

# PT Bank Rakyat Indonesia Persero Tbk

**Type of Engagement:** Sustainability Bond Pre-Issuance Review

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## Introduction

In 2019, PT Bank Rakyat Indonesia Persero Tbk (BRI) developed the BRI Sustainability Bond Framework 2019<sup>1</sup> (the “Framework”) under which it issued sustainability instruments aimed at financing or refinancing projects under eligible green and social categories which include renewable energy, green buildings, pollution prevention and control, environmentally sustainable management of living natural resources and land use, clean transportation, sustainable water and waste water management, affordable basic infrastructure, access to essential services, affordable housing, employment generation, and socioeconomic advancement and empowerment. Sustainalytics provided a Second Party Opinion<sup>2</sup> of the Framework.

In April 2022, BRI engaged Sustainalytics to review the projects (the “Nominated Projects”) that will be funded through the 2022 Social Repurchase Agreement (also referred to as the “2022 Social Repurchase Transaction”) and provide an assessment as to whether the projects would comply with the Use of Proceeds, Project Selection, and Management of Proceeds sections of the Framework.

## Evaluation Criteria

Sustainalytics evaluated the underlying projects that will be funded through the 2022 Social Repurchase Transaction for compliance based on whether:

1. The Nominated Projects are aligned with the Use of Proceeds Eligibility Criteria outlined in the BRI Sustainability Bond Framework; and
2. The commitments to select projects, manage proceeds, and report on allocation and impact in order to ensure that these commitments are aligned with the ones described in the Framework.

The projects funded by the 2022 Social Repurchase Agreement are summarized in Appendix 2.

## Issuing Entity’s Responsibility

BRI is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including a description of the eligible projects within each eligible category. This information was provided to Sustainalytics to support its review. BRI is also responsible for confirming to Sustainalytics that processes for project selection and management of proceeds for the 2022 transaction will remain aligned with the commitments described in the Framework.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of BRI’s 2022 Social Repurchase Transaction. The work undertaken as part of this engagement included verification of the Nominated Projects and confirmation from relevant employees of BRI that the use of proceeds, processes for project selection, management of proceeds, and reporting for the social repurchase agreement will remain aligned with the commitments described in the Framework.

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<sup>1</sup> PT Bank Rakyat Indonesia (Persero) Tbk, “Sustainability Bond Framework Bank BRI 2019” is available at: [www.bri.co.id](http://www.bri.co.id)

<sup>2</sup> Sustainalytics, “BRI Sustainability Bond Framework Second-Party Opinion”, (2019), is available at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/bri-sustainability-bond-framework-second-party-opinion-05032019.pdf?sfvrsn=4b94715\\_3](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/bri-sustainability-bond-framework-second-party-opinion-05032019.pdf?sfvrsn=4b94715_3)

Sustainalytics has relied on the information and the facts presented by 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 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 pre-issuance review.

### **Conclusion**

Based on the limited assurance procedures conducted,<sup>3</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, PT Bank Rakyat Indonesia Persero Tbk's 2022 Social Repurchase Transaction are not aligned with their existing BRI Sustainability Bond Framework.

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<sup>3</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, and estimated costs of projects, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendix 1: PT Bank Rakyat Indonesia Persero Tbk's Use of Proceeds Eligibility Criteria

BRI has developed the Sustainability Bond Framework 2019 under which it plans to issue sustainability bonds and use the proceeds to finance, or refinance, in whole or in part, existing and future projects and expenditures that will provide positive environmental and social impacts. The Framework includes six green and five social eligible categories, in which the Nominated Projects are related to the two social categories. The Nominated Projects are expected to meet the eligibility criteria defined in the Framework, which are listed in Table 1.

Social Eligible Categories	Eligible Criteria
Affordable housing	Development of affordable houses or providing housing loans to low-income communities, as defined under Decision of the Minister of Public Works and Public Housing of the Republic of Indonesia Number 552 / KPTS / M / 2016
Socioeconomic advancement and empowerment	Providing micro-finance loans to underbanked or non-bankable communities, individuals and Micro, Small and Medium Enterprises (MSMEs). The loan products may include (i) loans with interest rates below the minimum commercial local lending rate, or (ii) KUR Loans as defined under Regulation of the Coordinating Minister for Economic Affairs as Chair of the Financing Policy Committee for Micro, Small and Medium Enterprises No 11/2017.

## Appendix 2: Summary of 2022 Social Repurchase Agreement Projects

Table 2 lists the Nominated Projects that will be funded by BRI

	Use of Proceed category	Products	Product description
1	Socioeconomic advancement and empowerment	Micro Finance Loan-KUR	Micro Finance Loan, KUR is a collaboration loan between BRI and Indonesia Government to support the development of non-bankable micro-businesses with a maximum loan size of IDR 25 million (USD 1,760 equivalent) with a subsidy that borrowers only pay 6% per annum (p.a.). <sup>4</sup>
2	Socioeconomic advancement and empowerment	Micro Finance Loan-Kupedes	Micro Finance Loan, Kupedes is a commercial loan product for micro-businesses, which provides loan up to IDR 250 million (USD 17,605 equivalent). <b>Error! Bookmark not defined.</b>
3	Affordable Housing	Affordable Housing (KPR)	KPR is an affordable house ownership mortgage loan designed for low-income society by utilizing government pool of banking liquidity. <b>Error! Bookmark not defined.</b>

<sup>4</sup> PT Bank Rakyat Indonesia Persero Tbk, Annual Sustainability Bond Report (2021), available at: [https://bri.co.id/documents/20123/56786/BRI\\_2021\\_Annual\\_Sustainability\\_Bond\\_Report\(1\).pdf](https://bri.co.id/documents/20123/56786/BRI_2021_Annual_Sustainability_Bond_Report(1).pdf)

## Appendix 3: Sustainalytics' 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 funded by the 2022 Social Repurchase Transaction (Appendix 2) to determine if the projects aligned with the Use of Proceeds Eligibility Criteria outlined in PT Bank Rakyat Indonesia Persero Tbk's Sustainability Bond Framework (Appendix 1).	All projects reviewed (Appendix 2) complied with the Use of Proceeds Eligibility Criteria.	None
<b>Project Selection and Management of Proceeds Criteria</b>	Verification of the projects funded by the 2022 Social Repurchase Transaction to determine if the commitments under processes for project selection and management of proceeds were consistent with PT Bank Rakyat Indonesia Persero Tbk's Sustainability Bond Framework.	PT Bank Rakyat Indonesia Persero Tbk has also confirmed to Sustainalytics that the processes for project selection and management of proceeds for the 2022 Social Repurchase Transaction are consistent with the commitments described in the Framework.	None

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