

WHISTLEBLOWING SYSTEM

To prevent operational fraud cases in the Bank, primarily fraud which has a potential to bring loss to the customers and the Bank, as well as issuance of Bank Indonesia Circular Letter No. 13/28/DPNP dated December 9, 2011 concerning Anti-Fraud Strategy Implementation for Commercial banks, an improvement of internal control effectiveness is required to minimize fraud risk including implementing anti-fraud strategy. The organization system with a responsibility in implementing anti-fraud strategy in Bank Jatim is held by Internal Audit Division.

Fraud Controlling System management has been conducted based on anti-fraud strategy guideline under BOD Decree No. 050/119/KEP/DIR/AI dated June 29, 2012 regarding PT Bank Pembangunan Daerah Jawa Timur Tbk. Anti Fraud Manual Book. Every fraud event becomes a special concern to settle the case, this indicated zero tolerance for fraud according to Bank Jatim Management's commitment. In implementing Anti-Fraud Strategy, it includes 4 (four) mutual related pillars such as Prevention and Detection; Investigation, Reporting and Punishment; and Monitoring, Evaluation and Follow-Up.

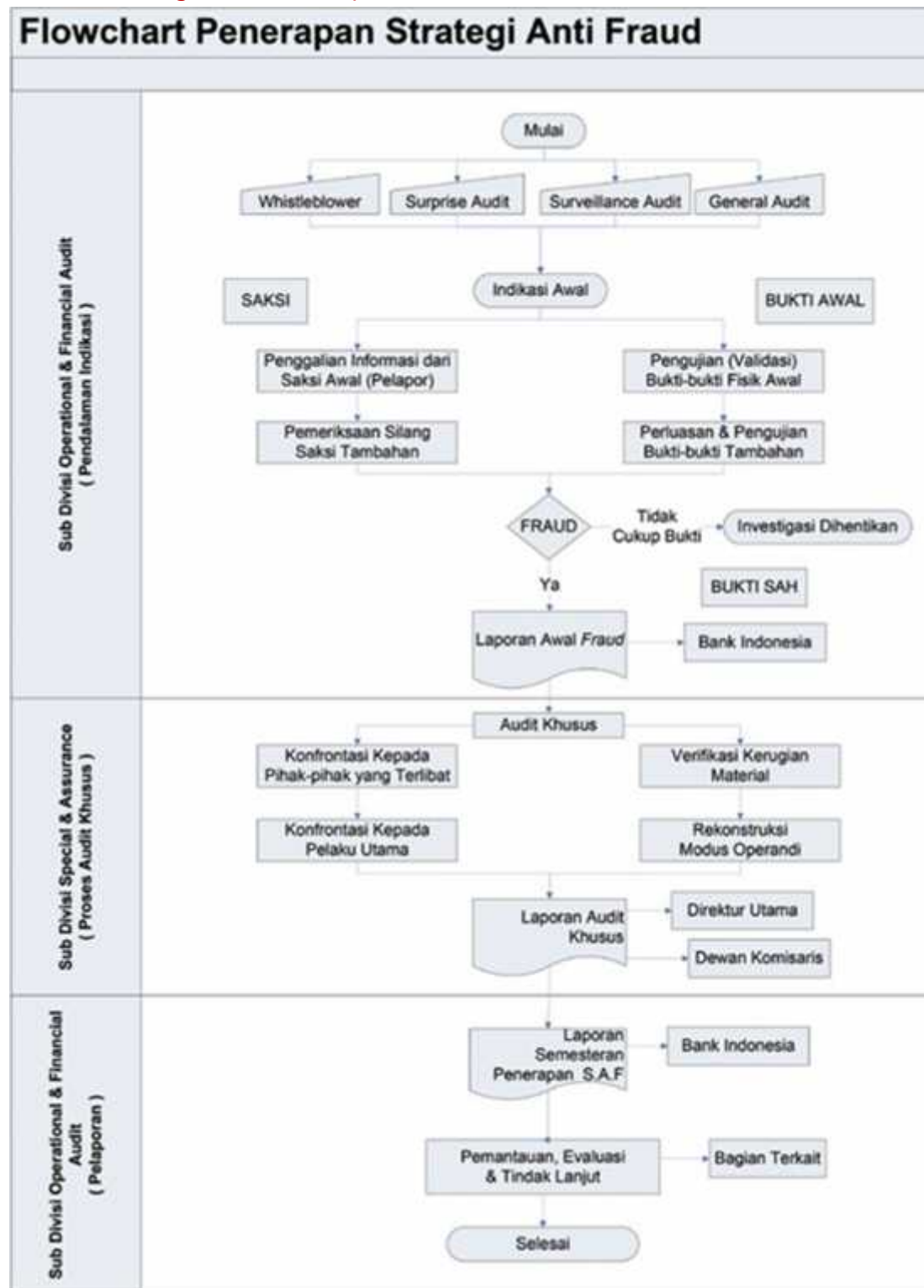
Achievement to implement anti-fraud strategy comprehensive is relied upon the commitment and spirit from the Board of Commissioners and Board of Directors to growth anti-fraud culture and awareness in all organization level of the Bank. One of the effort is through written statement titled Anti-Fraud Declaration signed by the Board of Commissioners, Board of Directors and all of employees in the Bank's organization.

Prevention and detection as well as identification activity on the risk potential, threat as early warning system towards the operational process. Fraud indicated finding identification will be implemented in whistleblowing policy and mechanism. Through this mechanism, it is expected to raise participation from employees, customers, and other stakeholders in reporting fraud and addressed as early warning on fraud event potential..

Policy and scope of whistleblowing is regulated as follow :

1. Source of whistleblowing equipped with identity
2. The Management focused in improving fraud controlling system implementation effectiveness and disclosure of the report.
3. The Management has a firm commitment to provide support and protection to every whistleblower and preserve confidentiality of identity and submitted fraud report
4. Reporting channel provided by the Bank are :
 - a. Directly submitted and Letter addressed to Bank Jatim Internal Audit Division (Jl. Basuki Rahmat No. 98 – 104, Surabaya))
 - b. SMS / Phone to 081330003040
5. Fraud reporting criteria refers to prevailing Law and Regulation

Whistleblowing and Follow-Up Mechanism



Fraud early indication are generated from various sources such as through whistleblower via hotline provided by the bank, surprise audit, surveillance audit and general audit. The initial information is later entered an preliminary audit in form of information extraction, early and additional evident testing and witness examination. If the preliminary audit fails to provide adequate evident to confirm as fraud action, the investigation will be suspended, and if adequate evident is generated to confirm as fraud action, fraud initial report will be prepared to be delivered to President Director, Board of Commissioners and Bank Indonesia. A special audit to be later carried followed by monitoring, evaluation and reporting based on relevant regulation. Whistleblower mechanism is conducted directly by Head of Internal Audit Division and 2 Head of Sub-Division as quality controlling. Going forward, related with data confidentiality, a web-based system will be developed..

Protection for whistleblower

As a commitment of the Bank in implementing anti-fraud strategy and whistleblowing mechanism also to ensure protection for whistleblower with good will, the Bank has an obligation to:

1. Protect the whistleblower.
2. The protection provided by the Bank for whistleblower aims to encourage whistleblower's bravery to report fraud event in clear, thorough and transparent ways.
3. Protection for the whistleblower includes protection of whistleblower identity and the report content.
4. The Bank is committed to protect whistleblower with good will and the Bank will complies with all relevant Law and Regulation in implementing protection whistleblower.
5. Every fraud report will be assured on its confidentiality and security by the Bank and the whistleblower will receive information about the reporting progress.
6. The Bank will give protection to the whistleblower as internal employee form following conditions:
 - a. Dishonor discharge;
 - b. Demotion;
 - c. Discrimination; and
 - d. Intimidation;

e. As well as other protection based on prevailing Law.

Employee who is proven involved in fraud case will be charged by a sanction under implemented Bank Jatim Reward & Punishment Guideline namely warning letter, demotion to dishonor discharge depends upon the fraud type committed and loss received by the Company.

From data taken in 2012, there were 3 reports from whistleblowing system with detail of: 1 case proven as fraud, and had been imposed by dishonor discharge to 1 employee and 2 non-fraud cases. In 2013, there were 2 reports from whistleblowing system and both proven as fraud, 1 fraud case involving outsourcing staff (imposed by direct working dismissal) and 1 fraud case involving external party. In 2014, there are 15 reports from whistleblowing system including 9 proven fraud cases, 6 non-fraud cases that were considered as violation of rules/procedure (entering audit process) and personal issues.

Bank Jatim will continuously improve employee and all parties' understanding and concern to report fraud using whistleblowing system that is expected to establish clean and integrity working environment. Related with that objective, following activities have been carried :

1. Writing fraud article in Bank Jatim internal magazine.
2. Socializing anti-fraud strategy and whistleblowing system implementation to employees, including new employees.
3. Disbursing anti-fraud strategy and whistleblowing system implementation information in employee promotion program training schedule.