



PALM OIL & CPO SECTOR

SUSTAINABLE CREDIT POLICY

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 and Compliance Unit carry out legal opinion related to legal aspects and 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

Carry out monitoring and review of credit requirements (including the ESG aspects) which is conducted by Credit Operation.

6. Loan Monitoring

Carry out monitoring of credit quality through:

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 Palm Oil Plantation & CPO 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 Palm Oil Plantation & CPO Sector

1. Activities Covered

- Palm Oil Plantation
- Palm Kernel Trade
- Oil-Bearing Fruit Wholesale Trade
- Industry of Crude Palm Oil and Palm Cooking Oil
- Manufacture of Crude Oils

2. Acceptance Criteria on Palm Oil & CPO Sector

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.
- PROPER Assessment Results (Company Performance Rating Assessment Program in Environmental Management) minimum blue.
- Having Environmental Management Certification and Occupational Health and Safety (OHS) Management Certification or other similar documents acceptable to the Bank.
- Having clear environmental and labor policies code of conduct.
- Having ISPO (Indonesia Sustainable Palm Oil) certification or at least proof of ISPO registration from the ISPO Certification Institute.
- Having clear code of conduct of preventing and handling of land fires, standardized fire management equipment according to land criteria, a fire monitoring tower and trained firefighters that are certified by Directorate General of Plantation.
- Having internal policies related to Zero-Deforestation, No Exploitation (NDPE) which include land clearing, preservation of High Conservation Value (NKT) areas, and Peatland.
- Plantation companies with a land area of 250 hectares or more are required to facilitate the development of community land area about minimum of 20% from outside the Cultivation Plantation Business License (IUP-B) or Plantation Business License (IUP) area or as stated in the location permit.
- For peatlands, no new facilities are allowed to be provided for development for both new and existing debtors.
- For developing new plantations, Bank Mandiri does not provide financing to new industry player in the Palm Oil Plantation and CPO Sector.
- If the (prospective) debtor has a palm oil mill, then there is a Waste Treatment Plant (IPL) with related studies of the availability of IPL which operate, and the water quality standard parameters are within the specified limits determined.
- For go-public companies, having a Sustainable Financial Action Plan and Sustainability Report.

3. Prohibited Transactions

Consistent with Bank's Credit Policy and Standard Credit Procedures level, Bank Mandiri will not knowingly finance activities or project 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 sectors prohibited by laws and regulations.

D. Closing

For further information regarding Credit Policy Related to Palm Oil Plantation & CPO Sector
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