PT Bank Negara Indonesia (Persero) Tbk.

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Introduction

In June 2022, PT Bank Negara Indonesia (Persero) Tbk. ("BNI" or the "Bank") issued green bonds worth IDR 5 trillion (the "2022 Green Bonds) based on the PT Bank Negara Indonesia (Persero) Tbk. Green Bond Framework (the "Framework").[1] The 2022 Green Bonds aimed at refinancing projects which would contribute in the transition to a low carbon economy in Indonesia. In June 2023, BNI engaged Sustainalytics to review the projects funded with proceeds from the issuances (the "Nominated Projects") and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework. Sustainalytics provided a second-party opinion on the Framework in March 2022.[2]

Evaluation Criteria

Sustainalytics evaluated the Nominated projects funded between June 2022 to May 2023 based on whether they:

1. Met the use of proceeds and eligibility criteria defined in the Framework and
2. Reported on at least one Key Performance Indicator (KPIs) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs[3]

Use of Proceeds Category	Eligibility Criteria	KPIs
Renewable Energy	• Generation, transmission, and distribution of energy from renewable energy sources to the grid, also to reduce curtailment along the process. The sources will include: - offshore and onshore wind - solar - tidal - hydropower (run-of-river without artificial - reservoir or low storage capacity/life-cycle carbon intensity below 50gCO_2e per kWh/power density is greater than 10W/m^2 - 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)	• Estimated annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Estimated annual GHG emissions reduced/avoided in tons of CO_2 equivalent

[1] BNI, "BNI Green Bond Framework", (2022), at https://www.bni.co.id/en-us/company/bni-esg
[2] BNI, "PT Bank Negara Indonesia (Persero) Tbk. Green Bond Framework Second Party Opinion", (2022): https://www.bni.co.id/en-us/company/bni-esg
[3] The Framework defines ten categories of green use of proceeds. The Bank has allocated proceeds from the current issuances to five green categories.

	- geothermal (with direct emission to be less than 100gCO_2 per kWh • Research and development of products or technology ("R&D") for renewable energy generation, include turbines and solar panels.	
Energy Efficiency	• 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.	• Estimated annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy) • Estimated annual GHG emissions reduced/avoided in tons of CO_2 equivalent
Waste to energy and waste management	• Improving waste management to apply to assets and projects relating to the following aspects of the treatment of municipal solid waste: - Collection (including collection infrastructure and vehicles). Collection vehicles will meet the following criteria: 1)Light commercial vehicles either electric or hybrid with direct emissions below 75 gCO_2e/km; 2)Commercial heavy trucks with zero direct emissions or direct emissions below 25 gCO_2/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.	• Estimated tons of waste diverted or recycled • Number of new facilities, systems and equipment used to process recyclable waste
Sustainable Natural	• Sustainable management of natural resources which substantially avoids or reduces carbon loss/increases carbon	• Estimated number of hectares protected and/or certified

Resources and Land Use	sequestration (through planting of new forest areas and/or replanting of degraded areas, the use of drought/flood/temperature resistant species). • 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.	• Estimated number of trees planted in reforestation projects certified to FSC/PEFC
Terrestrial and aquatic biodiversity conservation	• Habitat and biodiversity conservation through sustainable management of: - 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	• Estimated number of nautical miles protected and certified • Estimated number of hectares purchased/protected and certified
Sustainable transportation	• Infrastructure of sustainable/eco-friendly vehicles as follows: - Zero-direct emissions vehicles (electric, battery, hydrogen, and fuel cell vehicles, etc.) - Hybrid passenger and light commercial vehicles below 75 gCO_2e/km, - Buses below 50 gCO_2e/pkm, - Commercial heavy trucks below 25 gCO_2/tkm, - Passenger rail below 50 gCO_2/pkm, - Freight rail below 25 gCO_2/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	• Estimated annual GHG emissions reduced/avoided in tons of CO_2 equivalent • Number of clean vehicles deployed • Estimated kilometres of new or improved train lines/dedicated bus, BRT, LRT corridors, bicycle lanes
Sustainable water and wastewater management	• 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	• 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
Climate Change Adaptation	• R&D or production of infrastructure which are more resilient to impacts of climate	• Number of new facilities, systems and equipment used

	change, such as climate observation and early warning systems • Financing of climate resiliency projects, such as drainage systems, flood prevention, flood defenses or stormwater management such as wetlands, retention berms, reservoirs, lagoons, sluice gates, drainage systems, tunnels and channels, protection from heat-stress.	in order to support climate resiliency
Green Buildings	• 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: - Appropriate site development - Energy efficiency and conservation - Water conservation - Material & resources cycle - Air quality & leisure air (water indoor health & comfort) - Building & environment management	• 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
Sustainable Agriculture	• 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.	• Number of hectares of farmland converted to sustainable agriculture practices or number new sustainable agriculture certifications

Issuer's Responsibility

BNI is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from BNI's green bond. The work undertaken as part of this engagement included collection of documentation from BNI and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by BNI. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by BNI.

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 of the review.

Conclusion

Based on the limited assurance procedures conducted,[4] apart from the exception noted in Table 2 below, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. BNI has disclosed to Sustainalytics that as of December 2022, of the total IDR 5 trillion raised from 2022 Green Bonds, 77.06% of the proceeds were allocated to refinancing eligible projects as aligned with the Framework while the remaining 22.94% of the proceeds have been invested in activities beyond the scope of the Framework.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2022 Green Bonds from June 2022 to May 2023 to determine if projects aligned with the Use of Proceeds criteria outlined in the Framework and above in Table 1.	An exception has been identified for 22.94% of the proceeds as they are not aligned with eligible categories under the Framework criteria. BNI has committed to reallocate these proceeds to eligible projects by second half of 2023.	An exception has been identified under the allocation of proceeds
Reporting Criteria	Verification of the projects funded with proceeds from the 2022 Green Bonds from June 2022 to May 2023 to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of impact indicators reported please refer to Appendix 2.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

[4] Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Allocation Reported by Eligibility Criteria

In June 2022, BNI issued green bonds with a total principal of IDR 5 trillion (USD 33 million). The debt securities were divided into 2 series, i.e. A series, with a total principal value of IDR 4 trillion (USD 26 million) and B Series with a total principal value of IDR 1 trillion (USD 6 million).

As of December 2022, the total amount allocated to Nominated Projects was IDR 3,853 billion (USD 25 million) all of which was used towards refinancing projects under Renewable Energy, Sustainable Transportation ,Green Buildings, Waste to Energy and Waste Management and Sustainable Natural Resources and Land Use. The table below provides a detailed break-up of the allocation of net proceeds category-wise.

Use of Proceeds Category	**Amount Allocation (IDR billion)**
Renewable Energy	433
Sustainable Transportation	2,380
Green Buildings	398
Waste to Energy and Waste Management	588
Sustainable Natural Resources and Land Use	54
Total proceeds allocated	3,853

Appendix 2: Impact Reported by Eligibility Criteria[5]

Use of Proceeds Category	**Green Projects**	**Impact**
Renewable Energy	Solar Power Plants[6] (SPP)	• Avoided GHG Emissions per year(tCO_2eq/year) = 3,037.99 • Energy Produced per year (MWH) = 3,106.2
	Mini Hydro Power Plant[7] (MHPP)	• Avoided GHG Emissions per year(tCO_2eq/year) = 26,686 • Energy Produced per year (MWH) = 25,415
	Biogas Power Plants[8] (BPP)	• Avoided GHG Emissions per year(tCO_2eq/year) = 24,863 • Energy Produced per year (MWH) = 25,834
Sustainable Transportation	Jabodebek Light Rail Transit (LRT) project	• Avoided GHG Emissions per year(tCO_2eq/year) =109,823 • Energy saving per year (GJ) = 1,568,897
Green Buildings	Commercial building	• Certification Level Achieved = Gold • Avoided GHG Emission per year (tCO_2eq/year) = 69,339

[5] Fore more information on projects funded by the 2022 Green Bonds and reported impact is available in the BNI Green Bond Report 2023 available on BNI's website on the ESG page at: https://www.bni.co.id/en-us/company/bni-esg
[6] The Solar Power Plant projects are located in the Jakarta (1 solar power plant), Karawang (3 solar power plants), Pulau Geranting, Pulau Akar, Pulau Jaga, Pulau Nuja, Pulang Panjang and Pulang Sebung in Kepulauan Riau areas and the plants have a capacity of 1.60 MW, 1.55 MW, 0.288 MW and 0.6048 MW and 0.54 MW
[7] BNI has confirmed that the MHPP operate according to river flow.
[8] BNI has confirmed that the biogas power plants use RSPO certified palm oil waste.

Waste to Energy and Waste Management	Projects for processing waste which includes plastic waste[9], aluminum waste, paper waste, metal waste, garden waste and organic waste	• Amount of waste recycled (Ton/year) = 150,410
Sustainable Natural Resources and Land Use	Forest concession projects[10]	• Number of hectares protected and/certified (Ha) = 314,387

Disclaimer

[9] BNI has confirmed that plastic processing does not involve chemical processing of plastic.
[10] BNI has communicated that the forest concession projects have reforestation with FSC-certified sustainable management plans that protects and maintains tree species that able to capture and store carbon dioxide and also well-adapted in locations.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

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