



d. Compliance Risk Management

Compliance risk management is carried out continuously to minimize the compliance risk to occur. The process of compliance risk management that will be carried out is:

- 1) Analysis of new provisions as a basis for the compliance risk drafting and conducting a prudential meeting with related work units to discuss the fulfilment of obligations on new regulations.
- 2) Dissemination of resume of new provisions to all employees through electronic media.
- 3) Conducting control testing of bank activities that have a high risk to

2. Synergy Strengthening with Subsidiaries

As a large financial conglomerate, optimal synergy between the Main Entity and the Subsidiaries was required. The compliance synergy with Subsidiaries covered several things, including compliance risk management, implementation of APU and CFT, and implementation of Integrated Governance.

1. In relation to the integrated compliance risk management process, the Bank had held a discussion forum on the compliance risks of each Subsidiary Company, and monitored the implementation of the Subsidiaries' compliance functions through regular quarterly reporting.
2. In relation to the implementation of integrated APU and CFT, Bank Mandiri together with all Subsidiaries was fully committed to supporting the anti-money laundering regime and prevention of terrorism financing as applicable laws and regulations. Therefore, as an effort to support and improve the effectiveness of the implementation of APU and CFT Programs, Bank Mandiri together with Subsidiaries always made improvements in aspects of Organization, Policies and Procedures, and Human Resources, including efforts to continuously improve the Compliance Culture properly.
3. In relation to the implementation of Integrated Governance, the Bank Mandiri directed Subsidiaries to participate in GCG assessment activities by independent parties, namely The Indonesian for Corporate Governance (IICG) with the aim of improving the implementation of GCG principles in Subsidiaries and anticipating the risks that would be faced in the future.

Evaluation of Effectiveness of Compliance Function

The implementation of the Compliance Function's activities and performance are constantly evaluated and assessed by the Compliance Director for the purpose of increasing the effectiveness of implementation in the coming year. Criteria for Compliance Function assessment based on Annual Work Plans, Key Performance Indicators (KPIs) and Non Key Performance Indicators (Non KPI) Work/Work Programs. The assessment based on KPI covers aspects of the Financial Perspective, Customer Perspective, Internal Business Perspective and Development Perspective. In

the context of developing the compliance function, in 2020 the Internal Control Score (ICS) parameter has been prepared as a component of the performance assessment of Bank Mandiri work units related to the implementation and role of the compliance function in each work unit. Evaluation is expected to improve the quality of implementation of a compliance culture and compliance risk management in minimizing risks that may occur due to non-compliance with applicable regulations.

Anti Money Laundering (AML) Programs and Combating the Financing of Terrorism (CFT)

The implementation of APU and CFT program was an obligation for all parties, especially for banks as Financial Service Providers (PJK). The entry of the globalization era and the increasingly complex advancement of information technology, encouraged the Bank to be more comprehensive in mitigating the risks of banks used by perpetrators of Money Laundering Crimes (TPPU) and Terrorism Financing Crimes (TPPT). This had to be done because the mode carried out by TPPU and TPPT actors was increasingly varied in utilizing the Bank as a means of TPPU and TPPT. Therefore, it required commitment from all parties in supporting the regime to eradicate Money Laundering and Terrorism Financing.

Money Laundering (TPPU) and Terrorism Financing Crimes (TPPT) were transnational crimes and they required extraordinary efforts in their handling. Therefore, an inter-governmental body, the Financial Action Task Force (FATF), aimed to set standards and encourage effective implementation of regulations and operations, as well as legal action to combat TPPU and TPPT or other threats impacting the integrity of the international financial system.

Bank Mandiri as one of the banks that had a network throughout Indonesia with various products and/or services, had a high potential risk of being used as a means of ML and TF. Therefore, the Bank had prepared risk prevention and mitigation efforts through the implementation of APU and CFT programs with a risk-based approach (RBA).

AML-CFT Program Implementation Policies & Procedures

The Bank had already had policies and procedures for the implementation of APU and CFT programs in line with FATF Recommendations and FSA Regulation (POJK) No. 12/POJK.01/2017 as amended by POJK No. 23/POJK.01/2019 on implementation of APU and CFT 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);