

PT Bank Mandiri (Persero) Tbk.

Type of Engagement: Annual Review

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Introduction

In April 2021, PT Bank Mandiri (Persero) Tbk. (“Bank Mandiri” or the “Issuer”) issued a Sustainability Bond aimed at financing and refinancing of projects related to Renewable Energy, Sustainable Water and Wastewater Management, Healthcare, Sustainable Cities and Communities, Gender Equality and Decent Work and Economic Growth. In March 2021, Sustainalytics provided a Second Party Opinion¹ on Bank Mandiri’s Sustainability Bond Framework (the “Framework”).² In May 2023, Bank Mandiri engaged Sustainalytics to review the projects, programmes and pure-play companies³ (“companies”) funded through the issued Sustainability Bond and provide an assessment as to whether the projects, programmes and companies met the Use of Proceeds criteria and the Reporting commitments outlined in the Bank Mandiri Sustainability Bond Framework. This is Sustainalytics’ second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in March 2022.⁴

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 sustainability bond the projects, programmes and companies financed:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for Use of Proceeds criteria outlined in the Sustainability Bond Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	<p>Manufacture components of renewable energy technology.</p> <p>Transmission and distribution projects when connecting to defined renewable energy assets.</p> <p>The geothermal projects must meet a 100 gCO₂/kWh threshold, which aligns with market practice.</p>	<ul style="list-style-type: none"> • Installed capacity MW • Expected annual generation MWh • Estimated annual GHG emissions avoided • Number of households benefitting from affordable and clean energy • Transmission lines miles

¹ Bank Mandiri, “Second-Party Opinion Bank Mandiri Sustainability Bond Framework”, (2021) at: <https://bankmandiri.co.id/documents/38265486/0/Bank+Mandiri+Sustainability+Bond+Framework+-+Second+Party+Opinion+%281%29.pdf/a3914fa1-93c1-9035-290b-d51bb4f37e23?t=1617863832788>

² Bank Mandiri, “Bank Mandiri Sustainability Bond Framework”, (2021), at: <https://www.bankmandiri.co.id/documents/38265486/0/Sustainability+Framework+-+Sustainability+Bond+Bank+Mandiri+2021.pdf/81c20119-c4de-06fe-e419-8e32b3468967>

³ Pure play companies are defined as entities that derive 90% or more of their revenues from activities meeting the eligibility criteria in the Framework

⁴ Sustainalytics, “Bank Mandiri Annual Review”, (2022), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/bank-mandiri_annual_review.pdf?sfvrsn=4dbee8f2_1

Sustainable Water and Wastewater Management	<p>Installation or upgrade of infrastructure for clean and/or drinking water.</p> <p>Water recycling or wastewater treatment facilities.</p> <p>Flooding mitigation system.</p>	<p>Wastewater treatment plant:</p> <ul style="list-style-type: none"> • Annual amount of wastewater transported for treatment. • Number of sewer house connection • Potential number of people/houses served. <p>Coastal protection:</p> <ul style="list-style-type: none"> • Catchment area • Potential catchment of water.
Clean Transportation	<p>Public mass transportation system which contribute to reducing the circulation of cars and reduction of harmful emissions (including electric rail, and non-motorised multi modal transportation)</p> <p>Electric vehicles (including spare parts) manufactures</p> <p>Infrastructure for clean energy vehicles</p>	<p>Not reported in the Framework. Sustainalytics notes however, that Bank Mandiri reported the following KPIs in its Sustainable Bond Report 2023:</p> <ul style="list-style-type: none"> • Clean vehicles deployed. • Number of passengers per day served • Estimated annual GHG emissions reductions
Healthcare	<p>Hospitals</p> <p>Medical equipment and related technologies.</p> <p>The loans aim to ensure that middle-class and lower-class people receive optimal health benefits while simultaneously maintaining the cash flow/liquidity of hospitals.</p>	<ul style="list-style-type: none"> • Number of hospitals and other healthcare facilities built/upgraded • Number of beds • Number of residents benefitting from healthcare
Gender Equality	<p>Socioeconomic advancement and empowerment for both genders.</p>	<ul style="list-style-type: none"> • Number of loans to women-owned ultra-micro enterprises • Number of loans to women-owned micro enterprises in rural areas • Estimation of number of people employed from the financed micro enterprises
Decent Work and Economic Growth	<p>Employment generation through SME financing and micro financing.</p> <p>Access to banking and financial services in underserved population.</p> <p>Financial Literacy.</p> <p>For SME financing and micro-financing, Bank Mandiri targets individual entrepreneurs and business entities that do not have sufficient collateral guarantees, including Indonesian Migrant Workers.</p>	<ul style="list-style-type: none"> • Number of SMEs financed • Estimation of the number of employees of the financed SMEs
Sustainable Cities and Communities	<p>Affordable housing or housing loans for low-income communities.</p>	<ul style="list-style-type: none"> • Number of passengers • Estimated GHG emissions reduced or avoided • Length of low carbon tracks build • Number of electric/hybrid/low-emission vehicles provided • Number of supported affordable housing units financed

Issuer's Responsibility

Bank Mandiri is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Bank Mandiri's Sustainability bond. The work undertaken as part of this engagement included collection of documentation from Bank Mandiri and review of said documentation to assess conformance with the Bank Mandiri Sustainability Bond Framework.

Sustainalytics relied on the information and the facts presented by Bank Mandiri. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Bank Mandiri.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Bank Mandiri Sustainability Bond Framework. Bank Mandiri has disclosed to Sustainalytics that the proceeds from the sustainability bond were fully allocated as of 30 December 2022.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects, programmes and companies funded by the sustainability bond in 2021 to determine if projects, programmes and companies aligned with the Use of Proceeds Criteria outlined in the Framework and above in Table 1.	All projects, programmes and companies reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects, programmes and companies funded by the sustainability bond in 2021 to determine if impact of projects, programmes and companies was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects, programmes and companies reviewed reported on at least one KPI per Use of Proceeds criteria.	None

⁵ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: Allocation of Proceeds and Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Technology	Financing or Refinancing	Year of Disbursement	Allocation Amount (Million USD)	Impact Reporting by Eligibility Criteria ⁶
Renewable Energy	Geothermal Power Plant ⁷	Financed	2021	132	<ul style="list-style-type: none"> Installed capacity of own operated plant is 672 MW. Total steam generated is 35,730,613 tonnes and electricity generated is 4,660,477 MWh annually. GHG emission reduced is approximately 3,508,400 tCO₂e⁸ Approximately 744,600 homes⁹ served
	Hydro Power Plant Project#1	Refinanced and Financed	2020 and 2022		<ul style="list-style-type: none"> Installed capacity is 18 MW. Annual renewable energy generation is 125,000 MWh GHG emissions reduced is approximately 100,625 tCO₂e annually Approximately 29,405 homes served

⁶ The bank has disclosed the assumptions for calculation of impact, present in Appendix I- Impact reporting key assumptions of their Sustainability Bond Report 2023.

⁷ The bank has confirmed that the CO₂ emissions from the project are less than 36 gCO₂/kWh.

⁸ Sustainalytics notes there is a difference in reported figures from the last annual review in 2022. Bank Mandiri confirmed that it was using the debtor's own calculations instead of its estimations from the previous year.

⁹ Sustainalytics notes there is a difference in reported figures from the last annual review in 2022. Bank Mandiri confirmed that it was using the debtor's own calculations instead of its estimations from the previous year.

	Hydro Power Plant Project#2				<ul style="list-style-type: none"> • Installed capacity is 6 MW. • Annual renewable energy generation is 40,834 MWh • GHG emissions reduced is approximately 19,478 tCO_{2e} annually • Approximately 9,606 homes served
Sustainable Water and Wastewater Management	Sewerage Piping System	Financed	2021	6	<ul style="list-style-type: none"> • Wastewater transported to be treated is 2,774,000 m³ annually. • 10,000 sewer house connections added • Approximately 51,000 people served
Clean Transportation	Electric Buses Financing	Financed	2022	8	<ul style="list-style-type: none"> • 27 clean vehicles deployed. • 1,620 of passengers per day served • GHG emissions reduced is approximately 149,077 tCO_{2e} annually
Healthcare	Build and Upgrade Hospitals	Refinanced and Financed	2019, 2020 and 2021	36	<ul style="list-style-type: none"> • 16 hospitals built. • 2,268 beds. • Approximately 1,620,000 residents¹⁰ benefitted.
Gender Equality	Women-owned Microfinancing ¹¹	Refinanced	2019	16	<ul style="list-style-type: none"> • 78,540 loans provided to women-owned micro enterprises.

¹⁰The residents stated are not included in any specific class category and is applied to all Indonesian residents. However, these hospitals also serve lower-class and middle-class categories using universal healthcare provided by Indonesian Government's Social Security Administrator for Health (BPJS Kesehatan). These hospitals do not differentiate the treatment of patients using universal healthcare and patients using private insurance or private costs.

¹¹ Bank Mandiri has confirmed that the micro-businesses are 100% owned by women.

					<ul style="list-style-type: none"> Approximately 157,080 people employed from the financed micro-enterprises.
Decent Work and Economic Growth	Microfinancing-Channeling to Farmers	Refinanced and Financed	2019 and 2022	47	<ul style="list-style-type: none"> 7,535 microenterprises¹² financed. Approximately 37,675 people employed from the financed micro-enterprises.
	Micro, Small, and Medium Enterprise (MSME) Financing-Kredit Usaha Rakyat (KUR) in Agriculture Sector				<ul style="list-style-type: none"> 4,321 MSMEs¹³ financed. Approximately 21,605 people employed through financed SMEs or micro-enterprises.
Sustainable Cities and Communities	Affordable Housing Financing	Refinanced	2019	55	<ul style="list-style-type: none"> Approximately 8,722 affordable housing units financed. Approximately 26,166 individuals/families benefitted from subsidized housing.
Total Allocated				300.0	
Total Funds Raised				300.0	
Total Unallocated				0.0	
Total projects/programmes/companies Financed				153	
Total projects/programmes/companies Refinanced				147	

¹² Bank Mandiri has confirmed that the micro enterprises are targeting business entities that do not have sufficient collateral guarantees and does not include Indonesian migrant workers. The finance is disbursed to the microenterprises which then channels it exclusively to farmers.

¹³ Bank Mandiri has confirmed that the MSMEs are targeting business entities that do not have sufficient collateral guarantees and does not include Indonesian migrant workers. Sustainability notes there is a difference in reported figures from the last annual review in 2022. Bank Mandiri confirmed that there has been a change in composition of financing towards microfinance for farmers and MSME finance, resulting in the changes in the impact figures.

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