

## **Overview of Sustainable Financing Policy**

### **Objective**

This document provides a comprehensive overview of PT Bank Mandiri (Persero) Tbk ("Bank Mandiri")'s sustainable banking practices. Bank Mandiri has adopted responsible financing by integrating Environmental, Social, and Governance (ESG) considerations into its financing processes, ensuring that its financing activities do not have a negative impact on society or the environment. Furthermore, Bank Mandiri strengthens its commitment to sustainability by offering financial products and services that support environmentally and socially responsible projects, in alignment with both national and global sustainability principles.

This document outlines Bank Mandiri's sustainable financing policy, including the development, implementation, and communication of Sustainable Finance initiatives that meet stakeholder expectations and comply with regulatory requirements. These initiatives are reflected in key documents such as the Sustainable Finance Action Plan (RAKB), the Sustainability Report, and other regulatory disclosures. Additionally, the document reaffirms Bank Mandiri's commitment to advancing the 17 Sustainable Development Goals (SDGs) and implementing the 8 Principles of Sustainable Finance, as mandated by POJK 51/2017 (Financial Services Authority Regulation), embedding sustainability into the Bank's core strategies and operations.

### **About this policy**

Bank Mandiri is committed to promoting sustainable financing as part of its long-term strategy to support environmental responsibility, social welfare, and good governance. As part of this commitment, Bank Mandiri integrates the ESG aspects in its financing activities.

Bank Mandiri also aligns its efforts with the Paris Agreement initiatives, SDGs and has a vision of "Becoming Indonesia's Sustainability Champion for a Better Future", which is realized through three strategic pillars, with the following commitments:

- Sustainable Banking: Lead Indonesia's Transition to Low Carbon Economy;
- Sustainable Operation: Net Zero Emission in Operations by 2030;
- Sustainability Beyond Banking: Catalyzing Multiple Growth for Social Impact to Achieve SDGs.

### **Scope**

This policy applies to the Bank Mandiri's credit and lending activities for clients. It guides the consideration of sustainability into the credit approval, monitoring, and reporting. The implementation involves coordinated efforts among the Bank's business units, risk management, and ESG teams to uphold transparency and accountability across all financing operations.

### **Governance and Oversight**

Bank Mandiri has a dynamic governance structure in place that ensures the development and implementation of our Sustainable Financing policy is carried out in a coordinated and consistent manner, aligning with our long-term sustainability goals.

- **Board of Directors**  
In fulfilment to Regulation Financial Service Authority POJK 51/2017, Sustainable Finance Action Plan (RAKB) document was required to be submitted to the Financial Services Authority on annual basis. The Board of Directors is responsible for establishing and implementing the SFAP related to climate change and SDGs targets.  
Provides regular reports to the Board of Commissioners on the progress of sustainable finance initiatives, fulfilment of commitments, and the implementation of the ESG framework, along with key updates on climate-related matters and progress toward SDGs achievements.
- **Credit Committee**  
The credit approval process is carried out in the Credit Committee Meeting Forum, which consists of at least two members, each representing the Business Unit and the Risk Management Unit. The parties play a role in the decision-making process regarding credit approval.
- **Risk Management Committee**  
The Risk Management Committee (RMC) is composed of key executive leaders, including the Director of Risk Management, the Director of Finance & Strategy, the Director of Business, and several other members of the Board of Directors. This committee is responsible for overseeing the Bank's risk landscape, sustainable finance framework and developing comprehensive risk management strategies, including aspects related on ESG. To ensure proactive risk mitigation and strategic alignment, the RMC convenes on a quarterly basis to discuss critical risk-related topics and assess emerging challenges.

## **ESG Implementation in Bank Mandiri**

The key factors of environmental, social, and governance has already considered and be further explained in Bank Mandiri ESG Guiding Principles document that was launched on December 13th 2023. Bank Mandiri shall adopt these principles as the primary guidelines, which have been approved by the RMC and other internal policies relating to sustainability strategies are adjusted based on Bank Mandiri ESG Guiding Principles.

### **1. Sustainable Banking**

In the first pillar of Bank Mandiri ESG Framework, Sustainable Banking, Bank Mandiri focuses on running the bank's business activities in a sustainable manner with a commitment to "Lead Indonesia's Transition to Low Carbon Economy". This is realized through the integration of ESG aspects in all the bank's business activities which includes the management of risk aspects and business aspects through the development of sustainable financial products/services to help customers transition to a low carbon economy and sustainable business activities.

#### **a. Risk Management Aspect**

In terms of carrying out the bank's business activities, at Bank Mandiri, we shall identify and assess of the environmental and social impacts caused (Environmental & Social Due Diligence). In activities related to lending and other business activities, identification and assessment of environmental and social aspects can be carried out, among others:

- 1) Climate change mitigation and adaptation efforts;
- 2) Use of sustainable or environmentally friendly resources;
- 3) Protection of biodiversity;
- 4) Wise management of water and waste;
- 5) Reduction of emissions produced;
- 6) Protection of human rights;

- 7) Implementation of good labor practices;
- 8) Health and safety of employees in the workplace;
- 9) Customer protection, including data and privacy;
- 10) or other parameters that are more specific to the type of sector/business being run.

b. **Business Development Aspect**

Banks need to capture business development potential related to the transition to a low-carbon economy that includes the development of sustainable financial products and services. In general, the sustainable financial products and services developed (including financing, fund raising, and investment product offerings) aim to assist and encourage the active role of customers to run sustainable and value-added businesses.

In developing sustainable financial products and services, consideration shall be given to regulatory provisions and standards that apply nationally and internationally, market conditions, namely by identifying customer needs and preferences, as well as opportunities and challenges based on the latest trends, and Bank needs (i.e. adjusting to the corporate plan and business strategy being implemented).

## **2. Sustainable Operation**

Through Sustainable Operations, Bank Mandiri are committed to achieving Net Zero Emissions in Operations by 2030, focusing on mitigating operational risks related to climate change, adopting environmentally friendly practices, and enhancing HR management to promote diversity and equality.

## **3. Sustainability Beyond Banking**

Sustainability Beyond Banking pillar emphasizes catalyzing multiple growth opportunities for social impact, including financial inclusion initiatives and corporate social responsibility (CSR) programs that contribute to achieving the UN SDGs.

While Sustainable Operation and Sustainability Beyond Banking pillars are integral to our ESG strategy, a detailed discussion of their implementation and policy falls beyond the scope of this overview policy document.

## **Responsible Financing**

Bank Mandiri upholds the principle of responsible banking by integrating ESG considerations into its credit policies, risk management, and financing decisions. This ensures sustainable growth while mitigating environmental and social risks, reinforcing the Bank's commitment to a resilient financial ecosystem.

### **1. Exclusion List**

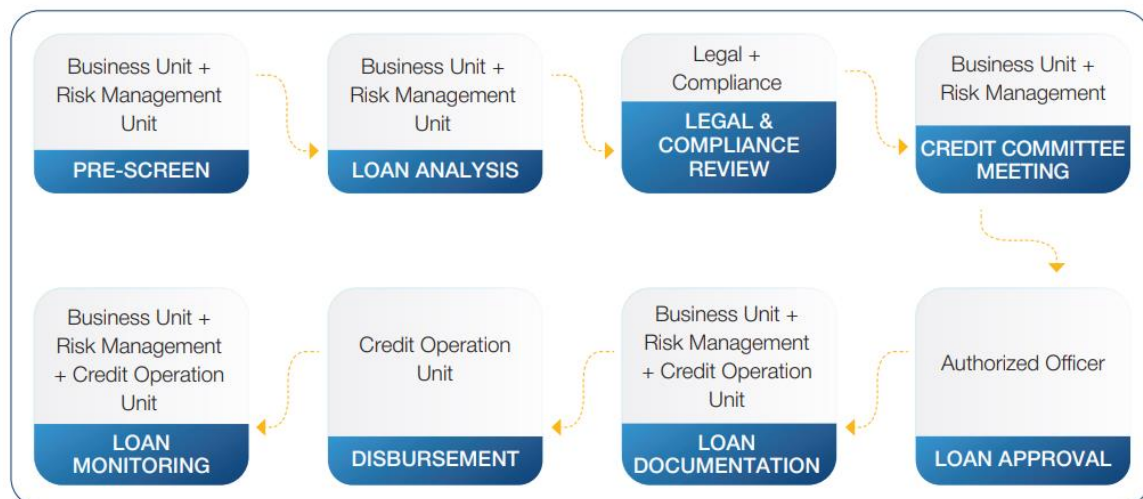
Bank Mandiri remains committed to not providing credit financing for business activities that may have negative impacts on the environment and society, as outlined in the following exclusions:

a. **Environmental Aspects**

- 1) Illegal logging;
- 2) Land clearing on peatland;
- 3) Business activities that endanger the environment.

- b. Social Aspects
  - 1) Human rights violations as stipulated in labor laws;
  - 2) Drug abuse.
- c. Governance Aspects
  - 1) Other business activities that are not in compliance with applicable laws, including but not limited to: pornography, gambling, money laundering, corruption, collusion, and nepotism, as well as goods and services that violate prevailing legal regulations.

### ESG Integration in Credit Approval Process



Bank Mandiri is committed to conducting its business and operations by upholding the principles of sustainable development. As part of this commitment, Bank Mandiri has implemented credit policy to integrate ESG factors into its Customer Due Diligence (CDD) and Know Your Customer (KYC) processes. These policies ensure that potential environmental, social, and governance risks are consistently assessed and managed throughout the credit evaluation process. Bank Mandiri's ESG credit policy establishes key criteria that prospective debtors must meet to align with sustainability principles, covering environmental compliance, social responsibility, and corporate governance standards.

#### a. General Requirements

Bank Mandiri consider prospective debtors to meet the following factors:

- 1) Environmental
  - a) Have environmental management documents in accordance with the industrial sector and applicable regulations, including Environmental Impact Analysis (AMDAL) documents for mandatory business/activity plans or Environmental Management Effort (UKL) and Environmental Monitoring Effort (UPL) documents.
  - b) Provide the results of the Company Performance Rating Program in Environmental Management (PROPER) assessment, as required by applicable regulations.
  - c) Hold relevant environmental management permits/ certifications or meet other applicable environmental criteria in compliance with prevailing laws and regulations.

## 2) Social

- a) Have internal policies on Environmental Management and Occupational Health and Safety (OHS) Management that are acceptable to the bank.
- b) Hold relevant social management permits/ certifications or meet other applicable social criteria in accordance with prevailing laws and regulations.

## 3) Governance

- a) The composition of the Board of Directors (skills and experience) is a key consideration in credit analysis, including the directors' professional background. Changes to the Board of Directors typically require the Bank's approval and are stipulated in the credit covenant.
- b) From a financial perspective, the Relationship Manager (RM) requests audited financial statements from customers.

### **b. Sector Specific Policy**

Moreover, Bank Mandiri has Industry Acceptance Criteria (IAC) for specific sectors, which play a critical role in loan portfolio management by setting minimum eligibility requirements. These criteria are particularly important for sectors with unique characteristics that require additional assessment.

The IAC outlines key aspects that clients must aware to fulfil. These guidelines are used by both the Business Unit and the Credit Risk Taking Unit to ensure alignment with industry best practices and to reflect the Bank's risk appetite within each sector. The overarching risk policy is documented in the IAC No. B3.P1.T16.IAC 2023.

One of the key components regulated under the IAC is Environmental, Social, and Governance (ESG) aspects. Currently, Bank Mandiri has defined ESG-specific considerations for following sectors. These sector-specific criteria serve as a strategic tool to identify and target eligible clients or prospective borrowers who align with the Bank's sustainability objectives and risk appetite. The sectors covered include agriculture, energy & water, FMCG, mining (metals & coal), construction, pulp & paper, telecommunications, transportation, shipbuilding, pharmaceuticals & health services, oil & gas, hotel, restaurant & accommodation, fertilizers & pesticides, cement, automotive, and chemical.

IAC are regularly reviewed and updated in line with regulations and adopting national taxonomies to ensure continued relevance and are subject to strict monitoring and oversight.

## **Sustainable Financing**

Furthermore, in implementing sustainable financing, Bank Mandiri strengthens its governance by introducing two strategic frameworks: the Sustainable Finance Framework (SFF) and the Transition Finance Framework (TFF). These frameworks reflect the Bank's commitment to global and national sustainability principles, positioning Bank Mandiri as the first national bank to have both frameworks.

### **1. Sustainable Finance Framework**

The SFF serves as a strategic policy foundation that guides the Bank in financing green and social initiatives—such as renewable energy, environmentally friendly infrastructure, and social empowerment programs. Through this framework, Bank Mandiri offers a variety of sustainability-oriented financial products that support environmental and social objectives.

The SFF provides guidance for internal and external stakeholders by outlining Bank Mandiri's methodology for classifying, monitoring, and reporting sustainable finance activities, including the identification of both eligible and exclusionary activities. These sectors include electricity,

agriculture and farming, forestry, transportation, construction, and the oil and gas industry. For social activities, the SFF use a target population approach to define eligible financing, ensuring that financial support is directed toward initiatives that deliver measurable social benefits.

S&P Global Ratings, as a Second Party Opinion provider, has assessed Bank Mandiri's SFF as aligned with global sustainability standards and principles. These include the Green Loan Principles and Social Loan Principles by the Loan Market Association (LMA), the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines by the International Capital Market Association (ICMA), as well as the Indonesian Taxonomy for Sustainable Finance. This alignment enhances transparency, improves risk management, and facilitates access to financing for companies advancing sustainability goals.

## **2. Transition Finance Framework**

Bank Mandiri acknowledges that transition finance remains an emerging area; therefore, we are committed to evolving our definitions and approaches over time to align with the latest developments in achieving net-zero emissions by 2060. Complementing SFF, the TFF expands the Bank's financing reach to sectors in transition—those that are not yet fully sustainable but have committed to clear and measurable decarbonization targets in the short to medium term. Currently, our TFF encompasses sectors such as electricity, transportation, oil and gas, metal ore mining, basic metal industry, and non-metal processing industry. This framework is designed to support these sectors in their decarbonization efforts, facilitating a structured shift toward a low-carbon economy while promoting a just and inclusive transition, ensuring traditional industries can remain competitive and contribute to national emissions reduction efforts.

As part of its holistic approach, Bank Mandiri actively engages with clients to identify sustainability-related risks and opportunities. This proactive engagement helps ensure that businesses transition toward more sustainable practices while unlocking growth potential in an evolving economy. Recognizing the dynamic nature of sustainability, both the SFF and TFF are considered living documents, subject to regular review to ensure continued alignment with regulatory and taxonomy changes and industry developments. More information about these frameworks is available at [www.bankmandiri.co.id/en/esg](http://www.bankmandiri.co.id/en/esg).

## **Sustainable Financing Implementation**

### **1. Sustainable Financing in Corporate Finance Activities**

Bank Mandiri stands at the forefront of Indonesia's sustainable finance movement, particularly within its wholesale banking segment. To support corporate clients in their sustainability journeys, Bank Mandiri offers a suite of innovative financing instruments, including Green/Social Loans, Corporate-in-Transition Financing, Sustainability-Linked Loan and other various instruments. To realize this commitment, Bank Mandiri has established a dedicated ESG Desk, tasked with aligning customer needs with sustainable products, financing, and other green financial solutions. Through the ESG Desk, business opportunities are actively identified and sustainable financing innovations developed, tailored to market dynamics.

### **2. Sustainable Financing in Consumer Finance Activities**

Bank Mandiri supports sustainable financing in the consumer segment by offering green financial products that align with climate and environmental goals. In housing, Bank Mandiri provides Green Mortgage, a financing product for residential properties that have received green building certification from recognized institutions. One example is the partnership with NavaPark BSD City,

certified Greenship Platinum by the Green Building Council Indonesia (GBCI). Customers receive benefits such as lower interest rates and reduced down payments.

In the transportation sector, Bank Mandiri facilitates green mobility through its subsidiaries, Mandiri Utama Finance (MUF) and Mandiri Tunas Finance (MTF), by offering financing for new electric and hybrid vehicles, including both cars and motorcycles. These programs are part of Bank Mandiri's effort to support the shift toward more sustainable consumption in the retail market.