



Melayani Dengan Setulus Hati

## **2019 ANNUAL SUSTAINABILITY BOND REPORT**

**PT BANK RAKYAT INDONESIA (PERSERO) Tbk.  
30 DECEMBER 2019**

## Introduction – BRI's commitment to sustainable banking

PT Bank Rakyat Indonesia (Persero), Tbk., ("**Bank BRI**" or "**BRI**"), the largest bank In Indonesia is committed to support Indonesian economy, especially in the aspect of sustainable banking.

In accordance with Indonesia's medium-term plan of Sustainable Finance Roadmap 2015 - 2019<sup>1</sup>, BRI was one of eight Indonesian banks known as the 'First Movers on Sustainable Banking' group<sup>2</sup>, committed to implement sustainable financing as part of global environmental goals. In 2018, BRI was involved in establishing the Indonesian Sustainable Finance Initiative ("**IKBI – Inisiatif Keuangan Berkelanjutan Indonesia**")<sup>3</sup> to promote and implement inclusive sustainable finance practices. As the chairman of IKBI, BRI strives to promote strategic programs, share knowledge among the community and build partnerships, as well as be a key initiator of early projects in developing applicable green business models.

BRI continuously strengthens the implementation of sustainable finance ("**SF**") principles to accelerate sustainable growth through closer alignment between economic, social and environmental interests. In enhancing financial products and services under the SF principles, BRI expands range of digital banking services to reach more unbanked customers from all walks of life, improving financial literacy and inclusion.

*BRI is committed to support United Nations Sustainable Development Goals ("**SDG**") through sustainable finance action plan.*



### BRI's COMMITMENT TO SUSTAINABLE FINANCE

- Implementing prudential principle in carrying out business functions and operations.
- Managing efficient and environmentally friendly operations.
- Consistent in applying loan financing policies in environmentally friendly business sectors and certified management of environmental impact analysis.
- Supporting the development of priority economic sectors, namely sectors with high multiplier effects to economic growth such as energy, agriculture, processing industries, infrastructure, as well as micro, small and medium enterprises (MSMEs).
- Developing employee competency in understanding social and environmental policies and procedures.
- Providing financial access support for all communities including those who are disadvantaged and live in remote areas.
- Participating in joint efforts to improve people's welfare and encourage their participation in environmental preservation.

1. <https://unepinquiry.org/wp-content/uploads/2015/10/Roadmap-OJK-2015-2019.pdf>

2. <https://www.ojk.go.id/en/berita-dan-kegiatan/siaran-pers/Pages/Press-Release-OJK-Launches-Bali-Center-for-Sustainable-Finance-to-Support-Sustainable-Development-Program.aspx>

3. <http://ikbi.org/about-us/>

## Bank BRI's Inaugural Sustainability Bond – Transaction highlights

First Sustainability Bond in South-East Asia in RegS format

<b>Issuer</b>	<b>PT Bank Rakyat Indonesia (Persero), Tbk.</b>
Issue Date	21 March 2019
Tenor	5 years
Size	USD 500 million
Issuer Rating	Baa2 (Moody's) / BBB- (Fitch)
Coupon	3.95%
External Review	Second Party Opinion from Sustainalytics

## Bank BRI Inaugural Sustainability Bond – Key Highlights



### **Supporting Indonesia's "First Movers on Sustainable Banking" initiative, in accordance with BRI's Sustainable Finance (SF) Principles**

BRI is part of the "First Movers on Sustainable Banking" and Chairman of Indonesian Sustainable Finance Initiative Forum (IKBI)



### **Sustainability Bond Framework evaluated by Second Opinion Provider**

BRI has obtained a Second Party Opinion from Sustainalytics on its Sustainability Bond Framework with conclusion that the use of proceeds are credible and impactful



### **Alignment with International and ASEAN Sustainability Bond Standards**

BRI's Sustainability Bond Framework is aligned with the ICMA Green Bond Principles 2018, the ICMA Social Bond Principles 2018 and the ICMA Sustainability Bond Guidelines 2018, as well as ASEAN Green Bond, Social Bond and Sustainability Bond Standards 2018



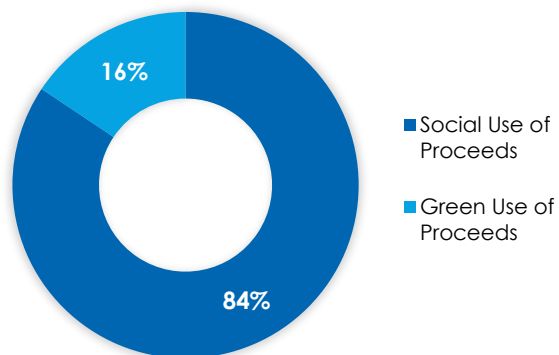
### **Alignment with UN's Sustainable Development Goals ("SDGs")**

BRI's Sustainability Bond Framework covers a broad range of UN SDGs, showcasing BRI's commitment to facilitate the transition to sustainable development in Indonesia across various areas

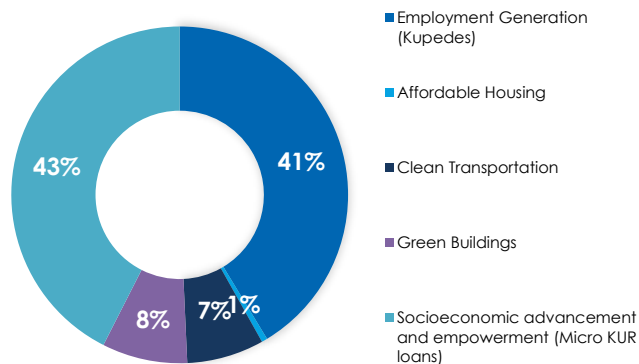
## Proceed Allocation

As of 30<sup>th</sup> December 2019, the proceeds of the 2019 BRI Sustainability Bond were fully allocated. Allocation information by type of project and sector are:

### By Project Type



### By Eligible Category



Eligible Category	Amount allocated (Rp billion)	Amount Allocated (USD million Equ.)*	% of Total
Employment Generation (Kupedes loans)	2,935	207	41.3%
Socioeconomic advancement and empowerment (Micro KUR loans)	3,015	212	42.5%
Affordable Housing (Subsidized development or improvement loan policy, "KPRS")	40	3	0.56%
Green Transportation	525	37	7.5%
Green Buildings	585	41	8.2%
<b>Total</b>	<b>7,100</b>	<b>500</b>	<b>100%</b>

\*Rp/USD used = 0.0000704225, as of 8 Oct 2019.

# Proceed Allocation

## Key Sustainable Development Goals identified in the BRI Sustainability Bond Framework<sup>(1)</sup>

### Key Aspects of the Eligible Categories financed as of end of reporting period



#### Employment Generation (Kupedes loans)

- Rp 2.93 trillion (USD 207 million equ.) has been allocated to Kupedes loans, which the maximum lending facilities is up to Rp 250 million (USD 17,605 equ.).
- These Kupedes loans have empowered and created jobs in more than 65,000 Indonesian MSMEs in a various regions in Indonesia including Sumatra, Kalimantan and Jawa.



#### Socioeconomic advancement and empowerment (Micro KUR loans)

- Rp 3.02 trillion (USD 212 million equ.) has been allocated for financing and/or refinancing Bank BRI's Micro KUR loans, to over 180,000 MSMEs contributing job creations.
- Micro KUR loans loan facilities for start-up micro entrepreneurs with loan ceiling of Rp 25 million (USD 1,760 equ.).



#### Affordable Housing

- Rp 40 billion (USD 2.8 million equ.) has been allocated to mortgage, especially to distribute government's subsidized home loans.
- These loans helps in providing access of affordable houses to more than 1,200 people.



#### Clean transportation

- Rp 525 billion (USD 37 million equ.) has been allocated to three clean transportation projects based in Jakarta:
  - A light rail transportation (LRT) infrastructure project based in Jakarta. The line is estimated to be 45km long, and the project is currently under construction. It is expected to carry a range of passenger flow of 150,000-300,000 per day in the first 5 years.
  - Investment in airport electric train with a 30 km route with an expected average passenger flow of 4,000 people per-day.
  - Investment in electric train for commuters with an estimated 70km route and average passenger flow of 30,000 people per-day.

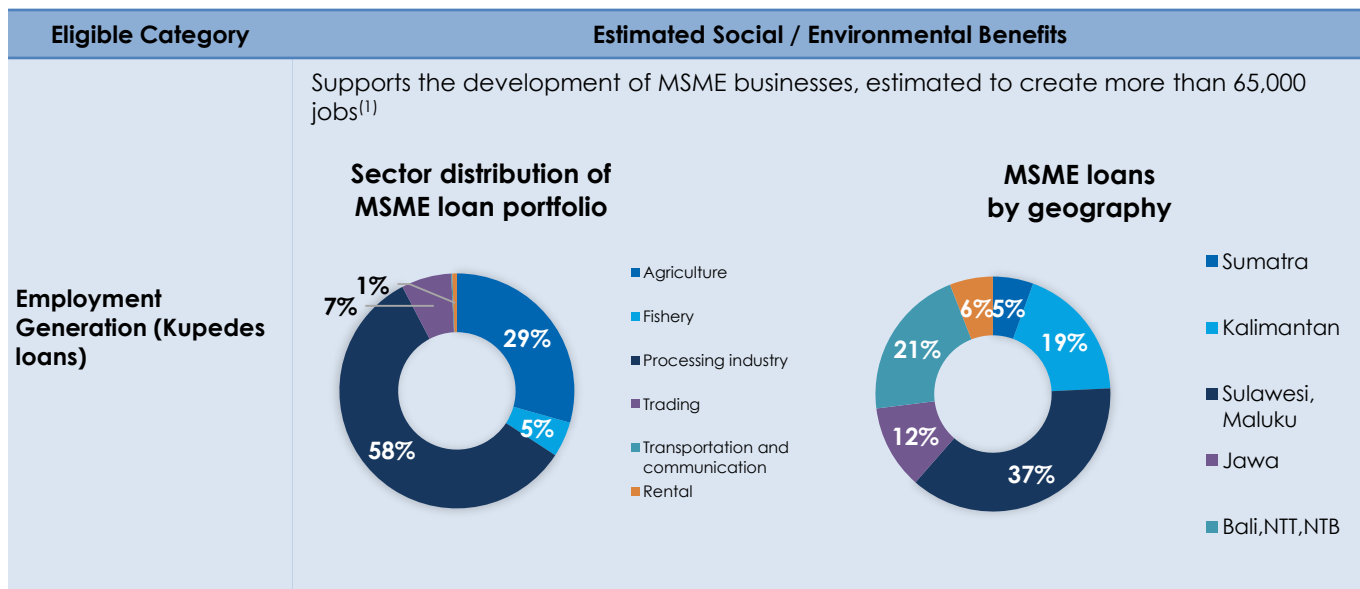


#### Green Buildings

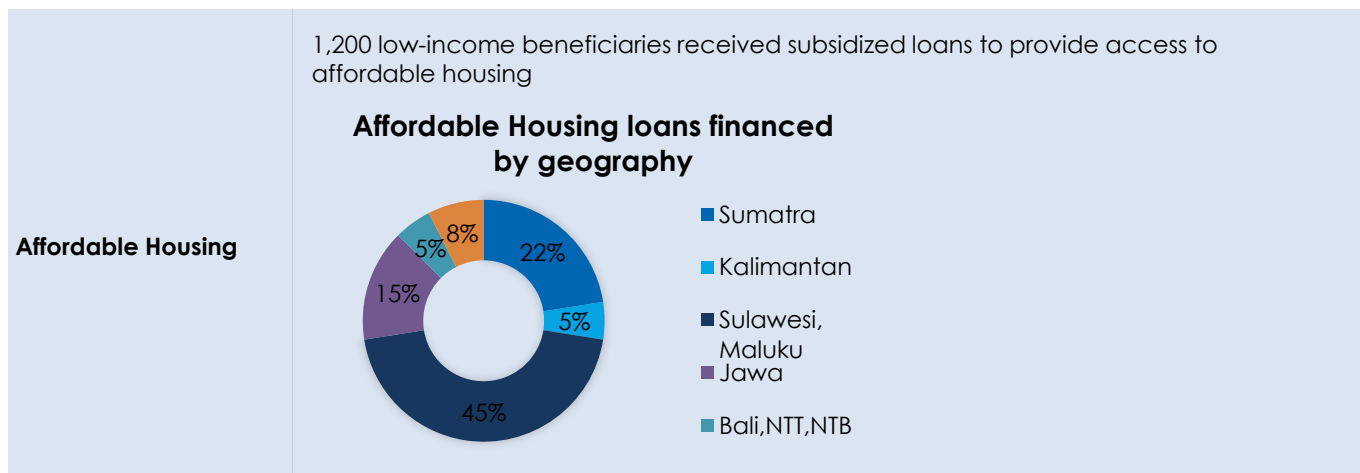
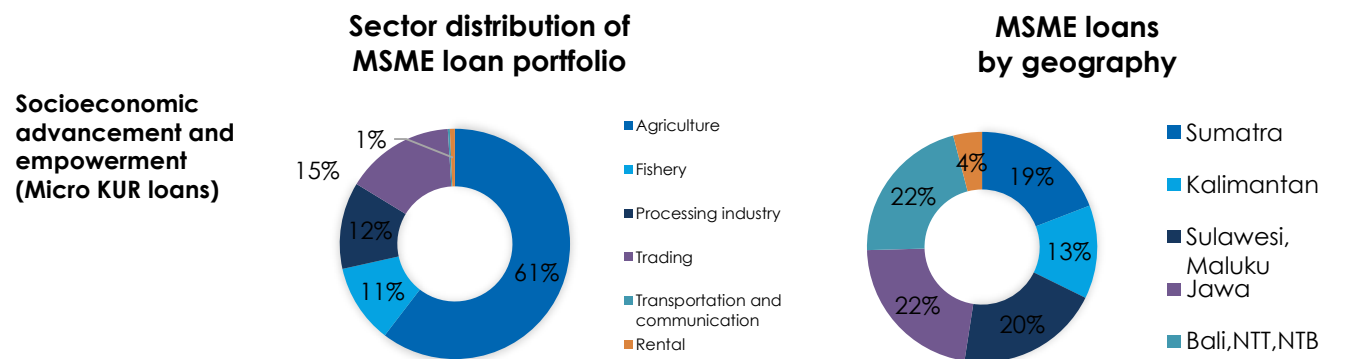
- Rp 585 billion (USD 41 million equ.) has been allocated to Investment in a green building project based in Jakarta with "Platinum" level of the GREENSHIP label by Green Building Council Indonesia.

# Sustainable Impact

According to BRI's Sustainability Bond Framework, the estimated social and environmental impact for Eligible Categories financed are explained below:



Supports the development of MSME businesses which is a bridge for un-bankable enterprises, estimated to create more than 180,000 jobs<sup>(1)</sup>



(1) 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.

## Impact Reporting

According to BRI's Sustainability Bond Framework, the estimated environmental impact for Eligible Categories financed are explained below:

Eligible Category	Estimated Social / Environmental Benefits
<b>Green Transportation</b>	<ul style="list-style-type: none"> <li>Supports 3 rail projects with a total of 145 km and an expected 84.5 million passengers carried per year</li> <li>An estimated 8,590 tons of CO<sub>2</sub> avoided or reduced per year attributable to this BRI Sustainability Bond<sup>1)</sup></li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>A new building with "Platinum" level of the GREENSHIP by the Green Building Council Indonesia</li> </ul>

## Project Examples



### Greater Jakarta light rail transit (LRT)

A light metro system currently under construction connecting Bogor, Depok and Bekasi in West Java to Jakarta, expected to start operations by April 2021. The 45-km line financed by this Sustainability bond is a part of the Greater Jakarta LRT network. The project was announced by the government in 2015 and aims to alleviate road traffic congestion in the city. It is consisted of three LRT lines with total investment cost of Rp 23.8 trillion.

### MSME: Processed Pineapple Business

Mr. Ade Patas is an MSME entrepreneur engaged in the production of processed pineapple food products such as pineapple syrup & snacks. He has been producing for 20 years. He processes small-sized pineapple which farmers cannot sell to the market. This business started with capital employed of only Rp. 250,000, and BRI provided a working capital loan of Rp. 5 million (USD 350.). Since then the business continue to grow, and currently BRI provide loan of Rp 200 million (USD 14,000.). Through his business, Mr. Patas was able to create jobs opportunities as well as improve the welfare of the rural residents.<sup>(2)</sup>



(1) The amount of CO<sub>2</sub> avoided or reduced is calculated following the index for railway sector in the Railway Handbook 2017 published by the International Energy Agency and the International Union of Railways, link: [https://uic.org/IMG/pdf/handbook\\_jea-uic\\_2017\\_web3.pdf](https://uic.org/IMG/pdf/handbook_jea-uic_2017_web3.pdf), and EIB CO<sub>2</sub> evaluation method

(2) See full story at : <https://youtu.be/j8F3CAtUC3c>

# Summary of Bank BRI Sustainability Bond Framework

## Use of Proceeds

### Social Project Categories

### Environmental Project Categories

#### Access to essential services



Public healthcare centers, public schools and vocational training centers

#### Affordable basic infrastructure



Public clean drinking water infrastructure and sewers system, sanitation infrastructure, and public electricity infrastructure to increase access to electricity

#### Renewable energy



Generation or transmission renewable energy activities, including offshore and onshore wind, solar, tidal, hydropower ( $\leq 25$  MW) and geothermal ( $< 100$ g CO<sub>2</sub>/kWh) projects

#### Green buildings



New construction or renovation of buildings that: (i) have or expected to earn: LEED (Platinum or Gold), BREEAM (Outstanding, Excellent); (ii) Improves energy efficiency of manufacturing facilities by more than 15%

#### Affordable housing



Development of affordable houses or housing loans for low-income communities<sup>(1)</sup>

#### Employment generation



Financing MSMEs categorized in line with Indonesian government 's definition of MSMEs

#### Pollution prevention and control



Reduction of air emissions, greenhouse gas control, waste prevention, or waste management, which include re-use and recycling

#### Environmentally sustainable management of living natural resources and land use



Environmentally sustainable agriculture, animal husbandry, fishery, aquaculture or forestry

#### Socioeconomic advancement and empowerment



For underbanked or non-bankable communities and individuals based (i) products with interest rates below than minimum commercial local lending rate or (ii) "Kredit Usaha Rakyat" (KUR)<sup>(2)</sup>

#### Clean transportation



Building or operating electrified or hybrid transport, urban metro, rail, and non-motorised, multimodal transportation (such as bicycle lanes and walking routes), or the construction of infrastructure to support mass transportation

#### Sustainable water and waste water management



Infrastructure that improve water quality, efficiency or conservation, including the installation or upgrade of infrastructure for clean and/or drinking water, water recycling or wastewater treatment facilities, infrastructure and flooding mitigation systems

(1) 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

(2) 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

# Summary of Bank BRI Sustainability Bond Framework

## Project Evaluation and Selection

- 1 Relevant business units are responsible for nominating projects according to the eligibility criteria of BRI's Sustainability Bond Framework
- 2 Nominated projects will be vetted against the exclusionary criteria listed in the Framework<sup>(1)</sup>
- 3 Relevant divisions will review and approve nominated assets considering factors including:
  - alignment with the Framework
  - environmental and social impacts
  - Bank BRI's prudent risk management policies

Enterprise Risk & Portfolio Management Division

Asset and Liabilities Management Division

Treasury Business Division

- 4 Relevant business units will identify and categorize these projects in line with the Framework

## Reporting

BRI is committed to provide sustainability bond reporting on annual basis, until proceeds are fully allocated and on a timely basis in case of material changes of projects.

Reporting will be made publicly available via Bank BRI's website, sustainability reports and newsletters.

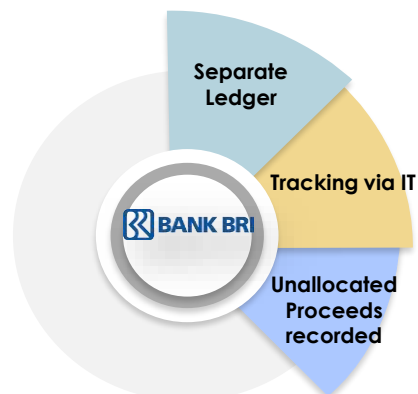
### Allocation Reporting

- Proceed allocation will be categorized by project;
- Amount of unallocated proceeds will be reported;
- Project examples, if applicable

### Impact Reporting

- Selected impact indicators<sup>(2)</sup>

## Management of Proceeds



BRI will establish an independent register to facilitate monitoring and reporting for bond(s) issued pursuant to the Framework.

BRI will track and monitor its sustainability bond proceeds through its internal information systems.

If any, BRI will place any unallocated sustainability bond proceeds at its own discretion into cash or high-quality marketable instruments such as government bonds, in accordance with its liquidity management strategy.

## External Review

Extract from the Sustainalytics Second Party Opinion on BRI's Sustainability Bond Framework<sup>(3)</sup>

"BRI's Sustainability Bond Framework is **credible and impactful**, and aligns with the Green Bond Principles 2018, the Social Bond Principles 2018, the Sustainability Bond Guidelines 2018 and ASEAN Sustainability Bond Standards 2018"

<sup>(1)</sup> Please refer to the Framework for the full list of "Activities Ineligible Under the Framework": [http://www.ir-bri.com/other\\_reports.html](http://www.ir-bri.com/other_reports.html)

<sup>(2)</sup> Please refer to the Framework for a full list of potential impact indicators: [http://www.ir-bri.com/other\\_reports.html](http://www.ir-bri.com/other_reports.html)

<sup>(3)</sup> Source: <https://ir-bri.com/misc/SR/BRI-Sustainability-Framework-Second-Party-Opinion.pdf>



## **PT Bank Rakyat Indonesia (Persero) Tbk.**

Head Office  
Gedung BRI I  
Jl. Jend. Sudirman Kav 44-46  
Jakarta 10210  
Indonesia

Tel. : (62 21) 251 0244, 251 0254

Fax. : (62 21) 250 0065, 250 0077

Website : [www.bri.co.id](http://www.bri.co.id)