

THE ANNUAL REPORT ON  
THE IMPLEMENTATION OF  
INTEGRATED GOVERNANCE  
FOR THE FINANCIAL  
CONGLOMERATE OF  
SUMITOMO MITSUI BANKING  
CORPORATION GROUP  
2018



*PT Bank Sumitomo Mitsui Indonesia  
PT Bank Tabungan Pensiunan Nasional, Tbk.  
PT Bank Tabungan Pensiunan Nasional Syariah, Tbk.*

# THE ANNUAL REPORT ON THE IMPLEMENTATION OF INTEGRATED GOVERNANCE FOR THE SMBC GROUP POSITION OF 31 DECEMBER 2018

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Attachment:

The Report of Implementation of Good Corporate Governance PT Bank Sumitomo Mitsui Indonesia as the Lead Entity of Financial Conglomerate of SMBC group as of 31 December 2018

## LEGAL BASIS

Based on:

- a. Regulation of the Indonesian Financial Service Authority ("OJK") Number 17/POJK.03/2014 dated 19 November 2014 and Circular Letter of the Indonesian Financial Service Authority Number 14/SEOJK.03/2015 dated 25 May 2015 regarding Implementation of Integrated Risk Management for Financial Conglomerate.
- b. Regulation of the Indonesian Financial Service Authority Number 18/POJK.03/2014 dated 19 November 2014 and Circular Letter of the Indonesian Financial Service Authority Number 15/SEOJK.03/2015 dated 25 May 2015 regarding Implementation of Integrated Governance for Financial Conglomerate.

Sumitomo Mitsui Banking Corporation (SMBC) has issued a letter dated 31 March 2015 stating that the members of Financial Conglomerate of the SMBC Group are as follows:

1. PT Bank Sumitomo Mitsui Indonesia ("SMBCI") as Lead Entity.
2. PT Bank Tabungan Pensiunan Nasional Tbk ("BTPN") as Member Entity.
3. PT Bank Tabungan Pensiunan Nasional Syariah ("BTPN Syariah" or "BTPNS") as Member Entity.

The said letter has been submitted to the Indonesian Financial Service Authority through letter reference SMBCI/OJK/COD/2015/061 dated 31 March 2015.

In order to fulfill the said regulation, we hereby submit the Report on the Implementation of Integrated Governance for the Financial Conglomerate of SMBC Group as of 31 December 2018.

### I. SELF ASSESSMENT REPORT ON THE IMPLEMENTATION OF INTEGRATED GOVERNANCE

**The self assessment of Integrated Governance consists of seven (7) factors as follows:**

- A.** Implementation of duties and responsibilities of the Board of Directors of the Lead Entity (SMBCI) of the Financial Conglomerate of the SMBC Group
- B.** Implementation of duties and responsibilities of the Board of Commissioners of the Lead Entity (SMBCI) of the Financial Conglomerate of the SMBC Group
- C.** Duties and Responsibilities of the Integrated Governance Committee
- D.** Duties and Responsibilities of the Integrated Compliance Function
- E.** Duties and Responsibilities of the Integrated Internal Audit Function
- F.** Integrated Risk Management Implementation
- G.** Preparation and Implementation of Integrated Governance Manual

Explanation for each item can be found in the following sections.

## **A. Implementation of duties and responsibilities of the Board of Directors of the Lead Entity (SMBCI) of the Financial Conglomerate of the SMBC Group**

- ⊕ The Board of Directors (SMBCI) has discharged their duties and responsibilities in the implementation of Integrated Governance in Semester I and Semester II year 2018, as follows:
  - 1) Composed the Integrated Governance Manual and updated it based on current regulations and conditions as well as submitted it to the BOD of the FSI in the Financial Conglomerate of the SMBC Group (BTPN and BTPN Syariah) to be complied with and implemented in accordance to stipulation of the Indonesian Financial Service Authority, Bank Indonesia, and other related Authorities.
  - 2) Ensured implementation of the Integrated Governance in the Financial Conglomerate of the SMBC group.
  - 3) Directed, monitored, and evaluated the implementation of the Integrated Governance Manual.
  - 4) Followed up on the directives or advices from the Board of Commissioners of Lead Entity in order to improve the Integrated Governance Manual.
  - 5) Ensured that the findings and recommendations from the Internal Audit Department of SMBCI which carried out function of the Integrated Internal Audit; the Integrated Compliance Function of SMBCI, the external auditor, and results of OJK or other results have been followed up by the FSI in the Financial Conglomerate of the SMBC Group.
  - 6) Reported on the Self Assessment on the Implementation of Integrated Governance on semi annual basis and other mandatory reporting to the Indonesian Financial Service Authority in accordance to its stipulation. BOD of the Lead Entity had also approved the methodology that was used in composing the Self Assessment Report on the Implementation of Integrated Governance.
- ⊕ With regards to the protection of public's interest particularly for the minority shareholders of the Financial Service Institutions of the Financial Conglomerate of the SMBC Group that are public companies; the BOD of Lead Entity (SMBCI) and Member Entities (BTPN and BTPN Syariah) have executed a Non-Disclosure Agreement ("NDA") and agreed that all the information and data provided by the Financial Service Institutions are solely for the purpose of fulfilling the requirements of the relevant Financial Conglomerate regulations.

## **B. Implementation of duties and responsibilities of the Board of Commissioners of the Lead Entity of Financial Conglomerate of the SMBC Group**

- ⊕ The BOC of Lead Entity (SMBCI) has discharged their duties and responsibilities in the implementation of Integrated Governance, as follows:
  - a. Carried out supervision toward the implementation of duties and responsibilities of the BOD of Lead Entity (SMBCI) and also gave direction or recommendation to the BOD of Lead Entity (SMBCI) on the implementation of Integrated Governance Manual.

- b. Carried out supervision toward the implementation of Integrated Governance.
- c. Evaluated the Integrated Governance Manual and provided directions for improvement.
- d. Ensured that the BOD of Lead Entity (SMBCI) has ensured that FSI in the Financial Conglomerate of the SMBC group has followed up with findings and recommendations from Internal Audit Department of SMBCI which carried out function of the Integrated Internal Audit, Integrated Compliance Function, external auditor, and result of supervisory of the Indonesian Financial Service Authority and/or others.
- e. Formed Integrated Governance Committee to support the BOC of Lead Entity (SMBCI) in performing its duties and function effectively.
  - Membership of the Integrated Governance Committee consists of Independent Commissioners, who were appointed by and represent SMBCI, BTPN, BTPN Syariah and The Sharia Supervisory Board of BTPN Syariah. There is also an independent party.

### **C. Duties and Responsibilities of the Integrated Governance Committee**

- The Integrated Governance Committee Charter
  - The Integrated Governance Committee Charter contains guideline and code of conduct of the Committee including legal basis, purpose, membership, independency, duties and responsibilities, meeting, decision making, term of office, responsibility of reporting of the Committee.
  - The Integrated Governance Committee Charter has been reviewed periodically and updated based on the prevailing regulations and current conditions. The prevailing Integrated Governance Committee is the fifth edition that was published on July 2018.

The schedule and working plan of activities of the Integrated Governance Committee has also been documented and updated annually.

### **► The Structure of The Integrated Governance Committee**

The member composition of the Integrated Governance Committee is in accordance with the needs of the Financial Conglomerate. The composition of the committee is structured to ensure efficiency and effectiveness in the implementation of the committees' duties by having representation from different sectors of the financial services industry, as follows:

<b>Name</b>	<b>Position in Integrated Governance Committee</b>	<b>Position in Financial Service Institution</b>
A. Tony Prasetyantono	Chairman and member	Independent Commissioner of SMBCI and as Chairman of Risk

		Monitoring Committee of SMBCI
Irwan Habsjah	Member	Independent Commissioner of BTPN and as Chairman of Audit Committee of BTPN
Ninik Herlani	Member	Independent Commissioner of SMBCI
Dewie Pelitawati	Member	Independent Commissioner of BTPN Syariah
Muhamad Faiz	Member	Chairman of Sharia Supervisory Board of BTPN Syariah
Felix Oentoeng Soebagjo	Member	Independent party

#### ■ **The Term of Office of The Integrated Governance Committee**

- ▶ The term of office of the Committee's members must not be longer than the members' term of office as the BOC members of their respective FSI. This is regulated by the Articles of Association of each FSI of the Financial Conglomerate of the SMBC Group. Members can be reappointed for the subsequent period.
- ▶ If the Chairman and/or member of the Committee resign before his/her term of office ends as Independent Commissioner or there is replacement from member in the Financial Conglomerate of the SMBC Group, then each member of the Financial Conglomerate of the SMBC Group has to appoint his/her replacement promptly.

#### ■ **Independency of The Integrated Governance Committee**

The members of the Integrated Governance Committee have fulfilled the criteria of independency, being able to execute their duties independently and value the interest of the Financial Conglomeration of the SMBC group. This is depicted in the membership composition of the committee which consists of:

- a. Chairman who is an Independent Commissioner and hold a concurrent position as chairman in one of the Committees in SMBCI;
- b. Independent Commissioners who represent and are duly appointed by SMBCI, BTPN, and BTPN Syariah;
- c. An independent party as member that is appointed by the Board of Commissioners of the Lead Entity;
- d. Member from the Sharia Supervisory Board from BTPN Syariah.

#### **Responsibility of Reporting of the Integrated Governance Committee**

The Committee shall report the result of their activities to the BOC of the Lead Entity (SMBCI) at least once in every six (6) months or upon request from the Board of Commissioners of SMBCI.

#### **Duties and Responsibilities of The Integrated Governance Committee**

The duties and responsibilities of the Committee shall at least include the following:

1. To evaluate the implementation of the Integrated Governance at least through the evaluation of adequacy of the internal control and implementation of the integrated compliance function; and
2. To provide recommendations to the Board of Commissioners of the Lead Entity for the improvement of the Integrated Governance Manual.

#### **The Implementation of Duties and Responsibilities of The Integrated Governance Committee for year 2018**

The Integrated Governance Committee has discharged its duties and responsibilities in Semester I and Semester II year of 2018 as follows:

1. Evaluated the implementation of the Integrated Governance through the assessment of the adequacy of internal controls and the implementation of compliance function.
2. Evaluated the Integrated Governance Manual.
3. Reviewed the methodology that was applied in the report of Assessment of Implementation of Integrated Governance.
4. Reviewed the Report of Assessment on Implementation of Integrated Governance of the Financial Conglomerate of SMBC group prior to submission to the Indonesian Financial Service Authority for position of 30 June 2018 and 31 December 2018.
5. Reviewed the Integrated Governance Committee Charter.
6. Prepared the Annual Schedule and Plan of the Integrated Governance Committee.
7. Prepared and submitted reports regarding the duties and responsibilities of the Integrated Governance Committee to the Board of Commissioners of the Lead Entity (SMBCI) for first semester and second semester year 2018.
8. Held the Integrated Governance Committee meeting at least once in every semester.

## **The Schedule Meeting of The Integrated Governance Committee**

The Schedule and Agenda of The Integrated Governance Committee meetings are as follows:

<b>Date</b>	<b>Meeting Agenda</b>
8 February 2018*	<ul style="list-style-type: none"> <li>⊕ Implementation of The Schedule and Plan of the Integrated Governance Committee for Semester II year 2017:           <ul style="list-style-type: none"> <li>◆ Evaluated the implementation of Integrated Governance through the Report of Integrated Governance and Compliance and Internal Audit for of the Semester II of 2017.</li> <li>◆ Reviewed the Integrated Governance Report of the Semester II of 2017 to be submitted to the OJK.</li> <li>◆ Preparation of report regarding Duties and Responsibilities of The Integrated Governance Committee for the Semester II of 2017.</li> </ul> </li> <li>⊕ Others:           <ul style="list-style-type: none"> <li>◆ Establishment of The Schedule and Working Plan of the Committee for year 2018 and progress of follow up draft of the OJK regulation regarding Establishment of The Holding Company.</li> </ul> </li> </ul>
12 July 2018	<ul style="list-style-type: none"> <li>⊕ Introduction of New Chairman of The Integrated Governance Committee : Mr. A. Tony Prasetyantono (the Independent Commissioner of SMBCI).</li> <li>⊕ Implementation of The Schedule and Plan of the Integrated Governance Committee for Semester I year 2018:           <ul style="list-style-type: none"> <li>◆ Reviewed the third edition of the Integrated Governance Charter and the fourth edition of the Integrated Governance Manual.</li> <li>◆ Evaluated the implementation of Integrated Governance through the Report of Integrated Governance and Compliance and Internal Audit for of the Semester I of 2018.</li> <li>◆ Reviewed the Self Assessment of the Integrated Governance Report of Semester I of 2018 to be submitted to the OJK.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>◆ Preparation of report regarding Duties and Responsibilities of The Integrated Governance Committee for the Semester I of 2018.</li> <li>◆ Others:           <ul style="list-style-type: none"> <li>◆ Progress of the draft OJK regulation regarding the Establishment of The Holding Company as well as sharing important information related to the Financial Conglomerate of SMBC group for period of Semester I year 2018.</li> </ul> </li> </ul>
<p>The Integrated Governance Committee Circular Resolution number 001/IGC/Circular/I/2019**</p>	<ul style="list-style-type: none"> <li>◆ Regarding the Implementation of Duties and Responsibilities of the Integrated Governance of the Financial Conglomeration of SMBC group for Semester II Year 2018 among others are result of evaluation and decision toward:           <ul style="list-style-type: none"> <li>◆ The fifth edition of the Integrated Governance Charter and the fifth edition of the Integrated Governance Manual.</li> <li>◆ The Implementation of the Integrated Governance through assessment of adequacy of internal control and implementation of integrated compliance function based on the Integrated Compliance and Governance report and the Integrated Internal Audit report for position of 31 December 2018.</li> <li>◆ The draft report of the Implementation of the Integrated Governance, the Conclusion as well as the Rating of the Integrated Governance of the Financial Conglomeration of SMBC group position of 31 December 2018 that will be submitted to the Indonesian Financial Service Authority</li> </ul> </li> <li>◆ Informed preparation of report regarding Duties and Responsibilities of The Integrated Governance Committee for the Semester II of 2018.</li> <li>◆ The said of Circular Resolution with approval from all of Committee's members obtained ratification from the Board of Commissioners of the Lead Entity refer to supervisory function of the Board of the Commissioner of the Lead Entity toward the Committee.</li> </ul>

\*presented in this report to describe activity in year 2018

\*\*presented in this report as the meeting was in relation to the position of 31 Dec 2018

### **Frequency of Meeting and Attendance**

- ↳ In accordance to the Integrated Governance Committee Charter; the Committee shall hold a meeting at least once in every Semester, however The Committee may take valid resolutions without convening Meeting, with a condition that all of The Committee members shall unanimously approve the resolutions in writing by signing the proposal. These Resolutions shall have the same legal binding and validity as resolutions taken in the meeting of Committee (it is called the Circular Resolution).
- ↳ For discussing activities during Semester I Year 2018, The Committee has held meeting which attended by all of the Committee's members (100%). Meanwhile, to discuss activities during Semester II Year 2018, The Committee has deliberated the Circular Resolution of the Integrated Governance Committee number 001/IGC/Circular/I/2019 with approval from all member of the Committee and obtained ratification from the Board of Commissioners of the Lead Entity refer to the supervisory function of the the Board of Commissioners of the Lead Entity toward the Committee.

### **D. Duties and Responsibilities of The Integrated Compliance Function**

#### **↳ Structure and Responsibility of Reporting of the Integrated Compliance Function**

- ▶ SMBCI as the Lead Entity of the Financial Conglomerate of the SMBC group has implemented the Integrated Compliance Function. Implementation of the Integrated Compliance Function was performed by the appointed person from SMBCI (ie. The Integrated Compliance Conglomeration or ICC) in coordination with the Compliance Department of SMBCI.
- ▶ The Integrated Compliance Function is an independent function, which by definition is segregated from the operational working unit (risk-taking unit) and is not involved in functional or operational activity and have direct responsibility to the Director Overseeing the Compliance Function of SMBCI/Integrated Compliance and Governance of the Financial Conglomerate of the SMBC Group.

#### **↳ Duties and Responsibility of the Integrated Compliance Function**

Monitored and evaluated the implementation of compliance function in each of the Financial Service Institutions in the Financial Conglomeration of the SMBC group.

## **Implementation of Duties and Responsibilities of the Integrated Compliance Function for year 2018**

The Integrated Compliance Function has discharged its duties and responsibilities for activities in Semester I (January up to June 2018) and Semester II (July up to December 2018), as follows:

- 1) Coordinated with the members of the Financial Conglomerate of the SMBC group (BTPN and BTPN Syariah) through their Corporate Secretariat and Compliance Department.
- 2) Prepared and periodically reviewed the methodology that was used in monitoring and evaluating compliance and governance functions in each of the Financial Service Institutions of the Financial Conglomerate of the SMBC Group.
- 3) Evaluated the implementation of compliance and governance functions in each of the Financial Service Institutions in the Financial Conglomerate of the SMBC group (BTPN and BTPN Syariah) based on the results of assessment that were submitted by them and other available documentation for the position of 30 June 2018 and 31 December 2018.
- 4) Prepared reports for the assessment of the implementation of Integrated Governance that were submitted to the OJK and fulfilled other mandatory requirements of the OJK, as follows:
  - a. Report of Self-Assessment on the Implementation of Integrated Governance of the Financial Conglomerate of the SMBC group for the position of 30 June 2018 on 14 August 2018.
  - b. The Annual Report on the Implementation of the Integrated Governance of the Financial Conglomerate of the SMBC group for the position of 31 December 2017 on 25 May 2018.
  - c. Annual Report on the Implementation of Integrated Governance of the Financial Conglomerate of the SMBC group for the position of 31 December 2017 has been published on the website of SMBCI on 30 May 2017.
  - d. Additional information: in regard to merger between SMBCI (the Lead Entity) with BTPN (the Member Entity), the Financial Conglomerate of SMBC Group will fulfill regulatory to the OJK and others for position of 31 Desember 2018 by the latest of 31 January 2019, as follows:
    - 1) Report of The Self-Assessment of The Implementation of the Integrated Governance.
    - 2) The Annual Report of The Implementation of the Integrated Governance.
    - 3) Publishing The Annual Report of The Implementation of the Integrated Governance into SMBCI website.
- 5) Prepared and submitted report on the implementation of duties and responsibilities to the Director overseeing of Compliance Function of SMBCI for the position of 30 June 2018 and 31 December 2018.
- 6) Prepared and reviewed The Integrated Governance manual.

- 7) Supported the implementation of duties and responsibilities of the Integrated Governance Committee.
- 8) Submitted supporting materials for the preparation of the Report of the Integrated Compliance submitted by the Director Overseeing Compliance Function of SMBCI as the Lead Entity to the BOD and BOC of SMBCI every semester.
- 9) Supported the implementation of duties and responsibilities of the Integrated Risk Management group in coordination with the Risk Management Department of the members of the Financial Conglomerate of the SMBC group (BTPN and BTPN Syariah) in fulfilling the related mandatory reporting regulated by the OJK.

## **E. Duties and Responsibilities of The Integrated Internal Audit Function**

### **↳ Structure and Responsibility of Reporting of The Integrated Internal Audit Function**

- SMBCI as the Lead Entity of the Financial Conglomerate of SMBC Group has implemented the function of The Integrated Internal Audit. The Integrated Internal Audit Function was performed by the Internal Audit Department of SMBCI.
- The Internal Audit Department of SMBCI, which carried out the Integrated Internal Audit Function, is an independent function and by definition is segregated from operational working unit (risk-taking unit) and is not involved in functional or operational activities and have direct responsibility to the Director who was appointed to conduct supervisory function toward FSI in Financial Conglomerate (President Director of SMBCI) and able to communicate directly to the Board Of Commissioners of the Lead Entity (SMBCI).

### **↳ Duties and Responsibilities of The Integrated Internal Audit Function**

Monitored the implementation of internal audit function in each of the Financial Service Institutions of the SMBC Conglomerate.

### **↳ Implementation of Duties and Responsibilities of The Integrated Internal Audit Function for Year 2018**

- The Internal Audit Department of SMBCI which carried out the Integrated Internal Audit Function has discharged its duties and responsibilities for Semester I (covered January up to June 2018) and Semester II (covered July up to December 2018) as follows:
  1. Prepared and periodically reviewed the methodology that was used to monitor the implementation of internal audit function in each of the Financial Service Institutions of the SMBC Conglomerate.

2. Monitored the implementation of internal audit in each of member of the Financial Conglomerate of the SMBC group by reviewing information regarding internal audit submitted by the Internal Audit Department from each FSI (BTPN and BTPN Syariah).
3. Prepared report of integrated internal audit for the position of 30 June 2018 and 31 December 2018 based on information regarding internal audit submitted by the Internal Audit Department of the members of the Financial Conglomerate of SMBC group (BTPN and BTPN Syariah). The report was submitted to the Director who supervise the Financial Conglomerate of the SMBC group (President Director of SMBCI), Director Overseeing of Compliance Function of SMBCI and the Board of Commissioners of SMBCI.

#### **F. Integrated Risk Management Implementation**

The Lead Entity had estalished a proper organizational structure to support the implementation of integrated risk management as stipulated in the provision of the Indonesian Financial Service Authority regarding implementation of integrated risk management for financial conglomerate, as follows:

- a. Appointed Director who supervises the Integrated Risk Management function.
- b. Established the Integrated Risk Management Committee.
- c. Implemented the function of The Integrated Risk Management.

#### **The Integrated Risk Management Committee**

The membership composition of the Directors that became members of the Integrated Risk Management Committee was in accordance with the needs of the Financial Conglomerate. The composition also maximised the efficiency and effectiveness of the implementation of the duties of the Risk Management Committee by observing the representation of each of the Financial Service Institution.

<b>Name</b>	<b>Position in Integrated Risk Management Committee</b>	<b>Position</b>
Henoch Munandar	Chairman and Member	Director of Integrated Risk Management of SMBCI including supervising the Integrated Risk Management function
Anika Faisal	Member	Director Overseeing of Compliance Function and Risk Management Director of BTPN
Arief Ismail	Member	Director Overseeing of Compliance Function and

		Risk Management of BTPN Syariah
Yenny Lim	Member	Chief of Financial and Planning of SMBCI
Deni Djalil	Member	Head of Risk Management unit of SMBCI which carried out the function of Integrated Risk Management

 **Duties and Responsibilities of the Integrated Risk Management Committee**

To provide advice to the BOD of the Lead Entity (SMBCI) in area of:

- a. Composing the Integrated Risk Management policy; and
- b. Revamping or improving the Integrated Risk Management policy based on the result of implementation evaluation.

- ▶ Provisions regarding guidelines or code of conduct of the Integrated Risk Management Committee are detailed in the Term of Reference of the Integrated Risk Management Charter which has been reviewed periodically based on prevailing regulations and current condition.
- ▶ In conducting their duties, The Integrated Risk Management Committee coordinated with the Risk Management Department of SMBCI who carried out the Integrated Risk Management function.

 **Implementation of Duties and Responsibilities of the Integrated Risk Management Committee for Year 2018**

The Integrated Risk Management Committee has discharged their duties and responsibilities in the Semester I and Semester II Year 2018 as follows:

- a. Provided advice to the BOD of the Lead Entity (SMBCI) in composing of the Integrated Risk Management policy based on the evaluation result of implementation.
- b. Provided advice to the BOD of the Lead Entity (SMBCI) in the revamping or improvement of the Integrated Risk Management policy based on the evaluation result of implementation.
- c. Monitored the Integrated Risk Management Profile and the Integrated Capital Adequacy for the position of 30 June 2018 and 31 December 2018.
- d. Reviewed the Integrated Risk Management Profile and the Integrated Capital Adequacy for the position of 30 June 2018 and 31 December 2018 prior to the submission to the Indonesian Financial Service Authority.



### **The Schedule Meeting of The Integrated Risk Management Committee**

The Schedule and Agenda of the meetings of The Integrated Risk Management Committee are as follows:

<b>Date</b>	<b>Meeting Agenda</b>
9 February 2018*	<ul style="list-style-type: none"> <li>✚ Updated Changes to the Structure of The Integrated Risk Management Committee.</li> <li>✚ Updated The Schedule and Plan of The Integrated Risk Management Committee Year of 2018.</li> <li>✚ Monitored the Integrated Risk Profile and the Integrated Capital Adequacy for the position of 31 December 2017.</li> <li>✚ Reviewed the reporting of the Integrated Risk Profile and the Integrated Capital Adequacy submitted to OJK for the position of 31 December 2017.</li> </ul>
10 August 2018	<ul style="list-style-type: none"> <li>✚ Updated The Schedule and Plan of The Integrated Risk Management Committee Year of 2018.</li> <li>✚ Monitored the Integrated Risk Profile and the Integrated Capital Adequacy for the position of 30 June 2018.</li> <li>✚ Reviewed the reporting of the Integrated Risk Profile and the Integrated Capital Adequacy submitted to OJK for the position of 30 June 2018.</li> </ul>
28 January 2019**	<p>Monitored the Integrated Risk Profile and Integrated Capital Adequacy for the position of 31 December 2018.</p> <p>Reviewed the reporting of the Integrated Risk Profile and the Integrated Capital Adequacy to be submitted to OJK for the position of 31 December 2018.</p> <ul style="list-style-type: none"> <li>✚ Other information.</li> </ul>

\* presented in this report to describe activity in year of 2018

\*\* presented in this report as the meeting was in relation to the position of 31 Dec 2018

### ► **Frequency of Meeting and Attendance**

Based on the Integrated Risk Management Charter, the Integrated Risk Management Committee had held meetings at least once on a semi annual basis. The Committee's meeting may only be held if attended by at least

50% (fifty percent) of the members of the Committee in addition to the Committee's Chairman. The Committee's meeting for discussing activities in Semester I and Semester II Year 2018 have fulfilled the said quorum.

Name	Number of Meeting	Number of Attendance	Percentage of Attendance
Henoch Munandar	2	2	100%
Anika Faisal*	2	0	0%
Arief Ismail	2	2	100%
Yenny Lim	2	1	50%
Deni Djalil	2	2	100%

\* unavailable to attend, yet meeting's material and result of meeting had been conveyed to her.

## The Integrated Risk Management Function

### Structure and Responsibility of Reporting of The Integrated Risk Management Function

- ▶ The duties and responsibilities of the Integrated Risk Management Function were performed by the Risk Management Department of SMBCI.
- ▶ The Risk Management Department of SMBCI is an independent unit. The definition of independent shall be among others, the existence of the segregation of the unit that carries out the function of Integrated Risk Management from the operational business unit (risk-taking unit) in SMBCI and have direct responsibility to the Director who supervises the Integrated Risk Management Function of SMBCI.

### Duties and Responsibilities of Integrated Risk Management Function

1. Prepared and reviewed the methodology used in preparing the report of the Integrated Risk Management Profile and the Integrated Capital Adequacy.
2. Reviewed the Policy of Integrated Risk Management and Integrated Capital Adequacy.
3. Coordinated with the Risk Management Department of the members of the Financial Conglomerate of the SMBC group in compiling the report of The Integrated Risk Profile and The Integrated Capital Adequacy.
4. Delivered information to the Integrated Risk Management Committee on matters to be followed up related to the evaluation result on the implementation of Integrated Risk Management.

5. Monitored risk in the Financial Conglomerate based on the result of Risk Profile assessment of every FSI in the Financial Conglomerate; Level of Risk for each type of risks on an integrated basis; and the Integrated Risk Profile.
6. Monitored the implementation of Integrated Risk Management policy.

 **Implementation of Duties and Responsibilities of Risk Management Department of SMBCI for Year 2018.**

The Risk Management Department of SMBCI which carried out the function of Integrated Risk Management has discharged its duties and responsibilities for Semester I (covered January up to June 2018) and Semester II (covered July up to December 2018), as follows:

1. Prepared and reviewed the methodology used in preparing the report of the Integrated Risk Management Profile and Report of the Integrated Capital Adequacy.
2. Monitored implementation of Integrated Risk Management policy.
3. Monitored risk in the Financial Conglomerate based on assessment result
  - a. Risk Profile of every FSI in the Financial Conglomerate
  - b. Level of Risk for each type of risks in integrated basis
  - c. Integrated Risk Profile
4. Delivered information to the Integrated Risk Management Committee on matters to be followed up related to the evaluation result on the implementation of Integrated Risk Management.
5. Reviewed the Policy of Integrated Risk Management and Integrated Capital Adequacy.
6. Supported the implementation of duties and responsibilities of the Integrated Risk Management Committee.
7. Coordinated with the Risk Management Department of the members of the Financial Conglomerate of the SMBC group in compiling report of The Integrated Risk Profile and The Integrated Capital Adequacy for the position of 30 June 2018 and 31 December 2018.
  - The Financial Conglomerate of the SMBC group has performed self-assessment on Integrated Risk Profile on nine (9) kind of risks namely; credit risk, market risk, liquidity risk, operational risk, strategic risk, reputation risk, legal risk, compliance risk and intra-group transaction risk. The resulted were as follows:
    - a. Risk level of the Financial Conglomerate of the SMBC group for the position of 30 June 2018 was Low to Moderate.
    - b. Risk level of the Financial Conglomerate of the SMBC group for the position of 31 December 2018 was Low to Moderate.

- ▶ The Financial Conglomerate of the SMBC group has also performed self-assessment on the Mandatory Minimum Capital Adequacy. The results were as follows:
  - a. The Integrated Minimum Capital Adequacy ratio (comparison of the integrated actual capital with the integrated minimum capital) for the position of 30 June 201 was 2.18 (Note: The Integrated Capital Adequacy has not yet calculated obligation to constitute Capital Conservation Buffer =1.875% and the minimum capital of has considered buffer of *Domestically Systemic Important Bank* = 0.75%).
  - b. The Integrated Minimum Capital Adequacy ratio (comparison of the integrated actual capital with the integrated minimum capital) for the position of 31 December 2017 was 2.41 (The Integrated Capital Adequacy has not yet calculated obligation to constitute Capital Conservation Buffer =1.875%).
- ▶ The mandatory reporting to the Indonesian Financial Service Authority has been performed before the submission deadline in 2017, as follows:
  - a. Report of The Integrated Risk Profile and Integrated Capital Adequacy of the SMBC Conglomerate for the position of 30 June 2018 was submitted on 14 August 2018.
  - b. Additional information: in regard to the merger between SMBCI (the Lead Entity) and BTPN (the Member Entity), the Financial Conglomeration of SMBC group will be completed the regulatory reporting to the OJK which are Report of The Integrated Risk Profile and Integrated Capital Adequacy for position of 31 December 2018 by the latest of 31 January 2019.

## **G. Preparation and Implementation of The Integrated Governance Manual**

- ▶ The Financial Conglomerate of the SMBC group has established an Integrated Governance Manual based on the related Authority's regulations (Bank Indonesia, the Indonesian Financial Service Authority and others, for instance Capital Market for Financial Service Institution of Public Company). The manual consists of:

1. Framework of Integrated Governance for the Lead Entity (SMBCI);



a.	Requirements for BOD and BOC of Lead Entity;
b.	Duties and Responsibilities of BOD and BOC of Lead Entity
c.	Duties and Responsibilities of the Integrated Governance Committee
d.	Duties and Responsibilities of the Integrated Compliance Function

e.	Duties and Responsibilities of the Integrated Internal Audit Function
f.	Implementation of Integrated Risk Management

2. Framework of Integrated Governance for Financial Service Institutions of the SMBC Conglomerate (BTPN and BTPN Syariah), which consists of:



a.	Requirements for candidate members of BOD and BOC
b.	Requirements for candidate members of the Sharia Supervisory Board
c.	Structure of BOD and BOC
d.	Structure of Sharia Supervisory Board
e.	Independence of actions to be taken by BOC
f.	Implementation of management function of Financial Service Institution by BOD
g.	Implementation of supervisory function by BOC
h.	Implementation of supervisory function by the Sharia Supervisory Board
i.	Implementation of Compliance Function, Internal Audit Function, and External Audit
j.	Implementation of Risk Management Function
k.	Remuneration Policy
l.	Management of Conflicts of Interest

- The Integrated Governance Manual will be reviewed periodically in accordance to the latest of development or regulatory changes.
- The Integrated Governance Manual of the SMBC group had been submitted by the Board of Directors of the Lead Entity (SMBCI) to Board of Directors of the FSI of the Financial Conglomerate of the SMBC group (BTPN and BTPN Syariah) to be complied and implemented.

The Integrated Risk Management result shows that the Lead Entity (SMBCI) and Financial Service Institutions (BTPN and BTPN Syariah) within the Financial Conglomerate have implemented the principles of good governance in accordance with the Integrated Governance.

**H. Rating and Conclusion of Self Assessment of Implementation of Integrated Governance for the position of 30 June 2018 and 31 December 2018**

Result of Self Assessment of Implementation of Integrated Governance for the position of 30 June 2018 and 31 December 2018	
Rating	Rating Definition
2 (Two)	<p>The performance of the Financial Conglomerate in terms of the implementation of Integrated Governance is assessed to be good. This is reflected in the successful implementation of the principles of Integrated Governance. Although there were a few minor weaknesses identified in the implementation of Integrated Governance, generally the weaknesses were insignificant and can be resolved by normal actions of the Lead Entity and or Financial Service Institutions / members of Conglomerate.</p>

**A. Integrated Governance Structure**

The Integrated Governance structure of the Financial Conglomerate of SMBC Group was in accordance to or fulfills the prevailing stipulations to support the implementation of the principle of the Integrated Governance.

- ⊕ The number, composition and competency of the Board of Commissioners and the Board of Directors of the Lead Entity (SMBCI) were in accordance with prevailing regulations.
- ⊕ The member composition of the Integrated Governance Committee and the Integrated Risk Management Committee were in accordance with the needs of the Financial Conglomerate. The compositions of the committees were structured to ensure efficiency and effectiveness in the implementation of the committees' duties by having representation from different sectors of the financial services industry. The competencies of the members of the said Committees were in accordance with prevailing regulations.
- ⊕ As the entity in-charge of integration function, the Lead Entity (SMBCI) has appointed its Internal Audit Unit to perform the Integrated Internal Audit function, its Integrated Compliance Conglomeration unit to perform the Integrated Compliance function and its Risk Management Unit to perform the Integrated Risk Management function. The composition and competency of the said functions were in accordance with prevailing regulations and will be continuously enhanced.

- ⊕ The infrastructure had been properly established in compliance with prevailing stipulations, which include the availability of the Good Corporate Governance Manual of the Lead Entity (SMBCI), the Integrated Governance Manual of the Financial Conglomerate of SMBC Group, the Integrated Risk Management and the Integrated Capital Adequacy Manual of the Financial Conglomerate of SMBC Group, Manual of Financial Conglomerate of SMBC Group, the Integrated Governance Committee Charter, the Integrated Risk Management Charter, the Annual Plan and Schedule of the Integrated Governance Committee, the Annual Plan and Schedule of the Integrated Risk Management Committee. As well as the Charter of the Board of Commissioners of the Lead Entity (SMBCI), and the Charter of the Board of Directors of Lead Entity (SMBCI).
- ⊕ FSIs have established Strategic Plans which were in line with each of FSI's vision and mission.
- ⊕ Thus, the Governance structure of the Lead Entity (SMBCI) and members of the Financial Conglomerate of SMBC group (BTPN and BTPN Syariah) which comprises of the Board of Commissioners, the Board of Directors, the Committee, and The Sharia Supervisory Board including the Good Corporate Governance Manual and the Charter were in accordance and complied with prevailing stipulations.

## **B. Integrated Governance Process**

The implementation process of the Integrated Governance for the Financial Conglomerate of SMBC Group has been conducted effectively and was adequately supported by the Integrated Governance structure, which were reflected from:

- ⊕ The appointment and assignment of the members of the Board of Commissioners and the Board of Directors of Lead Entity (SMBCI) including the Directors of the Lead Entity (SMBCI) supervising the Financial Conglomerate of SMBC Group in terms of Integrated Risk Management and Integrated Governance and Compliance, were in accordance with prevailing regulations.
- ⊕ The implementation of duties and responsibilities of the Board of Commissioners and Board of Directors of Lead Entity (SMBCI) including coordination with related Director / Commissioner of member of FSI in the Financial Conglomerate of SMBC Group (BTPN and BTPN Syariah) were well managed. This has resulted in the smooth implementation of the Good Corporate Governance principles in accordance with prevailing stipulations.
- ⊕ The implementation of duties and responsibilities of the Integrated Governance Committee and the Integrated Risk Management Committee were well managed and in accordance with prevailing stipulations.
- ⊕ The implementation of duties and responsibilities of the Integrated Internal

Audit function, the Integrated Compliance function and the Integrated Risk Management function were in accordance to the stipulated requirements and have been continuously enhanced.

The said Integrated units/functions have shown good cooperation and coordination with the Corporate Secretary department, Compliance department, Risk Management department and Internal Audit department in the respective members of Financial Conglomerate of SMBC group.

- ⊕ Review of the Manual or Integrated documentation, for instance The Integrated Governance Manual of the Financial Conglomerate of SMBC group, the Integrated Risk Management and Capital Adequacy Manual of the Financial Conglomerate of SMBC group, The Integrated Governance Committee Charter and The Integrated Risk Management Committee Charter, were done in accordance to the review requirements and revised when necessary to be in line with the issuance of new regulations and the current condition. The Annual Plan and Schedule of The Integrated Governance Committee and the Integrated Risk Management Committee have been prepared as well.
- ⊕ The implementation of duties and responsibilities of other Governance related units from the Lead Entity (SMBCI) and the members of the Financial Conglomerate of SMBC group (BTPN and BTPN Syariah), which include the Board of Commissioners, Board of Directors, the Committee(s), Sharia Supervisory Board, were well managed and implemented with Good Corporate Governance principles in accordance with prevailing regulations.

### **C. Integrated Governance Result**

The result of the Integrated Governance of the Financial Conglomerate of SMBC Group showed that Integrated Governance had been properly implemented. This could be seen from:

- ⊕ The shareholders did not intervene in the management of the Financial Conglomerate in terms of the composition of Board of Commissioners and Board of Directors as well as the duties and responsibilities of Board of Directors in a manner that would result in disruptions to the operational activities of the Financial Service Institutions in Financial Conglomerate of SMBC Group thus impacting the Financial Service Institutions' profitability and/or causing loss to Financial Service Institutions in Financial Conglomerate of SMBC Group.
- ⊕ The strategic plan for each of the Financial Service Institution in Financial Conglomerate of SMBC group was fully supported by the shareholders. This support was reflected from the commitment and shareholder's effort to strengthen each of Financial Service Institution's capital.
- ⊕ The results of the meetings of the Board of Commissioners of the Lead Entity (SMBCI), the Board of Directors of the Lead Entity (SMBCI), the Integrated

Governance Committee, and the Integrated Risk Management Committee were clearly recorded in Minutes of Meeting and well documented, including dissenting opinion if occurred.

- ⊕ Integrated reports of the Financial Conglomerate of SMBC group, for instance the Self-Assessment of Implementation of the Integrated Governance, the Annual Report of Implementation of the Integrated Governance, the Integrated Risk Profile and the Integrated Capital Adequacy Report had been submitted to the Indonesian Financial Service Authority in accordance with prevailing stipulations in term of content and deadline of submission.
- ⊕ The capital of each Financial Service Institution has been well managed and was more than adequate to cater to the risk profile of each Financial Service Institution in Financial Conglomerate or as a Financial Conglomerate. This was reflected in the adequacy of the total capital which was above the minimum capital requirements.
- ⊕ Settlement of disputes by Financial Service Institutions in the Financial Conglomerate of SMBC group such as fraud and violation of regulation related to reporting were conducted in accordance with prevailing regulations. Preventive actions have been taken to avoid reoccurrence in the future.

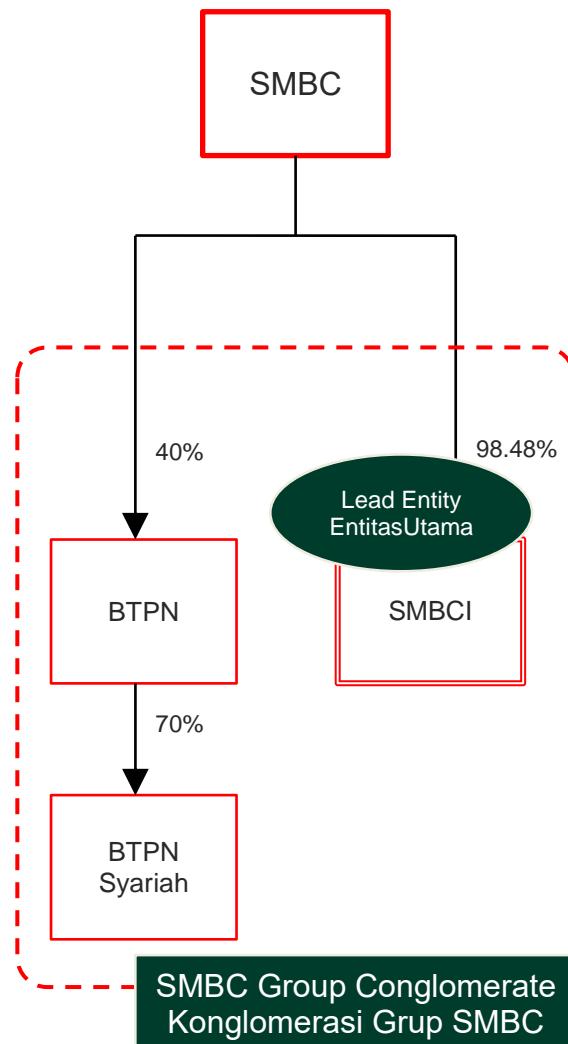
The result of the meetings of Board of Commissioners, Board of Directors, Sharia Supervisory Board as well as Committee(s) of the Financial Service Institutions within the SMBC group have been recorded and well documented. Mandatory reporting to the Authority was submitted in line with provision, including report of follow up action or recommendation from the Supervisory Team of Indonesian Financial Service Authority or other Authority.

## II. STRUCTURE OF FINANCIAL CONGLOMERATE

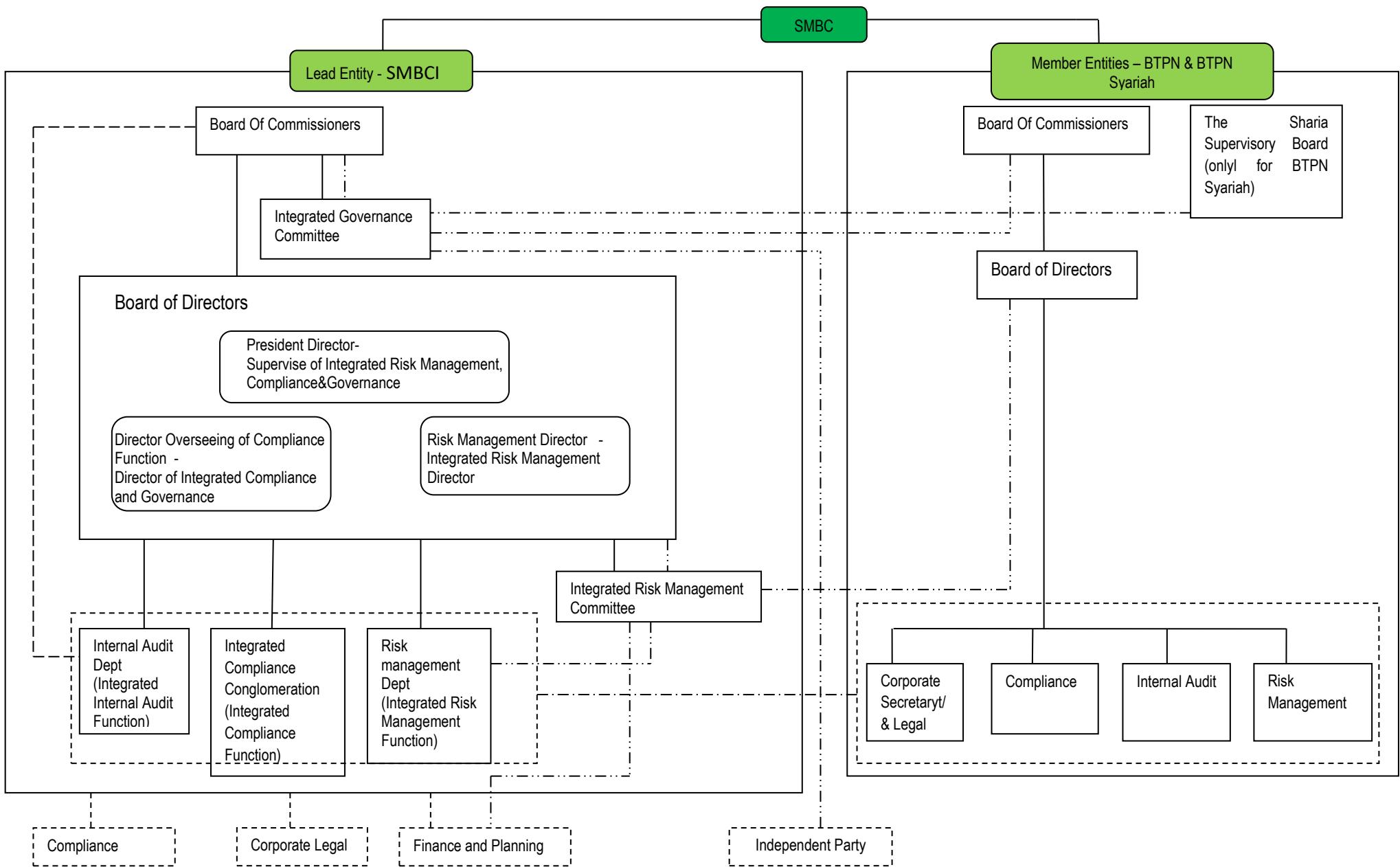
Based on the letter issued by Sumitomo Mitsui Banking Corporation (SMBC) dated 31 March 2015, which has been submitted to the Indonesian Financial Service Authority through letter reference SMBCI/OJK/COD/2015/061 dated 31 March 2015, the members of the Financial Conglomerate of SMBC Group are as follows:

1. PT Bank Sumitomo Mitsui Indonesia ("SMBCI") as Lead Entity.
2. PT Bank Tabungan Pensiunan Nasional Tbk ("BTPN") as Member Entity.
3. PT Bank Tabungan Pensiunan Nasional Syariah Tbk ("BTPN Syariah" or "BTPNS") as Member Entity.

The structure of Financial Conglomerate of Sumitomo Mitsui Banking Corporation (SMBC) group as of 31 December 2018 is briefly explained as follows:



Please kindly refer to the next page for the detail of Structure of Financial Conglomerate



The structure of the Financial Conglomerate of the SMBC group was established based on the provisions of the Indonesian Financial Service Authority ("OJK") regarding Financial Conglomerate.

The structure of the Financial Conglomerate of the SMBC group describes the relationship and roles of all related parties systematically in the Financial Conglomerate, which consists of:

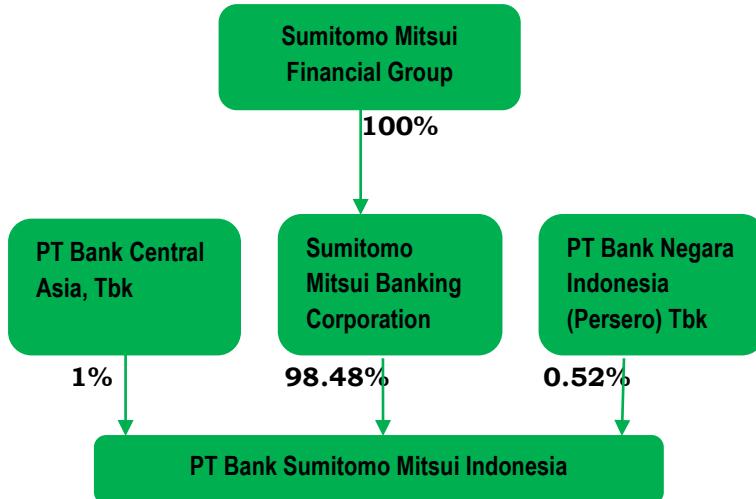
- a. SMBC as the Controlling Shareholder of the Lead Entity (SMBCI) and Member Entity (BTPN) and as the Ultimate Shareholder of Member Entity (BTPN Syariah).
- b. From the Lead Entity (SMBCI), the relevant parties consist of the Board of Commissioners, Board of Directors, Integrated Internal Audit Function, Integrated Compliance Function, Integrated Risk Management Function and other supporting parties i.e. Compliance, Corporate Legal and Finance & Planning.
- c. From Member Entities (BTPN and BTPN Syariah), the relevant parties consist of the Board of Commissioners, Board of Directors, Corporate Secretary /& Legal, Internal Audit, Compliance and Risk Management.
- d. The Integrated Governance Committee under the supervision of the Board of Commissioners of the Lead Entity (SMBCI) and the Integrated Risk Management Committee under the supervision of Board of Directors of Lead Entity (SMBCI).
- e. From outside of the Lead Entity (SMBCI) and Member Entities (BTPN and BTPN Syariah), an independent party has been recruited as member of the Integrated Governance Committee.

Every elements of the Financial Conglomerate's Structure conducts functions, duties and responsibilities in accordance to prevailing stipulations.

### III. THE STRUCTURE OF SHARE OWNERSHIP

The share ownership structure in the Financial Conglomerate of the SMBC group from The Ultimate Shareholder for position of 31 December 2018 was as follows:

#### A. Lead Entity: PT Bank Sumitomo Mitsui Indonesia (SMBCI)



⊕ **The Ultimate Shareholder of SMBCI** is Sumitomo Mitsui Financial Group (SMFG)

⊕ **Sumitomo Mitsui Financial Group (SMFG)**

Sumitomo Mitsui Financial Group, Inc (SMFG) was established in December 2002 through a share transfer from SMBC. SMFG is one of the largest financial institutions in Japan. The companies under SMFG Group of Companies offer a diverse range of financial services, centered on banking, and including credit card services, leasing, information services, and securities.

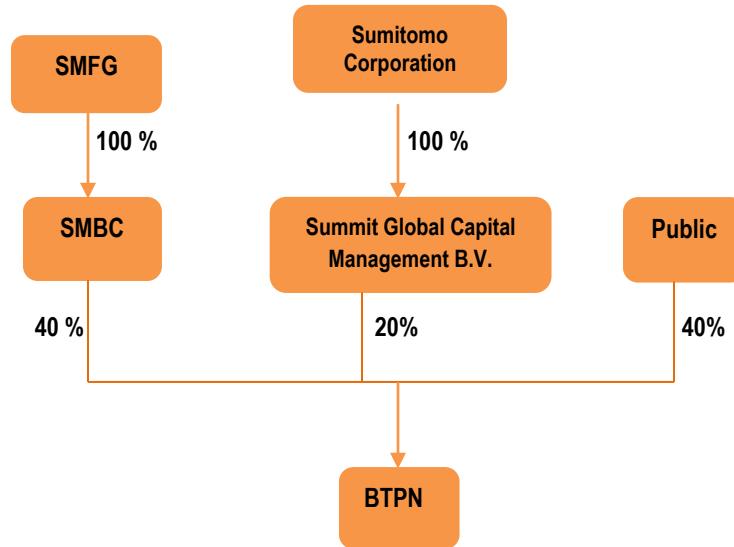
⊕ **The Controlling Shareholder of SMBCI** is Sumitomo Mitsui Banking Corporation (SMBC)

⊕ **Sumitomo Mitsui Banking Corporation (SMBC)**

Sumitomo Mitsui Banking Corporation (SMBC) was established in April 2001 through the merger of The Sakura Bank, Limited, and The Sumitomo Bank, Limited. From December 2002, SMBC became a wholly-owned subsidiary of SMFG, a holding company domiciled and registered in Japan and a well known financial group in the world.

## B. Member Entities

### B.1. PT Bank Tabungan Pensiunan Nasional, Tbk (BTPN)



■ **The Ultimate Shareholders of BTPN are :**

Sumitomo Mitsui Financial Group (SMFG)

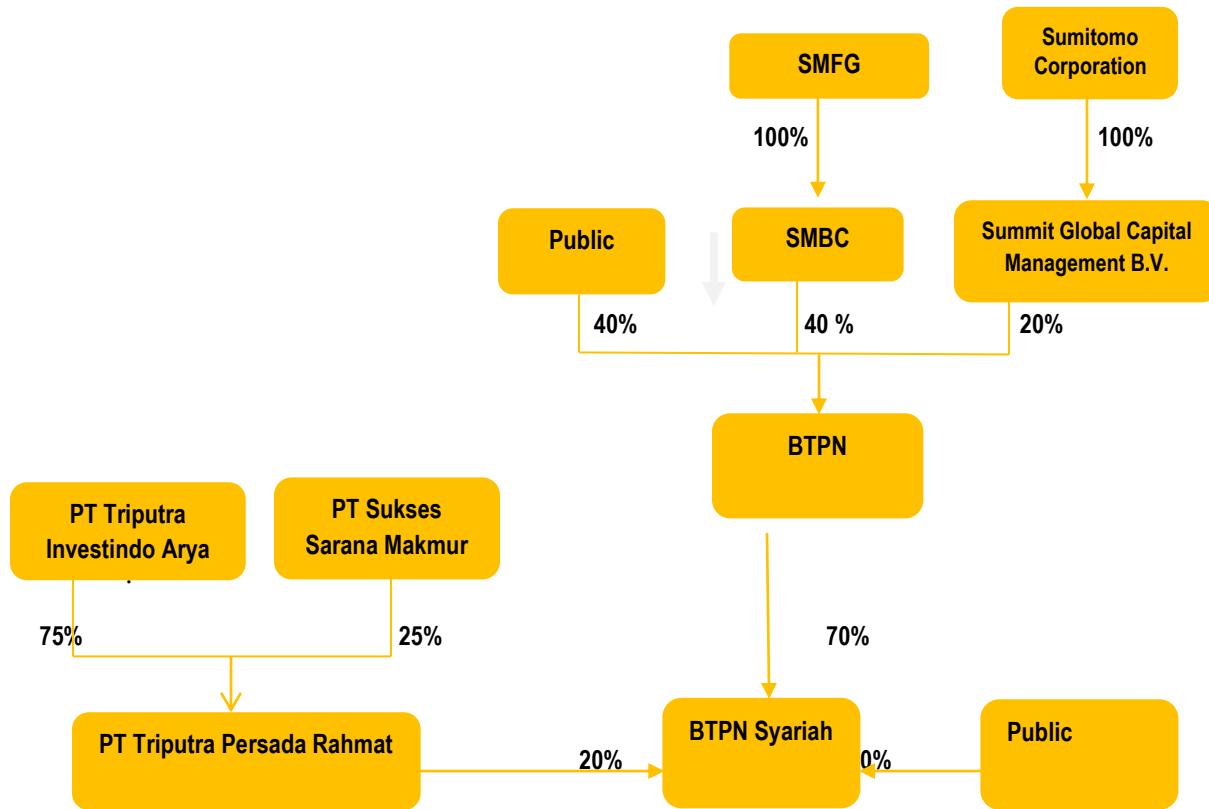
The brief company profile can be seen in the previous page.

■ **The Controlling Shareholders of BTPN are:**

Sumitomo Mitsui Banking Corporation (SMBC)

The brief company profile can be seen in the previous page.

## B.2. PT Bank Tabungan Pensiunan Nasional Syariah (BTPN Syariah)



### ❖ The Ultimate Shareholders of BTPN Syariah are:

Sumitomo Mitsui Financial Group (SMFG) through Sumitomo Mitsui Banking Corporation (SMBC).

### ❖ Sumitomo Mitsui Banking Corporation (SMBC)

The brief company profile can be seen in the previous page.

### ❖ The Controlling Shareholders of BTPN Syariah are:

PT Bank Tabungan Pensiunan Nasional, Tbk (BTPN)

### ❖ PT Bank Tabungan Pensiunan Nasional, Tbk (BTPN)

The profile of share ownership and management can be seen in the previous section.

## IV. THE STRUCTURE OF MANAGEMENT

### A. Lead Entity: PT Bank Sumitomo Mitsui Indonesia (SMBCI)

The composition of the Board of Commissioners and Board of Directors of SMBCI as the Lead Entity of the Financial Conglomerate of the SMBC group as of 31 December 2018 were as follows:

<b>Board of Commissioners of SMBCI</b>	
<b>Title</b>	<b>Name</b>
President Commissioner	Ryuji Nishisaki
Vice President Commissioner	Yuichi Nishimura
Independent Commissioner	A. Tony Prasetyantono
Independent Commissioner	Ninik Herlani Masli Ridwan

<b>Board of Directors of SMBCI</b>	
<b>Title</b>	<b>Name</b>
President Director (also supervise Integrated Risk Management and Integrated Compliance and Governance of the Financial Conglomerate of the SMBC Group)	Kazuhisa Miyagawa
Vice President Director	Yasuhiro Daikoku
Vice President Director	Adrianus Dani Prabawa
Integrated Risks Director (also supervise Integrated Risk Management of the Financial Conglomerate of the SMBC Group)	Henoch Munandar
Director Overseeing of Compliance Function (also supervise Integrated Compliance and Governance of the Financial Conglomerate of the SMBC Group)	Dini Herdini
Director	Hiromichi Kubo

Additional information:

One Director (Widya Permana) has resigned as of 27 September 2018.

## B. Member Entities

### B.1. PT Bank Tabungan Pensiunan Nasional, Tbk (BTPN)

The composition of the Board of Commissioners and Board of Directors of BTPN as member of the Financial Conglomerate of the SMBC group as of 31 December 2018 were as follows:

Board of Commissioners of BTPN	
Title	Name
President Commissioner (Independent)	Mari Elka Pangestu
Independent Commissioner	Irwan Mahjudin Habsjah
Independent Commissioner	Arief Tarunakarya Surowidjojo
Commissioner	Chow Ying Hoong
Commissioner	Shinichi Nakamura

Board of Directors of BTPN	
Title	Name
President Director (Independent)	Jerry Ng
Vice President Director	Ongki Wanadjati Dana
Director Overseeing of Compliance Function and Company Secretary (Independent)	Anika Faisal
Information Technology Director	Kharim Indra Gupta Siregar
Finance and Funding Director	Arief Harris Tandjung
Risk Management Director	Wolf Arno Kluge

#### Additional Information:

One Director (Djemi Suhenda) has resigned as of 05 October 2018.

### B. 2. PT Bank Tabungan Pensiunan Nasional Syariah (BTPN Syariah)

The composition of the Board of Commissioners and Board of Directors of BTPN Syariah as member of the Financial Conglomerate of the SMBC group as of 31 December 2018 were as follows:

Board of Commissioners of BTPN Syariah	
Title	Name
President Commissioner (Independent)	Kemal Azis Stamboel
Independent Commissioner	Dewie Pelitawati
Commissioner	Mahdi Syahbuddin
Commissioner	Maya Kartika

**Board of Directors of BTPN Syariah**

<b>Title</b>	<b>Name</b>
President Director (Independent)	Ratih Rachmawaty
Vice President Director	Mulia Salim
Director Overseeing of Compliance Function	Arief Ismail
Director	Taras Wibawa Siregar
Director	M.Gatot Adhi Prasetyo

**The Sharia Supervisory Board of BTPN Syariah**

<b>Title</b>	<b>Name</b>
Chairman	H. Ikhwan Abidin,MA
Member	H. Muhamad Faiz,MA

## V. THE POLICY OF INTRA-GROUP TRANSACTION

- ⊕ Each of the Financial Service Institutions of the Financial Conglomerate of the SMBC group has complied with their internal rules and guidelines on managing intra-group transaction within the Financial Conglomerate.
- ⊕ Intra-Group transaction is a transaction between entities within one Financial Conglomerate for the fulfillment of obligations in either written or unwritten agreement which may or may not involve the movement of funds.
- ⊕ The policy of intra-group transaction has incorporated factors to identify intra-group transaction which causes intra-group transaction risks, among others from:
  1. Cross-ownership amongst FSIs within a Financial Conglomerate;
  2. Centralization of short-term liquidity management;
  3. Guarantees, loans, and commitments that are provided or obtained by an FSI from other FSI within a Financial Conglomerate;
  4. Exposure to the controlling shareholder, including the exposure of loans and off-balance sheet such as guarantees and commitments;
  5. The purchase or sale of assets to another FSI within one Financial Conglomerate;
  6. Transfer of risk through reinsurance; and/or transactions to divert third party risk exposure amongst FSIs within one Financial Conglomerate.
- ⊕ In addition, listed below are the indicators that could be used in the identification of inherent risk of intra-group transaction:
  - a. Significant of intra-group transaction on the total asset of the Financial Conglomerate.
  - b. Dependency of the Financial Service Institution on intra-group transaction.
  - c. Documentation of transaction's agreement and support of intra-group transaction.
  - d. Fulfillment of arm's length's principle in agreement of the whole intra-group transaction.
  - e. Impact of intra-group transaction on the financial performance of Financial Service Institutions.
  - f. Materiality of intra-group transaction in terms of its financial impact on the Financial Service Institutions and Financial Conglomerate.
- ⊕ Parameters that could be used in measuring the severity of Intra-Group Transactions are as follows:
  1. The composition of intra-group transaction in the Financial Conglomerate using ratio or indicator such as total amount of intra-group transaction compared to total asset, total amount of intra-group transaction including Off Balance Sheet intra-group compared to total capital, exposure toward the Controlling Shareholder (including loan exposure and off balance sheet such as guarantee and commitment) and others.

2. Documentation and judgment by using indicator such as agreement documentation, fulfillment of arm's length principle (judgment of transaction) and impact of transaction on the financial performance of the Financial Service Institutions.
3. Other information such as management centralization related to short term liquidity, support of intra-group which is not legally blinded and/or could not be executed, supply of service of management and other services such as back-office between Financial Service Institutions in one group and purchase or sell asset to other Financial Service Institutions in one group.

- In terms of management of intra-group transaction risk, exposure should be in accordance to established risk tolerance level.
- The management of Intra-Group transaction risk can be done through hedging, additional capital to absorb loss potential or having other risk mitigation based on relevant regulations, for instance Legal Lending Limit.
- The intra-group transaction policy of SMBCI as the Lead Entity of the Financial Conglomerate of the SMBC group has been stipulated in the Policy of Integrated Risk Management, Policy of Legal Lending Limit and Policy of Equity Participation.
- The detail of the intra-group transaction of the Lead Entity (SMBCI) as of 31 December 2018 has been incorporated in The Annual Report for the year 2018 of the Lead Entity (SMBCI) in the section on transaction of the related parties.

**Additional information:**

With regards to the merger between SMBCI and BTPN, the Financial Conglomerate of SMBC group will continue to fulfill the related OJK stipulations and direction after the completion of the merger.

## Attachment

### List of Executive Officers related to The Financial Conglomerate of SMBC group Year of 2018

#### The Lead Entity (SMBCI)

No	Name	Title
1	Aster Viridian	Head of Integrated Compliance Conglomeration
2	Imbang Perdana Satryawan	Head of Internal Audit Department / Integrated Internal Audit
3	Deni Djalil	Head of Risk Management Department / Integrated Risk Management
4	Hari Suci Yuliasuti	Head of Compliance Department
5	Eneng Yulie Andriani	Head of Corporate Legal Department

#### Member Entities

##### PT Bank Tabungan Pensiunan Nasional, Tbk (BTPN)

No	Name	Title
1	Butet Sitepu	Corporate Secretary Head
2	Nurhajati Soerjo Hadi	Head of Internal Audit
3	Sendiaty Sondy	Portfolio Management and Policy Head / Risk Management Department
4	Lucy Susiana Noor	Compliance Head
5	Heru Rustanto	Audit Planning and Support Head

##### PT Bank Tabungan Pensiunan Nasional Syariah (BTPN Syariah)

No	Name	Title
1	Yunita Cahaya Haerani	Corporate Secretary & Legal Head
2	Rena Mutia Indriani	Compliance Head
3	Hari Pudjo Santoso	Risk Management Head
4	Gatot Prasetyo	Internal Audit Head