

# 03

## Sustainable **Banking**

Bank Mandiri plays an active role in promoting sustainable economic growth by developing financial solutions for customers in transitioning towards a low-carbon economy and implementing responsible financing practices.

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# Sustainable Banking

Sustainable development requires significant resources and the involvement of all economic actors. The Indonesian Ministry of Finance stated that Indonesia requires approximately Rp3,461 trillion in funding to address climate change by 2030. Additionally, to achieve the Sustainable Development Goals (SDG), the Ministry of National Development Planning Agency (Bappenas) estimates a funding allocation of Rp67 thousand trillion, with a shortfall of about Rp14 thousand trillion (SDG Annual Conference 2021). Considering this requirement, the government, industry players, and banks are expected to play a crucial role in involvement and contribution, recognizing that not all funding needs can be fulfilled solely by the government.

In accordance with this, as Indonesia's largest bank, Bank Mandiri is committed to implementing sustainable finance, offering comprehensive support for sustainable economic growth through the alignment of the three aspects of the economy, society, and the environment. This commitment is actualized through the pillar of Sustainable Banking.

## SUSTAINABLE FINANCING

Green Portfolio

**Rp129.2 trillion**



Sustainable Portfolio

**Rp264.1 trillion**



Social Portfolio

**Rp134.9 trillion**

## SUSTAINABLE PRODUCTS

### WHOLESALE

Green Loan

**Rp3.5 trillion**

Sustainability Linked Loan

**Rp2.1 trillion**

Corporate-in-Transition Financing

**Rp736 billion**

### RETAIL

Financing

Electric Vehicle Loan  
**Rp393 billion**

Solar Panel Loan  
**Rp0.61 billion**



Investment

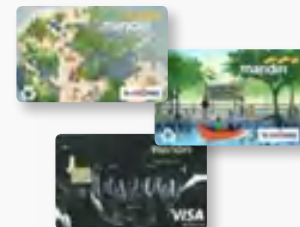
Green Bond  
**Rp180 billion**

Green Sukuk  
**Rp3.407 billion**

ESG Mutual Fund  
**Rp17 billion**



Sustainable Card



## SUSTAINABLE FUNDING

Sustainability Bond

**USD300 million**

Green Bond

**Rp5 trillion**

ESG Repo

**USD500 million**

To fulfill our commitment to supporting financing for activities that contribute to the achievement of sustainable development goals (SDGs) and address climate challenges, Bank Mandiri is implementing a sustainable financial strategy in accordance with the government's directive outlined in POJK-51/2017. Since 2019, Bank Mandiri has been consistently developing sustainable financial products and services that suit the businesses and public. Our aim is to enable economic activities that prioritize the balance of financial, economic, and social benefits.

The credit disbursed by Bank Mandiri not only finances activities with environmental protection and preservation characteristics but also supports businesses in transitioning towards clean energy, thereby promoting low-carbon economic development.

Additionally, Bank Mandiri is committed to provide financial products and services for micro, small, and medium enterprises (MSMEs), integral to sustainable finance.

The strong commitment of all stakeholders to deliver positive impact has created new opportunities to access funding, particularly Environmental, Social, and Governance (ESG) based funding. Bank Mandiri has developed a framework for sustainable finance encompassing the characteristics of sustainable funding and its specific purposes in accordance with international principles. The growing investor interest in sustainable funding products enhances the Bank's capacity to extend more loans and financing for green business operations.

## Sustainable Financing



### Sustainable Portfolio

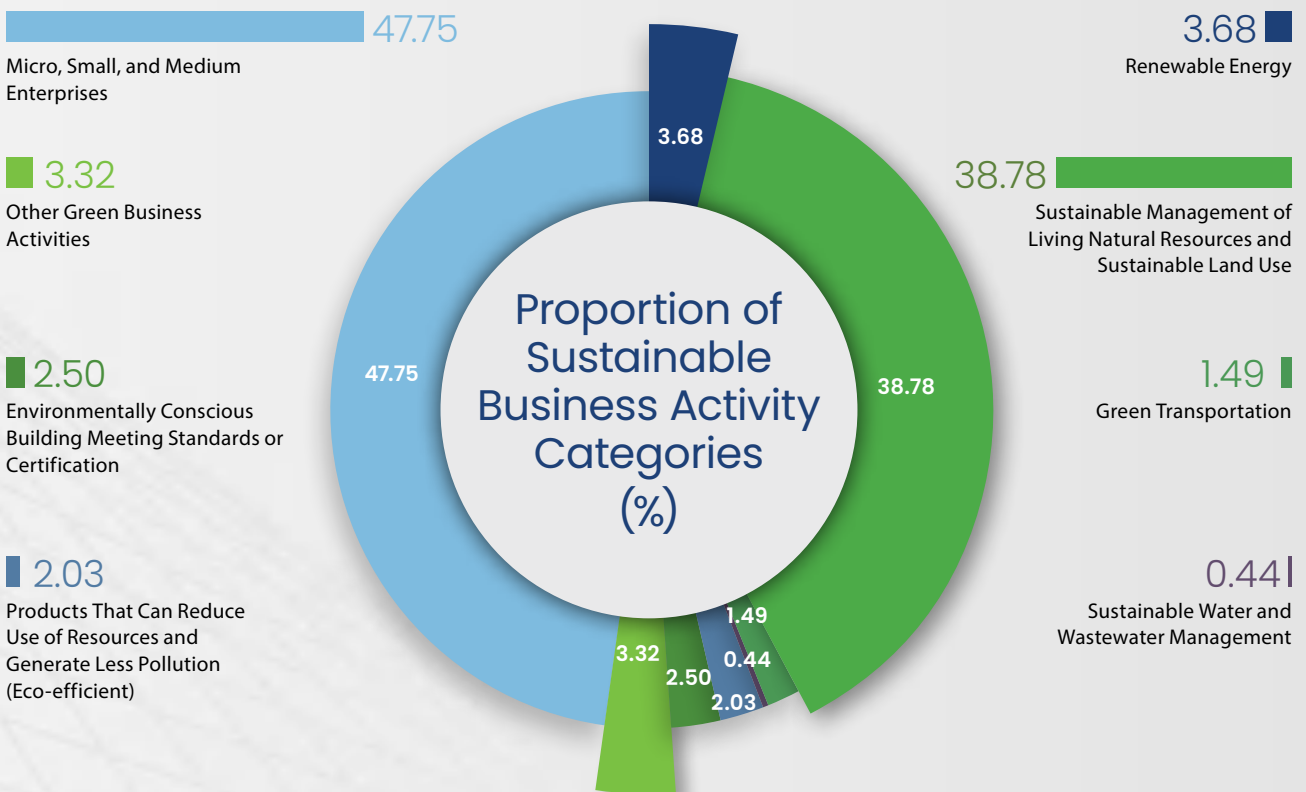
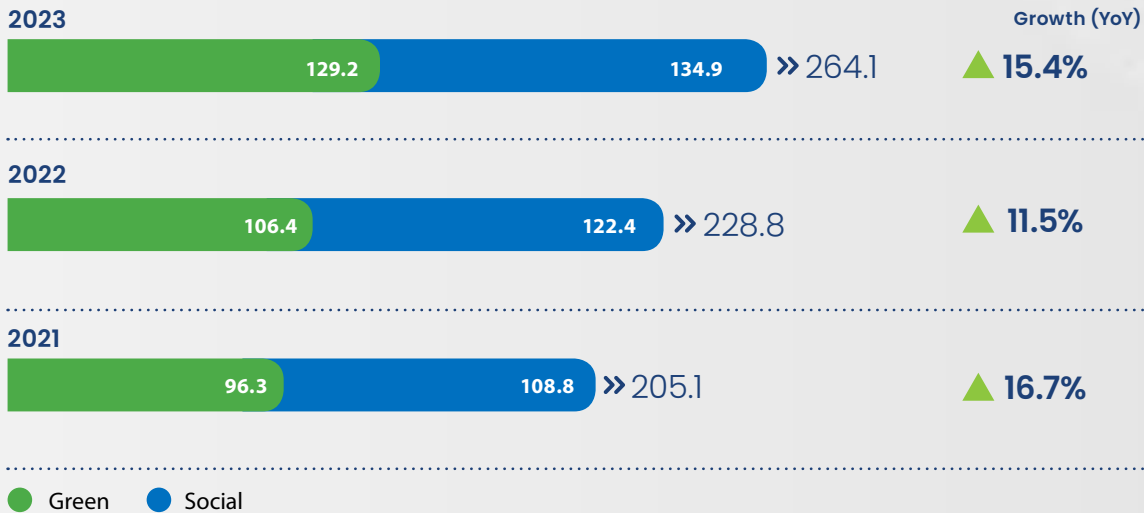
Sustainable Financing refers to loans provided by Bank Mandiri to finance businesses to businesses and individuals that promote environmental conservation and social aspects in client's operation, while fostering economic growth. The types of business activities outlined in POJK 51/2017 are the central focus of sustainable portfolio development (Sustainable Business Activity Categories/KKUB), encompassing both the green portfolio (Environmentally Friendly Business Activities/KUBL) and

the social portfolio, including credit forms tailored for the Micro, Small, and Medium Enterprises (MSME) sector.

As of December 31, 2023, Bank Mandiri played a significant role in the advancement of sustainability related products by disbursing Rp264.1 trillion in sustainable financing, out of the total credit disbursement of Rp1,085.79 trillion, accounting for 24.3% of total loan (Bank Only). The Green portfolio increased by 15.4% compared to 2022, strengthening Bank Mandiri's position as a market leader with a share equivalent to 30%.

The dominating sectors include the category of sustainable management of natural resources and land use of Rp102.4 trillion, renewable energy of Rp9.7 trillion, eco-efficient products that can reduce resource usage and produce less pollution of Rp5.3 trillion, and clean transportation of Rp3.9 trillion.

Sustainable Business Activity Categories Portfolio (in Billion Rupiah)



## SUSTAINABLE BUSINESS ACTIVITY CATEGORIES PORTFOLIO (in Billion Rupiah)

No.	Sustainable Financing (in Accordance with POJK 51/2017)	2023	2022	2021
1	Renewable Energy	9,727	6,149	4,281
2	Energy Efficiency	-	-	-
3	Pollution Prevention and Control	-	-	-
4	Sustainable Management of Living Natural Resources and Land Use	102,413	92,956	88,537
5	Conservation of Terrestrial and Aquatic Biodiversity	-	-	-
6	Green Transportation	3,926	3,107	2,028
7	Sustainable Water and Wastewater Management	1,171	867	1,214
8	Climate Change Adaptation	-	-	-
9	Products that Can Reduce Resource Use and Generate Less Pollution (Eco-Efficient)	5,354	3,307	-
10	Green Buildings that Meet Standards/Certifications	6,612	16	205
11	Other Green Business Activities	8,776	5,067	5,255
12	Micro, Small, and Medium Enterprises	126,101	117,295	103,547
	<b>Total Sustainable Financing</b>	<b>264,080</b>	<b>228,764</b>	<b>205,067</b>
	<b>% Share of Sustainable Financing</b>	<b>24.32%</b>	<b>24.53%</b>	<b>24.76%</b>

## Sustainable Portfolio Projects

To support Indonesia's commitment to achieving Net Zero Emission by 2060 in accordance with the targets of the Enhanced Nationally Determined Contribution (ENDC) of Indonesia, Bank Mandiri actively supports the transition to green energy by expanding its financing in the renewable energy sector. Bank Mandiri consistently increases financing for renewable energy and has recorded an annual increase of 60% of the Renewable Energy Sector amounting Rp8 trillion by December 2023. This step is in accordance with PT. PLN's long-term plan, as outlined in PLN's Electricity Procurement Plan (RUPTL) to achieve the Net Zero Emission target by 2060. The plan entails achieving a 25% contribution from renewable energy sources by 2030 and transitioning to 100% renewable energy by 2060. These endeavors are being actualized through the provision of financing for strategic projects, including:

### 1. POSO HYDRO POWER PLANT (PLTA)

This project is a combination of the existing Poso Hydroelectric Power Plant, with a capacity of 3x65 MW since 2012, and the extension phases of Poso Hydroelectric Power Plant phase 1 (4x30 MW) and phase 2 (4x50 MW). The three power plants are intended to function as Peaker Plants, collectively providing a total capacity of 515 MW. These Peaker Plants will be operational during peak load hours, from 17:00 to 22:00, and are expected to generate a Specific Available Energy of 1,669 GWh per year. The Poso Hydroelectric Power Plant accounts for roughly 10.69% of the overall New Renewable Energy (EBT) for the South Sulawesi electricity system. This eco-friendly power plant has been linked to a 275 kV transmission line to South Sulawesi Province and a 150 kV transmission line from the plant to Palu City, Central Sulawesi.





## 2. KERINCI HYDRO POWER PLANT (PLTA)

The Merangin Hydroelectric Power Plant harnesses the flow of the Merangin River, originating from the Kerinci Lake, and is designed to function as a Peaker Plant with a total capacity of 350 MW. This Peaker Plant will be in operation during peak load hours, from 18:00 to 23:00, and is expected to generate a Specific Available Energy of 1,280 GWh per year.



## 3. LAHAT MICROHYDRO POWER PLANT

The 9.9 MW Lahat Micro hydro Power Plant has been commercially operational since November 28, 2015, and the Power Purchase Agreement (PPA) is set to remain in effect until November 27, 2035. According to the feasibility study conducted during the construction of the microhydro power plant, it harnesses the flow of the Endikat River, which has a drainage area of 284.32 km<sup>2</sup>, a river length of 41 km, and an average annual rainfall of 222.17 mm. The average water discharge is 13,217 m<sup>3</sup>/s with a net head of 89.21 m. Based on these calculations, the installed capacity is 10 MW.



Furthermore, to expedite the energy transition, it is crucial not only to utilize clean energy sources but also to implement eco-friendly technologies, such as electric vehicles. An integral aspect of effecting this change is engaging the entire supply chain and infrastructure that facilitates the adoption and operation of electric vehicles. Bank Mandiri recognizes the pivotal role of the electric vehicle ecosystem in attaining this objective and, as a means of support, actively offers financing for the development of electric vehicle infrastructure. This initiative not only contributes to creating a cleaner and more sustainable environment but also accelerates the growth of the electric vehicle sector. The provision of strategic projects includes:

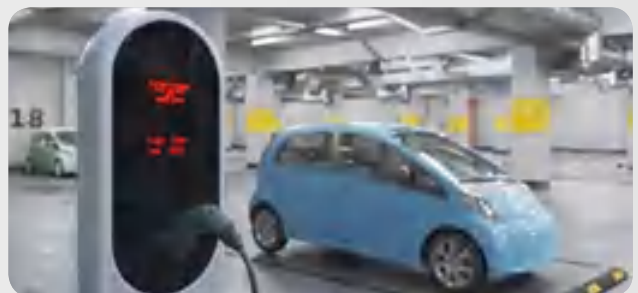
## 1. GREATER JAKARTA LIGHT RAIL TRANSIT (LRT)

As the largest creditor among the 12 participating banks, we extended syndicated loans to KAI to fund its LRT project in 2017. The Greater Jakarta LRT, currently under construction, stands as one of the initial rapid transit systems in Indonesia that integrates the capital Jakarta with its surrounding areas, encompassing Depok, Bogor, and Bekasi.



## 2. ELECTRIC VEHICLE COMPONENT

In Hong Kong, Bank Mandiri served as the Mandated Lead Arranger for a USD 300 million Green Loan syndication for clients engaged in the research, development, processing, production, and sale of lithium battery cathode precursor materials and new energy recycling materials in the new materials and energy sector. Our clients are partners and suppliers of numerous Fortune Global 500 companies.



Bank Mandiri is not only driving the growth of Green Portfolio in the Wholesale segment but also in the Retail segment through the introduction of Micro General-Purpose Credit (KSM) products and specialized Credit Cards for the purchase of Rooftop Solar Power Systems and the distribution of Battery-Based Electric Motor Vehicles in collaboration with Subsidiary Companies.

The distribution of credit for battery-based electric motor vehicles (KBLBB) in collaboration with subsidiary companies reached Rp393 billion. This aligns with the rising interest in electric vehicles and the growing public awareness of clean energy. In addition to extending credit for electric vehicle ownership, Bank Mandiri fully supports the development of the electric vehicle ecosystem from upstream to downstream by engaging various key sectors, particularly the automotive, energy, mining, and consumer banking groups, which cater to end consumers. Furthermore, Bank Mandiri partners with

subsidiaries such as Mandiri Tunas Finance (MTF) and Mandiri Utama Finance (MUF), both of which have collaborated with Nissan, Hyundai, Tesla, and all authorized electric vehicle manufacturers.

The financing for the electric vehicle ecosystem promotes the development of low-carbon mobility and fosters local manufacturing capabilities for electric vehicles and their supporting facilities. Additionally, Bank Mandiri has distributed a Rooftop Solar Power System credit card program in collaboration with several brands, reaching Rp0.61 billion.

In 2023, during the Mandiri ESG Festival, Bank Mandiri achieved a significant milestone by becoming the first national bank to introduce eco-friendly prepaid, debit, and credit cards made from recycled PVC, demonstrating its commitment to reducing Greenhouse Gas Emissions.

## Sustainable Management of Living Natural Resources and Land Use

As one of the largest Palm Oil lenders in Indonesia, Bank Mandiri is committed to managing environmental and social risks within the Palm Oil sector by ensuring the implementation of sustainable agricultural practices. In our environmental initiatives, Bank Mandiri is dedicated to leading

the way toward just sustainability in one of our priority sectors, palm oil, for a better tomorrow. This commitment is evident in how we encourage our palm oil debtors to obtain ISPO/RSPO certifications, as illustrated in the table below:

Number of ISPO and/or RSPO certified debtors (in number of debtors)	2023		2022	
	Certified	On progress	Certified	On progress
Corporate	66	11	68	11
Commercial	241	60	189	52
Wholesale	307	71	257	63

Loan outstanding of ISPO and/or RSPO certified (In Million Rupiah)	2023		2022	
	Certified	On progress	Certified	On progress
Corporate	48,141	8,820	47,869	2,733
Commercial	49,168	4,461	41,878	4,916
Wholesale	97,309	13,281	89,747	7,649

Bank Mandiri is aware of the ongoing risks associated with the palm oil sector. Through due diligence and appropriate

clients' management, Bank Mandiri will endeavor to manage and reduce these risks.



## Micro, Small and Medium Enterprise (MSMEs) Loan

Micro, Small, and Medium Enterprises (MSMEs) are vital contributors to the Indonesian economy, representing the largest share of businesses and employers of direct labor. As the backbone of the economy, the government is actively promoting innovation among MSMEs to enable them to elevate their status and play a more significant role in enhancing the local economy.

Bank Mandiri's provision of access and capital to MSMEs has resulted in the development of a portfolio with a positive social impact, contributing to improved living standards, increased job opportunities, and poverty alleviation. With 1.2 million MSME debtors benefiting from SME loans totaling Rp126.1 trillion, representing a 7.5% increase from the previous year, Bank Mandiri's support has significantly impacted the MSME sector. This accomplishment is complemented by a non-performing loan (NPL) ratio in the MSME segment, sustained at 1.34%. The MSME loan portfolio constitutes 11.6% of the bank's total loan portfolio.

To boost the growth of the MSME sector and generate a wider social impact, Bank Mandiri has initiated a special program offering exclusive benefits to MSMEs associated with Bank Mandiri's wholesale customers or engaged in ecosystem financing. This ecosystem serves as a center for collaboration between Bank Mandiri, multinational companies, large corporations, and State-Owned Enterprises. As a result, MSMEs within this ecosystem can benefit from more competitive interest rates in contrast to the standard Micro Business Credit Interest Rate (KUM) program. This initiative not only promotes economic growth but also contributes positively to society by empowering MSMEs and fostering job creation.

MSME credit is provided in the form of Working Capital Credit and Investment Credit. Bank Mandiri also offers Micro Business Credit (KUM) and participates in government programs by providing People's Business Credit (KUR) in the micro banking segment.

### Financing for Micro, Small, and Medium Enterprises Segment (in billion Rupiah)

No	Sector	2023	2022
1	Palm Oil Plantation and CPO	21,651	19,278
2	Retail Trade of Food, Beverages, and Tobacco	16,881	16,772
3	Hotels, Restaurants, and Accommodation	9,971	9,380
4	Retail Trade of Household Equipment	8,630	8,411
5	Agriculture	5,722	5,491
6	Non-Financial Services	5,208	5,343
7	Social Services and Institutions	4,911	4,374
8	Land Transportation Services	3,846	3,348
9	Livestock and Animal Feed	3,756	3,510
10	Retail Trade of Textiles and Textile Products	3,364	3,680
11	Others	41,548	37,702
<b>12</b>	<b>Total</b>	<b>125,494</b>	<b>117,295</b>

In 2023, Bank Mandiri broadened financial services access for participants in the fisheries sector by collaborating with the fisheries start-up PT Rantai Pasok Teknologi (FishLog). This collaboration enables FishLog's partners in the fisheries industry, including those who are bankable and those unreachable by conventional banking, to achieve a more substantial business scale.

Digitalization is a key concern that MSME players must tackle. According to Bank Indonesia data, the number of e-commerce transactions nearly doubled from 80 million in 2019 to 140 million in August 2022 during the pandemic. This underscores the necessity for MSME players to adapt to technology-based e-commerce transactions, as it presents significant market opportunities (Bank Indonesia, 2022).

Bank Mandiri has introduced the Livin' Merchant by Mandiri application to broaden banking funding access for micro-

productive businesses. Livin' Merchant is a cashier application, or point of sale (POS), designed to digitize payment transactions at MSME merchants, enabling them to directly receive QRIS transaction payments from various banks and e-wallets. Currently, the Livin' Merchant application is available without fees and transaction charges, and MSME players can withdraw funds up to three times a day on the same day.

Bank Mandiri's digital distribution network innovation includes the Livin' App, with a registered user base of 23 million users, Livin' Merchant with approximately 1.7 million registered merchants, the KOPRA platform utilized by over 95% of Bank Mandiri's wholesale customers, and 241 Smart Branches, representing digital transformations of conventional Bank Mandiri branch offices.

## Sustainable Financing Products

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Bank Mandiri is committed to ensuring transparency and accountability in sustainability related product development as it finalizes the preparation of the Sustainable Finance Framework (SFF). The SFF document aims to classify sustainable financing activities that meet criteria and establish exceptions for activities identified as sustainable financing (Green Loans, Sustainability Linked-Loans, and other instruments). The framework incorporates various best practices, such as those outlined by the Loan Market Association (LMA), global and

regional taxonomies (including the ongoing Sustainable Taxonomy Indonesia (TBI)), and the four core pillars of The International Capital Market Association (ICMA): Use of Proceeds, Project Evaluation and Selection, Management of Proceeds, and Reporting. Through the SFF document, Bank Mandiri promotes the adoption of sustainable business practices among its customers to address climate change and prevent greenwashing.

### Sustainability Linked Loan (SLL) & Corporate-in-Transition Financing

Bank Mandiri has taken significant steps to support Indonesia's transition to a low-carbon economy, focusing on providing a range of sustainable financial products. These efforts are designed to assist customers, especially those in carbon-intensive sectors, by offering financial solutions like Sustainability-Linked Loans, Green Loans, and Corporate-in-Transition Financing. These products aim to assist customer's decarbonization journey and transform client's businesses into more eco-friendly businesses with a lower carbon footprint.

Bank Mandiri established a special task force, the ESG Desk, to align customer needs with sustainable products and financing, as well as to develop other green financial instruments. This is outlined in assignment document number CBG.CTS/5167/2023. Bank Mandiri, through its ESG Desk, persistently seeks out business opportunities and fosters innovations in sustainable

financing that align with market trends by encouraging customers to adopt an ESG Financing Framework, including providing ESG Financing advisory services to customers in transitioning towards green business activities.

As an initial measure, Bank Mandiri has offered sustainable financing through Sustainability-Linked Loans (SLL). These are loan instruments with financial and/or structural features that can be adjusted based on the issuer's ability to meet specific sustainability/ESG objectives. Bank Mandiri has extended SLL to multiple debtors operating in high carbon-intensive sectors, including the cement industry, livestock, and agriculture.





Additionally, the bank has extended financing through Corporate-in-Transition Financing, aligning with the Climate Transition Finance (ICMA CTF) guidelines established by the

International Capital Market Association. The Corporate-in-Transition Financing is designed to assist high carbon-emitting companies in their decarbonization initiatives. This financing underscores a commitment to sustainability towards a low-carbon economy.

In the disbursement of Sustainability Linked Loans & Corporate-in-Transition Financing, the funding is based on Key Performance Indicators (KPIs) and aligns with the debtor's

ESG Framework. By utilizing KPIs, this funding not only backs sustainability-driven projects but also offers incentives for debtors to achieve their established ESG goals. This approach demonstrates a cooperative partnership between lenders and debtors in promoting sustainable practices in business activities and transition projects.

Key Performance Indicators (KPIs) for providing financing for SLL and Corporate-in-Transition Financing are as follows:

	Sustainability-linked Loan			Corporate-in-transition Financing
SECTOR				
KPI	<p><b>Palm Oil</b></p> <p>RSPO certification for palm oil plantation and factory</p>	<p><b>Cement</b></p> <p>Reduction of CO2 emissions from Scope-1</p>	<p><b>Livestock</b></p> <ul style="list-style-type: none"> <li>Maintaining the annual Somatic Cell Count</li> <li>Reduction of GHG emissions</li> </ul>	<p><b>Mining</b></p> <p>Reducing the proportion of total income from thermal coal projects</p>

Bank Mandiri continues to drive innovation in thematic financial solutions in Indonesia, enhancing sustainability-linked financial products and advisory services. The bank extended sustainability-linked loans to entities within the Semen Group Indonesia in 2022 and 2023, as well as to Dharma Satya Nusantara in 2023, and offered advice in establishing sustainability-linked frameworks within each company. These accomplishments signify innovation not only in terms of product development but also within the sector:

- The transactions in Semen Indonesia marked the inaugural use of a sustainability-linked framework in the cement industry across ASEAN.

- Dharma Satya Nusantara secured sustainability-linked financing for a palm oil company that had undergone a second-party opinion review.

Going forward, Bank Mandiri will proactively identify and pursue opportunities for companies in Indonesia in this field, aligning with the overall strategy to support Indonesia's transition to a low-carbon economy.



## Green Loan

Bank Mandiri is actively contributing to the acceleration of low-carbon economic achievement by offering banking solutions that promote green business practices for debtors. Among the services it offers is the Green Loan, tailored to finance projects and initiatives with a positive environmental impact. This funding adheres to the Green Loan Principles established by the Loan Market Association (LMA).

In 2022, Bank Mandiri demonstrated its commitment by taking substantial measures to offer a Green Loan facility for the EV Battery Component Industry in Hong Kong. Serving as Mandated Lead Arrangers, Bank Mandiri played a pivotal role in arranging the syndication of the Green Loan of USD 300 million. This facility targets the lithium battery industry, encompassing research, development, processing, production, and sales of precursor materials for cathodes. Furthermore, the funding extends to materials for recycling new energy within the framework of new materials and energy.

# Sustainable Funding

According to the World Economic Forum (WEF), green funding refers to a structured financial activity, in the form of products or services, designed to maximize environmental benefits. In Indonesia, green funding, regulated through POJK 60/2017 on the Issuance and Requirements of Green Bonds, has been adopted by Bank Mandiri as part of its sustainable financial strategies.

Green funding is essential in achieving Sustainable Development Goals (SDGs) by financing projects that benefit the environment and community. Bank Mandiri, as a driving

force in "First Movers on Sustainable Banking," has consistently conducted sustainable fundraising as a strategic initiative, while also enhancing its funding framework.

Between 2021 and 2023, Bank Mandiri raised funds through sustainable instruments such as Sustainability Bonds and Green Bonds, along with Environmental, Social, and Governance (ESG) Repurchase Agreement (Repo) transactions. These funds were utilized to boost the expansion of sustainable financing portfolios.



## Sustainability Bond

In 2021, Bank Mandiri achieved a fundraising of USD 300 million through the inaugural issuance of Sustainability Bonds. These funds were allocated to finance or refinance environmental or social projects in accordance with Bank Mandiri's Sustainability Bond Framework criteria.

Throughout the offering process, Bank Mandiri's Sustainability Bonds garnered requests exceeding USD 2.5 billion, leading to an oversubscription of 8.3 times the fundraising target. Bank Mandiri's Sustainability Bond Framework adheres to international market standards, including the Sustainability Bond Guidelines, the Green Bond Principles, and the Social Bond Principles of the International Capital Market Association (ICMA).

Additionally, it is also in accordance with the Sustainability Bond Standards, Green Bond Standards, and Social Bond Standards established by ASEAN. Bank Mandiri's Sustainability Bond Framework has obtained a second-party opinion (SPO) from Sustainalytics.

To fulfill Bank Mandiri's obligation to report on the utilization of funds and their impact on the environment and community in accordance with the Sustainability Bond Framework, the bank has regularly published a Sustainability Bond Report on an annual basis. Further information on the Sustainability Bond Report can be accessed at <https://bankmandiri.co.id/en/web/ir/sustainability-bond>.

## ESG Repo

In 2022, Bank Mandiri executed ESG Repo transactions of USD 500 million with 2 (two) counterparties. This transaction marked a significant milestone for Bank Mandiri as it represented the first ESG Repo transaction in Indonesia and one of the first in

Southeast Asia. The funds acquired from this transaction were allocated to finance or refinance ESG assets.

## Sustainability Bond & ESG Repo Framework

*The Sustainability Bond & ESG Repo Framework of Bank Mandiri aligns with the 4 (four) pillars of the Sustainability Bond Principles issued by The International Capital Market Association (ICMA 2021), consisting of:*

### 1. USE OF PROCEEDS

The use of proceeds from the issuance is in accordance with green and social eligible categories.

### 2. PROJECT EVALUATION & SELECTION

The Risk Management & Credit Policy Committee (RMPC) conducts the selection of underlying assets from the issuance through a process involving the Business Unit as the asset manager, the Sustainable Finance Working Group, and approval.

### 3. MANAGEMENT OF PROCEEDS FROM PUBLIC OFFERING

The mechanism for managing the proceeds from the issuance includes tracking, monitoring, and managing unallocated proceeds.

### 4. REPORTING\*

Bank Mandiri is required to publish an annual report consisting of:

- Proceeds allocation report: allocation of funds for assets
- Environmental impact report: environmental/social impact of assets

These reports must undergo external verification by a Second Party Opinion provider.

\*For ESG Repo, bilateral reports containing only an allocation report are submitted to counterparties, and they do not require external verification.

## Green Bond

Bank Mandiri has launched a Sustainable Public Offering Program for Sustainable Environmental Bonds I of Rp10 trillion and issued Sustainable Environmental Bonds Phase I of Rp5 trillion. These bonds are divided into two series: series A, valued at Rp1.95 trillion with a 3-year tenor, and series B, valued at Rp3.05 trillion with a 5-year tenor. The total offers received was Rp18.7 trillion, representing an oversubscription of 3.74 times.

The proceeds from the issuance of Green Bonds, after deducting issuance costs, must be used for at least 70% to finance or refinance Sustainable Business Activity Categories. The Green Bond issuer is also required to secure an opinion or assessment from Environmental Experts confirming that the business activities and/or other activities underlying the issuance of the Green Bonds are beneficial to the environment. Bank Mandiri has obtained an opinion from Environmental Experts on the use of the proceeds and their environmental impact ("Green Bond Report") from the Sustainable Development Goals Hub at the University of Indonesia (SDGs



Hub UI), which possesses the relevant competencies as stipulated in POJK-60/2017.

For further information on the Green Bond Report, please refer to appendix 1 (page 336).

The growing investor interest in sustainable financial products and services indicates foreign investors' favorable view of Bank Mandiri's performance and business prospects of Bank Mandiri, in accordance with ESG principles. In the future, Bank Mandiri will remain flexible and adaptive to market dynamics and actively explore sustainable fundraising instruments while considering the bank's liquidity and market conditions.

## Green Bond Framework

*Bank Mandiri's Green Bond Framework, part of the issuance of the Rupiah Green Bond in accordance with POJK 60/2017, comprises 4 (four) main pillars:*

### 1. USE OF PROCEEDS

The use of proceeds from the issuance of Green Bonds complies with qualifying criteria.

### 2. PROJECT EVALUATION & SELECTION

The Risk Management & Credit Policy Committee (RMPC) conducts evaluation and selection of projects that serve as underlying assets for the Green Bond through a process involving the Business Unit as the asset manager, the Sustainable Finance Working Group, and approval.

### 3. MANAGEMENT OF PROCEEDS FROM PUBLIC OFFERING

Mechanisms for managing and monitoring the proceeds from the issuance includes periodic monitoring, allocation of proceeds, and management of unallocated proceeds.

### 4. REPORTING

Bank Mandiri is required to publish an annual report consisting of:

- Proceed allocation report: allocation of proceeds to each project
- Environmental impact report: positive impact of projects on the environment

An Environmental Expert must verify these reports.



## Involvement in Green Bonds

Mandiri Group actively seeks out clients interested in advancing their sustainability agenda and assists them integrate this agenda into their financial strategy. The group structures clients in consulting and developing a framework for ESG Related financing, encompassing use of proceeds or sustainability-linked frameworks for bonds or loans in accordance with ICMA/APLMA standards. Mandiri Group ensures that all frameworks developed with clients undergo a thorough review by a reputable second party opinion.

The Mandiri Group is also actively involved as a consultant in

various sustainable bond issuances in the international market. Although some of Mandiri Group's clients have issued various debt instruments before, this is the first time for them to issue green/sustainable bonds. Some of the transactions in which Mandiri Group has been involved include the issuance of Sustainability Bonds by Bank Mandiri and PT Indonesia Infrastructure Finance in 2021, SUN Energy and BNI Green Bond in 2022, and most recently the inaugural issuance of Green Bonds by Pertamina Geothermal Energy. Mandiri Group also supported the Government in the issuance of Green Sukuk in 2023, which is our support in achieving NZE 2060 or earlier.

In addition to issuing sustainable fundraising products, Bank Mandiri also actively invests in **green bonds**. As of December 2023, the bank has allocated **Rp104.5 trillion** in this investment portfolio. In the future, Bank Mandiri will continue to increase its investment in green bonds in accordance with the bank's aspirations.

## Sustainable Investment

Bank Mandiri is taking proactive steps to introduce retail investment products that adhere to ESG principles. This is demonstrated by their offering of Indonesian Green Sukuk and Green Bonds, products issued by the Government of Indonesia in accordance with The Republic of Indonesia Green Bond and Green Sukuk Framework.

In 2023, Bank Mandiri also introduced two ESG-based Mutual Fund products. The first is the Batavia Global ESG Sharia Equity USD, which invests in issuers involved in ESG-related activities or with high ESG scores. The second is the Mandiri FTSE Indonesia ESG Index Mutual Fund, the first mutual fund in Indonesia to

utilize the FTSE Indonesia ESG reference index. The stocks in the FTSE Indonesia ESG Index have undergone a systematic ESG Rating process by FTSE Russell.

These products are specifically designed for the retail consumer market and mark an important milestone in sustainable finance. The addition of ESG investment products represents the alignment and commitment of Bank Mandiri to lead the low-carbon economy in Indonesia. In line with the increasing demand for sustainable investments, the fulfillment of ESG investment products also aims to meet the needs of customers and promote wise investment practices.



# Responsible Financing Approach

In managing credit risks associated with environmental, social, and governance (ESG) aspects, Bank Mandiri establishes its risk appetite and industry appetite, demonstrated in the bank's credit policies concerning ESG aspects with a principle of prudence and intensive monitoring. This encompasses a focus on ESG-related aspects such as deforestation, biodiversity loss, human rights issues (e.g., forced labor, child labor, indigenous communities), pollution, climate change resulting from the use of fossil energy, cultural heritage sites, and other ESG aspects.

Bank Mandiri also plays a role in supporting the sustainable finance agenda by aligning its internal credit disbursement policies with sustainable finance principles, in accordance with the bank's risk profile and objectives. To promote transparency and access to information, Bank Mandiri has publicly disclosed its credit policies related to environmental, social, and governance (ESG) aspects in priority sectors. This information is available on

Bank Mandiri's official website at <https://bankmandiri.co.id/en/esg-agriculture>.

As part of its commitment to sustainable finance, Bank Mandiri has integrated environmental and social risk assessment processes into its credit disbursement decisions. This measure is aimed at ensuring that the projects or businesses receiving financial assistance from the bank adhere to relevant environmental and social regulations. Furthermore, Bank Mandiri actively engages in discussions with various stakeholders, including the government, communities, and businesses, to foster a shared understanding of the significance of sustainable finance. For this reason, Bank Mandiri not only serves as a financial services provider but also as an agent of change, contributing to sustainable development in Indonesia. These initiatives underscore Bank Mandiri's commitment to promoting a holistic and sustainable finance agenda.

## ENVIRONMENTAL & SOCIAL RISK MANAGEMENT (ESRM) [GRI 2-23, GRI 2-24]

By adopting the latest standards in Environmental, Social, and Governance (ESG) risk management, Bank Mandiri reaffirms its commitment to avoid business practices that harm the environment and society. Additionally, Bank Mandiri ensures that corporate governance is conducted with a high level of transparency and accountability. All these efforts are aligned with Bank Mandiri's vision to become a financial institution that not only succeeds financially but also acts responsibly towards society and the environment, creating a positive impact on the surrounding environment and the community.

Therefore, in the process of providing credit, Bank Mandiri consistently applies the principle of prudence, including the integration of Environmental and Social Risk Management (ESRM) aspects into risk management policies. This is reflected from the pre-screening stage, credit analysis, to post-credit monitoring.

In conducting business activities, Bank Mandiri conducts identification and assessment of the environmental and social impacts incurred (Environmental & Social Due Diligence), taking into account the materiality of priority sectors and adhering to applicable regulations and standards.

Bank Mandiri has identified five priority sectors, namely Palm Oil, Energy & Water, FMCG, Mining (Metals, Coal), and Construction, outlined in the Risk Management Policy in the

Industry Acceptance Criteria (IAC) document, Number B3.P1.T16. IAC in corporate and project financing. The policy for existing priority sectors undergoes periodic reviews to stay abreast of business developments and incorporates additional Environmental and Social aspects in six new sectors: Pulp & Paper, Telecommunications, Transportation, Other Transport Equipment Industry (Shipbuilding), Pharmaceuticals & Healthcare Services, and Oil & Gas.

Bank Mandiri is committed to actively developing and promoting sustainable finance practices, with a specific emphasis on integrating ESG aspects throughout its business processes, particularly in the realm of financing.

Bank Mandiri is actively committed to developing and promoting sustainable financial practices with a focus on integrating Environmental and Social aspects throughout its business processes, particularly in financing. Through a gradual approach, Bank Mandiri designs and implements the integration of Environmental and Social aspects in its credit policies. These policies establish minimum criteria, such as positive and negative screening processes for the business activities of potential borrowers, as a concrete step to ensure that each financing transaction reflects Bank Mandiri's commitment to sustainable business practices. This is reflected in Bank Mandiri's internal regulations, specifically the Bank Mandiri Credit Policy and Credit

## CREDIT POLICY RELATED TO ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) ASPECTS

Bank Mandiri requires prospective debtors to meet the following general criteria:

- a. Have environmental management documents based on the industrial sector and the provisions of applicable laws and regulations, including Environmental Impact Analysis\* documents for required business/activity plans or Environmental Management Efforts - Environmental Monitoring Efforts documents;
- b. Have the outcomes of the PROPER assessment (Company Performance Rating Assessment Program in Environmental Management) in accordance with applicable provisions;
- c. Other related environmental management permits/certifications and other related environmental criteria in accordance with applicable laws and regulations.

Bank Mandiri also remains committed to not providing credit financing to business activities that have a negative impact on the environment (exclusion/negative list) as follows:

- a. Illegal logging;
- b. Plantation on peatlands;
- c. Violations of human rights according to the Manpower Law and ILO Convention\*\*;
- d. Drug abuse;
- e. Business activities that endanger the environment, including disturbing protected areas such as UNESCO World Heritage Sites, wetland sites as listed in the Ramsar Convention\*\*\* criteria, and high biodiversity sites as well as sites listed in the IUCN Cat-1 & Cat-2\*\*\*\* protected area categories as outlined in the Convention on Biological Diversity;
- f. Other business activities that do not comply with applicable laws and regulations, including but not limited to: Pornography; Gambling; Money laundering; Corruption, Collusion, and Nepotism activities; and Goods and services that do not comply with applicable laws.

\* Referring to the Regulation of the Minister of Environment and Forestry of the Republic of Indonesia Number P.38 / MENLHK / SETJEN / KUM.1 / 7/2019 concerning Types of Business Plans and/or Activities that are Required to Have an Environmental Impact Analysis, and obliging debtors to comply with the conclusions and recommendations of the Environmental Impact Analysis (AMDAL) as required by the Ministry of Environment and Forestry. The environmental impacts considered in the AMDAL include, but are not limited to: (1) the forestry sector: avoiding disturbances to forest ecosystems, hydrology, biodiversity, pests, landscape, and social conflicts; (2) the agricultural sector: soil erosion, changes in water availability and quality due to land clearing, spread of pests, diseases, and weeds during operations, changes in soil fertility due to the use of pesticides/herbicides.

\*\* The applicable labor laws in accordance with the International Labour Organization (ILO) include: Law No. 21 of 2000 on Labor Unions; Law No. 13 of 2003 on Manpower as amended by Law No. 11 of 2020 on Job Creation; Law No. 2 of 2004 on Settlement of Industrial Relations Disputes, and related laws regarding the ratification of ILO conventions.

\*\*\* The Ramsar Convention on Wetlands as ratified by Presidential Regulation No. 48 of 1991.

\*\*\*\* The Convention on Biological Diversity (CBD) as ratified by Law No. 5 of 1994 and referring to the guidelines for the use of IUCN protected area categories in the CBD Convention.



## SECTORAL CREDIT POLICY RELATED TO ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ASPECTS

### AGRICULTURE SECTOR

Bank Mandiri has established a binding credit policy for customers in this sector to:

1. Having at least a minimum Blue PROPER assessment and/or at least having an Environmental Impact Assessment (AMDAL) or Environmental Management Effort (UKL-UPL) report approved by the Environmental Agency (BLH).
2. Financing will not be extended to companies planning to open new land.
3. Having a Waste Treatment Installation (IPL) with an assessment related to the availability of operating IPL and water quality standard parameters within specified limits.
4. For public companies, it is mandatory to have a sustainability report.
5. Having a commitment to No Deforestation, No Peat, No Exploitation (NDPE), including land clearance & opening, preservation of High Conservation Value (HCV)/High Carbon Stock (HCS) areas, and peatlands.
6. For the Palm Oil Plantation subsector, it is mandatory to have ISPO and/or RSPO certification or at least proof of registration in the form of an acknowledgment from the Certification Institution.
7. The Palm Oil Plantation subsector lacking ISPO and/or RSPO certification must fulfill the following criteria:
  - Having a Code of Conduct, Environmental & Labor Policies (including OHS).
  - Having Environmental Management certification such as ISO 14001/ISO 45001 or other similar documents acceptable to the Bank.
  - Having fire prevention and land fire handling Standard Operating Procedures (SOP), having standard fire handling equipment according to land criteria, having fire watchtowers, and having a specialized fire handling team trained according to the Directorate General of Plantation's standards.
  - Companies must have Plantation Business Permits (IUP) as stated in the location permit.

### ENERGY SECTOR

Bank Mandiri has established a binding credit policy for customers in this sector to:

1. Have a PROPER assessment and/or at least have an AMDAL or UKL-UPL report approved by the Environmental Agency.
2. Specifically for financing new coal-fired power plants with PLN as the offtaker, consideration has been given to the suitability of the financing period with the coal phase-out strategy according to the applicable PLN's Electricity Procurement Plan.
3. Operating Power Plants must have Environmental Management certification like ISO 14001/ISO 45001 or similar documents acceptable to the Bank.
4. Operating Power Plants must have a code of conduct, policies related to the Environment (carbon emissions, coal ash, water, and waste management), and labor.

## COAL SECTOR

Bank Mandiri has established a binding credit policy for customers in this sector to:

1. Have a minimum Green PROPER assessment and/or at least have an AMDAL or UKL-UPL report (including reclamation and post-mining guarantees) approved by the Environmental Agency.
2. Have Environmental Management certification such as ISO 14001/ISO 45001 or similar documents acceptable to the Bank.
3. Specifically for mining financing as a supplier to PLTU, consideration has been given to the financing period with the coal phase-out strategy according to the applicable PLN's Electricity Procurement Plan.

## CONSTRUCTION SECTOR

Bank Mandiri has established a binding credit policy for customers in this sector to:

1. Have Environmental Management certification such as ISO 14001/ISO 45001/OHSAS 18001 or similar documents acceptable to the Bank.
2. Have internal policies (code of conduct) related to the Environment and Labor.
3. Have internal policies and standard procedures (SOP) related to accident handling for toll road operators.

## MINING SECTOR

Bank Mandiri has established a binding credit policy for customers in this sector to:

1. Have a minimum Green PROPER assessment and/or at least have an AMDAL or UKL-UPL report (including reclamation and post-mining guarantees) approved by the Environmental Agency.
2. Have Environmental Management certification such as ISO 14001/ISO 45001 or similar documents acceptable to the Bank.
3. The company implements Good Mining Practice in accordance with applicable regulations, including the inclusion of the Company Work Plan & Budget (CWPB) for the respective year approved by the Ministry of Energy and Mineral Resources, and/or other documents related to Good Mining Practice.
4. Have internal policies (code of conduct) related to the Environment and Labor.

## TRANSPORT EQUIPMENT INDUSTRY (SHIPYARD)

Bank Mandiri has established a binding credit policy for customers in this sector to:

1. Have Environmental Management certification such as ISO 14001/ISO 45001 or similar documents acceptable to the Bank.
2. Make endeavors to achieve energy efficiency and emission reduction, evidenced by documents acceptable to the Bank.
3. Have a Financial Sustainability Action Plan (SFAP) and Sustainability Report for public companies

## FAST MOVING CONSUMER GOODS (FMCG) SECTOR

1. Have a minimum Blue PROPER assessment and/or at least have an AMDAL or UKL-UPL report approved by the Environmental Agency.
2. Have a code of conduct, Environmental Policy (such as chemical usage and water & waste treatment), and Labor Policy (including OHS).
3. Have Environmental Management certification such as ISO 14001/ISO 45001 or similar documents acceptable to the Bank. Have certification from the Food and Drug Monitoring Agency (BPOM).
4. Make endeavors to achieve energy efficiency and emission reduction, evidenced by documents acceptable to the Bank.
5. Distributors are required to have packaging recycling provisions or clear targets to reduce plastic waste with eco-friendly materials.
6. For bottled water industries:
  - a. Have packaging recycling provisions or clear targets to reduce plastic waste with eco-friendly materials.
  - b. Use of spring water in accordance with applicable regulations, including maintaining water sources for sustainability and availability for the surrounding environment.
7. Prioritize labor aspects such as minimum wage and the prohibition of employing underage workers.

## OIL AND GAS SECTOR

Bank Mandiri has established a binding credit policy for customers in this sector to:

1. Have Environmental Management certification such as ISO 14001/ISO 45001 or similar documents acceptable to the Bank.
2. Make endeavors to improve energy efficiency and reduce emissions, in accordance with regulatory provisions at the business location. Public companies are required to have a Sustainability Report or similar document.
3. Have an Environmental Impact Assessment (AMDAL) or Environmental Management Effort (UKL-UPL) approved by the Environmental Agency.
4. Oil and Gas Business activities are required to have documents stating the fulfillment of all Oil and Gas Safety requirements (Installations and Equipment, Workers, Public and Environment), with supporting evidence provided by Supporting Business Certificate.

## BIODIVERSITY SECTOR

In the industrial forest sector, Bank Mandiri has established a binding credit policy for customers in this sector to:

1. Have documents for the management of industrial forest permits such as Business Permit for Forest Timber Product Utilization and/or Business Permit for Non-Timber Forest Product Utilization, and an approved Business Work Plan (RKU) from the Ministry of Environment and Forestry.
2. Not engage in business activities in areas declared to have high biodiversity, including RAMSAR land material sites and IUCN Cat.1&2 sites.

## HEALTHCARE SECTOR

Bank Mandiri has established a binding credit policy for customers in this sector to:

1. Have documents for the management of industrial forest permits such as Business Permit for Forest Timber Product Utilization and/or Business Permit for Non-Timber Forest Product Utilization, and an approved Business Work Plan (RKU) from the Ministry of Environment and Forestry.
2. Have internal policies regarding Environmental Management and Occupational Health and Safety Management System (OHSMS) acceptable to the Bank.

## PHARMACEUTICAL SECTOR

Bank Mandiri has established a binding credit policy for customers in this sector to:

1. Pharmaceutical producers have environmental permits/certifications (adjusted to the risk of their waste hazards, in accordance with the provisions of the Ministry of Environment).
2. Have Environmental Management certification such as ISO 14001/ISO 45001 or similar documents acceptable to the Bank.
3. Make endeavors to improve energy efficiency and reduce emissions, evidenced by documents acceptable to the Bank.
4. For public companies, it is mandatory to have a sustainability report.

## PULP & PAPER SECTOR

Bank Mandiri has established a binding credit policy for customers in this sector to:

1. Have Environmental Management certification such as ISO 14001 or other documents acceptable to the Bank.
2. Have at least a Blue PROPER assessment and/or an approved AMDAL or UKL-UPL report by the Environmental Agency.
3. For public companies, it is mandatory to have a sustainability report.
4. Make endeavors to improve energy efficiency and reduce emissions, with adequate electricity and water supply.
5. Have a Wastewater Treatment Plant (IPAL)/Waste Treatment Plant (IPL)/Liquid Waste Disposal Permit (IPLC)/and B3 waste treatment facility, evidenced by documents acceptable to the Bank.
6. For pulp & paper trading, have endeavors/declaration letters to fulfill principles/commitments including:
  - a) Selling products or services aimed at not harming the environment
  - b) Eco-friendly, efficient, cost-effective, and energy-efficient distribution processes
  - c) Allocating a budget for eco-friendly marketing
  - d) Not overusing resources
  - e) Having sustainability certificates, such as Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), or similar environmental sustainability certificates.



## METAL SECTOR

Bank Mandiri has established a binding credit policy for customers in this sector to:

1. Have at least a Blue PROPER assessment and/or an approved AMDAL or UKL-UPL report by the Environmental Agency.
2. Have Environmental Management certification such as ISO 14001/ISO 45001 or similar documents acceptable to the Bank.

## TELECOMMUNICATIONS SECTOR

Bank Mandiri has established a binding credit policy for customers in this sector to:

1. Have Environmental Management certification such as ISO 14001/ISO 45001/OHSAS 18001 or similar documents acceptable to the Bank.
2. Make endeavors to improve energy efficiency and reduce emissions, evidenced by documents acceptable to the Bank (if available).
3. For public companies, it is mandatory to have a sustainability report.
4. Have internal policies related to data privacy in accordance with applicable regulations, and have high capabilities and systems related to cybersecurity.

## TRANSPORTATION SECTOR

Bank Mandiri has established a binding credit policy for customers in this sector to:

1. Have Environmental Management certification such as ISO 14001/ISO 45001/OHSAS 18001 or similar documents acceptable to the Bank.
2. Make endeavors to improve energy efficiency and reduce emissions, evidenced by documents acceptable to the Bank.
3. Have a Sustainable Financial Action Plan (SFAP) and a Sustainability Report for public companies.

## SECTORS SENSITIVE TO ESG ASPECTS

In other sectors such as manufacturing and construction, Bank Mandiri has established a credit policy that binds customers in these sectors to adhere to the ESG-related regulations and standards, including compliance with environmental management certifications such as ISO 14001 and occupational health and safety certifications such as ISO 45001 or similar standards. For debtors unable to meet these requirements, the bank has implemented monitoring mechanisms and action plans to improve its customers' ESG performance.

Bank Mandiri consistently assesses and enhances its credit policies related to Environmental, Social, and Governance (ESG) aspects in a sustainable manner. This ongoing process includes annual assessments to ensure the suitability and effectiveness of these policies. The bank conducts regular assessments and reviews, as follows:

1. Analyzing credit portfolio management strategies, in the form of loan portfolio guidelines, to determine prospective sectors, industry classifications based on risk, growth direction, and sectoral industry allocation limits. This analysis considers various factors, including sectoral outlook, portfolio quality, risk, and ESG aspects within each industry.

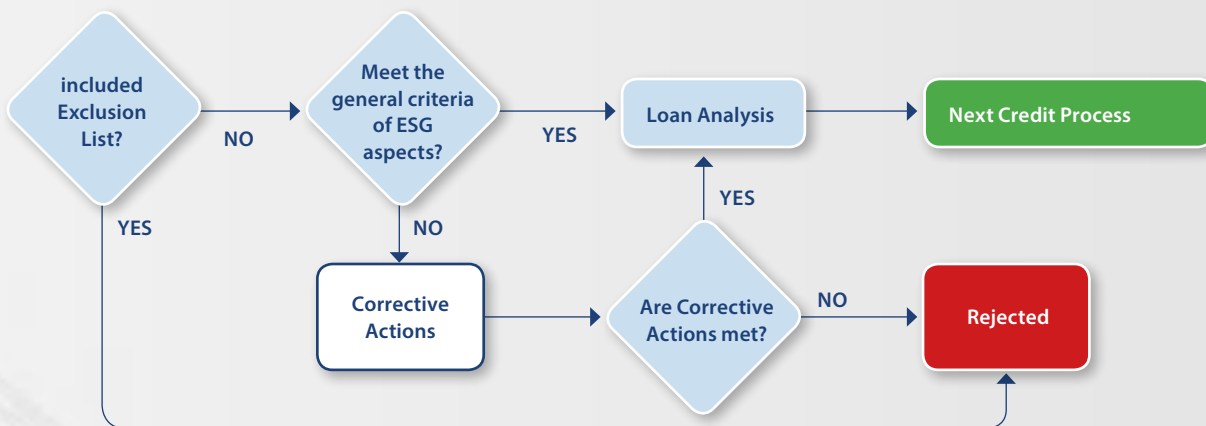
2. Analyzing the performance of the sectoral portfolio, using sensitivity analysis and the results of climate risk identification through Climate Risk Stress Test (CRST), presented at the board forum and utilized as a guideline in internal business decision-making.
3. Direct involvement of group credit, including examples of deep dive assessments for ESG intensive industries

Through this approach, Bank Mandiri is committed to continuously improving sustainability aspects in its credit activities, ensuring that the implemented policies incorporate ESG aspects.

## CREDIT APPROVAL PROCESS MECHANISM [GRI 2-25]

In carrying out the credit distribution process, Bank Mandiri applies the principle of prudence, which includes the integration of Environmental and Social aspects in risk management, as well as the implementation of Environmental and Social due diligence throughout the monitoring process. When executing the credit approval process, Bank Mandiri also considers the results of Environmental and Social risk analysis as a crucial factor in the decision-making process for credit approval as follows:

### Due Diligence Process



In the process of evaluating prospective customers, Bank Mandiri identifies aspects related to ESG risks in financing activities and develop a strong management system. In the ESG Due Diligence process, the direct involvement of the group credit (business unit) and the credit risk management unit is necessary. This includes providing examples of in-depth assessments for ESG-intensive industries. Subsequently, in the Legal and Compliance Review (LCC) stage, a more detailed identification (due diligence) of potential Environmental and Social risks is conducted. Opinions and solutions are provided from a legal perspective, involving participants from the Business Unit as the customer manager, Legal Group, and Compliance – AML & CFT Group. For prospective customers with the potential for ESG risk impact, further evaluation is required, including the establishment of specific provisions.

- Prospective customers who meet the requirements proceed to the subsequent stage of the credit granting process.
- Prospective customers unable to meet the requirements are subject to corrective actions in the form of imposing conditions (covenants) that must be fulfilled.

The evaluation process will be communicated to the credit decision-maker, where the Senior Vice President (SVP) up to the Board Level. If the ESG impact is found to be severe during the due diligence process, additional extra due diligence and escalation to the CEO level for decision-making are necessary. The compliance with covenants is monitored (reported to the Risk Management Unit) by the Business Unit and/or legal documentation and guarantees that have not been fulfilled upon maturity.

## Credit approval process at Bank Mandiri



## OVERSIGHT OF ESG RISK MANAGEMENT IN FINANCING ACTIVITIES

Bank Mandiri periodically conducts monitoring related to the implementation and compliance of debtors towards environmental and social aspects, through the following steps:

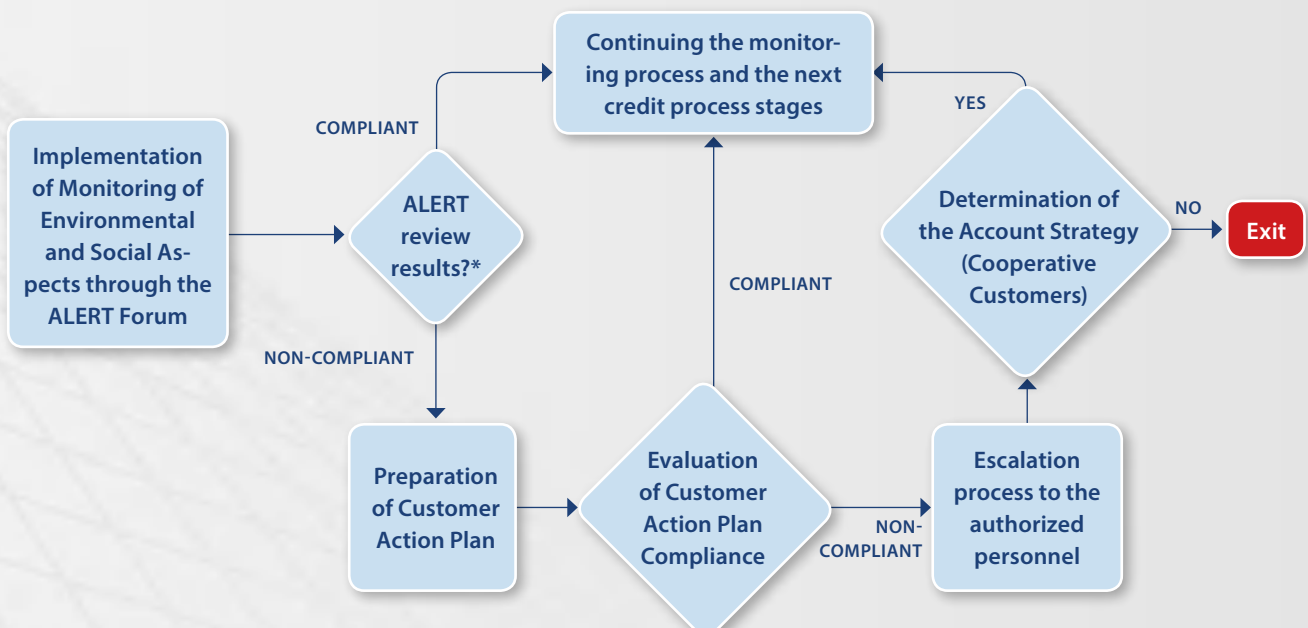
1. Bank Mandiri operates an Early Warning System known as ALERT (Watchlist), producing triannual reports presented in a joint forum involving Business Units and Risk Management Units. The primary objective of this system is to identify potential risks that could impact credit quality. ALERT considers aspects such as compliance with environmental and social aspects, financial performance, industry prospects, and other relevant environmental and social aspects, enabling prompt preventive actions. ALERT reports are sent to the Business Unit Director and Risk Management Director. Furthermore, the ALERT forum incorporates an escalation mechanism. In the event that findings related to environmental and social aspects risks cannot be resolved at the technical level between Business Units or Risk Management Units and customers, the credit decision-making oversight function is required, performed by the Senior Vice President level up to the Board of Directors.
2. Bank Mandiri also facilitates communication and interaction through regular meetings led by Business Units and jointly monitored by Risk Management

Units and ESG Units to ensure the implementation of environmental and social aspects and sustainability principles, as well as the mitigation of climate change impacts on debtors.

3. Bank Mandiri requires debtors to develop an action plan to address environmental and social aspects within a timeframe based on the type of customer business activities. These action plans are regularly assessed during evaluation processes. The findings of the ALERT review regarding customers' non-compliance with environmental and social aspects after the preparation and evaluation of the action plan may necessitate additional corrective action to ensure adherence to these aspects in customer business activities.
4. Bank Mandiri also performs an annual review as a means of checks and balances. This review encompasses an assessment of compliance with the most recent internal credit policy requirements, including environmental and social aspects.

Furthermore, in addition to the measures, Bank Mandiri conducts annual reviews and audits through its Internal Audit Unit to ensure compliance with credit policies and procedures.

### Monitoring Compliance with Environmental and Social Aspects in ALERT Forum



\*Including compliance with credit requirements related to environmental and social aspects; Checking regulations related to PROPER/AMDAL findings; Government regulation changes; Financial performance; On-site visit; future customer business prospects; and other evaluation components.



**Example of ALERT implementation in Bank Mandiri:** as part of the evaluation conducted by Bank Mandiri on debtors in the palm oil and textile sectors, reveals issues related to environmental compliance that require the outcome of the PROPER Assessment (Environmental Performance Rating Program). It was found that the company is below the standard criteria. This is attributed to the inadequate waste management system, as stipulated by the Ministry of Environment and Forestry (KLHK), with the PROPER assessment still falling below the "Blue" level.

In response to this, customers must adhere to the following action plan:

1. Credit Criteria Fulfillment: As a condition in the credit agreement for next year, an improvement in the PROPER assessment to at least the "Blue" level is required during the latest evaluation.
2. Monitoring and Evaluation: Bank Mandiri will periodically monitor and evaluate compliance with this credit condition, concurrently requesting customers to develop an action plan, including efforts to improve waste management. Customers may also consider using consulting services to support waste management problem resolution while establishing a timeline for completing these actions.
3. Clear time bound of Fulfillment: By December 2023, related customers have met the credit agreement conditions according to the agreed-upon timeline.

## BOARD-LEVEL OVERSIGHT RELATED TO ESG RISK MANAGEMENT [S1-1a] [S2-1a]

ESG risk management is a collaborative effort involving the Business Unit, Risk Management Unit, Legal and Compliance Group, and is conducted in accordance with the four-eyes principle. The implementation of Sustainable Finance Governance encompasses the development of a Sustainable Finance Action Plan (SFAP), integration of ESG aspects into operations and business, and the management of Climate-related Risks.

Bank Mandiri conducts monitoring and reporting to the Board Level through the Risk Management & Credit Policy Committee (RMPC) on a quarterly basis, with duties and responsibilities as stipulated in the Board of Directors' Decision of PT Bank Mandiri (Persero) Tbk, Number Kep.Dir/009/2021 on the Risk Management & Credit Policy Committee or the Executive Committee. The RMPC has two main responsibilities: (1)

identifying, measuring, and monitoring risks, establishing risk management policies and strategies, and (2) formulating credit policies, overseeing the implementation, monitoring the status and growth of credit portfolios, and offering recommendations for improvement. This also includes monitoring of ESG risk management.

Furthermore, the Board of Commissioners oversees the implementation of ESG, the fulfillment of ESG targets or commitments through the Risk Monitoring Committee (RMC), held on a quarterly basis with topics such as reviewing the effectiveness of ESG-related risk management and oversight in financing activities. The integration of these two levels of supervision establishes a robust framework to consistently uphold and apply sustainability principles and good governance across all operational aspects of Bank Mandiri.