

Implementation Policy of Anti Money Laundering (AML), Counter Financing of Terrorism (CFT) and Prevention of The Weapons of Mass Destruction Programs Proliferation Financing PT Bank Mandiri (Persero) Tbk.

Align with the increasingly complex development of products, business models, and information technology, Bank Mandiri has the potential to be exposed to the risk of being used as a means of money laundering, terrorism financing, and funding the proliferation of weapons of mass destruction by criminals. This, among others, is due to the availability of a variety of transaction options, both in terms of products and delivery channels that allow them to be used by the criminals in carrying out their crimes. Thereby, this encourages Bank Mandiri to mitigate the risks that can arise.

The Criminal Act of Money Laundering (TPPU), the Crime of Financing of Terrorism (TPPT), and the Financing of the Proliferation of Weapons of Mass Destruction (PPSPM) are transnational crimes and require extraordinary efforts in dealing with them. Therefore, an inter-governmental body was established, namely the Financial Action Task Force (FATF), which aims to set standards and encourage effective implementation of regulations and operations, as well as legal actions to counter TPPU, TPPT, and PPSPM or other threats that have an impact on the integrity of the international financial system.

As a commitment to strengthening the AML and CFT regime in Indonesia, which refers to international best practices and FATF recommendations, Indonesia has followed a series of Mutual Evaluation Review (MER) assessment by the FATF in July 2022. This assessment will also determine Indonesia's success in becoming a member of the FATF, in which case Bank Mandiri contributes as one of the banks participating in the assessment process.

In addition to Bank Mandiri's participation in the MER assessment, nation-wide Bank Mandiri also participated in the Financial Integrity Rating on Money Laundering & Terrorism Financing (ML/TF) assessment organized by PPATK to assess the effectiveness of the implementation of AML and CFT on commitments between PPATK, Regulators, Law Enforcements, and Reporting Parties in the implementation of Anti-Money Laundering, Counter-Terrorism Financing measures, and Funding for the Proliferation of Weapons of Mass Destruction. In the 2022 FIR on ML/ TF assessment, Bank Mandiri successfully obtained a score of "Excellent" category – Bank only with a higher score than the aggregate score nationally (PJK & Non-PJK).

In line with this, as an effort to support Indonesia's success in the MER assessment by the FATF and improve the FIR on ML/TF PPATK assessment, Bank Mandiri continues to improve the AML and CFT program, including more comprehensive risk control and mitigation, such as aspects of procedures, processes, and enhancement of human resource capabilities, particularly in the Customer Due Diligence (CDD) process.

AML-CFT Program Implementation Policies & Procedures

The Bank had already had policies and procedures for the implementation of AML and CFT programs in line with FATF Recommendations and POJK No. 12/POJK.01/2017 as amended by POJK No. 23/POJK.01/2019 on implementation of AML and CTF Programs in the Financial Services Sector, which included :

1. Active supervision by the Board of Directors and Board of Commissioners
2. Customer Due Diligence (CDD) and/or Enhanced Due Diligence (EDD) Procedures for Prospective Customers/Customers/ Beneficial Owner (BO)/Walk in Customer (WIC)
3. Fund Transfer Procedure
4. Administration of Customer Documents and Transactions
5. Customer Profile and Transaction Monitoring Procedure
6. Implementation of AML and CTF Programs in Office and Subsidiary Networks in Financial Conglomerations
7. Internal control
8. Procedure for Monitoring Customer Profiles and Transactions
9. Human resources and training

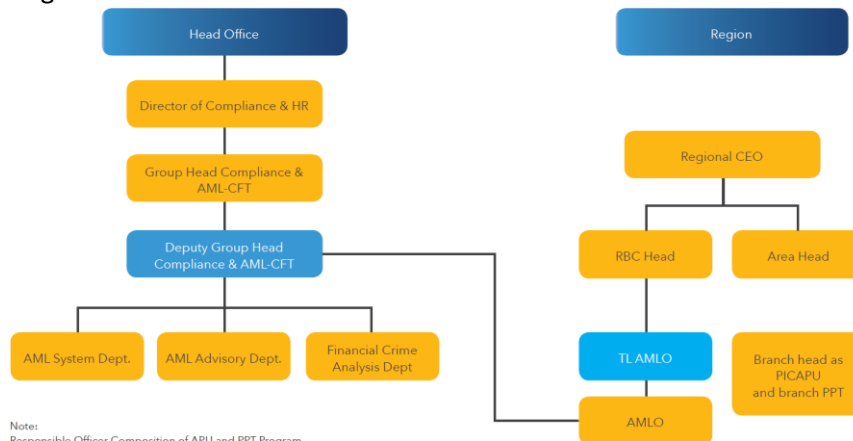
AML-CTF Organizational Structure

To improve the effectiveness of the implementation of AML and CTF programs in Bank Mandiri, active supervision of the Board of Directors and Board of Commissioners is necessary, so as to provide motivation to work units and employees in shaping the compliance culture throughout the Company's elements. The supervision also applied in the risk management of TPPU, TPPT, and PPSPM at the Network of Offices and Subsidiaries in the Financial Conglomerations.

Bank Mandiri as the Main Entity has continuously supervised the implementation of AML and CTF programs to Subsidiaries by evaluating the implementation of risk-based AML and CFT, which includes the adequacy of the 5 (five) AML and CFT Pillars carried out through on-desk reviews and discussion forums periodically. In addition, for overseas office networks, Bank Mandiri continues to review the AML-CFT policy and its implementation while still being guided by the strict rules of provisions regulated in Indonesia and the country where the office network is located.

The function of AML and CFT programs practices at Bank Mandiri is carried out by the AML and CFT Special Unit (UKK), both at the Head Office and in the Region, which are structurally under the Compliance Unit (SKK) of the Head Office, in which case has direct responsibility to the Director in charge of the Compliance Function. AML and CFT SMEs in the Region are performed by an Anti-Money Laundering Officer (AMLO) whose role is to oversight and supervise the effectiveness of AML and CFT programs implementation in branches. In addition, at the Branch level there is also a Branch Head who is appointed as the Person in Charge (PIC) of AML and CFT.

The AML - CTF Organizational Structure is described as follows :



Note:
 Responsible Officer Composition of APU and PPT Program.
 Head Office : 34 Employees
 Region : 72 Employees
 PIC APU and PPT in branch

AML-CFT Programs In 2022

Bank Mandiri's commitment in supporting the National AML-CTF regime had been outlined in the risk-based AML - CTF work programs, among others as follows :

1. Assessment of the Bank's TPPU and TPPT risks with risk-based approach (RBA) reviewed periodically
2. Preparation and/or adjustment of internal provisions related to the implementation of AML-CTF programs following applicable regulations
3. Implementation of On Desk Review & Monitoring to Work Units/ Business Units, Branches, and Overseas Units (KCLN) for the implementation of AML -CTF programs
4. Implementation of Quality Picking Test of Suspicious Financial Transactions Indication Report of Branch Offices on desk basis
5. Improvement of the quality and monitoring of the submission of Suspicious Financial Transaction Reports (LTKM), Cash Financial Transaction Reports (LTKT), Financial Transaction Reports of Fund Transfers From and To Abroad (LTKL), and Integrated Service User Information Systems (SIPESAT) following the provisions and not exceeding the Service Level Agreement (SLA) determined by the Regulator
6. Improvement of AML-CTF program systems and supporting applications, among others :
 - a. Development of goAML internal application system used for reporting obligations following PPAK goAML requirements.
 - b. Enhancement on existing AML system and supporting applications.
7. Improvement of AMLO's competence in analyzing Suspicious Financial Transactions (TKM), as well as improvement of Team Leader (TL) AMLO capacity building through Attachment Training program
8. Enhancement of competence and awareness of all employees of Bank Mandiri, specifically AML-CTF employees related to the implementation of AML-CTF programs, through certification, refreshment, socialization, and trainings
9. Appointment as Subject Matter Expert (SME) related to AML-CTF programs application in Benchmarking with other companies in financial services sector
10. Establish and foster cooperation, as well as coordination with Regulators and Law Enforcement, specifically in fulfilling customer data requests and/or information
11. Supervision of the implementation of AML-CTF programs in the Financial Conglomerations (Integrated) through :
 - a. Review of the provisions of AML-CTF programs of Subsidiaries and Overseas Units (KCLN).
 - b. Assessment and thematic on desk reviews of implementation of AML-CTF programs of Subsidiaries and Overseas Units.
 - c. Working group discussion on the implementation of AML-CTF programs with Subsidiaries and Overseas Units.
 - d. Discussion Forum of the Board of Directors and the Board of the Commissioners on the implementation of Integrated AML - CTF.
 - e. Monitoring the implementation of AML-CTF of Subsidiaries and Overseas Units' regular reports on a quarterly basis.
12. Preparation of Mutual Evaluation Review (MER) program of Mandiri Group, among others :
 - a. Preparation of MER Hand Book as guidance.
 - b. Mock up interview/role play, internally with Subsidiaries, as well as with Regulators.

- c. Assisting the Drafting and/or Updating of Risk Assessment (IRA-RBA) to Subsidiaries.
 - d. Participating in Webinars, Forum Group Discussions (FGD), trainings held by the Regulators and other agencies
13. Actively taking the role in work programs or activities organized by regulators, among others :
- a. Preparation of National Risk Assessment (NRA) and Sectoral Risk Assessment (SRA)
 - b. Supporting the activities of the Two Decades of AML-CTF PPAK through tree planting, stamp printing, national gatherings, talk shows, and airing AML-CTF campaigns on videotron; Livin'; & BMRI Instagram account.
 - c. Preparation of OJK Draft Regulations related to the Implementation of AML-CTF Program in the Financial Services Sector by OJK.
 - d. Implementation of the Financial Integrity Rating on Money Laundering and Terrorist Financing (FIR on ML/TF) in 2022 to Bank Financial Service Providers.
 - e. Appointment as a Respondent related to the preparation of SRA for Corporate Customers in the context of Strengthening Indonesia's Financial Integrity (IFI) by the Presidential Staff Office (KSP) RI, as well as assistance in the verification visit of the KSP team to the Region.
 - f. Appointment as respondent in the preparation of the PPAK Effectiveness Index 2022.
 - g. Subject Matter Expert (SME) in the implementation of Benchmarking, webinars and Forum Group Discussion (FGD) organized by OJK, PPAK and other agencies.

Challenges in Implementing AML and CTF Programs in 2023

Digital technology creates the conditions that enable in providing freedom of movement for the financial services users to carry out transactions through various facilities. Moreover, in this digital era the Bank is required to deploy digital acceleration to meet the customer's expectation of fast, efficient, and secure financial services, and are accessible anywhere. Such conditions required the banking to position digital transformation as a priority and one of the strategies to improve the bank's competitive advantages. On the other hand, following the banking business movement into digital business strategy, challenges are unavoidable in implementing effective AML - CTF programs.

The Bank needs to at least anticipate 2 (two) major challenges in implementing AML and CTF programs to be effective and efficient, namely reliability of supporting system for the implementation of AML and CTF programs, and HR competencies. The flexible and relevant system refinement and improvement including new technology adoption become a crucial issue to be implemented in line with the increasing digital financial transactions. Furthermore, comprehension, awareness, and skills of employees shall need to be enhanced, particularly in technology area and its relevancies to the bank that may be used as a media for Money Laundering and Terrorist Financing. Moreover, the support from government institutions/agencies to assist in the effectiveness of customer introduction process in financial services sector holds a pivotal role in supporting comprehensive implementation of AML and CTF programs.