

## REPUTATIONAL RISK

December 31, 2024

Reputational risk results from a decrease in the level of stakeholder trust that stems from negative perceptions of the company.

### **Reputational Risk Management Framework**

SMBC Indonesia's reputation is a very important asset for business continuity. Therefore, every activity of delivering messages to external parties, whether involving conventional mass media or not and considered to be able to affect the company's reputation, needs to be coordinated with Corporate Communications in the Communications and Daya division.

Corporate Communications is a unit under the Compliance Directorate and one of its main functions is to manage the company's reputation. This effort is carried out by conducting communication activities (delivery of information) to internal and external parties that are effective and efficient in accordance with the company's strategy, vision, mission and values.

In terms of managing the company's reputation, Corporate Communications is responsible and acts as the main door in delivering internal and external information. Corporate Communications also carries out the function of supervision (control and supervision) of all SMBC Indonesia communication activities in general and specifically carried out by each business unit and supporting unit.

### **Policies, Procedures, and Limit Setting**

In controlling reputational risk, SMBC Indonesia has policies, procedures, and mechanisms to improve the quality of service including handling complaints from stakeholders (customers, stakeholders, and others) which are carried out in an inherent manner.

SMBC Indonesia has prepared provisions for the steps outlined in the procedures as preparation and anticipation to respond if there are questions from the mass media or customers regarding events that disrupt the bank's reputation.

### **Adequacy of Risk Identification, Measurement, Risk Monitoring and Control, as well as Risk Management Information System**

The reputational risk identification process is carried out through the creation of a Reputational Risk Assessment on new products or activities or their development, as well as corporate actions that will be carried out, including on material company transactions. The reputational risk measurement process is carried out through an independent assessment of reputational risk as part of the company's risk profile preparation carried out periodically. The reputational risk monitoring process is carried out through media monitoring related to negative news and customer complaints in the mass media.

There are two main parameters in measuring reputational risk, namely negative news, and the frequency and time of resolving customer complaints. Monitoring of both parameters is carried out continuously so that responses to negative news and responses to customer complaints can be carried

out quickly and accurately, so as not to impact SMBC Indonesia's reputation. The bank has Corporate Communications, which is responsible for monitoring negative news in conventional mass media; Corporate Brand Activation, which is responsible for monitoring negative publications in social media; and Customer Care, which is responsible for monitoring, following up on, and handling all customer complaints. The reputational risk control process is carried out, among others, through reports on the results of Internal Audit examinations as input for continuous improvement of operational processes. The reputational risk control process is carried out, among others, through reports on the results of Internal Audit examinations as input for continuous improvement of operational processes.

Monitoring of reputational risk is carried out, among others, through the Risk Management Committee. Internal Audit conducts regular checks on the management of reputational risk from each related party in accordance with the established audit plan. Audit checks conducted on negative news and management of customer complaint handling that include recording, follow-up, and reporting to mitigate reputational risk have been reviewed during the audit.

### **Reputational Risk Control System**

SMBC Indonesia has an internal control system for reputational risk management, including regular monitoring of customer complaints or negative news that has a material impact on SMBC Indonesia's reputation and a reputational risk control culture that involves all business lines.

### **Reputational Risk Control and Reputational Risk Management in Times of Crisis**

Referring to the Crisis Communication Manual, the Communications and Daya Division is responsible for reputational crisis communications at the headquarters and appoints a person in charge of reputational crisis communications in regions. This division provides support for all aspects of external and internal communications from planning, implementation to monitoring and evaluation of the communication process during a reputational crisis.

The main tasks in a reputational crisis situation include:

1. Develop communication strategies and tactics to communicate them;
2. Plan and organize key messages;
3. Take into account the communication channels used;
4. Determine the spokesperson and person responsible for communications;
5. Coordinate with the person in charge of communications and the designated spokesperson;
6. Carry out communication functions intensively to external and internal parties;
7. Arrange requests for information or interviews with the media; and
8. Conduct monitoring and evaluation of communication effectiveness.