



# REMUNERATION GOVERNANCE

The Company provides various remuneration systems in order to support the welfare of the Board of Commissioners, the Board of Directors, and its employees, both compulsory, which is in accordance with the applicable legislation, or additional in nature. The remuneration system is one of the aspects of promoting, motivating, and maintaining the best employees in order to provide quality Human Resources. The compilation of this remuneration policy is inseparable from the Company's capability and is always based on a competitive, fair, and risk-based manner, which is in line with the Financial Services Authority (OJK) direction and policy. In order to maintain a competitive remuneration scheme; the Company continually conducts benchmarking through surveys by independent parties.

## PROCEDURES AND MECHANISMS FOR THE ESTABLISHMENT OF THE REMUNERATION POLICY

The Company's remuneration policy has been adjusted to OJK Regulation No. 45 / POJK.03/2015 and SEOJK No. 40/SEOJK.03/2016 concerning the Implementation of Governance for the Provision of Remuneration for Commercial Banks. The Company always pays close attention to the precautionary principle in providing risk-based remuneration as well as the implementation of variable forms of remuneration that are in accordance with the regulator's provisions regarding the implementation of Remuneration for Commercial Banks.

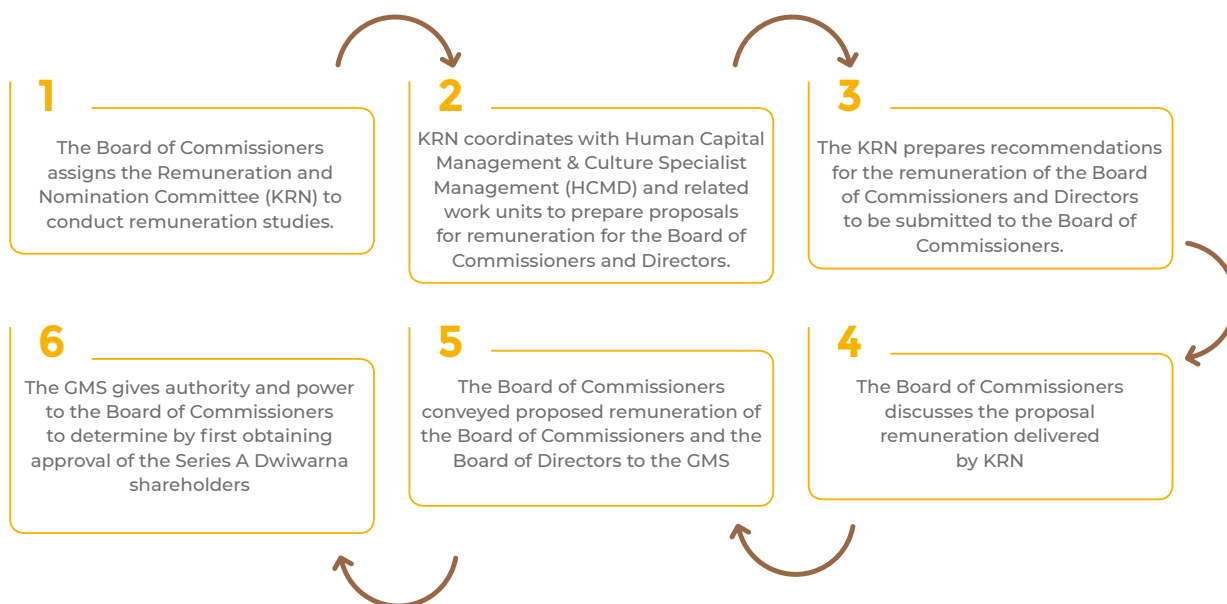
## Remuneration Policy Organizational Procedure for the Board of Commissioners and the Board of Directors

The Company has issued the Board of Directors' Circular Letter No. 57/DIR/HCD/2016 concerning the Implementation of Governance in the Provision of Remuneration by considering aspects, including the Bank's financial stability, the creation of Risk Management, Short-Term and Long-Term Liquidity requirements and future Revenue potential. Through the Circular Letter, the Company implements a competitive, fair and balanced remuneration system, that is risk-based and always ensures that no employee receives benefits below the stipulated conditions.

The coverage aspects of the policy include the objectives of implementing Governance in the provision of remuneration, variable remuneration and material risk takers. The Company determines the remuneration for the Board of Commissioners and Directors in reference to the provisions of the Minister of State-Owned Enterprises, which is the amount of income of the Board of Commissioners and the Board of Directors, which is determined at the General Meeting of Shareholders (GMS). The policy stipulated at the GMS is to provide authority and power to the holder of the Series A Dwiwarna Share to determine the amount of the bonuses in the 2017 Financial Year, and determine the salary/honorarium, allowances, facilities and other incentives for the Board of Commissioners and provide authority and power to the Board of Commissioners first to obtain written approval from the Series A Dwiwarna Share Holder to determine the amount of *tantiem*, salary/honorarium, allowances, facilities and other incentives for the Board of Directors.

### Procedure for Determining Remuneration

The procedure to set out the remuneration of the Board of Commissioners and the Board of Directors is as follows:



The scope of the Company's remuneration policy, which has been adjusted to the FSA Regulation No. 45/POJK.03/2015 and FSA Circular Letter (SEOJK) No. 40/SEOJK.03/2016 regarding Governance Implementation concerning Commercial Bank's Remuneration includes the following:

1. The principle of prudence in Remuneration is based on performance and risk.
2. The Material Risk Taker (MRT) is categorized as follows:
  - Material Risk Takers (MRT) can be determined by using qualitative methods in accordance with the portion of responsibilities affecting the main risk profile to be determined in accordance with the evaluation of the risk profile specified by the Bank annually.
  - The MRT category can be determined quantitatively through a comparison of the variable Remuneration between MRT and non-MRT employees, by taking into consideration the performance and position risk of the employees.
3. The application of variable Remuneration is in accordance with regulatory provisions related to the Remuneration for Commercial Banks.

Improvement of the Remuneration strategy includes reviewing the performance and risk-based Remuneration policies, empowerment through the

implementation of a Remuneration System and improving policies and procedures for implementing benefit programs. Assessment of the Remuneration System and employee welfare is performed both periodically and continuously, taking into account matters, which includes the Bank's financial performance, employee competency and performance, and Remuneration practices that apply in the market.

### Remuneration Structure

The Remuneration Structure that denotes the types and/or short-term, long-term and/or post-employment benefits is as follows:

1. Short-term Remuneration consists of Salary, Allowances (holiday, transportation), Amenities (health, legal aid), and Performance Bonus.
2. Long-term Remuneration and/or post-employment consists of Full Insurance based on Position and may be awarded in the form of additional long-term rewards (long-term incentives/LTI).

### Scope of the Remuneration Policy and its Implementation per Business Unit, per Area, and in Subsidiary or Branch Offices Located Abroad

The Company's Remuneration Policy has considered the geographical area of the said Branch Office. The Company has policies related to the terms of providing regional support for certain regions.



## Remuneration Based Performance and Risk

The Company may postpone the variable Remuneration payment that is suspended (Malus) or retract the variable Remuneration payment, which has already been paid (Claw back) to an officer that has been categorized as a Material Risk Taker (MRT), with the following provisions:

- Loss or damage to the Company's reputation
- Employee's involvement directly or indirectly related to the act or transaction conducted

An officer who is categorized as an MRT, with the following criteria:

1. Causing any significant damage to the Company's Reputation or negative impacts on the Company's Finances or potential Business Opportunities.
2. Causing any significant Financial Loss.
3. Conducted any Fraud, Unethical Actions, and/or Falsification of Records.
4. Causing any Material Risk or providing any False Financial Statements.
5. Conducted any Violation of Policies, Rules, and Procedures Deliberately.
6. Causing any significant Loss to the Related Work Unit because the Risk Management Function was not conducted properly.
7. Causing any significant negative impact on the Bank's Capital, which was not caused through Climate Change, Economics, or Industrial.
8. The Deliberate Disclosure of any Confidential Information to External Parties.

## Performance Measurement Associated with Remuneration

### 1. Remuneration policy linked to the Performance Assessment

The Company has policies regarding the Performance Management System that stipulates the increase of Remuneration concerning payment for performance, which is regulated in a separate policy regarding the Basic Salary Policy.

### 2. Method to Calculate Remuneration linked to the Company's Performance, Work Unit Performance, Individual Performance

Policy regarding the Company's Performance Management System stipulates the Performance Target Assessment, which includes the Company's Work Target (SKP), Task Force Target (SKU), and Individual Work Target (SKI). The Work Target Assessment is conducted by comparing the Actual Work Achievement with the Respective

Work Target. In the Performance Management System Policy, the Company also regulates the assessment of the Corporate Culture Competence and Leadership Competence for employees who have subordinates.

### 3. Descriptions of the methods used by the Company to state that the specific performance is not achieved; thus, the requirement to adjust the Remuneration and Remuneration Value if the condition occurs.

The Remuneration Adjustment Method is related to the performance achievement. The adjustment is conducted by the Company through the policy of increasing the basic salary every year based on the value determined by the Performance Management System of the previous year and Comparatio. Comparatio is a percentage calculated from the basic salary of a Permanent Employee to the midpoint of the basic salary range, in the category of Permanent Employee.

In order to maintain qualified employees, the Company provides Production Services as a form of Remuneration directly related to the employees' Performance Assessment, as reflected in the Performance Management System (SMK).

## External Consultants Regarding Remuneration Policy

**Name of Consultant: Korn Ferry Indonesia**

### Scope of work:

1. Honorary study of the Board of Directors and Board of Commissioners for 2018 compared to Market Standards.
2. Review of the tantiem of the Board of Directors and Board of Commissioners for the 2017 Fiscal Year.
3. Assessment of the Long-Term Incentive (LTI) The Board of Directors and the Board of Commissioners for the financial year 2017 and according POJK No. 45/POJK.03/2015 concerning Governance Practices in Providing Remuneration of Commercial Bank.

## Connection between Remuneration with Public Performance of a Public Company

In the Board of Directors' Decree No. 02/PD/HDC/2017 regarding the Board of Directors' and the Board of Commissioners' Income, it is stated that the Remuneration type, which is accepted by the Board of Directors and the Board of Commissioners is tantiem/work incentive, which is a reward for the improvement of the Company's performance and ensuring it does not accumulate any losses.