



In the risk management system, the Company implements a risk management process supported by 4 (four) pillars of risk management implementation, namely:

1. Active Supervision of the Board of Commissioners and Directors.
2. Adequacy of risk management policies and procedures and implementation of risk limits.
3. Adequacy of risk identification, measurement, monitoring and control processes and Information Systems.
4. Instructing Risk Control System.

In the active supervision of the Board of Commissioners and Directors, the Organs of the Board of Commissioners and Directors are assisted by several committees in carrying out banking duties and activities in accordance with applicable Regulatory provisions. Then, it is continued to the layers below the organs of the Board of Commissioners and Directors, namely the Risk Management Work Unit, Compliance Work Unit, Internal Audit Work Unit and Policy and Procedure Work Unit.

The internal control system implemented by Bank BTN is considered to be effective and adequate, as reflected in the effectiveness of the implementation of internal control functions, including internal audit, risk management, compliance, financial and operational control functions. The Company's risk management is based on good Corporate Governance and the involvement of all Company organs in managing risk management. This can be seen from the composition of the Company's risk management organization. The Board of Commissioners through Risk Monitoring Committee meetings and the Board of Directors through Risk Management Committee meetings are responsible for ensuring that the implementation of Risk Management is adequate in accordance with the characteristics, complexity and risk profile of the Company on a periodic basis. Based on the results of the review carried out in 2023, the Board of Directors and Board of Commissioners assess that the risk management system has been implemented adequately.

The Board of Commissioners and Directors play an active role in the risk management process in order to mitigate the Company's risks, including through monitoring the Quality of Risk Management Implementation, including risk governance, risk management framework, risk management process, adequacy of management information systems and HR as well as the adequacy of the internal control system.

## Internal Control System

The implementation of the internal control system is carried out in order to support the achievement of the Company's performance objectives, increase value for stakeholders, minimize the risk of loss and maintain compliance with applicable laws and regulations. The Company implements an internal control system as an important supervisory component in the management of the Company and as a reference for healthy and controlled operational activities. The Company refers to the Committee of the Sponsoring Organizations of the Treadway Commission (COSO)

- Internal Control Integrated Framework in preparing an internal control framework to ensure the adequacy of operational and financial controls, financial reporting, operational effectiveness and efficiency, as well as compliance with applicable laws and regulations. Internal control objectives according to COSO include operational objectives, reporting objectives and compliance objectives.

The Board of Commissioners is responsible for ensuring that the Board of Directors has monitored the effectiveness of the implementation of the internal control system, so that the Board of Commissioners has an active role in ensuring that there are improvements to the Company's problems that can reduce the effectiveness of the internal control system. The Board of Directors is responsible for establishing policies and strategies as well as internal control procedures. The Board of Directors is also responsible for monitoring the adequacy and effectiveness of the internal control system. The Board of Commissioners and Directors are responsible for improving work ethics and high integrity as well as creating an organizational culture that emphasizes to all Bank employees the importance of internal control that applies in the Company.

Furthermore, the monitoring process by management and a well-implemented control culture encourage the creation of a Control Environment that reflects the overall commitment, behavior, concern and steps taken by the Board of Commissioners and Directors in carrying out the Bank's operational control activities. The Control Environment elements include:

1. Adequate organizational structure;
2. Leadership style and Bank Management philosophy;
3. Integrity and ethical values and competence of all employees;
4. Bank's human resource policies and procedures;
5. Attention and direction of Bank Management and other Committees, such as the Risk Management Committee; And
6. External factors that influence Bank operations and the implementation of risk management.

Bank BTN, through the Internal Audit Division (IAD), carries out periodic Internal Control Assessments (ICA) in order to evaluate the effectiveness of the internal control system. This assessment measures the quality of internal control of the auditee work unit over the 5 (five) COSO Framework internal control components using the Internal Control Assessment (ICA) questionnaire rating criteria and methodology as well as the auditor's professional judgment through direct testing (walkthrough) in the field. In 2023, Bank BTN has implemented internal control in accordance with control principles and overall the quality of the internal control system has been running well.

In general, the steps taken by the Bank to ensure the implementation of effective monitoring activities include:

1. Ensuring that the monitoring function has been clearly defined and well structured within the Bank organization.
2. Determining the work unit or employee assigned to monitor the effectiveness of internal control.

3. Determining the appropriate frequency for monitoring activities based on the risks inherent in the Bank and the nature or frequency of changes occurring in operational activities.
4. Integrating the Internal Control System into operational activities and provide routine reports such as bookkeeping journals, management reviews and reports regarding approval of exceptions or deviations from established policies and procedures (justification for irregularities) which are then reviewed.
5. Reviewing documentation and evaluation results from work units or employees assigned to carry out monitoring.
6. Determining information or feedback in an appropriate format and frequency.

In addition, the Company also carries out an Audit on Compliance with Legislation and Internal Control (PSA 62) to ensure the Bank's compliance with legal articles, regulations and cooperation agreements as well as internal control compliance which includes the control environment, Risk Identification, control activities, information and communication and monitoring. Evaluation of the effectiveness of the Bank's internal control (risk control) system is carried out in all Head Office units (divisions/desks/Regional Offices) as well as Branch Offices, both Conventional and Sharia. Everything related to issues regarding the adequacy of internal control has been reported directly to the Board of Directors through the President Director and to the Board of Commissioners through the Audit Committee. Follow-up efforts have been made to minimize risks and overcome problems that arise.

The Board of Directors and Board of Commissioners are committed to ensuring that Corporate Governance is carried out well as a basis for achieving goals to maintain and increase the value of the Company. One of the implementations of good corporate governance is ensuring that the internal control system is implemented adequately.

The Board of Directors and the Board of Commissioners or the Audit Committee conduct a review once a year of the results of the evaluation of the effectiveness of the Bank's internal control system which includes five main components of control, namely the Control Environment, including Supervision by Management and Management Culture Oversight and Control Culture), Risk Identification and Assessment, Control Activities and Segregation of Duties, Accounting, Information and Communication Systems, Monitoring Activities and Correction Deficiencies. Based on the results of the review carried out in 2023, the Board of Directors and Board of Commissioners assess that the internal control system has been implemented adequately.

This Internal Control System Standards Guideline becomes a guideline that contains minimum measures regarding the Internal Control System that must be maintained and implemented by the Bank in all aspects related to the organization and implementation of the Bank's operational activities to create a common understanding and basis regarding the level of maintenance of interests and commitment from all parties related to the Bank.

## Whistleblowing System

The Company's Violation Reporting System (WBS) policy is guided by the Minister of SOEs Regulation No.PER-2/MBU/03/2023 dated March 3, 2023 concerning Guidelines for Governance and Significant Corporate Activities of State-Owned Enterprises and OJK Regulation No. 39/POJK.03/2019 dated December 19, 2019 concerning Implementation of Anti-Fraud Strategies for Commercial Banks, as well as Technical Instructions No. PT.7-B.2 dated October 31, 2023 concerning Whistleblowing System Management. The Company's WBS is part of the internal control system and the implementation of anti-fraud strategies to prevent its occurrence irregular practices and aims to detect early and prevent irregularities or violations and gradually create an open, sincere, honest and responsible work climate in the Company.

The mechanism for submitting violation reports through the WBS is carried out by making a complaint/disclosure report and sending it based on indications of who the violation was committed. The Company is committed to providing protection to every whistleblower. Protection for the Whistleblower is provided to support the courage of the Whistleblower in reporting suspected violations and/or if there is retaliation from the Reported Party. For Whistleblowers who submit WBS reports that are recognized for their level of accuracy and in good faith, the Company can provide a guarantee of protection.

The Company's WBS was managed by an independent WBS Manager from an external party (Deloitte). The Company has also collaborated with the Corruption Eradication Commission (KPK) of the Republic of Indonesia regarding handling the WBS in efforts to eradicate corruption. This collaboration aims to build and improve the effectiveness and efficiency of handling complaints both internally and externally in an integrated, professional, transparent and accountable manner by prioritizing confidentiality in the context of optimizing the eradication of criminal acts of corruption.

The Company is committed to providing protection to every whistleblower. Protection for the Whistleblower is provided to support the courage of the Whistleblower in reporting suspected violations and/or if there is retaliation from the Reported Party. For Whistleblowers who submit WBS reports recognized for their level of accuracy and in good faith, the Company can provide guarantees of protection. In relation to the implementation of the WBS, the Board of Commissioners plays the role of evaluating if violations are committed by the Directors, Board of Commissioners and Committees under the Board of Commissioners. The Independent WBS Manager will submit a report to the Board of Commissioners. Next, the Board of Commissioners will carry out validation and decide whether or not it is appropriate to carry out a special audit in which further/in-depth investigations will be carried out by the Special Audit Team (IAD)/External Auditor Team. If it is not appropriate to carry out a special audit, the handling will be adjusted to the Company's provisions.