

Overview Anti Money Laundering (AML), Counter Financing of Terrorism (CFT), and Prevention of Proliferation Financing of Weapons of Mass Destruction (CPF-WMD) Policy

Background

Bank Mandiri's Board of Directors and Commissioners are committed to implementing Anti-Money Laundering (AML), Counter-Terrorism Financing (CTF), and Prevention of Proliferation Financing of Weapons of Mass Destruction (CPF-WMD) programs, as regulated in Bank Mandiri's AML, CTF, and CPF-WMD policy and procedures. This commitment extends to all levels of the Bank, ensuring compliance with relevant regulations in daily operations.

Aligned with the needs of operational activities that are in accordance with changes and developments in products, services, technology, activities, scale, complexity, business characteristics, transaction volume, and/or Money Laundering (ML), Terrorism Financing (TF), and Proliferation Financing of Weapons of Mass Destruction (PF-WMD) modes, Bank Mandiri has established guidelines to enhance awareness and understanding of these programs. The Bank, as the Main Entity of the Financial Conglomeration (Mandiri Group) must enforce these programs across its subsidiaries and overseas branches.

To ensure the consistency of AML, CTF, and CPF-WMD implementation, Bank Mandiri has developed policy and procedure on AML, CTF, and CPF-WMD, that are regularly updated to align with the Bank's obligations and business strategy.

Objective

Bank Mandiri's policy and procedure serve as a guideline for Bank Mandiri's employee in implementing the AML, CTF, and CPF-WMD programs. Its objectives include:

1. Ensuring a uniform understanding and consistent application of these programs across the Bank.
2. Providing support for every employee in interacting with Customers in implementing AML, CTF, and CPF-WMD that are consistent with regulations.
3. Providing a detailed guidance for implementing AML, CTF, and CPF-WMD in Bank Mandiri.
4. Providing the standardization and consistency of the implementation of AML, CTF, and CPF-WMD in Bank Mandiri and its subsidiaries.

Policies and Procedures for the Implementation of AML, CTF, and CPF-WMD Programs

Bank Mandiri's AML, CTF, and CPF-WMD programs are outlined in the AML, CTF, and CPF-WMD Policies and Procedures, which are developed in accordance with applicable laws and regulations as well as international best practices. These policies cover the following aspects:

1. Roles and responsibilities of the Board of Directors, Board of Commissioners, and Special Units for AML, CTF, and CPF-WMD.
2. Know Your Customer (KYC) procedures for prospective customers, customers, walk-in customers (WIC), and beneficial owners (BO).
3. Implementation of AML, CTF, and CPF-WMD programs in high-risk products and services.
4. Application of AML, CTF, and CPF-WMD programs in the use of supporting professional services.
5. Business relationship rejection, transaction refusal, and/or termination of business relationships.
6. AML, CTF, and CPF-WMD-related reporting (i.a. suspicious transaction for irregularities, cash transaction, and international funds transfer instruction).
7. Document management.
8. Human resources and training.
9. Implementation of AML, CTF, and CPF-WMD programs in overseas branches and subsidiaries.
10. Management information systems.

The key elements of the implementation of the AML, CTF, and CPF-WMD programs as outlined in the relevant policies and procedures are as follows:

1. Due Diligence Process

Bank Mandiri conducts the due diligence process using a risk-based approach through the implementation of Customer Due Diligence (CDD) and/or Enhanced Due Diligence (EDD) for Prospective Customers, Customers, Walking Customers (WIC), and Beneficial Owners (BO) in business relationship initiation, transaction execution, and ongoing monitoring based on the results of Bank Mandiri's Individual Risk Assessment (IRA) ML, TF, and PF-WMD

a. Customer Due Diligence (CDD)

CDD is conducted to identify, verify, and monitor Prospective Customers, Customers, WIC, and BO to ensure that transactions align with their profiles, characteristics, and transaction patterns. CDD is applied in the following situations:

- 1) Establishing a relationship with a Prospective Customer;
- 2) Establishing a business relationship with WIC;
- 3) Conducting any transaction;
- 4) There is an indication of suspicious transaction related to ML, TF, and/or PF-WMD; and/or
- 5) There is a doubtful information provided by Customer, Authorized Representative, and/or BO.

To establish a business relationship with a Prospective Customer, Bank Mandiri must conduct identification by requesting data, information, and supporting documents from the Prospective Customer to verify their profile, which will then be validated through the following mechanisms:

- 1) In-person face-to-face meetings;
- 2) Electronic face-to-face meetings; and/or
- 3) Electronic non face-to-face verification.

b. Non-Face-to-Face

The electronic non-face-to-face verification mechanism may be conducted using software and hardware owned by Bank Mandiri or third-party providers, while also utilizing population data from the Population and Civil Registration Agency. This mechanism considers three authentication factors, namely:

- 1) Something you are (e.g., facial recognition and retinal pattern);
- 2) Something you have (e.g., National ID Card/KTP and one-time password/OTP);
- 3) Something you know (e.g., username, password, and Personal Identification Number/PIN).

This mechanism is applied in electronic (online) account openings, such as through Livin' by Mandiri.

c. Enhanced Due Diligence (EDD)

Bank Mandiri periodically conducts risk assessments for ML, TF, and/or PF-WMD by referring to the latest National Risk Assessment (NRA) and Sectoral Risk Assessment (SRA) based on Profile, Country/Geographical Area, Products, Services, Transactions, and Distribution Channels. The IRA results are used to determine the risk level of Prospective Customers, Customers, WIC, and/or BOs in three categories: high risk, medium risk, and low risk.

If a Prospective Customer, Customer, WIC, and/or BO is categorized with background, identity, history, and/or profile that classified as high risk of ML, TF, and/or PF-WMD, then Bank Mandiri will apply EDD procedures, including gathering more in-depth information covering at minimum: source of funds & other sources of wealth, purpose and nature of the business relationship with the Bank, participation in specific organizations/associations, links to Politically Exposed Persons (PEPs) and parties listed on sanctions lists, and adverse news.

The risk assessment conducted by Bank Mandiri includes determining Prospective Customers, Customers, WIC, and/or BOs as PEPs (Foreign/Domestic/Individuals designated to perform significant functions by an International Organization). For such PEPs, Bank Mandiri will conduct periodic EDD, at a minimum including analysis of Customer and BO information, sources of funds, and sources of wealth, as well as enhanced monitoring of the business relationship.

Examples of high-risk areas include:

- 1) Occupation profiles, including Government Officials/State Administrators (PEPs), Lawyers, and Notaries.
- 2) Business Sector Profiles, including Financial Service Providers (FSPs) and Forestry.
- 3) Geographical Areas, including Russia, Belarus, and Myanmar.
- 4) Products, Services, and Transactions, including Priority Services (Private Banking).

For the establishment of a business relationship and/or execution of transactions with high-risk Prospective Customers, Customers, WIC, and/or BOs, prior approval from a Senior Officer (Branch Manager/Head of Unit/Authorized Officer) is required.

2. Watchlist Screening

Bank Mandiri ensures that no business relationships are established with parties listed in the Sanction List. Therefore, watchlist screening is conducted for prospective customers, customers, WIC, and/or BOs based on Bank Mandiri's Watchlist as part of Customer Due Diligence (CDD) to mitigate ML, TF, and/or PF-WMD risks. The Sanction Policy is formulated based on regulatory requirements, international best practices, and Bank Mandiri's internal risk appetite. The key policies consist of:

- a. The Bank does not accommodate the establishment of business relationships with certain parties listed in the Bank's Watchlist, including:
 - 1) Parties included in lists issued by Regulators/Competent Authorities, such as the List of Suspected Terrorists and Terrorist Organizations and the List of Proliferation Financing of Weapons of Mass Destruction.
 - 2) Parties included in lists issued by Sanctions Regulatory Authorities, such as OFAC, EU, UN, and OFSI Lists.
- b. The Bank is required to maintain an d regularly update the Watchlist.

Bank Mandiri has implemented an automated system for screening during the account opening process, transaction execution, and ongoing monitoring. The Bank continuously enhances and updates its screening system, including adjustments to the matching accuracy threshold.

3. Suspicious Transaction Report for Irregular Transaction

To ensure that Bank Mandiri is not used as a means to facilitate ML, TF, and/or PF, Bank Mandiri monitors customer profiles and transactions. Additionally, if any suspicious or irregular transactions are detected, Bank Mandiri conducts an analysis and reports the suspicious financial transaction to Indonesia's Financial Intelligence Unit (FIU).

Examples of financial transactions that may be reported as suspicious or irregular include, but are not limited to:

- a. Transactions that deviate from the customer's profile, characteristics, or usual transaction patterns.
- b. Transactions that appear to be structured to avoid reporting requirements.
- c. Transactions involving assets suspected to be derived from criminal activity.
- d. Transactions requested by Indonesia's FIU to be reported due to involvement of assets suspected to stem from criminal activity.

4. Document Administration

Bank Mandiri retains Customers and/or WICs-related documents for a minimum period of five years, since:

- a. The termination of a business relationship or transaction with the customer or WIC; and
- b. The discovery of transactions that do not align with economic or business purposes.

Additionally, Bank Mandiri retains customer or WIC-related documents for financial transactions in accordance with applicable laws and regulations.

5. Training

To enhance employees' awareness and understanding of the regulations, implementation, and current issues related to the AML, CTF, and CPF-WMD programs, Bank Mandiri conducts annual training sessions, at a minimum once a year.

The training covers, at a minimum, the following topics:

- a. Updates on external and internal regulations related to AML, CTF, and CPF-WMD.
- b. Techniques, methods, typologies, and red flags for detecting criminal activities such as money laundering (ML), terrorism financing (TF), proliferation financing (PF-WMD), tax evasion, and green financial crimes.
- c. International best practices in AML, CTF, and CPF-WMD, including considerations of geopolitical risks and sanctions policies.

6. Annual Independent Assessment of Monitoring Procedures

Bank Mandiri has a robust, independent internal control system that actively conducts evaluations (audits) and incident investigations to assess the effectiveness of its AML, CTF, and CPF-WMD programs, with a strong focus on identifying incidents and ensuring timely corrective actions are taken. This comprehensive process includes:

1. Evaluating policies, procedures, and systems to detect and prevent ML, TF, and/or PF-WMD;
2. Assessing the operational effectiveness of monitoring mechanisms, with an emphasis on identifying potential incidents or weaknesses;
3. Ensuring full compliance with AML, CTF, and CPF-WMD regulations through internal/external audits, control testing, and self-assessments, and prioritizing corrective actions where necessary.

Throughout 2024, no significant findings were reported from internal and external evaluations regarding the implementation of the AML, CTF, and CPF-WMD programs, especially concerning KYC processes and reporting. Any recommendations arising from audit findings, evaluations, or reviews, especially those related to incidents or non-compliance, will be promptly addressed, with corrective actions followed through in line with the established commitments and timelines.

Conclusion

Bank Mandiri is committed to implementing robust Anti-Money Laundering (AML), Counter-Terrorism Financing (CTF), and Prevention of Proliferation Financing of Weapons of Mass Destruction (CPF-WMD) policies in accordance with applicable regulations. This commitment, upheld by the Board of Directors and Commissioners, extends to all levels of the Bank, ensuring compliance in daily operations.

To support the effective implementation of these programs, Bank Mandiri has established comprehensive guidelines and standard procedures, fostering awareness, consistency, and regulatory adherence across its operations. As the Main Entity, the Bank also enforces these measures across its subsidiaries and overseas branches, maintaining a unified approach in mitigating financial crime risks.

Through continuous updates and improvements, Bank Mandiri ensures that its AML, CTF, and CPF-WMD policies remain aligned with evolving regulations, technological advancements, and the increasing complexity of financial transactions, reinforcing its commitment to integrity, compliance, and global security.