

REFINEMENT OF THE BOARD OF DIRECTORS AND BOARD OF COMMISSIONERS CHARTER REFINEMENT

Periodically, the Company refines the guidelines and Code of Conduct of the Board of Directors and Board of Commissioners (Board Manual). The Board Manual is prepared by referring to the laws and regulations governing the Board of Directors and the Board of Commissioners, in particular with the issuance of FSA Regulation Number 55 of 2016 and FSA Circular Letter Number 13 of 2017 concerning the Implementation of Commercial Bank Governance. The Company follows up by establishing guidelines and work policies for the Board of Directors and the Board of Commissioners in their respective decisions and the work relations between them in a Joint Decree (SKB).

Governance Regulations Refinement

Throughout 2018, the Company made modifications to the Corporate Governance Policy Guidelines (PKTKP), which is the main reference for Corporate Governance policies covering 21 chapters of all the Bank's business process policies.

PKTKP is valid for 6 months from the date of stipulation, which was on July 23, 2018. Since the PKTKP entry came into force, the Decree of the Board of Directors number 06/DIR/DK/2009 dated May 27, 2009 concerning the Guidelines for Good Corporate Governance of PT. Bank Tabungan Negara (Persero) was revoked and declared no longer valid.

Subsequent to the Corporate Governance Policy Guidelines (PKTKP) issuance, the Corporate Governance Management System (PMS) was correspondingly issued as a PKTKP regulation through Board of Directors Regulation Number 11/PD/DIR/PPD/2018 dated July 23, 2018 concerning the Guidelines for Corporate Governance.

Strengthening the FSA Governance Guidelines and the ASEAN CG Scorecard Enactment

The Company fulfilled the majority of FSA recommendations, which consisted of 25 recommendations across 5 aspects and 8 principles of Corporate Governance in order to strengthen the enactment of the Indonesian Corporate Governance Roadmap, Public Company Governance Guidelines, and ASEAN CG Scorecard principles. The Company correspondingly amended the quality of information disclosure, including the disclosure of essential information regarding the General Meeting of Shareholders (GMS) on the Company's website, so as

to facilitate shareholders and investors in accessing any information required. At the ASEAN CG Scorecard event held in Kuala Lumpur on November 21, 2018, BTN was recognized in the Top 50 ASEAN PLC's and Top 3 PLC's in Indonesia for GCG assessment based on the ASEAN CG Scorecard, meaning that BTN is categorized as one of the 50 Best ASEAN companies and the top Three Best companies in Indonesia based on the ASEAN CG Scorecard assessment.

Zero Tolerance to Fraud & Zero-Defect Program

To warrant effective undertakings in mitigating the risk of fraud, the Company continues to intensify awareness of BITNIZ Personnel regarding compliance through the Anti-Fraud program dissemination and forming the Anti-Fraud Team. Anti-Fraud Strategy is backed by 4 (four) pillars, including (a) Prevention; (b) Detection; (c) Investigation, Reporting and Sanctions; and (d) Monitoring, Evaluation and Follow-Up. Furthermore, our commitment to Anti-Fraud was also demonstrated through the submission of a Declaration of Commitment to Clean Governance to all stakeholders. "Clean Commitments" includes being free of Bribery, Corruption, Collusion and Nepotism (CCN), and practices of Extortion, Mark-Up and any other dealings that may lead to CCN.

Integrated Governance, Risk and Compliance (iGRC) Implementation Initiatives

In 2018, the Company's initiative regarding the implementation of Integrated Governance, Risk and Compliance (iGRC) was included in the aspects of the implementation of Integrated Governance, Risk and Compliance. These three aspects are embedded as the foundation of performance appraisals in the Head Office, Branch, Divisions and Work Units, so that the overall financial achievement becomes a reflection of the Internal Controls that were executed at every level of the organization.

BTN has put into practice several strategic pillars in this transformation, which include: focus and specific business segments, agile organizations, human capital and work culture, sales channel optimization, and IT infrastructure.

To enforce these strategic pillars, BTN has launched the main function's transformation in the Head Office, Regional Offices and Branch Office levels. Subsequently, this transformation plan is also backed by a new operating model that includes: (1) Business Process Improvement, (2) Network & Distribution Design, and (3) Organizational Design Improvements, this includes expanding the role of Risk Management and Human Capital capacity.