

02

Sustainability **Strategy**

Bank Mandiri has 3 (three) Sustainability Strategy Pillars, including Sustainable Banking, Sustainable Operation, and Sustainability Beyond Banking. Bank Mandiri is also fully committed to supporting Indonesia's and the global achievement towards Net Zero Emissions.



BANK MANDIRI'S SUSTAINABILITY VISION

Becoming Indonesia's Sustainability Champion for a Better Future

BANK MANDIRI'S SUSTAINABILITY COMMITMENT

- » Lead Indonesia's Transition to Low Carbon Economy
- » Net Zero Emissions (NZE) Operation by 2030
- » Catalyzing Multiple Growth for Social Impact to Achieve SDGs

Five years ago, Bank Mandiri embarked on a journey to foster the development of a low-carbon economy in Indonesia. Sustainable finance involves the comprehensive support of the financial services industry for sustainable growth, achieved through the alignment of economic, social, and environmental interests. As a financial institution, Bank Mandiri plays an active role in developing products and services that support financing activities aimed at enhancing customers' environmental performance and promoting social justice for businesses at the base of the economic pyramid. Additionally, the bank integrates

Environmental, Social, and Governance (ESG) aspects into its business processes and practices.

Bank Mandiri considers sustainability values as the cornerstone of its business and operations, enabling the bank to deliver optimal benefits to all stakeholders, make positive contributions to the environment and society, and actively engage in shaping a better future for upcoming generations. [E.4]

Sustainability Commitment [E.1]

Bank Mandiri is committed to implementing sustainable finance and sustainability principles that align with ESG aspects. The bank believes that sustainable finance is essential to achieve a low-carbon and equitable economy. As a partner of the government and an agent of change, Bank Mandiri aims to deliver a positive impact on society.

Sustainable finance aligns with the Bank's endeavors to accelerate sustainable business growth. This demonstrates Bank Mandiri's commitment to supporting the achievement of the Sustainable Development Goals (SDGs) and the target of Enhanced Nationally Determined Contribution (ENDC) towards achieving Net Zero Emission (NZE) in Indonesia by 2060 or ahead of time.

Bank Mandiri's commitment to implementing sustainable practices and ethical standards is in accordance with Bank Mandiri's Vision "To Be Your Preferred Financial Partner" and Bank Mandiri's Mission "Seamlessly integrate our financial products & services into our customers' lives by delivering simple, fast digital banking solutions".

Bank Mandiri strives to realize the sustainability vision of Becoming Indonesia's Sustainability Champion for a Better Future. One strategic initiative in pursuit of this goal is the development of financing following Financial Services Authority Regulation (POJK) 51/2017, the ENDC and NZE Indonesia roadmap, and the ESG framework, which embodies industry best practices.



Our Achievements



Over the past five years, Bank Mandiri has prioritized sustainable finance initiatives, aiming to boost financing for green business activities, enhance capacity development, and establish management systems to oversee sustainable finance. This includes organizational adjustments, risk management enhancements, system and procedure modifications, and the necessary documentation to ensure the effective implementation of sustainable finance.

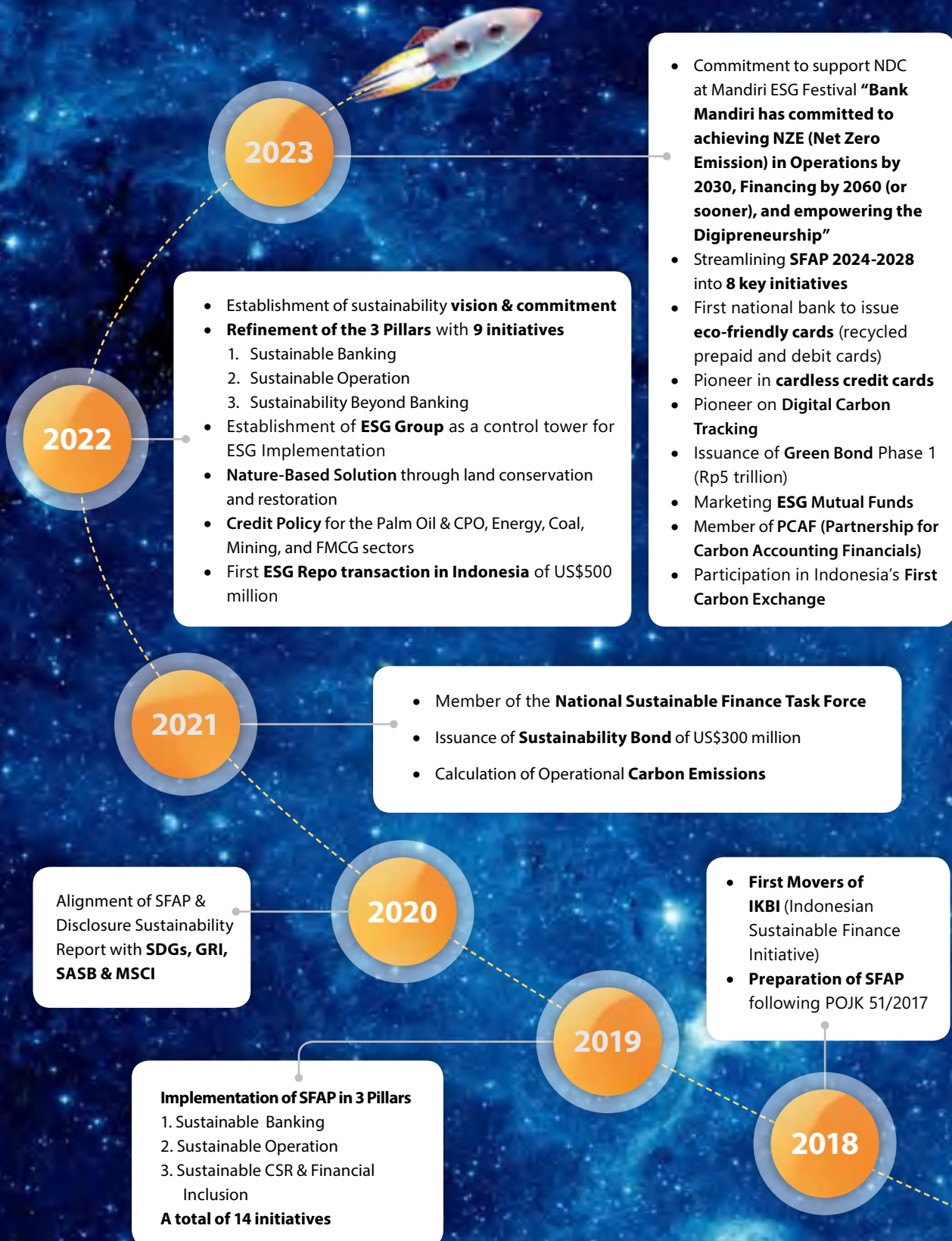
From 2019-2023, Bank Mandiri's sustainable finance endeavors comprised 14 initiatives across three main pillars: (1) Sustainable Banking; (2) Sustainable Operation; and (3) Sustainable CSR & Financial Inclusion. The bank's primary achievement is the inclusion of Sustainable Business Activity Categories (KKUB) of IDR 264,08 trillion which comprises of green portfolios of IDR 129,20 trillion and social portfolios of IDR 134,87 trillion disbursed by the bank as of December 31, 2023. Additionally,

Bank Mandiri secured ESG-based funding through the issuance of Sustainability Bonds and other funding products.

The establishment of the ESG Group represents a crucial step for Bank Mandiri in the implementation of sustainable finance, serving as the focal point and control tower for these initiatives within the bank. The ESG Group, previously a task force appointed by the Board of Directors since 2019, has now evolved into a full-time permanent unit under the Vice President Director. This group serves as the entity responsible for sustainable finance at Bank Mandiri following the mandate of Financial Services Authority Regulation (POJK) 51/2017 and also functions as a control tower for the implementation of ESG. [E.1]

Further information on sustainable finance achievements in the 2023 reporting period can be found in this Sustainability Report within the relevant sections.

Journey to Becoming Indonesia's Sustainability Champion for a Better Future



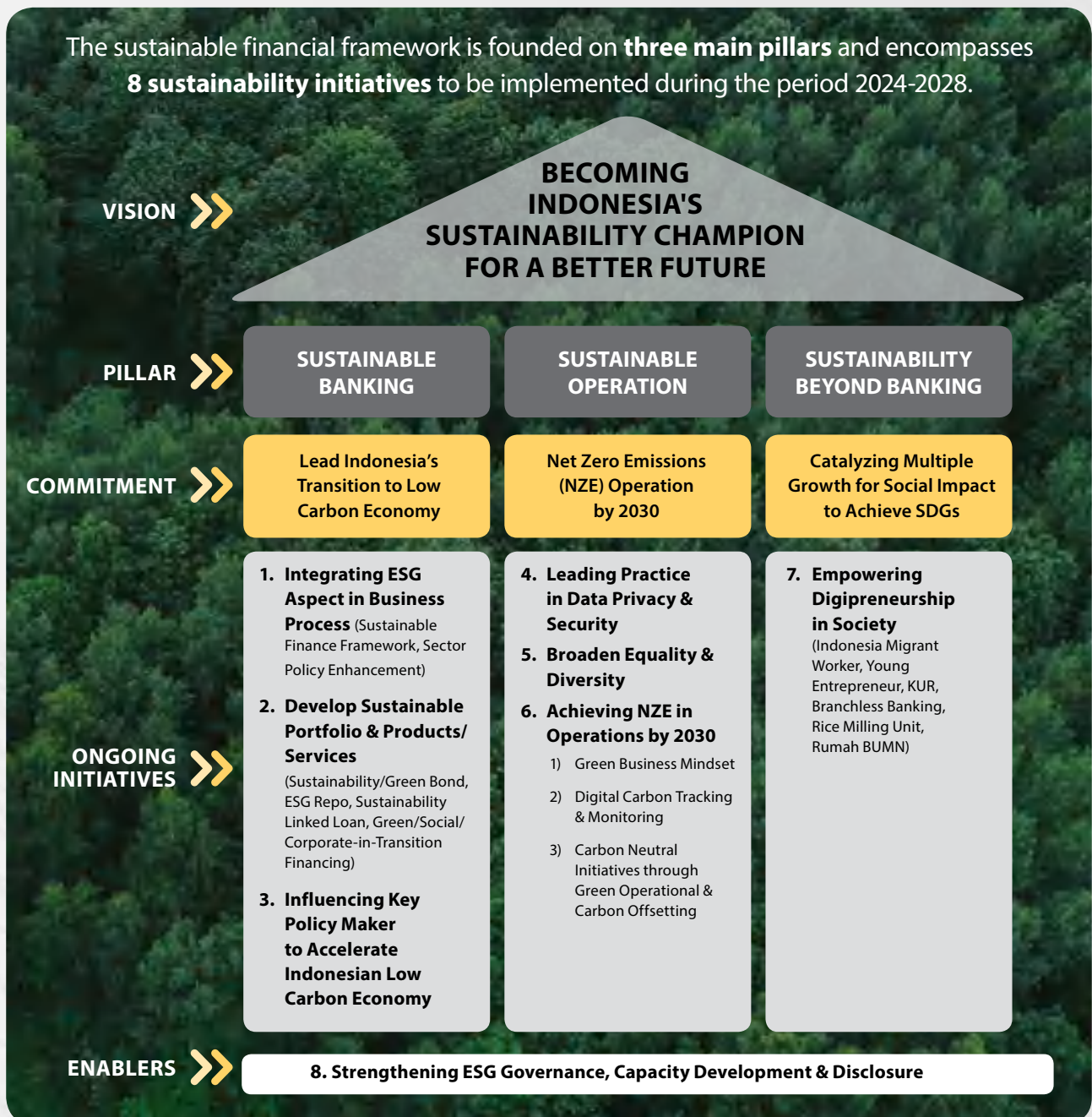
Sustainability Strategy 2024-2028

[OJK A.1] [GRI 2-22] [S1-2a] [S1, 2b] [S1-2c] [S1, 2d] [S1, 4a] [S1, 4b] [S2, 4a] [S2, 4b][S2, 4c]

After successfully concluding the initial five-year sustainable finance strategy, Bank Mandiri has developed a new five-year plan with the vision of 'Becoming Indonesia's Sustainability Champion for a Better Future', accompanied by a commitment to achieve 'Lead Indonesia's Transition to Low Carbon Economy; Net Zero Emission (NZE) Operations by 2030; and Catalyzing Multiple Growth for Social Impact to Achieve SDGs'.

For the upcoming phase, Bank Mandiri has developed a Sustainability Strategy, the Sustainable Finance Action Plan 2024-2028, submitted to the Financial Services Authority (OJK) in November 2023.

The sustainable financial framework is founded on **three main pillars** and encompasses **8 sustainability initiatives** to be implemented during the period 2024-2028.



Pillars of Sustainability Strategy

In our sustainable financial strategy, Bank Mandiri incorporates sustainable financial principles into all our business processes. Our primary focus is on the development of sustainable financial portfolios, resource capacity enhancement, and integrating ESG aspects into our organization, governance, and risk management. Our strategy is founded on three pillars, encompassing eight main initiatives outlined in the sustainability framework.

Additionally, Bank Mandiri has ratified ESG Guiding Principles based on the Decision of Risk Management & Credit Policy Committee (RMPC) No. RMPC/051/2023 dated December 13, 2023. This guideline serves as a framework for Bank Mandiri to integrate ESG aspects into all internal provisions related to business activities and operations at Bank Mandiri.

SUSTAINABLE BANKING

In the first pillar,

Bank Mandiri focuses on conducting sustainable banking activities with the commitment to **“Lead Indonesia’s Transition to Low Carbon Economy.”** This is realized through the integration of ESG aspects in all banking activities, including risk management and business aspects, through the development of sustainable financial products/ services to assist customers in transitioning to a low-carbon economy and engaging in sustainable business activities.

SUSTAINABLE OPERATION

In the second pillar,

to support the achievement of one of the sustainability targets, **Net Zero Emission in Operations by 2030**, Bank Mandiri ensures the integration of ESG principles in all operational activities. This includes raising awareness, promoting eco-friendly operations, utilizing technology to safeguard customers’ data, mitigating climate change risks, and managing human resources to promote diversity and equality in the workplace.

SUSTAINABILITY BEYOND BANKING

In the third pillar,

Bank Mandiri expands its commitment to sustainability by refining activities beyond the core banking and operational business aspects to enhance the community’s economic scale through various empowerment programs that empower communities to achieve **Catalyzing Multiple Growth for Social Impact to Achieve SDGs.**

Enablers Activities to Support Sustainability Vision and Commitment

The ongoing pursuit of sustainability goals necessitates governance adjustments that incorporate ESG aspects into Bank Mandiri’s financial processes, products, and services. The bank is also preparing all Mandiri employees to effectively implement these changes in alignment with its objective of sustainable growth. Furthermore, Bank Mandiri enhances the quality of ESG information delivery to stakeholders as part of its commitment to transparency and effective communication.

In order to ensure the incorporation of ESG aspects in lending, we are developing and implementing credit policies that integrate these aspects. We are also enforcing sectoral credit policies as binding provisions for businesses deemed to have high ESG risks. Further information on Bank Mandiri’s credit policies can be found in the Sustainable Banking section on Green Financing in this report.



Climate Change Strategy [S2-2a]

Bank Mandiri has committed to addressing climate challenges as part of its support for the Paris Agreement to achieve Net Zero Emission (NZE) and support the Enhanced Nationally Determined Contribution (ENDC) established by the Indonesian Government to achieve a low-carbon economy and climate resilience. By the Paris Agreement's objective of preventing global temperature rise of more than 1.5°C, Bank Mandiri aspires to achieve Net Zero Emission in operations by 2030. Bank Mandiri's climate change strategy includes three primary approaches: reducing greenhouse gas emissions from its operational activities, providing financing to support customers in the transition to NZE, and encouraging activities that can absorb carbon, such as forest/land restoration or conservation.

Within its climate strategy framework, Bank Mandiri has developed a comprehensive approach that encompasses all layers of the bank to achieve net zero ambition, as well as managing and conducting climate-related risk analysis. A key emphasis is placed on collaborating with customers to identify optimal solutions and offer tailored access to capital, aligning with their specific requirements. The bank's detailed climate strategy outlines specific measures to assist customers in transitioning to a net zero.

In response to these challenges, Bank Mandiri also has a Business Continuity Management Group. Enforcing Business Continuity Management in adherence to global standards outlined in ISO 22301:2019. This framework is designed to establish a resilient organization to potential internal and external threats by ensuring the preparedness of BETH3 components (Building, Equipment, Technology, Human Resource & 3rd Parties).

To ensure resilience in its operations and business, Bank Mandiri's BCM actively engages in collaborations with external parties to mitigate the risks associated with climate change impacts, such as the Agency for Meteorological, Climatological, and Geophysics (BMKG). These collaborative efforts involve obtaining rapid climate analysis information and integrating systems between Bank Mandiri and BMKG to enable early disaster notifications directly to the Crisis Management Team members when disasters occur. Additionally, Bank Mandiri has established several alternative operational work unit locations and Data Centers to mitigate the risk of customer transaction disruptions and data loss caused by climate change.

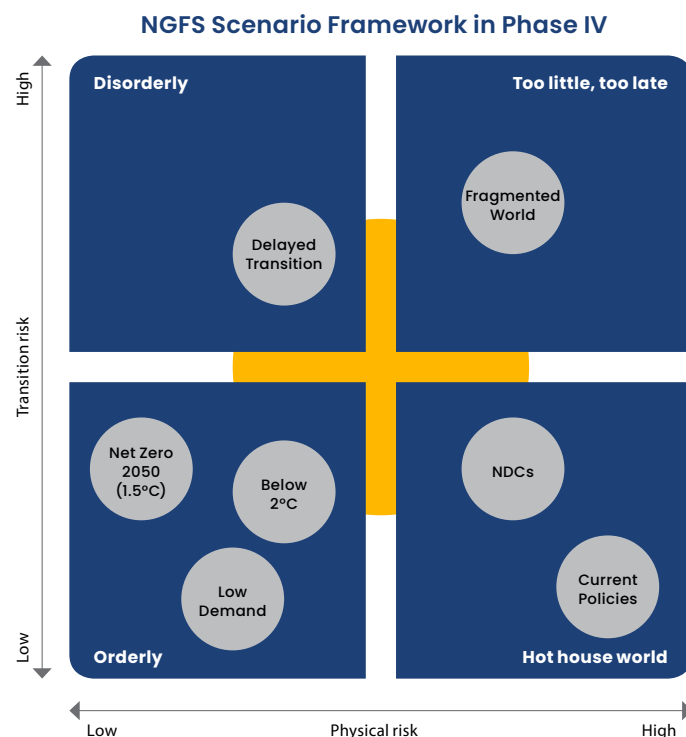
Climate Risk Stress Test (CRST) [S2-2c]

As a member of the Task Force on Climate Related Financial Risk, Bank Mandiri participated in the initial phase of the Bottom-up Climate Risk Stress Test (CRST) alongside the Financial Services Authority (OJK). This initial phase served as a collaborative learning exercise between OJK and the banking sector, aimed at building capacity for assessing the impact of climate change risks.

Bank Mandiri refers to the Network for Greening the Financial System (NGFS) climate scenarios, which categorizes the potential impacts of climate change into three categories:

"Orderly," "Disorderly," and "Hot House World." Each scenario presents a unique roadmap and variables crucial for achieving the 2050 climate goals, including changes in how climate affects the economy. These scenarios explore different assumptions about the escalation of climate policy, emission levels, and temperature increase.

During the initial phase of the Bottom-Up CRST, Bank Mandiri employed three NGFS scenarios: Net Zero 2050, Delayed Transition, and Current Policies.



A comprehensive explanation of the scenarios utilized in the initial phase of Bottom Up CRST can be seen in the following table:

Climate Risk Type	Scenario	Financial Impact
Transition Risk	Orderly – Net Zero 2050 The aim is to achieve global net-zero CO ₂ emissions by 2050 and limit global warming to 1.5°C through strict and innovative policies. Several countries such as the US, EU, UK, and Japan have achieved net-zero emissions for all greenhouse gasses.	
	Disorderly- Delayed Transition Assuming that annual emissions will not decrease until 2030, stricter policies are then implemented to limit global warming to 2°C and restrict CO ₂ emissions.	Low - Medium
	Hot House World– Current Policies Assuming the continuation of current policies without implementing any new ones, the impact on physical risks will increase.	

Climate-Related Risk and Opportunities [S2-3a], [S2-2b]

Type of Risk	Risk Triggers	Likelihood of Risk Occurrence	Description	Risk Response Strategies
TRANSITION RISK				
POLICY AND LAW				
Compliance	Enforcement of policies and regulations in Indonesia concerning climate-related risks.	Likely	The risk arising from the presence of Law No. 16 of 2016 on the Ratification of the Paris Agreement and Presidential Regulation 98/2021 on the Economic Value of Carbon (NEK) to Achieve Nationally Determined Contributions (NDC).	Bank Mandiri has developed a Sustainable Financial Action Plan (SFAP) 2024-2028 to implement sustainable financial targets and has several programs aimed at supporting the government in achieving Net Zero Emissions by 2060 or ahead of time.
			The risk arising from the presence of laws on climate change, such as Financial Services Authority Regulation (POJK) No.51/POJK.03/2017 on the Implementation of Sustainable Finance and POJK 60/POJK.04/2017 on the Issuance and Requirements of Green Bonds.	Bank Mandiri adheres to the relevant regulations in implementing Sustainable Finance, such as POJK 51/POJK.03/2017, POJK 60/POJK.04/2017, as well as regulations applicable to debtors, including guidelines for prospective debtors.
				In formulating the credit growth strategy, Bank Mandiri utilizes the Loan Portfolio Guideline (LPG) comprising Industry Classification (IC), Industry Limit (IL), Industry Acceptance Criteria (IAC), and sector-specific credit policies that support the implementation of Sustainable Finance. In its formulation, the Loan Portfolio Guideline (LPG) consistently prioritizes ESG principles, including climate change risk. In one component of the LPG, the Industry Acceptance Criteria (IAC) includes ESG aspects that require potential debtors from certain sectors to possess standard documentation related to ESG aspects that must be integrated into their business operations, such as Transition Plans, Climate Change Mitigation Actions, and the submission of a Sustainability Report.
Law	The existence of legal responsibility as part of the implementation of climate change-related policies.	Likely	The legal risk related to the reduction of national emissions under Law No. 16 of 2016 on the Ratification of the Paris Agreement.	Bank Mandiri continues to enhance the knowledge of all employees, customers, vendors, and stakeholders through the implementation of training/workshops/FGDs related to legal risk awareness, emission reduction based on e-NDC documents, and other policies related to climate change.
Credit	The decline in a debtor's financial condition impacts their ability to fulfill their obligations.	Likely	The risks arising from the impact of climate change have the potential to adversely affect the debtor's business and create credit risks for the bank.	In the credit granting process, Bank Mandiri consistently upholds the principle of prudence by integrating Environmental, Social, and Governance (ESG) aspects into its risk management policies, from the pre-screening stage and credit analysis to post-credit monitoring processes. Throughout its business operations, Bank Mandiri identifies and evaluates potential environmental and social impacts through Environment & Social Due Diligence, taking into account the significance of priority sectors and adhering to relevant regulations and standards.
				Bank Mandiri has also established sectoral policies following the Environment, Social, and Governance (ESG) aspects across 12 priority sectors, including Palm Oil, Energy and Water, FMCG, Mining (Metals and Coal), Construction, Pulp & Paper, Telecommunications, Transportation, Other Transport Industries (Shipbuilding), Pharmaceuticals and Health Services, as well as Oil and Gas.

Type of Risk	Risk Triggers	Likelihood of Risk Occurrence	Description	Risk Response Strategies
TECHNOLOGY				
Technology	Transition of technology in low-emission products.	Likely	Technology risk may have a significant impact on a company's business. The impact includes high costs associated with technology investments, potential depreciation of assets, and the need to replace products or services with lower-emission technology, leading to the cessation of asset use.	Bank Mandiri is reaching out to all its customers to communicate about its business plans, in response to transition policies and technological changes aimed at promoting green initiatives.
	Cybersecurity threats.	Likely	Bank Mandiri is transitioning to offering banking products through eco-friendly digital services due to the risks associated with transaction and data security, as well as information systems.	Bank Mandiri has established a special working unit to assist in overseeing digitalization-related risks and has achieved ISO 27001 certification for its security operations center, enabling it to effectively manage cyber security threats within its banking system and cyber operations.
MARKET				
Market Conditions	Changes in customer behavior.	Likely	Market changes pose a risk when customers shift to products with lower emissions, leading to a decrease in demand and company revenue.	<p>Bank Mandiri is committed to developing green and sustainable financial products. This commitment is evident through various initiatives, including the issuance of a Green Bond of IDR5 trillion, the inaugural issuance of a Sustainability Bond of US\$300 million, and an ESG Repo transaction of US\$500 million. Furthermore, the bank promotes financing in the Sustainable Business Activities Category (KKUB), encompassing green and social portfolios, following Financial Services Authority Regulation (POJK) 51/2017. Bank Mandiri also operates an ESG Desk, encouraging customers to transition with products, such as Sustainability-Linked Loans/ Corporate-in-Transition Financing. Bank Mandiri also offers green products on the retail side, including financing facilities for Electric Vehicles (EV) and other eco-friendly options.</p> <p>Bank Mandiri is implementing changes to digitalize its banking services, aiming to enhance accessibility for the people of Indonesia. The bank prioritizes the advancement of technology to facilitate digital transformation. This is realized through the development of innovative banking systems such as Livin', Kopra, Smart Branch (Upgraded Branch, Hybrid Branch, and Digital Box), Digital Carbon Tracking, Tap to Pay payment feature, and the extensive Mandiri Agent service. These initiatives serve as tangible demonstrations of Bank Mandiri's role as an Agent of Development and other digitalization initiatives.</p>

Type of Risk	Risk Triggers	Likelihood of Risk Occurrence	Description	Risk Response Strategies
REPUTATION				
Reputation	Adverse publication on Bank Mandiri's approach to addressing the challenges of climate change.	Likely	The risk to Bank Mandiri's reputation arises from negative publicity about its business activities or from negative perceptions of its compliance with climate change regulations.	<p>Bank Mandiri is actively promoting compliance with climate change regulations across all relevant work units, both directly and indirectly through operational activities. To address negative publications related to climate change regulations, the bank has established the ESG Group as the control tower for ESG implementation, ensuring that all bank activities comply with climate change regulations. The ESG Group engages in discussions with internal and external stakeholders, such as regulators, rating agencies, and customers, to ensure alignment with relevant provisions.</p> <p>Bank Mandiri is supported by the Corporate Secretary, responsible for minimizing potential risks to the company's reputation. In this regard, Bank Mandiri, through the Corporate Secretary, possesses the resources and expertise to analyze negative public sentiment and provide necessary strategic and structured responses.</p> <p>Additionally, Bank Mandiri utilizes an interactive control panel to monitor real-time news and opinions across various platforms, enabling strategic and proportional responses while effectively managing the company's reputation and image.</p>
PHYSICAL RISK				
Acute and Chronic Physical Risk	The impact and increased frequency of climate/extreme weather changes.	Likely	<p>The sudden and prolonged physical risks may have an impact on operational activities.</p> <p>Rising temperatures and sea levels have the potential to elevate land subsidence and the risk of flooding, impacting the value of financed assets and collateral, and potentially impeding overall bank operations.</p> <p>Bank Mandiri's extensive network of branches across Indonesia is susceptible to substantial risks arising from both acute and chronic climate change.</p>	<p>Bank Mandiri has initiated the first phase Bottom-up Climate Risk Stress Test (CRST) to identify the impact of transition and physical risks on its credit portfolios, including those in the productive sector, as well as market and operational risks.</p> <p>Bank Mandiri has established the Business Continuity Management Group to oversee the implementation of Business Continuity Management in accordance with the international standard ISO 22301:2019 and to monitor the impact of acute and chronic risks that Bank Mandiri may face. The Business Continuity Management Framework aims to establish a resilient organization capable of withstanding potential internal and external threats by ensuring the readiness of BETH3 components (Building, Equipment, Technology, Human Resource & 3rd Parties).</p>

Detailed Explanation Regarding the Implementation of CRST:

1. Transition Risk

Transition risk represents the potential challenges that arise from changes in government and stakeholder policy directions, technological advancements, and social dynamics as the world economy shifts towards a low-carbon economy. These changes demand that banks, including Bank Mandiri, adapt their policies that could potentially impact the bank's business, reputation,

and asset value. In response, Bank Mandiri actively identifies the short-term and long-term impacts of these transition risks on its credit portfolio (including the productive sector portfolio), as well as market and operational risks, during the initial phase of the bottom-up CRST. The following are potential impacts of transition risks on credit, market, and operational risks:

Potential Impact of Transition Risk

CREDIT RISK

In the realm of Credit Risk, the introduction of new climate policies, advancements in technology, and shifts in market sentiment can lead to the bank's stranded assets, particularly those in carbon-intensive industries. This situation can elevate the probability of default (PD) and increase the loss given default through diminished collateral values.

MARKET RISK

In terms of market risk, the bank recognizes the potential impact on the market value of its securities portfolio within the high-emission sector category due to government policy changes related to carbon emissions.

OPERATIONAL RISK

In Operational Risk, significant policy changes by regulators and shifts in customer and investor behavior can result in the bank facing sanctions from regulators and potentially higher error rates in transactions.

2. Physical Risk

Physical risk can be classified into two categories:

- **Acute Physical Risk:**
Risks caused by severe and frequent natural disasters.
- **Chronic Physical Risk:**
Risks caused by long-term climate pattern changes, such as temperature rise and sea-level rise.

Regarding physical risks, Indonesia has a relatively high risk of disasters due to its geographical location in a tropical area

and at the meeting point of two oceans and two continents, making it prone to floods, landslides, flash floods, extreme weather, extreme waves, and abrasion, as well as droughts that can trigger forest and land fires. Therefore, in analyzing the impact of physical risks, the bank identifies credit portfolios potentially vulnerable to floods and forest fires. The following is the identification of potential impacts of physical risks on credit and operational risks:

Potential Impact of Physical Risks

CREDIT RISK

Rising sea levels and occurrences of forest fires/ droughts impact the collateral value of debtors, potentially increasing credit risk through higher loss-given default (LGD), ultimately impacting the bank's capital.

OPERATIONAL RISK

Rising sea levels and occurrences of forest fires/ droughts can increase operational risk potential, such as damage to bank branch offices, and data centers, or hindering overall bank operations.

To measure the impact of physical risks on Bank Mandiri's financial performance, the bank maps out areas vulnerable to climate change disasters. In identifying disaster-prone areas, Bank Mandiri refers to the Indonesian Disaster Risk Index (IRBI) published by the National Agency for Disaster Management (BNPB).

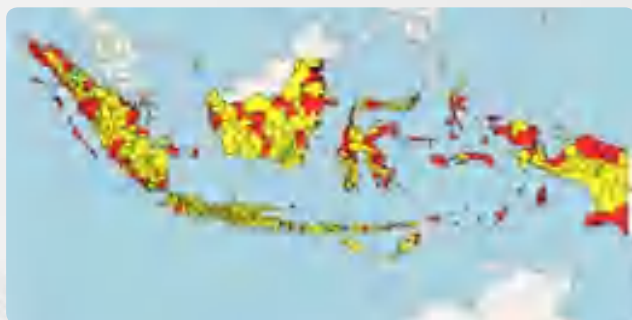
Physical Risk Assessment Results – Flood Scenario

Methodology for Determining Traffic Lights on Exposure at Risk

The method used to classify the physical risk of flooding in Indonesia involves Expert Scoring. The process for determining the risk class for geographic locations is outlined as follows:

1. Identification of parameters constituting the risk class for flooding in Indonesia. These factors include the frequency of flood events, the number of houses submerged, the extent of damage to public facilities, and the number of victims.
2. Compilation of parameter data sourced from the National Agency for Disaster Management (BNPB) - Indonesian Disaster Risk Index (IRBI).
3. Implementation of Scaling Adjustment (Scaling Score) to calibrate the parameters that shape flood risk classes in Indonesia.
4. Determination of the optimal weighting for these parameters to accurately classify flood risk classes in Indonesia.

Map of Indonesia's Flood Risk Index 2023



Source: Indonesian Disaster Risk Index (IRBI)

Snapshot Summary of Flood Risk Classes in Indonesia

No	District/City	Risk Class
1	Bandung, West Java	High Risk (Prone to Flooding)
2	Cirebon, West Java	High Risk (Prone to Flooding)
3	North Luwu, South Sulawesi	Medium Risk (Flood Alert)
4	Garut, West Java	Medium Risk (Flood Alert)
5	Lembata, NTT	Low Risk (Flood Safety Assured)
6	East Flores, NTT	Low Risk (Flood Safety Assured)
	Etc.	

Physical Risk Assessment Results – Forest Fire Scenario

Methodology for Determining Traffic Lights on Exposure at Risk

The method used to classify the physical risk of forest fires in Indonesia involves Expert Scoring. The process for determining the risk class for geographic locations is outlined as follows:

1. Identification of parameters constituting the risk class for forest fires in Indonesia.
2. Compilation of parameter data sourced from the National Agency for Disaster Management (BNPB) - Indonesian Disaster Risk Index (IRBI).
3. Implementation of Scaling Adjustment (Scaling Score) to calibrate the parameters that shape forest fires classes in Indonesia.
4. Determination of the optimal weighting for these parameters to accurately classify forest fires classes in Indonesia.

Map of Indonesia's Forest and Land Fire Risk Index 2023



Source: Indonesian Disaster Risk Index (IRBI)

Snapshot Summary Risk Class Forest Fires in Indonesia

No	District/City	Risk Class
1	Nganjuk, East Java	High Risk (Prone to Forest Fires)
2	Ponorogo, East Java	High Risk (Prone to Forest Fires)
3	Jayapura, Papua	Low Risk (Safe for Forest Fires)
4	Etc.	

BANK MANDIRI ATTENDS COP28 IN DUBAI

The Conference of the Parties (COP) is the highest decision-making body of the United Nations Framework Convention on Climate Change (UNFCCC), aimed at reducing greenhouse gas emissions and global climate change. COP28 was held in Dubai from November 30 to December 11, 2023, providing an opportunity for all countries to collaborate, improve direction, and promote progress to keep the 1.5°C target within reach as per the Paris Agreement.



In line with Bank Mandiri's commitment to becoming a Sustainable Champion in Indonesia by supporting the government's target to move towards a Low Carbon Economy and Net Zero Emissions by 2060 or earlier, Bank Mandiri participated in COP28, attended by the President Director, and Vice President Director. Furthermore, Bank Mandiri

seized this opportunity to enter a Memorandum of Understanding (MoU) with two Corporate Banking customers in the energy and fertilizer industries. This initiative by Bank Mandiri demonstrates its commitment to assisting customers in transitioning towards more responsible business practices.



Climate Scenario Analysis

Climate risk, which is forward-looking and characterized by significant uncertainty, presents a challenge for the Bank in terms of risk management practices. Scenario analysis, a risk management tool that employs a ‘what-if’ approach, assists the Bank in incorporating evolving climate and environmental risks into its strategy, governance, and risk management framework.

In general, the outcomes of scenario analysis on climate and environmental risks will reveal the degree to which the bank’s policies and strategies have integrated climate and environmental considerations. The following are the steps and primary processes that the Bank follows in implementing scenario analysis:

STEP 01 Identify Objectives and Scope

- ✓ Determine the objectives of the scenario analysis exercise, such as:
 - Assessing Macroeconomic impacts (short and long-run effects on GDP growth, inflation, terms of trade, etc.)
 - Assessing specific risks impact (impact on the bank’s balance sheet, profitability, capital adequacy, etc.)
- ✓ Identify material risk drivers deemed to have a significant potential impact on the Bank and determine the appropriate time horizon for conducting scenario analysis.
- ✓ Define the target audience/key stakeholders for the implementation of scenario analysis.

STEP 02 Scenario Design

- ✓ Determine the scope of climate risk (transition risk, physical risk, and a combination of both risks).
- ✓ Select relevant scenarios and pathways (NGFS/IPCC RCPS).
- ✓ Determine the level of granularity and time interval for conducting scenario analysis.

STEP 03 Impact Assessment

- ✓ Assess economic impacts (e.g., GDP, inflation, productivity, etc.), including identifying relevant transmission channels and determining key assumptions.
- ✓ Assess financial impacts (e.g., property values, asset stranding, debtor’s profitability, etc.).
- ✓ Both impacts will be evaluated for their effects on Bankwide performance, such as asset quality, profitability, and capital adequacy.

STEP 04 Using and Communicating Results

Communicating the results of scenario analysis to target audiences/key stakeholders can raise awareness of climate risks. This can encourage the Bank to improve risk management practices and promote further assessment, particularly for emerging risks.

POLICIES SUPPORTING CLIMATE CHANGE MITIGATION

Low Carbon Operations

Bank Mandiri is investing in the development of more bank offices that operate efficiently and with low carbon emissions. As of December 31, 2023, 4 buildings already solar panel installations:

- Menara Mandiri Medan.
- Menara Mandiri Palembang.
- Mandiri Indjoko Surabaya Building.
- Plaza Mandiri Building.

Green Building

Bank Mandiri already possesses a Green Building certificate for one of its buildings Mandiri Indjoko Surabaya Building.

Capability Enhancement

Bank Mandiri facilitates the development of capabilities for all Bank Mandiri employees, including the Board of Directors and Board of Commissioners, through training, workshops, seminars, focus group discussions, and certifications on various current topics to support sustainability issues.

Sustainable Procurement

Bank Mandiri incorporates ESG criteria into its contract clauses with vendor partners, encouraging them to utilize eco-friendly raw materials to minimize emissions from operational activities. Additionally, the bank conducts Vendor Meetings to comprehensively promote ESG aspects, including the prohibition of child labor and the promotion of fair operational practices.

ESG Awareness

Mandiri employees play a crucial role in achieving the Net Zero Emissions commitment from operational activities by 2030. For this reason, Bank Mandiri is actively fostering a sustainability culture within the organization through training, workshops, webinars, and certification programs. These initiatives aim to empower Mandiri employees with a deep understanding of relevant ESG topics, enabling them to develop financial products and services aligned with ESG principles.

Credit Policy Adjustment

Bank Mandiri has formulated and implemented credit policies for sectors with high ESG risks, particularly those involved in carbon-intensive activities. The credit policy for 12 sectors has already been issued as part of this initiative.

Carbon Neutral Initiative

Bank Mandiri strives for carbon neutrality through the Nature Based Solution initiative and purchasing Verified Carbon Units (VCU). The bank has participated in carbon trading on the Indonesian Carbon Exchange through the purchase of VCU units as an initiative to reduce emissions using the offsetting method of 3,027 tCO₂e.

Sustainable Trade

Bank Mandiri, through the Cash & Trade Operation Group, has implemented a Data Analytic Green Processing that categorizes customers into Green & Non-Green Portfolio, thereby creating a pipeline for the Trade Finance Facility to support financing for sustainable projects.

Financed Emission

Bank Mandiri has calculated GHG emissions from financing and investment activities based on the Partnership for Carbon Accounting Financials (PCAF) guidelines as the Bank's starting point in supporting a long-term low carbon economy. Moving forward, the Bank remains committed to refining and advancing its emission calculation methodology, aligning with regulatory directives and evolving best practices.

Digital Carbon Tracking

In 2023, Bank Mandiri introduced the online platform 'Digital Carbon Tracking,' providing stakeholders with transparent access to greenhouse gas emission information online.

Routine Dialogue to Support Low-Carbon Economic Transition

Dialogue and cooperation with customers, regulators, experts, and stakeholders to realize the low-carbon economic transition.

Sustainable Operation

In pursuit of Net Zero Emission in operational activities, Bank Mandiri has formulated an all-encompassing strategy that engages the entire Mandiri employee. This strategy focuses on the reduction of the institution's carbon footprint through the establishment of an environmentally sustainable banking operations ecosystem. This involves systematic measurement and monitoring of greenhouse gas (GHG) emissions, as well as the construction and advancement of low-carbon infrastructure. Additionally, the Bank has implemented a carbon offsetting initiative by procuring Verified Carbon Units (VCU) and employing the Nature-Based Solution (NBS) method.

Sustainable Financing

In line with sustainable finance initiatives, Bank Mandiri is developing financing portfolios to encourage and assist customers in transitioning towards a low-carbon economy. To support sustainable financing from a funding perspective, the company issues green investments such as green bonds and sustainability bonds to engage investors taking into account environmental, social, and governance (ESG) aspects.

PRODUCTS AND SERVICES SUPPORTING CLIMATE CHANGE MITIGATION [OJK F.26]

Digipreneurship for MSMEs

Bank Mandiri is in the process of developing a digital application for MSMEs, entrepreneurs, and merchant partners to transition to digital operations and reduce their carbon footprint.

Cardless Credit Card

Bank Mandiri has launched a physical cardless credit card as an effort to reduce plastic waste and carbon emissions from the card production process, printing process, and delivery to customers.

Energy Transition Financing

Bank Mandiri distributes credit for business activities that facilitate energy transition, such as renewable energy. As of December 31, 2023, credit disbursed reached Rp9.72 trillion.

Corporate-in-Transition Financing

Bank Mandiri assists and encourages the decarbonization of customers with carbon-intensive business activities through competitive and attractive sustainability-linked loans.

Green Financing for Retail Customers

Bank Mandiri meets the public's demand to reduce GHG emissions from their daily activities by offering retail financing for electric vehicle ownership and solar power installation.

Green Bond and Sustainability Bond

Bank Mandiri is expanding its sustainable funding sources by issuing Green Bonds and Sustainability Bonds to finance business activities aligned with sustainability principles. As of 2023, the bank has issued debt of Rp5 trillion for Green Bonds, US\$300 million for Sustainability Bonds, and US\$500 million for ESG Repo.

Green Investment

Through Mandiri Investasi, Bank Mandiri offers ESG mutual fund products for individuals seeking to align their investment portfolios with Environmental, Social, and Governance (ESG) principles.

Recycled Card

Bank Mandiri remains committed to innovation in creating products with lower environmental impact. As of December 31, 2023, the Bank has introduced sustainable debit and prepaid cards made from recycled PVC.

Digital Banking

Bank Mandiri has developed the Livin' digital banking application for retail customers and Kopra for wholesale customers, enabling them to access financial services without visiting Bank Mandiri branches. Additionally, the bank has 241 smart branches, demonstrating digital transformations of Bank Mandiri branches, providing customers with fast, easy, and secure banking services.

IMPLEMENTATION OF TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE [GRI 201-2]

Climate risk is one of the prominent risks for the financial services sector and demands transparent communication to investors, shareholders, and the public. In line with this, Bank Mandiri implemented the Task Force on Climate-Related Financial Disclosure (TCFD) as part of its Sustainability Report.

Key Elements of TCFD



01 GOVERNANCE

1. The Board of Commissioners actively oversees the integration of ESG aspects and the implementation of Sustainable Finance through the Risk Monitoring Committee (RMC).
2. The Board of Directors, through the Risk Management & Credit Policy Committee (RMPC) or the Executive Committee, monitors and decides on the integration strategy of ESG aspects and the implementation of Sustainable Finance.
3. The Environmental, Social, & Governance (ESG) Group is a dedicated unit formed specifically to perform a control tower function in the implementation of Sustainable Finance at Bank Mandiri and its Subsidiaries, directly supervised by the Vice President Director according to the Decree of the Board of Directors KEP. DIR/32/2022 dated September 12, 2022.
4. The ESG Group carries out monitoring functions related to the implementation of ESG in Subsidiaries through the Integrated Governance Committee (TKT).

02 STRATEGY

1. Bank Mandiri has established ESG Guiding Principles No. RMPC/051/2023 dated December 13, 2023, as a strategic document aimed at guiding in integrating ESG aspects in Bank Mandiri, covering the bank's business and operational activities.
2. Bank Mandiri has established a long-term transformation strategy, with a specific focus on the bank's sustainability strategy for the next 10 years. This strategy is regularly overseen by the Transformation Committee.

3. Analyzing the risks and opportunities of climate change to prepare Bank Mandiri's strategy in facing climate change risks.
4. Developing a Sustainable Finance Action Plan (SFAP) based on the mapping of the implementation of ESG aspects and Sustainable Finance at Bank Mandiri for the next five years.
5. Developing Sustainable Finance products in both wholesale and retail segments, such as sustainable financing, sustainable bonds, ESG-based investments, eco-friendly cards, and others.
6. Establishing an ESG Desk focused on providing financing services such as green loans, sustainability-linked loans, and corporate in-transition financing to help customers transition to a low-carbon economy.
7. Developing digitalization in Bank Mandiri's core business, such as Livin', Kopra, Smart Branch, and Digital Carbon Tracking to support the achievement of Net Zero Emission (NZE) in Operations by 2030.
8. The Contributor Work Unit, consisting of Business Units, Risk Management, Support, and all Regional Offices, actively implements ESG strategies and initiatives in all business and operational activities in line with the framework, vision, and commitments of Bank Mandiri's ESG.

03 RISK MANAGEMENT

1. In the credit granting process, Bank Mandiri has implemented Environmental and Social Risk Management (ESRM) from the pre-screening process (due diligence), loan analysis, legal & compliance review, and loan approval to the monitoring process.
2. In the Pre-Screening phase, Bank Mandiri has specific criteria related to ESG aspects that need to be specifically considered in each sector, outlined in the Industry Acceptance Criteria (IAC). Currently, Bank Mandiri has 12 priority sectors including Palm Oil, Energy and Water, FMCG, Mining (Metals and Coal), Construction, Pulp & Paper, Telecommunications, Transportation, Other Transport Industries (Shipbuilding), Pharmaceuticals and Health Services, and Oil and Gas.
3. Bank Mandiri is committed to not providing financing for business activities that have a negative impact on the environment and society (Chapter 3).
4. Bank Mandiri has a Business Continuity Management (BCM) Group actively designing a Business Continuity Plan (BCP) to early identify and take initial steps related to climate risks or force majeure.
5. Bank Mandiri has identified the impact of transition risks and physical risks on the Bank's performance, attached to the Initial Phase Bottom-up Climate Risk Stress Test (CRST) in 2023.

04 METRICS AND TARGETS

1. Calculating emissions from operational activities (including scopes 1, 2, and 3) following the GHG Protocol will be implemented on a monthly basis. This information will be accessible digitally through the Bank Mandiri website and reported annually in the Sustainability Report.
2. Bank Mandiri has calculated emissions from financing activities (scope 3) covering seven asset classes according to the methods and guidelines of the Partnership for Carbon Accounting Financials (PCAF).
3. Bank Mandiri focuses on increasing its sustainable financing portfolio based on the classification according to the Sustainable Business Activity Category (KKUB) following POJK 51/2017.
4. Bank Mandiri has a target to achieve Net Zero Emission (NZE) in Operations by 2030.

Opportunities and Challenges of Sustainable Finance [OJK E.5]

The increasing global public and governmental pressure to address ESG issues is propelling a business trend toward greater environmental sustainability and inclusivity. This trend is particularly focused on expediting the transition to a low-carbon economy and achieving Net Zero Emission targets. ESG issues not only present new risks and challenges but also create various business opportunities.

Bank Mandiri not only seeks to identify risks and mitigate them in facing ESG issues but also optimizes existing business opportunities through various sustainable financial initiatives to achieve the vision of “Becoming Indonesia’s Sustainability Champion for a Better Future” and to support the realization of national sustainable targets. Bank Mandiri has undertaken various optimization efforts, including:

1. **Building ESG Expertise** to accelerate the formation of a low-carbon business ecosystem, through various training, certification, and workshops involving industry experts, customers, peer banks, regulators, and related institutions;
2. **Developing various sustainable financial products and services**, both in terms of funding and financing, in line with the increasing demand for sustainable products. In addition, Bank Mandiri continues to support customers, particularly those operating in high ESG risk sectors, in transitioning. Bank Mandiri provides financial solutions to help decarbonize and transition to more responsible, eco-friendly businesses with lower carbon emissions. Bank Mandiri also explores deeper potential in the customer supply chain and provides financing for their transition to a low-carbon ecosystem;
3. **Bank Mandiri continues to promote digitalization** through the launch of various digital products such as Livin’ for the consumer segment and Kopra for the wholesale segment;
4. **Empowering communities and financial inclusion** through financing for MSME segments and Mandiri Agents;
5. **Collaborating with regulators and related institutions** to support government programs in addressing climate change issues and SDGs targets.

The implementation of sustainable finance initiatives is a long journey that is not without its challenges. Therefore, Bank Mandiri continues to identify and evaluate, as well as establish mitigation measures to address these various obstacles. Challenges in the implementation of sustainable finance include:

1. **Uneven internal understanding and capabilities related to sustainable finance**, Bank Mandiri continues to strive to increase awareness and employee capabilities through various programs such as training, workshops, and benchmarking best practices.
2. **Customers and working partners who have a limited understanding of environmental, social, and governance aspects** in their business activities. In this regard, Bank Mandiri continues to conduct socialization, including workshops involving customers, ESG experts, and relevant stakeholders in the implementation of ESG aspects in priority sectors.
3. **Readiness of systems and processes to support the integration of sustainable finance** into the bank’s business activities, such as developing monitoring and reporting systems related to Sustainable Business Activity Categories (KKUB) and the Indonesian Green Taxonomy (THI).
4. **Technological disruption (digitalization)** has led to increased IT and cyber risks. Consequently, Bank Mandiri consistently enhances various mechanisms to mitigate these risks.
5. **Regulations related to sustainable finance**, requiring standards and technical guidelines in the implementation of sustainable finance;
6. **Policies, stimuli, and incentives** from various government institutions to encourage financial institutions and businesses to implement sustainable finance.

Sustainability Culture

[OJK F.1]

The implementation of sustainable finance begins with increasing Mandiri employees' capacity to master relevant ESG topics related to Bank Mandiri's business, particularly in developing financial products and services and adapting the organization to integrate ESG into banking systems and procedures.

The engagement of all Mandiri employees is vital for implementing these changes by fostering a culture of sustainability. This starts with raising awareness among Mandiri employees about the importance of safeguarding the environment in their daily activities. Sustainability culture initiatives encompass enhancing the technical knowledge and expertise related to ESG for employees at all levels and within various work units through training, workshops, webinars, and certifications.

The ESG Group serves as the coordinator for Sustainable Finance and Investment (ESG) within the Bank Mandiri framework. Subsequently, the bankwide Internal Culture Team establishes ESG buddies in each unit, who assume responsibility and serve

as conduits for ESG-related information within their respective work areas. Furthermore, sustainable finance initiatives are promoted through the dissemination of information to Bank Mandiri's customers, partners, and suppliers. In 2023, Bank Mandiri held two Internal Discussion Forums attended by the entire Board of Directors and Commissioners. Additionally, Mandiri University Group has facilitated ESG Awareness Level-1 e-learning for all employees including the ODP program, sectoral ESG workshops (nickel & property), and the implementation of ESG awareness.

As of 31 December 2023, Bank Mandiri is actively carrying out outreach activities to support the achievement of ESG awareness within the Bank's internal environment. Socialization has been carried out to 34 work units and 12 regions. The agenda discussed begins with global and national commitments, regulatory provisions, and ESG implementation that has been implemented at Bank Mandiri in each aspect. Apart from that, socialization is also aligned with the scope of work of the relevant work units to obtain support in achieving Net Zero Emission (NZE) 2030.



The involvement of all Mandiri employees is significant to carry out these changes through developing a culture of sustainability, which begins with building awareness of Mandiri employees to protect and preserve the environment in their daily activities.



Recapitulation of ESG Capacity Increase in 2023

11,622 Hours

Training topics include:

- Employee Training on Ethical Standards
- Employee Training on Consumer Financial Protection
- Training on Fair Advertising Policies/Procedures
- Training on Data Security and/or Privacy-Related Risks & Procedures
- Training on Debt Collection
- ESG & Climate Training for the Board of Directors

Monthly Event

Awareness campaign through newsletters, podcasts, desktop wallpapers, and other various activities.

100%

ESG Awareness for Directors, Board of Commissioners, and Employees

Mandirian Ber-NYALI

Mandirian Ber-Nyali, or Mandiri Bergerak Nyata untuk Lingkungan, is a campaign program aimed at promoting sustainable finance, with a particular focus on Sustainable Operations. The campaign addresses various environmental concerns (eco-friendly acts), including the reduction of single-use plastics, paper consumption, and energy, water, and fuel usage. Additionally, it emphasizes the segregation of organic and non-organic waste. This program engages all Mandiri employees, particularly the Culture Squad, in creating posters, magazines, videos, and podcasts to raise awareness about eco-friendly business practices. The sequence of Mandirian Ber-NYALI programs that have been carried out until December 2023 include Socialization, Mandiri Eco-Clean, ESG Board Message, and Mandiri ESG Festival.

Socialization activities are carried out as a forum for cultural communication and sharing of insights for the Culture Squad as well as announcement of the implementation of Mandiri Eco-Clean activities. The Mandiri Eco-Clean activity is an activity to clean work areas and sort waste as a 3R (Reduce, Reuse, Recycle) movement. Culture Squad also sent documentation on the implementation of Mandiri Eco-Clean in the form of photos/videos and the best documentation received direct appreciation which was conveyed on the ESG Board Message by Mrs. Alexandra Askandar as Vice President Director of Bank Mandiri.

Afterwards, to increase awareness regarding ESG at Bank Mandiri for stakeholders, the Mandiri ESG Festival was held

which is a means of Bank Mandiri's commitment to implementing ESG involving the Directors and Commissioners.

In Mandiri ESG Festival, the Bank also launched various environmentally friendly products such as Cardless Credit Card, R-PVC Prepaid & Debit Card, Digital Carbon Tracking and collaboration with subsidiary companies to promote Electric Vehicles (EV) in Livin' Sukha and Kopra as well as environmentally friendly investment products.

In the reporting year, Bank Mandiri also awarded awards to Work Units with the best ESG implementation in daily business operations. This appreciation was conveyed in the Mandiri Employee Award (MEA) category for the Best ESG Stewardship Award.

The ESG aspects assessed include energy efficiency, human resource development, information security, and anti-fraud awareness as well as initiatives at the work unit level based on implementation that has been carried out throughout 2023.



Initiatives Facilitating Sustainability Strategies

This program is carried out to achieve Bank Mandiri's commitment to Net Zero Emissions (NZE) Operations by 2030, which requires the active participation and collaboration of all employees in carrying out daily operational activities, including conducting activities/events/meetings following the provided guidelines.

NO MORE



Single-use plastics/Bottled Drinking Water (AMDK)



Leaving food and drinks



Incorporating balloons and confetti into event execution

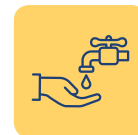
SAY YES TO



Utilizing pitchers/tumblers for the consumption of drinking water.



Sorting waste before disposal



Conserving water usage



Distributing internal documents electronically (paperless)



Conserving electricity and setting AC at 23-25°C



Using public transportation

Reference is made to Letter No. DCO/1268/2023, Letter No. DCO/1269/2023, and Note No. DCO/704/2023, regarding the Appeal for the Implementation of the ESG Program within the framework of Net Zero Emission (NZE) Operations 2030. Additionally, guidelines for the execution of environmentally conscious activities/events/meetings have been submitted to Subsidiary Companies, Regions, and each respective work unit.

27,844

Mandirians have participated in the ESG Awareness Level-1 E-Learning

459

participants in the Internal Discussion Forum which was held twice and attended by the Board of Directors, Board of Commissioners, SEVP, Subsidiary Directors, Regulatory Ministry, and international institutions.

2,823

participants in the socialization and training for the implementation of ESG include: 34 work units, 5 ODP batches, 12 regions, 10 Subsidiary Companies, and 618 partners.

57,720

PCs and Notebooks received the ESG campaign through desktop wallpaper.

7,660

Mandirians have participated in the ESG Awareness Survey.





MANDIRI

ECO-CLEAN ⁵ MEI 2023

TAHUKAH MANDIRAN?

Setiap limbah yang kita hasilkan membutuhkan waktu yang lama untuk terurai secara alami



Plastik
400 tahun



Besi
50-200 tahun



Aluminium
80-100 tahun



Masker
450 tahun

Dilain Proses Penguraiannya, Limbah Itu Menyusuri Lingkungan dan Mengancam Keberlangsungan Hidup Kita

#AskTami



Karena itu, Yuk mari kita sama-sama memilah dan mendaur ulang sampah melalui gerakan "Mandiri Eco-Clean"!

Luangkan 30 menit waktumu (16.30-17.00) pada tanggal 5 Mei untuk membersihkan, memilah, dan menyetorkan Sampah Anorganik di meja kerjaku pada titik-titik yang telah disediakan agar dapat dikelola dengan baik

Collaboration with:

mandirian
BER-NYALI x

Jubelo