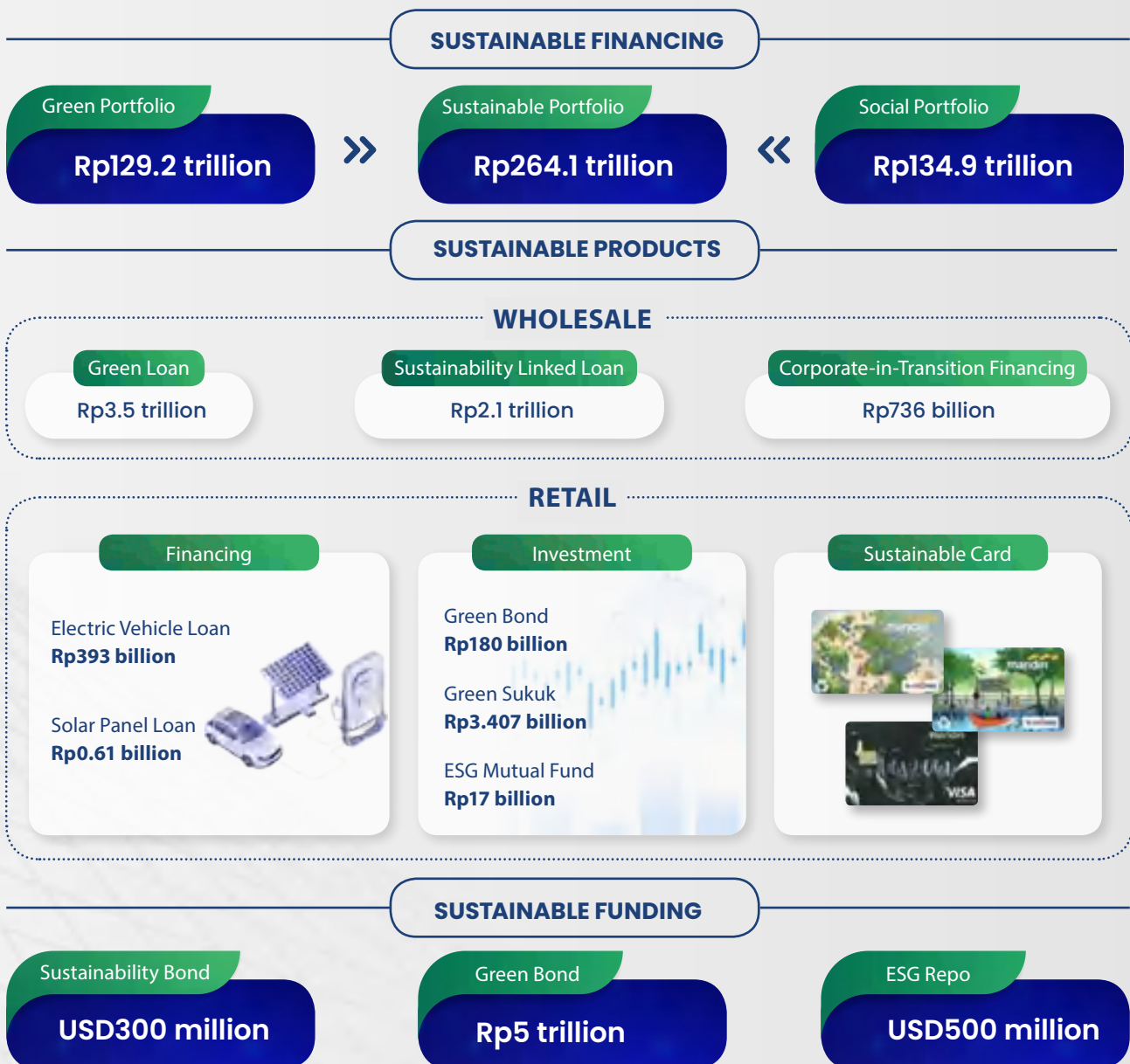


# Sustainable Banking

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.



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

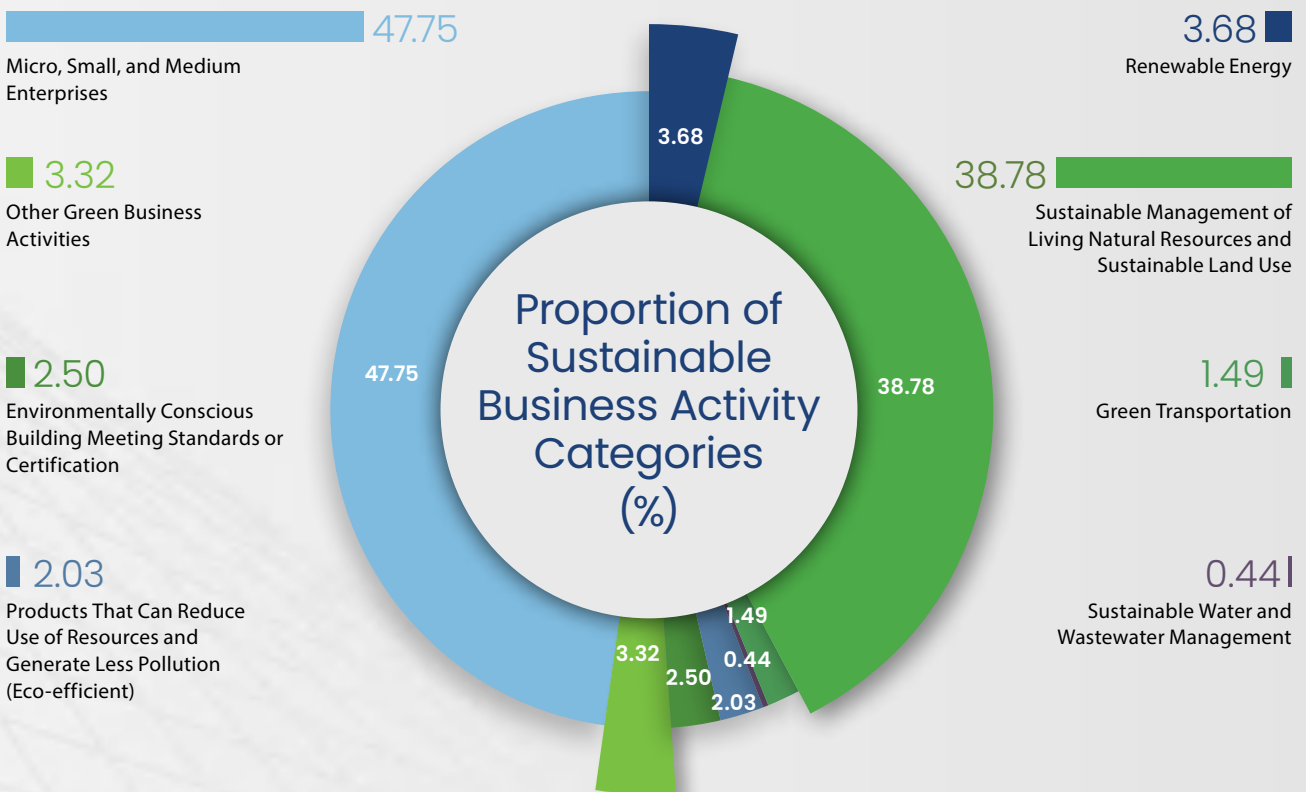
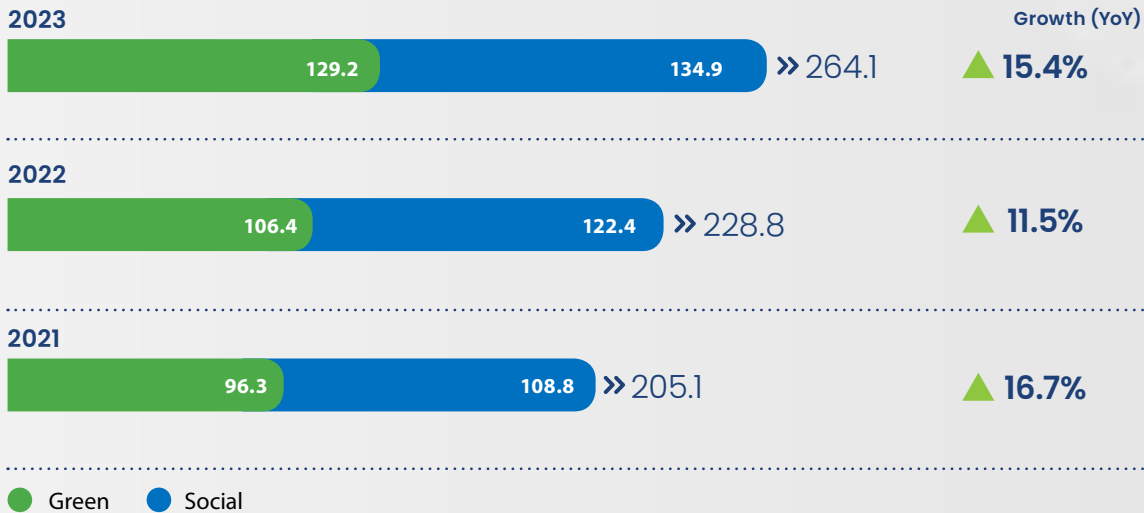
Sustainable Financing refers to loans provided by Bank Mandiri to finance businesses to businesses and individuals that promote environmental conservation and social aspects in client's operation, while fostering economic growth. The types of business activities outlined in POJK 51/2017 are the central 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:

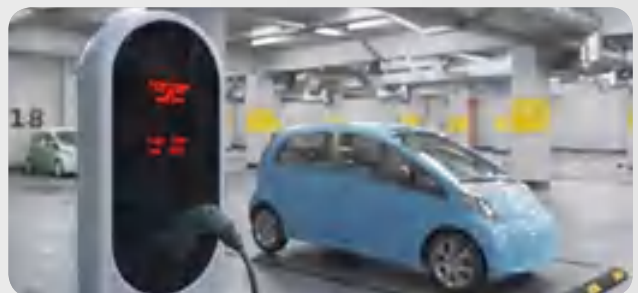
## 1. GREATER JAKARTA LIGHT RAIL TRANSIT (LRT)

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

[F.26]

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.

