

## GCG Implementaion Assessment in 2018 Toward the Board of Commissioners and Board of Directors

### REMUNERATION POLICY OF THE BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS

BRI has a remuneration management policy that has been regulated in accordance with the Financial Services Authority Regulation No: 45/POJK.03/2015 dated December 23, 2015. BRI's remuneration management policy is regulated in a Joint Decree of the Board of Commissioners and Board of Directors No.09-KOM/BRI/11/2017 and Nokep: S.1023-DIR/KPS/11/2017 dated November 30, 2017 regarding BRI Remuneration Governance Policy.

#### Remuneration policy development process includes:

- a. Background and Objectives of remuneration policy. In order to maintain and retain the Employees, it is necessary to regulate the Remuneration policy that can maintain and enhance the motivation of Employees and encourage the creation of a conducive working climate. The Company prepares a Remuneration policy aiming at attracting potential Employees, maintaining competent Employees and maintaining Employees' motivation to excel.
- b. Evaluation of remuneration policy of the previous year and its improvement. The Bank prepares a Remuneration policy based on practices in the labor market in the banking sector and is constantly reviewing and updating in accordance with changes and business developments with due regard to the Bank's capabilities.
- c. Remuneration independence for employees in the control unit. Employees' Remuneration is arranged based on the position of the Employee through the result of job evaluation. Hence, the Remuneration received by the Employees in the control unit is not related to the supervised unit.

#### Scope of remuneration and implementation policies per business unit, per region, and at subsidiaries or overseas branch offices.

In order to align with the different levels of transregional overhead, the Bank provides assistance with the high-cost adjustment in the form of Premium Allowance. The Bank conducts regular review of Premium Allowance if necessary in accordance with the expenditure level in each region and the Bank's ability. The Subsidiaries have separate and self-made Remuneration Policy by Subsidiaries.

#### Risk associated remuneration includes:

The remuneration is associated with risk and is based on the consideration of Employee's Person Grade and/or Job Grade in a wage structure that describes the Employees Remuneration from the lowest to the highest positions. On all positions, a specified wage range is created that represents the minimum wage, midpoint wage (mid-value), and up to the maximum wage. The amount of remuneration received by the Employee is considered equal to the burden and potential risk attached to the position. The higher the position, the higher the Employees' duties and responsibilities in making decisions that have a significant impact on the Bank's risk profile/exposure.

As such, the Bank has established the parties as the Material Risk Takers (MRT), based on certain considerations in accordance with the potential risks arising from a position. For those designated as MRT, the Bank shall suspend variable Remuneration payments partially.

#### Performance measurement related with remuneration includes:

- a. Remuneration policy toward performance assessment. To encourage Employees to excel, the Bank has a variable compensation program provided to Employees who achieve and exceed the performance targets. The Employees with high achievement will obtain high variable compensation as well. Conversely, the Employees who underachieved will obtain low variable compensation, or do not obtain any variable compensation at all.

## GCG Implementaion Assessment in 2018 Toward the Board of Commissioners and Board of Directors

- b. Individual remuneration methods with the bank's performance, unit's performance, and individual's performance.

In the provision of Employees' variable compensation, the amount of compensation value received by the Employees depends on the performance of the Bank, the unit's performance, and the individual's performance in which each component has a target achievement indicator, weight, and independent multiplier factor.

- c. Remuneration adjustment methods toward underachieved performance.

At the beginning of the year, the Bank has established requirements to be met by Employees to obtain variable compensation, one of which is performance achievement. For Employees who do not meet the stipulated requirements, they will not receive any variable compensation.

### Remuneration adjustment related to performance and risk which includes:

- a. Remuneration policy on the amount and criteria with suspended variable. Pursuant to Joint Decree of the Board of Directors and Board of Commissioners No. 09KOM/BRI/11/2017 dan S.1023-DIR/KPS/11/2017 dated 30 November 2017 on the Remuneration Governance of PT Bank rakyat Indonesia (Persero) Tbk., has been stipulated the following matters:
1. For parties designated as MRT, some variable remuneration will be suspended.
  2. The amount of suspension for the Board of Directors and Board of Commissioners is 20% of Tantiem.
- b. Remuneration policy on deferred variable which is delayed or cancelled. The Bank may defer payment of Remuneration, which is suspended variable to MRT that proven to perform Individual Fraud.

## PROCEDURE FOR DETERMINATION OF REMUNERATION OF THE BOARD OF COMMISSIONERS & DIRECTORS

Pursuant to Article 113 of Law Number 40 Year 2007 regarding Limited Liability Company, compensation and benefits for BOC set by the AGM. Furthermore, based on Article 96 of the Act, the salaries and allowances of members of the Board of Directors determined by the GMS and GMS authority in question may be delegated to the Board of Commissioners.

Based on the Regulation of Minister of State-Owned Enterprises PER-01 / MBU / 06/2017 regarding the Second Amendment to the Regulation of Minister of State-Owned Enterprises PER-04 / MBU / 2014 on Guidelines for Determination of Directors, Board of Commissioners and Board of Trustees of State Owned Enterprises, component BOC income consists of: honoraria, allowances, facilities and bonuses.

Based and Regulation of Financial Services Authority / Otoritas Jasa Keuangan (POJK) No. 45 / POJK.03 / 2015 dated December 23, 2015 on Governance Practices in Providing Remuneration for Commercial Banks, Nomination and Remuneration Committee is obliged to carry out an evaluation of the remuneration policy that is based on performance, risk, fairness to the peer group, objectives, and strategies for term long Bank, fulfillment reserve as stipulated in the legislation and the potential of the Bank's income in the future as well as present the results of the evaluation and recommendations to the Board

Guided by the provisions mentioned above, with regard to the recommendation of the Nomination and Remuneration Committee, the Board of Commissioners in each of the Annual General Meeting a proposal regarding the determination of salary / honorarium, benefits and facilities as well as bonuses for members of the Board of Commissioners and Board of Directors to the General Meeting of Shareholders. Nomination and Remuneration Committee provides recommendations after an evaluation by considering the Company's performance, business size, and the survey results in remuneration in the banking industry.