

📍 Human Resources



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HUMAN RESOURCES MANAGEMENT

Facing rapid changes, intensified business environment as well as business disruption due to digital advancement, the Company has to transform to keep up its competitive edge and viability. The Company has to prepare itself to alter the mindset of all employees, and nurture its talents under the principle of “employees as assets.”

Danamon’s commitment to offer the best for its employees has appeared in many aspects. One of the main aspects that Human Capital (HC) has implemented in 2017 was the intensified digitalization of HR management system, which encompasses manpower planning, recruitment, performance management, and learning and development. In addition, Danamon has improved workforce planning, upgraded human resource quality, and increased employee engagement levels instigated at bankwide and units level.

HR MANAGEMENT VISION AND MISSION

The Vision of the Human Capital is for Danamon to be the company of choice for career advancement and well recognized as a high-performing company that fosters the careers of its employees. This vision is translated into the mission of providing user-focused HC management and solutions, and utilizing technology, To Deliver Customer Centric - Human Resource Solutions and Services, Leveraged by Modern Human Capital Technology to Support Danamon to be high performing Institution.

Danamon's mid-term 2016-2020 Human Capital strategic objectives have been ascertained. Each phase of the plans covers different subject matters, and continuously strives to improve the quality of HC management practices to provide a positive experience for all employees. This is in accordance to Danamon's vision to becoming the employer of choice and to be well recognized as a high-performing organization.

2016 - 2017 Fixing and Learning	2017 - 2018 Improving	2018 - 2019 Excelling & Sustaining	2019 - 2020 Agile & Enabling Organization
Focus on the basics that are critical to the Bank	Bring the basics to the next level with quality and efficiency at par with leading market practices	Institutionalize the HC process to sustain a high performance organization	Adapt to an ever-changing working environment, leveraging updated HC technology
<ul style="list-style-type: none"> • HC system/platform enhancement • Business process improvement • Team with adequate capability 	<ul style="list-style-type: none"> • Fully integrated HC system/platform • Leveraged by social media and digital capability • Cultivate culture to drive a high performance organization • Respectable Danamon Corporate University • Well recognized business partners 	<ul style="list-style-type: none"> • Data analytics-driven by HC practices/decisions and transparent culture • Competitive organization • Sustainable meritocracy-based performance • High performance human capital 	<ul style="list-style-type: none"> • Proven Employee Value Proposition (EVP) • High value-added organization

HR MANAGEMENT POLICY

In 2017, the Human Capital overhauled and modified the Company's Human Capital Policies, which includes the amendment and adjustment of 57 Director Decrees and 303 memos issued between 2000 and 2007. The improvement and adjustment to the Human Capital Policies aim to raise awareness of the Company's rules and guidelines. All of these amendments facilitated consistency in the implementation of HC management policies, and functioned as guidelines in decision making for all parties on HC related matters.

The Danamon Code of Ethics was also reformed. The reformation was due to the rapid changes occurring both internally and externally to the Company, such as new regulations, new business strategies, and technological advancements. The Code of Ethics reformation aims to enhance the integrity and commitment of the management and employees jointly, to safeguard the Company's cultural values, and mitigate new risks to enhance its trust to customers, regulator, and stakeholders. Dissemination of Danamon's Code of Ethics has been ongoing since December 2017 through e-learning media to accommodate all Danamon employees across Indonesia.

The Merit-based Rewards System (SIPASTI) remains the key underpinning performance management policy, with an emphasis on the standpoint that the primary goal of performance management is to consistently monitor and improve employee performance. The implications of financial rewards are positioned as an outcome of continuance and consequence of good performance and not as a primary goal.

Furthermore, Danamon will pay more attention to job rotation to talented employees in order to fulfill internal manpower needs. This is reinforced by a policy that enables good performing employees who have held a certain position for at least 3 years to be able to be transferred to other working units according to their expertise. This job rotation should be treated as the absolute right of all employees, whereby employees fulfilling set of requirements may apply for rotation by notifying their supervisor, without necessarily seeking approval.

HR MANAGEMENT PERFORMANCE

Employer Branding

Highly qualified employees have a high bargaining power in choosing their employer. In addition, more employees are increasingly dominated by the millennials, and they display a selective attitude in choosing their place of employment. Both of these concerns lead to a strong employer branding that is very important for Danamon.

A number of initiatives have been put in place. Externally, Danamon is constantly active in various social media platforms such as Instagram and LinkedIn in order to complement cooperation with

universities and corporate social responsibility (CSR) activities. In July 2017, Danamon celebrated its anniversary, titled Stage 61, which featured events with Danamon's customers and employees in Jakarta and across regions.

Internally, Danamon launched its #SerunyaDiDanamon campaign in the form of email blasts to all employees promoting sporting, religious, social, environmental events and others. In addition, the Company also publishes a bi-monthly internal magazine called "Spirit", containing articles on Danamon's activities and initiatives.

Recruitment

A number of initiatives have been implemented to improve recruitment procedures, including:

- The use of online psychometric tests, in particular for candidate selection during mass recruitment.
- The revision of guidelines for interview, and the provision of advanced training for regional recruitment teams in interview techniques to ensure consistent interview quality and results.
- The analysis of various data obtained from candidates and employees who are resigning in order to better determine various factors influencing their decisions to join or resign from Danamon. This analysis contributes the groundwork of employee engagement activities.
- Procedure revisions on recruitment and its approval in order to fasten the decision-making process.

Those initiatives have resulted in significant reduction in the recruitment process time.

Staff recruited based on job level

Job level	2017	2016	2015	2014	2013
Top Management	3	3	4	4	1
Senior Manager	38	37	20	13	13
Manager	247	136	95	109	136
Officer	1,385	1,173	800	1,190	1,751
Staff	5,705	9,159	10,808	10,358	17,407
Total	7,378	10,508	11,727	11,674	19,408

Staff recruited based on job level

Job function	2017	2016	2015	2014	2013
Sales	3,389	4,892	6,545	6,015	9,574
Non-sales	3,989	5,616	5,182	5,659	9,834
Total	7,378	10,508	11,727	11,674	19,408

Training and Competence/Education Development

Danamon continuously conducts trainings and competency advancement programs for its employees. As of October 2017, the Company had conducted both technical and soft trainings/ leadership competency programs for 164,554 employees comprising of 139,637 man-days conducted throughout Bank Danamon and Danamon Corporate University training centers.

In 2017, Danamon has enrolled 2,722 of its employees for Risk Management Certification (SMR) trainings and the subsequent examinations. In addition, certification programs such as Lean Six Sigma Project and Project Management Professional were conducted to improve the Bank's performance.

Human Capital has established the Danamon Bankers Trainee (DBT) program intended for the best and most talented Bachelors/Masters graduates as future leaders of Danamon. In order to accelerate the capabilities of frontliners, Danamon continuously conducted the Danamon Development Program

(DDP) for Operations, and Sales and Distribution Development Trainee Program (S&D DP) for the Sales and Distribution Division totaling 271 participants as of December 2017.

As of beginning of 2016, Danamon has successfully reduced employee's training development costs. With the introduction of e-Learning, training expenditures have drastically reduced and have reached a much wider employee base throughout the nation.

The downward trend in the cost of training is projected to be consistent. With e-Learning, employees can access training materials anywhere and anytime by utilizing their own personal mobile device and network through EAZY Learning. As this is already a direct cost savings for the Company, employees can also benefit from their personal device which enable employees to be more efficient with their working time and spend less time on e-learning.

Danamon has realized an investment of Rp 235 billion in 2017 on training, both in-class and e-learning, tailored to the needs of employee competency improvement.

Based on the evaluation results in 2017, Danamon have achieved a training ratio of 7.29% well above BI regulations which stipulate a minimum training ratio of 5%, and the level of training spread was 97.1%. This was achieved through the optimization of several in-class and e-learning training programs.

Training Program Statistics

Training Programs	2017	2016	2015	2014	2013
Total Training Programs	1,411	3,109	2,580	2,948	3,329
Number of Training Participants	164,554	207,739	64,216	70,278	90,864
Total Man-days	139,637	167,428	157,056	175,059	237,446
Total Training Investment (Rp million)	235,517	248,355	182,170	225,942	261,079
Average Investment per Employee (Rp million)	1.43	1.20	2.84	3.21	2.87

Employee Engagement

The outcome of the Employee Engagement survey, conducted in 2016, revealed some issues for consideration; one of which is leadership quality. Because of these findings, the Company has carried out remedial measures, entitled Leadership Series. This program consists of:

- Leadership Café is a face-to-face sharing session involving several prominent speakers on a variety of real-life topics, such as leadership, vision, motivation, entrepreneurship, and other fundamental topics. Among the keynote speakers were Handry Santriago, Dino Patti Djalal, and Swan Kumarga.
- Leadership Giving Back is a face-to-face sharing session delivered by Danamon's Directors. Members of the Board of Directors led this session were Heriyanto Agung Putra, Herry Hykmanto, and Rita Mirasari.
- Leadership Chat is a sharing session through EAZY Chat social media, developed for internal use at Danamon. This session makes it possible for Danamon employees to interact directly with Danamon's Board of Directors members to ask questions and discuss various issues.

Other initiatives included building an on-boarding framework and guidance for Unit Leaders to provide a positive experience for new employees. The Company expects effective on-boarding to improve productivity and to ensure that new employees are familiar with Danamon's vision, mission and cultural values.

In the fourth quarter of 2017, the Company conducted Piloting Survey in several Directorates, including Leadership Transition, Project Management, and On-Boarding. These surveys aimed to measure relevant employee engagement levels so that strategies and initiatives could be better formulated to build up employee engagement further.

Performance Management

In September 2017, Danamon introduced new online performance management system under EAZY platform. This greatly assisted employees and their supervisors in objective setting transparency. The cascade function allows supervisors to pass down work targets to their subordinates.

Moreover, the availability of a continuous performance management module, accessible through personal communication devices, enables supervisors to monitor and record work achievements more effortlessly. This new system will make the process of achieving objectives become more focused, and planning, execution and achievement be easily and immediately communicated between subordinate and supervisor.

With the changes in the system, the Company foresees that employees' work attitudes and behaviors will be more objective-focused. Should any employees struggle to achieve work targets, the system can immediately detect this, and their respective supervisor can take immediate action in coaching the employees.

Development of Talent Management and Employee Careers

Talent management is an important aspect for Human Capital. Thus, the Company has conceived a comprehensive and sustainable talent management program that aims to ensure the availability and readiness of future leaders to hold key positions within the Company.

The program begins with the identification and mapping of talents using two criteria: performance and potential. Assessment and talent review identify and manage high-performing employees within the Company to advance according to their individual expertise. The program also aims to increase employee engagement levels under their own initiatives, both bankwide and within their respective divisions, and to implement succession planning, ensuring Company sustainability by preparing high-performing candidates to become prospective leaders.

In the effort to cultivate talents within the Company, The Management Trainee and Development Program were established. These programs aim to nurture future bank leaders by strengthening their comprehensive banking knowledge and by systematically job-rotating them in order to accelerate their skill progression.

To accomplish this strategy, Human Capital is currently devising a career advancement system in order to improve employees' competency through training in soft skills, technical skills, and tiered leadership. This Leadership Program includes series of people management for first line, middle management, and leadership skills for senior managers. With enhanced skills, employees have higher probability of success and perform well on more challenging assignments.

Employee Remuneration

Danamon has formulated a remuneration strategy based on the meritocracy principle whereby the Company grants rewards based on competence and performance. This strategy is realized through the SIPASTI principle and has been consistently implemented since 2015 in various arrangements of short-term and long-term incentive programs given in the form of financial or non-financial.

Employee remuneration is categorized into fixed components based on level of position, job category, position scarcity in the market, as well as market benchmarks and variable components of bonuses and incentives. Bonuses are awarded based on the Company's target achievements, industry benchmarks, operating unit's achievements, and individual achievements. Incentives are given to positions that directly generate revenue, such as sales person and bill collectors, and are designed

to increase motivation and shape effective sales or billing behavior. With a fair and balanced compensation system, the Company looks forward to build a productive working environment as well as encourage the performance and motivate Danamon's employees to continue to work and contribute better.

Employee welfare

In addition to providing government health insurance (BPJS) and pension plan (JHT) benefits, Danamon provides additional health insurance, pension funds and special housing loans (KPR) for its employees. The mortgage loan policy has also been reviewed, and the increase in lending limit has been approved by the upper management to be introduced simultaneously with the signing of a new Collective Labor Agreement with the labor union. Motor vehicle allowance has also been revamped; from previously Car Ownership Program (COP) scheme into the Car Ownership Cash Program (COCP) whereby eligible employees receive a cash allowance paid in conjunction with the monthly payroll.

In December 2017, Danamon collaborated with Adira Finance and Adira Insurance to launch financing and insurance designed to benefit both Danamon and Adira employees. Through this program, employees are eligible to apply for motor vehicle loans, home appliance loans, and various types of insurance at interest and premium rates lower than commercial ones.

For long-standing employees, on December 11, 2017, Danamon held long service awards in recognition of employees with 5, 10, 15 and 20 years of work experience with the Company. To date, 620 employees have received the award.

Pension

Danamon's pension plan is in accordance with prevailing applicable government regulations. In honoring retiring employees, Danamon provides a counseling workshop to enable them to be better prepared during retirement. Topics include essential variety of activities, mental and financial preparation.

Employee Turn Over Level Management

The percentage of Danamon's employees regretted turnover in 2017 reached 7.2% (1,132 personnel) of the total number of employees. This is better compared to 2016's figure of 8.4% (1,471 personnel). Out of this figure, regretted turnover occurred most in employees with a 3-5 year work tenure. A similar trend also occurs in many other companies. This is allegedly related to the characteristics of the millennial workforce that is apt to move from one job to another, and be more enterprising in trying alternative jobs.

Efforts to reduce this regretted turnover characteristic among employees is accomplished through a number of techniques, such as adopting a more transparent performance management system, conducting employee development programs at first-line, middle, and senior management levels, and running managing across generation training that equips first level and middle managers with the skills in managing subordinates and millennial generation employees.

Danamon is fully aware of work force shifting generation: from Generation X to Generation Y (millennial); with all the diverse characters within the generation, making leadership approaches above all need to be attuned.

Human Resource Information System

Digitalization of HR management in 2017 is intended to facilitate human resource management, and create a new experience for all Danamon employees. In September 2017, the Company launched the EAZY Chat application, allowing employees to communicate with one another through Danamon's dedicated social media. This application also serves as a library featuring a variety of work-related information.

In November and December 2017, the Company also launched 3 other applications, namely EAZY Performance Management System, EAZY Recruitment, and EAZY Learning. Besides being accessible through the office computers within Danamon's network, all of these applications can be accessed from employees' personal devices via the Internet, and enhance mobility. More importantly, the system offers valuable experience relevant to future trends.

Risk Management

Strengthening risk management is crucial to enhance compliance with applicable regulations within the Human Capital. In addition to Risk Control Self Assessment (RCSA) and Compliance Risk Self Assessment (CRSA), the Human Capital also perform the implementation of a Controlled Environment encompassing all work functions within the Human Capital, which aims to ensure that every task is in line with the intended objectives and duties. Compliance is expected to reduce risks that may arise from non-performing tasks.

In strengthening risk management within the Human Capital, a test step as a tool for risk mitigation has been formulated and periodic/adhoc internal audit trials have been initiated. Strengthening risk management is also accomplished through information dissemination and communication on the importance of understanding, complying, and applying Code of Ethics.

Industrial Relations

Proper Industrial Relations Policy is compulsory for Danamon to ensure business continuity, to create a favorable working environment, to warrant employees' pride, and to promote good reputation acknowledged by external parties. The creation of harmonious industrial relations is clearly a measure of ensuring improved working conditions, productivity, competitiveness, and work quality. In addition, a well established industrial relation is also an indicator of Good Corporate Governance for Danamon.

Danamon's management consistently strives to build constructive communication and consolidation with respect to expectations put forward by the Labor Union. As part of information transparency, Danamon's management in December 2017 conducted discussion forums attended by the entire workforce community, such as the employees' cooperative, religious functions, and the Labor Union facilitated by the Ministry of Manpower, and Commission IX of the House of Representatives.

Management also works closely with the Ministry of Manpower of the Republic of Indonesia to arrange training on Employment Regulations, Terms of Employment and Industrial Relations, especially those related to outsourcing.

Negotiations on Collective Labor Agreement Renewal (CLA) in 2017 were held in two stages. Negotiation was once put on hold due to disagreement between the labour union representatives with the management's representative. The management maintained its position and the willingness to continue the negotiation process.

PRIMARY PERSONNEL DEMOGRAPHIC DATA

Danamon Headcount Data as of November 2017 (Consolidated)

Company	2017	2016	2015	2014	2013
Danamon	16,811	22,832	27,223	31,660	35,423
Adira Finance	18,760	20,094	21,351	26,098	28,519
Adira Quantum	-	8	524	1,691	2,863
Adira Insurance	839	1,085	1,128	1,169	922
Total	36,410	44,019	50,226	60,618	67,727

In the period of 2013-2017, Danamon has undergone many initiatives in order to improve its business. Not only did it impact on the changes to the business model, some transformation projects impacted to changes also to number of manpower.

Employee Composition Based on Organization Level (Consolidated)

Position	2017	2016	2015	2014	2013
Top Management & Technical Advisors	24	27	23	39	49
Senior Managers	340	378	384	422	407
Managers	3,376	3,108	3,229	4,045	3,495
Officers	11,369	12,487	13,751	16,818	16,894
Staff	21,301	28,019	32,839	39,294	46,882
Total	36,410	44,019	50,226	60,618	67,727

The reduction in the number of employees occurred almost evenly across all levels of the organization, with the exception of managerial level. The largest percentage of employee reductions occurred at the Staff level. This is attributable to a combination of the growth of the organization at managerial level requiring more think-tanks, and the efficiency of work processes.

Employee Composition Based on Employment Tenure (Consolidated)

Employment Tenure	2017	2016	2015	2014	2013
0-3 years	11,213	13,872	18,380	25,128	36,053
3-5 years	3,757	6,770	10,391	14,555	11,676
5-10 years	12,998	14,700	12,576	10,896	11,479
10-20 years	5,883	6,562	7,450	8,774	7,354
> 20 years	2,649	2,115	1,429	1,265	1,165
Total	36,410	44,019	50,226	60,618	67,727

The largest reduction in the number of employees occurred in the employment tenure between 3 to 5 years. This is an eventuality requiring a specific course of action and employee engagement to improve upon.

Employee Composition by Age (Consolidated)

Age	2017	2016	2015	2014	2013
<25 years old	2,603	3,912	4,655	6,343	9,066
25-34 years old	19,252	25,120	29,616	36,584	41,983
35-44 years old	11,340	11,875	12,996	14,520	13,966
> 45 years old	3,215	3,112	2,959	3,171	2,712
Total	36,410	44,019	50,226	60,618	67,727

The employee group between 35 to 44 years of age is relatively stable compared to the decline in the number of employees in other age categories. This is due to the increase in managerial positions.

Employee Composition by Academic Background (Consolidated)

Academic Background	2017	2016	2015	2014	2013
Postgraduate	461 (1.3%)	438 (1.0%)	445 (0.9%)	542 (0.9%)	573 (0.9%)
Bachelor	24,733 (67.9%)	29,137 (66.2%)	31,963 (63.6%)	37,834 (62.4%)	42,361 (62.6%)
Diploma	6,932 (19.0%)	8,399 (19.1%)	9,719 (19.4%)	11,982 (19.8%)	14,007 (20.7%)
High School	4,272 (11.7%)	6,022 (13.7%)	8,065 (16.1%)	10,161 (16.8%)	10,671 (15.8%)
Junior High/ Elementary	12 (0.03%)	23 (0.1%)	34 (0.1%)	99 (1.2%)	115 (0.2%)
Total	36,410	44,019	50,226	60,618	67,727

The percentage of employees with undergraduate and postgraduate education levels has consistently risen over the last 5 years. This demonstrates, in general, that Danamon's human resources with higher educational backgrounds have improved.

Employee Composition Based on Employment Status (Consolidated)

Employment Status	2017	2016	2015	2014	2013
Permanent 1)	29,596	31,950	35,606	42,476	47,075
Non Permanent 2)	6,814	12,069	14,620	18,142	20,652
Total	36,410	44,019	50,226	60,618	67,727

Notes:

1) Permanent employees include permanent employees and employees on probation.

2) Non Permanent Employees include contracts, trainees, honorarium and expatriates. Data does not include outsourced employees

HUMAN CAPITAL STRATEGY AND WORK PLAN 2018

Referring to Human Capital's medium-term strategy and work plan, in 2018 the Company will continue to concentrate on the digitalization of HR management system with the convenience of universal access, enhancing Human Capital excellence and capabilities as business partners, building a culture of sustainable performance management, and building talent management and succession planning.

To strengthen overall leadership and Danamon's human resource management capabilities furthermore, the Human Capital will consistently promote the notion of "every manager is a people manager". Thus, it is projected that employee engagement and turnover numbers will improve in the future.