



COMPLIANCE FUNCTION

Implementation of the Compliance Function at BTPN refers to the Financial Services Authority (OJK) Regulation No. 46/POJK.03/2017 on the Implementation of the Compliance Function in Commercial Banks. The regulation explains that the Compliance Function is a preventive measure (ex-ante) for the Bank so that policies, provisions, systems, procedures, and business activities are carried out in accordance with OJK regulations as well as relevant laws and regulations.

The Compliance Function also ensures the emergence of compliance with the Bank's commitments to OJK and other authorities. Compliance with provisions set by OJK, Bank Indonesia, or applicable laws and regulations has been BTPN's commitment, as stated in the Bank's Corporate Governance Manual and Compliance Policy.

The importance of implementing compliance is also a response to the awareness that banking is an industry that requires the implementation of highly-regulated compliance compared to other industries. The strict level of compliance is especially related to public missions and responsibilities toward public funds.

Moreover, in line with the rapid development of information technology and digitalization, it can pose a potential compliance risk for the Bank. For this reason, efforts to mitigate potential compliance risks are highly important.

This can be manifested through improving the role and responsibility of compliance at every organizational level, as well as the effectiveness of the Compliance Unit roles in the Bank. Thus, all potential risks to the Bank's business activities can be anticipated early.

The Bank's compliance is carried out in a comprehensive and structured manner. The objective, mainly as preventive effort, to ensure that business processes within the Bank are in line with applicable regulatory provisions.

ORGANIZATIONAL STRUCTURE

Implementation of the compliance function in BTPN's organization is implemented by the Compliance Work Unit, referred to as the independent Compliance Division, as the OJK regulations stipulate. In line with regulatory provisions, the Bank also has the Director of Compliance responsible for the Compliance Function.

Below is the organizational of the Compliance Division:



LEGAL BASIS

The Bank's main guideline in its compliance function is OJK Regulation No. 46/POJK.03/2017 on the Implementation of Compliance Function in commercial Banks. In addition, the Bank takes into consideration the following:

1. The development of information technology, globalization, and financial market integration will add to the complexity of the Bank's business activities that will broadly impact the risk exposures faced by banks;
2. Efforts to mitigate risks in the Bank's business activities, both as preventive measures (ex-ante) or curative measures (ex-post);
3. Efforts of preventive measures (ex-ante) can be conducted by complying with various applicable banking rules to reduce or minimize risks in the Bank's business activities.

FUNCTION, DUTIES AND RESPONSIBILITIES

Functions, duties, and responsibilities of the Compliance Department in BTPN are focused on supporting the implementation of the Compliance Function in accordance with POJK No.46/POJK.03/2017 on the Implementation of compliance Function in Commercial Banks, which covers the following:

1. Manifest the implementation of Compliance Culture at all levels of the Bank's organization and business activities;
2. Manage Compliance Risks faced by the Bank;
3. Ensure that policies, provisions, systems, and procedures, as well as the Bank's business activities, are in accordance with provisions set by the Financial Services Authority, as well as laws and regulations, including the Sharia Principle for sharia commercial banks and sharia business units; and
4. Ensure the Bank complies with its commitments to the Financial Services Authority and/or other authorized supervisory authorities.

For the Compliance Function to be implemented effectively, the Bank has appointed a Director in charge of the Compliance Function. In carrying out the duties, the Director is assisted by an independent Compliance Unit, as stipulated by OJK on implementing the Compliance Function in Commercial Banks.

With reference to POJK No. 46/POJK.03/2017 concerning the Implementation of the Compliance Function in Commercial Banks, the duties and responsibilities of the organization that carries out the Compliance Function are as follows:

The Director Responsible for Compliance Function:

1. Formulate the strategy to encourage the emergence of the Bank's Compliance Culture;
2. Propose compliance policies or principles that will be established by the Board of Directors;
3. Establish the compliance system and procedures to be used to formulate the Bank's internal provisions and guidelines;
4. Ensure that all policies, provisions, systems, procedures, as well as the Bank's business activities are in accordance with provisions set by the Financial Services Authority and the provisions of the laws and regulations;
5. Minimize the Bank's Compliance Risk;
6. Take preventive measures so that policies and/or decisions by the Bank's Board of Directors will not deviate from provisions set by the Financial Services Authority and provisions of the laws and regulations; and
7. Conduct other tasks related to Compliance Function.

Duties and Responsibilities of the Compliance Work Unit:

1. Establish steps to support the emergence of Compliance Culture in all of the Bank's business activities at every level of the organization;
2. Conduct identification, measurement, monitoring, and control of Compliance Risk by referring to the provisions of the Financial Services Authority that regulate the implementation of risk management in commercial banks;
3. Assess and evaluate the effectiveness, adequacy, and conformity of the Bank's policies, provisions, systems, and procedures with provisions of the laws and regulations;
4. Review and/or recommend updates and improvement of the Bank's policies, provisions, systems, and procedures in order to comply with provisions of the Financial Services Authority, as well as the provision of the laws and regulations;
5. Take efforts to ensure that the Bank's policies, provisions, systems, and procedures, as well as the Bank's business activities, are in accordance with the provisions of the Financial Services Authority and provisions of the laws and regulations; and
6. Conduct other tasks related to the Compliance Function.

Supervision of the Board of Directors and the Board of Commissioners

With reference to the obligation to comply with POJK No. 46/POJK.03/2017 on the Implementation of the Compliance Function in Commercial Banks, the Board of Directors is required to foster and actualize the implementation of Compliance Culture at all levels of the



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organization and the Bank's business activities, as well as the obligation to ensure that the Bank's Compliance Function is implemented.

In this respect, in order to ensure the implementation of the Compliance Function, the Board of Directors and the Board of Commissioners continuously carry out supervision of the Bank's Compliance Function implementation, which among other through the following mechanism:

1. Report on the implementation of duties and responsibilities of the Compliance Unit to the Compliance Director (monthly).
2. Report on the implementation of duties and responsibilities of the Compliance Director to the President Director with a copy to the Board of Commissioners (quarterly).
3. Report on the monitoring results of compliance risk to the Board of Directors at the Board of Directors Meeting and to the Board of Commissioners at the Board of Directors Meeting forum with the Board of Commissioners, as well as to the Audit Committee on a regular basis.

The Board of Directors and the Board of Commissioners have also approved the compliance policy that serves as the fundamental infrastructure in the governance implementation of the Bank's Compliance Function.

In compliance with POJK No.46/POJK.03/2017 on the Implementation of the Compliance Function in Commercial Banks, the Board of Commissioners takes an active supervisory role of the Compliance Function through assessment of the Bank's Compliance Function implementation conducted 2 (two) times a year, including providing suggestions/recommendations to improve the implementation of the Bank's Compliance Function.

FOCUS OF THE COMPLIANCE FUNCTION IN 2022

Throughout the year 2022, the focus of the Bank's Compliance Function implementation in carrying business activities includes the following:

1. Review all of the Bank's major and operational policies, including Compliance Policy as the basic infrastructure serving as guidelines for implementing the Bank's Compliance Function.

2. Compliance Test on draft policies, program products, corporate actions, or transactions that require approval of the Credit Committee as well as Compliance Review on initiatives other than policies, program products, corporate actions, and transactional decisions (credit) with the limited authority of the Credit Committee to ensure compliance with applicable regulations.
3. Socialization of new OJK, BI, and LPS regulations to the Directors, Board of Commissioners, related units, and branch employees by email or virtually, including disseminating new regulations to related units to determine follow-up actions on these new regulations. In addition, the re-socialization of old regulations, which impacted products and the Bank's activities, was also carried out in related units.
4. The advisory function related to the implementation of applicable regulations in each of the Bank's product releases and/or activity and policy, whether new, in development, or on the annual review, through coordination meetings, electronic media, and others.
5. Implementation of Compliance Risk self-assessment as part of the Bank's Risk Profile preparation conducted quarterly to manage the Bank's Compliance Risk.
6. Implementation of the Compliance Self-Assessment (CSA) to ensure compliance implementation of work units with OJK and BI regulations, applicable laws and regulations, as well as regulations issued by Sumitomo Mitsui Banking Corporation (SMBC) as part of global risk consolidation with SMBC as the Bank's majority shareholder and Controlling Shareholder and also as the Global Systematically Important Bank (G-SIB).
7. Implementation of Compliance Self Review as one of the steps to improving the Compliance Culture of all employees to the implementation of OJK and BI regulations, provisions of laws and regulations, as well as SMBC regulations.
8. Implementation of Compliance On-Site Review (Branch Review) by AML Compliance Champion, as part of the activities of the Compliance Division in monitoring compliance implementation by branch offices, and also to maintain consistency of compliance by branch offices with applicable regulations and to avoid the gap between compliance implementation at the head office and at the branch offices.

9. Evaluation on reviews conducted by related units on the imposition of fines and their follow-ups from the Regulators (OJK and/or BI) in order to mitigate recurring fines and improve the Bank's internal control, which includes monitoring the completion of follow-up actions or corrective measures carried out based on results of the review.
10. Monitoring the implementation of Compliance Function and governance in subsidiary PT Bank BTPN Syariah in line with OJK provisions related to Banking Synergy.
11. Improvement of the compliance process, among others through the strengthening of the supporting infrastructure for Compliance Function implementation in the Compliance Unit in the form of a monitoring system for compliance with OJK and/or BI regulations, fulfillment of Regulatory inspection findings and others.
12. Training for all employees to strengthen Compliance Culture at all levels of the organization and the Bank's activities. The training, among others, relates to Refreshment Compliance Awareness that includes Compliance Declaration, carried out through e-learning. In addition, socialization on the dissemination of topics related to Anti-Bribery & Corruption (ABC) are also conducted for all employees, carried out through the Bank's internal media.
13. Improvement of the quality and competency of the human resources at the Compliance & Legal Directorate in order to fulfill the Bank's compliance with applicable laws, conducted through training, workshops, and others.

COMPLIANCE IMPLEMENTATION STRATEGY

The Bank retains the strategy to establish continuous compliance in the Bank's organizational environment. Details of the strategy are explained below:

1. Assistance and monitoring of compliance implementation in all business lines/support.
 - a. Improve compliance culture at all levels of the Bank's organization and its business activities through the dissemination of OJK, BI, and LPS regulations.
 - b. Provide training to all staff and increase awareness of compliance culture, both at the head office and branch offices.
2. Increase supervision and awareness of compliance risk by conducting Compliance Self Assessment, Compliance Self Review, Compliance On-Site Review (Branch Review), and also internal discussions in order to provide advice to related units.

3. Ensure that all of the Bank's policies, provisions, systems, and procedures, as well as its business activities, are in accordance with provisions set by the Financial Services Authority, as well as laws and regulations. This is conducted by evaluating internal guidelines, corporate actions, or transactional decisions (credit) that must be approved by the Credit Committee and the advisory function.

COMPLIANCE SOCIALIZATION

Throughout the year 2022, socialization on new provisions issued by OJK, BI, and LPS was carried out by email or virtual media to the Board of Directors, Board of Commissioners, and related units, including the dissemination of the new regulations to related units to establish follow-ups on the new regulations. In addition, socialization on the old regulations that impacted the Bank's products and activities to related units was also conducted.

To enhance branch employees' comprehension, socialization of OJK, BI, and LPS provisions, as well as SMBC regulations, was also carried out through ACC.

COMPLIANCE INITIATIVES IN 2022

During the year 2022, the Bank actualized a number of initiatives related to compliance, including the following:

1. Evaluation of reviews conducted by related units on the causes and follow-ups of the fines imposed by the Regulators (OJK and/or BI) in order to mitigate the reoccurrence of fines and to improve the Bank's internal control, including monitoring the completion of follow-up actions or corrective steps taken according to results of the reviews.
2. Enhancement of the compliance process, among others, through the strengthening of the infrastructure that supports the implementation of Compliance Function in the Compliance Unit, in the form of a monitoring system for compliance with OJK and/or BI regulations, Regulatory audit findings, and others.
3. Implementation of Project Regulatory Reporting Governance & Process Review (Project RRG&PR) that aims at increasing time efficiency from available resources, increasing critical process maturity in managing compliance reporting, and reducing compliance risk exposure, which may result in potential fines.



INTERNAL FRAUD

BASIS OF FRAUD PREVENTION

Bank BTPN applies zero tolerance to every incident of fraud. For this reason, the Bank incessantly follows up on every fraud incident, including by providing sanctions to employees who conduct and are involved in fraud incidents, in line with applicable provisions, including reporting to the authorities (if necessary).

Apart from the above, the Bank is committed to taking action of prevention against all forms of fraud and to immediately follow-up to reduce the loss impact on the customers and/or the Bank, including managing the Bank's reputation from negative publications that impact the loss of the public's trust in the Bank.

The Bank requires all employees to act honestly, with integrity and high professionalism to take an active role in protecting and maintaining assets, customers' funds, and stakeholders' interests by complying with all internal provisions and prevailing laws and regulations.

IMPLEMENTATION OF ANTI-FRAUD STRATEGY

In managing fraud risks, the Bank implements an anti-fraud strategy coordinated by the Operational & Fraud Risk Management (OFRM) Division. The OFRM Division is directly responsible to the Head of Risk Management, who is responsible to the President Director.

Fraud risk control in BTPN is carried out systematically through the implementation of an Anti-Fraud strategy manifested in 4 (four) pillars, as explained below:

1. Prevention

The anti-fraud prevention programs, in the context of reducing potential fraud incidents, which at least include the signing of the Anti-Fraud Integrity Pact, training (through virtual as well as e-learning facilities) to all employees, the Board of Directors and the Board of Commissioners, periodically update policies and procedures of anti-fraud strategy management, carry out reviews of fraud risks on each product, process, system, and initiative (new or in development stage) as well

as administer training periodically on anti-fraud awareness to vendors and partners in cooperation with the Bank to take part in assisting the Bank to maintain corporate governance, especially in the aspect of proper implementation of fraud risk management.

2. Detection

Programs and tools to detect fraud, which at least includes the whistleblowing mechanism, surprise audit, and surveillance system.

3. Investigation

The process of investigation, reporting, and sanctions on fraud incidents, which at least includes investigation standards, reporting mechanisms, and mechanisms for the imposition of sanctions.

4. Monitoring, Evaluation, and Follow-Up

Observe, evaluate, and monitor the settlement of follow-up actions on fraud incidents carried out by the OFRM Division in coordination with all other related work units.

The OFRM Division reports the implementation of the Bank's anti-fraud strategy to the President Director through the Risk Management Committee monthly meetings and to the Board of Commissioners through the Audit Committee and Risk Monitoring Committee meetings every 3 (three) months. The OFRM Division also submitted the anti-fraud strategy implementation reports to the Regulators (BI/OJK/LPS) in accordance with the prevailing provisions.