

Task Force on Climate-Related Financial Disclosures (TCFD) Report

Bank Mandiri Hong Kong Branch (BMHK)

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Part 1 Introduction

Climate related risk is increasingly recognized as a source of financial risks for financial institution. Change in market perception and shift in preference of the public towards more environmental-friendly products and services, the financial, reputational and strategic risk implications are becoming increasingly prominent. In response to such situation, started on late 2022, Bank Mandiri Hong Kong has established a written framework about climate risk management.

Prepared by BMHK, this disclosure is prepared in accordance with the following guidelines and recommendations:

- Supervisory Policy Manual GS-1 on Climate Risk Management by the Hong Kong Monetary Authority
- The Task Force on Climate-related Financial Disclosures ("TCFD") recommendations by the Financial Stability Board

Under the direction of Bank Mandiri's Head Office ("**BMHO**"), we present disclosures on the impacts of climate change across BMHK.

This report covers the four areas of the TCFD, describing how BMHK assesses climate-related risks and opportunities and embeds climate considerations into its governance, strategy, and risk management. In general, BMHK as part of Authorised Institutions in Hong Kong recognise our important role in supporting the transition to an environmentally sustainable economy.

This disclosure is to be read in conjunction with Sustainability Report 2023 published by PT Bank Mandiri Persero Tbk (BMHO), in order to fully understand our climate related risk measurement and performance.

Unless otherwise stated, the information and data contained in this disclosure cover the period from 1 January to 31 December 2023.

Hong Kong, 31 May 2024

Best Regards,

General Manager – Bank Mandiri Hong Kong Branch (BMHK)

Galih Setyawan Pribadi

Part 2

Summary of TCFD Recommendation and Our Implementation (Bank Mandiri)

TCFD Recommendation	Our Implementation
<p>Governance Describe the board's oversights of climate-related risks and opportunities</p> <hr/> <p>Describe management's role in assessing and managing climate related risks and opportunities</p>	<ol style="list-style-type: none"> 1. The implementation of Sustainable Finance, including the Sustainable Finance Action Plan, integration of ESG aspects, and management of Climate-related Risks, monitoring and reporting are carried out to the Board of Directors through the Risk Management & Credit Policy Committee (RMPC) or the relevant Board of Directors level Committee (Executive Committee) according to their authority. 2. The Board of Directors is fully responsible for setting the company's sustainability direction (Framework, Commitment, Strategy, Initiatives, Roadmap) related to climate change and the achievement of Sustainable Development Goals (SDGs). This is embodied in the Sustainable Financial Action Plan (SFAP) 2024-2028, approved by the Board of Commissioners, and submitted to the regulator. 3. The Environmental, Social, & Governance (ESG) Group is a dedicated unit formed specifically to perform control tower function in the implementation of Sustainable Finance at Bank Mandiri and its Subsidiaries, directly supervised by the Vice President Director. 4. The ESG Group carries out monitoring functions related to the implementation of ESG in Subsidiaries through the Integrated Governance Committee.
<p>Strategy Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term</p> <hr/> <p>Describe the impact of climate risks and opportunities on the organisation's businesses strategy and planning</p> <hr/> <p>Describe the resilience of the organisation's strategy taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p>	<ol style="list-style-type: none"> 1. Bank Mandiri has established ESG Guiding Principles as a strategic document aimed at guiding in integrating ESG aspects in Bank Mandiri, covering the bank's business and operational activities. 2. Bank Mandiri has established a long-term transformation strategy, with a specific focus on the bank's sustainability strategy for the next 10 years. This strategy is regularly overseen by the Transformation Committee. 3. Analyzing the risks and opportunities of climate change to prepare Bank Mandiri's strategy in facing climate change risks. 4. Developing a Sustainable Finance Action Plan (SFAP) based on the mapping of the implementation of ESG aspects and Sustainable Finance at Bank Mandiri for the next five years. 5. Developing Sustainable Finance products in both wholesale and retail segments, such as sustainable financing, sustainable bonds, ESG-based investments, eco-friendly cards, and others. 6. Establishing an ESG Desk focused on providing financing services such as green loans, sustainability-linked loans, and corporate in-transition financing to help customers transition to a low-carbon economy.

	<ol style="list-style-type: none"> 7. Developing digitalization in Bank Mandiri's core business, such as Livin', Kopra, Smart Branch, and Digital Carbon Tracking to support the achievement of Net Zero Emission (NZE) in Operations by 2030. 8. The Contributor Work Unit, consisting of Business Units, Risk Management, Support, and all Regional Offices, actively implements ESG strategies and initiatives in all business and operational activities in line with the framework, vision, and commitments of Bank Mandiri's ESG.
<p>Risk Management</p>	
<p>Describe the organisation's processes for identifying and assessing climate-related risks</p>	<ol style="list-style-type: none"> 1. In the credit granting process, Bank Mandiri has implemented Environmental and Social Risk Management (ESRM) from the pre-screening process (due diligence), loan analysis, legal & compliance review, and loan approval to the monitoring process.
<p>Describe the organisation's processes for managing climate-related risks</p>	<ol style="list-style-type: none"> 2. In the Pre-Screening phase, Bank Mandiri has specific criteria related to ESG aspects that need to be specifically considered in each sector, outlined in the Industry Acceptance Criteria (IAC).
<p>Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management</p>	<ol style="list-style-type: none"> 3. Bank Mandiri is committed to not providing financing for business activities that have a negative impact on the environment and society. 4. Bank Mandiri has a Business Continuity Management (BCM) Group actively designing a Business Continuity Plan (BCP) to early identify and take initial steps related to climate risks or force majeure. 5. Bank Mandiri has identified the impact of transition risks and physical risks on the Bank's performance, attached to the Initial Phase Bottom-up Climate Risk Stress Test (CRST) in 2023.
<p>Metrics and Targets</p>	
<p>Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process</p>	<ol style="list-style-type: none"> 1. Calculating emissions from operational activities (including scopes 1, 2, and 3) following the GHG Protocol will be implemented on a monthly basis. This information will be accessible digitally through the Bank Mandiri website and reported annually in the Sustainability Report.
<p>Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets</p>	<ol style="list-style-type: none"> 2. Bank Mandiri has calculated emissions from financing activities (scope 3) covering seven asset classes according to the methods and guidelines of the Partnership for Carbon Accounting Financials (PCAF).
<p>Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions and the related risks</p>	<ol style="list-style-type: none"> 3. Bank Mandiri focuses on increasing its sustainable financing portfolio based on the classification according to the Sustainable Business Activity Category following POJK 51/2017. 4. Bank Mandiri has a target to achieve Net Zero Emission (NZE) in Operations by 2030.

Part 3

Summary of TCFD Recommendation and the Implementation in Bank Mandiri Hong Kong Branch (BMHK)

TCFD Recommendation	Our Implementation
Governance	
Describe the board’s oversights of climate–related risks and opportunities	The Board in BMHO oversight the climate –related risks trough Risk Monitoring Committee and Risk Management Credit Policy Committee.
Describe management’s role in assessing and managing climate related risks and opportunities	Head of Risk Management responsible for managing implementation of climate risk management in BMHK
Strategy	
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Our company have three main pillars to achieve the ESG commitment: sustainable banking, Sustainable operation and, Sustainable beyond banking.
Describe the impact of climate risks and opportunities on the organisation’s businesses strategy and planning	Our company’s commitment to sustainability is reflected in their vision to become "Indonesia's Sustainability Champion for a Better Future," with three main milestones: leading Indonesia's transition to a low-carbon economy, achieving net-zero emissions (NZE) in operations by 2030, and catalyzing social impact to achieve the SDGs.
Describe the resilience of the organisation’s strategy taking into consideration different climate-related scenarios, including a 2°C or lower scenario	
Risk Management	
Describe the organisation’s processes for identifying and assessing climate-related risks	We have process in place to identify and to assess priority and emerging climate related risk.
Describe the organisation’s processes for managing climate-related risks	We consistently updating our internal policies to promote the sustainability profile of our customers and business sectors.
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation’s overall risk management	We have climate risk management framework that integrated the process for identifying, assessing and managing climate-related risks.
Metrics and Targets	
Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process	We set metric and target related to climate – related issues are as follows:
Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets	<ul style="list-style-type: none"> a. Sustainable portfolio amounts to about 5% of total assets in 2030. b. To support BMHO’s target to achieve Net Zero Emission (NZE) in Operations by 2030.
Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions and the related risks	

Part 4 Governance

BMHO’s Organization for ESG Implementation

The implementation of Climate Risk Management involves all departments in BMHK and led by the General Manager. In additions, BMHO’s unit who supervise overseas branch also assists BMHK in managing and aligning the climate risk management implementation by coordinating with the other BMHO’s related units such as unit that responsible to coordinate, conduct & monitor ESG implementation and units that responsible for constructing Bank Mandiri Sustainable Finance Action Plan (BMRI SFAP).

In order to monitor the implementation of Environmental, Social and Governance (“ESG”) within Bank Mandiri, the ESG reporting shall be conducted periodically to:

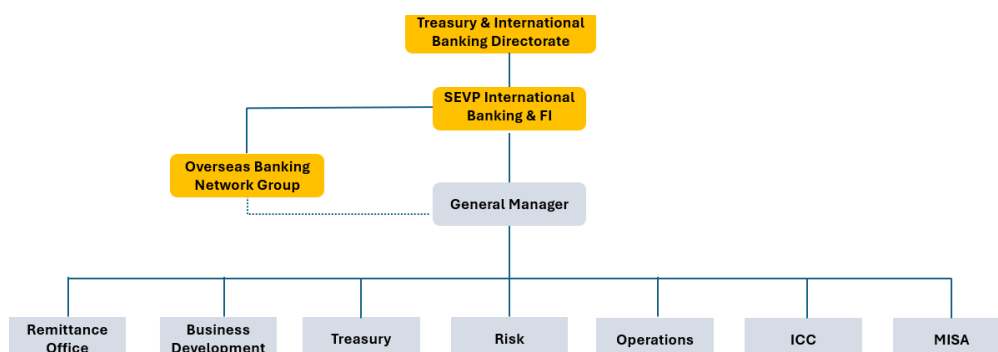
- a. Risk Monitoring Committee (“RMC”) which consist of Board of Directors (“BOD”) and Board of Commissioners (“BOC”).
- b. Risk Management & Credit Policy Committee (“RMPC”) which consist of Board of Directors (“BOD”).

Bank Mandiri has established a dedicated ESG function unit called the ESG Group in which this group is responsible for overseeing the daily operations of integrating and implementing sustainable finance in the control tower. This includes managing the ESG framework, ensuring alignment of Mandiri’s policies with ESG issues and climate change, managing a sustainable portfolio, developing a green operational strategy, and communicating ESG performance to both internal and external stakeholders.

BMHK’s Organization for Climate Risk Management

The implementation of Climate Risk Management in BMHK is led and approved by General Manager, while the goals and strategies are proposed and supervised through the Branch’s Climate Risk Management Committee (“CRM”).

BMHK established the CRM, which consists of all departments and is led by the General Manager. BMHK’s CRM consists of all managers with voting rights except ICC Manager. They will have extensive coordination to determine the goals, targets and strategies as well as the monitoring process in relation to BMHK’s climate risk management with one of the main purposes is to support Bank Mandiri becoming a sustainable Bank. BMHK’s CRM organization structure is as follows:



The Head of Risk Management is assigned as the coordinator for BMHK’s implementation of Climate Risk Management.

Part 5 Strategy

BMHK, as part of BMHO's overseas branches is consolidated to BMHO. Thus, certain processes are centralised at BMHO which such processes remain in-line with the local circumstances. Moreover, BMHO's ESG framework includes commitments, timelines and milestones, main initiatives, and enablers.

Bank Mandiri Head Office ("BMHO")

a. Commitment on Environmental, Social and Governance (ESG)

Bank Mandiri is making strides towards achieving carbon neutrality by focusing on strengthening ecosystems and implementing green taxonomy practices. During this period, the Board of Directors and Board of Commissioners have established a Sustainability Framework, Commitment, Strategy, Initiative, and Roadmap with a specific emphasis on climate change and the Sustainable Development Goals (SDGs). Bank Mandiri's commitment to sustainability is reflected in their vision to become "Indonesia's Sustainability Champion for a Better Future," with three main milestones: leading Indonesia's transition to a low-carbon economy, achieving net-zero emissions (NZE) in operations by 2030, and catalyzing social impact to achieve the SDGs.

b. ESG Implementation Pillars

The sustainable framework is founded on three main pillars and encompasses 8 sustainability initiatives to be implemented during the period 2024-2028:

1) Sustainable Banking

- i. Integrating ESG Aspect in Business Process (Sustainable Finance Framework, Sector Policy Enhancement).
- ii. Develop Sustainable Portfolio & Products/ Services (Sustainability/Green Bond, ESG Repo, Sustainability Linked Loan, Green/Social/ Corporate-in-Transition Financing).
- iii. Influencing Key Policy Maker to Accelerate Indonesian Low Carbon Economy

2) Sustainable Operation

- i. Leading Practice in Data Privacy & Security Improving the resilience of bank operations, particularly related to data security.
- ii. Broaden Equality & Diversity.
- iii. Achieving NZE in Operations by 2030 (including 1. Green Business Mindset, Digital Carbon Tracking & Monitoring Carbon Neutral Initiatives through Green Operational & Carbon Offsetting).

3) Sustainability Beyond Banking

- i. Empowering Digipreneurship in Society (Indonesia Migrant Worker, Young Entrepreneur, KUR, Branchless Banking, Rice Milling Unit, Rumah BUMN).

c. Responsible Financing Approach

Bank Mandiri is actively committed to developing and promoting sustainable financial practices with a focus on integrating Environmental and Social aspects throughout its business processes, particularly in financing. This is reflected in Bank Mandiri's internal regulations, specifically the Bank Mandiri Credit Policy. Credit policy related to Environmental, Social, and Governance (ESG) aspects:

Bank Mandiri requires prospective debtors to meet the following general criteria:

- 1) Have environmental management documents based on the industrial sector and the provisions of applicable laws and regulations, including Environmental Impact Analysis* documents for required business/activity plans or Environmental Management Efforts - Environmental Monitoring Efforts documents;
- 2) Have the outcomes of the PROPER assessment (Company Performance Rating Assessment Program in Environmental Management) in accordance with applicable provisions;
- 3) Other related environmental management permits/ certifications and other related environmental criteria in accordance with applicable laws and regulations.

Bank Mandiri also remains committed to not providing credit financing to business activities that have a negative impact on the environment (exclusion/ negative list) as follows:

- 1) Illegal logging;
- 2) Plantation on peatlands;
- 3) Violations of human rights according to the Manpower Law and International Law Organization (ILO) Convention;
- 4) Drug abuse;
- 5) Business activities that endanger the environment, including disturbing protected areas such as UNESCO World Heritage Sites, wetland sites as listed in the Ramsar Convention*** criteria, and high biodiversity sites as well as sites listed in the IUCN Cat-1 & Cat-2**** protected area categories as outlined in the Convention on Biological Diversity;
- 6) Other business activities that do not comply with applicable laws and regulations, including but not limited to: Pornography; Gambling; Money laundering; Corruption, Collusion, and Nepotism activities; and Goods and services that do not comply with applicable laws.

On top of that, Bank Mandiri has established sectoral credit policy related to Environmental, Social, and Governance aspects.

Bank Mandiri Hong Kong Branch (“BMHK”)

BMHK, as authorized institutions that operating in Hong Kong required by local regulator to develop a framework that aims to harmonize the environmental, social and governance (ESG) aspects of each bank's business activities and operations. Thus, BMHK have established the first edition of “*Climate Risk Management Framework – Bank Mandiri Hong Kong Branch*” at 30 November 2022 which further updated to 31 March 2023 edition.

Part 6

Risk Management & Stress Testing

Risk Management

In general, the implementation of Three Lines of Defense Principle in BMHK is following the implementation in BMHO. BMHO considers a robust process for identifying, assessing, and monitoring climate-related risks and the same practice is cascaded down to all its international branch offices. This practice includes establishing the Three Lines of Defense model, detailing respective roles and responsibilities of each line of defense in relation to the management of environmental risks listed below. In line with the usual risk governance arrangement, the responsibilities of managing climate-related risks should be allocated among three lines of defense:

1. Business Unit

The first line of defense refers to the business unit which investigates the compliance of the borrowers' profile in accordance with BMHK's environmental requirement.

2. Risk Management

The second line of defense refers to the risk management function which validates the information provided by the business units on the borrowers' environmental profile, ongoing risk monitoring and reviewing of relevant policies and procedures.

3. Internal Audit

The third line of defense refers to the internal audit function which ensures the risk control is carried out effectively.

In addition, BMHK should build capability to measure climate-related risks using various methodologies & tools, and also to regularly assess vulnerability under different plausible climate scenarios having adverse impacts on them. BMHK has identified potential climate-related risks divided into two major categories, including:

1. Physical risks

Physical risks are risks associated with the impact of changes in weather and climate. Physical risks may have financial implications for the bank, such as damage to bank assets. Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns.

a. Acute

Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as hurricanes, wildfires, and floods. Extreme weather events significantly influence BMHK's financial performance and resilience through their impacts on BMHK's borrowers and disruption that may affect BMHK's operational resilience.

b. Chronic

Chronic physical risks refer to longer-term shifts in climate patterns such as sea level rise or chronic heat waves. These risks may become more apparent in the longer term. Impacts may include disruptions to borrower physical assets, bank physical assets, physical working conditions and lower employee productivity and quality of health.

2. Transition Risks

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Transition risks may pose varying levels of financial and reputational risk to organizations.

a. Policy and Legal

The risk associated with and financial impact of policy changes depends on the nature and timing of the policy change. Furthermore, an inability to comply with increasingly stringent environmental regulations will increase the risk of receiving litigation claims or monetary sanctions.

b. Market

A shift in supply and demand for goods and services could influence particular commodity products and prices. This event could affect the borrower repayment capacity of loans to BMHK.

c. Technology

Technological improvements and innovations that support the transition to a lower-carbon, energy efficient economic system can significantly impact on organizations. For example, the development and use of emerging technologies such as renewable energy and energy efficiency will affect the competitiveness of certain organizations, their production and distribution costs, and ultimately the demand for their products and services from end users. Technology risk may impact BMHK Clients who cannot keep up with the shifting technological landscape.

d. Reputation

Climate change has been identified as a potential source of reputational risk tied to changing customer or community perceptions of an organization's contribution to a lower-carbon economy. Continued financing of industries with poor sustainability reputations and ratings may weaken BMHK's reputation.

Risk Identification and Assessment

BMHO has processes in place to identify and to assess priority and emerging risks. BMHO has consistently implemented credit financing policies to promote sustainable financial practices and demonstrates its commitment to responsible and ethical business practices, regulated by the bank's internal regulations, and applied to all international branch offices including BMHK. In addition, BMHK has Credit & Investment Standard Procedure that governs branch's credit and investment activities.

Stress Testing

As a member of the Task Force on Climate Related Financial Risk Bank Mandiri participated in the initial phase of the Bottom-up Climate Risk Stress Test (CRST) alongside the Financial Services Authority (*Otoritas Jasa Keuangan* – Indonesian Financial Services Authority). This initial phase served as a collaborative learning exercise between OJK and the banking sector, aimed at building capacity for assessing the impact of climate change risks. Bank Mandiri refers to the Network for Greening the Financial System (NGFS) climate scenarios, which categorizes the potential impacts of climate change into three categories: "Orderly," "Disorderly," and "Hot House World." Each scenario presents a unique roadmap and variables crucial for achieving the 2050 climate goals, including changes in how climate affects the economy. These scenarios explore different assumptions about the escalation of climate policy, emission levels, and temperature increase. Given that climate risk stress testing is still in its early development stages in Hong Kong and Indonesia, BMHK will follow BMHO approach.

Part 7 Metrics & Targets

In addition to BMHO's SAFP that also applies to BMHK, and also referring to BMHK's Climate Risk Management Framework 2023, BMHK set metric and target related to climate – related issues are as follows:

- a. Sustainable portfolio amounts to about 5% of total assets in 2030.
- b. To support BMHO's target to achieve Net Zero Emission (NZE) in Operations by 2030.

Below is the achievement in accordance with the determined above metrics and targets.

- a. The target was successfully done by participating in international syndicated green loan in 2022.
- b. BMHK is proactively seeking for another sustainable portfolio after the settlement of the green loan facility in 2023.

The above metrics and targets would be reviewed & updated accordingly from time to time. BMHK recognises that the impact of climate change due to rising global temperatures below 2⁰C could affect future sustainability. Therefore, BMHK is exploring further opportunities to develop and implement financial and investment programmes to support climate action.

Disclosure & Looking Forward

Disclosure

BMHK acknowledges that the methodologies for assessing, monitoring, and reporting environmental risk factors beyond climate change are still in nascent stages of development. On the other hand, we expect the bank's risk management approaches to mature as tools and international frameworks evolve.

As an overseas branch and part of Bank Mandiri, the complete disclosure on bankwide level shall refer to Bank Mandiri's Annual Sustainability Report.

Looking Forward

BMHK also recognised that measurement methodologies and standards are expected to evolve and may change reporting processes, resulting in the reassessment of some processes and policies year-on-year. We are committed to building up the bank's capabilities in a gradual manner, starting with identifying relevant yet plausible metrics and exploring further opportunities to develop and implement financial and investment programmes to support climate action.