

# Second-Party Opinion

## PT Bank Negara (Persero) Tbk.

### Indonesia Green Bond Framework



## Evaluation Summary

Sustainalytics is of the opinion that the PT Bank Negara Indonesia (Persero) Tbk. Green Bond Framework is credible and impactful and aligns with the Green Bond Principles 2021 and ASEAN Green Bond Standards 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Waste to Energy and Waste Management, Sustainable Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity Conservation, Sustainable Transportation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Green Buildings and Sustainable Agriculture – are aligned with those recognized by the Green Bond Principles and ASEAN Green Bond Standards. Sustainalytics considers that investments in the eligible categories contribute in the transition to a low-carbon economy in Indonesia and advance the UN Sustainable Development Goals, specifically SDGs 2, 6, 7, 9, 11, 12, 14 and 15.



**PROJECT EVALUATION / SELECTION** PT Bank Negara Indonesia's Sub-Committee ESG will be responsible for evaluating and selecting eligible projects in line with the Framework's eligibility criteria under oversight from its Board of Directors. The Sub-Committee ESG is comprised of representatives from various departments, including Enterprise Risk Management, Finance, Data Management, Treasury, International Division, Corporate Banking, Commercial Banking, Corporate Credit Risk and Commercial & SME Credit Risk. PT Bank Negara Indonesia's ESG Risk Management System are applicable for all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** PT Bank Negara Indonesia's Treasury and Finance division will be responsible for the management and allocation of proceeds to eligible projects, under oversight from the Sub-Committee ESG. The Bank will use its internal information system to track and report the allocation of proceeds using a register of eligible projects. PT Bank Negara Indonesia intends to reach full allocation within one year of issuance. Pending allocation, proceeds may be temporarily held in cash or cash equivalents. Sustainalytics considers this process to be in line with market practice.



**REPORTING** PT Bank Negara Indonesia intends to report on the allocation of proceeds in its Green Bond Report on its website annually until full allocation. Allocation reporting will include the project selection criteria, net proceeds of the green bond, allocation to each project and share of financing vs refinancing. In addition, PT Bank Negara Indonesia is also committed to reporting on relevant impact metrics. Sustainalytics views PT Bank Negara Indonesia's allocation and impact reporting as aligned with market practice.

## Alignment with the ASEAN Green Bond Standards

The ASEAN Green Bond Standards provide guidance to issuers and more specifically what issuers should do to issue credible green bonds in Southeast Asia. Sustainalytics is of the opinion that the green project categories under the Framework align with the ASEAN Green Bond Standards.

**Evaluation Date** March 17, 2022

**Issuer Location** Jakarta, Indonesia

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## Introduction

PT Bank Negara Indonesia (Persero) Tbk. (“BNI” or the “Bank”) is a state-owned commercial bank headquartered in Jakarta, Indonesia. BNI provides banking services to consumers, cooperatives, medium and small businesses, along with international banking and treasury services. Founded in 1946, the Bank employs approximately 27,000 people as of 2021.<sup>1</sup>

BNI has developed the PT Bank Negara Indonesia (Persero) Tbk. Green Bond Framework (the “Framework”) under which it intends to issue multiple green bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to facilitate a transition to a low-carbon economy in Indonesia.

The Framework defines eligibility criteria in 10 green areas:

1. Renewable Energy
2. Energy Efficiency
3. Waste to Energy and Waste Management
4. Sustainable Natural Resources and Land Use
5. Terrestrial and Aquatic Biodiversity Conservation
6. Sustainable Transportation
7. Sustainable Water and Wastewater Management
8. Climate Change Adaptation
9. Green Buildings
10. Sustainable Agriculture

BNI engaged Sustainalytics to review the PT Bank Negara Indonesia (Persero) Tbk. Green Bond Framework, dated March 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>2</sup> and ASEAN Green Bond Standards 2018 (ASEAN GBS).<sup>3</sup> The Framework has been published in a separate document.<sup>4</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>5</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA and ASEAN Green Bond Standards as administered by ACMF;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of BNI’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. BNI representatives have confirmed that (1) they understand it is the sole responsibility of BNI to ensure that the information provided is complete, accurate or up to date; (2) they have provided Sustainalytics with all relevant information; and (3)

<sup>1</sup> BNI, “Annual Report”, (2021), at: <https://www.bni.co.id/Portals/1/BNI/Perusahaan/HubunganInvestor/Docs/AR-BNI-TB-2021-ENG.pdf>

<sup>2</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>3</sup> The ASEAN Green Bond Standards are administered by the ASEAN Capital Markets Forum and are available at: <https://www.theacmf.org/initiatives/sustainable-finance/asean-green-bond-standards>.

<sup>4</sup> The PT Bank Negara Indonesia (Persero) Tbk. Green Bond Framework is available on PT Bank Negara Indonesia’s website at: <https://www.bni.co.id/en-us/company/esg/bniesg>

<sup>5</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and BNI.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that BNI has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the PT Bank Negara Indonesia (Persero) Tbk. Green Bond Framework

Sustainalytics is of the opinion that the PT Bank Negara Indonesia (Persero) Tbk. Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP and the ASEAN GBS. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories – Renewable Energy, Energy Efficiency, Waste to Energy and Waste Management, Sustainable Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity Conservation, Sustainable Transportation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Green Buildings, and Sustainable Agriculture – are aligned with those recognized by the GBP and ASEAN GBS. Sustainalytics notes that the proceeds from the instruments issued under the Framework are expected to contribute to the transition to a low-carbon economy in Indonesia.
  - Sustainalytics notes that while BNI has not defined a look-back period for its refinancing in the Framework, BNI has confirmed to Sustainalytics that it will apply a look-back period of three years for refinancing opex, which Sustainalytics considers to be in line with market practice.
  - BNI has communicated to Sustainalytics that the Framework limits R&D expenditures under various categories to 10% of total allocation, which Sustainalytics considers to be in line with market practice.
  - As part of the Renewable Energy category, the Bank may finance generation, transmission, distribution and R&D of renewable energy projects, including offshore and onshore wind, solar photovoltaics, tidal, hydropower, biomass and geothermal. Sustainalytics considers these projects to be aligned with market practice, noting the following thresholds and requirements:
    - Hydropower projects will be eligible if they meet one of the following: (i) run-of-river without artificial reservoir or low storage capacity, (ii) power density greater than 10 W/m<sup>2</sup>, or (iii) life-cycle carbon emissions intensity lower than 50 gCO<sub>2</sub>e/kWh. For new hydropower projects, the Bank will require an environmental and social impact

- assessment by a credible body and is also committed to ensuring the absence of significant risks and controversies associated with the projects financed.
- For biomass projects, the feedstock will include forestry and agriculture residues such as wood chips, sawdust straw, cane trash, sugarcane bagasse, corn cobs, nut shells, soybean hulls and palm kernel shells from RSPO-certified<sup>6</sup> palm oil operations.<sup>7</sup>
  - Geothermal projects with a direct emissions threshold of 100 gCO<sub>2</sub>/kWh or lower.
  - Transmission and distribution infrastructure investments include: i) electrical grid development dedicated to connecting renewable energy projects to the power grid or ii) distributed assets aimed at reducing curtailment of renewable energy into the grid.
  - R&D of products and technologies for renewable energy generation, including wind turbines<sup>8</sup> and solar panels. R&D may also include research activities that are essential for project execution, such as impact assessments while exploring a new area or feasibility studies for a new renewable energy project. The Bank has communicated to Sustainalytics that the R&D projects will align with the emissions thresholds specified in the Framework for renewable energy.
- In the Energy Efficiency category, BNI may finance the development, manufacture and installation of energy efficiency technologies, such as LED lighting, building management systems, high efficiency windows and doors that have low U-value, green or cool roof, heat metering and thermostatic controls, and energy efficient HVAC systems. The Bank may also finance R&D for assets, technologies, products and systems for improving the energy efficiency of the aforementioned technologies. The Bank has communicated to Sustainalytics that the Framework excludes financing of energy-efficient technologies intended for processes that are inherently carbon-intensive or primarily powered by fossil fuels. Sustainalytics considers these investments to be aligned with market practice.
  - Under the Waste to Energy and Waste Management category, BNI may finance assets and projects to improve municipal waste management. Intended project examples include collection, sorting, recycling, composting, anaerobic digestion, landfill gas recovery systems and waste-to-energy. Sustainalytics views these expenditures to be in line with market practice, noting in particular the below:
    - For waste collection activities, BNI has confirmed to Sustainalytics that intended projects such as collection infrastructure and containers will support segregation at source supporting recycling. The Framework limits financing of waste collection vehicles that meet one of the following criteria: (i) light commercial vehicles either electric or hybrid with direct emissions below 75 gCO<sub>2</sub>e/km; and (ii) commercial heavy trucks with zero direct emissions or direct emissions below 25 gCO<sub>2</sub>/tkm.
    - BNI may invest in facilities intended for processing recyclable waste fractions into secondary raw materials, such as, steel, aluminium, glass and plastics, as well as repair of products. Further, BNI has communicated to Sustainalytics that the Framework excludes financing of recycling of hazardous waste, electronic waste and the chemical recycling of plastics.
    - The Framework allows for lending to facilities as well as projects involved in composting and anaerobic digestion that use garden, yard and food waste. Further, BNI has communicated to Sustainalytics that anaerobic digestion may be employed for production of biogas as well as generation of electricity. Sustainalytics views the deployment of anaerobic digestion technology as having environmental benefits due to the near zero life cycle emissions of electricity produced from these facilities, while noting that waste reduction should always be the priority.

<sup>6</sup> RSPO refers to Roundtable on Sustainable Palm Oil, a non-profit organization that has developed a set of environmental and social criteria which companies must comply in order to produce Certified Sustainable Palm Oil (CSPO).

<sup>7</sup> BNI has confirmed to Sustainalytics that financing under the Framework will be limited to waste biomass projects using palm kernel shells from RSPO certified palm oil operations and will not include the general financing of palm oil operations.

<sup>8</sup> The Bank is committed to ensuring that balsa wood used in the manufacturing of wind turbines is sourced sustainably and certified with recognized certification standards, such as FSC and PEFC.

- Waste-to-energy projects from municipal solid waste where hazardous waste, plastics rubber, tyre-derived fuels and recyclable material are separated prior to incineration. Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine the objectives of achieving a zero-waste circular economy, i.e. waste prevention and recycling. Additionally, in order to have low emissions intensity of such projects, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that, due to current constraints of recycling in many parts of the world, energy from waste can offer better residual waste management option than landfills in many cases. Sustainalytics recommends BNI to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
  - Other eligible expenditures under this category include financing of landfill gas projects for energy generation from closed landfills with 75% or more gas capture efficiency. BNI has confirmed to Sustainalytics that plastics, rubber, tyre-derived fuels and landfill gas capture intended for flaring will be excluded. Sustainalytics notes that recovering methane produced from a closed landfill will not prolong the lifespan of the landfill and is a key strategy to reduce methane emissions from waste. Sustainalytics considers these investments to be aligned with market practice.
- Within the Sustainable Natural Resources and Land Use category, the Issuer may finance afforestation and reforestation projects using drought, flood and temperature-resistant species. BNI has confirmed its commitment to align its forestry activities with Forest Stewardship Council (FSC)<sup>9</sup> or Programme for the Endorsement of Forest Certification (PEFC)<sup>10</sup> certified sustainable management plans. In addition, the Bank intends to ensure that only tree species that are well adapted to the local site conditions will be planted excluding those that are genetically modified. Sustainalytics considers these investments to be aligned with market practice.
- Under Terrestrial and Aquatic Biodiversity Conservation category, BNI may invest in conservation projects related to fisheries and aquaculture, forestry as well as protection of coastal and marine environments. Sustainalytics considers these projects to be aligned with market practice, noting the following requirements:
  - Sustainable aquaculture projects that are certified under one of the following certification schemes as well as accompanied by conservation management plans: Aquaculture Stewardship Council Farm (ASC)<sup>11</sup> or Marine Stewardship Council Farm (MSC).<sup>12</sup> Sustainalytics considers the certification schemes to be robust and credible.
  - Environmentally sustainable forestry certified under the FSC/PEFC/Sustainable Forestry Initiative (SFI).<sup>13</sup> Sustainalytics considers forestry projects certified under the listed schemes as aligned with market practice.
  - Protection of coastal and marine environments that conserve underwater biodiversity, such as coral reefs. BNI has confirmed to Sustainalytics that financing of projects under this category will be based on feasibility studies along with environmental and social impact assessments to ensure no negative impacts of such measures.
- Within the Clean Transportation category, BNI may finance infrastructure for active mobility such as hubs for bicycles and the manufacturing of zero direct emissions, and low-carbon public and private transportation assets according to the following eligibility criteria:
  - For hybrid vehicles, the Framework specifies the following emissions thresholds which Sustainalytics considers to be aligned with market practice: (i) hybrid passenger vehicles below 75 gCO<sub>2</sub>/km, (ii) light commercial vehicles below 75 gCO<sub>2</sub>/km, (iii) buses below 50 gCO<sub>2</sub>/pkm, (iv) commercial heavy trucks below 25 gCO<sub>2</sub>/tkm, (v)

<sup>9</sup> Forest Stewardship Council, at: <https://ca.fsc.org/en-ca>

<sup>10</sup> Programme for the Endorsement of Forest Certification, at: <https://www.pefc.org/>

<sup>11</sup> ASC Farm Standards, at: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

<sup>12</sup> Marine Stewardship Council, The MSC Fisheries Standards, at: <https://www.msc.org/standards-and-certification/fisheries-standard>

<sup>13</sup> SFI, Sustainable Forestry Initiative, at: <https://www.forests.org/>

- passenger rail below 50 gCO<sub>2</sub>/pkm, and (v) freight rail below 25 gCO<sub>2</sub>/tkm. The Framework excludes investments in freight rail where fossil fuel freight represents more than 25% of the freight transported (tonne).
- The Bank may also finance R&D for technologies to improve the aforementioned sustainable transportation vehicles in line with the Clean Transportation eligibility criteria specified in the Framework.
  - Under the Sustainable Water and Wastewater Management category, BNI may finance water storage, infrastructure development for mass tap water, including wastewater treatment systems. BNI has confirmed to Sustainalytics that the Framework excludes financing of treatment projects reliant on fossil fuel and treatment of wastewater from fossil fuel operations. Additionally, BNI may also finance sustainable urban drainage systems and flood mitigation. The Bank specifies that the eligible projects will be identified based on vulnerability assessments as necessary adaptation plans which go beyond business-as-usual activities and will be substantiated with environmental assessments.
  - As part of the Climate Change Adaptation category, BNI may finance production of supporting infrastructure, such as climate observation and early warning systems as well as related R&D. BNI may also invest in projects related to drainage systems, flood prevention, flood defences or storm-water management, such as wetlands, retention berms, reservoirs, lagoons, sluice gates, drainage systems, tunnels and channels, and protection from heat stress. The Bank has confirmed that all such investments would be based on vulnerability assessments and adaptation plans in response to identified risks. Further, the Bank has confirmed the exclusion of business-as-usual renovations and fossil fuel related operations or activities. Sustainalytics considers the undertaking of prior risk assessment as well as the stated investments as aligned with market expectations.
  - Under the Green Buildings category, the Bank may finance commercial and residential buildings that have received or are expected to receive the Greenship<sup>14</sup> minimum level of Gold green building certification. Sustainalytics recognizes this as a robust, credible certification scheme and notes that the minimum certification levels are aligned with market practice. BNI may use other equivalent schemes chosen according to six categories, including energy efficiency. Sustainalytics notes that it is market expectation to specify all eligible schemes and encourages BNI to report on any other schemes it intends to use and on the impacts achieved.
  - Under Sustainable Agriculture, the Bank may finance the implementation of sustainable agriculture practices including no-till farming systems, crop rotation for carbon sequestration, soil recovery, and minimal or no use of synthetic pesticides or fertilizers. Sustainalytics encourages BNI to promote holistic deployment of conservation agriculture practices<sup>15</sup> through its lending criteria for sustainable agriculture projects
  - Project Evaluation and Selection:
    - BNI has established a Sub-Committee ESG comprising of representatives from various departments, including Enterprise Risk Management, Finance, Data Management, Treasury, International Division, Corporate Banking, Commercial Banking, Corporate Credit Risk and Commercial & SME Credit Risk. The Sub-Committee ESG, with oversight from BNI's Board of Directors, will be responsible for evaluating and selecting eligible expenditures in line with the Framework's eligibility criteria.
    - Each of the aforementioned divisions will review and approve potential eligible projects. The final approval of eligible projects will be provided by the Sub-Committee ESG.
    - BNI's ESG Risk Management System focuses on managing and mitigating environmental and social risks of the projects financed, and applies to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectations. For additional detail, see Section 2.
    - Based on the establishment of a formal group for evaluation and selection and its cross functional oversight, Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:

<sup>14</sup> Green Building Council Indonesia, Greenship Program, at: <https://gbcindonesia.org/>

<sup>15</sup> Food and Agriculture Organization of the United Nations (FAO), Conservation Agriculture: <http://www.fao.org/conservation-agriculture/en/>



- BNI's Treasury and Finance division will be responsible for the management and allocation of proceeds with oversight from the Sub-Committee ESG. The Bank will use its internal information system to track and report the allocation of proceeds using a register of eligible projects.
- BNI intends to reach full allocation within one year of issuance. Pending allocation, proceeds may be temporarily held in cash or cash equivalents.
- Based on the use of a tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - The Bank intends to report on the allocation and impact of proceeds in its annual Green Bond Report. The report will be publicly available on the Bank's website.
  - Allocation reporting will include details on project selection criteria, net proceeds of the green bond, allocation to each project and share of financing vs refinancing.
  - In addition, BNI is committed to reporting on relevant impact metrics, such as GHG emissions avoided, energy savings, renewable energy capacity added, number of clean vehicles deployed, tonnes of waste diverted or recycled. For a full list of impact indicators, please see Appendix 5, External Review Form.
  - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

#### **Alignment with Green Bond Principles 2021**

Sustainalytics has determined that the PT Bank Negara Indonesia (Persero) Tbk. Green Bond Framework aligns with the four core components of the GBP and ASEAN GBS. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

#### **Alignment with ASEAN Green Bond Standards 2018**

The ASEAN Green Bond Standards provide guidance to issuers and more specifically what issuers should do to issue credible green bonds in Southeast Asia. Sustainalytics is of the opinion that the PT Bank Negara Indonesia (Persero) Tbk. Green Bond Framework aligns with the ASEAN Green Bond Standards 2018 (ASEAN GBS). See Appendix 1: Alignment to the ASEAN Green Bond Standards.

## **Section 2: Sustainability Strategy of BNI**

### **Contribution of framework to PT Bank Negara Indonesia's sustainability strategy**

In 2019, BNI has developed the Sustainable Finance Action Plan (RAKB) which outlines the Bank's strategy for incorporating environmental, social and governance issues into its business operations and financing decisions. As part of the RAKB, BNI is committed to the following objectives: (i) integrating sustainable finance considerations to lending decisions on a sector level, (ii) educating debtors and customers on ESG issues, (iii) launching green and sustainable products and services, (iv) applying sustainable finance in risk management, and (v) expanding green credit to more sectors.<sup>16</sup>

As of September 2020, the Bank financed IDR 4.649 trillion (USD 322.5 million) in renewable energy and IDR 238 billion (USD 17 million) in energy efficiency to advance renewable energy generation and energy efficiency projects in Indonesia.<sup>17</sup> As of June 2021, the Bank's investments in green portfolio, which includes loans for projects in sustainable water and wastewater management, pollution prevention, energy efficiency, renewable energy and sustainable agriculture and land use, amounted to IDR 139.4 trillion (USD 9 billion) which represented 24.5% of total loans sanctioned.<sup>18</sup>

In addition, BNI is a signatory and one of the founding members of the Indonesian Business Council on Sustainable Development (IBCSD), a branch of the World Business Council on Sustainable Development (WBCSD), to promote sustainable development in Indonesia.<sup>19</sup> BNI has also been a signatory to the UNEP FI Principles for Responsible Banking since 2005, highlighting its commitment to strategically align its business with the UN Sustainable Development Goals and the Paris Agreement on Climate Change.

<sup>16</sup> BNI, "Uniting Energy for Sustainability – 2020 Sustainability Report", (2020), at: [SR-BNI-2020-US.pdf](https://www.bni.co.id/en-us/company/esg/bniesg)

<sup>17</sup> BNI, "Uniting Energy for Sustainability – 2020 Sustainability Report", (2020), at: [SR-BNI-2020-US.pdf](https://www.bni.co.id/en-us/company/esg/bniesg)

<sup>18</sup> BNI, "BNI ESG", at: <https://www.bni.co.id/en-us/company/esg/bniesg>

<sup>19</sup> BNI, "Uniting Energy for Sustainability – 2020 Sustainability Report", (2020), at: [SR-BNI-2020-US.pdf](https://www.bni.co.id/en-us/company/esg/bniesg)

## Approach to managing environmental and social risks associated with the projects

Sustainalytics is of the opinion that BNI is able to manage or mitigate potential risks through implementation of the following:

- BNI integrates environmental, social, and governance (ESG) risk management into its lending operations that is overseen by the Sub-Committee ESG of the Risk Management & Anti-Fraud Committee. BNI's ESG Risk Management defines the Bank's commitment to the management of environmental and social risks.<sup>20</sup>
- The Bank has developed a Sustainable Finance Action Plan that is monitored by the Sub-Committee ESG to implement risk management practices.<sup>21</sup> The plan requires prospective debtors to comply with the Analisis Manajemen Dampak Lingkungan (AMDAL) requirements, which mandate debtors to conduct environmental impact assessments and obtain relevant environmental permits to ensure that the business or development activity does not harm the environment. The impacts considered in the AMDAL include mitigating the negative impacts of the forestry and agriculture sectors.<sup>22</sup>
- The Bank follows a multi-step approach for risk mitigation. BNI uses risk assessment processes that take into account the ESG issues of the projects financed. The Bank's Compliance Unit performs a Credit Compliance Review which includes compliance with ESG regulations, while the Bank's Credit Committee analyzes the ESG risks and the identified risk mitigation mechanism for all projects financed. BNI conducts regular monitoring and compliance audits post loan disbursements to debtors. Additionally, BNI's lending requirements include the following: (i) debtors having environmental impact analysis, (ii) debtors in high-risk sectors such as palm oil to have relevant environmental permissions and certifications (iii) review of debtors' reports and performance and commitments on environmental issues.<sup>23</sup>
- BNI has adopted Environmental and Social Safeguard (ESS), through which it implements Environmental and Social Management Framework and Environmental and Social Management System to ensure relevant national regulations on environmental and social issues are met. ESS is subject to periodic evaluations and updated regularly by BNI.<sup>24</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that BNI has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All 10 use of proceeds categories are aligned with those recognized by the GBP and ASEAN GBS. Sustainability focuses below on those whose impact is specifically relevant in the local context.

<sup>20</sup> BNI, "Annual Report", (2021), at: <https://www.bni.co.id/Portals/1/BNI/Perusahaan/HubunganInvestor/Docs/AR-BNI-TB-2021-ENG.pdf>

<sup>21</sup> IFC, "Regulation of financial services authority no. 51/POJK.03/2017", (2017), at: <https://www.indonesia-sustainable-finance.com/wp-content/uploads/2017/07/Regulation-51-POJK.03-2017-English.pdf> (ifc.org)

<sup>22</sup> Waste4Change, “The Role of AMDAL in Achieving Functional Environments”, (2020), at: [The Role of AMDAL in Achieving Functional Environments – Waste4Change](#)

<sup>23</sup> BNI, "2020 Sustainability Report", (2021), at: <https://www.bni.co.id/Portals/1/BNI/Perusahaan/HubunganInvestor/Docs/SR-BNI-2020-US.pdf>

<sup>24</sup> Based on information provided in Framework.



### Importance of green buildings in Indonesia

The construction and operation of buildings were responsible for 36% of global energy demand and 37% of global energy-related CO<sub>2</sub> emissions in 2020.<sup>25</sup> Similarly, in Indonesia, the building sector is one of the largest final energy consumers, responsible for 30% of the country's energy consumption annually.<sup>26</sup> As Indonesia's population is predicted to grow and become increasingly urbanized, it is expected that the building sector will account for 40% of the total energy consumption by 2030. Overall,<sup>27</sup> buildings accounted for 4% of Indonesia's direct CO<sub>2</sub> emissions and 16% of electricity-related CO<sub>2</sub> emissions in 2020.<sup>28</sup>

From 2014 to 2019, Indonesia's building emissions per capita increased by 14%, significantly above the five-year average observed in G20 countries.<sup>29</sup> This increase was largely due to increased electricity consumption in buildings and a larger share of coal in Indonesia's power mix. Realizing the importance of the building sector in strengthening Indonesia's resilience to climate change and reducing GHG emissions, Indonesia has set a target for decreasing building energy intensity by 1% annually by 2025.<sup>30</sup> Indonesia has developed and introduced green building standards for its major cities. In 2018, 339 buildings covering 21 million m<sup>2</sup> in Jakarta and 3,000 buildings covering 880,000 m<sup>2</sup> in Bandung complied with their respective green building codes.<sup>31</sup> In 2019, with total coverage of approximately 25 million m<sup>2</sup>, green buildings in Indonesia contributed to potentially reducing 1 MtCO<sub>2</sub> in emissions and saving up to 1.5 GWh in energy use.<sup>32</sup> A study by the International Finance Corporation found that in addition to the significant environmental benefits and GHG reduction potential, certified green buildings offer long-term profitability in operational savings.<sup>33</sup> The IFC projects that the share of green buildings will reach 20-25% by 2025 as a result of subsidies, policies, awareness programmes and realized savings in Indonesia<sup>34</sup>.

Based on the above, Sustainalytics is of the opinion that BNI's lending for green buildings has the potential to further support Indonesia's move to a low-carbon economy and greening of its building stock.

### Importance of investing in Indonesia's sustainable water system

As of 2020, 771 million people lack access to safe water and 1.7 billion lack access to basic sanitation services globally.<sup>35</sup> Approximately 18 million people lack safe water in Indonesia, and 20 million lack access to improved sanitation facilities.<sup>36</sup> Indonesia has one of the lowest coverage rates of conventional off-site urban sewerage in Asia. Only 11 out of 330 cities have partial sewage systems, with only 2% of the national urban population connected to central wastewater treatment plants.<sup>37</sup> Water safety is a major public health concern in the country, particularly for low-income households: as much as seven out of 10 Indonesian households consume drinking water contaminated with *E. coli*.<sup>38,39</sup> The majority of Indonesian households do not have access to water connection and are dependent on river water or bottled water. Plus, for the 20% of the population with a water connection, the quality of the municipal water supply is deficient.<sup>40</sup>

<sup>25</sup> Global Alliance for Buildings and Construction, "2021 Global status Report for Buildings and Construction", at: [https://globalabc.org/sites/default/files/2021-10/GABC\\_Buildings-GSR-2021\\_BOOK.pdf](https://globalabc.org/sites/default/files/2021-10/GABC_Buildings-GSR-2021_BOOK.pdf)

<sup>26</sup> World Green Building Council, "Green buildings yield 30-80% lower utility costs compared to standard buildings, finds GBC Indonesia and IFC study", at: <https://www.worldgbc.org/news-media/green-buildings-yield-30-80-lower-utility-costs-compared-standard-buildings-finds-gbc>

<sup>27</sup> Ibid.

<sup>28</sup> Climate Transparency "Indonesia", at: <https://www.climate-transparency.org/wp-content/uploads/2020/11/Indonesia-CT-2020-WEB.pdf>

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> IFC, "Indonesia makes good progress in green building", (2019), at: <https://ifc-org.medium.com/indonesia-makes-good-progress-in-green-building-9a3165842cc1>

<sup>32</sup> Ibid.

<sup>33</sup> IFC, "Measuring What Matters", at: <https://www.gbcindonesia.org/files/resource/7a076765-abd9-49ea-a68b-26bc0c3a2d35/Measuring%20What%20Matters,%20Benefits%20of%20Green%20Building.pdf>

<sup>34</sup> Ibid.

<sup>35</sup> Washdata.org, "Progress on Household, Drinking Water, Sanitation and Hygiene" (2020), at: <https://washdata.org/sites/default/files/2021-07/jmp-2021-wash-households.pdf>

<sup>36</sup> Water.org, "Indonesia's water and sanitation crisis", at: <https://water.org/our-impact/where-we-work/indonesia/>

<sup>37</sup> ADB, "Metropolitan Sanitation Management Investment Project: Social Monitoring Report" (2021), at: <https://www.adb.org/projects/documents/ino-43251-025-smr-5>

<sup>38</sup> WHO, "Improving access to safe drinking water in Indonesia" (2021), at: <https://www.who.int/indonesia/news/detail/15-11-2021-improving-access-to-safe-drinking-water-in-indonesia>

<sup>39</sup> Water.org, "Indonesia's water and sanitation crisis", at: [Indonesia's Water Crisis - Indonesia's Water Problems In 2021 | Water.org](https://water.org/our-impact/where-we-work/indonesia/)

<sup>40</sup> US Department of Commerce, International Trade Administration, "Indonesia water projects" (2020), at: <https://www.trade.gov/market-intelligence/indonesia-water-projects>

As part of the 2020-2024 National Midterm Development Plan (RPJMN) Indonesia set the goal of reaching 100% universal access to drinking water and sanitation services by 2024.<sup>41</sup> In addition to setting a target for access to drinking water, Indonesia aims to increase access to safe drinking water from 7% in 2019 to 15% by 2024. Aiming to address Indonesia's water issues and achieve these targets, the Indonesian Ministry of National Development Planning announced in 2019 USD 1.9 billion in seven new water supply and wastewater treatment projects.<sup>42</sup> These projects, among other initiatives, aim to support Indonesia's 100% goal where pipeline networks are targeted to account for 30% and non-pipeline networks for 70% of access.<sup>43</sup>

Considering the above, Sustainalytics is of the opinion that projects financed by BNI in the sustainable water and wastewater management category are expected to contribute positively to improving access to water and sanitation in Indonesia and to support the country in achieving its goals in this area.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds issued under the PT Bank Negara Indonesia (Persero) Tbk. Green Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and clean energy 9. Industry, Innovation and Infrastructure	7.3 By 2030, double the global rate of improvement in energy efficiency 9.4 Upgrade and retrofit existing infrastructure to make industries sustainable
Waste to Energy and Waste Management	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Natural Resources and Land Use	15. Life on Land	15.b Mobilize significant resources from all sources and at all levels to finance sustainable forest management and provide adequate incentives to developing countries to advance such management, including for conservation and reforestation
Terrestrial and Aquatic Biodiversity Conservation	14. Life below Water  15. Life on Land	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans  15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Sustainable Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in

<sup>41</sup> OHCHR, "Mandate of the Special Rapporteur on human rights to safe drinking water and sanitation", at: <https://www.ohchr.org/Documents/Issues/Water/GoodPractices/States/Indonesia.PDF>

<sup>42</sup> US Department of Commerce, International Trade Administration, "Indonesia water projects" (2020), at: <https://www.trade.gov/market-intelligence/indonesia-water-projects>

<sup>43</sup> OHCHR, "Mandate of the Special Rapporteur on human rights to safe drinking water and sanitation", at: <https://www.ohchr.org/Documents/Issues/Water/GoodPractices/States/Indonesia.PDF>

		vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean water and sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Climate Change Adaptation	11. Sustainable Cities and Communities	11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Sustainable Agriculture	2. Zero Hunger	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality

## Conclusion

BNI has developed the PT Bank Negara Indonesia (Persero) Tbk. Green Bond Framework under which it may issue green bonds and use the proceeds to finance or refinance in whole or in part, existing or future projects in the following eligible categories: Renewable Energy, Energy Efficiency, Waste to Energy and Waste Management, Sustainable Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity Conservation, Sustainable Transportation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Green Buildings, and Sustainable Agriculture. Sustainalytics considers that the projects funded by the bond proceeds are expected to facilitate a transition to low-carbon economy in Indonesia.

The Framework outlines a process for tracking, allocation and managing proceeds, and makes commitments for BNI to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 6, 7, 9, 11, 12, 14 and 15. Additionally, Sustainalytics is of the opinion that BNI has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is of the opinion that BNI is adequately positioned to issue green bonds and that the Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

## Appendices

### Appendix 1: Alignment to the ASEAN Green Bond Standards

Alignment with the		
ASEAN GBS Criteria	ASEAN GBS	Sustainalytics' comments on alignment with the ASEAN GBS
Eligibility	Yes	The ASEAN GBS requires that issuers must be in or that the proceeds be directed to assets in an ASEAN country. BNI qualifies given that BNI intends to finance in Indonesia.
Use of Proceeds	Yes	The ASEAN GBS offers specific clarification that fossil fuel power generation projects and projects which involve activities that pose a negative social impact related to adult entertainment, alcohol, gambling, tobacco products and weapon are excluded. BNI has included exclusion criteria in the Framework to this effect.
Process for Project Evaluation and Selection	Yes	The ASEAN GBS specifies information that must be clearly communicated to investors before issuance regarding project selection. BNI has established a Sub-Committee ESG comprising of representatives from various departments, including Enterprise Risk Management, Finance, Data Management, Treasury, International Division, Corporate Banking, Commercial Banking, Corporate Credit Risk and Commercial & SME Credit Risk. The Sub-Committee ESG, with oversight from BNI's Board of Directors, will be responsible for evaluating and selecting eligible expenditures in line with the Framework's eligibility criteria.
Management of Proceeds	Yes	The ASEAN GBS mandates that proceeds must be appropriately tracked and that temporary investments be disclosed. Within the Framework, BNI disclosed that it will track and monitor the use of proceeds using its internal information system. Unallocated proceeds may be held in cash or cash equivalent instruments following local liquidity management guidelines.
Reporting	Yes	The ASEAN GBS requires annual reporting on the allocation of funds and the expected impacts. BNI states that it will provide an annual allocation report until full allocation and report on the impact of the use of proceeds.
Annual Review	Yes	The ASEAN GBS encourages, but does not require, annual reviews. As of 2022, BNI does not intend to provide annual reviews.

## Appendix 2: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	PT Bank Negara Indonesia
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</b>	PT Bank Negara Indonesia (Persero) Tbk. Green Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	March 17, 2022
<b>Publication date of review publication:</b>	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

## 1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds The eligible categories are: Renewable Energy, Energy Efficiency, Waste to Energy and Waste Management, Sustainable Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity Conservation, Sustainable Transportation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Green Buildings, and Sustainable Agriculture are aligned with those recognized by the Green Bond Principles and ASEAN Green Bond Standards. Sustainalytics considers that investments in the eligible categories will facilitate a transition to low-carbon economy in Indonesia and advance the UN Sustainable Development Goals, specifically SDG 2, 6, 7, 9, 11, 12, 14 and 15.

### Use of proceeds categories as per GBP:

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Renewable energy  | <input checked="" type="checkbox"/> Energy efficiency   |
| <input checked="" type="checkbox"/> Pollution prevention and control  | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management   | <input checked="" type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                            | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other <i>(please specify)</i> :  |

If applicable please specify the environmental taxonomy, if other than GBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

PT Bank Negara Indonesia's Sub-Committee ESG will be responsible for evaluating and selecting eligible projects in line with the Framework's eligibility criteria under oversight from its Board of Directors. The Sub-Committee ESG is comprised of representatives from various departments, including Enterprise Risk Management, Finance, Data Management, Treasury, International Division, Corporate Banking, Commercial Banking, Corporate Credit Risk and Commercial & SME Credit Risk. PT Bank Negara Indonesia's ESG Risk Management System are applicable for all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|



- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):  |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

PT Bank Negara Indonesia's Treasury and Finance division will be responsible for the management and allocation of proceeds to eligible projects, under oversight from the Sub-Committee ESG. The Bank will use its internal information system to track and report the allocation of proceeds using a register of eligible projects. PT Bank Negara Indonesia intends to reach full allocation within one year of issuance. Pending allocation, proceeds may be temporarily held in cash or cash equivalents. Sustainalytics considers this process to be in line with market practice.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner          |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only                             | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                               |

### 4. REPORTING

Overall comment on section (*if applicable*):

PT Bank Negara Indonesia intends to report on the allocation of proceeds in its Green Bond Report on its website annually until full allocation. Allocation reporting will include the project selection criteria, net proceeds of the green bond, allocation to each project and and share of financing vs refinancing. In addition,

PT Bank Negara Indonesia is also committed to reporting on relevant impact metrics. Sustainalytics views PT Bank Negara Indonesia's allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

**Information reported:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Allocated amounts                | <input type="checkbox"/> Green Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): |  |

**Frequency:**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

**Information reported (expected or ex-post):**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings   |
| <input checked="" type="checkbox"/> Decrease in water use   | <input type="checkbox"/> Other ESG indicators ( <i>please specify</i> ): renewable energy capacity added, tons of waste diverted or recycled, number of new facilities/systems and equipment used to process recyclable waste, number of hectares protected and/or certified, number of trees planted in reforestation projects certified to FSC/PEFC, wastewater treated to appropriate standards, number of new facilities, systems and equipment used in order to support climate resiliency, number of hectares of farmland converted to sustainable agriculture practices |

**Frequency**

- ☒ Annual
 ☐ Semi-annual  
☐ Other (please specify):

**Means of Disclosure**

- ☐ Information published in financial report
 ☐ Information published in sustainability report  
☐ Information published in ad hoc documents
 ☒ Other (please specify): Annual Green Bond Report  
☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.bni.co.id/en-us/company/esg/bniesg>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- ☐ Consultancy (incl. 2<sup>nd</sup> opinion)
 ☐ Certification  
☐ Verification / Audit
 ☐ Rating  
☐ Other (please specify):

**Review provider(s):****Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

- 
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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