

Risk Management

Risk Management plays a role in safeguarding the capital and optimizing return toward an extensive operations scales and increasing business volume, as such this led BRI to implement an integrated risk management pattern for identification, measurement, monitoring and controlling of the entire risk exposures.

To advance into a leading bank, BRI develops its business through continuous product and service innovation as well as supported by digital technology and reliable networks through satellites to optimize banking services throughout the country.

BRI consistently applies the Risk Management process in every business activities and operations process that enable BRI to accomplish as a sound bank and continuously progressing.

Legal Basis

1. Financial Services Authority (POJK) Regulation No. 18/POJK.03/2016 dated March 22, 2016 concerning the Application of Risk Management for Commercial Banks.
2. Financial Services Authority Circular Letter No. 34/POJK.03/2016 dated 1 September 2016 concerning the Application of Risk Management for Commercial Banks.
3. Financial Services Authority Regulation No. 17/POJK.03/2014 dated 19 November 2014 concerning the Application of Integrated Risk Management for Financial Conglomerations.
4. Bank Indonesia Circular Letter No. 13/23/DPNP dated 25 October 2011 concerning the Amendments to Bank Indonesia Circular Letter No. 5/21/DPNP dated 29 September 2003 concerning the Application of Risk Management for Commercial Banks.
5. Financial Services Authority Circular Letter No. 14/SEOJK.03/2015 dated 25 May 2015 concerning the Application of Integrated Risk Management for Financial Conglomerations.
6. Decree Nokep: 72-DIR/DMR/12/2016 dated 29 December 2016 concerning the Risk Management General Policy of PT Bank Rakyat Indonesia (Persero) Tbk
7. Decree Nose: 04-DIR/DMR/03/2017 dated 21 March 2017 concerning the Banks Rating Assessment Procedures of PT Bank Rakyat Indonesia (Persero) Tbk.

Determination of Risk Management Policies and Procedures

1. BRI Risk Management General Policy (KUMR BRI) is the highest rule in the implementation of risk management in all individual or integrated business activities of BRI (Decree of the BOD of BRI No: S.72DIR/DMR/12/2016 regarding Risk Management General Policy of PT Bank Rakyat Indonesia (Persero) Tbk that has been evaluated in 2017 referring to Evaluation Letter of KUMR No. B.1625-DIR/ERM/12/2017 dated 20 December 2017.
2. Guidelines on Implementation of Risk Management Implementation:
 - a. Guidelines on Operational Risk Management Implementation.
 - b. Guidelines on Credit Risk Management Implementation.
 - c. Guidelines on Market Risk Management Implementation.
 - d. Guidelines on Liquidity Risk Management Implementation.
 - e. Guidelines on Enterprise Risk Management Risk Management.

Risk Management System

Risk Management Implementation Pillar

The integrated Risk Management system of BRI is implemented by 4 pillars as follows:

Pillar 1: Active supervision of the BOC and BOD

Supervision of the BOC

The BOC established the Risk Management Monitoring Committee as set forth in the Charter of the Risk Management Monitoring Committee. The committee's duties are among others:

1. Periodically evaluate and analyze the adequacy of risk management policies.
2. Evaluate and analyze the risk profile report on a quarterly basis.
3. To supervise and evaluate the implementation of the Risk Management Committee and Risk Management Division.

Internal Control System

Legal Reference

Legal basis for Internal Control System (ICS) of BRI are as follows:

1. Financial Services Authority Regulation No. 18/POJK.03/2016 dated 16 March 2016 on Application of Risk Management for Commercial Banks.
2. Circular Letter of the Financial Services Authority No.35/SEOJK03/2017 dated 7 July 2017 Regarding Guidelines on Standards for Internal Control Systems for Commercial Banks.

In addition, the ICS in BRI also refers to as follows:

1. Code of Ethics, Compliance Culture, GCG Policy, Guidelines for Gratification Control, General Guidelines for Handling Conflict of Interest, AntiFraud Strategy and WBS Policy.
2. Organizational Structure, Formation of Formation & Job Description List of All Work Units
3. Operational Risk Management Tool Policy.
4. Risk Management Obliteration Policy & Guideline for New Product and Activity Issuance Plan.
5. Operational Manual.
6. General Policy and Organizational Implementation Guidelines.
7. General Policy and Implementation Guidelines for the Bank's Long Term Plan & Business Plan.
8. IT Governance & Risk Management Policy.
9. General Policy of Information Technology.
10. General Policy & Credit Implementation Guidelines
11. Bookkeeping And Verification as well as Authority Requirements User at BRINETS.
12. Internal Audit Charter.

Comformity of Internal Control System Framework With COSO

The ICS within BRI refers to internationally recognized framework, namely the COSO IC framework (Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring).

Internal Environment

The first element of BRI's internal control structure includes commitments, policies, behaviors including the care of the Directors, Board of Commissioners and all BRI employees on the importance of effective internal control. The Board of Commissioners BRI ensures that the BRI Directors have

monitored the effectiveness of the implementation of the internal control system through periodic regular meetings with the Directors and Executive Officers to discuss the effectiveness of the Internal Control System. The Board of Directors monitors the adequacy and effectiveness of the internal control system by ensuring the activities of the internal implementation function have been carried out by officials and workers.

In conducting supervision, BRI's management forms a culture of control including:

1. Establishment of an adequate BRI organizational structure with the assignment of duties and responsibilities in accordance with applicable regulations.
2. Policies and procedures related to BRI human capital management include planning, recruitment, development & training, remuneration and performance management.
3. Integrity and ethical values are reflected in BRI's core values and BRI's Code of Ethics that all BRI employees must follow.
4. The implementation of the duties and responsibilities of the Directors and Commissioners always pay attention to the principles of Good Corporate Governance.

Objective Setting

Bank BRI has implemented an objective company setting through the establishment of Key Performance Indicators (KPI) in each work unit that are in line with the company's vision and mission. KPI is socialized to workers and regularly reviewed to achieve company targets and targets.

Event Indication

Bank BRI has implemented a Risk Control Self Assessment (RCSA) in identifying events and risks that will be faced by the company. The implementation of RCSA is carried out by all BRI work units in determining the risk profile of the work unit for the events and risks facing for evaluation.

Risk Assessment

A series of awareness of all BRI employees on the risk awareness culture that includes evaluating, assessing and mitigating risks. More detailed explanation regarding the internal control system to all kind of Bank risks that has been delivered to Pilar 4 Chapter Management Risks.