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 Kredit</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 account 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 agreement obligations 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, reinsuranc e 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 workflow (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 (KMNRA). Whereas for guidance in implementing market risk management both the trading book portfolio and the banking book are regulated in the Treasury Procedure Standard (SPT) 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:
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 follows-up (action plan) to control shortcomings (thus potentially resulting in risks) in the process of control and follows-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 Low.
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 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 secretory 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 Reputational 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 1400 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 (PBII), 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 terlaksananya 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 (CCRF)
   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.