Indonesia Infrastructure Finance

Type of Engagement: Annual Review
Date: February 01, 2022
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Introduction

In January 2021, Indonesia Infrastructure Finance (IIF or the "Issuer") issued a sustainability bond aimed at financing and refinancing projects related to Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Clean Transportation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Green Buildings, Affordable Basic Infrastructure, Access to Essential Services, Affordable Housing, and Food Security and Sustainable Food Systems. In December 2020, Sustainalytics provided a Second-Party Opinion[1] on the Framework. In December 2021, IIF engaged Sustainalytics to review the projects funded through issued Sustainability Bond and to provide assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the IIF Sustainable Financing Framework[2] (the "Framework").

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded as of 31 December 2021 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the IIF Sustainable Financing Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	Investments and expenditure in generation and transmission infrastructure for renewable energy sources, including offshore and onshore wind, solar, tidal, hydropower [3](below 25MW), biomass[4]/biofuels[5] (below 100g CO_2/kWh and excluding feedstock competing with food production), and geothermal (below 100g CO_2/kWh). Research and development of products or technology for renewable energy generation, including wind turbines and solar panels.	• Annual GHG emissions reduced/avoided • Annual renewable energy generated

[1] Sustainalytics, "Second-Party Opinion Indonesia Infrastructure Framework", at: https://iif.co.id/wp-content/uploads/2021/01/IIF-Sustainable-Financing-Framework-Second-Party-Opinion-Final_Updated-1.pdf
[2] IIF, "Indonesia Infrastructure Sustainable Financing Framework", at: https://iif.co.id/wp-content/uploads/2021/01/PT-Indonesia-Infrastructure-Finance-Sustainable-Financing-Framework-.pdf
[3] All new hydropower projects will be subject to IIF's Social and Environmental (S&E) Management System, S&E Policy, and S&E Safeguard Framework.
[4] In the case that empty fruit bunch from palm oil mill is used for biomass generation, the source shall have to be from operations certified by the Roundtable on Sustainable Palm Oil.
[5] Production of biofuel feedstock shall not take place on land with high biodiversity, and land with a high amount of carbon shall not be converted for biofuel feedstock production.

Energy Efficiency	Investments and expenditure for energy efficiency improvements of infrastructure that result in an energy consumption of at least 10% below the average national energy consumption of an equivalent infrastructure. Research and development of products or technology and their implementation that reduces the energy consumption of underlying asset, technology, product or system; including LED lights, improved chillers, improved lighting technology, district cooling and heating[6], smart grids, and heat recovery.	• Annual energy savings • Annual GHG emissions reduced/avoided
Pollution Prevention & Control	Investments and expenditure for projects dedicated to reduce land pollution and waste generation, including waste prevention, waste collection and management, product recycling and re-use, waste to energy activity with materials recovery and recycling prior to incineration, and soil remediation. Investments and expenditure for projects dedicated to reduce air pollution, including reducing emissions through methane gas capture for energy generation[7], and greenhouse gas ("GHG") control.	• Annual amount of waste reduced, avoided, reused, or recycled • Annual amount of air pollution reduced or captured
Clean Transportation	Investments and expenditures in clean transportation systems and related infrastructure that reduce GHG emissions, such as developing electricity transportation, hybrid vehicle[8], light rail transit, mass rapid transit[9], and infrastructure to promote cycling and walkability.	• Annual GHG emissions reduced/avoided • Annual air pollution reduced/avoided
Sustainable Water and Wastewater Management	Investments and expenditures in projects and infrastructure dedicated to reduce water consumption, sustainably manage water resources, and reduce water pollution, including developing and improving water supply and management infrastructure, urban drainage, and other flood control activities.	• Annual amount of fresh water conserved • Annual amount of water pollution avoided
Climate Change Adaptation	Investments and expenditures in projects and infrastructure that would reduce risk exposure and/or severity of impacts of physical climate hazards, such as flood early warning system, drought management projects, infrastructure for disaster resilience, and transportation network upgrade to higher climate resilient design standards.	• Estimated number of lives saved • Estimated savings to assets
Green Buildings	Investments in internationally, regionally, and nationally certified green buildings, including new construction or renovation of existing buildings	• Total floor area of buildings achieving green certification

[6] For distribution, it shall be primarily powered by renewables and/or waste heat. For heat/cool generation, it shall be from renewables and/or industrial waste heat.
[7] Applicable for closed/decommissioned landfills with high gas capture efficiency.
[8] Hybrid vehicles shall adhere to direct emission threshold of <75gCO2/p-km (passenger vehicles).
[9] Light rail and mass rapid transit shall adhere to direct emissions threshold of <75gCO2/p-km (passenger trains) or <25gCO2/t-km (freight trains).

	(including public service, commercial, residential and recreational), such as but not limited to: • Indonesia EDGE[10] Certified or above • Any other green building certification that is equivalent of the above standard Investments and expenditures in buildings that are or are expected to be within the top 15% best-performing buildings regionally based on absolute GHG emissions or primary energy demand.	
Affordable Basic Infrastructure	Investments and expenditure in infrastructure to provide clean drinking water for general public. Infrastructure includes raw water intake facilities, transmission network, distribution network, and drinking water refinery plan. Investments and expenditure in infrastructure to provide sewer and sanitation facilities for general public. Investments and expenditure in inter-province roads, providing access to mobility for general public in areas that lack connectivity.	• Number of new household water/sanitation connections • Number of people with access to connectivity
Access to Essential Services	Investments and expenditure to provide access to affordable education to general public, including schools and education facilities. Investments and expenditure to provide affordable healthcare access to general public and underserved populations, including hospitals, healthcare centers, and clinics. Investments and expenditure to provide telecommunications such as broadband services for rural communities. IIF is encouraged to report on the rural communities that are served and the benefits achieved through such financing.	• Number of students reached (education) • Number of patients reached (healthcare) • Number of people with access to telecommunications
Affordable Housing	Investments in affordable social housing for low-income persons as defined by national legislation.	• Number of dwellings provided
Food Security and Sustainable Food Systems	Investments in food warehousing to improve access to safe and sufficient food for local populations.	• Number of people served • Share of target population with adequate food supply

Issuing Entity's Responsibility

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

[10] The EDGE (Excellence in Design for Greater Efficiencies) certification is developed by the World Bank Group. The Green Building Council Indonesia is the exclusive provider of EDGE certification in Indonesia.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of IIF's Sustainability Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from IIF employees and review of documentation to confirm the conformance with the Indonesia Infrastructure Finance Sustainable Financing Framework.

Sustainalytics has relied on the information and the facts presented by IIF 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 IIF.

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 review.

Conclusion

Based on the limited assurance procedures conducted,[11] nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of IIF's Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Indonesia Infrastructure Finance Sustainable Financing Framework. IIF has disclosed to Sustainalytics that the proceeds of the sustainability bond were fully allocated as of December 31, 2021.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the sustainability bond as of 31 December 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Indonesia Infrastructure Finance Sustainable Financing Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the sustainability bond as of 31 December 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Indonesia Infrastructure Finance Sustainable Financing Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

[11] Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Table 1: Allocation of Proceeds by Eligibility Criteria

Use of Proceeds Category	Technology	Financing or Refinancing	Allocation amount (Million USD)
Renewable Energy	Onshore Wind Energy	Refinance	46.79
	Mini Hydro Power Plant- North Sulawesi[12]	Finance	7.30
	Mini Hydro Power Plant- Central Sulawesi[13]	Finance	13.63
Green Buildings	Hyperscale data centre (building and related infrastructure only) which is certified as a commercial green building in line with the Framework criteria on green building	Finance	31.29
Sustainable Water and Wastewater Management **Access to Essential Services**	Drinking Water Infrastructure	Refinance	14.72
	Water Treatment Plant	Refinance	6.55
	Drinking Water Supply System	Finance	12.35
Access to Essential Services	Increasing capacity of public hospital beds- Bekasi	Finance	3.85
	Increasing capacity of public hospital beds- Tangerang	Finance	3.19
	Construction of 4G BTS Towers[14]	Finance	10.34
Total Allocated			**150.0**
Total Funds Raised			**150.0**
Total Unallocated			**0**

[12] Environmental Impact Assessment which includes Environment and Social Due Diligence of the project were conducted before construction began and no significant risk or negative impact were found due to the project implementation.
[13] Environmental Impact Assessment which includes Environment and Social Due Diligence of the project were conducted before construction began and no significant risk or negative impact were found due to the project implementation.
[14] In line with the suggestions mentioned in the SPO provided by Sustainalytics (dated 09 December 2020) to the Indonesia Infrastructure Finance Sustainable Financing Framework, IIF has clarified that the financed telecom towers were located in disadvantaged and remote regions of Indonesia. The financing aimed to enhance telecom and education access to children in the regions impacted by Covid 19 restrictions.

Table 2: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Project Name	Project Phase	Environmental Impact Reported by Eligibility Criteria
Renewable Energy	Sidrap 70 MW Wind Power Plant Project	Operational	• Renewable energy produced from wind power plant is reported as 200.7 GWh annually. • Annual GHG emissions avoided is reported as 190,724 tCO_2eq.
	2 × 1.75 MW Mini Hydro Power Plant in North Sulawesi	Pre-Construction	• The project is in pre-construction phase and is expected to produce 20.9 GWh of energy annually. • Expected annual GHG emissions avoided is 16,331 tCO_2eq.
	2 × 5 MW Mini Hydro Power Plant in Central Sulawesi	Under Construction	• The project is in construction phase and is expected to produce 65.1 GWh of energy annually. • Expected annual GHG emissions avoided is 1,303 tCO_2eq.
Green Buildings	Tier -3 Data Center Phase Project	Under Construction	• The hyperscale data center is expected to earn Gold LEED Certification for 10,000 m^2 floor area.
Sustainable Water and Wastewater Management **Affordable Basic Infrastructure**	Gresik Drinking Water Infrastructure	Under Construction	• 90,000 households are expected to have access to drinking water. • An expected target for reducing Non-Revenue Water (NRW)loss to 5%.
	East Serang Water Treatment Plant	Operational	• Approximately 8000 households achieved access to drinking water. • NRW water loss reduction reported up to 65% for 2021. • Estimated amount of groundwater conserved per month is 230 Liters.
	Pekanbaru Drinking Water Supply System	Under Construction (Rehabilitation and Expansion)	• 61,000 households are expected to have access to drinking water. • NRW water loss reductions target is set at 57%.
Access to Essential Services	The Expansion of type C Public Hospital in Bekasi	Operational	In 2021, 7,571 patients benefitted due to increase in number of beds in the hospital.
	The Expansion of type C Public Hospital in Tangerang	Under Construction (Rehabilitation and Expansion)	• Approximately 23 thousand patients served.[15]
	The Development of 4G BTS in West Papua and Central-West Papua	Under Construction	• Approximately 258 thousand beneficiaries have benefitted from increased access to telecommunication services[16].

[15] The hospital projects being financed consists of 3 buildings, 1 is operating, 1 is being rehabilitate/renovate, and 1 new building is under construction. The numbers of patients served are from the building which is currently operating.
[16] The project has built tower at 958 sites which benefitted 258 thousand people and expected to benefit more when all 1,795-site tower construction have been completed.

Disclaimer

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