



GOODS AND SERVICES PROCUREMENT POLICY

The Company has policies related to the procurement of Goods and Services, which form the central reference point for all procurement activities performed by the Procurement Unit. This policy forms one of the indicators in the Corporate Governance process, which is specifically Transparency in the terms of procurement, where the course of procurement is implemented through a Tender process through the consideration of several aspects including the Disclosure of Information, avoiding Conflicts of Interest, efficiency, and converging on the determination of obtaining the best quality Goods or Services. The procurement of Goods and Services is regulated under the Company's Procurement of Goods and Services policy, this acts as a guideline for the procurement of both strategic and non-strategic Goods and Services in order to assist the Company's Operational activities in accordance with the expectations of quality, quantity, time schedule, price and the application of the principles of Risk Control Management.

PRINCIPLES OF PROCUREMENT OF GOODS AND SERVICES

The Company enforces the procedures for the procurement of Goods and Services with the desired aim of providing added value in boosting business operations. Therefore, the Company pays close attention to the basic principles of implementing procurement as follows:

Effective	Procurement activities must be in accordance with the requirements/plans that have been determined and will provide optimal benefits for the Bank.
Efficient	Procurement is performed in order to achieve quality in accordance with the agreed time at the best price level
Open and competitive	Procurement implementation must be open to Goods and Services Providers who have fulfilled the requirements and is implemented through a spirit of fair competition with Goods and Services Providers and fulfilling certain conditions/criteria based on Clear and Transparent regulations and procedures
Transparent	All regulations and information regarding the implementation of Procurement, including technical and administrative requirements, procedures for evaluation, results of evaluation, determination of prospective Providers of Goods and Services are open in nature.
Fair and Non-discriminatory	Provide equal treatment with all prospective Suppliers of Goods and Services and do not lead to providing benefits or means to certain parties for any reason
Accountable	The process, results, and payment of procurement must be fully Accountable
Responsible	Procurement is to be implemented carefully and must comply with all applicable regulations.
Independent	The procurement decision is taken objectively and is to be free from the undue influence of any party.

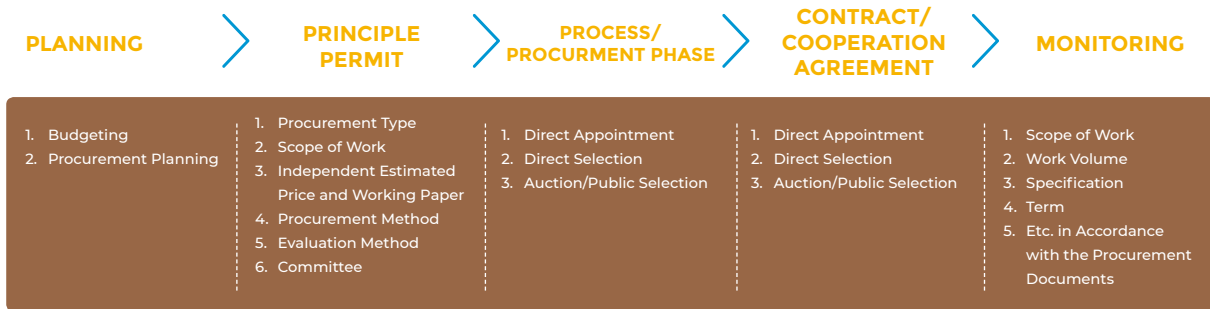
The Company strives to realize procurement based on the basic principles, by implementing the following matters:

1. Separation of functions in the Procurement Implementation Unit, i.e. a unit that conducts the selection process for potential partners/vendors, a unit that performs the procurement process, a unit that compiles the Independent Estimated Price; and the Compliance Task Force.
2. Always complying with and to be in accordance with all internal and external regulations;
3. Implementing the principles of Risk Management, which include Identification, Assessment, Mitigation, Monitoring and Operational Risk Measurement.
4. Guided by a Working Culture based on the Company's values, GCG, and compliance with the Code of Conduct and principles of prudence.

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In addition, to maintain a quality procurement process with no Conflict of Interest and free from Corruption, the Company's Executives are required to sign the "Integrity Pact" in order to perform the procurement of Goods and Services.

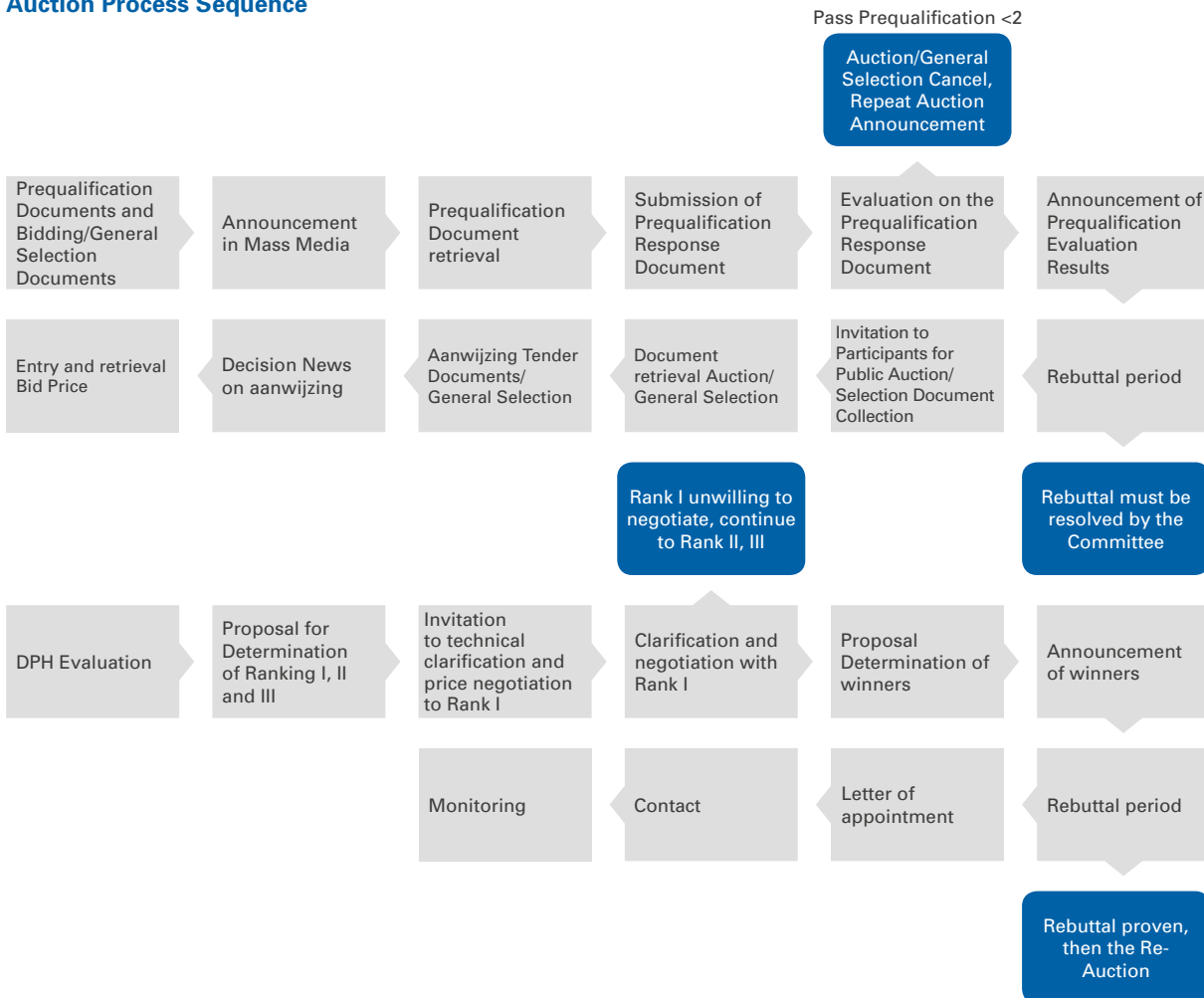
Procedure for Procurement of Goods and Services



The method used in the procurement of Goods and Services are performed through:

1. Auction, for the procurement of Goods and Services with a value of over Rp2,500,000,000 (Two billion, Five hundred million Rupiah).

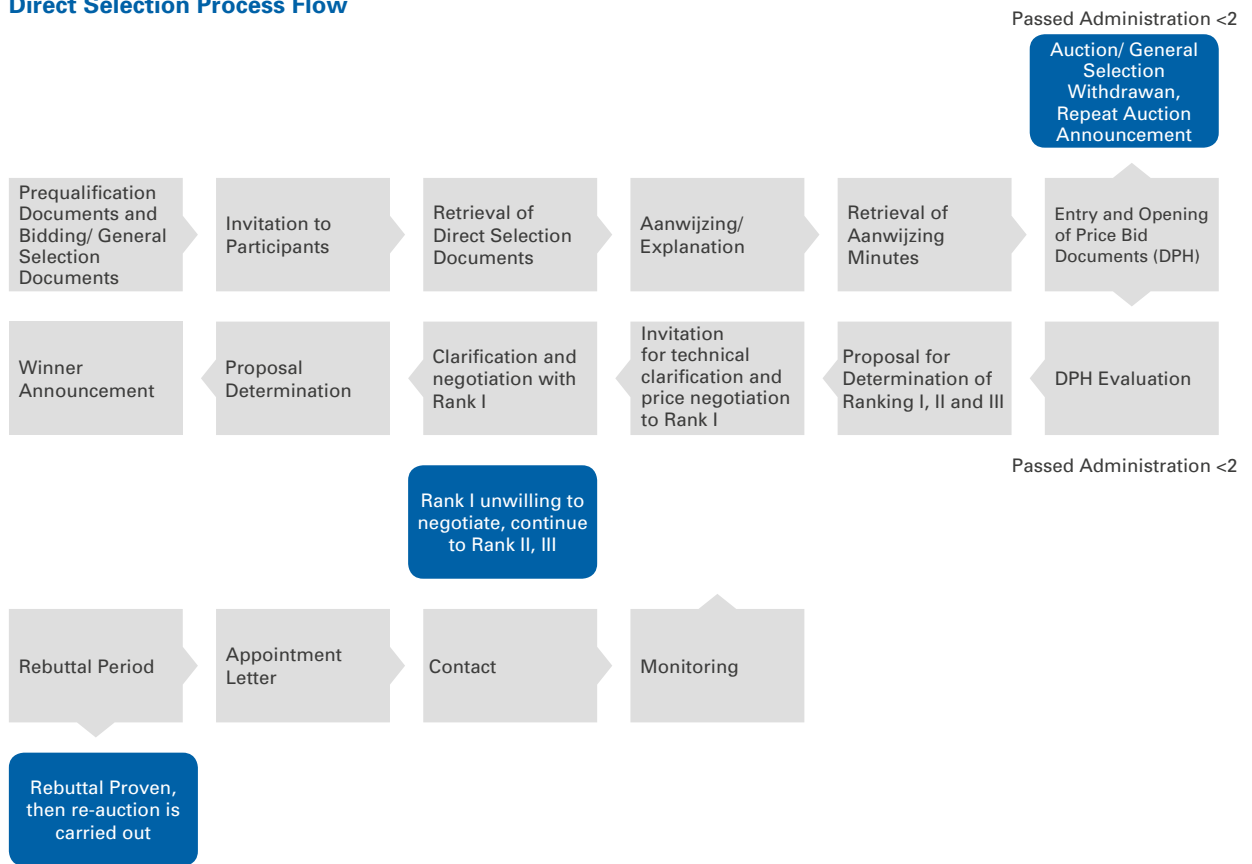
Auction Process Sequence





2. Direct Selection, for the procurement of Goods and Services with a value of over Rp500,000,000 (Five hundred million Rupiah) through to Rp2,500,000,000 (Two billion Five hundred million Rupiah).

Direct Selection Process Flow



3. Direct Appointment, for the procurement of Goods and Services with a value of up to Rp500,000,000 (Five hundred million Rupiah)

Direct Appointment Process Sequence



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PARTNER MANAGEMENT

The Company establishes partners to meet the qualifications and classifications as determined by each unit of service users and in full accordance with the policy. The Company conducts standards and programs that will optimize the quality of partners in collaborating with the Company through the following activities:

Assessment of the partners is conducted using Assessment Variables that cover the aspects of quality, delivery, flexibility, responsiveness, price, and violations. The following vendors that are managed by PGSD must fulfill the following criteria:

- Vendor Excellence : 55.85%
- Need Improvement : 3.72%
- Good Vendor : 40.43%

PROCUREMENT OF GOODS AND SERVICES FOR 2018

Throughout 2018, the total value of the procurement of Capital Expenditure that was managed through the Procurement Division amounted to Rp526.7 billion, amounted Rp407.5 billion was managed by PGSD's capital expenditure outside IT procurement, which generally included land-related procurement, building construction/renovation, office machinery, office furniture and official homes.

GOODS AND SERVICES PROCUREMENT AUDIT

Throughout 2018, there were no Audit Findings, either through the External Auditors or Internal Auditors regarding any procurement that could jeopardize the Company and there were no objections to the selection of Suppliers of Goods and Services. The procurement of Goods and Services of the Company is constantly evaluated to ensure that the procurement of Goods and Services was implemented properly. One of the undertakings, which is the implementation of both Regular and Occasional Audits, Internal and External Audits.