

Risk Exposure Report

Strategic Risk – General Qualitative Disclosures

31 December 2022

Strategic risk is a risk due to the inaccurate decision and/or implementation of a strategic decision as well as failure in anticipating changes in the business environment.

1. Strategic Risk Management Framework

The Strategic Risk Work Unit plays the role of managing strategic risks and is under the active supervision of the Board of Commissioners and the Board of Directors. The strategic risk work unit covers all lines of business and supporting units that work together with the Investor Relations Division and Finance Directorate in analyzing and monitoring strategic risks.

The Bank continuously reviews strategic issues that arise due to changes in business operations and the environment that pose a negative impact on the Bank's business or financial conditions. All implementation of strategies is developed periodically following assessment and adjustments.

2. Adequacy in Policies, Procedures and Limit

The Bank retains the policies and procedures that regulate the formulating and compiling of the Bank's Business Plan, which includes reviews on strategic directions and key activities to support the implementation of planned strategies.

The Strategic Risk Management Policy covers the following:

- a. Policies related to strategic risks as guidelines for strategic control function.
- b. Strategic risk management includes mitigation of possible negative impact resulting from the inaccuracy of strategic decision making and failure in anticipating changes in the business environment.
- c. General Audit policies as guidelines for the Bank's Internal Audit.

While strategic risk procedures are related to establishing procedures and limit with reference to the implemented policies. The established strategic risk limit may cover risks due to variance of the strategic plan due to deviation of budget and target time of completion.

3. Adequacy of Processes in Risk Identification, Measurement, Monitoring, and Control, and Risk Management Information Systems

Identification of strategic risk is the result of studies on risk characteristics. In the identification process, the Bank continuously records and manages every strategic risk data and potential loss due to unrealized or ineffective implementation of the established business strategy or business plan, especially those with a significant impact on the Bank's capital.

The Bank's strategic risk management information system comprises the following:

- a. Present the need for accurate, on-time and updated information.
- b. Support the management function for easier process of planning and decision-making process.
- c. Fulfil adequate data in accordance with the Bank's business plan.
- d. Support the implementation of audit tracks on data of strategic risk incidents in managing and reporting as well as documenting every strategic risk incident for projected potential loss in a certain period.

4. Internal Control System for Strategic Risk

The Bank retains the internal control system for the management of strategic risks by periodic monitoring with a comparison of the Bank's performance against the expected results of the strategies implemented, both in quantitative as well as qualitative aspects. Bank BTPN continuously strives to improve the quality of its strategic risk management so that risks that arise can be minimized or prevented.