

Specific Sector Policy on Environmental, Social & Governance (ESG) Aspects

Bank Mandiri has the commitment to provide sustainable financing in order to support the transition to a low-carbon economy, in line with Indonesia's commitment to Net Zero Emissions (NZE) and to achieve Sustainable Development Goals (SDGs). We are diligently developing and promoting Sustainable Finance practices, including the integration of Environmental, Social & Government (ESG) aspects in our internal business process.

This implementation of Sustainable Finance practices seeks to provide an effective framework for addressing the climate and social risks we are facing so many today.

On Practicing Sustainable Finance principles, Bank Mandiri carried out in stages with a focus on ESG integration in ESG-Sensitive Sectors.

This integration is carried out by incorporating ESG aspects in our credit policy that requires minimum criteria such as positive & negative screening of prospective clients' business activities.

The ESG policy continues to be reviewed and sharpened every year by taking into account applicable laws and regulations, best practices, and input from stakeholders. In identifying and measuring Environmental, Social & Governance (ESG) risk, Bank Mandiri has integrated ESG aspects into various Bank policies.

At the Credit Policy and Standard Credit Procedures level, it is generally regulated that Bank Mandiri avoids financing projects or businesses that are not in accordance with applicable legal provisions, and seriously endanger the environment and/or protected areas (such as UNESCO World Heritage Sites). Bank Mandiri also requires the fulfillment of Environmental Impact Analysis (AMDAL) and Environmental Management Efforts - Environmental Monitoring Efforts (UKL-UPL).

At the Technical Guidelines level, Bank Mandiri has Industry Acceptance Criteria (IAC) which define more detailed ESG aspects that must be considered in the debtor selection process for specific industry sectors, as follows:

- a. **For the Palm Oil Plantation & CPO sector**, Bank Mandiri requires the fulfillment of ISPO (Indonesia Sustainable Palm Oil) certification or at least proof of ISPO registration from the ISPO Certification Institute. Bank Mandiri also pays attention to debtors' environmental and labor policies (including Occupational Health and Safety/OHS), procedures for preventing and handling land fires according to applicable standards, No Deforestation, No Peat, No Exploitation (NDPE) policies, and Waste Treatment Plant (IPL).
- b. **For the Energy sector**, particularly the construction of a new Coal-fired Power Plant, Bank Mandiri considers the financing period to align with the government's energy transition timeline and pays attention to the debtor's environmental (carbon emissions, coal ash, water and waste management) and employment policies.
- c. **For the Coal sector**, particularly Coal-fired Power Plant suppliers, Bank Mandiri considers the financing period to align with the government's Coal phase-out regulations.
- d. **For the Mining sector**, Bank Mandiri requires its debtors to implement Good Mining Practices according to applicable laws and regulations, including the Annual Work Plan & Budget (RKAB), which has been approved by the Indonesian Ministry of Energy and Mineral Resources, and/or other relevant documents concerning the Good Mining Practices.

- e. **For the FMCG Sector**, Bank Mandiri requires its debtors to have environmental policies (such as the use of chemicals and water & waste management) and have certification from the National Agency of Drug and Food Control (BPOM).
- f. **For those ESG-sensitive sectors (also including Manufacturing, Construction, Oil & Gas)**, Bank Mandiri pays attention to Environmental and Social aspects according to applicable standards and regulations, including the fulfillment of Environmental Management Certifications such as ISO 14001 and OHS (Occupational Health and Safety) management certifications such as OHSAS 18001 or other similar standards.

Bank Mandiri applies the precautionary principle in the credit process, including periodic credit monitoring and review. In implementing and monitoring the above policies, Bank Mandiri takes the following steps:

1. Periodically monitors the fulfillment of the ESG aspect requirements, for debtors who have not been able to meet these minimum requirements, there will be a periodic monitoring mechanism, action plans and timeline required to fulfill such ESG aspect requirements.
2. In addition, Bank Mandiri also has an ALERT (Watchlist) system. ALERT is an early warning system implemented as a step to identify risks that may affect debtors' credit quality, therefore preventive action can be taken immediately to prevent a decline in credit quality. Several parameters are used to evaluate the debtors' credit quality, including financial performance, industry outlook, and fulfillment of ESG aspect requirements.
3. Bank Mandiri also conducts an Annual Review as a form of check and balance. Reviews are carried out on compliance with the latest internal credit policy requirements, including ESG aspect requirements

further information can be obtained via:

Environmental, Social & Governance Group

Plaza Mandiri

Jenderal Gatot Subroto Street Kav. 36-38

Jakarta 12190 Indonesia

Phone: 14000, +62-21-52997777

Fax: +62-21-52997735

Email : ESGGroup@bankmandiri.co.id