

### APPLICATION OF OTHER CORPORATE GOVERNANCE ASPECTS, PRINCIPLES AND BEST PRACTICES

One of the endeavors pursued by the Company in in the application of sustainable GCG is to apply the principles of internationally accepted Governance. Several of these principles include the Guidelines of Corporate Governance Principles for Banks, which are published by the Basel Committee for Banking Supervision covering 12 principles of Corporate Governance, ASEAN CG Scorecard, CGPI, OECD, ASEAN Risk Award, and other best practices.

### APPLICATION OF PUBLIC COMPANY GOVERNANCE GUIDELINES

The Company adheres to the GCG in accordance with all applicable regulations, including the Guidelines for Governance of Public Companies specified under FSA Regulation Number 21/POJK.04/2015 and FSA Circular Letter Number 32/SEOJK.04/2015 concerning the Guidelines for Corporate Governance in Public Companies. The FSA regulation polices consists of 5 (five) aspects, 8 (eight) principles, and 25 (twenty-five) recommendations regarding the application of aspects and the principles of Good Corporate Governance. In 2018, the Company incorporated all recommendations under these regulations with the following details:

No	Recommendations	Status	Company Compliance
<b>Aspect 1: Relationship between Public Company and Shareholders in Guaranteeing Shareholders' Rights</b>			
<b>Principle 1. Improve the GMS Organizing Value</b>			
1	The Public Company has the technical means or procedures for voting both openly and closed, which prioritizes independence and the interests of shareholders.	<i>Complied</i>	<p>1. The procedure for voting to make decisions regarding GMS agenda was implemented through closed voting as stated in the GMS Rules of Conduct, which was publicly disclosed through the Company's website.</p> <p>2. The voting procedure maintained the independency or shareholders free conscience.</p> <p>3. In 2018, the Company held an Annual GMS on March 23, 2018. All decisions were made based on a deliberation to reach consensus. In the event that a decision based on a deliberation for consensus was not reached, voting was to be performed. Decisions were made if approved by more than ½ (one half) of the total shares with valid voting rights presented at the meeting.</p> <p>Voting was executed by means of the following procedures:</p> <ol style="list-style-type: none"> <li>Shareholders or their proxies who casted abstention or those who did not agree were asked to raise their hands and submit their ballots to the officers.</li> <li>The Meeting Officer collected ballots from the shareholders, or their proxies then submitted all ballots to the Notary to be counted.</li> <li>The number of votes that abstained and did not agree were calculated by the valid votes issued at the Meeting and the difference was the number of votes agreed.</li> <li>Shareholders with valid voting rights but who did not vote (abstained) were considered to have cast the same vote as the votes of the majority of shareholders who cast votes.</li> <li>The notary counted and submitted the voting results regarding the proposed decision</li> </ol>
2	All members of the Board of Directors and members of the Board of Commissioners of the Public Company to be present at the Annual GMS.	<i>Complied</i>	In the execution of the GMS, the Company complied with all applicable regulations. Throughout the Annual General Meeting of Shareholders held on March 23, 2018, all members of the Board of Directors and Board of Commissioners, including members of the Audit Committee, were present.
3	A summary of the Minutes of the GMS are to be made available on the Public Company's Website for at least 1 (one) year.	<i>Complied</i>	The Company submitted a summary of the GMS Minutes both in Indonesian and English through the Company's website <a href="http://www.btn.co.id">www.btn.co.id</a> under the Investor Relations menu, in print media, as well as on the IDXnet Electronic Reporting System and FSA E-Reporting System on March 23, 2018 for the 2017 Annual GMS.



No	Recommendations	Status	Company Compliance
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**Principle 2. Improve the quality of communication between Public Companies and Shareholders or Investors**

4	Public Company possesses a communication policy with Shareholders or Investors	<i>Complied</i>	The Company has in place a communication policy with Shareholders or Investors referring to the Investor Relations Policy, which includes analyst meetings, public expose, investor meetings, Annual Reports and so forth.
5	The Public Company discloses the communication policy of the Public Company with Shareholders or Investors on the Company's Website.	<i>Complied</i>	

**Aspect 2: Functions and Roles of the Board of Commissioners**

**Principle 3. Strengthening the Membership and Composition of the Board of Commissioners..**

6	Determination of the number of members of the Board of Commissioners by considering the Public Company's condition	<i>Complied</i>	Determination of the number of members of the Board of Commissioners has considered the condition of the Company including characteristics, capacity and size, as well as the means of fulfilling the bank's business requirements and goals in accordance with the provisions of the Regulator. The current number of members of the Board of Commissioners is considered sufficient and in accordance with FSA Regulation Number 33/POJK.04/2014 concerning the Board of Directors and Board of Commissioners of Issuers or Public Companies or equal to the number of members of the Board of Directors.
7	Determination of the composition of members of the Board of Commissioners considering the diversity of expertise, knowledge, and experience required.	<i>Complied</i>	

**Principle 4. Enhancing the Board of Commissioners' Quality of Implementation of Duties and Responsibilities.**

8	The Board of Commissioners has in place a Self-Assessment policy that assesses the performance of the Board of Commissioners.	<i>Complied</i>	The Board of Commissioners has in place a Self-Assessment policy listed in the Joint Decree (SKB) concerning the Work Relationship between the Board of Commissioners and the Board of Directors of the Company on November 24, 2017 Chapter IV where Performance Evaluation is described in the performance evaluation section of the Board of Commissioners in this Annual Report and on the Company's website.
9	Self-Assessment policies to assess the performance of the Board of Commissioners to be disclosed through the Annual Report of the Public Company.	<i>Complied</i>	
10	The Board of Commissioners has a policy regarding the resignation of members of the Board of Commissioners if involved in financial crimes.	<i>Complied</i>	The Company has a policy under the Board of Commissioners Guidelines and Work Rules in Decision of the Board of Commissioners No. 01/DEKOM-BTN/2017 regarding the Resignation and Dismissal of members of the Board of Commissioners should any of the board members be involved in any deed that is considered harmful to the Company and/ or the State and if the person concerned is found guilty in a court of law having permanent legal force.
11	The Board of Commissioners or the Committee that performs the Nomination and Remuneration function composed a Nomination succession policy for members of the Board of Directors.	<i>Complied</i>	

No	Recommendations	Status	Company Compliance
Aspect 3: Functions and Roles of the Board of Directors			
Principle 5. Strengthening the Membership and Composition of the Board of Directors.			
12	The Public Company has in place a communication policy with Shareholders or Investors	Complied	Determination of the number of members of the Board of Directors has taken into consideration the condition of the Company, including characteristics, capacity and size, as well as the means of achieving objectives and fulfilling the Bank's business requirements in accordance with Regulatory provisions. The number of members of the Board of Directors has fulfilled the provisions of FSA Regulation No. 33/POJK.04/2014 concerning the Board of Directors and Commissioners of Issuers or Public Companies.
13	The Public Company discloses the communication policy of the Public Company with Shareholders or Investors on the Company's Website.	Complied	The composition of the members of the Board of Directors has taken into consideration the diversity of expertise, knowledge and experience required as disclosed in the Diversity Composition section of the Board of Directors in this Annual Report.
14	Members of the Board of Directors in charge of Accounting or Finance have the required expertise and/or knowledge in Accounting.	Complied	<p>Throughout 2018, the Director in charge of Accounting or Finance possesses an educational background and work experience in the financial field with the following information:</p> <ol style="list-style-type: none"> <li>Education <ul style="list-style-type: none"> <li>Bachelor of Mechanical Engineering ITB</li> <li>Master's in Accounting and Finance from the University of Birmingham, UK.</li> </ul> </li> <li>Work Experience <ul style="list-style-type: none"> <li>Hong Kong Treasury Manager PT Bank Pembangunan Indonesia (Persero) (1992 - 1995)</li> <li>Hong Kong Deputy General Manager PT Bank Pembangunan Indonesia (Persero). (1995 - 1996)</li> <li>General Manager (CE) of the Hong Kong Branch of PT Bank Pembangunan Indonesia (Persero). (1996 - 1997)</li> <li>Deputy Head of Financial and Service Affairs at Bank PT Bank Pembangunan Indonesia (Persero). (1998 - 1999)</li> <li>General Manager (CEO) Singapore Branch PT Bank Mandiri (Persero) Tbk. (1999 - 2001)</li> <li>UP3 Financial Institution &amp; Overseas Network (FION) Group Head of PT Bank Mandiri (Persero) Tbk. (2001 - 2002)</li> <li>Correspondent Banking Department Head of PT Bank Mandiri (Persero) Tbk. (2002 - 2003)</li> <li>FI Department Head PT Bank Mandiri (Persero) Tbk. (2003 - 2006)</li> <li>Head of Credit Recovery II group and Senior Recovery Manager Asset Management and Disposal Department of PT Bank Mandiri (Persero) Tbk (in 2006)</li> <li>The Authority of Credit Termination (PKMK) at the level of Group Head for PT Bank Mandiri (Persero) Tbk International Banking and Capital Market Services (2009 - 2010)</li> <li>Group Head of PT Bank Mandiri (Persero) Tbk IBCMS Group (2009 - 2010)</li> <li>Bank Mandiri Europe Ltd. (BMEL) PT Bank Mandiri (Persero) Tbk (2010 - 2013)</li> </ul> <p>The certification held by the Director in charge of Finance/Accounting can be found in the Competency Development section of the Board of Directors of this Annual Report.</p> </li></ol>
Principle 6. Enhancing the Quality of the Board of Directors' Duties and Responsibilities			
15	The Board of Directors has in place a Self-Assessment policy used to assess the performance of the Board of Directors.	Complied	The Board of Directors has in place a Self-Assessment policy, which is stated in the Joint Decree regarding the Working Relationship between the Board of Commissioners and the Board of Directors of the Company dated November 24 , 2017 under the Chapter IV Performance Evaluation and the Valuation System that are summarized as Key Performance Indicators (KPI) as described regarding the Performance Evaluation section of the Board of Directors of this Annual Report and the Company's website ( <a href="http://www.btn.co.id">www.btn.co.id</a> ) under the Investor Relations-GCG menu - Crossreference ASEAN CG Scorecard-SKB.
16	Self-Assessment policies in order to assess the performance of the Board of Directors are disclosed through the Annual Report of the Public Company.	Complied	The Self-Assessment policy in order to assess the performance of the Board of Directors has been disclosed in the Performance Evaluation section of the Board of Directors in this Annual Report.



No	Recommendations	Status	Company Compliance
17	The Board of Directors has a policy regarding the resignation of members of the Board of Directors if involved in financial crimes.	<i>Complied</i>	The Company has in place a policy in the Board of Commissioners Charter under the Decree of the Board of Directors Number 07/DIR/KD/CMPD/2017 regarding the Resignation and Dismissal of members of the Board of Directors if involved in actions considered to harm the Company and/or the State and if the individual involved is found guilty in a court of law having permanent legal force.

Aspect 4: Stakeholder Participation

Principle 7. Upgrading corporate governance aspects through stakeholder participations.

18	The Public Company has in place policies to prevent Insider Trading.	<i>Complied</i>	The Company has in place a policy to prevent Insider Trading as stipulated in the Regulation of the Board of Directors No. 39/PD/CSD/2011 concerning the Investor Relations Activity Policy Guidelines as can be seen on the Company's website (www.btn.co.id) under the Investor Relations menu - Investor Relations Policy Guidelines.
19	The Public Company has in place an Anti-Corruption and Anti-Fraud policy.	<i>Complied</i>	The Company's Fraud Prevention System has been regulated on the basis of the Board of Directors' Circular Number 22/DIR/IAD/2014 concerning the Company's Standard Operating Procedure regarding its Anti-Fraud Strategy. As a guideline in Gratification Control and as an initiative of the national Anti-Corruption Program, the Company has issued guidelines related to Gratification Control implementation based on the Board of Directors' Circular Number 68/DIR/CMPD/2017.
20	The Public Company has a policy in place regarding the selection and improvement of suppliers or vendor ability.	<i>Complied</i>	<p>The Company has policies in place regarding vendor management as stipulated in the Regulation of the Board of Directors Number 13/PD/PGSD/2015 and Circular of the Board of Directors No. 47/DIR/PGSD/2015. Broadly speaking, the scope of this policy includes in the vendor selection criteria, transparent procurement mechanisms, vendor performance evaluation, and vendor track records.</p> <p>Enhancing suppliers or vendors ability is performed through providing guidance to vendors by means of co-ordination meetings, monitoring and a vendor performance assessment.</p> <p>The implementation of vendor selection policies is implemented based on the Bank's Preferred List of Vendors, which can be utilized as a vendor database for direct vendor appointment. The Board of Directors' Regulations and Circular above also regulates a Transparent Standard Operating Procedure (SOP) regarding procurement through tender/direct appointment methods and provisions regarding work contracts with vendors. Through enforcing this policy, the continuity of supply required by the Company can be better guaranteed.</p>
21	The Public Company has a policy on fulfilling the rights of creditors.	<i>Complied</i>	<p>The policy regarding fulfilling creditor rights is utilized as a guideline for providing loans to creditors. The purpose of the policy is to maintain the fulfillment of creditor rights and to maintain creditor trust in the Public Company. The policy includes consideration for making agreements, and follow-up procedures in fulfilling the obligations of the Public Company to creditors. The creditors' basic rights policies include:</p> <ol style="list-style-type: none"> <li>1. To receive the repayment of Principal and Interest payments at the agreed time.</li> <li>2. To secure the rights to any penalties regarding the repayment of Principal and Interest payments.</li> <li>3. To request for explanation, information, documents and inspect the Company's books.</li> </ol> <p>In 2018, there were two forms of Company creditors: Bilateral Loan Lender and Lender of Bonds.</p>

No	Recommendations	Status	Company Compliance
22	The Public Company has a Whistle-Blowing System policy.	Complied	The Company has a Whistle-Blowing System policy, which is regulated in Circular Letter Number 21/DIR/IAD/2014 regarding Bank BTN's Standard Operating Procedure regarding the Whistle-Blowing System, which includes types of violations that can be reported through the Whistle Blowing system, methods of filing complaints, protection of and guaranteeing reporters' confidentiality, complaint handling, parties managing complaints, and the results of handling and the follow-up of complaints in accordance with FSA regulations. Disclosure of the 2018 Whistle-Blowing System policy is outlined in the Whistle Blowing System section of this Annual Report.
23	The Public Company has a policy for awarding long-term incentives to the Board of Directors and employees.	Complied	<p>Long-term incentives for the Board of Directors and the Board of Commissioners are regulated under the Board of Directors Regulation No.02/PD/HCD/2017 regarding the Income of the Board of Directors and Board of Commissioners and Board of Directors' Circular Letter Number 57/DIR/HCD/2016 concerning the Implementation of Governance for Remuneration, as disclosed in the section regarding the Implementation of Corporate Governance for Remuneration of the Company in this Annual Report. The Board of Directors regulation includes deferred variable-based remuneration and Risk Taker Materials as the Ministry of State-Owned Enterprises Regulation Number 04/MBU/2014 concerning Guidelines for Determining Remuneration for the Board of Directors, Board of Commissioners and Supervisory Board of State-Owned Enterprises and Financial Supervisory Authority Number 45 /POJK.03/2015 concerning the Implementation of Governance and Provision of Remuneration for Commercial Banks.</p> <p>Since 2009, the Company has implemented long-term incentives in the form of MESOP for the Board of Directors and Employees as outlined in the Share Option section of this Annual Report. In 2018, the Company implemented Performance and Risk-Based Remuneration.</p>

Aspek 5: Disclosure of Information

Principle 8. Enhancing the Implementation of Information Disclosure.

24	The Public Companies utilize Information Technology more broadly other than just the Website as a medium of information disclosure.	Complied	<p>The Company strives to improve the quality of information disclosure to stakeholders through the use of Information Technology, in addition to the Company's website including through various forms of Social Media such as: Youtube Bank BTN Facebook BankBTNcoid Twitter @BankBTNcoid Instagram @bankbtn LinkedIn PT Bank Tabungan Negara</p> <p>The Company also delivers the latest information to shareholders through e-mail, conference calls and the Indonesian Stock Exchange, IBCM Channel, Capital Market TV, in addition to mentoring site visits by Investors to Bank BTN Branch Offices, Non-Deal Roadshows, one-on-one meetings, Public Analyst Meeting Expose.</p>
25	The Annual Report of the Public Company discloses the ultimate benefit of the Ownership of the Public Company of at least 5%, in addition to the disclosure of the ultimate beneficial owner of the share ownership of the Public Company through the main and controlling shareholders.	Complied	The Company has disclosed information regarding shareholders owning 5% (five percent) or more of the Company's shares to FSA and IDX. In this Annual Report the matter was disclosed in the Information section to the Investor.

GCG QUALITY IMPROVEMENT PLAN FOR 2019

In 2019, endeavours to further the implementation of Sustainable GCG have now entered the Building Governance Sustainability phase. In this phase, the Company will shape and maintain Governance sustainability through the application of Governance, plans for Sustainable Financial undertakings and Sustainable GCG awards. The implementation of Governance will continue to be directed at bolstering Company's financial and non-financial transparency, customer protection, expanding compliance function, banking problem solving, and refining GCG implementation in accordance with the provisions established by the Financial Services Authority, State-Owned Enterprises and ASEAN Corporate Governance Scorecard.