

ESG RISK MANAGEMENT

Scope of ESG Risk Management

Coordinating ESG aspects is also one of the priorities of Bank Mandiri in the long-term business transformation. Through the “Conduct Sustainable Business” stream, Bank Mandiri has developed an ESG framework, roadmap, and initiatives with a focus on transitioning to a low-carbon economy, reducing emissions, and achieving net zero in the bank’s operations and enhancing social impact in achieving SDGs.

To achieve these targets, particularly in promoting the transition to a low-carbon economy, Bank Mandiri continues to identify, measure, and evaluate ESG risks, including climate risks, particularly in financing aspects.

The ESG risk management system in the credit process covers Bank Mandiri’s credit services for wholesale, retail, and treasury segments. Bank Mandiri establishes and implements the Technical Guidelines for Environmental and Social Analysis in Credit Provision, used as a reference for environmental analysis in credit provision analysis.

This is in accordance with the endeavors made by the Financial Services Authority (OJK) regarding the Assessment of the Quality of Commercial Bank Assets, regulating that the assessment of debtor business prospects is also linked to the debtor’s efforts in preserving the environment.

ESG Risk Management System

ESG risk assessment in credit is conducted at all stages of credit disbursement in an end-to-end and integrated manner by the Business Unit, Credit Operation Unit, and Credit Risk Management Unit. Each Business Unit conducts assessments based on the Portfolio Guideline and then carries out a pre-approval process using credit risk tools, including the application of ESG aspects. For the wholesale segment, it is determined in the Industry Acceptance Criteria (IAC), while for the retail segment, the assessment is carried out through a credit risk scorecard, with reference to the Risk Acceptance Criteria for each product.

Bank Mandiri establishes risk appetite and industry appetite in line with ESG issues in the Bank’s policies, as stipulated in the Industry Acceptance Criteria (IAC) technical guidelines in Internal Regulation No.B3.P1.T16.IAC. Details of the business sectors covered can be found in the Sustainable Banking section of this report.

The Business Unit conducts due diligence, if necessary, on credit applicants to delve into issues related to ESG, submitted by the Business Unit to the credit decision-makers, where this function is carried out by the Senior VP up to the Board of Directors. Credit decisions are made independently by the Business Unit and Credit Risk Management Unit using the four-eyes-principles process.

The Bank periodically reviews and improves its credit policies in general, credit procedures per business segment, and specific risk management tools, particularly for sectors with high ESG and climate risks. Each Business Unit conducts more detailed and in-depth assessments of each business activity to establish requirements related to ESG in IAC and RAC, including based on input and involvement from regulators and other sources.

Bank Mandiri conducts a thorough analysis of sectoral portfolios through sensitivity analysis. The findings are then showcased at the Board Forum and serve as a crucial reference for internal business decision-making.

MONITORING OF ESG RISKS

The framework and governance of ESG Risk Management at Bank Mandiri involve active roles of the Board of Commissioners and the Board of Directors. The Board of Directors monitors the implementation and achievement of ESG targets through the Risk Management & Credit Policy Committee (RMPC) forum in accordance with the duties and authorities stipulated in the Board of Directors’ Decision of PT Bank Mandiri (Persero) Tbk, Number Kep.Dir/009/2021 regarding the Risk Management & Credit Policy Committee. The Risk Management and Credit

Policy Committee (RMPC) is held on a quarterly basis with topics such as the performance of Sustainable Finance Action Plans (SFAP), ESG trends, and discussions on critical issues related to ESG.

Furthermore, the Board of Commissioners oversees the implementation of ESG, the fulfillment of ESG targets or commitments through the Risk Monitoring Committee (RMC) forum, held on a quarterly basis with topics such as reviewing