

The implementation of internal control by the Quality Assurance unit in 2015 covered divisions, subsidiaries and supporting functions. Divisions that are related directly with customer transactions have a higher examination frequency, while for headquarters divisions, formal internal control reviews are carried out on an annual basis.

An awareness program for internal control towards work units are carried out by the QA unit. In principle internal control is not only the task of the Internal Control unit (Quality Assurance), but also a task and responsibility for all work units.

Evaluation on the Effectiveness of Internal Controls

Internal Audit is an essential part of the Internal Control System and carries out audits to ensure the effectiveness of Danamon's internal control, through independent evaluation of sufficiency and compliance towards policies, procedures and systems. The result of the evaluation of internal control system is one of the basis for management to determine the effectiveness of the performance of the internal control system. Evaluation of the effectiveness of the internal control system is described through an audit rating which serves as a basis for improvements such as updates on policies/procedures/systems.

SOCIAL RESPONSIBILITY AND SUSTAINABILITY REPORT

Corporate Social Responsibility

The report on corporate social responsibility has been prepared as a section named Corporate Social Responsibility in this Annual Report. The activities of the corporate social responsibility are summarized in the table below.

| No. | Topics | Policies | Activities | Financial Impacts & Certification |
|-----|---|--|--|---|
| A. | Environment | Sustainability Policy points 1-7, which include, among others: sustainable integration on environmental matters, control of environmental impacts. | <ul style="list-style-type: none"> - Environmental programs relating to the surrounding of the Bank operations in Indonesia - Environment Care Activities conducted full year with focusing on people market in all Danamon/Adira's areas, covered activities: green act in market, biopore holes development to reduce the flood potential, maintenance MCK facility, clean water in market, provide hygienic tools, etc. - Calculate reducing carbon emissions created by Bank waste programme and from integrated waste recycling in Pasar Sejahtera. - Coordinate with GIZ to Eco mapping activities in two Pasar Sejahtera locations. Eco Mapping is an environmental problem and solution mapping programme. | <ul style="list-style-type: none"> - Total budget of Environmental Care (PPL) for 2015 was Rp2,500,000,000,- - As of the end of 2015 Danamon does not yet possess environmental Certification |
| | Policy, Concept and Frameworks of Yayasan Danamon Peduli Operations can be viewed on the CSR Chapter of this report | | | |
| | Memo no. B 58/PA/0614/IMEA on Danamon Recycled Paper Initiatives | | <ul style="list-style-type: none"> - Overseeing 3R (reduce-recycle-reuse) processes on paper waste in several offices of Danamon and Adira - Using recycled paper as raw material for paper replacement. | |

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| B. | Development of Social Community | <ul style="list-style-type: none"> - Sustainability Policy points 1, 2, 5, 6, 7, which include, among others: sustainability integration in social and cultural matters, management of direct and indirect social impacts. - Policy, concept for the operational framework of Yayasan Danamon Peduli can be viewed in the CSR chapter | <p>Improvement of Facility and Infrastructure</p> <ul style="list-style-type: none"> - Health post facility, general facility (MCK) in markets <p>Revitalization of traditional market through Pasar Sejahtera Revitalization Program:</p> <ul style="list-style-type: none"> - Waste management facility - Development wet market physical infrastructure <p>Development of Social Community:</p> <ul style="list-style-type: none"> - Developing and strengthening seller cooperatives, information wall, community radio, waste facility in market through capability training - Facilitating the formation of Market Working Group within the Local Government <p>Community Empowerment:</p> <ul style="list-style-type: none"> - Facilitating the establishment of cooperatives - Facilitating cooperative activities and funds with back up from Danamon Syariah - Establishment the market seller group through serial routine activities such as: discussion, cooperation, clean event, etc. - Finance for market literacy program through Pojok BISA with objective to share the knowledge in planning and financial managing for market sellers and customers. - Build awareness of declining situation of markets through promotion and national champagne Jelajah Pasar Rayat Nusantara and Pasar Rakyat Festival. - Talkshow about planning and financial management for sellers and customers - Training for fire disaster response in markets <p>Rapid Disaster Response: Yayasan Danamon Peduli provides direct aid to fire and disasters victims, collaborated with BPBD (Badan Penanggulangan Bencana Daerah)</p> | <ul style="list-style-type: none"> - The funds of Yayasan Danamon Peduli disbursed for Pasar Sejahtera market in 2015 was Rp8,051,813,334,- - The funds of Yayasan Danamon Peduli disbursed for Rapid Disaster Response in 2015 was Rp321,000,000,- |

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| C. | Labor, Health and Work safety | <ul style="list-style-type: none"> - Sustainability Policy points 1, 2, 5, 7, which includes, among other things, the integration of sustainability into business processes and internal policies, improve the competence and professionalism of employees, involving employees in the implementation of the strategic plan of safety, health and working environment social and cultural fields, management of social impacts directly and indirectly. - Decision of the Director General of Industrial Relations and Social Security Labor No. Kep. 10/PHIJSKPKKAD/ PKB/I/2013 concerning the Registration Extension of the Collective Labor Agreement, - Memo No. B.7800-HRKP 1213 concerning Implementation of Performance Evaluation End of Year 2013 - Danamon Business Continuity Management (BCM) Policy Ver 2:01 (2015 review) - Danamon BCM Standard Principle Ver 2.01 (2015 review) | <p>Labor</p> <ul style="list-style-type: none"> - Danamon has a good relationship with labor unions and regularly held meetings with trade union officials national and regional levels with the HRD center or in the region, as well as meetings between the Board of Trade Unions Core Danamon with the Directors of the Bank on a regular basis per 3 months or an ad hoc meeting, when there issues that need to be discussed urgently. - Performance Evaluation (performance appraisal) is conducted twice a year. - Employees have health insurance facility. <p>* Detailed information about the activities of labor can be seen in Human Resources section in this report.</p> <p>Health</p> <ul style="list-style-type: none"> - Health Talk, a seminar or discussion for employees with topics relevant to the health of employees (such as blood sugar, cholesterol, a healthy diet, chronic diseases, brittle bones). - D'Health Fair, in collaboration with Medicillin and brought in the field of health providers for services to employees. - Online health Rubrics that provides information on health in the work environment such as the importance of stretching on a regular basis when working. - Provide a lactation room so that these activities can be done in the office with a hygienic and comfortable facilities. - Conducting Program injectable HPV vaccine for prevention of cervical cancer. - Hold Blood Donation involving employees regularly at least 2 or 3 times a year. - Facilitate the establishment of sports and cultural club such as futsal, badminton, volleyball, basketball, table tennis, gymnastics/ aerobics, cycling, hiking, bowling, running, band, singing. - Facilitate creation of such arts club D'Choir and D'Photography involving employee representatives from all regions in Indonesia. To cultivate employee skills through the arts. <p>Work safety</p> <ul style="list-style-type: none"> - Assign procedures and emergency response resources (natural disasters, fires, riots), including the establishment of Command Center both at the level of Corporate and Area/Regional for the Bank and its subsidiaries. - Implement periodic evacuation drills - Continuously socializing safety procedures to employees such as by e-mail blast - Paying attention to K3L aspect in every building constructed or occupied Danamon. - Ensuring the density ratio (density ratio) of employees meets standards - Ensure lighting systems, air conditioning and air circulation going well. - Establish a new club for employees who are willing to engage the concern of floods ((Community volunteers under D'Club). <p>* Detailed information regarding Health, Safety and Environment (K3L) can seen on the Corporate Social Responsibility in Corporate Social Responsibility Section in this report.</p> | <p>In May 2015 the bank succeeded in maintaining the extension of ISO 22301: 2012-Business Continuity Management System (BCMS) obtained in 2013, after going through the audit of maintenance of certification (surveillance audit) by the British Standards Institution Group without any discrepancies (nonconformity findings).</p> |

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| D. | Responsibility to Customers | <ul style="list-style-type: none"> - Sustainability Policy points 1, 2, 5 which includes, among others, the integration of sustainability into every process and business activity, helping businesses to become established and grow, to allow consumers to develop welfare. - Decision of-DAC DIR-001/February 21, 2012 regarding the appointment of the Unit of Work Related to Centralization Handling Customer Complaints and the duties and responsibilities of each work unit | <p>The responsibility of product information</p> <ul style="list-style-type: none"> - Customer Education Danamon conducting financial literacy along with meeting activities for customers and prospective customers are routinely held by each business unit annually to the allocation of special time through submission of banking education materials in every meeting. During 2015, the number of participants were educated on the activities of financial literacy of more than 41,303 participants including mothers, housewives, micro-entrepreneurs and SMEs, student/ students, workers beginners, young couples and communities, which performed around the area Indonesia with total funds allocated Rp. 1,204,225,020. Furthermore, the Bank also provides educational information through the Bank website and social media accounts. - Training for Frontliners To ensure that front liners have deep knowledge about the products and services, in 2015 Danamon through the activities of the Consumer Service Quality, conducted training frontliners retail banking, operations, SMEs, as well as Hello Danamon in Indonesia. <p>Countermeasures Consumer Complaints</p> <ul style="list-style-type: none"> - Danamon has a Customer Service Unit named Hello Danamon which is a 24-hour customer service unit in charge of helping customers find information on their transactions and their accounts. | Costs incurred for banking education during 2015 amounted to approximately Rp. 1.204.225.020 |
| E. | Value chain and relationships with vendors | <ul style="list-style-type: none"> - Danamon Procurement Policy - Credit Policy Danamon - Sustainability Policy 6.3 points which include among others the importance of managing the indirect impacts on the environment and society | <p>In the vendor selection process, including suppliers and contractors, the selection is always done in accordance with the Procurement Policy.</p> <ul style="list-style-type: none"> - Environmentally friendly value chain, including the management of environmental and social risks are derived from business activities of Danamon customers, where environmental and social risks are an integrated part of the whole process of credit, as noted in the Bank's credit policy. | |

Sustainability Report

Danamon has also published a separate Sustainability Report, which is prepared based on standard set in Global Reporting Initiatives and certified by the National Center for Sustainability Reporting (NCSR), including the implementation of Corporate Social Responsibility. Detailed information including funds generated from donation and its uses can be found in the Sustainability Report.