<table>
<thead>
<tr>
<th>Year</th>
<th>Public Accounting Firm</th>
<th>Period KAP</th>
<th>Accountant Name (Signing Partner)</th>
<th>Period AP</th>
<th>Fee *) (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>Purwantono, Sungkoro &amp; Surja (EY)</td>
<td>3rd period</td>
<td>Danil Setiadi Handaja</td>
<td>3rd period</td>
<td>10,000,000</td>
</tr>
<tr>
<td>2016</td>
<td>Purwantono, Sungkoro &amp; Surja (EY)</td>
<td>2nd period</td>
<td>Danil Setiadi Handaja</td>
<td>2nd period</td>
<td>7,850,000</td>
</tr>
<tr>
<td>2015</td>
<td>Purwantono, Sungkoro &amp; Surja (EY)</td>
<td>1st period</td>
<td>Danil Setiadi Handaja</td>
<td>1st period</td>
<td>7,330,000</td>
</tr>
</tbody>
</table>

Keterangan:
* Fee termasuk GPIB & PPN.
** Rincian Fee dijelaskan pada Tabel Rincian Fee Jasa Audit dan Jasa Lainnya.

Audit Opinion
Opinions on the results of the 2012-2020 Financial Year Financial Statement are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Opinion of Financial Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>Laporan Keuangan Konsolidasian menyajikan secara wajar tanpa modifikasi (dahulu wajar tanpa pengecualian) sesuai dengan Standar Akuntansi Keuangan di Indonesia.</td>
</tr>
<tr>
<td>2019</td>
<td>The Consolidated Financial Statements present fairly without modification (previously unqualified) in accordance with Indonesian Financial Accounting Standards.</td>
</tr>
<tr>
<td>2018</td>
<td>The Consolidated Financial Statements present fairly without modification (previously unqualified) in accordance with Indonesian Financial Accounting Standards.</td>
</tr>
<tr>
<td>2017</td>
<td>The Consolidated Financial Statements present fairly without modification (previously unqualified) in accordance with Indonesian Financial Accounting Standards.</td>
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<tr>
<td>2015</td>
<td>The Consolidated Financial Statements present fairly without modification (previously unqualified) in accordance with Indonesian Financial Accounting Standards.</td>
</tr>
</tbody>
</table>

Relationship Among Banks, Public Accountants, and Regulators
In conducting the audit, other than fulfilling the applicable legal provisions, Bank Mandiri always strives to improve communication with Public Accountants. The Audit Committee and Internal Audit always supervise the audit conducted by Public Accountants. The selected Public Accountants communicates the plan for conducting an audit of Bank Mandiri financial statements to the Audit Committee and submits the audit plan along with the audit methodology and audit samples that will be used to Internal Audit. During the audit, periodic discussions of the audit progress and audit findings and other matters considered important by the parties were conducted periodically, including findings related to internal control.

Periodically, the Audit Committee will monitor the performance of Public Accountants through Audit Committee meetings followed by Internal Audit and related Directors. The meeting also discussed the follow-up of audit findings by KAP. Through this coordination, comprehensive and optimal audit results are expected to be achieved.

Risk Management
The risk management principle of Bank Mandiri is conducted proactively to achieve a healthy and sustainable financial and operational growth as well as to take care of the optimal risk-adjusted return level in accordance with the desired risk appetite. As a manifestation of Bank Mandiri’s commitment in conducting a good company management practice, particularly in risk management, Bank Mandiri has established policy, process, competency, accountability, reporting and supporting technology in order to make the risk management in Bank Mandiri to be effective and efficient.

Risk Management Framework
The company risk management framework is written in the risk governance structure of Bank Mandiri encompassing three main parts, which are Risk Oversight, Risk policy and Risk management, as well as Risk identification, Measurement, Mitigation, and control. These three main parts are supported by the Audit Working Unit and Independent Assurer to guarantee the effectiveness of its performance.

Sketchily, the work and risk governance framework of Bank Mandiri as mentioned above is described as follows:
The Risk Governance Structure of Bank Mandiri is developed based on four risk management pillars as follow:

**Active Supervision by the Board of Commissioner and Director**

The work and risk governance framework in Bank Mandiri consist of the Board of Commissioner performing risk oversight through Audit Committee, Risk Monitor Committee and Integrated Risk Governance, and Board of Director performing risk policy through Executive Committee related to risk management which are Risk management & Loan Policy Committee, Asset and Liabilities Committee, Capital and Subsidiaries Committee, and Integrated Risk Committee. In the operational level, the work unit of Risk Management along with Business Unit and Compliance Work Unit conduct risk identification function, risk measurement, risk mitigation and risk control.

The duties, responsibilities, and authorities of Board of Commissioner are related to active monitoring in risk management activities including:

1. Understanding the risk attached to company functional activity, particularly the one that can influence Company’s financial condition.
2. Evaluating and approving the Risk Management policy conducted at least once in a year or more in a higher frequency in the event that there are significant changes in factors affecting company's business.
3. Performing evaluation toward the board of Director regarding Risk Management implementation in order to fit with the established policy, strategy and procedure of the company.
4. Providing consultation to the board of Director regarding transaction or business activity with large amount of fund.
5. Approving the provision of fund to the concerned parties on loan proposed by the loan committee in accordance with their authority.
6. Performing active monitoring toward the company capital adequacy in accordance with company’s risk profile thoroughly, including reviewing risk appetite of the company established by the board of director.
7. Improving anti-fraud awareness and culture to all levels of the Company's organization.
8. Monitoring the implementation of Integrated Risk Management in accordance with the characteristics and complexity of the Company's effort.

In order to implement the Integrated Risk Management, the Board of Commissioner is responsible for:

1. Directing, approving, and evaluating policy which regulate the integrated management risk periodically.
2. Evaluating the implementation of integrated risk management policy by the Main Entity Board of Directors.
3. Performing evaluation on the implementation of Recovery Plan.

The duty, responsibility, and authority of Board of Directors related to risk management activity include:

1. Preparing written and comprehensive Risk Management’s policy, strategy and procedure including the establishment and approval of the Company’s risk limit, re-evaluating once in a year or more in the event of significant changes in factors affecting company's business activities.
2. Taking the responsibility of the risk management and risk exposure policies implementation conducted by the
company, including evaluating and providing direction of Risk Management Strategies based on reports submitted by the Risk Management Unit and periodic submission of accountability report to the Board of Commissioners.

3. Evaluating and determining the transactions that exceed the authority of the Company's officials one level under the Board of Directors or transaction that requires the approval of the Board of Director in accordance with the applicable internal policies and procedures.

4. Developing Risk Management awareness and culture, including anti-fraud culture to all organization, among others through adequate communication concerning the importance of effective internal control;

5. Improving Human Capital competence related to Risk Management implementation, among others through continuous education and training programs, particularly related to Risk Management system and process.

6. Implementing an independent Risk Management function, reflected through function separation between the Risk Management Unit that performs identification, measurement, monitor and risk control with the work unit that performs and completes transaction.

7. Conducting periodic review with frequency adjusted with the company's need.

8. Establishing the capital adequacy in accordance with the Company's risk profile and strategy to maintain the capital level, including establishing the Risk Appetite.

9. Monitoring the development of macroeconomic conditions, regulations, technology and other external factors, as well as assess potential impacts on the Bank's position and performance (through stress testing and sensitivity analysis) and prepare contingency plans including the preparation of a Recovery Plan (as a systemic bank).

In order to implement the Integrated Risk Management, the Board of Directors is responsible for:

1. Preparing and carrying out the policy which regulates Integrated Risk Management;

2. Developing risk culture as a part of Integrated Risk Management Implementation;

3. Ensuring the effectiveness of Human Capital management to perform the Integrated Risk Management function;

4. Ensuring that the Integrated Risk Management has been conducted independently;

5. Evaluating the review result of the Integrated Risk Management Work Unit periodically concerning the Integrated Risk Management process.

Bank Mandiri has also stipulated risk management committees which discuss and recommend to the Board of Director, among others concerning:

1. Policy and Procedure as well as monitor the risk faced by the company.

2. Management of Company's asset and liabilities including interest rate and liquidity

3. Management of subsidiary (equity capital, divestment, remuneration, stipulation of the subsidiary management).

4. Implementation of Integrated Risk Management

5. Business development.

In addition, Bank Mandiri also has a Work Unit related to risk management consisting of at least:

1. Director in charge of the Risk Management function;

2. Risk Management Work Unit (SKMR);

3. Operational Work Unit (risk-taking unit);

4. Internal Audit Work Unit (SKAI);

5. Compliance Work Unit.

The Risk Management Work Unit (SKMR), the Internal Audit Work Unit (SKAI) and the Compliance Work Unit concurrently as the Integrated Work Unit.

**Adequacy of Policies, Procedures, and Determination of Limits**

Bank Mandiri has a Risk Management policy used as the main guidance in carrying out risk management. For more specific business area, Bank Mandiri owns more special policies and procedures, for example in credit, treasury, and operational. Among other things regulated in the policies and procedures is the limit establishment for each activity, both in portfolio and transactional levels.

All policies and procedures in Bank Mandiri are the form of risk management attached in each Company's operational activity that is evaluated and updated at least once a year.


Bank Mandiri conducts Processes of Identification, Measurement, Risk Monitoring and Control, as well as Risk Management Information System through Enterprise Risk Management (ERM) frameworks. The ERM implementation in Bank Mandiri uses two-prong approach, to ensure that the risk is not only mitigated properly through daily business, but also in unexpected situation (downturn) through capital reserve.
The four main components functioning as the supporting pillar in the implementation of two-prong approach are:

1. **Organization and Human Capital**
   The Risk Management Work Unit of Bank Mandiri is responsible for managing all risk encountered by Bank Mandiri, including the development of supporting tools required in business process and risk management. In addition, there is a work unit in each unit business acting as the risk counterpart in the four-eye process of loan allocation. As the risk management is the responsibility of all work unit in Bank Mandiri, the success of risk management is determined by the existence of risk awareness in all working unit with adequate technical capability. Therefore, Bank Mandiri always improves the employee’s capability and knowledge, most importantly in risk management, by conducting internal training on a regular basis through Risk Management Academy. Furthermore, Bank Mandiri also conducts socialization, discussion forum, apprentice, or program on risk management which is in line with company’s culture internalization regularly at least once in a year. The Risk Management Unit of Bank Mandiri consists of Risk Management Directorate in charge of the Risk Management Independent unit and two Loan Approval Risk units known as Retail Risk directed by SEVP Retail Risk and Wholesale Risk directed by SEVP Wholesale Risk.

2. **Policies and Procedures**
   The Risk Management Policies (KMN) employed as the main guidance in performing operational risk management and capital management in Bank Mandiri consist of:
   a. The prudential principle, such as Capital Adequacy Preparation, Early Warning System, Limit Establishment and Risk Diversification.
   b. Risk Management, such as Risk Profile, Risk Appetite, Stress Testing and Integrated Risk Management.
   c. Risk Management for each risk type, including identification process, measurement, risk monitoring and control.
   d. Risk Monitoring, including monitoring of activity implementation/risk management methodology in Bank Mandiri, and Internal Control System.
   These Risk Management Policies become the basis for the preparation of procedures and technical guidelines related to risk management in Bank Mandiri.

3. **System and Data**
   The risk management system is developed to support more efficient business processes so that decision making can be faster but still refers to the principle of prudence. In order to maintain data integrity and quality, Bank Mandiri has implemented a system including:
<table>
<thead>
<tr>
<th>System</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated Processing System</td>
<td>To improve the efficiency of the loan process and maintain data quality in all business segments.</td>
</tr>
<tr>
<td>Loan Origination System</td>
<td></td>
</tr>
<tr>
<td>Loan Monitoring System</td>
<td>To monitor the quality of the credit (watchlist) individuals or portfolio in the framework of an early warning mechanism.</td>
</tr>
<tr>
<td>Integrated Central Liabilities System (ICLS)</td>
<td>To enhance the integration and quality of limit data and the exposure of all customer facilities, in the context of implementing limit management.</td>
</tr>
<tr>
<td>Impairment &amp; Provisioning</td>
<td>To measure CKPN according to the application of PSAK 71 and related dashboards and analytics.</td>
</tr>
<tr>
<td>Summit System</td>
<td>To manage market risk for treasury activities and monitoring credit risk arising from treasury activities.</td>
</tr>
<tr>
<td>ALM System</td>
<td>To manage and measure the amount of risk in the banking book market and liquidity risk for asset &amp; liability management activities.</td>
</tr>
<tr>
<td>Risk Assessment Consolidation Generator System (RACER System)</td>
<td>To perform IFRS and capital charge calculations according to the Basel II/III (Standardized Approach and Advanced Measurement Approach).</td>
</tr>
<tr>
<td>Regulatory Capital system</td>
<td></td>
</tr>
<tr>
<td>Fraud Detection Systems (FDS)</td>
<td>To monitor transactions of Loan Cards, Debit Cards, Merchants, Internet Banking and Micro loan by using predetermined parameters (rule-based) determined based on historical data, mode and fraud trend. With the existence of this system, precautionary measures can be taken earlier and can minimize fraudulent transactions.</td>
</tr>
<tr>
<td>Fraud Risk Management System (FRMS)</td>
<td>To provide an integrated fraud control system that is capable of carrying out early detection of transactions that occur on various channels. Currently FRMS has been implemented on the Mandiri Online channel and will be followed by further implementation of other channels including loan cards, debit cards, prepaid cards (e-money), Mobile Banking (USDD, STK/DSTK, Text Type), Acquiring (ATM and Merchant), as well as branches and employees.</td>
</tr>
<tr>
<td>Anti Fraud Application System (AFAS)</td>
<td>To detect the risk of application fraud by utilizing rules. This system has been implemented, among others, on Loan Cards, Micro loan, and Unsecured Loans.</td>
</tr>
</tbody>
</table>

4. **Methodology/Model and Analytics**

Bank Mandiri continuously implements risk measurement that refers to international best practices by using quantitative and qualitative modeling approaches through the development of risk models such as rating, scoring, Value at Risk (VaR), portfolio management, baseline parameters, stress testing and other models for implementing data-driven decision making. Periodically, these risk models follow the lifecycle model in line with the application of the Risk Management Model and are validated by the Model Validator unit which is independent to maintain the reliability and validity of the model and meet regulatory requirements.

In order to harmonize the implementation of Basel II and ERM with Basel II/III regulations and the application of best practices, Bank Mandiri adopted and implemented the Basel II/III and ERM frameworks. Basel II/III and ERM implementation at Bank Mandiri covers areas in Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Capital Management and Internal Capital Adequacy Assessment Process (ICAAP).

**Implementing Basel II/III and ERM**

<table>
<thead>
<tr>
<th>Implementation Aspect</th>
<th>Scope of Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Risk</td>
<td>Development and Improvement of Basel II Risk Parameters for the implementation of Internal Rating Based Approach (PD, LGD, and EAD).</td>
</tr>
<tr>
<td>Market Risk</td>
<td>Measurement of structured product risk, treasury trading limits, treasury system infrastructure, repricing gap method and IRBB application.</td>
</tr>
<tr>
<td>Liquidity and Interest Rate Risk</td>
<td>Improvement of liquidity limit, core deposit analysis, Risk Appetite Statement (RAS), stress testing liquidities, repricing gap method, and implementation of Assets and Liabilities Management System.</td>
</tr>
<tr>
<td>Operational Risk</td>
<td>Development of Framework and Governance Operational Risk Management (ORM).</td>
</tr>
<tr>
<td>Modal Management</td>
<td>Improvement of Economic Capital model, development of framework Portfolio Optimization and Capital Optimization.</td>
</tr>
</tbody>
</table>
As a domestic Systemic Bank, Bank Mandiri has prepared a Recovery Plan as a framework for dealing with financial problems that affect business continuity. One of the main components of a Recovery Plan is the Recovery Options, which covers aspects of asset quality, liquidity, profitability and capital. In addition, Bank Mandiri’s Recovery Plan also includes components for Core Business Lines & Critical Functions, interdependencies, Triggers & Indicators which are monitored regularly, Scenarios & Stress Testing as well as Governance & Communications. All components of the recovery plan are evaluated and updated annually to the Regulator. With the existence of the Action Plan, the Bank is expected to be able to face financial problems and fulfill its business obligations.

Internal Control System (Internal Audit)
Bank Mandiri practices effective risk managements in all work units by implementing the three line of defence models with the following conditions:
1. Work unit as the risk owner is the first line of defence responsible for risk management in its unit.
2. Risk Management Unit is as the second line of defence performing oversight function.
3. Internal Audit Unit is as the third line of defence performing independent assurance function

Risk Management System

Basis For the Implementation of Risk Management
In implementing risk management, Bank Mandiri always compiles and complies with the regulations and laws in force in Indonesia with reference to:
1. Financial Services Authority Regulation No. 4/POJK.03/2016 dated 26 January 2016 concerning Assessment of the Soundness of Commercial Banks.
2. Financial Services Authority Regulation No. 18/POJK.03/2016 dated 16 March 2016 concerning the Implementation of Risk Management for Commercial Banks.
6. Financial Services Authority Regulation No. 11/POJK.03/2016 dated 2 February 2016 concerning the Minimum Capital Requirement for Commercial Banks, which was enhanced by the Financial Services No. 34/POJK.03/2016 concerning Amendments to POJK No. 11/POJK.03/2016 concerning Minimum Capital Requirement for Commercial Banks.
7. Financial Services Authority Regulation No. 38/POJK.03/2017 dated 12 July 2017 concerning the Implementation of Consolidated Risk Management for Banks Executing Control over Subsidiaries.
10. Financial Services Authority Regulation No. 50/POJK.03/2017 dated 17 July 2017 concerning the Obligation to Fulfill the Net Stable Funding Ratio (Net Stable Funding Ratio) for Commercial Banks.
11. Regulation of the Financial Services Authority of the Republic of Indonesia No. 32/POJK.03/2018 concerning the Legal Lending Limit and Large Funds for Commercial Banks.
14. Member Regulation of the Board of Governors Number 22/30/PADG/2020 concerning Second Amendment to the Regulation of Members of the Board of Governors Number 21/22/PADG/2019 concerning Macroprudential Intermediation Ratio and Macroprudential Liquidity Buffer for Conventional Commercial Banks, Sharia Commercial Banks and Business Units Sharia.
15. Bank Indonesia Regulation No.22/10/PBI/2020 concerning the Second Amendment to Bank Indonesia Regulation Number 20/3/PBI/2018 concerning Statutory Reserves in Rupiah and Foreign Currency for Conventional Commercial Banks, Sharia Commercial Banks, and Business Units Sharia.
16. Member Regulation of the Board of Governors Number 22/19/PADG/2020 concerning the Sixth Amendment to the Regulation of Members of the Board of Governors Number 20/10/PADG/2018 concerning Statutory Reserves in Rupiah and Foreign Currency for Conventional Commercial Banks, Sharia Commercial Banks, and Units Sharia Business.


Principles of Risk Management
The Risk Management Principles of Bank Mandiri are as follows:

1. Capital
   Bank Mandiri provides capital in accordance with the risks borne and maintains the capital level in accordance with applicable regulations.

2. Transparency
   Bank Mandiri openly communicates relevant information in the risk-taking process and the risk-taking process itself.

3. Independency
   Bank Mandiri’s management acts professionally and is free from the pressure and influence of other parties.

4. Integrated
   Bank Mandiri implements Integrated Risk Management in Financial Services Institutions that are members of the Bank Mandiri financial conglomerate in accordance with regulatory provisions.

5. Sustainable
   Risk control is constantly being developed to better suit business conditions and existing best practices.

6. Accountability
   Bank Mandiri applies policies and procedures to ensure management accountability to stakeholders.

7. Responsibility
   Bank Mandiri acts on the principle of prudence and compliance with applicable laws and regulations.

8. Fairness
   Bank Mandiri considers the interests of stakeholders based on the principle of equality and fairness (equal treatment).

Principles of Prudence
Bank Mandiri applies the prudence principle through the provision of sufficient capital, compliance with applicable regulations and laws, and an early warning system. The Company manages capital adequacy that describes the managed risks and defines its capital components by taking into account the capital’s ability to incorporate losses.

The Company prepares policies, standard procedures and product manuals as directions in operational activities and is implemented by all levels of the Company’s organization to minimize the risks faced in the Company’s operational activities. In carrying out business activities, the Company understands the characteristics of the business being carried out, including the risks and legal regulations related to the business. Every action which is an exceptional condition, insofar as it does not conflict with the applicable laws and regulations, is carried out according to the rules and stipulated authority, based on reasons that can be accounted for, and documented.

The Company prepares procedures to be able to find out the possibility of increasing the Bank’s risk exposure earlier so that the Bank can determine the steps that need to be taken so that potential losses do not occur or can be minimized.

Process of Risk Management
The Company’s Risk Management process regulated in the Risk Management Policy is as follows:

1. Risk Management is carried out at all levels of the organization both transactional and portfolio.

2. Risk Management is carried out in an integrated manner with Subsidiaries while taking into account the regulations and business characteristics of Subsidiaries.

3. The Risk Management process is a dynamic process; hence, review is required periodically to keep it in line with current conditions and applicable regulations.

4. Implementation of Risk Management is carried out in a series consisting of:
   a. Risk identification
      Risk identification aims to determine the types of risks inherent in each functional activity that have the potential to harm the Company.

   b. Risk measurement
      Risk measurement aims to determine the amount of risk inherent in the Company’s activities to be compared with the Company’s risk appetite so that the Company can take risk mitigation actions and determine capital to cover residual risks.

   c. Risk monitoring
      Risk monitoring aims to compare the risk limits that have been set with the amount of risk being managed.

   d. Risk control
      Risk control is carried out on the potential for the occurrence of liability on the limits of risk that have been determined and can be tolerated by the Company.

Application of Basel II And III
In order to provide added value to stakeholders and as a form of Bank Mandiri compliance in fulfilling the capital In order to provide added value to stakeholders and as a form of Bank Mandiri compliance in fulfilling the capital adequacy requirements set by regulators, Bank Mandiri always guarantees and ensures that the capital structure is strong enough to support the current business development strategy and maintain business sustainability in future.
Risk management in the capital aspect at Bank Mandiri includes policies on diversifying capital sources in accordance with long-term strategic plans and capital allocation policies efficiently in business segments that have an optimal risk-return profile (including placements with Subsidiaries). This aims to meet the expectations of stakeholders including investors and regulators.

Bank Mandiri ensures that it has sufficient capital to cover credit risk, market risk and operational risk, both based on regulations (regulatory capital) and internal needs (economic capital). Bank Mandiri refers to Bank Indonesia and OJK regulations (Basel II and Basel III), in particular Pillar 1 in calculating capital adequacy for credit risk, market risk and operational risk.

In addition to the above calculations, Bank Mandiri is also developing a capital adequacy calculation with reference to Pillar 2 Basel II or better known as the Internal Capital Adequacy Assessment Process (ICAAP) approach, which includes determining risk appetite, overall risk assessment, capital planning, and bank-wide stress testing.

Bank Mandiri participates in Bottom Up Stress Testing, as an implementation of the Supervisory Review & Evaluation Process in the Indonesian banking industry. Bottom Up Stress Testing is intended to test the resilience of capital and the adequacy of Bank liquidity in adverse scenarios, as formulated by regulators. The results of Bottom Up Stress Testing show that Bank Mandiri is still able to maintain its capitalization above the applicable regulations, and has adequate contingency and capacity to maintain adequate liquidity.

For the calculation of capital adequacy, Bank Mandiri uses the Basel II Standardized Approach (Standardized Approach) for credit risk and has included an External Rating component. The Internal Ratings Based Approach is used internally for risk management and credit reserves. For market risk, Bank Mandiri uses the Basel II Standardized Measurement Method, and internally uses Value at Risk. For operational risk, Bank Mandiri refers to the Basel II Basic Indicator Approach.

Bank Mandiri has implemented Basel III application referring to Basel documentation as well as regulations and initiatives issued by the OJK. As part of the implementation of Basel III in Indonesia, Bank Mandiri has reported compliance Liquidity Coverage Ratio (LCR) on a monthly and quarterly basis, fulfillment of the Net Stable Funding Ratio (NSFR) and fulfillment of the Leverage Ratio on a quarterly basis.

As the implementation of the latest Basel III framework (Basel III reform), specifically related to Counterparty Loan Risk, Bank Mandiri has implemented a Loan Valuation Adjustment (CVA) calculation and simulated changes to the Standardized Approach for Measuring Counterparty Loan Risk Exposures (SA-CCR) which is a refinement of the existing CCR framework.

**Basel III Reforms**

In implementing the latest Basel III framework (Basel III reform), the Company will revise operational risk standards for some elements of the previous framework to improve reliability and sensitivity. Following up on this, a Qualitative Impact Study (QIS) based on the OJK Consultative Paper (CP) was carried out in calculating the minimum capital for Operational risk using a standardized approach.

On the other hand, in order to improve risk management due to movements in interest rates that affect income and capital (Interest Rate Risk in Banking Book/IRRBB), Bank Mandiri has implemented Basel IV in accordance with OJK regulations in SEOJK No. 12/SEOJK.03/2018 concerning the Implementation of Risk Management and Risk Measurement of the Standard Approach to Interest Rate Risk in the Banking Book (Interest Rate Risk in The Banking Book) for Commercial Banks. The implementation process of implementing the IRRBB provisions includes improvements to existing systems, adjustments to internal policies, reviewing methodologies and their limits, reviewing assumptions and models, as well as making consolidation tools for Subsidiaries. IRRBB measurement results in accordance with the provisions have been reported on a quarterly basis to the OJK starting June 2019.

**Application Of Integrated Risk Management**

Konsolidasi/Integrasi manajemen risiko Bank Mandiri The consolidation/integration of Bank Mandiri’s risk management has begun gradually since 2008, in line with the issuance of Bank Indonesia Regulation No.8/6/PBI/2006 concerning the Implementation of Consolidated Risk Management for Banks Conducting Control on Subsidiary Companies, which in the development of these regulations replaced by Financial Services Authority Regulation Number 38/POJK.03/2017 Regarding the Implementation of Consolidated Risk Management for Banks Conducting Control on Subsidiary Companies. In addition, Bank Mandiri has also implemented integrated risk management in accordance with Financial Services Authority Regulation No.17/POJK.03/2014 concerning the Implementation of Integrated Risk Management for Financial Conglomerates.

Integrated risk management is important to implement because Bank Mandiri as the Main Entity realizes that business continuity is also affected by risk exposures arising, both directly and indirectly, from the Subsidiary’s business activities. In this regard, Bank Mandiri has implemented a system of consolidating/integrating risk management with its Subsidiaries, including Subsidiaries that operate outside the territory of Indonesia, while still fulfilling the principles of risk management, considering the business characteristics of each Subsidiary Company and adjusting to the jurisdiction of the authorities/local supervisor. The Bank Mandiri subsidiaries are Bank Syariah Mandiri, Bank Mandiri Europe Ltd., Bank Mandiri Taspen, Mandiri Securities, Mandiri Investment Management, AXA Mandiri Financial Services, Mandiri AXA General Insurance, Mandiri InHealth, Mandiri Tunas Finance, Mandiri Utama Finance, Mandiri international Remittance , and Mandiri Capital Indonesia.
The concept of consolidation/integration of risk management implemented by Bank Mandiri was prepared by taking into account compliance with Financial Services Authority Regulation No.38/POJK.03/2017 concerning Application of Consolidated Risk Management for Banks Conducting Control on Subsidiary Companies, Financial Services Authority Regulation Number 17/ POJK.03/2014 concerning the Implementation of Integrated Risk Management for Financial Conglomerates, and Regulation of the Financial Services Authority Number 04/POJK.03/2016 concerning Assessment of Soundness Levels of Commercial Banks which are subsequently implemented through a tool integration, risk awareness framework, corporate governance (governance), and risk management information systems (systems). In addition, in implementing risk management in a consolidated or integrated manner, Bank Mandiri has internal guidelines, namely the Mandiri Group Principles Guidelines (MGPG), the Mandiri Subsidiary Management Principles Guidelines (MSMPG) and the Integrated Governance Guidelines which contain guidelines on the implementation of Mandiri risk management Group. This is one form of Bank Mandiri’s compliance with regulations in force in Indonesia.

In order to implement comprehensive integrated risk management, Bank Mandiri established an Integrated Risk Management Committee, which is an integrated Risk Committee consisting of Directors/Executive Officers who oversee the Risk Management function of Bank Mandiri as the Main Entity in the Financial Conglomerate and Subsidiary Companies, which plays a role in providing recommendations for the preparation, improvement and refinement of the Integrated Risk Management policy. In addition, Bank Mandiri has also formed an Integrated Risk Management Work Unit (SKMRT) that reports directly to the Director of Risk Management with a reporting mechanism and duties and responsibilities as illustrated in the diagram below.

- Develop integrated risk management tools in the Bank Mandiri Financial Conglomerate
- Implement the risk awareness, governance and culture of the entity between children through periodic risk management forums, risk awareness survey and other forums.
- Improving risk management policies, establishing a risk management team, establishing an Integrated Risk Management Committee
- Develop a risk management information system to support the implementation of risk management integrated

**IRC** = Integrated Risk Committee
**RMPC** = Risk Management & Credit Policy Committee
In order to improve understanding of the implementation of risk management in Bank Mandiri and Subsidiaries, in 2020 the following activities were held:

1. Organizing Committee meetings and discussion forums on a regular basis as a form of active management supervision, including the implementation of the Integrated Risk Committee (IRC) to discuss the risk profile and soundness level of the Bank as an independent group, with the main discussion covering current issues, forward looking and risk mitigation.

2. Monitoring the risk profile and health level of Subsidiaries regularly through the Integrated Risk Management Forum (IRMF) and submitting the Subsidiaries Risk Profile Highlight Report to Management.

3. Improved risk management processes in Subsidiaries, such as assistance in implementing operational risk management frameworks, as well as assistance in preparing stress tests and recovery plans for each Subsidiary.


Risk Profile and the Management

There are 10 (ten) types of risk that must be managed at least by Bank Mandiri on a consolidated basis, namely:

<table>
<thead>
<tr>
<th>No.</th>
<th>Risk Type</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Loan Risk</td>
<td>Loan Risk is a risk due to the failure of the debtor and/or other parties to fulfill obligations to the Bank. Concentration of credit risk is included in the Credit Risk.</td>
</tr>
<tr>
<td>2</td>
<td>Market Risk</td>
<td>Market Risk is a risk in balance sheet and administrative ac-count positions including derivative transactions, due to over-all changes in market conditions, including the risk of changes in option prices.</td>
</tr>
<tr>
<td>3</td>
<td>Liquidity Risk</td>
<td>Liquidity Risk is a risk due to the inability of the Bank to meet maturing obligations from cash flow funding sources and/or from high-quality liquid assets that can be pledged, without disrupting the Bank’s activities and financial condition.</td>
</tr>
<tr>
<td>4</td>
<td>Operational Risk</td>
<td>Operational Risk is the risk due to insufficiency and/or non-functioning of internal processes, human errors, system fail-ures, and/or external events that affect the Bank’s opera-tions.</td>
</tr>
<tr>
<td>5</td>
<td>Legal Risk</td>
<td>Legal Risk is the risk due to legal demands and/or weakness-es in the juridical aspect.</td>
</tr>
<tr>
<td>6</td>
<td>Reputation Risk</td>
<td>Reputation Risk is the risk due to a decrease in the level of stakeholder confidence that comes from negative perceptions of the Bank.</td>
</tr>
<tr>
<td>7</td>
<td>Strategic Risk</td>
<td>Strategic Risk is risk due to inaccuracy in making and/or implementing a strategic decision and failure to anticipate changes in the business environment.</td>
</tr>
<tr>
<td>8</td>
<td>Compliance Risk</td>
<td>Compliance Risk is a risk due to the Bank not complying with and/or not implementing the applicable laws and regulations.</td>
</tr>
<tr>
<td>9</td>
<td>Intra-Group Transaction Risk</td>
<td>Intra-Group Transaction Risk is the risk due to the dependence of an entity both directly and indirectly on other entities in a Financial Conglomeration in order to fulfill written and unwritten agreements followed by transfer of funds and/or not followed by transfer of funds.</td>
</tr>
<tr>
<td>10</td>
<td>Insurance Risk</td>
<td>Insurance risk is a risk due to failure of insurance companies to fulfill obligations to policyholders as a result of insufficient risk selection (underwriting) processes, pricing, reinsur ance use, and/or claim handling.</td>
</tr>
</tbody>
</table>

Management Of Risk

Credit Risk

Bank Mandiri’s credit risk management process for the Wholesale segment begins with determining a target market that refers to the Portfolio Guideline, which divides the industrial sector into Industry Classification (attractive, neutral, selective) based on the outlook and portfolio quality, as well as the Industry Limit which limits the risk of credit concentration in a specific sector.

In the pre-approval stage, a Clearance Process is carried out which includes an initial analysis of targeted customers on Industry Acceptance Criteria and clearance parameters (reputation, business, finance) to produce a quality debtor pipeline. The next process is to carry out a credit risk assessment using a series of credit risk tools (credit risk rating, spreadsheets, CPA, NAK, etc.) which are then decided by the Credit Authority (through a Credit Committee Meeting) with the four-eyes principle involving the Business Unit and Credit, Independent Risk Management Unit.

After the credit disbursement process, credit risk and potential debtor failures must always be monitored and detected early (Early Warning Signals) using watchlist tools and if the debtor becomes problematic then an account strategy needs to be implemented which includes collection, recovery and restructuring activities.
For the Retail segment, because it is a mass market, the credit process is carried out more automatically using a credit risk scorecard, referring to the Risk Acceptance Criteria of each product, and processed through an automated work flow (loan factory). The monitoring process is carried out in a portfolio manner through the Portfolio Quality Review, which can be continued with the collection and recovery process for the problematic portion of the portfolio.

To anticipate the deterioration of macroeconomic conditions, what-if analysis of the wholesale and retail portfolios is carried out through the process of stress testing and sensitivity analysis using certain macroeconomic scenarios.

In channeling its credit, Bank Mandiri always prioritizes the principle of prudence by placing a credit analysis function carried out by an independent business unit and credit risk unit. Bank Mandiri is always guided by the Credit Policy (KPKD) in managing credit risk end-to-end. Operationally, this policy is outlined in the form of Credit Procedure Standard (SPK) and Product Manual.

In implementing credit concentration risk management at the debtor level, Bank Mandiri consistently monitors the Legal Lending Limit (LLL) and the application of Management Limit and Value Chain Limit for large business groups. In general, the credit process and credit risk management at Bank Mandiri have been carried out end-to-end and integrated by the Business Unit, Credit Operation Unit and Credit Risk Management Unit.

The Bank periodically reviews and refines credit policies in general, credit procedures per business segment and risk management tools. The work guidelines referred to provide a complete guide to credit risk management, to identify risks, measure and mitigate risks in the end-to-end lending process starting from determining the target market, credit analysis, approval, documentation, credit withdrawal, monitoring/supervision, until the completion process problem loans/restructuring.

To enhance the social role and concern of the Bank for environmental risks and as a form of the implementation of the principle of responsibility in good corporate governance, Bank Mandiri has prepared Technical Guidelines for Environmental and Social Analysis in Providing Loans which is used as a reference in conducting environmental analysis in the analysis of credit granting. This is in line with the efforts made by Bank Indonesia, where in the Bank Indonesia Regulation concerning the Assessment of Asset Quality for Commercial Banks it is stipulated that the assessment of the debtor’s business prospects is also related to the debtor’s efforts to preserve the environment. In addition, Bank Mandiri has begun implementing sustainable banking through the implementation of the Sustainable Financial Action Plan (RAKB) in order to develop business processes and portfolios by considering ESG factors (environment, social, governance).

In principle, credit risk management is applied at the transactional and portfolio levels. At the transactional level, a four-eyes principle is applied, namely each termination of credit involves the Business Unit and the Credit Risk Management Unit independently to obtain objective decisions. The four-eyes principle mechanism is carried out by the Credit Committee in accordance with the authority limit where the credit termination process is carried out through the Credit Committee Meeting mechanism.

Credit risk from debtors and products has been covered and reserved through CKPN which is currently calculated based on PSAK 71 as of January 1, 2020, and is monitored through the cost of credit indicator.

Market Risk
Market risk management is carried out by an independent working unit by implementing the segregation of duties principle, namely the separation of functions and responsibilities consisting of front office, middle office, and back office. Organization of Market Risk Management consists of two parts, i.e. Market Risk Management - Trading Book and Market Risk Management – Banking Book.

The framework and governance of market risk management in Bank Mandiri adheres to the three layers of defence, which consists of:

a. The Board of Commissioners has the function of overseeing market risk (risk oversight) through the Risk Monitoring Committee, Integrated Governance Committee and Audit Committee.

b. Directors who carry out the risk policy function through the Executive Committee related to market risk management and recovery plan, namely the Assets & Liabilities Committee and Risk Management Committee.

c. Working Unit of Risk Management together with business unit and compliance unit carry out the functions of risk identification, risk calculation, risk monitoring and risk control.

Risk Management Framework of Bank Mandiri is developed based on internal and external factors including but are not limited to bank business, regulatory provisions, development of methodologies and best practices, as well as risk data. Authority and responsibility related to the implementation of risk management are regulated in the Risk Management Policy (KMN), Whereas for guidance in implementing market risk management both the trading book portfolio and the banking book are regulated in the Treasury Procedure Standard (STP) and the Asset Procedure & Liability Management Standard (SP ALM).

Management and Mechanism of Market Risk Measurement – Trading Book
Trading book market risk is a risk arising from potential losses due to banking book activities, including changes in interest rates and exchange rates (including derivative instruments). Bank Mandiri’s market risk management is carried out by applying principles of segregation of duties, which is to separate the functions and responsibilities independently of the treasury work unit trade transactions, which consist of:
The principle of Segregation of Duties

- **The Front Office Unit (Treasury)**
  - Carry out transactions

- **Middle Office Unit (Risk Management)**
  - Monitor, assess and report risks arising from all trading activities carried out by the front office unit

- **Back Office Unit (Treasury Operation)**
  - Record and evaluate all exposures to daily trading activities using market prices from independent sources

**Management and Mechanism of Market Risk – Banking Book**

The banking book market risk is a risk that arises because of changes in interest rates and exchange rates for banking book activities that can affect the Bank’s profitability (earnings perspective) and economic value of Bank capital (economic value perspective). Management of the Bank Mandiri banking book market risk is carried out by optimizing the balance sheet structure to obtain maximum returns in accordance with the level of acceptable risk. In addition, also by setting limits that refers to internal provisions and applicable laws and regulations provisions which is monitored weekly and monthly by the relevant work unit.

**Liquidity Risk**

In order to manage liquidity risk in a measured and comprehensive manner, Bank Mandiri implements the following strategies:

1. Establish limits that refer to internal provisions and applicable laws and regulations provisions.
2. Perform periodic liquidity risk stress testing to determine the impact of changes in market factors and internal factors on extreme conditions (crises) on liquidity conditions.
3. Arrange and conduct periodic reviews of the Liquidity Contingency Plan (LCP) and Recovery Plan that regulate the Company’s procedures to encounter deteriorating liquidity conditions including alternative funding strategies, including through alternative funding strategies among others through sale/purchase transactions of FX Money Market instruments and Interbank Securities Repo, Government Bond sales, use of Bank Indonesia Standing Facility and repo of Bank Indonesia securities. Determination of liquidity conditions and funding strategies in the LCP and Recovery Plan has considered internal and external conditions.

4. Monitor external indicators including the Jakarta Interbank Offered Rate (JIBOR), USD Interbank, Rupiah interest rate, spread between Return on Investment (ROI) compared to UST, Outstanding IDR banking Liquidity, USD/IDR exchange rate, spread loan default swaps (CDS), Composite Stock Price Index (CSPI), as well as current market information. This monitoring aims to increase awareness of economic conditions that are less stable, both due to the conditions of the global crisis and due to various domestic issues.

**Operational Risk**

Operating Risk may trigger other risks such as Reputation Risk, Strategic Risk, Legal Risk, Market Risk, Credit Risk, Compliance Risk, and Liquidity Risk. If a Bank can manage Operating Risk effectively and consistently, the possibility of other risks can be minimized. Operating Risk is inherent in any operating product/activity/process of the Company in the management of the organization. The Owner and Risk Control Unit as a risk and control owner had the primary responsibility to carry out the optimal operational risk management process so that the potential risk could be minimized.

In order to implement effective Operational Risk Management, Bank Mandiri developed a methodology of identification, measurement, control/mitigation and monitoring of operational risk exposures utilized in each Working Unit. In addition, Bank Mandiri has also developed a management information system that is tailored to the characteristics, activities and complexity of the Company’s business activities.

Operational Risk Management is carried out through 4 (four) stages as follows:
1. Risk Identification, i.e. the process of identifying potential risk inherent in a product/activity/process by considering internal and external factors, including identifying control to be used for mitigation.

2. Risk Assessment, i.e. the process of assessing that considers potential impact and likelihood of a risk. This assessment aims to determine which risk is more material/significant compared to others in order that more focused control measures can be developed. Moreover, an assessment is also undertaken towards control through control testing to determine if the control design determined in the Bank’s applicable provision has been implemented effectively (operating effectiveness) and/or still can be used effectively (design effectiveness). The assessment generated a residual risk value which was the risk value after considering the control. Risk Monitoring, a process to monitor the risks that had been identified and assessed for potential occurrences. Monitoring was carried out at all times in their respective work units by members of the relevant work unit in layers and collectively up to the head of the relevant work unit through a work process that had been designed in the applicable provisions. It included monitoring of indicators or early warning systems or existing devices/reporting.

3. Risk Monitoring, i.e. the process of monitoring risks that have been identified and assessed in terms of likelihood. Monitoring is undertaken all the time in each work unit by their respective members several times and collectively up to the work unit head through a process that has been designed in the applicable provision. This includes monitoring of existing indicators or early warning system or instrument/reporting.

4. Risk Control and Mitigation, i.e. the process of controlling and mitigating risks prior to their occurrence by implementing the applicable provisions and/or follow-up (action plan) to control shortcomings (thus potentially resulting in risks) in the process of control and follow-up on an incident. This process aims to ensure that residual risks for the Bank are maintained at a minimal level. Control has to be maintained implemented consistently in accordance with the existing control design, and reviewed continuously to ensure that the existing control design remains effective for mitigation of dynamic risks (emerging risk).

In implementing operational risk management, Bank Mandiri uses operational risk management tools/devices including:

1. Risk Control Self Assessment (RCSA)
   It was a register of risk identification and the main control of business processes in the Bank, which periodically conducted assessment of inherent risk rating and control effectiveness both through and by consensus. Inherent risk rating and control rating generated residual risk value and became part of operational risk profile. Residual risk levels were kept to a minimum by taking the necessary measures for mitigation before risks occurred.
2. **Key Indicator (KI)**  
Was an indicator compiled as part of efforts to monitor existing risks risk-based with the aim that actions could be immediately determined and implemented before a risk occurred.

3. **Issue & Action Management (IAM)**  
Was a device to monitor the follow-up that had been compiled on issues found through various sources, such as Control Testing, Incidents, Key Indicators, self identified issues, and more.

4. **Loss Event Database (LED)**  
Was a database of operational risk incidents recorded risk based with the aim as lesson learned, follow-up monitoring of future improvements, as well as one component of the calculation of operational risk capital (regulatory capital charge) Standardized Approach (SA) method.

5. **Capital Modelling**  
Was a model of operational risk capital calculation (regulatory capital charge) that followed the applicable provisions or regulations, as part of which to mitigate operational risks

In order to facilitate the operational risk management process, Bank Mandiri has an integrated Operational Risk Management system that covers all of the aforementioned tools and is implemented in working units both head office and region. As an output of the operational risk management process, the Operational Risk Profile Report that describes operational risk exposures is delivered periodically to the Board of Commissioners and Directors. This is administered in order to support the active role of the Board of Commissioners and Directors in implementing the Company's operational risk management. The results of operational risk management reporting are then submitted to the regulator as part of the Risk-Based Bank Rating (RBBR) report in accordance with applicable regulations.

The implementation of operational risk management involves all elements in the Company, including the Board of Directors with active supervision by the Board of Commissioners. The Board of Commissioners and Directors understand the encountered risks and play an important role in supporting and overseeing the success of their implementation in all operational work units.

The organization, duties and responsibilities of managing operational risk consisted of:

- **Risk Management & Credit Policy Committee (RMPC)**  
Committee that handled the preparation, adjustment/improvement of risk management policy and credit policy with details of membership, duties, and authorities as stated in the Decision of the Board of Directors on RMPC.

- **Director who Brought The Risk Management Function**  
Duties, responsibilities, and authorities of the Director who Carried the Risk Management Function as stated in the Risk Management Policy.

- **Owner Work Unit and Risk Control (Risk & Control Owner)**  
The Work Unit was fully responsible for the management of Operational Risk and ensured that control in each operational activity had been effectively carried out and in accordance with the provisions, acting as a Risk & Control Owner that maintained the Bank's Operational Risk appetite to remain at a set level so that the Bank could achieve its business objectives as expected and the operational risk capital load (Regulatory Capital Charge) could be maintained optimally.

- **Operational Risk Management Work Unit (Senior Operational Risk According to Field)**  
Operational Risk Management Task Force (according to the field) responsible for implementing policies, strategies, frameworks and operational risk management tools in collaboration with the Owner Work Unit and Risk Control (Risk & Control Owner).

- **Operational Risk Management Supervisor Work Unit (Bankwide/Enterprise)**  
Operational Risk Management Task Force responsible for formulating policies, strategies, frameworks and operational risk management devices and socializing them.

**Legal Risk**

Legal risk is a type of risk encountered by Bank Mandiri as a result of lawsuits, both those carried out by internal and external parties and/or the discovery of juridical weaknesses such as the absence of legal documents and regulations or weaknesses in documents. Legal risk management organizations are carried out by the Legal Unit at the Head Office by carrying out functions, duties and responsibilities related to regulatory, advisory, litigation, advocacy and legal assistance, education and transformation in the field of law and management of Bank legal risk. In implementing these functions, duties and responsibilities, the Legal Unit at the Head Office coordinates with the Legal Unit in the Work Unit and Legal Unit in the Region. The Head Office Legal Unit is the system coach and supervises Legal Unit in Working Unit and Legal Unit in the Region.

**Mechanism of Legal Risk Management**

The risk management mechanism which includes the identification process of measurement, control and monitoring refers to the applicable provisions concerning risk management. Each unit of product owner and/or executor or activity organizer is required to identify and manage risks to the maximum including but not limited to legal risks that are inherently inherent in every product or activity created or carried out by the Company, so that they do not have a broad impact and trigger risk Other risks include but are not limited to reputation risk.

Legal risk management carried out by Bank Mandiri, both preventive and repressive, is sufficient to protect the legal interests of Bank Mandiri and minimize the significant financial impact for Bank Mandiri, this is reflected in the Legal Risk Profile Report for 2020 which is in the predicate Law.
Reputation Risk
Reputation risk is managed through mechanisms, including monitoring, supervision, handling, and resolution under coordination from the Corporate Secretary with support from relevant work units, including Customer Care work unit, Legal work unit, Retail Product & Fraud Risk Management, IT Application Development & IT Application Support, and Business Continuity Management based on applicable internal regulations, and laws and regulations. On the other hand, reputation risk is also managed by creating positive perceptions through positive articles and posts on conventional media and social media.

Mechanism for Reputation Risk Management
Reputation risk was managed through monitoring, supervision, handling and settlement mechanisms which were coordinated by the Corporate Secretary Group with reference to the provisions of the Corporate Secretary Guidelines Standard. In accordance with the Corporate Secretary Guidelines Standard, there were four (four) stages of reputation risk management, namely identification, measurement, monitoring and risk control. The embodiment of these four stages could be seen in the respective corporate secretary activities that had reputation risk, such as bank activities as a public company.

In these activities, reputational risks could be identified in the form of delays, errors, and discrepancies in the submission of reports caused by individuals who did not know or understand the obligations of submitting information disclosure or lack of supervision and checking from Supervisors. To control this, the company could take risk mitigation measures, such as providing a list of obligations for submitting information disclosure and/or supervisors who carry out the check & recheck process.

If a reputation risk incident occurred and had an impact on the existence of negative perceptions on the company, then activities could be carried out to reduce the impact of the reputation risk incident. One of them was through posting positive articles in printed media, online media and electronic media as well as positive content on social media to neutralize negative perceptions that had been formed. This positive article could be based on the company’s business and social activities as well as support for government programs with reference to the provisions of the Corporate Secretary Guidelines Standard.

Implementation of Policy on Reputatin Risk Management
As a form of implementing the reputation risk management policy, the Company ensures that all work units have performed their respective functions properly and in accordance with applicable regulations. As for events that occur that have the potential to impact on reputation risk related to the main tasks and functions of certain work units, the work unit is required to provide detailed information to the Corporate Secretary at the first opportunity in order to immediately manage the event to minimize the impact.

Bank Mandiri currently has official channels for receiving complaints and questions from customers, such as 14000 call centers, websites, branch offices, including print, online, electronic and social media. All complaints are forwarded to Customer Care for handling and resolution. In carrying out these tasks, the Customer Care work unit coordinates with the Corporate Secretary, especially in handling customer complaints related to conventional and social media.

Bank Mandiri also monitors and evaluates news coverage in print, online, electronic and social media periodically to measure the effectiveness of company publications and communications. Furthermore, the results of monitoring and evaluation are used as a basis for publication and communication activities for the next period in order to strengthen the company’s reputation on an ongoing basis.

In order to establish good communication with the local media and relevant stakeholders throughout Indonesia, the Corporate Secretary also collaborated with local media to hold a Focus Group Discussion (FGD) in Palu, Central Sulawesi on the theme of postnatural economic recovery. In addition, the Corporate Secretary through regional offices outside Jakarta also conducts iftar activities with major local media to increase engagement and strengthen good relations.

By organizing communication activities in this area it is hoped that positive news can be created about Bank Mandiri in various national media, both print, online, electronic and social media, thus encouraging positive opinions for Bank Mandiri in the midst of society.

Whereas in the event of a crisis on the reputation of the Company and is massive so as to have a significant impact on the confidence of the Stakeholders, the Company will immediately implement an immediate action plan to minimize the impact of the crisis, including preparing problem management strategies, determining internal resource persons and execution schedules for activities crisis management, and overall evaluation.

Strategic Risk
Strategic Risk Management Organization
The bank has established a risk management committee and a risk management unit aims to support a comprehensive, integrated, measurable, and controlled risk management. Each of these committees issues included in the scope of the intended committee.
Strategic Risk Management Mechanism

Bank risk management is regulated in a bank risk management policy with reference to Bank Indonesia regulation (PBI), the Financial Services Authority regulation (POJK), Basel provisions, and international best practices. This policy is regularly reviewed to anticipate changes in a business situation, regulation, and Bank internal condition.

In conducting strategic risk management, Bank Mandiri always conducts performance analysis and evaluates business target preparation and takes corrective steps in developing business plans and targets by considering internal and external conditions, if necessary.

The Implementation of Strategic Risk Management

2020 became a period full of challenges and uncertainties. However, the strategic direction according to the Corporate Plan was prepared considering the core competencies of the bank and taking into account business shifting patterns and the behavior of people who are shifting to digital. The Covid-19 pandemic, one of which caused changes to digital to be faster. In addition, amidst economic uncertainty, Bank Mandiri also needed to pay attention to profitability and quality of lending in order to mitigate risks in the future. Therefore, in addition to implementing initiatives according to the corporate plan, Bank Mandiri sharpened its business strategy with a focus on:

- **Encouraging credit growth in sectors that have recovered faster**, by prudently expanding credit to potential and stable industrial sectors in accordance with portfolio guidance by taking into account the potential, capacity and capability of each segment. In addition, Bank Mandiri also optimizes the value chain program to capture business potential in the wholesale customer business ecosystem.

- **Optimization of fee-based income to boost revenue**, among others by increasing e-channel productivity, encouraging recurring fee-based income growth, and increasing the intensification of existing customers and focusing on top players in each industry group.

- **Operational Cost Control**, namely through a focus on increasing productivity of owned resources such as developing virtual employees and emphasizing productivity KPIs, Prioritizing the use of costs for strategic initiatives and providing value added, Utilizing shifting customer behavior through digitizing services that are more scalable and improving business processes on an ongoing basis.

Steps and Plans in Anticipating Strategic Risk

In terms of anticipating risk factors faced by Bank Mandiri, it is necessary to implement independent and prudent risk management but does not limit the Company's business expansion process. The following is the strategic risk management strategy in 2020:

- Review the strategy periodically by considering external and internal factors. One example is that in order to maintain prudent credit expansion, watch lists are monitored and high-risk debtors are carried out end to end for better credit management.

- Control the formation of reserves (CKPN) by reviewing and following up on the implementation of the credit restructuring program affected by Covid-19 as an effort to improve debtors who have the potential to experience difficulties in fulfilling their obligations. Bank Mandiri also maintains the Coverage Ratio & Cost of Credit at an optimal level to anticipate a decline in credit quality that will impact bank performance.

- Utilizing sufficient liquidity in the market through the growth of low-cost funds to encourage a reduction in Cost of Funds which has an impact on cost growth savings.

- Carry out cost control with efficiency programs/overhead cost savings and deeper studies for initiatives that have an impact on increasing productivity and eliminating long-term non-value added costs.

Compliance Risk

All levels of the company are fully responsible to carry out compliance in their activities. The organizations, their duties, and responsibilities of implementing the compliance function are as follows:

1. **Board of Commissioners**
   In relation to the implementation of the Compliance Function and Integrated Governance, the board of commissioners must carry out active supervision toward the implementation of the compliance function.

2. **Integrated Governance Committee**
   The committee is formed to assist the commissioner board in carrying out the supervisory function of the implementation of the integrated governance and integrated compliance function at Bank Mandiri and subsidiaries.

3. **Directors/SEVP**
   Direksi memiliki tugas dan tanggung jawab untuk menumbuhkan dan mewujudkan terlaksananya Budaya Kepatuhan serta memastikan terlaksanya Fungsi Kepatuhan pada semua tingkatan organisasi dan kegiatan usaha Perseroan.

4. **Director in charge of the compliance function**
   The director in charge of the compliance function is responsible for formulating a compliance culture strategy, minimizing compliance risk, establishing compliance systems and procedures and ensuring all policies, provisions, systems, and procedures are in accordance with prevailing laws and regulations.

5. **Compliance work unit (Compliance & AML CFT Group)**
   Compliance work unit assists and/or represents the director in charge of the compliance function in carrying out their duties and responsibilities.
6. Compliance unit within the work unit
Compliance unit within a work unit ensures the implementation of the compliance function performed by the head of the supervised work unit.

7. The head of the work unit
The head of a work unit is responsible for realizing the compliance culture in their units, managing compliance risk, and implementing process and procedure improvement related to compliance issues in the units.

Compliance Risk Management Mechanism
Bank Mandiri established compliance risk management policies and procedures that referred to the prevailing rules and regulations. In the compliance policies and procedures, compliance risk management was regulated by several stages, namely:

a. Identification
Compliance risk identification is stated in Compliance Risk Statement (CRS) which includes related regulation, causes of risk, risk control, and action plan needed to prevent compliance risk.

b. Assessment
The identified risk is assessed by each risk owner to create compliance risk profile in his work unit. The risk assessment is carried out based on the possibility of the risk occurrences and its impact. In addition, the risk owner also evaluates the effectiveness of the control.

c. Monitoring
Compliance risk monitoring is done by deciding and monitoring the risk appetite statement (RAS) of compliance risk.

d. Mitigation
The mitigation of the compliance risk is carried out by:
1. Reviewing that the compliance risk identifying process has been done properly and correctly.
2. Reviewing that the implementation of control and mitigation has been done properly and correctly.
3. Reviewing that the compliance risk assessment process has been carried out properly and correctly and considers historical sanctions data.

The Implementation of Compliance Risk Management
In 2020, compliance risk management will be implemented through
1. Determination of the Risk Appetite Statement (RAS)
In 2020, Bank Mandiri has established a Risk Appetite Statement (RAS) for compliance risk which is the same as in 2018, namely 10 (ten) violations per month. During 2020, the number of sanctions imposed by banks is 2 (two) times per month and does not exceed the risk limit according to the established RAS.

2. Compliance Risk Assessment
Compliance risk assessments are carried out regularly every quarter and semester to the OJK as part of the Bank's Risk Profile Report. Based on the compliance risk self-assessment conducted in the fourth quarter of 2020, the level of the Company's compliance risk is 2 (low to moderate). Several things have become a concern for improvement, namely employee compliance risk awareness, data quality and monitoring of report submission to regulators.

3. Efforts to Mitigate Compliance Risk
In an effort to mitigate compliance risk, the Bank has implemented several compliance programs as follows:

a. Monitoring Regarding the Fulfillment of Bank Obligations for New Regulations
The Compliance Unit conducts prudential meetings, monitors action plans that need to be done, and reminds regulatory obligations to related Work Units.

b. Control Testing for High-Risk Activities
Control testing is performed by the Compliance Unit of the work unit for high-risk activities. If a discrepancy is found with the prevailing regulations, it is necessary to immediately improve it to prevent bank losses.

c. Compliance Testing Program
This program is a program in order to increase risk owner awareness of compliance risks and applicable regulations (according to their duties and responsibilities).

d. Compliance Work Unit Competency Improvement
Program In an effort to improve understanding regarding compliance risk management, the Company collaborates with independent parties to organize training and certification of compliance for all Compliance Work Unit personnel.

Steps and Plans in Anticipation Compliance Risk
The steps to be taken in relation to improving compliance risk management are as follows:

1. The management of compliance risk
   a. Establishing Risk Appetite Statement (RAS) on the monitor the imposition of sanctions/fines to ensure the determined appetite is still under the company's control.
   b. Improving compliance risk assessment parameter.
   c. Improving procedures related to the implementation of the compliance function report.

2. Increasing compliance risk awareness
   a. Conducting compliance assessment to increase employee understanding of the prevailing rules and regulations.
   b. Providing compliance advice on related issues.

3. Strengthening the monitoring of the compliance of regulatory obligation
   a. Informing/socializing the prevailing laws and regulation or the results of analysis of the provisions to the companies.
   b. Monitoring the compliance of action plan of work unit on the new regulations.
4. Increasing the competency of the compliance work unit
   In order to improve the quality of human resources of the compliance unit, the bank cooperates with an independent party to conduct training and compliance certification.
5. Compliance Credit Review Forum (CCR)
   This discussion forum is held with the business units to increase the awareness of the compliance risk in the loan sector.

**Risk of Intra-Group Transactions**

Intra-Group Transaction Risk Management is carried out with Subsidiaries in the Bank Mandiri business group in accordance with Bank Mandiri’s business strategy.

Bank Mandiri identifies and analyzes activities that can increase Intra-Group Transaction Risk exposure and affect company performance. The risk identification is carried out in the business activities of Bank Mandiri and Subsidiaries by considering the complexity of the transaction. Bank Mandiri can combine qualitative and quantitative approaches in the process of measuring Intra-Group Transaction Risks and will then conduct periodic risk monitoring in accordance with established procedures.

**Insurance Risk**

Insurance risk management is carried out in the Subsidiaries in the Bank Mandiri business group which is engaged in the insurance business.

Bank Mandiri identifies and analyzes activities that can increase Insurance Risk exposure and affect company performance. The risk identification is carried out in the business activities of Subsidiaries engaged in insurance by considering its characteristics. Bank Mandiri can combine qualitative and quantitative approaches in the process of measuring Insurance Risk and will then be subject to periodic risk monitoring in accordance with established procedures.

**The Efforts to Increase the Culture of Risk Awareness**

In order to accomplish the vision of Bank Mandiri to become Indonesia's Best, ASEAN's Prominent, Bank Mandiri continuously applies a culture so-called risk awareness covering all operational and business activities to mitigate risks that have the potential to disrupt the Company's sustainability. The risk awareness culture starts out with the establishment of a Risk Appetite Statement (RAS) which indicates the type and level of risk which a company manages to accept; which are within the risk capacity the company has, and which are prepared in order to achieve business objectives. RAS will be used in the decision making process of a business and the discipline in respect of the implementation will be intensively monitored.

At the level of policies and procedures, the efforts to increase a culture of risk awareness are made by incorporating risk assessment and risk mitigation at each preparation standard of the business activity procedures and the Company product manuals.

Subsequently, an increase in the culture of risk awareness is also exposed by adhering risk awareness to an internalization culture of Bank Mandiri (corporate culture). One of the cultural themes known as “Mandiri Tumbuh Sehat” emphasizes “thinking and acting in a balanced manner” whereby every individual in Bank Mandiri is expected to manage to pursue business growth alongside the proper consideration of risks. This point is necessary to be done in order that the performance achievement can be sustainable in the long run.

The success of a variety of programs carried out to increase the risk awareness culture absolutely needs to be supported by a good communication strategy. Bank Mandiri makes use of a couple of communication media to ensure that messages are delivered in an extensive coverage. Accordingly, other than holding a risk sharing forum, Bank Mandiri also exerts a digital channel for instance email blast so that the risk awareness culture can be embodied in an open, efficient, and effective framework of risk management.
Risk Awareness Program

For the sake of making a good operational risk management successful, it definitely needs to be fostered by good risk awareness from all levels of employees as well Bank Mandiri has an advanced program in an operational risk awareness culture which is better known as "OPERA (OPERational Risk Awareness)". With the tagline known as DARE that stands for "Deteksi, Amankan, dan Respon", or in English it refers to (Detection, Secure, and Response). This program is designed to enhance the understanding and effectiveness of each Bank Mandiri employee composed of the following details:

1. OPERA Edu
   is an awareness-related program that aims at provisioning education pertinent to risk and control encompassing the following points:
   a. OPERAClip is a short video with a maximum duration of 1 minute which raises the issues as regards the latest operational risks that must be implemented. The video has been made consisting of:
      1) OPERAClip Episode 1, it is displayed in the form of an awareness video which is functional to shape a targeted attitude in managing operational risks as the following categories:
         • The first series with the theme of control is oriented towards the responsibility of each employee,
         • The second series nuances the theme of understanding control, not only from simply "as he said", and
         • The third series raises the theme about "fatal" if the control is merely regarded as a ritual.
2) OPERAClip Micro Edition: it is displayed in the form of awareness-driven video for risks and controls in the micro unit. This video is shown continuously through internal broadcast media as a means of socialization, such as screens in office lifts, and other similar media. This video is obligatorily demanded to be watched by all employees in each work unit together routinely.

3) OPERAClip Virtual Meeting Episode – And The Risk You Need to Watch Out. In the form of video awareness of employees, especially in running daily virtual meeting activities and at home. This video was aired continuously through internal media (Mandiri Click). The message from the broadcasted video was:
   - Maintaining the confidentiality of Bank data in order to avoid the risk of data leakage by unauthorized parties
   - Understanding the latest provisions regarding data and information security procedures and,
   - Every employee had to understand and implement the controls appropriately, effectively and efficiently in accordance with applicable regulations.

b. OPERAToon: was a comic/cartoon article was presented with light packaging, interesting, and current with the latest theme related to risks and controls that needed to be addressed by every employee. OPERAToon series was published regularly once a month and sent via email blast to all employees and aired on Mandiri Click internal media. As of December 2020, OPERAToon had published 49 episodes.
2. OPERA Learning
Is a risk awareness program through learning/training around managing operational risk that must be followed by all employees. OPERA Learning takes the form of e-courses that can be accessed anywhere and anytime through the i-Learn menu at mandiri.esys.com. each module is equipped with a post test to measure the level of awareness of each employee.
Currently were several modules available, among others:
- a. Introduction to operational risk management
- b. SOP of Operational Risk Management
- c. Operational Risk Incident Reporting
- d. Introduction to Information Security
- e. ODIP/SDP, BOS & BOM
- f. Risk Certification Refreshment
- g. Operational Risk Management During Pandemic

3. OPERA Forum
OPERA Forum is held as a forum of discussion with regard to the management of operational risks. OPERA forum falls into these following categories:
- a. MRO Forum : a forum held every quarter specifically held by the Operational Risk Management Unit and attended by the Head of the Work Unit and its ranks. This forum aimed to discuss matters related to operational risk profile in the Risk Owner Work Unit, with the agenda of verification of control testing results, discussion of key signification issues, and action plans that needed to be implemented immediately.
- b. OPERA Workshop: a workshop related to operational risk awareness organized by the Operational Risk Advisory Unit.
After 2018 opera workshop was conducted throughout the Region Office, then in 2019 continued by conducting OPERA workshop to 79 Groups in Bank Mandiri. In addition, OPERA workshops were also organized to Subsidiaries with the aim of encouraging awareness in a wider scope.

c. OPERA Survey Group Discussion Forum (FGD) : a forum to follow up the results of OPERA Survey (19200 HO and Region employees). Furthermore, the preparation and implementation of action plans was carried out for the improvement of OPERA Bankwide program as well as programs in each work unit, including feeding for the implementation plan of 2021 OPERA Survey.

d. OPERA Carnival, was a socialization and discussion forum with the latest theme of "Manage Operational Risks Optimally in the New Normal Period" to employees in the Region virtually/podcast, in collaboration with MUG through the Mandiri Learning Carnival (MLC) event.

In addition, OPR continued to develop delivery channels to improve the effectiveness of OPERA program onboarding to more employees by utilizing existing bankwide media, among others:
1. OPERA Click, a main delivery channel for all OPERAEdu content, collaborated with HC through MandiriClick portal (www.mandiriclick.co.id). OperaClick would then become the main platform for the implementation of risk awareness.

2. OPERA Infobase, was a complimentary channel delivery of all OPERAEdu content, in collaboration with CCG, to reach all employees of infobase platform users.

3. OPERA Quiz, which was a gimmick given for employees to continue to actively follow and understand every latest and active OPERAEdu material to participate as OPERA agents in each of its work units.

With the previously mentioned awareness program mentioned, employees eventually became easier to remember and understand the importance of operational risk management, so that operational risk management could run more effectively and efficiently.
Risk Assessment
The results of the self-assessment of Bank Mandiri’s Individual Risk Profile for the position of December 31, 2020 were ranked 2 (low to moderate) with low to moderate Inherent Risk Rating and satisfactory Risk Management Implementation Quality Rating (KPMR).

Self-assessment of Bank Mandiri’s Risk profile (individual) for the position of December 31, 2020 was as follows:

<table>
<thead>
<tr>
<th>Type of Risk</th>
<th>Inherent Risk Level</th>
<th>Quality Level of Risk Management Implementation</th>
<th>Risk Level Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Risk</td>
<td>Moderate</td>
<td>Satisfactory</td>
<td>Low to moderate</td>
</tr>
<tr>
<td>Market Risk</td>
<td>Low</td>
<td>Strong</td>
<td>Low</td>
</tr>
<tr>
<td>Liquidity Risk</td>
<td>Low</td>
<td>Strong</td>
<td>Low</td>
</tr>
<tr>
<td>Operational Risk</td>
<td>Moderate</td>
<td>Fair</td>
<td>Moderate</td>
</tr>
<tr>
<td>Legal Risk</td>
<td>Low</td>
<td>Strong</td>
<td>Low</td>
</tr>
<tr>
<td>Strategic Risk</td>
<td>Low</td>
<td>Strong</td>
<td>Low</td>
</tr>
<tr>
<td>Compliance Risk</td>
<td>Low to moderate</td>
<td>Satisfactory</td>
<td>Low to moderate</td>
</tr>
<tr>
<td>Repetition Risk</td>
<td>Low</td>
<td>Satisfactory</td>
<td>Low</td>
</tr>
<tr>
<td>Composite Rating</td>
<td>Low to moderate</td>
<td>Satisfactory</td>
<td>Low to moderate</td>
</tr>
</tbody>
</table>

The Evaluation of Risk Management Systems
Bank Mandiri constantly evaluates the effectiveness of the risk management systems. The evaluation entails adjusting the strategy and the framework of risks as the constituent of risk management policies, considering the adequacy of risk management information systems and the adequacy of risk identification, measurement, monitoring and control processes.

One form of evaluation on risk management policies is an annual evaluation of the Risk Management Policies and Standard Procedures. The Board of Commissioners plays an active role in the implementation of risk management system evaluation by reviewing the results of the evaluation conducted by the Board of Directors as the organ that is responsible for the effectiveness of risk management system implementation. The results of the annual evaluation show that risk management at Bank Mandiri during 2020 has been adequate.