



**CORPORATE POLICY MANUAL**

**Policy Level 1**

**(Version: 01 2016)**

**PT BANK CIMB NIAGA Tbk**

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No. 527/95



**FOREWORD**

The Corporate Policy Manual is the first level policy that becomes the core reference of all Corporate policies, in which it also includes the Good Corporate Governance Charter. The Corporate Policy Manual is only valid if it is approved in written by the Board of Directors and the Board of Commissioners in accordance with the Articles of Association. This Policy Manual can be amended at any time only with the approval of the Board of Directors and Board of Commissioners.

Every policy, implementation procedures and other guidelines thereunder are only valid if they are approved in written by authorities in accordance with the levels (leveling) of each of these policies as set out in Chapter IV of this Corporate Policy Manual.

This policy is prepared to be understood and adhered by all employees, the Board of Directors and the Board of Commissioners of the Company.

Jakarta, March 2016

Signed

Corporate Secretary

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**TABLE OF CONTENTS****CORPORATE POLICY MANUAL****PT Bank CIMB Niaga Tbk**

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	PAGE
<b>I CORPORATE IDENTITY.....</b>	<b>1</b>
A. CORPORATE HISTORY.....	1
A.1. Corporate as Legal Entity.....	1
A.2. Corporate Establishment.....	1
B. CORPORATE VISION, MISSION AND CORE VALUES.....	3
B.1. Corporate Vision and Mission.....	3
B.2. Corporate Core Values.....	3
C. THE SYMBOL OF CORPORATE IDENTITY AND BRANDING.....	4
<b>II CORPORATE GOVERNANCE.....</b>	<b>5</b>
A. CORPORATE GOVERNANCE OBJECTIVES.....	5
B. CORPORATE GOVERNANCE PRINCIPLES.....	6
B.1. Transparency.....	6
B.2. Accountability.....	6
B.3. Responsibility.....	6

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B.4. Independency.....	7
B.5. Fairness and Equality.....	7
C. ASPECTS OF CORPORATE GOVERNANCE SYSTEM.....	7
C.1. Commitment to Corporate Governance.....	7
C.2. Corporate Governance Structure.....	8
C.3. Corporate Governance Implementation Process..	18
C.4. Results of Corporate Governance Implementation	21
D. INTEGRATED FINANCIAL CONGLOMERATES.....	21
D.1. Integrated Corporate Governance.....	22
D.2. Integrated Risk Management.....	23
E. EXTERNAL RELATIONS.....	24
E.1. Government Relations.....	24
E.2. Investor and shareholders Relations (Investor Relations).....	24
E.3. Stakeholders.....	25
E.4. Conflict of Interest.....	25
<b>III INTERNAL CONTROL FRAMEWORK.....</b>	<b>27</b>
A. INTERNAL CONTROL SYSTEM.....	27
B. 3 (THREE) LINES OF DEFENSE.....	29

Draft 16 Sep 2016 English - Printed: 03/16/2016

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Financing of Terrorism.....	43
C.8. Complaints Handling.....	44
C.9. Anti-Fraud.....	44
D. SHARIA BUSINESS UNIT.....	45
E. APPENDIX.....	47
1. Appendix 1: Corporate Vision, Mission and Core Values	
2. Appendix 2: Board of Commissioners Charter	
3. Appendix 3: Sharia Supervisory Board Charter	
4. Appendix 4: Board of Directors Charter	
5. Appendix 5: Audit Committee Charter	
6. Appendix 6: Risk Monitoring Committee Charter	
7. Appendix 7: Nomination and Remuneration Committee Charter	
8. Appendix 8: Integrated Corporate Governance Charter	



**CORPORATE POLICY MANUAL****PT BANK CIMB NIAGA Tbk****CHAPTER I****CORPORATE IDENTITY****A. CORPORATE HISTORY****A.1. Corporate as Legal Entity**

PT Bank CIMB Niaga Tbk (hereinafter in this Corporate Policy Manual refers to as "**Company**") is a Limited Liability Company, a legal entity which is capital partnership, established under the agreement, engages in business with authorized capital that is entirely divided into shares and meets the requirements set out in the Law and its implementing regulations.

The company is also a Public Company, that has made public offering of shares in accordance with the provisions of laws and regulations in the field of capital markets.

**A.2. Corporate Establishment**

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The Company was established in accordance with laws applicable in Indonesia by Notarial Deed No. 90 made by Raden Meester Soewandi, Notary in Jakarta dated September 26, 1955, which was amended by Deed No. 9 dated November 4, 1955 by the same notary. These deeds of establishment were certified by the Minister of Justice of the Republic of Indonesia (currently Minister of Law and Human Rights) through decision letter No.J.A.5/110/15 dated December 1, 1955 and published in the State Gazette of the Republic of Indonesia No. 71 dated September 4, 1956, Supplement to the State Gazette of the Republic of Indonesia No. 729/1956.

The Company obtains a business permit as a Commercial Bank, Foreign Exchange Bank and bank that performs activities based on Sharia principles each based on the Minister of Finance of the Republic of Indonesia Decree No. 249544/U.M.II dated November 11, 1955, Directors of Bank Indonesia ("BI") Decision No. 7/116/Kep/Dir/UD dated November 22, 1974 and Governor of BI Decision No. 6/71/KEP.GBI/2004 dated September 16, 2004.





In 1989 the Company made an initial public offering (go public) on a number of 5,000,000 (Five Million) common shares with a nominal value per share of Rp1,000 (one thousand rupiah) and the offering price of Rp12,500 (twelve thousand five hundred Rupiah) per share. On November 29, 1989 the Company's shares were listed on the stock exchanges in Indonesia.

Based on the approval of the Extraordinary General Meeting of Shareholders on May 28, 2008, amendment to the name of PT Bank Niaga Tbk into PT Bank CIMB Niaga Tbk has been approved as set forth in the Deed No. 38 dated May 28, 2008, made before Amrul Partomuan Pohan, SH, LLM, Notary in Jakarta in which the deed of amendment to the Articles of Association was approved by the Minister of Justice and Human Rights No. AHU-32968.AH.01.02 of 2008 dated June 13, 2008. The Company has also obtained amendment to the business permit on behalf of PT Bank Niaga Tbk into on behalf of PT Bank CIMB Niaga Tbk under the Governor of BI decision No. 10/56/KEP.GBI/2008 dated July 22, 2008.

Since its establishment, the Company had four (4) mergers, on:



1. October 22, 1973 with PT Bank Agung;
2. November 30, 1978 with PT Bank Tabungan Bandung;
3. October 17, 1983 with PT Bank Amerta and;
4. November 1, 2008, with PT Bank Lippo Tbk by letter of effective notice from Capital Market Supervisory Agency and Financial Institution (Now Financial Services Authority) through letter No. S-4217/BU2008 dated June 30, 2008, the approval of the Financial Services Authority/"OJK" (formerly Bank Indonesia "BI") through the Governor of BI Decision No. 10/66/KEP.GBI/2008 dated October 15, 2008 and the letter of the Minister of Justice and Human Rights of the Republic of Indonesia No. AHU-AH.01.10-22669 dated October 22, 2008.

## **B. CORPORATE VISION, MISSION AND KEY VALUES**

### **B.1. Corporate Vision and Mission**

Vision is a reflection of purposes to be achieved in the future, while mission is ways to achieve vision established. Thus, vision and mission should be established to be quite challenging but remains to be realistic. Vision and mission shall be reviewed periodically at least once every 5 (five) years in



line with the needs of the company and the development of business and operation activities of the company.. The Corporate Vision and mission are established and approved by the Board of Directors and Board of Commissioners. The vision and mission are explained in Appendix 1 of this policy.

## **B.2. Corporate Core Values**

The Company always prioritizes customer satisfaction through excellent services with human resources who have high integrity and a desire to always be the best in their field. Therefore, it is necessary to develop the Corporate values which include:

1. Corporate values are the moral base in achieving the Corporate vision and mission.
2. Although the Corporate values are universal, the value formulation needs to be adjusted to the Corporate vision and mission and the acceptability of stakeholders in the Company.

The Corporate core values shall be reviewed periodically at least once every 5 (five) years, in line with the needs of the Company and the business activity and operational development of the Company.



The Corporate core values are established and approved by the Board of Directors and the Board of Commissioners. The Corporate core values are explained in Appendix 1 of this policy.

**C. THE SYMBOL OF CORPORATE IDENTITY AND BRANDING**

The Company shall have a symbol that symbolizes the Corporate identity and branding. The symbol includes a logo, corporate colour and theme song. In running its business activities, the Corporate shall display the symbol to reinforce the Corporate branding and reflect the Corporate vision, mission and key values.

The corporate symbol must be under the name and symbol of "CIMB Niaga" and can provide a clear identity in having a better and sustainable relationship and attachment with the people who need the products/services provided, namely:

1. The Company must use a clear name and logo (colour, size, font type, etc.) in running its entire business operation.
2. Instructions on the standard name and logo for publication, cooperation signing, documents, stationery, other media and appearances with the Corporate name and logo with other companies' names

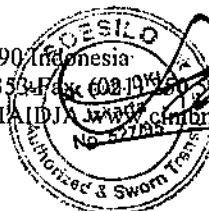


and logos regulated in the specific Corporate Internal Policy that regulates the Corporate Symbol coordinated by organizational units responsible for the Corporate branding.

In addition, the Company can make a theme song. The composition and use of the theme song are regulated in the Company Internal Policy that specifically regulate about the Corporate Symbol coordinated under the organizational unit responsible for the Corporate branding.

Theme song must be registered in the Trademark Office of the Directorate General of Intellectual Property Right, Ministry of Law and Human Rights of the Republic of Indonesia in accordance with the prevailing laws and regulations. In the event that the theme song is an intellectual property right of other party, then the Board of Directors is obliged to ensure use remains in conformance and not in violation of the prevailing law.

The Board of Directors set a logo, corporate colour, branding and theme song that reflects Corporate Identity set forth in the resolution of the Board of Directors.



**CHAPTER II****CORPORATE GOVERNANCE**

Corporate Governance is defined as a set of relationships between the Company and corporate organ with all stakeholders.

In the application of Good Corporate Governance, the Company is guided by the applicable laws and regulations, the provisions of regulator (Financial Services Authority or "FSA/OJK", Bank Indonesia and Capital Market Authority) and best practices or generally accepted practices. These best practices are issued by national agencies such as the National Committee on Governance Policy (KNKG) as well as international institutions such as the OECD Principles of Corporate Governance issued by the Organization on Economic Cooperation and Development (OECD), The ASEAN Corporate Governance Scorecard issued by the ASEAN Capital Market Forum (ACMF) and Principles for Enhancing Corporate Governance issued by the Basel Committee on Banking Supervision.

The Company continues to apply the principles of Good Corporate Governance consistently and transparently to create added value



and provide a high level of confidence for stakeholders on Company's various efforts to achieve their goals and objectives.

#### **A. CORPORATE GOVERNANCE OBJECTIVES**

Consistent application of the principles of Good Corporate Governance through 4 aspects of governance systems (part C of this chapter) is beneficial for the Company to:

1. Create a foundation for a long term growth of the Company
2. Improve the Company image
3. Increase the Company's competitiveness
4. Improve investor trust to the Company
5. Increase the value of the Company's shares

#### **B. CORPORATE GOVERNANCE PRINCIPLES**

Pursuant to the Rule of OJK and KNKG, Corporate Governance is based on transparency, accountability, responsibility, independence and fairness (TARIF). These principles are very important to achieve the Company's business sustainability with regard to the interests of stakeholders.

##### **B.1. Transparency**



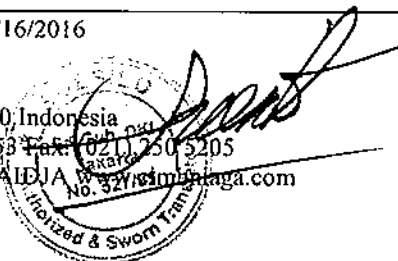
Transparency contains elements of disclosure and provides information in a timely, adequate, clear, accurate, and is comparable also easily accessed by stakeholders and public. Transparency is needed to run the Company's business in an objective and professional manner, and protect the interests of customers.

### **B.2. Accountability**

Accountability contains elements of clarity of function in the organization and the implementation of accountability of the Company's organ so that the management runs effectively. The Company as institutions and officers who have authority must be accountable for their performance in a transparent and accountable manner. Therefore, the Company shall be maintained in a healthy, scalable and professional manner with regard to the interests of shareholders, customers and other stakeholders.

### **B.3. Responsibility**

Responsibility contains elements of compliance towards laws and regulations and the Company internal policy also the Company's responsibility for the people and





the environment. Responsibility is necessary in order to ensure the maintenance of the business sustainability in the long term and receive recognition as a good corporate citizen.

#### **B.4. Independence**

Independence contains elements of independence of intervention from other parties and objectivity in carrying out its duties and responsibilities. The principle of Independence also means that the Company must be managed independently to avoid intervention or domination by any party, undeterred by particular interests, and avoid conflicts of interest that could affect the objectivity and professionalism of the Company's organ in the decision making process as well as in carrying out their duties and responsibilities.

#### **B.5. Fairness and Equality**

Fairness and equality contains elements of fair treatment and equal opportunity in accordance with its proportions. In carrying out activities, the Company should always take into consideration the interests of shareholders including protection againsts minority shareholders, consumers, employees and



other stakeholders based on the principles of fairness and equality of each of the parties concerned.

### **C. ASPECTS OF CORPORATE GOVERNANCE SYSTEM**

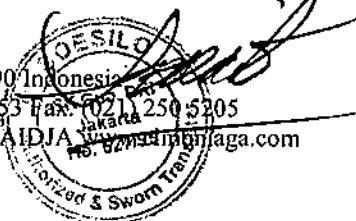
In managing the relationship between the Company and its stakeholders, the Company has a Corporate Governance framework that consists of 4 aspects of Corporate Governance system developed and implemented based on the principle of TARIF.

#### **C.1. Commitment to Corporate Governance**

The Corporate's Commitment toward the Good Corporate Governance is set forth in the Company policy statement: Vision, Mission, Core Values, Code of Conduct, Corporate Policy Manual, guidelines and best practices of Corporate Governance, and Charter and Working Guidelines to Whistle Blowing System. The commitment is communicated to all elements and levels in the organization of the Company.

#### **C.2. Corporate Governance Structure**

Corporate Governance Structure consists of Company's organ and its infrastructure such as Policies and Procedures comprehensiveness, Committees at the Board



of Commissioners Level and Executive Committee, as well as Units with Independent functions (Risk Management Unit, Compliance Unit, Internal Audit Unit).

#### **C.2.1. Company's Organ**

As a limited liability company, the Company's organ consists of Shareholders, General Meeting of Shareholders, Board of Commissioners, Sharia Supervisory Board and Board of Directors. The relationship between the Company's organs is regulated in the Articles of Association of the Company and prevailing laws and regulations as a legal entity in the form of Limited Liability Company, and as an issuer that has offered its shares to public through the Indonesia Stock Exchange.

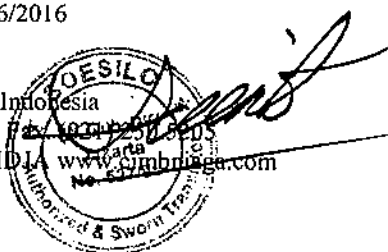
##### **1. Shareholders**

Shareholder is an individual or entity as the owner of capital who has shares in the Company and is listed in the Register of the Company's Shareholders.

Shareholders have rights and responsibilities for the Company in accordance to the provisions of the Articles of Association and prevailing laws and regulations, and therefore the Company must protect their rights as shareholders. Shareholders must be aware that in exercising their rights and responsibilities, should pay attention to the viability and sustainability of the Company.

## **2. General Meeting of Shareholders (GMS)**

GMS is the Company's organ that is a forum for shareholders to make a resolution with regard to the provisions of the Articles of Association and prevailing laws and regulations. GMS consists of Annual GMS and other GMS such as Extraordinary General Meeting of Shareholders as stipulated in the Articles of Association.



GMS serves to make a resolution on the validation of annual report of the Board of Directors and the monitoring report of the Board of Commissioners, the appointment and dismissal of members of the Board of Directors and the Board of Commissioners, and to approve corporate actions that have significant impact and et cetera in accordance with the Articles of Association and prevailing laws and regulations. GMS resolutions should pay attention to customer protection, financial system stability and the interests of minority shareholders and other stakeholders.

### **3. Board of Commissioners and Sharia Supervisory Board**

#### **a. Board of Commissioners**

Board of Commissioners is the Company's organ that consists of at least 3 (three) persons appointed by the existing procedures and appointed/approved by shareholders



in a General Meeting of Shareholders and acknowledged to have passed the fit and proper test as stipulated in the Articles of Association and applicable OJK's provisions. Duties and responsibilities of the Board of Commissioners are collegial collective. Thus the resolution of the Board of Commissioners is a joint resolution of the Board of Commissioners. The division of duties between the Board of Commissioners is not intended to make decision but to understand deeper the things that need to be decided by the Board of Commissioners.

The Board of Commissioners is in charge of supervising the management policy, general course of management on the Company, or the Company business, and providing advice to the Board of Directors in accordance



with prevailing regulations, and ensuring that the Company carries out the practices of Good Governance. In carrying out its duties, the Board of Commissioners may establish a Committee that assists the Board of Commissioners, provide feedback, opinions and recommendations to the Board of Commissioners. Therefore, the Board of Commissioners requires guideline in carrying out its supervision as realization of the commitment of the Board of Commissioners in carrying out its supervision.

The position of each member in the Board of Commissioners, including the President Commissioner and Independent Commissioner are equal. The duty of the President Commissioner as *primus inter pares* is to coordinate activities of the Board of Commissioners.



Included in the Board of Commissioners are Independent Commissioners, namely Commissioners unaffiliated to the Board of Directors, other members of the Board of Commissioners, and controlling shareholders, as well as free of business relations or other relations that could affect its ability to act independently or act solely for the Company's interests. Independent Commissioners should not have affiliation with the controlling shareholders, the Board of Directors and Commissioners of the Company concerned.

Further policy regarding the Board of Commissioners is arranged more in the Board of Commissioners Charter which is Appendix 2 of this policy.

**b. Sharia Supervisory Board**

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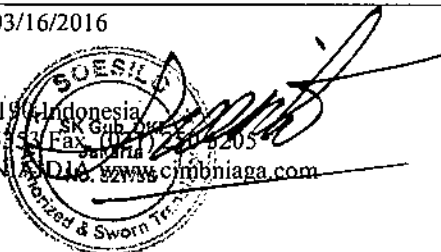
It is officer that consists of at least 3 (three) persons appointed by existing procedures that include having a recommendation from National Sharia Board - the Indonesian Ulema Council, and appointed/approved by shareholders in the General Meeting of Shareholders, and acknowledged to have passed the fit and proper test of Islamic Banking Department of OJK. The Sharia Supervisory Board is responsible to provide advices and recommendations to the Board of Directors as well as supervise the Company activities, including Sharia Business Unit of the Company in accordance with sharia principles, and give a statement that the organization of activities of the Syaria Business Unit of the company is in line or not violating the principles of sharia.



More policy regarding the Sharia Supervisory Board shall be further regulated in the Sharia Supervisory Board Charter that is Appendix 3 of this policy.

#### **4. Board of Directors**

It is company's organ that consists of at least 3 (three) persons or adjusted to the complexity of the Company appointed through existing procedures and appointed/approved by shareholders in GMS, and acknowledged to have passed the fit and proper test as stipulated in the Articles of Association and the applicable OJK's provisions . Duties and responsibilities of the Board of Directors are collegial collective. Each member of the Board of Directors may carry out its duties and make a resolution in accordance with the division of duties and responsibilities, but the implementation of the duties of each member of the Board of Directors



remains the joint responsibility of the Board of Directors. The position of each member in the Board of Directors, including the President Director is equal. The duties of the President Director as *primus inter pares* is to coordinate the activities of the Board of Directors. Therefore, it requires guidelines as a realization of the commitment of the Board of Directors in carrying out their duties.

In order to implement the principles of Corporate Governance, the Board of Directors shall at least establish:

- i. Risk Management Committee (RMC)
- ii. Internal Audit Work Unit (SKAI)
- iii. Risk Management Work Unit (SKMR)
- iv. Compliance Unit (SKK)

The policy regarding the Board of Directors is further stipulated in the Board of Directors Charter which is Appendix 4 of this policy.



**C.2.2. Company Organization Structure**

In the implementation of business activities and daily operations, the Board of Directors establish an organization structure that supports the Board of Directors as the executive in carrying out the mandate to manage the Company. The establishment of the Company organization is carried out with regard to the form, function and position of the Company, in accordance with applicable laws and regulations in Indonesia, as follows:

**1. Scope of Company Organization**

The Company organization is designed and structured to cover activities, functions and business and operational activities in accordance with the Company legal position and domicile, namely at the level of head office ("Head Office"), area/territory outside the head office ("Area/Territory), including Branch Office, Functional

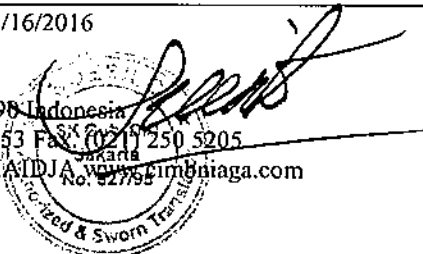


Office, Assistant Branch Office and other offices including Overseas Branch Offices with the approval of the Board of Directors in accordance with the prevailing laws and regulations.

## **2. Company Organization Responsibility**

The Company organization is adjusted to the form, function, and position of the Company as well as the needs of the Company, market demands, and technological development.

The Board of Directors is the executive and the highest responsible board of the management which coordinated by the President Director under the supervision of the Board of Commissioners. In accordance with the articles of association of the Company, the President Director decides the division of duties for the member of the Board of Directors.



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**3. Management and Delegation of Authority****a. Company Management**

The Company as a financial institution should keep and uphold the public trust. The Company should always continue to keep and develop an attitude of professionalism accompanied with the principles of prudential banking in accordance with banking industry standards, prevailing laws and regulations and best practices.

**b. Delegation of Authority**

In the execution of daily duties, for and in consideration of the interests of the Company, the Board of Directors has the right to appoint and delegate certain authorities to Employee Leaders as outlined in the Company internal policies related to Delegated Authority.



The delegated authority is made with regard to the prevailing laws and regulations and aspects of risk management.

For the needs of third party (external), the delegated authority shall be made based on the valid Power of Attorney from the Board of Directors to the Employee Leaders appointed.

The authorization shall be conducted in accordance with the Company Internal Policy regarding the power of attorney to the Company employee leaders.

The company can also provide authority and power to third party outside the Company for specific needs with regard to several principles as follows:

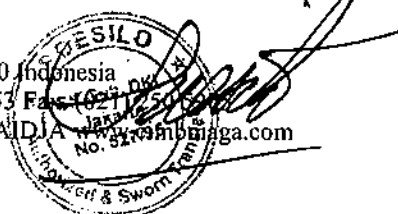


- i. Required to comply with the prevailing laws and regulations;
- ii. Only be performed and executed for the action that is special/specific as well as transactional, it can not be a general and vast power;
- iii. Third party who may be given the authority and power is third party that have been convinced to be capable and meet the necessary requirements of the Company.

#### **4. Company Committee**

##### **a. Committee at Board of Commissioners Level**

In carrying out its duties, the Board of Commissioners established a Committee to assist the supervision of the Board of Commissioners by giving advice, opinions and suggestions. The





advice from the committee is submitted to the Board of Commissioners for approval. In accordance with existing regulations, the Company must have at least 3 (three) committees, namely Audit Committee (KA), Risk Monitoring Committee (KIPER) and Nomination and Remuneration Committee (NRC).

The members of Committee are appointed by the Board of Commissioners and in particular for the members of Audit Committee are reported to GMS.

Further policy regarding the Audit Committee, Risk Monitoring Committee and Nomination and Remuneration Committee are stipulated in the Audit Committee Charter, Risk Monitoring Committee Charter, and Nomination and



Remuneration Committee Charter, each of which is Appendix 5, Appendix 6 and Appendix 7 of this policy.

**b. Committee at Board of Directors Level**

The Board of Directors may established a committee at Board of Directors level ("Executive Committee") that at least consists of Director and may be supplemented to 1 (one) or more of certain officers of the Company appointed by the Board of Directors.

Position of the Executive Committee is equal with the Board of Directors meeting in accordance with the provisions of the articles of association, in which the requirements for quorum and decision making refer to and are

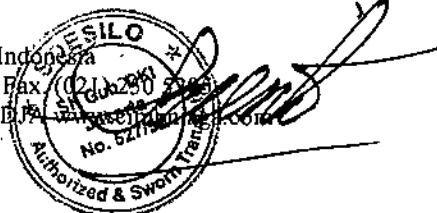


the same as the resolution of the Board of Directors meeting.

The type, quantity, and the Terms of Reference (TOR) of the executive committee are further stipulated in the resolution of the Board of Directors meeting, with reference to prevailing laws and regulations, especially with regard to the type of the mandatory Executive Committee.

Beside the mandatory Executive Committee, the Board of Directors may establish other optional committees (depending on the purposes and needs of the Company) referred to as the Business Committee.

In accordance with the name and purpose of establishment, the Business Committee is more flexible



than the Executive Committee, where the initiator and the person in charge are designated directors.

Further establishment and arrangement of the Executive Committee including TOR of the Executive Committee and guidelines for Business Committee are decided by the Board of Directors and further stipulated in the Board of Directors Charter which is an integral part of this Policy.

**c. Independent Work Unit (Compliance Unit, Internal Audit Work Unit, Risk Management Work Unit)**

**a. Compliance Unit (SKK)**

SKK is an independent work unit carrying out Compliance Functions including actions that are ex-ante to realize the implementation of



Compliance Culture, managing Compliance Risk, ensuring that policies, regulations, systems and procedures and business activities conducted by the Company in accordance to prevailing laws and regulations, and ensuring the Company compliance with the commitments made by the Company to regulators and other supervisory authorities. SKK is directly responsible to the Director of Compliance and independent also not placed in a position to face conflict of interest in implementing the responsibility of the Compliance Function.

**b. Internal Audit Work Unit  
(SKAI)**



The function of the Internal Audit Work Unit is to run supervisory function providing assurance and independent and objective consulting services designed to provide added values and improve the company's operations.

SKAI activities help the company to achieve its purposes through a systematic and disciplined approach in evaluate and improve the effectiveness of governance, risk management, and process control.

In order for SKAI to perform its function properly, the Company should have an Internal Audit Charter approved by the Board of

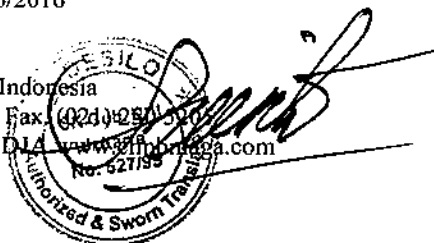


Commissioners as guidance for the implementation of Internal Audit Work Unit functions that asserts:

- i. Vision, mission and purposes of SKAI
- ii. Duties, responsibilities and authority, as well as scope of SKAI
- iii. Statement of professionalism, impartiality, and code of ethics of SKAI

SKAI is established with the purposes to:

- i. Provide adequate review in evaluating governance, risk management, and control as well as to make necessary recommendations.



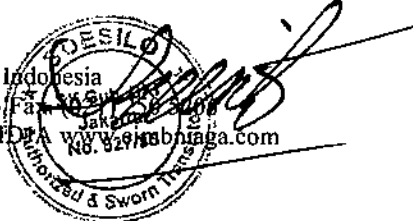
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ii. Provide independent view

to the Board of Directors and the Board of Commissioners on the adequacy of controls and compliance with existing laws and regulations.

iii. Provide consulting services to give added values and improve governance, risk management and control process.

To keep the independency and objectivity of SKAI in performing its duties, it is directly responsible to the President Director and functionally responsible to the Board of Commissioners through the Audit Committee.





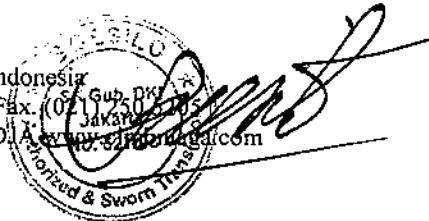
**c. Risk Management Work Unit****(SKMR)**

SKMR is an independent work unit on operational work unit (risk-taking unit) and Internal Audit Work Unit, which has the authority and responsibility among others to monitor the implementation of Risk Management strategies, monitor the overall risk position, review the Risk Management process, and evaluate the proposed activity and new product to optimize the business growth and maximize the added value for shareholders.

**5. Corporate Secretary**

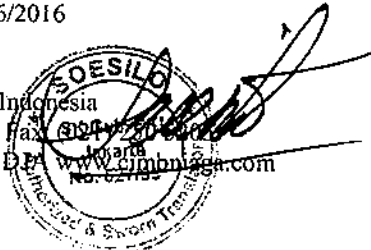
In accordance with prevailing regulations, the Company shall establish/have a Corporate Secretary.

The Corporate Secretary is appointed by



the Board of Directors to run the functions of Company Secretary, and has duties below:

- a. Follow the development of Capital Markets and existing laws and regulations in the field of Capital Market.
- b. Provide advice to the Board of Directors and the Board of Commissioners to comply with laws and regulations in the field of Capital Market.
- c. Assist the Board of Directors and the Board of Commissioners in the implementation of Corporate Governance, in terms of disclosure of information, organization and documentation of General Meeting of Shareholders, organization of the Board of Directors and/or Board of Commissioners Meetings and the implementation of the orientation program of the Company for the



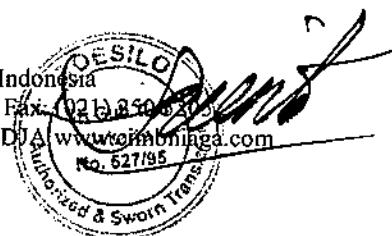
Board of Directors and/or Board of Commissioners.

- d. Provide services to the public with any information needed by investors with regard to the provisions of customer and Company confidentiality.
- e. As a liaison between the Company and shareholders, Government agencies and other stakeholders.

#### **6. Policies and Procedures Completeness**

To complete the Company's Organ and the Company Organization Structure, in the framework of the implementation of Good Corporate Governance, it is also required a set of policies and procedures to be used as the Company's operational guidelines. These policies and procedures include:

- a. Board of Commissioners and Board of Directors Charters
- b. Code of Conduct Policy
- c. Whistle Blowing Policy

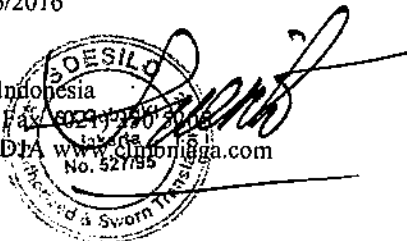


- d. Anti-Fraud Policy
- e. Discipline Enforcement and Violations Handling Policy
- f. Conflict Management Policy
- g. Occupational Health and Safety Policy
- h. Procurement of Goods and Services Policy
- i. Customer Services, Protection and Complaints Handling Policy

The Company also has a Standard Operating Procedure, Instructions for Implementation, and Technical Guidelines that are useful in performing the duties in all lines of the Company business that are continuously disseminated to all management and Company employees.

#### **7. Subsidiaries and Affiliated Companies**

The company services are not only in banking, but also include other non-bank financial services. The Company deems



necessary to be able to provide comprehensive financial services to customers through the establishment of subsidiaries and strategic cooperation with affiliated Companies.

**a. Scope of Business**

In principle, the Company will make participation only on business entities engaged in financial services, where the Company has competitive advantages.

**b. Coordination between Subsidiaries and Affiliates**

The Board of Directors control all subsidiaries through the appointment of Board of Directors and Board of Commissioners of subsidiaries. The company coordinates, directs and controls all subsidiaries and coordinates with affiliates so as to create a synergy between the subsidiaries and affiliates as well as with the Company.



**C.3. Corporate Governance Implementation Process**

Corporate Governance process is effective implementation of duties and responsibilities of each component of the structure and infrastructure, which among others include:

1. The implementation of GMS, Board of Commissioners meetings, Board of Directors meetings, Committee meetings
2. The process of resolution making and conflicts of interest management
3. Recruitment of employees
4. Internalization, socialization and training to Company employees
5. Performance evaluation process based on key performance indicators
6. Customer complaints handling (either through HR Helpdesk, CEO Hotline and Whistle Blowing)

In implementing Good Corporate Governance, the Company also notices the Guidelines for Public Corporate Governance issued by FSA which includes aspects, principles, and recommendation for the implementation



of aspects and principles of Good Corporate Governance.

Included aspects are listed below:

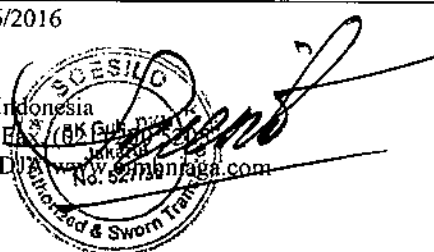
1. Company relations with the shareholders;
2. Functions and roles of the Board of Commissioners;
3. Functions and roles of the Board of Directors;
4. Participation of stakeholders; and
5. Disclosure of information.

The Company shall implement the recommendations within the guidelines, through an approach of "comply or explain".

Some aspects of the implementation of the main corporate governance can be delivered as follows:

**1. Fulfillment of Obligations to Stakeholders**

The Company keeps and supports the rights of shareholders, customers, and other relevant stakeholders. The Company and the stakeholders need to have business relationships in accordance with the principle of equality and fairness based on the existing regulations for each party.



The Company performs transparency by providing key information that is proportional, namely includes amount, complexity, ownership structure and the Company risk profile.

Thus the company can help the implementation of business environment that is healthy and supported by the fulfillment of the existing provisions and laws to support the implementation of Good Corporate Governance.

## **2. Implementation of Risk Management and Internal Control with Check & Balance mechanisms**

The Company shall implement effective risk management, adjusted to the purposes, business policy, size and complexity of the business and the ability of the Company to be guided by the requirements and procedures as set out in the provisions of Bank Indonesia concerning the Implementation of Risk Management for Commercial Banks.





Implementation of Corporate Governance related to risk management refers to the Risk Management Policy. Internal control is established to ensure that the Company has a process or measurement that could control or oversee key risks as well as ensure the process or the measurement has been running properly. Internal control also checks the irregularities committed despite the approval of the irregularities. In addition, the internal control ensures the compliance with internal regulations. Thus the function of check and balance can be implemented properly.

### **3. Corporate Business Plan**

The Board of Directors set an annual work plan including the annual budget before the commencement of the forthcoming financial year. In addition, medium term plan and corporate plan should be developed within the long term plan of the company.

Corporate Plan is the strategic plan in the long term in order to achieve the purposes of the Company.



Business Plan is a plan for the Company's business activities in short term (one year) and medium term (three years), including strategies to realize the plan, the plan to improve business performance, and the plan for fulfillment of prudential requirements in accordance with targets and time specified.

#### **C.4. Results of Corporate Governance Implementation**

The results of governance principles implementation by the Company in its business and operational activity are reflected in the financial performance, disclosure of information both financial and non-financial, social responsibility to the people thus enable the balance of the business and create the company's culture, customer protection, and ultimately, the Company can obtain awards and financial health as well as gain the trust of all stakeholders and shareholders.

#### **D. INTEGRATED FINANCIAL CONGLOMERATION**

Financial conglomeration is Financial Services Institution (FSI) that includes banking, insurance and reinsurance



companies, securities companies, and/or financial companies in one group as the relationship of ownership and/or control.

In order to create a Company that sustainable and stable manner and has high competitiveness, the implementation of good governance is required in the Financial Conglomeration. This is caused by the complexity of transactions and interactions among financial services institutions in the Financial Conglomeration.

Financial Conglomeration has a structure that consists of Main Entity and Subsidiaries, and/or sister companies along with their subsidiaries. While Sister Company is a Financial Services Institution separated institutionally and/or legally but owned and/or controlled by the same Controlling Shareholder.

Controlling Shareholder of the Financial Conglomeration appoint a Main Entity and set the Financial Services Institution that becomes the member of Integrated Financial Conglomeration. The Major Entity shall integrate the implementation of Risk Management and Governance at the Financial Conglomeration in an integrated, comprehensive



and effective manner in accordance with the existing provisions.

#### **D.1. Integrated Governance**

##### **1. Integrated Governance Implementation**

Integrated Governance is a governance that implement the principles of transparency, accountability, responsibility, independency or professionalism, and fairness in an integrated manner in the Financial Conglomeration.

Integrated Governance implementation shall at least includes:

- i. Requirements of the Board of Directors and Board of Commissioners of Main Entity.
- ii. Duties and responsibilities of the Board of Directors and Board of Commissioners of Main Entity.
- iii. Duties and responsibilities of the Integrated Governance Committee.
- iv. Duties and responsibilities of the Integrated Compliance Work Unit.
- v. Duties and responsibilities of the Integrated Internal Audit Work Unit

- vi. Integrated risk management implementation;  
and
- vii. Formulation and implementation of  
Integrated Governance Guidelines

The Board of Commissioners of Main Entity shall establish the Integrated Governance Committee in order to support the execution of their duties. The Main Entity shall have an independent Integrated Compliance Work Unit and Integrated Internal Audit Work Unit.

Sharia Supervisory Board of the Main Entity shall ensure the implementation of Integrated Governance that is not in conflict with sharia principles.

Further policy regarding the Integrated Governance is further stipulated in the Integrated Governance Charter which is Appendix 8 of this Policy.

## **2. Integrated Corporate Governance Committee**

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Integrated Governance Committee has duties and responsibilities of at least to evaluate the Integrated Governance implementation through the adequacy assessment of internal control and the compliance function implementation in an integrated manner, and provide recommendations to the Board of Commissioners of Main Entity for the improvement of Integrated Governance Guidelines.

### **3. Integrated Compliance Work Unit**

Integrated Compliance Work Unit has duties of at least to monitor and evaluate the compliance function of each FSI in Financial Conglomeration.

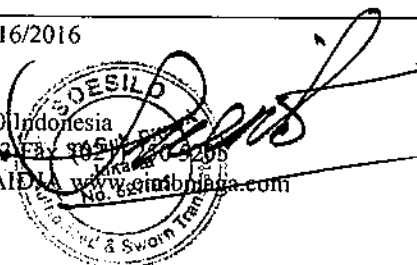
### **4. Integrated Audit Work Unit**

Integrated Audit Unit has duties of at least to monitor the audit on each FSI in Financial Conglomeration.

## **D.2. Integrated Risk Management**

### **1. Integrated Risk Management Implementation**

Integrated Risk Management Implementation shall at least include:



- i. Supervision of the Board of Directors and Board of Commissioners of Main Entity.
- ii. Adequacy of policies, procedures and limits of Integrated Risk Management.
- iii. Adequacy of process of identification, measurement, monitoring, integrated risk control and Integrated Risk Management information systems; and
- iv. Comprehensive internal control system to the Integrated Risk Management implementation

Risks that must be managed by the Integrated Risk Management include credit risks, market risks, liquidity risks, operational risks, legal risks, reputation risks, strategic risk, compliance risks, intra-group transaction risks, and insurance risks (for Conglomeration that has insurance and/or reinsurance company).

In order to implement a comprehensive and effective Integrated Risk Management, Main Entity shall establish an Integrated Risk Management Committee and Integrated Risk Management Work Unit.



**2. Integrated Risk Management Committee**

Integrated Risk Management Committee has the authority and responsibility to provide recommendations to the Board of Directors of Main Entity, at least:

- i. Preparation of Integrated Risk Management policy; and
- ii. Revision or improvement of Integrated Risk Management policy based on the results of evaluation.

**3. Integrated Risk Management Work Unit**

Integrated Risk Management Work Unit in implementing its authority and responsibility in accordance with the applicable provisions must coordinate with work units that carry out the Risk Management function on each FSI in Financial Conglomeration.

**E. EXTERNAL RELATIONS****E.1. Government Relations**

As an institution of trust under the supervision of Government Supervisory Institution, the Company must





maintain and improve good relationships with Government agencies. In order to foster good relationships, special units that carry out functions of Government Relations shall be established.

## **E.2. Investor Relations**

As a public company, the Company shall implement the principles of transparency based on the practices of good corporate governance with regard to prudential principles. All matters related to the needs of shareholders/investors on the information of the Company are required to be fulfilled in advance with regards to the norms/limits of prevailing laws and regulations without harming the obligations of full disclosure. Thus investors/shareholders, bondholders, customers/creditors and stakeholders will get an overview about the condition of the Company as a whole.

The scope of relations with investors and shareholders is:

1. Delivering outline of the purposes and prospects of the Company to provide insight/outlook for investors

2. Explaining matters related to the strategy to achieve profits and the direction of the purposes
3. Communicating the financial statements related to profit/loss and balance sheet of the Company which have been published
4. Implementing all existing regulations in accordance with the banking law, capital markets law which basically have to be able to accommodate the needs of stakeholders including customers in general.
5. Through public expose conducted in transparently, regularly, and consistently to grow assurance of shareholders/investors and stakeholders in its participation to monitor the operations of the Company through various printed/electronic media and related institutions

In order to maintain good relationships with investors and shareholders a special unit that carry out the function of Corporate Secretary and/or Investor Relations shall be established.

### E.3. Stakeholders



Stakeholders are the parties of which the roles and interests are directly or indirectly affected and or affect the Corporate Governance implementation. The parties (in addition to shareholders) consist of state, regulators and supervisors of the Company, creditors, debtors, other customers, other banks, business partners, suppliers, vendors, supporting professions, association of banks, bankers' association, other associations and employees of the Company. In relationships with stakeholders the Company must pay attention to the rights and obligations of stakeholders stipulated in the provisions of laws and regulations and agreement between both parties also mutually beneficial cooperation with stakeholders in order to create prosperity and sustainability of both parties.

#### **E.4. Conflict of Interest**

Conflicts of interest is the difference between economic interest of the Company with personal economic interests of the Directors and members of the Board of Commissioners as well as the subordinates, shareholders or affiliated parties of the Directors, members of the Board of Commissioners



or shareholders, which may harm the Company.

Therefore, conflicts of interest can greatly affect the implementation of policies and good governance in the Company.

The Company needs to avoid any conflict of interest, members of the Board of Commissioners, members of the Board of Directors and Executive Officers are prohibited from taking actions that may harm the Company or reduce the profits of the Company and shall communicate the conflict of interest in every decision.

Intra-group transactions (in a business group) including lending, funding, provide data and projects or other activities should always be carried out in order not to violate the principles of prudence, arm's length transaction and prioritizing the Company's interests.

In the event that a potential conflict of interest occurs, should refer to policies which regulated transactions that have a potential conflict of interest. The Audit Committee is obliged to examine



and provide advice to the Board of Commissioners in relation to the potential conflict of interest of the Company.



**Chapter III****INTERNAL CONTROL FRAMEWORK****A. INTERNAL CONTROL SYSTEM**

Internal control is a supervisory mechanism established by the Company management on an ongoing basis implemented by all management and employees at every level of organization with purposes to:

1. Keep and secure the assets of the company
2. Ensure the availability of more accurate report
3. Improve compliance with prevailing regulations
4. Reduce the impact of finance/losses, irregularities including fraud and violation of prudential aspects
5. Improve organization and cost efficiency

All management and employees at every level of organization of the Company have an important role in the implementation of effective and reliable supervisory functions. The external parties also play a role in the implementation of good supervision.

The parties responsible for the implementation of reliable and effective supervisory system are as follows:



**a. Board of Commissioners**

The Board of Commissioners is responsible for monitoring the implementation of internal control in general, including the supervision to the Board of Directors policy that sets the internal control.

**b. Board of Directors**

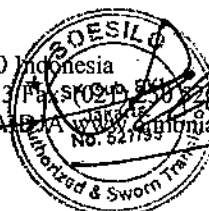
Board of Directors are responsible for creating and maintaining an effective internal control system and ensuring that the system runs in accordance with the determined purposes of internal control, including planning and risk management.

**c. Compliance Director**

Compliance Director should participate actively to prevent irregularities that may be conducted by the Board of Directors and the management with respect to the determination of policy, with regard to the prudential principles.

**d. Internal Audit Work Unit (SKAI)**

SKAI must be able to participate actively in evaluating the adequacy of the sustainable internal control system of the Company on the implementation of operational activities of the Company which potentially arising losses and hampering the



achievement of the objectives established by the  
Company continuously.

The Company pays attention to the implementation of the independent audit, through an adequate and sufficient reporting line. The professional proficiency of internal auditor become the Company concern especially proficiency in the practice and application of risk assessment, through experience, education and continuous training in the field of the Company operation.

e. Risk Management Work Unit (SKMR)

SKMR has an active role to determine the policy on Risk Management and supervise the Risk Management implementation in the Company. SKMR supports the implementation of internal control system by facilitating the work unit in the process of identification and risk assessment, identification and assessment of risk control activities including conformity of internal control with the level of risk, the adequacy of procedures, regulatory compliance and periodical verification and review on handling the Company weaknesses and its improvement actions.

**f. Company Officers and Employees**





All officers and employees must understand and implement the Internal Control System set by the management. Effective internal control will increase the responsibility of officers and employees of the Company, encourage the adequacy of risk culture and accelerate the process of identification to unhealthy banking practices and against the organization through an efficient early detection system.

**g. Audit by the control unit**

Each control unit in each business unit in the company is responsible to evaluate the activities and operations of the Company to ensure the activities are carried out in accordance policies, procedures and prevailing regulations, both internal and external regulations, and communicate any irregularities.

**h. External parties of the Company**

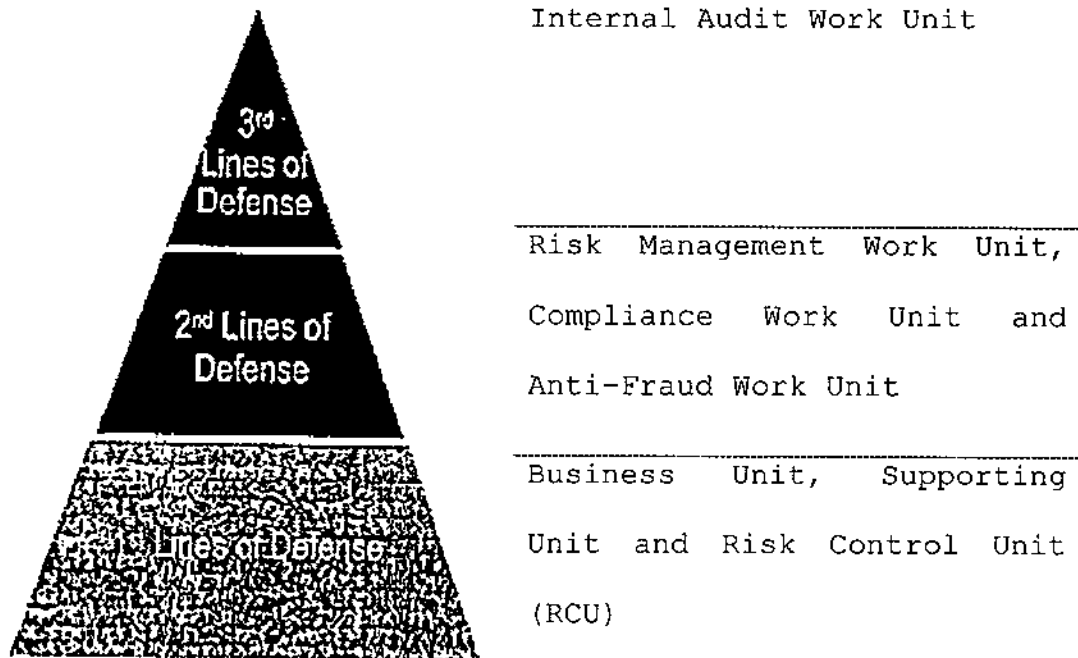
External parties of the Company, such as supervisory authority, external auditors and customers, can provide useful information to improve the supervisory system of the Company.

**B. 3 (THREE) LINES OF DEFENSE**

The Company implements a risk management process that involves all levels in the organization from the Board of



Directors, Senior Management to all employees of the Company. In the implementation, the Company has 3 (three) Lines of Defense, namely:



**1. Line 1: Business and Supporting Units**

In order to assist the management to implement and apply the concept of 3 (three) lines of defense, each Business Unit and Supporting Unit in Line 1 (one) needs to establish a Risk Control Unit (RCU) as a support unit to help and coordinate operational risk management and compliance aspects within the units.

Business and Supporting Units as the first line of defense will face operational risks in daily

activities. Therefore these units are in the best position ahead and most appropriate to manage risks and ensure compliance regulations, policies, standards and procedures. Their function includes identify, measure, monitor, control and report the operational risks also take the necessary steps to mitigate risks and ensure effective control. Similarly with other kinds of risks, where each unit is responsible for the internal risk management.

2. Line 2: Risk Management Work Unit (SKMR), Compliance Work Unit (SKK) and Anti Fraud Unit

The Work Unit in the second line of defense is responsible for monitoring and supervising to ensure that risk management and the compliance are executed properly and effectively in any business activity of the Company as well as establish and maintain risk management policies and standards. Specifically, each Unit has the responsibility as below:

- a. Risk Management Work Unit facilitates and supervises the risk management implementation in the first line of defense and help the risk owner to set risk exposure targets and report



information related risks incident to the management.

- b. Compliance Work Unit supervises the risks related to the implementation of regulations and rules of Bank Indonesia and Financial Service Authority as well as provides education and understanding to the first line of defense on the relevant rules and regulations.
- c. Anti Fraud Work Unit coordinates with relevant units to implement the strategy of anti-fraud including building awareness, compliance and anti-fraud culture.

### **3. Line 3: Internal audit**

As the 3rd line in the concept of Three Lines of Defense, Internal Audit independently assesses the effectiveness of the process run by the 1st and the 2nd line of the Three Lines of Defense. In addition, Internal Audit also carries out assurance and consulting services to the process of Three Lines of Defense as a whole to provide added value and improve the Company operations.

The role of Internal Audit includes things as follows:



- a. Periodically carry out audits to provide independent assurance services from operational activities and management of the Company, both business and supporting units.
- b. Evaluate the adequacy and effectiveness of internal controls, framework of risk management, policies, systems and processes.
- c. Reveal current operational issues and monitor the follow-up of the issues by related business/supporting units.
- d. Provide feedback to the business/support units regarding significant operational issues and give recommendations on the necessary action to mitigate risks.



**CHAPTER IV****POLICY FRAMEWORK (MANUAL FRAMEWORK)****A. AIMS**

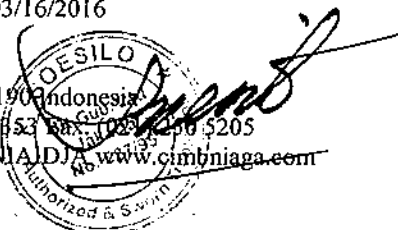
All policies, procedures to the operating instructions should refer to the Manual Framework Policy set out in this chapter, with the purposes:

1. To set the Company standard guidelines in the preparation of policies and procedures for every product and activity
2. To establish a control mechanism for all policies and procedures

**B. SCOPE**

The scope of this Manual Framework Policy is:

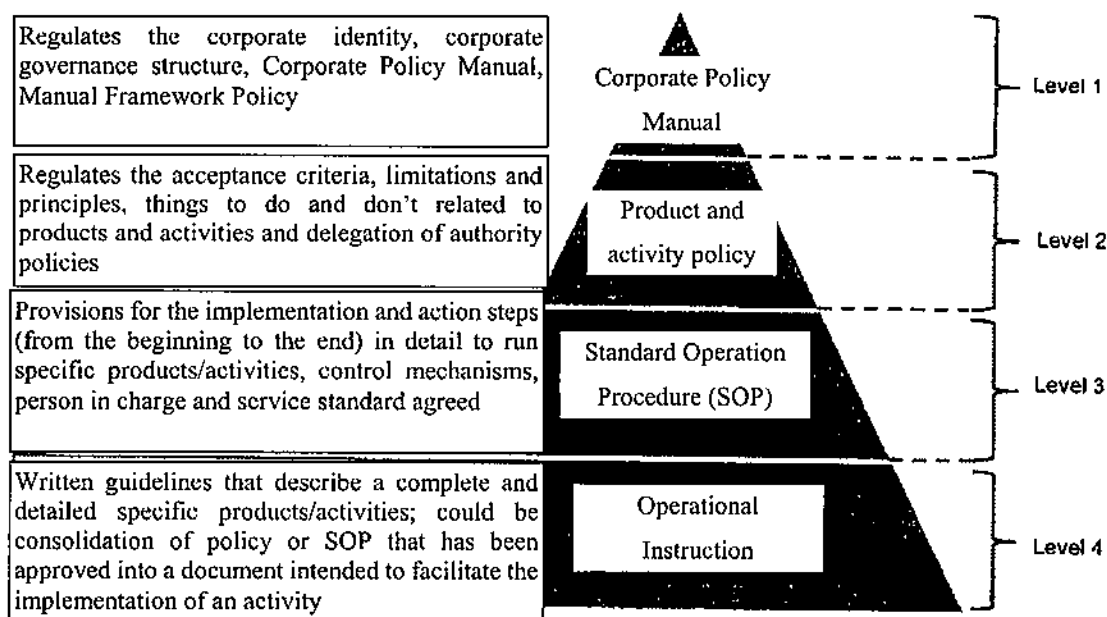
1. This policy regulates the structure and governance of all Company policies and procedures, including setting up an approval process and maintenance to the amendments
2. This policy regulates the format standardization of policies and procedures, including numbering.
3. This policy applies to the Company and its subsidiaries.



4. The Manual Framework Policy is part of the Corporate Policy Manual and a reference to other policies (not the repetition of certain policies), to avoid duplication on the same problem.

### C. POLICIES AND PROCEDURES TAXONOMY

To ensure the consistency in the preparation and approval of the policy, it takes a guide to regulate the hierarchy and grouping in the policy process. The Company policy structure can be described in the taxonomy as follows:



#### C.1. Level 1 - Corporate Policy Manual

The Corporate Policy Manual is the highest policy and briefly include:

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1. Corporate Identity
2. Corporate governance structure
3. Policy framework (Manual Framework) applicable bankwide in the Company and all subsidiaries

The Corporate Policy Manual must follow the regulations and do not violate the norms.

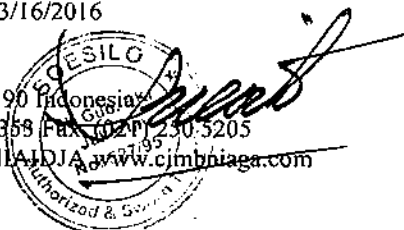
#### **C.2. Level 2 - Product & Activity Policy**

The content of the Product & Activity Policy briefly includes:

1. Conditions expected by the Company; both regulatory and risk appetite
2. Things to do and don't in a product or activity
3. Requirements (acceptance criteria) of each product and activity
4. Control mechanism
5. Framework for delegation of authority
6. Methodology and standards

Product and Activity Policy should refer to the prevailing regulations and policies at a higher level.

In the event that a condition that has not been regulated in a product or activity policy is found, such a condition must be communicated to the Company





officers or committee who authorized to approve the product and activity policy to be decided.

### **C.3. Level 3 - Standard Operating Procedure**

The standard procedure is an operative explanation of higher policy and shows the process of workmanship that must be done in an activity or work process.

The content of the standard procedure briefly includes:

1. Order of the work process from beginning to end (what, when, how) to be executed related to a product/activity
2. Role sharing to execute the order of the work process
3. Control mechanism for controlling risks on each product/activity
4. Service standard of any process that has been agreed
5. Appendix in forms used in connection with a product and an activity

The standard procedure must not violate any applicable regulation and should refer to the related product and activity policy. Therefore, the standard procedure is



set up after the related product and activity policies is available.

In the standard procedure, the roles and responsibilities of the parties involved should be described in detail, so that the order of the process becomes clear. The deal is based on the entire functions, processes, products and combinations and may refer to one or more policies above it, depending on the content relevance and with regard to the principles of best practices and prudence implementation.

#### **C.4. Level 4 – Operating Instructions**

The content of Operating Instruction generally consists of:

1. Detailed work steps including display in the system (screen by screen display) if any.
2. Appointment of officers in relation to the grant of authority and appointment of person in charge of an activity in the implementing unit.

To facilitate users in performing their duties, the Operating Instruction could constitute a consolidation



policy and/or standard procedures approved into one document. The Operating Instruction should refer to a higher level policy/SOP.

#### **C.5. Miscellaneous**

Ad hoc provisions are regulated through an Internal Memorandum applicable for a maximum of 1 (one) year. In the event that the provisions remain in use for more than one year since its issuance, then that provisions shall be included in the Policy and/or Procedures and apply permanently.

#### **D. APPROVAL**

Each policy has a different approval level. Except specifically regulated by regulator that certain internal policy has to be approved by Board of Commissioners, the Company Internal Policy approval is set as follows:

Policy Level	Approval
Level 1 - Corporate Policy Manual	Board of Directors and Board of Commissioners
Level 2 - Product and Activity Policy	1. Executive Committee and Risk Management Director and Compliance Director - in terms of product or activity

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	<p>which is set have an Executive Committee.</p> <p>2. Related Director and Risk Management Director and Compliance Director - in terms of product or activity which is set not have an Executive Committee.</p>
Level 3 - Standards Operating Procedure (SOP)	Designated Head of (D-1) or Directors related to processes regulated.
Level 4 - Operating Instruction	Company officers of minimum D-2 related

Note:

*The level and substance of the provisions determining the approval level required. A document approved by the Company Officer at a certain level does not necessarily mean that the document is a Policy or Procedure.*

Before seeking approval to the officer above, the proposed Product and Activity Policy must have feedback from several parties below:

1. Risk Management and Compliance Management as a mandatory reviewer

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2. Units associated with the product or activity regulated

Mandatory reviewer for the procedure is organized as follows:

1. Risk Management
2. Units associated with the regulated product or activity

#### **E. OWNERSHIP AND RESPONSIBILITY**

Policy and procedure ownership is regulated as follows:

1. Corporate Policy Manual is the responsibility of unit performing Corporate Secretary functions.
2. Product or activity policy in general under the responsibility of each product/activity owner; except Policies for Credit and Operation. These policies are the responsibility of unit in charge of Directorate of Risk Management.
3. Standard Operating Procedure (SOP) is the responsibility of each Product Owner or the person in charge of an activity (Process Owner).
4. Operating Instruction is the responsibility of each related unit.



In the event of disputes in the determination of ownership of a policy/procedure, Risk Management Director and Compliance Director will decide which unit that acts as the owner or person in charge of a policy/procedure.

The entire original policy documents or standard procedures approved by authorized Company Officers, either new or updated policy must be submitted to units that perform Corporate Affairs or Corporate Secretary functions. The unit will store and administrate the entire Company policies and procedures according to the record management standard owned by the Company.

#### **F. REVIEW**

Provisions of review on standard policies and procedures are as follows:

1. The Corporate Policy Manual is reviewed every three years or when deemed necessary by the Board of Directors, especially if there is amendment to the corporate strategy or amendment to external regulation of regulators, such as, from Financial Service Authority (including the FSA of Capital Markets) or Bank Indonesia, or other regulators authorized by Law.



2. Product & Activity Policy is reviewed every two years or when deemed necessary, especially if there is amendment to 'acceptance criteria' or amendment to external regulatory. The provisions concerning the updating period will be regulated in the Product & Activity Policy (Level 2).
3. Standard Operating Procedure (SOP) and Technical Guidelines are reviewed once a year or when deemed necessary, especially if there is a change in the process of an activity. The provisions concerning the updating period will be regulated further in the Standard Operating Procedure (SOP) and Technical Instructions (Level 3).

If the review on the policies or procedures is performed without amendments to the policies/procedures, then the policy owner simply gives notice to the Executive Committee or officers who approve the policies or procedures and any parties who record/administrate policies, so the related parties know that the review has been performed and no amendments to it.



**CHAPTER V****COMPANY BUSINESS PLANNING AND STRATEGY**

Strategies for each Company business line is arranged comprehensively for short-term and long-term by taking into account at least the condition of capital and economic factors as well as other matters that may affect the Company strategy.

The Company establishes a business plan for a long term strategy of at least 3 following years that includes plans for asset growth, third party fund growth, loan growth, profit growth, office network development and other financial ratios.

The Company shall establish a business plan in a short-term strategy for the following one year (January - December). The business plan in the short-term strategy is established through the Annual Budget Meeting, which refers to the previously determined Directors General Policy. The general policy is then convert into the Bank Business Plan or Work Plan and Company Annual Budget submitted to Financial Services Authority no later than the end of November before the year of Business Plan is started and shall be used as a reference for the entire unit as outlined in the form of Key Performance Indicators (KPI).

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Amendments to the Business Plan can only be done 1 (one) time in a year, no later than the end of June of the current year.

Realization of the Business Plan must be reported to Financial Service Authority in Quarterly (the position of March, June, September and December) no later than 1 (one) month after the relevant Quarter ends. Related to the realization of the Business Plan, the Board of Commissioners is obliged to submit the Supervision on the realization of the Business Plan by Semester (the position in June and December) to FSA no later than 2 (two) months after the semester in question ends.

The Company business management is carried out by following the strategy below:

**A. CREDITS**

To support the achievement of the vision and mission, the Company should establish a healthy loan principal policy-making strategies and has a system that can manage credit and operational risk related to lending.

The Company as an institution of trust engaged in banking, where lending is one of the main business activities with risks, and may affect the health and survival of the company, then in the implementation of its business



activities should be based on principles of healthy credit consistently and continuously.

Every Company officer related to credit shall understand and comply with each Company credit policy and regulation along with the amendment and development consistently and continuously. In addition, the Company officer in making credit decisions needs to pay attention to credit risks associated with potential income, Company target market, macroeconomic situation, and need to understand and comply to the government regulations and other external regulations related to credits.

The principles of credit granting:

- a. Lending should be implemented according to prudential principles with controllable risks, including principles of anti-money laundering and combating the financing of terrorism.
- b. In order to carry out the lending effectively and efficiently, the Board of Directors may establish work units related to lending including Business Units, Credit Unit, Credit Administrative Units and other supporting units.

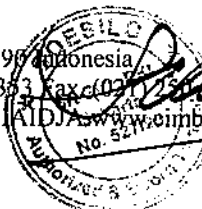


- c. In the process of lending decision, the Board of Directors gives authority to Credit Approver based on the competence and integrity of the credit officer concerned to ensure that the credit granted is safe and can provide an equivalent rate of return.
- d. Lending should be closely monitored by all parties related, so that the occurrence of non-performing loans can be avoided or action can be immediately taken if there are signs of non-performing.
- e. Lending must meet conditions set by the bank supervisory authorities and other provisions.

## **B. FUNDING**

Funding is one of the main activities of the Company, where its success is largely determined by the quality of the Company's customer service, both in term of system and in term of service.

The composition of funding highly determines the level of costs to be incurred by the Company as a very important element in the determination of net interest margin. With the low cost funding and sufficient tenor will provide flexibility to lending.



The Company is obliged to know the profile of the customer so as to avoid the occurrence of money laundering practice derived from acts of terrorism or crime.

## **C. OTHER SUPPORTING BUSINESS**

### **C.1. Information Technology**

The use of Information Technology by the Company shall comply with the principles as follows:

1. Having an integrated information system with all management functions;
2. Having an up to date operating manual;
3. Complying with laws and regulations, especially in the use of information technology.

The use of information technology should be addressed to improve the effectivity and efficiency in the implementation of the Company's duty and service to customers but on the other hand it contains risks that could be detrimental to the Company or its customers. Therefore to reduce the risks of the use of information technology the management shall always taking into account the principles of adequate supervision and safety as well as keep maintaining the confidentiality of the Company and Customers.



In the making and implementation of security policies against the information technology shall be addressed to guarantee the following matters:

1. Confidentiality, keeping the confidentiality of sensitive data from an unauthorized particular party
2. Integrity, keeping the validity and unauthorized amendment and free of error
3. Availability, keeping the availability of data/information whenever needed (time accuracy) in the Company transactional and operational processes and banking services;
4. Non-repudiation, keeping the data/information transmitted cannot be denied by the sender and receiver;
5. Compliance, keeping the information used comply with the prevailing provisions/regulations/laws.
6. Reliability, keeping the data used and managed by the Company is true, trustworthy and accountable;
7. Usefulness, the managed data/information meets the needs of each process running in the Company effectively;



8. Usability, the data/information needed by a particular party is used or utilized in a way that is easy and requires proportional and efficient resources.

### **C.2. Operations and Administration**

In order to implement operational risks control, the Company shall ensure adequate controls to mitigate operational risks through the preparation operational policies and procedures in the Company. The operational policies and procedures shall be organized with the purposes to:

1. Define and arrange the standards for uniformity in the operational control in order to manage the overall operational risks (bank-wide) arising from the Company's business activities.
2. Ensure the operational risks that have been managed by the Business Unit and Supporting Unit for the overall operational activities consistently and have been standardized to prevent, detect, or mitigate events that may cause financial losses or reputational losses.
3. As a basic guideline for the work units in implementing control functions to mitigate



operational risks by conducting business activities.

### **C.3. Financial Policy**

Financial Policy adopted by the Company is applied uniformly and consistently in all the Company organizational units. The accounting and financial statement of the company adheres to accounting policies in accordance with Financial Accounting Standards in Indonesia issued by the Indonesian Institute of Accountants (IAI), Accounting Guideline for Indonesia Banking, and the Accounting Guidelines for Indonesia Sharia Banking issued by Bank Indonesia, Bank Indonesia Regulations and Financial Service Authority Regulations. The policy is applied consistently from year to year.

The presentation of Financial Statements of the Company describe the Company's financial condition and results of operations as a whole, the Financial Statements and operational activities shall follow the regulations that have been set by the Government agency/institution where the regulations are addressed.

In terms of Financial Statements of Foreign Branches, it refers to the regulations issued by the local regulator where the branch is located. The financial statements of foreign branches are translated into the currency of Rupiah at the exchange rate in accordance with applicable provisions.

#### **C.4. Human Resources**

Human Resources are important assets for the Company. Therefore the Company must obtain, maintain and develop the human resources to support the achievement of the Company's purposes effectively and efficiently according to the Company vision and mission as well as prevailing regulations, namely in terms of:

1. The implementation of human resources recruitment should be transparent in accordance with the strategy that has been made in implementing the Company vision, mission and development plans.
2. Human resources development is carried out in a planned, structured and well programmed in accordance with the Company vision and mission and prevailing regulations.



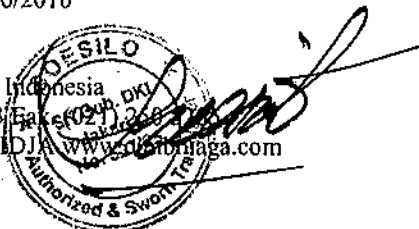


3. The implementation of career development and remuneration is based on performance and competence stipulated in the regulations.
4. The company shall maintain a conducive employment relationship including implementing the Company Regulations and or the Collective Labour Agreement (CLA) properly according to the prevailing regulations.
5. Internal Communications done regularly and effectively shall become the main key to the creation of a conducive employment atmosphere.

In implementing the activity mentioned above the Company uses and applies Code of Conduct determined by the Management and the main Standards of Conduct as a reference and guidance for all employees.

#### **C.5. Risk Management**

Board of Directors should at least comprehensively formulates written Risk Management policies and strategies , and is responsible for the implementation of the Risk Management policies and the Risk exposure taken by the Company as a whole.



- ## C.6. Social Responsibility

1. The continuity of the Company operations, the Board of Directors shall be able to ensure the compliance with social and sustainable environmental responsibility.
2. Clear and focused written plan in carrying out the social and environmental responsibilities by the Company.

3. The implementation is in accordance with the Company scope concerned as defined in the Company vision, mission, strategies and other policies.
4. Aspects of social and environmental responsibility, in accordance with existing guidelines established and policies applicable.
5. The implementation is done in a transparent and accountable manner to avoid any conflict of interests.
6. The utilization of Internal Audit Work Unit (SKAI) to review the implementation of social and environmental responsibility, implemented by the Company.

#### **C.7. Compliance, Anti-Money Laundering and Combating Financing of Terrorism**

##### **1. Implementation of Compliance**

Basic guidance for the implementation of compliance with highly regulated existing provisions. Compliance with the provisions is a very important element for the Company. Compliance implementation is obliged for:

- a. All levels of organization and business activities



- b. Board of Directors and Director in charge of the assignment of a Compliance Function
- c. Compliance Work Unit

The compliance function is done by all levels within the Company to:

- a. Develop and realize the Compliance Culture
- b. Manage Compliance Risks
- c. Ensure company policies and internal regulations in accordance with the applicable provisions

The compliance with the implementation of prevailing rules and regulations is realized with the establishment of an Compliance Work Unit which independent and free from conflict of interest. Reports on the implementation of the compliance function allows Company staff to identify and take immediate correction and preventive measures for non-compliance with the Company. The implementation of the Company compliance function is preventive (ex-ante) with the purposes of mitigating the Company operation as a whole.



## **2. Implementation of Compliance, Anti-Money Laundering and Combating Financing of Terrorism**

The company in carrying out activities shall minimize the use of its products and services as a media for money laundering and terrorism financing by implementing Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) in accordance with existing provisions of laws and regulations on banking, and with reference to the internationally accepted general principles.

The implementation of AML and CFT programs must be actively supervised by the Board of Directors and Board of Commissioners.

### **C.8 Complaints Handling**

#### **1. Customer Complaints Handling**

The Company in managing customer complaints has special units whose duties to make sure that customer complaints handling and management have been conducted properly and in accordance with existing regulations.



## **2. Whistle Blowing System**

The Company in the efforts of internal control implements and provides a Whistle Blowing System regulated in a policy that regulates the submission of reports on violations, protection for whistleblowers, complaints handling and those who manage the complaints.

### **C.9 Anti-Fraud**

The Company shall apply an anti-fraud strategy. Anti-fraud strategy is implemented in the form of fraud control systems applied by using devices which are a translation of four (4) interrelated pillars of anti-fraud, namely:

#### **1. Prevention**

Fraud control system in the form of preventive measures to reduce the potential for fraud, which at least includes Anti Fraud Awareness, Vulnerability Identification, and Know Your Employee.

#### **2. Detection**



Fraud control system is in the form of measures to identify and detect fraud in the Company operations which at least includes Policies and Mechanisms for Whistleblowing, Surprise Audit, and Surveillance System.

### 3. Investigation

Fraud control system is in the form of measures to gather information, reporting system, and the imposition of sanctions on the incidence of fraud in the Company operations which at least includes investigation, reporting, and imposition of sanctions.

#### 4. Monitoring

Fraud control system is in the form of measures to monitor, review, and follow-up as a corrective action on the incidence of fraud in the Company operations which at least includes monitoring, evaluation, and follow-up.

#### D. SHARIA BUSINESS UNIT

The company has a business permit to perform activities based on the Sharia principle through the Governor of Bank



Indonesia's Decision No. 6/71/KEP.GBI/2004 dated September 16, 2004.

Sharia Business Unit ("SBU"), is a business unit as referred in the law related to Sharia Banking. The SBU business activities shall comply with the provisions of Sharia Banking Laws by applying Sharia Principles and prudential principle. Sharia principle is Islamic law principles in the field of sharia banking as contained in the form of National Sharia Board instructions - Indonesian Ulema Council. SBU is prohibited from conducting business activities contrary to Sharia Principles and other activities as arranged on Sharia Banking Laws.

In addition, SBU business activities shall also implement the principles and practices of Good Corporate Governance in each of its business activities at all levels of organizational units. The implementation of good governance shall at least be realized in the responsibility of SBU Director, the implementation of duties and responsibilities of Sharia Supervisory Board (SSB, the implementation of funding and lending as well as services activities, lending to core customers and funding by core depositors and transparency of financial and non-financial of SBU. SBU

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shall conduct comprehensive self-assessment to the adequacy of implementation of Good Corporate Governance periodically in accordance with prevailing regulations.

SBU led by the Director of the Company (conventional) and/or the Director specifically appointed to supervise SBU shall have the competence and commitment in the development of SBU. The Company Director (conventional) appointed in charge of SBU shall not give rise to a conflict of interest.

SBU business and operational activities are supervised by SSB that appointed under the provisions of prevailing laws and regulations. SSB is in charge to give advice and suggestions to the Director in charge of SBU and supervise SBU activities in accordance with sharia principles. The implementation of duties and responsibilities of SSB include:

1. Assessing and ensuring the compliance with sharia principles in the operational and product guidelines issued by SBU;
2. Supervising SBU new product development process from the beginning to the issuance of the product;
3. Providing sharia opinion on new products and/or restructured financing;

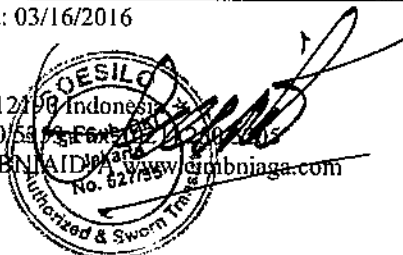


4. Requesting National Sharia Board instructions for SBU new products without any instruction;
5. Conducting periodic review on compliance with sharia principles to the mechanism of funding and lending as well as services;
6. Requesting data and information related to sharia aspects from SBU work unit in the framework of the implementation of its duties.

In order for SBU to grow efficiently and effectively also support the acceleration of development, the Company applies the concept of Dual Banking Leverage Model ("DBLM") in running its Sharia business.

DBLM concept for sharia business is a banking system where sharia banking activities are performed simultaneously (parallel) with conventional banking activities but with due regard to aspects of sharia compliance. SBU leverages and operates its activities on conventional banking platform.

SBU at any time can stand alone and separate its business from the Company (spin off) by applying the concept DBLM in accordance with the prevailing laws and regulations.



**E. APPENDIX**

1. Appendix 1: Corporate Vision, Mission and Key Values
2. Appendix 2: Board of Commissioners Charter
3. Appendix 3: Sharia Supervisory Board Charter
4. Appendix 4: Board of Directors Charter
5. Appendix 5: Audit Committee Charter
6. Appendix 6: Risk Monitoring Committee Charter
7. Appendix 7: Nomination and Remuneration Committee Charter
8. Appendix 8: Integrated Governance Charter



**APPENDIX 1****CORPORATE POLICY MANUAL****CONCERNING: COMPANY VISION, MISSION, AND CORE VALUES**

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**1. Company Vision Mission**Vision:

Being an ASEAN Leading Company

Mission:

Providing universal banking services in Indonesia as a high-performing, institutionalised, and integrated company located in ASEAN and key markets beyond, and to champion the acceleration of ASEAN integration and the region's link to the rest of the world.

**2. Company Core Values**Customer-centric

Best possible customer service and products

High Performance

Work hard and well targeted to customers, fellow employees, and other stakeholders

### Enabling People

Encourage all parties in CIMB Niaga to be broad-minded and ensure that all employees have the ability to be effective and efficient

### Strength in Diversity

Respect cultural differences, perspective differences, and recognize all difference as potential strengths

### Integrity

To be honest, honorable, and professional in all that we do to view integrity as CIMB Niaga's most fundamental value

