



## A. Disclaimer

This document is prepared in accordance with the company's business strategy and the growing importance of addressing climate, environmental, and social risks in the financial sector and promoting sustainable finance initiatives. Our strategy aims to integrate environmental and social considerations into our business decision-making processes, enhance risk assessment and management practices, and support sustainable and low-carbon investments. This policy outlines our commitment that aligning with national standards and will evolve over time by considering applicable laws and regulations, best practices, and stakeholder's input.

## B. Due Diligence Process

Bank Mandiri applies the precautionary principle in the credit approval mechanism, which considers ESG Risk, ESG due diligence to loan monitoring throughout the entire loan approval process, including:

### 1. Pre-Screen

Business Unit selecting targeted customers by:

- Carrying out Due Diligence to prospective debtors through Name Clearance (Know Your Customer (KYC), Anti Money Laundering (AML), and Counter Financing of Terrorism (CFT)).
- Meeting the criteria of a prospective industry (well-known and is not included in Bank Mandiri's exclusion list).
- In accordance with the Industry Acceptance Criteria (IAC) which has considered ESG aspects.

### 2. Loan Analysis

Business and Risk Unit carry out credit analysis by reviewing various aspects:

- Qualitative Aspects: Industry and market outlook, corporate management quality.
- Legality and compliance documents (Environmental Impact Analysis (AMDAL)/ Environmental Management Efforts and Monitoring Efforts (UKL-UPL), PROPER Assessment Results, Occupational Health and Safety (OHS), and other environmental regulations), business prospects, and marketing strategies.
- Quantitative aspects, such as financial performance.

### **3. Legal and Compliance Review**

Legal Unit carry out legal opinion related to legal aspects and Compliance Unit conduct compliance review based on internal and external regulations, including on ESG aspects.

### **4. Loan Approval**

The approval process is authorized by the Credit Committee from Business and Risk Management Unit.

### **5. Loan Documentation**

Credit Operation Unit carry out monitoring and review of credit requirements (including the ESG aspects).

### **6. Loan Monitoring**

Business and Risk Unit carry out monitoring of credit quality through:

- Periodically monitors the fulfillment of the ESG aspects requirements, for debtors who have not been able to meet these minimum requirements, there will be a periodic monitoring mechanism, action plans, and timeline required to fulfill such ESG aspects requirements.
- In addition, Bank Mandiri also has an ALERT (Watchlist) system. ALERT is an early warning system implemented as a step to identify risks that may affect debtors' credit quality, therefore preventive action can be taken immediately to prevent a decline in credit quality. Several parameters are used to evaluate the debtors' credit quality, including financial performance, industry outlook, and fulfillment of ESG aspects requirements.
- Bank Mandiri also conducts an Annual Review as a form of check and balance. Reviews are carried out on compliance with the latest internal credit policy requirements, including ESG aspects requirements. This process is conducted by Business Unit and Risk Unit.
- This process is conducted by Bank Mandiri identifies ESG risks by involving credit risk groups in the due-diligence process which is reflected when the Bank assesses Coal Sector Financing to ensure compliance with policies and procedures. Thus, prospective debtors will offer a positive contribution to the ESG aspects.

## **C. Sustainable Credit Policy Related to Coal Sector**

### **1. Activities Covered**

Financing for the coal sector is limited to the exploitation/operation production stage (not for the exploration stage), which includes the activities below:

- Coal And Lignite Mining
- Coal Products Industry
- Coal Briquetting Industry

### **2. Acceptance Criteria**

We require our prospective debtors to meet the following criteria:

- Fulfilling Environmental Impact Analysis (AMDAL) or Environmental Management Efforts and Monitoring Efforts (UKL-UPL) in accordance with applicable laws and regulations (including reclamation and post-mining assurance).
- PROPER Assessment Results (Company Performance Rating Assessment Program in Environmental Management) minimum green.
- Having Occupational Health and Safety (OHS) Management Plan covering risks, mitigation, and monitoring process such as OHSAS 18001 or other similar documents acceptable to the Bank.
- Aligning with the government's coal phase-out regulations (for coal-fired power plant suppliers).

### **3. Prohibited Transactions**

Consistent with the Bank's Credit Policy and Standard Credit Procedures level, Bank Mandiri will not knowingly finance activities or projects including but not limited to:

- Financing projects that endanger the environment.
- Violating or not in accordance with applicable legal provisions.
- Seriously endanger the environment and/or protected areas (such as UNESCO World Heritage Sites).
- Other activities prohibited by laws and regulations.

### **D. Closing**

For further information regarding Credit Policy Related to Coal Sector

Please contact us at:

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