

Sustainability  
Report **2016**

**BANK BTN CREATES SYNERGIES TO ACHIEVE GREAT  
ACCOMPLISHMENTS IN BUILDING THE NATION**



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Video Banking

## ACHIEVE GREAT ACCOMPLISHMENTS IN BUILDING THE NATION

The Company earnestness in implementing strategic programs and continuous transformation has resulted in sustainable growth in various aspects of the Bank's financial and operational performance. The Company aims the success in this economic performance at the improvement of social wealth for the entire Indonesian society. The Company shapes up its Service for the Country by leading the line in accelerating the One Million Houses for the People Program that has been prepared by the Government, as set out in the second transformation phase, i.e. digital banking period, in which the Company is geared toward becoming the leading housing bank in Indonesia with world class service. This can be achieved thanks to the synergies established with and supports provided by all stakeholders, both internal and external. The Company dedicates this program and transformation to the accomplishment of the One Million Houses Program as part of its contribution to the nation building through developing inclusive, quality and sustainable housings.

## THE COMPANY'S INITIATIVE TO SUPPORT SUSTAINABLE FINANCE

In line with the roadmap of sustainable finance policy determined by the Financial Services Authority (FSA), the Company partakes in supporting the achievement of sustainable finance. The Company has taken initiatives that include the implementation of green finance product (products created with concern on the environmental aspects). Green finance product is adopted through the Company's products and services, including funding, lending and fee-based income.

In funding, the funds obtained by the Company derive from clean sources of companies and individuals that do not commit environmental pollution. While in lending, to providing construction loan facilities, land mortgage loans and investment loans, the Company requires that debtors meet such documentation requirements as letters of Environmental Impact Assessment (EIA) recommendation and other relevant licenses as stipulated in the location permit. This is regulated by the provisions regarding the Company's products under document number: Index No. 003/P/CL/HCL. In line with Regulation of the Minister of Public Works and Housing of the Republic of Indonesia No. 38/PRT/M/2015 concerning aid to infrastructure, facilities and public utilities for public housing, the Company also carries out rehabilitation and improvement of public and social facilities. These programs demonstrate the Company's concern for environmental management and environmental protection.

As its featured product, the Company has created synergy between KPR and digital banking as set out in BTN Properti website. Using this BTN Properti website, customers allow to apply KPR via online. This is one of the Company's initiatives to reduce paper consumption (paperless) and minimize negative impacts to the environment.

The Company has made other paperless program to provide services to the community using various facilities to support an increase in fee-based income, which is realized through increased electronic channel services to educate customers on electronic banking transactions, such as ATM services, Cash Deposit Machine (CDM), Internet Banking, Cash Management, SMS Banking, and Mobile Banking.

In addition, the Company provides branchless banking services in line with the Financial Services Authority Regulation No. 19/POJK.03/2014 on Branchless Banking Services for Inclusive Financial Practice, in the form of card-based and mobile phone-based Tabungan BTN Cermat savings. This product will help improve the community's accessibility to banking services and also supporting the paperless program.

# THE COMPANY SUPPORT IN ATTAINING SUSTAINABLE DEVELOPMENT GOALS

Furthermore, as one of the State Owned Enterprises (SOEs) whose function is to act as “an agent of development”, the Company has consistently demonstrated its commitment to supporting the achievement of sustainable development goals through the implementation of Corporate Social Responsibility (CSR) program and a set of policies aiming to accomplish sustainable development goals.

In this context, the Company has carried out numerous programs which encompass improving the quality of education, enhancing community entrepreneurship program, putting in place decent employment system, facilitating equitable infrastructure development and supporting the strengthening of financial inclusion. Implementation of such programs points out to the actual steps the Company takes in addressing sustainability issues from economic perspective (profit), environmental standpoint (planet) and social dimension (people).

The Company's Role in SDGs Framework [G4-DMA]





# SUSTAINABLE PERFORMANCE OVERVIEW 2016

## SOCIAL SUMMARY



**15.91%**  
EMPLOYEE  
RECRUITMENT RATE  
INCREASED BY 22.86%



COMPANY NETWORK  
ACCESS INDEX

**65,209**  
IN PROVINCES WITH  
LOW POPULATION



**4.96%**  
EMPLOYEE  
TURNOVER RATE  
DECREASED BY 20.66%

**65,783**  
IN PROVINCES WITH  
UNDERDEVELOPED  
ECONOMY



**22.56**  
AVERAGE TRAINING  
HOURS (HOUR/  
TRAINEE)



**1,780 (RP MILLION)**  
TOTAL DISBURSEMENT OF  
PARTNERSHIP PROGRAM  
FUND



**1.23**  
RATION BETWEEN NEW  
EMPLOYEE SALARY  
AND DISTRICT /  
PROVINCES MINIMUM  
WAGE

**13,153 (RP MILLION)**  
TOTAL DISBURSEMENT OF  
COMMUNITY DEVELOPMENT  
PROGRAM FUND



**82.61%**  
CUSTOMER  
SATISFACTION SURVEY  
DECREASED BY 4.70%



**4,371 (RP MILLION)**  
TOTAL DISBURSEMENT OF  
CSR PROGRAM FUND

**1,103,045 (RP MILLION)**  
REALIZATION OF MSME  
CREDIT DISBURSEMENT  
INCREASED BY 45.61%

## ENVIRONMENTAL SUMMARY



**6,846,700**  
ELECTRICITY  
CONSUMPTION (KWH)  
INCREASED BY 16.58%



**68,236**  
WATER CONSUMPTION  
VOLUME (M<sup>3</sup>)



**100 (RP MILLION)**  
WASTE TREATMENT  
COST

## ECONOMIC SUMMARY



**17,062,017 (RP MILLION)**  
DISTRIBUTED ECONOMIC  
VALUE  
INCREASED BY 15.53%



**1,909,790 (RP MILLION)**  
TAX CONTRIBUTION TO THE  
STATE  
INCREASED BY 27.12%



**415,797 (RP MILLION)**  
VALUE OF PROCUREMENT OF  
GOODS AND SERVICE  
INCREASED BY 7.50%  
WITH 100% LOCAL SUPPLIERS



REALIZATION OF  
INFRASTRUCTURE  
CONSTRUCTION FINANCING

**209,369 (UNIT)**  
HOUSING LOAN

**386,171 (UNIT)**  
CONSTRUCTION LOAN

**4,311 (RP MILLION)**  
HOME STAY INN FINANCING



**MARYONO**  
PRESIDENT DIRECTOR



## REPORT FROM THE PRESIDENT DIRECTOR [G4-1]

**Dear Valued Stakeholders,**

Welcome to the Company seventh Sustainability Report. This year, the Company reinforces the commitment to disclose economic, social and environmental performance to the Stakeholders through the Sustainability Report. This report written as a supplement and an inseparable part of the Annual Report.

The Company fully acknowledge that sustainable development must be supported by responsible business operations in order to be able to provide optimum contribution to social, economic independence of the society, and the conservation of the environment. For The Company, sustainability reflects the way to bring prosperity to the customers, employees, shareholders, business partners, society, government, and other stakeholders.

The year 2016 is an important milestone for the Company to keep on achieving and maintaining the Company's growth in the future. Various improvements and corrections are made both to financial, business operational, social, and environment aspects to ensure achievement of sustainable performance. The Company has accomplished the first stage of its transformation, namely the survival period in 2015, which has made The Company as the leader in housing loan (KPR) market

in Indonesia. Today, the Company embarks on the second stage of the transformation (2016-2019), i.e. digital banking period, which is expected to make The Company as the global industry leader as the leading housing bank in Indonesia with world-class service. Later on the third stage of the transformation, namely the global playership period, the Company plans to improve its position as a global KPR business player.

The second stage of the transformation represents a great leap forward for the Company as we are appointed the implementing bank for the One Million Houses Program by the Government. In 2016, the Company aimed to provide financing support for 570,000 houses under the One Million Houses Program. By the Support of stakeholders, by the end of 2016, the amount of this financing had exceeded the specified target with the realization of KPR financing for 209,369 house units and construction loans for 386,171 units, with total financing value of Rp 64.46 trillion.

In the midst of the uncertain economic condition, the Company is very grateful to have satisfying performance in 2016. This growth closely relates to the Company's success in increasing credit disbursement that raises interest income, improving credit quality and reducing the cost of funds. With this significant increase in profit, the Company is able to increase dividend payments to the shareholders at 66%, from Rp223,119 million in 2015 to Rp370,181 million in 2016. which amounted to Rp 370,181 million in 2016. However, The improvement in economic performance is also measured by an increase of 12.09% in economic distribution to all stakeholders,

which is Rp2,121,653 million to the employees, Rp415,797 million to the supplier, and Rp1,909,790 million for the central government.

In addition, following up what the Company achieved the previous years, the Company continue to be committed to improve our social and environmental performance. Within the Company, we always improve harmonious industrial relationship with our employees in carrying on the sustainable HR management policy. Result of the 2016 survey indicates that the Company's employee engagement stood at 77% (60% moderately engaged and 17% highly engaged). The figure is above the moderate zone as well as above the average benchmark at 60%. In fact, the Company's employee engagement was at the Top Quartile level. This shows that the level of employee engagement with the Company is high. When compared to other benchmarks, the employee engagement level at the Company was higher than APAC Banking, APAC Financial Institution, Indonesia Banking (the average banking industry in Indonesia), Indonesia Financial Institution and Indonesia Norms.

The Company also keep on improving services for the customer, one of our stakeholders. In addition, The Company consistently conduct customer satisfaction that resulted in a score of 82.61%, an increase of 4.70% from the previous year's 78.9%. In 2016, The Company also disbursed credit for MSMEs of Rp 1,013,045 million that increased by 45.61% from 2015 at Rp 695,742 million. Besides, the Company provides access facilities to financial service in regions with low population and underdeveloped economy, with each access point

serves an average of 65 thousand transactions. In the future, the Company is committed to keep on improving financial access in these regions.

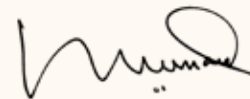
In providing support to economic development and acquisition of prosperity for the society, the Company continually improve our corporate social responsibility program that includes the Partnership and Community Development Program, with a total fund allocation of Rp19,303 million. In environmental field, continue The Company efforts to actively take part in creating better world for the recent and the next generations. Throughout 2016, The Company succeed with electricity efficiency as the consumption value decreased by 16.58% from the previous year. The Company's commitment to managing environmental sustainability is also demonstrated by The Company's policy to incorporates environmental aspects into credit risk assessment which follows the policy stipulated by Bank Indonesia and the Indonesian Financial Services Authority (OJK). The Company's compliance with the regulation is indicated by the policy outlined in Circular No. 17/DIR/CMLD/2016 dated March 31, 2016 on the Standard Operating Procedure for Commercial Loan item 4.1.3.3 point j, concerning "Environmental Management or Environmental Monitoring Effort (UKL/UPL) and/or Environmental Impact Assessment (EIA) if required by Local Government, or required in the

Location Permit or Land Use Permit".

The Company admit that despite the satisfying performance in various aspects, there are still challenges to address and deal with, particularly in social and environmental aspects. Therefore, in line with the main theme of this report, the Company will keep on improving in order to provide our best contribution to the sustainable development.

On behalf of the Company's Board of Directors, the Company hereby express the greatest gratitude and highest appreciation for all Stakeholders who support the Company sustainability efforts, which enables the Company to optimally contribute to the country and the society.

Jakarta, February 2017



**MARYONO**

**President Director**







# ABOUT THIS SUSTAINABILITY REPORT

Welcome to the seventh Sustainability Report of PT Bank Tabungan Negara (Persero) Tbk. This report presents improvement on the Company performance and achievement in the economic, environmental and social fields throughout 2016.



As a manifestation of the commitment of PT Bank Tabungan Negara (Persero) Tbk. (hereinafter the Company) to sustainability, the Company regularly publishes Sustainability Report every year since 2009. The previous the Company Sustainability Report was published in March 2016. In line with the previous reports, the Company Sustainability Report 2016 discloses the Company's sustainability performance during the period January 1-December 31, 2016 and constitutes an inseparable part of the Company Annual Report 2016. [\[G4-28, G4-29, G4-30\]](#)

This Sustainability Report presents the Company's performance and achievement in the economic, environmental and social fields. As a regular reporting instrument to the stakeholders, this Report also serves as a tool for the Company to provide transparent information and accountability with regard to its operation and as a means of improving the Company's sustainability performance from time to time.

## REPORT REFERENCE AND INDEPENDENT ASSURANCE

This report presents information related to the Company's performance and achievement all the way through 2016 in the economic, environmental and social fields that is prepared based on the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 4.0, with "core" compliance level and financial service supplement, in addition to sustainability information that is fundamental and important for the Company and the stakeholders. To help readers find the GRI G4 indicators regarding what the Company has implemented so far, the indicators are shown in red, capitalized font in the brackets after each relevant explanation in this Report. The full list of GRI G4 indicators can be found in the "Cross-Reference between the GRI G4 Index and Financial Service Supplement" section. [\[G4-32\]](#)

In line with the Company's statement for the previous Sustainability Report, the Company uses assurance service from an independent third party for this year's Sustainability Report in order to improve the report's credibility. The Company has assigned an independent assurer, namely Moores Rowland, to perform assurance duty of the Company Sustainability Report 2016 for ensuring that this report is free of any material error and written according to the GRI G4 Guideline. The Company does not have any collaboration with Moores Rowland other than cooperation in assurance work for the Company Sustainability Report 2016. The assignment of Moores Rowland as an independent assurer is carried out upon approval from the Company's Board of Directors, as represented by the Corporate Secretary. Independence assurer's report on the Company Sustainability Report 2016 is shown on page 109. [\[G4-33\]](#)

## PROCESS OF DETERMINING MATERIAL ASPECTS

[\[G4-18, G4-19, G4-20, G4-21\]](#)

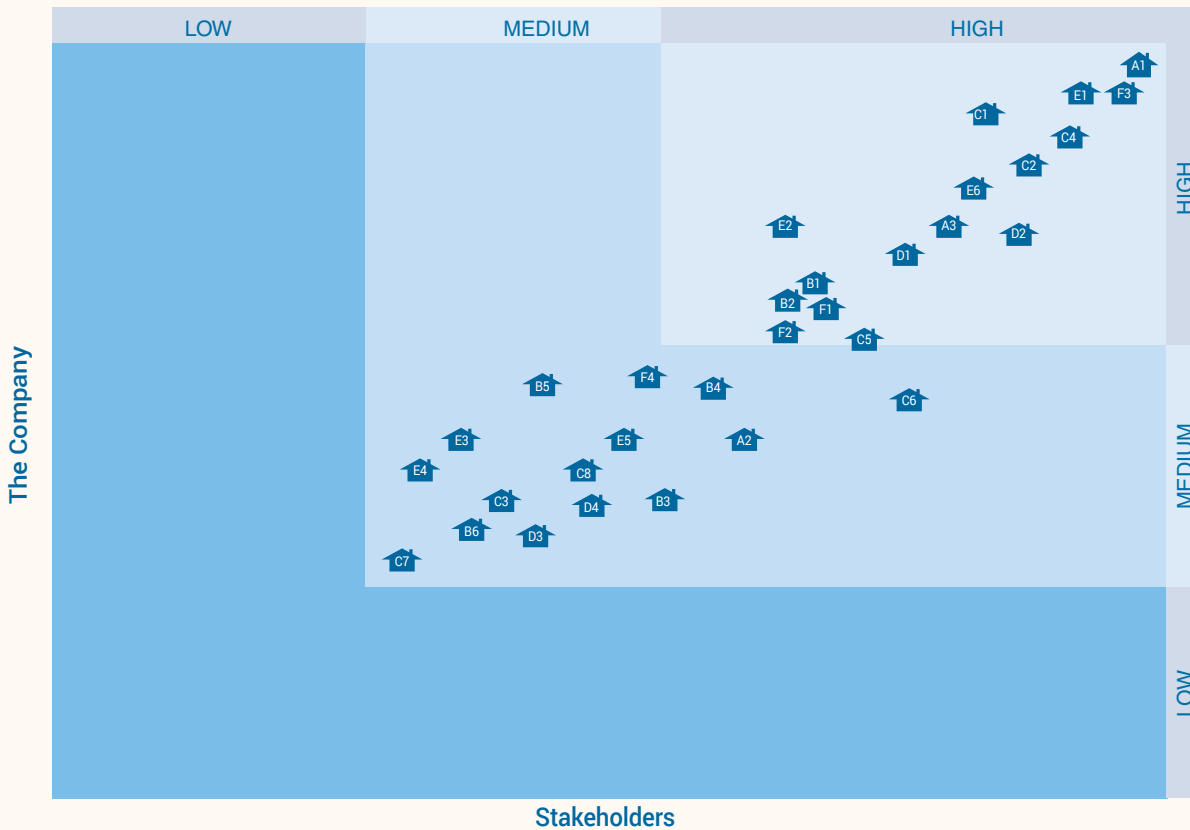
The process of determining material aspects is carried out by involving the Company's management and other stakeholders. Very important and important information are selected from the relevant aspects for the Company, in accordance with its sustainability strategy. Determination of the material aspects is carried out through distribution of questionnaires by the Company to all stakeholders through Materiality Assessment in the Company Internal. From the result, it is concluded that the material aspects and boundaries of this Report are as follows: [\[G4-18\]](#)

List of Material Aspects and Boundaries of the Report

No.	Material Aspects [G4-19]	Boundary [G4-20, G4-21]	
		The Company	Outside the Company
<b>Economy Category</b>			
A1	Economic Performance		
A2	Market Existence		
A3	Indirect Economic Impact		
<b>Environmental Category</b>			
B1	Energy		
B2	Water		
B3	Emission		
B4	Waste and Garbage		
B5	Product and Service		
B6	Freight Transportation		
<b>Social Category</b>			
<b>Employment Subcategory</b>			
C1	Employment		
C2	Industrial Relationship		
C3	Occupational Health and Safety		
C4	Training and Education		
C5	Diversity and Equal Opportunity		
C6	Remuneration Equality for Men and Women		
C7	Supplier Assessment Regarding Employment		
C8	Mechanism of Complaint or Grievance Regarding Employment		
<b>Human Rights Subcategory</b>			
D1	Non-Discrimination		
D2	Freedom of Association and Collective Labor Agreement		
D3	Child Labor		
D4	Forced Labor or Compulsory Labor		
<b>Community Subcategory</b>			
E1	Local Community Empowerment		
E2	Anti-Corruption		
E3	Involvement in Public Policy		
E4	Anti-Competition Practice		
E5	Compliance with Regulation of Community		
E6	Financial Inclusion		
<b>Product Responsibility Subcategory</b>			
F1	Product and Service Labeling		
F2	Marketing Communication		
F3	Customer Privacy		
F4	Compliance with Regulation of Product and Service		

From the results of the Materiality Assessment and questionnaires to external stakeholders, these material aspects are prioritized into three levels, i.e. high, medium, and low as seen from the following chart.

Materiality Chart [G4-19]



## DETERMINING REPORT CONTENTS

Determination of report contents is carried out by taking into account compliance with GRI G4 principles that include:

### 1. Stakeholder Engagement

The Company has identified its stakeholders and engaged them in the reporting process, from the determination of report contents to provision of advices for the published report.

### 2. Sustainability context

The Company believes that its sustainability context, which includes economic, social and environmental aspects, has been included in this Report.

### 3. Materiality

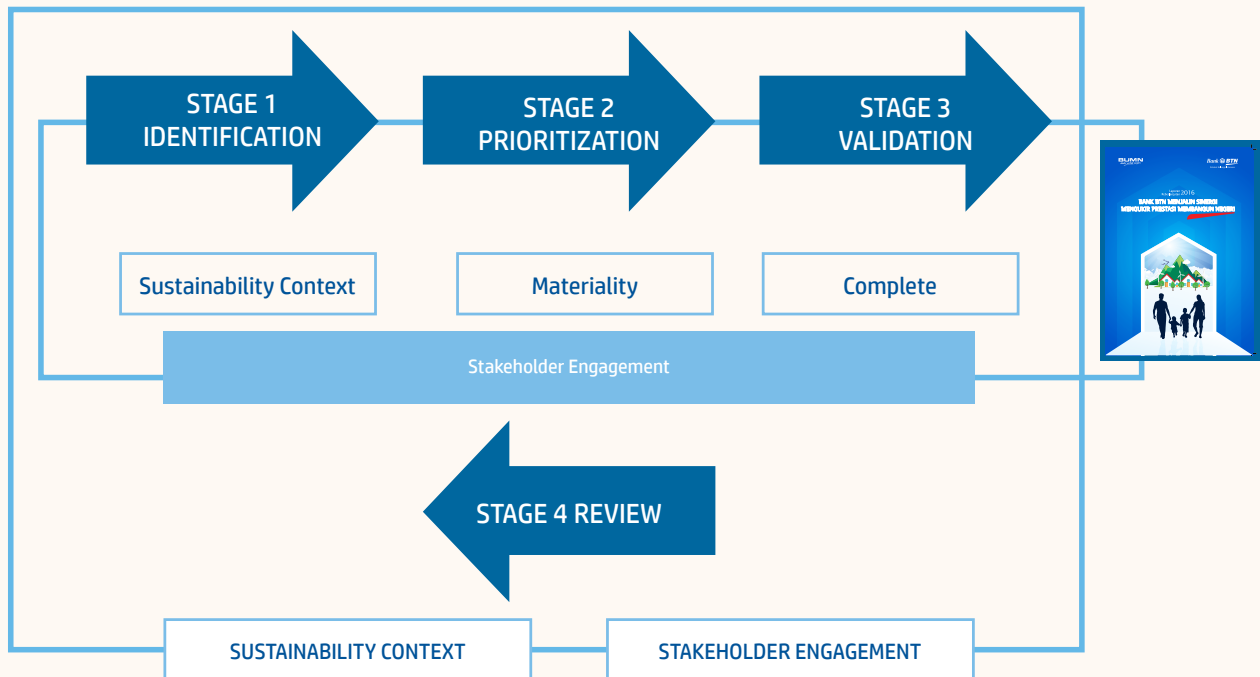
This Report presents material and important topics for both the Company's business and for the stakeholders.

### 4. Completeness

This Report comprehensively discloses the Company's commitment, management approach and performance in each material sustainability aspects, for the stakeholders to be able to evaluate the Company's performance during the reporting period.

The content of this report is determined in four stages as follows: (1) Identification, (2) Prioritization, (3) Validation, and (4) Review of material aspects that have been prioritized for input on the improvement of the next sustainability report. [G4-18]

Stages of Determining Report Content



## SCOPE AND LIMITATION OF THE REPORT

The Company Sustainability Report 2016 highlights the Company’s performance and achievement in the economic, environmental and social fields during a period starting from January 1, 2016 and ending December 31, 2016. The scope of this report includes the Company’s operations both in the head office and in all branch offices throughout Indonesia, but excludes operational activities from outsourcing companies, business partners and suppliers that are beyond its control. However, the Company ensures that material aspects under internal management’s control, such as employment, human rights, legal compliance and regulation of contractual agreement with suppliers network, are covered in this report. **[G4-17, G4-28]**

Despite the changes in comparison to the previous year’s report, such changes are rather improvements in nature. Essentially, there is no significant change to the scope or boundary of the report compared to the previous year’s report and, therefore, restatement of information from the previous year is not necessary.

**[G4-22, G4-23]**

## CONTACT THE COMPANY

To improve the quality of the next the Company Sustainability Report, the Company invite all readers and stakeholders to give their advices, ideas, criticism and feedback through the Feedback Form provided at the end of this report or by contacting:


**Bank BTN Corporate Secretary Division [G4-31]**  
 at Menara BTN Fl. 20  
 Jln. Gajah Mada No. 1 Jakarta Pusat, 10130  
 Telp : (021) 6336789 ext. 2003  
 Fax : (021) 6336719  
 Email : [csd@btn.co.id](mailto:csd@btn.co.id)

## RESPONSIBILITY FOR THE REPORT

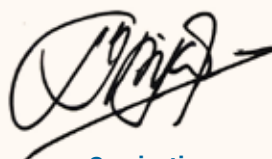
The Company's Board of Commissioners and Board of Directors have evaluated and expressed their full accountability for the accuracy of the content of this Sustainability Report, including the financial statement and other related information.

Jakarta, February 2017

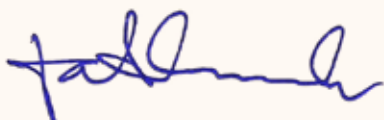
### BOARD OF COMMISSIONERS



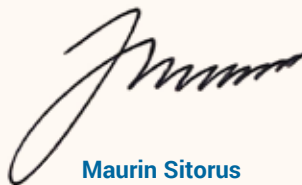
**I Wayan Agus Mertayasa**  
President/Independent Commissioner



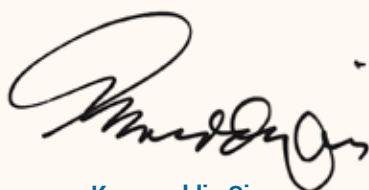
**Sumiyati**  
Commissioner



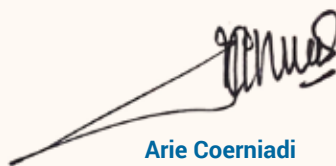
**Lucky Fathul Aziz Hadibrata**  
Independent Commissioner



**Maurin Sitorus**  
Commissioner



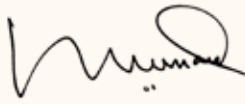
**Kamaruddin Sjam**  
Independent Commissioner



**Arie Coerniadi**  
Independent Commissioner



## BOARD OF DIRECTORS




**Maryono**  
President Director



**Sulis Usdoko**  
Director



**Mansyur Syamsuri Nasution**  
Director



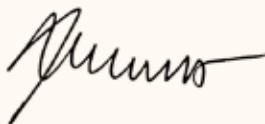
**Oni Febriarto Rahardjo**  
Director



**Iman Nugroho Soeko**  
Director



**Handayani**  
Director



**Adi Setianto**  
Director



**Catur Budi Harto**  
Director





## ABOUT THE COMPANY

The Company consistently emphasizes its business focus to be the best Bank in housing loan as a manifestation of its support to achieving the objective of sustainability development, namely establishing inclusive, safe, secure and sustainable city and human settlements.

## AWARDS AND CERTIFICATION IN 2016 [G4-15]

### NATIONAL AWARDS



**5 April 2016**

The Company obtained Digital Bank of The Year, on 1st Rank Digital Brand Sharia Category from Infobank.



**3 May 2016**

The Company obtained Best Listed Company, on Banking Category from Investor Magazine.



**20 May 2016**

The Company obtained MURI Award, on The Highest Number of BTN Saving Account Opening in One Day with 40,000 Accounts Category from Indonesian World Records Museum.



**26 May 2016**

The Company obtained Business Record, on The First Collaborative Property Portal Category from Seputar Indonesia.



**25 May 2016**

The Company obtained Islamic Finance Award, on The Biggest Contributor Funding Sharia Unit Bank Category and The Best Sharia Unit with Asset > 1.5 Trillion from Karim Consulting

**2 June 2016**

- The Company obtained Bisnis Indonesia Award 2016 on Best Bank in State-Owned Banks Category from Bisnis Indonesia.
- The Company obtained Investor Awards, on Bank with the Highest Profit Growth Category from Investor Magazine.





**3 Juni 2016**

The Company obtained the 5th Anugerah BUMN 2016, on Best HR Management for SOEs Category from BUMN Track.



**18 Agustus 2016**

The Company obtained Property & Bank Awards 2016, on Leadership Favorite of the Year 2016 Category from Property & Bank Magazine.



**27 September 2016**

The Company obtained Annual Report Award, on 1st Winner of Annual Report for Listed Financial SOEs Category from FSA (OJK), BI, IAI, Ministry of Finance, NCGP (KNKG), IDX, SOE (BUMN).



**13 October 2016**

The Company obtained Association, on 1st Rank in Indonesian Banking Award for BUKU III Bank Category from Economic Review and Perbanas.



**26 October 2016**

The Company obtained MURI, on Highest Number of Customers of SimPel. Account Category from Indonesian World Records Museum.

**25 August 2016**

- The Company obtained Infobank Award 2016, on Platinum Trophy (Excellent Performance for 10 Consecutive Years) Category from Infobank.
- The Company obtained The Best Contact Center Indonesia 2016, on The Best Contact Center Operations (Bronze) and, The Best Business Contribution (Bronze) Category from ICCA (Indonesia Contact Center Association)





**7 November 2016**

The Company obtained IICD Awards 2016, on Top 50 Public Listed Companies, The Best Overall Category from IICD (Indonesian Institute For Corporate Directorship).



**20 November 2016**

The Company obtained Infobank Golden Trophy 2016, on Excellent Financial Performance 2011-2015 Category from Infobank Magazine.



**13 December 2016**

The Company obtained Sindo Weekly CSR Award, on Economic Empowerment Category from Sindo Weekly.



**19 December 2016**

The Company obtained IICG Award, on Most Trusted Company based on Corporate Governance Perception Index Category from SWA and IICG Magazine.

## INTERNATIONAL AWARDS



**18 July 2016**

The Company obtained Annual Report Award, on Gold Winner Worldwide, Top 100 Reports Worldwide (#88), Top 10 Reports Indonesia, Top 50 Reports Asia-Pacific Region (#26), Best Report Narrative Asia-Pacific Region Category from LACP (League of American Communication Professionals).



**25 August 2016**

The Company obtained Asia Best Companies 2016, on Best Mid Cap (Ranked 1st) Category from Finance Asia.



**15 December 2016**

The Company obtained Titanium 'Excellence in Governance, CSR and Investor Relations Benchmarking' on The Asset Corporate Award 2016 from The Asset.

## CERTIFICATION



### **ISO 9001:2008**

Internal Audit Services (General, Syariah, and IT Audits) Certification, given to Internal Audit Division by SGS Indonesia. Validity till : August 11, 2017.



### **ISO 9001:2008**

Mortgage Processing (KPR and KPA Non Subsidized Ready Stock) from Application to Loan Disbursement Certification, given to Non Subsidized Mortgage by SGS Indonesia. Validity till : September 15, 2018.



### **ISO 9001:2008**

Compliance Assurance Certification, given to Compliance Division by SGS Indonesia. Validity till : September 15, 2018.



### **ISO 9001:2008**

Sertifikasi *Compliance Assurance*, Unit Kerja Penerima *Compliance Division*, Pemberi Sertifikasi SGS Indonesia Masa Berlaku s.d: 15 September 2018.

## HISTORY OF THE COMPANY

The Company was established during the Dutch colonialism in 1897 under the name of Postpaarbank. During the independence era in 1950, the Government of the Republic of Indonesia changed its name to Bank Tabungan Pos according to Martial Law No. 9 of 1950 and State Gazette of the Republic of Indonesia No. 12 of 1950. Later on, the name was changed to Bank Tabungan Negara in 1963. **[G4-3]**

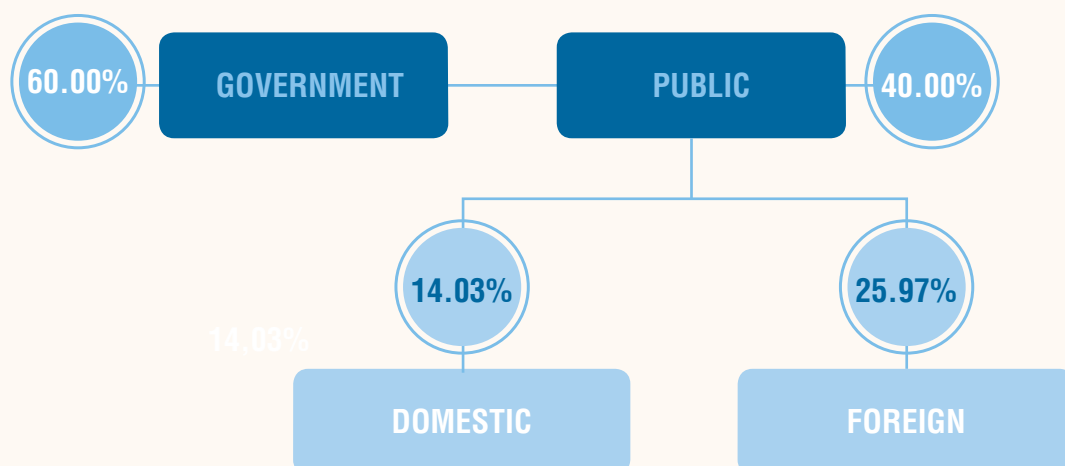
As a Commercial Bank, the Company provides not only banking services but also support to Government program in promoting public housing program. This began to be implemented since 1974 when the Government appointed the Company as the only institution for disbursement of Housing Loan (Kredit Perumahan Rakyat-KPR) for middle-low class society.

In its later development, the Company began to operate as a commercial bank and issued its first bonds in 1989. Meanwhile in 1994, the Company obtained permit to operate as a Foreign Exchange Bank. Later in 2002, the Company was appointed a commercial bank that focuses on commercial housing loan.

On December 17, 2009, the Company carried out Initial Public Offering (IPO) and was listed in Indonesia Stock Exchange with "BBTN" code. This made the Company the first bank in Indonesia that provides KPR securitization through Asset Backed Securities-Collective Investment Contract (KIK EBA). Other improvement took place in 2012 when the Company carried out Right Issue.

As a State-Owned Enterprise, the majority of the Company's share, i.e. 60%, is owned by Government of the Republic of Indonesia and 40% of them are owned by public. **[G4-7, G4-EC4]**

### Shareholders Composition in 2016



## THE COMPANY VISION AND MISSION [G4-56]

### VISION

“TO BE THE LEADING BANK IN HOUSING FINANCE”

### MISSION

1. Provide excellent services in housing loan and related industry, consumer financing and small-medium enterprises.
2. Improve competitive advantage through innovation in products, services and strategic network development based on the latest technology.
3. Prepare and develop quality, professional human capital with high integrity.
4. Implement banking management that adheres to the principles of prudence and Good Corporate Governance to increase Shareholder Value.
5. Concern on the interests of the society and environment.

## THE COMPANY CORPORATE CULTURE VALUES [G4-56]



The Company has Five Corporate Culture Values that are the foundation of the entire Bitniz (BTN Bankers) in behaving to achieve the Company's vision. These five Corporate Culture values consist of:

SYNERGY	INTEGRITY	INNOVATION	PROFESSIONALISM	SPIRIT OF EXCELLENCE
Build synergistic collaboration with all stakeholders based on sincere, open attitude and promote productive collaboration with mutual trust and respect to achieve mutual goal.	Consistency in mind, words and action in accordance with company regulation, professional code of conduct and commendable principles of truth.	Continuously develop new ideas and sustainable improvement that provide added values to the Company.	Visionary, competent in the respective field, keep up with the latest technology to reach the best performance.	Demonstrate strong passion and commitment to achieve the best result and provide service beyond customer expectation (both internal and external) by emphasizing the importance of quality aspect in every activity and calculated risk.

Each Corporate Culture Value has two Key Behaviors as the guideline for all Bitniz. These ten key behaviors are:

### BASIC CULTURAL VALUES

- Synergy**
  1. Sincere, open and productive collaboration
  2. Mutual trust and respect
- Integrity**
  3. Consistent and discipline
  4. Honest and dedicated
- Innovation**
  5. Responsive to change
  6. Creative & innovative in making improvement with added values
- Professionalism**
  7. Competent, intrapreneurial and responsible
  8. Smart work and result-oriented
- Spirit of Excellence**
  9. Enthusiastic, proactive and persistent
  10. Effective, efficient and prioritizing customer satisfaction





## THE COMPANY CSR VISION AND MISSION [G4-56]

# CSR VISION

“Concern on the interest of the society and environment by contributing to the economic development and empowerment of communities in a sustainable manner, especially in the residential/housing sector that becomes the Bank’s core business.”

# CSR MISSION

1. Improving the welfare of the society and environment.
2. Developing the Bank’s corporate values and culture.
3. Establishing the Bank’s positive image in the eyes of the public.
4. Furthering collaboration and mutual respect with the community and the environment around the location where the Bank operates.



## THE COMPANY IMPORTANT EVENTS IN 2016



### January

*Bangun Generasi Bangsa* through Pilot School in Yogyakarta Special Region.



### February

Renovation Aid for Cipinang Besar Selatan Multi-Level Housing Rehabilitation of Public Facility in Tanah Mas, Semarang.



### March

E-Toll Himbara Launching by Minister of SOEs.



### April

Distribution of Bulb Seeds, Paddy Seeds and Pigs for 5 Border Regencies in Papua by Minister of Trade, Thomas T. Lembong, in the presence by Minister of SOEs and the Company President Director..



### May

Synergy between Company and PT Taspen in KPR Facility for Civil Servants or Retired Civil Servants.



**June**

Charity for Orphans during Iftar Gathering at the Company's Head Office.



**July**

Company Supporting Government Program in Distribution of Non-Cash Social Aid.



**August**

Clean Water Supply for Morotai Islands, North Maluku.  
"BUMN Hadir Untuk Negeri" Bazaar in Ternate, North Maluku.  
Siswa Mengenal Nusantara in Ternate, North Maluku.



**September**

Participation in emergency response for Garut flood.





**October**

E-levy launching in Pasar Gede and Pasar Ngudi Rejeki markets in Solo.  
 MURI Record for the Highest Number of Customers of SimPel Account  
 Collaboration between Company-SBM ITB to Produce Young Developers.



**November**

Culinary Shelter Launching in Taman Sriwedari amusement park in Solo.  
 BTN 16th Tour De Borobudur.

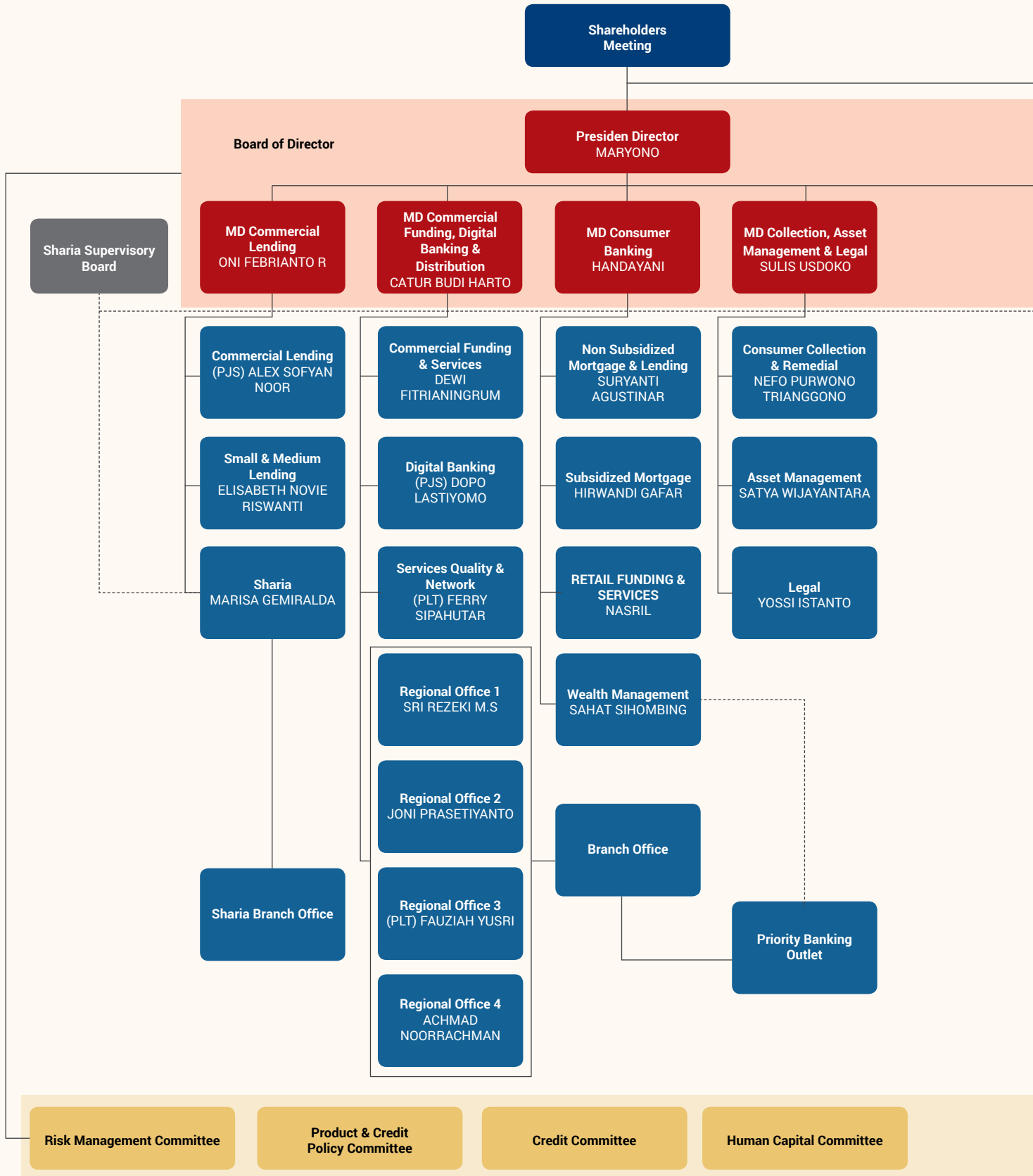


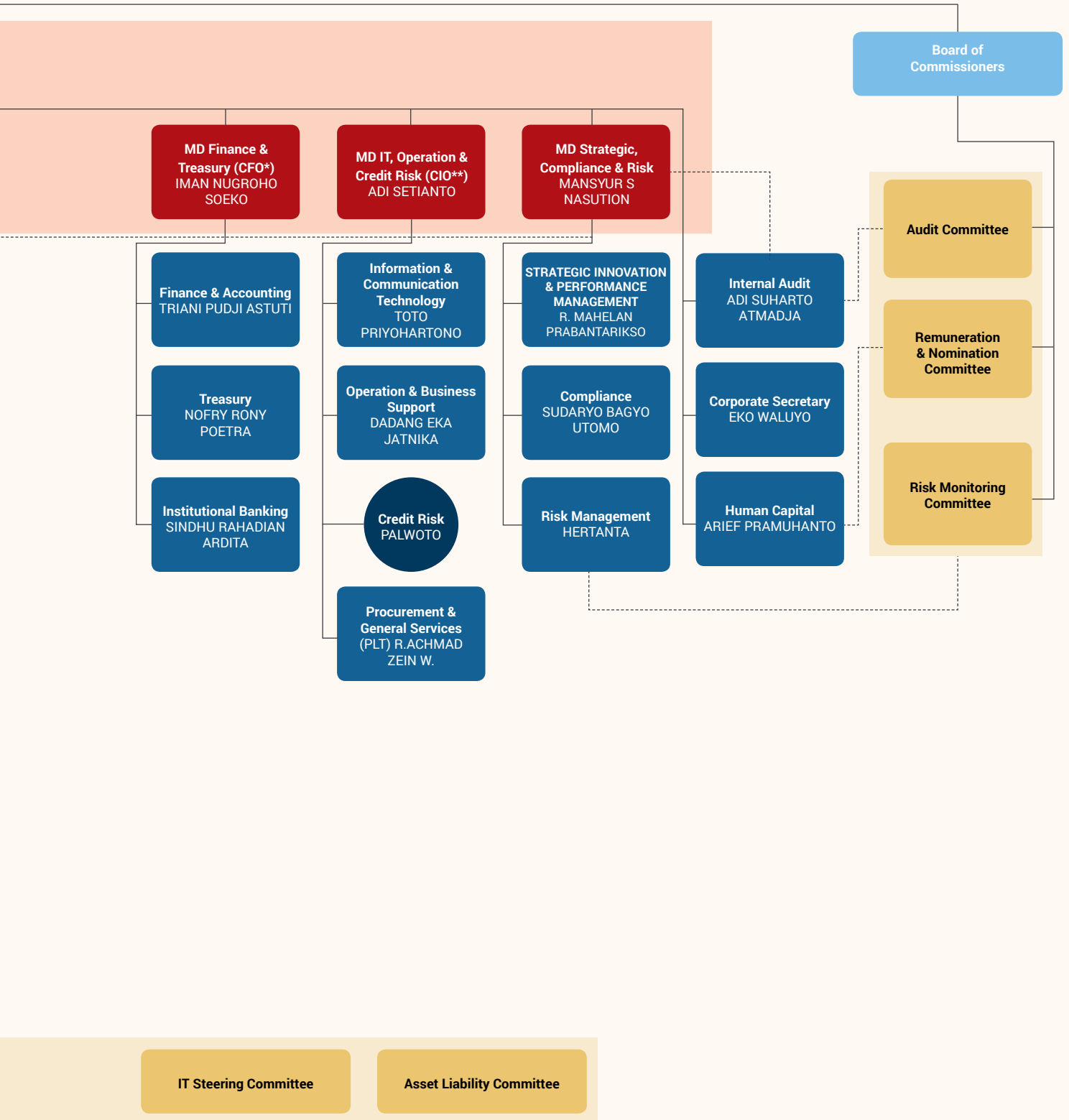
**December**

Rumah Kreatif Bitung – Manado.



## THE COMPANY ORGANIZATIONAL STRUCTURE [G4-34]





## THE COMPANY OPERATIONAL AREA AND MARKET SERVED

As one of the banks engaged in finance sector, the Company's products and services include consumer banking, commercial banking and sharia banking covering all areas in Indonesia with Head Office at Menara Bank BTN, Jl. Gajah Mada No. 1, Jakarta 10130, Indonesia. [G4-5, G4-6, G4-8]





In 2016, the Company increased the number of its office networks as an effort to improve customer service, such as:

**[G4-13]**

Type of Office	2015							2016							% Increase
	Sumatra	Java	Kalimantan	Sulawesi	Bali and Nusa Tenggara	Papua and Maluku	Total	Sumatra	Java	Kalimantan	Sulawesi	Bali and Nusa Tenggara	Papua and Maluku	Total	
<b>Conventional Office</b>															
Regional Office	1	2	-	-	-	-	3	1	2	-	1	-	-	4	33.33%
Branch Office	11	38	5	5	3	3	65	11	38	5	5	3	3	65	0.00%
Sub-Branch Office	34	158	10	13	5	3	223	36	170	14	14	6	3	243	8.97%
Service Office, Equal to Sub-Branch Office	-	3	-	-	-	-	3	-	3	-	-	-	-	3	0.00%
Service Office, Equal to Cash Office	700	1,621	299	126	141	61	2,948	700	1,621	299	126	141	61	2,948	0.00%
Cash Office	58	375	18	18	8	2	479	58	371	17	19	10	2	477	(0.42%)
Priority Outlet	6	25	5	2	2	-	40	6	25	5	2	2	-	40	0.00%
<b>Total Conventional Office Network</b>	<b>810</b>	<b>2,222</b>	<b>337</b>	<b>164</b>	<b>159</b>	<b>69</b>	<b>3,761</b>	<b>812</b>	<b>2,230</b>	<b>340</b>	<b>167</b>	<b>162</b>	<b>69</b>	<b>3,780</b>	<b>0.51%</b>
<b>Sharia Office</b>															
Sharia Branch Office	4	15	2	1	-	-	22	5	15	2	1	-	-	23	4.55%
Sharia Sub-Branch Office	1	19	-	1	-	-	21	3	31	-	2	-	-	36	71.43%
Sharia Cash Office	1	6	-	-	-	-	7	2	3	1	-	-	-	6	(14.29%)
<b>Total Sharia Office Network</b>	<b>6</b>	<b>40</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>10</b>	<b>49</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>65</b>	<b>30.00%</b>
<b>Total Office Network</b>	<b>816</b>	<b>2,262</b>	<b>339</b>	<b>166</b>	<b>159</b>	<b>69</b>	<b>3,811</b>	<b>822</b>	<b>2,279</b>	<b>343</b>	<b>170</b>	<b>162</b>	<b>69</b>	<b>3,845</b>	<b>0.89%</b>



## THE COMPANY ORGANIZATIONAL SCALE [G4-9, G4-13]

Description	Unit	Year		
		2014	2015	2016
Number of Employees	People	8,582	9,042	9,366
Number of Conventional Branch Offices	Office	3,755	3,761	3,780
Number of Sharia Office Networks	Office	50	50	65
Number of Accounts	Unit	6,327,355	6,655,566	6,861,883
Interest Income and Net Profit Share	Rp million	12,807,328	14,966,209	17,138,819
Income for the year	Rp million	1,145,572	1,850,907	2,618,905
Asset	Rp million	144,582,353	171,807,592	214,168,479
Equity	Rp million	12,252,895	13,860,107	19,130,536
Liability	Rp million	132,329,458	157,947,485	195,037,943
Share Ownership				
- Government of Indonesia	%	60.04	60.04	60.00
- Public	%	38.96	38.96	39.39
- Employees	%	1.00	1.00	0.61

## MEMBERSHIP OF ASSOCIATION [G4-16]

Association Name	Function in Association
Association of State-Owned Banks (HIMBARA)	Chairman 1
Indonesia Banker Institute (IBI)	Secretary General
World Saving Bank Institution (WSBI)	Head of WBSI Asia – Pacific Regional Group
Indonesian Banks Association (PERBANAS)	Vice Chairman 1
SOE PR Forum (Forum Humas BUMN)	Member
Association of Indonesian Issuers	Member
External Loss Data Consortium (KDKE)	Member
Certified Wealth Manager's Association (CWMA)	Member
Association of Payment Systems in Indonesia (ASPI)	Member
Associate Cambiste Internationale (ACI) Indonesia (Forexindo)	Member
Communication Forum of Bank Compliance Directors (FKDKP)	Member
Indonesian Alternative Banking Dispute Resolution Institution (LAPSPI)	Member
Institute of Bank Internal Auditors	Member
Internal Audit Association of Indonesia	Member
The Institute of Internal Auditor (IIA)-Indonesia Chapter	Member





## SUSTAINABLE GOVERNANCE

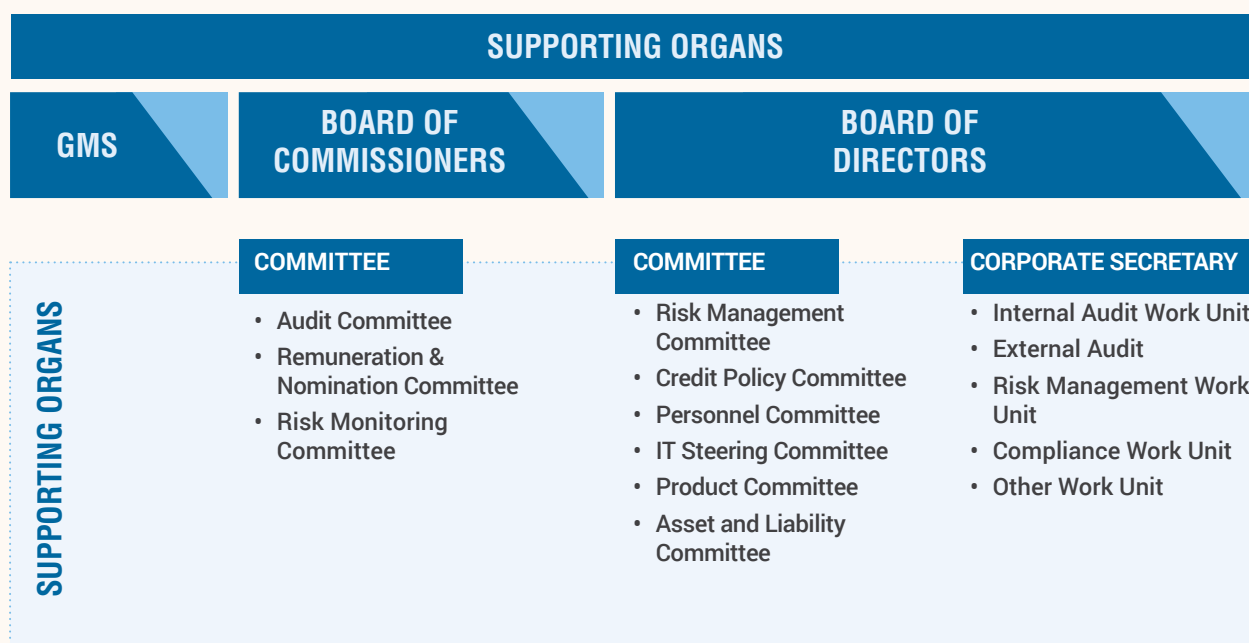
As the driver behind housing development in Indonesia, the Company is committed to consistently implement good and sustainable corporate governance, which is integrated into compliance aspect, internal control, risk management and corporate social responsibility.

## CORPORATE GOVERNANCE STRUCTURE [G4-34]

To support the effective implementation of sustainable governance mechanism, the Company has corporate governance structure that consists of General Meeting of Shareholders (GMS), Board of Commissioners and Board of Directors having the authority and responsibility according to the Company's Articles of Association and the applicable Laws and Regulations. To support the performance of duty and responsibility

of the Board of Commissioners and the Board of Directors, the Company has established supporting Organs. Functional committees are established in the Board of Commissioners to strengthen the supervisory function, and work units are established in the Board of Directors to be responsible for company management and GCG implementation. The structure is shown in the figure below:

Corporate Governance Structure



### GMS

General Meeting of Shareholders (GMS) is the highest governance organ in the Company, with authority that cannot be delegated to the Board of Commissioners and the Board of Directors. In GMS, Shareholders may exercise their rights by giving opinion and vote for important decision-making related to economic, social and environmental performance.

In accordance with the Company's Articles of Association, the GMS consists of Annual GMS (AGMS) and Extraordinary GMS (EGMS). In 2016, the Company held one AGMS and EGMS respectively. All agendas and decisions in the 2016 AGMS and EGMS are detailed in the Company Annual Report 2016.

## BOARD OF COMMISSIONERS

The Board of Commissioners is authorized to carry out supervision of the Company management by the Board of Directors, as well as give direction on implementation of good governance at all organizational levels. In performing its duty, the Board of Commissioners is assisted by three supporting committees, namely Audit Committee, Remuneration and Nomination Committee

and Risk Monitoring Committee. Complete explanation of the function and duty of each committee is presented in the Company Annual Report 2016.

Until 31 December 2016, there are seven Members of the Board of Commissioners. All members of the Board of Commissioners have competency, reputation and integrity that fit the Company's business requirements.

**Membership of the Company's Board of Commissioners 2016**

Name	Sex	Position	Effective Date	Competency
I Wayan Agus Mertayasa	Male	President Commissioner/ Independent	April 6, 2016 – Now	Finance & Banking
Kamaruddin Sjam	Male	Independent Commissioner	June 29, 2015 – Now	Audit & Finance
Arie Coerniadi	Male	Independent Commissioner	June 29, 2015 – Now	Finance
Lucky Fathul Aziz H	Male	Commissioner*	July 27, 2015 – Now	Finance, Macroeconomics & Management Strategy
Sumiyati	Female	Commissioner	February 22, 2016 - Now	Audit, Public Finance, and Human Resource Development
Maurin Sitorus	Male	Commissioner	June 6, 2016 – Now	Law & Economics
Iman Sugema	Male	Commissioner**	Not served effective	Agribusiness & Economics

\*) EGMS agreed to the transfer of Mr. Lucky Fathul Aziz H., from Commissioner to Independent Commissioner on January 7th 2016, effective immediately after getting the approval from OJK for the fit and proper test and in accordance with the prevailing rules and legislations.

\*\*\*) Following the decision of Annual GMS 2016 dated April 12th 2016 and effective immediately after the approval from OJK on the F&P.

## BOARD OF DIRECTORS

The Board of Directors is responsible for taking any measure that is related to the Company management, for the interest of the Company and in accordance with its vision and mission, as well as representing the Company in or out of the court for any matter and any event, within limitation as set out in the Laws and Regulations, Articles of Association and/or decision of the GMS. In performing its duty and responsibility,

the Board of Directors is assisted by six supporting organs, namely Risk Management Committee, Credit Policy Committee, Personnel Committee, Information Technology Steering Committee, Product Committee and Asset and Liability Committee.

Until 31 December 2016, there are eight Members of the Board of Directors. All members of the Board of Directors have competency, reputation and integrity that fit the Company's business requirements.



### Membership of the Company's Board of Directors 2016

Name	Sex	Position	Effective Date	Competency
Maryono	Male	President Director	March 18, 2013 – Now	Banking, Leadership, and Strategic Management
Irman A. Zahiruddin*	Male	Managing Director Strategic, Compliance and Risk	27 October 2012 - 12 April 2016	Governance Risk and Compliance (GRC), Marketing, and Management Strategic
Mansyur Syamsuri Nasution	Male	Managing Director Mortgage and Consumer Lending	March 18, 2013 – Now	Strategic Management, Corporate Governance, and Risk and Compliance
Iman Nugroho Soeko	Male	Managing Director Finance and Treasury (CFO)	June 16, 2014– Now	Treasury, Accounting and Corporate Finance, and Corporate Banking
Adi Setianto	Male	Managing Director Information Technology, Operation and Credit Risk (CIO)	June 8, 2015 – Now	Operation Information and Communication and Technology
Sis Apik Wijayanto*	Male	Managing Director Funding and Distribution	June 1, 2015 - April 12, 2016	Consumer Banking, Marketing and Service Excellent, and Network and Services
Sulis Usdoko	Male	Managing Director Collection, Asset Management and Legal	June 1, 2015 – Now	Collection and Asset Management, Mortgage Banking, dan Consumer Banking
Oni Febriarto Rahardjo	Male	Managing Director Commercial Lending	May 19, 2015 – Now	Sharia Banking, Commercial Lending, dan Mortgage Banking
Handayani**	Female	Managing Director Consumer Banking	September 16, 2016 -Now	Marketing, Consumer Banking, and Quality Service
Catur Budi Harto**	Male	Managing Director Commercial Funding, Digital Banking & Distribution	August 23, 2016 – Now	Operation and Network and Electronic Channel

\*) Annual GMS decision on April 12th 2016 approves the discharge of Mr. Sis Apik Wijayanto, Mr. Irman Alvian Zahiruddin as the Director of PT. Bank Tabungan Negara (Persero).

\*\*\*) The Annual GMS decision on April 12th 2016 approves the appointment Mrs. Handayani and Mr. Catur Budi Harto as the Director of PT. Bank Tabungan Negara (Persero).

## REMUNERATION POLICY FOR THE BOARD OF COMMISSIONERS AND THE BOARD OF DIRECTORS

In order to encourage the implementation of prudential risk taking and maintaining business continuity, the Company has complied with the FSA Regulation No.45/POJK.03/2015 On the Implementation of Remuneration Management For Commercial Banks.

In addition, the Company continues its efforts keeping abreast of international standards on the transparency of information regarding granting remuneration both qualitatively and quantitatively. Determination of remuneration policy for Board of Commissioners and the Board of Directors refers to Regulation of the Minister of State-Owned Enterprises which is the amount of income from Board of Commissioners and the Board of Directors determined by the GMS..

### Remuneration for the Board of Commissioners

Type of Remuneration and Other Facility	Number of Received in 2016	
	People	Rp Million
Remuneration (salary, bonus, regular allowance, tantieme and other facility other than benefits in kind)	15***)	20,785
Other facility in the form of benefits in kind (housing, transportation, health insurance and the likes)**) that:	15***)	-
a. Can be owned	15***)	1,264
b. Cannot be owned	15***)	1,264
<b>Total</b>	<b>15</b>	<b>22,049</b>

Description:

According to the provisions from Bank Indonesia

\*) Salary, Tantieme, Leave Pay, Income Tax Allowance, Clothing Allowance, Religious Holiday Allowance and Post-Service Benefits Premium

\*\*\*) The Board of Commissioners receives transportation and communication facilities

\*\*\*) The Board of Commissioners consists of several effective terms of office as described below:

- Commissioners who serve effective term of office, six people.
- Commissioner who has not served effective term of office, one person.
- Commissioners whose effective term of office ended as of the closing of the Annual GMS on March 24, 2015, four people.
- Commissioners whose effective term of office ended as of the closing of the Extraordinary GMS on September 2, 2015, two people.
- Commissioners whose effective term of office ended as of the closing of the Extraordinary GMS on January 7, 2016, one person.
- Commissioners whose effective term of office ended as of the closing of the Annual GMS on April 12, 2016, one person.

**Remuneration for the Board of Directors**

Type of Remuneration and Other Facility	Number of Received in One Year	
	People	Rp Million
Remuneration (salary, bonus, regular allowance, tantieme, and other facility other than benefits in kind) *)	12 <sup>***</sup> )	52,767
Other facility in the form of benefits in kind (housing, transportation, health insurance and the likes)**) that:	12 <sup>***</sup> )	2,630
a. Can be owned		
b. Cannot be owned	12 <sup>***</sup> )	3,896
<b>Total</b>	<b>12</b>	<b>59,293</b>

Description:

According to the provisions from Bank Indonesia

\*) Salary, Tantieme, Leave Pay, Income Tax Allowance, Clothing Allowance, Religious Holiday Allowance and Post-Service Benefits Premium

\*\*\*) Directors get transportation, communication, and housing facilities

\*\*\*) The Board of Directors consists of several effective terms of office as described below:

- Directors whose effective term of office ended as of the closing of the Annual GMS on March 24, 2015, two people;
- Directors whose effective term of office ended as of the closing of the Annual GMS on April 12, 2015, two people;
- There are two of eight Directors who serve effective, newly appointed through Annual GMS on April 12, 2016 and effective on September 16, 2016.

**Comparison between Classification of the Board of Commissioners and the Board of Directors per Person in 1 (one) Year**

Amount of Remuneration per Person in 1 (one) Year *)	The Number of Board of Commissioners	The Number of Board of Directors
>Rp2 Billion	10	4
>Rp1 Billion to Rp2 Billion	10	10
>Rp500 Million to Rp1 Billion	2	1
<Rp500 Million	0	4

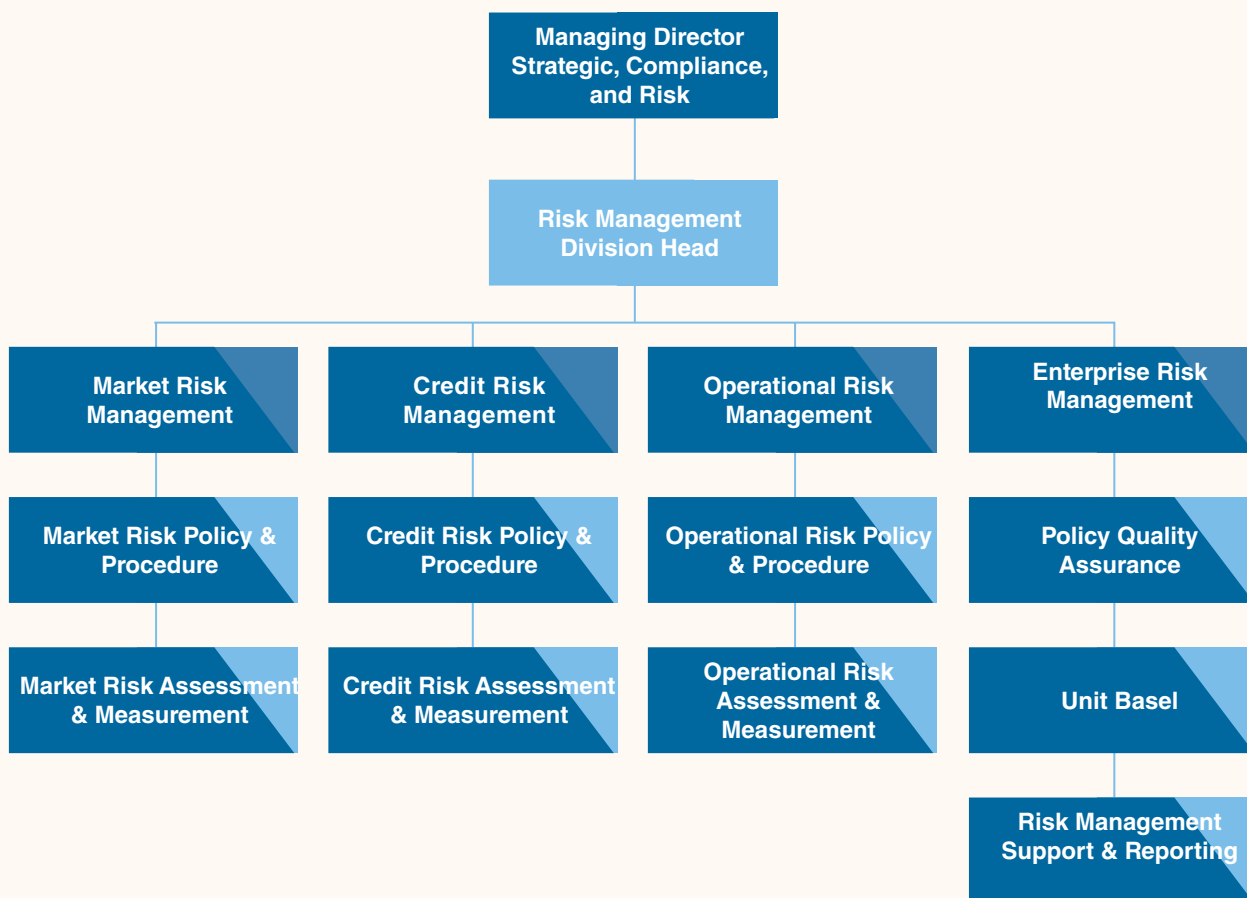
\*) received in cash

**RISK MANAGEMENT [G4-14]**

The Company continually implements risk management based on the good corporate governance principles. This is achieved by involving all the Company's organs in conducting risk management. The Board of Commissioners through Risk Monitoring Committee meeting and the Board of Directors through Risk Management Committee meeting are responsible for ensuring adequate Risk Management implementation

in accordance with the characteristics, complexity, and risk profile of the Bank. The Board of Commissioners and the Board of Directors actively take part in risk management process to mitigate the Bank's risk through Risk Management Implementation Quality through risk governance, risk management framework, risk management process and adequacy of management information system, as well as adequacy of internal control system.

### The Company's Risk Management System



As a Company that mainly focuses on credit disbursement and housing loan, the Company's asset portfolio mostly consists of Housing Loan (KPR), which is affected by change in external business climate, such as inflation and BI Rate. Efforts to minimize such adverse impact are carried out through sustainable risk management according to GCG principles. To ensure that business process achieves the goal and to prevent deviation and risk that may cause failure in attaining such goal, efforts need to be made based on the principle of prudence to ensure sound and sustainable growth of the Bank's performance.

### ETHICS AND INTEGRITY BASIS

To build a law-abiding environment and ethical conduct, the Company has prepared Code of Conduct as a reference for all staff of the Company in performing their duties and in interacting with the stakeholders. The Code of Conduct (CoC) applies to all staff of the

Company, which includes the Board of Commissioners, the Board of Directors, and the Employees. Stipulation of CoC that applies to all organizational levels is officially set out in Regulation of the Board of Directors No. 30/PD/CSD/2010 dated December 22, 2010 on Guideline for Business Ethics and Conduct of PT Bank Tabungan Negara (Persero) as amended by Regulation of the Board of Directors No. 16/PD/CMPD/2015 dated December 31, 2015 on Guideline for Business Ethics and Conduct. **[G4-DMA]**

The CoC outlines the Company's commitment to several concerned parties as a manifestation of its staff's business ethics and work ethics. Dissemination of the CoC is carried out through the Company's website and internet media, namely the Access Internal Management Standard (AIMS), to all the staff and stakeholders. The CoC consists of four sections as follows: **[G4-56]**

<p><b>INTRODUCTION</b></p>	<p>This Code of Conducts is a codification or compilation of policies, employee regulations and agreements between Bank and its employees that will affect, construct and determine the standard of behavior, both for the Management and the employees in performing the entire business activities.</p>
<p><b>BUSINESS ETHICS STANDARD</b></p>	<p>Regulates: Bank Ethics towards Employees, Bank Ethics towards Customers, Bank Ethics towards Suppliers of Goods and Service, Bank Ethics towards Competitors, Bank Ethics towards Business Partners, Bank Ethics towards Government, Bank Ethics towards Community, Bank Ethics towards Mass Media, and Bank Ethics towards Professional Organization.</p>
<p><b>BEHAVIOR STANDARD POLICY</b></p>	<ul style="list-style-type: none"> <li>• Conflict of interests and Abuse of Office</li> <li>• Anti-Gratification and Anti-Corruption</li> <li>• Compliance with Laws and Regulations and Bank Regulation</li> </ul>
<p><b>IMPLEMENTATION AND ENFORCEMENT</b></p>	<ul style="list-style-type: none"> <li>• The Board of Directors and the Board of Commissioners carry out supervision of code of conduct in the Company and take developmental measures, disciplinary sanction and/or corrective as well as preventive measures against violation of Code of Conduct</li> </ul>

## ANTI-CORRUPTION AND ANTI-GRATIFICATION POLICY



Anti-corruption is one of the Company's commitments towards GCG implementation. The Company has a gratification practice control system that is built and developed continuously. Guideline on the implementation of gratification control is set out in Circular No. 45/DIR/CMPD/2015. [\[G4-DMA\]](#)

As a manifestation of the strong commitment to eradicate corruption and gratification practices in banking environment, the Company has established cooperation with the Corruption Eradication Commission (KPK) in gratification and bribery control within the Company, which also makes the Company the first Bank to initiate Gratification Control commitment with KPK. [\[G4-S04\]](#)

In 2016, the Company carried out several awareness programs related to Gratification Control in the Company, such as: **[G4-S04]**

1. *Tolak Gratifikasi* (Stop Gratification) PIN worn by all staff of the Company.
2. Dissemination of Gratification Control Program to MVP representatives throughout the working units in the head office and branch offices.
3. Issuance of Handbook of Gratification Control Program,
4. Submission of Letter to Business Partners/ Stakeholders in the Head Office and branch offices.

Until the end of 2016, the Company did not give any financial support to political party other than to the extent set out by Laws and Regulations. Therefore, the Company was not imposed with fine or non-monetary sanction for noncompliance with the applicable laws and regulations. **[G4-S06, G4-S08]**

## WHISTLEBLOWING SYSTEM

**[G4-S04, G4-S05]**

As a bank that is committed to effectiveness of Good Corporate Governance implementation in the Company, the management is committed to operate Company's business professionally according to the CoC and work culture. One of the efforts to realize good corporate governance is by building a clean and synergized corporate culture. Whistleblowing system is a facility provided by the Company in building a clean and synergized Company. Whistleblowing System (WBS) is a violation reporting system that is related to unethical or unlawful behavior and integrity issues that can be used by all stakeholders of the Company. Implementation of the Company's WBS policy is carried

out pursuant to Bank Indonesia Regulation (PBI) No. 5/8/PBI/2003 as amended by PBI No. 11/23/2009 and Circular of Bank Indonesia No. 13/28/DPNP concerning Anti-Fraud Policy. **[G4-DMA]**

## WHISTLEBLOWING SYSTEM ADMINISTRATOR

The administrator of violation reporting system in the Company is the WBS team that consists of:

1. Head of Internal Audit Division (Head cum Member)
2. WBS Management Unit (Secretary)
3. Head of Compliance Division (Member)
4. Head of Human Capital Division (Member)
5. Head of Risk Management Division (Member)

The Company also providing whistle blowing facilities through the following media:

1. Mailbox which can send and addressed to SPP/ WBS team and to the President Director of PT Bank Tabungan Negara (Persero) d.a Menara Bank BTN 20th Floor Jl Gajah Mada No.1 Central Jakarta,
2. Official email addressed to whistle blowing system team at [wbs.btn@btn.co.id](mailto:wbs.btn@btn.co.id),
3. PO BOX Whistle Blowing System (WBS) BTN Jakarta 10000
4. Telephone/SMS: 0811-92-45678

The Company is committed to protect and bring a sense of security for the whistleblower who has good faith to promote discipline enforcement in the Company. The Company does not set time limit for submission of violation report, but the Company recommends immediate reporting after the reporting person is convinced about the violation and report should be submitted no later than three months following the violation to help making further investigation easier.



## RESULT OF HANDLING OF VIOLATION REPORT

Since 2014 until the reporting date on December 31, 2016, WBS Team had received 237 (two hundred and thirty seven) complaints. Meanwhile in January 2016 to December 2016, WBS Team received 102 (one hundred and two) complaints related to violation as follows:

**Number of Reports and Follow-Up**

Media	2015			2016		
	Number of Reports	Follow-Up		Number of Reports	Follow-Up	
		Report under Process	Settled Report		Report under Process	Settled Report
Mail/PO. Box.	20	0	28	28	1	27
E-mail	38	0	38	31	0	31
Telephone / SMS	43	0	43	43	0	43
<b>Total</b>	<b>101</b>	<b>0</b>	<b>101</b>	<b>102</b>	<b>1</b>	<b>101</b>

Progress of handling of these 102 reports is as follows:

1. 101 complaints or 99.58% of total complaints have been followed up, either by submitting them for investigative audit or escalating them to relevant work unit for follow up.
2. One complaint or 0.42% of total complaints is under resolution process.

The Company has identified the main stakeholders group using stakeholders mapping method that aims to help the Company identify clearly which parties have the highest reciprocal interests with the Company, type of relationship, what matters that need to be communicated and how to maximize the characteristics of communication media to communicate with the stakeholders effectively, which eventually will achieve the specified further target as expected. This will directly bring potential impact to the Company's operational activity and sustainability performance. The main stakeholders group is categorized into nine groups, namely the Customers, Shareholders, Government and Finance Authority, Employees, Workers Union, Business Partners/Suppliers, Business Organization, Civic Association/Social Organization/Non-Government Organization and Media. **[G4-24, G4-25]**

## FULFILLMENT OF RIGHTS AND STAKEHOLDER ENGAGEMENT

Stakeholder engagement, particularly related to economic, environmental and social issues is an important activity for the Company for decision-making, strategy development, including vision, mission and values that underlie the operational strategy and management. Therefore, the Company seeks to continuously improve harmonious relationship with the stakeholders.

**Fulfillment of Rights and Stakeholder Engagement in 2016**

<b>Stakeholders</b> [G4-24]	<b>Method of Engagement</b> [G4-25]	<b>Frequency</b> [G4-26]	<b>Priority Topic *</b> [G4-27]
Shareholders	Annual GMS	Annually	Achievement of Company target
	Extraordinary GMS	Any time as necessary for the interest of the Company	
Customers	Customer Satisfaction Survey	Biannually	Customer Service and Customer Service Quality
	Communication Media for Customers	Monthly	
	Customer Call Center Service	Any time as required	
	The Company Website and Frontline Information		
	Direct Visit		
Employees	Employee Engagement Survey	Annually	Employee satisfaction rate
	Internal Bulletin	Once in a month, through email	Policy and strategy related to employment
	Internal Magazine	Quarterly	Information related to the Company
Business Partners/ Suppliers	Contract of Work	As Necessary	Procurement process
	Investment Partners		Business cooperation
	Workshop		Company merchant development
Workers Union	Discussion on Collective Labor Agreement	Annually	Harmonious work relationship
Government and Finance Authority	GCG Implementation Report in Company's Sharia Business Unit	Annually	Disclosure of information and report related to GCG Implementation in Company's Sharia Business Unit
	Report on Result of Supervision by Sharia Supervisory Board of Company's Sharia Business Unit	Biannually	Disclosure of information related to compliance with sharia principles in Bank BTN Syariah operation
Business Organization	Meeting and activity, both at national, regional and international level	As Necessary	Improvement of Corporate governance, including adopting updates in governance



Stakeholders [G4-24]	Method of Engagement [G4-25]	Frequency [G4-26]	Priority Topic * [G4-27]
Civic Association/Social Organization/Non-Government Organization	Strategic cooperation to implement Corporate Responsibility programs, both in social or environmental field	As Necessary	Optimization of Company CSR Program
Media	Press Release Press Conference	As Necessary	Disclosure of information related to banking business to the public

\* Topic refers to matters that have been proposed by the stakeholders/expectation from the approach taken by Company







# PROMOTING SUSTAINABLE ECONOMIC GROWTH

The Company constantly enhances economic performance in promoting sustainable economic growth for development in Indonesia while giving added values to all of its stakeholders.



## ECONOMIC VALUE DISTRIBUTION

In order to boost Indonesian economic growth, the Company is committed to sustainably enhance its economic performance. In 2016, the Company net profit of Rp2,618,905 million, which was an increase by 41.49% from 2015 at Rp1,850,907 million. The increase in net profit will also boost economic value contribution to the stakeholders. [G4-DMA]

The Company's successful economic performance is measured by direct economic values generated, distributed and retained by the Company. The generated direct economic value is the total revenue generated from each business activity that the Company conducts. Meanwhile, distributed economic value refers to the total expenses distributed by the Company to the stakeholders.

**Economic Value of the Company (Rp Million) [G4-EC1]**

Economic Value	Year		
	2014	2015	2016
<b>Generated Direct Economic Value</b>			
· Interest Income and Income from Profit Sharing Interest	12,394,564	14,455,136	16,501,472
· Income from sharia	412,764	511,073	637,347
· Other Operating Income	894,820	1,106,526	1,282,822
· Non Operating Income	1,960	8,281	(22,148)
<b>Total Generated Direct Economic Value</b>	<b>13,704,108</b>	<b>16,081,016</b>	<b>18,399,493</b>
<b>Distributed Economic Value</b>			
· Interest and Bonus Expenses Interest	7,342,747	8,155,133	8,975,274
· Other Operating Expenses*)	2,445,885	2,560,841	3,264,951
· Salaries and employee benefits	1,564,254	1,929,346	2,121,653
· Goods and Services Procurement	545,347	386,791	415,797
· Dividend Payout to Shareholders	468,648	223,119	370,181
· Expenditure for the Government	1,197,606	1,502,406	1,909,790
· Expenditure for Socio-community Investment **)	6,271	10,765	4,371
<b>Total Distributed Economic Value</b>	<b>13,570,758</b>	<b>14,768,401</b>	<b>17,062,017</b>
<b>Retained Economic Value</b>			
<b>Total Retained Economic Value</b>	<b>133,350</b>	<b>1,312,615</b>	<b>1,337,476</b>

\*) Operational cost other than employee salary and allowance

\*\*\*) Realization of Disbursement of CSR Program Fund



From the table economic value of the company, direct economic value the Company posted in 2016 reached Rp18,399,493 million, which was an increase of 14.42% from 2015 at Rp16,081,016 million. Meanwhile, economic value distributed by the Company reached Rp17,062,017 million or increased by 15.53% from 2015 at Rp14,768,401 million. Of both economic values, the retained economic value in 2016 reached Rp1,337,476 million or increased by 1.89% from 2015 at Rp1,312,615 million. **[G4-EC1]**

The increase in economic performance demonstrates the Company's continuous commitment in providing added values to the shareholders and stakeholders. In 2016, the Company did not receive any financial supports from the government, neither in the form of tax relief, subsidies, investment aids, research and development grants, nor other assistances that may sustain the operational performance of the Company. **[G4-EC4]**

## THE COMPANY'S CONTRIBUTION TO THE STATE

As a State-Owned Bank, the Government of the Republic of Indonesia owns 60% of the Company's shares. This shows that annually the Company also contributes dividends to the State. In 2016, the Company contributed dividends that amounted to Rp222,109 million, which was an increase of 65.56% from 2015 at Rp134,153 million.

The Company also contributed tax payment to the State. In 2016, the amount of taxes paid by the Company was recorded at Rp1,909,790 million, which was an increase of 27.12% from 2015 at Rp1,502,406 million.

**Company Tax Payment (Rp Million) [G4-EC1]**

Type of Tax	2014	2015	2016
Corporate Income Tax	358,078	541,740	743,020
Withholding Obligation	830,823	947,853	1,150,230
VAT	1,695	5,452	7,931
Land and Building Tax	7,010	7,361	8,609
<b>Total</b>	<b>1,197,606</b>	<b>1,502,406</b>	<b>1,909,790</b>

To support its operational activities, the Company constantly engages in both short term and long term partnerships with goods/services suppliers, particularly those who engage in construction sector to support the realization of the one million houses program. In selecting suppliers according to the sustainable

context, the Company optimizes selection of local suppliers, i.e. Indonesian suppliers, to comply with the Board of Directors Regulation No. 13/PD/PGSD/2015 on Procurement of Goods and/or Services. In addition to reducing operating cost, this aims to support the development of domestic businesses. [G4-DMA]

**Value of Goods and Services Procurement (Rp Million) [G4-EC9]**

Type of Supplier	2014	2015	2016	Proportion of Local Supplier (%)
Local (National)	545,347	386,791	415,797	100%
Non-Local (International)	-	-	-	
<b>Total</b>	<b>545,347</b>	<b>386,791</b>	<b>415,797</b>	

## FINANCING FOR NATIONAL INFRASTRUCTURE DEVELOPMENT

In order to support the improvement of national infrastructure development, participation from various economic sectors—among other things, banking sector—is required to deliver strong funding for infrastructure loans. As a State-Owned Bank, the Company holds the responsibility for such issue, particularly in providing housing loan distribution in One Million Houses Program from Aceh to Papua, by targeting lower-middle income community. [G4-EC8]

Until recently, the Company holds the main role in implementing this Government program to build one million houses for the community. The One Million Houses Program offers benefits such as livable housing for Low-Income Community in particular; improvement of community welfare; easy access to housing loan with *Fasilitas Likuiditas Pembayaran Perumahan* (FLPP) or Housing Payment Liquidity Facility with 1% advance payment for all community strata, i.e. both the Low-Income and non-Low-Income Communities.



The Company President Director, Maryono, executed cooperation agreement with the Secretary General of Ministry of Tourism and Creative Economy, Ukus Kuswara, and the Secretary General of Ministry of Public Works, Pera Taufik Widjoyono, in the presence of Minister of Tourism and Creative Economy Arief Yahya at the Tourism Coordination Meeting in Jakarta.

In 2016, the Company aimed to provide financing support for 570,000 houses under the One Million Houses Program. Nevertheless, by the end of 2016, the amount of this financing had exceeded the specified target with the realization of Housing Loan (KPR) for 209,369 houses and construction loans for 386,171 units, with total financing value of Rp 64.46 trillion. This proves that housing demands from the community will continue to increase year by year, hence brings a multiplier effect towards other industrial sectors that will eventually boost the growth of national economy. **[G4-DMA, G4-EC7]**

To support developers in housing development, the Company has improved its business processes in its branch offices. The previous loan system used 1:5:1 scheme (one-day application, 5-day document completion, one-day realization), which has been replaced by a more effective loan system with 1:3:1 scheme (one-day application, three-day document completion, one-day realization). **[G4-DMA]**

In addition to providing services for disbursement of housing loan, the Company also entered into an agreement with the Ministry of Tourism and the

Ministry of Public Works and Housing in 2016 to develop homestays and public toilets in select tourism destinations within the One Million Houses Program framework. In 2016, the Company disbursed financing for homestay construction through MSME credit financing and partnership program that amounted to Rp4,311 million. **[G4-EC7]**

Aside from disbursement of financing for national infrastructure development, the Company also develops public infrastructure as set out in the Community Development Program, among other things by constructing pathways for the residents of Meruya official residence complex and Krukut river inspection road (behind BTN Tower building) for Central Jakarta Municipal Government, renovating Cipinang Besar Selatan flats, constructing and renovating mosques, providing transportation facilities and infrastructure, constructing parks, renovating sport facilities as well as building market and public toilets. Detailed explanations on this program could be found in the Community Development and Empowerment Section of this Sustainability Report. **[G4-EC7]**









# THE COMPANY'S AWARENESS OF ENVIRONMENTAL SUSTAINABILITY

The Company constantly participates in protecting the environment by providing financing and conducting operational activities that concern environmental aspects.

Environmental issues such as climate change and natural destruction have awoken all parties—the government, individuals and businesses—to the importance of participating in saving lives on Earth by protecting the environment. Currently, environmental awareness is shown not only by companies engaged in mining, transportation, chemical and property sectors, but also those in banking sector are prepared with various strategies to contribute to environmental conservation.

The Company's compliance with Law No. 32 of 2009 on Environmental Protection and Management is evident from our environmentally-aware strategies, in line with the sustainable finance policy set by the Indonesia Financial Services Authority (OJK), such as the implementation of environmentally-friendly loan portfolio, environmentally-friendly operational strategies and go green program, as a participation of the Company in encouraging sustainable finance.

[G4-DMA]

## IMPLEMENTATION OF ENVIRONMENTALLY-FRIENDLY LOAN PORTFOLIO

As an organization engaging in funding/loan portfolio, The Company incorporates environmental aspects into credit risk assessment which follows the policy stipulated by Bank Indonesia and the Indonesian Financial Services Authority (OJK). Both institutions urge that banking industry players pay attention to Environmental Impact Assessment (EIA) prior to distributing loans to large-sized enterprises or companies with high environmental risks. The Company's compliance with the regulation is indicated by the policy outlined in Circular No. 17/DIR/CMLD/2016 dated March 31, 2016 on the Standard Operating Procedure for Commercial Loan item 4.1.3.3 point j, concerning "Environmental Management or Environmental Monitoring Effort (UKL/UPL) and/or Environmental Impact Assessment (EIA) if required by Local Government, or required in the Location Permit or Land Use Permit". [G4-DMA, FS2]

With this policy in place, customers which fail to enclose the EIA result shall not receive loan disbursement from the Company. To implement prudential principle and avoid credit risk, the Company also carries out field inspection which functions as a monitoring and validation effort. The Company has also established a provision which requires the customers to have other ratings than red or black according to the rating system of the Program for Pollution Control, Evaluation and Rating (Proper). The Company inspects the customers' waste management plants as well. The better the customer's reputation, the higher chance to secure the loan. [FS3]

## ENVIRONMENTALLY-FRIENDLY OPERATIONAL STRATEGIES

In addition to providing environmentally-aware loans, the Company also carries out environmentally-friendly operational strategies as an initiative to minimize negative impacts from the Company operations to the environment. It is implemented through energy and water consumption management, waste management and paper usage management (paperless system). Given these initiatives, throughout 2016 the Company did not receive any complaints pertaining to environmental issues and the Company was not fined or sanctioned due to non-compliance with environmental laws and regulations. [G4-DMA, G4-EN29, G4-EN34]

## ENERGY CONSUMPTION MANAGEMENT

The electricity used by the Company operations is supplied by the State Electricity Company (PLN). In 2016, electricity consumption at the Company Head Office was recorded at 6,846,700 kWh or equivalent to 24,648.12 GJ which was a decrease by 16.58% from 2015 with 8,207,160 kWh or equivalent to 29,545.78 GJ.

[G4-EN3, G4-EN6]

### The Company's Energy Consumption (gigajoule)

[G4-EN3]

Unit	2014	2015	2016
kWh	7,727,400	8,207,160	6,846,700
<b>gigajoule</b>	<b>27,818.64</b>	<b>29,545.78</b>	<b>24,648.12</b>

Greenhouse gas emission becomes the biggest contributor to climate change. Therefore, the Company launched various energy efficiency initiatives to reduce the Company's greenhouse gas emissions. These initiatives include: [G4-EN6, G4-EN19]

1. Provision of information to all employees that it matters to turn off the lights after working hours.
2. Replacement of thermostat/air conditioning system containing freon synthetic refrigerant R-22 with more environmentally-friendly refrigerants such as R-32, musicool 22 or R134a.
3. Replacement of conventional lamps with Light Emitting Diode (LED) lamps.
4. Reduction of face-to-face meeting frequency and promotion of teleconference meeting. This will reduce fuel consumption for transporting meeting participants. [G4-EN30]
5. Regeneration of vehicles to improve environmental friendliness.
6. Suggestion to employees to take public transportation to work.

The Company also requires the usage of more environmentally-friendly high-octane fuel for operational vehicles which complies with the policy of the Indonesian Government concerning the obligation to use non-subsidized fuel for State Owned Enterprise (SOE)'s operational vehicles. Under Memo No. 1836/M/PGSD/GS/XI/2013 dated November 6, 2013, the Procurement and General Service Division submitted a memo to the Regional Offices, Branch Offices and Sharia Branch Offices regarding the prohibition to use RON 88 gasoline for the Company's operational vehicles.

### WATER CONSUMPTION MANAGEMENT

The Company sources its water from the Local Water Utility (PDAM) and groundwater. Groundwater is used as reserve when water supply from PDAM is insufficient. Throughout 2016, the volume of water consumption at the Company Head Office was 68,236 m<sup>3</sup> or increasing by 1.76% from 2015 with 67,055 m<sup>3</sup>. The increase was contributed by increased water consumption at the mosque. [G4-EN8]

#### The Company's Water Consumption Volume (m<sup>3</sup>)

[G4-EN8]

Water Source	2014	2015	2016
Tap Water	61,340	65,276	68,200
Groundwater	266	1,779	36
<b>Total</b>	<b>61,606</b>	<b>67,055</b>	<b>68,236</b>

Although there is an increase in water consumption, the Company is committed to efficiency by reusing recycled water for various purposes, i.e. watering plants. Thus, there will be a reduction in water consumption as well as maintenance and disposal costs. The Company also regularly controls drains and taps to immediately overcome leakages.

### WASTE MANAGEMENT

The Company generates solid and liquid waste. The solid waste includes paper, plastic, battery and lamp while the liquid waste comprises dirty water. Both types of waste, according to the provision of the Ministry of Environment, are categorized as non-Hazardous and Toxic Materials (non-B3).

At the Head Office, the Company hands over waste management to the building manager as the third party. Regularly, the Company performs quarterly measurements of water quality from the wastewater treatment, to ensure that the water discharged has met certain quality standards according to the Regulation



of the Governor of Jakarta Special Capital Region No. 122 of 2005 on domestic wastewater management in the Special Capital Region of Jakarta, to avoid pollution

to the environment. In September 14-23, 2016, the Company conducted wastewater measurement at the Company Head Office with the results as follows:

**Waste Water Treatment Quality Result at the Company Head Office in 2016**

Parameter	Unit	Test Result	Quality Standard	Method
pH	-	6-9	7.5	SNI 06-6989.11-2004
Organic (KMnO <sub>4</sub> )	mg/L	85	43.29	SNI 06-6989.22-2004
Suspended Solid Substance	mg/L	50	44.0	Spektrophotometer
Ammonia	mg/L	10	1.72	No 41/IKM
Oil and fat	mg/L	10	<1.13	Spektrophotometer
Methylene Blue Active Compounds	mg/L	2	0.11	SNI 06-6989.51:2005
COD (Dichromate)	mg/L	80	83.10	SNI 6989.73:2009
BOD (20°C, 5 days)	mg/L	50	12.45	SNI 6989.72:2009

The Company's commitment to managing environmental sustainability is also demonstrated by specially allocating waste management fund for environmental management. In 2016, waste management cost incurred to the Company was recorded at Rp 100 million. **[G4-EN31]**

**PAPER USAGE MANAGEMENT (PAPERLESS SYSTEM)**

In our operations, paper is a substantial material for correspondence, account opening and other supporting operational activities. The Company is aware that excessive use of paper will bring adverse impact, e.g. deforestation, to the environment. Therefore, the Company has launched the following initiatives to reduce paper consumption: **[G4-EN27]**

1. Utilizing used paper for memo printing.
2. Streamlining billing by phone or direct billing taking advantage of IT applications which support mobile, paperless, historical record, and parameterized systems.
3. Applying double-sided printing method.
4. Educating the customers about Electronic Channel transactions.

The Company also improves its Electronic Channel services as a paper-saving initiative. This is proven by the increasing number of Electronic Channel transactions in 2016, where ATM and Kiosk transactions increased by 12.86%, Cash Deposit Machine (CDM) increased by 14.81%, Internet Banking transactions by 217.58%, and Mobile Banking by 113.50%. **[G4-EN27]**



Transaction via Electronic Channels

Type of Transaction Service	2015	2016
ATM and Kiosk	63,964,774	72,191,957
Cash Deposit Machine (CDM)	124,613	143,073
Internet Banking	251,757	799,542
Cash Management	798,154	763,641
SMS Banking	4,942,511	3,957,008
Mobile Banking	7,413,767	15,828,032

## GO GREEN PROGRAM

To show its responsibility for the environment, particularly for houses developed and financed through housing loan facility, the Company rehabilitated and enhanced the public and social facilities in Tanah Mas Housing complex. Tanah Mas Complex is the first residence processed under the Company's loan agreement, located in Semarang.







## HUMAN CAPITAL MANAGEMENT

The Company sees employees as a strong foundation to secure customer trust in banking business. Therefore, in addition to increasing competitive advantages, the Company constantly develops quality and professional human capital with high integrity.

## THE COMPANY EMPLOYEE DIVERSITY

The Company builds on employee diversity to establish collaboration in taking on one of the Company's missions, i.e. to provide excellent service in housing loan financing and related industries, consumer financing, and small-medium enterprises financing. As at end of 2016, the Company had 8,561 employees in total, consisting of 3,813 females (44.54%) and 4,748 male employees (55.46%). This number increased by 4.58% from 2015 with 8,186 employees.

In 2016, the Company also implemented gender equality principles in the Company management internal, where the Company providing equal opportunities, both men and women to fill the top position of the Company. This is indicated by one woman who became Commissioner of the Company and one woman who became Directors of the Company. [G4-DMA]

**Employee Profile by Gender [G4-9, G4-10]**

Remarks	2014			2015			2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>Employment Status</b>									
Permanent Employee	3.830	3.683	<b>7.513</b>	4.454	3.732	<b>8.186</b>	4.748	3.813	<b>8.561</b>
Contract Employee	804	265	<b>1.069</b>	517	339	<b>856</b>	480	339	<b>819</b>
<b>Total</b>	<b>4.634</b>	<b>3.948</b>	<b>8.582</b>	<b>4.971</b>	<b>4.071</b>	<b>9.042</b>	<b>5.228</b>	<b>4.152</b>	<b>9.380</b>
<b>Work Area *)</b>									
Head Office	1.091	273	<b>1.364</b>	1.084	283	<b>1.367</b>	1.139	299	<b>1.438</b>
Branch Office	2.739	3.410	<b>6.149</b>	3.370	3.449	<b>6.819</b>	3.609	3.514	<b>7.123</b>
<b>Total</b>	<b>3.830</b>	<b>3.683</b>	<b>7.513</b>	<b>4.454</b>	<b>3.732</b>	<b>8.186</b>	<b>4.748</b>	<b>3.813</b>	<b>8.561</b>
<b>Education *)</b>									
Senior High School	385	900	<b>1.285</b>	345	574	<b>919</b>	350	569	<b>919</b>
Diploma	1.069	1.521	<b>2.590</b>	779	884	<b>1.663</b>	958	946	<b>1.904</b>
Bachelor's Degree	2.170	1.220	<b>3.390</b>	3.083	2.222	<b>5.305</b>	3.205	2.249	<b>5.454</b>
Master's Degree	206	42	<b>248</b>	247	52	<b>299</b>	235	49	<b>284</b>
<b>Total</b>	<b>3.830</b>	<b>3.683</b>	<b>7.513</b>	<b>4.454</b>	<b>3.732</b>	<b>8.186</b>	<b>4.748</b>	<b>3.813</b>	<b>8.561</b>
<b>Age *)</b>									
≤ 30 Years Old	1.710	2.634	<b>4.344</b>	2.346	2.626	<b>4.972</b>	2.557	2.598	<b>5.155</b>
31-50 Years Old	1.695	897	<b>2.592</b>	1.640	933	<b>2.573</b>	1.708	1.012	<b>2.720</b>
≥ 51 Years Old	425	152	<b>577</b>	468	173	<b>641</b>	483	203	<b>686</b>
<b>Total</b>	<b>3.830</b>	<b>3.683</b>	<b>7.513</b>	<b>4.454</b>	<b>3.732</b>	<b>8.186</b>	<b>4.748</b>	<b>3.813</b>	<b>8.561</b>

\*) Excluding contract employee

Employee Profile by Organization Level [G4-9, G4-LA12]

Remarks	2014							2015							2016							
	Grade 22	Grade 19-21	Grade 15-18	Grade 13-14	Grade 11-12	Grade 8-10	Total	Grade 22	Grade 19-21	Grade 15-18	Grade 13-14	Grade 11-12	Grade 8-10	Total	Grade 22	Grade 19-21	Grade 15-18	Grade 13-14	Grade 11-12	Grade 8-10	Magang (M1)	Total
<b>Gender *)</b>																						
Male	5	62	613	1,258	1,630	262	3,830	1	62	673	1,159	2,154	405	4,454	1	72	698	1,181	2,256	540	-	4,748
Female	-	20	177	516	1,792	1,178	3,683	1	15	192	506	1,865	1,153	3,732	1	15	213	514	1,911	1,159	-	3,813
<b>Total</b>	<b>5</b>	<b>82</b>	<b>790</b>	<b>1,774</b>	<b>3,422</b>	<b>1,440</b>	<b>7,513</b>	<b>2</b>	<b>77</b>	<b>865</b>	<b>1,665</b>	<b>4,019</b>	<b>1,558</b>	<b>8,186</b>	<b>2</b>	<b>87</b>	<b>911</b>	<b>1,695</b>	<b>4,167</b>	<b>1,699</b>	<b>-</b>	<b>8,561</b>
<b>Employment Status</b>																						
Permanent Employee	5	82	790	1,774	3,422	1,440	7,513	2	77	865	1,665	4,019	1,558	8,186	2	87	911	1,695	4,167	1,699	-	8561
Contract Employee	-	2	6	106	735	220	1,069	-	1	10	141	423	280	856	1	3	15	165	400	99	136	819
<b>Total</b>	<b>5</b>	<b>84</b>	<b>796</b>	<b>1,880</b>	<b>4,157</b>	<b>1,660</b>	<b>8,582</b>	<b>2</b>	<b>78</b>	<b>875</b>	<b>1,806</b>	<b>4,442</b>	<b>1,838</b>	<b>9,042</b>	<b>3</b>	<b>90</b>	<b>926</b>	<b>1,860</b>	<b>4,567</b>	<b>1,798</b>	<b>136</b>	<b>9,380</b>
<b>Work Area *)</b>																						
Head Office	5	53	308	529	459	10	1,364	2	51	355	364	586	9	1,367	2	58	377	415	575	11	-	1,438
Branch Office	-	29	482	1,245	2,963	1,430	6,149	-	26	510	1,301	3,433	1,549	6,819	-	29	534	1,280	3,592	1,688	-	7,123
<b>Total</b>	<b>5</b>	<b>82</b>	<b>790</b>	<b>1,774</b>	<b>3,422</b>	<b>1,440</b>	<b>7,513</b>	<b>2</b>	<b>77</b>	<b>865</b>	<b>1,665</b>	<b>4,019</b>	<b>1,558</b>	<b>8,186</b>	<b>2</b>	<b>87</b>	<b>911</b>	<b>1,695</b>	<b>4,167</b>	<b>1,699</b>	<b>-</b>	<b>8,561</b>
<b>Education *)</b>																						
Senior High School	-	-	27	332	216	710	1,285	-	-	36	263	200	420	919	-	-	44	228	181	466	-	919
Diploma	-	-	35	349	1,625	581	2,590	-	-	48	293	824	498	1,663	-	-	54	276	989	585	-	1,904
Bachelor's Degree	1	47	564	1,056	1,575	147	3,390	1	38	604	1,053	2,972	637	5,305	1	51	637	1,139	2,980	646	-	5,454
Master's Degree/ Doctorate	4	35	164	37	6	2	248	1	39	177	56	23	3	299	1	36	176	52	17	2	-	284
<b>Total</b>	<b>5</b>	<b>82</b>	<b>790</b>	<b>1,774</b>	<b>3,422</b>	<b>1,440</b>	<b>7,513</b>	<b>2</b>	<b>77</b>	<b>865</b>	<b>1,665</b>	<b>4,019</b>	<b>1,558</b>	<b>8,186</b>	<b>2</b>	<b>87</b>	<b>911</b>	<b>1,695</b>	<b>4,167</b>	<b>1,699</b>	<b>-</b>	<b>8,561</b>
<b>Age *)</b>																						
≤30 y.o.	-	-	9	244	2,843	1,248	4,344	-	-	13	250	3,360	1,349	4,972	-	-	12	299	3,363	1,481	-	5,155
31-50 y.o.	-	49	608	1,292	451	192	2,592	-	45	655	1,144	520	209	2,573	-	50	682	1,106	664	218	-	2,720
≥51 y.o.	5	33	173	238	128	-	577	2	32	197	271	139	-	641	2	37	217	290	140	-	-	686
<b>Total</b>	<b>5</b>	<b>82</b>	<b>790</b>	<b>1,774</b>	<b>3,422</b>	<b>1,440</b>	<b>7,513</b>	<b>2</b>	<b>77</b>	<b>865</b>	<b>1,665</b>	<b>4,019</b>	<b>1,558</b>	<b>8,186</b>	<b>2</b>	<b>87</b>	<b>911</b>	<b>1,695</b>	<b>4,167</b>	<b>1,699</b>	<b>-</b>	<b>8,561</b>

\*) Excluding contract employee

## EMPLOYEE RECRUITMENT SYSTEM

In meeting the demand for the quantity and quality of human capital to support its business and meet its objectives, the Company conducts recruitment process which is divided into internal and external recruitments, as explained in the Board of Directors Circular No. 43/DIR/CMO/2011 on Human Capital Acquisition. In 2016, the Company recruited 1,362 new employees, or 15.91% of the Company's total permanent employees. This increased by 28.49% from 2015 with 1,060 employees recruited.

### Composition of New Employees [G4-LA1]

Remarks	2014	2015	2016
<b>Gender</b>			
Male	593	636	764
Female	253	467	598
<b>Total</b>	<b>889</b>	<b>1,060</b>	<b>1,362</b>
<b>Work Area</b>			
Head Office	725	854	1,005
Branch Office	164	206	357
<b>Total</b>	<b>889</b>	<b>1,060</b>	<b>1,362</b>
<b>Age</b>			
<30 years old	835	948	1,215
30-50 years old	54	108	144
>50 years old	-	4	3
<b>Total</b>	<b>889</b>	<b>1,060</b>	<b>1,362</b>

In compliance with Article 68 of Law No. 13 of 2003 on Manpower, until 2016 the Company has never employed under-age workers. This commitment serves as a prerequisite determined by the Company in establishing cooperation with suppliers. By putting these regulations into practice, throughout 2016 there were no incidents of under-age workers employed by the Company or suppliers. [G4-HR5]

## EMPLOYEE TURNOVER RATE

In 2016, the employee turnover rate at the Company was recorded at 4.96% with 107 employees entered retirement period, 17 employees proposed for early retirement, 17 employees passed away, 297 employees resigned, and 27 employees were dismissed. [G4-LA1]

### Employee Turnover Rate [G4-LA1]

Remarks	2014	2015	2016
Entering Retirement Period	102	95	107
Applying for Early Retirement	61	41	17
Death	14	12	17
Resignation	260	383	297
Termination of Employment	65	34	27
Others	3	-	-
<b>Total</b>	<b>505</b>	<b>565</b>	<b>465</b>

## EMPLOYEE COMPETENCY DEVELOPMENT

The Company constantly develops employee competencies through training in order to broaden their knowledge as an important element in its development. In 2016, the Company held training programs divided into three groups, i.e. Core Banking Academy, New Entry Academy and Strategic Initiative with an average of 22.56 training hours/participant.



Average Training Hours by Gender in 2016 [G4-LA9]

Training Program	Duration (hrs)			Total Participants (individuals)			Average Training Hours		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Core Banking Academy	183,232	132,256	315,488	8,924	7,827	16,751	20.53	16.90	18.83
New Entry Academy	48,759	42,761	91,520	609	535	1,144	80.06	79.93	80.00
Strategic Initiative	4,824	1,992	6,816	239	209	448	20.18	9.53	15.21
<b>Total</b>	<b>236,815</b>	<b>177,009</b>	<b>413,824</b>	<b>9,772</b>	<b>8,571</b>	<b>18,343</b>	<b>24.23</b>	<b>20.65</b>	<b>22.56</b>

Average Training Hours by Employee Category in 2016 [G4-LA9]

Training Program	Duration (hrs)			Total Participants (individuals)			Average Training Hours		
	Management	Staff	Total	Management	Staff	Total	Management	Staff	Total
Core Banking Academy	2,513	14,238	16,751	259,144	56,344	315,488	0.01	0.25	0.05
New Entry Academy	-	1,144	1,144	-	91,520	91,520	-	0.01	0.01
Strategic Initiative	67	381	448	4,656	2,160	6,816	0.01	0.18	0.07
	<b>2,580</b>	<b>15,763</b>	<b>18,343</b>	<b>263,800</b>	<b>150,024</b>	<b>413,824</b>	<b>0.01</b>	<b>0.11</b>	<b>0.04</b>

## CREATING HARMONIOUS AND JUST INDUSTRIAL RELATIONS

The Company ensures the employees' right of association by establishing a workers' union, Serikat Pekerja Perseroan (SP-BTN) or BTN Workers' Union. Established on June 18, 1999, SP-BTN serves as an effective communication forum between employees and the Company. Throughout 2016, there were no reports regarding violation to freedom of association in the Company. This proves the Company's compliance

with Law No. 21 of 2000 on Workers' Union.

[G4-DMA, G4-HR4]

Subsequently, the Company has also made a Collective Labor Agreement (CLA) with the employees which lays down their rights and obligations for creating harmonious and just industrial relations. In 2016, all permanent employees at the Company 100% are protected under the CLA.

[G4-DMA, G4-11]



In addition to ensuring freedom of association, the Company also prevents forced labor under the provision on employee working hours as regulated in Board of Directors Circular Number: 43/DIR/CMO/2011 Index: 192/P/HC-ADM/2011. This commitment serves as a prerequisite determined by the Company for establishing cooperation with suppliers. By the implementation of this regulation, throughout 2016 there were no forced labor events with either the Company or the suppliers. **[G4-HR6, G4-LA15]**

The Company will also provide information regarding crucial changes, e.g. changes in the Company's organizational structure and addition of business units, to the employees at least one month prior to the change. The announcement pertaining to such changes is informed through memo to all work units. This is carried out to introduce an effective two-way communication practice to minimize the impacts of upcoming changes. **[G4-LA4]**

In creating harmonious relationship with the employees, the Company also develops effective communication between the management and the employees. Among other things, communication is carried out through Morning Briefing as part of Corporate Culture. The Company also has a web-based internal forum called BTN Smartshare. Further, the Company pays attention to employee complaints or grievance related to

employment practices. Complaint handling is regulated in the Board of Directors Circular No: 21/DIR/IAD/2014. Throughout 2016, there was one case of industrial relation dispute concerning employment practice or violation of Human Rights. However, in December 2016 the Company had resolved the case.

**[G4-DMA, G4-LA16, G4-HR3, G4-HR12]**

## **EMPLOYEE PERFORMANCE ASSESSMENT AND CAREER DEVELOPMENT SYSTEM**

In terms of employee performance assessment and career development, the Company has developed performance management using the Human Capital Information System (HCIS). Employee performance assessment is conducted annually for the period January 1-December 31. The Company's target is disseminated throughout Work Units and subsequently passed down to each employee based on their potential and capability which is outlined in employee Key Performance Indicators (KPIs). In 2016, all employees (100%) at all levels, both female and male, received results of the performance assessment. Based on the performance assessment result, the Company would then conduct the rotation and promotion to 4,406 employees. **[G4-DMA, G4-LA11]**

Proportion of Employee Career Development by Gender and Position [G4-LA11]

Grade	Number of Employee		Promotion				Rotation				Promotion & Rotation*			
	Female	Male	Female	%	Male	%	Female	%	Male	%	Female	%	Male	%
22	1	1	1	100.00	1	100.00	-	-	-	-	-	-	-	-
21	4	6	1	25.00	2	33.33	-	-	2	33.33	-	-	-	-
20	5	24	2	40.00	10	41.67	3	60.00	6	25.00	-	-	4	16.67
19	6	42	1	16.67	16	38.10	2	33.33	12	28.57	-	-	7	16.67
18	21	93	6	28.57	30	32.26	3	14.29	49	52.69	1	4.76	20	21.51
17	33	181	3	9.09	37	20.44	14	42.42	56	30.94	-	-	22	12.15
16	79	172	13	16.46	27	15.70	35	44.30	71	41.28	5	6.33	18	10.47
15	80	252	27	33.75	80	31.75	23	28.75	76	30.16	14	17.50	50	19.84
14	277	700	27	9.75	91	13.00	138	49.82	331	47.29	7	2.53	39	5.57
13	237	481	18	7.59	74	15.38	128	54.01	269	55.93	6	2.53	54	11.23
12	651	1,021	167	25.65	105	10.28	292	44.85	520	50.93	13	2.00	17	1.67
11	1,260	1,235	31	2.46	2	0.16	724	57.46	662	53.60	-	-	1	0.08
10	217	75	64	29.49	26	34.67	100	46.08	22	29.33	1	0.46	6	8.00
09	942	440	-	-	9	2.05	789	83.76	314	71.36	-	-	3	0.68
08	-	25	-	-	-	-	-	-	4	16.00	-	-	-	-
<b>Total</b>	<b>3,813</b>	<b>4,748</b>	<b>361</b>	<b>9.47</b>	<b>510</b>	<b>10.74</b>	<b>2,251</b>	<b>59.03</b>	<b>2,394</b>	<b>50.42</b>	<b>47</b>	<b>1.23</b>	<b>241</b>	<b>5.08</b>

\*) Figure from the rotation and promotion construes the number of employees transferred for promotion

## IMPROVING EMPLOYEE WELFARE

The Company does not entertain gender discrimination in providing remuneration to employees. On the contrary, the merit system is applied by prioritizing the employees' skill, competencies and integrity as specified in the Board of Directors Circular No. 43/DIR/CMO/2011. The Company provides better remuneration and facilities to permanent employees compared to contract employees. Such remuneration and facilities include basic salary, holiday allowance, leave allowance, clothing allowance, benefits (position, housing, vehicle, skill, fuel, location, tax), performance

bonus, housing loan, retirement benefit, social security, regular health care facility, medical aid and condolence allowance. Meanwhile, contract employees receive all remuneration and facilities except for leave allowance, benefits (housing, vehicle, skill, fuel), housing loan and retirement benefit. [G4-DMA, G4-LA2, G4-LA13]

The Company also complies with the minimum wage provisions specified by local governments, where the amount of wages for new employees be above the standard minimum wages applicable in the Company's operation areas.

**Comparison between New Employee Salary and Municipality/Provincial Minimum Wage [G4-EC5]**

Operational Area*	New Employee Wage (Rp)	Minimum District/ Provincial Wage (Average)	Ratio of New Employee Wage to Minimum District/ Provincial Wage
Cluster 1	3,400,000	3,100,000	1.10
Cluster 2	2,700,000	2,250,000	1.20
Cluster 3	2,200,000	1,900,000	1.16
Cluster 4	3,100,000	3,045,000	1.02
Cluster 5	2,400,000	1,800,000	1.33
Cluster 6	2,400,000	1,811,875	1.32
Cluster 7	2,400,000	2,095,000	1.15
Cluster 8	3,000,000	2,341,500	1.28
Cluster 9	2,500,000	2,118,500	1.18
Cluster 10	2,200,000	1,739,400	1.26
Cluster 11	3,000,000	2,085,050	1.44
Cluster 12	3,000,000	2,161,253	1.39
Cluster 13	2,700,000	2,250,000	1.20
<b>Average</b>			<b>1.23</b>

- Cluster 1 : Jakarta, Bekasi, Bogor, Tangerang, Cilegon, Depok, Karawang, Purwakarta, Cilegon
- Cluster 2 : Bandung, Cimahi, Cirebon, Tasikmalaya
- Cluster 3 : Madiun, Pekalongan, Purwokerto, Semarang, Solo, Yogyakarta, Tegal
- Cluster 4 : Gresik, Sidoarjo, Surabaya
- Cluster 5 : Jember, Kediri, Malang
- Cluster 6 : Bali, East Nusa Tenggara, West Nusa Tenggara
- Cluster 7 : Lampung, Bengkulu, Jambi, West Sumatra, South Sumatra, Riau
- Cluster 8 : Bangka Belitung, Riau Islands
- Cluster 9 : Nanggroe Aceh Darussalam, North Sumatra
- Cluster 10 : West Kalimantan
- Cluster 11 : South Kalimantan, Central Kalimantan
- Cluster 12 : East Kalimantan
- Cluster 13 : Maluku, North Maluku, Gorontalo, Papua, Sulawesi

The Company also grants a 3-month maternity leave for female employees as specified in the Board of Directors Circular No. 43/DIR/CMO/2011. In addition, the Company grants a 5-day leave for male employee

when his wife gives birth (paternity leave). In 2016, the Company recorded that 355 female employees took maternity leave and 85 male employees took paternity leave with the retention of employees returning to work after the leave reached 100%. [G4-LA3]

## EMPLOYEE ENGAGEMENT SURVEY

In 2016, the Company conducted an employee engagement survey which aimed at:

- a. Providing opportunity for the employees to honestly express their personal opinions through online survey pertaining to matters that had been well dealt with and matters that needed improvements in the Company.
- b. Analyzing gap between what the employees experienced and the Company's objectives while improving insight in order to boost performance and productivity.

- c. Promoting a sustainable improvement and employee engagement level within the Company.

The survey was conducted online by distributing online questionnaires. Questionnaire distribution was not based on sampling. Instead, the questionnaires were given to all permanent employees. Each questionnaire contains two main topics, i.e. Engagement Questions and Driver Questions.

### Outline Engagement Questions



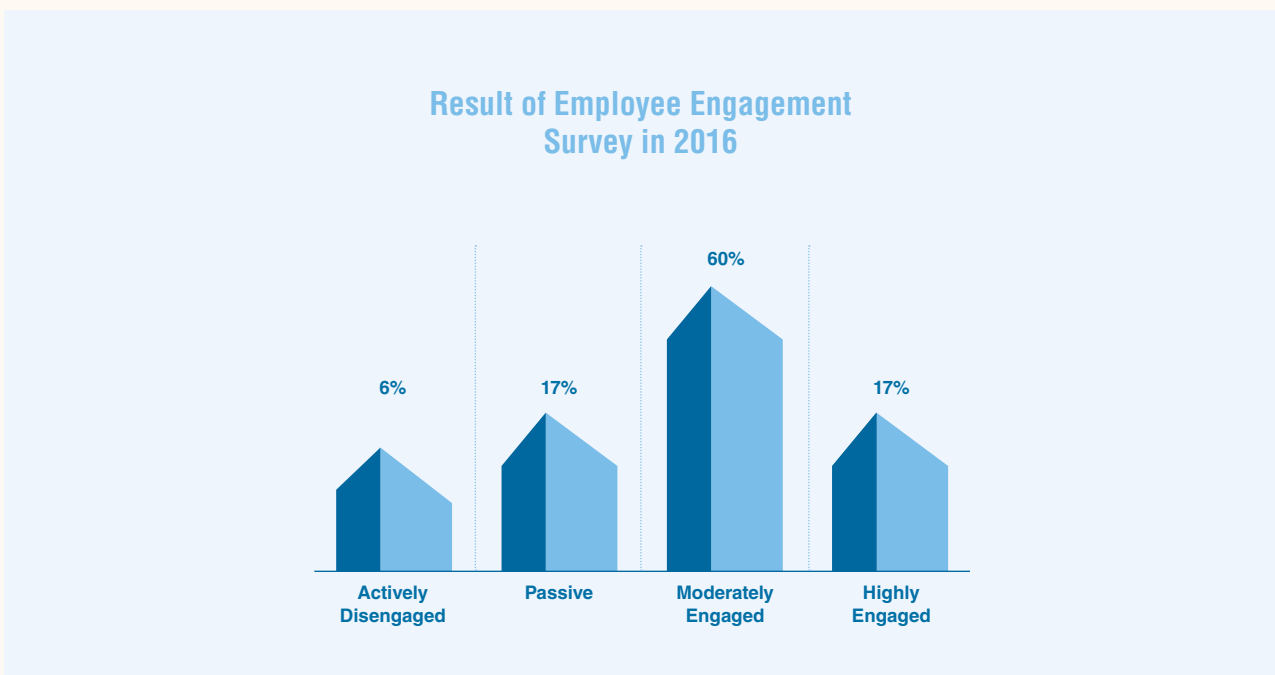


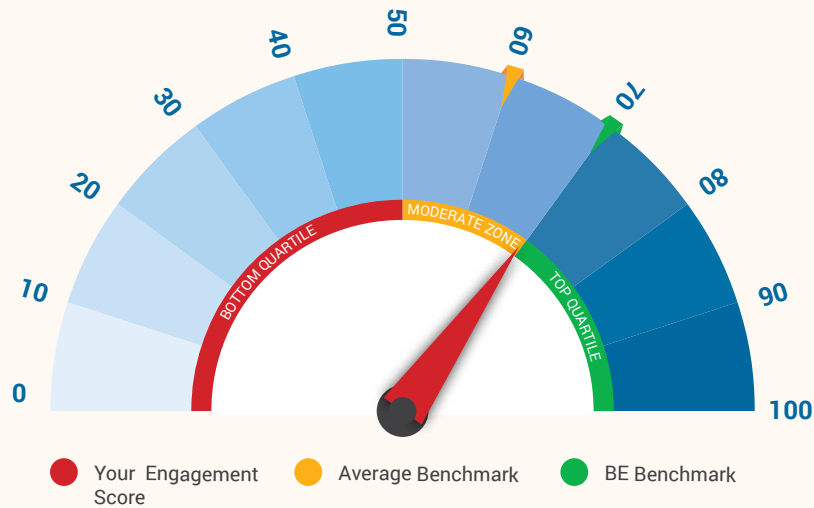
In general, employee engagement formulation method is as follows:



Result of 2016 survey by AON indicates that the Company's employee engagement was at 77% (60% moderately engaged and 17% highly engaged) which was an increase by 10% from 2015 at 70%. The figure is above the moderate zone as well as above the average

benchmark at 60%. In fact, the Company's employee engagement was at the Top Quartile level. This shows that the level of employee engagement with the Company is high.





When compared to other benchmarks, the employee engagement level at the Company was higher than APAC Banking, APAC Financial Institution, Indonesia Banking (the average banking industry in Indonesia), Indonesia Financial Institution and Indonesia Norms.

BENCHMARK	ENGAGEMENT SCORE
The Company	77%
APAC Banking	61%
APAC Financial Institution	62%
BE Indonesia	88%
Indonesia Banking	69%
Indonesia Financial Institution	71%
Indonesia Norms	62%

## THE COMPANY'S OBLIGATION TO CREATE A RETIREMENT PROGRAM

As a token of appreciation to permanent employees who have dedicated themselves to the Company, the Company provides them with various benefits to support themselves after their employment period at the Company ends. Those who are entitled to receive retirement benefits are permanent employees who have reached normal retirement age at 56 years old. Retirement Benefits consist of: **[G4-EC3]**

1. Defined Benefit Program, where employees constantly receive retirement benefits amounting to a formula specified by the Retirement Fund.

2. Defined Contribution Program, where employees constantly receive retirement benefits from the accumulated permanent employees' contribution balance at 2.5% of their salary, in addition to the 7.5% contribution by the Company and investment results.

Refers to the Decree of the Board of Directors on Retirement Fund Regulation of PT Bank Tabungan Negara (Persero) Tbk (Dapen BTN), The amount of Retirement Benefits at maximum 80% of Basic Retirement Income. Throughout 2016, the subsidies for retirement fund contribution disbursed by the Company amounted to Rp33.9 billion.



A Retirement Preparation Period (MPP) within 12 months is granted to permanent employees who have reached 55 years old. Within the MPP, the Company provides opportunities for permanent employees to attend various training programs on life after retiring. In 2016, 115 permanent employees attended the training program with a total of four batch(es). [G4-LA10]

## OCCUPATIONAL HEALTH AND SAFETY

In creating a healthy, safe and comfortable work environment for optimal productivity, the Company has established regulations regarding occupational health and safety (OHS). In 2016, the Company formulated the Occupational Health and Safety Management System policy which is currently entering the review application stage with relevant divisions. The policy concerns: [G4-LA8]

1. The Standard Operating Procedure (SOP) of Occupational Health and Safety Management System (SMK3)
  - a. Establishment of an Occupational Health and Safety Committee (P2K3)
  - b. Identification of Hazard, Assessment and Risk Control
  - c. Identification of laws and regulations and other requirements regarding Occupational Health and Safety and Compliance Evaluation
  - d. Formulation and determination of Occupational Health and Safety Management Target, Objectives and Programs
  - e. Improvement and Development of Competencies, Training and Awareness
  - f. Optimization of Communication, Participation and Consultation
  - g. Document Control
  - h. Record Control
  - i. Establishment of Emergency Response Teams (TKPD)

- j. Management of Personal Protective Equipment
  - k. Monitoring and Measuring Occupational Health and Safety Performance
  - l. Incident Reporting and Investigation
  - m. Identification of Non-Conformity, Corrective and Preventive Actions
  - n. Implementation of Occupational Health and Safety Internal Audit
  - o. Implementation of Management Review
  - p. Change Management
2. Specific Policy regarding Occupational Health and Safety
- a. Prohibition of Abuse of Narcotics, Psychotropics and Addictive Substances
  - b. Prevention of the Spread of Infectious Diseases
  - c. Emergency Access Management Guidelines
  - d. Partner Management pertaining to Occupational Health and Safety

- 4. Possession of fire plan and placement of fire safety operating procedures in employee rooms and every building floor to keep the employees well-informed.
- 5. Implementation of regular emergency preparedness simulation.
- 6. Employee participation in "General Occupational Health and Safety Expert Training and Certification (AK3U)" organized by BPJS Kesehatan.

With the Occupational Health and Safety regulation, zero accidents were recorded in 2016 throughout the Company's operational offices. There was also zero report regarding frequently sick employees or work-related diseases. **[G4-LA6, G4-LA7]**

As its commitment to protecting employees' health, the Company also provides health facilities which include regular Medical Check Ups and medical facilities such as reimbursement for inpatient care in hospitals and outpatient care after a patient is discharged from the hospital, pregnancy and newborn care coverage, dental care coverage, eyeglasses replacement, hearing aids, laboratory test and other medical treatments recommended by the doctor post-hospitalization. In addition to providing health facility for its employees, the Company provides polyclinics and doctors as medical services to employees and their families. The Company has also enrolled its employees and their families in health insurance program organized by BPJS Kesehatan.

Occupational Health and Safety protection practices in the Company are as follows: **[G4-DMA, G4-14]**

- 1. All operation offices are equipped with occupational safety equipment such as PPE (Personal Protective Equipment), Smoke Detector, Diesel Pump and Emergency Ladder that comply with the fire safety equipment standards based on the Regulation of the Minister of Public Works on Technical Requirements for Fire Protection System in Buildings and Environment.
- 2. Regular inspection for safety equipment to determine the feasibility level.
- 3. Possession of certificate(s) issued by the Manpower and Transmigration Office of the Special Capital Region of Jakarta for safety device operator, such as lift and cargo aircraft.





# Assistant



## PROVIDING CUSTOMER WITH THE BEST SERVICES

The Company realizes that focus on providing the best services is the key to a strong relationship with customers. This is not only in line with the Company's culture and value, but also important for improving a sustainable business.

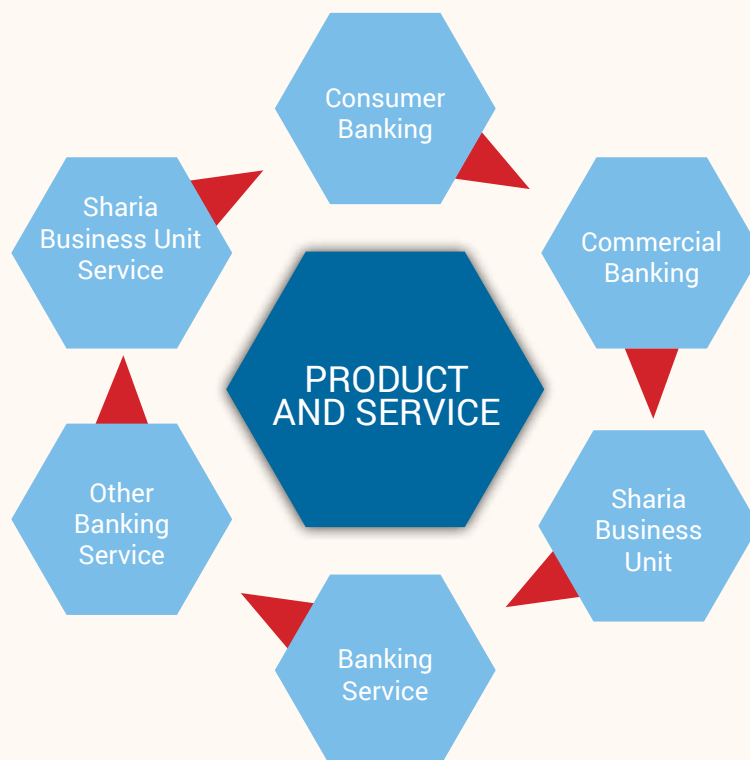
The Company recognizes that customers are one of the stakeholders holding important role in ensuring the Company's business sustainability and growth. Therefore, the Company is fully committed to always provide the best services beyond customers' expectation, provide products that meet their needs, improve complaint handling process and prioritize customer protection by implementing principles of transparency, confidentiality and security of customers' data or information. By making good on this commitment, it is expected that customers' trust to the national banking system will increase, and particularly to the Company. [G4-DMA]

## PRODUCT INFORMATION

The Company offers various services and products to meet customers' need from different categories and age groups. The Company deems it is important to implement the triple bottom line principle in product creation and its service, on the ground that by maintaining balance between profit, people and the planet, product benefits and service quality may be delivered appropriately to the customers. The

categorization of the Bank's product and service types per business segment is as follows: [G4-4]

1. Consumer Banking, including: Loan Products which consist of KPR Subsidy (Subsidized Housing Loan) Non-Subsidized Loan, Other Housing Loan and Non-Housing Loan; Savings Products which consist of Savings and Time Deposits.
2. Commercial Banking, including: Credit Products that consist of Housing Loan and Non-Housing Loan; Savings Products which consist of Demand Deposits and Time Deposits.
3. Sharia Business Unit, including: Financing Products that consist of Consumer Financing and Commercial Financing; Savings Products that consist of Demand Deposits, Savings and Time Deposits.
4. Banking Service, including: Consumer Card, Wealth Management, Electronic Channel ATM, CDM (Cash Deposit Machine) and Non-Cash ATM (Kiosk).
5. Other Banking Service.
6. Sharia Business Unit Service.





The Company always provides complete, clear and transparent information on each of its products and services. Detailed information on the Company's products and services is also available in Company's 2016 Annual Report and the Company's website ([www.btn.co.id/en/content/Produk](http://www.btn.co.id/en/content/Produk)). Various products and services available are in compliance with the applicable regulations and undoubtedly feasible. As a result, there is no violation related to product and service information that causes loss to customers in 2016.

[G4-PR3, G4-PR4]

## MARKETING COMMUNICATION

Developing effective communication with customers is obligatory for the Company in order to ensure its business sustainability and to be able to compete in the modern day, as well as to make the Company a leading Bank in house financing. The Company keeps on putting all efforts to develop and implement the right marketing strategy to establish effective marketing communication with customers. Below is the marketing strategy implemented by the Company:

### 1. Credit Marketing Strategy

Growth of the Company's credit in 2016 was supported by KPR growth and construction loan to support One Million Houses program. Credit marketing strategy in 2016 was as follows:

Strategy	Initiative
Optimization of Million Houses program	<ul style="list-style-type: none"> <li>Strengthening cooperation with stakeholders in housing</li> <li>Strategic alliance with State Owned Enterprises (SOEs) and fund owner to develop KPR program.</li> <li>Marketing by Griya KPR team</li> <li>Exhibitions, such as BTN Property Expo and Gathering</li> </ul>
Improving equity loan and consumer loan segments	<ul style="list-style-type: none"> <li>Utilization of debtors database for credit re-offer</li> </ul>
Selective in commercial-non housing segment	<ul style="list-style-type: none"> <li>More selective disbursement of commercial-non housing credit with priority on prime debtor</li> </ul>
Improving credit service	<ul style="list-style-type: none"> <li>Enhancement of credit application (iLoan, CSM, iCremo, <a href="http://btnproperty.co.id">btnproperty.co.id</a>, etc.)</li> <li>Expanding the implementation of four eyes principles</li> </ul>

## 2. Funding Marketing Strategy

Strategy	Initiative
Third Party Low-Cost Funds	<ul style="list-style-type: none"> <li>Enhancing B-to-B cooperation (SPAN, H2H, iCash, virtual account, EduPayment, Payroll, Billing payment features and outlets launching in strategic agencies)</li> <li>Marketing Communication, gimmick program, customer gathering and improvement of outlet productivity</li> <li>Development of Tabungan Rencana, Tabungan Umroh (Umrah Savings) and Savings products</li> <li>Sharia Housing, Tabungan Pensiunan (Retirement Savings) and Tabungan Pos (Pos Savings)</li> <li>Implementation of sales monitoring system, including appreciation system for salesperson</li> </ul>
Cooperation with big fund institution for KPR program funding	Strategic Alliance with SOE/institution in fund placement for KPR program, such as with BPJS Ketenagakerjaan
Increasing wholesale funding	<ul style="list-style-type: none"> <li>Issuance of bonds/loan/NCD</li> <li>Establishing cooperation with both domestic and foreign investor</li> <li>KPR securitization</li> </ul>

## 3. Other Field

Strategy	Initiative
Increase of Fee-Based Income	<ul style="list-style-type: none"> <li>Increasing the number of new accounts to increase administrative income from credit and fund.</li> <li>Increasing treasury, transaction services, card business, wealth management and payment point activity.</li> <li>Increasing Bank guarantee in potential branch offices.</li> <li>Exploring other fee-based potentials, such as development of SKBDN (Domestic Letter of Credit) and L/C.</li> <li>Optimizing wealth management business in non-banking product marketing.</li> </ul>

During the course of 2016, the Company did not receive any sanction or fine for noncompliance with regulation concerning marketing communication activity, its practice in this regard was deemed safe as it did not bring adverse impact. **[G4-PR7]**

PBI/2000 concerning Requirements and Procedures for Issuing Written Order or Permission to Disclose Bank Confidential Information on Customers Confidentiality Policy. **[G4-DMA]**

As the Company's commitment on improving information security to ensure smoothness of business operations and to carry out better, safe, smooth and properly audited operational activities, as well as to maintain the bank's image as a reliable bank, the Company also has special policy in the form of Circular of the Board of Directors Number 40/DIR/ICTD/2016 concerning Guideline for Information Security of PT Bank Tabungan Negara (Persero) Tbk. This policy sets

## CUSTOMERS PRIVACY

As a financial institution, the Company is committed to maintain customers' trust and confidentiality with reference to, among other things, the following provisions: (1) Law No. 7 of 1992 on Banking; (2) Law No. 10 of 1998 on Amendment to Law No. 7 of 1992; (3) Bank Indonesia Regulation No. 2/19/



forth prerequisites to ensure that all confidential and sensitive information is protected from any computer virus to minimize damage due to computer virus infection. The Company has made various efforts to protect customer data, among other things, by installing only approved software and performing regular update, providing IT security training for users who use IT resources, and implementing password management/standardization to ensure access to protected information. With such efforts, there was no complaint related to violation of customer privacy in 2016. **[G4-PR8]**

## HANDLING OF CUSTOMER COMPLAINT

Quick and effective handling and resolution of customer complaint are fundamental in providing good customer service; in addition, this is the Company's commitment to improve customer protection and guarantee customer's rights in relation to the Company. Customer complaint

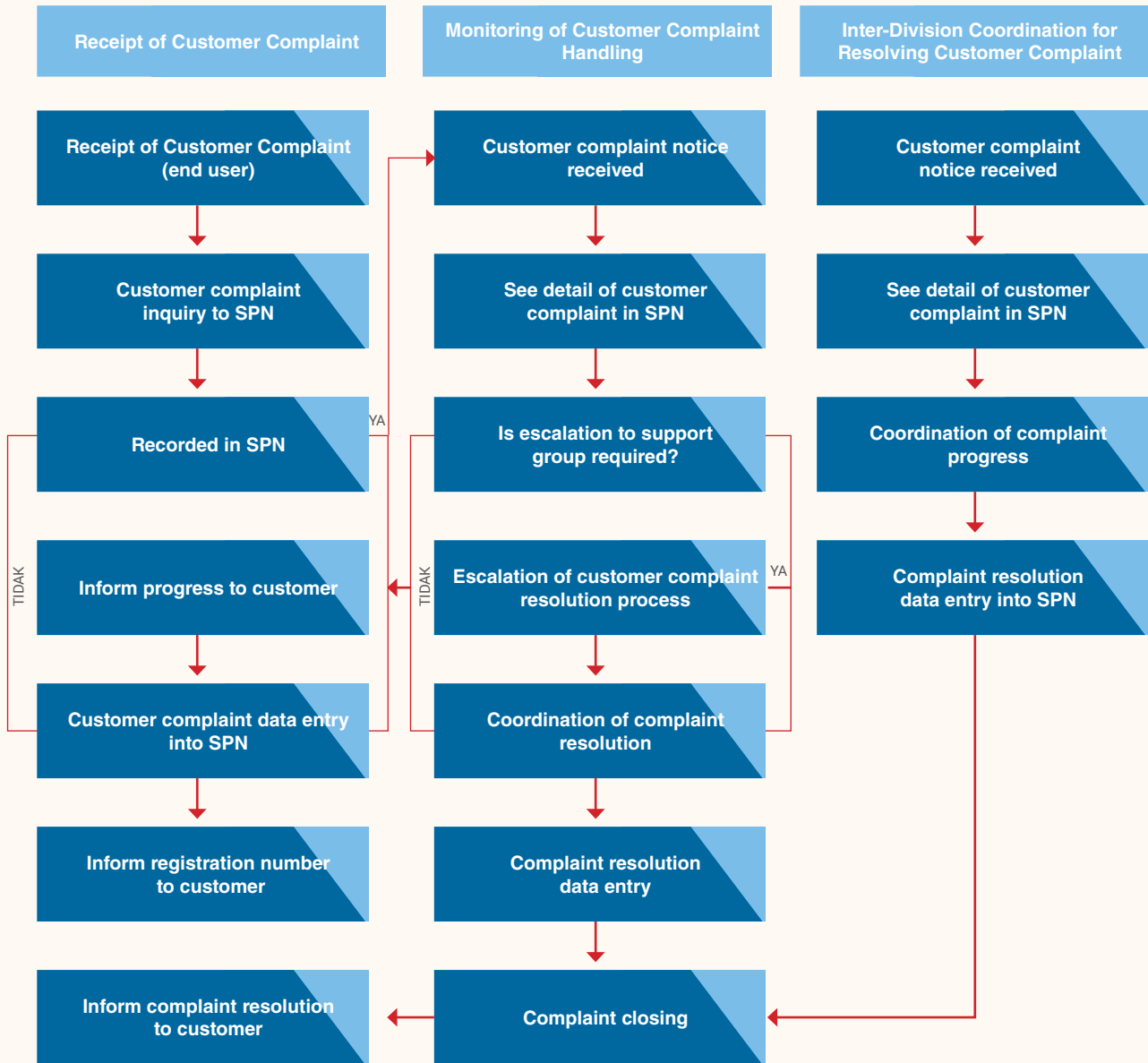
handling refers to Board of Directors Regulation No. 01/PD/DHHP/2005 dated December 16, 2005 concerning Policy and Procedure for Reputation Risk Management of PT Bank Tabungan Negara (Persero). Customer complaint handling service operates 24 hours a day. This customer complaint handling service is managed and responses provided directly by Corporate Secretary Division. **[G4-DMA]**

Customers may file complaint, grievance and opinion on the Bank's services through the Company's Branch Office, the relevant Division at Head Office, Contact Center and printed as well as electronic media. The Company has made several policies with regard to such issues, such as by developing the Customer Complaint System (SPN). SPN is web-based system that helps monitor complaint handling process and gives customers certainty of the time required by the Bank to settle the complaint. By using an online and integrated system, customers may also file a complaint and check complaint status



in Branch Offices throughout Indonesia. The mechanism for handling customer complaint is shown in the below flowchart:

### Mechanism for Handling Customer Complaint Flowchart



To optimize customer complaint handling service, the Company has provided several customer complaint and grievance channels that are accessible through:

1. PT Bank Tabungan Negara (Persero) Tbk Head Office  
Menara Bank BTN Jl. Gajah Mada No. 1 Jakarta 10130  
Tel: (021) 6336789  
Fax: (021) 6336719
2. Contact Center at 1500 286
3. Contact Center Email: btncontactcenter@btn.co.id

Throughout 2016, there were 40,975 complaints with 90.35% of these complaints having been resolved and 9.65% of them still in progress, and divided according to details of the largest complaint categories as follows:

- a. Collection of Fund, 2,583 complaints
- b. Fund Disbursement, 1,309 complaints
- c. Payment System, 32,075 complaints
- d. Other Products, 4,828 complaints

From the number of complaints above, 90.35% or 36,858 complaints had been resolved and the rest is still in the resolution process. Efforts and measures in resolving customer complaint include: **[G4-DMA]**

1. In-depth verification in coordination with branch offices, divisions and other related parties, such as: network provider, developer, notary, etc.
2. Submitting notice to customer about complaint resolution process
3. Conducting monitoring of Service Level Agreement (SLA) fulfilment for complaint resolution
4. Carrying out improvement of both the procedure and employee's understanding, as well as providing accurate information to customers to avoid the same issue in terms of customer complaint arising repeatedly.

Security improvement is made to every banking product and service to guarantee customers' security and convenience in their transactions. Therefore, in

2016 the Company did not receive any fine and did not commit any violation of law and regulation concerning provision and utilization of banking products and services. **[G4-PR9]**

## CUSTOMER SATISFACTION SURVEY

For the Company, customer satisfaction is an absolute priority in order to guarantee the continuity and growth of a sustainable business. Every year, the Company conducts customer satisfaction survey to identify customer perception and response to its products and services quality. In conducting the survey, the Company cooperates with a third party. Survey is conducted using qualitative and quantitative approaches. Qualitative approach is made through in-depth interview method, and quantitative approach uses direct face-to-face interview method.

### Result of the Company Customer Satisfaction Survey

Year	Survey Result
2015	78.9%
2016	82.61%

In 2016, the customer satisfaction survey stood at 82.61%, which is an increase of 4.70% from 78.9% in 2015. This proves that customer service management got better in 2016. **[G4-PR5]**





# SUPPORT TO STRENGTHENING OF FINANCIAL INCLUSION





*Tabungan BTN Cermat launching in Tangkiling Post Office, Palangkaraya, Central Kalimantan*

One of the advanced economic indicators in a country is the wide accessibility to financial service for the community. As a matter of fact, there are many community members in Indonesia who are at the bottom of the pyramid, i.e. those who have no savings due to lack of education about banking service, limited access to bank outlet for community living in remote areas, as well as lack of legality to substantiate personal identity for the community when opening savings account.

With that in mind, the Company had an initiative in 2010 to drive financial inclusion service through Tabungan *BTN Cermat* and officially joined the Financial Inclusion Service Program for *Laku Pandai* by the Financial Service Authority (OJK) in May 2015. Furthermore, the Company is also committed to support financial inclusion strengthening through improvement of credit disbursement to micro, small and medium enterprises (MSMEs), enhancement of access to financial service in provinces with low population and underdeveloped economy, improvement of digital banking service and implementation of financial literacy program. These programs aim to support community-based economic

development to reduce poverty and bridge the gap by focusing on promoting and enhancing access to financial service, which are acceptable and equal for all people in accordance with the Sustainable Development Goals, i.e. goal number 8 (Decent Work and Economic Growth) and goal number 9 (Industry, Innovation and Infrastructure). **[G4-DMA]**

### **TABUNGAN BTN CERMAT IN LAKU PANDAI PROGRAM**

*Tabungan BTN Cermat* under *Laku Pandai* program is designed to facilitate community members who have not had savings account to easily open an account, with simple requirements and without monthly administrative fee. *Laku Pandai* Program also promotes disbursement of micro credit, micro insurance and other financial products (mutual fund, stock, etc.)

On May 25, 2015, the Company launched card-based *Tabungan BTN Cermat* under *Laku Pandai* program through savings account opening using EDC (Electronic Data Capture). This is in line with its purpose, i.e. to





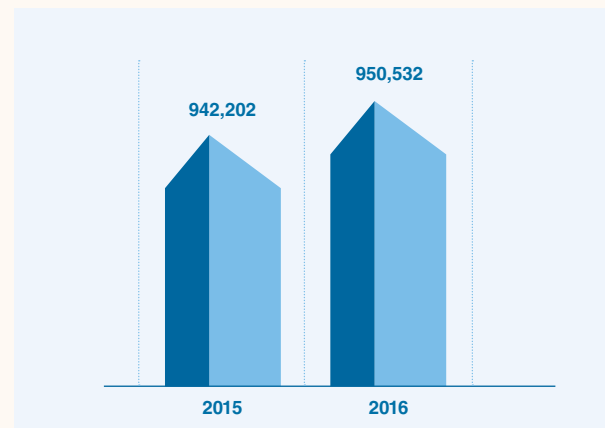
BTN Cermat Ponsel launching in Dampit, Malang, East Java

provide branchless financial service in the form of provision of savings product for the community yet to have access to financial service. Customers can simply provide copy of a valid identity card (National ID Card or Driver's License), with initial deposit as low as Rp 10,000 and customer will receive proof of savings account ownership in the form of ATM Card, which can be used for transaction.

Later on October 22, 2015, the Company launched *BTN Cermat Ponsel* using the USSD (Unstructured Supplementary Service Data) system. To open a savings account, customer can simply dial \*114\*1# from mobile phone. By launching *Laku Pandai* savings using USSD platform, the Company is one step closer towards digital banking era and affirms itself a Bank that uses two device platforms in *Laku Pandai* program, namely EDC and USSD.

The Company's commitment to supporting *Laku Pandai* program is proven in the growth achieved until the end of December 2016. The total Company Agent is +7,800 people, with collection of Third Party Fund (DPK) reaching Rp 35.19 billion and 950,532 customers.

### The Number of *Tabungan BTN Cermat* Savings



## IMPROVEMENT OF MICRO, SMALL AND MEDIUM ENTERPRISE (MS-MES) CREDIT DISBURSEMENT

As a player in banking industry, the Company continually takes part in providing wide access for all members of the community, particularly in providing working capital to support improvement of MSMEs Credit pursuant to Bank Indonesia Regulation No. 14/22/PBI/2012 concerning Commercial Bank Credit or Financing and Technical Assistance to Develop Micro, Small and Medium Enterprises. **[G4-DMA]**

## DISBURSEMENT OF MSME CREDIT BY ECONOMIC SECTOR [FS6, FS7]

For three consecutive years, construction is the sector to which the largest portion of MSME credit is disbursed by the Company. This is in line with the Company's main business in housing loan. Throughout 2016, credit disbursement to construction sector reached Rp 567,870 million, which was an increase of 106.33% from 2015 at Rp 275,223 million.

**Disbursement of the Company's MSME Credit by Economic Sectors (Rp Million) [FS6, FS7]**

Economic Sector	Number of Disbursement		
	2014	2015	2016
Agriculture, Hunting and Forestry	1,850	1,390	382
Fishery	1,300	200	60
Mining and Excavation	1,400	9,526	8,419
Processing Industry	8,619	41,785	16,317
Electricity, Gas and Water	-	22,327	20,124
Construction	110,478	275,223	567,870
Wholesale and Retail Trade	73,207	177,838	176,672
Accommodation and Food Service	-	-	7,349
Transportation, Warehousing and Communication	2,760	757	629
Financial Intermediary	-	-	-
Real Estate, Rental Business and Company Service	37,197	92,809	95,101
Government Administration, Defense and Compulsory Social Security	-	-	-
Education Service	10,010	4,062	3,283
Health Service and Social Activity	3,755	1,455	-
Public Service, Social and Culture, Entertainment and Other Independent Service	-	19,140	94,939
Household Independent Service	-	-	-
International Agency and Other External International Agencies	-	-	-
Activity with Indeterminate Definition	36,088	49,230	21,899
<b>Total</b>	<b>286,665</b>	<b>695,742</b>	<b>1,013,045</b>

## DISBURSEMENT OF MSME CREDIT BY PROVINCE [FS6, FS7]

Throughout 2016, the Company provided access to financial service in the form of equal MSME credit disbursement to 31 provinces in Indonesia. In 2016, Jakarta SCR was the province with the largest MSME credit disbursement by the Company at Rp 334,112 million, which was an increase of 109.94% from 2015 at Rp 159,143 million.

**Disbursement of the Company's MSME Credit by Province (Rp Million) [FS6, FS7]**

Province	Number of Disbursement		
	2014	2015	2016
Bali	-	8,035	12,510
Bangka Belitung	-	520	6,395
Banten	45,903	98,035	68,258
Bengkulu	8,700	6,879	9,792
S.R. of Yogyakarta	50	6,323	8,947

Province	Number of Disbursement		
	2014	2015	2016
Jakarta SCR	43,208	159,143	334,112
Gorontalo	353	992	3,044
Jambi	2,807	8,928	18,420
West Java	97,900	180,982	237,807
Central Java	7,371	11,872	19,866
East Java	7,126	44,850	78,261
West Kalimantan	-	1,450	4,100
South Kalimantan	500	8,625	2,520
East Kalimantan	3,127	1,943	16,001
Central Kalimantan	12,255	1,416	2,570
Riau Islands	7,740	13,405	22,614
Lampung	12,603	6,657	6,147
Maluku	1,007	3,302	319
North Maluku	380	16,257	4,676
Nanggroe Aceh Darussalam	-	4,546	6,960
West Nusa Tenggara	-	7,198	14,927
East Nusa Tenggara	8,610	25,585	32,046
Papua	-	1,185	2,200
Riau	2,803	3,685	11,475
South Sulawesi	-	-	7,490
Central Sulawesi	-	6,625	2,490
South East Sulawesi	3,060	5,467	8,750
North Sulawesi	-	1,481	250
West Sumatera	6,751	17,355	17,592
South Sumatera	3,450	3,875	3,065
North Sumatera	10,961	39,128	49,441
<b>Total</b>	<b>286,665</b>	<b>695,742</b>	<b>1,013,045</b>

## ENHANCED FINANCIAL ACCESS IN PROVINCES WITH LOW-POPULATION AND UNDERDEVELOPED ECONOMY

As a commitment to supporting strengthening of financial inclusion, the Company also provides access to financial service in provinces with low population as indicated by population density below 20 people per km<sup>2</sup>. According to the 2014 Population Density data from Statistics Indonesia (BPS), there are four provinces with Population Density below 20 people per km<sup>2</sup>, namely Central Kalimantan, North Kalimantan, West Papua

and Papua. In 2016, the Company provided access to financial service in Central Kalimantan and Papua, but the same had not been provided in North Kalimantan and West Papua. Access to financial service that is provided by the Company includes Branch Offices, Sub-Branch Offices, Cash Office, Service Office Equal to Cash Office and ATM.

With Access Points that are provided by the Company in provinces with low population, the Company's financial service index reaches 65,209, which means that one financial access point is capable of serving an average number of 65,209 people.



**The Company's Network Access Index in Provinces with Low Population [FS13]**

Province	Population <sup>1</sup>	Access Point						Access Index <sup>2</sup>
		Branch Office	Sub-Branch Office	Cash Office	Service Office Equal to Cash Office	ATM	Total	
Gorontalo	2,425,226	1	1	2	40	10	54	44,912
Maluku	3,847,747	1	3	1	30	10	45	85,505
<b>Average</b>								<b>65,209</b>

<sup>1</sup> Population in 2013 (Data from the Directorate General of Population and Civil Registration)

<sup>2</sup> Access Index = Population/ Number of Access Point

Furthermore, the Company also provides access to financial service in provinces with underdeveloped economy as indicated by low Regional Gross Domestic Product (RGDP) in comparison with other provinces in Indonesia. According to Regional Gross Domestic Product at Basic Price Data from BPS in 2013, there are three provinces with low RGDP, namely Maluku (Rp 13,245 billion), Gorontalo (Rp 11,752 billion) and North Maluku (Rp 7,725 billion). In 2016, the Company provided access to financial service in Gorontalo and

Maluku, but the same had not been provided in North Maluku. Access to financial service that is provided by the Company includes Branch Offices, Cash Office, Service Office Equal to Cash Office and ATM.

With Access Points provided by the Company in provinces with underdeveloped economy, the Company's financial service index reaches 65,783, which means that one financial access point is capable of serving an average number of 65,783 people.



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The Company's Network Access Index in Provinces with Underdeveloped Economy [FS13]

Province	Population <sup>1</sup>	Access Point					Access Index <sup>2</sup>
		Branch Office	Cash Office	Service Office Equal to Cash Office	ATM	Total	
Gorontalo	1,132,510	1	1	9	10	21	53,929
Maluku	1,785,652	1	1	14	7	23	77,637
<b>Average</b>							<b>65,783</b>

1 Population in 2013 (Data from the Directorate General of Population and Civil Registration)

2 Access Index = Population/ Number of Access Point

## DIGITAL BANKING SERVICE IMPROVEMENT

In order to provide easy banking access for all customers, the Company makes improvement on digital banking in the form of electronic channel. This represents the Company's awareness with regard to customer's need of banking service that has shifted towards quick, easy and self-controllable. However, there are

also problems in digital banking, particularly fraud. Therefore, reliable information technology system and efficient implementation of good governance become the concern of the Company in the improvement of electronic channel.

The number of internet banking transaction in 2016 increased by 217,58% from 2015. This indicates higher demand from the community for digital banking service that supports implementation of branchless banking.





**The Number of Electronic Channel Service**

Service	Data	2015	2016	Growth
ATM and Kiosk	The Number of ATM	1,830	1,900	3.83%
	The Number of ATM Transaction	63,964,774	72,191,957	12.86%
	ATM Car	10	10	-
Cash Deposit Machine (CDM)	The Number of CDM Transaction	124,613	143,073	14.81%
Internet Banking	The Number of Internet Banking Transaction	251,757	799,542	217.58%
Cash Management	The Number of Cash Management Transaction	798,154	763,641	-4.32%
SMS Banking	The Number of SMS Banking Transaction	4,942,511	3,957,008	-19.94%
Mobile Banking	The Number of Mobile Banking Transaction	7,413,767	15,828,032	113.50%

As its featured product, the Company has created synergy between KPR and digital banking as set out in BTN Properti website. The purpose of the website development is to give access to the community to owning a house, in accordance with BTN Properti motto, i.e. *Solusi Mudah Miliki Rumah* (Easy Solution to Own a House). This objective is set out in the vision and mission of BTN Properti Website as follows:



**VISION** THE BIGGEST ONLINE PROPERTY PORTAL IN INDONESIA

**MISSION** PROVIDING EDUCATION, FACILITATION, AND CONVENIENCE FOR INDONESIAN COMMUNITY TO OWN PROPERTY THROUGH LATEST TECHNOLOGY SUPPORT AND EQUALITY SERVICE

Benefits of BTN Properti Website are:



Contents and features that are provided in the website include:

Content	Feature	Search Info
<ol style="list-style-type: none"> <li>1. Online Application</li> <li>2. Community</li> <li>3. News and Info</li> <li>4. Education</li> <li>5. About (Contact Us)</li> </ol>	<ol style="list-style-type: none"> <li>1. Info and Ads Banner</li> <li>2. KPR Consultation</li> <li>3. KPR Simulation</li> <li>4. Application for Cooperation</li> <li>5. Live Chat 24/7</li> </ol>	<ol style="list-style-type: none"> <li>1. House Search</li> <li>2. BTN Auction</li> <li>3. Simulation</li> <li>4. Market Price Range</li> </ol>





### **TABUNGAN BTN SIMPEL [FS16]**

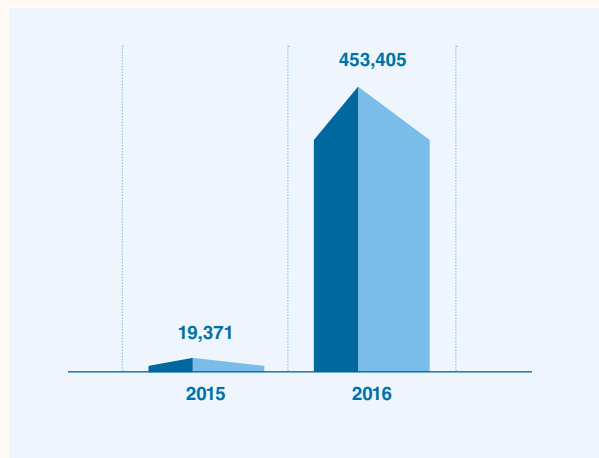
Saving culture in Indonesia was once well cultivated among students. However, as time flies and technology advances, saving culture gradually fades away and seems to disappear. On the other hand, saving culture is highly important and necessary in financial management. In consideration of this issue, the Company develops a savings product that is specialized for students, namely *Simpanan Pelajar* (SimPel/SimPel iB) that is expected to rebuild saving culture among students, as well as to support financial literacy among students and National Savings Movement.

Throughout 2016, the Number of Account (NOA) of *Tabungan BTN SimPel* reached 453,405 accounts, which was an increase of 2,240.64% from 2015 at 19,371 accounts, with the Volume of Account of Rp 46,704 million, which was an increase of 2,735.70% from 2015 at Rp 1,647 million.

## **FINANCIAL LITERACY PROGRAM**

According to the OJK, financial literacy refers to a series of processes or activities to improve knowledge, trust and skills of the customers and the public to be able to carry out proper financial management. As a Financial Service Business Operator (PUJK), The Company is required to provide education to increase financial literacy for the customers and/or the public, with reference to Circular of Financial Service Authority No. 1/SEOJK.07/2014 dated February 14, 2014 on Provision of Education for Financial Literacy Improvement to Consumers and/or the Public. As a manifestation of its commitment, the Company has carried out financial literacy activity, such as *Tabungan BTN Simpel* product development and other education program for the customers and the public. [G4-DMA]

**The Number of *Tabungan BTN SimPel***





### CUSTOMER AND COMMUNITY EDUCATION PROGRAM [FS16]

Throughout 2016, the Company carried out various education programs for the customers and the community that aimed to help provide the community with clear information related to banking products and services, by which they will be able to use banking products according to their needs. In addition, this education program also aims to help the community to be able to set up their financial planning properly and correctly. Education programs that had been implemented in 2016 include:

1. Literacy education for the community through SiMOLEK (Financial Education Car), which includes education on safe investment, introduction of banking products, and developing saving habit.
2. Optimization of Mobile Cash Car (*Mobil Kas Keliling*) by visiting around the neighborhood, institution and schools to build interest of the community to develop saving habit.
3. Revitalization of KLKK (Service Office Equal to Cash Office) by assigning customer services representatives in Post Office outlet to serve customers in remote areas.









# COMMUNITY DEVELOPMENT AND EMPOWERMENT

The Company is always committed to corporate social responsibility in supporting the achievement of sustainable social development and creating better life for Indonesian society.

As a Company that is committed to social and environmental responsibility, the Company is determined to contribute to economic growth and sustainable development in Indonesia, among other things, by implementation of community development and empowerment program. The community development and empowerment program is formulated in Corporate Social Responsibility (CSR) program.

The Company's CSR Program includes Partnership and Community Development Program (PKBL). This program represents an active role the Company plays in addressing social problems that are related to education, health, employment, prosperity and environment. One of the activities conducted by the Company to address social gap that is also relevant to the sustainable development goals, particularly goal number 11, i.e. establishing inclusive, safe, secure and sustainable cities and communities, is providing full support to the One Million Houses program. This program is provided in collaboration with the Government to facilitate low-income community to have decent house.

[G4-DMA, G4-EC8, G4-S01]

## **PARTNERSHIP AND COMMUNITY DEVELOPMENT PROGRAM**

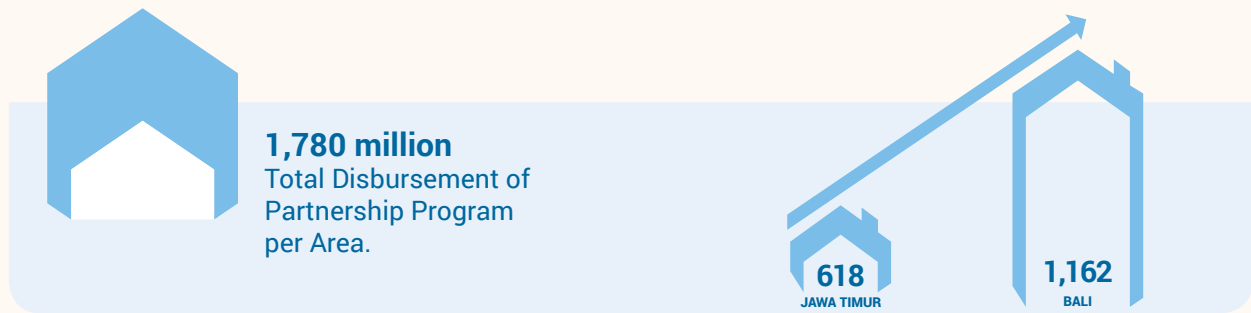
The PKBL Program is a manifestation of Law No. 19 of 2003 on State-Owned Enterprises and Minister of SOEs Regulation No. PER-09/MBU/12/2016 on Partnership and Community Development Program of State-Owned Enterprises and last modified by Minister of SOEs Regulation No. PER-03/MBU/12/2016 on December 16, 2016 on Partnership and Community Development Program of State-Owned Enterprises. In the latter Minister of SOEs Regulation, there are some changes related to Partnership and Community Development Program, such as change in the source of funding for PKBL.

According to Article 8 of the Ministerial Regulation, source of fund for PKBL is the net profit after tax as set out in the GMS or by the Minister in approval of the Annual Report of Supervisory SOE at 4% (four percent) of profit after tax from the previous financial year. However, according to Press Conference by Institute of Indonesia Chartered Accountants (IAI) regarding Disbursement of PKBL Fund Accounting by SOEs, as the result of its plenary meeting on February 23, 2016, the Financial Accounting Standards Board of IAI concluded that with regard to such amendment, disbursement of fund for PKBL is still recorded as expense in profit/loss account since the disbursement of fund for PKBL is not an equity transaction between SOEs and the Ministry of SOEs as the shareholder. Therefore, disbursement of fund for PKBL cannot be claimed as a deduction to retained earnings and cannot be presented directly in statement of change in equity. [G4-DMA]

According to the 2016 Annual General Meeting of Shareholders (AGMS), the Company only allocated Rp14,800 million for Community Development Program in 2016 that became an expense for the Company. Meanwhile, source of fund for the 2016 Partnership Program was fund balance that was allocated in 2015, at Rp55,736 million with allocation of the Partnership Program throughout 2016 at Rp1,780 million.

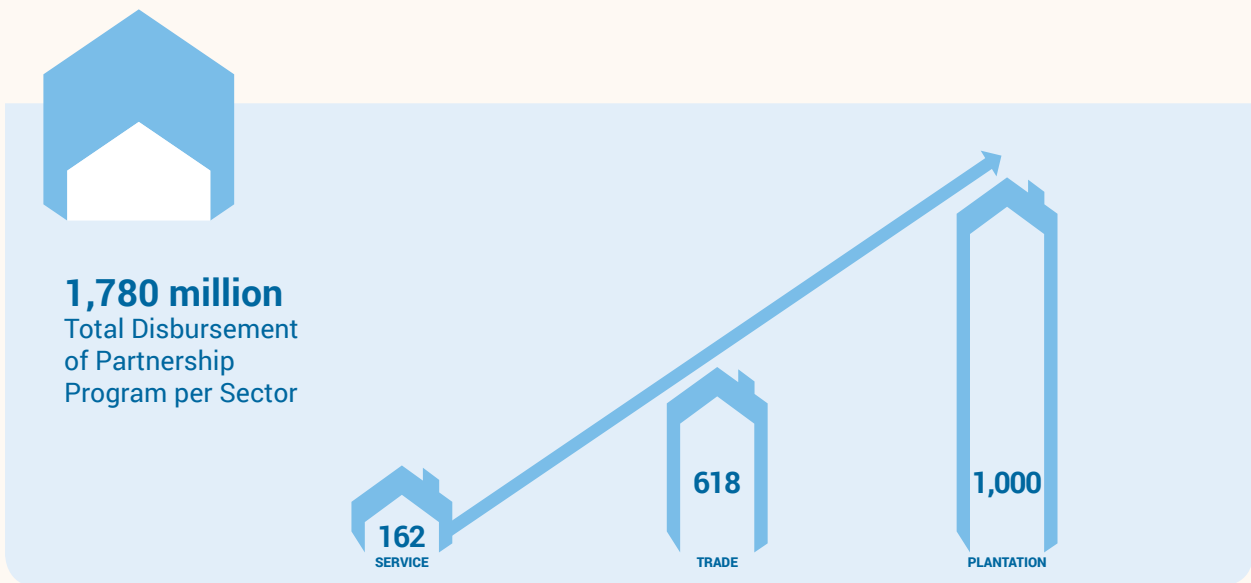
### **PARTNERSHIP PROGRAM**

Partnership program of the Company is targeted to development partners that are engaged in small-scale business for investment and/or productive working capital. Throughout 2016, the Company provided credit for partnership program that amounted to Rp 1,799.5 million disbursed to 43 development partners. Disbursement of Partnership Program loan by the Company was carried out based on areas and sectors. For 2016, the Company disbursed fund for partnership program in East Java and Bali that was divided into several sectors, namely trade, plantation and service. Disbursement of fund for the 2016 Partnership Program is presented in the below table: is presented in the below table:



**Realization of Partnership Program per Area**

No	Disbursement Area	The Number of Development Partners	Disbursement Value (Rp million)
1	Solo (East Java)	13	618.00
2	Denpasar (Bali)	30	1,162
	<b>Total</b>	<b>43</b>	<b>1,780</b>



**Realization of Partnership Program per Sector (Rp million)**

No	Sector	The Number of Disbursement
1	Industry	-
2	Trade	618
3	Agriculture	-
4	Farming	-
5	Plantation	1,000
6	Fishery	-
7	Service	162
8	Other Service	-
	<b>Total</b>	<b>1,780</b>

In addition to disbursement based on areas and sectors, the Company also disburses fund for partnership program through cooperation with third party. Disbursement of loan is especially targeted to small-scale enterprises whose commodity is local

superior product, commodity that is potential for export or export-oriented, commodity that absorbs a large number of workforce and commodity that supports increased standard of living for the society.

## REALIZATION OF PARTNERSHIP PROGRAM IN 2016



### Trade Sector

#### Disbursement to Batik Business in Klaten

In the beginning of December, the Company conducted Partnership Program activity in collaboration with Permodalan Nasional Madani (PNM).

The Company disbursed credit for partnership program of Rp 50 million to 10 Batik entrepreneurs and craftsmen in Klaten and Solo.

### Plantation Sector

#### Disbursement to Orange Farmers Group in Denpasar

The Company also established a synergy with PNM for disbursement of partnership program to orange farmers group in Kintamani Village, Denpasar.

The Company disbursed credit for partnership program of Rp 50 million to 20 orange farmers as members of Kintamani Farmers' Cooperative.

### Service Sector

#### Disbursement to Homestay in Tabanan

The Company synergized with other four SOEs for developing tourism village Pinge as an interesting tourist destination with environmental protection and cultural preservation initiatives. The Company disbursed partnership credit for renovation of homestay inns in Pinge village. Ten homestay inns received Rp 161.50 million in loans.

## COMMUNITY DEVELOPMENT PROGRAM

The Company's Community Development (CD) Program is a social empowerment program for the community with the main objective to help increasing the well-being of the community, particularly the community around the areas where the Company operates.

Pursuant to Minister of SOEs Regulation No. PER-03/MBU/12/2016 dated December 16, 2016, the source of fund for Community Development Program is allowance from net profit after tax as set out in the GMS or by the

Minister in approval of the Annual Report of Supervisory SOEs at 4% (four percent) of profit after tax from the previous financial year, interest income from demand deposit and/or current accounts from paid-up fund for Community Development Program, other valid source while the remaining fund for Community Development Program from the previous financial year will be used for source of fund for the next year. According to the 2016 Annual General Meeting of Shareholders (AGMS), the Company allocated Rp14,800 million for Community Development Program in 2016 that became an expense for the Company. [G4-DMA]

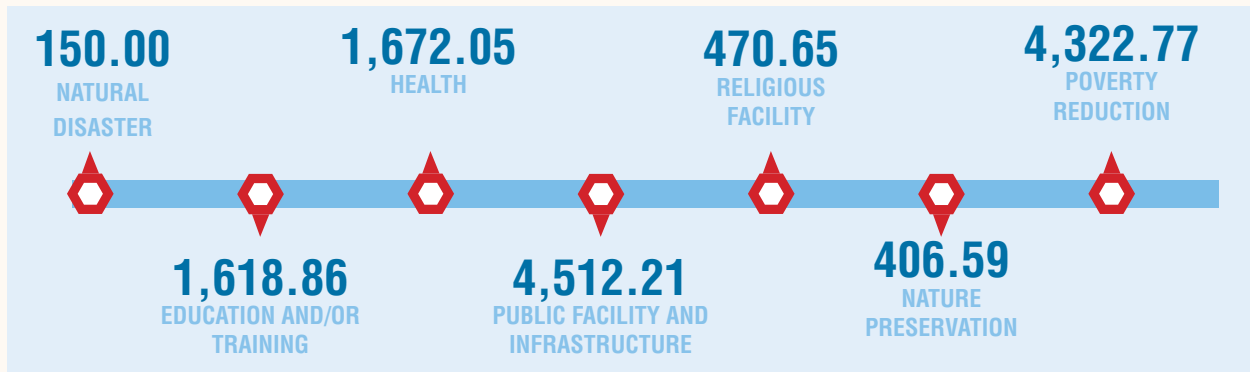




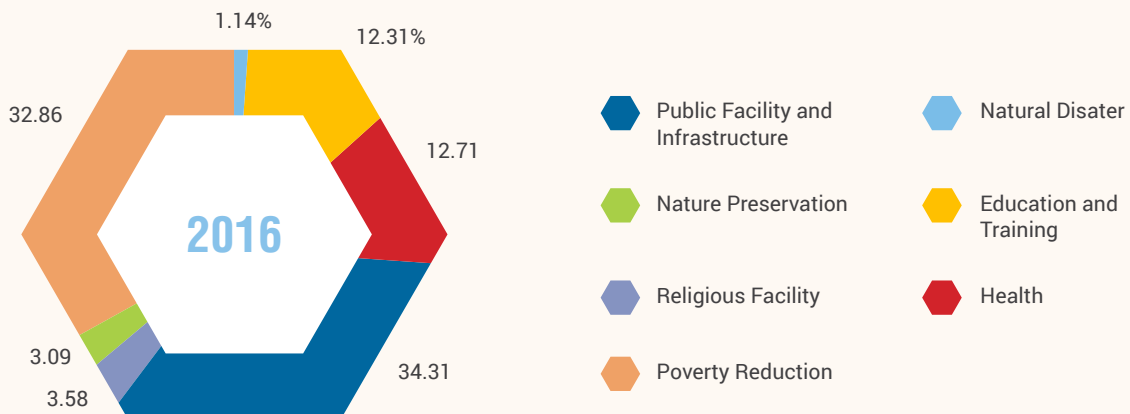
**Rp13,153.14 Million**

Total Realization of Fund for Community Development Program per Activity Category

Realization of Community Development Program per Field (Rp million)



Fund Allocation for Community Development Program



## COMMUNITY DEVELOPMENT PROGRAM ACTIVITIES IN 2016

### Public Facility and Infrastructure

#### Rehabilitation of Public Facility and Social Facility in Tambak Mas Residence Semarang

As a representation of social and environmental responsibility that has been assumed by the Company, the Company is continually committed to be responsible for settlements that have been provided with financing through KPR the Company facility. One of the activities carried out by the Company is renovation of public facility and social facility in Tambak Mas Residence, Panggung Lor Village Semarang. Tambak Mas Residence is the first settlement provided with housing loan by the Company at national level.



Before Rehabilitation



After Rehabilitation



**Development of Culinary Center in Sriwedari Park for Street Vendors in Solo**

For better management of Street Vendors (PKL) along the green belt area around Solo Keris Museum, Solo Municipal Government carries out relocation of street vendors around the museum to a culinary center that is provided by the Company, which consists of 65 kiosks. The relocation is expected to make Solo a beautiful city and to enable these street vendors to get proper location for their business.

**Socio-Community Distribution of Piglets for the Community in Papua Province**

When continuing BUMN *Hadir Untuk Negeri* Program in Papua Province in 2015, the Company distributed 160 pigs to representatives of Haay Tribe, Ireuw Tribe and Farmers Group of Keerom, Tolikara, Leni Jaya and Jaya Wijaya Regency, and Puncak Jaya Regency that received 20 pigs respectively. This aims to develop entrepreneurship spirit among the community in Papua in general and for the community in these five regencies in particular.

**Natural Disaster Natural Disaster Relief**

As a manifestation of its concern on natural disaster that happened in several regencies across Indonesia, the Company takes part in disaster response action by supplying goods that are needed to help the impacted. In 2016, the Company participated in disaster response actions in Purworejo, Garut, Aceh, and Bima Regency in West Nusa Tenggara.

**BUMN HADIR UNTUK NEGERI 2016**

In celebrating the 71st Independence of the Republic of Indonesia in 2016, the Ministry of SOEs and SOEs re-initiated “BUMN *Hadir Untuk Negeri*” program, which was a part of a series of activities to celebrate the Independence Day in 34 provinces in Indonesia. This activity shows a commitment to develop and cultivate the pride of being Indonesian, as a manifestation of the “*Bhinneka Tunggal Ika*” motto.

Pursuant to the letter of Minister of State-Owned Enterprises with document number No. S-279/MBU/05/2016 dated May 3, 2016 concerning “*Siswa Mengenal Nusantara*” (SMN), “*BUMN Mengajar*” and “*Bedah Rumah Veteran*” Programs in 2016, the Company had been appointed the Coordinator for North Maluku

Province and carried out a series of activities that were dedicated for the community, particularly local community of North Maluku Province.

As an SOE, the Company also gave its contribution to the commemoration of the 71st Independence of the Republic of Indonesia. This contribution constitutes a tangible step of the Minister of SOE and SOEs as Agent of Development to take part in the National Capacity Building, in which the Company plays its role in increasing the country’s prosperity through actual works that bring direct impacts.

Below are several activities under BUMN *Hadir Untuk Negeri* Program implemented by the Company in North Maluku Province:



### Education and/or Training

#### *Siswa Mengenal Nusantara*

Providing opportunity to get to know cultural diversity and wealth of other provinces' natural resources for 20 students from grade XI (two of them are students with disability) who have high academic achievement and come from underprivileged family.

This activity covers three insight aspects, namely socio-cultural insight, educational insight and entrepreneurial insight.

As the Coordinator for North Maluku Province, the Company sent these students to South Sumatera Province for one week.

#### *BUMN Mengajar*

This is an activity that was carried out by the SOE Branch Heads as one of the best generations of this country, to participate in educating the country through sharing of experience and motivation with High School/Vocational High School students and also to introduce SOEs.

### Socio-Community Field

#### *Bedah Rumah Veteran*

This is an activity that was carried out by SOEs as an appreciation of and gratitude to the veterans for their service in the independence of the Republic of Indonesia, particularly to the veterans who do not have decent residence. Decent residence for the veterans include proper roofing, tiled floor, bathroom and toilet, painted wall, good ventilation, kitchen, bedroom and living room.

#### **Bazaar in Celebration of Independence Day – August 17, 2016**

This was carried out by SOEs to sell cheap package of nine basic commodities to underprivileged community with an equal value of Rp150 thousand/package, which consists of rice, sugar, cooking oil, etc., and the community may buy only with Rp25 thousand/package, and the money received from this bazaar was returned to the community through construction of religious facility.



#### **Healthy Walk in Celebration of Independence Day – August 17, 2016**

This activity was held by SOEs to celebrate the 71st Independence Day of the Republic of Indonesia in 34 provinces in Indonesia. At the

same time with the Healthy Walk, there were also fair, bazaar, and culinary festival that involved street vendors who offered local dishes. To attract the interest of the community, SOEs provided door prizes and gifts for lucky participants.

## CORPORATE SOCIAL RESPONSIBILITY PROGRAM TO COMMUNITY [G4-S01]

In addition to the implementation of PKBL Program, as set out in Minister of SOEs Regulation No. PER-09/MBU/07/2015 dated July 3, 2015, updated in Minister of SOEs Regulation No. PER-03/MBU/12/2016 dated December 16, 2016, the Company continued to implement Corporate Social Responsibility (CSR) Program as mandated in Law Number 40 of 2007 on Limited Liability Company and Law No. 19 of 2013 [G4-DMA]

CSR demonstrates the Company's commitment to actively take part in increasing the well-being of the community through good business practices and by contributing some of its resources to various social responsibility activities. In accordance with its CSR Vision and Mission, the Company carries out CSR activities through both scheduled and incidental activities. The CSR activities are carried out in accordance with Board of Directors Regulation No. 29/PD/DSP/2008 concerning PT Bank Tabungan

**Rp4,371.06 million**  
 Total Realization of Fund for Corporate Social Responsibility Program per Field of Activity

Negara (Persero) Corporate Social Responsibility. Such activities are divided into scheduled and incidental activities. Scheduled CSR activities include: Social Field, Environmental Field, and Economic Field. Meanwhile, incidental CSR activities include activities to help relieve the community from disaster or certain economic condition, such as donation for natural disaster victims and other social aid.

In the implementation, various CSR activities by the Company aim for social and community development, including PKBL Program that focuses on community empowerment activities.

### CSR PILLARS

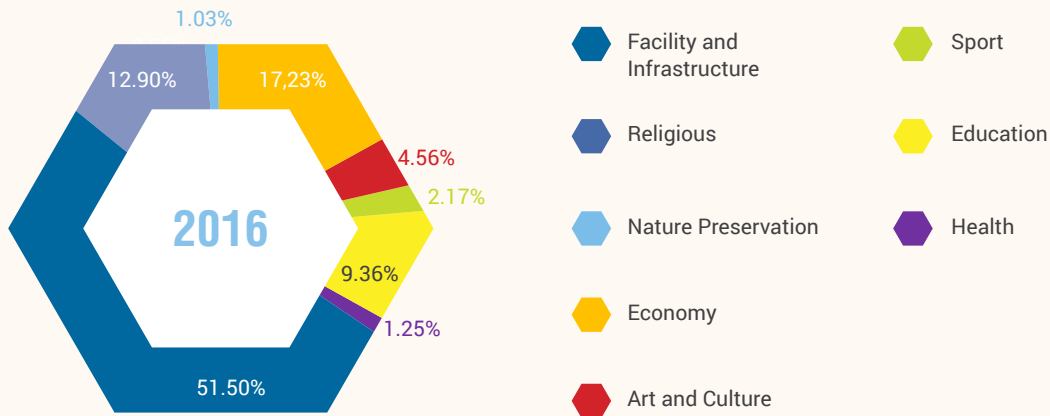
The Company carries out CSR activities integrated into nine main programs. These nine Programs are carried out through one main CSR Program, namely BTN Harmonious Environment Program (Program *Lingkungan Harmoni* BTN).

Realization of Corporate Social Responsibility to the Community Program (Rp million)

Field of Activity	Year		
	2014	2015	2016
Economy	1,438.70	2,245.39	753.03
Art and Culture	24.50	9.65	199.20
Sport	45	49.22	94.95
Education	655.70	1,942.68	409.32
Health	78.99	387.07	54.67
Public Facility and Infrastructure	3,393.64	4,123.94	2,250.93
Religious Affairs	396	1,314	564.01
Nature Conservation	239.1	473.33	44.95
<b>Total</b>	<b>6,271.63</b>	<b>10,765.28</b>	<b>4,371.06</b>



Allocation of CSR Program Fund



**BTN HARMONIOUS ENVIRONMENT PROGRAM**

BTN Harmonious Environment Program aims to educate the community through training and/or education and community assistance as the basis for development of integrated programs. BTN Harmonious Environment program is carried out through nine main activities as follows:

**Prosperous BTN (Sejahtera BTN)**

In order to continue the 2015 *BUMN Hadir Untuk Negeri* Program that had been implemented in Papua Province, the Company continued the program by distributing 2,000 kg of sweet potato seeds for the community, as part of Company activities to empower local community in four Regencies in Papua Province, namely Tolikara, Leni Jaya, Keerom and Puncak Jaya Regency to increase community income.



### **Religious BTN (Religi BTN)**

Religious BTN focuses on religious affairs, such as construction of religious facilities, donation for religious events, etc.

In commemorating the *Nuzulul Quran* 1437 H, the Company shared happiness with 1,000 orphans in iftar gathering with the big family of the Company and its business partners, which was held in all the branches along with handover of donation to these orphans and the foundation.



### **Green BTN (Hijau BTN)**

In preserving the nature in Indonesia, particularly in the areas where BTN operates, the Bank carried out nature conservation program through Green BTN. In general, Green BTN program includes replanting around the Company's operational areas.

As its responsibility for the environment, particularly for housings developed and financed through KPR housing loan facility, the Company rehabilitated and enhanced public and social facilities in Tanah Mas housing complex. This housing complex in Semarang is the first residence which was processed under the Company's loan agreement.



### **Fit BTN (Bugar BTN)**

The focus of Fit BTN is on sports, such as provision of sporting facilities for the surrounding communities and its supporting facilities and infrastructure, as well as sponsorship for sport-related activities.

As its responsibility for the community, particularly for settlements developed and financed through KPR housing loan facility, the Company rehabilitated public sport facilities and social facilities in Tanah Mas housing complex, Semarang.



**Healthy BTN (Sehat BTN)**

Healthy BTN is a manifestation of the harmonious environment program related to health. In this program, the Company disburses fund for renovation of public health infrastructure, supplies medicines and provides health facilities.

As a part of the *BUMN Hadir Untuk Negeri* Program, the Company and PT. Asabri (Persero) and PT. Perusahaan Pengelola Aset (Persero) held the groundbreaking ceremony for construction of public toilet and bathroom and water supply facilities in Kolorai Island and Dodola Island, Pulau Morotai Regency, North Maluku Province, as an activity carried out to improve the health of the community residing in one of the outermost islands in Indonesia.



**Smart BTN (Cerdas BTN)**

Smart BTN is a harmonious environment program that focuses on education. Smart BTN aims to provide education, knowledge and entrepreneurial skills and dissemination of community-based programs implemented by the Company.

In supporting the *BUMN Hadir Untuk Negeri* Program, particularly for *Siswa Mengenal Nusantara* Program, the Company provides opportunity for 20 students with excellent academic achievement from underprivileged families in Ternate, including 2 (two) students with disability, to learn more about the culture, customs, SOE activities and educational system in other provinces, especially in Palembang, South Sumatra.



**Clean BTN (Bersih BTN)**

Clean BTN is a program that is implemented by the Company to educate the community to develop clean and healthy habit.

The Company builds synergy with five other SOEs to develop tourism in Pinge Tourism Village in Bali Province to support tourism sector, which is one of the key support sectors for Indonesian economy, especially to Bali.



**Caring BTN (Peduli BTN)**

In general, the implementation of Caring BTN program relates to social aid for natural disaster victims. In 2016, the Company provided aid for natural disaster victims in several areas in Indonesia, such as in Purworejo, Garut, Aceh, and Bima Regency in West Nusa Tenggara.

Representing the Company's concern on natural disaster in several regencies across Indonesia, the Company takes part in disaster response action by supplying goods that are needed by the victim to help the impacted community. In 2016, the Company participated in disaster response actions in Purworejo, Garut, Aceh, and Bima Regency in West Nusa Tenggara.





## **Independent Assurance Statement**

Report No. 0217/BD/0005/JK

### **To the management of PT Bank Tabungan Negara (Persero), Tbk**

We were engaged by PT Bank Tabungan Negara (Persero), Tbk ('BTN') to provide assurance in respect to its Sustainability Report 2016 ('the Report'). The assurance has been carried out by a multi-disciplined assurance team with a broad range of skills and depth of experience, thus providing a high level of competency for the assurance engagement.

### **Independence**

We were not involved in the preparation of any key part of the Report and carried out all assurance undertakings with independence and autonomy. We did not provide any services to BTN during 2016 that could conflict with the independence of assurance engagement.

### **Assurance Standards**

We conducted our work in accordance with ISAE3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Accounting Standards Board. In addition, we have also planned and carried out our work in accordance with AA1000AS (2008) 'AA1000 Assurance Standards (2008)', issued by AccountAbility.

### **Level of assurance and criteria used**

Our evidence-gathering procedures have been designed to obtain a limited level of assurance based on SAE3000 and a moderate level of assurance engagement as set out in AA1000AS (2008) in order to provide confidence to readers by reducing risks or errors to a very low but not to zero. Moreover, the AA1000 AccountAbility Principles Standard (2008) of Inclusivity, Materiality and Responsiveness has also been used as criteria to evaluate the Report.

### **Scope of Assurance**

We provided Type 2 assurance engagement under AA1000AS (2008). This involved:

- 1) an assessment of BTN's adherence to the AA1000 AccountAbility Principles Standard (2008) and
- 2) an assessment on the accuracy and quality of specified sustainability performance information contained within the Report, in relation to the agreed scope. The scope of work consisted of:
  - Partnership program
  - Community stewardship program
  - Product responsibilities
  - Human resources development.

### **Responsibility**

BTN is responsible for all information and claims contained in the Report, including established sustainability management targets, performance management, data collection and report preparation, etc. Our responsibility in performing this engagement is to the management of BTN only for the purposes of verifying its statements relating to its sustainability performance, more particularly as described in the agreed scope. Our responsibility is to express our conclusions in relation to the agreed scope.

### **Methodology**

We have assessed several assertions and specified data sets included in the report and the systems and processes used to manage and report these using the following methods:

- Reviewed report, internal policies, documentation, management and information systems
- Carried out interviews with staff involved in sustainability-related management and reporting
- Followed data trails to initial aggregated source and checked sample data to a greater depth during the engagement process.

## Limitations

Our scope of work was limited to a review of the accuracy and reliability of specified data and interviews with data providers, persons in charge of data collection and processing, as well as persons in charge of sustainability performance-related information.

## Conclusions

We have confirmed that the Report has been prepared in accordance with G4 Core Criteria issued by the Global Reporting Initiative (GRI)

Findings and conclusions concerning adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness include:

### ▪ Inclusivity

An assessment has been made to determine whether BTN has included all key stakeholders in developing and achieving an accountable and strategic response to sustainability issues.

We found BTN demonstrates a strong commitment to stakeholder inclusivity. BTN has an effective system in place for key stakeholders to participate in the development of the organization's response in the context of sustainability. This is demonstrated for instance, by conducting needs assessment surveys and materiality level survey to the key stakeholders group.

However, we recommend that BTN continues to improve stakeholder inclusivity systems and procedures on a regular basis to maintain their effectiveness.

### ▪ Materiality

An assessment has been made as to whether BTN has included in the Report the material information required by its stakeholders in order to enable them to make informed judgements, decisions and actions.

We found BTN has a strong process in place to determine material issues. Key material issues were adequately reported and were found to provide balanced information about BTN's sustainability performance. However, we recommend that BTN continues to conduct materiality test on a regular basis in future reports.

### ▪ Responsiveness

An assessment has been made as to whether BTN demonstrates that it responds to its stakeholders and is accountable to them.

BTN was found to be responsive to key stakeholder concerns and expectations. This was achieved through the organization's allocation of resources to stakeholder engagement, the timeliness and accessibility of reported information, and the types of communication mechanisms regularly employed.

However, we recommend that continues to improve stakeholder engagement procedures on a regular basis in future reports.

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the data of the Report has been materially misstated.

All key assurance findings are included herein, and detailed observations and follow-up recommendations have been submitted to BTN management in a separate report.

Jakarta, February 20, 2017



**James Kallman**  
President Director



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*We can rely on the skills of more than 33,400 professionals operating together in 97 countries, sharing the same values and sense of responsibility, whilst in Indonesia is served by Moores Rowland, one of the leading sustainability assurance providers.*

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All reported performance standards and indicators have been verified internally and receiving assurance from external verifier.

# STAKEHOLDER'S FEEDBACK FORM

Thank you for reading our PT Bank Tabungan Negara (Persero) Tbk Sustainability Report 2016. To improve the quality of our report and enhance transparency with regard to the Company's sustainability performance as well as provide input for the preparation of Sustainability Report 2017, the Company would like to ask you to provide us with feedback by completing the following form:

No	Question	Yes	No
1	This Sustainability Report has provided useful information on the economic, social, and environmental performance of the Company		
2	The contents of the report are presented in a well-structured manner		
3	The data and information disclosed are easy to understand		
4	The data and information have been disclosed in a full, transparent and balanced manner		
5	The data and information provided are useful for decision making		
6	The Sustainability Report provides comprehensive information about the profile of the Company and its operations		
7	The layout, font, size, color layout, appearance and the pictures contained in the Sustainability Report make it interesting and easy to read		

No	Question	Answer
1	Identify the information in this report that has been the most beneficial to you in terms of:	
	a. Promoting Sustainable Economic Growth	
	b. The Company's Awareness of Environmental Sustainability	
	c. Human Capital Management	
	d. Providing Customer with the Best Services	
	e. Support to Strengthening of Financial Inclusion	
2	Identify which information in this report that you want to explore deeper:	
	a. Promoting Sustainable Economic Growth	
	b. The Company's Awareness of Environmental Sustainability	
	c. Human Capital Management	
	d. Providing Customer with the Best Services	
	e. Support to Strengthening of Financial Inclusion	

## Reader's Profile

Member of which stakeholder group	:
Gender	:
Age	:
Educational attainment	:
Occupation	:
Name of institution	:
Line of business	:

The Company would appreciate any suggestions and feedback that you might have on the information presented in the report. To convey your feedback to the Company, please send this form to: **[G4-31]**

## HEAD OFFICE [G4-5]

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This Feedback Form is distributed to the stakeholders as a means of improving the quality of the report and the transparency of the Company's sustainability performance, as well as providing input for the preparation of the Sustainability Report 2017.

Sustainability  
Report 2016



Sahabat Keluarga Indonesia

**PT Bank Tabungan Negara (Persero) Tbk.**

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