

Internal Control System

The internal control system is a continuous monitoring mechanism established by the Bank and implemented by management and employees at every level of the organization.

Maybank Indonesia has implemented internal control functions in its operations including through task separation, dual control, reconciliation as well as standard work procedures and implementation guidelines. The segregation of functions is intended to ensure the Bank operations run in a healthy, safe, and controlled manner.

The implementation of the Bank's reliable and effective internal control system is the responsibility of all personnel involved in the process including the Bank's top management. In addition, the Bank's management shall place a more effective risk culture and ensure it is embedded at every level of the organization.

REGULATORY BASIS

The Bank runs an internal control system with the following objectives:

- Ensure that the business activities it carries out remain in compliance applicable rules and regulations including its internal regulations;
- Ensure that a comprehensive, accurate, proper, timely, and relevant financial, management information is available;
- Enhance effectiveness and efficiency in asset management and using other resources to protect the Bank from loss risk;
- Create a more effective risk culture across the organization so weaknesses and deviations can be identified earlier while fairness in policies and procedures can be sustainably measured.
- Ensure that internal control system is run in a way that it allows the Bank to run healthy, safe and controlled operations.

The Bank implements the internal control system as stipulated in all applicable regulations, among others, as follows:

1. OJK Regulation No. 18/POJK.03/2016 dated March 16, 2016 on the Risk Management for Commercial Banks.
2. OJK Circular Letter No. 34/SEOJK.03/2016 dated September 1, 2016 on Risk Management for Commercial Banks.
3. OJK Circular Letter No.35/SEOJK.03/2017 dated 7 July 2017 on Standard Guidelines for Internal Control System for Commercial Banks.

APPLICATION OF INTERNAL CONTROL SYSTEM AND COMPLIANCE WITH COSO – INTERNAL CONTROL FRAMEWORK-

The Bank implements an internal control system consisting of two important aspects: operational control and financial control. Internal control over the Bank's operational and Financial Reporting is conducted with reference to the international COSO-Internal Control Integrated Framework. COSO - Internal Control Framework, covering 5 (five) control components:

COSO Component	COSO Principles
1. Control Environment (CE)	1. Demonstrate Commitment to Integrity and Ethical Values. 2. Exercises Oversight Responsibility. 3. Establishes Structure, Authority, and Responsibility 4. Demonstrates Commitment to Competence. 5. Enforces Accountability.
2. Risk Assessment (RA)	6. Specifies Suitable Objectives. 7. Identifies and Analyzes Risk. 8. Assesses Fraud Risk. 9. Identifies and Analyzes Significant Change.
3. Control Activities (CA)	10. Selects and Develops Control Activities. 11. Selects and Develops General Controls over Technology 12. Deploys through Policies and Procedures.
4. Information & Communication (IC)	13. Use Relevant Information. 14. Communicates Internally. 15. Communicates Externally.
5. Monitoring Activities (MA)	16. Conducts Ongoing and/or Separate Evaluations. 17. Evaluates and Communicates Deficiencies.

The key elements in the application of internal control systems in the Bank are adapted from the COSO framework and cover the following:

- a. Management oversight control culture are the foundation of Internal Control. The foundation is in the form of discipline and structure of Internal Control itself, management philosophy and work style, corporate governance to improve the effectiveness of banking operations, the fairness of management work plans and predictive reliability made by the management of Maybank Indonesia.

Internal control system is run effectively and efficiently with no exception whatsoever in running supervisory procedures, and system that can support internal control efforts has always been maintained. Overall, the internal control system has been effective. Internal control issues due to weaknesses are immediately reported to the Board of Directors and consistently followed up to mitigate risks pursuant to all applicable regulations. The Board of Commissioners, through the established committees, makes regular assessments of the control environment and independent evaluations that are communicated to the Directors for further action.

- b. Risk identification and assessment is a process of identifying and analyzing risks that might hinder efforts to achieve the objectives of Maybank Indonesia, while formulating how Maybank Indonesia manages those risks.



Risk Assessment Management are series of actions undertaken by the Board of Directors in the context of identifying, analyzing and assessing the risks faced by the Bank to achieve its business objectives. Risks that may affect the achievement of the Bank's objectives are identified, assessed, monitored and controlled on an ongoing basis. In its application there are already available procedures for anticipating, identifying and responding to events and constraints that may affect achievement of targets. The Board of Commissioners and the Board of Directors, through the Risk Oversight Committee and the Risk Management Committee, ensure that risk management is well implemented.

- c. Control activities and separation of functions constitute policies and procedures to ensure that the management of Maybank Indonesia has established the Bank's direction and objectives. Control activities and the separation of functions involve all Bank's employees including the Board of Directors. Control activities are planned and implemented in order to control identified risks. Control activities also include policy making and procedure setting and prompt and timely verification to ensure that the policies and procedures are consistently adhered to, and are inseparable from each function or activity of the Bank.

Control activities and the segregation of control functions engage all of the Bank employees, including the Board of Directors. Control activities are planned and implemented to control identified risks. Control activities encompass establishment of control policies and procedures and an early verification process to ensure that policies and procedures are consistently adhered to as they cannot be dissociated from each of the Bank's functions or activities. Risk control activities and procedures are carried out by supporting units established by the Bank, including the Risk Management Committee and Audit Committee.

- d. The Accounting, Information and Communication System supports efforts to identify and exchange information in the form and time frame that allows everyone at Maybank Indonesia to carry out their respective responsibilities

There are available data collection and information technology procedures that can produce reports on business activities, financial conditions, implementation of risk management and compliance with provisions that support the fulfillment of the duties of the Board of Directors and Board of Commissioners. The Board of Directors identifies the Company's critical information, summarizes, and communicates it in the appropriate form and time so that employees can perform their obligations and outside parties can have an insights of the Bank's condition.

- e. Monitoring activities and corrective action measures are a process to assess the quality of existing Internal Control.

The Board of Directors, relevant Work Units, and Internal Audit do continuous monitoring on the effectiveness internal control system. Major risk monitoring has been prioritized and is a part of daily activities, including periodic evaluations.

The Bank constantly monitors and evaluates the adequacy of its internal Control system in terms of changes in internal and external conditions, and therefore must increase the system capacity to improve its effectiveness.

The Internal Audit Unit is collectively supported by competent resources able to evaluate internal control system on strategies, operations and methods of financial information processing. The Unit submits audit findings that require the Management's attention to the Audit Committee and to the BoD for immediate follow ups. The BoD remains committed and has followed up on monitoring results and the recommendations given to the Board by the Internal Audit Unit.

STATEMENT OF ADEQUATE INTERNAL CONTROL SYSTEMS

The commitment to implement an overall internal control system in every business activity is realized by ensuring that the Bank's effective control system has been adequately implemented. The BoD has the responsibility to implement an effective internal control system to achieve the Bank's corporate objectives. The BoC, assisted by the Audit Committee, shall oversee the system to ensure internal control in general, including relevant BoD policies has been established.

RESULTS OF THE 2019 INTERNAL CONTROL SYSTEM IMPLEMENTATION

Consistent with SPI standards for Commercial Banks established by Financial Services Authority via its Circular Letter (SEOJK) No.35/SEOJK.03/2017 dated 7 July 2017 on Guidelines for Internal Control System Standards in Commercial Banks, the Internal Audit Unit has improved the way it assesses audit results by evaluating the adequacy and effectiveness of internal control design for the Bank using the established internal control framework approach.