



RISK MANAGEMENT FRAMEWORK

Bank Mandiri's Risk Governance Structure is developed based on four Risk Management Pillars as follows:

Active Supervision of the Board of Commissioners and Board of Directors

The risk management framework and governance at Bank Mandiri consists of the Board of Commissioners that carry out risk oversight functions through the Audit Committee, Risk Monitoring Committee and Integrated Governance Committee, as well as the Board of Directors that carry out risk policy and management functions through the Executive Committee related to risk management, namely the Risk Management & Credit Policy Committee, Assets & Liabilities Committee, Capital & Subsidiaries Committee, and Integrated Risk Committee. Operationally, the Risk Management Unit with Business Unit and Compliance Unit performs the functions of risk identification, risk measurement, risk mitigation and risk control.

The duties, responsibilities, and authorities of the Board of Commissioners related to active supervision in Risk Management activities include, among others:

1. Evaluating and approval of Risk Management Policy;
2. Evaluating the Board of Directors' responsibility for the implementation of the Risk Management Policy;
3. Evaluating and deciding on the Board of Directors' application related to transactions that require the approval of the Board of Commissioners;
4. Requesting an explanation and/or accountability of the Board of Directors on the Financing to certain large borrowers;
5. Providing approval on the funding to related parties;
6. Conducting active oversight includes, among others, understanding the nature and level of risks faced by the Bank, assessing the adequacy of the quality of risk management and linking the risk level with capital adequacy of the Bank;
7. Conducting active supervision related to anti-Fraud at least includes the following:
 - a. Development of anti-Fraud awareness and culture in all levels of the organization, including anti-Fraud declarations and adequate communication on behavior that includes Fraud;
 - b. The signing of integrity pact by all organizational ranks of the Bank;
 - c. Preparation and supervision of the implementation of a code of conduct related to fraud prevention for all levels of the organization;
 - d. Preparation and supervision of the implementation of an anti-Fraud strategy as a whole;
 - e. Development of the quality of human resources (HR), particularly those related to increasing awareness and control of Fraud;
8. Providing approval, oversight and evaluation on the implementation of the Action Plan (Recovery Plan).
9. For Resolution Plan, the Board of Commissioners shall:
 - a. Approve the Resolution Plan;
 - b. Supervise the Bank's fulfillment in compiling, updating, and/or improving the Resolution Plan to the Deposit Insurance Corporation;
 - c. Evaluate the Resolution Plan that has been prepared by the Board of Directors;
 - d. Supervise the implementation of plans to overcome potential obstacles to the implementation of resolution options.
10. Maintaining and monitoring the Bank's Soundness Rating and take the necessary measures to maintain and/or improve the Bank's Soundness Rating;
11. Other authorities and responsibilities stipulated in the General Meeting of Shareholders.
- f. Monitoring and evaluation of Frauds and determination of follow-up; and
- g. Development of effective communication channels internally and for the Bank's external, hence all executives and employees of the Bank understand and comply with applicable policies and procedures, including policies and procedures for fraud control.

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To implement Integrated Risk Management, the Board of Commissioners is responsible to:

1. Direct, approve, and evaluate Integrated Risk Management policies;
2. Evaluate the implementation of Integrated Risk Management policies by the Board of Directors of the Main Entity.
3. Ensure the implementation of Integrated Risk Management is in accordance with the characteristics and complexity of the Financial Conglomerates business.

The duties, responsibilities, and authorities of the Board of Directors related to Risk Management activities include:

1. Developing Risk Management policies and strategies in writing and comprehensively;
2. Responsible for the implementation of the Risk Management Policy and risk exposure taken by the Bank as a whole;
3. Evaluating and deciding on transactions that require the approval of the Board of Directors;
4. Developing a culture of Risk Management at all levels;
5. The active supervision of the Board of Directors related to anti-Fraud is the same as that of the Board of Commissioners as stated in the duties and responsibilities of the Board of Commissioners;
6. Ensuring the improvement of human resource competencies related to Risk Management;

7. Ensuring that the Risk Management function has operated independently;

8. Conducting periodic reviews to ensure;

- a. Accuracy of Risk assessment methodology;
- b. Adequacy of Risk Management information system implementation;
- c. Accuracy of Risk Management policies and procedures, as well as setting Risk thresholds.

9. Conducting active supervision includes, among others, understanding the nature and level of risks faced by the Bank, assessing the adequacy of the quality of risk management, and linking the risk level with capital adequacy of the Bank;

10. Developing and implementing the Bank's Recovery Plan, which includes:

- a. Developing a realistic and comprehensive Recovery Plan;
- b. Submitting the Recovery Plan to shareholders at the GMS for approval;
- c. Communicating the Recovery Plan to all ranks or levels of the Bank's organization;
- d. Evaluating and testing (Stress Testing) the Action Plan (Recovery Plan) periodically; and
- e. Implementing the Recovery Plan effectively and in a timely manner.

11. Developing and implementing a Resolution Plan which includes:

- a. Developing, updating, and/or improving the Resolution Plan;

b. Ensuring the accuracy and completeness of data, information, and/or documents in compiling, updating, and/or improving the Resolution Plan, which is submitted to the Deposit Insurance Agency;

c. Submitting a Resolution Plan to the Board of Commissioners and Shareholders at the General Meeting of Shareholders for approval;

d. Submitting a Resolution Plan, updating and/or improving the Resolution Plan to the Deposit Insurance Corporation in accordance with the predetermined time limit;

e. Implementing plans to overcome potential obstacles to the implementation of resolution options.

12. Maintaining and monitoring the Bank's Soundness Rating and take the necessary measures to maintain and/or improve the Bank's Soundness Rating;

13. Other authorities and responsibilities stipulated in the General Meeting of Shareholders.

To implement Integrated Risk Management, the Board of Directors is responsible to:

1. Develop an Integrated Risk Management Policy in writing and comprehensively;
2. Implement the established Integrated Risk Management Policy;



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3. Develop a risk culture as part of the implementation of Integrated Risk Management in Financial Conglomerates;
4. Ensure the effectiveness of human resource management which includes the competence, qualifications, and adequacy of human resources in the Main Entity to carry out the Integrated Risk Management function;
5. Ensure that the implementation of Integrated Risk Management has been carried out independently;
6. Periodically evaluate the results of the Integrated Risk Management Unit review of the Integrated Risk Management process;
7. Ensure the implementation of Integrated Risk Management in accordance with the characteristics and complexity of the Financial Conglomerates business.

Bank Mandiri also establishes risk management committees that holds discussion and provides recommendations to the Board of Directors on:

1. Policies and procedures and monitor the risks faced by the Company.
2. Management of the Company's assets and liabilities including interest rates and liquidity.
3. Management of Subsidiaries (equity participation, divestment, remuneration, determination of the management of the Subsidiaries).

4. Implementation of Integrated Risk Management.
5. Business development.

Risk management in the Bank consists of at least:

1. Director who oversees the Risk Management function;
2. Risk Management Unit (SKMR);
3. Operational Unit (risk-taking unit);
4. Internal Audit Unit (SKAI);
5. Compliance Unit.

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

Adequacy of Policies, Procedures, and Limits Setting

Bank Mandiri has a Risk Management Policy which is used as the main guideline in implementing risk management. For more specific business areas, Bank Mandiri has more specific policies and procedures, for example in the areas of credit, treasury, and operations. The policies and procedures stipulate the limits setting for each activity, both at the portfolio and transactional levels. All policies and procedures at Bank Mandiri are a form of risk management attached to each of the Company's operating activities that are evaluated and updated at least once a year.

In accordance with SEOJK 34/SEOJK.03/2016 concerning the Implementation of Risk Management for Commercial Banks, in order to effectively control Risk, the policies and procedures owned by the Bank must be based on a Risk Management strategy by taking into account the level of Risk Appetite. Risk Appetite is a type & level of risk that can be taken/ faced by the Bank, which is within its risk capacity, in order to achieve/ exceed business objectives.

Bank Mandiri's Risk Appetite is realized through the Risk Appetite Framework which is a strategic decision-making that describes Bank Mandiri's risk strategy. Risk Appetite is reflected in the Bank's business strategy and objectives.

Risk appetite is articulated through a Risk Appetite Statement (RAS), which is a formal guideline in the risk-taking process to achieve business targets. RAS is pivotal because it will provide clear and consistent direction to all levels of Bank Mandiri on the Bank's risk-taking ability.