

TYPES OF RISKS AND ITS MITIGATIONS

Climate-related Risks	Mitigation
Rising prices of raw materials and/or commodities due to climate change, weather problems, or crop failure	<ul style="list-style-type: none"> Conduct stress tests and create watchlists to be monitored regularly in order to analyse customers affected by related issues.
The risk of energy transition in countries that still rely on coal as the main energy source such as in Indonesia	<ul style="list-style-type: none"> Bank Mandiri adjusts its lending policy to the energy sector that uses coal in accordance with the Government's energy transition plan, such as phasing out financing for the coal sector starting in 2040.
Acute physical risk caused by extreme climate change, such as floods, landslides and haze due to forest fires.	<ul style="list-style-type: none"> Implementation of Business Continuity Plan and establishing data centers in several different places to mitigate disruption of customer convenience in transactions and protect the risk of data loss due to hydrometeorological disasters. Implementation of BCM according to international standards based on ISO 22301: 2019 to realize a resilient organization from potential internal and external threats through the readiness of BETH13 components (Building, Equipment, Technology, Human Resource & 3rd Parties). BCM also interacts with climate institutions such as the Meteorology, Climatology and Geophysics Agency (BMKG), in order to identify early and be able to carry out early action plans and socialize to all employees.
Climate-related opportunities	Response
Investment in technologies for new renewable energy is on the rise. According to records from the Ministry of Energy and Mineral Resources, in 2021, the use of renewable energy reached 11.5% of the total national energy.	Bank Mandiri builds internal capabilities to assist the transition to green energy in the sector. As of December 2022, Bank Mandiri has financed 10 renewable energy projects

Governance Bodies' Involvement on Climate Risk

Coordination of ESG-related aspects, including climate risk, at Bank Mandiri is carried out by ESG Group under the Vice President Director who is authorized to manage the framework, alignment of provisions in line with ESG and climate change issues, sustainable portfolio management, and responsible operational strategies of the Bank, including communication and reporting functions to external and internal parties. Reports from the ESG Unit are then regularly forwarded to the Board of Directors as needed and to the Board of Commissioners with a frequency of at least 4 times per year.

In the implementation of ESG and climate management, the Board of Directors takes a role in strategic functions, to:

1. integrate ESG aspects bank-wide, establish the direction of Bank Mandiri's Sustainable Finance (Sustainability) which includes Framework, Commitment, Strategy, Initiatives, Roadmap related to climate targets and SDGs achievement;
2. carry out supervisory functions related to ESG and climate risks and opportunities, implementation of Sustainable Finance, fulfillment of appropriate ESG targets and initiatives;
3. accountable in ensuring the achievement of sustainability aspirations to stakeholders; and

4. build the collaboration and partnership needed to accelerate the Company's progress towards achieving SDGs and climate targets.

The Board of Directors in this case is assisted by the Risk Management and Policy Committee (RMPC). The forum with Risk Management and Credit Policy Committee (RMPC) is held quarterly on the topic of Sustainable Finance Action Plan (RAKB) performance, ESG trends, including discussion of critical issues in ESG aspects.

The Company's Board of Commissioners takes an important role in managing ESG and climate aspects, particularly to ensure the integration of ESG and climate aspects in Bank Mandiri's long-term goals, including fostering efforts beyond compliance and adoption of best practices, and overseeing the management of risks and opportunities related to sustainability and climate. To carry out this task, the Board of Commissioners is supported by the Risk Oversight Committee (ROC). The Risk Oversight Committee (ROC) forum is held quarterly including discussing the effectiveness of ESG-related risk management and supervision in financing activities.