

REPUTATIONAL RISK

31 December 2021

Reputational risk is the risk set off by a decline in the level of stakeholder trust stemming from negative perceptions toward the Company.

1. Reputational Risk Management Framework

Reputation is an invaluable asset for Bank BTPN's business continuity. Therefore, every message delivery to external parties that is considered to have potential effect on the Company's reputation needs to be discussed with Corporate Communications within the Communications & Daya division, whether or not the delivery process involves mass media.

Corporate Communications is a unit under the Compliance, Legal & Corporate Secretary Directorate which serves the key role of managing the Bank's reputation, by conducting effective and efficient communication activities (information dissemination) to both internal and external parties in line with the strategy, vision, mission, and values of the Bank.

In performing its main duty to manage the Bank's reputation, Corporate Communications is responsible for and serves as the main gateway in the delivery of information to internal and external parties. Corporate Communications also assumes the supervisory role (control & monitoring) of all the communication activities at Bank BTPN in general and in particular those carried out by each business and support units.

2. Policies, Procedures and Threshold Setting

In managing reputational risk, the Bank has policies, procedures, and mechanism in place to improve service quality, including the handling of complaints from stakeholders (customers, stakeholders, and others) which is implemented coherently.

The Bank prepares a set of provisions as laid out in the procedure as preparation and anticipation in responding to inquiry from mass media or customers regarding events affecting the Bank's reputation.

3. Adequacy of Risk Identification, Measurement, Monitoring and Control Process, as well as Risk Management Information System

Reputational risk is identified through a reputational risk study on new products or activities or their development, corporate actions that are to be implemented, as well as on material transactions of the Bank. The reputational risk measurement process involves an independent assessment as part of the of the Bank's risk profile reporting which is carried out regularly. Reputational risk is monitored through negative publications and customer complaints in mass media.

There are 2 (two) primary parameters in measuring reputational risk, i.e. (1) negative news and (2) the frequency and duration of customer complaint settlement. The 2 (two) parameters are continuously monitored to ensure quick and effective responses to negative news and customer complaints, so that the Bank's reputation remains unharmed. Reputational risk is controlled

through Internal Audit's reports on examination results that provide inputs to improve operational process sustainably.

Reputational Risk Monitoring is carried out, among others, through the Risk Management Committee. Internal Audit regularly examines reputational risk management of each relevant party in line with the prevailing Audit Plan. Audit-related examination is conducted on negative publications and the management of customer complaint handling that includes case registration, follow up measures, and reporting, to mitigate reputational risk were reviewed during the audit process.

4. Reputational Risk Control System

The Bank has an internal control system in place for reputational risk management, that covers regular monitoring of customer complaints or negative publications that carry material impacts on the Bank's reputation and reputational risk control culture that involves all business lines.

5. Reputational Risk Control and Reputational Risk Management in Times of Crisis

According to the Crisis Communication Manual, the Communications & Daya Division oversees reputational crisis communication at the headquarters and responsible for appointing persons in charge of reputational crisis communication in regions. This division provides support for all external and internal communication, from planning, to implementation, to monitoring, and evaluation of communication processes during a reputational crisis.

The primary tasks in times of reputational crisis situations are as follows:

- a. Develop communication strategies and tactics to convey them;
- b. Design and draft key messages; - Carefully deciding on the communication channel to be employed;
- c. Determine the spokesperson and person in charge of communication;
- d. Coordinate with the person in charge of communication and the appointed spokesperson;
- e. Carry out intensive communication initiatives to external and internal parties;
- f. Properly and effectively respond to media requests for information or interviews; and
- g. Monitor and evaluate the effectiveness of communication.