

Climate Change Risk Management

Bank Mandiri identifies and analyzes the impacts of climate-related risks by classifying them into transition risks and physical risks. In managing climate risks, the Bank has established comprehensive processes and policies to identify, measure, monitor, and control climate-related risks in an integrated manner.

In implementing these processes, Bank Mandiri utilizes various supporting data sources and parameters, including historical data, climate change-related hazard projections, and relevant information from third parties. In addition, the Bank leverages climate scenario analysis, or Climate Risk Management & Scenario Analysis (CRMS), to support the risk identification and measurement process by considering a range of potential future impacts. Bank Mandiri also identifies and measures risk transmission channels from transition and physical risks to the principal risks managed by the Bank across short-, medium-, and long-term horizons.

The identification of transition risks encompasses potential impacts arising from changes in climate policies and regulations, including the implementation of new climate policies, carbon taxes, and the need for technology investments and adjustments to operational or production processes toward more environmentally sustainable practices. These factors may increase debtors' operational and investment costs, pressure profitability, and weaken their capacity to meet financial obligations. Transition risks are primarily mapped to credit risk, which may be reflected in an increase in the Probability of Default (PD). Meanwhile, market risk is assessed based on the Bank's investment assets, such as bonds held in the Bank's portfolio, while liquidity risk is evaluated in relation to the Bank's third-party funds (DPK). Market risk may be influenced by changes in asset valuations and market volatility, whereas liquidity risk is more closely associated with potential disruptions in fund flows or the Bank's ability to meet its short-term obligations.

Meanwhile, the identification of physical risks focuses on the potential impacts of extreme climate events, particularly floods, which may result in asset damage and a decline in property values. Such declines are assumed to directly affect the quality of credit collateral, thereby influencing Loss Given Default (LGD) through a reduction in realizable collateral value. Physical risks are mapped to credit risk as well as operational risk, including potential disruptions to debtor and Bank operations due to infrastructure damage and limited operational access.

Climate risk monitoring is conducted periodically through Bank Mandiri's internal risk oversight mechanisms. The ESG (Environmental, Social, and Governance) Risk Management framework and governance structure involve the active role of the Board of Commissioners through the Risk Oversight Committee, as well as the Board of Directors through the Risk Management Committee. In the event of changes in environmental conditions or developments in climate-related policies, Bank Mandiri proactively adjusts its risk management processes to ensure that the policies and approaches implemented remain relevant, effective, and aligned with current conditions compared to the previous reporting period.

As part of strengthening risk management practices, Environmental & Social Risk Management (ESRM) is applied as a method to assess debtors' readiness to address the impacts of climate change, while enhancing the Bank's risk analysis and mitigation processes. The implementation of ESRM covers all of Bank Mandiri's lending services, including retail, treasury, corporate finance, and consumer finance segments, thereby ensuring that environmental and social risks are managed comprehensively and consistently across all business lines.

In 2025, the strengthening of risk management was reflected through several key initiatives, including the implementation of the Indonesia Sustainable Finance Taxonomy (TKBI) in the Energy, Construction & Real Estate, Transportation, and Agriculture, Forestry, and Other Land Use (AFOLU) sectors as an initial step to integrate sustainability considerations into the credit disbursement process. In addition, Bank Mandiri strengthened ESG aspects across four priority ecosystems within the Industry Acceptance Criteria (IAC) technical guidelines, namely Agriculture & Forestry, Household Equipment, Electronics, and Livestock & Fisheries to ensure that sectoral risk assessments are conducted in a more granular manner and aligned with industry characteristics.

In line with Bank Mandiri's sustainable initiatives roadmap, the strengthening of ESRM is further supported by the development of sustainable financial products and the gradual integration of risk management processes, including integration with the Risk Appetite Framework, incorporation into the Risk Acceptance Criteria (RAC) and Early Warning Analysis, as well as the expansion of TKBI implementation across ENDC sectors in accordance with the regulatory timeline. Moreover, Bank Mandiri is progressively developing and operationalizing Decarbonization Pathways for ENDC sectors as part of its efforts to manage transition risks and achieve medium- and long-term decarbonization targets.