

Corporate Social Responsibility Related to the Environment

Policy

Bank Mandiri has set some policies concerning the environment, both in terms of financial products/ services development and environmental conservation. In terms of products and services, the Company has set some policies, including:

1. Bank Mandiri Crediting Policy (KPBM) that prohibits financing of businesses or projects that endanger the environment. Concerning this issues, Bank Mandiri sets a Standard Crediting Procedure (SPK) that arranges, among others:
 - a. Requirement for potential borrowers to submit an Environmental Impact Analysis (AMDAL) for compulsory business plan or Environmental Management Effort (UKL) - Environmental Monitoring Effort (UPL), in accordance with applicable regulations of law.
 - b. Requirement for potential borrowers to submit the result of Assessment Program for Company Performance Rank in Environmental Management (PROPER) issued by the Ministry of the Environment.
 - c. Prohibition of issuing credit for businesses posing threat to the environment, including sites of cultural heritage, and protected flora and fauna, and the likes.
2. On the other hand, the policy of Bank Mandiri in terms of environmental management and conservation is realized by providing appeals, announcements, and regulations to minimize the Company's operational impact on the environment. Bank Mandiri always strives for efficient operational efficiency in all of its Working Units that encompass the Group, Regional Offices, and Branches.

Activity Target

Bank Mandiri has set a target that every credit issued by the Company always adheres to applied internal provisions and that no credit will be issued for projects or businesses that endanger the environment. The Company also ensures that 100% borrowers have met the AMDAL requirement and have secured the PROPER BLUE/GREEN/GOLD predicate.

Bank Mandiri aims to save energy and reduce emission with its Green Office Program. This program attests to the Company's contribution to management of the environment around its headquarter by ensuring environmentally friendly office management. The management and all employees work hard to implement saving programs such as for the use of paper, electricity, and water, as promoted and suggested by the Company. This program has proven to be successful with reduced operational costs, improved efficiency, and better image of Bank Mandiri. Activities to realize the Green Office Program also include use of environmentally friendly materials and efficient use of energy.

Activity

Bank Mandiri realizes its support for environmental conservation with all of its activities both for its operation in the Headquarter and in its business activities, including:

Green Banking

Credit Process

For each credit proposal, either for corporate or commercial sector, discussion of AMDAL is included as one of the conditions.

In allocating its credits, Bank Mandiri prioritizes environmentally friendly organizations such as those in renewable energy, environmentally friendly transportation, energy efficiency, and those implementing sustainability concept.

- Debtors from the palm oil industry are required to have Indonesian Sustainable Palm Oil (ISPO) certification.
- Debtors from big palm oil industry must also have AMDAL and PROPER;
- Percentage of companies with green and blue PROPER policies of the total amount of allocated credit

The distribution of credit in the field of Plantation in 2018 is presented in the following table:

No.	Commodities	Number of Debtors	Credit Limit (IDR Billion)	Debit Tray (IDR Billion)
Corporate dan Retail-SME				
1	Palm Oil	751	117,003	89,205
2	Rubber	156	5,425	4,001
3	Cane	48	3,852	2,596
4	Tea	13	433	379
5	Coffee	26	4,064	2,966
6	Other Agro Commodities	168	1,377	916
Total		1,162	132,155	100,062

Some of Bank Mandiri's lending activities in the plantation industry sector are focused on financing the Corporate and Large Corporate-Middle Corporate Segments as follows:

- **Large Corporate Segment**

Throughout 2018, the portfolio managed by the Large Corporation Segment was IDR302,625 billion, with the largest credit allocation for palm oil plantation and its subsidiaries that have passed the ISPO certification. This is a standard policy of the Ministry of Agriculture which aims to improve the competitiveness of Indonesian palm oil in the world market and to participate in fulfilling the commitment of the President of the Republic of Indonesia to reduce greenhouse gas, and to pay more attention to environmental problems.

- **Middle Corporate Segmente**

Throughout 2018, the Middle Corporate Segment managed a portfolio of IDR148,33 billion, with most credits are allocated for the palm oil and CPO. If the Corporate segment and Retail-SME segment were incorporated, the total of credit distribution for the plantation industry reached IDR132,155 billion, still higher compared to the total of the credit distribution for the Retail-Micro segment of the plantation industry with the credit limit total of IDR5,561 billion and the debit tray total of IDR4,025 billion.

In addition to lending in the oil palm and CPO fields, Bank Mandiri also distributes loans in the environmentally friendly industrial sector, for example in the Hydro Energy Power Plant (Poso 515 MW PLTA) on behalf of PT Poso Energy in a syndication with a credit limit of USD553,000,000 with the portion of Bank Mandiri amounting to USD150,945,000 which is a power plant that does not produce waste, thereby reducing the cost of maintaining the plant and subsequently will have an impact on the sustainability environment.

Digital Banking

Since the initiation of the use of digital banking in Bank Mandiri's banking activities, Bank Mandiri has made paper savings in customer transactions at the Branch Office. Paper savings are also enhanced through e-billing. Further explanation of Bank Mandiri's digital banking products and services has been explained in the Management Analysis and Discussion section of the Company's Performance in this annual report.

Activities to Save Energy and Water

Bank Mandiri uses energy in the form of electricity and petrol fuel to support its daily operations. The electricity is supplied by PT PLN (Limited Liability Company). And as an alternative source of electricity whenever there is blackout, as not to disrupt operation and services, the Company also provides generator sets. Other than generator set, petrol fuel is also used for the Company's operational vehicles. The types of the petrol fuel used include premium, pertalite, pertamax, pertamax plus, diesel oil, and dex.

Bank Mandiri realizes that both electricity and fuel are non-renewable energy sources and that their availability is limited, Bank Mandiri takes necessary measures to save their use. In order to save electricity, Bank Mandiri applies the green building concept that is environmentally friendly. The concept is applied by the Company when developing the Mandiri University Complex which was planned to have 15 towers with expected electricity saving of 20%. In the Wijaya Kusuma (WK) area, where Mandiri University is located, a 1.8 hectare artificial lake that serves as a water reservoir was constructed. This will serve as the main water source to be processed into clean water for the buildings around the area, including Mandiri University. In the WK area, the land not allocated for buildings is around 78% of the area, from a total of approximately 20 hectares. So the land allocated for

buildings is only about 22%. The open spaces are for a park, green open spaces, an artificial lake, perimeter drainage, pavement, water catchment area, and many more. Therefore, this WK area has already employed the environmentally friendly concept.

Throughout 2018, Bank Mandiri has initiated saving of electricity by replacing ordinary bulbs with LED lights. Air conditioners have also been replaced with environmentally friendly ones. Use of electricity has also been reduced in all working units at Bank Mandiri Offices by turning off lights during lunch breaks and in public area during the day. Electricity saving is also implemented by adding more glass panels in Mandiri Headquarter building. During daylight, electricity during office operational hours can optimize the energy obtained from the sun.

Meanwhile, in order to save the use of fuel, the Company has implemented policies such as reducing the number of physical meetings across offices, including with those with regional offices, and conduct teleconferences instead. The Company also implements the policy of less use of operational cars and replace them with four shuttle buses instead.

In addition to paper and fuel, Bank Mandiri also uses water resources in activities. The Company uses water resources from PDAM (the Regional Drinking Water Company). This water is used for cooling tower, the canteens, the restrooms, the mosque, to water the plants, and many more. Due to limited clean water sources and it costs a lot of money to process raw water to drinking water, Bank Mandiri implements the policy to save water. Other than posting signs of proper use of water, the Company also regularly checks water installation as to ensure proper maintenance and fixing due to leakage or any other damages.

Another measure to reduce the use of clean water is by proving a water recycling facility at the Headquarter. This recycled water can be used for many purposes, including watering the plant. Bank Mandiri also dedicated 30% of the area it possesses, or equal to 13,000 m² from a total of 39,000 m² for a green open area. Other than being used as a water recycling facility, the open area also serves as biopores to catch rain water. As of December 31, 2018, there are 100 biopore holes and it is targeted to continue to grow to become 120 holes in 2019.

As Bank Mandiri uses water supplied by PDAM, instead of ground water, there has never been any complaint from the local community concerning the use of water sources in and around the Headquarter in yearly reports.

Activities to Manage The Environment and The Resulting Waste

In waste water management activities, Bank Mandiri uses recycle water produced from waste water management in the form of sewage treatment plants so as to save on environmental management costs. Furthermore, the results of this waste water management are used by building managers for cooling machines and watering of parks and fountains at the Head Office.

In addition to environmental management, Bank Mandiri's operations produce solid waste in the form of waste from office activities, and liquid waste from office waste water. One of the efforts to reduce solid waste is by using energy saving lamps (LED). By using LED lights, the lifespan of the use of the lamp becomes longer, so that the lamp waste becomes decreased. Furthermore, in order not to cause environmental problems, Bank Mandiri provides sufficient trash bins. The collected waste will be disposed of at the Final Disposal Site (TPA) by third parties in collaboration with Bank Mandiri. The waste in the green open area in the form of fallen leaves is used as organic fertilizer. In addition to fertilizing the land, this effort also saves the cost of purchasing fertilizer.

Paper Saving Activity

Daily operations such as office administrations of printing documents and transactions with clients require the use of paper, which is almost inevitable. And as paper is made of pulp from trees, Bank Mandiri attempts to reduce its usage.

Measures taken for this include development of paperless administration and digital banking by making use of available information technology such as emails and mobile applications. Saving is also implemented by not printing non-essential documents, checking for mistakes in documents prior to printing, as to avoid re-printing, printing on both sides, and using used paper for printing of internal administration requirements.

Environmental Conservation

Planting of Watersheds in the Lake Toba Region



As a form of concern for environmental sustainability, Bank Mandiri channeled funds to plant a water catchment area in the Lake Toba area, precisely in the Sipitu Village Area. In this activity, Bank Mandiri collaborated with PT INHUTANI IV. The types of plants planted in the area include suren, mango, avocado, clove, asam glugur, durian and jengkol. In total there are 5,000 plants that have become new residents since 2018. The funds disbursed by Bank Mandiri for planting are IDR163,373,000 and maintenance costs are IDR19,275,000. In the second year, Bank Mandiri budgeted maintenance funds, such as weeding, sowing, fertilizing, pest control and procuring medicines for IDR59,000,000.

In the replanting activity, Bank Mandiri also involved the local community as a planting and maintenance workforce. With the involvement of the local community, Bank Mandiri believes that they will be more serious in their work and a sense of belonging will emerge, moreover they will reap the long-term benefits of the program. For Bank Mandiri, this program is a concrete proof of the company in building awareness and social responsibility.

Muara Gembong Social Forestry Project

Bank Mandiri supports the implementation of the Social Forestry program in optimizing Muara Gembong by acting as a channel bank for People's Business Credit (KUR) for pond farmers. In addition to revitalizing an 830 ha of pond area, Bank Mandiri also supports the mangrove conservation monitoring program in the area, planted by several types of mangroves, api-api (*Avicennia*), pedada (*Sonneratia caseolaris*), nypa palm, and holy mangrove. Around the Mangrove conservation area there are several endangered animals habitats; among others are the Javan langur, long-tailed macaque, and migrant birds' habitats.

Complaints Channels

Realizing the environment-related corporate social responsibility, both for products/services development and environmental conservation, Bank Mandiri provides ease of access for members of the community to give feedback or complaints by sending email to our Customer Care at mandircare@bankmandiri.co.id.

- Out of the total 45 palm oil companies that became debtors of Bank Mandiri, 24 companies were already/currently in the process of certifying Indonesian Sustainable Palm Oil (ISPO) /Roundtable Sustainable Palm Oil (RSPO). The certificate indicates the role of the company in environmental conservation. It is expected that as more companies acquire the certificate, environmental conservation shall increase.

*There are adjustments in the number of debtors of oil palm companies in 2018, where in 2017 the number of debtors included companies engaged in the CPO derivative industry (CPO / Refinery, biodiesel refining, Foreign Office debtors). The adjustments in the number of debtors also affect the percentage of debtors who get the PROPER title.

Activity Impacts

Quantitative Impacts of Green Banking Activity

Implementation of green banking concept in credit disbursement was a form of Bank Mandiri support in maintaining environmental conservation, which resulted in the following impact:

- All (100%) debtors had fulfilled AMDAL requirements with 47% of them obtained the predicate of BLUE/GREEN/GOLD PROPER. This will surely result in positive impact for the environment in Indonesia due to the increase of PROPER predicate by various companies.

Quantitative Impact of Energy and Water Saving

Throughout 2018, Bank Mandiri has saved electricity usage by 2,624,362 KWh compared to the previous year. Electricity savings are also pursued by reducing the radiation from sunlight entering the building using the Overall Thermal Transfer Value (OTTV) glass so that it can reduce the use of electricity for air conditioning.

Electricity Consumption Table

Electricity Consumption Table (KWh)			
Description	2018	2017	2016
Electricity	30,957,160	33,581,522	33,976,280

As for the volume of water use, it was recorded to have increased by 31,496 m³ or by 11.13%. This is in line with the increase in the number of employees and the increase in Bank Mandiri's operational offices. However, the portion of water recycle water usage has increased from 23.06% in 2017 to 32.01% in 2018. This increase indicates that Bank Mandiri prioritizes the use of water sourced from water recycles in its activities and activities and has been able to reduce waste from waste water.

Water Volume and Source Table

Water Consumption Table (m ³)			
Description	2018	2017	2016
Water volume from the PDAM	213,897	210,556	234,200
Water volume from a water recycle	100,709	72,554	54,418
Total Water Consumption Volume	314,606	283,110	288,618

The results of energy and water saving activities have also had an impact on transportation costs and electricity, water and gas costs.

Office Supplies Cost Table

(in million IDR)		
Description	2018	2017
Transportation Cost	441,454	409,895
Electricity, Water, and Gas Cost	537,431	530,165
Total Assets	1,202,252,094	1,038,706,009
Ratio of Transportation Cost to Total Assets	1 : 0.0003671892	1 : 0.0003946208
Ratio of Electricity, Water, and Gas Cost to Total Assets	1 : 0.0004470202	1 : 0.0005104091

Based on the table above, it can be seen that when compared to the total assets of Bank Mandiri, there is a decrease in the ratio of Transportation Costs and Costs of Electricity, Water and Gas. This indicates that the efforts to save energy, water and fuel which have been implemented by Bank Mandiri so far have been quite successful.

Impact of Environmental and Waste Management Activities

As stated earlier, several environmental management and waste management activities have had a positive impact. Waste water management in the form of a sewage treatment plant that has been managed by itself has reduced the portion of PDAM water use so that Bank Mandiri can make savings on water use costs that reach IDR2,000/m³.

While the use of LED lights in addition to aiming to save energy, also reduce the waste of the lights produced. The reduction in lamp waste is presented as follows.

Type and Amount of Electronic Waste Table

Waste Type	2018	2017	2016
Light bulb	7,020 pieces	9,202 pieces	13,410 pieces

Quantitative Impact of Saving Paper Use

Savings in paper use have led to savings in office stationery costs. Throughout 2018, Bank Mandiri was able to save on office stationery costs as follows:

Office Stationery Costs Table

(in million IDR)		
Description	2018	2017
Office Stationery Cost	576,906	535,331
Total Assets	1,202,252,094	1,038,706,009
The ratio of Office Stationery Cost to Total Assets	1 : 0.0004798544	1 : 0.0005153826

Environmental Implementation Impact

The planting activity of the catchment area of the Lake Toba area is one of the efforts to improve the function of land and improve the condition of the land which aims to increase the productivity of forest and land resources. Furthermore, if 5,000 plants from the reforestation program have grown and their roots are firmly gripping the earth, it is very potential to protect watersheds and prevent flooding and erosion, while preserving biodiversity. In addition, this activity will improve air quality while preventing the impact of global warming.

The implementation of mangrove conservation activities in Muara Gembong is expected to be able to encourage the economy of the surrounding community and keep the forest well maintained.

Environmental Certification

In spite of all the savings, business activities of Bank Mandiri brought positive impact for the environment only indirectly. Thus, up to 2018, the Company had no environment-related certification.