Implementation of Corporate Governance Refering to Provisions of Financial Services Authority

<table>
<thead>
<tr>
<th>No</th>
<th>Principle</th>
<th>Recommendation</th>
<th>Explanation of OJK Recommendation</th>
<th>Explanation and Implementation in the Company</th>
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<tbody>
<tr>
<td></td>
<td>Public Company has anti corruption and fraud policy</td>
<td>The anti corruption policy is useful to ensure that the business activities of the Public Company are legally carried out with prudent manner and in accordance with the principles of good governance. The policy can be part of the code of ethics, or as a stand alone policy. The policy can include, among others, programs and procedures carried out in overcoming corruption practices, kickbacks, fraud, bribery and/or gratuities in a public company. The scope of the policy must describe the prevention of the Public Company from all corrupt practices, either giving or receiving from other parties.</td>
<td>The implementation of Anti Fraud Strategy at BRI is regulated under The Circular Letter of the Board of Directors of BRI No.5,25-DIRDKP/6/2016 on Anti Fraud Strategies of PT. Bank Rakyat Indonesia (Persero) Tbk. The Anti-Fraud Strategy which in the form of fraud control system has 4 (four) pillars as follows: 1. Prevention, 2. Detection, 3. Investigation, reporting and sanctions, 4. Monitoring, evaluation and follow-up. The company also has in place the Policy related to corruption practice as stipulated in the Joint Decree of the Board of Commissioners and the Board of Directors of BRI No: 03-KOM/BRK03/2017 and No: S.11-DIR/DKP/2017 on BRI's Gratuity Control Guideline. This policy is part of BRI's commitment with the KPK in preventing corruption.</td>
<td>Remarks : Comply</td>
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<td></td>
<td>The Public Company has policy on vendor or supplier selection and capability improvement</td>
<td>The Policy on vendor or supplier selection are useful to ensure that the Public Company can obtain the required goods or services at competitive prices and good quality. While the policy of increasing the capability of supplier or vendor is useful for ensuring the efficient and effective supply chain. The capability of supplier or vendor to supply/fulfill the goods or services needed by the company will affect the quality of the company's output. Thus, the implementation of these policies can guarantee the supply continuity in terms of quantity and quality as required by the Public Company. The scope of this policy includes criteria in selecting supplier or vendor, transparent procurement mechanism, effort to improve supplier or vendor capability, and fulfill the right relating to supplier or vendor.</td>
<td>The Company has in place the policy related to vendor management as stipulated in the Circular Letter of the Board of Directors No. S.35-DIR/MAT/12/2015 on Registration of Partner for Goods and Services of PT. Bank Rakyat Indonesia (Persero) Tbk. BRI has developed a vendor management application that is integrated with the BRI SMI application in which includes the registration and selection process of partner candidate, monitoring, maintenance of partner (Vendor Maintenance) up until partner performance evaluation hence BRI has a database in supporting the implementation of BRI procurement on good and service procurement.</td>
<td>Remarks : Comply</td>
</tr>
</tbody>
</table>
The Board of Commissioners

2. 2018 First Quarter Risk Profile Report
   No: 2
   Subject: 2018 First Quarter Risk Profile Report
   Realization: 4 June 2018
   Output: Written recommendations in the form of opinions and suggestions of the Board of Commissioners to the Board of Directors through a letter from the Board of Commissioners Number: B.94 - KOM / 06/2018 concerning 2018 First Quarter Risk Profile Report
   Description: Rank Risk profile in 2018 Quarter I composite is fixed at 2 (two) or Low to Moderate.

3. Second Quarter 2018 Risk Profile Report
   No: 3
   Subject: Second Quarter 2018 Risk Profile Report
   Realization: 20 September 2018
   Output: Written recommendations in the form of opinions and suggestions from the Board of Commissioners to the Board of Directors through a Letter of the Board of Commissioners Number: B.165 - KOM / 09/2018 concerning 2018 Semester I Risk Profile Report, Implementation of Compliance Function, Anti Money Laundering and Prevention of Terrorist Funding (AML and CTF) First semester of 2018, 2018 Semester I Bank Soundness Report, 2018 Anti Fraud Strategy Implementation Report
   Description: Ranking The risk profile in the second quarter of 2018 is composite still in the rank 2 (two) or Low to Moderate.

4. Risk Profile Report for Quarter III of 2018
   No: 4
   Subject: Risk Profile Report for Quarter III of 2018
   Realization: 18 December 2018
   Output: Written recommendations in the form of opinions and suggestions of the Board of Commissioners to the Board of Directors through a letter of the Board of Commissioners Number B.267 / KOM / 12/2018 concerning the Quarterly III Profile Risk Report 2018
   Description: Ranking Risk profiles in Quarter III of 2018 are composite stays at rank 2 (two) or Low to Moderate.

15. Review of Report on the Application of Anti-Fraud Strategies
    In accordance with Circular Number 13/2011 DPNP dated 9 December 2011 concerning the Implementation of Anti-Fraud Strategies for Commercial Banks that banks are required to build 4 (four) pillars of fraud control strategies that are interrelated with each other, namely:
    a. Prevention;
    b. Detection;
    c. Investigation, reporting and sanctions;
    d. Monitoring, evaluation and follow-up.
    In order to control the risk of fraud, BRI is required to implement risk management where the active supervision of the Board of Commissioners is an important aspect of risk management. KPMR will conduct regular evaluations regarding the application of four pillars of fraud control strategies at BRI.
    Implementation of review and evaluation of the Report on the Implementation of the Anti-Fraud Strategy in 2018 is as follows:

    | No | Subject | Realization | Output |
    |----|---------|-------------|--------|
Policy of Diversity of the BOD and BOC Composition

The Diversity Policy of the BOC and BOD is manifested in the form of diversity of competence, experience and educational background of the candidates for members of the BOD and BOC as evaluated by the Nomination and Remuneration Committee prior to their appointment by the GMS as proposed by the BOC.

All members of the BOC and BOD of BRI have fulfilled the diversity policy applicable in the Company.

The diversity of the BOC and BOD in detail in terms of competence, experience and educational background are as described in the Diversity section of the Board of Commissioners and the Board of Directors in this Annual Report.

Anti Corruption Policy & Procedures

BRI has in place the anti corruption policy and procedures regulated in the BOD Circular Letter NOSE:s.25-DIR/DMR/12/2016 on the Anti Fraud Strategy of PT Bank Rakyat Indonesia (Persero) Tbk. The policy is BRI management commitment manifestation in controlling fraud that implemented in the fraud control system.
In order to improve company value and behavior in business relationship between business relationship and corporate partner, BRI is committed to implement gratification control effort to eradicate corruption within the company. BRI has a gratification guideline as set out in the Joint Decree of the BOC and SDO of BRI No: 03-KOM / BRI / 03/2017 and Deputy: S.11-DR / DKP / 03/2017 on BRI’s Gratuity Control Guideline. BRI’s Gratuity Control Guideline govern:

1. Basic principles of gratification control.
2. Classification of gratuities.
3. Socialization, reporting, monitoring and evaluation
4. Mechanism for managing gratuities
5. Duties and authorities of the Gratification Control Unit.
6. Protection of Gratuity Reporters

Prohibition of receiving gratuities for all BRI Personnel and limitations on the acceptance of gratuities.

The application of the Gratuity Control Guideline aims to build corporate values in accordance with the principles of Good Corporate Governance (GCG) and instill integrity values for all BRI Personnel to customers, vendors, partners and all stakeholders, BRI Bank always strives to improve gratification controls including:

a. The signing of the KPK gratification control commitment with BRI and the Financial Conglomerate.

b. Signing of commitment to control gratuities of all BRI Executive Vice Presidents.

c. Participated in the National Gratification Control Unit Forum held on October 13-15 to November 3, 2016 in Bogor, West Java.

d. Revision of technical guidelines for reporting gratuities.

e. Signing of gratification control commitment by all workers in the agenda of the BRI Performance Improvement Forum in 2018.

f. Participate in the activities of the International Anti-Corruption Day in 2018 which is held on December 4-5 2018 in Jakarta.

g. Participate in the 2018 International Business Integrity Conference (IBIC) which was held on December 4-5 2017 in Jakarta.

Gratification Control Unit

It is a unit or function within the BRI that carries out the function of controlling the practice of receiving and giving gratuities.

The structure of the Gratification Management Unit:

The Gratuity Control Unit has duties and responsibilities including:

1. Formulate policies, guidelines, and technical instructions on the application of gratuities.

2. Disseminating gratification policies.

3. Receiving, analyzing and administering reports on receipt of gratuities.

4. Submiting a report on gratuities to the KPK.

5. Managing gratification goods in accordance with BRI’s authority.

6. Monitoring and evaluating the implementation of gratification control with the KPK.
Gratification Control Program

Type of Gratification
1. Gratuities that are required to be reported are gratuities related to the position and contrary to their obligation or duties.
2. Gratuities that are not required to be reported are receipts received by BRI personnel not based on / not related to positions or authorities held and not contrary to obligations.
3. Gratuities related to service are gratuities given to BRI personnel from any party in the implementation of services assigned to them.

Implementation of Gratification Control

Integrity Pact
BRI is committed to continually improve the gratuity control program within the company, one of which is BRI has an integrity pact in the form of gratification control commitment signed by all BRI employees at the 2018 Performance Improvement Forum (FPK). The signing of the integrity pact is also carried out to all vendors and partners BRI to maintain integrity and independence in the process of procurement of goods and services.

Socialization and Awareness Program of Gratification
1. E-learning implementation for all BRI employees regarding gratuity control program.
2. Launching video on socialization of gratification.
3. Socialization of gratification control onsite to all BRI regional offices and 56 BRI Branch Offices.
4. Dissemination of gratification control at the BRI National Working Meeting (Rakernas) and BRI Workers’ Union.
5. Socialization of gratification guidelines for subsidiaries.

E-learning
In 2018, the Gratuity Control Unit had prepared an education on gratuity control guidelines in the form of e-learning which was attended by 107,303 BRI workers. The implementation of e-learning aims to increase understanding of controlling and reporting gratuities in work units.

Gratification Control Program at the Financial Conglomerate
BRI has implemented a gratuity control program for the BRI financial conglomerate through the signing of commitments made by all the Managing Directors of the financial conglomerate with the KPK. Furthermore, all BRI financial conglomerates develop gratuity control programs including:
1. Develop policies gratuities control program in subsidiaries.
2. Forming Gratification Control Unit
3. To disseminate to all employees in subsidiaries.
Gratification Control Program

Gratification Reporting Mechanism
Gratification reporting standards refer to reporting standards and procedures in the KPK with the following details:

Report on Acceptance of Gratification 2018
In 2018, the number of reports on receipt of gratification reported to the Gratification Control Unit were 23 reports including 17 (seventeen) reports on receipt of gratification and 6 (six) reports of refusal of gratification.