Environmental and Social Management System (ESMS).

3. Application of Indonesia Financial Services Authority Regulation on Green Bonds and ASEAN Green Bond Standards

BNI will abide by the rules of Indonesia Financial Services Authority Regulation No. 60/POJK.04/2017 on Issuance and Requirements of Environmentally Friendly Debt Securities dated 22 December 2017. This Green Bond Framework is compliant with the 2021 Green Bond Principles (GBP) of the International Capital Market Association (ICMA) and the 2018 ASEAN Green Bond Standards. BNI will issue Green Bond under this Framework, as detailed herein.

4. Framework Overview

This Framework is aligned with the four core components of the ICMA 2021 GBP and the 2018 ASEAN Green Bond Standards. The Use of Proceeds, Process for Project Evaluation and Selection, Management

of Proceeds, and Reporting of the Green Bond issued under this Framework shall be detailed in this section.

a. Use of Proceeds

The proceeds of each Green Bond will be used exclusively to finance or re-finance assets that are directly related to “Eligible Green Projects”, according to the Green Bond Principles.

“Eligible Green Projects” are projects that, in accordance with the criteria and process outlined in this Framework, foster the transition to a low-emission economy and climate resilient growth, including climate mitigation, adaptation, and biodiversity.

Eligible Green Projects must fit into at least one of the following categories:

No.	Eligible Sectors	Further Detail of Eligible Green Projects
1.	Renewable Energy	<ul style="list-style-type: none"> • Generation, transmission, and distribution of energy from renewable energy sources to the grid, also to reduce curtailment along the process. The sources will include: <ul style="list-style-type: none"> – offshore and onshore wind – solar – tidal – hydropower (run-of-river without artificial reservoir or low storage capacity/life-cycle carbon intensity below 50gCO₂e per kWh/power density is greater than 10W/m²) – biomass (include waste from forestry and agricultural residues including wood chips, sawdust straw, cane trash, sugarcane bagasse, corn cobs, nut shells, soybean hulls and palm kernel shells from RSPO certified palm operations) – geothermal (with direct emission to be less than 100gCO₂ per kWh) • Research and development of products or technology (“R&D”) for renewable energy generation, include turbines and solar panels.

2.	Energy Efficiency	<ul style="list-style-type: none"> • Energy efficiency technologies which result in an energy consumption below the average national energy consumption of an equivalent technologies. The technologies could be related to building infrastructure including LEDs, Building Management System, high efficiency windows/doors (low U-value), green/cool roof, heat metering and thermostatic controls, and energy efficient HVAC systems (heating, ventilation, and air conditioning). • R&D and their implementation that reduces energy consumption of underlying asset, technology, product, or system(s) as mentioned above.
3.	Waste to energy and waste management	<ul style="list-style-type: none"> • Improving waste management to apply to assets and projects relating to the following aspects of the treatment of municipal solid waste: <ul style="list-style-type: none"> – Collection (including collection infrastructure and vehicles). Collection vehicles will meet the following criteria: <ul style="list-style-type: none"> ○ Light commercial vehicles either electric or hybrid with direct emissions below 75 gCO₂e/km; and ○ Commercial heavy trucks with zero direct emissions or direct emissions below 25 gCO₂/tkm. – Sorting to separate recyclables – Reuse and recycling (including processing into secondary raw materials and repair) – Composting & anaerobic digestion of garden/yard and food waste – The installation of gas recovery systems for landfill sites (for non-operational landfill sites only). Landfill gas capture for energy generation will have high gas capture efficiency of 75% or more. • Transforming waste to renewable energy source • Processing of recyclable waste fractions into secondary raw materials, such as steel, aluminum, glass, and plastics.
4.	Sustainable Natural Resources and Land Use	<ul style="list-style-type: none"> • Sustainable management of natural resources which substantially avoids or reduces carbon loss/increases carbon sequestration (through planting of new forest areas and/or replanting of degraded areas, the use of drought/flood/temperature resistant species).

		<ul style="list-style-type: none"> • Reforestation projects which have a sustainable management plan certified to FSC/PEFC that will only plant tree species that are well-adapted to the local site conditions.
5.	Terrestrial and aquatic biodiversity conservation	<ul style="list-style-type: none"> • Habitat and biodiversity conservation through sustainable management of: <ul style="list-style-type: none"> – fisheries/aquaculture which projects are certified by a recognized and credible third-party standard (MSC/ASC) what will be accompanied by conservation management plans as aligned with market practice. – forestry projects which are certified with FSC/PEFC/SFI. • Protection of coastal and marine environments
6.	Sustainable transportation	<ul style="list-style-type: none"> • Infrastructure of sustainable/eco-friendly vehicles as follows: <ul style="list-style-type: none"> – Zero-direct emissions vehicles (electric, battery, hydrogen, and fuel cell vehicles, etc.) – Hybrid passenger and light commercial vehicles below 75 gCO₂e/km, – Buses below 50 gCO₂e/pkm, – Commercial heavy trucks below 25 gCO₂/tkm, – Passenger rail below 50 gCO₂/pkm, – Freight rail below 25 gCO₂/tkm (with fossil fuel freight is not more than 25% of the freight transported (tonne/km) – Infrastructure for active mobility including bicycles • R&D for technology to improve sustainable transportations with criteria as mentioned above

7.	Sustainable water and Wastewater management	<ul style="list-style-type: none"> • Sustainable infrastructure for clean and/or drinking water • Sustainable urban drainage systems and other forms of flooding mitigation which are identified based on a vulnerability assessment as necessary adaptation project • Wastewater treatment
8.	Climate Change Adaptation	<ul style="list-style-type: none"> • R&D or production of infrastructure which are more resilient to impacts of climate change, such as climate observation and early warning systems • Financing of climate resiliency projects, such as drainage systems, flood prevention, flood defenses or storm-water management such as wetlands, retention berms, reservoirs, lagoons, sluice gates, drainage systems, tunnels and channels, protection from heat-stress.
9.	Green Buildings	<ul style="list-style-type: none"> • Developing green buildings in line with Greenship Gold standard or above, developed by Green Building Council Indonesia (GBC Indonesia) or other national or internationally recognized standards or certifications for environmental performance, which contains six categories: <ol style="list-style-type: none"> i. Appropriate site development ii. Energy efficiency and conservation iii. Water conservation iv. Material & resources cycle v. Air quality & leisure air (water indoor health & comfort) vi. Building & environment management
10.	Sustainable Agriculture	<ul style="list-style-type: none"> • Developing sustainable agriculture management and methods, such as no-till farming systems, crop rotation for carbon sequestration, soil recovery, and minimal or no use of synthetic pesticides or fertilizers.

For the avoidance of doubt, in any case, the Eligible Green Projects shall not include:

- i. Production or trading of any products or activities considered illegal under the State Acts and Regulations or International Conventions and Agreements or items that are internationally banned, such as illegal drugs, pesticides/herbicides, ozone-depleting substances, polychlorinated biphenyls (PCBs), wildlife or products as regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES),
- ii. Radioactive material production or trading, excluding production or trading for medical devices, quality control (measurement) instrument and other equipment in very small quantity and/or properly protected,
- iii. Unresponsible trading of forest production(s),
- iv. Fossil fuel based electric power generation capacity and expenditures related to the improving in efficiency of fossil fuel based electric power generation, and
- v. Nuclear and nuclear-related assets.

b. Process for Project Evaluation & Selection

In October 2021, BNI established Sub-Committee ESG which including Enterprise Risk Management Division, Finance Division, Data Management Division, Treasury Division, International Division, Corporate Banking Division, Commercial Banking Division, Corporate Credit Risk Division, Commercial & SME Credit Risk Division, and others. These divisions will go through a review and approval process for projects that will be funded through this Framework.

To be recognized as Eligible Green Projects, the projects must consider qualified the following steps:

- i. Eligible to be BNI's debtors as determined in business assessment conducted by the business units (Corporate Banking Division and Commercial Banking Division),
- ii. Eligible to be BNI's debtors as determined in credit risk assessment conducted by the risk units (Corporate Credit Risk Division and Commercial & SME Credit Risk Division),
- iii. Meeting the Risk Acceptance Criteria (RAC) which includes the ESG aspect, assessed by the Enterprise Risk Management Division, and
- iv. The project(s) qualified as one or more of the Eligible Sectors under this Framework.

BNI will maintain notes and records of all Eligible Green Projects reviewed and to be funded by the Use of Proceeds of each Green Bond issued.

c. Management of Proceeds

Treasury Division and Finance Division will manage the proceeds from each Green Bond issued in accordance with sound and prudent management policies. Net proceeds may be allocated in cash or cash equivalents in BNI general account in Bank Indonesia prior to disbursement to Eligible Green Projects. Upon request from the members of Sub-Committee ESG, the Green Bond proceeds will be credited to the designated account of the relevant debtors for funding exclusively projects as defined in the Framework.

The proceeds of each Green Bond can be used to finance and/or refinance Eligible Green Projects. BNI shall disclose the estimated percentage of the proceeds utilized for financing and refinancing to the total proceeds if all or a portion of the proceeds are to be used for refinancing.

We intend to reach full allocation within one year of issuance. If any of the proceeds are pending for allocation, they will be invested in cash, cash equivalents and/or marketable securities, in accordance with BNI fund management policies.

d. Reporting

BNI shall publish a Green Bond report annually, commencing on the date that falls no more than one year following the first issuance proceeds received by BNI, to provide transparency to investors and regulators in respect to the Framework implementation. The report will include at least:

- i. Key information about the Green Bond Framework, including project selection criteria,
- ii. Brief description of the projects to which Green Bond proceeds have been allocated,
- iii. The amount of Green Bond proceeds allocated to each project, and
- iv. The positive impact resulting from the implementation of Eligible Green Projects. Examples of relevant quantitative impact indicators that BNI Green Bond Report will include are as follow:

1.	Renewable Energy	<ul style="list-style-type: none"> Estimated annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) Estimated annual GHG emissions reduced/avoided in tons of CO2 equivalent
2.	Energy Efficiency	<ul style="list-style-type: none"> Estimated annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy) Estimated annual GHG emissions reduced/avoided in tons of CO2 equivalent
3.	Waste to energy and waste management	<ul style="list-style-type: none"> Estimated tons of waste diverted or recycled Number of new facilities, systems and equipment used to process recyclable waste
4.	Sustainable Natural Resources and Land Use	<ul style="list-style-type: none"> Estimated number of hectares protected and/or certified Estimated number of trees planted in reforestation projects certified to FSC/PEFC
5.	Terrestrial and aquatic biodiversity conservation	<ul style="list-style-type: none"> Estimated number of nautical miles protected and certified Estimated number of hectares purchased/protected and certified
6.	Sustainable transportation	<ul style="list-style-type: none"> Estimated annual GHG emissions reduced/avoided in tons of CO2 equivalent

		<ul style="list-style-type: none"> Number of clean vehicles deployed Estimated kilometres of new or improved train lines/dedicated bus, BRT, LRT corridors, bicycle lanes
7.	Sustainable water and wastewater management	<ul style="list-style-type: none"> Reduction in water consumption of economic activities Annual absolute water uses before and after the project Wastewater treated to appropriate standards Percentage of total waste prevented, minimized, reused, or recycled
8.	Climate Change Adaptation	Number of new facilities, systems and equipment used in order to support climate resiliency
9.	Green Buildings	<ul style="list-style-type: none"> Percentage of energy use reduced/avoided vs local baseline/building code Estimated annual GHG emissions reduced/avoided vs local baseline/baseline certification level Level of certification by property
10.	Sustainable Agriculture	Number of hectares of farmland converted to sustainable agriculture practices or number new sustainable agriculture certifications

To manage credibility, the Green Bond report will have independent second party opinion which qualified as Environmental Expert as regulated by Indonesian Financial Service Authority.

5. Ensuring Compliance

In terms of use of proceeds, project appraisal and selection, management of proceeds, and reporting, each Green Bond issuance by BNI will refer to this Framework. BNI shall appoint an independent environmental expert in accordance with Financial Service Authority Regulation No. 60/POJK.04/2017 on the Issuance and Requirements of Environmentally Friendly Debt Securities dated 22 December 2017. On a yearly basis, the environmental expert will provide (i) allocation of the Green Bond's net proceeds to Eligible Projects; (ii) assurance on the on-going project's environmental credentials (including any material changes); and (iii) alignment with the Green Bond Framework. The annual report will be included in the BNI Sustainability Report, submitted to the Financial Services Authority, and disclosed on the BNI website.