

# BUILDING FOUNDATION

## FOR A BETTER TOMORROW

MEMBANGUN DASAR BAGI MASA DEPAN YANG LEBIH BAIK







## Building Foundation for a Better Tomorrow

‘Building foundation’ is a portrayal of Bank Mega that started to build and implement sustainable finance to the Bank’s operations. This basis was established to create a solid foundation, mainly through trainings to sharpen the awareness among internal and external stakeholders. In the future, this foundation needs to be cultured continuously in order to create a better life for the future by supporting the sustainable development goals.



# TABLE OF CONTENT

Theme	03
Table of Content	04
Sustainability Strategy	05
Summary of Sustainability Performance	07
Message from President Director	10

## 13



### Report Profile

About Report	18
Sustainability Governance	21

## 31



### Sustainability Performance

Economic Performance	32
Social Performance	39
Environmental Performance	53
Responsibility on Sustainable Finance Products and/or Services Development	59
References to OJK Regulations and GRI Standards Content Index	64
Feedback Sheet	67



## SUSTAINABILITY STRATEGY

PT Bank Mega Tbk (Bank Mega) is committed to implement sustainable finance principles reflected in the Company vision and mission. These vision and mission express the purpose of being the pride of the nation among Indonesian banks; not only pursuing profit, but also contributing to the quality improvement of human capital (people) and natural preservation (planet). All stakeholders are expected to join in the commitment in supporting Bank Mega business for sustainable growth, by maintaining harmony between profit, people, and planet (triple bottom line).

In order to realize this sustainable growth, Bank Mega strives to build a strong foundation by increasing the quality of human capital through environmental knowledge-focused trainings. The trainings are expected to generate professional human capital with high integrity. Bank Mega actively participates in elevating education quality to make it proper for schools. Moreover, Bank Mega

is committed to minimize risks or negative impacts to the bank operations from the surrounding environment by increasing innovative services and excellent organizational performance capability.

The sustainability commitments upheld by Bank Mega has been included in Sustainable Financial Action Plan (RAKB) 2019, which was prepared based on Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017 on the Sustainable Financial Implementation for Financial Services Institutions, Issuers, and Public Companies. The preparation of RAKB 2019 was the initial step in forming the basis of sustainable finance which performance will be monitored by Strategic & Business Development Division (SBDV). SBDV Division simultaneously acts as the head of Sustainable Finance Team based on Compliance & Human Capital Decree (SK) Number 153/DIRBM/19 of 20 June 2019.

Referring to RAKB 2019, Bank Mega's sustainable strategy was developed for 5 (five) year term, from 2019 to 2023 with the Bank's internal capacity building program as the main priority. This program was conducted through sustainable financial trainings held by Human Capital Management Division (HCMD), collaborating with partners among practitioners and academics in sustainable finance department. Sustainable financial trainings are aimed to prepare the human capital, especially internally, in implementing sustainable finance. It is expected that these understandings and awareness will encourage innovations on products and services which are developed in accordance with the sustainable financial principles and will perform adjustments to standard operational procedure (SOP).

Aside from the internal capacity building, the sustainable strategy conducted by Bank Mega in 2019 pointed at funds distribution portfolio mapping that was aligned with criteria and category of sustainable business activities (KKUB). The mapping was carried out based on Bank Indonesia Regulation Number 8/12/PBI/2006 on the Commercial Bank Periodic Reports, Minister of Environment Number 5 of 2012 on the Types of Business and/or Activities Requiring Environmental Impact Assessment (AMDAL). Based on the mapping results, there were 9 (nine) business sectors which were in line with the Bank business strategy, to be subsequently remapped to the 12 (twelve) KKUB based on POJK Technical Guidelines Number 51/POJK.03/2017. As of end 2019, the funds distribution portfolio that was in congruent with KKUB amounted to Rp11.8 trillion.

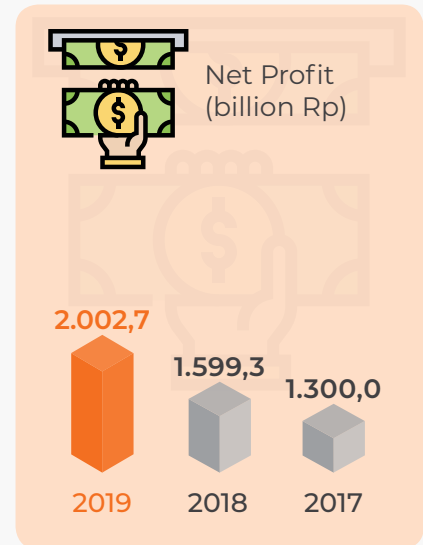
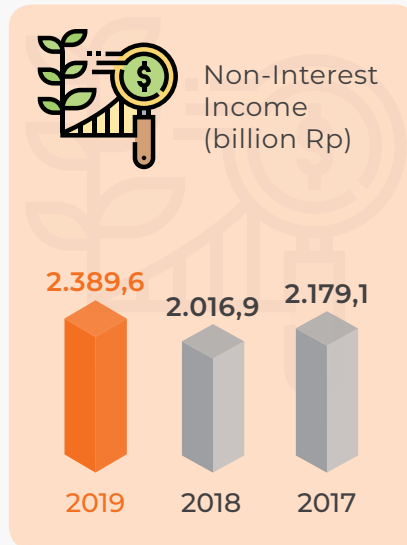
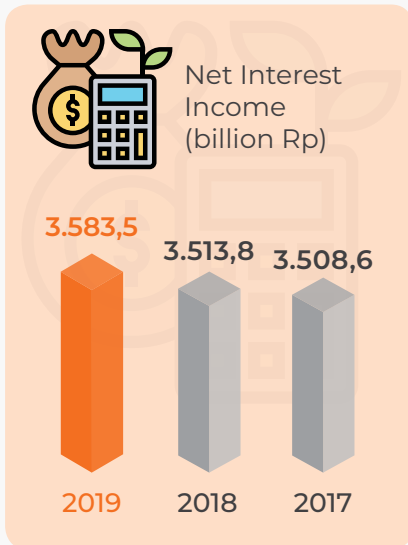
Another sustainable strategy performed by Bank Mega was executing its social and environmental responsibility (TJSL) through Mega Berbagi and Mega Peduli. As of end 2019, activities of Mega Berbagi contributed Rp16 billion, decreasing by 69% due to accumulated funds distribution from the previous years, which had already been distributed in 2018. On the other hand, activities of Mega Peduli had an increase from Rp1.56 billion in 2018 to Rp1.64 billion.

According to RAKB 2019, the following are Bank Mega's sustainability strategies:

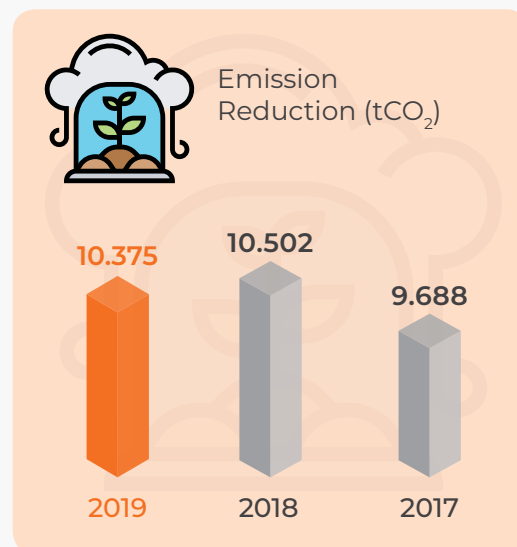
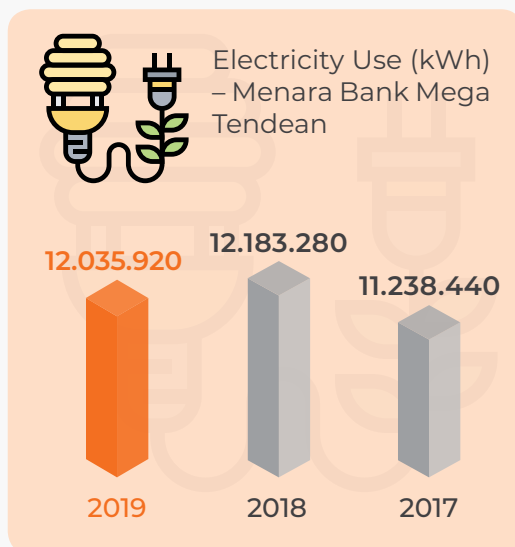
1. Supporting the Sustainability Finance program stipulated by the Government for sustainable economic growth that could maintain economic and inclusive stability.
2. Participating in evolving national economy that prioritizes unity in economic, social, and environmental aspects by preparing good infrastructure to increase the financing portion that is in line with the Sustainable Finance principles.
3. Improving intermediation function that enables the community to perform economic activities, and could increase the financing portion that is in line with the Sustainable Finance principles.
4. Improving social responsibility function by continuously strengthening relations and becoming an observer of the nation's education quality level. Bank Mega believes good quality education will break the chain of poverty.

# SUMMARY OF SUSTAINABILITY ASPECT PERFORMANCE

## ECONOMIC ASPECT



## ENVIROMENTAL ASPECT





## SOCIAL ASPECT

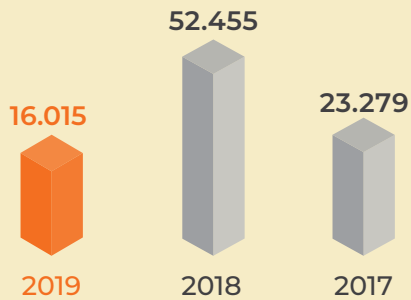
	2019	2018	2017
Customer Satisfaction Index	<b>Achievement by MRI</b> (Experience Index & Loyalty Index 2019 of BUKU III Bank Category) <ul style="list-style-type: none"> <li>• 1st Rank in Customer Loyalty</li> <li>• 2nd Rank in Net Promoter Score</li> <li>• 2nd Rank in Satisfaction Loyalty Management Index</li> <li>• 3rd Rank in Security Satisfaction</li> <li>• 3rd Rank in Overall Satisfaction</li> </ul>	<b>Achievement by MRI</b> Achievement by MRI (Experience Index & Loyalty Index 2018 of BUKU <ul style="list-style-type: none"> <li>• Peringkat 1 Total Customer Experience</li> <li>• Peringkat 1 Customer Loyalty</li> <li>• Peringkat 1 Customer Service Satisfaction</li> <li>• Peringkat 1 Teller Satisfaction</li> <li>• Peringkat 1 Security Satisfaction</li> <li>• Peringkat 2 Overall Satisfaction</li> <li>• Peringkat 2 ATM Satisfaction</li> <li>• Peringkat 2 Tangible Satisfaction</li> <li>• Peringkat 2 Net Promoter</li> </ul>	<b>Achievement by Mark Plus</b> <ul style="list-style-type: none"> <li>• Achievement by Mark Plus Bronze Champion of National WOW Service Excellence Award 2017 (BUKU III) – National</li> <li>• Gold Champion Of WOW Service Excellence Award 2017 - Regional Semarang</li> <li>• Gold Champion Of WOW Service Excellence Award 2017 - Regional Medan</li> <li>• Silver Champion of WOW Service Excellence Award 2017 - Regional Banjarmasin</li> <li>• Silver Champion of WOW Service Excellence Award 2017 - Regional Makassar</li> <li>• Bronze Champion of WOW Service Excellence Award 2017 - Regional Surabaya</li> </ul>
Employee Turnover Rate	35,56%	34,45%	40,37%
Total Training Hours + E-learning	575.464	725.480	925.384
Total Training Hours	245.520	312.224	256.608
Total Training Hours related to Sustainable Finance (SF)	1.992	32	56



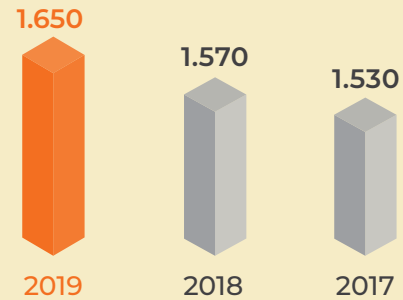


## Realization of Social & Environmental Responsibility Fund (Million Rp)

### MEGA BERBAGI



### MEGA PEDULI



## Economic Aspect Related to Sustainability

**11.840**

Nominal of Transaction over Products and/or Services Complying to the Sustainable Business Activities Criteria (billion Rp)

**23,3%**

Percentage of Total Sustainable Business Activities Portfolio to Total Funds Distribution





## MESSAGE FROM PRESIDENT DIRECTOR [102-14]



**Bank Mega has  
successfully recorded a  
profit growth before tax  
of 25.29% from 2018.**

### **Our esteemed shareholders and stakeholders,**

All praise be to God the Almighty for his Blessings and Grace which bestowed upon us all that we managed to pass through the year 2019, which full of challenges and satisfactorily results. The increasingly rigorous competition in banking industry, both at national and international level, and the building-up environmental and social issues, have put us into constant movement to change and to establish the fundamental for better future. We are entirely aware that in years ahead achievements will be more challenging with the rapid changes in technological, environmental, and social aspects, significantly impacting financial performance.

Domestic economic growth was generally affected by the slowdown in global economy. Bank Indonesia predicted Indonesia's economic growth rate would be at approximately 5.1%. This figure was not improving from the previous rate in 2018, which was 5.2%. Nevertheless, in general, the banking industry demonstrated an agreeable performance in spite of the inevitability of slow growth in credit and Third-Party Fund (DPK). On the other hand, Financial Services Authority (OJK) recorded a growth in banking credit distribution at just around 6.53% yoy. This growth rate was far from the previously anticipated target by OJK, at approximately 9%-11% yoy.

Amidst the condition, Bank Mega has financially succeeded in gaining profit, exceeding the target determined in Bank Business Plan (RBB). We announced a growth in profit before tax by 25.29%, or Rp2.5 trillion compared to Rp2 trillion in 2018. Total assets effectively penetrated Rp100.80 trillion, or rose by 20.35% compared to 2018. All of these achievements were resulted from strategic policy and key initiatives we implemented, including in performing technology transformation and digitalization in order to increase services to all customers.

However, Bank Mega believes that achievement in economic performance should be coupled with environmental and social performance that have significant influence to financial performance. Effects from climate change and unending natural disasters showed that business sector should pursue changes, one of which through sustainable finance implementation. In line with Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017, Bank Mega started to develop Sustainable Financial Action Plan (RAKB).

### Policy in Responding to Challenges in Fulfilling Sustainability Strategy

Bank Mega considers issues on the implementation of sustainable finance. We realize external issues occurring in economic, social, and environmental issues could potentially affect the Bank on the whole. Therefore, Bank Mega implements sustainable values that are aligned with mission and vision, as well as sustainable finance. One of the related values is 'ethics. Ethical values define that Bank Mega will run its business by taking into account good corporate governance, including harmonizing economic performance with environmental and social performance.

In performing its sustainability values, Bank Mega responds to the risks of environment and social through RAKB development comprising targets and strategies of sustainable finance implementation. Issues over environmental degradation, global warming and extreme weather have become the focus of the world and affected the banking business in the manner of lending credit. Banks are obligated to not only lend credit to debtors who perform

well in economy, but also to those who excel in environmental and social performance that support the sustainability development goals.

Bank Mega is committed to support sustainable development goals and achievements in sustainable finance through the established RAKB. The initial step that we would like to administer in the context of sustainable finance is organizing trainings and building awareness towards the sustainable finance principles. Bank Mega has to go through various challenges, and the biggest lies in how to change people's mindset and implement sustainability culture. This not only applies to Bank Mega internally, but also to other stakeholders, particularly debtors who are directly related to business process in Environment, Social, and Governance (LST).

### Sustainable Finance Implementation

In performing Sustainable Finance principles, we prioritize internal capacity building, starting from preparing for competent human capital in conducting sustainable finance activities. Training programs were held along 2019 with 308 training participants, who were Directors, Commissioners, Division Heads, Group Heads, Regional Heads, as well as regional credit heads. The training will keep continuing as per the needs of the Bank and RAKB 2020.

Aside from trainings, Bank Mega is starting to perform a mapping on credit distribution to acquire a database of credit position, which recognizes LST and is included in Sustainability Business Activities Category (KKUB). As of end 2019, the portfolio of funds collection and distribution that conformed to KKUB derived from total productive assets of Rp10.9 trillion, or 23% of the total bank credit/financing. Meanwhile, the portfolio of outstanding credit based on KKUB reached Rp11.8 trillion with the collecting funds for Tabungan Mega at Rp634.77 million. This implementation of sustainable finance was under the supervision of Strategic & Business Development Division (SBDV) as the chairman of Sustainable Finance Team, and assisted by other 15 Divisions.

### Strategies in Target Achievements

In order to minimize environmental and social risks, Bank Mega has targeted adjustments and updates on the Bank credit policy, credit operational standards, as well as increased the awareness on sustainable finance achievements. We strategize to cooperate with all stakeholders, mainly the debtors to implement KKUB. In internal environment, Bank Mega will increase the efficiency in operational vehicles cost, electrical use and water consumption.

Henceforward, up to 2022, we will endeavor to reduce the use of electricity and water in order to save Rp1 billion/year by limiting the operational hours of air conditioning, computer, lights, and water, which was initiated in 2019. This effort could enhance Bank Mega's efficiency and help reducing the climate change risks.

In the meantime, green portfolios should continuously be identified to benefit from opportunities and business prospects in LST-based financing. Bank Mega prepares targets and measures achievements from the results of sustainable finance implementation, then performs adjustments to the policy to be ready for any opportunity while supporting sustainable financing. Presently, business prospect that could be maximized is financing for Micro, Small, and Medium Enterprises (MSME). Moreover, Bank Mega will also increase inclusive finance and financial literacy activities to contribute to banking education for communities situated in remote areas.

A number of MSME along with different lines of business in environment sector, for instance utilize waste to be processed into new products, or women empowerment, which became a good business prospect in the future. Total current consumer and MSME financing reached Rp26.3 billion. This nominal is still relatively high compared to corporate financing of Rp10,344.9 billion. Significant potential was identified in MSME segment that will bring more credit opportunities in environment and social settings. However, the Bank will keep implementing prudential principles in managing risks from each business prospect performed.

Risk management is also adjusted to external situations of macro economy, social, and environment. Massive applications of technology along with its challenges and issues of environmental degradation, as well as trade war caused higher potentials which could influence the sustainable finance implementation. Based on this situation itself, Bank Mega will adhere to all regulations and perform business ethics strictly as one of the sustainability values. Additionally, Bank Mega will enhance synergy with CT ARSA Foundation in several humanity activities, mainly health and education improvements.

### Building the Fundamental for Better Future

We would like to express our deepest gratitude to all stakeholders who have given their supports in obtaining many achievements throughout 2019. As a new step in implementing sustainable finance, we continue urging that together we could build a solid fundamental as a foundation for better future, present, and generations to come.

Jakarta, February 2020



**Kostaman Thayib**  
President Director








# REPORT PROFIL

# REPORT PROFILE

## Vision, Mission, and Values [102-16]

<h3>Vision </h3> <p><b>Becoming Nation's Pride</b></p>	<h3>Mission </h3> <p>To establish good and continuous relationship with customers through innovative banking services and synergy with the support of integrated systems, professional human capital, as well as excellent organizational performance capability to give high added values for all stakeholders</p>						
<h3>Values </h3> <table border="0"> <tr> <td> Dynamic</td> <td> Ethics</td> </tr> <tr> <td> Entrepreneurship</td> <td> Commitment</td> </tr> <tr> <td> Trust</td> <td> Synergy</td> </tr> </table>		 Dynamic	 Ethics	 Entrepreneurship	 Commitment	 Trust	 Synergy
 Dynamic	 Ethics						
 Entrepreneurship	 Commitment						
 Trust	 Synergy						

## Company Public Information [102-1, 102-2, 102-3, 102-4, 102-5, 102-6]

 <p><b>Company's Name</b> PT Bank Mega Tbk</p>	 <p><b>Head Office Address</b> Menara Bank Mega, Jl. Kapten Tendean Kav. 12-14A, Jakarta 12790, Indonesia Tel. : (+62 21) 7917 5000, Fax. : (+62 21) 7918 7100, Mega Call: : 1500010, (+62 21) 2960 1600 Website : www.bankmega.com E-mail : corsec@bankmega.com</p>
 <p><b>Date of Operation</b> 1969</p> <p><b>Legal Basis of Establishment</b> Deed of Establishment Number 47 of 26 November 1969</p>	 <p><b>Operational Area</b> Indonesia, with eight regional offices, namely:</p> <ol style="list-style-type: none"> <li>1. Medan (Sumatera Area)</li> <li>2. Jakarta 1 (DKI Jakarta Area)</li> <li>3. Jakarta 2 (South Jakarta, Lampung, Bogor, Depok, Tangerang, Bekasi, Banten Areas)</li> <li>4. Bandung (West Java Areas, excluding Bogor, Depok, Bekasi, and Karawang)</li> <li>5. Semarang (Central Java Area, DI Yogyakarta)</li> <li>6. Surabaya (East Java Area, NTB, NTT, Bali)</li> <li>7. Makassar (Sulawesi Area, Maluku, Papua)</li> <li>8. Banjarmasin (Kalimantan Area)</li> </ol>
 <p><b>Line of Business</b> Banking</p> <p><b>License</b></p> <ol style="list-style-type: none"> <li>1. Minister of Finance of the Republic of Indonesia Decree Number D.15.6.5.48 of 14 August 1969</li> <li>2. Single Business Number (NIB): 8120211292773</li> </ol>	 <p><b>Ownership</b> PT Mega Corpora (58.016 %) People (41.984 %)</p>

## Company Scale <sup>[102-7]</sup>

Description	Unit	2019	2018	2017
Total Permanent Employees	People	5.379	5.962	6.156
Total ATM	Machine	709	720	713
Net Interest Income	Billion Rp	3.583,5	3.513,8	3.508,6
Net Profit		2.002,7	1.599,3	1.300,0
Total Capitalization				
- Total Liabilities	Billion Rp	85.262,4	69.979,3	69.232,4
- Total Equities		15.541,4	13.782,7	13.064,6
Total Assets		100.803,8	83.761,9	82.297,0

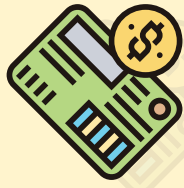
## Products and Services

Bank Mega endeavors to provide excellent products and services for all Customers. As of end 2019, Bank Mega had seven types of products and services, such as Deposits, Loans, Trade Finance, International Transaction, Treasury, Payment Transaction with Cards, as well as other services (Mega ATM, Mega Pass, Internet Banking, and Mobile Banking). Detailed information on Bank Mega's products and services can be viewed in Annual Report 2019, or can be accessed through the website: [www.bankmega.com](http://www.bankmega.com).

Services Transactions in 2019 (Billion Rp Value)			
Service	Mega ATM	Customers Value	316.412 11.348
	Mega Pass	Total Cards Value	592.420 516,4
	Internet Banking	Customers Value	35.969 1.082
	Mobile Banking	Customers Value	119.292 2.721
	Mega Cash	Total Cards (million) Value	4,16 39,2
	Safe Deposit Box	Box Value	6.569 4,81

Type	Unit	2019	2018	2017
Deposit	Customers Value (Billion Rp)	432.770 72.790	503.002 60.735	522.037 61.283
Treasury	Customers Frequency Transaction Value (Billion Rp)	3.155 19.274 781.466	1.713 23.639 634.784	891 24.877 749.415

## Payment Transaction with Cards in 2019



Customers  
945.538

Value (Billion Rp)  
45.954,1

## Supply Chain [102-9]

Policies on supply chain that could support Bank Mega business sustainability are managed by Procurement Committee under the direct management of the Board of Directors. These policies are implemented by prioritizing integrity, professionalism, and transparency. As a form of commitment in affirming the supply chain that supports sustainable business, thus in RAKB Bank Mega confirmed efficiency target for operational vehicles, electricity use, and water use. In 2022, the reduction of electricity and water use is targeted to reach Rp1 billion through limited operational hours policy on AC, computers, and lights, which has been effective since 2019.

For achieving the efficiency target, the Procurement Committee ensured optimal quantity and quality of goods to support the Bank operations. Activities carried out by the Committee were as follows:

- Performed routine evaluation on vendors' performance
- Translated and developed that of any circumstance involving external parties/vendors into legal binding agreement
- Performed evaluation, provided feedback/advice towards proposed legal documents/agreements given by external parties/vendors
- Assisted in resolving any legal matter occurred outside existing agreements.

## Significant Changes [102-10]

In 2019, 10 Bank Mega Cash Office were inaugurated and started to operate:

1. KK Malang Transmart MX Mall,
2. KK Bekasi Transmart Juanda,
3. KK Cibubur Trans Studio Mall,
4. KK Denpasar Trans Studio Mall,
5. KK Tasikmalaya Transmart,
6. KK Jambi Transmart,
7. KK Pekalongan Transmart,
8. KK Semarang Transmart Majapahit,
9. KK Pangkal Pinang Transmart,
10. KK Bintaro Trans Park.

The presence of Bank Mega in each network of Trans Studio Mall, Trans Park, and Transmart is a synergy in the retail network ecosystem of CT Corp that it adds and expands the service outreach in financial services, especially to the visitors. After this inauguration, Bank Mega office network became 379 offices across Indonesia.

Another significant change was the establishment of Sustainable Finance Team based on Compliance & Human Capital Director Decree Number 153/DIRBM/10 of 20 June 2019. This team is chaired by Strategic & Business Development Division (SBDV) and has other 15 Divisions as its members.





## Membership of Associations [102-13]

As of end 2019, Bank Mega has yet to join particular associations which specifically related to sustainable finance. However, Bank Mega supported and participated in activities related to

sustainable finance, as well as confirmed the RKAB implementation aligned with the efforts to support sustainable development.

Name of Associations	Position
Communication Forum of Bank Compliance Directors (FKDKP)	Member
Indonesian Banks Association	Member
Indonesian Issuers Association	Member
Bank Risk Association Management (BARa)	Member
Indonesian Bankers Association	Member
Government Bond Operators Association	Member
Indonesia Foreign Exchange Market Committee	Member
Association Cambiste Internationale – Financial Markets Association (ACI FMA) Indonesia	Member

# REPORT PROFILE

## About Report [102-45, 102-50, 102-51, 102-52, 102-53, 102-54, 102-56]

This Sustainability Report is Bank Mega's first report as part of the Sustainable Finance implementation. Bank Mega is committed to publish Sustainability Report annually along with improvements in report quality for performance disclosure in economy, social, and environmental sectors, as well as sustainability governance. This Report contains information for the period of 1 January up to 31 December 2019.

Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017 and Global Reporting Initiative (GRI) Standards: the "in accordance"

option became the basis of this Sustainability Report preparation. Additionally, this report is complemented with Financial Services Sector Supplement published by GRI. In Sustainability Performance, it illustrates contributions made by Bank Mega for achieving the Sustainable Development Goals (SDGs).

This Sustainability Report has yet to be verified (assurance) by an independent party, but the consolidated financial data has been audited and its financial statements are presented in details in the annual report.



### Contract Regarding the Report [102-53]

Name	: Christiana Maria Damanik
Position	: Corporate Secretary
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Email	: corsec@bankmega.com
Telp	: (+62 21) 7917 5000 (hunting)
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Call Center	: 1500010, (+62 21) 2960 1600
Website	: www.bankmega.com
Social Media	: @BankMegaID (Twitter) Bank Mega Indonesia (Facebook) @BankMegaID (Instagram) BankMegaID (Youtube)

Continuous improvements to the report quality are in accordance with one of the Sustainable Finance principles, which is Informative Communication. Each bank should prepare and supply comprehensive and reasonable report that could

be accounted for. The report is also communicated using effective communication media, such as company website, for it to be accessible for all stakeholders.

## Defining Content and Quality of Report [102-46]

Principles of stakeholder involvement, sustainability context, completeness, and materiality are those that are used as references in defining the content

of report. The quality of the reporting adheres to balance, comparability, accuracy, promptness, clarity, and reliability principles.

### stages in defining the report content

# 01



#### Identification

Relevance of sustainability topic related to sustainable finance was identified based on the characteristics of banking industry and its effects to the stakeholders.

# 02



#### Prioritization

Defining the priority scale to the sustainability topic has been identified through sustainability report training which was held on 14 and 15 November 2019.

# 03



#### Validation

The material topic disclosed in this report has acquired approval from Compliance & Human Capital Director.

# 04



#### Review

Reviewed suggestions received by the stakeholders as consideration materials in improving the quality of the next annual report. Response to these feedbacks will be conveyed in the sustainability report 2020. Therefore, the development of sustainability report will involve the stakeholders.

## Materiality Topic and Boundaries [102-46, 102-47, 102-48, 102-49, 103-1]

Bank Mega defined three material topics which were deemed as “high” category. Material topic is information that is considered by the stakeholders in making decisions, after taking into account the risks and opportunities carried by the Bank.

Scope and boundaries of the Material Topic include financial data, social and environmental performance. The financial data presented is Financial Statements as of 31 December 2019 that has been audited by an independent party. The financial information

does not include consolidated performance from other entities and only derives from Bank Mega internally as it has yet to have subsidiaries. This Report is also the first sustainability report presented by Bank Mega, thus there are no changes made in the reporting.

### Material Topic, SDG, Sustainability Issues and Boundaries



#### Material Topic Economic Performance

##### Sustainability Issue

Increasing company profit, fee-based income, and low-cost fund

##### Support to the SDGs



##### Boundaries

- **Inside Company**
  1. Shareholders
  2. Employees
- **Outside Company**
  1. Investors
  2. Customers
  3. Community
  4. Regulators



#### Material Topic Customer Privacy

##### Sustainability Issue

Safekeeping customer data confidentiality

##### Support to the SDGs



##### Boundaries

- **Inside Company**
  1. Employees
- **Outside Company**
  1. Customers



#### Material Topic Training and Education

##### Sustainability Issue

Sustainable Finance Training

##### Support to the SDGs



##### Boundaries

- **Inside Company**
  1. Employees
- **Outside Company**
  1. Customers
  2. Community



# SUSTAINABILITY GOVERNANCE

## Basis of Sustainability Governance Structure

Bank Mega as a Financial Services Institution that highly upholds good corporate governance (GCG), implements the company regulations by adhering to various provisions, among which are as follows:

- a. Financial Services Authority Regulation Number 55/POJK.03/2016 of 7 December 2016 on the Implementation of Governance for Commercial Banks;
- g. Financial Services Authority Circular Letter Number 13/SEOJK.03/2017 of 17 March 2017 on the Implementation of Governance for Commercial Banks;
- h. Financial Services Authority Circular Letter Number 21/SEOJK.04/2015 of 16 November 2015 on the Implementation of Public Companies' Corporate Governance Guidelines;
- i. Financial Services Authority Regulation Number 17/POJK.03/2014 of 18 November 2014 on the Implementation of Integrated Risk Management for Financial Conglomerate;

- j. Financial Services Authority Regulation Number 18/POJK.03/2014 of 18 November 2014 on the Implementation of Integrated Governance for Financial Conglomerate.

All ranks of Bank Mega have the commitment to instill GCG in managing the company by referring to the following provisions:

- a. Company's Articles of Association;
- b. Corporate Governance principles developed by Organization for Economic Cooperation and Development (OECD);
- c. GCG Guidelines of Indonesian Banking, developed by National Committee of Governance Policy (KKNG);
- d. ASEAN Corporate Governance Scorecard;
- e. Principles for Enhancing Corporate Governance, published by Basel Committee on Banking Supervision.



Comprehensive discussion on Corporate Governance can be viewed in the Annual Report 2019.

## Sustainability Governance Structure [102-18]

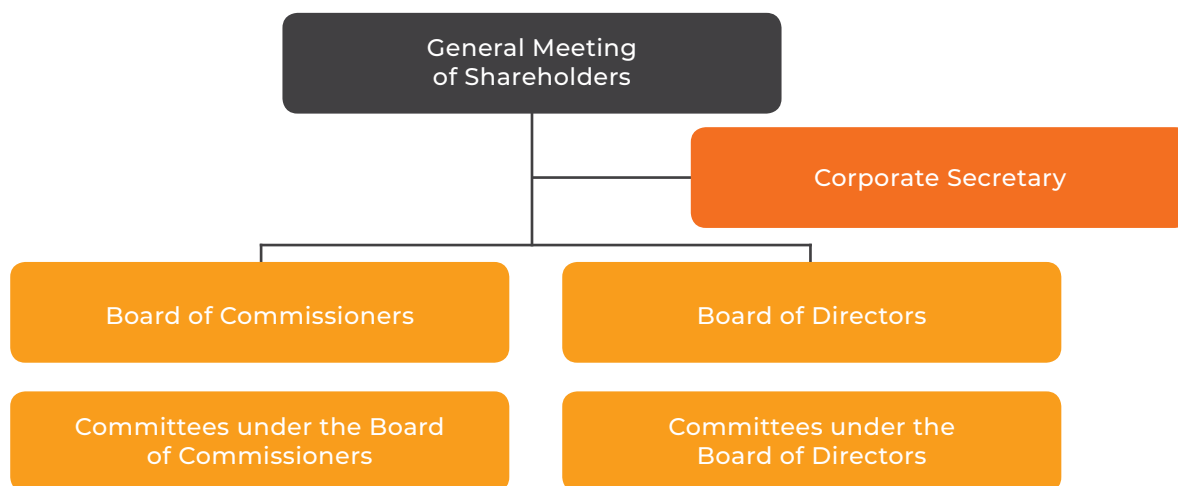
Bank Mega Governance Structure has been developed and adjusted with the Limited Liability Law, in which the main organ consisted of General Meeting of Shareholders (GMS), Board of Commissioners and Board of Directors, as well as

supporting organs, comprising Committees under the Board of Commissioners, Board of Directors Committee, and Operating Units that support the Good Corporate Governance.

The highest structure in the company is GMS, and in operations the highest level is led by President Director to which, its subordinates, Division Directors and Committees provide assistance. Additionally, aligning with POJK 18/POJK.03/2014 on the Integrated Governance, the Company established Integrated Compliance Operating Unit,

Integrated Risk Management Operating Unit, and Integrated Internal Audit Operating Unit. These units were formed to create solid synergy and business alliances between Bank Mega and Related Financial Services Institution (LJK) in Mega Corpora Financial Conglomerate.

#### GCG Organizational Structure



The Board of Directors has a duty to ensure Bank Mega has implemented Sustainable Finance in the applied Governance principles. In implementing POJK 51/POJK.03/2017, Bank Mega Board of Directors with the approval of Board of Commissioners has issued Board of Directors' Decree Number 153/DIRBM/19 o 20 June 2019 on the Membership Structure of Sustainable Finance Team. The Sustainable Finance Team has all of its members as operating units that related to the planning and implementation of Sustainable Finance. Compliance and Human Capital Director has been assigned as the Director that implements Sustainable Finance. The Sustainable Finance assists the Board of Directors in carrying out each program of Sustainable Finance in order to be aligned with the bank business strategy and RAKB.

[102-20]

Duties and responsibilities of the Sustainable Finance Team, among which are as follows:

- a. Preparing Sustainable Finance Action Plan (RAKB) as part of the Bank business plan.

- b. Communicating RAKB to:
  - Regulator (OJK).
  - Shareholders; and
  - All levels of organization.
- c. Preparing the Bank internal capacity building plan, especially related to the implementation of Sustainable Finance.
- d. Developing activity plans that are in harmony with the implementation of Sustainable Finance, including product development plan and strategy, as well as sustainable finance portfolio.
- e. Developing activity plan of Social and Environmental Responsibility (TJSL).
- f. Developing Sustainability Report and have it communicated to the stakeholders through Company website.
- g. Monitoring RAKB implementation.
- h. Ensuring adequate information system to measure the target achievement of the Sustainable Finance as per RAKB.



## Competency Development over Sustainable Finance

Human capital (HC) development plan is carried out in an integrated manner, starting from strategies in recruiting quality employees, competency development and strategic programs for career and performance management, technology system procurement that supports HC plan and developments, as well as company culture internalization. The implementation of HC development strategies is essential in order to achieve the Sustainable Finance program priority.

As of end semester II 2019, Bank Mega has held 12 (twelve) batch Sustainable Finance trainings, including: 3 (three) batch, involving external practitioners for Director, Commissioner, Division Head, as well as Group Head, Regional Head, and also regional credit head. Moreover, there were 9

(nine) batch for business credit and credit analysis throughout regionals. As for the preparation of sustainability report, on 14-15 November 2019 a training on OJK regulation concerning sustainability report was held. The number of participants in internally- and externally-conducted trainings in 2019 was 308 employees.

Materials presented in the Sustainable Finance training, among which were Sustainable Finance Concept and Principles; Risk, Mitigation, and Opportunities as well as Benefits for Banking Business; Implementation of Risk Management, Sustainable Finance Action Plan (RAKB) and Sustainability Report. These materials were in line with the information provided by OJK for implementing the Sustainable Finance.



## Management Procedures on Implementing Sustainable Finance [102-11, FS2, FS9]

All levels of Board of Directors and Board of Commissioners perform a supervision on the implementation of Sustainable Finance, both in improving products and/or services portfolio which are in accordance with sustainable business activities category (KKUB), internal capacity building, and provisions adjustment for conforming with the sustainable finance principles. The supervision includes risk control, implementation, policy adjustment, development, and sustainable finance effects to Bank Mega business.

Supervision on Sustainable Finance implementation is conducted directly by Compliance & Human Capital Director. This supervision starts from RKAB preparation, internal capacity building through education and training, adjustment to credit policy, up to Sustainability Report preparation. For credit policy adjustments, the immediate risks, among which are impacts from adjustments to environmentally-friendly credit requirements and those that support sustainable developments, which often receive less understanding from many stakeholders, especially debtors who are still running their “business as usual”. [FS1]

Additionally, the limited environmentally-friendly projects also have economic return risks that could affect financial condition. Due to this risk, Bank Mega continues to provide education and measure credit risk through stress test. Bank Mega will keep developing and implementing credit assessment through scoring and rating, including Commercial and Retail segment that are adjusted to KKUB.

Bank Mega started to perform credit and funding portfolio mapping which is in accordance with the sustainable finance principles. As of 31 December 2019, the outstanding credit portfolio based on KKUB was Rp11.8 trillion, whereas the funds acquisition for Mega Berbagi Savings was Rp634.77 million. In the upcoming years, the supervision on credit and funding portfolio that supports KKUB will be led by Strategic & Business Development Division (SBDV) as the Head of Sustainable Finance Team, assisted by other 15 Divisions.

Bank Mega has yet to have Board of Directors and/or Board of Commissioners intervention policy against debtors who are deemed bringing negative impacts to environment and social, but it will immediately lower the debtors' rating if there is any indication of this risk. For example, in terms of giving risk rating to debtors, if there is any information on labor issues, the debtors' rating will be scaled down without waiting for a review period. The decline in risk rating on each debtor could impact policies and other procedures concerning the debtors. This effort is exercised to reduce the Bank risks over environmental and social aspects, and at the same time it also encourages the debtors to increase their business process to be more environmentally friendly and starts to consider social aspect. [FS12]



## Implementation of Risk Management Policy [102-11]

Bank Mega has risk management that serves as precautionary approach in order to minimize risks and perform the sustainable finance principles. The four pillars in implementing risk management are procedures in identifying, measuring, monitoring, and controlling risks upon the implementation of sustainable finance. Below are the four pillars of risk management:

1. Board of Commissioners and Board of Directors' active supervision
2. Adequacy in policy, procedure, and limit determination
3. Adequacy in the process of identification, measurement, monitoring, and risk controlling, as well as risk management information system
4. Internal controlling system

Bank Mega is committed to implement the sustainable finance principles that integrate environmental, social, and governance (LST) risks in managing financial products and services. Fundamentally, credit distribution will always consider environmental, social, and governance aspects. Bank Mega also performs LST risk assessment, starting from approaching the prospective debtors, approving credit, processing credit, up to administration and credit monitoring.

In accordance with RAKB, Bank Mega will perform adjustments to risk management and governance policies related to Sustainable Finance. There are four activities carried out in the adjustment, namely:

- a. Updating the Bank Credit Policy, relating to credit lending arrangement that needs to be avoided by considering the business activities impact caused by the prospective debtors towards the environmental sustainability and negative impacts to social.
- b. Updating standard operating procedure (SOP) on credit related to the Sustainable Finance. SOPs will state the necessary requirement of data and information from the debtors in analysis process in order to ensure the business plan or activity is under monitoring and environmental management. One of said data/information is Environmental Impact Assessment (AMDAL), which is intended mainly for those that require AMDAL.
- c. Providing socialization and increasing awareness towards Sustainable Finance through internal printed media and other interactive media, such as Credit Risk Management Bulletin.
- d. Bringing the element of Sustainable Finance into industrial analysis related to LST.

For minimizing the LST risk, Bank Mega has stated a target of adjustment and updating on the Bank credit policy, credit SOP, as well as increased awareness on sustainable finance in industrial analysis. The implementation of risk management policy, including LST risk will elevate the stakeholders' trust and support sustainable development.



## Local Parties Engagement [102-40, 102-42, 102-43, 102-44]

Stakeholders are parties with connections to business activities, both direct and indirect, and carry with them sustainability influence to the company significantly. Corporate Secretary is the liaison between Bank Mega and the stakeholders, including government institutions and investors. Bank Mega maintains harmonious and professional relationship with all stakeholders to gain feedbacks and meet their needs through Bank Mega services and products upgrades.

Groups of stakeholders are determined based on proximity, influence, and their impacts to the company. The method in selecting groups of stakeholders was conducted through discussions and sharing sessions during the sustainability report training in November 2019.



### Stakeholder

Investors and Shareholders

#### Meeting/Mean of Engagement and its Frequency

- GMS: once a year
- Extraordinary General Meeting of Shareholders (EGMS): at minimum once a year
- Quarterly Report
- Annual Report
- Sustainability Report

#### Significant Topic and Stakeholder Needs

Financial performance and company strategies were elaborated in public expose and published reports, mainly in annual general meeting of shareholders.

#### Bank Mega's Response to Meeting Stakeholder Needs

- Held GMS, and EGMS
- Financial, environmental, and social performance reporting.



## Stakeholder Customers

### Meeting/Mean of Engagement and its Frequency

- Banking activities in branch office: at any time
- Through contact center: MegaCall 1500010 or +62 21 2960 1600, website, and social media: at any time
- Customer satisfaction survey: annually



### Significant Topic and Stakeholder Needs

- Inputs, complaint, and request for information concerning banking products and services
- Banking solution development
- Provided solutions to issues in transactions, using banking products and/or services
- Privacy protection and data security.

### Bank Mega's Response to Meeting Stakeholder Needs

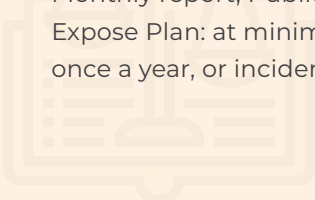
- Provided communication media and 24-hour service to respond to customer needs
- Followed up complaints received
- Explored customer needs, and developed product and service innovations
- Carried out customer satisfaction survey
- Maintained customers data privacy and security by strengthening information system and technology security



## Stakeholder Regulators

### Meeting/Mean of Engagement and its Frequency

- Compliance report: at minimum once a year, or incidental
- Submission of proof of AGMS and EGMS announcement, summary of Consolidated Financial Statements: at minimum once a year, or incidental
- Monthly report, Public Expose Plan: at minimum once a year, or incidental



### Significant Topic and Stakeholder Needs

- Compliance, and prudential and GCG principles
- Environmental and social risk analysis in lending credit
- Anti-fraud and anti-corruption, Anti Money Laundering and Counter Terrorism Financing (APU-PT)
- Green Banking
- Inclusive Banking
- Financial literacy
- Sustainable finance

### Bank Mega's Response to Meeting Stakeholder Needs

- Compliance report
- Prepared RAKB
- Prepared annual report and sustainability report
- Other required reportings
- Other meetings, such as pre-exit meeting and exit meeting



## Stakeholder

### Employees

#### Meeting/Mean of Engagement and its Frequency

- Internal media communication: at any time
- Internal meeting as per Division needs: as per needs, at minimum once a year
- Sharing session held in accordance with each Division policy
- Banking services and/or facilities that can be accessed at any time

#### Significant Topic and Stakeholder Needs

- Industrial relations and matters related to welfare
- Employee rights and obligations
- Career development opportunities, competency, training and education.

#### Bank Mega's Response to Meeting Stakeholder Needs

- Provided channel to accommodate employee feedbacks, such as through whistleblowing system
- Guaranteed employee safety and rights as per Company Regulations
- Performed training & development
- Performed work evaluation and promotion, as well as mutation



## Stakeholder

### Business Partners/Suppliers/Vendors

#### Meeting/Mean of Engagement and its Frequency

- Interaction through website: at any time
- Code of conduct concerning vendors
- Meeting with Procurement Committee: if necessary, once a year

#### Significant Topic and Stakeholder Needs

- Goods and/or services procurement
- Types of needs/specifications
- Fair work contract that has been agreed by both parties
- Prompt payment
- Mutually beneficial relationship

#### Bank Mega's Response to Meeting Stakeholder Needs

- Provided the necessary information to accommodate the procurement and work process
- Policy and code of conduct socialization
- Established business communication
- Performed prompt payment



## Stakeholder Media

### Meeting/Mean of Engagement and its Frequency

Press Release: if necessary, or  
incidental

### Significant Topic and Stakeholder Needs

Company information and  
data, among which concerning  
company financial, products and  
corporate action.

### Bank Mega's Response to Meeting Stakeholder Needs

- Press release
- Media publication and  
company report





## Anti Fraud Policy and Whistleblowing System [205-3]

Bank Mega has carried out Implementation of Anti-Fraud Strategies Policy, as stipulated in Financial Services Authority Regulation Number 39/POJK.03/2019 on the Implementation of Anti-Fraud Strategies for Commercial Banks of 19 December 2019. The Anti-Fraud Strategies implementation is an inseparable part of Risk Management implementation to ensure all activities conducted are legal, prudent, and in accordance with Good Corporate Governance principles.

Bank Mega has Whistleblowing System Policy that is regulated in 094/DRBM-PRMG/2019 on the Whistleblowing System, a communication channel established by Bank Mega for all employees. Bank Mega gives access for all Employees to inform

the Management, in this case Banking Fraud Division, which answers directly to President Director. Therefore, if any fraud case should occur, it could be handled immediately, and most importantly, early prevention. Bank Mega routinely submits reports containing whether any breaches against OJK are identified in each semester, and incidental reports if there is any case disrupting the Bank operations.

Throughout 2019, there were fraud offences conducted by internal individuals and external perpetrators. These offences have been followed up by the Management through sanctions in accordance with its degree of violation. In future, Bank Mega will continuously strengthen the security system, including

through technology innovations, integrity socialization and anti fraud, as well as supervise every banking process vigilantly and strictly so that number of fraud offences could be minimized to its full.

Despite strict implementation of risk management, there were still found fraud offences by 44 employees in 2019. These fraud offences have been followed up by the Management by giving sanctions according to the level of offense. In the future, Bank Mega will further enhance the security system, including through technology innovation, continuous socialization on integrity and anti-fraud, as well as more vigilant and firmer supervision on banking process in order to minimize the number of bank fraud significantly.

### Whistleblowing System Mechanism





**SUSTAINABILITY  
PERFORMANCE**

# ECONOMIC PERFORMANCE



In line with the Sustainable Financial Action Plan preparation, Bank Mega started to map and adjust the credit lending policy with perspectives in environment, social, and governance



## Management Approach <sup>[103-2]</sup>

Indonesia's economy tended to be relatively stable in 2019 in spite of facing various potential challenges as a global economic impact in the upcoming years. Bank Indonesia predicted Indonesia's economic growth could sustain at approximately 5.02%. The achievement of Indonesia's economic growth was projected for continuous

growth at 5.1% by 2020 and 5.2% by 2021 with 2.5-4.5% inflation. This condition supported the banking business which credit grew at about 11% and third parties fund (DPK) acquisition grew by 8% with the maintained liquidity.

With the relatively conducive economy, Bank Mega

endeavored to increase the economic performance through several business development strategies throughout 2019. Credit growth strategies were focused on corporate segment, namely financing in companies or corporate groups with good reputation, as well as active in syndicate deals participation, and into financing state-



owned enterprises (SOEs). In Commercial and Retail Loan, Bank Mega optimized the sales distribution model by concentrating on business center in regional offices and focusing on cities with business basis, as well as potential economic growth supported with infrastructure adequacy and readiness.

The Bank's credit distribution is carried out by taking prudential principles into account for well-managed credit quality. Preventive measures are carried out, among which through early warning signal with periodical check-on-the-spot activity in accordance with the prevailing provisions. Thus, the Bank can see the debtors' business development and perform disciplined supervision in order to meet the loan covenant.

For credit cards, similar to the previous year, in 2019 Bank Mega continuously provided benefits through excellent features, facilities, and promotion programs to fulfill the needs of the card holders. Bank Mega also carried on Mega Travel Fair Program, collaborating with Antavaya Tours to increase the usage and new acquisition of credit cards. Mega Travel Fair is a tour and travel exhibition that is held twice a year with various best offers, working together with Singapore Airlines, All Nippons Airlines, China Airlines, Turkish Airlines, Qantas Airways, Thai Airways & Qatar Airways.

Aside from products and services, economic performance was also sustained by digital transformation strategy, focusing on serving customers through digital application in creating "one stop solution" for the customers. One of the competitive advantages possessed by Bank Mega in this digital banking service was the synergy with CT Corpora group in developments of Lifestyle Banking Ecosystem, Digital Payment Ecosystem and Digital Commerce Ecosystem.

In 2019, digital transformation has resulted five awards at the "8th Infobank Digital Brand Awards 2019". The award was given by Infobank and Insentia Indonesia on 16 May 2019 in Jakarta. Bank Mega was considered as one of the companies that was successful in attaining the highest index in digital branding in online media and social media based on measurements performed throughout 2018 by using Social Media Insentia monitoring method.



**Bank Mega has synergy with the CT Corpora group in the form of developing Lifestyle Banking Ecosystems, Digital Payment Ecosystems and Digital Commerce Ecosystems**





### Five awards received by Bank Mega related to economic performance in 2019 were as follows:

- 1<sup>st</sup> Rank in the category of Conventional Commercial Banks with Rp5 trillion – Rp30 trillion Core Capital (BUKU 3), Rp50 trillion – Rp100 trillion assets of Corporate Brand
- 1<sup>st</sup> Rank in the category of Conventional Commercial Banks Credit Cards, Mega Pass Card Brand Product
- 1<sup>st</sup> Rank in the category of Conventional Commercial Banks Credit Cards, Mega Credit Card Brand Product
- 2<sup>nd</sup> Rank in the category of Conventional Commercial Banks Savings, Mega Dana Brand Product
- 5<sup>th</sup> Rank in the category of Private Bank E-Money, Mega Cash Brand Product

## Evaluation of the Management Approach <sup>[103-3]</sup>

Bank Mega has Internal Audit Operating Unit to make sure of adequacy and the implementation of internal controlling system, risk management, as well as good corporate governance. This unit examines Bank Mega working process and reports the findings to President Director or the Board of Commissioners, and its copy to be submitted to the Board of Commissioners, Audit Committee, and Compliance Director.

Throughout 2019, Internal Audit Operating Unit has performed its duties and obligations as per mandates by the Management, Financial Services Authority, and Bank Indonesia. Relating to the Sustainable Finance implementation, Internal Audit Operating Unit also supervised, and has included one of its employees in the sustainable financial action plan implementation training.

## Financial Performance and Ratio

Financial Performance <span>(Unit in billion rupiah)</span>			
Description	2019	2018	2017
Total assets	100.803,8	83.761,9	82.297,0
Loans	53.015,3	42.252,7	35.222,6
Third Parties	72.790,2	60.734,8	61.282,9
Net interest income	3.583,5	3.513,8	3.508,6
Non-interest income	2.389,6	2.016,9	2.179,1
Net operating income	2.549,1	1.952,9	1.604,1
Net Profit	2.002,7	1.599,3	1.300,0

Financial Ratio <span style="float: right;">(in %)</span>			
Description	2019	2018	2017
Minimum Capital Adequacy Ratio	23,68	22,79	24,11
Gross NPL	2,46	1,60	2,01
Net NPL	2,25	1,27	1,41
Return on Asset (ROA)	2,90	2,47	2,24
Return on Equity (ROE)	14,85	13,76	11,66
Net Interest Margin (NIM)	4,90	5,19	5,80
Efficiency Ratio (BOPO)	74,10	77,78	81,28
Loan to Deposit Ratio (LDR)	69,67	67,23	56,47

Bank Mega recorded a satisfactory economic performance in 2019. Profit before tax growth was 25.29%, reaching Rp2.5 trillion, increasing by Rp0.5 trillion compared to the Rp2 trillion in 2018. The achievement of net profit also penetrated Rp2 trillion compared to the Rp1.6 trillion in 2018. Net operating income also experienced an increase of 30.5% from Rp1.95 trillion in 2018 to Rp2.55 trillion in 2019.

Bank Mega Third-Party Funds grew by 19.85% to Rp72.79 trillion from Rp60.73 trillion in the same period of the previous year. Although in composition it was still dominated by Deposits acquisition, Savings grew by 5.98% compared to the previous year to Rp12.50 trillion from Rp11.80 trillion.

Bank Mega credit portfolio was recorded at Rp53.02 trillion, increasing by 25.47% which exceeded the target determined in the beginning of year, which was Rp47.30 trillion. Bank Mega recorded a positive trend in corporate loan segment with the largest portion, or 43.60% of Bank Mega total credit, followed by 28.88% in joint-financing and 14.87% in credit cards.

Corporate loan experienced the largest growth compared to other segments, increasing by 51.52% of Rp15.26 trillion in 2018, to Rp23.12 trillion. Meanwhile, joint-financing credit grew by 14.43% to Rp15.31 trillion from Rp13.38 trillion in the same period in 2018. Commercial loan grew by 36.73% to Rp5.06 trillion from Rp3.7 trillion in the previous year. On the other hand, profitability ratio also showed improvements. Return on Asset (ROA) rose from 2.47% to 2.90% while Return on Equity (ROE) ration increased from 13.76% to 14.85% in 2019.

## Financing Performance Aligning with the Sustainable Finance Implementation

As one of national private banks with a vision to becoming Indonesia's pride, Bank Mega contributes itself in responding to dynamic social and environmental issues, as well as other global issues, such as climate change and global warming. Bank Mega participated in upholding Sustainable Development Goals (SDGs) and Sustainable Finance in Indonesia through Sustainable Financial Action Plan (RAKB).

In line with the RAKB preparation, Bank Mega adjusts the credit lending policy, particularly in environment, social, & governance (ESG) financing. Credit requirements at Bank Mega has included an LST-related checklist, and continues to develop financial products and services for sustainable business activities category (KKUB), as well as financial inclusion through corporate financing and MSME.

On the other hand, green portfolio should be identified at all times to obtain a financing profile that is compatible for KKUB. Bank Mega also prepares a target and measure achievements from implementing sustainable finance, then reports to

the Financial Services Authority through RAKB. In the future, the contributions made by Bank Mega to the implementation of sustainable finance and optimal economic performance could bring positive impacts to the environment, stakeholders, and people of Indonesia.

As of end 2019, Bank Mega has recorded a realization of sustainable financial performance, but it has yet presented a comparison of target and financing performance results that conformed to the implementation of Sustainable Finance as it was still in preparation stage. At this stage, Bank Mega mostly emphasized on training and awareness enhancement along with sustainable culture. To calculate the target, Bank Mega will firstly group the financing types into KKUB credit portfolio through mapping. We have submitted the mapping results of KKUB credit distribution for the last three years.

### Realization of Sustainable Finance Performance (Billion Rp)

Description	2019 Realization
Total products complying with sustainable business activities category (KKUB)	
a. Funds Acquisition	632
b. Funds Distribution	11.840,25
Total productive assets of sustainable business activities	
a. Total KKUB Loan/Financing	11.840,25
b. Total Non-Loan/Financing of Non-Sustainable Business Activities	30.938,50
Percentage of total loan/financing of sustainable business activities to total bank loan/financing (%)	23%

### Realization of Sustainable Finance Performance (Billion Rp)

Description	2019 Realization
Total and quality of loan/financing based on KKUB	
Biological Natural Resources Management and Sustainable Land Use	153,60
Environmentally-friendly Transportation	100,93
Eco-Friendly Buildings that Complied with Nationally, Regionally, or Internationally-Recognized Standards or Certificates	1.581,85
Kegiatan Usaha dan/atau Kegiatan Lain yang Berwawasan Lingkungan Lainnya	10.003,29
Kegiatan UMKM	0,56
Jumlah	11.840,25



Comparison of target and financing performance, investment, income, and profit is presented in the Annual Report 2019.

### Credit Distribution per Segment Performance (Billion Rp)

Description	2019	2018	2017
Corporate Loan	10.344,9	4.011,02	1.919,72
Biological Natural Resources Management and Sustainable Land Use	66,03	69,04	72,78
Environmentally-Friendly Transportation	100,93	12,2	-
Eco-Friendly Buildings that Complied with Nationally, Regionally, or Internationally-Recognized Standards or Certificates	858,43	861,56	743,26
Business Activities and/or Other Environmentally-Friendly Activities	9.319,51	3.068,21	1.103,68
Commercial Loan	1.469	1.139,6	764,44
Biological Natural Resources Management and Sustainable Land Use	71,04	39,37	-
Eco-Friendly Buildings that Complied with Nationally, Regionally, or Internationally-Recognized Standards or Certificates	720,59	757,95	591,34
Business Activities and/or Other Environmentally-Friendly Activities	677,43	342,28	173,10

#### Credit Distribution per Segment Performance (Billion Rp)

Description	2019	2018	2017
Retail Loan (MSME & Consumers)	26,3	29,10	8,37
Biological Natural Resources Management and Sustainable Land Use	16,53	19,57	1,44
Eco-Friendly Buildings that Complied with Nationally, Regionally, or Internationally-Recognized Standards or Certificates	2,84	2,84	-
Business Activities and/or Other Environmentally-Friendly Activities	6,36	6,36	6,43
MSME Activities	0,56	0,32	0,5

#### Credit Distribution Throughout 2019 [FSB]

Economy Sector	Total Debtor of Customer Information File (CIF)	Outstanding Loans (Billion Rp)
Manufacturing Industry	13	2.564,6
Construction	15	8.023,7
Electricity, Gas, and Water	1	2,3
Accommodation and Drinking Water	15	364,8
Wholesales and Retails	10	75
Mining and Excavation	6	82,2
Agriculture, Hunting and Forestry	1	-
Real Estate, Rental Business, and Corporate Service	6	626,7
Transportation, Warehouse, and Communication	1	100,9
Total	68	11.840

## Opportunities and Challenges in Implementing Sustainable Finance

Bank Mega implemented sustainable finance by developing RAKB 2019, which was to be exercised in 2019. Changes in mindset, business behavior, provisions adjustments, and capacity building are the key goals in implementing sustainable finance. Throughout 2019, Bank Mega has yet encountered any significant issue concerning the sustainable finance implementation. In general, the sustainable finance implementation creates opportunities and challenges that are inevitable for all parties,

including Bank Mega. This opportunity means financing absorption in the event of achieving sustainable development goals and business activities that related to climate change mitigation and adaptation, including sustainable agriculture, transportation and energy sectors, as well as other eco-friendly business sectors. Indonesia with its overflowing natural resources, opportunities in using renewable energy is also wide open.

On the other hand, below are the challenges that were to be faced together:

- a. Inequality in common perception among stakeholders on concept, principles, rules, and implementation of sustainable finance that socialization still needs to be enhanced.
- b. Improvements in knowledge and technical skills of Financial Services Institution on KKUB which were relevant for further developments in Indonesia in accordance with market segmentation, including risk assessment and its feasibility.
- c. The importance of insights on LST risk management implementation that are in line with the circumstances, and specific needs to be included in risk management policy and procedure.
- d. Decision-making process related to the sustainable finance principles that affected the bank credit policy required more time in carrying out the implementation in stages.
- e. Government policies that need to be synergized to create a conducive climate for KKUB financing process, so that the risk of failure could be minimize to the fullest.



## SOCIAL PERFORMANCE

### Company's Commitment in Customer Service [103-2, 103-3]



**Bank Mega succeeded in maintaining its 1st rank achievement in Customer Loyalty in the category of BUKU III Bank based on Experience Index & Loyalty Index 2019**

Bank Mega is committed to provide products and/or services of the Bank to all customers equally and evenly. A number of strategies have been developed to meet the needs of prime services amidst the increasingly rigorous competition in banking sector. Moreover, the emergence of financial technology (fintech) companies could become a challenge, as well as an opportunity for banking.

One of the strategies developed by Bank Mega to reach out to all customers was to develop a service that was based on digital technology. The establishment of Digital Transformation Task Force was a strategic step that has been applied by the Bank to expand its service range to customers, aiming on branchless banking, customer experience enhancement and digital sales skill, as well as mobile banking system improvement.





In 2019, several digital technology-based services were realized and launched, which were as follows:

- a. Improvement in cash management service
- b. Improvement in corporate payroll service
- c. Launching of Mega Intelligent Assistant ('Mila'), a service assisted by chatbot feature
- d. New customer service (customer onboarding), opening a Fund and Credit Card account through digital service using mobile application for faster process of Service Level Agreement (SLA) upon opening the account.

Aside from improving the digital technology-based service, Bank Mega also held various programs that could maintain and improve the service quality consistently, among which were:

- a. Mega Service Training, aimed to form service mindset, service skill, service supervisory, and service leadership for employees with which the employees give the best service to each customer.
- b. Service Day, a service day for Bank Mega's loyal customers in which they receive extraordinary experience. In 2019, exactly on National Customers Day on 4 September, Bank Mega held a service day to appreciate the customers. On that day, the entire Board of Commissioners and Board of Directors separately visited

Bank Mega office network in Jakarta to serve and be cordial with the arriving customers. Furthermore, 377 Bank Mega offices across Indonesia were decorated in various ornaments, displaying a more entertaining nuance and giving different experience to the customers.

- c. Developing Service Level Agreement (SLA), which acts as one of the means to accelerate services to the customers by lessening the service time without sacrificing its quality. This activity has been conducted since 2017 and will continuously be developed.

Bank Mega also provides information transparently to the customers related to non-financial information. Product information, for example, is presented in brochures and other promotion media, as well as in website. For prime service, Bank Mega offers a whistleblowing channel that can be accessed online by customers through website: <https://www.bankmega.com> or through Megacall: 1500010 available for 24 hours.





“

**Bank Mega held a Service Day as a form of appreciation to customers.**

”

## Customer Privacy <sup>[418-1]</sup>

Referring to OJK regulations, Bank Mega has also reinforced a strict policy to protect customers' data privacy and security. Therefore, Bank Mega makes use of technology innovation to ensure no breaches over data privacy and security of the customers. Only

employees who have special authority to access the customer data for banking interest unless it is required by the authorities. The customer data privacy and security should be protected wisely to secure the customer trust.



## Employment

### Company's Commitment <sup>[103-2, 103-3]</sup>

The Management of Bank Mega entirely realized that each employee is diverse and has different background. Thus, the company ensures that the Bank operates by taking human rights into account through equality in job opportunities for all employees regardless of ethnic background, religion, gender, race, and group. Equality in employment is reinforced in HC management starting from recruitment, competency development, performance evaluation, up to position promotion. Concerning the employment, Bank Mega has Company Regulations that has been enacted by the Ministry of Manpower of the Republic of Indonesia, containing requirements, policies, and code of conduct. <sup>[102-41]</sup>

Equality and diversity practices in Bank Mega Management are exercised, such as giving women the opportunity to occupy the highest position in the management. As of end 2019, there were two women with the position of Director. Additionally, Bank Mega attempts to balance the employee composition that there is equal number between the male employees and females. As of end 2019, there were no complaints reported on discriminations in ethnic, religion, gender, race and group. <sup>[406-1]</sup>

### Employees Based on Employment Status and Gender [102-8]

Status	Gender	2019		2018		2017	
		Total	%	Total	%	Total	%
Permanent Employee		2.672	49,67%	2.952	49,51%	3.051	49,56%
		2.707	50,33%	3.010	50,49%	3.105	50,44%
	Total	5.379		5.962		6.156	

### Employees Based on Age Group and Gender [405-1]

Age Group	Gender	2019		2018		2017	
		Total	%	Total	%	Total	%
Under 25	Male	192	3%	273	3%	275	3%
	Female	469	6%	625	8%	749	9%
	Total	661	9%	898	11%	1.024	12%
25 - 29	Male	763	10%	923	11%	976	11%
	Female	1.174	16%	1.226	15%	1.251	15%
	Total	1.937	26%	2.149	26%	2.227	26%
30 - 34	Male	799	11%	976	12%	1.083	13%
	Female	925	12%	1.093	13%	1.177	14%
	Total	1.724	23%	2.069	25%	2.260	26%
35 - 39	Male	876	12%	946	11%	924	11%
	Female	613	8%	573	7%	557	6%
	Total	1.489	20%	1.519	18%	1.481	17%
40 - 44	Male	509	7%	482	6%	494	6%
	Female	245	3%	244	3%	255	3%
	Total	754	10%	726	9%	749	9%
45 - 49	Male	338	5%	384	5%	371	4%
	Female	183	2%	193	2%	186	2%
	Total	521	7%	577	7%	557	6%

Age Group	Gender	2019		2018		2017	
		Jumlah	%	Jumlah	%	Jumlah	%
50 – 54	Male	184	2%	167	2%	161	2%
	Female	93	1%	88	1%	81	1%
	Total	277	4%	255	3%	242	3%
55 - 59	Male	30	0%	21	0%	23	0%
	Female	9	0%	6	0%	6	0%
	Total	39	1%	27	0%	29	0%
> 60	Male	6	0%	6	0%	4	0%
	Female	3	0%	3	0%	1	0%
	Total	9	0%	9	0%	5	0%
Total		7.411		8.229		8.574	

#### Employees Based on Educational Level and Gender

Educational Level	Gender	2019		2018		2017	
		Total	%	Total	%	Total	%
Master's Degree	Male	132	2%	142	2%	142	2%
	Female	65	1%	74	1%	71	1%
	Total	197	3%	216	3%	213	2%
Bachelor's Degree	Male	2.717	37%	3.056	37%	3.144	37%
	Female	2.918	39%	3.128	38%	3.257	38%
	Total	5.635	76%	6.184	75%	6.401	75%
3 Year Diploma	Male	544	7%	617	7%	643	7%
	Female	660	9%	768	9%	816	10%
	Total	1.204	16%	1.385	17%	1.459	17%
1 – 2 Year Diploma	Male	20	0%	24	0%	24	0%
	Female	17	0%	16	0%	18	0%
	Total	37	0%	40	0%	42	0%
High School	Male	284	4%	339	4%	358	4%
	Female	54	1%	65	1%	101	1%
	Total	338	5%	404	5%	459	5%
Total		7.411		8.229		8.574	

### Employees Based on Position and Gender

Position	Gender	2019		2018		2017	
		Total	%	Total	%	Total	%
Vice President	Male	175	2%	174	2%	160	2%
	Female	95	1%	101	1%	99	1%
	Total	270	4%	275	3%	259	3%
Manager	Male	624	8%	625	8%	599	7%
	Female	467	6%	453	6%	427	5%
	Total	1.091	15%	1.078	13%	1.026	12%
Officer	Male	1.580	21%	1.731	21%	1.812	21%
	Female	1.348	18%	1.412	17%	1.487	17%
	Total	2.928	40%	3.143	38%	3.299	38%
Administration	Male	1.318	18%	1.648	20%	1.740	20%
	Female	1.804	24%	2.085	25%	2.250	26%
	Total	3.122	42%	3.733	45%	3.990	47%
Total		7.411		8.229		8.574	

### Employees Based on Region and Gender

Region	Gender	2019		2018		2017	
		Total	%	Total	%	Total	%
Head Office	Male	2.319	31%	2.511	31%	2.505	29%
	Female	1.217	16%	1.307	16%	1.285	15%
	Total	3.536	48%	3.818	46%	3.790	44%
Region & Branch	Male	1.378	19%	1.667	20%	1.806	21%
	Female	2.497	34%	2.744	33%	2.978	35%
	Total	3.875	52%	4.411	54%	4.784	56%
Total		7.411		8.229		8.574	

Career development opportunities for employees is a program that is open for all quality employees through internal job posting. The career path could be vertical or horizontal in one function or

similar job family, even cross function. All of these opportunities are made available for the employees to expand their horizon, competency, and potential development.

### Employees Receiving Promotion [404-3]

Tingkat Pendidikan	Gender	2019		2018		2017	
		Total	%	Total	%	Total	%
Promotion	Male	78	8,88%	81	8,29%	50	6,94%
	Female	69	7,86%	76	7,78%	43	5,97%
	Total	147	16,74%	157	16,07%	93	12,92%
Rank Promotion	Male	97	11,05%	152	15,56%	95	13,19%
	Female	90	10,25%	151	15,46%	101	14,03%
	Total	187	21,30%	303	31,01%	196	27,22%
Rotation/ Mutation	Male	314	35,76%	319	32,65%	212	29,44%
	Female	230	26,20%	198	20,27%	219	30,42%
	Total	544	61,96%	517	52,92%	431	59,86%
Total		878	100%	977	100%	720	100%

### Employee Turnover Rate [401-1]

In 2019, the number of employees declined by 2,778 people. The majority left the Company due to retirement, resignation, employment termination (PHK) or demise.

### Employee Turnover Rate (in %)

2019	2018	2017
35,56	34,45	40,37

### Employees Leaving the Company

Description	2019	2018	2017
Pension	28	40	18
Resignation	1.804	1.258	2.088
Demise	19	7	6
Employment Termination	927	1.628	1.394
Total	2.778	2.933	3.506

Bank Mega ensures there is no labor who is still minor, and it only recruits employees in accordance with the provisions stipulated by the Government. This policy is stated in recruitment policy, requiring High School (SMU) graduates as the minimum education level. In addition to that, to avoid the impression of unfree labor, Bank Mega regulates

working hours, time off, and leaves in Company Regulations, or Permanent Contract. Bank Mega gives the employees their rights in terms of overtime pay that there is no unfree labor. For equality between permanent and outsourcing employees, Bank Mega provides the same benefits.

#### Benefits Received by Employees Based on Employment Status [401-2]

Benefit	Permanent Employee	Outsourcing Employee
Religious Holiday Allowance	√	√
Position Allowance	√	√
Regional Performance Allowance	√	√
Attendance Incentive	√	√
Pension Allowance (BPJS)	√	√
Meal Allowance	√	X
Annual Leave Compensation	√	√
Maternal Leave	√	√
Overtime Pay	√	√

#### Maternal Leave [401-3]

Bank Mega provides maternal leave for its employees. This policy is stated in Article 3 of Company Regulations. Female employees have the right to maternal leave as long as 3 (three) calendar months. Meanwhile, male employees are also given paternity leave for 2 (two) calendar days. In 2019, there were 224 female employees who used their maternal leave, and afterwards they were given the opportunity to return to their previous position. There were 175 female employees who returned and had been working actively post maternal leave.

#### Remuneration

Developing remuneration policy for employees is one of the duties and responsibilities of Human Capital Committee. In 2019, the Committee has held a discussion on periodical pay raise and bonus for employees. Furthermore, as a form of commitment to employee welfare improvement, Bank Mega guarantees remuneration provision to exceed the regional minimum wage for the lowest employment level in all regions.

#### Remuneration for Permanent Employees in Jakarta at the Lowest Level to UMR

Description	2019	2018	2017
Remuneration for permanent employees in Jakarta (lowest) (Rp)	4.440.000	4.140.000	3.830.000
Regional minimum wage in Jakarta (Rp)	4.138.022	3.830.438	3.523.539
% comparison	7,3%	8,1%	8,7%





### Workplace

One of the purposes of internalizing work culture at Bank Mega is creating a positive workplace, which will bring impact to productivity increase in employees. The internalization process has been started since 2018, initiated by a kick-off event and a socialization of Mega Corporate Values to the entire Division Head and Group Head, which was directly presented by the CEO of Bank Mega.

In 2019, Corporate Culture Division released a program to build awareness among employees on Corporate Values, among which were the use of lanyard on which has DETECS logo that was distributed to all employees of Bank Mega, survey on corporate values and Key Performance Indicator (KPI) assessment. The management expected through corporate culture development and

implementation, the HC performance will increase and able to contribute to the achievement of Company goals and vision.

Moreover, in order to ensure a safe, convenient, and healthy workplace, Bank Mega is equipped with disaster recovery center (DRC), which continuously undergone testing to manage any circumstance, such as fire, flood, or earthquake. DRC development is also considered as a vital measure in guaranteeing the Bank's operational continuity if infrastructure disruption occurs at data center in Head Office, as well as regional and branch offices. Emergency management is conducted in Business Continuity Management framework. This program is one of Bank Mega protection means for appropriate, safe, and convenient workplace.

## HC Training and Development related to Sustainable Finance [404-1]

As per RAKB 2019, implementations that have been performed up to Q3-2019 were focused on internal capacity building, namely Sustainable Finance training for all Directors and the majority of Commissioners and Executive Officials, who were

directly related to the Sustainable Finance Team. Additionally, Analyst, Support, and Business Team from Regional Office and Head Office also joined the Sustainable Finance training.

### Sustainable Finance Training [FS4]

Training Topic	Total Participants	Training Hours	Average Training Hours/Employee	Information on Participants' Position
Sustainable Finance Action Implementation – Executive Level	30	120	4	Company Management & Division Head.
Sustainable Finance Action Implementation	60	480	8	Division Head, Regional Head, Credit Business Head, Credit Analyst Head (HO & Regional), Credit Deputy Regional Head, RM Corporate.
Sustainable Finance Action Implementation for Regional Credit Team.	180	720	4	Credit Business Manager, Relationship Manager, Credit Reviewer Regional, Regional Credit Support
Sustainability Report Training.	30	480	16	Sustainability Report Team
Environmental Analyst Training (TAL).	2	64	32	Commercial Business Analysis & Support Specialist, Corporate & Commercial Credit Review Specialist
Training of Trainers on Environmental Analyst	1	24	24	Strategic & Business Development Head
Environmental Analyst Training (TAL) for Intermediate Level.	1	24	24	Strategic & Business Development Head
Environmental Analyst Training (TAL) for Intermediate Level.	2	64	32	Credit Deputy Regional Head, Corporate & Commercial Credit Review Specialist
Workshop on Roles of Directors and Commissioners to POJK Number 51 POJK 02 2017	2	16	8	GCG & Governance Integration Head, Corporate Affairs Head

In RAKB 2019, the total cost for sustainable finance trainings has been budgeted Rp450 million, yet the realization was Rp393.36 million. Training program will keep continuing in 2020 in accordance

with the short-term needs and plan, including capacity building in credit business team in order to understand business sectors that support the sustainable finance.

# Social and Environmental Responsibility

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Mega Berbagi and Mega Peduli are the embodiment of the Bank's commitment to take part in improving the education and welfare of the community



## Company Commitments for Community

Community activities of Bank Mega are divided into two programs, Mega Berbagi and Mega Peduli. The underlying philosophy in both of the programs is that not only Bank Mega return some of the profits to the community, but also emphasizes more on harmonious relationship with the nature, particularly community and environment, as well as to be

able to continuously give added values among each other. These community services bring positive impacts to the community and environment.

Educational aspect became the main focus for community's capacity development as Bank Mega believes that improvements in educational

standards will break the poverty cycle. As of end 2019, total funds distributed for Mega Berbagi and Mega Peduli was Rp27.9 billion and Rp1.6 billion respectively.





## Mega Berbagi

Bank Mega urges customers and all people of Indonesia to start saving and be involved in developing schools' facilities and infrastructures through Mega Berbagi savings product. By having Mega Berbagi Savings, customers could deposit their money and perform charitable deeds by donating to those who are in need. By setting aside at least 1% of the interest rate received and additional 1% from Bank Mega, both customers and Bank Mega together contribute to Building the Future and improving the quality of education. To maintain its accountability, Bank Mega established Mega Berbagi Committee comprising various elements, including customers representatives that is responsible for Mega Berbagi donation distribution.

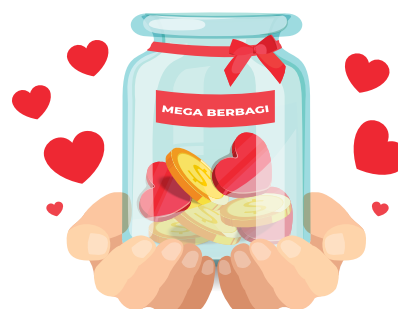
As of end December 2019, total donation funds received reached Rp111 billion and it has been distributed to 69 schools which development and renovation have been completed, as well as 3 schools, which are still under construction with a funding allocation of Rp102 billion.

### Activities of Mega Berbagi

- Through Bank Mega office network spread across Indonesia, Mega Berbagi Committee collects data of schools requiring assistance;
- Mega Berbagi Committee carries out data assessment, including location assessment and necessary needs;
- Performs visits to schools which renovation and construction have been completed

### Total Beneficiaries from Mega Berbagi Activities (people)

2019	2018	2017
<b>4.147</b>	<b>6.372</b>	<b>3.704</b>





## Mega Peduli

Mega Peduli program also engages in corporate social responsibility (CSR). All employees are actively involved in this activity in order for them to gain social awareness and tolerance towards the underprivileged. Assistance is distributed through Bank Mega branch/sub-branch/cash offices across Indonesia. The resulting benefits from Mega Peduli social activities are increasingly recognizable, particularly among people who are underprivileged due to the staple food soaring prices towards Religious Holiday and weakening purchasing power.

Bank Mega, through Mega Peduli, distributes staple food in packages to help meeting the needs of the community that resides around the Head Office and 374 Bank Mega Office Network all over Indonesia. In 2019, Bank Mega distributed over 16,000 packages of staple food. Symbolically, this activity was kicked off by handing over a package of staple food by Bank Mega President Director, Kostaman Thayib to the community in the environment of Masjid Raihanul Hamim – Mampang.

Another Mega Peduli program was held exactly on its 50th anniversary. Bank Mega cooperated with CT ARSA Foundation to perform dental care consultation by CT ARSA Foundation Dentist Team, followed by free service of oral examination and treatment through Mobil Sehat for students and community around Madrasah Aliyah Al Falak, Bogor – West Java. In this activity, Bank Mega attempted to heighten the awareness of the community regarding the importance of oral health.





### Activity Cost of Mega Peduli (Billion Rp)

2019	2018	2017
<b>1,65</b>	<b>1,57</b>	<b>1,53</b>



Moreover, Bank Mega routinely organizes blood donation every year. In 2019, Bank Mega had its employees to participate donating their blood. Based on the data received from Indonesian Red Cross Society (PMI) UDD PMI Sukabumi, UDD PMI North Jakarta, and UDD PMI Bekasi Regency, there were 364 blood bags received by PMI from 460 employees donating their blood in Jakarta Head Office. Similar activity was also held at Bank Mega regional offices, such as Bandung, Semarang, Surabaya, Medan, Makasar, and Banjarmasin. Total blood bags generated in 2019 increased by 5% of the total in 2018.



## Banking Education Literacy

Bank Mega consistently participates in giving special education program to widen the knowledge of the community in banking sector. The program conducted by Bank Indonesia is a manifestation of the sixth banking architecture in Indonesia, determining that the banks should be responsible for educating the community on banking basic principles.

In 2019, Bank Mega completed several activities in education literacy program, among which were banking education “Ayo Ke Bank” to students of SMK Persada Sangatta, beneficiaries of Mega Berbagi, and financial literacy to customers and prospective credit card customers along with the Mega Travel Fair program. On the other hand, Bank Mega was also involved in Financial Inclusion Month with OJK in 2019. [FS16]



# ENVIRONMENTAL PERFORMANCE



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Bank Mega strives to support the prevention of climate change through energy saving by being efficient in using paper, electricity, water, as well as increasing banking digitalization process

## Company Commitment in Protecting the Environment

Bank Mega has a commitment to increase efficiency in cutting down cost and simultaneously support energy use directly by reducing carbon emission. The efficiency program will continue be elevated, such as through standardization of number of operational vehicles in all regional, branch, sub-branch, and cash offices. Thus, Bank Mega planned to sell its asset, approximately 60 operational vehicles through auction.

As performing its strategy in developing digital technology-based service innovation, banking process in Bank Mega will be easier, faster, and more efficient. This effort indirectly supports the sustainable development goals.

## System Development and Support to SDGs



### Mobile onboarding

Supporting the onboarding process of employees more effectively and efficiently

Cost, employee, paper

### Web Policy & Procedure Management System

Supporting the management of policy and procedure document as well as paperless storage

Employee, paper

### Content Management dan e-Doc

Supporting paperless-based management of customers' profile data and accounts

Employee, paper

### Card Initiation System

Supporting the process of customer origination for credit card customers

Employee, paper

### Carpooling System

Supporting the management of company vehicles use

Operational cost, employee

### Enterprise Data Warehouse

Supporting provisions for various reports in paperless method

Employee, paper

### Robotic Process Automation

Supporting the efficiency in process for optimal employee performance

Operational cost, employee

### QR Payment

Supporting more efficient payment process

Operational cost

### Chatbot

Supporting more efficient customer service

Operational cost, employee

### Collection System

Supporting collection process using mobile apps to increase efficiency

Operational cost, employee, paper

### Mobile Appraisal

Supporting appraisal process using mobile apps to increase efficiency

Operational cost, employee, paper



### E-Learning

Supporting the process of training and socialization to employees effectively and efficiently.

Cost, employee, paper



### Tangible Monitoring System

Supporting the management of goods and assets in branch offices, so that the Bank could plan the procurement and replacement of goods and assets effectively

Operational cost, employee

Additionally, Bank Mega has realized other efficiency programs included in responsible consumption, namely using products and services to fulfill basic needs and lead a better and sustainable living quality. The efficiency programs are as follows:

- a. Setting the use of air conditioning (AC) and lights efficiently, resulting in decreasing electrical use level in Bank Mega, yet still taking employees' convenience at workplace into account.
- b. Establishing a provision in Service Demo Number MD.1638/PRFS/19 on Notification of Discontinuation of Using Mineral Water Cups and Bottles in Bank Mega's Office Environment, which is intended to reduce plastic waste.

- c. Reducing paper usage in banking processes by utilizing banking technological innovations. Customers are encouraged to use ATM, mobile banking, internet banking, and several financial mobile applications developed by Bank Mega. This will result in reduction in paper usage, especially in teller transactions which tend to use paper as an underlying copy of the transactions. Technological advancements also reduce transport costs because customers no longer need to go to Bank Mega offices to use the bank's services.



## Energy Use



In 2019, Bank Mega decreased the use of electricity by 147,360 kWh or equivalent to emission reduction of approximately 10.375 tonnes CO<sub>2</sub>eq

Bank Mega is committed to keep preserving the environment through economical use of energy. This is in line with one of the goals in RAKB Bank Mega, namely increasing Bank's intermediary function, which makes it conceivable to support the business sector through environmentally-friendly, social, and governance (LST) activities.

Bank Mega attempted to reduce the use of electricity by setting the air conditioning and lights. The declining number of electricity use has been converted to emission reduction that in 2019 Bank Mega succeeded in reducing the emission by 10,375 tonnes CO<sub>2</sub>eq.

#### Intensity of Electrical Use [302-3]

Description	2019	2018	2017
Total Electrical Usage (kWh)	12.035.920	12.183.280	11.238.440
Electricity Cost (Billion Rp)	14,865	15,814	16,576
Total Energy Use (MWh)	12.036	12.183	11.238
Land Area (m <sup>2</sup> )	57.595	57.595	57.595
Intensity of Energy Use (kWh/m <sup>2</sup> )	208,97	211,53	195,12
Emission tCO <sub>2</sub> /year	10.375	10.502	9.688
Emission Factor Value of Interconnection System : JAMALI	0,862 ton CO <sub>2</sub> /MWh		

Note: Data derives from Bank Mega Head Office



#### Cost of Water Use (Billion Rp)

2019	2018	2017
<b>1,143</b>	<b>1,157</b>	<b>1,239</b>

Note: Data from all branches of Bank Mega (KC, KCP, KK)



#### Cost of Fuel Use (Billion Rp)

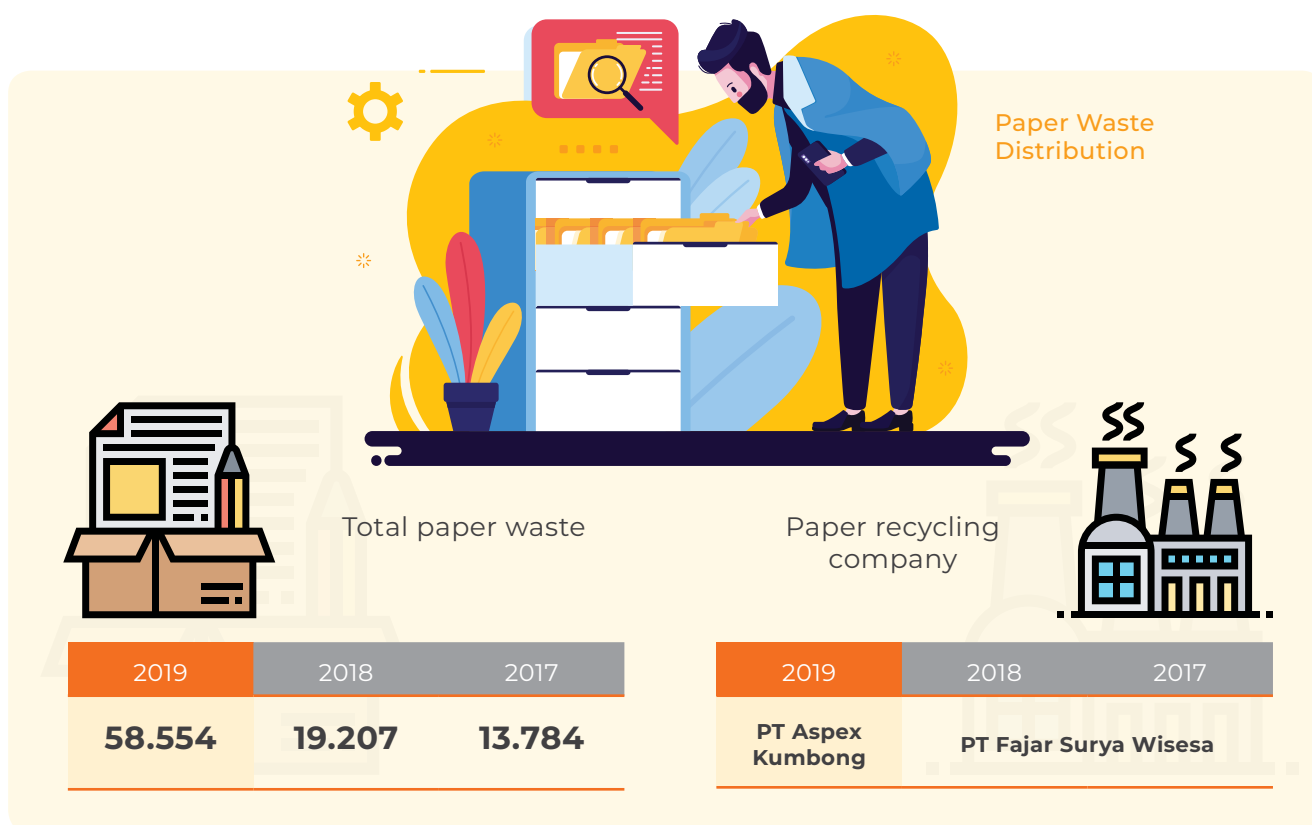
2019	2018	2017
<b>10,819</b>	<b>12,619</b>	<b>12,691</b>

Note: Data from all branches of Bank Mega (KC, KCP, KK)

## Paper Waste Management

Banking operational activities which mostly exploit paper will end in waste. Bank Mega does not process its own waste, but uses the service of a third party to manage the paper waste. In 2019, Bank Mega distributed 58,554 tons of paper waste to be crushed.

The increasing paper waste was affected by the new branch and cash offices, resulting in more paper use. In the future, Bank Mega will calculate the amount of paper waste by using measurement proxy, illustrating the efficacy of the activity.



This sustainability report has yet presented any information on effluent reduction, spillings, as well as biodiversity preservation. This information has no direct relation to Bank Mega banking activities, yet sufficient to be informed to the customers or other stakeholders concerning the Bank operations.



## Complaint Handling

Service is one of the main keys for financial services institutions, such as bank, which rely on trust, in which includes complaint handling for customers and community. Therefore, employees capacity in handling complaints should be further improved through various activities, such as training and socialization, both centralized and decentralized.

Bank Mega has no complaint mechanism that is specifically designed to accommodate complaints from the community concerning environmental and social aspects. Nevertheless, the community can still access contact center hotline: MegaCall 1500010 or +62 21 2960 1600 to report any complaint. By the end of 2019, there were no complaints from customers and community related to social and environmental issues.



## RESPONSIBILITY ON SUSTAINABLE FINANCE PRODUCTS AND/OR SERVICES DEVELOPMENT

### Product and/or Service Development and Innovation

Bank Mega's strategies in facing the rigorous competition in financial service industry, mainly with the emerging of many financial technology (fintech) companies, offering financial services. Thus, the Management endeavors to create innovations in providing technology-based services through digital innovation development. Bank Mega expected that this digital-based service could expand to wider community, so that financial inclusion principles could be implemented.

Additionally, Bank Mega has introduced a payment transaction feature using QR code (quick response) and cardless transaction (money withdrawal). This innovation, which digitally connected to debit and credit card services, was aimed to increase the service quality and give faster, more practical, convenient, and safer transactions. We are committed to maintain safety and convenience in each feature with information technology system development through system availability, system reliability, and security system (cyber security).

Several activities conducted to support digital banking transformation in Bank Mega, among which were as follows:

#### Customer Onboarding

Bank Mega strives to provide services with convenience and ease in access for customers upon opening Fund and Credit Card accounts in Bank Mega (customer onboarding). These services are proven to be helpful with the customers when opening fund and credit card accounts through digital service on mobile phones (mobile application), which is faster without the need to visit any branch office. Aside from improving the customer onboarding, Bank Mega also enhances back-office support system by performing automation and re-engineering back-office processing to improve SLA in opening customers' account.

#### Customer Services Improvement

Bank Mega launched Mila or Mega Intelligent Assistant service through chatbot feature. This service was designed to facilitate customers and community in accessing general information on Bank Mega products and services. Mila was launched in the beginning of December 2019 by President Director, accompanied by Operational and IT Director, as well as Digital Business Head. Educating the community on this digital service was also conducted in Bandung, Semarang, Surabaya, Makassar, Balikpapan, and Medan.

The technology used on Mila is an advancement of artificial intelligence in the form of chatbot that it can identify natural questions in the same manner as in general conversation. Mila will answer all

questions asked. With the existence of Mila, Bank Mega provides information that can be accessed by all people within the society, including those who do not have access to banking services as yet. Therefore, banking education through financial literacy is feasible for implementation.

#### Wealth Management System

In providing wealth management products and services to customers, Bank Mega requires an integrated system to perform end-to-end transactions and portfolio management for all assets, such as: Reksadana, Retail Bonds, and Bancassurance. Bank Mega has developed a wealth management system to reduce manual workload and provide a better service to customers.

#### Robotic Process Automation

Bank Mega has introduced robotic automation tools to mimic human behavior in different activities, especially in daily operation activities. This is to align with the digital transformation agenda, which prioritizing speed, accuracy, and security. A number of improvements in infrastructure service were carried out to enhance system availability, reliability, and cyber security, such as:

- **System Availability and Reliability**  
This improvement provides better primary link and backup link for the branches.
- **Cyber Security Enhancement**  
Bank Mega implements 3D Secure (3DS) system on Card Not Present (CNP) transactions, especially e-commerce transaction. The Bank has also carried out Fraud Detection System to provide better security in transactions through Bank Mega Credit Card and Debit Card.

Bank Mega will continue developing excellent banking services to customers in terms of information technology, infrastructure, security, as well as internal process through re-engineering and automation processes. These efforts are the embodiment of our commitment in providing best services and keeping the trust of our customers.

The additional one-time-password (OTP), aside from user id and password for the customers, was also carried out to heighten customer security upon transactions through electronic services, such as internet banking, mobile banking and ATM. The tokenization has also been reinforced on transactions using QR-Pay method to prevent account/card number stolen through transactions.

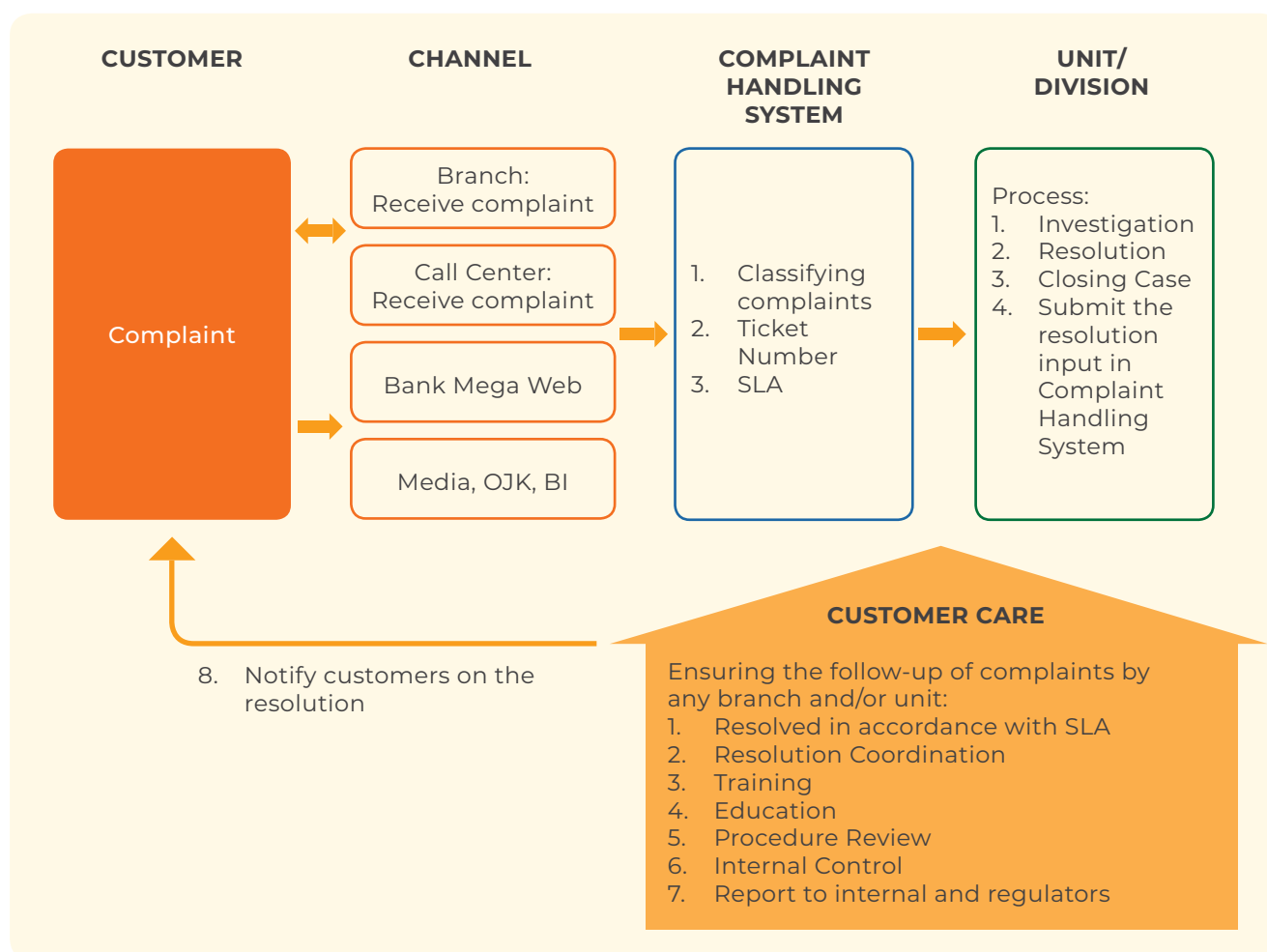


## Complaint Management Mechanism

Customers of Bank Mega can report their complaint through 4 channels, which are: Branch Office, Call Center, Complaint Input on website (online complaint form), printed/online/social media, OJK, and Bank Indonesia. Branches and call center are available for providing explanation and settlement when customers contact the Bank for making complaint. Complaint handling division, then, is

required to perform investigation, settle complaints, provide input to complaint settlement results, and conduct closing case. Afterward, Customer Care, as an independent unit appointed by regulators, will carry out a supervision on the party who receives the complain (branch and call center), as well as on the complaint handling Division.

## Internal Policy - Regulation/Provision/SOP on Complaints Handling & Resolution Mechanism



**Customer Complaint**

Description	2019	2018	2017
Complaints received	7.555	9.610	15.299
Complaints followed up	7.555	9.610	15.299
Complaints resolved	7.203	9.173	14.640

According to Customer Care data, the level of complaint received related to Bank Mega product and/or service declined every year, from 9,610 cases in 2018 to 7,555 in 2019, or decreased by 21%. The success in reducing number of complaints raise the spirit for

Bank Mega to keep improving service quality, mainly in three products with the most complaints, namely ATM/Debit card/ATM machine (52%), credit card (32%), and savings (7%).



## Impacts of Sustainable Financial Products and/or Services

In general, the positive impact from products and/or services that conform to sustainable finance is its use as means to increase the awareness to participate in changing national economy in which the harmony of economic, social, and environmental aspects is the key. In addition to this, the negative impact that may arise derives from debtors who have yet had

self-adjustment with sustainable finance provisions causing them to change to another bank. In order to mitigate this negative impact, socialization is required to convey the importance of sustainable finance for all stakeholders, and the significance of natural preservation for present lives and future generation.

## Evaluation on Product and/or Service Security

By the end of 2019, Bank Mega had not carried out customer satisfaction survey on products and services. Nonetheless, Bank Mega continued to commit to always providing security and convenience in every service feature to customers. The service features will constantly be improved with supports of information technology system in the context of system availability, system reliability, and cyber

security. The implementation of fraud detection system is also strictly under supervision. All these products and services development are carefully and regularly evaluated and monitored. As of end 2019, there were no products and/or services recalled. All products and/or services launched by Bank Mega were confirmed to have permit from Financial Services Authority.



## References to OJK Regulations and GRI Standards Content Index [102-55]

Cross Reference of GRI Standards & OJK Regulation	Disclosure	Page
GRI 101: Foundation 2016		
General Disclosures		
GRI 102: General Disclosures 2016	102-1 Name of the organization	11
	102-2 Activities, brands, products, and services	11, 12
	102-3 Location of headquarters	11
	102-4 Location of operations	11
	102-5 Ownership and legal form	11
	102-6 Markets served	11
	102-7 Scale of the organization	12
	102-8 Information on employees and other workers	42
	102-9 Supply chain	13
	102-10 Significant changes to the organization and its supply chain	14
	102-11 Precautionary Principle or approach	24
	102-13 Membership of associations	14
	102-14 Statement from senior or decision-maker	18
	102-16 Values, principles, standards, and norms of behavior	11
	102-18 Governance structure	21
	102-20 Executive-level responsibility for economic, environmental, and social topics	22
	102-40 List of stakeholder groups	26
	102-41 Collective bargaining agreements	41
	102-42 Identifying and selecting stakeholders	26
	102-43 Approach to stakeholder engagement	26
	102-44 Key topics and concerns raised	26
	102-45 Entities included in the consolidated financial statements	15
	102-46 Defining report content and topic Boundaries	16, 17
	102-47 List of material topics	17
	102-48 Restatements of information	17
	102-49 Changes in reporting	17
	102-50 Reporting period	15
	102-51 Date of most recent report	15
	102-52 Reporting cycle	15
	102-53 Contact point for questions regarding the report	15
	102-54 Claims of reporting in accordance with the GRI standards	15
	102-55 GRI content index	65
	102-56 External assurance	15



Cross Reference of GRI Standards & OJK Regulation	Disclosure	Page
POJK 51/ OJK.03/2017	2. Summary of Sustainability Aspect Performance	7
	5.a Tasks performed by Board of Directors and Board of Commissioners	22
	5.b Competence development for members of Board of Directors for the application of sustainable finance	23
	5.c Procedure in controlling risks	24
	5.e Problems faced to the application of sustainable finance	24
	6.a Sustainable culture development activities	36
	6.c.2.a Equality of employment, forced and chold labours	41, 46
	6.c.2.b Percentage of remuneration	47
	6.c.2.c Decent and safe work environment	47
	6.c.2.d Training and capacity building for employees	48
	6.d.1 Environmental costs	57
	6.d.2 Environmentally friendly materials	-
	6.d.3.a Amount and intensity of energy	57
	6.d.3.b Energy efficiency	57
	6.e.2 Information on operational activities or areas producing positive and negative impacts on the surrounding environment	56
	6.e.3.a Impacts from operational areas close to or situated in areas of conservation	-
	6.e.3.b Biodiversity conservation efforts	-
	6.e.4.a Amount and intensity of emission	57
	6.e.5.a Amount of waste and effluent produced	58
	6.e.5.b Waste and effluent management mechanism	58
	6.e.5.c Spillover that occur (if any)	-
	6.e.6 Number and content of Environmental complaint	-
	6.f.1 Sustainable finance product and/or service innovation and development	59
	6.f.2 Number and percentage of product and service having undergone safety test for customers	63
	6.f.3 Positive and negative impacts caused by sustainable finance product and/or service	63
	6.f.5 Survey of customer satisfaction	63
Economic Performance		
Economic Performance	103-1 Explanation of the material topic and its boundary	17
	103-2 The management approach and its components	32
	103-3 Evaluation of the management approach	34
POJK 51/ OJK.03/2017	6.b.1 Comparison of target to performance of production, portfolio, financing target, revenue, and profit/loss	37
	6.b.2 Comparison of target to performance of portfolio, financing target, or green investment	37

Cross Reference of GRI Standards & OJK Regulation		Disclosure	Page
POJK 51/OJK.03/2017	6.c.1	Company's commitment to providing services for the products and/or services of sustainable finance	39
	6.f.4	Number of products recalled	63
Information Protection for Customers			
GRI 103: Management Approach 2016	103-2	The management approach and its components	39
	103-3	Evaluation of the management approach	39
GRI 418: Customer Privacy 2016	418-1	Complaints concerning breaches of customer privacy and losses of customer data	41
Training and Education			
GRI 103: Management Approach	103-2	The management approach and its components	41
	103-3	Evaluation of the management approach	41
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	48
	404-3	Percentage of employees receiving regular performance and career development programs	45
Energy Management			
GRI 103: Management Approach	103-2	The management approach and its components	53
	103-3	Evaluation of the management approach	53
GRI 302: Energy 2016	302-3	Energy intensity	57

Note: Brown-colored indicators are references to POJK and GRI standards

## GRI Financial Services

FS Standard	Sector disclosures	Page
FS1	Policies with specific environmental and social components applied to business lines	24
FS2	Procedures for assessing and screening environmental and social risks in business lines	24
FS4	Process for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	48
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down based on purpose	38
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and procedure of risk assessment	24
FS12	Voting policy applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	24
FS16	Initiatives to enhance financial literacy based on types of beneficiaries	52

# Feedback Sheet

The Sustainability Report 2019 of PT Bank Mega Tbk gives a description to the financial and sustainability performance. We kindly ask for your feedback, critics, and suggestions after reading this Sustainability Report by sending us emails or this form via mail.

## Your Profile

Name (on your consent) : .....  
 Institution/Corporate : .....  
 Email : .....  
 Phone/Mobile Number : .....

## CATEGORIES OF STAKEHOLDER

- ☐ Shareholder and Investor
- ☐ Customer
- ☐ Employee
- ☐ Government
- ☐ Media
- ☐ Business Partner
- ☐ Community
- ☐ Others, please mention:  
 .....

## CHOOSE THE BEST RESPONSE BELOW

	YES	NO
1. This report is easy to be understood	<input type="checkbox"/>	<input type="checkbox"/>
2. This report is useful for you	<input type="checkbox"/>	<input type="checkbox"/>
3. This report describes the Company's performance in sustainability performance	<input type="checkbox"/>	<input type="checkbox"/>

## GIVE SCORE TO THE LEVEL OF MATERIAL ASPECT DEEMED SIGNIFICANT FOR YOU FOR THE SUSTAINABILITY OF PT BANK MEGA TBK

(1= least significant up to 6 = most significant)

Economic Performance	
Customer Privacy	
Training and Education	

## THANK YOU FOR YOUR PARTICIPATION, PLEASE SEND THIS FEEDBACK SHEET TO THE ADDRESS BELOW:

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