



**Table of internal fraud through 2018 [GRI 205-3]**

| Internal Fraud                          | Number of Cases by |              |                    |              |                        |              |
|---|--------------------|--------------|--------------------|--------------|------------------------|--------------|
|   | Administrators     |              | Permanent Employee |              | Non-Permanent Employee |              |
|   | Previous Year      | Current Year | Previous Year      | Current Year | Previous Year          | Current Year |
| Number of internal frauds               | -                  | -            | 16                 | 24           | 4                      | -            |
| Resolved                                | -                  | -            | 16                 | 13           | 2                      | -            |
| On-Going Process of internal settlement | -                  | -            | -                  | 11           | -                      | -            |
| No Resolution Yet                       | -                  | -            | -                  | -            | -                      | -            |
| Follow-up by legal process              | -                  | -            | 4                  | 4            | 3                      | -            |

## INTERNAL AUDIT SYSTEM

The Company has implemented an effective internal audit system in line with Bank Indonesia regulations and the Standard Implementation of Commercial Bank Internal Audit Functions in order to reduce the risk of financial losses, irregularities and violations of the principle of prudence.

The Company's internal audit system is in line with Bank Indonesia regulations and the Standard Implementation of Commercial Bank Internal Audit Function in order to reduce risk of financial loss, irregularities or violations of the prudential principle. In addition, this system is prepared in accordance with regulations concerning the Standard Guidelines of Internal Audit System for Commercial Banks and best practice of Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, where the monitoring mechanism is determined by the Company's management on an ongoing basis to safeguard and secure the Company's assets, guarantee the availability of accurate reports, increase compliance with applicable regulations, reduce the impact of financial losses and deviations including fraud and violation of prudential aspects, and increase

organizational effectiveness and improve cost efficiency.

## Whistle Blowing System

The Company has established, implemented and developed a Whistleblowing System (WBS) that supports the internal audit system in an effort to prevent irregularities and fraud practices. WBS mechanism ensures that every report receives appropriate attention and follow-up, including enforcement of sanctions that can provide a deterrent effect for violators and also for those who intend to do so.

WBS aims at strengthening internal audit mechanisms to support business growth.

1. Early detection and prevention of irregularities or violations;
2. Gradually creating an open, sincere, honest and responsible work climate in the Company.

## Violation Reporting Channel



**E-mail**

wbs.btn@btn.co.id



**Mail Box**

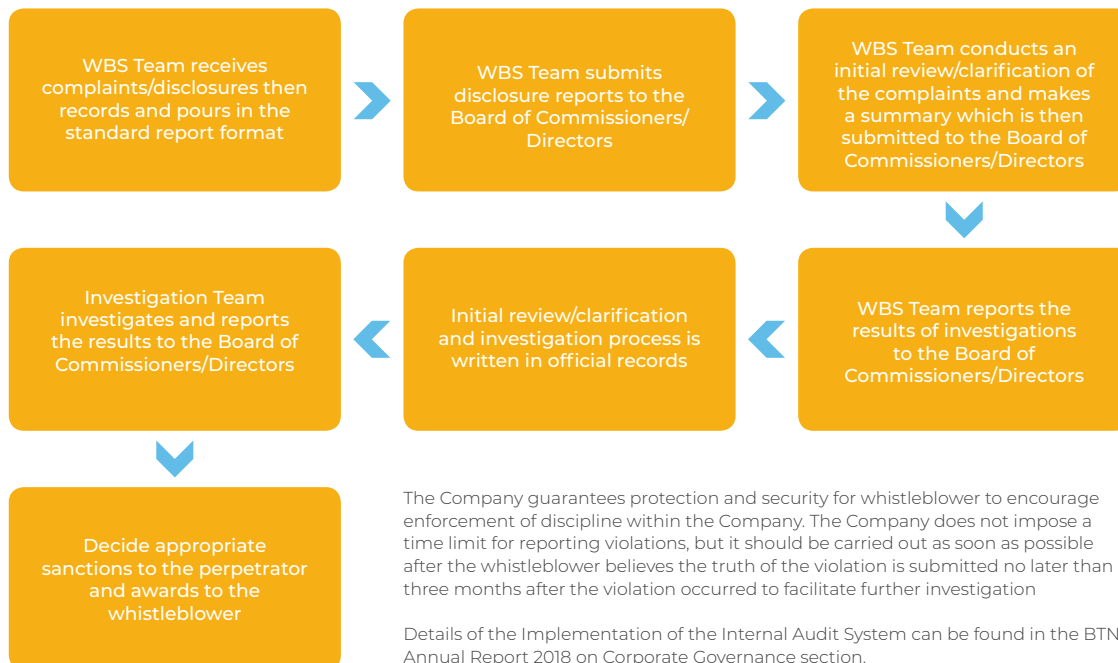
PO Box Whistle Blowing System (WBS) Perseroan Jakarta 10000



**Telephone/SMS**

0811 92 45678

## Whistle Blowing System Mechanism (GRI 103-2, GRI 103-3)



### Jumlah Pengaduan dan Tindak Lanjutnya

| Tahun | Reporting Channel |                      |        | Case Closed (not proven) | Follow Up   |   |  |
|-------|-------------------|----------------------|--------|--------------------------|---|---|--|
|       | Mail/PO BOX       | SMS/HP/ Direct Visit | E-Mail |                          | On-Going Process (Audit Process/ Reporting Process/ Inter Division Process) | Imposed Sanctions on Reports (including administrative sanctions) | Reports forwarded to Investigators (related to public crime or corruption) |
| 2016  | 5                 | 2                    | 1      | 0                        | 1   | 7   | 0  |
| 2017  | 1                 | 0                    | 4      | 0                        | 2   | 2   | 1  |
| 2018  | 1                 | 0                    | 5      | 0                        | 6   | 0   | 0  |

Details of the Implementation of the Internal Audit System can be found in the BTN Annual Report 2018 on Corporate Governance section.

### Supply Chain Management [102-9]

Banking operations activities require the support of goods and services obtained from various types of suppliers and vendors. The main types of suppliers of the Company include contractor services, planning consultant services, supervisory consulting services, appraisal services, other consulting services, stationery suppliers, mail and expedition services,

security personnel services, cleaning services, secretarial services, and archiving or documentation. Suppliers and vendors of the Company are dominated by national suppliers.

All of the Company's suppliers and vendors are required to comply with the procurement policies contained in the Company, which include compliance with applicable Indonesian Government and Bank Indonesia laws and regulations, especially human rights, and labor practices