

Policy Highlights: Affiliated-Party Transactions and Transactions with a Conflict of Interest



To implement Good Corporate Governance, it is necessary for BCA to establish a policy on Affiliated-Party Transactions and Transactions with a Conflict of Interest in accordance with the prevailing laws and regulations.

Legal Grounds

- Law Number 8 of 1995 on Capital Markets;
- Regulation No. IX.E.1 on Affiliated-Party Transactions and Transactions with a Conflict of Interest, Attachment to Decision of the Head of the Capital Market and Financial Institution Supervisory Agency (Bapepam-LK) No. Kep-412/BL/2009 dated 25 November 2009.
- Good Corporate Governance Manual.

Below is the summary of the policy on affiliated-party transactions and transactions with a conflict of interest:

A. Affiliated-Party Transactions

Affiliated-Party Transaction means a transaction conducted by and between BCA and a BCA Affiliated Party. The term *affiliated party* has the meaning as assigned to it in Law Number 8 of 1995 on Capital Markets. The term BCA Affiliated Party refers to any of the following:

- BCA's Employee, Director, and Commissioner.
- The Principal Shareholder of BCA, i.e., the person or company either directly or indirectly owning at least 20% of the voting shares issued by BCA or less than such percentage as determined by the Financial Services Authority.
- The Controlled Company of BCA, i.e., the company controlled by BCA, whether directly or indirectly.
- A Company having one or more of its Directors or Commissioners concurrently serving as Director or Commissioner of BCA.
- A Company controlled by the Principal Shareholder of BCA.
- A person having family relationship by marriage and descent up to the second degree, whether horizontally or vertically with members of BCA's Board of Directors, Board of Commissioners and/or the Principal Shareholder of BCA.

The following principles must be observed by the relevant work units in relation to Transactions with Affiliated Parties:

- Implementing the principles of Good Corporate Governance (GCG), i.e., transparency, accountability, responsibility, independence, and fairness.
- Ensuring that the transactions are conducted on an arm's length basis.

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Transactions with BCA Affiliated Parties may take the following forms:

- Transactions that must be announced to the public and the proof of announcement and supporting documents must be submitted to the Financial Services Authority (OJK).
- Transactions that do not have to be announced to the public but must be reported to the Financial Services Authority (OJK).
- Transactions that are exempted from the obligations of information disclosure to the public and reporting to the OJK.

The announcement to the Financial Services Authority (OJK) shall be submitted no later than the close of the 2nd business day after the transaction.

Fairness of Transaction

The core principles to be observed when doing transaction with Affiliated Party are:

- To observe the good governance principles, which are openness (transparency), accountability, responsibility, independensi independency, and fairness.
- To confirme about the appropriateness and the fairness of the value and the requirement of the transaction (arm's length transaction).

B. Transactions with a Conflict of Interest

Conflict of Interest means a conflict between the economic interests of BCA and those of a member of the Board of Directors, a member of the Board of Commissioners or the Principal Shareholder, potentially causing a loss to BCA.

If an independent appraiser determines that a transaction with an Affiliated Party does not satisfy the arm's length principle, such transaction shall be treated as a transaction with a conflict of interest and therefore requires the prior approval of BCA's Independent Shareholders in the General Meeting of Shareholders (Independent GMS).

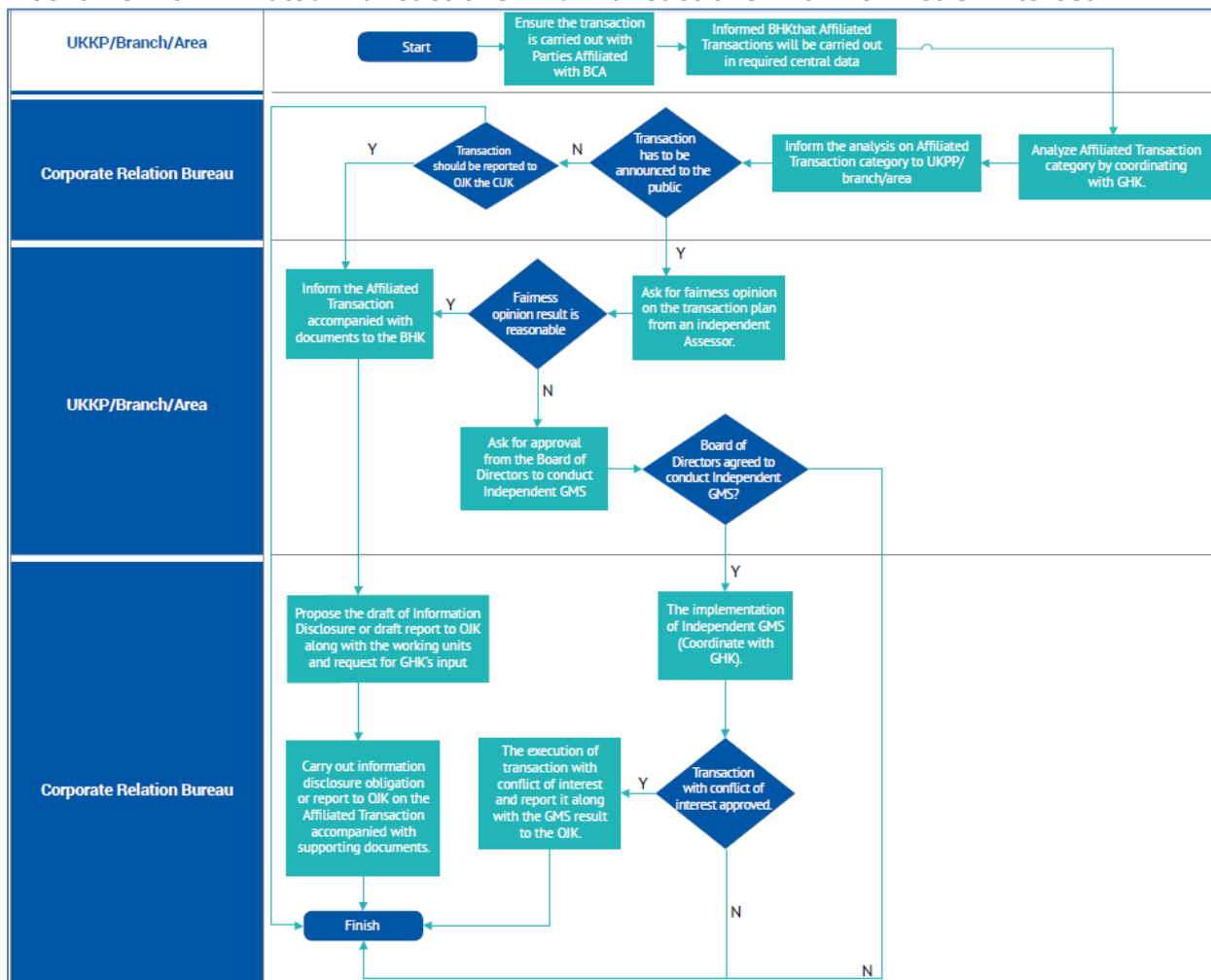
The Transactions with a Conflict of Interest specified below do not require the prior approval of the Independent GMS:

- Transactions with a value not exceeding 0.5% of the paid-up capital of BCA and not exceeding Rp 5 billion,
- Transactions conducted by BCA to implement the laws and regulations or court decision, and/or
- Transactions between BCA and the Controlled Company, at least 99% of whose stock or capital is owned by BCA or transactions between Controlled Companies, at least 99% of whose stock or capital is owned by BCA.

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C. Mechanism of Affiliated Transactions And Transactions With Conflict Of Interest



Note:

Approval process related to transactions carried out by internal management before reviewed by an independent party.

D. Material Affiliated Transaction

Especially for material affiliated transaction which has potential conflict of interests, will prior analyzed/reviewed by Audit Committee and reported to the Board of Commissioners.

E. Independent Parties in Affiliated Transactions and Conflicts of Interest

In accordance with Bank policy in the material transaction with conflict of interest that require shareholder's approval, the Bank appoints an independent party to evaluate the fairness of the transaction value.

If the independent appraiser states that a transaction with an Affiliated Party and the Company is not fair, then the transaction is included in a transaction containing a conflict of interest so that it requires prior approval from the independent shareholders of the Company through an Independent GMS.