

# **GUIDELINES OF CORPORATE GOVERNANCE IMPLEMENTATION**

<b>CD-00002-L3</b> <i>Administrative Detail of Framework</i>	
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## 1 BACKGROUND

Along with the more challenging business and the risks faced by banks, the need to implement Corporate Governance practices is equally increasing. PT Bank OCBC NISP Tbk (“Bank”) understands the importance to implement the Corporate Governance as a mean to improve Bank’s performance, protecting the shareholders’ interests, and increasing the compliance towards the prevailing rules and regulations as well as the best practices in banking industry along with the sustainable business growth in the long run.

Therefore Bank is committed to consistently implement Corporate Governance. Henceforth, to improve the performance and compliance towards the implementation of Corporate Governance Principles, Bank formulates Guidelines of Corporate Governance Implementation which eventually will be consistently implemented so that the values of each stakeholders could be optimally utilized to create profitable economic relations.

## 2 PURPOSE

- 2.1 To improve Bank’s performance, protect stakeholders’ interests, and improve the compliance towards prevailing rules and regulations as well as the best practices and ethics in banking industry.
- 2.2 Serves as guidance for the implementation of Corporate Governance, and being the holistic and integrated policy system. Henceforth every decision and/or policy made by the Bank fundamentally refers to Guidelines of Corporate Governance Implementation, and to ensure that each policy in the Bank is formulated with check and balance approach in each business process and in each level of the organization based on Corporate Governance Principles.

## 3 COVERAGE

Guidelines of Corporate Governance Implementation is applicable to the company organs. The Bank encourages the compliance towards Corporate Governance and is committed to implement it by obligates all leaders within the Bank responsible to ensure the compliance towards the charter within their scope of leadership.

With regard to the Financial Conglomerate, the application of Governance refers to the FCP-00001-L2 Policy Integrated Governance Guidelines that apply to Financial Services Institutions incorporated in the Financial Conglomerate with Bank OCBC NISP as the Main Entity.

## 4 DEFINITION

- 4.1 **Board of Directors** is company organ fully responsible for executing of the company for the benefit and the purpose of the company itself and represents the company in as well as outside the court of law as was amalgamated in the Article of Association.
- 4.2 **Board of Commissioners** is company organ overseeing the activities of a company and providing advice to the Board of Directors in executing their

assignments.

- 4.3 **Independent Commissioner** is a member of the Board of Commissioners who does not have the financial, management, shareholding and/or family relationship with any member of the Board of Commissioners, Board of Directors, and/or majority shareholders or any other relationship which will affect his ability to be independent.
- 4.4. **Independent Party** is a party outside the Bank who does not have financial, management, shareholding, and/or family relationship with any member of the Board of Commissioner, Board of Commissioners, Board of Directors, and/or majority shareholders or any other relationship which will affect his ability to be independent.
- 4.5 **Majority Shareholder** is a corporate, individual and/or group of companies who:
- Owns 25% or more of Bank's shares and has voting rights;
  - Owns less than 25% of banks shares and has voting rights, and is proven to have direct or indirect controlling ability towards the Bank.
- 4.6 **Stakeholders** are each party who has direct or indirect interest towards the Bank's business activity.
- 4.7 **Executive Officer** is an officer who directly responsible to the Board of Directors or has influence towards the Bank's policy and operatives, as follow: division head, head of regional office, head of branch office, functional office head, head of risk management working unit, head of compliance working unit, and head of internal audit working unit and/or other equivalent official.
- 4.8 **Affiliated Parties are:**
- Board of Commissioner, Supervisor, Board of Director, Officer or employee of the Bank.
  - Member of the management, Supervisors, Managers or their proxies, Officials or employees of the bank, especially for bank in the form of cooperative law in accordance with applicable legislation.
  - Parties that provide services to banks, including Public Accountants, Appraisers, Legal Consultants and other consultants.
  - The parties which according to the assessment of the Bank Indonesia also influence the management of Banks, including shareholders and their family, family of Board of Commissioner, family of Supervisors, family of Board of Director, family of Management.
- 4.9 **Conflict of Interest** is an occurrence of conflict between the company's economic interest and personal economic interest of a shareholder, member of the Board of Commissioners or Board of Directors, or Bank's employees.
- 4.10 **Remuneration** is the remuneration stipulated and given to the Board of Director, Board of Commissioner and/or employees whether fixed or variable in cash or not accordance with their duties, authorities and responsibilities.

- 4.11 **Dissenting Opinions** is the divergence of opinions in the decision making.
- 4.12 **Fit and Proper Test** is an evaluation of the fitness of appropriateness of the member of the Board of Commissioners, Board of Directors, and Majority Shareholders conducted by the regulator and Bank's supervisor.
- 4.13 **Fiduciary Responsibility** are responsibilities entrusted to the Board of Director by the company in acting and making decisions regarding the duties and authorities in running the Bank.
- 4.14 **Check and Balance** are principles of working relationship between corporations with equal status
- 4.15 **Asymetric Information** are conditions that occur when between two parties, one of the parties has more or better information than the other party.
- 4.16 **Whistleblowing System** are tools to report acts of abuse of authority, fraud or violations of corporate code of conduct by employee.

## 5 GENERAL POLICY

### 5.1 Principles of Corporate Governance

To improve Bank performance, protect interest of Stakeholders, and improve compliance with prevailing rules and regulations and ethical values prevailing in the banking industry, Bank implement Corporate Governance Principles in every business and every level of organization. Implementation of Corporate Governance based on:

1. **Transparency:**  
Transparency in disclosing material and relevant information as well as in decision-making process.
2. **Accountability:**  
The clarity of function and the execution of the accountability of the Bank's organ for effective management.
3. **Responsibility:**  
The harmony of the management of the Bank with the prevailing regulation and sound Banking management principles.
4. **Independency:**  
Bank is professionally managed without influence/pressure from any party whatsoever.
5. **Fairness:**  
Fairness and equality in fulfilling the stakeholders' rights arisen from the agreement and prevailing regulations.

### 5.2 Implementation of Corporate Governance

Bank implements Principles of Corporate Governance in every business activity or every level of organization at least in:

1. The execution of the roles and responsibilities of the Board of Commissioners and the Board of Directors.
2. The completeness and the execution of duties of the committees and task force who perform the internal control function.

3. The implementation of compliance function, internal audit, and external audit.
4. The implementation of risk management, including the internal control system.
5. The provision of fund to related party and large exposures.
6. Strategic plan of the Bank.
7. Conflict of Interest Handling.
8. The transparency of both financial and non-financial conditions of the Bank, Report of Corporate Governance Implementation and Internal Reporting.

In addition to the above points, need to pay attention to other information related to implementation of Corporate Governance, such as problems arising from the impact of remuneration policy on a bank or internal bank disputes that disrupt the operational and/or sustainability of the bank business.

### **5.3 Aspect of Corporate Governance Implementation Assessment**

Based on OJK Regulation regarding Bank's Soundness Rating, assessment of Corporate Governance Implementation based on Principles of Corporate Governance which is grouped into a governance system consisted of three governance aspects:

#### **1. Governance Structure**

The assessment of governance structure is aimed to evaluate the adequacy of Bank's governance structure and infrastructure so that the process of implementing Corporate Governance Principles could produce an outcome in accordance with the stakeholders' expectation. Including in the Banks governance structure is the Board of Commissioners, Board of Directors, and Bank's working units. The governance infrastructure, however, is inter-alia: policy and procedures, Management Information System, and main duties and functions of each organizational structure.

#### **2. Governance Process**

The assessment of governance process is aimed to evaluate the effectiveness of the process of implementing Corporate Governance Principles, supported by the adequacy of structure and infrastructure to produce an outcome in accordance with the stakeholders' expectation.

#### **3. Governance Outcome**

The assessment of governance outcome is to evaluate the quality of outcome which fulfills the expectation of the stakeholders as a result of the process in implementing the GCG Principles, supported by adequate governance structure and infrastructure. Governance outcome includes both qualitative and quantitative aspects:

- a. Adequacy of transparency of reports
- b. Compliance to the regulations
- c. Consumer protection
- d. Objectivity in conducting assessment/audit.

- e. Performance such as profitability, efficiency, equity; and/or
- f. Improvement/degradation of compliancy towards the prevailing regulations and settlement of issues faced by Bank such as fraud, violation of Legal Lending Limit, or any other breach of regulations related to Bank's reporting to the regulator.

## **6 MAIN POLICY**

### **6.1 Commitment in Corporate Governance Implementation**

Implementation of Corporate Governance consistently and simultaneously can only be reached when there is strong commitment from company organ and the levels down the line. Principles to be carried out to ensure the commitment is in place:

1. Bank has clear and realistic vision and mission.
2. Bank complies with the prevailing regulations.
3. Bank has company values which reflects good moral in conducting its business.
4. Bank stipulates business ethics and company behavior charter. Business ethics and behavior charter carried out simultaneously and consistently to form company culture as the manifest of company values.
5. Bank has the governance over the inter-organ relationship: GMS, shareholders, Board of Commissioners and Board of Directors.
6. Bank has Board of Commissioner and Board of Directors charter in executing their roles and responsibilities.
7. Bank has governance over the relationship of the stakeholders. In relation to its function as intermediary institution and as part of business, Banks pay attention and actively take part in managing the preservation of natural resources and the environment.

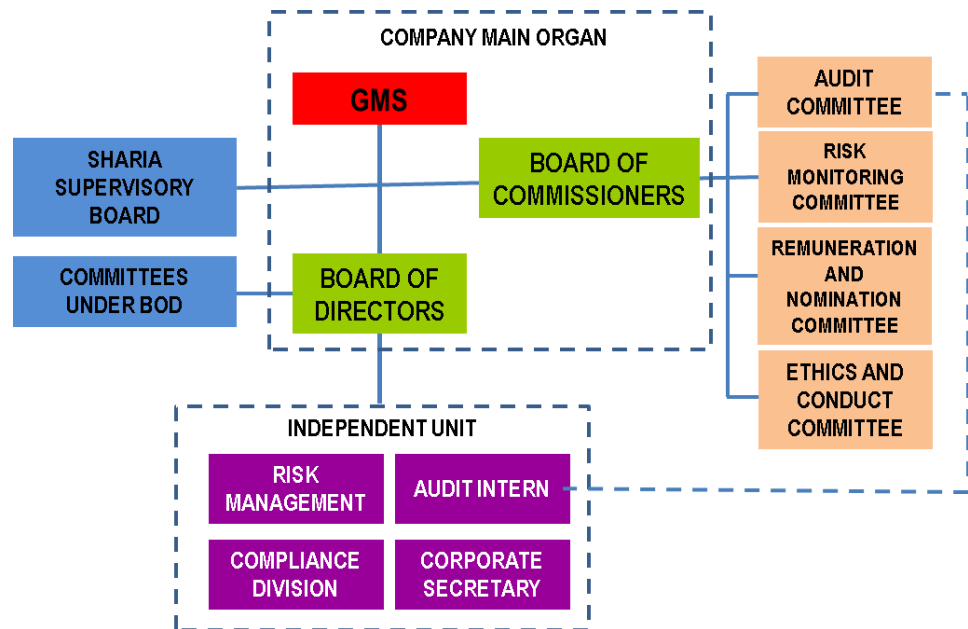
### **6.2 Corporate Governance Structure**

Governance Structure covers company organ structure and Bank policy. In the structure of bank governance structure are also included some important aspects that play a role supporting the compnay organs, namely:

#### **1. Company Organ**

Governance structure in form of Company Organ of an Indonesian established company consists of GMS, Board of Commissioners, and Board of Directors because Indonesia applies two-board system, each of it has independent function and create check and balance mechanism. The functions of Board of Directors and Board of Commissioners are mandated in the Article of Association and the prevailing regulations as fiduciary responsibility. Below is the governance structure of OCBC NISP:





**a. GENERAL MEETING OF SHAREHOLDERS (GMS)**

- 1) GMS is an organ in a company which has exclusive authority in the coverage as specified in the Company Law and company's Article of Association.
- 2) GMS as the manifestation of the shareholders, is the ultimate organ of the company. With equal position, the shareholders will carefully consider their decision for the sake of company's long term interest. When the decision had been made, GMS will grant all of the authorities of oversight and the execution of the decision to the Board of Commissioners and Board of Directors.
- 3) GMS has certain authorities that is not granted to the Board of Commissioners nor Board of Directors.
- 4) GMS and/or the shareholders cannot intervene to the duties, function, and authorities of the Board of Commissioners and Board of Directors, however not reducing in such a way the authority of GMS to execute its rights as stipulated in the Article of Association and prevailing regulations, including to replace or dismiss a member of Board of Commissioners and Board of Directors.

**b. Board of Commissioners**

- 1) Board of Commissioners is a company organ responsible in collective manner. The decision of Board of Commissioners is a collective decision. The segregation of duties among the members is not intended for decisionmaking, however to peruse the issues which require decisionmaking.

- 2) Each member of the Board of Commissioners has the same position, including the President Commissioner.

**c. Committees**

- 1) In order to assist the supervisory function of Board of Commissioners, Bank is required to establish committees as referred in Point 7.3.
- 2) Board of Commissioners may establish Remuneration Committee and Nomination Committee separately.
- 3) The appointment of committee members is made by the Board of Director based on the decision of the Board of Commissioner Meeting.
- 4) Board of Commissioner ensure Committees has performed effectively.
- 5) Committees formulate Committee' Charter which covers structure, membership, expertise, independence of committee members, the duties and responsibilities of the committee, and work programs.

**d. Board of Directors**

- 1) Board of Directors is company's organ whose duties and responsibilities are conducted collegially. Each of the board members could conduct his/her responsibility and make decision within his/her authority, however, eventually the implementation of the duties will be collegiate responsibility.
- 2) Members of the Board of Directors have equal position in the board.

**2. Independent Units**

The Governance Structure in form of Independent Units known as Governance, Risk, and Compliance (GRC), consists of:

**a. Compliance Function**

- 1) In order to ensure compliance, Bank appoints 1 (one) Director who is in charge of Compliance referring to the requirements and procedures as stipulated in the Implementation of the Compliance Function of Commercial Banks.
- 2) To support the implementation of the Compliance Director duties effectively, Bank forms Compliance Division which is independent from the operational units.
- 3) Compliance Division is supported by competent and certified human resources.
- 4) The implementation of the duties and responsibilities of the Compliance Division equipped with Compliance Policy and Procedure, duly approved by the Board of Directors, whereby the Bank has certain program to improve compliance culture.
- 5) The report of Compliance Function allows the Bank's senior management to recognize and promptly takes necessary

actions or prevention towards incompliance.

**b. Internal and External Audit Function**

- 1) The Bank implements the internal audit function effectively by referring to the requirements and procedures as stipulated in the regulation of Application of Internal Audit Function in Commercial Banks.
- 2) To order implementation of Internal Audit Function effectively, Bank is required to establish an independent Internal Audit Division of the operational work unit and directly responsible to the President Director and report the implementation of its duties and responsibilities to the Board of Commissioners through Audit Committee
- 3) Internal Audit Division is supported with competent human resources who have experiences in Bank's operating activities, and possess professional certificate in banking industry.
- 4) In the implementation of External Audit Function, the Bank appoints a public accountant and public accounting firm registered at the OJK in the audit of Bank's financial statements.
- 5) The appointment of public accountant and public accounting firm requires approval of the GMS based on the proposal submitted by the Board of Commissioners as recommended by the Audit Committee.
- 6) The audit and appointment of public accountant and public accounting firm meet the Financial Services Authority Regulations on Transparency and Publication of Bank Reports and the provisions governing the use of public accounting services and public accounting firms.

**c. Risk Management**

- 1) Banks are required to apply risk management effectively, adapted to Bank's purpose, business policies, size and complexity of bank's business and capability in accordance with OJK requirements and procedures regarding implementation of Risk Management for Commercial Banks.
- 2) The Bank has adequate policies, procedures and determination of risk limits where in the context of implementing an effective Risk Management process and system, the Bank forms a Risk Management Work Unit (SKMR) and Bank Risk Committee (BRC) which also supports the implementation of the duties and responsibilities of the Directors.
- 3) BRC provide reports regularly to the Board of Commissioners through Risk Monitoring Committee (RMC) in accordance to the Bank's need.

- 4) Aside from the structure, Bank is also equipped with internal control structure which consists of 1<sup>st</sup> line of defense, 2<sup>nd</sup> line of defense and 3<sup>rd</sup> line of defense.

**d. Corporate Secretary**

- 1) Bank is required to have a Corporate Secretary Function carried out by:
  - a) Individual; or
  - b) A work unit led by a person in charge
- 2) Corporate Secretary is appointed and dismissed based on the Board of Director decision.
- 3) Corporate Secretary is responsible to the Board of Directors.

**3. Governance Infrastructure**

Infrastructure constitutes Bank's policy in carrying out the business. It also covers Bank's strategic plan translated into corporate plan and business plan as per Bank's vision and mission. The basic principles related with the infrastructure covers:

**a. Long-term Plan, Annual Plan and Budgeting**

- i. Long-term and annual plan are the guidance for the shareholder and other stakeholders in evaluating Bank's achievement.
- ii. Long term plan is Bank's strategic plan within five years which is defined by the Board of Directors and approved by the Board of Commissioners.
- iii. Work plan and annual budgeting is Bank's business plan within one year, defined by the Board of Directors and approved by the Board of Commissioners.

**b. Bank's Business Policy**

Bank formulates various business policies as well as the supporting policies accordance with the types of products and services provided

**c. Supervisory Policy**

Supervisory Policy include policies on Internal Audit, Anti Fraud, Law and Compliance.

**4. Fund Provision to Related Parties and Large Exposures**

- a. In order to avoid the failure of Bank's business as result of the concentration fund provision and increase the independence of the Board of Directors and Board of Commissioners on potential intervention from related parties, Bank is required to apply prudential principles in the provision of funds, among others by applying the deployment or diversification of the provision of funds provided.

- b. Implementation of fund provision to related parties and/or large exposures refer to the provisions that regulate Legal Lending Limit for Commercial Banks
- c. Information to be disclosed regarding fund provision to related parties and the large exposure is set out in Procedure CS-00401-L5 the Preparation of the Annual Report and Sustainability Report.

#### **5. Bank's Strategic Plan**

- a. Bank is required to develop strategic plan in the form of corporate plan and business plan.
- b. The submission of corporate plan and corporate plan changes to OJK is referred to OJK regulation
- c. The preparation and submission of business plan referred to OJK regulation on Bank's Business Plan

#### **6. Transparency Aspects of Bank's Conditions**

- a. Bank is required to implement transparency of financial and non financial condition to Stakeholders
- b. In implementation of transparency of financial and non financial conditions, Bank is required to prepare and present reports in procedure, type and scope as regulated in OJK regulation on Transparency and Publication of Bank Reports.
- c. Bank is required to implement transparency of information regarding Products and utilization of Bank's customer data in accordance with OJK regulation on Transparency of Bank Product Information and Utilization of Customer Data and Customer Protection in Financial Services.

#### **7. Conflict Of Interest**

Conflict of interest is the difference between economic interest of the company and that of Board of Directors and Board of Commissioners and all of the managers below them, shareholders, or affiliated parties of Board of Directors, Board of Commissioners, or shareholders that could harm the Bank. Conflict of interest could significantly impact the implementation of Bank's policy and Corporate Governance. To avoid the negative impact of conflict of interest towards the policy and the implementation of Corporate Governance, Bank needs to pay attention to the followings:

- a. Relationship between the members of the Board of Commissioners, Board of Directors and management below them and the shareholders, debtors, creditors, business partner and supporting professionals which may result in a conflict of interest.
- b. Conflict of interest as stated above might arise due to family, ownership and financial relationship.
- c. Member of the Board of Commissioners, Board of Directors and Executive Officers openly disclose any parties who potentially possess conflict of interest and not intervene in the particular decision making.
- d. Conflict of interest could harm the bank in case of misuse and

formulation of policy or strategic decision, acceptance either directly or indirectly from other party that can influence decision making process, and giving asymmetric information.

- e. Prevention and management of conflict of interest and risk mitigation of transaction with conflict of interest includes disclosing all materials which potentially create conflict of interest. Information on the conflict of interest is obtainable through whistleblowing system.
- f. In handling conflict of interest, Bank has internal policy/procedure, which is also monitored in a reporting mechanism.
- g. In order to improve the quality of the Board's decision-making process and the quality of the oversight process by Board of Commissioners, the Bank ensure the availability and adequacy of internal reporting that supported by management information system.
- h. In the event of conflict of interest, Board of Director, Board of Commissioner, and Executive Officers are prohibited from taking actions that may harm the Bank or reduce the Bank's profits and disclose conflict of interest in any decision.

## **8. Remuneration**

Bank's remuneration system is closely related to the principles of accountability, fairness, and equality. Remuneration consists of salary, bonus, tantieme, goods, representation and stock-based remuneration. In granting the remuneration, Bank take the following into account:

- a. The amount of remuneration pay attention to business scale, business complexity, peer group, inflation rate, financial condition and capability and not contradictory to legislation.
- b. The remuneration system reflects the performance and inherent risk both individually or corporate in order to be attractive and retaining a qualified human resources.
- c. The amount of remuneration reflects fairness in peer group and not comparable with other industries
- d. Range of remuneration is reasonable between levels in Bank's organizational structure.

## **9. Other Information Related to Governance**

Other information related to governance, among others in the form of owner intervention, internal disputes or problems that arise as a result of the Bank's remuneration policy are regulated in Procedure CS-00401-L5 Preparation of Annual Report and Sustainability Report.

### **6.3 Governance Process**

Governance process is a mechanism conducted by the Bank in carrying out its function and duties to actualize its commitment and governance structure in order to achieve suitable governance outcome in accordance with Corporate Governance Principles. Principles in governance process or the bank is as follows:

**1. GMS**

- a. The General Meeting of Shareholders (GMS) be conducted as per stipulated schedule and procedures in accordance with the prevailing regulations, Article of Association, commitment and governance structure.
- b. The result of Annual GMS disclosed in the disclosure report in Corporate Governance implementation as per prevailing regulations.

**2 The Implementation of Duties and Responsibilities of the Board of Commissioners and Board Of Directors**

- a. The function, duties, authorities and responsibilities are conducted based on the good will, prudence, and professionally as per prevailing regulations, Article of Association, and commitments.
- b. The implementation of the duties and responsibilities of the Board of Directors and Board of Commissioners is regulated in the Board of Commissioners and Board of Directors Charters.

**3. Compliance Function**

The implementation of ex-ante function of Compliance Unit is supported with periodic monitoring over the implementation of compliance risk management embedded in business units or other working units.

**4. Internal And External Audit Function**

Internal audit process has clarification mechanism between auditor and auditee, finalized with exit meeting and further supported with monitoring system towards the follow up of the commitment:

- a. Follow-up towards audit findings by the auditee becomes the parameter of Key Performance Indicator (KPI).
- b. Audit process is conducted independently and objectively.

**5. Risk Management And Internal Control System**

Independent units and functions (i.e Risk Management Unit, Compliance Unit, and Internal Audit Unit) conduct coordination and alignment in implementation each duties and responsibilities to enhance the quality of internal control and Bank's risk mitigations.

**6. Transparency of Financial And Non-Financial Condition**

Governance process well-documented as legal proof, as well as for Corporate Governance implementation evidence.

**7. Business Plan**

Bank's business conducted in accordance with Bank's vision, mission, corporate values and strategy based on prudential principles and commitment.

## **6.4 Governance Outcome**

Governance outcome is a manifest of governance implementation which is initiated from governance commitment and implemented through integrated governance structure and governance process. As an implication of governance outcome, Bank maintains its soundness and improvement simultaneously in order to fulfill stakeholders' needs and expectations. Governance Outcome is the indicator of achievement of Bank's business, which therefore manifested into six basic principles: business continuity, efficiency, benefits to the society, compliance to regulations, consumer protection, preserving the environment. To the Bank, Governane Outcome is translated into:

### **1. Business Continuity**

To maintain business continuity in order to fulfill stakeholders' needs and expectation.

### **2. Efficiency**

Actualizing the efficiency as a result of the capability in managing the Bank's business.

### **3. Benefits to the Society and National Economy**

Bank is able to provide benefits through various activities and services to the society and national economy.

### **4. Compliance to Regulations**

Bank constantly comply with the regulations and internal policies in accordace with the basic principles as a trusted institution.

### **5. Protect Consumer Interests and Needs**

Customer protection is achieved through the assurance of the security of customers' assets and beneficial services.

### **6. Corporate Social Responsibility**

Actively maintain and improve social and environmental responsibility.

## **6.5 Other Factors Related to Corporate Governance Implementation**

### **1. Shareholders**

Shareholders are the capital owners, hence have the rights and responsibility over the Bank as per Article of Association and prevailing regulations. Shareholders take into account the Bank's sustainability when carrying out their rights and responsibilities. Practically, shareholders could affect Corporate Governance quality of the Bank, as follows:

- a. Controlling shareholders could affect Corporate Governance Implementation. The ultimate shareholder of Bank is the Parent Company ("OCBC Bank") and the controlling shareholder is OCBC Overseas Investment Pte. Ltd ("OOI"). In this regard, guidelines of Corporate Governance is formulated by the Bank who serves as independent legal entity so that company organs function as per prevailing laws and regulations in Indonesia.



- b. Non-controlling shareholders or minority shareholders have the rights and protection fairly.

## **2. Stakeholders**

Stakeholders (aside from shareholders) are parties whose roles and interests whether direct or indirect, affect Bank's Corporate Governance implementation. In relation with the stakeholders, Bank takes into account the rights and responsibilities of the stakeholders as stipulated in the regulation and agreement between both parties as well as beneficial cooperation with the stakeholders in order to promote well-being and sustainability of both parties. Following is the basic principles in order to maintain harmonious relationship between Bank and the stakeholders:

### **a. Country**

Bank comply with the prevailing laws and the government.

### **b. Regulator and Bank's Supervisor**

Bank is obliged to comply with the prevailing rules and regulation and maintain its soundness to protect customer's interests and beneficial to national economy.

### **c. Depository Customer**

Bank is obliged to protect and provide services in accordance to the needs.

### **d. Lending Customer (Debtor)**

Bank maintains a beneficial relationship for both parties.

### **e. Other Customer**

Bank provides services in accordance with the needs of customers concerned

### **f. Other Bank**

Bank maintains sound competition by conducting business cooperation in accordance with Corporate Governance Principles

### **g. Business Partner**

Bank collaborates for the benefit of both parties in accordance with Corporate Governance Principles.

### **h. Employee**

Bank ensure the inexistence of discrimination based on ethnic group, religion, race, group, and gender. Bank also ensures the just and fair treatment to encourage employees' development in accordance to their competencies, capability, experiences and skills.

### **i. Supporting Professional**

In using their services, Bank is objective and does not interfere with the professionalism and professional ethic in carrying out the duties.

## **7 ROLES AND RESPONSIBILITY**

The roles and responsibility of each elements in relation to the implementation of Corporate Governance is as follows:

### **7.1 GMS**

GMS is a forum where shareholders have the authority to obtain information about the company, either from the Board of Director or the Board of Commissioner. Such information is the basis for the GMS to determine the policies and strategic steps of the company in making decisions as a legal basis.

### **7.2 Board of Commissioners**

1. The Board of Commissioners must carry out their duties and responsibilities independently.
2. The Board of Commissioners ensures the implementation of good governance in the Bank's business activities, among others through the holding of Board of Commissioners meetings, committees meetings that established under the Board of Commissioners.
3. The Board of Commissioners conducts the oversight towards the implementation of the duties and responsibilities of the Board of Directors, and provide advice to the Board of Directors.
4. In conducting the oversight, the Board of Commissioners should direct, monitor and evaluate the implementation of Bank's strategic policy.
5. Board of Commissioner has binding guidelines and work rules for each member Board of Commissioner.

### **7.3 Committees**

In order to support effectiveness implementation of task and its responsibilities, Board of Commissioners shall form:

1. Audit Committee
2. Risk Monitoring Committee
3. Remuneration and Nomination Committee
4. Ethics and Conduct Committee

Roles and responsibilities of each committees are regulated in Committee's Charter.

### **7.4 Board Of Directors**

1. Board of Director is responsible for the execution of its duties to the shareholders through GMS.
2. Board of Director is responsible for the implementation of the Bank's management in accordance with its authorities and responsibilities as regulated in laws and regulations.
3. Board of Director implements the principles of Corporate Governance in business activity of the bank.
4. The Board of Directors ensures the follow-up of audit findings and recommendations from SKAI, external auditors, OJK supervisory results and/or other authorities supervisory results.
5. Board of Director discloses employment-related strategic policies to

- employees.
6. Board of Director provides accurate, relevant, and timely data and information to Board of Commissioner.
  7. Board of Director has binding guidelines and work rules for every member of Board of Director.
  8. In order to implement the principles of Corporate Governance, Board of Director at least forms:
    - i. Internal Audit Unit
    - ii. Risk Management Unit and Board Risk Committee
    - iii. Compliance Unit

## **7.5 Units that perform Control Functions**

In order to support the duties of control by the Board of Directors, Bank is required to establish work units that perform the control functions, namely:

### **1. Compliance Division**

- a. Compliance Division is responsible to ensure awareness of the Compliance Culture in business activities of the bank and perform Compliance Risk Management which may occur from business activity.
- b. In preparing report of Implementation and Corporate Governance Assessment, Compliance Division:
  - 1) Preparation of report on the implementation of Corporate Governance at the end of the year, on the implementation of the Compliance Function
  - 2) Self assessment of Corporate Governance Implementation at least twice a year, on the implementation of the Compliance Function and Implementation of Transparency of Financial and Non-Financial Condition
  - 3) Submit Bank's Self Assessment on the Implementation of Corporate Governance Report together with Self Assessment on Bank's Soundness Report very semester to OJK.

### **2. Internal And External Auditor Functions**

- a. Internal Audit directly reports to the President Director, and indirectly to the Board of Commissioner by strategically outlining the planning, implementation and monitoring of the audit results, and providing suggestions for improvements and information on the activities evaluated to all levels of management
- b. Internal Audit shall be independent and objective in conducting audit and reveal views and thoughts, accordance with profession and prevailing audit standards
- c. Internal Audit takes part in providing consultation aiming to give added value and improving the governance, risk management and internal control process of the Bank.
- d. Internal Audit periodically submits audit report to President Director and Board of Commissioners through the Audit Committee.
- e. Internal Audit prepares and updates guidelines, systems and procedures, as stipulated in the provision concerning the

- Implementation of Internal Audit Function in Commercial Banks.
- f. In preparing Corporate Governance implementation and self assessment report, Internal Audit:
    - 1) Prepares the report of Corporate Governance Implementation at the end of the year for the Implementation of Internal Audit Function section.
    - 2) Conducts Corporate Governance Self-assessment at least twice a year for the Implementation of Internal Audit Function aspect.
  - g. External audit tasks at least meet several aspects, such as capacity of the Public Accounting Firm (KAP), the legality of working agreement, audit scope, the professional standards of the public accountant and the communication of supervisory authority with Public Accounting Firm.

### 3. Risk Management Group

- a. Risk Management Working Unit is independent against business units such as treasury and investment, credit, funding, accounting, and Internal Audit
- b. Risk Management Working Unit has roles to prepare, implement, monitor and evaluate the Bank's risk management system, including providing review of new products and/or activities developed by the Bank
- c. In preparing Corporate Governance implementation and self assessment report, Risk Management Group (ERPM as coordinator):
  - 1) In formulating Corporate Governance report which is submitted in parallel with the Annual Report, Risk Management Group composes the Corporate Governance implementation material, inter-alia:
    - i. The implementation of Risk Management, including the Internal Control System;
    - ii. Fund provision to Related Party and large exposures; and
    - iii. Number of internal frauds.
  - 2) In conducting the self-assessment of Corporate Governance implementation, at least twice a year which covers the following aspects:
    - i. The implementation of Risk Management, including the Internal Control System; and
    - ii. Fund provision to Related Party and large exposures.

## 7.6 Unit related to Corporate Governance Implementation.

### 1. Corporate Secretary

- a. To keep up-to-date with the development of Capital Market, especially the regulations in Capital Market.
- b. Provides recommendation to the Board of Directors and Board of Commissioners to comply with the prevailing regulations in Capital Market.
- c. Assists Board of Directors and Board of Commissioners in the

implementation of Corporate Governance, including but not limited to:

- 1) Disclosure of information to public, including the availability of information in company's website;
  - 2) Timely submission of the report to the regulator
  - 3) Conducting and documenting the GMS
  - 4) Conducting and documenting Board of Directors and/or Board of Commissioners meeting; and
  - 5) Implementing orientation program for the Board of Directors and/or Board of Commissioners
- d. As point of contact between the company and shareholders, regulators, and other stakeholders
- e. Corporate Secretary and/or employee in the Corporate Secretary Functions shall keep the confidentiality documents, data and information except to comply with the obligation in accordance with the provision
- f. Corporate Secretary and/or employees in the Corporate Secretary Functions are prohibited from taking personal benefit either directly or indirectly, which is detrimental to the Bank.
- g. Corporate Secretary is obliged to provide report periodically at least once a year concerning implementation of corporate secretary function to Board of Directors and copied to Board of Commissioner.
- h. In preparing Corporate Governance implementation and self assessment report, Corporate Secretary:
- 1) In the report of Corporate Governance implementation, at end of year Corporate Secretary shall compose the material of disclosure of Corporate Governance implementation, inter-alia:
    - i. The execution of duties and responsibilities of the Board of Commissioners and Board of Directors.
    - ii. The completeness and the execution of duties of the committees;
    - iii. Share ownership of the member of the Board of Commissioners and Board of Directors which reach 5% or more of the paid-up capital, covering the type and number of shares in the Bank, other banks, non-bank financial institution, and other company in both domestic and overseas;
    - iv. Financial relationship and family relationship of the member of the Board of Commissioners, Board of Directors, and/or Majority Shareholders of the Bank;
    - v. Frequency of Board of Commissioners meeting;
    - vi. Transactions which contain conflict of interest;
    - vii. Other information related to the Implementation of Governance, including ownership and internal disputes
  - 2) In Corporate Governance self-assessment, Corporate Secretary conduct self-assessment at least twice a year, include:
    - i. The implementation of duties and responsibilities of the Board

- of Commissioners
    - ii. The implementation of duties and responsibilities of the Board of Directors;
    - iii. The completeness and the execution of duties of the committees; and
    - iv. Conflict of interest.
  - i. Acting as a coordinator in preparing the Governance Implementation Annual Report and the Self-Assessment Governance Report
  - j. Submits the Corporate Governance Implementation Report, which is submitted together with the Bank's Annual Report, to the Financial Services Authority.
  - k. Socializes Guidelines for the Implementation of Bank Governance to all levels or levels of the organization on an ongoing basis.
- 2. Financial Control and Advisory**

In preparing Corporate Governance implementation and self assessment report, Financial Control :

  - a. Compiling the disclosure material of Corporate Governance implementation:
    - 1) The implementation of External Audit Function
    - 2) Transparency of Financial Condition
  - b. Conducting self-assessment interl-alia towards the External Audit Function and Transparency of Financial Condition aspects
- 3. Corporate Planning and Development**
  - a. Formulate long term corporate plan as well as annual business plan and budget as guidance in achieving Bank's goal and objectives amalgamated in the Article of Association.
  - b. In preparing Corporate Governance implementation and self assessment report, Corporate Planning:
    - 1) Compiling the material of Corporate Governance implementation with regards to Bank's strategic plan, and Buy Back Shares and/or Buy Back Obligasi Bank.
    - 2) Conduct self assessment inter-alia towards the evaluation towards the Bank's Strategic Plan
- 4. Corporate Communication**
  - a. To ensure the smooth communication between Bank and the stakeholders, especialy mass-media, society, and public.
  - b. Responsible to the implementation of Corporate Social Responsibility (CSR), activities which is conducted in line with Bank's strategy and done within the Bank's business coverage as specified in the vision, mission, strategy and Bank's policy.
  - c. In preparing Corporate Governance implementation and self assessment report, Corporate Communication:
    - 1) Compiling the Corporate Governance implementation material:
      - a. Other information in relation to Bank's Corporate Governance

- using various communication channels;
  - b. Implementation of activities and charity for social and/or political activities during the period of reporting.
- 2) Conducting self-assessment inter-alia towards the Transparency of Non-Financial Condition.

#### **5. Corporate Legal**

Composing the report of the implementation of Corporate Governance in relation to legal issues

#### **6. Human Capital**

- a. Conducting transparent recruitment process of human resources in line with the specified strategy in conducting the vision, mission, and Bank's development plan.
- b. Developing human resources integratedly in accordance with the development needs of the Bank, based on the competencies and specified work ethic.
- c. Implementing career development and remuneration based on work performance and competencies.
- d. Maintaining conducive working environment by implementing employment agreement.
- e. Composing Corporate Governance implementation material i.e. other information related to Bank's Corporate Governance such as information on code of conduct, company culture, the completeness of Remuneration Package / Policy and Other Facilities for the Board of Commissioners and Directors, Share Options, and Highest and Lowest Salary Ratio

#### **7.7 Other Working Unit**

Providing endorsement in implementation of governance

- 7.8** Each Working Unit is responsible for the Implementation of Bank Governance as stated above (Point 7.6.1-7.6.6), submits a report on the implementation of Governance at the end of the financial year to the Corporate Secretary to be reported in the Corporate Governance Implementation Report and forms part of the Annual Report.

## **8 MONITORING AND REPORTING**

### **8.1 Corporate Governance Implementation Report**

- 1. Bank prepares Corporate Governance implementation report every end of year.
- 2. Corporate Governance implementation report consists of:
  - a. Transparency of Corporate Governance Implementation as stated in point 8.2 and report of Corporate Governance self-assessment.
  - b. Ownership of shares of the Board of Director as well as financial relationship and family relationship of Board of Director with other Board of Director, Board of Commissioners and/or controlling shareholders.

- c. Ownership of shares of the Board of Commissioner as well as financial relationship and family relationship of Board of Commissioner with other Board of Director, Board of Commissioner and/or controlling shareholders.
  - d. Share ownership of members of the Board of Directors and Board of Commissioners that reaches 5% (five percent) or more of the paid up capital.
  - e. The frequency of Board of Commissioners meetings includes the number of meetings and attendance.
  - f. Number of internal fraud that have occurred and efforts to resolve them by the Bank.
  - g. Number of legal issues and action plan by Bank.
  - h. Transaction containing conflict of interest.
  - i. Buy back shares and/or Bank's bond
  - j. Provision of fund for social activities and politic, both in nominal and beneficiary.
3. Detail information that must be disclosed in point 2 above is regulated in Procedure CS-00401-L5 Preparation of Annual Report and Sustainability Report.
  4. Corporate Governance implementation report which relates to remuneration is referred to OJK regulation regarding Implementation of Governance in Provision of Remuneration for Commercial Bank.
  5. Bank is required to submit the Corporate Governance implementation report to OJK and shareholder no later in 4 (four) months after the end of year.
  6. Corporate Governance implementation report published on Bank's website no later in 4 (four) months after the end of year.
  7. Corporate Governance implementation report could be separate section or presented separately which then submitted in parallel with the Annual Report

## **8.2 Transparency of Corporate Governance Implementation**

The transparency of Corporate Governance Implementation covers the Corporate Governance Principles:

1. The implementation of duties and responsibilities of Board of Director and Board of Commissioner.
2. The completeness and implementation of duties of Committees and working unit that performs internal control functions.
3. Implementation of Compliance Function, Internal Audit and External Audit.
4. Implementation of risk management.
5. Fund provision to related parties and large exposures
6. Bank's strategic plan
7. Transparency of financial and non financial conditions



### **8.3 Corporate Governance Self Assessment**

1. Bank requires conducting Corporate Governance Self Assessment which includes the things in poin 8.2 at least twice in a year.
2. Result of Corporate Governance Self Assessment is an integral part of Corporate Governance Implementation Report.
3. OJK may assess and evaluate Corporate Governance Self Assessment.
4. Based on the result of OJK assessment, OJK may request the Bank to submit action plan which contains the remedial measures which must be executed by Bank in a timely manner.
5. If needed, OJK may request the Bank to make adjustment of action plan and/or special inspection on the result of improvement in the Corporate Governance Implementation that has been undertaken by Bank.

## **9 RELATED POLICIES**

- 9.1 FCP-00001-L2 Integrated Governance Charter
- 9.2. CS-00001-L3 Board of Commissioners Charrter
- 9.3 CS-00002-L3 Audit Committee Charter
- 9.4 CS-00003-L3 Remuneration and Nomination Committee Charter
- 9.5 CS-00004-L3 Risk Monitoring Committee Charter
- 9.6 CS-00005-L3 Board of Directors Charter
- 9.7. CS-00007-L3 Ethics and Conduct Committee Charter
- 9.8. CD-00001-L3 Compliance Policy
- 9.9. FCP-CD-00201-L5 Proceedure of Assessment and Reporting of Implementation of Integrated Governance.
- 9.10. CD-012301-L5 Handling of Affiliation Transaction and Transaction containing Conflict of Interest
- 9.11. CS-00401-L5 Preparation of Annual Report and Sustainability Report

## **10 EFFECTIVE DATE AND NEXT REVIEW DATE**

- 10.1 **Effective Data**  
The policy is effective after getting approval from Board of Directors and submitted to Board of Commissioners as notification.
- 10.2 **Next Review Date:**
  1. This policy will be reviewed no later than within 3 (three) years or if any changes on regulation and internal provisions.
  2. Any material changes need recommendation from Compliance Director in order to obtain approval from the Board of Directors and concurence from Board of Commissioners.

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3. Non material changes which do not lower the risk management standard shall be approved by Compliance Director and Board of Directors and submitted to Board of Commissioners as notification.

**APPENDIX – LEGAL STANDING**

1. Law No. 40 Year 2007 regarding Limited Liabilities Company
2. Law No. 7 Year 1992 as amended by Law No. 10 Year 1998 regarding Banking..
3. Ministry of Labor Decree No. 1 Year 2017 regarding Structure and Scale of Wages.
4. OJK Regulation No. 16/POJK.04/2020 concerning electronic General Meeting of Shareholders
5. OJK Regulation No. 15/POJK.04/2020 concerning The Plans and Organizations of Public Company Shareholders General Meeting
6. OJK Regulation No. 1/POJK.03/2019 concerning Implementation of Internal Audit Function in Commercial Banks.
7. OJK Regulation No. 46/POJK.03/2017 concerning Implementation of Commercial Bank Compliance Function
8. OJK Regulation No. 13/POJK.03/2017 concerning the Use of Public Accountant Services and Public Accountant Offices in Financial Services Activities.
9. OJK Regulation No. 55/POJK.03/2016 concerning Implementation of Corporate Governance for Commercial Bank.
10. OJK Regulation No. 18/POJK.03/2016 concerning Implementation of Risk Management for Commercial Bank..
11. OJK Regulation No. 4/POJK.03/2016 concerning Bank Soundness Rating..
12. OJK Regulation No. 5/POJK.03/2016 concerning Bank Business Plan.
13. OJK Regulation No. 56/POJK.04/2015 concerning Forming and Formulates Guidelines of Internal Audit Charter
14. OJK Regulation No. 55/POJK.04/2015 concerning Formation and Guidelines for Audit Committee Work Implementation.
15. OJK Regulation No. 45/POJK.03/2015 concerning Implementation of Coorporate Governance in Remuneration for Commercial Bank.
16. OJK Regulation No. 21/POJK.04/2015 concerning Implementation of Corporate Governance Guidelines.
17. OJK Regulation No. 35/POJK.04/2014 concerning Corporate Secretary.
18. OJK Regulation No. 34/POJK.04/2014 concerning Nomination and Remuneration Committee of Issuers or Public Companies.
19. OJK Regulation No. 33/POJK.04/2014 concerning Board of Director and Board of Commissioner.
20. OJK Regulation No. 18/POJK.03/2014 concerning Implementation of Integrated Corporate Governance for Financial Conglomeration.

21. OJK Regulation No. 17/POJK.03/2014 concerning Implementation of Integrated Risk Management for Financial Conglomeration.
22. BI Regulation No. 16/1/PBI/2014 concerning Consumer Protection Payment Services System..
23. OJK Circular Letter No. 14/SEOJK.03/2017 concerning Assessment of Bank Soundness Rating for Commercial Bank.
24. OJK Circular Letter No. 13/SEOJK.03/2017 concerning Implementation of Corporate Governance for Commercial Bank.
25. OJK Circular Letter No. 39/SEOJK.03/2016 concerning Assessment of Fit and Proper Test for Candidates of Shareholders, Board of Director, and Board of Commissioners..
26. OJK Circular Letter No. 34/SEOJK.03/2016 concerning Implementation of Risk Management for Commercial Bank.
27. OJK Circular Letter No. 25/SEOJK.03/2016 concerning Business Plan of Commercial Bank.
28. OJK Circular Letter No. 40/SEOJK.03/2015 concerning Implementation of Corporate Governance in Remuneration for Commercial Bank.
29. OJK Circular Letter No. 32/SEOJK.04/2015 concerning Guidelines of Corporate Governance for Public Company.
30. OJK Circular Letter No. 15/SEOJK.03/2015 concerning Implementation of Integrated Corporate Governance for Financial Conglomeration.
31. OJK Circular Letter No. 14/SEOJK.03/2015 concerning Implementation of Integrated Risk Management for Financial Conglomeration.
32. BI Circular Letter No. 13/8/DPNP as amended by BI Circular Letter No. 13/26/DPNP concerning Fit and Proper Test.
33. BI Circular Letter No. 5/22/DPNP concerning Guideline of Internal Control Standard for Commercial Bank.