

## Membership Structure

The ESG Committee is governed by Special Policy No. KK.9-D on Committee Governance Procedures, and its composition within the Board of Directors is as follows:

Structure	Position
Chairperson (also serving as permanent member)	President Director
Board of Directors (also serving as permanent member)	Vice President Director *) Director in charge of Risk Management **) Director in charge of Human Capital, Compliance & Legal Director in charge of Asset Management Director in charge of Finance
Board of Directors/SEVP	SEVP Wholesale Banking (Permanent Member) Director/SEVP relevant to discussion agenda (Non-permanent Member)) SEVP in charge of Compliance and Legal (Non-permanent Member)

\*) Substitute Chairman I

\*\*) Substitute Chairman II

## RISK MANAGEMENT [GRI 2-23][OJK E.3]

As a bank primarily focused on providing credit and housing financing, the Company possesses a portfolio of assets predominantly composed of mortgage loans. This portfolio can be influenced by various factors, both internal and external, such as changes in business climate, inflation, and interest rates. To mitigate the negative impacts of these factors, risk management needs to be conducted continuously.

In this context, principles of Good Corporate Governance (GCG) serve as the primary foundation for risk management. Through the implementation of GCG, the Company can ensure that policies and procedures adopted to manage risks can achieve a high level of transparency, accountability, and sustainability. This involves not only making appropriate decisions but also ensuring that the entire risk management process adheres to high standards of ethics and integrity.

Given the complexity of its operations, the Company has managed 8 (eight) types of risks, namely: (1) credit risk; (2) liquidity risk; (3) market risk; (4) operational risk; (5) legal risk; (6) reputational risk; (7) strategic risk; and (8) compliance risk.

In order to mitigate the negative impacts of various risks, the Company has developed risk management policy guidelines to address potential adverse effects arising from diverse risks. In accordance with Financial Services Authority Regulation No. 18/POJK.03/2016 concerning the Implementation of Risk Management for Commercial Banks, banks are required to effectively implement risk management in handling risks. To effectively implement risk management, the Company has formulated risk management policies outlined in a risk management policy and at least conducts annual reviews and/or updates. Reviews are conducted to ensure that the risk management process is easily understood by both risk owners and risk managers. The Company is currently aligning its internal policy structure with the transformation of new policy and procedure architectures. Policies and procedures are adjusted according to the policy hierarchy from the highest, which is general policy, to specific policies, and technical regulations.

Furthermore, the Company also conducts impact and risk assessments on:

1. The development of new products and activities (both fund and credit products) through the delivery of risk studies and the materiality level of products, considering business aspects, customers, operations, information technology, compliance, legal, and financial aspects;
2. Bank BTN's technology/applications related to data privacy and cybersecurity;
3. Responsible investments; and
4. Human resources development policies.



In efforts to control risks and ensure sustainable healthy performance while achieving corporate objectives, Bank BTN implements comprehensive risk management. The Company's risk management system is supported by four pillars of risk management implementation, namely:



## Active Oversight by the Board of Commissioners and the Board of Directors

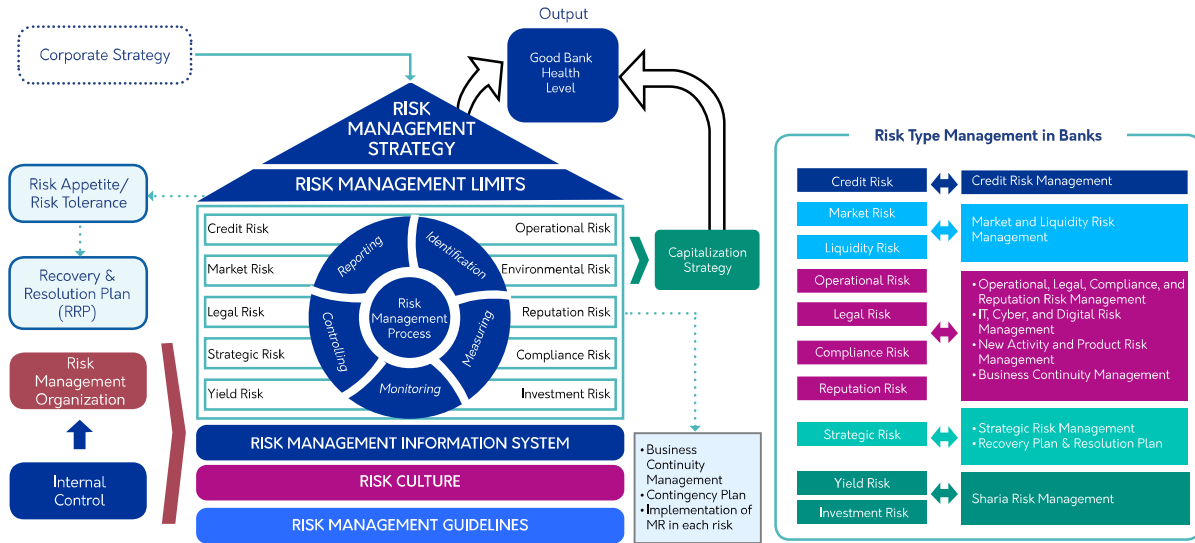
Risk management is carried out through active oversight by the Board of Commissioners, the Board of Directors, and the Risk Management Unit depicted in the risk management organization as follows:



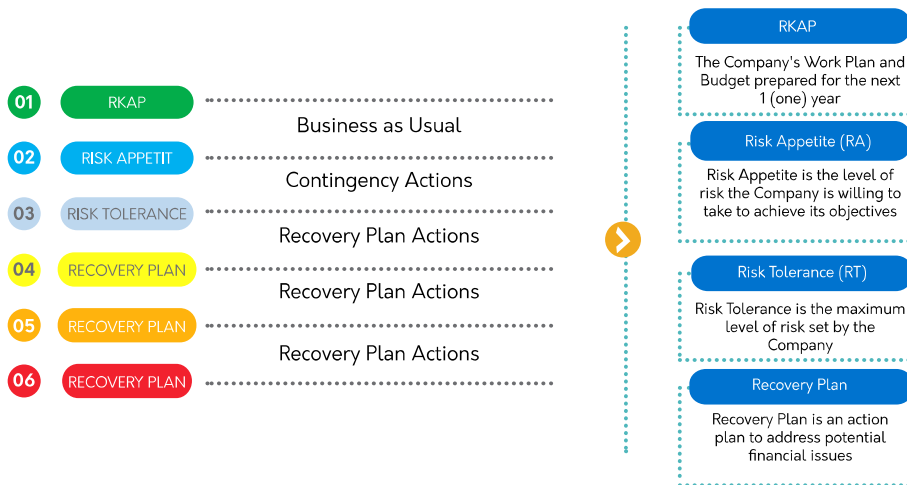
The Board of Commissioners and the Board of Directors are assisted by several committees in carrying out banking tasks and activities in accordance with applicable regulatory provisions. Furthermore, responsibilities are delegated to the layers below the Board of Commissioners and the Board of Directors, namely the Risk Management Unit, Compliance Unit, Internal Audit Unit, and Policy Unit.

## Adequacy of Risk Management Policies and Procedures and Risk Limit Setting

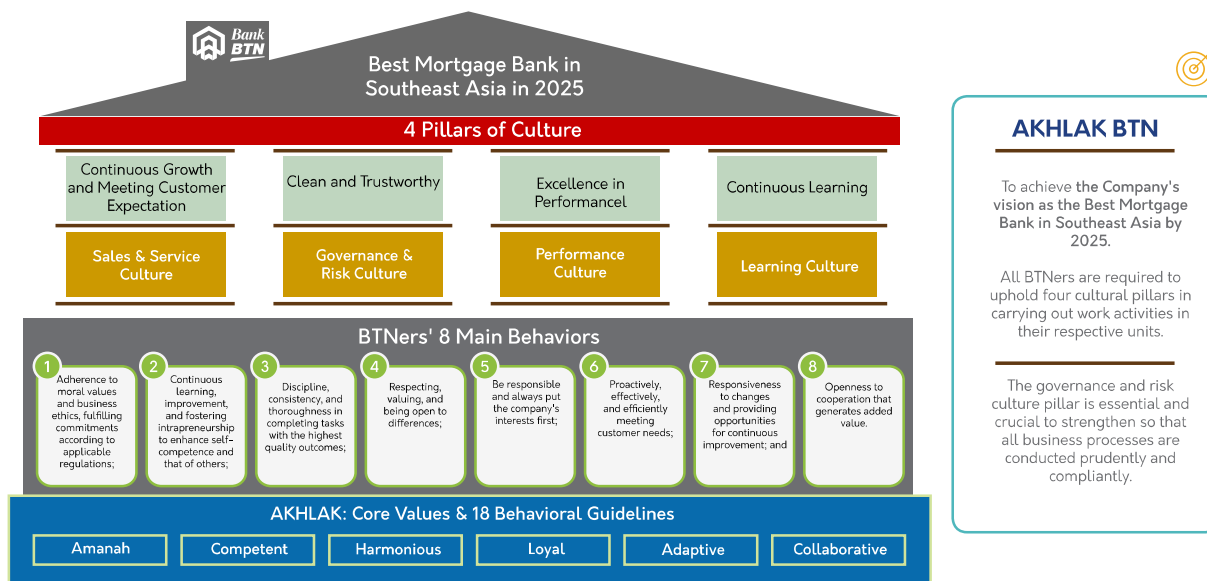
To execute risk management effectively, adequate risk management policies and procedures are required. Currently, the Company is undergoing a transformation of policy and procedure architecture, following the hierarchy of the ideal policy pyramid. In line with this, the Company is currently improving the General Risk Management Policy as the highest policy in risk management implementation. This policy framework covers all activities in the implementation of the Company's risk management. The mapping of the general risk management policy starts from risk management strategy, the Company's risk management, to the expected objectives, namely a good bank health level.



In addition to ensuring the presence of adequate risk management policies and procedures, the Company has also implemented a series of processes in setting risk limits. This setting process is regulated and explained by adjusting to the company's work plan and budget (RKAP) as well as the recovery plan according to applicable regulations. Here is a brief overview of the limit-setting process:



In strengthening risk management policies and procedures, the Company also integrates risk management as one of the pillars of the company's culture, namely governance and risk culture. This pillar plays a very important and crucial role in strengthening to ensure that all business processes are conducted prudently and comply with applicable standards.



### AKHLAK BTN

To achieve the Company's vision as the Best Mortgage Bank in Southeast Asia by 2025, all BTNers are required to uphold four cultural pillars in carrying out work activities in their respective units. The governance and risk culture pillar is essential and crucial to strengthen so that all business processes are conducted prudently and compliantly.

Based on the above diagram, to support Bank BTN's objectives based on the Core Values of AKHLAK dan BTNers' 8 Main Behaviors, there are four cultural pillars that serve as the main foundation of the Corporate Culture Program for the years 2023 - 2024, with the aim of:

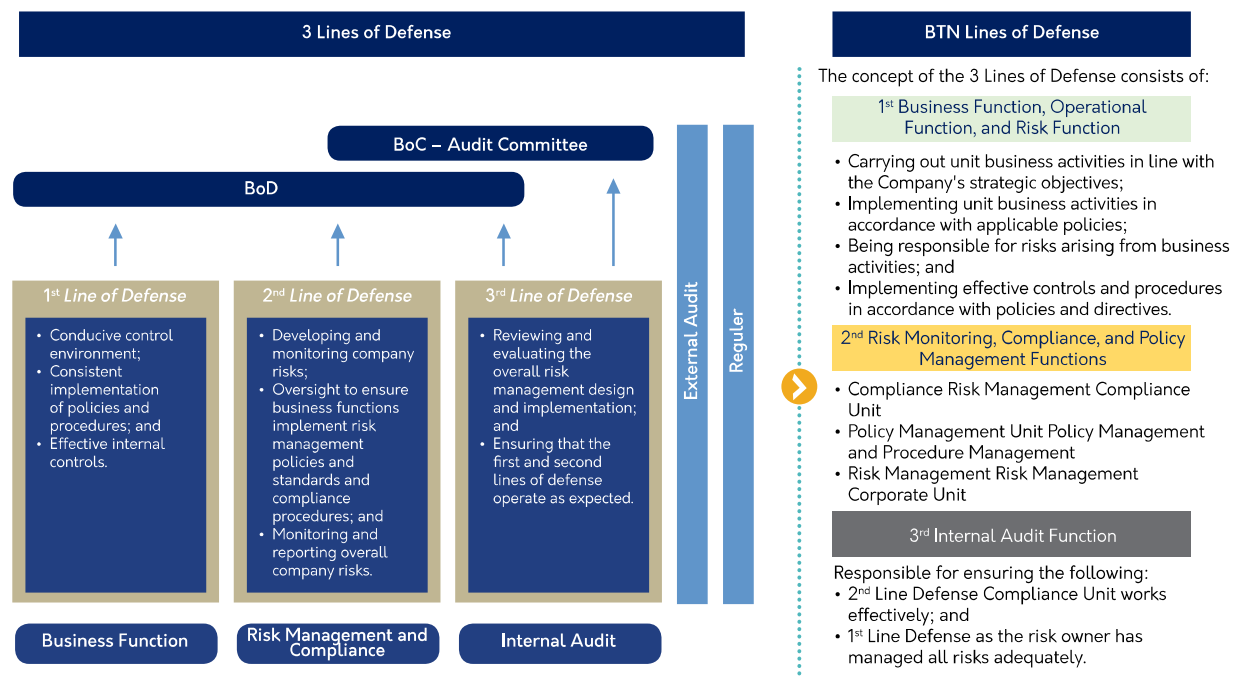
1. Sales & Service Culture – Continuous Growth and Meeting Customer Expectations  
Achieving the end state of increasing sales of funding, lending, and digital products, as well as improving service quality to drive Bank BTN's business and performance.
2. Risk & Governance Culture – Clean and Trustworthy  
Building awareness and understanding of risks and their mitigation, and consistently and comprehensively applying risk management principles.
3. Performance Culture – Excellence in Performance  
Efforts to improve performance to achieve set goals.
4. Learning Culture – Continuous Learning

In order to maintain the adequacy of risk management policies, procedures, and risk limit setting, the Company conducts a review of internal policies. This review aims to ensure that internal policies are always in line with the latest regulations from regulators. The review is conducted by analyzing gaps and accommodating best practices commonly used in the banking industry to improve the quality of risk management implementation. Reviews of internal policies are conducted periodically, at least once a year, by the Board of Commissioners and the Board of Directors.

## Risk Control System

In the effort to effectively implement risk management, the Company complements the internal control system. This system aims to safeguard assets, ensure the availability of reliable financial and managerial reports, increase compliance with laws and regulations, and reduce the risk of losses, deviations, and violations of prudential aspects.

The establishment of a reliable and effective internal control system is the responsibility of all operational units and supporting units, as well as the Internal Audit Unit. This process can be described as follows:



## Risk Management Unit (RMU)

The Risk Management Unit serves as a unit directly under the responsibility of the Director overseeing the Risk Management function. This unit leads the risk management function and operates independently from Operational Units, which are risk-taking units, Internal Audit Units, and Compliance Units. The Company's risk governance based on GCG principles is realized through the involvement of all organs in risk management. This can be seen from the organizational structure of the Company's risk management.

The Risk Management Unit (RMU) at Bank BTN is led by a Division Head who reports directly to the Director of Risk Management. Currently, the Risk Management Unit consists of 4 (four) divisions, including the Enterprise & ESG Risk Management Division, Digital & Operations Risk Management Division, Wholesale Credit Risk Division, and Retail Credit Risk Division.

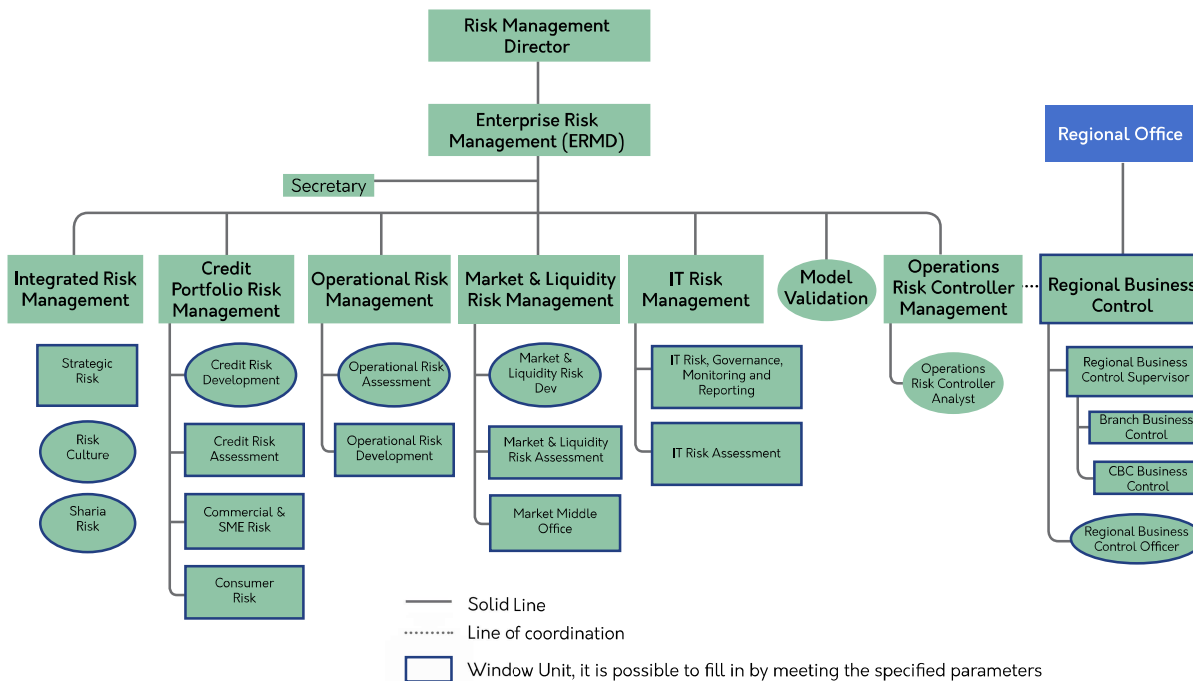
The Enterprise & ESG Risk Management Division consists of the following departments, such as ESG Department, Integrated Risk Management Department, Credit Portfolio Risk Management Department, Market & Liquidity Management Department, and Model Validation Department.

The Enterprise & ESG Risk Management Division comprises the ESG Division, Integrated Risk Management Department, Credit Portfolio Risk Management Department, Market & Liquidity Management Department, and Model Validation. The Digital & Operations Risk Management Division consists of the Fraud Risk Management Department, Digital Risk Management Department, Operational Risk Management Department, Regional Operational Risk Control Department, and Operational Risk Control Department. Meanwhile, the Wholesale Credit Risk Division and Retail Credit Risk Division adhere to the four eyes principle and are included in the 1.5 line of model.

The Board of Commissioners, through the Risk Monitoring Committee meeting, and the Board of Directors, through the Risk Management Committee meeting, are responsible for ensuring that risk management implementation in the Company is adequate according to the characteristics, complexity, and risk profile faced. Both committees actively engage in the risk management process to mitigate Company risks, adhering to the Quality of Risk Management Implementation (QRMI) standards. These standards cover aspects of risk governance, risk management frameworks, risk management processes, adequacy of management information systems, and adequacy of internal control systems.

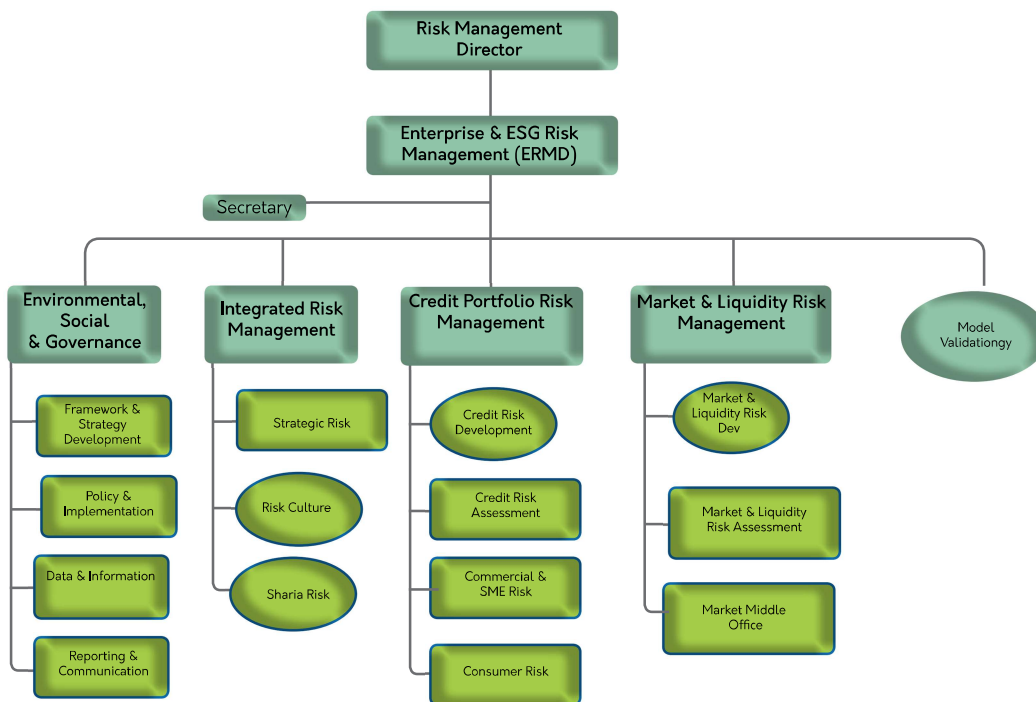
As of December 31, 2023, the Organizational Structure of the Enterprise & Risk Management Division is as follows:

**Organizational Structure of Enterprise Risk Management Division**



In December 2023, the Board of Commissioners approved Phase I organizational structure changes related to strengthening digital banking capabilities, which were implemented in January 2024. Consequently, the Risk Management Work Unit under the Director of Risk Management is as follows:

**Organizational Structure of Enterprise & ESG Risk Management Division**





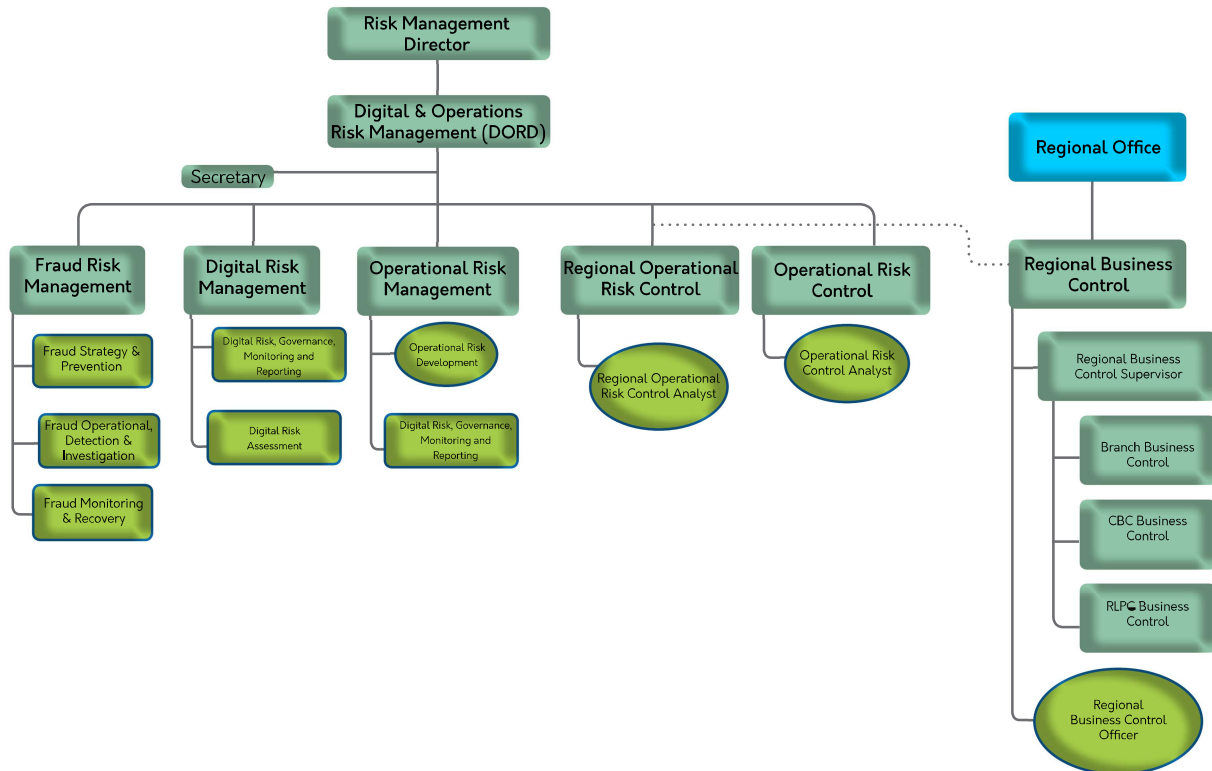
The Enterprise & ESG Risk Management Unit is led by BOD-1 and functions as a control tower that is directive, controlling, and supportive in the implementation of ESG principles. As a control tower, the Enterprise Risk Management Unit not only acts as the 2nd line of supervision but also as a 1.5 line to develop strategies, initiatives, and ESG roadmaps. The Enterprise Risk Management Unit is responsible for overseeing the implementation of the ESG roadmap and continuously evaluating established ESG strategies. Therefore, the Enterprise Risk Management Unit plays a crucial role in ensuring that ESG implementation is effectively and consistently integrated into every activity of the Company.



## ESG ROADMAP SOCIALIZATION

On December 18, 2023, the Company held a National Work Meeting to present the work plan for the year 2024. During this occasion, the ESG Department team presented the ESG roadmap to the Controlling Shareholders, namely the Government of the Republic of Indonesia, as a demonstration of the Company's readiness to conduct responsible banking practices. This includes plans on how the Bank manages environmental impacts, addresses social issues, and maintains high standards of governance in banking operations.

Organizational Structure of Digital & Operations Risk Management Division



In line with the IT & digital risk roadmap and the ongoing trend of increasing risks in the digital IT and operational areas, the formation of the Digital & Operations Risk Management Division is being initiated. This division will also be implemented in January 2024.

## Risk Management Policy and Procedures

The Company has established guidelines in the field of risk management, known as the General Risk Management Policy (KUMR), which includes the minimum provisions required by the regulations of Bank Indonesia/Financial Services Authority.

These risk management policy guidelines are complemented by internal policies, including Implementation Instructions for Reporting and Assessment of the Bank's Risk Profile, Implementation of Reporting and Assessment of the Bank's Health Level, Risk Model Validation Procedures, Implementation Guidelines for Risk Data Collection for the BTN-Loss Event Database (BTN-LED Tool), Implementation Instructions for Liquidity Risk Measurement Processes, Implementation Instructions for Calculating and Reporting Liquidity Adequacy Ratios (Liquidity Coverage Ratio), Implementation Instructions for Market Risk Measurement Processes, Interest Rate Risk Management in the Banking Book, Stress Testing Implementation Guidelines, Risk Model Validation Procedures, Liquidity Monitoring Guidelines, Risk Management Policy Guidelines (PKMR), Risk & Control Self-Assessment, Implementation Instructions for Action Plans (Recovery Plan), Risk Culture, Guidelines and Assessment of Branch and Sharia Branch Risk Profiles, Internal Credit Rating (ICR) Processes, Implementation Instructions for Credit Scoring Model (CSM) Processes, Commercial Credit and Consumer Credit Authority Limits, Implementation Instructions for Calculation of Impairment Loss Reserves (CKPN), Policy for Debtors Affected by Covid-19, Business Continuity Management (BCM), Standard Operating Procedure (SOP) for Business Continuity Plan (BCP), Standard Operating Disaster Recovery Plan (DRP), and Standard Operating Business Impact Analysis (BIA).

Periodic reviews of internal policies are conducted to ensure compliance with the latest regulatory requirements by performing gap analyses and accommodating best practices commonly used in the banking industry to enhance the quality of risk management implementation. The continuous improvement of the risk management information system focuses on enhancing the quality of the risk database, with the aim of gradual development and application into the risk management information system. This ensures that risk measurement and monitoring processes can be integrated and presented in a timely manner.

## Risk Profile Assessment [GRI 2-16]

To provide a comprehensive and sustainable overview of risks, the Company routinely conducts a self-assessment of the Bank's health level (TKB) and prepares a Risk Profile Report. The self-assessment of TKB, referring to the regulations POJK No. 4/POJK.03/2016 and OJK SE No. 14/SEOJK.03/2017 regarding the Assessment of the Health Level of Commercial Banks, is conducted every semester, while the Risk Profile Report is prepared every quarter. The assessment of TKB includes the evaluation of risk profiles (comprising inherent risk and the quality of risk management implementation), profitability aspects, governance, and capital. The risk profile assessment covers credit risk, market risk, liquidity risk, operational risk, legal risk, strategic risk, compliance risk, and reputation risk. Specifically for the risk profile assessment of Sharia Business Units, there are additional 2 (two) types of assessed risks, namely yield risk and investment risk. The risk profile assessment includes evaluations of Inherent Risk and the Quality of Risk Management Implementation in the Bank's operational activities.

In general, based on the self-assessment of the Risk Profile for Q4 2023, efforts are made to be at the Low to Moderate level. This means that the potential losses faced by the Bank from composite inherent risks are classified as Low to Moderate, with the overall quality of risk management implementation being Satisfactory. The details are as follows:

Risk Type	Inherent Risk Rating	KPMR Rating	Risk Level Rating
Credit Risk	Low to Moderate	Satisfactory	Low to Moderate
Market Risk	Low to Moderate	Satisfactory	Low to Moderate
Liquidity Risk	Low to Moderate	Satisfactory	Low to Moderate
Operational Risk	Low to Moderate	Satisfactory	Low to Moderate
Legal Risk	Low to Moderate	Satisfactory	Low to Moderate
Strategic Risk	Low to Moderate	Satisfactory	Low to Moderate
Compliance Risk	Low to Moderate	Satisfactory	Low to Moderate
Reputation Risk	Low to Moderate	Satisfactory	Low to Moderate



## Implementation of Basel

In the context of risk management, particularly the implementation of Basel II and Pillar 1, which applies to all commercial banks, the Company has fulfilled the following provisions:

Requirement	Status
The bank has implemented market risk measurement using the standardized model as stipulated in OJK Regulation No. 38/SEOJK.03/2016 dated September 15, 2016, concerning Guidelines for the Use of the Standardized Method in Calculating the Minimum Capital Adequacy Ratio for Commercial Banks, Considering Market Risk. The portfolio considered in determining the market risk weighted assets (KPMM) consists of the trading book portfolio for interest rate risk, as well as the trading book and banking book portfolios for exchange rate risk. In 2023, the bank prepared for OJK Regulation No. 23/SEOJK.03/2022 dated December 7, 2022, regarding the Calculation of Risk-Weighted Assets for Market Risk for Commercial Banks, which will be implemented starting January 1, 2024, by conducting trial calculations and reporting to OJK for ATMR Market positions in June 2023, September 2023, and December 2023.	✓

### Implementation of Basel II Pillar 2

Requirement	Status
The bank has submitted the results of the risk management application for Interest Rate in the Banking Book (IRRBB) and the calculation report of IRRBB to the regulator on a quarterly basis in accordance with OJK Regulation No. 12/SEOJK.03/2018 dated August 21, 2018, regarding the Implementation of Risk Management and Measurement of the Standardized Approach for Interest Rate Risk in The Banking Book for banks.	✓

### Implementation of Basel III

Requirement	Status
Regarding the regulator's plan to implement Basel III as regulated in OJK Regulation No. 11/POJK.03/2016, the Company has specifically maintained a Capital Adequacy Ratio (CAR) of 20.17%, above the minimum requirement under the Basel III framework, which is 10.5%.	✓

## IMPLEMENTATION OF PRINCIPLES OF PRUDENCE [GRI 2-23]

### Know Your Customer (KYC) dan Know Your Employee (KYE)

To strengthen the implementation of prudential principles, the Company adopts the know your customer (KYC) and know your employee (KYE) approaches in managing operational risks in banking business activities. The KYC approach has evolved into customer due diligence (CDD), which includes identification, verification, and monitoring activities conducted by the Company to ensure that transactions comply with the profile of prospective customers, walk-in customers (WIC), or existing customers, in accordance with PBI No. 14/27/PBI/2012. To enhance employees' understanding of the implementation of prudential principles, the Company provides access to online training with CDD materials containing relevant case examples related to prudential principles.

### Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Countering the Proliferation of Weapons of Mass Destruction (CPWMD)

The Company implements AML, CFT, and CPWMD programs in customer identification activities in accordance with applicable regulations. As part of efforts to enhance the effectiveness of the AML, CFT, and CPWMD programs to meet regulatory requirements, the Company has established a Special Working Unit (SWU) for AML, CFT, and CPWMD at the Head Office. Furthermore, the implementation of AML, CFT, and CPWMD programs at regional offices and branch offices is the responsibility of each Regional Office Head and Branch Manager.

In addition to implementation at the head office, the Company also ensures that the AML, CFT, and CPWMD SWU program is implemented at regional offices and branch offices. This is intended to promote the effective implementation of these programs and comply with regulatory requirements.

### Anti-Money Laundering and Counter-Terrorism Financing Program (AML and CTF)

Submission of Reports and Data to Regulators and/or the People's Consultative Assembly (APH) includes several components, including:

1. Submitting Financial Transaction Reports to the Financial Transaction Reports and Analysis Center (PPATK) as follows:
  - a. Cash Financial Transaction Reports (LTKT)
  - b. Suspicious Financial Transaction Reports (LTKM)
  - c. Reports on Fund Transfer Financial Transactions to and from Abroad (LTKL)
  - d. Integrated Service User Information System (SIPESAT)
2. Submitting Compliance Data/Information to Law Enforcement & Regulators as follows:
  - a. Anti-Money Laundering and Counter-Terrorism Financing Program Information System (SIGAP) to OJK
  - b. AML and CTF Reports through the OJK APOLO Application
  - c. Suspected Terrorism Financing Information System (SIPENDAR) to PPATK
  - d. Electronic Data Exchange (PEDAL) to the Corruption Eradication Commission (KPK)
  - e. Fulfilling Data Requests from Other Institutions such as the Police, National Narcotics Agency, and Prosecutor's Office.
3. Submitting Reports related to the Implementation of Elections and Regional Elections to PPATK as follows:
  - a. Participating in the Collaborative Analysis Team (CAT), which is a collaboration for exchanging information between the Public Sector, including PPATK, reporting entities, Regulatory and Supervisory Agencies (LPP), and Law Enforcement Agencies.
  - b. Monitoring Special Campaign Fund Accounts (RKDK).
  - c. Screening the Treasurers of Political Parties, Central and Regional Boards.
  - d. Screening the List of Permanent Candidates (DCT) for the 2024 Elections.
  - e. Submitting all reports and information requests related to the implementation of the 2024 Elections and Regional Elections.

### Strategic Initiative Awareness Program

1. AML Creative Campaign 2023
  - a. AMOLA TikTok Competition 2023  
The AMOLA TikTok Competition is a content creation competition with themes related to AML, CTF, and CWMD through the TikTok social media platform, using the AMOLA Create Jingle from 2022. Participants in the AMOLA TikTok Competition include representatives from each Work Unit at the Head Office, Regional Offices, and Branch Offices.
  - b. AMOLA Mini-Series Tahun 2023  
The AMOLA Mini-Series is a short film with themes revolving around the implementation of AML, CTF, and CWMD programs, covering Money Laundering Typologies, Money Laundering Stages, and the Principles of Knowing Your Customer (KYC)/Customer Due Diligence (CDD), consisting of 3 episodes. The AMOLA Mini-Series has been widely broadcasted through various internal BTN media.
2. Internalization of AML, CTF, and CWMD Awareness 2023
  - a. AML, CTF, and CWMD Webinar 2023  
BTN conducts an On-Boarding Session for AML, CTF, and CWMD in 2023 through a webinar featuring external speakers (e.g., PPARK and Banking Practitioners).
  - b. AML, CTF, and CWMD Workshop 2023  
BTN organizes an Internalization Workshop for the provisions of OJK Regulation No. 8/2023 to enhance employee understanding and compliance related to the impact of the implementation of OJK Regulation No. 8/2023.
3. Branch Visit dan Surprise Review  
Branch Visits are conducted to increase awareness at branch offices through the internalization of all branch offices, considering the distribution of the most Suspicious Financial Transaction Reports (LTKM), including ownership of foreigners from high-risk countries, as well as auditees from the 2022 AML and CTF thematic audits. In addition, Surprise Reviews are conducted at visited branch offices to ensure employee understanding and evaluate the effectiveness of Branch Visit activities.

## Enhanced Due Diligence and High Risk Jurisdiction

The Company conducts Enhanced Due Diligence (EDD) and proportional and appropriate preventive measures (countermeasures) to mitigate risks associated with business relationships, transactions, prospective customers, Politically Exposed Persons (PEP), and/or customers originating from high-risk countries as published by the Financial Action Task Force (FATF). In monitoring High-Risk Jurisdictions, the Company utilizes the AML, CTF, and CPWMD system