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2. The Company evaluates the performance, competency, and application of cultural values by employees periodically, wherein the results become the basis for assigning and placing the employees.
3. The Company has an organizational structure which is adequate and reflects the task specification and responsibilities determined resting upon the applicable regulations.
4. The Company has a written policy in association with the provisions and procedures for changing organizational structures.
5. The Company management is executed in referential to the principles of Governance.
6. The Company decision making is determined at the meeting held by the Board of Directors.
7. The process of making decision is undertaken in bottom-up and top-down manner.
8. The Company makes policies which are aimed at preventing any occurrence opportunity of deviation or violations of the prudential principles.
9. The Company applies the principle of transparency hence employees can communicate any problems in the Bank's activities to the relevant management.
10. The entire process of recruitment, development and career path is carried out by considering employee competence.
11. Management assigns and places employees based on job exposures, level of knowledge, ability, mastery of technical competence and application of behaviour as well as results of employee performance appraisals.
12. The Board of Directors establishes a corporate culture that reflects the values that underlie the behaviour of all levels of the Bank.
13. All levels of the Bank are required to have integrity and uphold ethical values.
14. Management is a role model, always increases the engagement level of all employees and has a high personal commitment to the development of a sound Bank.
15. Management is obliged to improve an effective risk culture and ensure that it is embedded at every level of the organization.

On the oversight by the Board of Directors and a culture of control, the Company sets objectives (objective setting) as a requirement for an effective event identification, risk assessment and risk response process, consisting of:

a. Strategic Objectives are targets that are high level and in line with the Bank's vision and mission.
b. Operational Objectives, are targets and strategic objectives at the operational level (activities, operating units and others).

The Company has standard procedures to set targets in accordance with the vision, mission and risk appetite.

Risk Identification and Assessment

The Board of Directors identifies events that have the potential to affect the Bank's ability to perform its strategies and achieve the targets effectively. The identification is carried out on events estimated to have a negative impact (risk) that require the Bank's assessment and response. Identification is also carried out on events that are expected to have a positive impact which is an opportunity for the Board of Directors in formulating strategies to achieve the Bank's goals.

The Board of Directors considers all aspects of the organization when identifying potential events.

Risk assessment is a series of actions starting from the identification, analysis and measurement of the Company's risk to achieve the targets. Risk assessment covers all types of risks inherent in every process/activity that is potentially harmful to the Company.

The Company has a written risk management policy determined by the Board of Directors and approved by the Board of Commissioners.

In order to implement an effective ICS, the Company continuously identifies and assesses risks that may affect the achievement of targets. The Internal Audit Unit (SKAI) periodically reviews the risk assessments produced by the Risk Management Unit (SKMR) hence the scope of audits is broader and comprehensive. The assessment

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covers all inherent risks, both individual and overall risks, which include credit risk, market risk, liquidity risk, operational risk, legal risk, reputation risk, strategic risk, compliance risk, insurance risk and intra-group transaction risk.

The Board of Directors determines the actions to respond based on an assessment of the relevant risks and controls. Response actions taken may include risk avoidance, or risk reduction, and/or risk sharing, and/or risk acceptance as implemented in Bank policy. In considering response actions, the Board of Directors considers costs and benefits, and chooses response actions that lead to likelihood and impact in accordance with the Bank's risk tolerance and risk appetite thresholds.

Control Activities and Segregation of Duties

Control activities include the controlling and segregation of duties, with the following descriptions:

1. Control Activities

Control activities involve all levels of the Company which include planning, establishing policies and procedures, implementing controls and early verification processes to ensure that policies and procedures are consistently adhered to. Control function cannot be separated from every function or daily activities of the Company. Control activities are implemented at all levels of functions according to the Company's organizational structure, which include:

- **Review by the Board of Directors (Top Level Review)**

    The Board of Directors periodically requests for explanations (information) and operational performance reports from the Head of the Unit to review the results compared to the set targets. Based on the review, the Board of Directors can quickly detect issues, such as control weaknesses, financial statement errors or other irregularities (fraud).

- **Operational Performance Review (Functional Review)**

    This review is carried out by SKAI at the time of inspection or in the process of reporting to the regulator, which includes:
    a) Reviewing the risk assessment (risk profile report) produced by the Risk Management Unit.
    b) Analysing operational data, whether risk related or financial data, namely verifying transaction detail and activities compared to the output (report) produced by the Risk Management Unit.
    c) Reviewing the realization of work and budget plans made by each work unit to:
        1) Identify the dominant causes of deviations.
        2) Establish requirements for corrective actions.

- **Information system control**
    a) The Company carries out verification of the accuracy and completeness of transactions as well as the implementation of authorization procedures in accordance with applicable regulations.
    b) The Company carries out IT control measures to produce systems and data that are kept confidential and with integrity and can support the achievement of the Company's objectives.
    c) Control of information systems includes:
        1) Control over data centre operations (database), procurement system, system/application development and maintenance. This control is applied to mainframes, servers,