

**GUIDELINE AND STANDARD OPERATING PROCEDURE OF THE BOARD OF
DIRECTORS OF**

PT. Matahari Department Store, Tbk.

("Company")

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1. Legal Basis

The underlying regulations to draft this **Guideline and Standard Operating Procedure of the Board of Directors** are:

1. Law No. 40 of 2007 on Limited Liability Company;
2. Regulation of the Financial Services Authority No. 33/POJK.04/2014 on the Board of Directors and Board of Commissioners of an Issuer or Public Company;
3. Regulation of the Financial Services Authority No. 34/POJK.04/2014 of the Nomination and Remuneration Committee of an Issuer or Public Company;
4. Regulation of the Financial Services Authority No. 35/POJK.05/2014 on Corporate Secretary of an Issuer or Public Company;
5. Resolution Letter of the Board of Directors of PT. Bursa Efek Indonesia No. Kep-00001/BEI/01-2014 dated 20th January 2014 on Amendment of the Regulation No. IA on Listing of Shares and Equity Securities in addition to Shares Issued by a Listed Company; and
6. Articles of Association of the Company and amendments.

2. Functions of the Board of Directors

The Board of Directors shall be a part of the Company's elements which is fully authorized and liable for the Company management at the interest of the Company, in accordance with the aims and purposes of the Company and represents the Company, either inside or outside the court according to the Articles of Association of the Company.

3. Duties, Responsibilities and Authorities

1. Distribution of duties, responsibilities, and authorities of the management between members of the Board of Directors shall be stipulated under the resolution of the Board of Directors.
2. Duties and responsibilities of the Board of Directors shall include:
 1. Performing duties and responsibilities on the Company management in good faith, fully responsible, and prudence in accordance with aims and purposes of the Company as stipulated in the Articles of Association.
 2. Holding annual GMS and other GMS as set out in laws and regulations on the Articles of Association of the Company.
 3. Requiring to make and keep and maintain the list of shareholders, special list, minutes of GMS and minutes of meeting of the Board of Directors.
 4. Requiring to make and keep and maintain annual reports and Company's financial documents.
 5. In order to support the effective duties and responsibilities performance, the Board of Directors may establish a committee and is required to evaluate the committee's performance (if it is established) at the end of fiscal year.

The authorities of the Board of Directors shall include:

1. Managing the Company in accordance with policies considered appropriate, in accordance with aims and purposes stipulated in the Articles of Association of the Company.
2. Representing the Company inside and outside the court, unless:
 - a. there is a litigation between the Company and relevant members of the Board of Directors; and
 - b. the relevant Board of Directors members has a conflict of interest with the Company.
3. Not authorized to file for bankruptcy of the Company to a District Court prior to obtaining the GMS approval.

4. Reporting and Accountability

Each member of the Board of Directors is fully responsible individually and jointly and severally for the loss of the Company if the relevant person is guilty or negligent in performing his duties. However, members of the Board of Directors shall not be held accountable for damages if they may prove:

1. such loss not caused by a fault or negligence;
2. have managed the Company in good faith, full of responsibility, and prudence for the benefit and in accordance with the aims and purposes of the Company;
3. do not have any conflict of interest, either directly or indirectly, for the management which causes losses; and
4. have taken action to prevent such loss arising or continuing.

5. Number of Members and Structure

1. The Company shall be managed and led by a Board of Directors consisting of at least 2 (two) members of the Board of Directors which one of them is appointed as President Director.
2. The Company is required to have an Independent Director, at least 1 (one) person from the members of the Board of Directors.

6. Requirements to be a Member of the Board of Commissioners

1. An individual to be appointed as a member of the Board of Directors shall be an individual who meets the requirements upon appointment and during his tenure:
 - (1) Have good character, moral and integrity;
 - (2) Legally competent;
 - (3) Within 5 (five) years prior to appointment and during his tenure:
 1. Have not been declared bankrupt;
 2. A member of the Board of Directors is never found guilty to cause a company to suffer from bankruptcy;
 3. Have never been convicted of a criminal offense which is detrimental to the State's financial and/or related to the financial sector; and
 4. A member of the Board of Directors during his tenure shall not perform the following acts:
 - a) Hold any annual General Meeting of Shareholders ("GMS");

- b) The accountability as a member of the Board of Directors is once not accepted by the GMS or have not been held accountable as a member of the Board of Directors to the GMS; and
 - c) Cause any companies which obtain a permit, approval, or registration from the Financial Services Authority (OJK) do not comply with obligations to submit annual reports and/or financial reports to OJK.
- (4) Do not breach a provision on concurrent position as stipulated in prevailing laws and regulations.
 - (5) Have the commitment to comply with laws and regulations; and
 - (6) Have knowledge and/or expertise in the sectors required by the Company.
- 2. The compliance of the requirements aforementioned shall be stated in a written statement and submitted to and maintained by the Company.
 - 3. The appointment of members of the Board of Directors which does not meet the requirements as specified in the statement above, shall be canceled in the name of the law since the current members of the Board of Directors or Board of Commissioners are aware of non-compliance with these requirements.
 - 4. Legal actions which have been carried out for and on behalf of the Company by members of the Board of Directors whose appointment is canceled, shall remain binding and the responsibility of the Company. For legal acts conducted following the cancellation of the appointment is not valid and the responsibility of the respective member of the Board of Directors.

7. Requirements to be an Independent Director

An Independent Director is a member of the Board of Directors who complies with requirements when she/he is appointed and during her/his tenure:

- 1. Do not affiliate with the Controller of the Company at least six (6) months prior to the appointment as an Independent Director;
- 2. Do not affiliate with members of the Board of Commissioners or other members of the Board of Directors;
- 3. Do not concurrently work as an executive director in other company; and
- 4. Do not hold an insider position in an institution or Capital Market Supporting Profession whose services are used by the Company during 6 months prior to the appointment as a Director.

8. Requirements to hold Concurrent Position as a member of the Board of Directors

1. Members of the Board of Directors may hold a concurrent position as:
 - a. Member of the Board of Directors at no more than 1 (one) Issuer or other Public Company;
 - b. Member of the Board of Commissioners at the most three (3) Issuers or other Public Companies; and/or
 - c. Member of a committee at the most 5 committees in a Company and/or Issuer or other Public Company in which the relevant person also holds a position as a member of the Board of Directors or Board of Commissioners.
2. Such concurrent position may only be held provided that it does not conflict with other laws and regulations.

9. Appointment, Dismissal and /or Replacement of a Member of the Board of Directors

The procedure of appointment, dismissal and/or replacement of members of the Board of Directors:

1. The members of the Board of Directors are appointed and dismissed by considering provisions on automatic expiration of the tenure of the Board of Directors, and provisions on the quorum, voting rights and resolutions of the GMS as referred to in the Articles of Association of the Company and amendments.
2. The Articles of Association shall govern procedures for the appointment, replacement, dismissal and the nomination procedure of members of the Board of Directors.
3. Members of the Board of Directors are appointed by the GMS of the candidates proposed by the major shareholders of the Company.
4. Each proposal of replacement and/or appointment of members of the Board of Directors must consider the recommendation of the Board of Commissioners or Committee which carries out the Nomination and Remuneration functions.
5. Member of the Board of Directors may be dismissed at any time by decision of the GMS or resolution outside the GMS by stating the reasons.
6. Members of the Board of Directors to be dismissed shall be given an opportunity to defend themselves before the dismissal decision is taken.
7. Members of the Board of Directors may be suspended by the Board of Commissioners by delivering a written notice to the relevant members of the Board of Directors stating the reasons.

8. At least 90 days following the suspension date, a GMS shall be held to revoke or uphold such suspension resolution.

10. Tenure

1. The members of the Board of Directors are appointed for a period since the stipulation date as set out by the GMS, which appoints them, and end at the closing of the 3rd (third) Annual General Meeting of Shareholders following their appointment date, without prejudice to the rights of GMS to terminate the members of the Board of Directors at any time prior to the expiry of their tenure. Such termination shall be effective since the closing of the GMS, unless stipulated otherwise by the GMS.
2. The tenure of the members of the Board of Directors shall expire if they:
 - a. Pass away.
 - b. Their tenure expires.
 - c. They are declared bankrupt or placed under custody at the judgment of the Court.
 - d. They no longer qualify as a member of the Board of Directors by prevailing laws and regulations.
 - e. Resign and approved by the GMS
 - f. They are dismissed due to the GMS's resolution.
3. The tenure of a person who is appointed to replace a member of the Board of Directors who quits or to fill a vacancy for the remainder of the tenure of the dismissed or replaced Board of Directors members.
4. The tenure of the Independent Director shall be two consecutive periods, at the most.
5. In case of any Independent Director vacancy which results in the Company having no Independent Director, the Company must fill the vacant positions at the latest in the next AGM or within 6 months after the vacancy occurs.

11. Resignation

1. A member of the Board of Directors is entitled to resign from his office by delivering a written notice to the Company.
2. In case the resignation of members of the Board of Directors causes the number of the Board of Directors members is less than the minimum requirements as set out in the Articles of Association, the resignation shall be deemed null and void.
3. The Company shall hold a GMS to decide on the resignation of the Board of Directors members no later than 90 (ninety) days following the receipt of the resignation.

4. The resignation of the Board of Directors members shall be valid if it has been determined by the GMS.
5. The Board of Directors members who resign may remain held accountable as members of the Board of Directors since the appointment until the effective date of their resignation in the next GMS.
6. The Company shall make disclosure of information to the public and communicate it to OJK no later than 2 business days after (i) the receipt of the letter of resignation and (ii) the results of the implementation of the GMS.

12. Working time

1. The Board of Directors must provide sufficient time to carry out their duties and responsibilities optimally.
2. Member of the Board of Directors shall be present at the workplace of the Company for 5 (five) working days within 1 (one) week or in accordance with the Company's working time. Member of the Board of Directors may be outside the Company's workplace within the official capacity. However, it is also possible that the Directors are present outside the Company's working time due to important and urgent matters.
3. Member of the Board of Directors shall be present at the workplace of the Company at least at the Board of Directors Meeting, the Joint Meeting of the Board of Directors and Board of Commissioners and Committee meeting where members of the Board of Directors are also members to the Committee.

13. Public Policy of the Meeting of the Board of Directors

1. The Board of Directors Meeting shall be held at the Company's domicile or place of business of the Company or elsewhere in the territory of the Republic of Indonesia.
2. The Board of Directors must convene a meeting of the Board of Directors on a regular basis at least 1 (one) time in 1 (one) month.
3. The Board of Directors meeting may be held if it is attended by a majority of the Board of Directors members.
4. The Board of Directors must convene a periodic joint meeting of the Board of Directors and Board of Commissioners at least 1 (one) time in 4 (four) months.
5. The presence of members of the Board of Directors in the meeting of the Board of Directors and Joint Meeting of the Board of Directors and Board of Commissioners shall be disclosed in the Company's annual report.

6. If the Board of Directors Meeting and Joint Meeting of the Board of Directors and Board of Commissioner have been scheduled, the meeting agenda shall be delivered to the meeting participants no later than five (5) days before the meeting is held.
7. The Board of Directors Meeting Resolutions shall be taken based on consensus. In the event that a decision is not reached by consensus, the resolution shall be taken by a majority vote.
8. The Board of Directors Meeting Resolutions shall be set forth in the Minutes of Meeting of the Board of Directors and Board of Commissioner and signed by all members of the Board of Directors and Board of Commissioner present.
9. The Joint Meeting of the Board of Directors and Board of Commissioners shall be set out in the Minutes of Meeting of the Board of Directors and Board of Commissioners and signed by members of the Board of Directors and Board of Commissioners present.
10. Minutes of Meeting of the Board of Directors and Joint Meeting of the Board of Directors and Board of Commissioners shall be documented by the Company.

14. Salary and Facility

1. Provisions on the salaries and benefits of the Board of Directors members shall be determined by the GMS resolution.
2. The GMS authority to design, establish and enforce the system of remuneration, including honoraria, allowances, salaries, bonuses and/or other remuneration for the members of the Board of Directors may be delegated to the Board of Commissioners.
3. In the case of the Board of Commissioners who design, specify and enforce the system of remuneration, including honoraria, allowances, salaries, bonuses or other remuneration for the members of the Board of Directors, it shall be determined based on the decision of the Board of Commissioners meeting.

15. Work Values

1. Each member of the Board of Directors must abide by the code of ethics in the Company, carry out their duties in good faith, full of responsibility and prudence to always comply with applicable laws and regulations and the Articles of Association of the Company, and uphold the standards of the highest integrity and avoid conflict of interest between the Company and the Board of Directors and the parties concerned.

2. Each member of the Board of Directors is prohibited to take any decision which may place or potentially put the Board of Directors at the first occasion against potential conflicts of interest.
3. In the event of any conflict of interest, members of the Board of Directors are prohibited from taking actions which may harm the Company or reduce the profits of the Company and must disclose such conflicts of interest in any decision.
4. Commissioners, Directors and Committee members shall maintain the confidentiality of discussions and decisions of the Board of Commissioners and information obtained in meetings, unless specified otherwise by the Chairman or if the information had been disclosed by the Company to the public.
5. Each member of the Board of Directors must:
 - (1) Disclose its shareholdings of 5% or more, either in the Company or other companies domiciled domestically and abroad, as well as disclosure on financial and family relationships with members of the Board of Directors, members of the Board of Commissioners and/or controlling shareholders of the Company.
 - (2) The Company is not used for personal interests, including the interests of the family and/or other parties, which may harm or reduce profits of the Company.
 - (3) Do not take and/or receive personal benefits from the Company in addition to remuneration and other facilities set out by the GMS in accordance with applicable provisions.
6. Each member of the Board of Directors is prohibited from directly or indirectly making incorrect statements about material facts or non-disclosure of material facts. Thus, a statement released does not mislead regarding the state of the Company when the statement is made.

Karawaci, 7 December 2015

**Board of Directors of
PT. Matahari Department Store, Tbk.**