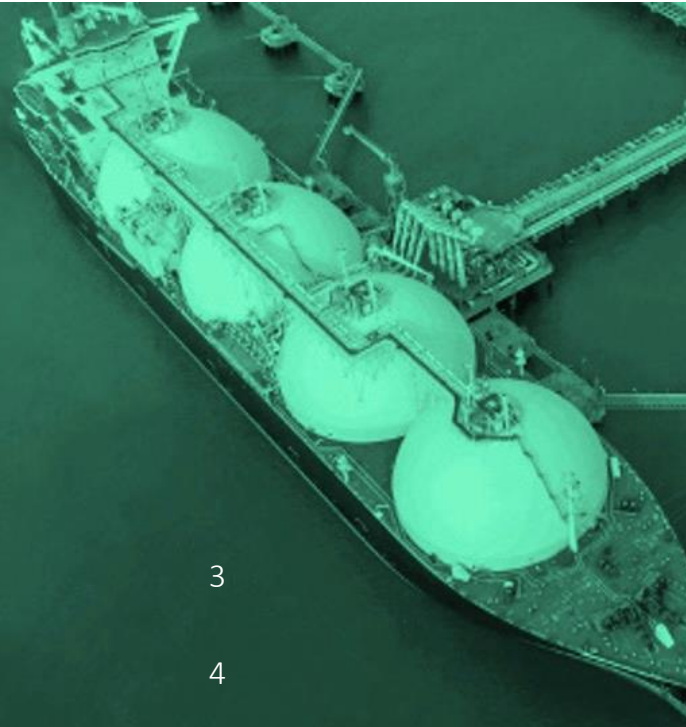
PT Bank Mandiri (Persero) Tbk.

Transition Finance Framework

November 2024
Version 1.0



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1. Introduction

1.1 About Bank Mandiri

Established in 1998, state-owned enterprise PT Bank Mandiri (Persero) Tbk ("Bank Mandiri") is Indonesia's leading financial institutions with current overseas presence in 7 countries. Bank Mandiri plays a crucial role in supporting the country's economic growth and significantly contributes to the financial sector's development. Bank Mandiri provides a full suite of services in Corporate Banking, Commercial Banking, Treasury and International Banking, Government & Institutional, and Retail & Consumer Banking.

Guided by the bank's vision to care for the interests of society and the environment, Bank Mandiri prioritizes the interests of society by implementing effective sustainability programs, namely: Sustainable Banking, Sustainable Operation, and Sustainable Beyond Banking that are detailed in Bank Mandiri Sustainability Report. Through these strategic priorities, Bank Mandiri will ultimately realize its aspirations as the *customers' preferred partner* by committing to ethical, sustainable practices and good corporate governance.

1.2 Background

As a leading financial institution in Indonesia, Bank Mandiri plays a crucial role as an agent of development that support the just transition process to achieve a low-carbon economy while considering the unique socio-economic context of Indonesia.

Given Indonesia's dynamic financial landscape, hard-to-abate industries crucial to nation's economy must be provided with support to access resources and technology for sustainable alternatives to reduce their environmental impact. To address these unique challenges, transition finance is essential to bridge the gap by mobilizing capital to drive climate solutions, support emissions reduction, and facilitate these industries with a gradual, structured shift towards green practices to achieve a low-carbon economy.

Sustainable financing standards are rapidly advancing and evolving in quick succession. In response, Indonesia is deliberately aligning its regulatory framework with emerging global guidelines and best practices. Bank Mandiri has demonstrated its commitment to sustainability through the development of a Sustainable Finance Action Plan in accordance with OJK Regulation No. 51/POJK.03/2017, which governs its Sustainable Initiatives including for green, social, and transition finance. Hence, this Transition Finance Framework has been developed to regulate transition financing initiatives at Bank Mandiri, along with our Sustainable Finance Framework, which focuses on the Bank's green and social financing efforts.

1.3 Objectives

Bank Mandiri Transition Finance Framework ("TFF") has been developed to :

- Provides a structured, strategic approach to support the clients' across various sector in their decarbonization journey, while also mobilizing capital to assist hard-to-abate industries in transitioning to low-carbon economy and driving emissions reduction
- Set out Bank Mandiri's methodology to classify eligible and exclusion activities on transition financing, that aligned with internationally recognized guidelines and best practice
- Encourage and support in adapting to evolving standards and regulation related to sustainable finance including transition activities

Bank Mandiri TFF serves as a complement to our Sustainable Finance Framework ("SFF"). The SFF outlines our methodology for categorising "sustainable finance" (excluding transition finance) to

monitor and report our progress against various targets, including our sustainability goals. By expanding the scope of Bank Mandiri's SFF, the TFF establishes criteria to determine the eligibility of transition activities that fall outside the sustainable finance areas already covered by our SFF.

2. Transition Finance Framework Overview

Bank Mandiri has established the TFF as part of our sustainability strategy. It provides guidance for internal and external stakeholders (regulators, clients, and investors) on facilitating the classification, monitoring, and reporting of transition finance.

Driven by its support to transition progress, Bank Mandiri has committed to mobilizing capital for environmentally and socially responsible projects. This TFF reflects Bank Mandiri's goal to contribute to the United Nations' Sustainable Development Goals (SDGs)[1] and encompasses a broader spectrum of transition activities below:

- ASEAN Taxonomy for Sustainable Finance Version 2 (2023); ASEAN Transition Finance Guidance Version 1 (2023) administered by ASEAN Capital Markets Forum
- Indonesian Taxonomy for Sustainable Finance (Taksonomi untuk Keuangan Berkelanjutan Indonesia) (2024) administered by the Indonesia Financial Services Authority (OJK).
- Climate Transition Finance Handbook (2023) administered by ICMA

The TFF is forward looking and applies to transactions proposed after its publication. In addition, it is a living document and will be periodically reviewed; any potential changes with regards to the standards, principles, and applicable regulatory requirements will be incorporated in future versions of the TFF. Additionally, this TFF should be read alongside Bank Mandiri SFF, which provides detailed guidance toward green, social, and sustainable finance instruments.

3. Transition Finance Definition and Activities

3.1 Defining transition finance

Transition finance plays a crucial role in achieving climate goals. There is growing interest within the financial community on expanding opportunities for transition finance, it supports activities that pursue significant emissions reductions on the pathway toward net-zero, setting clear timelines and milestones to incorporate low-carbon alternatives in their operations. As each country's unique socio-economic context evolves, and as new low-carbon technologies emerge, transition finance must remain flexible to ensure relevance and inclusivity, ultimately enabling impactful that shape Indonesia's journey toward decarbonization.

Bank Mandiri have defined transition activity as below:

Transition Activity

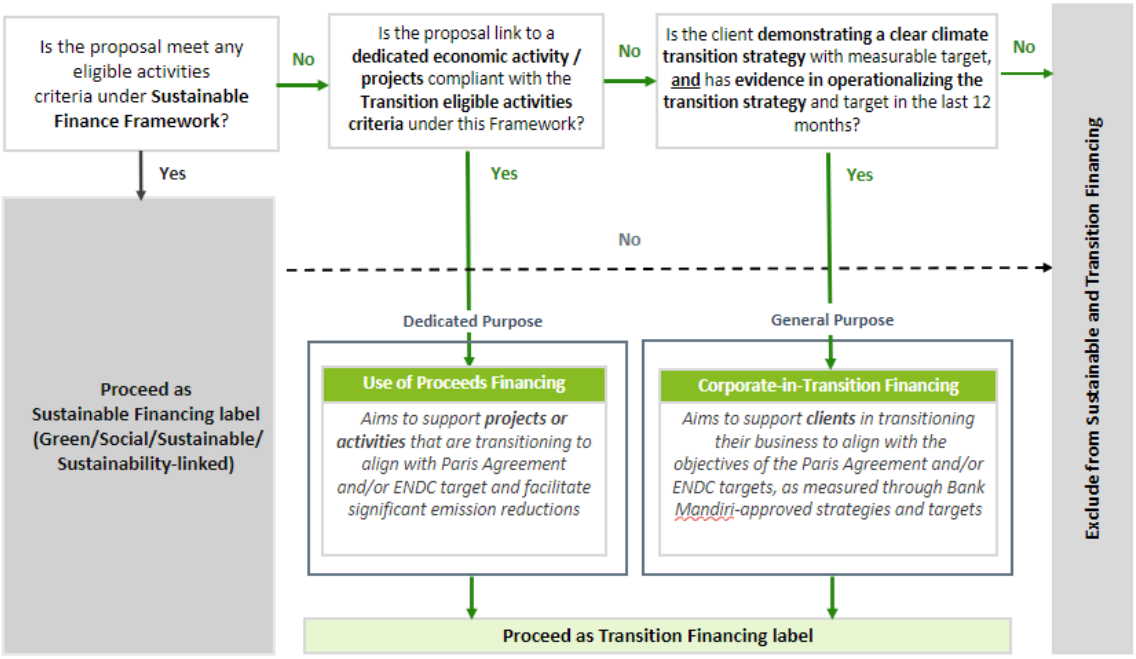
Transition activity involves operations that are currently not yet green, but aim to achieve significant emission reductions in the short or medium term, within a specified timeframe, by replacing carbon-intensive options or facilitate the broader use of less carbon-intensive alternatives.

[1] http://www.un.org/sustainabledevelopment/sustainable-development-goals/

Additionally, transition finance must also fulfill the Do Not Significantly Harm (DNSH) and Social Aspects in accordance with the applicable taxonomy[2].

3.2 Transition Finance Flowchart

The first step in defining the eligibility of transition financing is identifying the nature of the financing proposal. Additionally, the approaches taken with regards to different governance should be in accordance with the flowchart below.



3.3 Types of financing

Use of Proceeds Financing

Use of Proceeds Financing means that the proceeds from the financing must be used for predetermined projects that contribute to sustainability objectives. It is classified as transition finance if the activities meet one of the Eligible Activities criteria of transition activities, as defined in "Appendix" of the TFF.

Corporate-in-Transition Financing

This type of financing is applicable for client entity-level financing, with the purpose to support clients to transition or align their business and/or operations with pathways in line with the objectives of the Paris Agreement[3] or Indonesia's ENDC target[4], which measured through strategy and target that have been approved by Bank Mandiri.

A client is eligible for financing if it **demonstrates a clear climate transition strategy with measurable target**, **and** has **evidence in operationalizing the transition strategy and target** in the last 12 months (e.g., divested from carbon-intensive assets, diversified from carbon-intensive activities, or decarbonized by demonstrated overall reduction in emission intensity).

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[2] Indonesia Taxonomy for Sustainable Finance has regulated the Do Not Significant Harm (DNSH) and Social Aspects assessment

[3] United Nations Framework Convention on Climate Change (UNFCC) The Paris Agreement. https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

[4] Enhanced NDC - Republic of Indonesia. https://unfccc.int/documents/615082

4. Governance

Prior to publication, the TFF has been reviewed by the Risk Management Committee ("RMC"), which is responsible for establishing risk management frameworks and methodologies to identify, measure, and mitigate risks.

The TFF will be updated to incorporate the latest changes in industry principles, guidelines, frameworks, and taxonomies. ESG Group holds responsibility for development and periodic review of the TFF with supports and inputs from relevant units and subsequently approved by the RMC.

While our governance and processes may evolve over time, Bank Mandiri will continue to uphold robust governance standards for the TFF and secure the necessary approvals associated with it.

5. Appendix

5.1 Eligible Transition Activities

Sector	Topic	Eligible Activities	SDGs
Electricity, Gas, Steam and Air Conditioning Supply	Electricity Generation	Operational activities of electricity generation from: 1. Gas Power a. Lifecycle emissions above or equal to 100 gCO2e/kWh and below 510gCO2e/kWh; AND b. If the facility is equipped with CCS, then it meets the criteria for CCS activities in Taxonomy for Sustainable Finance in Indonesia. 2. Hydropower a. The electricity generation facility is a run-of-river plant; **OR** The power density of the electricity generation is above 4 W/m2; AND b. The lifecycle emissions above or equal to 100 gCO2e/kWh and below 510g CO2e/kWh 3. Bioenergy a. Lifecycle emissions above or equal to 100 gCO2e/kWh and below 510gCO2e/kWh; and b. If the energy source comes from biogas, have management and monitoring procedures and a backup plan in case of methane gas leakage. 4. Hydrogen with lifecycle emissions above or equal to 100 gCO2e/kWh and below 510gCO2e/kWh 5. Geothermal with lifecycle emissions above or equal to 100 gCO2e/kWh and below 510gCO2e/kWh during the term of the Power Purchase Agreement 6. Co-firing Biomass for Steam Power Plants (PLTU)[5]	
	Early retirement of Coal Fired Power Plant (CFPP)	Acceleration of CFPP phase-out and CFPP activities that aligned with criteria specified in Indonesian Taxonomy for Sustainable Finance or applicable Regulation	
	Transmission and Distribution	Businesses which facilitate electricity transmission and distribution that has lifecycle emissions ≥100 gCO2e/kWh and <510 gCO2e/kWh; AND powered by renewable energy sources or fossil energy sources in the transition period.	

[5] In case the SNI is not yet available and/or does not comply with the required Biomass Fuel (B3m) standards, the Minister through the Director General can determine the B3m standards and quality for power plants by considering technological developments, producer capabilities, consumer capabilities and needs, specific conditions at each PLTU location and occupational safety and health as well as environmental management, as mentioned in Regulation of the Minister of Energy and Mineral Resources of the Republic of Indonesia (ESDM) No. 12/2023

Sector	Topic	Eligible Activities	SDGs
	Co-generation of heat/cool and power	Construction, refurbishment, and operation of combined heat/cool and power generation facilities using gas that emit low lifecycle GHG emissions align with applicable regulations or Taxonomy	
	Carbon Capture	Planning, design, development, implementation, and operations related to carbon capture, utilization and/or storage ("CCU"/ "CCS"), including bioenergy and carbon capture and storage ("BECCS") and direct air capture ("DAC") application from fossil fuel process	
	Energy storage technologies	Storage of low-carbon gases, including the operation of facilities related to low carbon hydrogen, renewable-derived gases, fossil gases or mixtures	
	Natural and Artificial Gas	Procurement and distribution of Natural and Artificial Gas that has an emissions reduction roadmap, achieved at least a Green PROPER rating or consistently met aspects of pollution control, environmental damage, and management of Hazardous and Non-Hazardous Waste as per the criteria of Green PROPER, and for oil and gas business activities that use energy in ≥6000 Ton of Oil Equivalent (TOE), implement energy management in accordance with the regulation of *Peraturan Pemerintah* 33/2023	
	Production of heat/cool	Construction or operation of facilities that produce heat/cool from renewable gas & fuels	
Transportation	Low-carbon Aviation	Development, manufacture, purchase, financing, leasing, rental, and operations of low-carbon energy efficient aircraft (e.g. powered by biofuel, synthetic fuels)	
Oil and Gas Industry	CO_2 Transport and Storage – from Coal Power Generation or Oil and Gas Refining/Extraction Processes	**CO_2 Transport** 1. CO_2 transported from the capture point to the injection point does not cause leakage above 0.5% of the CO_2 mass per year 2. CO_2 is conveyed directly or indirectly to a permanent storage location that meets the criteria for underground geological CO_2 storage 3. Implementation of a leakage detection system and the existence of a Measurement, Reporting, and Verification (MRV) plan that includes stages organized according to referenced standards and good engineering practices **Underground Permanent Geological CO_2 Storage** 1. Conducting an assessment of the storage complex potential and its surroundings, or exploration is carried out to determine if the geological formation is suitable for use as a CO_2 storage site. 2. For the operation of underground geological CO_2 storage sites, including closure and post-closure obligations: a leakage detection system	

Sector	Topic	Eligible Activities	SDGs
		is implemented to prevent releases during operations. 3. There is a monitoring plan for injection facilities, storage sites, and the surrounding environment, with routine reports overseen by the relevant and competent national authorities. 4. Exploration and operation of storage sites comply with applicable standards. Excluded from eligibility are EOR and new coal activity.	
Metal Ore Mining	Low-Carbon, Low Energy Mining	Activities in resulting Low-Carbon and Low Mining Activities, such as: 1. Invest in minerals that are essential to driving green growth, for example copper and lithium 2. Increase in recycling 3. Energy and process efficiency 4. Renewable power sources 5. Fuel switch (such as hydrogen) and electrification of equipment 6. Low carbon alternative technologies 7. Carbon capture, utilization, and storage (CCUS) 8. Carbon removal solutions	
Basic Metal Industry	Low-Carbon, Low Energy Iron and Steel	Activities in resulting Low-Carbon and Low Energy Iron and Steel Industries, such as: 1. Manufacturing of key components, equipment, and machinery for renewable energy technologies 2. Development and manufacturing of low-carbon technologies that substantially reduce GHG emission 3. Transition of industrial production to low-carbon and high-energy efficient production 4. Electrification of ancillary equipment	
Processing Industry – Non-Metal	Manufacture of Cement[6]	1. Utilization of new cement chemistries or new concrete chemistries using less cement input 2. Manufacture of cement clinker, cement, or alternative binder 3. Recycling of un-hydrated cement and reuse of concrete 4. Implementation of decarbonization technologies of cement manufacturing (e.g., switch to alternative fuels, carbon capture and storage, blended cement, kiln electrification from renewable energy source). Excluded from eligibility are alternative fuels such as RDFs, plastic- or tire-derived fuels and/or other	

[6] In alignment with Regulation of the Minister of Industry of the Republic of Indonesia No. 26 of 2018 about Green Industry Standards (SIH) for the Portland Cement Industry, applies if manufacturing of cement resulting emission intensity less than 750 kg CO_2/ton cementitious

Sector	Topic	Eligible Activities	SDGs
		carbon rich waste inputs without sustainable sourcing policies.	

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