



# Corporate Governance



# Corporate Governance

The practice of good corporate governance is a tool for ensuring business continuity, maintaining the trust of stakeholders, and fostering the integrity of the company. Bank Mandiri continues to apply corporate governance best practices, both at the national and regional levels, that are relevant and tailored to meet the needs of the company.



## INTRODUCTION

The implementation of the principles of Good Corporate Governance (GCG) is absolutely necessary for the continuity of the company's business nowadays. Bank Mandiri continues to keep abreast of best corporate governance practices at the national, regional and international that are relevant and in accordance with its needs. This is part of the Bank's efforts to promote a sound banking system that is built on the principles of good corporate governance.

GCG implementation in Bank Mandiri having regard to Law No. 19 of 2003 on SOEs, Bank Indonesia Regulation (PBI) No. 8/4 / PB1 / 2006 on the implementation of GCG in Commercial Banks, as amended by Regulation No. 8/14 / PB1 / 2006; Bank Indonesia Circular Letter No. 15/15 / DPNP dated 29 April 2013 on the implementation of GCG in Commercial Banks; and Minister of State Enterprises

Regulation No. PER-01 / MBU / 2011 on GCG in SOEs. In practice, the Bank applies the latest developments and best practices in corporate governance, including that the GCG Code published by the National Committee on Governance Policies, GCG guidelines for the Indonesian banking sector, and the ASEAN Corporate Governance Scorecard, as well as business ethics and best business practices.

Accordingly, the Bank has continued to increase its commitment to upholding the values of integrity and corporate governance in carrying out its business activities. All in Bank Mandiri believe that the fulfillment of GCG will support the achievement of the Bank's objectives as regards performance, profitability and added value for all stakeholders, as well as ensure long-term business sustainability.

## GCG PRINCIPLES

Bank Mandiri continues to encourage increased coverage of GCG in all aspects and at all levels of the company organization, including by continuing to enhance soft-structure GCG, dissemination of information on GCG soft-structure on an ongoing basis, and conducting GCG self assessments on a regular basis to support the increased effectiveness of GCG application. GCG implementation is based on the principles of Transparency, Accountability, Responsibility, Independence, and Fairness (TARIF).



The way in which the principles of good corporate governance are applied by Bank Mandiri may be described as follows:

GCG Principles	Description
<b>Transparency</b>	<ol style="list-style-type: none"> <li>1. The Bank discloses information in a timely, adequate, clear, accurate and comparable manner that is accessible to interested parties (stakeholders) in accordance with their rights.</li> <li>2. The Bank discloses information which includes but is not limited the vision, mission, business objectives, strategies, financial condition, management composition and compensation, controlling shareholders, cross shareholdings, executive officers, risk management, control systems and internal control, compliance status, and GCG system and implementation of the Bank and information and material facts that may affect the decisions of investors</li> <li>3. The principle of transparency is subject to the banking secrecy rules, professional confidentiality and personal rights, in accordance with the regulations.</li> <li>4. The Bank's policy must be in writing and communicated to Stakeholders, who have the right to obtain information on such policy.</li> </ol>
<b>Accountability</b>	<ol style="list-style-type: none"> <li>1. The Bank sets business objectives and strategies as part of its Accountability to stakeholders.</li> <li>2. The Bank applies a checks and balances system in its management.</li> <li>3. The Bank has agreed performance yardsticks for all positions in the company, in accordance with corporate culture values, business objectives and the strategies of the Bank, and has a rewards and punishment system.</li> <li>4. The Bank must ensure that all organs in the organization have the necessary authority to discharge their responsibilities, and that they understand their roles in the implementation of good corporate governance.</li> </ol>
<b>Responsibility</b>	<ol style="list-style-type: none"> <li>1. The Bank adheres to prudential banking practices and ensures compliance with applicable regulations.</li> <li>2. The Bank, as a good corporate citizen, is concerned about the environment and social responsibility.</li> </ol>
<b>Independence</b>	<ol style="list-style-type: none"> <li>1. The Bank avoids undue domination by stakeholders in all circumstances and is not affected by unilateral interests and conflicts of interest.</li> <li>2. The Bank makes decisions objectively and free from pressure from any third parties.</li> </ol>
<b>Fairness &amp; Equality</b>	<ol style="list-style-type: none"> <li>1. The Bank takes into account the interests of all stakeholders based on the principles of equality and fairness (equal treatment).</li> <li>2. The Bank provides the opportunity for all stakeholders to provide input and opinions in the Bank's interest, and provides access to appropriate information based on the principle of transparency.</li> </ol>

## GCG BASIC POLICIES

To improve the quality and coverage of GCG implementation on an ongoing basis, Bank Mandiri has adopted operational policies for all business units in line with the principles of good corporate governance. These include the GCG Code, the Employee Code of Conduct, Business Ethics, Board Manual, Whistle-Blowing System (WBS) Policy and various other operational policies of the Bank, in accordance with the legislation in force and the needs of the company..

## GCG IMPLEMENTATION AT A GLANCE

The implementation of GCG has been carried out in a structured and gradual manner, as described below:

Year	Good Corporate Governance Program
<b>1998</b> Initial Merger	<p>Awareness of the importance of GCG was heightened by the Indonesian banking crisis that erupted as a result of bad governance in the banking industry. This led to many banks being bailed out. Subsequently, bank directors and commissioners were required to sign Management Contracts with the World Bank, which contained an obligation to apply Good Corporate Governance.</p>
<b>2000 - 2001</b> Laying the Foundations of Governance Commitment, Structure and Mechanisms	<ul style="list-style-type: none"> <li>In response to the signing of a Management Contract with the World Bank, Bank Mandiri issues: <ul style="list-style-type: none"> <li>Joint Directors and Commissioners' Resolution on the principles of good corporate governance</li> <li>Joint Directors and Commissioners' Resolution on the Bank Mandiri Code of Conduct, which serves as a guide to staff behavior in interacting with customers, partners and fellow employees.</li> <li>Board of Directors Resolution on Compliance Policy, which requires all Bank Mandiri employees to accept individual responsibility in conducting bank-related operations in their respective fields</li> </ul> </li> <li>Bank Mandiri assigns PWC to conduct a diagnostic review on the application of GCG in the Bank.</li> <li>Standard &amp; Poor's assesses the application of GCG in 2003 at 6.2, an increase from 5.4 the previous year..</li> </ul>

Year	Good Corporate Governance Program
<b>2003</b> <i>Initial Public Offering</i> (IPO) Bank Mandiri	<ul style="list-style-type: none"> <li>• In the context of the Bank Mandiri IPO, further improvements were made to the application of GCG, including:</li> <li>• The establishment of a number of committees at the Board of Commissioners' level, namely               <ul style="list-style-type: none"> <li>- An Audit Committee</li> <li>- A Risk Monitoring Committee</li> <li>- A Remuneration and Nominations Committee</li> <li>- A GCG Committee</li> </ul> </li> <li>• The establishment of the Office of Corporate Secretary</li> <li>• The holding of General Meetings of Shareholders in accordance with the laws and regulations applicable to public companies</li> <li>• Information disclosure, including publication of Annual Report, information and material facts.</li> <li>• Respecting the interests of minority shareholders</li> <li>• Bank Mandiri for the first time undergoes an appraisal of GCG implementation by an independent body – The Indonesian Institute for Corporate Governance</li> </ul>
<b>2005</b> Cultural Transformation	<ul style="list-style-type: none"> <li>• Bank Mandiri conducts transformation through application of shared values and formulation of Bank Mandiri key behaviors (TIPCE), which encapsulate the new Bank Mandiri work culture.</li> <li>• Preparation of GCG Charter, which is adopted by way of a Board of Commissioners Resolution –the charter covers the principal issues related to GCG in Bank Mandiri.</li> </ul>
<b>2008 - 2010</b> Further Cultural Transformation	<ul style="list-style-type: none"> <li>• Bank Mandiri continues to improve the application of prudential banking, Good Corporate Governance, and internal control through the development of a GCG website, Compliance Risk Management Sm, Anti-Money Laundering and Prevention of Terrorisme SOPs,, Risk-Based Audit Tools, and the Audit Management Information System.</li> <li>• Business and other management decisions are taken based on the principles of GCG, while also having regard to the prevailing laws and regulations.</li> <li>• The Bank Mandiri culture internalization program involves, among other things, the holding of a Culture Fair, Culture Seminar, and Recognition Program that provides awards to the best units and change agents in implementing the culture program so as to help increase the motivation of all units and change agents.</li> </ul>



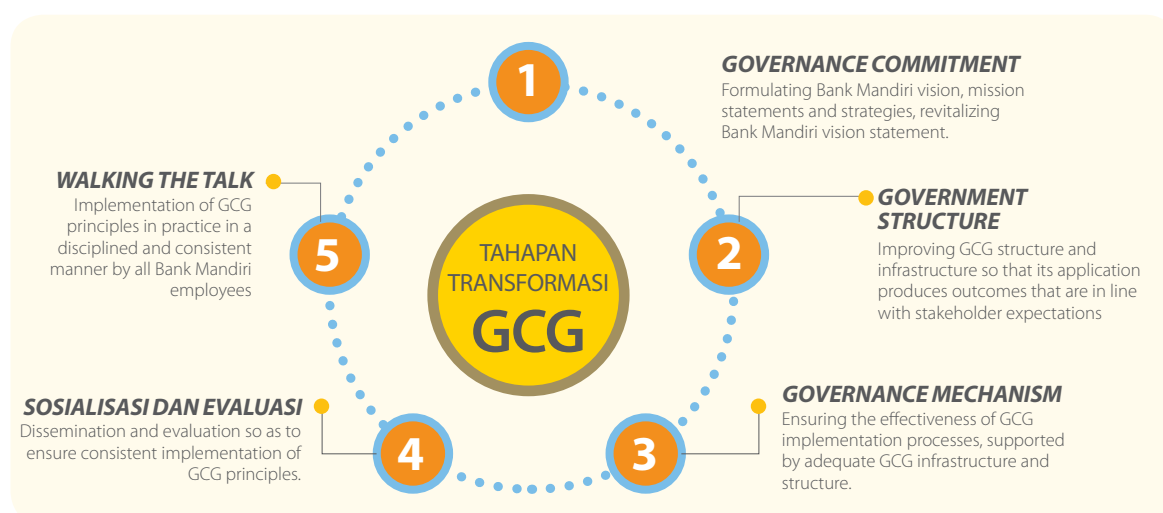
Year	Good Corporate Governance Program
2011 – 2013	<ul style="list-style-type: none"> <li>Bank Indonesia issues Bank Indonesia Regulation 13/1/PBI/2011 on the appraisal of the soundness of commercial banks, under which bank's are required to appraise soundness on a consolidated and unconsolidated basis using the risk-based bank rating (RBBR) approach, one of the elements of which is GCG.</li> <li>Thanks to the consistent application of GCG, Bank Mandiri receives awards from various independent and professional institutions, both domestic and international, including: <ul style="list-style-type: none"> <li>The Indonesian Institute for Corporate Governance (IICG), in collaboration with SWA Magazine, has compiled the Corporate Governance Perception Index (CGPI) since 2001. Bank Mandiri has participated in the process 10 times and was awarded the "Highly Trusted" title 7 times in a row..</li> <li>GCG Rating by The Indonesian Institute for Corporate Directorship (IICD), which evaluates and rates the 100 public companies with the largest market capitalizations on the Indonesia Stock Exchange, Mandiri meraih named Best Financial</li> <li>GCG Rating by Corporate Governance Asia (CGA), based in Hong Kong, since 2009 Bank Mandiri has been named "Based Company" for GCG.</li> </ul> </li> <li>As part of the effort to eliminate gratuities in line with the advice of the Corruption Eradication Commission, Bank Mandiri published Technical Operational Guidelines on Gift Disclosure Statements on 2 July 2013.</li> <li>Bank Mandiri plays an active role in the effort to create an anticorruption culture by, among other things, participating in the KPK's Anticorruption Week Exhibition 2013. During the exhibition, Bank Mandiri received the award for second best stand.</li> </ul>
2014	<ul style="list-style-type: none"> <li>The Corporate Governance Perception Index (CGPI) is a program of research and rating GCG implementation conducted by the independent Indonesian Institute for Corporate Governance (IICG). Bank Mandiri has participant in CGPI assessment for 10 (ten) years in a row since 2003 . In 2014, the Bank was named " Most Trusted," marking the 8th time in a row that the Bank has taken the award.</li> <li>GCG Rating by the Indonesian Institute for Corporate Directorship (IICD) in the context of the ASEAN CG Scorecard program – Bank Mandiri took the award for "Best Overall".</li> <li>GCG Rating by Corporate Governance Asia (CGA), based in Hong Kong, the Bank was named an "ICON in Corporate Governance."</li> <li>Good Corporate Citizen (GCC), in line with the Bank's corporate plan 2015-2020, one aspect of which is social economic impact, including serving as a corporate citizen role model - Bank Mandiri conducted a diagnostic review of the implementation of GCC in the Bank.</li> <li>Improving gratuities prohibition mechanism set out in the Operational Technical Guidelines for Gift Disclosure Statements, in accordance with the advice of the KPK.</li> </ul>



## STAGES IN GCG IMPLEMENTATION

It is recognized that GCG implementation efforts need to be directed and planned in accordance with the best standards in support of the achievement of company objectives. Accordingly, GCG actualization in the Bank is carried out in accordance with the provisions on GCG in Commercial Banks across all levels positions in the organization. GCG implementation in Bank Mandiri has regard to Bank Indonesia Regulation No. 8/4 / PBI / 2006 dated 30 January 2006, as amended by Bank Indonesia Regulation No. 8/14 / PBI / 2006 dated October 5, 2006.

The stages in Implementation of GCG in Bank Mandiri consist of (1) the formulation of governance commitment, (2) governance structure, (3) improvement of governance mechanisms, (4) dissemination and evaluation, and (5) walking the talk.



Transformasi GCG di Bank Mandiri dilaksanakan dengan berlandaskan prinsip-prinsip GCG yang dilaksanakan dalam 5 (lima) tahap, yaitu:



# commitment to consistent application of gcg

Bank Mandiri is aware that the implementation of GCG is a long-term process that will generate sustainable value, and that it is an absolute necessity if Bank Mandiri is to deal with the competition, improve effectiveness and efficiency in managing resources, and maximize the value of the company so that the Bank is able to operate and grow in a sustainable manner. Therefore, the Bank continues to make effort to ensure the internalizing of the principles of good corporate governance in its systems and procedures, and to establish appropriate behaviors in order to encourage a culture that upholds professionalism, integrity, service quality and prudential banking.

## BANK MANDIRI GOOD CORPORATE GOVERNANCE FOCUSES IN 2014

To building on what was carried in previous years, in 2014 Bank Mandiri strengthened the implementation of good corporate governance by, among other things, focusing on:

### 1. Creating Synergies in GCG Implementation Across the Bank Mandiri Group

In 2012, Bank Mandiri began a process of aligning the implementation of GCG in its subsidiaries. In compliance with PBI Number. 8/4 / PBI / 2006 dated January 30, as amended by PBI No. 8/14 / PBI / 2006 dated October 5, 2006 and SEBI No. 15/15 / DPNP dated 29 April 2013 on the implementation of GCG in Commercial Banks, Bank Mandiri regularly conducts GCG self-assessments both on a Bank alone and on a consolidated basis with its subsidiaries, with the results of such self-assessments forming an integral part of the Bank's GCG Implementation Report. Since the assessment period in June 2013, GCG assessment by subsidiaries has used the Risk Profile Extended (RPX) approach. In 2014, subsidiary Bank Syariah Mandiri underwent GCG assessment by an

independent external party and participated in the Corporate Governance Perception Index (CGPI), and was recognized as "The Most Trusted", while in 2014 the subsidiaries that participant in the CGPI were Bank Syariah Mandiri, which was categorized "The Most Trusted", and Mandiri Tunas Finance and Bank Sinar Harapan Bali, which were categorized as "Trusted".

### 2. National Integrity System, in Collaboration with KPK

The gratuities control program and implementation of the implementation of the integrity system on a sustainable basis through the National Integrity System. On 4 November 2014, Bank Mandiri and the Corruption Eradication Commission (KPK) jointly signed an MoU to act as strategic partners in building a national integrity system.

This MoU was followed up with concrete activities, both long term and short term, which can directly deliver tangible results, such as kick-off activities and workshops on the development of an integrity culture, dissemination of the national integrity system and a series of integrity-focused TOT events.

Formal and informal meetings between senior executives of the Bank and KPK officials were also conducted so as to give rise to mutual understanding and TOR for the development of the national integrity system. This involved the alignment of culture development in the Bank and “the spirit of national prosperity” with the integrated prevention programs that have been developed in the context of the development of the national integrity system.

The National Integrity System (SIN) is a KPK initiative to ensure that the efforts to combat corruption are effective within the framework of achieving overarching national goals. Success will require the involvement of all elements of the nation, including both the government and private sectors, as well as other important elements. All will need to collaborate to build the National Integrity System.

Bank Mandiri continues to demonstrate its commitment to upholding the value of integrity and applying the principles of good corporate governance in its business activities. All in Bank Mandiri believe that the fulfillment of GCG can support the objectives of the Bank in achieving optimum performance, profitability and added value for all stakeholders, as well as long-term business sustainability.

## SELF-ASSESSMENT GCG

In compliance with Bank Indonesia Regulation No.8/4/PBI/2006 dated 30 January 2006 as amended by PBI No.8/14/PBI/2006 dated 5 October 2006 and SE BI No.15/15/DPNP dated 29 April 2013 (on Good Corporate Governance in Commercial Banks), Bank Mandiri routinely performs GCG Self-Assessments on both an unconsolidated and consolidated basis, with the results of such self-assessments forming an integral part of the Bank's GCG reports. Since the assessment conducted in June 2013, the assessment of GCG by subsidiaries has been conducted using the integrated Risk Profile Extended (RPX) system.

GCG Self-Assessments, in accordance with the new BI circular, are carried out comprehensively and in a focused manner by integrating assessment factors into three (3) governance aspects, namely, governance structure, governance processes, and governance outcomes.

The results of the self assessment on the implementation of GCG for the second semester of 2013 and first semester of 2014 resulted in Bank Mandiri being placed in Rank 2 by the OJK, meaning that overall the Bank is properly implementing GCG as reflected in the satisfactory fulfillment of GCG principles. While a number of weaknesses were identified, these were not significant and could be resolved by normal management actions. The said weaknesses were successfully remedied so that Bank Mandiri was placed in Rank 1 (“Very Good”) by the OJK based on the self-assessment conducted in the second semester of 2014.

## GCG ASEAN SCORECARD

The GCG ASEAN Scorecard program is an initiative of the ASEAN Capital Markets Forum (ACMF) to assess the implementation of GCG having regard to the principles of good corporate governance developed by the Organization for Economic Cooperation and Development (OECD), which cover:

1. Rights of Shareholders
2. Equitable Treatment of Shareholders
3. Role of Stakeholders
4. Disclosure and Transparency
5. Responsibilities of the Board of Commissioners and Directors

To date, this scorecard system has been used to assess GCG in public companies other Asean countries such as the Philippines, Malaysia, Singapore, Thailand and Vietnam.

As the domestic ranking body for Asean Corporate Governance Scorecard, the Indonesian Institute for Corporate Directorship (IICD) has conducted a rating survey ratings on GCG practice using the Asean Corporate Governance Scorecard method. The results for Bank Mandiri are as follows:

SKOR ASEAN CG SCORECARD BANK MANDIRI					
No	ASEAN CG Scorecard Component	2014		2013	
		Score	Total Score	Score	Total Score
1	Rights of Shareholders (10%)	38.46	3.85	48	4.8
2	Equitable Treatment of Shareholders (15%)	64.71	9.71	58.82	8.82
3	Role of Stakeholders (10%)	57.14	5.71	80.95	8.10
4	Disclosure and Transparency (25%)	70.00	17.50	85	21.25
5	Responsibilities of The Boards (40%)	62.03	24.81	75	30
6	Bonus	4	4	6	6
7	Penalty	0	0	0	0
Total Score			85.68		78.97

\*The results for 2014 will only be made available in March 2015

## RATING GCG – CGPI AWARD

Bank Mandiri participates in the Corporate Governance Perception Index (CGPI) rating process every year. The purposes, benefits and aspects of the CGPI are as follows:

### Purposes

1. To serve as an indicator of the quality standards to be achieved by the company in the form of public recognition of the application of the principles of good corporate governance;
2. Realization of joint commitment and responsibility and efforts to encourage all members of the organization to implement good corporate governance and heed business risk aspects.

### Benefits :

1. Reforms corporate organization to support the realization of GCG;
2. Increases awareness and commitment from the company and stakeholders as regards the implementation of GCG;
3. Identifies strategic issues in corporate governance practices;
4. Increases mutual awareness of the importance of good corporate governance in risk management so as to achieve sustainable growth.

### Assessment Aspects in 2014

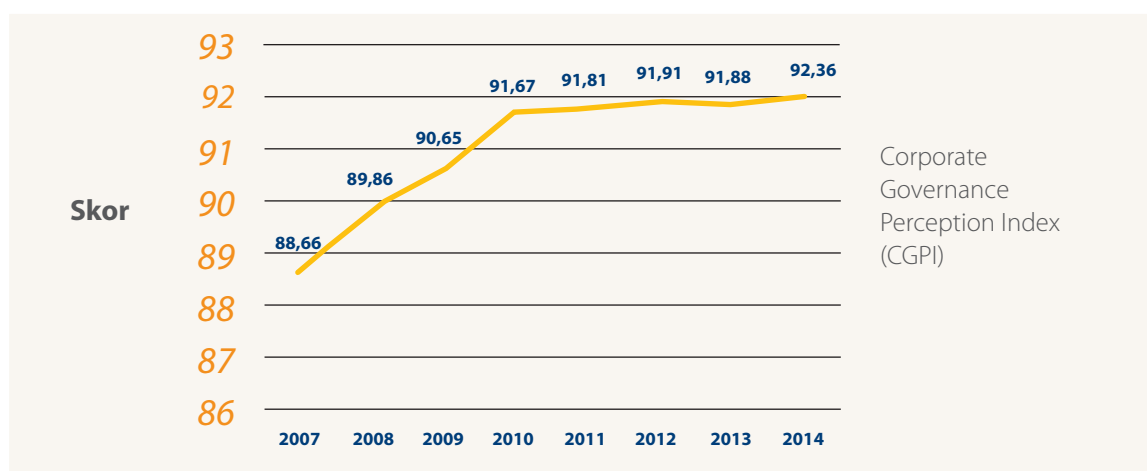
Self Assessment	24,87
Documentary	38,08
Research Papers	12,72
Observation	16,69

In the CGPI assessment of Bank Mandiri in 2014, the Bank received a score of 92.36 with the title "The Most Trusted Company". Bank Mandiri's CGPI assessment results over the last 8 years are as follows:

Table: Bank Mandiri's CGPI Score, 2007-2014

	2007	2008	2009	2010	2011	2012	2013	2014
<b>Corporate Governance Perception Index (CGPI)</b>	88,66	89,86	90,65	91,67	91,81	91,91	91,88	92,36

Graph: Bank Mandiri's CGPI Score, 2007-2014



## CONFLICT OF INTEREST AND GRATUITIES POLICY

In 2014, Bank Mandiri launched the 'Implementation of the National Integrity System - Spirit of National Prosperity' program to control gratuities through the application of the integrity principle in the Bank's business.

### PROHIBITION ON GRATUITIES

Bank Mandiri has a Code of Conduct, which set guidelines of the behavior of employees vis-à-vis external parties, such as shareholders, affiliated companies, investors, customers, suppliers, government, and the public at large. These guidelines have become the corporate culture of the Bank, which prohibits abuse of office and conflicts of interest, and regulates matters relating to the integrity of employees.

As part of the campaign against gratuities, on November 4, 2014, the Bank made a commitment to the KPK to:

1. Develop the National Integrity System based on a Work Culture and Spirit of National Prosperity approach.
2. Control gratuities in the bank

Currently, the Bank is in the process of setting up a Gratuity Control Unit and updating the contents of the Gift Disclosure Statement, which prohibit the acceptance of gratuities, as well as the mechanisms for reporting to the KPK and internally within the Bank. With the adoption of such internal regulations, it is expected that all Bank employees will have the same perception on the acceptance of gratuities and be able to take prompt and appropriate action in accordance with the regulations.

## PUBLIC OFFICIALS ASSET REPORTS (LHKPN)

In order to encourage more effective implementation of GCG, Bank Mandiri complies with the provisions on mandatory Public Officials Asset Reports (LHKPN), based on Directive of the Head of the Corruption Eradication Commission (KPK) Number: KEP.07 / KPK / 02/2005 on the Registration, Examination and Announcement of LHKPN.

As a concrete effort to ensure transparency and the prevention of corruption in the Bank and in order to help build a country that is clean and free from corruption, collusion and nepotism, the members of the Board of Commissioners and Board of Directors, Executive Officers 1 (one) level below the Board of Directors, and other structural official in the Bank are required to submit LHKPN.

The provisions on LHKPN are stipulated in specific policies set forth in a resolution of the Board of Directors and are updated from time to time in accordance with the provisions in force.

### 1. Determination of Officials Required to Submit LHKPN

No	Board of Directors Resolution	Regarding
1	KEP.DIR/ 071 /2011, Dated. 22 March 2011	The expansion of officials required to submit LHKPN in PT Bank Mandiri (Persero) Tbk.
2	KEP.DIR/ 090 /2009, Dated. 29 June 2009	The expansion of officials required to submit LHKPN in PT Bank Mandiri (Persero) Tbk.

- a. The above policies set out officials that are required to submit LHKPN on an ex-officio basis, with such reports stating the official's assets before, during and after serving in office.
- b. Determination of that officials that are required to submit LHKPN is based on criteria set out in the prevailing legislation. Such officials include all members of the Board of Commissioners, Board of Directors, Group Heads / equivalent, Department Heads / equivalent, Heads of Regional Offices, Area Managers and other officials.

**2. Appointment of LHKPN Coordinators.**

No	Board of Directors Resolution	Regarding
1	KEP.DIR/ 342 /2013, Dated. 27 December 2013	Appointment of LHKPN Management Coordinator and Application User in Pt Bank Mandiri (Persero) Tbk.
2	KEP.DIR/ 214 /2010, Dated. 5 August 2010	Change in Appointment of LHKPN Management Coordinator and Application User in Pt Bank Mandiri (Persero) Tbk.
3	KEP.DIR/ 091 /2009, Dated. 29 June 2009	Appointment of LHKPN Management Coordinator and Application User in Pt Bank Mandiri (Persero) Tbk.

- Coordinator managers determine the officials who must submit LHKPN, monitor the submission of LHKPN and provide information on LHKPN obligations.
- The updating of LHKPN data is coordinated with the KPK, which is also informed of any changes in the relevant positions in the bank.

**3. LHKPN Report**

The LHKPN submission process until the end of 2014 was continuously monitored and evaluated, particularly in relation to the structural officials that must submit LHKPN (a total of 346 employees). The management team, including the members of the Board of Commissioners, Board of Directors, SEVPs and structural officials that submitted LHKPN up to December 31, 2014 were issued Asset Numbers (NHK) by the KPK. Most of the relevant officials complied with their LHKPN obligations.

Pejabat Wajib Lapo LHKPN	Jumlah Tahun 2014	Jumlah Yang Telah Menyampaikan LHKPN	Seluruh pejabat Bank Mandiri wajib lapo LHKPN telah menyampaikan laporannya kepada KPK dan mendapatkan NHK.
Dewan Komisaris	7	7	
Direksi	11	11	
Senior Executive Vice President (SEVP)	7	7	
Pejabat Struktural wajib LHKPN	311	311	



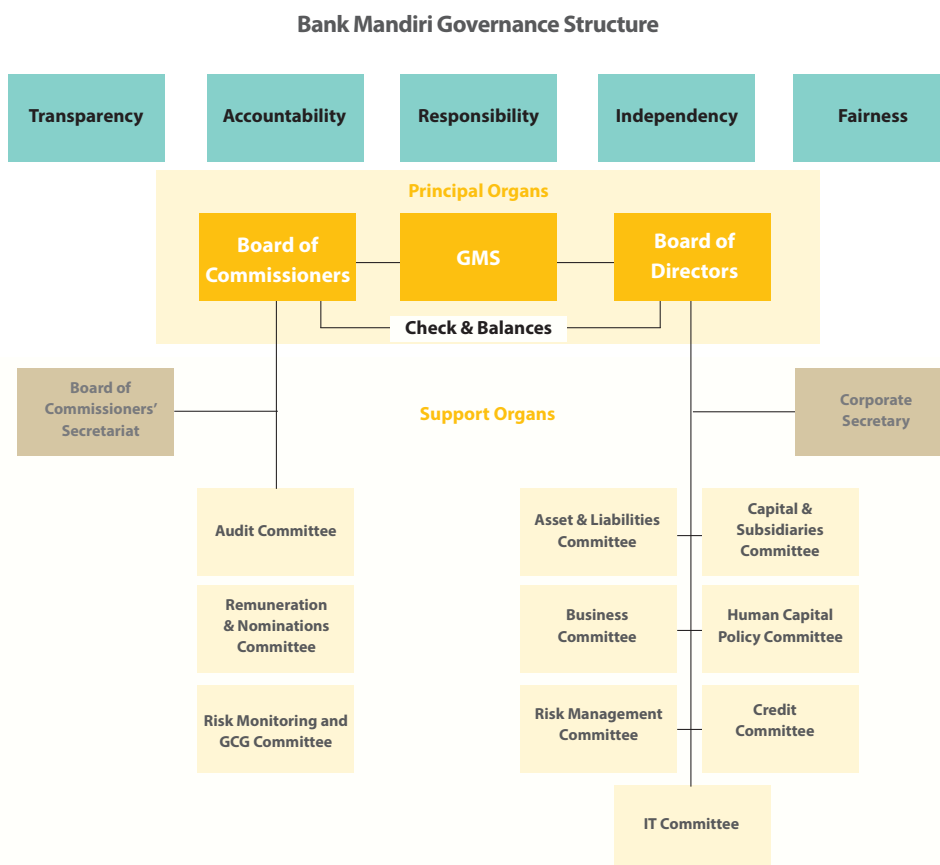
# Corporate Governance Structure and Mechanisms

In line with the provisions of the Limited Liability Companies Act No. 40 of 2007, the corporate governance structure of the Bank consists of the General Meeting of Shareholders (AGM), the Board of Commissioners and Board of Directors. The implementation of corporate governance is carried out systematically and consistently, with the principles of good corporate governance guiding the day-to-day operations of Bank Mandiri..

The Board of Commissioners has established committees to assist it and enhance the BOC's control functions. In carrying out its duties and responsibilities, each committee of the Board of Commissioners works in accordance with its remit, based on the relevant resolution of the Board of Commissioners.

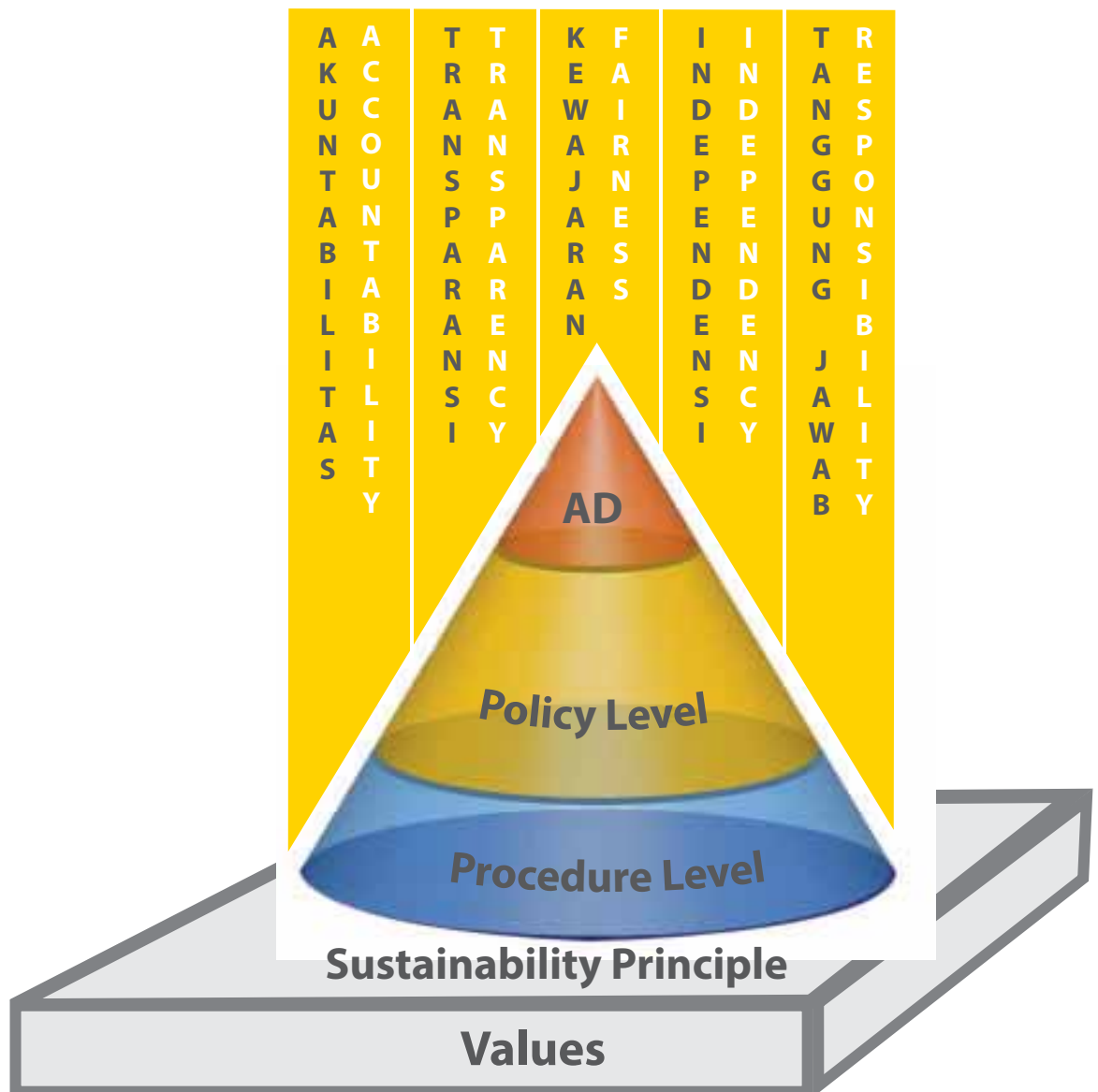
The Board of Directors is assisted by the Bank's management team in managing, controlling, overseeing, and accounting for the implementation of GCG, together with committees subordinate to the Board of Commissioners and Board of Directors, and the Office of Corporate Secretary

## Struktur Governance Bank Mandiri



## CORPORATE MANAGEMENT POLICY ARCHITECTURE

The hierarchy or architecture for determining policies and procedures based on the principles of Good Corporate Governance requires the establishment of written policies and procedures, as described in the following diagram:



# general meeting of shareholders

The GMS is an organ of the company that is vested with authority that has not been granted to the Board of Directors or Board of Commissioners. The Bank Mandiri's GMS serves as a forum through which all of the shareholders can exercise their rights, voice opinions and vote in relation to the protection of make important decisions that concern the development and future of Bank Mandiri in a fair and transparent manner.

## AUTHORITY AND RESPONSIBILITIES OF SHAREHOLDERS

Under the Articles of Association, the shareholders through the GMS are vested with all authority that has not been given to the Board of Directors and Board of Commissioners, including the appointment and removal of commissioners and directors, evaluating the performance of the Board of Commissioners and Board of Directors, approving amendments to the Articles of Association, approving the annual report, and determining profit allocation..

The responsibilities of shareholders include the following:

1. The controlling shareholder must:
  - a. Have regard to the interests of minority shareholders and stakeholders in accordance with the the provisions of the laws and regulations in effect.
  - b. Disclose to law enforcement agencies the identify of the Ultimate Shareholder in the event of suspected breaches of the laws and regulations in effect or when requested by the relevant authorities.
2. Where the controlling shareholder is also the controlling shareholder in other companies, transparency must be applied so as to clarify accountable and the relationships between companies.
3. Minority shareholders are responsible for properly exercising their right in accordance with the Articles of Association of the Company and the laws and regulations in effect.
4. Shareholders must be able to:
  - a. Separate the ownership of Company assets from their private assets.
  - b. Separate their functions as shareholders and as members of the Board of Commissioners or Board of Directors in a situation where a shareholder sits on one of the said two corporate organs.

## HOLDING OF GMS

In the Articles of Association of Bank Mandiri, there are 2 (two) types of GMS namely, the Annual General Meeting (AGM), which should be held annually not later than 6 (six) months from the end of the last financial year, and an Extraordinary General Meeting (EGM), which may be held at any time deemed necessary by the Board of Directors at the written request of the Board of Commissioners or the holder of the Dwiwarna Series A shares and / or 1 (one) or more shareholders jointly representing at least 1/10th (one-tenth) of the total shares having valid voting rights.

Adapun tahapan pelaksanaan RUPS secara umum mengacu pada ketentuan dalam Anggaran Dasar dan ketentuan Bapepam-LK No. IX.I.1 sebagai berikut:



A GMS is chaired by the Chief Commissioner, who first reads out the rules of procedure of the GMS after it has been convened, which rules are incorporated in the minutes. The Chair provides an opportunity to the shareholders or their proxies to submit questions / comments and / or suggestions on any item of business. The Chair or a Director appointed by the Chair, responds to the questions / comments of the shareholders. After all of the questions have been answered or responded, voting takes place. Only shareholders or their proxies are entitled to vote. Each share entitles its holder to cast one vote. Bank Mandiri has appointed an independent party, namely, Notary Ashoya Ratam, for the purpose of counting and validating votes.

In 2014, the Bank held 2 GMS, namely, the Annual General Meeting for fiscal year 2013 on 27 February 2014, and an Extraordinary General Meeting on May 21, 2014.

As regards the Annual General Meeting, the details as regards the notice, invitation, agenda and resolutions are as set out below:

## ANNUAL GENERAL MEETING OF SHAREHOLDERS (AGM)

	Notice	Invitation	Agenda
AGM 2014 Dated: 27 February 2014	Announced on January 28, 2014 in Bisnis Indonesia and Suara Pembaruan in Indonesian, and the Jakarta Post in English and through the Bank's website.	Conducted through GMS Invitation No. FST. CSC / 03 / P / II / 2014 on February 12, 2014 in the same newspapers.	<ol style="list-style-type: none"> <li>1) Approval of the Annual Report and Approval of the Consolidated Financial Statements, Report of Task Approval and Ratification of Board of Commissioners Annual Supervision Report on the Implementation of the Partnership and Environmental Development Program for the financial year 2013.</li> <li>2) Approval for the use of net profit of the Company for the financial year 2013.</li> </ol>

	Resolutions	Setuju	Tidak Setuju	Blanko
1)	<p>a. Approved the Company's Annual Report including the Supervisory Report which has been implemented by the Board of Commissioners for the financial year ended December 31, 2013, and ratified the Consolidated Financial Statements of the Company for the financial year 2013 as audited by Public Accountant Tanudiredja, Wibisana &amp; Partners - a member firm of PwC Global Network, with an "unqualified" opinion.</p> <p>b. To approve the Annual Report of the Implementation of the Partnership and Environmental Development Program for the financial year ended December 31, 2013 as audited by Public Accounting Firm Rama Wendra with an "unqualified" opinion</p>	19.121.852.702 (99.936%)	12.294.499	32.567.402
2)	With the approval of the Annual Report including the Supervisory Report which has been presented by the Board of Commissioners as well as the Annual Report on the Implementation of the Partnership and Environmental Development Program in 2013, then: GMS provided full release and discharge (volledig acquit et de charge) to all members of the Board of Directors and members of the Board of Commissioners for the management and supervision actions that were conducted during the financial year 2013.			
	<p>Approved and authorized the use of Company Net Profit in financial year 2013 amounting to Rp 18,203,753,301,421.70 as follows: (a) 30% of net profit to be distributed as cash dividend to shareholders who will be paid according to applicable regulations, (b) 12.90% of net profit to be set aside as Reserves to support investment and (c) 57.10% of the net profit of the Company designated as Retained Earnings.</p>	19.104.140.783 (99,843%)	30.006.418	32.567.402

## ANNUAL GENERAL MEETING OF SHAREHOLDERS (AGM)

	Notice	Invitation	Agenda
			<p>3) To appoint a Public Accounting Firm to audit the financial statements and Annual Report of the Partnership and Environmental Development Program for the financial year ending on December 31, 2014.</p> <p>4) To determine the salaries of members of the Board of Directors, the Board of Commissioners' honorarium and bonuses and other benefits for all members of the Board of Directors and members of the Board of Commissioners.</p> <p>5) To approve the planned acquisition of shares of PT Asuransi Jiwa Inhealth Indonesia</p>



	Resolutions	Setuju	Tidak Setuju	Blanko
a)	Appointed Tanudiredja, Wibisana & Partners - a Member Firm of PricewaterhouseCoopers Global Network ("PwC") to audit the Company's Consolidated Financial Statements and Annual Report of the Implementation of the Partnership and Environmental Development Program for the financial year ended on 31-12-2014	18.891.102.308 (99,123%)	167.207.623	108.404.672
b)	To authorize the Board of Commissioners to determine the honorarium and other requirements for the accountant, and to appoint another accountant should PwC, for any reason be unable to complete the audit of the Company's Financial Statements and Annual Report of the Partnership and Environmental Development Program for the financial year ended December 31-12-2014			
	Agreed to provide authority and power to the Board of Commissioners, with the prior approval of the Series A Dwiwarna shareholders to determine the amount the bonuses for members of the Board of Directors and the Board of Commissioners for the financial year 2013 and to determine the salaries, emoluments, allowances and facilities and other benefits payable to members of the Board of Directors and member of the Board of Commissioners for the financial year 2014 (two thousand fourteen)	18.509.313.436 (97,924%)	392.323.334	265.077.833
	Approved the proposed acquisition of PT Asuransi Jiwa Inhealth Indonesia shares with a total value of Rp 1.750.000.000.000 (one trillion seven hundred and fifty billion Rupiah) less the interim dividend in financial year 2013, amounting to Rp 100,000,000 (one hundred billion rupiah) and to structure the transaction in two (2) phases, with in Phase 1 (one) the Company acquiring 60% of the total issued and paid-up capital of InHealth and in Phase 2 acquiring 80% of the total issued and paid-up capital of InHealth	15.288.807.421 (81,698%)	3.424.886.752	453.020.430

## ANNUAL GENERAL MEETING OF SHAREHOLDERS (AGM)

	Notice	Invitation	Agenda	
			6) Amendment of the Articles of Association with regard to shares and share certificates	

	Resolutions	Setuju	Tidak Setuju	Blanko
1).	<p>Approved amendments to the Articles of Association of the Company in particular Article 5 by adding (a) paragraph in Article 5 as the 10th paragraph with the following formula: Article 5. Shares and Share Certificates</p> <p>(9) Proof of share ownership can be a share certificate or collective share certificate whose form and content shall be prescribed by the Board of Directors and with the physical or printed signature by the CEO and Chief Commissioner, or if the CEO and / or the Chief Commissioner is absent, and this does not need to be proved to a third party, then by another member of the Board of Directors and / or member of the Board of Commissioners.</p> <p>(10) a. Series B shares held by public shareholders shall must be placed in collective custody at the Central Securities Depository and listed for trading on the Indonesia Stock Exchange. b. Implementation of the rights of the public shareholders who hold Series B shares is subject to the provisions of article 8 of the Articles of Association</p>	18.722.552.828 (99,569%)	81.098.575	363.063.200
2).	In the event that a decision regarding changes to the Articles of Association in item 1 above is not in accordance with futures laws and regulations, then the Articles of Association were be amended once more at the next GMS of the Company.			
3).	The Board of Directors is authorized, with the right of substitution, to restate the decision on the amendment of the Articles of Association in a notarial deed and subsequently notify the competent authority and do all other acts required in connection with the amendment of the Company's Articles of Association to the extent this is required by the prevailing of future provisions of the law.			

## Extraordinary General Meeting of Shareholder

	Notice	Invitation
<b>EGMS held on 21 May 2014</b>	Notified on 21 April 2014 in Bisnis Indonesia and Suara Pembaruan in Bahasa Indonesia, and in the Jakarta Post in English and on the Bank Mandiri website.	Conducted through Invitation No. FST.CSC / 011 / P / V / 2014 on May 6, 2014, notified in the same newspapers.

The resolutions of the AGM for financial year 2014 were published in Bisnis Indonesia and Suara Pembaruan (in the Indonesian language) and in the Jakarta Post (in the English language) on 28 February 2014, and were also published on the Bank Mandiri website at [www.bankmandiri.co.id](http://www.bankmandiri.co.id) in both Indonesian and English.

**Agenda****Resolutions**

Perubahan Susunan  
Pengurus Perseroan

1. Granted honorable discharge to :
  - a) Mr. Edwin Gerungan as Chief Commissioner and Independent Commissioner
  - b) Ms. Gunarni Soeworo as Independent Commissioner
  - c) Mr. Wahyu Hidayat as Commissioner; and
  - d) Mr. Agus Suprijanto as Commissioner.
2. Appointed :
  - a) Mr. Mahmuddin Yasin as Commissioner
  - b) b) Mr. Askolani as Commissioner
  - c) c) Ms. Aviliani as Independent Commissioner
  - d) d) Mr. Anton Hermanto Gunawan as Independent Commissioner

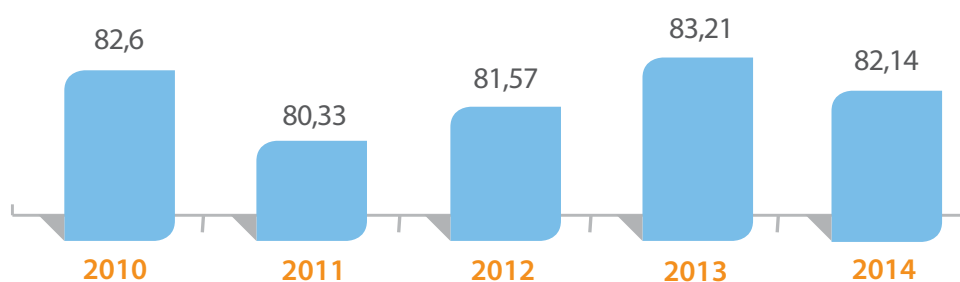
each of whom shall serve from the closing of the GMS until the closing of the fifth Annual General Meeting subsequent to their appointments. The appointments will be effective upon approval of the Financial Services Authority based on the fit and proper process and in compliance with the regulations
3. Provided authority to the Board of Directors of the Company, with substitution rights, to perform all necessary actions relating to the rlsn2 of the Meeting agenda in accordance with the applicable legislation, including the stating of the resolutions in a Notarial Deed and to notify the changes in Company management to the Ministry of Justice and Human Rights of the Republic of Indonesia and to propose the conducting of Fit and Proper Tests to the OJK

Table: Shareholder Attendance (%)

Year	2010	2011	2012	2013	2014
% attendance	82,60	80,33	81,57	83,21	82,14

The level of shareholder attendance at the Bank Mandiri AGMs over the last 5 years remained at around 80%, showing that the notice and invitation to the AGMs were effectively conveyed, as well as a high level of concern and engagement on the part of Bank Mandiri shareholders. In 2014, the attendance level was 82.14%.

Graph: Percentage Shareholder Attendance at AGMs



## LEVEL OF IMPLEMENTATION OF SHAREHOLDER RESOLUTION FROM 2013

In this 2014 annual report, Bank Mandiri has realized the decision of the AGM that held for the financial year 2013, the progress made with the realization of the following :

GMS Resolutions	Implementation of Resolutions	Status
Approval of the Annual Report and Approval of the Consolidated Financial Statements, Board of Commissioners Supervisory Report and Ratification of the Annual Report on the Implementation of the Partnership and Environmental Development Program for financial year 2013.	Completed	100%
Approval of the use of the Company's net profit for the financial year ended 31 December 2013	Completed	100%
Appointment of public accounting firm to audit the Company's Financial Statements and the Annual Report on the Implementation of the Partnership and Environmental Development Program for the financial year ending on 31 December 2014	Completed	100%
Determination of Directors' salaries, Commissioners' honoraria and performance-related bonuses and other benefits payable for all members of the Board of Directors and members of the Board of Commissioners	Completed	100%
Approval for the proposed acquisition of shares of PT Asuransi Jiwa Inhealth Indonesia	Completed	100%
Changes in company management	Completed	100%



# board of commissioners

The Board of Commissioners is the organ of the company that is responsible for conducting general or special oversight in accordance with the Articles of Association and for providing advice to the Board of Directors, and ensuring that the applies Good Corporate Governance at all levels. The Board of Commissioners is assisted by an Audit Committee, Remuneration & Nominations Committee, a Risk Mentoring Committee and a Good Corporate Governance Committee.

## APPOINTMENT CRITERIA, MEMBERSHIP AND COMPOSITION OF BOARD OF COMMISSIONERS

As a State-Owned Enterprise in the form of a Public Limited Liability Company, the criteria and procedures for the appointment of members of the Board of Directors of Bank Mandiri are subject to Law No. 40 of 2007 on Limited Liability Companies ("UUPT"), Bank Indonesia Regulation No. 12/23/PBI/2010 dated 29 December 2010 regarding Fit and Proper Tests ("PBI No. 12/23/2010") and Government Regulation No. 45 of 2005 on the Establishment, Management, Supervision and Dissolution of State-Owned Enterprise ("GR No. 45/2005"). All relevant provisions in the above laws and regulations are incorporated in the Articles of Association of Bank Mandiri.

### APPOINTMENT CRITERIA

Pursuant to PBI 23/12/2010 on Fit and Proper Tests), then members of the Board of Commissioners, as members of the Bank's Management Team, are required to pass in fit and proper tests conducted by Bank Indonesia. Members of the Bank management must meet the requirements of integrity, competence, and financial reputation.

In order to meet the requirement of integrity, a candidate member of the Board of Commissioners must have (1) good character and morals; (2) a commitment to comply with the legislation in force; (3) a commitment to the healthy development of the bank's operations; and (4) is not included in the Register of Disqualified Persons.

Meanwhile, to meet the competency requirement, a member of the Board of Commissioners must have:

1. Adequate knowledge in banking relevant to his position;
2. Experience and expertise in banking and / or finance; and
3. Strategic management capabilities in order to develop a healthy bank.

In addition, the majority of the members of the Board of Commissioners must have operational experience of at

least 5 (five) years as an executive officer of a bank. To meet the financial reputation requirement, a candidate member of the Board of Commissioners must meet the following requirements:

1. Not on the list of bad debtors;
2. Never have been been declared bankrupt or served as Director or Commissioner found guilty of causing; and
3. A company that was declared bankrupt within 5 (five) years prior to his nomination.

### APPOINTMENT PROCEDURES

In order to arrange a fit and proper test, the Bank submits an application for approval of the candidate executive to Bank Indonesia. The number of candidate executives covered by one application should be no more than two persons for each vacant position and the proposed candidates must be selected in accordance with applicable laws and regulations. Approval or rejection of an application shall be given by Bank Indonesia no later than 30 (thirty) days after receipt of a complete application.

The fit and proper test process conducted by Bank Indonesia encompasses administrative due diligence and interviews.

In the event that a candidate for whom approval is requested from Bank Indonesia is approved and appointed as an executive pursuant to a resolution of the GMS, but the party concerned is not approved by Bank Indonesia, the Bank shall be required to dismiss the party concerned (by means of a GMS resolution). A candidate executive who is awaiting approval from Bank Indonesia is prohibited from performing duties as a member of the Board of Commissioners where such duties concern the operations of the Bank and/or other activities that could significantly influence the policy and financial condition of the Bank, notwithstanding that the party concerned has been approved and appointed by the GMS.

## NUMBER OF COMMISSIONERS AND COMPOSITION OF THE BOARD OF COMMISSIONERS

The number of Commissioners and composition of the Board of Commissioners must be appropriate so that the Board of Commissioners can carry out its duties and functions effectively and efficiently. The number of commissioners and composition of the Board of Commissioners of Bank Mandiri is influenced

by the size of the Board of Directors, business sectors and types of expertise required, overall risk, and the number of committees that have been established.

Based on the decision of the Extraordinary General Meeting held on May 21, 2014, honorable discharges were extended to Mr. Edwin Gerungan, Ms. Gunarni Soeworo, Mr. Wahyu Hidayat and Mr. Agus Suprijanto as Commissioners, while Mr. Mahmuddin Yasin, Mr. Askolani, Ms. Aviliani and Mr. Anton Hermanto Gunawan were appointed as new members of the Board of Commissioners.

The appointment of the new members of the Board of Commissioners was declared effective after approval was given by Financial Services Authority (OJK) based on the Fit and Proper Tests that it conducted (Decisions No. SR-149 / D.03 / 2014; SR-150 / D.03 / 2014; SR-151 / D.03 / 2014; and SR-151 / D.03 / 2014, dated September 3, 2014.

As of December 31, 2014, Bank Mandiri had 7 (seven) commissioners, 4 (four) of whom were Independent. This is in accordance with the PBI requirements, which stipulate that at least 50% of the total number of Commissioners are Independent Commissioners. This number of commissioners is less than the number of members of the Board of Directors, which has 11 members.

The composition of the Board of Commissioners during the period January 2014 – 21 May 2014 was as follows:

Name	Office	Basis of Appointment	Period of Office	Tit & Proper Test Conducted by:
Edwin Gerungan*)	Chief Commissioner/ Commissioner	<ul style="list-style-type: none"> <li>AGM, 16 Mei 2005,</li> <li>AGM, 17 Mei 2010</li> </ul>	2005-2010 2010-2014	Bank Indonesia
Gunarni Soeworo*)	Independent Commissioner	<ul style="list-style-type: none"> <li>AGM, 16 Mei 2005,</li> <li>AGM, 17 Mei 2010</li> </ul>	2005-2010 2010-2014	Bank Indonesia
Pradjoto	Independent Commissioner	<ul style="list-style-type: none"> <li>AGM, 16 Mei 2005,</li> <li>AGM, 17 Mei 2010</li> </ul>	2005-2010 2010-2014	Bank Indonesia
Krisna Wijaya	Independent Commissioner	AGM, 5 July 2010	2010-to date	Bank Indonesia
Wahyu Hidayat*)	Commissioner	AGM, 23 April 2012	RUPS LB 21 Mei 2014	Bank Indonesia
Agus Suprijanto*)	Commissioner	AGM, 2 April 2013	RUPS LB 21 Mei 2014	Bank Indonesia
Abdul Azis	Commissioner	AGM, 2 April 2013	2013 – to date	Bank Indonesia

Note:

\*) Mr Edwin Gerungan, Ms. Gunarni Soeworo, Mr. Wahyu Hidayat and Mr. Agus Suprijanto were honorably discharged by the EGM held on 21 May 2014.

The composition of the Board of Commissioners for the period September 2014-31 December 2014 was as follows:

Name	Office	Basis of Appointment	Period of Office	Tit & Proper Test Conducted by:
Mahmuddin Yasin*)	Chief Commissioner	EGM, 21 Mei 2014	2005-2010 2010-2014	Bank Indonesia
Pradjoto	Independent Commissioner	AGM, 16 May 2005, and reappointed as Independent Commissioner by the AGM on 17 May 2010	2005-2010 2010-2014	Bank Indonesia
Krisna Wijaya	Independent Commissioner	EGM, 5 July 2010	2010 -to date	Bank Indonesia
Abdul Azis	Commissioner	EGM, 2 April 2013	2013 -to date	Bank Indonesia
Askolani*)	Commissioner	EGM, 21 Mei 2014	-	OJK
Aviliani*)	Independent Commissioner	EGM, 21 Mei 2014	-	OJK
Anton Hermanto Gunawan*)	Independent Commissioner	EGM, 21 Mei 2014	-	OJK

Note:

\*) Mr. Mahmuddin Yasin, Mr. Askolani, Ms. Aviliani, and Mr. Anton Hermanto became effective as members of the Board of Commissioners on 3 September 2014

## DIVERSITY ON THE BOARD OF COMMISSIONERS

The composition of the Board of Commissioners, as described above, demonstrates sufficient diversity in the form of a combination of independence and expertise. As regards the expertise of the commissioners, this is discussed

in more detail in the Commissioners Profiles section of the Annual Report.

All of the members of the Bank Mandiri Board of Commissioners are characterized by integrity, competence, and good financial reputation. This is shown by the fact that all were approved by Bank Indonesia / OJK and passed fit and proper tests.

### Diversity Aspect of board of commissioners composition table Mandiri

Diversity Aspect		
<b>Education</b>	The diversity of educational backgrounds of the Board of Commissioners of Bank Mandiri, indicated by a mix of education, namely : <ul style="list-style-type: none"> <li>Qualification includes the level of Bachelor, Master and Doctoral</li> <li>Competence fields including the field of Law, Business Administration, Economics, Business Administration, Strategic Management, Human Resource Management and Business Management</li> </ul>	Composition of the Board of Commissioners has met the elements of diversity which is a combination of the education, work experience, and age.
<b>Experience</b>	The diversity of work experience BOC Bank, among others, namely : <ul style="list-style-type: none"> <li>Vice President at the Ministry of BUMN</li> <li>Board Member Code of Conduct Risk Management Certification Agency</li> <li>Chairman of Islamic Economic Society and a member of the National Economic Committee</li> <li>Director General of Budget, Ministry of Finance</li> </ul>	
<b>Age</b>	Age diversity of the Board of Commissioners of Bank Mandiri in the range of reasonably productive age, the age of 48-61 years.	
<b>Gender</b>	there is one member of the Board of Commissioners of women in BM	

Related expertise BOC Bank Mandiri has been described in the Board of Commissioners in this Annual Report.

## INDEPENDENCE OF THE BOARD OF COMMISSIONERS

Pursuant to BI Regulation No. 8/4/PBI/2006, as amended by BI regulation No. 8/14/PBI/2006 (on Good Corporate Governance in Commercial Banks), the Bank is required to have Independent Commissioners whose number shall account for at least 50% of the total membership of the Board of Commissioners. To that end and for the purpose of supporting GCG, the shareholders, through the GMS, appointed Independent Commissioners to perform supervisory functions in the Bank and its subsidiaries.

The Independent Commissioners are members of the Board of Commissioners without any financial relationships, management relationships, shareholdings and/or family relationships up to the second degree with the other Commissioners, the Directors and/or the controlling shareholders, or other relationships that could influence their ability to act independently. The objective of the Independent Commissioner mechanism is to create a positive working environment, and enhance fairness and equality overall, including protecting the interests of minority shareholders and other stakeholders.

To ensure the independence of the Board of Commissioners, Bank Mandiri has appointed four (4) Independent Commissioner out of the total of seven (7) members of the Board of Commissioners. This the number of Independent Commissioner standing at 50%, Bank Mandiri has complied with the regulatory requirements set out PBI No. 8/4 / PBI / 2006 as amended by PBI No. 8/14 / PBI / 2006 on the Implementation of Good Corporate Governance for Banks, and Article 28 of Law No. 19 of 2003 on SOEs.

Bank Mandiri's Independent Commissioners always avoid conflicts of interest and act independently, in the sense that they are under no conflicts of interest that could interfere with their ability to perform their tasks independently and critically, both in relation to each other and in relation to the Board of Directors.

All of the Independent Commissioners satisfy the main requirements to be an independent commissioner, which are as follows:

1. They do not have any financial or family relationships with the other Commissioners, the Directors and/or the controlling shareholders of Bank Mandiri, or other relationships that may influence their ability to act independently.
2. The members of the Board of Commissioners do not hold the position of Commissioner, Director or Executive Officer in more than 1 (one) non-financial institution/company, state enterprise, local government enterprise, private enterprise or other position that they should not hold in accordance with the Company's Articles of Association and the prevailing laws and regulations
3. They have passed a Fit and Proper Test in accordance with Bank Indonesia regulations
4. They are proposed by the Shareholders and approved by the GMS.
5. In the 5 (five) years prior to their appointment:
  - they have not been declared bankrupt.
  - they have not served as a member of the Board of Directors or Board of Commissioners or Supervisory Board that was declared guilty of inflicting loss on a Company.
  - they have never been convicted of a criminal offense that causes losses to the state finances and/or those of a state enterprise and/or in the financial sector.

## FINANCIAL OR FAMILIAL RELATIONS OF MEMBERS OF THE BOARD OF COMMISSIONERS AND MEMBERS OF THE BOARD OF DIRECTORS AND/OR CONTROLLING SHAREHOLDER

There is no member of the Board of Commissioners or Board of Directors of Bank Mandiri who doubles as a Commissioner, Director and Executive Officer of the Bank / other institution, as they do not have family relations with other members of the Board of Directors and / or members of the Board of Commissioners to the second degree. With such status, the members of the Board of Directors of Bank Mandiri always act independently, so there is no conflict of interest in the execution of their duties and responsibilities independently and critically, including in respect of relations between the Board of Directors and Board of Commissioners.

The Directors of Bank Mandiri is headed by a CEO who is independent of the controlling shareholder. In addition, the members of the Board of Directors do not double as the CEOs or directors in other State Owned Enterprises, Regional Enterprises or Private Companies, or other positions related to the management of the Bank, including structural positions, and other functional positions in central / local government institutions / agencies, or other positions in accordance with the provisions of the Articles of Association of the Bank and the legislation in force..

Name	Family Relationship with			Financial relationship with		
	Board of Commissioners	Board of Directors	Controlling Shareholder	Board of Commissioners	Board of Directors	Controlling Shareholder
<b>Board of Commissioners</b>						
Mahmuddin Yasin	-	-	-	-	-	-
Pradjoto	-	-	-	-	-	-
Krisna Wijaya	-	-	-	-	-	-
Abdul Azis	-	-	-	-	-	-
Askolani	-	-	-	-	-	-
Aviliani	-	-	-	-	-	-
Anton H. Gunawan	-	-	-	-	-	-
<b>Board of Directors</b>						
Budi G. Sadikin	-	-	-	-	-	-
Riswinandi	-	-	-	-	-	-
Abdul Rachman	-	-	-	-	-	-
Sentot A. Sentausa	-	-	-	-	-	-
Ogi Prastomiyono	-	-	-	-	-	-
Pahala N. Mansury	-	-	-	-	-	-
Fransisca N. Mok	-	-	-	-	-	-
Sunarso	-	-	-	-	-	-
Kresna Sediarsi	-	-	-	-	-	-
Royke Tumilaar	-	-	-	-	-	-
Hery Gunardi	-	-	-	-	-	-

## BOARD CHARTER

In performing its supervisory and advisory functions vis-à-vis the Board of Directors, the Board of Commissioners acts based on the Board Manual. The Board Manual contains the working procedures of both the Board of Commissioners and Board of Directors and explains in a structured, systematic, readily understandable and consistent way the various stages involved. It is used as a reference by the Boards of Commissioners and Directors in performing their respective duties so as to achieve the Company's Vision and Mission.

The Board Charter is set out in the Supervisory Board Charter number KEPKOM/002/2012, dated May 29, 2012, covering (1) General provisions, (2) Duties, Obligations, Rights and Authority of the Board of Commissioners, (3) Supporting Institutions, (4) Meetings of the Board of Commissioners, (5) Allocation of Duties, (6) Amendment Process, (7) Conclusion.

## DUTIES, RESPONSIBILITIES, AUTHORITY AND OBLIGATIONS OF THE BOARD OF COMMISSIONERS

### DUTIES OF THE BOARD OF COMMISSIONERS

The duties of the Board of Commissioners are as follows:

1. To supervise the management policy and the course of the management of the company by the Board of Directors, and provide advice to the Board of Directors, for the benefit of the company and in accordance with the aims and objectives of the Company;
2. Perform tasks that are specifically assigned in accordance with the Articles of Association, the law and / or based on a decision of the GMS;
3. Perform duties, powers and responsibilities in accordance with the provisions of the Articles of Association and the resolutions of the GMS;
4. In performing its duties, the Board of Commissioners must act in the interests of the Company and is accountable to the General Meeting of Shareholders;
5. To examine and review the annual report prepared by the Board of Directors and to sign the annual report.

### RESPONSIBILITIES OF THE BOARD OF COMMISSIONERS

1. Supervise the implementation of the work plan and budget of the Company;
2. Keep abreast of Company activities and in the event that the Company shows weakness, to immediately report to the GMS, accompanied by advice on corrective measures to be taken;
3. To propose to the GMS the appointment of a public accountant who will audit the books of the Company;

4. Perform other monitoring tasks set by the GSM;
5. Provide feedback on the periodic reports of the Board of Directors and report the results of the performance of its duties to the Series A Dwiwarna shareholder in a timely fashion;
6. Provide feedback and approval for the annual budget and work plan of the Company and the Company's long-term work plan that are prepared and submitted by the Board of Directors;
7. Provide approval for the work plan and annual budget of the Company which shall be issued not later than the thirtieth day after the first month of the new financial year;
8. If by the end of the time limit referred to in paragraph g above, the Board of Commissioners has not approved the annual work plan and budget of the Company, then the Company shall apply the annual work plan and budget for the previous financial year.

### AUTHORITY OF THE BOARD OF COMMISSIONERS

1. The Board of Commissioners shall establish committees as required by the law and, if deemed necessary, may request the assistance of experts for limited periods of time in carrying out its duties at the expense of the Company.
2. The Members of the Board of Commissioners may at any time during normal business hours of the Company, enter onto the buildings and premises or other places used or controlled by the Company, and has the right to inspect all books, correspondence and other documents, check and verify the cash and other positions, and is entitled to be informed all the actions taken by the Board of Directors.
3. The Board of Commissioners has the right to ask for clarifications on any matters from the Company's Board of Directors and each member of the Board of Directors is obliged to provide the requested explanations.
4. The Board of Commissioners is entitled and

authorized to approve the policy of the Board of Directors regarding the determination of mechanisms, criteria, and delegations of authority in connection with the optimization of the Company's assets, including receivables.

- 5) a. In accordance with Article 15, paragraph 14, a meeting of the Board of Commissioners shall have the right at any time to suspend one or more members of the Board of Directors if the members of the Board of Directors in question act contrary to the Articles of Association, to the detriment of the Company, dereliction of duty and / or violate the regulations.  
  
a. Such suspension must be notified in writing to the parties concerned, together with reasons. Within 45 (forty five) days of the suspension, the Board is required to convene the GMS to decide whether the relevant member of the Board of Directors will be dismissed or the suspension lifted, while the member of the Board of Directors who has been suspended shall be given the opportunity to defend him or herself.
- 6) If the GMS is not held within 45 (forty five) days after the effective date of the suspension, the suspension will be automatically lifted and the member of the Board of Directors shall be entitled to resume his original position.

## RELATIONSHIP BETWEEN BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS

So as to promote the image of the Company as Blue Chip Stock in South East Asia (Regional Champion Bank), the Board of Commissioners and Board of Directors of Bank Mandiri are committed to maintaining a sound and strong bank through the implementation of GCG principles in the management of the company.

The duties and responsibilities of the Board of Commissioners and the Board of Directors as two organs in the company that perform daily operational activities are different. The main duty of the Board of Commissioner is principally to act as supervisor and advisor, while the main duty of the Board of Directors is to perform the resolutions

of GMS, directives of the Board of Commissioners and to manage the company's operation. However, both organs should always coordinate and cooperate with each other to achieve the purpose and going concern of the company in the long term.

The working relationship between of the Boards of Commissioners and Directors constitute a checks and balances relationship for the advancement and soundness of the Bank. The Board of Commissioners and Board of Directors each holds the responsibility of the Bank's long-term business growth in accordance with its functions. This is reflected by the following:

1. The Bank soundness has been maintained in accordance with the prudential principles and criteria established by Bank Indonesia.
2. Good implementation of risk management as well as internal control system.
3. The achievement of fair returns for shareholders.
4. Terlindunginya kepentingan stakeholders secara wajar.
5. The fulfillment of GCG.
6. The implementation of leadership succession and management continuity in all line organizations.

As part of their commitment to fulfilling their responsibilities and maintain a checks and balances relationship, the Boards of Commissioners and Directors have agreed on the following matters:

1. Vision, Mission and Corporate Values.
2. Business targets, strategy, long-term plan, including annual work plan and budget.
3. Policy to fulfilling legislated regulations, the articles of association and prudential banking practices including the commitment to prevent any kind of conflict of interests.
4. The policy and the Bank performance assessment method, the Bank working units and its personnel.
5. The executive level of organization structure that is able to achieve the business goals of the Bank's business.

## BOARD OF COMMISSIONERS' ANNUAL WORK AND BUDGET PLAN 2014

The following werethe key focuses of the Board of Commissioners Work Program in 2014:



1. Monitoring, evaluating and providing input on the implementation of the strategic policies of the bank in the 2014-2010 period, namely focusing on liquidity, credit risk, the achievement of market share, market capitalization and profitability;
2. Supervising and providing input on the policy and strategy of the Board of Directors / Management in the framework of the implementation of the 5 financial milestones and 6 non-financial milestone targets, as set out in the 2014 RKAP, and 10 main focuses for business development;
3. Monitoring and providing input / advice to the Board on the implementation of non-organic business development programs;
4. Monitoring the infrastructure (IT and non IT), Human Capital and legal development programs in line with the Bank's business strategy and capacity;
5. Monitoring the implementation of the principles of Good Corporate Governance, Compliance and Risk management on an integrated basis with subsidiaries;
6. Monitoring and evaluation of the planning and execution of audits / other internal control systems, and monitoring the results of follow-up on audit / other inspection findings, including in subsidiaries;
7. Ensuring risk management has been carried out in an integrated and effective manner with subsidiaries so as to minimize non-performing loans and fraud as well as other risks;
8. Monitor the implementation of the program of work carried out by committees under the Board of Commissioners;
9. Conducting refresher training in order to broaden perceptions in the field of Risk Management and other fields.

The Board of Commissioners used this work program as a guide in the performance of its duty to ensure good corporate governance principles are applied in a holistic manner. The Board of Commissioners actively provided recommendations on crucial matters to the Board of Directors. However, such recommendations were made by taking into account the respective duties of the Board of Commissioners and Board of Directors, and the principle of checks and balances in the working relationship between the Board of Commissioners and Board of Directors.

## MEETINGS OF THE BOARD OF COMMISSIONERS

The Board of Commissioners is an organ of the company in charge of supervising the management policies of the Company and the Company's business activities and providing advice to the Board of Directors. The Board of Commissioners shall act in good faith and responsibility in performing their duties for the benefit of the Company. Good faith as regards commissioners means participating in the Board of Commissioners' scheduled meetings.

As a regulator, the Ministry of SOEs sets the meeting schedule, as set forth in Circular Letter No. SE-03 / MBU / 2011 dated October 27, 2011, the Board of Commissioners shall hold meetings every Wednesday and if necessary the Board of Commissioners may invite the Board of Directors to participate in the meeting. In addition, provisions on the Board of Commissioners meetings are also regulated by Bank Indonesia under PBI No. 15/15 / DPNP dated 29 April 2013, which provides that a meeting of the Board of Commissioners shall be held regularly and at least four (4) times a year and that a physical meeting of the Board of Commissioners be held 2 times a year.

## FREQUENCY OF MEETINGS OF BOARD OF COMMISSIONERS AND ATTENDANCE RECORD

The Board of Commissioners holds meetings to discuss matters that are strategic. In the implementation of board meetings, guests can be invited, as stated in Article 8 of the Board of Commissioners Roles of Conduct No. KEPKOM / 002/2012 dated May 29, 2012.

During 2014, the Board of Commissioners held five (5) internal meetings with the level of attendance of members of the Board of Commissioners on average reaching 70%. Members of the Board of Directors were invited to attend 13 (thirteen) meetings..

**Table: Meetings of the Board of Commissioners without Directors being Invited, 2014:**

Date of Meeting	Edwin Gerungan*	Gunarni Soeworo*	Wahyu Hidayat*	Agus Suprijanto*	Mahmuddin Yasin**	Pradjoto	Krisna Wijaya
20 February 2014	√	√	√	√	-	-	√
26 Mei 2014	-	-	-	-	-	-	√
20 August 2014	-	-	-	-	-	√	√
3 September 2014	-	-	-	-	√	-	√

Notes:

\*) Discharged as members of the Board of Commissioners on 21 May 2014 (Edwin Gerungan, Gunarni Soeworo, Wahyu Hidayat, Agus Suprijanto)

\*\*) Appointments of Mr. Mahmuddin Yasin, Mr. Askolani, Ms. Aviliani, and Mr. Anton Hermanto as commissioners became effective on 3 September 2014.

Attendance at internal meetings of the Board of Commissioners during the January-21 May 2014 period is as shown below:

Name	Position	Number of meetings	Absent	%hadir
Edwin Gerungan*)	Komisaris Utama merangkap Komisaris Independen	1	-	100
Gunarni Soeworo*)	Komisaris Independen	1	-	100
Wahyu Hidayat*)	Komisaris	1	-	100
Agus Suprijanto*)	Komisaris	1	-	100
Pradjoto	Komisaris Independen	1	1	0
Krisna Wijaya	Komisaris Independen	1	-	100
Abdul Azis	Komisaris	1	1	0

\*) Edwin Gerungan, Gunarni Soeworo, Wahyu Hidayat, and Agus Suprijanto were honorably discharged as members of the Board of Commissioners at the EGM held on 21 May 2014

	Abdul Azis	Askolani**	Aviliani**	Anton Hermanto Gunawan**	Agenda Rapat
-	-	-	-	-	<ul style="list-style-type: none"> <li>Laporan Pengawasan Rencana Bisnis Bank Semester II Tahun 2013 kepada Bank Indonesia</li> <li>Program Kerja Dewan Komisaris Tahun 2014</li> </ul>
-	-	-	-	-	<ul style="list-style-type: none"> <li>Pembagian Keanggotaan Komite</li> <li>Kinerja Bank Mandiri (Bankwide March 2014 &amp; Perbandingannya dengan Pesaing, Kinerja Mandiri 5 tahun terakhir &amp; Perbandingannya dengan Pesaing)</li> <li>Hal-hal yang Memerlukan Perhatian (Pendanaan, Likuiditas)</li> </ul>
√	-	√	√	√	<ul style="list-style-type: none"> <li>Pembahasan Laporan Pengawasan RBB Smt I 2014</li> </ul>
-	√	√	√	√	<ul style="list-style-type: none"> <li>Permohonan Persetujuan Pemberian Fasilitas</li> <li>Update Mandiri Sekuritas</li> <li>Perpanjangan Jangka Waktu Fasilitas Intraday</li> </ul>

Attendance at internal meetings of the Board of Commissioners during the September-December 2014 period is as shown below:

Name	Position	Number of meetings	Absent	%hadir
Mahmuddin Yasin*)	Komisaris Utama	1	-	100
Pradjoto	Komisaris Independen	3	1	67
Krisna Wijaya	Komisaris Independen	3	-	100
Abdul Azis	Komisaris	3	1	67
Askolani*)	Komisaris	1	-	50
Aviliani*)	Komisaris Independen	1	-	100
Anton Hermanto Gunawan*)	Komisaris Independen	1	-	100

\*) Appointments of Mr. Mahmuddin Yasin, Mr. Askolani, Ms. Aviliani, and Mr. Anton Hermanto as commissioners became effective on 3 September 2014.

**Table: Meetings of Board of Commissioners to which Directors were invited in 2014:**

Date of Meeting	Edwin Gerungan*	Gunarni Soeworo*	Wahyu Hidayat*	Agus Suprijanto*	Mahmuddin Yasin**	Pradjoto	Krisna Wijaya	
28 January 2014	√	√	√	√	√	√	√	
25 February 2014	√	√	√	√	√	√	√	
25 March 2014	√	√	√	√	√	√	√	
15 April 2014	√	√	√	√	√	√	√	
20 Mei 2014	√	√	√	√	√	√	√	
18 June 2014	-	-	-	-	√	√	√	
2 July 2014	-	-	-	-	√	√	√	

	Abdul Azis	Askolani**	Aviliani**	Anton Hermanto Gunawan**	Agenda
	√	√	√	√	<ul style="list-style-type: none"> <li>• Report on Implementation of Commissioners' Resolutions and Approval of Meeting Minutes</li> <li>• Financial Statements and Performance December 2013</li> <li>• Financial Statements of fiscal year 2013</li> <li>• Application for Approval of Extension of Customers Credit Lines</li> </ul>
	√	√	√	√	<ul style="list-style-type: none"> <li>• Report on Implementation of Commissioners' Resolutions and Approval of Meeting Minutes</li> <li>• Financial Statements and Performance January 2014</li> <li>• Application for Approval of the Increase and Extension JW Joint Financing Facility</li> </ul>
	√	√	√	√	<ul style="list-style-type: none"> <li>• Report on Implementation of Commissioners' Resolutions and Approval of Meeting Minutes</li> <li>• Financial Statements and Performance February 2014</li> <li>• Application for Approval of Customer KI, KMK and BG Facilities</li> <li>• Request for additional capital for subsidiaries</li> </ul>
	√	√	√	√	<ul style="list-style-type: none"> <li>• Report on Implementation of Commissioners' Resolutions and Approval of Meeting Minutes</li> <li>• Financial Statements and Performance March 2014</li> <li>• Preparation for EGM</li> <li>• Miscellaneous</li> </ul>
	√	√	√	√	<ul style="list-style-type: none"> <li>• Report on Implementation of Commissioners' Resolutions and Approval of Meeting Minutes</li> <li>• Financial Statements and Performance April 2014</li> <li>• Miscellaneous</li> </ul>
	√	√	√	√	<ul style="list-style-type: none"> <li>• Financial Statements and Performance May 2014</li> <li>• Application for Approval of Special Transaction Loan Facility (PTK) and Supplementary Limit Bank Guarantee</li> <li>• Application for approval of changes to the terms and conditions of investment credit facility</li> <li>• Miscellaneous</li> </ul>
	√	√	√	√	<ul style="list-style-type: none"> <li>• Corporate plan 2014-2020</li> <li>• Miscellaneous</li> </ul>

Date of Meeting	Edwin Gerungan*	Gunarni Soeworo*	Wahyu Hidayat*	Agus Suprijanto*	Mahmuddin Yasin**	Pradjoto	Krisna Wijaya	
18 July 2014	-	-	-	-	√	√	√	
20 August 2014	-	-	-	-	√	√	√	
24 September 2014	-	-	-	-	√	√	√	
22 October 2014	-	-	-	-	√	√	√	
21 November 2014	-	-	-	-	√	√	√	
18 December 2014	-	-	-	-	√	√	√	

**Note:**

\*) Edwin Gerungan, Gunarni Soeworo, Wahyu Hidayat, and Agus Suprijanto were honorably discharged as members of the Board of Commissioners at the EGM held on 21 May 2014

\*) Appointments of Mr. Mahmuddin Yasin, Mr. Askolani, Ms. Aviliani, and Mr. Anton Hermanto as commissioners became effective on 3 September 2014.

	Abdul Azis	Askolani**	Aviliani**	Anton Hermanto Gunawan**	Agenda
	√	√	√	√	<ul style="list-style-type: none"> <li>Financial Statements and Performance June 2014</li> <li>Proposed organizational structure</li> <li>Application for Approval of Extension of Credit Line Facility</li> <li>Miscellaneous</li> </ul>
	√	√	√	√	<ul style="list-style-type: none"> <li>Financial Statements and Performance July 2014</li> <li>Application for Approval for the provision of additional facilities and treasury line extension, alteration and extension of the terms of collateral bank guarantee, the provision of the L / C Import and SKBDN and back offers short-term credit facilities</li> <li>Application for Approval for the provision of additional working capital credit facilities and extension and the extension of the term of bank guarantee</li> <li>Application for approval of customer for the provision of additional working capital credit facility limit and treasury facilities for extension line and merging L / C Import and SKBDN</li> <li>Application for approval of customers for GIF (General Import Financing) offer and L / C offer and extension of validity period of treasury line facility</li> <li>Discussion of the organizational structure</li> <li>Capital increase in MAGI</li> <li>Miscellaneous</li> </ul>
	√	√	√	√	<ul style="list-style-type: none"> <li>Financial Statements and Performance August 2014</li> <li>Application for Approval of Extension of Credit Line Facility:</li> <li>Bank Syariah Mandiri</li> <li>Export Import Bank Of Korea</li> <li>Miscellaneous</li> </ul>
	√	√	√	√	<ul style="list-style-type: none"> <li>Laporan Keuangan dan Kinerja bulan September 2014</li> <li>Permohonan Persetujuan Penyesuaian Materi Kebijakan Bank Mandiri</li> <li>Permohonan Persetujuan Kerjasama Pembiayaan Bersama (Joint Financing) Kendaraan Bermotor</li> <li>Permohonan Persetujuan Pendirian Perusahaan Pembiayaan Baru bersama dengan mitra strategis</li> <li>Lain-lain</li> </ul>
	√	√	√	√	<ul style="list-style-type: none"> <li>Financial Statements and Performance October 2014</li> <li>Application for Approval of Internal Control System Policy and Internal Audit Policy</li> <li>Application for approval for alienation of portion of land assets in Jakarta</li> <li>Application for approval of offers of Short Term Loan facility (KJP), Treasury Line &amp; Supply Issuer Limit</li> <li>Draft RKAP 2015 and RBB 2015-2017</li> <li>Miscellaneous</li> </ul>
	√	√	√	√	<ul style="list-style-type: none"> <li>Financial Statements and Performance November 2014</li> <li>Developments in performance of Subsidiaries &amp; Overseas Offices</li> <li>Development of Financial Institutions Pension Fund Management</li> <li>Additional Working Capital Loan Application Addition for PT Mandiri Tunas Finance</li> <li>Miscellaneous</li> </ul>

Percentage attendance at meetings of the Board of Commissioners to which Directors were invited in the period from January-21 May 2014 was as follows:

No	Name	Number of Meetings	Absent	% Attendance
1	Edwin Gerungan*	5	-	100
2	Gunarni Soeworo*	5	-	100
3	Wahyu Hidayat*	5	-	100
4	Agus Suprijanto*	5	-	100
5	Pradjoto	5	-	100
6	Krisna Wijaya	5	-	100
7	Abdul Azis	5	-	100

Note:

•:Edwin Gerungan, Gunarni Soeworo, Wahyu Hidayat, and Agus Suprijanto were honorably discharged as members of the Board of Commissioners at the EGM held on 21 May 2014

Percentage attendance at meetings of the Board of Commissioners to which Directors were invited in the period from September-December 2014 was as follows:

No	Name	Number of Meetings	Absent	% Attendance
1	Mahmuddin Yasin*)	4	-	100
2	Pradjoto	4	-	100
3	Krisna Wijaya	4	-	100
4	Abdul Azis	4	-	100
5	Askolani*)	4	-	100
6	Aviliani*)	4	-	100
7	Anton Hermanto Gunawan*)	4	-	100

\*)Appointments of Mr. Mahmuddin Yasin, Mr. Askolani, Ms. Aviliani, and Mr. Anton Hermanto as commissioners became effective on 3 September 2014.



## PERFORMANCE OF THE DUTIES OF THE BOARD OF COMMISSIONERS IN 2014

The Board of Commissioners conducted a series of activities that were part of the work program of the Board of Commissioners of Bank Mandiri, such as conducting regular meetings, both internal and joint meetings with the Board of Directors and Audit Committee, conducting working visits and attending several trainings / seminars / workshops as an effort to shape the development of the Board of Commissioners of Bank Mandiri.

### BOARD OF COMMISSIONERS ORIENTATION PROGRAM

Given that in May 2014 a change in the composition of the Board of Commissioners took place, Bank Mandiri conducted an orientation and enhanced capabilities program for the new commissioners in the form of distributing the Board Manual as a reference for them in carrying out their functions of supervisory duties. In addition, the program involved on-site visits to units in the Head Office and the regions to meet face to face with employees the Bank located in the Central and Regional Offices.

The program was aimed at providing an overview of the business activities, future plans, guidelines and work of the Company that is the responsibility of the Board

of Commissioners. The program was prepared by the Corporate Secretary of the Group through the study of documents provided in soft copy and hard copy form, including the Annual Report, the Work Plan and Budget (CBP), Corporate Long Term Plan (RJPP), Articles of Association of the Company, Corporate Governance Policy, Code of Ethics, the Work Program of the Board of Commissioners and its Committees, Rules of the Board of Commissioners, Rules of the Board of Directors and Rules of the Board of Commissioners' Committees, as well as laws and regulations related to the Bank's business processes.

### TRAINING FOR COMMISSIONERS

Two (2) types of training are provided to commissioners: Company Orientation Program and Competency Development Program.

### COMPETENCY DEVELOPMENT PROGRAM

In line with implementation of GCG, the provision of Competency Development Programs for the Board of Commissioners is listed in the annual budget plan of the Board of Commissioners. The Board of Commissioners provides training programs to support the effort to enhance the knowledge of members of the Board of Commissioners on current developments in the banking industry and other knowledge related to the implementation of the supervisory duties of the Board of Commissioners.

The training programs provided to Commissioners included:

Commissioner	Position	Training/Seminar/Workshop	Date	Venue
Mahmuddin Yasin	Chief Commissioner / Independent Commissioner	• <i>Ank Risk Management Refreshment Program for</i>	26-28 November 2014	Hongkong
Pradjoto	Independent Commissioner	• Non Deal Road Show	7-14 Mei 2014	London
		• Executive International Conference – BARA	15-16 September 2014	Moskow
Krisna Wijaya	Independent Commissioner	• Benchmarking to Technology Companies	3-6 March 2014	San Fransisco, USA
		• Executive International Conference – BARA	15-16 September 2014	Moskow/ Rusia
		• Training Executive	30-31 October 2014	London
		• Kunjungan ke Cabang Bank Mandiri (Europe) Limited (BMEL)	3 November 2014	London

Commissioner	Position	Training/Seminar/Workshop	Date	Venue
Abdul Azis	Commissioner	• Mendampingi Menteri Negara Badan Usaha Milik Negara ke Jepang dan Cina	23 February - 1 March 2014	Jepang dan Cina
		• Washington DC Mendampingi Menteri BUMN ke Washington DC	13-18 June 2014	Washington DC
		• Mendampingi Menteri BUMN	7-11 October 2014	Tianjin, China
		• Bank Risk Management Refreshment Program for Executive	27-28 November 2014	Hongkong
		• Mandiri Sahabatku	13-15 December 2014	Hongkong
Askolani	Commissioner	• Asia Banking CEO Rountable	23-26 November 2014	Narita
Aviliani	Independent Commissioner	• Executive International Conference – BARA	15-16 September 2014	Moscow/ Rusia
		• 20th Asean Banking Conference & 44th ASEAN Banking council Meeting	11-14 November 2014	Cebu, Filipina
Anton Hermanto Gunawan	Independent Commissioner	• Executive International Conference – BARA	15-16 September 2014	Moskow
		• IIF Annual Meeting	10-11 October 2014	Washington DC
		• Morgan Stanley Conference	11-12 November 2014	Singapore

## INDICATORS OF BOARD OF COMMISSIONERS PERFORMANCE

In carrying out its duties and functions, the Board of Commissioners is always guided by the Articles of Association, GMS decisions, and the Work Program of the Board of Commissioners.

The Board of Commissioners uses this work program as a guide in their duties to ensure good corporate governance principles are applied in an holistic manner. In carrying out the work program, the Board is assisted by the Audit Committee, Risk Monitoring and GCG Committee and and the Remuneration and Nominations Committee.

The Implementation of the Work Program of the Board of Commissioners during 2014 resulted in the issuing of approvals, opinions, comments, and recommendations to the Board of Directors, as described below:

1. Provided input on the implementation of the Bank Mandiri corporate plan 2010-2014
2. Approved Revised Work and Budget Plan (RKAP) 2014 Persetujuan atas Revisi Rencana Bisnis Bank (RBB) 2013-2015.
3. Lpproved of Revised Business Plan (RBB) 2013-2015.
4. Bank Mandiri RBB Supervision Report for second half of 2013.
5. Bank Mandiri RBB Supervision Report for first half of 2014.
6. Provided evaluations and suggestions in order to increase the value of the company and market share revenue.
7. Held Commissioners meetings, included meeting to which the Directors were invited, to discuss reports
8. Realization of business development plans, strategic alliances and operational efficiency in accordance with the RKAP and RBB.

## EVALUATION OF BOARD OF COMMISSIONERS' PERFORMANCE

Assessment of performance of the Board of Commissioners is held once every year, using the method of self-assessment. The success of the performance of the Board of Commissioners is the result of the collegial work of the entire Board of Commissioners which is reflected in the realization of the Work and Budget Plan (RKAP) on an annual basis. The performance of the Board of Commissioners is assessed based on the health of the Bank, which covers aspects risk profile, Good Corporate Governance (GCG), profitability and bank capital. The organs that evaluate the performance of the Board of Commissioners are the GMS and Bank Indonesia.

Assessments of the performance of the Board of Commissioners are conducted based on the results of the regular self-assessment report to Bank Indonesia, based on Bank Indonesia Circular Letter number 15/15 / DPNP dated 29 April 2013, on the Implementation of Good Corporate Governance in Commercial Banks, in which the parameters related to the Board of Commissioners' performance evaluation include the TARIF principles in the application of GCG in the performance of the Board of Commissioners supervisory function in respect of the management of the Bank.

Besides through self-assessment, assessment of the Board of Commissioners is conducted at the time of presentation of its annual accountability report to the GMS. At the GMS held on 2013 on May 21, 2014, the shareholders approved the annual report of the company for financial year 2013 and the results that were achieved during that year. Furthermore, the GMS granted full discharge and acquittal (aquit et decharge) to the Board of Commissioners for fiscal year 2013's operations.

# board of directors

The company's Board of Directors is the organ that is fully and collectively responsible for managing the Bank's interests and objectives in accordance with the intents and purpose of the company, and for representing the company, both in and out of court, in accordance with the Articles of Association. In performing its duties, the Board of Directors is responsible to the GMS as part of its duty of accountability in accordance with the principles of good corporate governance.

## CRITERIA AND PROCEDURES FOR THE APPOINTMENT OF DIRECTORS

As a State-Owned Enterprise in the form of Public Limited Liability Company that applies GCG, the criteria and procedures for the appointment of members of the Board of Directors of Bank Mandiri are subject to :

- a. Law No. 40 of 2007 on Limited Liability Companies ("UU PT"),
- b. Government Regulation No. 45 of 2005 on the establishment, management, supervision and dissolution of state owned enterprises (GR No. 45/2005). All of these statutory provisions are incorporated in the Articles of Association of Bank Mandiri.
- c. Bank Indonesia Regulation No. 12/23/PBI/2010 dated December 29, 2010 regarding Fit and Proper Tests ("PBI No. 12/23/2010"). Since 31 December 2013, the duties and functions of Bank Indonesia in regulating the banking sector have been transferred to the Financial Services Authority (OJK) so that the OJK is now responsible for evaluating competencies and suitability.

Dalam UU PT diatur bahwa yang dapat diangkat menjadi anggota Direksi adalah orang perseorangan yang cakap melakukan perbuatan hukum, kecuali dalam waktu 5 (lima) tahun sebelum pengangkatannya tidak pernah:

- been declared bankrupt;
- been a member of Board of Directors or Board of Commissioners that was found guilty of causing a Company to be bankrupt; or

- been convicted of having committed a criminal act that caused loss to the state and/or related to the financial sector.

UU PT provides that members of the Board of Directors shall be appointed by a General Meeting of Shareholders (GMS), for a certain term of office and may be reappointed, which in such resolution the GMS will also determine the effective date of appointment, replacement, and dismissal. If a GMS does not specify the effective date of appointment, replacement, and dismissal of a member of the Board of Directors, then the effective date of such appointment, replacement, and dismissal of such member of the Board of Directors shall commence on the closing of the GMS appointing him/her.

Criteria for the appointment of directors are also set out in Government Regulation No. 45 of 2005 regarding Establishment, Management, Supervision and Dissolution of State Owned Enterprises, which provides that a person eligible to be appointed as a member of the Board of Directors shall be natural person who fulfills the criteria of expertise, integrity and dedication, who understands corporate management in relation to one particular management function, and who is able to provide the necessary time to perform his duties. In addition, he or she must fulfill the criteria set out in the companies legislation. The procedures for appointment and removal shall be determined by the GMS.

Before taking office as a Director of Bank Mandiri, a person appointed as Director must undergo a Fit and Proper Test, as stipulated in Bank Indonesia Regulation No. 12/23 / PBI / 2010 dated December 29, 2010. Since December 31, 2013, the Fit and Proper Test process for Directors and Commissioners has been transferred from Bank Indonesia to the Financial Services Authority. Thus, Directors and Commissioners must now pass fit and proper tests conducted by the Financial Services Authority. In doing so, they must satisfy the requirements of integrity, competence, and financial reputation. In order to satisfy the requirement of integrity, a candidate member of the Board of Directors of Bank must be of good moral character and be committed to complying with the legislation in force, have a strong commitment to the healthy development of the bank's operations and not be included on the Register of Disqualified Persons.

Meanwhile, in order to meet the competency requirements, a candidate Director must have adequate knowledge of banking relevant to the position, have experience and expertise in banking and / or finance and have the ability to conduct strategic management in order to develop a healthy bank. In addition, it is also required that the majority of the members of the Board of Directors have operational experience in the banking industry of at least 5 (five) years as an executive officer of a bank.

In order to fulfill the financial reputation requirement, the potential members of the Board of Directors should fulfill the

following conditions:

- not be on the list of uncooperative debtors; and
- never declared bankrupt nor served as member of a board of directors or board of commissioners found at fault in the bankruptcy of any company during the 5 (five) years preceding the candidacy.

In order to apply for a fit and proper test process, the Bank must submit an application for approval of the directors to the OJK. The number of candidate directors in the application shall be no more than 2 (two) persons for each vacant position and the proposed candidates must be selected in accordance with applicable laws and regulations. Approval or rejection of the application shall be given by OJK no later than 30 (thirty) days after receipt of the complete application.

The fit and proper test conducted by OJK encompasses administrative due diligence and interviews. In the event that a candidate for whom approval is requested from OJK is approved and appointed as a director pursuant to a resolution of a GMS, but the party concerned is not approved by OJK, the Bank, through the GMS, shall be required to dismiss the party concerned.

A candidate director awaiting approval from OJK is prohibited from performing duties as a member of the Board of Directors in the operations of the Bank and/or other activities significantly influencing the policy and financial condition of the Bank, notwithstanding the party concerned has been approved and appointed by a GMS.

## NUMBER OF DIRECTORS AND COMPOSITION OF BOARD OF DIRECTORS

As of the end of financial year 2014, the Bank had 11 directors, with their particulars and fit-and-proper test status being as shown below:

No	Name	Office	Date of fit-and-proper test decision
1	Budi G. Sadikin	CEO	31 July 2013
2	Riswinandi	Deputy CEO	29 June 2010
3	Abdul Rachman	Director of Institutional Banking	7 June 2005
4	Sentot A. Sentausa	Director of Risk Management	29 September 2011
5	Ogi Prastomiyono	Director of Compliance & Legal	12 December 2008
6	Pahala N. Mansury	Director of Finance & Strategy	12 July 2010
7	Fransisca N. Mok	Director of Corporate Banking	12 July 2010
8	Sunarso	Director of Commercial & Business Banking	12 July 2010
9	Kresno Sediarsi	Director of Technology & Operations	4 October 2010
10	Royke Tumilaar	Director of Treasury, FI & Special Asset Mgt.	15 July 2011
11	Hery Gunardi	Director of Micro & Retail Banking	27 June 2013
All Bank Mandiri directors have been certified as having passed their fit-and-proper tests by Bank Indonesia			

All of the directors have passed fit-and-proper tests conducted by the OJK in and comply with the provisions of the UU PT and the requirements of GCG. All have integrity, competence and good reputations. The appointment and removal of directors is conducted by the GMS.

That fact that all of the directors have integrity, competence and good reputations is shown by their obtaining the approval of Bank Indonesia and passing fit-and-proper tests.

## GUIDELINES AND PROCEDURES FOR BOARD OF DIRECTORS AND SEVPS

Guidelines for the work of the Board of Directors in discharging its role and functions in the management of the company and as regards the Board of Directors' relationship with the Board of Commissioners, are set out in the Board Manual, which is based on principles of corporate law, the legislation in force, the provisions of the Articles of Association, decisions and directives of the General Meeting of Shareholders and the principles of Good Corporate Governance, namely Transparency, Accountability, Responsibility, Independence and Fairness. The Board Manual is intended to explain the working relationship between the Board of Directors and the Board of Commissioners in carrying out their respective tasks in order to create a professional, transparent and efficient company management.

Adherence to the Board Manual is one manifestation of the commitment of the Board of Directors and the Board of Commissioners to the principles of good corporate governance, and is based on the Bank Mandiri Code of Good Corporate Governance.

The Board Charter is set out in the Board of Directors Resolution No. KEPDIR/317/2010 dated November 15, 2010, and consists of the following sections; mencakup:

1. General provisions
2. Duties, Obligations, Rights and Authority of the Board of Directors
3. Organization and Distribution of Duties
4. Meetings of the Board of Directors
5. General Policies
6. Committees
7. Correspondences and other matters
8. Amendment
9. Conclusion

## DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

### PRINCIPAL DUTIES OF THE BOARD OF DIRECTORS

The principal duties of the Board of Directors are:

1. to manage the Company in the interest of and in accordance with the purposes and objectives of the Company, and to steer the management of the Company.
2. to maintain and manage the Company; all of which duties were properly discharged during 2013.

## SCOPE AND DESCRIPTION OF DUTIES OF INDIVIDUAL DIRECTORS

### CHIEF EXECUTIVE OFFICER

1. To coordinate and implement the Company's management as stipulated in the Articles of Association and resolutions of the GMS, having regard to the prevailing laws.
2. together with the Deputy CEO, to coordinate, direct and supervise the work of the Company's Directorates in order that they operate smoothly, effectively, efficiently and sustainably so as to realize the Company's long term strategies.
3. To direct the ongoing transformation of Bank Mandiri by encouraging business units to market their products and services in a more dynamic and competitive way so as to overcome market challenges, having regard to comprehensive analyses from the Risk unit.
4. To promote the Company's image both at the national and international levels and to participate in building good relations with correspondent banks, investment banks, financial institutions, customers, and domestic and overseas monetary authorities.

5. To act for and on behalf of the Directors and to represent the Company and, for certain acts at his/her own responsibility, to appoint one or more persons based on a power of attorney to conduct specific acts as described in the power of attorney.
6. To coordinate the work of the Regional Promotion Directors in assisting and guiding the Bank's Regional Offices and Regional CEOs in order to expand market share and enhance business volume (funding and loans)

## DEPUTY CHIEF EXECUTIVE OFFICER

### 1. Policies and Strategies

- a. To assist the CEO in leading and directing policies and strategies and their updating and dissemination throughout all fields in a coordinated manner.
- b. To assist the CEO in leading and directing the development of the Business Plan and the short term, mid term, and long term Action Plans, in line with Company policy

### 2. Operations

- a. To ensure the proper implementation of the work of the Directorates under the direct supervision of the Deputy CEO, namely, the Institutional Banking Directorate, Corporate Banking Directorate, Commercial & Business Banking Directorate, Micro & Retail Banking Directorate, and Consumer Finance Directorate. The Deputy CEO also supervises certain Regional Offices as specified by the Board of Directors with the objective of achieve properly coordinated, effective and efficient manag
- b. To assist the CEO in directing and supervising the Directorates and Groups under the direct supervision of the Deputy CEO so that they can sustainability perform their in order to ensure the achievement of the Company's long term strategy.
- c. To assist the CEO in directing the ongoing transformation process so as to meet competition challenges by encouraging Business Units to market their products and services in a more dynamic and competitive manner.

- d. To assist the CEO in enhancing the Company image both at the national and international levels, and to participate in building good relations with correspondent banks, investment banks, financial institutions, customers, and domestic and overseas monetary authorities.
- e. To act for and on behalf of the Board of Directors and to represent the Company during absences of the CEO, for whatever reason, where such absences do not need to be proven to any third party.
- f. To support the Regional CEOs role in managing coordination so as to forge alliances with other Business Units.

## DIRECTOR OF INSTITUTIONAL BANKING

### 1. Policies and Strategies

- a. To lead and direct the development and implementation of policies and strategies, and their updating and dissemination in a coordinated manner
- b. To lead and direct the development of the Business Plan, and short term, mid term and long term Action Plans, and ensure that they are in line with Company policies.
- c. To support the Micro & Retail Banking Director in assisting and advising Regional CEOs to boost the Company's market share through the Regional Offices that are under their coordination and responsibility.
- d. To support the Micro & Retail Banking Director in assisting and advising the Regional CEOs to achieve targeted business volumes (funding and loans).



## 2. Operations

- a. To lead and coordinate the implementation of policies and strategies related to Institutional Banking operations based on the short term, mid term, and long term action plans.
- b. To lead, direct and supervise the groups and subsidiaries (if any) under his or her authority in a coordinated way, to carry out duties related to each of their businesses in line with Company policy, and to manage market competition in the Institutional Banking field.
- c. To lead and direct the ongoing transformation process so as to meet the challenge of market competition related to Institutional Banking.
- d. To lead, direct and coordinate the development and marketing of the best Institutional Banking products and to ensure that they are competitive and of high quality.
- e. To lead and coordinate the aggressive arrangement of Institutional Banking products, having regard to Company policies and prudential principles.
- f. To lead and coordinate the effective promotion of Institutional Banking products in line with market research and customer segment.
- g. To foster good customer relations through on-the-spot visits and the monitoring of customer projects on a regular basis.
- h. To support the roles of the Regional CEOs in performing their coordinating functions so as to forge alliances with other Business Units..

## 3. Human Resources

To lead and direct Human Resource (HR) policies under the coordination of Institutional Banking. This includes proposing recruitment, promotion, transfer/rotation, mentoring and training policies in coordination with the Compliance & Human Capital Director.

Business Plan, and the short term, mid term, long term Action Plans of the Risk Management Directorate, in line with Company policy.

- c. To support the Micro & Retail Banking Director in assisting and advising the Regional Offices to achieve the Company's targeted market share in the Regional Offices under their coordination.
- d. To support the Micro & Retail Banking Director in assisting and advising the Regional CEOs to achieve and enhance targeted business volumes (funding and loans

## 2. Operations

- a. To coordinate policy and strategy implementation related to Risk Management.
- b. To lead, direct and supervise groups in a sustainable manner to ensure that they are in line with Bank strategy in carrying out their duties in their respective fields.
- c. To develop and organize Risk Management so as to establish high quality policies, procedures and methods for the implementation of risk management.
- d. To monitor compliance and surveillance procedures by units in the implementation of Risk Management.
- e. To direct the ongoing transformation processes so as to meet the challenges of market competition by offering dynamic and competitive products and services.
- f. To support the Regional CEOs in implementing their coordination functions through the forging of alliances with other Business Units

## 3. Human Resources

To lead and direct Human Resources (HR) policies under the coordination of Risk Management, including proposing recruitment, promotion, transfer/rotation, mentoring and training, with the coordination of the Compliance & Human Capital Director.

## RISK MANAGEMENT DIRECTOR

### 1. Policies and Strategies

- a. To lead and direct policy and strategy development and formulation, and updating Risk Management policies and disseminating information on such policies.
- b. To lead and direct the development of the

## MICRO & RETAIL BANKING DIRECTOR

### 1. Policies and Strategies

- a. To lead and direct policy and strategy development and implementation, update and disseminate policies in Micro & Retail Banking,



and to assist and advise PT AXA Mandiri Financial Services, PT Bank Sinar Harapan Bali and Mandiri International Remittance (Bank subsidiaries) and PT Mandiri Manajemen Investasi (subsidiary of PT Mandiri Sekuritas).

- b. To lead and direct the development of short term, mid term, and long term Action Plans for the Micro & Retail Banking Directorate in line with Company policy.
- c. To lead and direct all Bank Mandiri Regional CEOs so as to enhance market share and to achieve business volume targets (funding and loans) in all Bank Mandiri regions.

## 2. Operations

- a. To lead and coordinate policy and strategy implementation related to Micro & Retail Banking in respect of short term, mid term and long term operations.
- b. To direct and supervise the offshore groups and offices under his supervision and all subsidiaries for which he is responsible in a sustainable manner and ensure that they carry out their respective duties in line with Company policy, and to competently handle market competition in the Micro & Retail Banking segment.
- c. To lead and direct the ongoing transformation process so as to meet the challenges of market competition related to Micro & Retail Banking.
- d. To lead, direct, and coordinate the development and provision of the best Micro & Retail Banking products and to ensure that they are highly competitive.
- e. To lead and coordinate an aggressive Micro & Retail Banking product range in line with Company policy and prudential principles.
- f. To lead and coordinate effective advertising and promotion of Micro & Retail Banking products in line with customer segmentation and market research guidelines.
- g. To lead and direct front line marketers in correctly applying standard operating procedures in Micro & Retail Banking.
- h. To coordinate and direct the Regional CEOs in performing their coordination functions by forging alliances with other Business Units..

## 3. Human Resources

To lead and direct the Human Resources (HR) policy under the coordination of Micro & Retail Banking, including proposing recruitment, promotion, transfer/rotation, mentoring and training with the coordination of the Compliance & Human Capital Director..

# COMPLIANCE & HUMAN LEGAL DIRECTOR

## 1. Policies and Strategies

- a. To lead and direct the drafting and implementation of policies and strategies and, updating and disseminating of policy in the Compliance & Legal field.
- b. To lead and direct the development of a Business Plan short term, mid term, and long term Action Plans in the Compliance & Legal Directorate in line with the Company policy.
- c. To support the Micro & Retail Banking Director in directing and mentoring the Regional CEOs to achieve the Company's targeted market share in Regional Offices that are under its mentorship and coordination and to act as Regional Office mentor.
- d. To support the Micro & Retail Banking Director in directing and mentoring the Regional CEOs to achieve targets and enhance business volume (funding and loans)

## 2. Operations

- a. To coordinate, direct and implement the principles of good corporate governance.
- b. To determine the required measures to ensure the Bank's compliance with all prevailing laws and regulations.
- c. To monitor and maintain compliance in the Bank's business operations in line with the applicable laws.
- d. To monitor and maintain the Bank's compliance with all agreements and commitments agreed by the Bank with external parties.
- e. To comprehensively lead and coordinate policy and strategy formulation related to Compliance & Legal Capital over the short term, mid term, and long term.

- f. To coordinate, direct and monitor the handling of complex bank-wide legal matters by optimizing legal officers for legal advice to line units and the management through legal advice.
- g. To coordinate, direct and monitor the taking effective legal action through integrated case management with clear targets.
- h. To coordinate the performance achievement of the Compliance & Legal Directorate.
- i. To support the Regional CEOs role in implementing their coordination function in forging alliances with other Business Units.

### 3. Human Resources

To lead and direct Human Resources (HR) strategy in the Compliance & Legal Directorate, including proposing recruitment, promotion, transfer/rotation, mentoring and training in coordination with the Directorate responsible for human capital.

- b. To lead, direct, and coordinate all investor relations activities for the purpose of carrying out financial communication to the investors in an effective, efficient, transparent, accountable, and timely manner and to improve the quality of the Company annual report as is expected of a public company.
- c. To lead and direct the accounting and bookkeeping activity so as to establish a financial system with appropriate supervision, policies and procedures and to deliver excellent, timely, complete, consistent and precise financial information and MIS.
- d. To lead and coordinate and develop the Company communication strategy and its implementation, specifically to maintain and uphold the Company image and reputation as the public company.
- e. To lead, coordinate, direct, and monitor the implementation of Corporate Action with regard to the disclosure of information with reference to the applicable provisions and the Company's other internal activities and to include those that are not limited by the execution of activities listed in the Calendar of Events and other events such as the Company's internal meetings.
- f. To lead and direct the policy and strategy implementation and development, to update and disseminate Finance & Strategy policy.
- g. To lead and direct the development of an excellent, precise, completed and consistent performance management system, and to measure its implementation timely and accurately.
- h. To lead, coordinate, direct and monitor the development of the Standard Procedure Manual, prepared by each line units in line with best industry practice, regulatory requirements, and with prudent principles.
- i. To coordinate and direct the Partnership and Community Development Program (PKBL) policy in line with prevailing laws and policies set by the General Meeting of Shareholders (GMS).
- j. To support the Regional CEOs role in implementing their coordination function in carrying out alliances with other Business Units.

## FINANCE & STRATEGY DIRECTOR

### 1. Policies and Strategies

- a. To comprehensively lead and coordinate strategy, objectives for long term, mid term, and short term financial targets of Bank Mandiri.
- b. To lead and direct the development of short term, mid term and long term business and action plans in line with the Company policy.
- c. To support the Micro & Retail Banking Director in directing and mentoring the Regional CEOs to achieve the Company market share at Regional Offices under its coordination and mentorship.
- d. To support the Micro & Retail Banking Director in directing and mentoring the Regional CEOs to achieve targets and enhance business volume (funding and loans)

### 2. Operations

- a. To comprehensively lead and coordinate strategy, objectives for long term, mid term, and short term financial targets of Bank Mandiri.

**3. Human Resources**

To lead and direct the Human Resource (HR) policies with the coordination of Finance & Strategy, including proposing recruitment, promotion, transfer/rotation, mentoring and training coordinated with Compliance & Human Capital Director.

**COMMERCIAL BANKING DIRECTOR****1. Policies and Strategies**

- a. To lead and direct the policy and strategy implementation and development, to update and disseminate Commercial & Business Banking policy, and to act as PT Bank Syariah Mandiri mentor.
- b. To lead and direct the development of business and action plans of Commercial & Business Banking short term, mid term and long-term and in line with the Company policy.
- c. To support the Micro & Retail Banking Director in directing and mentoring the Regional CEOs to achieve the Company's targeted market share in Regional Offices under their coordination and mentorship.
- d. To support the Micro & Retail Banking Director in directing and mentoring the Regional CEOs to achieve and enhance the projected business volumes (funding and loans).

**2. Operations**

- a. To comprehensively lead and coordinate the policy implementation of long term, mid term, and short-term strategies of Commercial & Business Banking operations.
- b. To lead, direct and coordinate all working functions of the Jakarta Commercial Sales Group to develop more marketable and profitable products and alliances.
- c. To lead, direct and coordinate all working functions of Regional Commercial Sales I Group, Regional Commercial Sales II Group, to develop more marketable and profitable products and alliances.

- d. To lead, direct and coordinate all working functions of Business Banking I Group, Business Banking II Group, in developing more marketable and profitable products and alliances.
- e. To direct and coordinate the working functions of Wholesale Transaction Banking Solutions Group in the development of products that deliver competitive products and policies.
- f. To support the Regional CEOs role in implementing its coordination function to carry out alliances with other Business Units

**3. Human Resources**

To lead and direct the Human Resources (HR) policies under the coordination of Corporate Banking, including proposing recruitment, promotion, transfer/rotation, mentoring and training with the coordination of Compliance & Human Capital Director.

**CORPORATE BANKING DIRECTOR****Policies and Strategies**

- a. To lead and direct the policy, strategy implementation and development, to update and disseminate Corporate Banking policy, Bank Mandiri Hongkong Branch (Overseas Office), Bank Mandiri Singapore Branch (Overseas Office) and Bank Mandiri Shanghai Branch (Overseas Office), and to act as the mentor of PT Mandiri Sekuritas (Subsidiary), Bank Mandiri Europe Limited/BMEL (Subsidiary).
- b. To lead and direct the development of Business and Action Plans of Corporate Banking Directorate for short term, mid term and long-term and in line with Company policy.
- c. To support the Micro & Retail Banking Director in directing and mentoring the Regional CEOs to achieve the targeted Company market share in Regional Offices under its coordination and mentorship.
- d. To support the Micro & Retail Banking Director in directing and mentoring the Regional CEOs to achieve and enhance the projected business volumes (funding and loans)

## 2. Operations

- a. To comprehensively lead and coordinate the policy implementation, of long term, mid term, and short-term strategies of Corporate Banking operations.
- b. To lead and direct as well as supervise Groups and Overseas Offices under its operations as well as subsidiaries under its responsibility for the purpose of carrying out duties related to each field to be in line with the Company policy on an ongoing basis and to address the challenges market competition in Corporate Banking.
- c. To lead and direct the ongoing transformation processes to meet market challenges related to Corporate Banking.
- d. To lead, direct, and coordinate the development of the best and most competitive Corporate Banking products and to ensure its highly competitive quality.
- e. To lead and coordinate the Corporate Banking product arrangement aggressively, following the Company policy and with prudent principles.
- f. To lead and coordinate effectively on the Corporate Banking product promotion in accordance with customer segmentation and market research.
- g. To organize customer relations mentoring, through on the spot visits and monitoring of customer projects on a regular basis.
- h. To support the Regional CEOs roles in implementing coordination functions in carrying out alliances with other Strategic Business Units.

## 3. Human Resources

To lead and direct the Human Resources (HR) policies under the coordination of Corporate Banking, including proposing recruitment, promotion, transfer/ rotation, mentoring and training with the coordination of Compliance & Legal Director.

## TECHNOLOGY & OPERATIONS DIRECTOR

### 1. Policies and Strategies

- a. To lead and direct the policy and strategy, development and implementation, to update and disseminate Technology & Operations Directorate policies..
- b. To lead and direct the development of Business action Plans for short term, mid term and long term of Technology & Operations Directorate in line with the Company policy.
- c. To lead and direct the development and implementation of service policies and strategies to maintain the customer trust and confidence.
- d. To support the Micro & Retail Banking Director in directing and mentoring the Regional CEOs to achieve the Company market share in Regional Offices under its coordination and mentorship.
- e. To support the Micro & Retail Banking Director in directing and mentoring the Regional CEOs to achieve and achieve the projected business volume (funding and loans).

### 2. Operations

- a. To comprehensively lead and coordinate the policies implementation for long term, mid term and short-term strategies of Technology & Operations Directorate
- b. To direct and supervise the groups under its operations in carrying out duties related of their respective fields in line with long-term, sustainable, strategy, of the Company and Technology & Operations Directorate.
- c. To develop Information Technology as a business partner with all working units of the Company organization to ensure the application of the accurate technology solutions for the Company for both current and future business needs through effective and efficient information technology planning, development, implementation, maintenance and sustainable support.

- d. To coordinate and direct the development of the Company services strategy, communication consolidation, and programs to enhance customer service quality.
- e. To coordinate and direct the optimization of customer database to support the Company's business activities.
- f. To coordinate and direct the procedures management and development on customer complaints as well as for customer disputes.
- g. To be fully responsible if found guilty or for neglecting the implementation of duties pertaining to the best interests and business of the Company.
- h. To support the Regional CEOs' role in carrying the coordination functions to implement alliances with other Strategic Business Units.

### 3. Human Resources

To lead and direct the Human Resources (HR) policies under the coordination of Technology & Operations Directorate, including proposing of recruitment, promotion, transfer/rotation, mentoring and training with the coordination of the Compliance & Human Capital Director.

## TREASURY, FINANCIAL INSTITUTIONS & SPECIAL ASSET MANAGEMENT DIRECTOR

### 1. Policies and Strategies

- a. To lead and direct the policy and strategy implementation and development, to update and disseminate policy by the Treasury, Financial Institution, Special Asset Management, Procurement & Fixed Assets and Bank Mandiri Cayman Island Branch (Overseas Offices).

- b. To lead and direct the development of Business and Action Plans for the short term, mid term and long-term in line with the Company policy.
- c. To support the Micro & Retail Banking Director in directing and mentoring the Regional Offices to achieve the Company's targeted market share in Regional Offices under its coordination and mentorship.
- d. To support the Micro & Retail Banking Director in directing and mentoring the Regional CEOs to achieve the projected business volume (funding and loans)

### 2. Operations

- a. To comprehensively lead and coordinate the short term, mid term, and long term policies and strategy implementation related to the operations activities of the Treasury, Financial Institution, Special Asset Management, Procurement & Fixed Assets and Bank Mandiri Cayman Island Branch (Overseas Office)..
- b. To direct and supervise the Groups and Overseas Offices under its coordination and responsibility in a sustainable manner in carrying out their respective duties in line with the Company policy as well as to direct and coordinate with Treasury, Financial Institution and Special Asset Management in handling market competition in line with Company policy.
- c. To lead and direct the ongoing transformation processes to meet the market challenges related to Treasury, Financial Institution and Special Asset Management.
- d. To direct the activity of procurement, maintenance, warehousing and archiving, service and facilities, effectively and efficiently as well as to ensure a secure archive of all the Company documents where can be recovered quickly and efficiently.

- e. To lead, direct and coordinate the best products development and offerings of the Treasury, Financial Institution and Special Asset Management, and to ensure that the development and offers are of quality and highly competitive.
- f. To lead and coordinate the aggressive product arrangement of Treasury, Financial Institution and Special Asset Management by following the Company policy and prudential principles.
- g. To lead and coordinate the effective promotion of the products of Treasury, Financial Institution, and Special Asset Management in line with customer segments and market research findings.
- h. To lead and direct the front liner marketers in implementing the appropriate Standard Operating procedures in Treasury, Financial Institution and Special Asset Management.
- i. To support the Regional CEOs role in implementing the coordination functions in conducting alliances with other Strategic Business Units.
- j. To lead and coordinate efforts by the Replacement Director in dealing with non-performing loans through restructuring and recovery measures, either done internally, or with the cooperation of third parties, in line with the Company policy.
- k. To coordinate the write-off recommendation of non-performing loans in a timely manner.
- l. To coordinate the management of loans billing and management in a resourceful manner.
- m. To coordinate the follow-up on non-performing loans transfer from Business Unit to Recovery Unit and the returning of non-performing loans from Recovery Unit to related units in an appropriate and timely manner.

- n. To support the Regional CEOs role in implementing its coordination functions to conduct alliances with other Strategic Business Units..

### 3. Human Resources

To lead and direct the Human Resources (HR) policies under the coordination of Treasury, Financial Institution, Special Asset Management and Procurement & Fixed Assets, including proposing recruitment, promotion, transfer/rotation, mentoring and training, in coordination with the Compliance & Human Capital Director.

## INDEPENDENCE OF THE BOARD OF DIRECTORS

All of the members of the Board of Directors are independent and do not have any familial relationship in a vertical or horizontal line up to the second degree, or any financial relationships with the controlling shareholder, other members of the Board of Directors or members of the Board of Commissioners. None of the director hold concurrent positions as members of the Board of Commissioners, members of the Board of Directors or Executive Officers in any other institution where the holding of such position would be prohibited by the Bank Indonesia Regulation on GCG.

The situation as regards family and financial relations between the members of the Board of Directors and other Directors and/or Commissioners and the Controlling Shareholder in 2014 is as shown in the following table:

Name	Family Relationship with						Financial relationship with						Control and Ownership of Shares in Other Companies					
	Board of Commissioners		Board of Directors		Shareholding		Board of Commissioners		Board of Directors		Shareholding		Board of Commissioners		Board of Directors		Shareholding	
	Ya	Tidak	Ya	Tidak	Ya	Tidak	Ya	Tidak	Ya	Tidak	Ya	Tidak	Ya	Tidak	Ya	Tidak	Ya	Tidak
Budi G. Sadikin	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√
Riswinandi	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√
Abdul Rachman	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√
Sentot A. Sentausa	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√
Ogi Prastomiyono	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√
Pahala N. Mansury	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√
Fransisca N. Mok	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√
Sunarso	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√
Kresno Sediarsi	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√
Royke Tumilaar	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√
Hery Gunardi	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√	-	√

During 2014, all members of the Board of Directors of the Bank had no relationship Family Relations, the Finance, Leadership and ownership of shares in other companies

## BOARD OF DIRECTORS MEETINGS

Meetings of the Board of Directors are important forums in the determination of policy and management decisions in the Company. Decisions are taken by consensus. In the event that a consensus is not reached, the decision is taken by majority vote. All decisions are collegial in nature.

As a regulator, the Ministry of SOEs has set forth provisions on meetings in Circular Letter No. SE-03 / MBU / 2011 dated October 27, 2011, which stipulates that the Board of Directors must hold a meeting every Tuesday and if necessary the Board may invite members of the Board of Commissioners to participate in their meetings.

To monitor operational performance, Bank Mandiri holds monthly meetings that are attended by all directors and executive officers one level below the Board of Directors. Directors may also take legal and binding decisions without convening a Meeting, provided that all members of the Board of Directors have been informed of the proposal and have given their written and signed consents. Resolutions so taken are of equal effect as resolutions adopted by a formal meeting.

## FREQUENCY OF BOARD OF DIRECTORS MEETINGS AND LEVEL OF ATTENDANCE

During 2014, the Board of Directors held 59 internal meetings, with a level of attendance averaging 90%. In addition, a total of 13 combined meetings were held with the Board of Directors.

**Table: Board of Directors Internal Meetings**

Date	Budi G. Sadikin	Riswinandi	Abdul Rachman	Sentot A. Sentausa	Ogi Prastomiyono	Pahala N. Mansury	Fransisca N. Mok	Sunarso	
January 2014	3	4	2	3	4	4	3	4	
February 2014	4	4	4	4	3	3	4	4	
March 2014	3	3	3	4	3	3	4	3	
April 2014	6	6	6	6	6	6	6	6	
Mei 2014	5	5	4	5	5	6	5	6	
June 2014	3	4	4	4	4	4	3	4	
July 2014	4	4	4	4	4	4	3	4	
August 2014	6	6	5	5	4	4	6	6	
September 2014	3	5	3	4	4	3	4	5	
October 2014	4	3	5	5	5	5	5	4	



	Kresno Sediarsi	Royke Tumilaar	Hery Gunardi	Agenda
				<ol style="list-style-type: none"> <li>Weekly Report - Performance per December 31, 2013</li> <li>Proposed Transaction Structure - Project Oracle</li> <li>Update on new provisions on reporting obligations to PPAK per January 1, 2014 (LTKL)</li> <li>Study on "Indonesian Banking Regulation and Strategy, to Anticipate the implementation of the ASEAN Banking Framework"</li> <li>Proposed investment in ISEI</li> </ol>
4	4	3		<ol style="list-style-type: none"> <li>Weekly Report - Performance per January 10, 2014</li> <li>Integration Plan for InHealth</li> <li>Proposed Mandiri Winner Best Employee 2013</li> <li>Proposed management of Gd. Menara I Bapindo (BOT Phase 1 ended May 15, 2014)</li> </ol>
4	4	4		<ol style="list-style-type: none"> <li>Weekly Report - Performance per January 10, 2014</li> <li>Integration Plan for InHealth</li> <li>Proposed Mandiri Winner Best Employee 2013</li> <li>Proposed management of Gd. Menara I Bapindo (BOT Phase 1 ended May 15, 2014)</li> </ol>
2	3	3		<ol style="list-style-type: none"> <li>Soundness of Bank Mandiri Individual</li> <li>discussion HC</li> <li>Update Recruitment Program</li> <li>Update discussion BMPK</li> </ol>
6	6	5		<ol style="list-style-type: none"> <li>Update Mandiri Run</li> <li>Update "Mandiri Research Institute"</li> <li>Update Culture Team</li> <li>Update Internal Control</li> </ol>
4	4	6		<ol style="list-style-type: none"> <li>HC Corplan 2015 - 2020 (Organization Structure Bankwide)</li> <li>Implementation proposal FATCA</li> <li>Update case skimming debit card</li> <li>Update housing policy</li> </ol>
4	3	4		<ol style="list-style-type: none"> <li>Direktorate Action Plan June 2014</li> <li>KPMM Update &amp; Portofolio Banking Book</li> <li>Proposed Use of Budget for Write-offs in First Quarter / 2014</li> <li>lawyer performance update</li> </ol>
4	2	4		<ol style="list-style-type: none"> <li>Soft kick off implementasi Corplan 2015-2020</li> <li>Financial Performance per June 2014 (material from BOC meeting on July 18, 2014)</li> <li>Compliance &amp; IT Governance Review</li> <li>Update Project</li> </ol>
6	6	6		<ol style="list-style-type: none"> <li>Optimizing utilization and relevant provisions regarding transfer of Bank Mandiri assets</li> <li>Proposed S2 Officer Placement Program</li> <li>Financial Performance per July 2014</li> <li>HC Discussion</li> </ol>
3	3	4		<ol style="list-style-type: none"> <li>Weekly Report per 12 September 2014</li> <li>Non-Organic Growth Plan</li> <li>Update on Automotive Industry Value Chain</li> <li>Update on Giro Initiative Q4 / 2014</li> </ol>
5	4	5		<ol style="list-style-type: none"> <li>Update on Internal Audit Dte1 per September 2014</li> <li>Update on BM preparations for CGPI 2013/2014</li> <li>Share price enhancement strategy</li> <li>Proposed Establishment of Talent Classification</li> </ol>

Date	Budi G. Sadikin	Riswinandi	Abdul Rachman	Sentot A. Sentausa	Ogi Prastomiyono	Pahala N. Mansury	Fransisca N. Mok	Sunarso	
November 2014	5	5	5	6	6	6	6	5	
December 2014	3	5	5	3	4	5	4	5	
<b>Jumlah</b>	<b>49</b>	<b>54</b>	<b>50</b>	<b>53</b>	<b>52</b>	<b>53</b>	<b>53</b>	<b>56</b>	

## THE PERCENTAGE ATTENDANCE AT INTERNAL BOARD OF DIRECTORS MEETING IS AS SHOWN IN THE FOLLOWING TABLE

No	Name	Office	Number of Meetings	Absent	% attendance
1	Budi G. Sadikin	Direktur Utama	59	10	83%
2	Riswinandi	Wakil Direktur Utama	59	5	92%
3	Abdul Rachman	Direktur <i>Institutional Banking</i>	59	9	85%
4	Sentot A. Sentausa	Direktur <i>Risk Management</i>	59	6	90%
5	Ogi Prastomiyono	Direktur <i>Compliance &amp; Legal</i>	59	7	88%
6	Pahala N. Mansury	Direktur <i>Finance &amp; Strategy</i>	59	6	90%
7	Fransisca N. Mok	Direktur <i>Corporate Banking</i>	59	6	90%
8	Sunarso	Direktur <i>Commercial &amp; Business Banking</i>	59	3	95%
9	Kresno Sediarsi	Direktur <i>Technology &amp; Operations</i>	59	6	90%
10	Royke Tumilaar	Direktur <i>Treasury, FI &amp; Special Asset Mgt.</i>	59	9	85%
11	Hery Gunardi	Direktur <i>Micro &amp; Retail Banking</i>	59	5	92%

	Kresno Sediarsi	Royke Tumilaar	Hery Gunardi	Agenda
6	6	5	<div>1. Proposed Re-segmentation &amp; KPI Work plan KPI</div> <div>2. Proposed RKAP 2015 &amp; RBB 2015-2017</div> <div>3. Optimization Strategy for Balance B / S</div> <div>4. HC Discussion – Bank Mandiri Best Talent Bank</div>	
5	5	5	<div>1. Proposed 2015 Annual Audit Plan and Long Term Audit Plan</div> <div>2. Preparations for Exit Meeting with OJK on December 19, 2014</div> <div>3. Proposed Use of Write-Off Ceiling, Q4 / 2014</div> <div>4. Job descriptions of Directors</div>	
53	50	54		

Table: Joint meetings of Board of Directors and Board of Commissioners:

Date	Budi G. Sadikin	Riswinandi	Abdul Rachman	Sentot A. Sentausa	Ogi Prastomiyono	Pahala N. Mansury
28 January 2014	√	√	√	√	√	√
25 February 2014	√	√	√	√	√	√
25 March 2014	√	√	√	√	√	√
15 April 2014	√	√	√	√	√	√
20 Mei 2014	√	√	√	√	√	√

Fransisca N. Mok	Sunarso	Kresno Sediarsi	Royke Tumilaar	Hery Gunardi	Agenda
√	√	√	√	√	<ul style="list-style-type: none"> <li>Report on Implementation of Commissioners' Resolutions and Approval of Minutes</li> <li>Financial Statements and Performance per December 2013</li> <li>Financial Statements for fiscal year 2013</li> <li>Application for Approval of Extension of Credit Line with an Increased Limit to PT. Bank Permata Tbk.</li> <li>Other</li> </ul>
√	√	√	√	√	<ul style="list-style-type: none"> <li>Report on Implementation of Commissioners' Resolutions and Approval of Minutes</li> <li>Financial Statements and Performance per January 2014</li> <li>Project Kujang</li> <li>US Dollar Loan</li> <li>Cost and Benefits of Mandiri University</li> <li>Application for Approval of Increase and Extension of JW Joint Financing Facility to PT Mandiri Tunas Finance</li> <li>Other</li> </ul>
√	√	√	√	√	<ul style="list-style-type: none"> <li>Report on Implementation of Commissioners' Resolutions and Approval of Minutes</li> <li>Financial Statements and Performance per February 2014</li> <li>Application for Approval of KI, KMK and BG Facilities on behalf of PT. Solar Sedeco</li> <li>Application for Capital Increase in PT. Mandiri AXA General Insurance (MAGI)</li> <li>Other</li> </ul>
√	√	√	√	√	<ul style="list-style-type: none"> <li>Report on Implementation of Commissioners' Resolutions and Approval of Minutes</li> <li>Financial Statements and Performance per March 2014</li> <li>Preparations for EGM</li> <li>Other</li> </ul>
√	√	√	√	√	<ul style="list-style-type: none"> <li>Report on Implementation of Commissioners' Resolutions and Approval of Minutes</li> <li>Financial Statements and Performance per April 2014</li> <li>Other</li> </ul>

Date	Budi G. Sadikin	Riswinandi	Abdul Rachman	Sentot A. Sentausa	Ogi Prastomiyono	Pahala N. Mansury
18 June 2014	√	√	√	√	√	√
2 July 2014	√	√	√	√	√	√
18 July 2014	√	√	√	√	√	√
20 August 2014	√	√	√	√	√	√

Fransisca N. Mok	Sunarso	Kresno Sediarsi	Royke Tumilaar	Hery Gunardi	Agenda
√	√	√	√	√	<ul style="list-style-type: none"> <li>Report on Implementation of Commissioners' Resolutions and Approval of Minutes</li> <li>Application for Approval of Special Transaction Loan Facility (PTK) to PT Astra Mitra Ventura (Astra Group)</li> <li>Application for Approval of Special Transaction Loan Facility (PTK) and additional Bank Guarantee Limit to PT. Serasi Autoraya (Astra Group)</li> <li>Application for Approval of Changes to these Terms and Conditions of Investment Credit Facility's PT. Marge Mandalasakti (Astra Group)</li> <li>Other</li> </ul>
√	√	√	√	√	<ul style="list-style-type: none"> <li>Corplan 2014-2020</li> <li>Other</li> </ul>
√	√	√	√	√	<ul style="list-style-type: none"> <li>Financial Statements and Performance per June 2014</li> <li>Proposed Organizational Structure</li> <li>Application for Approval of Extension of Credit Line Facility to Mandiri (Europe) Limited</li> <li>Other</li> </ul>
√	√	√	√	√	<ul style="list-style-type: none"> <li>Financial Statements and Performance per July 2014</li> <li>Application for Approval by PT. Astra International Tbk for the provision of additional treasury line facility and extension, amendment of security terms and extension of duration of bank guarantee, the provision of L / C Import and SKBDN, and offer of short-term loan facility</li> <li>Application for Approval by PT. United Tractors Tbk for the extension of the duration of NCL (L / C Import, SKBDN, BG) and extension of the term of treasury line facility</li> <li>Application for Approval by PT. Serasi Autoraya on provision of additional facilities and extension of term of KMK facility and extension of duration of bank guarantee</li> <li>Application for Approval by PT. Traktor Nusantara for provision of additional upper limit for KMK facility and extension of term of treasury facilities and the consolidating of L / C Import and SKBDN</li> <li>Application for Approval by PT. Astra Otoparts for offer of GIF (General Import Financing) facility and offer of L / C facility and the extension of term of treasury line facility</li> <li>Discussion of Organizational Structure</li> <li>Capital Increase in MAGI</li> <li>Other</li> </ul>

Date	Budi G. Sadikin	Riswinandi	Abdul Rachman	Sentot A. Sentausa	Ogi Prastomiyono	Pahala N. Mansury
24 September 2014	√	√	√	√	√	√
22 October 2014	√	√	√	√	√	√
21 November 2014	√	√	√	√	√	√
18 December 2014	√	√	√	√	√	√



Fransisca N. Mok	Sunarso	Kresno Sediarsi	Royke Tumilaar	Hery Gunardi	Agenda
√	√	√	√	√	<ul style="list-style-type: none"> <li>Financial Statements and Performance per August 2014</li> <li>Application for Approval of Extension of Credit Line Facilities by:               <ul style="list-style-type: none"> <li>PT. Bank Syariah Mandiri</li> <li>Export Import Bank of Korea</li> </ul> </li> <li>Other</li> </ul>
√	√	√	√	√	<ul style="list-style-type: none"> <li>Financial Statements and Performance per September 2014</li> <li>Application for Approval of Substantive Amendments of 4 BM Policies</li> <li>Application for Approval of Motor Vehicle Joint Financing Agreement by PT Mandiri Tunas Finance</li> <li>Application for Approval of Establishment of New Financing Company (Mandiri Utama Finance) with strategic partners (Tunas Ridean and Asco Investindo)</li> <li>Other</li> </ul>
√	√	√	√	√	<ul style="list-style-type: none"> <li>Financial Statements and Performance per October 2014</li> <li>Application for Approval of BM Internal Control System Policies (KSPIBM) and Internal Audit Policies (KIABM)</li> <li>Application for Approval for transfer of BM lands in Pondok Pinang, Jakarta</li> <li>Application for Approval of Offer of Short-Term Credit Facility (KJP), Treasury Line &amp; Provision of Issuer Limit to PT Surya Artha Nusantara Finance (Astra International Group)</li> <li>Draft RKAP 2015 and RBB 2015-2017</li> <li>Other</li> </ul>
√	√	√	√	√	<ul style="list-style-type: none"> <li>Financial Statements and Performance per November 2014</li> <li>Developments in performance of Subsidiaries &amp; Overseas Offices</li> <li>Developments in Financial Institution Pension Fund Management</li> <li>Application for additional Working Capital Loan by PT Mandiri Tunas Finance</li> <li>Other</li> </ul>

Table: Percentage attendance of directors at joint meetings with Board of Commissioners:

No	Name	Office	Number of Meetings	absent	% attendance
1	Budi G. Sadikin	Direktur Utama	13	0	100%
2	Riswinandi	Wakil Direktur Utama	13	0	100%
3	Abdul Rachman	Direktur <i>Institutional Banking</i>	13	0	100%
4	Sentot A. Sentausa	Direktur <i>Risk Management</i>	13	0	100%
5	Ogi Prastomiyono	Direktur <i>Compliance &amp; Legal</i>	13	0	100%
6	Pahala N. Mansury	Direktur <i>Finance &amp; Strategy</i>	13	0	100%
7	Fransisca N. Mok	Direktur <i>Corporate Banking</i>	13	0	100%
8	Sunarso	Direktur <i>Commercial &amp; Business Banking</i>	13	0	100%
9	Kresno Sediarsi	Direktur <i>Technology &amp; Operations</i>	13	0	100%
10	Royke Tumilaar	Direktur <i>Treasury, FI &amp; Special Asset Mgt.</i>	13	0	100%
11	Hery Gunardi	Direktur <i>Micro &amp; Retail Banking</i>	13	0	100%

## BOARD OF DIRECTORS ACTIVITIES IN 2014

The Board of Directors conducted a series of activities that are part of the work program of the Board of Directors, including regular meetings, both internal and joint meetings with the Board of Commissioners, committee meetings and meetings with SEVP. In addition, the directors participated in various trainings / seminars / workshops as part of the effort to shape the development of the Board of Directors of Bank Mandiri.

### DIRECTORS' TRAINING

As with the Board of Commissioners, the Bank also provided two (2) types of training for Directors, namely, the Company orientation program for new Board members and the Competency Development Program.

### PROGRAM PELATIHAN DIREKSI

The Bank provided an orientation program for new Board members with the aim of providing an overview of the business operations of the Company, the Company's future plans, guidelines and other aspects of the work of the Board of Directors. The orientation program was prepared by the Group Corporate Secretary and involved a study of documents provided in soft copy and hard copy form, including the Annual Report, the Work Plan and Budget (CBP), Corporate Long Term Plan (RJPP), Articles of Association of the Company, Corporate Governance Policy, Code of Ethics, the Work Program of the Board

of Commissioners and its Committees, Rules of the Board of Commissioners, Rules of the Board of Directors and Rules of the Board of Commissioners' Committees, as well as laws and regulations related to the Bank's business processes.

## DIRECTORS AND SEVP DEVELOPMENT PROGRAM

Selama tahun 2014, anggota Direksi dan SEVP telah mengikuti Pelatihan/Training/Workshop/Seminar dalam rangka peningkatan kemampuan, antara lain sebagai berikut:

Name	Office	Training	Penyelenggara	Venue
<b>Bapak Budi G. Sadikin</b>	Direktur Utama	Risk Management in Banking	INSEAD	France
<b>Bapak Riswinandi</b>	Wakil Direktur Utama	Making Innovation Happen	London Business School	London, UK
<b>Bapak Abdul Rachman</b>	Direktur Institutional Banking	Constructive Collaboration – Driving Performance in Teams, Organizations & Partnership	Kellogg School of Management - USA	Evanston, Illinois, USA
<b>Bapak Sentot A.Sentausa</b>	Direktur Risk Management	2014 IIF Executive Program on Risk Management	IIF	New York
<b>Bapak Ogi Prastomiyono</b>	Direktur Compliance & Legal	Creating & Managing Strategic Alliances	Kellogg School of Management - USA	Evaston, Illinois, USA
<b>Bapak Pahala N. Mansury</b>	Direktur Finance & Strategy	The Emerging CFO: Strategic Financial Leadership Program	Darden Business School	London, UK
<b>Ibu Fransisca Nelwan Mok</b>	Direktur Corporate Banking	Proteus: The Most innovative and Challenging leadership program in the world	London Business School	London, UK
<b>Bapak Sunarso</b>	Direktur Commercial & Business Banking	Decision Making for Leaders	Melbourne Business School	Melbourne, Australia
<b>Bapak Kresno Sediarsi</b>	Direktur Technology & Operations	Driving Strategic Value from IT	Kellogg School of Management - USA	Evaston, Illinois, USA
<b>Bapak Royke Tumilaar</b>	Direktur Treasury, Financial Institution & SAM	Making Innovation Happen Program	London Business School	London, UK
<b>Bapak Hery Gunardi</b>	Direktur Micro & Retail Banking	High Impact Leadership	Haas Business School – Univ. of California	Berkeley, CA, USA
<b>Ibu Riyani T. Bondan</b>	SEVP Internal Audit	Kellogg on Branding: Creating, Building, and Rejuvenating Your Brand	Kellogg School of Management - USA	Evaston, Illinois, USA
<b>Bapak Ventje Rahardjo</b>	SEVP Change Management Office	Leading Change & Organizational Renewal	Harvard Business School	Massachusetts, USA
<b>Bapak Tardi</b>	SEVP Consumer Finance	Executing Breakthrough Strategy	Columbia Business School	Columbia, USA

## BOARD OF DIRECTORS RESOLUTIONS IN 2014

During 2014, the Board of Directors adopted a number of strategic resolutions, including:

- Business Plan
- Corporate Strategic Initiative
- Employee Strategic Plan

## BOARD OF DIRECTORS PERFORMANCE ASSESSMENT

The performance of the Board of Directors is assessed using Key performance indicators, as described below:

No.	Strategic Initiative	Measurement	Realisasi Des 14
1.	Increase Company Value	Market Capitalization Growth Value BMRI greatest among major competitors	37,26%
2.	Improve the Bank Profitability	a. Earning After Tax minimal Rp17.365 miliar b. ROE minimal 19,88%	19,428 22,02%
3.	Revenue increase marketshare	a. Credit Marketshare 12,3%. b. low cost fund Marketshare 16,1%.	13,1% 16,8%
4.	Increase Assets Quality	a. Maximum NPL Gross 2,08% b. Maximum NPL Netto 0,59%	1,66% 0,44%
5.	Develop Transactional Banking	Fee Base Ratio reach 29,64%	28,34%
6.	Improve Credit Expansion and the composition of the High Yield	a. Loan Growth ( Net ) a minimum of 15.03 % thus becoming Rp479,65 trillion b. High-interest credit growth ( retail financing) at least reach Rp164,2 T	475,27 157,97
7.	Increase Fund Raising & Retail Payment	a. Low Cost Fund Growth ( Giro and Savings ) minimum of 15.67 % , thus reaching Rp382,15 trillion b. Funding mix of at least 67,6 %	352,50 66,11%

No.	Strategic Initiative	Measurement	Realisasi Des 14
8.	Increase Customer Satisfaction	Bank Mandiri Quality of Branch service and e-Channel ( Best Bank Service Excellence ) Bank Service Excellence Monitor Period 2013-2014 by MRI - Infobank Magazine	1%
9.	Develop alliances among SBU	Assessment of GCG implementation of the Financial Services Authority achieved a score of 2 and IICG awarded " very trusted ".  - Growth of Anchor's Low Cost Fund (Rp billion )	"very trusted"  797
10.	Increase Innovation & Productivity Employee	Implementation of High Yield Strategic Initiatives , Retail & Wholesale Payment Transaction 100 % according to plan with controlling operational efficiency with Cost Efficiency Ratio limits the range of 40 % .  Account Program Planning achievement of 100 % according to plan includes : i. The number of transactions CASA ii . Volume of transactions Trade ( USD million ) III. BG transaction volume ( Rp billion )	36,78%  37.227.067 9.355 23.399

The Board of Directors performance assessment is the result of collegial work of all Directors as reflected in the realization of the Company Work Plan and Budget (RKAP) on annual basis. The Board of Directors performance assessment is conducted on Bank Soundness that includes bank's risk profile, Good Corporate Governance (GCG), rentability and capital. The parties conducting assessment of the Board of Directors performance are the Board of Commissioners, GMS, Bank Indonesia and the OJK.

Assessments of the performance of the Board of Directors are conducted based on the results of the regular self-assessment report to Bank Indonesia, based on Bank Indonesia Circular Letter number 15/15 / DPNP dated 29 April 2013, on the Implementation of Good Corporate Governance in Commercial Banks, in which the parameters related to the Board of Directors' performance evaluation include the TARIF principles in the application of GCG in the performance of the Board of Directors supervisory function in respect of the management of the Bank.

Besides through self-assessment, assessment of the Board of Directors is conducted at the time of presentation of its annual accountability report to the GMS. At the GMS held on 2013 on May 21, 2014, the shareholders approved the annual report of the company for financial year 2013 and the results that were achieved during that year. Furthermore, the GMS granted full discharge and acquittal (aquit et decharge) to the Board of Directors for fiscal year 2013's operations..

## SHAREHOLDINGS BY DIRECTORS AND THEIR RELATIVES

As of 31 December 2013, the shareholdings of none of the members of the Board of Directors reached five percent of the paid up capital of Bank Mandiri, another bank or non-bank financial institution, or other company, which domiciled in Indonesia or overseas. Shareholdings by members of the Board of Directors are shown in the following table:

Director	Position	Shareholding of 5% or more of paid-up capital					
		Bank Mandiri	By relative in Bank Mandiri	Other Company	Other Bank	Non-Bank Financial Institution	Description
<b>Budi G. Sadikin</b>	CEO	-	-	-	-	-	NIHIL
<b>Riswinandi</b>	Deputy CEO	-	-	-	-	-	NIHIL
<b>Abdul Rachman</b>	Director Institutional Banking	-	-	-	-	-	NIHIL
<b>Sentot A. Sentausa</b>	Director Risk Management	-	-	-	-	-	NIHIL
<b>Ogi Prastomiyono</b>	Director Compliance & Legal	-	-	-	-	-	NIHIL
<b>Pahala N. Mansury</b>	Director Finance & Strategy	-	-	-	-	-	NIHIL
<b>Fransisca N. Mok</b>	Director Corporate Banking	-	-	-	-	-	NIHIL
<b>Sunarso</b>	Director Commercial & Business Banking	-	-	-	-	-	NIHIL
<b>Kresno Sediarsi</b>	Director Technology & Operations	-	-	-	-	-	NIHIL
<b>Royke Tumilaar</b>	Director Treasury, FI & Special Asset Mgt.	-	-	-	-	-	NIHIL
<b>Hery Gunardi</b>	Director Micro & Retail Banking	-	-	-	-	-	NIHIL

## DIVERSITY COMPOSITION OF THE BOARD OF DIRECTORS

The diversity of the composition of the Board of Directors is expected to provide an alternative solution to a problem faced by banks increasingly complex than the members of the board of directors that is homogeneous, so that the resulting decisions be the best decision after looking at various alternatives decision of the diversity of the existing Directors.

Based on the policy of Shareholders, the determination of the composition of the Board of Directors has been done taking into account the needs and complexity of the bank including attention to elements of diversity as reflected in the following table:

**Tabel of Diversity Composition of the Board of Directors**

Diversity Aspect		
<b>Education</b>	The diversity of educational backgrounds Directors of the Bank, indicated by a mix of education, namely : <ul style="list-style-type: none"> <li>• Qualification started levels Bachelor, Master and Doctoral</li> <li>• Competency areas including Economics, Accounting, Statistics, Business Administration, Finance, Business Administration, and Business in finance.</li> </ul>	Composition of the Board of Directors has met the elements of diversity which is a combination of the education, work experience, and age.
<b>Experience</b>	The diversity of work experience Directors of the Bank, among others, namely : bank professionals at various levels of banking positions at national, multinational and other financial institutions, and there is also derived from a career officer of Bank Mandiri.	
<b>Age</b>	The Board of Directors of Bank Mandiri age diversity in the range of reasonably productive age, the age of 48-61 years.	
<b>Gender</b>	There are not yet members of the Board of Directors of Bank Mandiri women.	

## BOARD OF DIRECTORS SUCCESSION POLICIES

In the context of ensuring the successful regeneration of leadership in Bank Mandiri, the Bank operates an internal talent & succession management program, which is in line with Minister of SOEs Regulation No. PER-01/MBU/2012 on requirements and procedures for the appointment and discharge of directors in SOEs, as lastly amended by Minister of SOEs Regulation No. PER-016/MBU/2012 on the amendment of Minister of SOEs Regulation No. PER-01/MBU/2012.

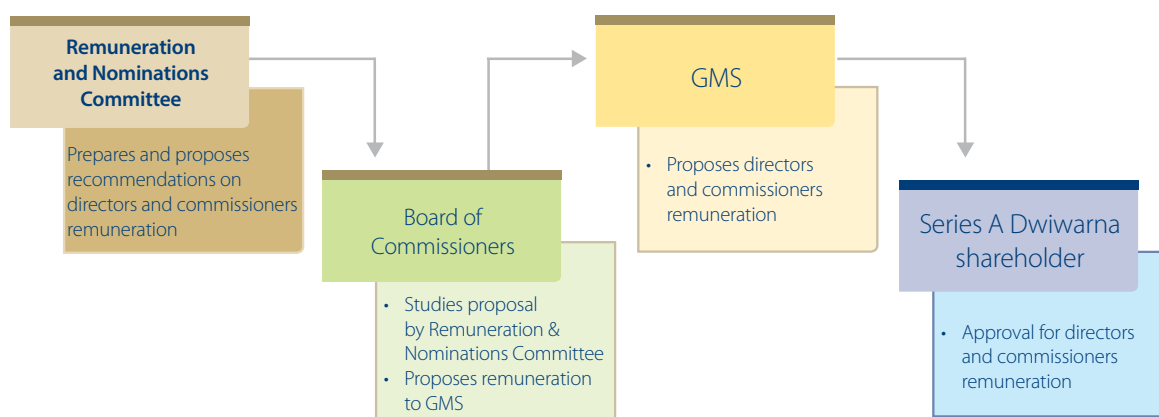
In addition, the Board of Directors succession policy is in accordance with the Articles of Association and Board Manual of Bank Mandiri.

# board of directors and board of commissioners remuneration policy

The determination of remuneration of the Board of Directors and Board of Commissioners is based on Limited Liability Law no. 40 of 2007, Bank Mandiri's Articles of Association, and Regulation of Minister of State Owned Enterprises No. PER 07/MBU/2010 regarding Guidelines for Determination of Remuneration of Board of Directors, Board of Commissioners and Board of Supervisors of State-Owned Enterprises. The remuneration of the Board of Directors and Board of Commissioners of Bank Mandiri is set out in the Commissioners' Decision Letter No. KEP.KOM/006/2011 regarding Allowances and other Facilities as well as Post-Service Compensation for the Board of Directors and Board Commissioners.

THE COMPONENTS OF THE REMUNERATION OF DIRECTORS AND COMMISSIONERS CONSIST OF:

1. Salary/Honorarium
2. Allowances
3. Facilities
4. Bonuses/Performance Incentives



## PROCEDURES FOR DETERMINING THE REMUNERATION OF COMMISSIONERS

The determination of the remuneration of Commissioners is made by the GMS based on a formula set by the GMS and the proposal of the Board of Commissioners, as assessed by the Remuneration and Nominations Committee in consultation with the Minister of SOEs, as the holder of the Series A Dwiwarna share, having regard to the allowances and other facilities, as well as post-office facilities, payable to Directors and Commissioners based on an evaluation of key performance indicators (KPI)..



## Structure of Remuneration and Facilities Payable to Directors and Commissioners

No	Type of Remuneration	Description
1	Honorarium	Office Weighting Factor Chief Commissioner, 50% of CEO Deputy Chief Commissioner 47,5% Commissioner 45%
2	Allowances	<ul style="list-style-type: none"> <li>Religious Holiday Bonus: 1 x Honorarium</li> <li>Communication Allowance: Not provided</li> <li>Transportation Allowance: 20% of honorarium</li> <li>Clothing allowance: May be granted if special event requires special clothing.</li> </ul>
3	Facilities	<ul style="list-style-type: none"> <li>Official vehicle: Not provided</li> <li>Healthcare benefits: Reimbursement of medical expenses</li> <li>Membership of professional associations: Maximum 2 memberships</li> <li>Legal assistance facilities: As required</li> </ul>

## Remuneration Packages and others facilities to board of commissioners

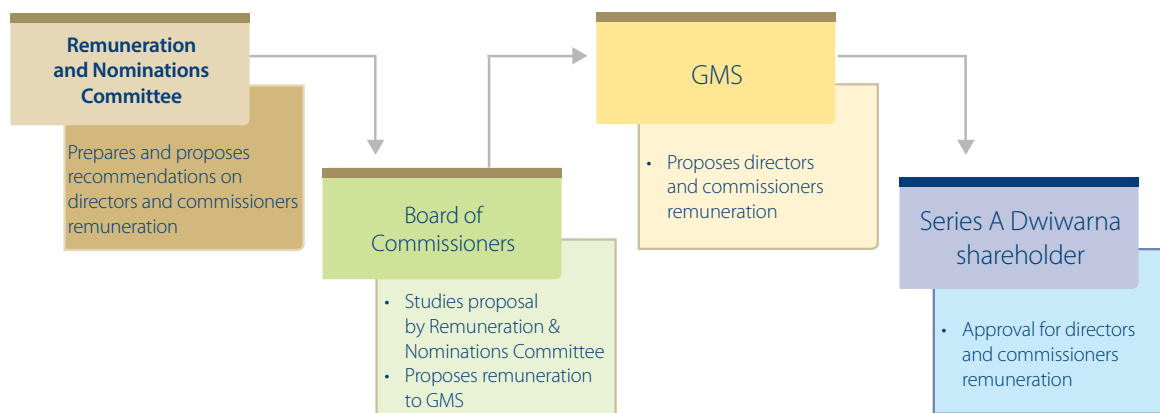
Type of Remuneration / Facility	Amount received in 2014 <sup>1)</sup>	
	Board of Commissioners	
	Members	Million Rp
Remuneration:		
Salary <sup>2</sup>	11	9,942
Bonus	-	-
Routine Allowances <sup>3</sup>	11	4,398
Tantiem <sup>4</sup>	7	44,807
In-Kind Facilities		
Housing (ownership may not be acquired) <sup>5</sup>		
Transportation (ownership may not be acquired)	-	-
Benefits (ownership may be acquired) <sup>6</sup>	-	-
Total Remuneration per Commissioner in 1 Year		
Above Rp. 2 billion	-	
Between Rp. 1 billion and Rp. 2 billion	3	
Above Rp. 500 million s.d Rp. 1 billion	4	
Less than Rp. 500 million	-	

### Notes:

- Gross, including tax
- Number of Commissioners receiving remuneration in 2014 :
  - 11 commissioners, including Mr. Edwin Gerungan, Ms. Gunarni Soeworo, Mr. Wahyu Hidayat, Mr. Agus Suprijanto (left office in May 2014), and Mr. Mahmuddin Yasin, Mr. Askolani, Ms. Aviliani and Mr. Anton Hermanto Gunawan (appointed in May 2014).
- Jumlah Pihak Independen yang diberikan remunerasi selama tahun 2014 :
  - 5 Orang orang pihak independen termasuk Bp. Zulkufli Djaelani, Bp. Imam Sukarno, Bp. Tama Wijaya (habis jabatan February 2014) dan pengangkatan Bp. Budi Sulistio (TMT March 2014). dan Ridwan Darmawan Ayub (TMT Mei 2014).
- The calculation of allowances includes religious holiday allowance (THR), total communication allowances in 2014, transportation allowance, housing allowance (4 commissioners) and fuel allowance.
- Post-service benefits (net)
- Santunan Purnajabatan (Net)

## DETERMINATION PROCEDURE OF THE REMUNERATION OF DIRECTORS

- A. The determination of the remuneration of Directors, other than as reflected in the Bank Mandiri Business and Budget Plan (CBP), is also studied and proposed in accordance with the following procedures:
  1. At the end of the year, a business plan is drafted and set out in the Bank Business Plan (RBB), which is then sent to stakeholders and regulators;
  2. Key Performance Indicators (KPI) for the CEO are prepared and approved by the Board of Commissioners, and are signed by the CEO and the Chief Commissioner;
  3. KPI are prepared for the Deputy CEO and individuals Directors, covering the same areas as are covered by the CEO's KPI;
  4. Performance of each business unit is regularly evaluated and the key targets are evaluated on a monthly basis through performance reviews;
  5. A comprehensive assessment is conducted at the end of the year, which is then discussed at the meeting of the Board of Directors;
  6. The results of the assessment are reported to the Board of Commissioners and the GMS determines the performance bonuses (tantieme) to be paid to the Directors based on the assessment, so that the bonus may differ from one Director to another directors.
- B. The determination of the remuneration of Directors is made by the GMS based on a formula set by the GMS and the proposal of the Board of Commissioners, as assessed by the Remuneration and Nominations Committee in consultation with the Minister of SOEs, as the holder of the Series A Dwiwarna share, having regard to the allowances and other facilities, as well as post-office facilities, payable to Directors and Commissioners based on an evaluation of key performance indicators (KPI).



### Gaji, Tunjangan dan Fasilitas Bagi Direksi Tahun 2014:

No	Jenis Penghasilan	Ketentuan
1	Honorarium	Besarnya Faktor Jabatan Direktur Utama 100% Wakil Direktur Utama 95% Direktur 90%
2	Allowances	
	Religious Holiday Bonus	1 x salary
	Tunjangan Komunikasi	At cost
	Post-service benefits	Insurance policy, premiums up to 25% of annual salary
	Clothing allowance	May be granted if special event requires special clothing.
	Utility Allowance	At cost in the case of occupation of official residence

	Housing allowance	Provided if no official residence available
	Utility Allowance	At cost in the case of occupation of official residence
3	Facilities	
	Official vehicle	Provided to all directors Maintenance and fuel costs in accordance with internal policies (KEP. KOM/006/2011)
	Healthcare benefits	Reimbursement of medical expenses
	Membership of professional associations	Maximum 2 memberships Only provided in respect of enrollment fee and annual dues
	Legal assistance facilities	As required
	Housing facility	1 official residence provided If director does not occupy official residence, housing allowance provided
	Club membership	In accordance with use while representing interests of Bank Mandiri
	Representation expenses	In accordance with use while representing interests of Bank Mandiri

## Directors' remuneration and facilities packages

Type of Remuneration / Facility	Amount received in 2014 <sup>1)</sup>	
	Director	
	Person	Million Rp
Remuneration::		
Salary <sup>2</sup>	11	32.209
Bonus	-	-
Routine Allowances <sup>3</sup>	11	12.190
Tantiem <sup>4</sup>	12	166.822
In-Kind Facilities		
Housing (ownership may not be acquired) <sup>5</sup>		
Transportation (ownership may not be acquired)	11	630
SBenefits (ownership may not be acquired) <sup>6</sup>	-	-
Total remuneration per person in 1 year		
Above Rp.2 billion		11
Between Rp.1 billion and Rp.2 billion		-
Between Rp.500 million and Rp.1 billion		-
Less than Rp.500 million		-

### Note:

1. Gross, including tax
2. Eleven Directors received remuneration in 2014
3. The calculation of allowances includes religious holiday allowance (THR), total communication allowances in 2014, transportation allowance, housing allowance and fuel allowance.
4. In the case of utility allowances in 2014, 7 directors occupied official residences, while 3 occupied private residences
5. Post-service benefits (net)

# board of commissioners' committees

In order to achieve good corporate governance (GCG), it is necessary for committees to be established by the Board of Commissioners. The committees under the Board of Commissioners are the organs responsible for supporting the Board of Commissioners and are collectively responsible for assisting the Board of Commissioners in exercising oversight and giving advice to the Board of Directors. Accordingly, the Bank has set up a number of committees under the Board of Commissioners that work professionally and independently to assist the Board of Commissioners in carrying out its duties and functions of supervision and providing advice. The committees of the Board of Commissioners consist of the Audit Committee, Remuneration and Nominations Committee, Risk Oversight and Good Corporate Governance Committee..

## AUDIT COMMITTEE

### BASIS FOR ESTABLISHMENT OF AUDIT COMMITTEE

The Audit Committee was established based on Decree of the Minister of SOEs No. PER-01 / MBU / 2011 dated August 1, 2011 on the Implementation of Good Corporate Governance (GCG) in SOEs, as amended by Regulation of the Minister of SOEs No. PER-09 / MBU / 2012 dated July 6, 2012, and the Directive of the Chairman of Bapepam No. KEP-643 / BL / 2012 dated December 7, 2012 on the Establishment and Implementation of Audit Committees, and Bank Indonesia Regulation (PBI) No: No. 8/4 / PBI / 2006 dated January 30, 2006 on the Implementation of Good Corporate Governance in Commercial Banks, as amended by Bank Indonesia Regulation No. 8/14 / PBI / 2006 dated October 5, 2006.

The Audit Committee was formed with the aim of assisting and facilitating the Board in performing its duties and oversight functions on matters related to financial information, the internal control system, the effectiveness of internal and external audits, the effectiveness of risk management (together with the Risk Monitoring Committee) and compliance with applicable legislation

### CRITERIA FOR AUDIT COMMITTEE MEMBERS

Besides being of integrity, good character and morals, members of the Audit Committee are also required to meet the competency and experience requirements, as well as the requirement of Independence, namely

#### **Competency and Experience Requirements:**

1. Have good integrity;
2. Independent Members of the Audit Committee with expertise in finance or accounting;
3. Independent Members of the Audit Committee with expertise in law or banking;
4. Have sufficient knowledge to read and understand financial statements
5. Have adequate knowledge of the laws and regulations governing the Capital Markets and banking sector;
6. All documents or data supporting compliance with the requirements for an independent member must be accurate, including his or her statement of personal integrity..

**Independence Requirements:**

1. It is not a member of a firm of public accountants, law firm or other party that provides audit services, non-audit services and / or other consulting services to the Bank within 1 (one) year prior to becoming a member of the Audit Committee;;
2. Does not hold Bank stock, either directly or indirectly ;.
3. 3) Is not affiliated with Bank Mandiri, Commissioners, Directors or the principal shareholder of Bank Mandiri ;.
4. 4) Does not have a business relationship, directly or indirectly, with the Bank;
5. 5) Independent Members of the Audit Committee may concurrently serve as Independent Members of other Committees in the same company, and / or other companies, provided that those concerned:
  - a. Satisfy all the required competencies
  - b. Satisfy the independence criteria;
  - c. Are able to maintain the confidentiality of Bank secrets;
  - d. Adhere to the prevailing code of ethics; and
  - e. Do not neglect their duties and responsibilities as memberd of the Audit Committee

Audit Committee members may stop or be dismissed even though his position is not over, if:

1. Resignationi.
2. Loss of citizenship.
3. Death.
4. Doing something that is detrimental to the Bank.
5. Violating or does not qualify as a member of the Audit Committee, as stipulated in Bank Indonesia Regulation.
6. Unable to carry out the duties and responsibilities set forth by the Board of Commissioners.

## NUMBER OF MEMBERS AND COMPOSITION OF AUDIT COMMITTEE

In 2014, the Extraordinary General Meeting of Shareholders by virtue of the Resolution stated in the Deed No. 20 dated 15 September 2014 honorably discharged Mr. Edwin Gerungan, Ms. Gunarni Soeworo, Mr. Wahyu Hidayat and Mr. Agus Suprijanto as Commissioners and appointed Mr. Mahmuddin Yasin, Mr. Askolani, Ms. Aviliani and Mr. Anton Hermanto Gunawan as members of the Board of Commissioners. With this change in the composition of the Board of Commissioners, the number and composition of Audit Committee members also changed, as shown below:

## APPOINTMENT AND DISCHARGE OF MEMBERS OF THE AUDIT COMMITTEE



The Audit Committee established by the Board of Commissioners and therefore the Audit Committee is directly accountable to the Board of Commissioners. Audit Committee work collectively and independently carry out their duties to the bank management and the Audit Committee are obliged to report the results of evaluations that have been made to the Board of Commissioners.

### Composition of the Audit Committee per December 2014:

Name	Position	SK Pengangkatan
Krisna Wijaya	Chair (Independent Commissioner)	KEP.KOM/006/2014 Tanggal 25 August 2014
Aviliani	Member	
Askolani	Member	
Anton H Gunawan	Member	
Budi Sulistio	Member (Independent Party)	
Ridwan Darmawan Ayub	Member (Independent Party)	

## PROFILES OF AUDIT COMMITTEE MEMBERS

The following are brief profiles of the members of the Audit Committee per 31 December::

Nama dan Foto	Profil Ringkas
 <p><b>Budi Sulistio</b> Member (Independent Party)</p>	<p>Born in Purwodadi, May 18, 1955. Jayabaya Academy of Accounting, 1980 (Bachelor of Accountancy), Faculty of Economics, University of Indonesia, 1985 (Bachelor of Economics), MBA University of Illinois at Urbana-Champaign, USA, 1994 (Master of Business Administration)</p> <p>He commenced his career in the Accounting Division and Corporate Strategy and Planning Division at the Export-Import Bank Indonesia in 1981-1999. Further work at Born in Purwodadi, May 18, 1955</p> <p>He studied at the Academy of Accounting Jayabaya, 1980 (Bachelor of Accountancy), Faculty of Economics, University of Indonesia, 1985 (Bachelor of Economics), MBA University of Illinois at Urbana-Champaign, USA, 1994 (Master of Business Administration)</p> <p>Starting his career as an Accounting Division and Corporate Strategy and Planning Division at the Export-Import Bank Indonesia from 1981-1999. He worked at Bank Mandiri from 1999-2010 in various divisions such as Vice President - Department Head of Corporate Strategy and Planning, Senior Vice President- Group Head of Strategy and Performance. He retired from the Bank in 2010 and was appointed a member of the Audit Committee of the Bank in 2014.</p>
 <p><b>Ridwan Darmawan Ayub</b> Member (Independent Party)</p>	<p>Born in Bogor, July 7, 1962, he served as a member of the Risk Management Monitoring Committee since 2006. Previously, he served with Bank Internasional Indonesia in various positions, including as a member of the Risk Monitoring Committee. In 2006-2014, he worked at Bank Rakyat Indonesia as a member of the Risk Monitoring Committee, and in 2014 he worked as a member of the Risk Monitoring Committee at Bank Mandiri.</p> <p>He earned a Bachelor of Social Science and Politics Degree from Parahyangan Catholic University, Bandung (1985), and a Master's Degree in Financial Management from Mercu Buana University.</p>

## INDEPENDENCE OF AUDIT COMMITTEE

In accordance with Bank Indonesia Regulation No. 8/4 / PBI / 2006 dated January 30, 2006, Article 12 paragraph 1 of the implementation of Good Corporate Governance in Commercial Banks, as amended by Regulation No. 8/14 / PBI / 2006 dated October 5, 2006, Board of Commissioners Resolution Number KEP.KOM / 001/2014 dated February 25, 2014 on Changes in Audit Committee membership, as confirmed by Board of Directors Resolution No. KEP.DIR / 64/2014 dated March 12, 2014 on Changes in Membership of the Audit Committee of PT Bank Mandiri (Persero) Tbk:

1. The members of the Audit Committee must consist of at least 1 (one) Independent Commissioner as Chairman and member, and 1 (one) independent party who has expertise in finance or accounting, and 1 (one) independent party who has expertise in the field of law or banking.
2. The Independent Commissioners and independent parties that are members of the Audit Committee, as referred to in paragraph 1 (a), must account for at least 51% of the total membership of the Audit Committee.

3. The member of the Audit Committee who is an Independent Commissioner shall be appointed as chair of the Audit Committee. In case more than one independent commissioner is a member of the Audit Committee, then one of them shall be appointed as chair.

### Familial and Financial Relationship Audit Committee Member

Name	Position	Familial Relationship with			Financial Relationship with		
		Members of other committees	Directors	Commissioners	Members of other committees	Directors	Commissioners
Krisna Wijaya	Chairman and Member	X	X	X	X	X	X
Aviliani	Member (Independent Commissioner)	X	X	X	X	X	X
Askolani	Member (Commissioner)	X	X	X	X	X	X
Anton Hermanto Gunawan	Member (Independent Commissioner)	X	X	X	X	X	X
Budi Sulistio	Member (Independent)	X	X	X	X	X	X
Ridwan Darmawan Ayub	Member (Independent)	X	X	X	X	X	X
In 2014, none of the members of the Audit Committee had familial or financial relationships with Commissioners, Directors or members of other committees							

## AUDIT COMMITTEE CHARTER

In carrying out its functions and role, the Audit Committee is guided by the Audit Committee Charter, which was signed jointly by the Members of the Audit Committee and the Board of Commissioners on May 2, 2014.

## AUDIT COMMITTEE DUTIES AND RESPONSIBILITIES

Audit Committee duties and responsibilities are to provide opinions to the Board of Commissioners on reports and other matters delivered by the Directors, as well as to identify matters that need to be taken into account by the Board of Commissioners, by the following methods:

- Reviewing the financial reports presented by the management.
- Reviewing the effectiveness of internal control implementation.
- Reviewing the effectiveness of implementation and investigation results by Internal Audit line unit.
- Reviewing on
  - Independency and objectivity of Public Accountant Firm (KAP) that will participate in the tender
  - Audit Fee and audit coverage presented by the chosen Public Accountant Firm
  - Report on audit results presented by the chosen Public Accountant Firm

- e. Reviewing the compliance to applicable regulations.
- f. Reviewing and reporting any potential possibility of risks.
- g. Specifying the annual work program.
- h. Specifying the schedule of annual meeting.
- i. Preparing periodic reports on the Audit Committee's activities and matters deemed necessary to be considered by the Commissioners.
- j. Making Self-Assessment on the effectiveness of the Audit Committee's activities.
- k. Holding meetings regularly.
- l. Reviewing the meeting materials before the meeting.
- m. Attending meetings.
- n. Playing an active role and giving contribution in any activities of the committee.
- o. Preparing the meeting minutes.
- p. Conducting field work visits.

The Chair and members of the Audit Committee responsible for monitoring the adequacy of internal control, adequacy and accuracy of the financial reporting process, the effectiveness of the work of the internal and external auditors, to identify issues that require the attention of the Board of Commissioners, drafting concepts and analysis associated with the Audit Committee's functions and carrying out other tasks assigned by the Commissioners related to the financial statements, compliance, internal audit, external audit and risk management.

With regard to Internal Audit, the Audit Committee is responsible for monitoring and evaluating the implementation of internal audit duties, with particularly responsibility to:

1. Evaluate the internal audit work plan.
2. Study in depth all significant findings and the follow-up on the results of the Internal Audits and Investigations.
3. 3. Evaluate the audit program and coverage as part of the implementation of the annual work plan for Internal Audit.
4. 4. Evaluate the implementation of the Internal Audit operations and Investigations by Internal Audit to ensure that the audit program has the correct coverage.
5. 5. Conduct regular meetings with Internal Audit to discuss the findings of internal audits and investigations and provide input as deemed necessary

for the implementation of the internal audit and investigative function by Internal Audit.

6. 6. Seek the help of Internal Audit to conduct an investigation if there are audit findings or information related to violations of the laws and regulations in force.
7. 7. Report regularly on the results of monitoring and provide input on matters that should be of concern to the Board of Commissioners.

## PERFORMANCE OF THE AUDIT COMMITTEE'S DUTIES

During 2014, the Audit Committee conducted the following activities:

1. Conducting discussions on and approving the development of NPL Consumer Loans and Consumer Card
2. Conducting discussions on and approve Collection
3. Conducting discussions on significant findings
4. Conducting discussions on Fraud Cases
5. Conducting discussions on and approving selection of a Public Accounting Firm to audit PT. Bank Mandiri (Persero) Tbk's 2014 financial statements
6. Conducting discussions on the audit plan for the Bank Mandiri Financial Statements for 2014
7. Conducting discussions on and approving the Management Letter based on the Audit of the Bank Mandiri Financial Statements for 2013 with Tanudiredja Wibisana & Partners - PriceWaterhouseCoopers
8. Conducting discussions on and approving the Transaction Reconciliation Implementation of ATM Bersama and Link in the system
9. Discussion on follow-up action on Bank Indonesia and BPK audits.
10. Conducting discussions on and approving Increase in Risk Control over e-Channels
11. Conducting discussions on and approving the Second Lines of Defense in the MRB Directorate
12. Conducting discussions on and approving the implementation of the functions and tasks of the Central Operations Group
13. Conducting discussions on and approving the 2014



## Education / Training Plan &amp; Programs

14. Conducting discussions on and approving the implementation of the Procurement and Purchasing Efficiency & Effectiveness Enhancement Project
15. Conducting discussions on and approving the Comprehensive Audit Plan for the 2014 Financial Statements with Public Accounting Firm
16. Conducting discussions on and approving the Interim Management Letter for Financial Year 2014 Audit and Audit Results on the Interim Financial Statements of the Bank for financial year 2013 by the Public Accounting Firm
17. Conducting discussions on and approving the Annual Audit Plan of the Internal Audit Directorate 2014

## AUDIT COMMITTEE MEETINGS

In accordance with the Charter of the Audit Committee, Audit Committee Meetings are held in accordance with the needs of the Bank, a minimum of once a month. The meeting is chaired by the Chairman of the Audit Committee or a Member of the Audit Committee or, if the Chairman of the Audit Committee is unable to attend, a meeting may only be held if attended by at least 51% of the total number of members, including an Independent Commissioner and Independent Party. Resolutions of the Audit Committee are taken by consensus. In the event that a consensus is not reached, the decision is taken by majority vote.

## Meeting Frequency and attendance

### Audit Committee Meetings:

Date	Gunarni Soeworo *	Krisna Wijaya	Wahyu Hidayat *	Agus Suprijanto *	Zulkifli Djaelan ***	Imam Sukarno ***	Aviliani **	Askolani **	Anton H. Gunawan **	
16 January 2014	-	√	-	√	√	√	-	-	-	
28 January 2014	√	√	√	√	√	√	-	-	-	
11 February 2014	√	√	√	√	√	√	-	-	-	
21 February 2014 (10.00)	√	-	-	√	√	√	-	-	-	
21 February 2014 (14.00)	√	√	-	√	√	√	-	-	-	
18 March 2014	√	√	√	√	-	-	-	-	-	
25 March 2014	√	√	√	√	-	-	-	-	-	
8 April 2014	√	√	√	√	-	-	-	-	-	
15 April 2014	√	√	√	-	-	-	-	-	-	
22 April 2014	√	√	-	√	-	-	-	-	-	
29 April 2014	√	√	√	√	-	-	-	-	-	
6 Mei 2014	√	√	√	-	-	-	-	-	-	
13 Mei 2014	√	√	√	-	-	-	-	-	-	
20 Mei 2014	√	√	-	-	-	-	-	-	-	
4 June 2014	-	√	-	-	-	-	√	√	√	
11 June 2014	-	√	-	-	-	-	√	-	√	
25 June 2014	-	√	-	-	-	-	√	-	√	
2 July 2014	-	√	-	-	-	-	√	-	√	
13 August 2014	-	√	-	-	-	-	√	-	√	
27 August 2014	-	√	-	-	-	-	√	-	√	

	Budi Sulistio ****	Ridwan Darmawan Ayub *****	Agenda
-	-	-	<ul style="list-style-type: none"> <li>Development of NPLs Consumer Loans and Consumer Card</li> <li>Results of Collection</li> </ul>
-	-	-	<ul style="list-style-type: none"> <li>Audit of Financial Statements of Bank as of December 31, 2013 by Tanudiredja, Wibisana &amp; Partners - PriceWaterhouseCoopers</li> </ul>
-	-	-	<ul style="list-style-type: none"> <li>Development of Group Consumer Loans Business</li> </ul>
√	-	-	<ul style="list-style-type: none"> <li>Discussion on Clarification of Procurement of Audit Services for Bank financial statements Fiscal Year 2014</li> </ul>
√	-	-	<ul style="list-style-type: none"> <li>Discussion on Clarification of Procurement of Audit Services for Bank financial statements Fiscal Year 2014</li> </ul>
√	-	-	<ul style="list-style-type: none"> <li>Development of Corporate Banking Business I Group</li> </ul>
√	-	-	<ul style="list-style-type: none"> <li>Development of Corporate Banking Business I Group</li> </ul>
√	-	-	<ul style="list-style-type: none"> <li>Business Development of Corporate Banking Group III</li> </ul>
√	-	-	<ul style="list-style-type: none"> <li>Business development of Consumer Card Group</li> </ul>
√	-	-	<ul style="list-style-type: none"> <li>Perkembangan Bisnis Consumer Card Group</li> </ul>
√	-	-	<ul style="list-style-type: none"> <li>Submission of Management Letter on Results of Audit of BM Financial Statements for 2013 by Tanudiredja Wibisana &amp; Partners, PricewaterhouseCoopers</li> <li>Plan and Scope of Audit on BM 2014 Financial Statements</li> </ul>
√	-	-	<ul style="list-style-type: none"> <li>Development of Business of Mass Banking Group Bisnis Mass Banking Group</li> </ul>
√	-	-	<ul style="list-style-type: none"> <li>Loan NPLs</li> <li>Development of Human Capital Management in PT. Bank Mandiri (Persero) Tbk.</li> </ul>
√	√	√	<ul style="list-style-type: none"> <li>Development of BM account plan</li> </ul>
√	√	√	<ul style="list-style-type: none"> <li>Developments in respect of loans and assets handled by SAM Group</li> </ul>
√	√	√	<ul style="list-style-type: none"> <li>Progress in implementation of Business Continuity Plan</li> </ul>
√	√	√	<ul style="list-style-type: none"> <li>Developments in respect of NPLs handled by Retail Risk</li> </ul>
√	√	√	<ul style="list-style-type: none"> <li>Performance of Business Banking I, II, III</li> <li>Problems facing Business Banking I, II, III</li> <li>Alternative Solutions for Business Banking I, II, III</li> </ul>
√	√	√	<ul style="list-style-type: none"> <li>Full Audit Plan for BM Financial Statements 2014 with KAP TWR-PWC</li> </ul>
√	√	√	<ul style="list-style-type: none"> <li>Developments as regards Open Items</li> </ul>

Date	Gunarni Soeworo *	Krisna Wijaya	Wahyu Hidayat *	Agus Suprijanto *	Zulkifli Djaelan ***	Imam Sukarno ***	Aviliani **	Askolani **	Anton H. Gunawan **	
1 September 2014	-	√	-	-	-	-	-	-	-	
24 September 2014	-	√	-	-	-	-	√	√	√	
29 September 2014 (11.00)	-	√	-	-	-	-	√	√	√	
29 September 2014 (14.00)	-	√	-	-	-	-	√	√	√	
1 October 2014 (10.00)	-	√	-	-	-	-	√	√	√	
1 October 2014 (14.00)	-	√	-	-	-	-	√	-	√	
8 October October 2014	-	√	-	-	-	-	-	√	√	
19 November 2014	-	√	-	-	-	-	√	√	√	
12 December 2014 (09.00)	-	√	-	-	-	-	√	√	√	
12 December 2014 (11.00)	-	√	-	-	-	-	√	√	√	

**Notes:**

\*) Mr. Edwin Gerunang, Ms. Gunarni Soeworo, Mr. Wahyu Hidayat and Mr. Agus Suprijanto are no longer Commissioners of Bank Mandiri pursuant to resolution of EGM on 21 May 2014.

\*\*) In line with the results of their fit-and-proper tests per 3 September, Mr. Askolani, Ms. Aviliani and Mr. Anton H Gunawan became effective members of the Board of Commissioners

\*\*\*) Mr. Zulkifli Djaelani and Mr. Iman Sukarno officially resigned as members of the Audit Committee on 1 March 2014\*)

\*\*\*\*) Mr. Budi Sulistio and Mr. Ridwan D Ayub official assumed office as members of the Audit Committee and also the Risk Monitoring and GCG Committee on 2 June 2014.

	Budi Sulistio ****	Ridwan Darmawan Ayub *****	Agenda
	√	√	<ul style="list-style-type: none"> <li>• Performance of Institutional Banking I and II</li> <li>• Issues</li> <li>• Alternative solutions</li> </ul>
	√	√	<ul style="list-style-type: none"> <li>• Performance of Agro-Based Group</li> <li>• Issues</li> <li>• Alternative Solutions</li> </ul>
	√	√	<ul style="list-style-type: none"> <li>• Performance of Jakarta &amp; Regional Commercial Sales I and II</li> <li>• Issues</li> <li>• Alternative Solutions</li> </ul>
	√	√	<ul style="list-style-type: none"> <li>• Significant Findings</li> <li>• Special Audit on Mandiri Securitas</li> <li>• Audit Plan 2015</li> <li>• Revised Policy Guidelines for Internal Audit</li> </ul>
	√	√	<ul style="list-style-type: none"> <li>• Audit of Financial Statements for Fiscal Year 2014 While BM and Recommendations of KAP TWR - PWC</li> </ul>
	√	√	<ul style="list-style-type: none"> <li>• Performance Achievement of Agro -Based Group</li> <li>• Problems</li> <li>• alternative Solution</li> </ul>
	√	√	<ul style="list-style-type: none"> <li>• Performance developments Jakarta Regional Commercial Sales &amp; I and II</li> <li>• Problems</li> <li>• alternative Solution</li> </ul>
	√	√	<ul style="list-style-type: none"> <li>• Significant findings</li> <li>• Special Audit Mandiri Securitas</li> <li>• Audit Plan 2015</li> <li>• Revised Policy Guidelines for Internal Audit</li> </ul>
	√	√	<ul style="list-style-type: none"> <li>• Audit of Financial Statements for Fiscal Year 2014 While BM and Recommendations of KAP TWR - PWC</li> </ul>
	√	√	<ul style="list-style-type: none"> <li>• Long-Term Plan and the Annual Audit Plan 2015</li> </ul>

## Percentage Attendance at Audit Committee Meetings, January-May 2014

Audit Committee Member	Number of Meetings	Absent	% Attendance
Gunarni Soeworo*	14	1	92.86
Krisna Wijaya	30	1	96.67
Wahyu Hidayat*	14	5	64.29
Agus Suprijanto*	14	4	71.43
Zulkifli Djaelani***	5	0	100
Imam Sukarno***	5	0	100
Aviliani**	16	2	87.50
Askolani**	16	7	56.25
Anton H Gunawan**	16	1	93.75
Budi Sulistio****	27	0	100
Ridwan Darmawan Ayub****	18	0	100

**Notes:**

\*) Ms. Gunarni Soeworo, Mr. Wahyu Hidayat and Mr. Agus Suprijanto are no longer Commissioners of Bank Mandiri pursuant to resolution of EGM on 21 May 2014.

\*\*) Mr. Zulkifli Djaelani and Mr. Iman Sukarno officially resigned as members of the Audit Committee on 1 March 2014\*)

## REMUNERATION AND NOMINATIONS COMMITTEE

### BASIC REMUNERATION AND NOMINATIONS COMMITTEE

In order to achieve good corporate governance (GCG) and with reference to the Company's Articles of Association, Law No. 19 of 2003 on state-owned enterprises and in particular the provisions contained in the Bank Indonesia Regulation No. 8/4 / PBI / 2006 dated January 30, 2006 on the Implementation of Good Corporate Governance in Commercial Banks, as amended by Bank Indonesia Regulation No. 8/14 / PBI / 2006 dated October 5, 2006, Article 12 paragraph 1, which states that the Board of Commissioners shall establish a Remuneration and Nominations Committee in order to support the effective implementation of the Commissioners' duties.

The Remuneration and Nominations Committee was formed with the aim of assisting and facilitating the Board in performing its duties and oversight functions on matters related to the determination of qualifications, nominations and remuneration for Commissioners, Directors and Executive Officers.

### CRITERIA FOR REMUNERATION AND NOMINATIONS COMMITTEE MEMBERS

Besides being of integrity, good character and morals, members of the Remuneration and Nominations Committee are also required to meet the competency and experience requirements, as well as the requirement of Independence, namely:

#### Competency and Experience Requirements:

1. Have good integrity, sufficient knowledge and work experience in the areas for which the Remuneration and Nominations Committee is responsible, and have an understanding of the banking sector.

2. Free from personal interests / relationships that could result in adverse consequences or a conflict of interest.
3. Are able to provide sufficient time to properly discharge their duties.
4. Are capable of working as a team and communicating effectively.

#### Independence Requirements:

Not an owner, manager or employee of the company, agency or institution that provides services to the bank or have a business relationship with the Bank;

1. It is not the owner, executive or employee of a company, entity or institution that has provided services to Bank Mandiri or has a business relationship with Bank Mandiri;
2. Does not hold Bank stock, either directly or indirectly ;
3. Is not affiliated with Bank Mandiri, Commissioners, Directors or the principal shareholder of Bank Mandiri ;
4. Does not have a business relationship, directly or indirectly, with the Bank;
5. Independent Members of the Audit Committee may concurrently serve as Independent Members of other Committees in the same company, and / or other companies, provided that those concerned:
  - a. Satisfy all the required competencies;
  - b. Satisfy the independence criteria;
  - c. Are able to maintain the confidentiality of Bank secrets;
  - d. Adhere to the prevailing code of ethics; and
  - e. Do not neglect their duties and responsibilities as member of the Audit Committee

## APPOINTMENT AND DISCHARGE OF MEMBERS OF THE REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee is established by the Board of Commissioners and therefore the Remuneration and Nominations Committee is directly accountable to the Board of Commissioners. The Remuneration and Nominations Committee works collectively and independently in carrying out their duties to the bank management and is obliged to report the results of evaluations that have been made to the Board of Commissioners.

In accordance with Bank Indonesia Circular Letter No. 15/15 / DPNP dated 29 April 2013 on the implementation of GCG in Commercial Banks, the Remuneration and Nominations Committee must have at least three (3) members, with the composition being as follows: one Independent Commissioner as chairman, an independent party

who has expertise in the fields of accounting / finance and an independent party who has expertise in law.

Remuneration and Nominations Committee members may resign or be discharged from office, including prior to the expiry of their terms, in the following circumstances:

1. Resignation
2. Loss of citizenship
3. Death
4. Acting contrary to the interests of Bank Mandiri
5. Violates or fails to fulfill the requirements for serving as a member of the Remuneration and Nominations Committee, as stipulated in the relevant Bank Indonesia Regulations.
6. Is unable to carry out his or her duties and responsibilities, as certified by the Board of Commissioners.

## NUMBER OF MEMBERS AND COMPOSITION OF REMUNERATION AND NOMINATIONS COMMITTEE

In 2014, the Extraordinary General Meeting of Shareholders by virtue of the Resolution stated in the Deed No. 20 dated 15 September 2014 honorably discharged Mr. Edwin Gerungan, Ms. Gunarni Soeworo, Mr. Wahyu Hidayat and Mr. Agus Suprijanto as Commissioners and appointed Mr. Mahmuddin Yasin, Mr. Askolani, Ms. Aviliani and Mr. Anton Hermanto Gunawan as members of the Board of Commissioners. With this change in the composition of the Board of Commissioners, the number and composition of Remuneration and Nominations Committee members also changed, as shown below:

Composition of the Remuneration and Nominations Committee per December 2014:

Name	Position	SK Pengangkatan
Pradjoto	Chair	KEPKOM/004/2014 Tanggal 28 Mei 2014
Krisna Wijaya	Member	
Abdul Azis	Member	
Mahmuddin Yasin	Member	
Aviliani	Member	
Askolani	Member	
Anton Hermanto Gunawan	Member	

## PROFILES OF MEMBERS OF REMUNERATION AND NOMINATIONS COMMITTEE

A number of the members of the Remuneration and Nominations Committee are also members of the Board of Commissioners so that their profiles are provided in the section on Commissioners' Profiles. All of the members of the Remuneration and Nominations Committee are characterized by a high level of integrity, competence, and financial reputation.



## INDEPENDENCE OF THE REMUNERATION AND NOMINATION COMMITTEE

- Based on the Remuneration and Nominations Committee Charter:  
Members of the Remuneration and Nominations Committee must at least satisfy the following criteria:
  - Mempunyai integritas, objektivitas dan etika yang tinggi.
  - Mempunyai kompetensi yang tinggi dalam hal:
    - sufficient knowledge, including knowledge of the rules and regulations, and the legislation in force.
    - understand the concept of human resources management in a comprehensive manner and have knowledge of the provisions of the Bank's remuneration system and / or its nominations and succession plan.
- The members of the Remuneration and Nominations Committee shall consist of at least 1 (one) Independent Commissioner, 1 (one) Commissioner as a voting member and the Group Head of Human Capital (ex officio) as a non-voting member.

- The Remuneration and Nominations Committee shall be chaired by an Independent Commissioner.
- Should the Remuneration and Nominations Committee have more than three (3) members, there shall not be less than 2 Independent Commissioners.
- If necessary, the Remuneration and Nominations Committee may appoint members who are external parties that are independent of the Bank.
- The members of the Remuneration and Nominations Committee shall be appointed by the Board of Directors based on a Resolution of the Board of Commissioners.

## FAMILIAL AND FINANCIAL RELATIONSHIPS AMONG MEMBERS OF THE REMUNERATION AND NOMINATIONS COMMITTEE

Family Relations and Financial Remuneration and Nomination Committee of Bank Mandiri in 2014 accounting for nil.

Name	Position	Familial Relationship with			Financial Relationship with		
		Members of other committees	Directors	Commissioners	Members of other committees	Directors	Commissioners
Pradjoto	Chairman and Member	x	x	X	X	X	X
Krisna Wijaya	Member (Commissioner)	x	x	X	X	X	X
Abdul Aziz	Member (Commissioner)	x	x	X	X	X	X
Mahmuddin Yasin	Member (Commissioner)	x	x	X	X	X	X
Aviliani	Member (Independent Commissioner)	X	X	X	X	X	X
Askolani	Member (Commissioner)	x	X	X	X	X	X
Anton Hermanto Gunawan	Member (Independent Commissioner)	X	X	X	X	X	X
In 2014, none of the members of the Remuneration and Nominations Committee had familial or financial relationships with Commissioners, Directors or members of other committees							

## CONTROL AND OWNERSHIP OF SHAREHOLDERS BY MEMBERS OF THE REMUNERATION AND NOMINATIONS COMMITTEE IN OTHER COMPANIES

Stewardship and Shareholding Remuneration and Nomination Committee in Other Companies Bank Mandiri in 2014 counted nil.

## REMUNERATION AND NOMINATIONS COMMITTEE CHARTER

In carrying out its functions and roles, the Remuneration and Nominations Committee has a Charter which was adopted on May 29, 2012 and which governs matters related to (a) Duties and Responsibilities of Committee, (b) The authority of the Committee, (c) Meetings of the Committee and (d) the Organization of the Committee.

The Remuneration and Nominations Committee Charter is periodically reviewed to ensure it is always in line

## REMUNERATION AND NOMINATIONS COMMITTEE'S FUNCTIONS, AUTHORITY AND DUTIES

### Functions

1. Preparing, executing and analyzing the criteria and procedure of nomination for candidates of Commissioners and Directors
2. Identifying candidates of Directors, either from inside or outside, and candidates of Commissioners eligible to be nominated/appointed Directors or Commissioners.
3. Preparing the criteria for evaluation of the performance of the Board of Directors.
4. Preparing, executing and analyzing the criteria and procedure of dismissal of Commissioners and Directors.
5. Assisting the Commissioners in proposing a remuneration system suitable for the Commissioners and Board of Directors in the form of systems for payment of salary and allowances, evaluation on the system, the options given and the retirement system.

### Authority

1. To ask PT. Bank Mandiri (Persero) Tbk. to conduct survey according to the requirements of the Nomination and Remuneration Committee
2. To ask from various parties for any required information, either internal or external of PT. Bank Mandiri (Persero) Tbk.

## DUTIES AND RESPONSIBILITIES

Chairman and Committee Members have duties and responsibilities to perform the following::

1. To prepare the concept and analysis relating to the functions of the Nomination and Remuneration Committee.
2. To assist the Commissioners in giving recommendation on the number of members of the Commissioners and Directors.

3. To assist the Commissioners in establishing the Personnel General Policy.
4. To recommend the approval of amendments to the organizational structure up to one level below the Board of Directors.
5. To assist the Commissioners in obtaining and analyzing the data of prospective candidates of officials one level below the Board of Directors quarterly and at any time in case of any alteration.
6. To assist the Commissioners in giving recommendation on option to the Commissioners, Directors and Employees, among others share options and the supervision of its implementation.
7. To hold the database of the candidates of Directors and Commissioners.
8. To evaluate the remuneration policy and provide recommendation to the Board of Commissioners, regarding:
  - Remuneration policy for the Board of Commissioners and Directors to be presented at the General Meeting of Shareholders.
  - Remuneration policy for the Executive Managements and all employees to be presented to the Directors.
9. To develop and provide recommendations of appointments and replacement, systems and procedures, for members of the Board of Commissioners and Directors, to the Board of Commissioners to be presented at the General Meeting of Shareholders.
10. To develop and provide recommendations on the candidates for membership to the Board of Commissioners and Directors to the Board of Commissioners to be presented at the General Meeting of Shareholders.
11. To provide recommendation on independent parties that will be appointed to the Audit Committee and Risk Monitoring Committee.

## PERFORMANCE OF THE REMUNERATION AND NOMINATIONS COMMITTEE'S DUTIES IN 2014

During 2013, the Remuneration and Nominations Committee has conducted the following discussions:

1. Discussions on Talent Pool
2. Discussions on Performance of Fit & Proper Test of Candidate Directors of Bank Mandiri
3. Discussions on Performance assessment on the Board of Directors of PT Bank Mandiri (Persero) Tbk
4. Follow-up discussions on 2013 GMS
5. Discussions on Fit and Proper Tests at the OJK
6. Discussions on Remuneration Packages, and furnishing of Recommendations to the Board of Commissioners

## MEETINGS OF THE REMUNERATION AND NOMINATIONS COMMITTEE

In accordance with the Charter of the Remuneration and Nominations Committee, Remuneration and Nominations Committee Meetings are held in accordance with the needs of the Bank, and a minimum of once a month. The meeting is chaired by the Chairman of the Remuneration and Nominations Committee or a Member of the Remuneration and Nominations Committee or, if the Chairman of the Remuneration and Nominations Committee is unable to attend, a meeting may only be held if attended by at least 51% of the total number of members, including an Independent Commissioner and Independent Party. Resolutions of the Remuneration and Nominations Committee are taken by consensus. In the event that a consensus is not reached, the decision is taken by majority vote

## Frequently of and Attendance at Meetings of the Remuneration and Nominations Committee

### Meetings of the Remuneration and Nominations Committee

Date	Edwin Gerungan*	Abdul Azis	Gunarni Soeworo*	Pradjoto	Agus Suprijanto*	Krisna Wijaya	Wahyu Hidayat*
18 February 2014	√	√	√	√	-	√	√
21 March 2014	√	√	√	√	√	√	√
28 March 2014	√	√	√	-	-	√	√
4 April 2014	√	√	√	√	-	√	-
25 April 2014	√	√	√	√	√	-	-
26 Mei 2014	-	√	-	√	-	-	-
21 November 2014	-	√	-	√	-	-	-

Note:

\*) Mr. Edwin Gerungan, Ms. Gunarni Soeworo, Mr. Wahyu Hidayat and Mr. Agus Suprijanto are no longer Commissioners of Bank Mandiri pursuant to resolution of EGM on 21 May 2014.

\*\*) In line with the results of their fit-and-proper tests per 3 September, Mr. Askolani, Ms. Aviliani and Mr. Anton H Gunawan became effective members of the Board of Commissioners

## Percentage Attendance at Meetings of the Remuneration and Nominations Committee

Member	Number of Meetings	Absent	% Attendance
Edwin Gerungan*	5	0	100
Abdul Azis	7	0	100
Gunarni Soeworo*	5	0	100
Pradjoto	7	1	85.71
Agus Suprijanto*	5	3	40
Krisna Wijaya	7	1	85.71
Wahyu Hidayat*	5	2	60
Mahmuddin Yasin**	2	0	100
Aviliani**	2	1	50
Askolani**	2	0	100
Anton H Gunawan**	2	0	100

Keterangan:

\*) Mr. Edwin Gerungan, Ms. Gunarni Soeworo, Mr. Wahyu Hidayat and Mr. Agus Suprijanto are no longer Commissioners of Bank Mandiri pursuant to resolution of EGM on 21 May 2014.

\*\*) In line with the results of their fit-and-proper tests per 3 September, Mr. Askolani, Ms. Aviliani and Mr. Anton H Gunawan became effective members of the Board of Commissioners

	Mahmuddin Yasin **	Aviliani **	Askolani **	Anton H. Gunawan **	Agenda
	-	-	-	-	Evaluation of the performance of the BOD of PT. Bank Mandiri (Persero) Tbk.
	-	-	-	-	Performance bonuses (Tantiem) and facilities for BOD and BOC
	-	-	-	-	Performance bonuses (Tantiem) and facilities for BOD and BOC
	-	-	-	-	Performance bonuses (Tantiem) and facilities for BOD and BOC
	-	-	-	-	Revision of facilities for Board of Directors and Board of Commissioners
	√	√	√	√	Revision of facilities for Board of Directors and Board of Commissioners
	√	-	√	√	Preparations for nomination of Directors

## RISK MONITORING AND GCG COMMITTEE

### FORMING THE BASIS OF THE RISK OVERSIGHT COMMITTEE AND GCG

Risk Monitoring and GCG Committee, established by and responsible to the Board of Commissioners in helping to carry out oversight functions and duties of the Board of Commissioners related risk management and good corporate governance practices in Bank Mandiri.

### VISION AND MISSION

The vision of the Risk Monitoring and GCG Committee is as follows:

- To be a reliable committee for monitoring the risk policy established by the management of Bank Mandiri, hence all risks faced by Bank Mandiri are well-managed
- To be a reliable committee to assist Bank Mandiri in implementing GCG

The Mission statement of the Risk Monitoring and GCG Committee is as follows:

- To ensure that the company's risk management is performed effectively and efficiently
- To ensure that the company's performance is consistent with the business plan
- To assist the Board of Commissioners in the performance of supervisory duties and functions
- To strengthen the implementation of GCG principles in Bank Mandiri to improve the shareholder value

### CRITERIA FOR RISK MONITORING AND GCG COMMITTEE MEMBERS

Besides being of integrity, good character and morals, members of the Risk Monitoring and GCG Committee are also required to meet the competency and experience requirements, as well as the requirement of Independence, namely:

#### Competency and Experience Requirements:

- Have good integrity, sufficient knowledge and work experience in the areas for which the Risk Monitoring and GCG Committee is responsible, and have an understanding of the banking sector.
- Free from personal interests / relationships that could result in adverse consequences or a conflict of interest.
- Are able to provide sufficient time to properly discharge their duties.
- Are capable of working as a team and communicating effectively.

#### Independence Requirements:

- It is not the owner, executive or employee of a company, entity or institution that has provided services to Bank Mandiri or has a business relationship with Bank Mandiri;
- Does not hold Bank stock, either directly or indirectly ;.
- Is not affiliated with Bank Mandiri, Commissioners, Directors or the principal shareholder of Bank Mandiri ;.
- Does not have a business relationship, directly or indirectly, with the Bank;
- Independent Members of the Risk Monitoring and GCG Committee may concurrently serve as Independent Members of other Committees in the same company, and / or other companies, provided that those concerned:
  - Satisfy all the required competencies;
  - Satisfy the independence criteria;
  - Are able to maintain the confidentiality of Bank secrets;
  - Adhere to the prevailing code of ethics; and
  - Do not neglect their duties and responsibilities as member of the Risk Monitoring and GCG Committee.

### APPOINTMENT AND DISCHARGE OF MEMBERS OF THE RISK MONITORING AND GCG COMMITTEE

The Risk Monitoring and GCG Committee is established by the Board of Commissioners and therefore the Risk Monitoring and GCG Committee is directly accountable to the Board of Commissioners. The Risk Monitoring and GCG Committee works collectively and independently in carrying out its duties to the bank management and is obliged to report the results of evaluations that have been made to the Board of Commissioners.

In accordance with Bank Indonesia Circular Letter No. 15/15 / DPNP dated 29 April 2013 on the implementation of GCG in Commercial Banks, the Risk Monitoring and GCG Committee must have at least three (3) members, with the composition being as follows: one Independent Commissioner as chairman, an independent party who has expertise in the fields of accounting / finance and an independent party who has expertise in law.

Risk Monitoring and GCG Committee members may resign or be discharged from office, including prior to the expiry of their terms, in the following circumstances:

- Resignation
- Loss of citizenship
- Death
- Acting contrary to the interests of Bank Mandiri

5. Violates or fails to fulfill the requirements for serving as a member of the Risk Monitoring and GCG Committee, as stipulated in the relevant Bank Indonesia Regulations.
6. Is unable to carry out his or her duties and responsibilities, as certified by the Board of Commissioners.

15 September 2014 honorably discharged Mr. Edwin Gerungan, Ms. Gunarni Soeworo, Mr. Wahyu Hidayat and Mr. Agus Suprijanto as Commissioners and appointed Mr. Mahmuddin Yasin, Mr. Askolani, Ms. Aviliani and Mr. Anton Hermanto Gunawan as members of the Board of Commissioners. With this change in the composition of the Board of Commissioners, the number and composition of Risk Monitoring and GCG Committee members also changed, as shown below:

Composition of the Risk Monitoring and GCG Committee per December 2014:

## NUMBER OF MEMBERS AND COMPOSITION OF RISK MONITORING AND GCG COMMITTEE

In 2014, the Extraordinary General Meeting of Shareholders by virtue of the Resolution stated in the Deed No. 20 dated

### Komposisi di bulan Desember 2014 :

Name	Position	SK Pengangkatan
Anton Hermanto Gunawan	Chair	KEPKOM/006/2014 Tanggal 28 Mei 2014
Pradjoto	Member	
Krisna Wijaya	Member	
Abdul Azis	Member	
Ridwan Darmawan Ayub	Member	
Budi Sulistio	Member	

## PROFILES OF RISK MONITORING AND GCG COMMITTEE MEMBERS

A number of the members of the Remuneration and Nominations Committee are also members of the Board of Commissioners so that their profiles are provided in the section on Commissioners' Profiles. All of the members of the Remuneration and Nominations Committee are characterized by a high level of integrity, competence, and financial reputation.

## INDEPENDENCE OF RISK MONITORING AND GCG COMMITTEE

Article 4 of Risk Monitoring and GCG Committee provides that:

1. The Risk Monitoring and GCG Committee should have at least 3 (three) members.
2. Committee members should consist of at least 1 (one) Independent Commissioner as the Chairman and member, 1 (one) Independent Party with finance expertise, and 1 (one) Independent Party with risk management expertise.
3. Previous members of the Bank's Directors or Executive Management or other related parties with the Bank that may influence its ability to act independently, cannot be appointed as Independent Parties in Bank Mandiri Committee Members, without a prior "cooling off" period, as stipulated in Bank Indonesia prevailing regulations.

4. Committee members assigned from external parties must fulfill the following requirements:

- Do not have business relationships with the Bank.
- Do not have family relations with the Directors, Commissioners and Controlling Shareholders.
- Have high integrity, capability, knowledge, and adequate experience in their duties, and proper knowledge of banking.

## Familial and Financial Relationships of Members of the Risk Monitoring and GCG Committee

Name	Position	Familial Relationship with:			Hubungan Keuangan dengan		
		Member of Other Committees	Directors	Commissioners	Member of other Committees	Directors	Commissioners
Anton H. Gunawan	Chair / Member (Independent Commissioner)	-	-	-	-	-	-
Pradjoto	Member (Independent Commissioner)	-	-	-	-	-	-
Krisna Wijaya	Member (Independent Commissioner)	-	-	-	-	-	-
Abdul Azis	Member (Commissioner)	-	-	-	-	-	-
Ridwan Darmawan Ayub	Member (Independent Commissioner)	-	-	-	-	-	-
Budi Sulistio	Member (Independent Commissioner)	-	-	-	-	-	-

In 2014, none of the members of the Risk Monitoring and GCG Committee had familial or financial relationships with Commissioners, Directors or members of other committees

## RISK MONITORING AND GCG COMMITTEE CHARTER

In carrying out the functions and roles, the Risk Oversight Committee and GCG bank has furnished Charter set out on 24 September 2013 Risk Monitoring Committee Charter and good corporate governance, set up several issues related to : (a) Duties and Responsibilities of the Committee, (b) Authority Committee, (c) Meetings of the Committee and (d) Organization Committee.

Risk Monitoring Committee Charter and good corporate governance in the periodic review to ensure that the scope of the guidelines are always in line with the requirements, Bank Indonesia Regulation and / or other relevant regulations in force.

## DUTIES AND RESPONSIBILITY OF THE RISK MONITORING AND GCG COMMITTEE

### Responsibilities and Authority

1. The Chairman of the Committee shall have the duty and responsibility to chair the Committee's meeting and propose meeting materials
2. Members of the Committee shall have the duties and responsibilities:
  - a. To hold meetings regularly;
  - b. To first study the meeting materials;
  - c. To attend meetings;
  - d. To contribute and play an active role in meetings;
3. The Chairman and Members of the Committee shall jointly perform their duties and responsibilities covering as follows:
  - a. Giving inputs to the Commissioners in preparing and improving the risk management policy relating to risk control in management of assets & liabilities, liquidity, credit and operations and performance of Good Corporate Governance before obtaining the Commissioners' approval.
  - b. Having discussions with the Board of Directors or the line unit relating to the issue for which risk management is required or being discussed.
  - c. Ensuring the implementation of risk management policy and GCG in the activity of Bank Mandiri.
  - d. Studying and reviewing the policy and internal regulations on the risk management policy established by the Board of Directors.



- e. Ensuring to have considered any significant risks in the new products of Bank Mandiri and any impacts of existing significant changes or events either from internal or external aspects of Bank Mandiri.
- f. Observing and studying decisions of the Risk Management Committee.
- g. Conducting the study on quarterly reports of Bank Mandiri's risk profile individually or in consolidation with subsidiaries.
- h. Giving inputs to Commissioners on matters requiring attention and discussion with the Board of Directors, in order that the Board of Directors conducts the follow-up of the result of risk management evaluation by the Committee.
- i. iPro-actively holding meetings with the Board of Directors, if the Committee anticipates any risk occurrence, particularly in case of any significant events or external regulations affecting the business line of Bank Mandiri.
- j. Making periodical evaluation on the development of changes of the organizational structure up to one degree below the Board of Directors being performed by Bank Mandiri.
- k. Monitoring any negative information of the customers of Bank Mandiri that may cause any increase of credit risk.
- 11. IT risk management (IT Strategic Planning, Data Warehouse & MIS, IT-based project status, e-banking, Disaster Recovery Plan, Implementation of External Provisions, TSI Operation, HR Profile)
- 12. Risk Management for Central Operations
- 13. Risk management for Credit Operations
- 14. Liquidity Position (USD & IDR) and projections to end of 2014
- 15. Trading Position (Forex, MM, Recap Bonds / SUN and MTM)
- 16. Market Update & Outlook
- 17. Bank Mandiri Risk Based Soundness Assessment (RBBR)
- 18. Compliance Issues / Findings
- 19. Corporate Plan Risk Management 2015-2020
- 20. Liquidity Risk, Interest Rate Risk, Forex Risk, Trading Book Profile
- 21. Administration of Performance Management System and data warehouse
- 22. Issues and alternative solutions
- 23. Implementation CRO Group & Loan Factory duties
- 24. Issues and alternative solutions
- 25. Gratuity Statement Procedures
- 26. Management of Data Warehouse, and Organization Development Plan of
- 27. Implementation of the Pilot Projects for New Organizational Structure
- 28. Issues and Solutions
- 29. Discussion of Draft RKAP 2015 and RBB 2015-2017
- 30. Indonesia Economic Outlook 2015
- 31. Liquidity Position (USD & IDR ) and projections for next 12 months
- 32. Trading Position (Forex, MM, Bonds, Recap / SUN and MTM, Derivatives)
- 33. Reputational Risk Management through Branding and Marketing Communication

## Performance of Risk Monitoring and Good Corporate Governance Committee's Duties

During 2013, the Risk Monitoring and GCG Committee conducted meetings with parties deemed relevant to the risk issues being discussed such as:

1. Significant issues/findings
2. GCG self assessment
3. BM Risk Profile and consolidated risk profile with subsidiaries
4. Operational risk pertaining to Bank Mandiri and its subsidiaries
5. Liquidity position (USD & IDR) and projection for the next 12 months
6. Trading position (Forex, MM, Bond Recap/SUN and MTM, Derivatives, etc.)
7. Outstanding Legal Cases and related risk mitigation
8. Implementation of Compliance Function
9. Implementation of the Anti-Money Laundering (AML) and Financing of Terrorism (PPT) provisions
10. Anti Fraud Strategy

## MEETINGS OF THE RISK MONITORING AND GCG COMMITTEE

In accordance with the Risk Monitoring and GCG Committee Charter, at least 12 meetings must be held per year. The invitation to a meeting is conveyed in writing by the Chair of the Committee, save in pressing circumstances, in which case it may be conveyed orally. A meeting of the Risk Monitoring and GCG Committee may only be convened if it is attended by at least 2/3rd of the members, including an Independent Commissioner and Independent Party.

Resolutions of the Audit Committee are taken by consensus. In the event that a consensus is not reached, the decision is taken by majority vote.

## Frequently of and Attendance at Meetings of the Risk Monitoring and GCG Committee

Number of Meetings of Risk Monitoring and GCG Committee

Date	Pradjoto	Edwin Gerungan *	Gunarni Soeworo *	Krisna Wijaya	Tama Wijaya ***	Anton H. Gunawan **	Abdul Azis	
20 January 2014	-	√	√	√	√	√	√	
19 March 2014	√	√	-	√	-	-	-	
16 July 2014	√	√	√	√	√	√	√	
13 August 2014	√	√	√	√	√	√	√	
27 August 2014	√	√	√	√	√	√	√	
10 November 2014	√	√	√	√	√	√	√	

Notes:

\*) Mr. Edwin Gerungan, in accordance with the resolution of the EGM on 21 May 2014, was discharged as a member of the Bank Mandiri Board of Commissioners

\*\*) Mr. Tama Wijaya formally resigned from the Risk Monitoring and GCG Committee on 1 March 2014.

\*\*\*) In accordance with the fit-and-proper test results, Mr. Anton H. Gunawan's membership of the Board of Commissioners became effective per 3 September 2014.

\*\*\*\*) Mr. Budi Sulistio and Mr. Ridwan D. Ayub officially became concurrent members of the Audit Committee and the Risk Monitoring and GCG Committee on 2 June 2014.

In addition, during 2014 the Risk Monitoring and GCG Committee also held meetings to which members of the Board of Commissioners were invited.

Ridwan Darmawan Ayub ****	Budi Sulistio *****	Agenda
√	√	• BM and Consolidated Subsidiaries Risk Profiles
-	-	• BM and Consolidated Subsidiaries Risk Profiles • Liquidity Position (USD & IDR) and projections for next 12 months • Trading Position (Forex, MM, Recap Bonds / SUN, and MTM, Derivatives)
√	√	• BM and Consolidated Subsidiaries Risk Profiles • Trading Position (Forex, MM, Recap Bonds / SUN, and MTM • Market Update & Outlook
√	√	• Bank Mandiri risk-based soundness rating (RBRR)
√	√	• Market Risk : Liquidity Risk, Interest Rate Risk, Forex Risk, Trading Books Profile
√	√	• Market Risk : • Liquidity Risk, Interest Rate Risk, Forex Risk, Trading Book Profile

In addition , during 2014 Risk Oversight Committee and GCG also conduct meetings with the Board of Commissioners invite the other with the number of meetings by 12 ( twelve ).

## Percentage Attendance at Meetings of the Risk Monitoring and GCG Committee

Member	Number of meetings	Absent	% Attendance
Pradjoto	6	1	83.33
Edwin Gerungan*	3	1	66.67
Gunarni Soeworo*	3	1	66.67
Krisna Wijaya	6	0	100
Tama Wijaya***	1	0	100
Anton H Gunawan**	3	0	100
Abdul Azis	3	0	100
Ridwan Darmawan Ayub ****	4	0	100
Budi Sulistio*****	4	0	100

**Note:**

\*) Mr. Edwin Gerungan, in accordance with the resolution of the EGM on 21 May 2014, was discharged as a member of the Bank Mandiri Board of Commissioners  
 \*\*) In accordance with the fit-and-proper test results, Mr. Anton H. Gunawan's membership of the Board of Commissioners became effective per 3 September 2014.  
 \*\*\*) Mr. Tama Wijaya formally resigned from the Risk Monitoring and GCG Committee on 1 March 2014.\*\*\*\*) Bpk. Ridwan D Ayub per 28 March 2014 efektif menjadi anggota Komite Audit dan Komite Pemantau Risiko & GCG Bank Mandiri  
 \*\*\*\*\*) Mr. Budi Sulistio and Mr. Ridwan D. Ayub officially became members of the Risk Monitoring and GCG Committee on 2 June 2014.

# secretary to the board of commissioners

In discharging its supervisory and advisory functions, the Board of Commissioners is assisted by the the Secretary to the Board of Commissioners and 3 committees subordinate to the Board of Commissioners, namely, the Audit Committee, Remuneration & Nominations Committee and the Risk Monitoring and GCG Committee.

The Secretary to the Board of Commissioners is an organ of the Board of Commissioners and is appointed by the Board of Commissioners. His duties are to assist with the smooth administration of the duties and responsibilities of the Board of Commissioners.

The Secretary to the Board of Commissioners (SBC) is appointed by and responsible to the Board of Commissioners. The responsibilities of the SBC are, amongst others, to organize administration and perform proper and good governance in order to assist the Board of Commissioners to perform effective supervisory function.

## PROFILE OF SECRETARY TO THE BOARD OF COMMISSIONERS

The Secretary to the Board of Commissioners is an organ of the Board of Commissioners and is appointed by the Board of Commissioners. His duties are to assist with the smooth administration of the duties and responsibilities of the Board of Commissioners.

The Secretary to the Board of Commissioners (SBC) is appointed by and responsible to the Board of Commissioners. The responsibilities of the SBC are, amongst others, to organize administration and perform proper and good governance in order to assist the Board of Commissioners to perform effective supervisory function.

### PROFILE OF SECRETARY TO THE BOARD OF COMMISSIONERS:

#### Profile



**Andus Winarno**

**Education:** Earned bachelor's degree in accounting from Malang Merdeka University in 1994 and master of business law from University of Indonesia in 2011.

**Career:** He started his career in the Directorate General of State-Owned Enterprise Development, Ministry of Finance in 1996 and currently serves as the Head of Primary Industry Business IIC Division, Ministry of State-Owned Enterprises.

In 2000, he was assigned to be the Secretary Staff of the Board of Commissioners of PT Bank Mandiri (Persero) and in 2011 appointed as the Secretary to the Board of Commissioners of PT Bank Mandiri (Persero), in which capacity he serves to date.

## DUTIES AND RESPONSIBILITIES OF THE SECRETARY TO THE BOARD OF COMMISSIONERS (SBC)

The duties and responsibilities of the SBC are as follows:

1. To make preparations for meetings, to provide materials and information for meetings and reports of the Board of Commissioners, to draw up minutes of meetings,
2. To provide information required by the Board of Commissioners in the decision making process and information that is required periodically,
3. To prepare annual work and budget plan of the Board of Commissioners and reports for the Board of Commissioners,
4. To keep documents on the performance of the Board of Commissioners' work and to ensure that documents are properly kept in the Company for the orderliness of administration and application of good governance,
5. To ensure that the Board of Commissioners complies with the laws and regulations and implements the principles of GCG,
6. To coordinate with relevant internal and external parties so as to facilitate the effective performance of the duties of the Board of Commissioners, to attend meetings of the Board of Commissioners and meetings of its Committees,
7. To receive and convey reports from whistleblowers
8. To respond to queries on the status of reports from whistleblowers.

## SECRETARY TO THE BOARD OF COMMISSIONERS' REMUNERATION

The remuneration packages for the Secretary to the Board of Commissioners and Board of Commissioners' staff are determined by the Board of Commissioners having regard to the financial capacity of the Company. The Secretary to the Board of Commissioners' remuneration package consists of: a) .Honorarium of up to a maximum of 15% (fifteen percent) of the salary of the CEO; b). facilities and benefits.

The remuneration packages of the staff of the Secretary to the Board of Commissioners are determined by the Board of Commissioners subject to the provisions that the total remuneration paid per year does not exceed the remuneration paid to other support organs of the Board of Commissioners.

## EVALUATION OF THE PERFORMANCE OF THE SECRETARY TO THE BOARD OF COMMISSIONERS

The evaluation of the performance of the Secretary to the Board of Commissioners is conducted once a year using methodology determined by the Board of Commissioners.

# committees of the board of directors

The committees subordinate the the Board of Directors are support organs of the Board of Directors whose responsibilities are to collectively assist the Board of Directors in respect of particularly functions that require special expertise. In order to support the effective performance of the duties and responsibilities of the Board of Directors, Bank Mandiri has established a number of committees by virtue of Board of Directors Resolution No. KEP.DIR/266/2011 dated November 8, 2011, regarding Executive Committees under the Supervision of the Board of Directors, which committees are as follows:

1. *Risk & Capital Committee;*
2. *Retail and Support Executive Committee;*
3. *Wholesale Executive Committee;*
4. *Human Capital Policy Committee;*
5. *Information Technology Committee; and*
6. *Credit Committee.*

In 2013, to optimize the committee function more effectively, an adjustment was made to the Committees under the supervision of the Board of Directors by virtue of Board of Directors Resolution No. KEP. DIR/168/2013 dated June 21, 2013 regarding Executive Committees, as a consequence of which the composition of the committees under the Board of Directors, effective as of May 7, 2013, is as follows:

1. *Risk & Capital Committee;*
2. *Retail and Support Executive Committee;*
3. *Wholesale Executive Committee;*
4. *Human Capital Policy Committee;*
5. *Information Technology Committee; and*
6. *Credit Committee.*

## 1. ASSETS & LIABILITIES COMMITTEE (ALCO)

The Assets & Liabilities Committee (ALCO) was established by Board of Directors Resolution No. KEP.DIR/174/2013, dated 21 June 2013, to assist the Board of Directors in determining asset and liability management strategies, the setting of interest rates and liquidity targets, and other matters related to asset and liability management in Bank Mandiri.

### ALCO HAS THE FOLLOWING DUTIES, AUTHORITY AND RESPONSIBILITIES:

ALCO has the following duties, authority and responsibilities:

1. To establish, develop and review the assets and liabilities management strategy.
2. To evaluate the assets and liabilities position of the Company so as to manage liquidity risk, interest rates and exchange rates.
3. To evaluate the Company's Assets & Liability Management (ALM) position and strategy to ensure that the Company's risk-taking position is consistent with the objectives of managing interest rate, liquidity and exchange rate risks.
4. To review the pricing of assets and liabilities to ensure that pricing can optimize deposit growth, minimize the cost of funds and maintain the Company's balance sheet structure in accordance with the Company's ALM strategy.
5. To review the gaps between budget realization and projections in the Company's business plan.
6. To conduct studies on liquidity management, gap management, pricing management, and FX management limits.
7. To establish a fund transfer pricing methodology.
8. To discuss on the scope ALM, including subsidiaries / entities that are under the control of the Company.
9. In its capacity as a committee, ALCO has no authority to act on behalf of the Company, to bind the company to or sign agreements with third parties, as all actions for and on behalf of the Company must be conducted in accordance with the Articles of Association.

### ALCO ACTIVITIES IN 2014

In 2014 ALCO held meetings to discuss the following matters:

**1. Balance Sheet Optimalitation**

Balance Sheet optimization for the purpose of improving NIM and reducing cost based on measured risk.

**2. Funds**

As part of Bank Mandiri liquidity management, ALCO conducted various review and made determinations in relation to Rupiah Time Deposit counter rates, Rupiah and Foreign Exchange special rates, and Rupiah and Forex demand deposit special rates.

**3. Lending**

With respect to loan interest rates, ALCO reviewed and made determinations on

- Rupiah and Forex interest rates
- Publication of Basic Lending Rate (SBDK), and
- Interest Rates on Rupiah Fixed Rate Loans.

## FREQUENTLY OF AND ATTENDANCE AT ALCO MEETINGS

During 2014, ALCO held 14 meetings, with the frequency of and attendance at meetings as shown below:

Name	Number of ALCO Meetings	Attendance	Absence	% Attendance
<b>Permanent Voting Members ALCO</b>				
Budi G. Sadikin	14	12	2	86
Riswinandi	14	13	1	93
Abdul Rachman	14	13	1	93
Sentot A. Sentausa	14	14	0	100
Pahala N. Mansury	14	13	1	93
Fransisca N. Mok	14	14	0	100
Sunarso	14	11	3	79
Royke Tumilaar	14	13	1	93
Hery Gunardi	14	11	3	79
Tardi	14	13	1	93
<b>Permanent Non – Voting Members ALCO</b>				
Ogi Prastomiyono	14	7	7	50

## 2. BUSINESS COMMITTEE (BC)

The BC was established by Board of Directors Resolution No. KEPDIR/174/2013, dated 21 June 2013, to assist the Board of Directors in integrated business management strategies, regulating products and / or other Company activities, and determining strategies and the effectiveness of marketing communication in the wholesale and retail banking arenas.

### DUTIES, AUTHORITY AND RESPONSIBILITY OF THE BC

The BC has the following duties and responsibilities:

1. To evaluate and determine the Company's business strategies
2. To discuss and determine integrated business development, including product development, related procedures, rates, infrastructure & facilities and business supporting technology
3. To discuss and determine business strategies with the Company's anchor client
4. To monitor and evaluate the results of business/project strategic initiatives
5. To discuss and settle strategic business issues including alliance between the Company's line units and alliance with subsidiaries.
6. To delegate authority to officers appointed to decide and perform operational business matters

In its capacity as a committee, BC is not authorized to act for and on behalf of the Company to bind the Company or to enter into any agreement with any third party. Any and all actions for and on behalf of the Company shall be taken in accordance with the Company's Articles of Association.



## BC ACTIVITIES IN 2014

During 2014, the BC conducted meetings with general and specific agendas, as described below:

Date	Agenda	
	General	Specific
27 June 2014	<ol style="list-style-type: none"> <li>Continuation of GIRO Program 2013 in 2014</li> <li>Implementation Distributor Financing using Transaction Based Lending approach</li> <li>Providing Value Added Services to customers through SME portal</li> <li>Study of BG Programs at End of 2013 from Competitor so as to propose BG at end of 2014</li> <li>Foreign Currency Savings Product Manual Revision with the addition of 5 types of FX, ie EUR, CHF, GBP, AUD and HKD</li> </ol>	<ol style="list-style-type: none"> <li>Manual for Pre Export Financing Products</li> <li>Revision of Tabungmu Product Manual</li> </ol>
3 September 2014	<ol style="list-style-type: none"> <li>Approved the implementation Distributor Financing using Transaction Based Lending approach</li> <li>Approved the revision of Pre Export Financing Product Manual No.019 / KRD / CBB.WTB / 2010 dated September 20, 2010 so as to produce new PM by considering the input and directions from the Board of Directors</li> <li>Approved Revised PM for Tabungmu with notes.</li> </ol>	<ol style="list-style-type: none"> <li>Manual Produk <i>Interbank Trade Financing</i> – Non LC/SKBDN</li> <li>Manual Produk Mandiri Giro Trust</li> <li>Manual Produk Mandiri <i>Dealer Financing</i></li> <li>Manual Produk <i>Cash Concentration</i></li> </ol>
7 October 2014	<p>Report and Action:</p> <ol style="list-style-type: none"> <li>Approval for adding interbank trade financing transaction material with underlying trade - Non LC / SKBDN to Trade Financing to Correspondents PM, Mandiri Forfaiting PM and Bank Export Bill Discounting PM.</li> <li>Approved Mandiri Giro Trust PM</li> <li>Approved the Dealer Financing, bundling with Mandiri Tunas Finance (MTF) PM.</li> <li>Approved Cash Concentration PM</li> </ol>	<ol style="list-style-type: none"> <li>Manual Produk Mandiri <i>Supplier Financing</i> Program</li> <li>Manual Produk Mandiri <i>National Pooling</i></li> </ol>

## FREQUENTLY OF AND ATTENDANCE AT BC MEETINGS

NO	Name	Number of BC Meetings	Attendance	Absence	% Attendance
<b>PERMANENT VOTING MEMBERS</b>					
1	Riswinandi	3	1	2	33
2	Sunarso	3	3	0	100
3	Hery Gunardi	3	1	2	33
4	Abdul Rachman	3	2	1	66
5	Sentot A. Sentausa	3	3	0	100
<b>NON PERMANENT VOTING MEMBERS</b>					
6	Fransisca N. Mok	3	1	2	33
7	Royke Tumilaar	3	2	1	66
8	Kresno Sediarsi	3	2	1	66
9	Pahala N. Mansury	3	2	1	66
10	Ventje Rahardjo	3	0	3	0
11	Tardi	3	0	3	0
12	Rico Usthavia Frans	3	2	1	66
13	Ahmad Siddik Badruddin	3	2	1	66
<b>PERMANENT NON - VOTING MEMBERS</b>					
14	Ogi Prastomiyono	3	2	1	66
<b>INVITEE</b>					
15	Riyani T. Bondan	3	3	0	100

*\*) number of meetings for each group according to the presence of the agenda*

## 3. RISK MANAGEMENT COMMITTEE (RMC)

The Risk Management Committee is a committee established by virtue of Decision of the Board of Directors No. KEP. DIR/170/2013 dated 21 June 2013 to assist the Directors in discussing and recommending any policies and procedures other than those related to human capital and in monitoring profiles and managing all risks of the Company.

### DUTIES, AUTHORITY AND RESPONSIBILITIES OF RMC

In accordance with Board of Directors Resolution No. KEP.DIR/170/2013 dated 21 June 2013, the duties, authority and responsibilities of the RMC are as follows:

1. To discuss & recommend policies and to determine the Company's procedures, other than policies and procedures related to human capital
2. To monitor risk profile and to manage all risks for the purpose of determining risk appetite, integrated risk management strategy and capital adequacy
3. To determine methodology, scenario, evaluation including stress conditions in the risk assessment and contingency plan
4. To refine the implementation of risk management periodically and incidentally as follow-up to changes in internal and external conditions which affect the capital adequacy and risk profile of the Company
5. To hold strategic discussion in the scope of risk management including subsidiaries
6. To decide matters relating to business decisions with special condition (such as decision on significant business expansion exceeding the prescribed business plan of the Company)
7. To delegate authority to officers appointed to decide and perform any operational matters.
8. To supervise Risk & Business Control ("RBC") Supervisory Team.

9. In its capacity as a committee, RMC is not authorized to act for and on behalf of the Company to bind the Company or to enter into any agreement with any third party. Any and all actions for and on behalf of the Company shall be taken in accordance with the Company's Articles of Association.

## RMC ACTIVITIES IN 2014

During 2014, the RMC conducted the following activities

Date	Committee Resolution
8 January 2014 (Sirkuler)	<ul style="list-style-type: none"> <li>Approved the proposed revisions to the Compliance Coide Standards without notes, effective from January 8, 2014</li> <li>approved the proposed revisions to the Financial Institution SPK without notes, effective from January 8, 2014</li> <li>approved the proposed revisions to the SPO Accreditation Partner Credit without notes effective from January 8, 2014</li> <li>approved the proposed revisions to the eBanking Services SPO without notes effective from January 8, 2014</li> <li>approved the proposed revisions to the Credit Collection &amp; Recovery SPO without notes effective from January 8, 2014</li> </ul>
5 Mei 2014 (Sirkuler)	<ul style="list-style-type: none"> <li>approved the proposed revisions to the Risk Model SPO without notes, effective May 20</li> <li>approved the proposed revisions to the ALM SP without notes, effective May 20, 2014</li> </ul>
3 June 2014	<ul style="list-style-type: none"> <li>The Committee approved proposed authority to set Intraday Facility Limits with notes</li> <li>Committee approved the proposed revisions to the Procurement Decision Authority Resolution and Procurement SPO revision, with notes</li> </ul>
5 June 2014 (Sirkuler)	<ul style="list-style-type: none"> <li>Review of Market Risk Limit (Value at Risk) Bankwide and Limit Delta Option 2014</li> </ul>
9 June 2014	<ul style="list-style-type: none"> <li>Approved Portfolio Guideline Agenda (Industrial Classification &amp; Industry Limit) with notes</li> <li>Postponed discussion on Equity Policies and Procedures and Management in Subsidiaries</li> </ul>
19 June 2014 (sirkuler)	<ul style="list-style-type: none"> <li>Recommended revisions Bank Mandiri Legal Policy (KHKBK) and approved revision of Legal Standard Procedures (SPH) without notes, effective from July 11, 2014</li> <li>approved proposed revisions to Standard Operating Procedures for Trust Services without notes effective from July 11, 2014</li> <li>Approved the proposed revision / adjustment of Bancassurance Standard Operating Procedures without notes effective from July 11, 2014</li> </ul>
15 July 2014 (Sirkuler)	<ul style="list-style-type: none"> <li>Approved the proposed substance of Subsidiary Management Principles (SMP) without notes.</li> <li>Recommended proposed revision of KPMPPABM and to seek approval of Directors and Board of Commissioners.</li> <li>approved proposed revisions to SPPMPPA without notes.</li> <li>approve proposed revisions to the Capital Market Services SPO without notes effective July 25, 2014</li> <li>approved the proposed revisions to the Cash Management SPO without notes, effective July 25, 2014</li> </ul>

Date	Committee Resolution
7 August 2014	<ul style="list-style-type: none"> <li>The Committee approved the proposed adjustment of the CLN credit process, revision of the substance of CLN CISP and the revocation of CLN SPK, effective 15 (fifteen) working days from the date of approval of RMC with notes</li> <li>- approved the proposed revision of the Commercial SPK SPK, effective 7 (seven) working days from the date of approval unless the proposed revision of the provisions of the Global Line (not approved), with notes</li> <li>Recommended the revision of the Bank Mandiri Risk Management Policy (KMRBM)</li> <li>Recommended the revision of the Bank Mandiri Funds and Services Policy (KDJBK) with editorial notes "Regulations of External Regulator," changed "Regulatory Provisions".</li> </ul>
16 September 2014	<ul style="list-style-type: none"> <li>Based on the above discussion and guidelines, the committee meeting dated 16 September 2014 approved the proposed delegation / adjustment of authority and business processes in the pilot regions having regard to the directions / notes of the Committee.</li> <li>The delegation / adjustment of authority and business processes in the pilot regions to be set forth in a Memorandum of Procedure effective from the start of the pilot until roll out, or not later than 6 months</li> </ul>
18 November 2014	<ul style="list-style-type: none"> <li>Approved the proposed Revised Guidelines on Internal Audit Standards and recommended materials the Bank Mandiri Internal Control System and Internal Audit Policy for submission to a meeting of the BOD and BOC</li> </ul>
2 December 2014	<ul style="list-style-type: none"> <li>Approved the proposed Revised PKP SPO material without notes</li> <li>Approved the proposed Revised of SP material RBBR and Stress Testing without notes</li> <li>Approved the proposed Revised SPO material without notes Rupiah Transfer</li> </ul>
3 December 2014	<ul style="list-style-type: none"> <li>Receive the Proposed Limit VaR and entered into force on 8 December 2014</li> <li>Reviewing Return RAWs results of subsidiaries for the title of "Poor"</li> <li>Approve the Revised Proposal SPO Payment Remittance &amp; Other Services</li> </ul>
16 December 2014	<ul style="list-style-type: none"> <li>Accept the proposed methodology of the preparation of Risk Appetite Statement (RAS), and subsequently BM in order to perform the calculations and finalizing risk appetite metric threshold</li> </ul>
19 December 2014	<ul style="list-style-type: none"> <li>Approved the proposed Revised to the Electronic Money Management SPO repair records as guidance and input related committee meetings authority</li> <li>Approved the proposed Revised to SP Treasury and entered into force tmt 2 January 2015</li> <li>Approve Proposed determination of predicate results of risk awareness survey (RAWs) with the addition of one predicate rating survey results into a 5 rating and the title of the adjustment range</li> </ul>

## FREQUENCY OF AND ATTENDANCE AT MEETINGS OF THE RMC

The RMC held 10 meetings in 2014, with the dates and attendance levels of directors and SEVPs (meetings and circulars) shown below:

NO	Name	Number			% Attendance
		Meeting	Present	Absent	
PERMANENT VOTING MEMBERS					
1	Riswinandi	14	14	0	100%
2	Sentot A. Sentausa	14	13	1	93%
3	Kresno Sediarsi	14	12	2	86%
4	Pahala N. Mansury	14	11	3	79%
5	Ventje Rahardjo	14	10	4	71%
NON PERMANENT VOTING MEMBERS					
6	Budi Gunadi Sadikin	1	1	0	100%
7	Abdul Rachman	3	3	0	100%
8	Fransisca Nelwan Mok	7	7	0	100%
9	Sunarso	5	5	0	100%
10	Royke Tumilaar	12	12	0	100%
11	Hery Gunardi	4	4	0	100%
12	Tardi	5	5	0	100%
13	Rico Usthavia Frans	3	3	0	100%
14	Ahmad Siddik Badruddin	3	3	0	100%
15	Sanjay N. Bhawarni	1	1	0	100%
16	Joseph Georgino Godong	1	1	0	100%
PERMANENT NON-VOTING MEMBERS					
17	Ogi Prastomiyono	14	14	0	100%
INVITEE					
18	Riyani T. Bondan	6	6	0	100%

## 4. HUMAN CAPITAL POLICY COMMITTEE

Human Capital Policy Committee is a committee established by virtue of Board of Directors Resolution No. KEP. DIR/171/2013 dated 21 June 2013 to assist the Directors in stipulating the Company's human capital management strategies.

### DUTIES, AUTHORITY AND RESPONSIBILITIES OF HUMAN CAPITAL POLICY COMMITTEE

The Human Capital Policy Committee has the following duties, authority and responsibilities:

1. To discuss/recommends policies and to stipulate procedures and operational systems of human capital management;
2. To determine the strategic and operational direction of human capital management, including the company's culture and values;
3. To establish the strategic human resource development policy in the Subsidiary, Financial Institution Pension Fund (DPLK), Bank Mandiri Pension Fund (DPBM), Foundations related to Bank Mandiri as well as the Company Subsidiaries among others;
4. To set Strategic Direction of Human Capital Information System Development;
5. To establish and develop organization including fulfillment, development & training of human capital in accordance with the Company's business requirements;
6. To set individual performance management & rewards, talent & succession management and employee relations management;
7. To set the Authority Limits Policy in Conducting the Human Capital Management;
8. To discuss and settle strategic issues related to human capital management.

### HUMAN CAPITAL POLICY COMMITTEE ACTIVITIES IN 2014

In 2014, the Human Capital Policy Committee undertook the following actions:

1. Discussed implementation of Healthcare Facilities for 2015
2. Discussed Employee Welfare Loan Regulations
3. Discussed Benefit Reviews

### FREQUENCY OF AND ATTENDANCE AT MEETINGS OF HUMAN CAPITAL POLICY COMMITTEE

During 2014, Human Capital Policy Committee has conducted 1 ( one ) meetings with the committee members attendance rate of 100 % , as in the following table :

Name	Number of Meetings	Present	Absent	% Attendance
Riswinandi	1	1	0	100
Ogi Prastomiyono	1	1	0	100
Hery Gunardi	1	1	0	100
Sanjay N. Bharwani	1	1	0	100
Tardi	1	1	0	100
Riyani T. Bondan	1	1	0	100

## 5. INFORMATION TECHNOLOGY COMMITTEE (IT COMMITTEE)

*Information Technology Committee (IT Committee)* merupakan sebuah komite yang dibentuk untuk membantu proses pengambilan keputusan mengenai kebijakan pengurusan operasional Perseroan pada bidang *Information Technology ("IT")*. *IT Committee* membantu Direksi dalam penetapan *IT Strategic Plan* dan *IT Budgeting*, penetapan proyek *IT Strategic*, dan pengamanan IT. *IT Committee* dibentuk berdasarkan Keputusan Direksi PT Bank Mandiri (Persero) Tbk. No. Kep. Dir/172/2013 tanggal 21 June 2013 tentang *Information Technology Committee*.

### DUTIES, AUTHORITY AND RESPONSIBILITIES OF IT COMMITTEE

The duties, authority and responsibilities of the IT Committee are as follows:

1. To determine the Bank Mandiri IT Strategic Plan (ISP).
2. To establish the strategic reference framework on IT Resources development.
3. To determine the policy and action plan on projects and their budget.
4. To set the IT security strategy and IT risk management
5. To ensure and monitor the implementation of IT projects and IT risk management.
6. To set the priorities and allocation of IT budgets that has been decided by the Directors
7. To provide the decisions or directions related to strategic IT system planning, development and addition.
8. To discuss and settle any strategic issues in the scope of IT and direction of IT investment including in subsidiaries
9. To delegate authority to officers appointed to decide and perform operational IT matters.

In its capacity as a committee, ITC is not authorized to act for and on behalf of the Company to bind the Company or to enter into any agreement with any third party. Any and all actions for and on behalf of the Company shall be taken in accordance with the Company's Articles of Association.

### IT COMMITTEE ACTIVITIES IN 2014

The IT Committee undertook the following actions in 2014::

1. Approved the reprioritization of IT investment in 2014
2. Approved procurement policy and strategy and payments for the Core Banking DC & DRC engines
3. Approved the review of 2014 IT Investment and the optimization of IT investment in 2014, including investment in new ATMs in 2014
4. Approved changes to the IT investment budget for 2014
5. Accepted in principle the presentation of the IT Strategy and Execution Plan 2015-2020.
6. Accepted report n the progress of the Change the Bank Initiative 2014
7. Approved in principle the action plan to heighting security at ATMs and prevent phishing
8. Approved the portfolio of strategic IT initiatives for 2015.

## FREQUENCY OF AND LEVEL OF ATTENDANCE AT IT COMMITTEE MEETINGS

During 2014, the IT Committee held 3 meetings, with the dates and attendance levels as described below:

Name	Number of Meetings	Present	Absent	% Attendance
<b>Permanent Voting Member</b>				
Riswinandi	4	3	1	75
Sentot A. Sentausa	4	4	0	100
Pahala Nugraha Mansury	4	3	1	75
Kresno Sediarsi	4	4	0	100
Ventje Rahardjo	2	1	1	50
Hery Gunardi	4	2	2	50
<b>Non-Permanent Voting Member</b>				
Budi Gunadi Sadikin	4	4	0	100%
Abdul Rachman	4	3	1	75%
Royke Tumilaar	3	2	1	66,7%
Tardi	3	3	0	100%
Rico Usthavia Frans	4	4	0	100%
Ahmad Siddik Badruddin	2	2	0	100%
Sanjay N. Bharwani	1	1	0	100%
Joseph Georgino Godong	1	1	0	100%
<b>Permanent Non-Voting Member</b>				
Ogi Prastomiyono	4	4	0	100%
<b>Invitee</b>				
Riyani T. Bondan	4	4	0	100%

## 6. CAPITAL & SUBSIDIARIES COMMITTEE

The Capital & Subsidiaries Committee was established by virtue of Board of Directors Resolution No. KEP. DIR/173/2013, dated 21 June 2013, to assist the Board of Directors in determining subsidiary management strategy, capital investment and divestment recommendations and remuneration and management appointments in subsidiaries.

### DUTIES, AUTHORITY AND RESPONSIBILITIES OF CAPITAL & SUBSIDIARIES COMMITTEE

The Duties, Authority and Responsibilities of Capital & Subsidiaries Committee are as follows:

1. To determine strategies and limits of subsidiary management
2. To discuss and recommend capital investment business strategic initiatives
3. To evaluate and decide the additional capital investment in subsidiary to the extent not changing the status of majority owner.
4. To recommend investment & divestment plan and to evaluate the financial performance of subsidiaries
5. To recommend strategies for management, remuneration and management/supervision of subsidiaries as well as Company Work Plan and Budget ("RKAP") and administration of General Meeting of Shareholders ("GMS") of subsidiaries.
6. To recommend capital allocation plan in the Strategic Business Unit ("SBU") and to evaluate the investment performance in SBU.



7. To monitor and evaluate the Financial Institution Pension Fund ("DPLK") management and financial strategies and Pension Fund investment strategies.

In the capacity as a committee, CSC is not authorized to act for and on behalf of the Company to bind the Company or to enter into any agreement with any third party. Any and all actions for and on behalf of the Company shall be taken in accordance with the Company's Articles of Association.

## CSC'S ACTIVITIES IN 2014

In 2014, the CSC conducted meetings in relation to the following matters:

1. Capital Injection Plan for Mandiri AXA General Insurance
2. Proposed Agenda for the 2013 Annual General Meeting of PT Mandiri Tunas Finance
3. Proposed Agenda for the 2013 Annual General Meeting of PT Mandiri Investment Management
4. Proposed Agenda for the 2013 Annual General Meeting of PT Bank Sinar Harapan Bali
5. Proposed Agenda for the 2013 Annual General Meeting of PT Mandiri AXA General Insurance
6. Proposals and resolutions for agenda on remuneration, performance bonuses and management at the 2013 AGM of PT Mandiri Investment Management
7. Proposals and resolutions for agenda on remuneration, performance bonuses and management at the 2013 AGM of PT Bank Sinar Harapan Bali
8. Proposals and resolutions for agenda on remuneration, performance bonuses and management at the 2013 AGM of PT Mandiri AXA General Insurance
9. Proposals and resolutions for agenda on remuneration, performance bonuses and management at the 2013 AGM of PT AXA Mandiri Financial Services
10. Proposals and resolutions for agenda on remuneration, performance bonuses and management at the 2013 AGM of PT Mandiri Securities
11. Proposals and resolutions for agenda on remuneration, performance bonuses and management at the 2013 AGM of PT AXA Bank Syariah Mandiri
12. Proposals and resolutions for agenda on remuneration, performance bonuses and management at the 2013 AGM of PT Bank Syariah Mandiri
13. Proposals and resolutions for agenda on remuneration, performance bonuses and management at the 2013 AGM of PT Mandiri Securities
14. Proposals and resolutions for agenda on remuneration, performance bonuses and management at the 2013 AGM of PT Mandiri Investment Management
15. Proposals and resolutions for agenda on remuneration, performance bonuses and management at the 2013 AGM of PT Mandiri Tunas Finance
16. Proposals and resolutions for agenda on remuneration, performance bonuses and management at the 2013 AGM of PT Mandiri Tunas Finance
17. Proposals and resolutions for agenda on remuneration, performance bonuses and management at the 2013 AGM of PT AXA Mandiri Financial Services
18. Proposals and resolutions for agenda on remuneration, performance bonuses and management at the 2013 AGM of PT Mandiri AXA General Insurance
19. Proposals and resolutions for agenda on remuneration, performance bonuses and management at the 2013 AGM of PT bank Sinar Harapan Bali
20. Conducting Performance Review on Mandiri Healthcare
21. Conducting Performance Review on Bank Mandiri Pension Fund (DPBM) and Proposed Investment Guidance
22. Conducting Performance Review on Mandiri International Remittance
23. Conduct Performance Review on PT Mandiri AXA General Insurance
24. Proposed Agenda of EGM of PT Bank Sinar Harapan Bali
25. Approval of RKAP of PT Mandiri AXA General Insurance for 2015
26. Proposed changes in management of PT. Mandiri AXA General Insurance
27. Proposed changes in management of PT. AXA Mandiri Financial Services

28. Approval for the appointment of Mr. Putu Rahwidhiyasa as Compliance Director of PT. Bank Syariah Mandiri
29. Proposed Remuneration, Facilities & Benefits for Board of Commissioners, Board of Directors and SEVPs of PT Bank Syariah Mandiri
30. Proposed Remuneration for Destry Damayanti as Commissioner of PT. Mandiri Manajemen Investasi and assignment by Ministry of State-Owned Enterprises

## FREQUENCY OF AND ATTENDANCE AT MEETINGS OF CSC

Name	Number of Meetings	Present	Absent	% Attendance
<b>Group A</b>				
Budi G. Sadikin	6	6	0	100%
Riswinandi	5	5	0	100%
Sentot A. Sentausa	5	5	0	100%
Pahala N. Mansury	6	6	0	100%
Ventje Rahardjo	5	5	1	80%
<b>Group B (hadir sesuai agenda pembahasan)</b>				
Abdul Rachman	3	2	0	67%
Sunarso	4	4	0	100%
Fransisca N. Mok	2	2	0	100%
Hery Gunardi	5	5	0	100%
Royke Tumilaar	1	1	0	100%
Kresno Sediarsi	1	1	0	100%
Tardi	4	4	0	100%
<b>Contributing Member</b>				
Ogi Prastomiyono	6	6	0	100%
<b>Invitee</b>				
Riyani T. Bondan	6	6	0	100%
Rico Usthavia Frans	1	1	0	100%
Ahmad Siddik Badruddin	1	1	0	100%
Sanjay N. Bharwani	1	1	0	100%

## 7. CREDIT COMMITTEE

So as to ensure the consistent application of GCG and in ensuring prudential lending in line with best practice in risk management, Bank Mandiri has completely restructured its credit process. For every loan disbursement in the wholesale segment, a discussion must be conducted through a meeting of the Credit Committee Meeting, to facilitate the implementation of the four-eye principle, as well as a checks and balances process by the Business Unit as the initiator and Credit Risk Management as the Risk Mitigation Unit. Representatives of the Legal Group and Compliance Group must attend these committee meetings to provide opinions from the legal and compliance points of view in order to strengthen the independency aspect, prevent domination by a particular unit, avoid conflicts of interest, and to ensure that decision-making is objective and free of pressure.

## DUTIES, AUTHORITY AND RESPONSIBILITIES OF CREDIT COMMITTEE

The duties, authority and responsibilities of the Credit Committee per segment are as follows:

### A. Credit Committee Authority

The Credit Committee is authorized to recommend and or decide the loan disbursement (new, addition, reduction, extension, and or restructuring) managed by Business Unit within the limit of its authority, including establishing/ changing loan structure. The loan structure includes, but not limited to, credit limit, purpose/objective of financing, type of loan, loan nature, availability period, grace period, payment portion, covenant, and collateral.

### B. Credit Committee – Restructuring is authorized to make recommendation and or decision on:

1. Restructuring and settlement of loans with collectability 3, 4, 5 and collectability 1 and 2 after restructuring, still managed by Credit Recovery Unit.
2. Restructuring of loans with collectability 1 and 2 in the watch list categories as specified by Credit Risk Management Unit
3. Rescue/settlement of ekstrakomtabel credit, including decision of Repossessed Assets (AYDA).
4. Write-off and haircut

### C. Credit Committee/Credit Committee – Restructuring is responsible for loans recommended or decided in accordance with its limit of authority including deciding/changing the credit structure as referred to above by conducting the following:

1. To ensure that every loan disbursement has complied with general banking norms and sound credit principles
2. To ensure that the loan disbursement has complied with credit disbursement guideline/procedure prevailing in the Bank
3. To ensure that the loan disbursement has been based on fair, objective, careful, and cautious assessment and shall be free from influence of related parties to loan applicants
4. To make sure that the loan so disbursed will be repaid in timely manner and will not become bad debt.

## FREQUENCY OF AND ATTENDANCE AT MEETINGS

Name	Number of Meetings	Present	Absent	% Attendance
<b>Fungsi Risk Management</b>				
Budi G. Sadikin	7	7	0	100
Riswinandi	82	82	0	100
Sentot A. Sentausa	322	322	0	100
Pahala N. Mansury	67	67	0	100
Kresno Sediarsi	207	207	0	100
Ventje Rahardjo	58	58	0	100
Ahmad Siddik Badruddin	50	50	0	100
<b>Fungsi Business Unit</b>				
Abdul Rachman	102	102	0	100
Royke Tumilaar	111	111	0	100
Sunarso	174	174	0	100
Fransisca N. Mok	308	308	0	100
Hery Gunardi	67	67	0	100
Tardi	173	173	0	100

# internal control system

The Internal Control System in Bank Mandiri applies the three lines of defense concept, consisting of the risk owner as the first line of defense, the risk and compliance as the second line of defense and Internal Audit as the third line of defense.

Bank Mandiri applies its Internal Control System so as to avoid deviations from the procedures and ensure that the financial reports produced by the bank are trustworthy and that the Bank's operations are conducted in accordance with the prevailing laws and regulations. The application of the Internal Control System is focused on ensuring that the Bank produces reliable financial reports and information, compliance with the law and and operational efficiency effectiveness.

The risk-based system of oversight and internal control in Bank Mandiri applies the following concept:

## *Three Lines of Defense* Concept

role of business units as the first line of defense in managing the internal control aspects in their line units,

role of risk and compliance unit in ensuring bank-wide risk management, and compliance with the external regulations as the second line of defense,

role of internal audit unit in the provision of independent assurance as the third line of defense.

It is expected that through the implementation of the three lines of defense concept, the Bank's Internal Control System may be strengthened in cooperation with all organizations of the Bank in the first, second and third lines of defense.

The aforesaid framework is applied in all processes and decisions, namely, the planning, execution and evaluation processes through the code of conduct, distribution of duties and authority, procedures in which there is adequate risk assessment, risk mitigation, limit establishment, approval, and reporting.

In addition, the bank has established the Bank Mandiri Internal Control System (KSPIBM) as the cornerstone for

the implementation of the Internal Control System, which consists of control mechanisms established by the Board of Directors with the approval of the Board of Commissioners on an ongoing basis with the following objectives:

1. Maintaining and securing the Bank's assets,
2. Ensuring the availability of accurate reports,
3. Improving compliance with the applicable regulations,
4. Reducing financial impacts / losses, irregularities including fraud / fraud,, and violation of prudential principles, and
5. Improving organizational effectiveness and cost efficiency

As the process is operated at all levels of the Bank, the Internal Control System is applied in determining strategy throughout the organization and is designed to identify the likelihood of an event that may adversely affect the company, and to keep risk within tolerable limits in accordance with the Bank's risk appetite, to provide reasonable assurance in order to achieve the company's goals. The Internal Control System consists of 8 components that are mutually related and determine the effectiveness of overall application, namely:

1. *Internal Environment*

The internal environment constitutes the basis for management in assessing risk and control, and how to react. This forms the basis and driving factor for the other seven (7) components of the Internal Control System.

2. *Objective Setting*

Bank Mandiri sets targets (objective setting) as criteria for effective event identification, risk assessment and risk response.

3. *Event Identification*

Management identifies events that could potentially affect the ability of the Bank to implement its strategies and achieve its goals effectively. Such identification is carried out in respect of events that could have a negative impact (risks) and which require assessment and a response from the Bank. Identification is also conducted in respect of events that are expected to have a positive impact in the form of opportunities that should be considered by management in the preparation of strategies so as to achieve the objectives of the Bank. Management also considers all aspects of the organization to identify potential events.

4. *Information & Communication*

- a. The Bank has an information system that generates comprehensive reports and provides data / information on business progress, financial condition, risk management, compliance with the applicable rules and regulations, market information, external conditions, and the conditions that are necessary in the context of taking appropriate decisions.
- b. The Bank has an information system that generates comprehensive reports and provides

data / information on business progress, financial condition, risk management, compliance with the applicable rules and regulations, market information, external conditions, and the conditions that are necessary in the context of taking appropriate decisions.

The effective implementation of the Internal Control System will assist the Bank in protecting its assets, ensuring the availability of accurate information and reports, enhancing compliance with the laws and regulations, and reduce the risk of losses, irregularities, and violations of prudential principles.

## EVALUATION OF INTERNAL CONTROL SYSTEM

Based on the QAR 2014 results and in line with Internal Audit's long-term planning, has various strategic initiatives were prepared covering the Bank Mandiri group, as described below:

1. Development of guidelines for the preparation of the Internal Audit Charter, which will apply to the entire group
2. Development of group KPIs (key performance indicator) for Internal Audit
3. Development of methodologies for Internal Audit planning and the audit closing process in the Bank
4. Development of Internal Audit ratings that are applicable to the entire group
5. Development and integration of internal audit tools
6. Development of a training plan framework for Internal Audit and Internal Audit competencies
7. Development of Internal Audit reporting framework
8. Internal Audit communication

All of these strategic initiatives are aimed at strengthening three key aspects -- positioning, process and people -- so that the Bank Mandiri internal audit function not only surpasses that of competitors but will serve as best practice in the banking industry.

# compliance function report

To anticipate all forms of loss and non-compliance with the rules and regulations, Bank Mandiri conducts compliance risk management in accordance with Bank Indonesia Regulation No. 13/2 / PBI / 2011 dated January 12, 2011 on the Implementation of the Compliance Function of Commercial Banks. The regulation stipulates that compliance is one of the aspects of good corporate governance, which is one of the most important factors in the assessment of the Bank's soundness. The compliance function itself consists of a series of strategies used by the Bank to ensure that the policies, regulations, systems and procedures, as well as business activities conducted by the Bank, are in accordance with Bank Indonesia regulations and the prevailing law. This is an integral part of the Bank's activities, where every failure of compliance can be a source of other risks.

## ORGANIZATIONAL STRUCTURE OF COMPLIANCE UNIT

The structure and status of the Compliance Unit is set out in the Bank Mandiri Compliance Policy (KKBM), which contains detailed Compliance Standards (SPKP). The organizational structure of the Compliance Unit is as follows:

1. Director responsible for compliance function;
2. Compliance Unit in Head Office;
3. Compliance Unit in Business Units.

## DIRECTOR RESPONSIBLE FOR COMPLIANCE FUNCTION

The process of appointment, discharge and/or resignation of the Director responsible for the Compliance Function in Bank Mandiri is as follows:

1. The appointment, discharge, and/or resignation of the Director responsible for the Compliance Function of Bank Mandiri have referred to the provisions

on appointment, discharge and/or resignation of members of the Board of Directors as contemplated in Bank Indonesian regulations on Commercial Bank, and PBI No. 13/2/PBI/2011 dated 12 January 2011 regarding Compliance Function Implementation.

2. In case of the permanent absence, resignation, or office term expiration of the Director responsible for the Compliance Function, the Bank shall immediately appoint his/her replacement.
3. During the process of replacement of the Director responsible for the Compliance Function, another Director shall be appointed to temporarily carry out the duties of the Director responsible for the Compliance Function.
4. The Director temporarily carrying out the duties of the Director responsible for the Compliance Function due to his/her permanent or temporary absence shall not be the CEO and or Deputy CEO or Director in charge of functions which may affect the independence of the Compliance Function. In case no Director is concurrently the Director responsible for the Compliance Function, such position will be temporarily performed by another Director in charge of operational functions.
5. Every replacement of the Director responsible for the Compliance Function shall be reported to Bank Indonesia.

The appointment of the Director responsible for the Compliance Function shall be subject to a Fit & Proper Test conducted in accordance with Bank Indonesian Regulation.

## COMPLIANCE UNIT AT HEAD OFFICE

The Bank Mandiri Compliance Unit is directly under and responsible to the Director responsible for the Compliance Function.

Every appointment and/or dismissal of the Head of Bank Mandiri Compliance line unit has referred to Bank Mandiri Compliance Policy and shall be reported to Bank Indonesia with the following criteria:

1. Fulfilling the Independency requirement
2. Understanding Bank Indonesia regulations and prevailing legislated laws
3. Not carrying out duties other than those of Compliance Function
4. Having strong commitment to implementing and developing Compliance Culture.

The duties and responsibilities of Compliance line unit of Head office in relation to the Compliance Function implementation shall be as follows:

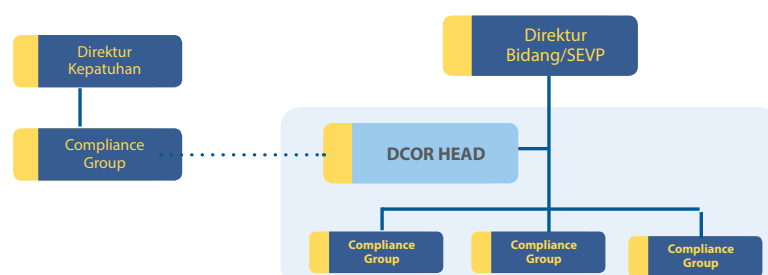
1. To conduct steps required to support the establishment of Compliance Culture in all business activities of the Bank in all organizational levels.

2. To conduct identification, assessment, monitoring, and control of Compliance Risk with reference to Bank Indonesian regulation on Application of Risk Management for Commercial Banks.
3. To assess and evaluate the effectiveness, adequacy, and compliance of the policies, regulations, systems and procedures established by the Bank with the prevailing laws and regulations.
4. To review and/or recommend update and refinement of policies, regulations, systems and procedures established by the Bank in order to make them in compliance with Bank Indonesian regulations and the prevailing legislated laws.
5. To take any measures required to ensure that the policies, regulations, systems, procedures and business activities of the Bank are in compliance with Bank Indonesia regulations and prevailing legislated laws.
6. To perform other duties related to the Compliance Functions.

The Compliance Group is the Compliance Unit at Bank Mandiri head office, and is directly responsible to the Director responsible for the compliance function. The Head of Compliance Unit must satisfy the requirements of independence, be familiar with Bank Indonesia regulations and legislation, not be in charge of business functions and operations, or finance and accounting, and does not hold any other structural position. The Compliance Unit does not take over the responsibility of each Business Unit Head in the Bank for the implementation of compliance in individual units. The Compliance Unit at Head Office promotes the development of the Compliance Units in individual business units.

## COMPLIANCE UNITS IN BUSINESS UNITS

The compliance units in the individual business units are responsible for the technical implementation of the compliance function in their respective units, and are accountable directly to the relevant Director / SEVP. Their status is that of Decentralized Compliance & Operational Risk (DCOR) units.



## Compliance Standards Manual

In performing its duties, the Compliance Unit is equipped with a Compliance Standards Manual (SPKP), the contents of which are elaborated Technical Implementation Guidelines (PTKp). These document are reviewed periodically. The scope of the Compliance Standards are as follows:

1. Arranging matters related to the implementation of the compliance function, including the organization, duties, powers and responsibilities, compliance risk management, administration and reporting.
2. The SPKP apply to all Compliance Units, both the compliance unit at head office and the compliance units in business units in implementing the compliance function.
3. For Overseas Branches, SPKP should be adjusted having regard to to the laws and regulations applicable in the relevant jurisdiction.
4. For the implementation of the compliance function as regards the provisions of the Anti-Money Laundering and Funding of Terrorism (APU and PPT) legislation, the Anti-Money Laundering and Financing Manual is applied.

## COMPLIANCE FUNCTION IMPLEMENTATION

In order to ensure compliance with the banking legislation, and Bank Mandiri's commitments and agreements with Bank Indonesia and other authorities, the Bank strives to uphold the implementation of prudential principles - prudence in the management of the Bank through the implementation of the compliance function accordance with the applicable regulations.

To ensure that the compliance function operates properly, as mandated by the regulations, one member of the Board of Directors of the Bank is designated as the Director of Compliance, who is responsible for establishing the measures necessary to ensure compliance by the Bank in carrying out its duties and responsibilities, with the assistance of the Compliance Unit, which has the following duties:

### 1. Compliance with Laws and Regulations

The commitments are detailed as follows:

- a. To grow and develop Compliance Culture in all organizational levels and business activities of the Bank.
- b. To ensure firm application of compliance function in order for all Bank's activities to be in compliance with the prevailing regulations of Banking Authority, legislated laws and rules as well as principles of prudence.
- c. The compliance is not intended only to the written rules, but also to the underlying soul and spirit. It is important to maintain the Bank's reputation as an institution engaged in financial services.
- d. All personnel of the Bank are responsible for the performance of compliance function in each activity of their respective unit.
- e. In addition to comply with the prevailing laws and regulations in Indonesia, foreign offices should comply with the laws and regulations applicable in local country. In case of inconsistency between the regulations prevailing in Indonesia and another country, more prudent steps should be taken.

Based on the foregoing, the Bank sets the principles of compliance as follows:

1. Bank shall at all times comply with the prevailing laws and regulations and apply the principles of prudence in the performance of all its activities (mandatory).
2. Members of the Boards of Directors and Commissioners shall be the role model of trustworthiness and integrity to make the compliance performance the Bank culture (starts from the top).
3. All personnel of the Bank shall be responsible for the performance of compliance function in their respective activity.

### 2. Fulfillment of commitment to the competent authorities

Bank Mandiri is intended to fulfill all commitments to Bank Indonesia and competent authority. To ensure compliance with the commitments to Bank Indonesia, the Bank's Compliance Unit continuously monitors all such commitments described in function of Supervisory services, Review/examination (ex-ante



and ex-post), Consultation services and Regulatory services.

During 2014, all commitments to the Authority have been completed/fulfilled properly.

### 3. Preparation of compliance work plan

Along with the development of the business and activities of the Bank, the risk exposure faced is also increasing and becoming more diverse. In conducting compliance risk management, the Compliance Function prepared an Annual Compliance & Operational Risk Program (ACORP) for 2014, which is a strategic plan for the implementation of the compliance function over the year ahead.

The compliance work plan focuses on strengthening the role and functions of the Compliance Function as the 2nd line of defense and minimizing the occurrence

of non-compliance events and the potential penalties that would arise as a result.

### 4. Preparation of a compliance officer certification module

In 2014, Bank Mandiri formulated a compliance officer certification module, which consists of an introduction, compliance functions, risk management compliance, in respect of compliance risks, adherence to prudential principles, Islamic banking compliance, anti-money laundering and financing of terrorism compliance and the implementation of the Bank's anti-fraud strategy.

The module was prepared by the Director of Communication Function Forum Drafting Committee (FKDKP), together with certification and competency levels:

Certification Level	Competencies
Compliance & AML Officer (Level 1)	Knowledgeable
Compliance & AML Manager (Level 2)	Analytical (Case Studies)
Compliance & AML Executive (Level 3)	Concept, Strategy, Policy, Plan, Evaluate
Fast Track	

## COMPLIANCE WORK PLAN 2014

In the context of the implementation of the compliance function, the Compliance Unit prepared its compliance work plan for 2014 by considering two (2) main aspects, namely:

### 1. Top Risks (bank-wide and in each Directorate)

These are the highest compliance risks, which are identified by assessing the level of compliance in respect of all the risks identified by each risk owner (business unit).

### 2. Directorate Targets

The Directorate focuses on areas that need to be considered by Compliance Units in determining compliance with work plan priorities.

These considerations were formulated in the form of:

1. A decrease in fines from the regulators of at least 20% from the previous year.
2. Ensuring that Top Risks (bank-wide and each Directorate) do not become Non-Compliance Events (NCE).
3. Identification of compliance risks, both as regards new risks and risks already identified, and ensuring that in the event of a NCE, 90% of the NCE is identified in the form of a Risk Compliance Statement (CRS).

In 2014, the imposition of fines by the regulator was down very significantly far surpassing the set targets of a reduction of 20% from the previous year. In addition, the risk associated the risks related to all the legislation and regulations issued in 2014 has were identified and a list of potential penalties for violations prepared.

## APPLICATION OF ANTI-MONEY LAUNDERING (AML) AND FINANCING OF TERRORISM (PPT) PROGRAM

The Board of Directors and Board of Commissioners is fully committed to the application of the Anti-Money Laundering and Financing of Terrorism legislation (APU and PPT Program), in line with the relevant Bank Indonesia regulations and the laws and regulations. This commitment was realized through, among other things, the active supervision of the Board of Commissioners on the discharge of the Directors' responsibilities related AML and CFT, and the establishment of a Special Unit (UKK) to implement the AML and CFT program. The UKK is structurally under the Head Office Compliance Unit and is directly responsible to the Director of Risk Management & Compliance, who heads the compliance function in the bank.

## ORGANIZATIONAL STRUCTURE

As stipulated by Bank Indonesia Regulation No. 14/27 / PBI / 2012 dated December 28, 2012, on the Implementation

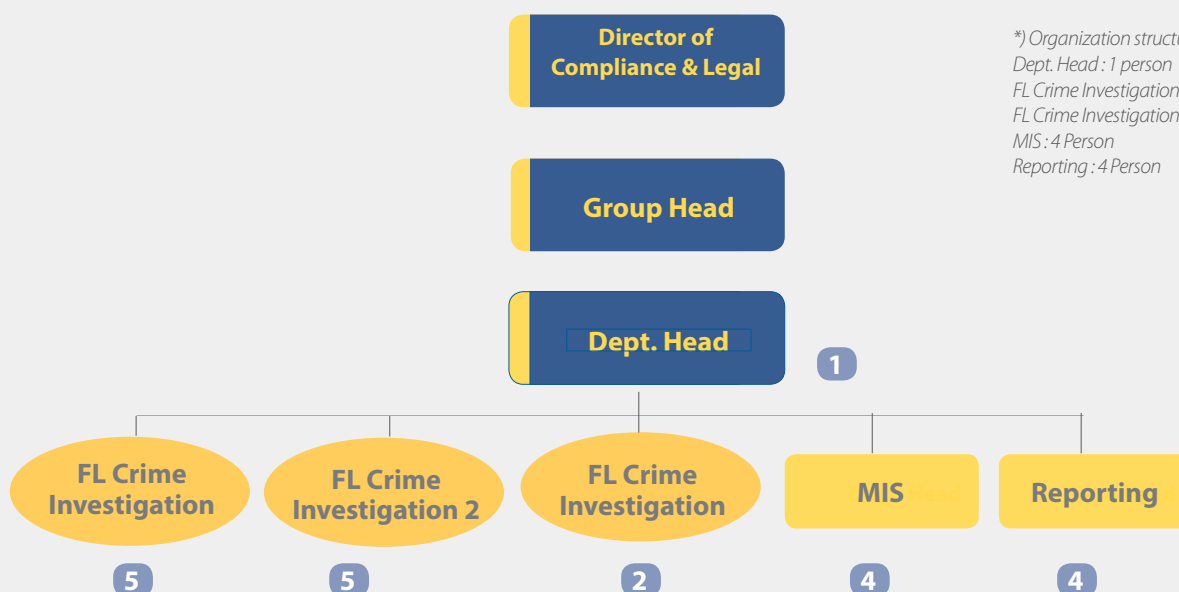
of the APU/PPT program, the Bank is required to establish a special unit and / or appoint an officer of the Bank to be responsible for the implementation of the program. This special unit and / or officer of the Bank is accountable to the Director of Compliance.

The special unit in Bank Mandiri that handles the APU/PPT program is the APU & PPT Department, which has 21 staff, as shown in the following diagram:\*)

## APU-PPT PROGRAM

In order to comply with and strengthen implementation of the APU-PPT program, Bank Mandiri carried out the following work program:

- Improving the awareness of APU-PPT bankwide through regular APU- PPT training; this was provided through various media, including in-class training, e-learning and dissemination of information to the Branches / Business Units in Bank Mandiri.
- Implementation of the New Anti-Money Laundering System to replace the existing AML System that has been applied by the Bank since 2006. The new system involves the following processes: due diligence, assessment of risk levels and better monitoring of suspicious financial transactions in respect of all customers so that the Bank can avoid the risk of its product / banking services being availed of by criminals.



\*) Organization structure diagram  
Dept. Head : 1 person  
FL Crime Investigation : 7 Person  
FL Crime Investigation 2 : 7 Person  
MIS : 4 Person  
Reporting : 4 Person

- c. Development and refinement of the process of reporting International Fund Transfer Instructions (IFTI-LTKL) and LTKT reporting to the PPATK.
- d. Complying with requests for customer financial transaction data/documents, particularly in relation to alleged money laundering and terrorism, at the request of the regulators and law enforcement agencies (BI/OJK, PPATK, KPK, Police, Attorney General's Office and BNN), with due observance to the SLA and the prevailing laws and regulations.
- e. Establishing and maintaining cooperation and coordination with the authorities, law enforcement agencies, and other banking institutions through communication and training forums.
- f. Initiatives

The Bank has introduced a number of new initiatives to strengthen the application of the APU PPT program, including the following:

- 1) The Bank has been appointed as one of the pilot banks to develop and improve the GRIPS CTR client application system, and is currently in the process of reporting the results of the trials. The system is expected to go live on February 2, 2015.
- 2) Development of APU PPT Department
  - The Bank conducted organizational development that has been effective since January 2015, with the APU PPT Department being divided into three Departments.
  - Along with the development of the HR organization the number of employees as much will be increased from 21 to 29.
- 3) Appointment of Anti-Money Laundering Officers in each Regional Office.

## ANTI-FRAUD STRATEGY

In order to comply with Bank Indonesia Circular Letter No. 13/28/DPNP dated 9 December 2011 (on the Application of Anti-Fraud Strategies in Commercial Banks) and as a further improvement to the Bank Mandiri Internal Control System, an Anti-Fraud Strategy has been formulated and

adopted by the Bank. Prior to this, Bank Mandiri's anti-fraud strategy was dispersed among various Policies, Standard Operating Procedures, Technical Operational Guidelines, and other instruments. In accordance with the aforementioned Bank Indonesia Circular Letter and the formulation of a uniform Anti-Fraud Strategy, Bank Mandiri will harmonize every Policy, Standard Operating Procedure, Technical Operational Guideline and other instruments so as to ensure they conform to the provisions of the said Bank Indonesia Circular.

The adjustments referred to cover the matters set forth in the Anti-Fraud Strategy, namely:

1. Prevention Function  
This is the responsibility of all employees of the Bank and forms part of the Fraud Control System in the context of reducing the potential for fraud.
2. Detection Function  
This is the responsibility of all units, both in the 1st line of defense, 2nd line of defense, and 3rd line of defense, and forms part of the Fraud Control System in the context of identifying and locating fraud in Bank Mandiri operations.
3. Investigation, Reporting & Sanctions Function  
This is the responsibility of the Internal Audit Directorate and forms part of the fraud control system in the context of the investigation of fraud that has occurred and the reporting of findings to the CEO, Board of Commissioners, and Bank Indonesia, including proposed sanctions for the perpetrators of the fraud.
4. Monitoring, Evaluation & Follow-up Function  
This is the responsibility of the Internal Audit Directorate and forms part of the Fraud Control System in the context of monitoring follow-up action on investigation findings and the evaluation of the incidences of fraud so as to remedy deficiencies and reinforce the Internal Control System so as to prevent the reoccurrence of fraud through the exploitation of similar weaknesses.

# internal audit reports

During 2014, Internal Audit successful supported the achievement of the second phase of the transformation program through the strengthening of the internal control system. Internal Audit, as the third line of defense, played a greater role in the provision of assurance by the honing of its audit approach from transactional to one that is more focused on issues that are strategic and provide a bankwide impact.

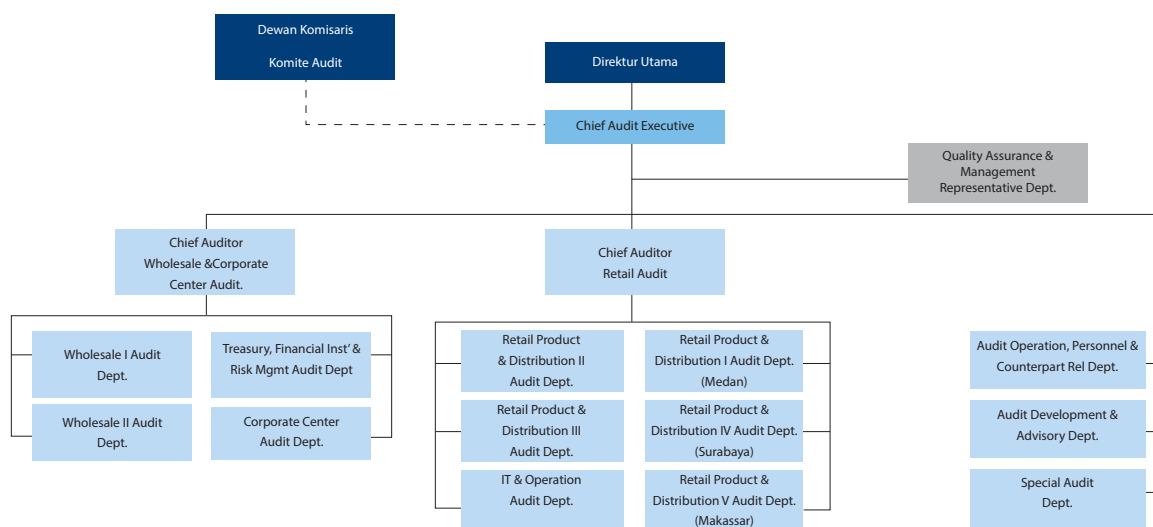
The internal audit approach applied in 2014 was a thematic one. Through thi approach, audits can address the roots of problems so that the resulting recommendations will be more effectively. Audit approach that is both strategic and forward looking encourages the Directorate of Internal Audit for more anticipatory in dealing with issues that could potentially arise in the future.

In addition to carrying out the audit approach, the Internal Audit also performs routine audits, audit overseas branches and subsidiaries, and audit particular operations. Regular audits are carried out in order to comply with the regulatory requirements (mandatory audits) and based on audit requests from Management.

## ORGANIZATIONAL STRUCTURE AND STATUS OF INTERNAL AUDIT

The Internal Audit function is located in the Directorate of Internal Audit (DIA), which is directly accountable to the Managing Director and can communicate directly with the Board of Commissioners through the Audit Committee. Its organizational structure is tailored to the business strategy of the Bank. The Directorate of Internal Audit per December 31, 2014 had 2 Audit groups - the Retail Group and the Wholesale & Corporate Center Audit Group, as determined by the Board of Directors by virtue of its Resolution No. KEP. DIR / 313/2011.

THE DIA STRUCTURE AND STATUS IS AS SHOWN BELOW:



In the structure of the organization, the Chief Audit Executive has a line of communication with the Chief Auditor Wholesale & Corporate Center Audit, Chief Auditor Retail Audit, Audit Operations Personal & Counterpart, Audit Development & Advisory and Special Audit

## APPOINTMENT AND DISCHARGE OF THE CHIEF AUDIT EXECUTIVE

The Chief Audit Executive is appointed and discharged, and is responsible directly to, the CEO, with the approval of the Board of Commissioners, and must be reported to Bank Indonesia, the Capital Market Authority and Badan Pengawas Pasar Modal dan Lembaga Keuangan.

## PROFILE OF CHIEF AUDIT EXECUTIVE (CAE)

Internal Audit is headed by Riyani T. Bondan as Chief Audit Executive (CAE) with position of Senior Executive Vice President (SEVP) since 2005 by virtue of Resolution of the Board of Directors No. KEP.DIR/117/2008 dated 21 October 2008, which was subsequently reported to the regulator. The following is a profile of the CAE:



Riyani T. Bondan

Graduated from the Bogor Institute of Agriculture in 1984 and with an MBA from the University of Illionis, Urbana Champaign, US, in 1994. She has experience in various business areas and among the positions she has held are Head of Corporate & Commercial Credit Division, Head of Commercial Credit III, Department Head Consumer Credit Risk Approval, Group Head Retail Credit Risk Approval dan Group Head Learning Center.

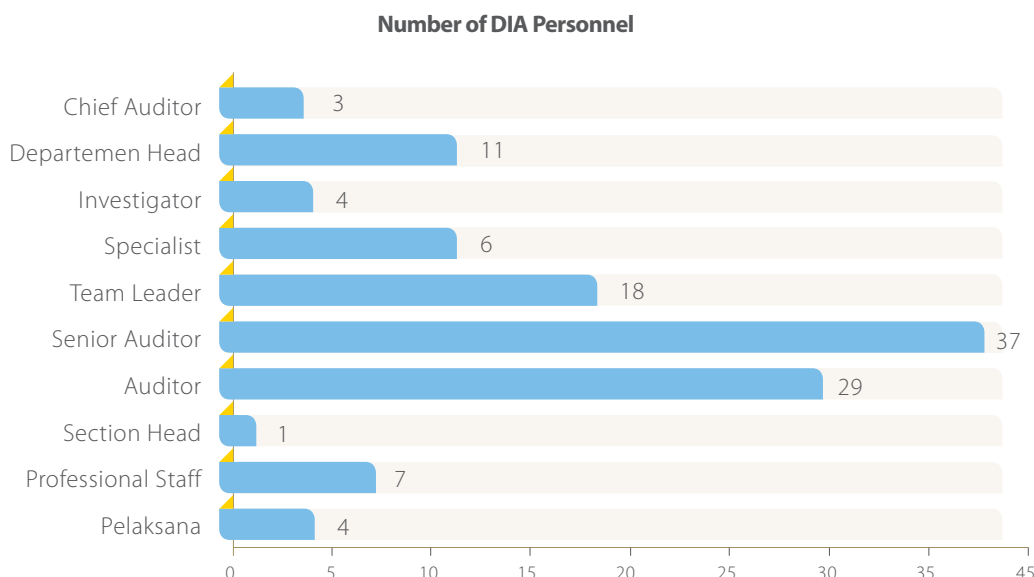
## INTERNAL AUDIT CHARTER

Internal Audit has an Internal Audit Charter that has been approved by the CEO and the Board of Commissioners, with the last revision being on December 5, 2014. The Internal Audit Charter has been prepared to provide guidance on the objectives, authority, responsibilities and scope of the work of Internal Audit in the organization, and positions its functions in respect of various interests so that the vision and mission of Internal Audit can help ensure the soundness and development of the Bank.

The status, authority and responsibilities of Internal Audit are set out formally in the Internal Audit Charter. It is consistent with the Bank Mandiri Internal Audit Function Performance Standards (SPFAIB) and the Directive of the Chairman of the Capital Market and Financial Institutions Supervisory Board (BAPEPAM-LK) on the Preparation and Guidelines for the Preparation of Internal Audit Charters, and best practice in accordance with the IPPF (International Professional Practice Framework) standards adopted by the IIA (Institute of Internal Auditors).

## NUMBER AND QUALITY OF INTERNAL AUDITORS

The Directorate of Internal Audit has 120 staff, with the detailed breakdown shown in the following graph:



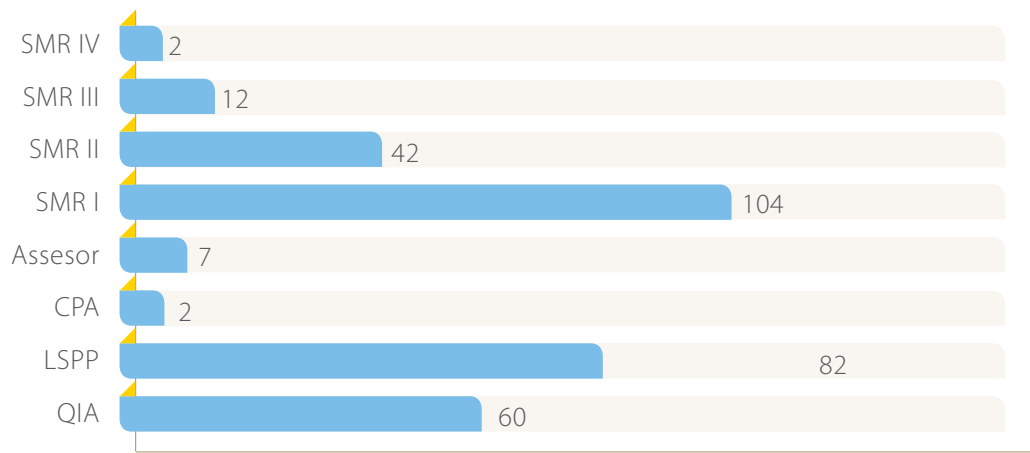
To meet the qualifications and competence requirements, Internal Audit always strive to provide continuing education for all Internal Audit personnel, including certified professional education (both nationally and internationally), attachment programs and training at home and abroad.

The qualifications for an internal auditor are as follows:

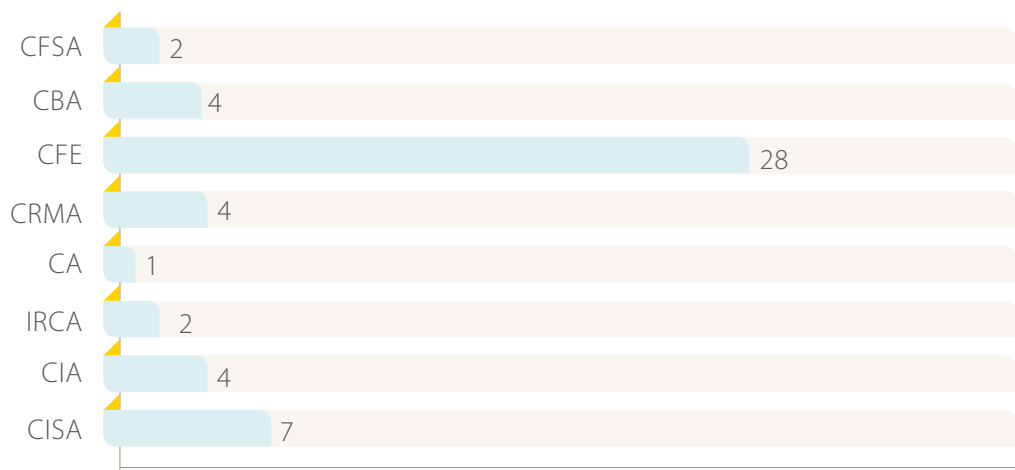
1. Has the integrity needed to build trust, which forms the basis for making reliable judgments.
2. Demonstrates a high level of objectivity in accordance with professional standards in gathering, evaluating, and communicating information about the activity or process being audited.
3. Makes balanced judgments by taking into account all the relevant circumstances and is not influenced by personal interests or the interests of others.
4. Respects the value and ownership of information and does not disclose such information without the authorization of the competent parties unless there is a legal or professional obligation to disclose such information.
5. Applies the knowledge, skills, and experience needed to carry out the audit duties.

In ensuring the employee development program is properly targeted and appropriate, in collaboration with Internal Audit, the Compliance Audit & Governance Academy (ACGA), Mandiri University has develop programs to increase the competencies of auditors in the long term with reference to the Internal Audit Capability Model (IACM). The IACM is a competency mapping method in particular positions so that competency gaps in Internal Audit can be filled. The employee development program is implemented using a variety of mechanisms, such as: e-learning, training, certification at the national and international levels, apprenticeships / attachments, and special projects and assignments. The success of the program is continuously monitored and measured.

Data on the certification of auditors in the Internal Audit Directorate up until the end of 2014 is as shown below (1 person has more than one certification):

**National Certification**

**Note:** SMR (Risk Management Certification), CPA (Certified Public Accountant), QIA (Qualified Internal Audit), LSPP / Lembaga Sertifikasi Profesi Perbankan (certifies auditor competencies for auditor up to assessor level).

**International Certification**

**Note:** CFSA (Certified Financial Services Auditor), CBA (Certified Bank Auditor), (Certified Fraud Examiner), CRMA (Certification on Risk Management Assurance), CA (Certified Accountant), IRCA (International Register of Certificated Auditor), CIA (Certified Internal Auditor), CISA (Certified Information System Auditor).

## SCOPE, DUTIES AND RESPONSIBILITIES OF INTERNAL AUDIT

The scope of Internal Audit's work covers all areas of operations in Bank Mandiri and its subsidiaries / affiliates (according to the applicable governance) for the purpose of determining the quality of internal control, the application of risk management, and the implementation of governance processes. Internal Audit helps the organization achieve its goals through the Internal Audit Activities (assurance and consulting) and Investigative Activities.

**Assurance**

To conduct testing objectively on evidence in order to provide independent assessment of internal control, risk management implementation, and governance process in the organization.

## Consulting

To render advisory service related to Client's activities which characteristic and scope are agreed with the Client and aimed at giving added value and improving internal control, risk management implementation, and governance process, without taking over any operational responsibility.

## Investigation

To collect evidence using investigation techniques with respect to result of initial analysis result of existing indications and/or frauds. The purpose of investigation is to find out the modus operandi, causes, potential losses, perpetrator and other parties involved. Investigation covers the obtaining of evidence and statements, report writing, testimony of findings and follow-up monitoring as may be deemed necessary.

## AUTHORITY OF IA

1. To conduct Internal Audit Activities for activities of all line units of Bank Mandiri and its subsidiaries/affiliates in accordance with the applicable governance.
2. To conduct direct communication with the Board of Directors, Board of Commissioners, and/or Audit Committee of Bank Mandiri and its subsidiaries/affiliates in accordance with the applicable governance.
3. To hold regular and incidental meetings with the Board of Directors, Board of Commissioners, and/or Audit Committee of Bank Mandiri and its subsidiaries/affiliates in accordance with the applicable governance.
4. To access all employees' information, records, and including, without limitation, their accounts/records and resources and other matters as may be deemed necessary relating to its duties and functions.
5. To conduct Investigation Activities for cases/issues in all aspects and components of activities indicated as fraud and violation of code of conduct.

## RESPONSIBILITIES OF IA

1. To plan and perform Internal Audit Activities with focus given on areas/activities with high risk and to evaluate existing procedure/control system to make sure that the purpose and objective of the Bank may be achieved optimally and continuously.
2. To investigate, report and recommend sanctions on fraud to the Management.
3. To develop and perform programs to evaluate and improve the quality of IA.

4. To be responsible for any recommendations given and to conduct monitoring of the follow-up to the results of Internal Audit Activities and Investigation Activities.
5. To cooperate with Audit Committee to anticipate any risks and events that may cause the Bank to incur loss.
6. To coordinate its activities with the external audit activities and with other assurance provider units/functions.

In relation to Subsidiaries, DIA is authorized to conduct audit and/or investigation activities to Subsidiaries through mechanism: request from the Board of Commissioners of relevant Subsidiary to the Internal Audit, resolution of GMS of relevant Subsidiary, or any other mechanism agreed upon by both parties. In addition to assurance service, DIA provides consulting service to Mandiri Sekuritas (Mansek), Bank Syariah Mandiri (BSM), and Mandiri Manajemen Investasi (MMI). Alliance and knowledge transfer with subsidiaries are also conducted by way of assignment of the SKAI head of the subsidiaries and preparation of Annual Audit Plan.

## 2014 AUDIT PLAN AND INTERNAL AUDIT REALIZATION

The year 2014 marked the end of a second stage of the Bank Mandiri transformation process. Every target was achieved, even exceeding the targets. Innovation, consistency and synergy of every unit were the key factors in achieving the Bank's aspiration of becoming the best and most admired financial institution. Through the theme "Empowering the Client in 2014," DIA implemented the internal control function through alliances, not only internally within DIA, but also involving the first line and second line of defense units. This was aimed at cultivating an awareness of internal control in accordance with the functions and authority of each unit.

In line with the continued transformation of the Bank based on the aspiration to be the best bank in ASEAN, DIA continues to innovate, using a more comprehensive audit approach that encompasses strategic coverage in order to provide value to the company.

In 2014, through the theme of "Towards 2014 Corporate Plan Accomplishment: More Empowerment - More Confidence," DIA intended to conclude the second transformation period by continuing to empower the first and second lines of defense, which are responsible



for the implementation of internal control in the business units, and build a solid alliance between both internal and external units.

The 2014 Annual Audit Plan (AAP) was prepared on a top down and bottom up basis, involving all levels of the DIA and other relevant units. In the preparation of the AAP, DIA used the results of an Enterprise Risk Assessment (ERA), which is a process of risk assessment that was conducted by Top Management in respect of the risks that would be faced by the Bank in 2014.

The preparation of the Annual Audit Plan (AAP) in 2014 used a risk based approach, which considered the following aspects:

1. The findings of the 2014 Enterprise Risk Assessment (ERA) conducted by the Board of Directors. Of the 15 risks assessed in the ERA, the top 7 risks were identified for audit coverage in 2014.

Type of Risk	Risk Ranking	
	2014	2013
IT Risk	1	1
Competitor Risk	2	2
Liquidity Risk	3	13
Reputation Risk	4	5
Strategic Risk	5	12
Credit Quality Risk	6	3
FX Risk	7	7
Fraud Risk	8	6
Credit Concentration Risk	9	11
People Risk	10	8
Legal Risk	11	15
Interest Rate Risk	12	4
Systemic Risk	13	9
Compliance Risk	14	14
Business Interruption Risk	15	10

Hasil Enterprise Risk Assessment (ERA) untuk view tahun 2014

2. The three main focuses of the Bank's business, namely: wholesale transaction, retail financing and retail payments.
3. Concerns of Bank Mandiri's Top Management, including the Bank's strategic initiatives in 2014, namely: liquidity, asset quality, revenue and human capital.
4. Input from all Directorates.
5. The results of the external and internal audits from the previous year -- 2013.

Taking into account the above, the 2014 audit plan was

drawn up, consisting of:

#### 1. 8 thematic audits and 157 assignments

A thematic audit is an audit on a specific theme and is conducted end to end. The audit results are more comprehensive and provide input / significant recommendations to management for improvement of business processes in the Bank.

#### 2. 11 mandatory audits with 22 assignment

A mandatory audit is an audit required by the regulators

#### 3. 12 routine audit assignments

A routine audit is an audit conducted on a business unit and / or particular transactions on a regular basis in addition to audits required by the regulator. The number of routine audits targeted in 2014 was lower compared to 2013 because in 2014 there were changes in the audit approach from the previous year, when it was more focused on things of a transactional and localized nature (confined to a particular business unit), to a audits of a more strategic and bankwide nature, or end-to-end, through the conducting of thematic audits.

#### 4. 80 special audits

A special audit is an audit conducted specifically on a particular issue.

All of the assignments that were thematic in nature were responses to the directions and expectation of the CEO that Internal Audit must focus on things that are strategic, preventive and emerging in nature.

The eight thematic audits that were conducted in 2014 were as follows:

1. Revitalization penetration of wholesale transaction to grow Low Cost Funds and Fee-based Income in a sustainable manner.
2. Strengthening retail payment and financing to increase market share.
3. Managing Liquidity & FX in the global and domestic crisis.
4. Strengthening the management of end-to-end lending.
5. Ensuring IT Business Delivery in a timely and effective manner based on a high level of availability.
6. Improving the effectiveness of information leak prevention.
7. Improving the comprehensiveness, reliability, and accuracy of the PMS (Performance Management System).
8. Improving the recruitment, development, retention and engagement of ODP (Officer Development Program) employees.

To ensure the deliverables from thematic audits were focused on strategic issues, DIA next identified the key activities and significant risks related to each thematic audit topic. The realization of audits in 2014 (compared with the plan) and the realization of audits in 2013 are as shown below:

2013				2014			
Type of Assignment	Target	Realization	Achievement (%)	Type of Assignment	Target	Realization	Achievement (%)
Routine	234	239	101,26	Routine	12	60	123,6
Mandatory	13	13		Mandatory	22	22	
Thematic	3	3		Thematic	157	158	
Special	68	67		Special	80	95	

In carrying out its duties and responsibilities associated with the External Auditor, DIA is responsible for coordinating activities with the external auditor. Through such coordination, it is expected to that comprehensive and optimal audit results will be achieved. Coordination is carried out through periodic meetings to discuss matters of importance to both parties. In addition, the DIA evaluates the performance of the external auditor, in particular, all aspects of the public accounting firm's work including the following aspects: understanding of the issues faced by the Bank, collaboration, communication, experience, expertise, and deliverables (output provided).

In addition to having responsibility for dealing with the external auditors, DIA also has other responsibilities, namely:

- 1) Corporate Social Responsibility (CSR)  
As part of Corporate Social Responsibility (CSR) and the Spirit for National Prosperity, DIA actively conducts knowledge transfer in terms of the internal management of audits, and in particular the application of risk-based audits, not only to its subsidiaries but also to other companies / organizations, including Bapertarum, FKSPI, Danareksa, PT Sarana Multi Infrastruktur, PT Wika, and also to the regulator, Bank Indonesia.
- 2) Anti-Fraud Strategy (SAF)  
Bank Mandiri applies an Anti-Fraud Strategy as part of the internal control system, in accordance with Bank Indonesia Circular No. 13/28 / DPNP dated December 9, 2011, concerning the Application of Anti-Fraud Strategies in Commercial Banks. The anti-fraud strategy represents a commitment on the part of the Bank's management to controlling fraud through a fraud control system that is part of the Bank's internal control system. Improvements to the SAF program, including as regards Pillar I "Prevention", pillar II "Detection", pillar III "Investigating, Reporting and Sanctions" and pillar IV "Monitoring, Evaluation and Follow-Up," are made on a continuing basis. The DIA, as the coordinator for the application of the Anti-Fraud Strategy, consistently monitors the its implementation, which is expected to consistently reduce the incidence of fraud.

### Whistle Blower Program: Letter to CEO (LTC)

As part of its Anti-Fraud Strategy, the Bank has established a whistleblower program known as "Letter to the CEO (LTC)," which is organized by the Risk Management Unit. As part of this program, DIA responds to letters received through the LTC program. In addition, DIA also helps disseminate information on the LTC program in conjunction with the audits carried out on site and encourages improvement programs, such as the expansion of LTC to third parties (vendors).

The development of the Bank's business continues apace and internal fraud has also increased, but its growth has been effectively controlled, as shown in the table below:

Type of Fraud	Number of Incidences	
	2013	2014
Internal	26	27
External	15	12
Internal dan External	8	13
Total	49	52

Handling of Internal Fraud in 2014	Number of Perpetrators and Other Employees Involved		
	Executives	Permanent Employees	Non-Permanent Employees
Total Number of Employees Involved in Fraud Cases	-	171	67
Number of Cases Resolved	-	152	32
Number of Cases being Internally resolved by Bank	-	19	35
Not Yet Responded to	-	-	-

A number of innovations have also been introduced by the DIA as part of its responsibility to oversee the Bank's growth, one of which was the development of digital forensics solutions in 2014.

Bank Mandiri has implemented Digital Forensics Solutions in order to improve its capability in handling the risk of fraud involving information technology. Digital Forensics Solutions is a best practice and its integrity has been recognized by the law enforcement authorities. Through the implementation of digital forensics solutions, the process of investigation and audit of information technology (IT) is rendered more effective, and ensures the implementation of a forensic approach in accordance with the applicable rules and integrity levels recognized by the law enforcement agencies.

## 2014 AUDIT FINDINGS

Bank Mandiri has followed up on the results of its Internal and External Audits.

The following table shows the status of follow-up on Internal Audit findings:

Number of Findings in respect of which follow-up was monitored	Completed (%)	In Process (%)
329	89%	11%

The following table shows the status of follow-up on External Audit findings:

External Auditor	Number of Findings in respect of which follow-up was monitored	Completed (%)	In Process (%)
Bank Indonesia	21	100%	0%
Financial Service Authority (OJK)	81	84%	16%
State Audit Board (BPK)	184	87%	13%
Public Accountant	19	63%	37%

In an effort to improve the effectiveness and efficiency of the audit process, the Internal Audit has implemented an Audit Management Information System (SIMA) to ensure the security of information assets of the Bank. It is becoming urgent to mitigate the risk of information leakage considering the role of internal audit as a provider of assurance in respect of information that is frequently confidential.

All audit stages are conducted through SIMA so that the review process can be done remotely. The process of documenting audits is reviewed on an ongoing basis by the Quality Assurance to ensure compliance and the quality of the audit process. SIMA can also be utilized as a knowledge center by auditors.

Internal Audit plans to develop SIMA as part of the development of the concept of risk-based auditing with the aim to facilitating the process of integration and collaboration between the audit function, the risk management units and compliance units so as to minimize duplication in the implementation of assurance functions.

## CHALLENGES ON THE ROAD TO MANDIRI 2020

The Internal Audit Roadmap has been prepared so as to help ensure the achievement of the New Horizon 2020 vision. The Roadmap consists of 4 phases: 1) Building Foundations: Improvement on Key IA practices, 2) Extending the Foundational IA Practices, 3) Increase Synergies and Sharing across the group resulting in exceptional IA quality, and 4) Creating long term value through sustained assurance.

With its long experience and a commitment to continuous learning, Internal Audit has the confidence needed to help realize the achievement of the Mandiri vision 2020.



2020



# new horizon

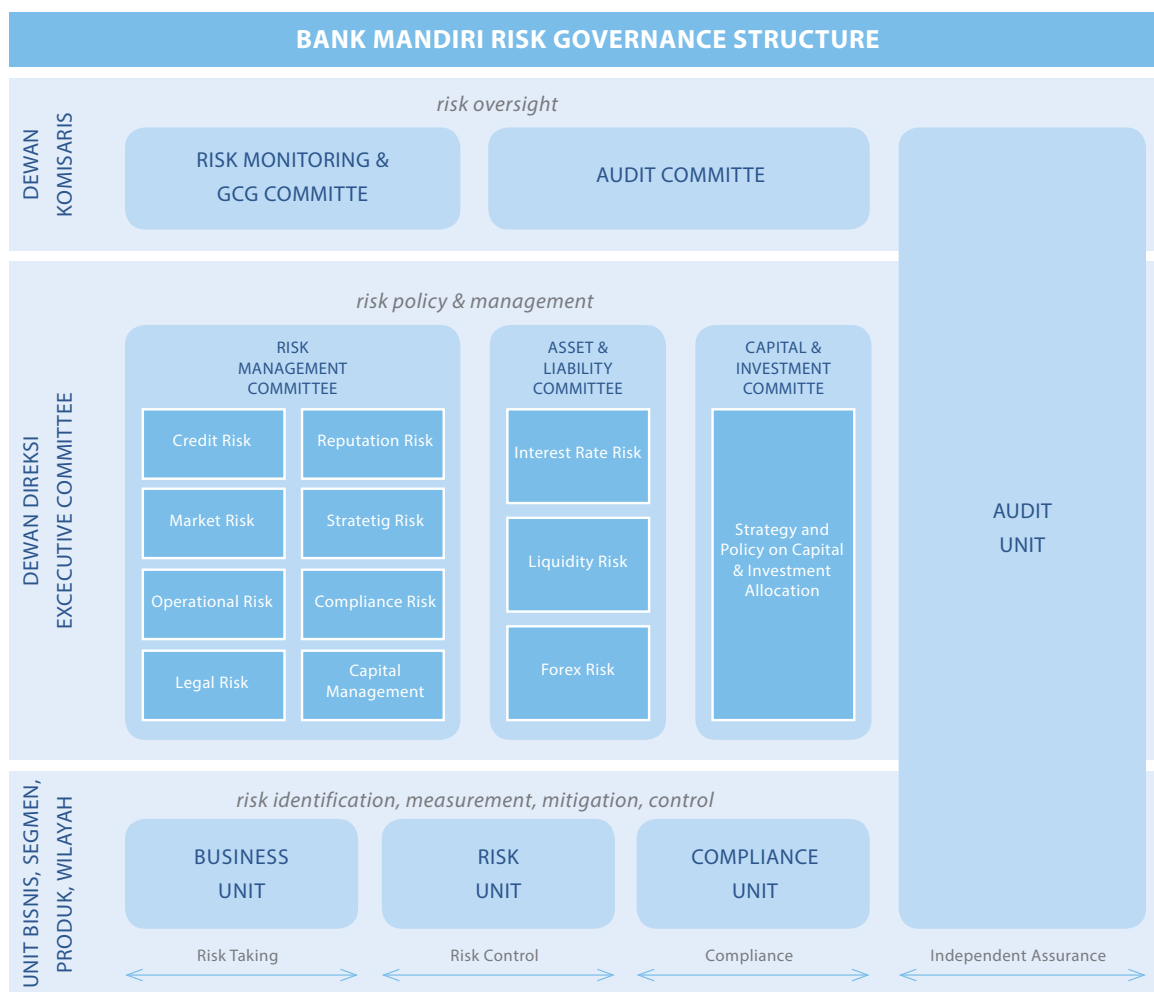




# risk management report

## OVERVIEW OF RISK MANAGEMENT SYSTEM

Risk management implementation is conducted by the guidelines of Bank Indonesia Regulation (PBI) concerning the Implementation of Risk Management for Commercial Banks No. 5/8/PBI/2003 dated 19 May 2003 as amended with PBI No. 11/25/PBI/2009 and Bank Indonesia Circular Letter No. 13/23/DPNP dated 25 October 2011 concerning the Amendment to Circular Letter No. 5/21/DPNP regarding the Implementation of Risk Management for Commercial Banks. The implementation was carried out through risk management framework and governance and using risk management processes, namely identification, measurement, monitoring and controlling of risk in all levels.



Bank Mandiri conducts proactive risk management principles to support sound and sustainable growth of the Bank, as well as maintaining the level of optimized risk-adjusted return. The risk management of Bank Mandiri thereby has a mission to create and implement a comprehensive approach to identify, mitigate, prioritize, manage, and monitor risks that have a direct impact on the business, operations and organization. The Bank also continues to find business opportunities to optimize risk-adjusted return and shareholder value. Bank Mandiri has developed policies in process, competency, accountability, reporting and supporting technology with the objective to support effective and efficient risk management implementation.

## OVERALL ORGANIZATIONAL STRUCTURE OF RISK MANAGEMENT

The risk management frameworks and organizations in Bank Mandiri consist of the Board of Commissioners in charge of the risk oversight function through the Risk Monitoring & Good Corporate Governance Committee, and the Audit Committee, the Board of Directors in charge of the risk policy function through Executive Committee related to risk management namely Risk Management Committee, Asset & Liability Committee, and Capital & Investment Committee. On operations, Risk Management line unit with the business and compliance line units are in charge of risk identification functions, risk measurement, risk mitigation and risk control.

Bearing in mind that the Bank's success is influenced by the direct risks that arise from its business operations and the indirect risks that arise from its subsidiaries business operations, the Bank ensures that compliance with prudential principles and good risk management are also applied in its subsidiaries.

Risk management in Bank Mandiri is aimed at maintaining the success of the Bank's model, supporting the decision-making process, optimizing the Bank's risk-return profile, enhancing the value of the Company and protecting the Company's reputation.

Bank Mandiri adopts risk management implementation

with an Enterprise Risk Management (ERM) approach, which consists of 4 building blocks, namely Organization & Human Resource, Policy & Procedure, System & Data, as well as Methodology/Model & Analytics.

## BANK MANDIRI'S ENTERPRISE RISK MANAGEMENT (ERM) SYSTEM

ERM is an integrated risk management system, linking strategic planning, risk appetite, business execution, risk assessment and performance evaluation in order to optimize business growth in accordance risk-adjusted returns and maximize shareholder value. ERM implementation also provides a vehicle for the implementation of Basel II and III in the Bank gradually in accordance with Bank Indonesia regulations.

With ERM, Bank Mandiri has the ability to accurately determine the capital required to cover risks in the Bank, ensure that capital is allocated to all business lines efficiently and rationally, and to identify opportunities for portfolio diversification and optimization.

ERM also provide a common language for the whole unit so as to minimize the "silos" between work units and to improve the relationship between the functions of risk management and internal control, including in all subsidiaries. In addition, ERM contributes to improving transparency and accountability in the management of the business and risk.

ERM implementation in the Bank Mandiri system in a comprehensive scale marks the first time this has been done in Indonesia. The successful implementation of ERM by Bank Mandiri has also recognized internationally, including by The Asian Banker through its Asian Banker Risk Management Award 2013 in the Enterprise Risk Management Project category.

The application of risk management in Bank Mandiri through the ERM framework uses a two-prong approach, namely, risk management through capital and risk management through operations. In this way, it is expected to achieve hierarchical risk management in the overall management of the business. The four principal components supporting the application of this approach are Organization & Human Resources, Policies & Procedures, Systems & Data, and Methodology / Models & Analytics.



## 1. Organization & Human Resources

Bank Mandiri's Risk Management Unit is responsible for managing the risks faced by the Bank, including developing the support tools needed by business processes and risk management. In addition, there is a line unit that acts as the risk counterpart for business units based on the "four-eyes" lending process.

Essential to the successful implementation of the risk management function are risk awareness and sufficient technical capabilities on the part of all line units in Bank Mandiri. This is the common responsibility of, and involves all units in, Bank Mandiri. Consequently, regular internal training is provided through the Governance, Risk & Compliance (GRC) Academy, both for the staff of the Directorate of Risk Management as well as other Directorates. In addition, every year the Bank organizes risk management information campaigns, discussion forums, internships, and programs that are consistent with the internalization of the Bank Mandiri corporate culture.

## 2. Policies & Procedures

Bank Mandiri has adopted the Bank Mandiri Risk Management Policies (KMRBM) to serve as the principal guidelines for the application of risk management. At the more specific level, the Bank has adopted separate policies and procedures, for example, specific policies and procedures for credit, treasury, and operations. All the policies and procedures that have been adopted by Bank Mandiri in this respect are based on hierarchical risk management in all of the Bank's operations. The policies and procedures are reviewed and updated at least once a year.

The application of risk management in Bank Mandiri involves optimizing the use of business judgment along with an analysis of historical conditions with the aim of applying hierarchical risk management processes to our business.

## 3. System & Data

The risk management system has been developed to support greater efficiency in business processes so as to speed up the decision-making process while at the same time adhering to prudential principles. In order to maintain the integrity and quality of data, Bank Mandiri has established an Integrated Processing System and Loan Origination System which is designed to improve the efficiency of the lending process and maintain data quality in the corporate, commercial and retail segments. The system also includes an Integrated Collection System to improve collection productivity, particularly in the consumer and retail segments. For treasury and asset & liability management, Bank Mandiri uses the Summit System and the Sendero System to manage its trading book and banking book risks. So as to provide an accurate overview of the Bank's risk profile as parent company and its risk profile as consolidated and integrated with its subsidiaries, Bank Mandiri has established the Bank Mandiri Risk Profile System (RPX), which is a web-based system that is designed to accelerate access and simplify control.

To integrate risk management on a bankwide basis, Bank Mandiri has adopted the ERM system so as to facilitate the holistic monitoring of risk management, including calculating the capital needed to cover all types of risk. The ERM system has the capacity to calculate capital charges (using the Standardized



Approach and Advanced Approach), and to apply operational risk management tools, active portfolio management, stress testing and value-based management.

#### 4. Methodology / Model & Analytics

Bank Mandiri consistently conducts risk assessment based on international best practices using both the quantitative and qualitative modeling approaches through the development of risk models such as rating, scoring, value at risk (VaR), portfolio management, stress testing and other models so as to support judgmental decision making. The Bank's risk models are regularly recalibrated and validated by the independent Risk Model Validator Unit, whose function is to maintain the reliability and validity of models and ensure that they satisfy the regulatory requirements.

In order to align the application of Basel II and ERP with the Basel regulations and best practice, the Bank has been assisted by one of the leading consultants in the field of risk management with the adoption and implementation of the Basel II framework and ERM. The implementation of Basel II and ERM in Bank Mandiri covers Credit Risk, Market Risk, Liquidity Risk, Interest Rate Risk in the Banking Book Position, Operational Risk, Capital Management and the Internal Capital Adequacy Assessment Process (ICAAP).

The coverage of the implementation of the Basel II framework for credit risk includes improvements in the development of Basel II risk parameters as part of the preparations for the application of the Internal Ratings-Based Approach (PD, LGD, EAD). For Market Risk, implementation includes improvements to the implementation of the front office model, and the validation of the front office model and market risk measurement model. As regards Liquidity Risk and Interest Rate Risk, the process of Basel II and ERM implementation includes the development of liquidity limits, intergroup liquidity risk management, liquidity stress testing, and the development of a management framework for interest rate risk in the banking book. Implementation in relation to operational risks stresses the development of an Operational Risk Framework and Operational Risk Governance (ORM) and the development of related models in accordance with Advanced Measurement Approaches (AMA). In the area of managing Bank Mandiri's

capital, improvements have been made to the Economic Capital model, and the Portfolio Optimization and Capital Optimization frameworks. With regard to ICAAP, the Bank has developed the application of ICAAP so as to cover, among other things, the preparation of risk appetite statements, the development of a comprehensive risk assessment, the application of stress testing, capital planning, and synchronization with relevant regulations such as Risk-Based Bank Rating (RBBR).

## RISK MANAGEMENT APPLICATION

The risk management and internal control of Bank Mandiri are implemented in all lines (3 layers of defense) and in all levels, as follows:

1. Active Supervision of the Boards of Commissioners and Directors
  - a. The Boards of Commissioners and Directors understood the risks that are faced by the Bank and has provided clear direction, carried out active supervision and mitigation, as well as developed the Risk Management culture in the Bank.
  - b. The Directors established the organization structure that clearly reflected the limits of authority, responsibility and functions, as well as independency between business units and line units of bank risk management.
  - c. The Board of Commissioners holds the responsibility in the approval and periodical observation of the risk strategy and policy that covers the Bank tolerance levels toward risk, the cyclic trends of domestic and international economy, as well as the design for long-term requirements.
  - d. The Directors are responsible in implementing the risk strategy and policy, by clearly outlining and communicating of risk strategy policy, monitoring and controlling risks and evaluating of the implementation of policy and strategy.
  - e. The Directors monitor the internal and external conditions, to ensure the execution of the Bank strategy has taken into account the risk impacts

and to ensure that the line units in the Bank have the authority and responsibility that supports the formulation and monitoring of strategy implementation, including the corporate plan and business plan.

- f. The Directors established the procedure of adequate review on the accuracy of risk assessment methodology, risk management information system implementation adequacy, as well as risk limit and procedure policy.
2. The Adequacy of Policy, Limits Determination and Procedure
    - a. The implementation of Risk Management in Bank Mandiri is supported by the framework covering the Risk Management policies and procedures, and limits the risks, as clearly defined by the vision, mission and the Bank business strategy.
    - b. The Bank has written policies and procedures that comply with the principles of transparency, improving the quality of customer service & obligations to stakeholders and the policy must be in accordance with the legislation in force.
    - c. The Bank risk management policy is developed in accordance with the Bank mission, business strategy, capital adequacy, HR capability, and risk appetite.
    - d. The Bank conducts evaluation and renews its risk management policies by taking into the development of internal and external conditions.
    - e. Determination of risk limits has been adequate, including limit per product/transaction, per risk types and per functional activity, and the adequacy of monitoring procedures on a regular basis.
  3. The adequacy of the process Identification, Measurement, Monitoring of risk and controlling risk as well as the Risk Management Information System
    - a. The Bank conducts accurate risk identification and measurement process on every product or transaction deemed to be with risk.
    - b. Risk identification is proactive, covers all business activities of the Bank and is conducted to analyze the sources and the possibility of the incidence of risk and its impact.
    - c. The Bank already has adequate risk exposure monitoring systems, including the existence of independent functions to routinely monitor

the risk exposure, provide accurate and timely information and feedback and follow-up on repairing and refinement.

- d. The Bank developed the management information system that tailored to the characteristic, activities and complexities of the Bank business activities.
4. A comprehensive Internal Control System
    - a. The Bank implements internal control systems into Bank Risk Management application with reference to the established policies and procedures.
    - b. The determination of authority and responsibility on the compliance monitoring in line with the policies, procedures and limits.
    - c. The determination on line reporting and clear separation of functions from operational line units and line units controlling functions.
    - d. Sufficient procedures to ensure the Bank compliance toward prevailing laws.
    - e. The Bank conducts an effective, independent, and objective review of the policies, framework and Bank operations which frequency/intensity of these procedures can be judged, based on the Bank Risk exposures, market movements, measurement methods, and Risk management.
    - f. Internal Audit line unit conducts the audit on a regular basis with adequate coverage, documenting the audit findings and the management feedbacks on audit results, and reviewing the follow-up on audit findings.

A comprehensive description of risk factors and efforts to manage each risk may be referred to in Overview of Support for Company's Business, Risk Management section.

## TYPES OF RISK AND THEIR MANAGEMENT DURING 2014

Bank Mandiri focuses its risk management on eight categories of risk as stipulated by Bank Indonesia, namely credit risk, market risk, liquidity risk, operations risk, strategic risk, reputational risk, legal risk, and compliance risk. Furthermore, the Bank also conducts management for

other risks, such as information technology risk.

In tandem with the slowdown in the global economy, the rise in fuel prices and the change in government, Indonesia continued to face volatile economic challenges in 2014. Bank Mandiri conducted proactive and anticipatory risk management including through stress testing and the preparation of contingency plans, and the continued operation of the Business Command Center as an integrated crisis management center.

Bank Mandiri's management of the 8 risk areas described above is as follows:

### 1. Credit Risk

With reference to Bank Indonesia regulation, credit risk is defined as follows:

"Credit Risk is the Risk arising from default by a debtor and/or counterparty in meeting its obligations to the Bank" (11/25/PBI/2009).

Bank Mandiri maintains an integrated credit process and credit risk management by Business Unit, Credit Operation Unit, and Credit Risk Management Unit. The process is supported by an integrated system and applied in an end-to-end manner.

### 2. Market Risk

With reference to Bank Indonesia regulation, market risk is defined as follows:

"Market Risk is the Risk on the balance sheet and off balance sheet position including the derivative transactions due to the overall changes of the market condition, including the option price Risk changes" (11/25/PBI/2009).

The market risk management of Bank Mandiri includes trading book, banking book, exchange rate, and pricing management as described below:

#### a. Market Risk – Trading Book

The trading book's market risk was attributable

to changes in market factors (interest rate and exchange rate) on the trading portfolio of the Bank in the form of treasury trading activity including cash instruments and derivative instruments.

In the implementation of trading market risk management with consideration of GCG, Bank Mandiri applies principle of segregation of duties by separating front office units (executing trading transactions), middle-office units (implementing risk management processes, developing policies and procedures) and back office unit (executing the transaction settlement process).

The level of risk exposure of trading activities of the Bank is measured using Value at Risk (VaR) method. The market risk control is conducted by specifying the VaR Limit and sensitivity limit daily monitored by market risk management line unit.

#### b. Market Risk – Banking Book

The banking book's market risk is attributable to, interest rate and exchange rate fluctuations on banking book activity which could affect the Bank's profitability as well as the economic value of the Bank's capital.

Bank Mandiri performs controls over the Banking book's market risk by setting a limit which refers to the regulator's requirements and the internal policies, and utilizing the repricing gap and performing sensitivity analysis to obtain the projected Net Interest Income (NII) and Economic Value of Equity (EVE).

As the implementation of prudential principles, the calculation is monitored on a weekly and monthly basis by the market risk management unit and measures should be taken if the limits are exceeded due to the occurrence of the following risk sources:

#### Sources of Banking Book Interest Risks

Repricing risk	Repricing risk – repricing mismatch between assets and liabilities
Basis risk	Use of different reference interest rates
Yield curve risk	Changes in shape and slope of yield curve
Option risk	Repayment of loans / redemption of deposits before maturity

c. Market Risk – Exchange Rate

Exchange rate risk is attributable to unfavorable exchange rate movements in the market when the Bank has an open position.

The Bank applies a proper exchange rate risk identification on assets, derivative transactions and other financial instruments with exchange rate risk in certain functional activities or Bank activities as a whole.

The Bank conducts the exchange rate risk measurement using Gap Analysis method. In gap analysis, the Net Open Position (NOP) namely net difference between foreign exchange assets or receivables and foreign exchange liabilities or payables, plus net difference between receivables and payables which are the off balance sheet commitment or contingency for each foreign exchange rate in Rupiah.

d. Pricing Management

As part of the interest rate risk management, the Bank applies a pricing policy for loans and deposit products as one of the Bank's strategies to maximize Net Interest Margin (NIM) and simultaneously support the Bank to achieve revenue and market share in the competitive market.

In the pricing management, the Bank implements risk-based pricing to customers, which varies according to the level of credit risk. In order to minimize interest rate risk, the lending interest rate is adjusted with the interest rate from the cost of funds.

Other than cost of funds, lending interest rates are determined by considering overhead costs, credit risk premiums and profit margins as well as taking into account the Bank's competitiveness with its major competitors. Lending rates can be either be floating or fixed rates.

**3. Liquidity Risk**

With reference to Bank Indonesia regulation, liquidity

risk is defined as follows:

"Liquidity Risk is the Risk which is caused by Bank's inability to meet its obligation from cash flow funding sources and/or the high quality liquid asset which can be pledged, without disturbing the activity and financial condition of the Bank" (11/25/PBI/2009).

The Bank's liquidity is influenced by the funding structure, asset liquidity, liabilities to counterparty and loan commitment to debtors. Bank Mandiri measures the liquidity ratio using 2 (two) ratio approaches, namely Nominal Stock Based and Flow Based.

Nominal Stock Based is a measurement method that uses various financial ratios as an indicator of the level of liquidity risk, while the Flow Based method of measurement by uses Liquidity Gap Analysis.

Some of the ratios used to measure the level of liquidity risk include the Primary Reserve Ratio (Ratio of Statutory Minimum Demand Deposit and Cash to DPK), Secondary Reserve Ratio (liquidity reserves), and the loan to deposit ratio (LDR). LDR is used to see how much funding comes from depositor funds (usually short term) which are used to finance illiquid assets (loans). The higher the LDR, the higher the liquidity risk. The level of LDR is determined in accordance with BI regulations, in particular, those on Bank soundness and GWM-LDR provisions.

The liquidity gap analysis methodology is used to project future cash inflows and outflows. The liquidity gap indicates the condition of the Bank's liquidity and whether there is a liquidity surplus (positive liquidity gap) or liquidity deficit (negative liquidity gap). The projection of the liquidity condition will determine the strategies to be implemented by the Bank, such as the placement of funds strategy, funding strategies and liquidity-related strategies such as funds pricing strategy. The liquidity gap is made on the basis of a maturity mismatch between assets and liabilities (including off-balance sheet), which is compiled based upon a period of time (time bucket) based on contractual maturity or behavioral maturity for instruments that do not have a maturity date, as savings and demand deposits.

#### 4. Operational Risk

With reference to Bank Indonesia regulation, operational risk is defined as follows:

"Operational Risk is the Risk which is caused by the inadequacy and/or non-functioning internal process, human error, system failure, and/or external events which influence Bank's operational" (11/25/PBI/2009).

The operational risk management is intended to reduce losses due to non-functioning internal process, human error, system failure, or external factors which influence Bank's operation. The Bank conducts effective operational risk management to reduce losses due to operational risk.

Frameworks for Operational Risk Management (ORM) are based on Bank Indonesia regulations and Basel II and the provisions of the Bank's internal regulations. At this time, the Bank has an ORM risk management policy namely Mandiri Risk Management Policy (KMRBM), and Standard Operating Procedures (SOPs), which contains technical operational risk management in terms of governance, procedure and reporting systems aspects. The Bank also establishes procedures for risk management and mitigation steps on New Products and Activities (PAB) namely SPO PAB containing assessment methodologies on 8 (eight) types of risk.

#### 5. Legal Risk

With reference to Bank Indonesia regulation, legal risk is defined as follows:

"Legal Risk is Risk that happened because of legal claim and/or weakness of jurisdiction aspect" (source: 11/25/PBI/2009)

Legal risk may happen in all transaction aspects of Bank Mandiri, including contracts executed with the customers and other parties and may have impact on other risks such as compliance risk, market risk, reputational risk and liquidity risk.

#### 6. Strategic Risk

With reference to Bank Indonesia regulation, strategic risk is defined as follows:

"Strategic Risk is Risk because of imprecision in taking

and/or executing a strategic decision as well as failure in anticipating business environment change" (source: 11/25/PBI/2009)

#### 7. Compliance Risk

With reference to Bank Indonesia regulation, compliance risk is defined as follows:

"Compliance Risk is the Risk when Bank does not obey and/or implement the relevant rules and regulation" (source: 11/25/PBI/2009).

In practice, the Bank's business activities relate to various prevailing laws and regulations, such as credit risk related to provisions on Capital Adequacy Ratio (KPM), Productive Assets Quality, Provision to Productive Assets (PPAP), Legal Lending Limit (BMPK), market risk related to provisions on Net Open Position (PDN), strategic risk related to provision on Bank's Annual Work Plan and Budget (RKAT), and other risks related to certain provisions.

Since there are numerous related provisions, the compliance risk management is conducted continuously to improve the compliance culture in all business activities and organizational levels of the bank and to mitigate any potential compliance risk.

#### 8. Reputational risk

With reference to Bank Indonesia regulation, reputational risk is defined as follows:

"Reputational risk is the Risk which is caused by the decrease of the stakeholder trust level that is caused by negative perception towards the Bank" (source: 11/25/PBI/2009)

The scope of reputational risk is quite broad and is not limited only to the reputation of a bank, but it may trigger another risk and affect the performance of banking sector as a whole. The risk event may occur in one bank whose risk control is not sufficient. However, the reputation of each product or sector may affect the banking industry as a whole.

While a particular risk may be confined to one bank that lacks adequate risk management, the undermining of its products' reputation could affect other banks and the entire banking industry.

## Bank Mandiri Risk and Performance Profiles in 2014

Profil Kinerja & Risiko	
Good quality lending growth	<p>Lending growth of 13.98% (YoY) with NPL maintained at 1.67% (Bank only)</p> <p>Diversified loan portfolio with application of policy limits (industry and borrower limits). During 2014, exposures to the mining, commodities and textile sectors, and sectors that are susceptible to depreciation of the Rupiah (high import content) were closely monitored and expansion conducted selectively.</p>
Strong liquidity and market access	<p>Good liquidity supported business operations with LDR of 82.02%.</p> <p>Good access to funding having regard to the quality, reliability, and pricing of funds in crisis conditions (liquidity contingency plan) in the form of Interbank Repo, Repo to Bank, Lending Facilities, Swaps, and Collateralized Funding.</p>
Reliable risk management application	<p>Active supervision by Board of Commissioners and Board of Directors.</p> <p>Risk management policies prepared in accordance with the mission, business strategies, capital adequacy, human resources capacity and risk appetite of the Bank.</p> <p>Ensuring compliance with both internal and external regulations.</p>
Trustworthy application of Good Corporate Governance	<p>Recognition and awards from party independent third parties for quality of Good Corporate Governance (GCG), including the Corporate Governance Perception Index Indonesia.</p>

Bank Mandiri conducted a bank-wide integrated evaluation of the risks being faced. Several uncertainties faced by Bank Mandiri and the mitigation steps taken during 2014 are as follows:

Uncertainty	Description	Mitigation
Credit Concentration	Overexposure to one individual or entity, a related entity group, a geographical region, certain products and the like with common systematic criteria, with a potential of highly material loss	<ul style="list-style-type: none"> <li>Use a tool called Portfolio Guidance on all credit risk management stage</li> <li>Limit exposure by limit policy (industrial limit and debtor limit)</li> </ul>
Business process complexity and wide network coverage	Business process complexity and wide network coverage	<ul style="list-style-type: none"> <li>Implement enterprise risk management</li> <li>Perform gradual and sustainable risk management consolidation with subsidiaries</li> </ul>
Internal & eksternal fraud	Deliberate acts of deviation and omission to deceive, defraud, or manipulate the Bank, customers or other parties, which occur in the Bank domain and/or use Bank facilities thus causing the Bank, customers or other parties to suffer a loss and/or the fraud perpetrators to obtain direct or indirect financial benefits	<ul style="list-style-type: none"> <li>Operational risk management by all work units.</li> <li>Increase risk awareness through a series of publication programs including the "NO Surprise" program to all work units</li> <li>Operational risk management implementation which is periodically monitored by operational risk management forum in central and regional offices</li> <li>Implement due diligence and risk management process to customers by referring to regulations of Bank Indonesia and based on risk-based approach principles</li> </ul>

Global crisis and economic growth slowdown	European sovereign debt crisis has caused economic growth slowdown and financial market volatility. Economic growth slowdowns in China and India threaten commodity demand.  Significant increase in BI key reference rate to reduce financial market volatility due to stimulus tapering off by the Federal Reserve.	<ul style="list-style-type: none"> <li>• Perform regular and comprehensive stress testing, and prepare a contingency plan</li> <li>• Operate Business Command Center as an integrated crisis management center</li> <li>• Close monitoring to industrial sectors with strong crisis and recession potentials, including mining, commodity and textile</li> <li>• Develop special watch list tools for coal mining and oil palm plantation sectors to monitor debtors in the two sectors</li> </ul>
National Economic Slowdown	Oil fuel price adjustment which supports higher inflation and interest rates	<ul style="list-style-type: none"> <li>• Perform active portfolio management to obtain credit portfolio in prospective sectors</li> </ul>
Bank Liquidity	Financial market volatility caused tighter banking liquidity, thus increasing market interest rates and competition to obtain funds	<ul style="list-style-type: none"> <li>• Proactive and prudent liquid assets management and increasing market access</li> </ul>
Changes in regulator and government regulations	Changes in regulations by regulator which increase the Bank's exposure	<ul style="list-style-type: none"> <li>• Adjust the risk portfolio or exposure for the Bank thus reducing the impact of changes in regulator/ government regulations, including by Bank portfolio diversification, higher capital and the like</li> </ul>
Greater competition in banking industry	Better economic conditions support higher competition in banking industry, including in interest rate pricing and credit processing time	<ul style="list-style-type: none"> <li>• Implement market leader strategy in funding pricing</li> <li>• Implement risk-based pricing, which is different credit interest rates based on credit risk level</li> <li>• Develop cash flow-based lending method/ approach for financing distributor</li> <li>• Implement new credit process for credit with a limit from IDR200 million to IDR500 million</li> </ul>

## EVALUATION OF EFFECTIVENESS OF RISK MANAGEMENT SYSTEM

To determine the effectiveness of the Risk Management System and its implementation, evaluation and reviews are conducted both internally and externally. Internally, the Risk Monitoring and Corporate Governance Committee (KPR & GCG) and the Audit Committee have the duty and responsibility to conduct studies and evaluations of policies and implementation of risk management, as well as provide input and recommendations to the Board of Commissioners as part of the carrying out of oversight functions. Internal audit, on a regular basis, reviews and audits the implementation of risk management based on the principle of risk-based auditing, with the aim not only to ensure internal control, but also to continuously improve risk management.

Externally, the evaluation of risk management is performed by the external auditor and Bank Indonesia auditors. In 2014, the Bank worked closely with international external consultants to carry out the implementation of Basel II and Enterprise Risk Management (ERM) in the Bank.



# external auditors

In conducting its operations, Bank Mandiri is supervised by Bank Indonesia and the Financial Services Authority (OJK). In addition, aspects related to the state finances are audited by the State Audit Board, while the presentation of the Company's financial statements are attested by a Public Accountant's Firm.

## APPOINTMENT OF EXTERNAL AUDITOR

The firm of Tanudiredja, Wibisana & Rekan was appointed by Bank Mandiri to audit its financial statements for 2014 in accordance with the resolution of the AGM on 27 February 2014. The appointment was made in accordance with Bank Indonesia, OJK and other relevant regulations.

The appointment was made after verification that the External / Independent Auditor complies with the principles of professional ethics, which include:

1. professional responsibility;
2. Public interest;
3. Integrity;
4. Objectivity;
5. Professional competence and care;
6. Confidentiality;
7. Professional Conduct;
8. Technical standards.

The process of appointing the external auditor was as follows:

1. The Board of Commissioners submitted a request to the Board of Directors to conduct pitching of Public Accountant Firm for audit of 2014 financial statements.
2. Bank Mandiri held a procurement process to select Public Account Firm, started with the establishment of Procurement Team of Public Accountant Firm in relation to the procurement of 2014 financial statements audit service and ended with evaluation of technical and financial aspects of the proposals submitted by the Bidders.
3. The Board of Directors submitted the result of evaluation of technical and financial aspects of the proposals submitted by Bidders to the Audit Committee.
4. The Audit Committee gave recommendation on the appointment of Public Accountant Office that would audit the 2014 financial statements to the Board of Commissioners for presentation at AGM.
5. The Board of Commissioners proposed to the AGM the Public Accountant Firm that would audit the 2013 financial statements.
6. The AGM held on 27 February 2014 resolved:
  - a. To appoint KAP Tanudiredja, Wibisana & Rekan as the Public Accountant Firm that would audit the 2014 financial statements
  - b. To confer power upon the Board of Commissioners to determine the fee and other requirements for the selected Public Accountant Firm.
7. Bank Mandiri delivered Notice to Bidders regarding the results of AGM.



## CONDUCT OF AUDIT

In the conducting of external audits, Bank Mandiri always strives to improve communication with the public accounting firm, with the Directorate of Internal Audit being responsible for coordinating its activities with the activities of the External Auditor. Through this coordination, is expected that comprehensive and optimal audit results can be achieved. Coordination is effected through regular meetings to discuss matters of importance to both sides. In addition, the Directorate of Internal Audit assists the Audit Committee evaluate the performance of the External Auditor, covering such aspects as the External Auditor's understanding of the issues faced by the Bank, collaboration, communication, experience, expertise and output.

## PUBLIC ACCOUNTANT'S FIRMS AND AUDIT PERIODS

The following Public Accountant's Firms have audited Bank Mandiri's Financial Statements between 2009 and 2014.

Financial Year	Name of Public Accountant's Firm	Number of Periods per Firm	Accountant	Accounting Period
2009	Haryanto Sahari & Rekan (Price water house Coopers)	1	Drs. Haryanto Sahari, CPA	3
2010	Tanudiredja, Wibisana & Rekan (PwC)	5	Drs. Haryanto Sahari, CPA	
2011	Tanudiredja, Wibisana & Rekan (PwC)		Drs. Haryanto Sahari, CPA	
2012	Tanudiredja, Wibisana & Rekan (PwC)		Lucy Luciana Suhenda, SE, AK, CPA	1
2013	Tanudiredja, Wibisana & Rekan (PwC)	2	Drs. Haryanto Sahari, CPA	2
2014	Tanudiredja, Wibisana & Rekan (PwC)		Drs. Haryanto Sahari, CPA	

## AUDIT FEE

The amount of fee for the External Auditor, Tanudiredja, Wibisana & Rekan, for the 2014 financial year was Rp8.3 billion, inclusive of other attestation service fees.

## OTHER SERVICES PROVIDED

Other services in addition to the auditing of the annual financial statements included jointly agreed evaluation of the reliability of the reporting system to Bank Indonesia, PSA 62 audit, the security of the scripless securities recording system, custodian service, evaluation of Bank Mandiri's performance, and evaluation of the PKBL's performance.

## corporate secretary



The Corporate Secretary has a mission namely to determine, develop, direct and prepare strategies for the implementation of Corporate Communication, Good Corporate Governance and secretariat administration in order to support the achievement of Bank Mandiri vision and mission with due observance to the principles of Code of Conducts and values.

The Corporate Secretary facilitates effective communications and ensures information availability for interested parties and acts as the main liaison between the Bank, Financial Services Authority, Indonesia Stock Exchange and the public.

The regulations that serve as references in the establishment of a Corporate Secretary's Office and the performance of its duties include the following:

1. Decision of the Chairman of Bapepam IX.1.4 No. Kep-63 / PM / 1996 on the Establishment of the Office of Corporate Secretary.
2. Regulation of the Minister of State Enterprises No. PER-01 / MBU / 2011 on the Implementation of Good Corporate Governance (GCG) in State-Owned Enterprises, as amended by PER-09 / MBU / 2012.

### CORPORATE SECRETARY PROFILE

Bank Mandiri experienced a change in its Corporate Secretary function in 2014, with the details being as follows:

1. Until 1 October 2014, the Corporate Secretary was Mr. Nixon L.P. Napitupulu; and

2. After 1 October 2014, the Corporate Secretary was Mr. Rohan Hafas.

The said changed was notified by the Company on 2 October 2014 in two national newspapers, namely, Bisnis Indonesia and Media Indonesia.

The announcement in the newspapers was as follows:

**mandiri**

**PEMBERITAHUAN**

Pursuant to Bapepam-LK Regulation No. X.K.1 on prompt information disclosure to the public and Indonesia Stock Exchange Regulation No. I-E, dated 19 July 2004, on the obligation to present information, we hereby give notice that the Board of Directors of the Company has appointed Mr. Rohan Hafas as the new Corporate Secretary, replacing the previous incumbent counting from the date of handover of office on Wednesday, 1 October 2014.

seran terima jabatan pada hari Rabu, tanggal 1 Oktober 2014.

**Jakarta, 2 Oktober 2014**  
**PT Bank Mandiri (Persero) Tbk.**  
**Direksi**

**mandiri call 14000** Terdepan, Terpercaya. Tumbuh bersama Anda.

Here are brief profiles of both Mr. Nixon L.P. Napitupulu and Mr. Rohan Hafas:



**Nixon L. Napitupulu**  
(Januari-October)

Indonesian Citizen, 45, Nixon L.P. Napitupulu earned his bachelor's degree from Universitas Sumatera Utara (USU) in 1994.

He started his career in Bank Ekspor Impor Indonesia (BankExim) in 1996. During his career, he served as Department Head of Performance Management System – Strategy & Performance Group, Department Head of PMS Production & Development – Strategy & Performance Group, SBU Decision Support – Corporate BK Head - Strategy & Performance Group, Group Head of Micro Network Development Group, Group Head of Strategy & Performance Group. From 16 January 2013 to 1 October 2014, Nixon L.P. Napitupulu served as Group Head Corporate Secretary of PT Bank Mandiri (Persero) Tbk.



**ROHAN HAFAS**  
(October - December)

Indonesian citizen, 53, Rohan Hafas earned his bachelor's degree from the University of Indonesia (UI) in 1987.

He began his career at Bank Susila Bakti in 1987 as Assistant Manager. During the course of his career, he served as Team Leader Communication Division, Group Head of Communication Division and Division Head of Communication Division at the Indonesian Bank Restructuring Agency (IBRA) and as Corporate Secretary Division Head at PT. Bank Mutiara Tbk. On October 1, 2014, Rohan Hafas was appointed as Group Head Corporate Secretary of PT Bank Mandiri (Persero) Tbk.

## CORPORATE SECRETARY WORK GUIDELINES

In performing its duties, the functions of Corporate Secretary are carried out by the Corporate Secretary Group, which carries out its functions, duties and responsibilities in accordance with Financial Services Authority Regulation No. 35 / POJK / 2014.

### Duties and Responsibilities of Corporate Secretary

The Corporate Secretary has the following duties and responsibilities:

1. The Company's Compliance with respect to capital market:
  - a. To direct the administration of a GMS for its proper performance
  - b. To decide the internal and external materials relating to the administration of GMS to ensure the compliance of such materials with the prevailing regulations
  - c. To direct the internal coordination relating to compliance aspect of the capital market and to review the capital market regulations and their impact on the Company in order to have awareness of the Company's compliance with
- such regulation.
2. The Company's Reputation in Eyes of Public & Media
  - a. To determine the strategy for the implementation of corporate communication program for general, media, and internal public in order to maintain the Company's goods reputation in the opinion of Stakeholders.
  - b. To direct the corporate communication program for general, media, and internal public in order to maintain the Company's goods reputation in the opinion of Stakeholders.
3. Publication Materials
  - a. To set implementation strategy of the Company's non-media publication for non-financial public, investors and financial community in order to maintain the Company's goods reputation and market expectation.
  - b. To set implementation strategy of the Company's mass media advertisement related to financial and non-financial aspects in order to maintain the Company's goods reputation and market expectation.
  - c. To direct the management of Bank Mandiri website content in order to ensure completeness and accessibility of data.

#### 4. Internal Communication

- a. To determine and evaluate the implementation process of internal communication media to contribute to the establishment of favorable working climate
- b. To direct and evaluate the preparation of the Company's presentation materials related to financial and non-financial aspects to ensure information accuracy in an integrated manner.
- c. To direct the Company's internal events for proper performance of such events
- d. To direct the Company's documentation in order to ensure the availability of the Company's documentation database.

#### 5. GCG Manual Building

- a. To direct the GCG manual planning in order to ensure the completeness of documents
- b. To direct the synchronizing process between the Board of Commissioners charter and the

Board of Directors charter and the Company's management policy, ethic standard, evaluation and monitoring process and GCG Manual, so that all policies of the Company are in harmony.

6. To plan, determine and implement the Bank security system control
7. To manage the Partnership Program and to allocate funds to the Community Development Program.
8. GCG Database

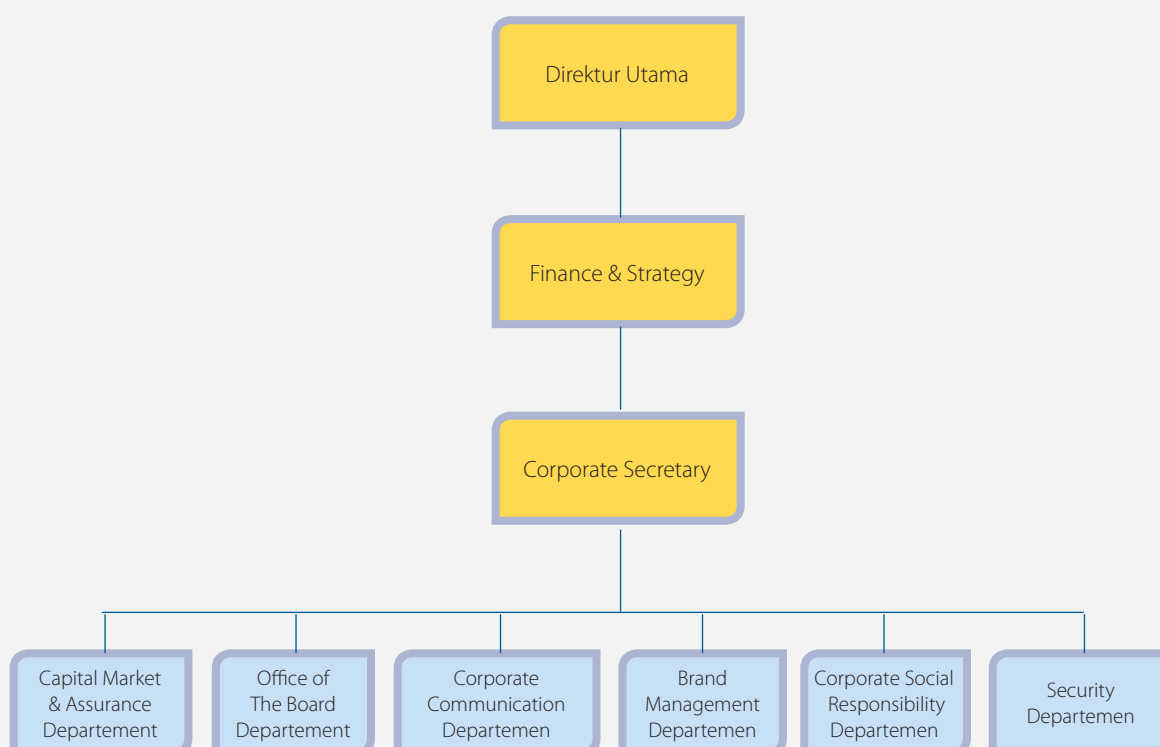
To ensure the completeness of GCG manual database, to update GCG manual database at Bank Mandiri portal and GCG library at Bank Mandiri portal in order to guarantee the data availability and accessibility.

#### 9. Company Secretariat Administration

To direct the Company secretariat administration to ensure the availability of complete documents including submission of meeting materials no later than 5 days before a Board of Directors meeting or a Board of Commissioners meeting.

## ORGANIZATIONAL STRUCTURE OF CORPORATE SECRETARY

The organizational structure of the Corporate Secretary in 2014 was as follows:



The Corporate Secretary is accountable directly to the CEO, and its functions include those of Compliance Officer, Liaison Officer (Corporate Communication), GCG Implementation and the administration of policy documents and minutes of meetings. To support it in the performance of its duties, the Corporate Secretary has a number of subordinate departments, including the Capital Market & Assurance Department, Office of the Board Department, Corporate Communication Department, Brand Management Department, Corporate Social Responsibility Department, and Security Department.

## ACTIVITIES OF CORPORATE SECRETARY IN 2014

Among the activities related to stakeholders that were undertaken by the Corporate Secretary in 2014 are the following:

1. Holding the Annual General Meeting on February 27, 2014 and the Extraordinary General Meeting on May 21, 2014.
2. Organizing Public Expos, Media Site Visits, Analyst Meetings and Exhibitions.
3. Holding press conferences and teleconferences
4. Maintaining communications with the Ministry of State Enterprises, Ministry of Finance, the Secretary of State, OJK, Self Regulatory Organisations (BEI, KSEI, KPEI), BAE, and other relevant institutions.
5. Actively participating in hearings and working visits to the House of Representatives
6. Attending all meetings of the Board of Commissioners and Board of Directors and taking the minutes of such meetings.

## DEVELOPMENT OF CORPORATE SECRETARY COMPETENCIES

In order to keep abreast of the latest developments regarding the implementation of the functions and duties of the Corporate Secretary, Bank Mandiri facilitates the staff of the Corporate Secretary to participate in various forms of training. During 2014, the Corporate Secretary participate in BARA (Banker Association for Risk Management) risk forum training at the Padma Resort, Legian, Bali, on 27-28 November 2014

## EVALUATION OF CORPORATE SECRETARY'S PERFORMANCE

Assessment of the Corporate Secretary's performance is carried out by the CEO based on the performance of the Corporate Secretary's duties and the achievement of work targets by the Corporate Secretary. Such assessments cover the following aspects:

1. Cost effectiveness
2. Improve the reputation and the awareness of Bank Mandiri as a bank with a positive image
3. Ensure the success of the Company's corporate actions and the implementation of Public Disclosure of Information
4. Improve internal customer satisfaction
5. Managing internal communication programs on an integrated basis
6. Application of ISO 9001: 2008 in the security system
7. Ensuring the application of Brand Implementation Guidelines
8. Enhancing the skills of employees with NIP in the Corporate Secretary Group

# code of ethics and corporate culture

Ethics is a system of values or norms that are believed in by all Company personnel as the standard of conduct adopted by the Company. Bank Mandiri, in running its business, applies business ethics and work ethics (Code of Conduct).

Business ethics are moral principles related to the behavior of individuals, protection of the property of the bank, and the conduct of the bank's business, including in its interaction with stakeholders as the basis for the behavior of the Bank in conducting its business operations. Accordingly, maintaining the standards of business ethics is very important to the performance and success of the Company.

Work ethic is an elaboration of the basic principles of personal and professional conduct that is expected on the part of all Mandiri personnel in performing their duties. It refers to a reasonable standard of conduct that is appropriate and reliable on the part of all Mandiri personnel. The maintaining of stakeholder loyalty through the consistent application of ethical standards is essential in the making of decisions and resolving of problems by the Company. This is because all of the Bank's decisions greatly affect, and are affected, our stakeholders, who have both an interest and influence in respect of the decisions of the Company.

## STATUS OF THE CODE OF ETHICS

Bank Mandiri has had a set of work ethics since 2000, which were revised in 2013. The implementation of the code of ethics is accompanied by reporting mechanisms for violations and disciplinary policies for the handling of each type of violation.

The Bank Mandiri Code of Ethics explains the basic principles of personal and professional behavior expected of all Mandiri personnel in performing their duties so that output is achieved that is consistent with the culture of the Company in achieving its vision and mission. Therefore, the Code of Ethics serves as a reference for the conduct of the members of the Board of Commissioners and Board of Directors, and all employees of the Bank at all levels in the organization as part of the effort to achieve the Bank's Vision and Mission.

The implementation of the Code of Ethics is the responsibility of all members of management, including the members of the Board of Commissioners and Board of Directors, employees, and the Committees of the Board of Commissioners and Board of Directors, all members of which must act in accordance with the agreed work values and culture. The consistent application of the Code of Ethics is expected to promote the professional, responsible, fair, appropriate and trustworthy conduct in business relationships with co-workers and business partners.

## CONTENT OF THE CODE OF ETHICS

All Mandiri personnel have a responsibility to putting the Code of Ethics into effect so as to reflect the Company's business ethics. The substance of the Bank Mandiri Code of Ethics is as follows:

## 1. Conflicts of interest

A conflict of interest is a situation in which a Bank official in carrying out his duties and responsibilities has interests outside of his official interest, whether relating to personal or family interests, or the interests of other parties so that he faces a possible loss of objectivity in making decisions and policies in accordance with the authority that has been given to him by the Bank. Therefore:

- a. All officials of the Bank shall avoid activities that may create a conflict of interest. If for one reason or another it cannot be avoided, then the party concerned shall report this to his direct supervisor.
- b. The officers of the Bank are prohibited from giving consent and or seeking approval for a loan or a preferential interest rates or other facility for:
  1. Himself
  2. A family member
  3. A company in which he and/or his family has an interest.
- c. All officials of the Bank are forbidden to work in another company as a director, employee, consultant or commissioner, unless he has received an assignment or written permission from the Bank. In the case of members of the Board of Commissioners and Board of Directors, the concurrent holding of other positions must be in accordance with the regulatory provisions regarding good corporate governance.
- d. All Bank officials are prohibited from serving as suppliers, whether direct or indirect, of goods or services to the Bank.
- e. All officials of the Bank are prohibited from appropriating goods belonging to the Bank for their own interests, or the interests of family members or third parties.
- f. All Bank officials are only permitted to engage in securities, foreign exchange, precious metal, derivative and other forms of trading in their own interest if there is no conflict of interest, or breach of the insider trading regulations issued by the Capital Market Authority or other regulations.

## 2. Confidentiality

- a. All of the Bank's officials are required to

understand and maintain the confidentiality of all information, whether about customers or other information, in accordance with the applicable regulations.

- b. All of the Bank's officials shall use information received only for banking activities, and not for personal gain, or other family interests or activities outside the Bank.
- c. In providing information, all of the Bank's officials shall act in accordance with the applicable regulations.
- d. To prevent abuses, the dissemination of customer information in the Bank's internal environment shall be done carefully and only to interested parties.
- e. All of the Bank's officials are prohibited from disseminating information to outside parties regarding:
  - 1) The activities of the Bank and the Government of the Republic of Indonesia
  - 2) internal policies and procedures of the Bank
  - 3) Management Information System, Data and Reports
  - 4) Employee data, whether active or not
  - 5) the Bank's business activities, including activities with customers and partners. Except with the consent of an authorized officer of the Bank or in accordance with an instruction issued in accordance with the applicable legislation.
- f. The obligation to keep maintain confidentiality shall also apply to former employees of the Bank.

## 3. Abuse of Office

- a. All of the Bank's officials shall not abuse their authority or take advantage, either directly or indirectly, of the knowledge they have gained from the Bank's business activities for:
  1. personal advantage.
  2. the advantage of a family member.
  3. the advantage of a third party.
- b. All of the Bank's officials are prohibiting from soliciting or accepting, authorizing or agreeing to accept gratuities associated with their positions



in a way that is contrary to their obligations under the legislation in force. This also includes a ban on soliciting or accepting, authorizing or agreeing to accept a gift or remuneration from a third party who obtains or attempts to obtain a facility from the Bank in the form of a loan facility (cash or non-cash loan), or in order to purchase or discount a bill of exchange, promissory note, check or trade paper or other evidence of an obligation, or other facility related to the operations of the Bank. Provisions of types of gratuity and reporting mechanisms will be set out separately.

- c. All of the Bank's officials are prohibiting from soliciting or accepting, authorizing or agreeing to accept a gift or remuneration from a third party that is in the process of obtaining or striving to obtain employment related to the procurement of goods and services from the Bank.
- d. Should a customer, partner, or other party provide a gift in kind or in any other form at certain times, such as a religious holiday, celebration, disaster and other, if:
  - 1. the acceptance of the gift is believed to have a negative impact and influence on a decision of the Bank, and
  - 2. The value of the gift is unreasonable limits, the Bank official receiving the gift must immediately return it with a polite explanation that Bank officials are not allowed to accept gifts.
- e. Should the giving of a gift, as referred to in point (d) above, cannot be returned, the Bank official receiving the gift must immediately report it to his superiors so that appropriate follow-up can be taken in accordance with applicable regulations.
- f. Should a customer, supplier or other party provide promotional items, should the promotional item in question not be expected to have a negative impact and influence on decisions of the Bank, Bank officials may accept such promotional items.
- g. In the context of the procurement of goods and services from third parties for official purposes of the Bank, all of the Bank's officials should strive to get the best price with a maximum discount. Such

discount should be accounted for in the interests of the Bank.

- h. A Bank official is prohibited from using his position to borrow from a customer or being indebted to a customer.
- i. All of the Bank's officials are prohibited from using facilities of the Bank in their own interest, other than as provided by the Bank.

#### 4. Insider Conduct

- a. A Bank employee who has confidential information are not permitted to use that information to gain advantage for himself, his family or a third party by:
  - 1. Influencing customers or individuals or institutions in conducting transactions with the Bank.
  - 2. Disseminating information to customers or individuals or institutions.
- b. All of the Bank's officials are prohibited from using insider information to make purchase or trade securities, unless the information is already known to the public at large.
- c. Bank employees are prohibited from abusing their position and taking advantage, either directly or indirectly, for themselves, their family members or other third parties and / or influencing the decision-making process in relation to themselves.
- d. A decision to sell or buy assets of the Bank, as well as other services, must be made in the interests of the Bank without being affected by Insider considerations.

#### 5. Integrity and Accuracy of Bank Data

- a. All of the Bank's officials shall present accurate and reliable data.
- b. All of the Bank's officials are prohibited to record and / or alter and / or remove accounts with the intent to obscure transactions.
- c. All Bank officials are only allowed to make changes to or delete data based on the authorization of the relevant authority, in accordance with the Bank's established procedures.



- d. All Bank officials are prohibited from manipulating documents.

## 6. Banking System Integrity

- a. All of the Bank's officials must always be on alert to avoid the Bank's involvement in criminal activities in the finance and banking fields.
- b. Bank employees must be suspicious of unusual transactions and perform preventive measures to detect suspicious accounts that are used for activities such as money laundering, terrorism financing, corruption and other crimes.

Business ethics, as the basis for the conduct of Bank officials in carrying out business operations, cover the following aspects:

### 1. Individual Behavior

- a. Personal Integrity
  - 1. All of the Bank's officials shall uphold morals, self-esteem and a strong sense of discipline.
  - 2. All of the Bank's officials shall maintain personal integrity according to the applicable rules, regulations, policies and systems.
  - 3. All of the Bank's officials must be committed to maintaining the image and reputation of the Bank.
  - 4. All of the Bank's officials shall rely on their conscience.
  - 5. All of the Bank's officials shall act in a respectable and responsible manner, and be free from any influences that result in a loss of objectivity in performing their duties, or result in loss of business or reputation on the part of the Bank.
  - 6. All of the Bank's officials shall refrain from activities related to an organization and/or individual that would give rise to a conflict of interest.
  - 7. All of the Bank's officials shall, both individually and jointly, strive to

avoid any thing that could weaken or degrade the integrity of the banking system in Indonesia.

### b. Discriminatory Treatment / Action

- 1. All of the Bank's officials shall uphold human rights
- 2. All of the Bank's officials shall prevent the practice of discrimination in all its forms
- 3. Harassment – all of the Bank's officials are required to avoid any acts that violate the norms of public order and decency.

## 2. Protection of Bank Assets

### a. Bank Assets

- 1. All of the Bank's officials must always maintain and protect all property owned by the Bank, both tangible and intangible.
- 2. All of the Bank's officials are shall only use the Bank's assets for activities related to the interests of the Bank.
- 3. All of the Bank's officials shall use the Bank's assets responsibly, including ensuring that they are used correctly.

### b. Protection of Confidential Information

- 1. All of the Bank's officials are required to protect and prevent valuable and confidential information from loss, misuse, leakage or theft.
- 2. All of the Bank's officials are prohibited from disseminating reports / information about the Bank that are not meant for the public.

### c. Intellectual Property of the Bank

- 1. All of the Bank's officials shall safeguard the intellectual property rights of the Bank.
- 2. All of the Bank's officials shall employ their competencies for the benefit of the Bank as intellectual property rights of the Bank.

- d. Recording and Reporting
- All of the Bank's officials shall be responsible for the accuracy and completeness of records and reports.

### 3. Conducting of the Bank's Business

- a. Misrepresentation
- 1) All of the Bank's officials who represent the Bank in dealings with third parties shall act in accordance with their capacity and authority.
  - 2) All of the Bank's officials representing Bank shall provide information, documents and reports that are correct and in accordance with the proper procedures.
  - 3) All of the Bank's officials shall refrain from actions that could lead to misunderstandings on the part of third parties.
- b. Relationships with Partners
- 1) All of the Bank's officials shall always prioritize the interests of the Bank in dealing with business partners.
  - 2) All of the Bank's officials shall prevent corruption, collusion, and nepotism and the creation of a negative image in dealing with business partners.
  - 3) All of the Bank's officials in working with partners shall apply the principles of professionalism and fairness based on good faith
- c. Competitive behavior
- 1) All of the Bank's officials are shall be responsible for creating and maintaining healthy competition in running the business.
  - 2) All of the Bank's officials are shall avoid and prevent unhealthy competition in career development.
- d. Relations with Other Organizations
- 1) All of the Bank's officials may make business contacts with other organizations, including competitors, provided that these benefit the Bank.
  - 2) All of the Bank's officials shall refrain from all forms of improper

collaboration / partnerships with others.

- e. Obtaining and Using Third Party Information
- 1) All of the Bank's officials shall avoid the obtaining of confidential information of third parties / competitors in a way that is inappropriate.
  - 2) All of the Bank's officials shall refrain from recruiting competitors in order to obtain confidential information from a competitor company.
- f. Relationship with Regulator
- The Bank firmly upholds ethical principles and the prevailing regulations in developing its relationships with regulators.

#### Dissemination of Code of Ethics

The dissemination of information is important in the application of the Code of Ethics. To ensure its application, it has been communicated and disseminated to the Board of Commissioners and its supporting organs, the Board of Directors and senior officials under the Board of Directors and all employees through:

1. The company's website
2. Administrator emails to all employees of the company
3. At the time of the signing of the collective labor accord between the company labor union and management.
4. Standing banners, flyers and other advertising media in company offices.

#### Implementation and Upholding of Code of Ethics

The implementation and upholding of the Bank Mandiri Code of Ethics is carried out consciously and continuously, including through the following means:

##### 1) Bank Mandiri Code of Ethics Compliance Statement

For effective implementation of the Code of Ethics, all employees of Mandiri are required to read and understand and to sign a "Bank Mandiri Code of Ethics Compliance Statement".

##### 2) Management Commitment

Commitment by Bank Mandiri Management not to accept and/or request any gift or parcel in any form and for any reason whatsoever from a customer, borrower, or business partner or any third party through the mass media or Bank Mandiri website.

**3) Annual Disclosure of Conflicts of Interest**

All employees of Bank Mandiri are required to make an annual disclosure with respect to any conflicts of interest during the year, and all line units are required to submit transaction reports/decisions involving conflicts of Interest each quarter. This is in line with the Bank Mandiri Code of Ethics' derivative policy in the form of the Bank Mandiri Conflict of Interest Guidelines.

**4) Integrity Pact**

An integrity pact is issued to all Bank Mandiri partners that supply goods and/or services.

**5) Awareness Program**

The Bank Mandiri Code of Ethics Induction Program is provided to all new employees of Bank Mandiri through the jump-start training program, as well as continuous and consistent dissemination of policies. In addition, dissemination of information on the Code of Ethics is also provided to all line units of Bank Mandiri, including the Bank Mandiri anti-fraud strategy, and compliance and service cultures.

Employees can report suspected violations of the Code of Ethics to their supervisors through the Letter to CEO mechanism. All such reports must contain accurate data and / or evidence so that the alleged violation can be acted upon. Every violation of the Code of Ethics will be responded to by sanctions in accordance with the

prevailing regulations. During 2014, reports on violations of the Code of Ethics submitted via the Letter to CEO mechanism were documented on an integrated basis.

**Corporate Culture Transformation**

The process of internalization and socialization of corporate culture to the Board of Commissioners, Board of Directors, and employees is conducted through various means of communication, both formal and informal, including through in-class training, management discussions and briefings during visits to the region, sms / email blasts, articles in the Mandiri magazine, teleconferencing and video-taped materials, among other things.

The communication program has been implemented intensively and continuously since 2005 by the Culture Specialist Group as program coordinator. It is promoted not only internally in the bank, but also in subsidiaries.

The adoption of the Bank Mandiri vision "To be Indonesia's most admired and progressive financial institution" as part of the Bank's Long Term Plan (RJP) 2010 to 2014 reflects the aspiration of the Bank to be a financial institution that is always fully committed to building relationships with all its customers through the provision of innovative financial solutions of a world-class standard, and by contributing to the nation through a consistently improving performance.

## access to company data and information

Bank Mandiri consistently provides comprehensive, timely and appropriate information on the company to shareholders and stakeholders. Information is provided by officials and units in accordance with their respective duties, authority and responsibilities. Bank Mandiri transparently publishes reports on financial and non-financial matters through both the print and electronic media, including the Bmi1, Bank Indonesia, Indonesia Stock Exchange and SOEs Ministry websites.

Bank Mandiri facilitates access to information and corporate data through: (1) Mandiri Call Center 62-21 5299 7777, 14000; (2) corporate website: [www.bankmandiri.co.id](http://www.bankmandiri.co.id); (3) Investor Relations website: [ir.bankmandiri.co.id](http://ir.bankmandiri.co.id); (4) email: [ir@bankmandiri.co.id](mailto:ir@bankmandiri.co.id); (5) the media; (6) mailing lists, bulletins, periodic analyst meetings; and/or (7) through Bank Mandiri branches.

### 1) Website

Comprehensive information on the operations and performance of the Company as well as other information required by shareholders and interested parties can be accessed through the site <http://www.bankmandiri.co.id>. Through this site, stakeholders can find a wealth of information on the Company, such as the bank's profile, products and services, 24 hours services, corporate governance information, including the Annual Report, organizational structure, management team, financial and stock information, news updates about the bank and so on. In an effort to improve the quality of the information and provide the latest news on the Company to the public, the Company consistently updates the content on a regular and ongoing basis.



Page on the Mandiri website at <http://www.bankmandiri.co.id>



- As regards to access confidential information, this will only be revealed if there are valid reasons as required by the legislation in force. All officers and employees are responsible for confidential information, both while working for the Company as well as after leaving the Company. All of the Bank's officials are required to maintain the secrecy and confidentiality of Bank information and information they have obtained through their work. The Bank will impose sanctions for misuse of Company information in accordance with the legislation in force. Policies to protect the confidentiality of information are compiled so as maintain the security of information and ensure that Bank Mandiri discloses information to interested parties in a transparent and fair manner, in accordance with the applicable regulations.

## MEDIA ENGAGEMENT PROGRAM

In order to improve communications and relationships with stakeholders, during 2014 the Bank conducting the following Media Engagement Program activities with various parties:

No	Month	Activity	Target Media
1	Jan	1. Media Briefing on WMM and MYT 2013	Journalists from national media outlets, like Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, and Detik.com
		2. Press Conf on WMM and MYT 2013	Journalists and photographers from national media such as Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, ANTARA and Detik.com
		3. Friendly soccer game	Kompas Gramedia Group
2	Feb	1. Editors' dinner	Chief editors of national media, including Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, and Detik.com
		2. Press Conf on Q4 Performance/2013	Journalists and photographers from national media such as Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, ANTARA and Detik.com and foreign newswires
		3. Informal meeting with media	Republika, Tempo, Media Indonesia and photographers from Antara, Bisnis Indonesia, Kontan, Indonesia Finance Today, Media Indonesia, and Kompas
3	Mar	1. Informal meeting with media	Bisnis Indonesia, The Jakarta Post, Dow Jones, Majalah SWA, and Indonesia Finance Today
4	April	1. Press Conf on AGM 2014	Journalists and photographers from national media such as Kompas, Bisnis Indonesia, Kontan, Investor Daily,
		2. Press Conf on Question Performance/2014	Journalists and photographers from national media such as Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, and Detik.com
		3. Gathering of Chief Editors	Chief editors of national media such as Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, and Detik.com
5	Mei	1. Lunch Meeting media dengan Direktorat MRB	Wartawan Tulis media nasional, seperti Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, dan Detik.com
		2. Press Conf to mark launching of Mandiri Institute	Journalists from national print media including Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, and Detik.com
		3. Mandiri Karnaval Nusantara	Journalists and photographers from national media, including Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, and Detik.com, and business desk photographers
		4. Informal meeting with media	Bisnis Indonesia, Kontan, Vivanews.com and Media Indonesia
6	June	1. Media Visit	Kompas editorial board
		2. Media Visit	Tempo Group editorial board
		3. Press Conf. on Macro Economic Outlook	Journalists from national media, including Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, and Detik.com
		4. Informal meeting with media	Media Indonesia, Bisnis Indonesia, Detik.com, Vivanews.com and Republika
7	July	1. Watching World Cup 2014	Journalists and photographers from national media, including Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, and Detik.com, and business desk photographers
		2. Press Conf on Questions Performance /2014	Journalists and photographers from national media including Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post,

**Information Conveyed**

Background and development of Mandiri Young Entrepreneur and Mandiri Young Technopreneur programs so as to provide massive multiplier effect

Success of WMM and MYT programs in transmitting the virus of entrepreneurship to students and alumni so as to increase number of participants in workshops and awards

Sharing information on company performance in 2013 and 2014 business plan

Bank Mandiri wants to strengthen constructive and mutually beneficial relationships with media to obtain support for the company's business agenda

Q4 performance/2013

Bank Mandiri wants to strengthen constructive and mutually beneficial relationships with media to obtain support for the company's business agenda

Bank Mandiri wants to continuously maintain the quality of its relationship with the media through programmed informal activities

As an institution that holds the principles of GCG in high regard

Q1 Performance/2014

Bank Mandiri preparing for the Asean Economic Community by continuing to make an active contribution to public welfare.

Bank Mandiri continues to contribute to increased national prosperity through up-to-date reports that are useful for the media.

Bank Mandiri continues to contribute to increased national prosperity through up-to-date reports that are useful for the media.

Importance of role of media for achievement of company's business and non-business targets.

Bank Mandiri strengthens mutually beneficial relations

Bank Mandiri wants to strengthen constructive and mutually beneficial relationships with media to obtain support for the company's business agenda

Bank Mandiri continues to contribute to increased national prosperity through up-to-date reports that are useful for the media.

Importance of role of media for achievement of company's business and non-business targets.

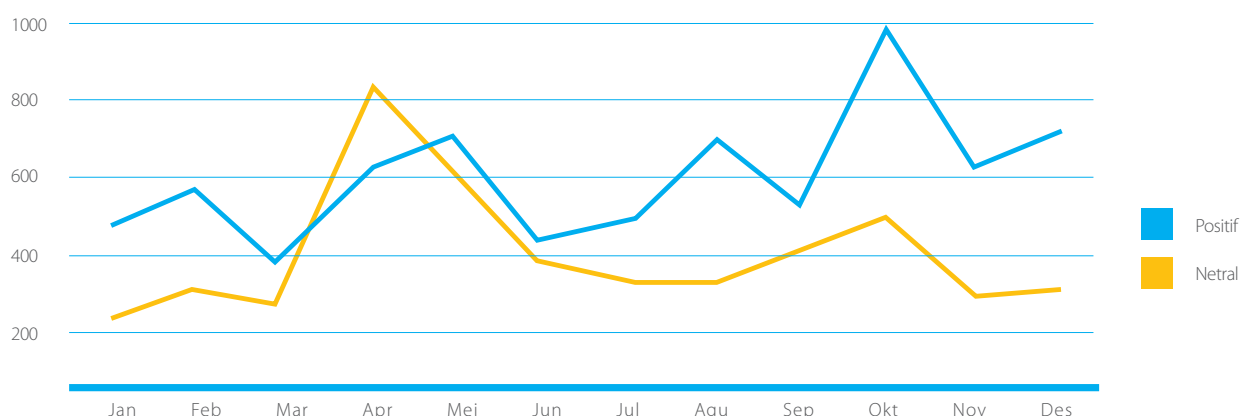
Bank Mandiri wants to strengthen constructive and mutually beneficial relationships with media to obtain support for the company's business agenda

Questions performance/2014



No	Month	Activity	Target Media
		3. Breaking of the Fast with editorial boards	Editorial boards of national media including Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, and Detik.com
8	Agust	1. Press Conf on Macroeconomic Outlook	Journalists from national media such as Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, and Detik.com
		2. INFORMAL MEETING WITH MEDIA	Bisnis Indonesia, Kontan, Detik.com, Media Indonesia, and Tempo
		3. Lunch meeting with TFS Direktorat	Kontan
9	Sept	1. Press Conference on Pasar Indonesia	Journalists and photographers from national media, including Media Indonesia, Koran Tempo, Jakarta Post, Republika, ANTARA dan Detik.com Wartawan and photographers from national media, including Kompas, Bisnis Indonesia, Kontan, Investor Daily
		2. Pres Conf on Launching of Mandiri Incubator	Media Indonesia, Koran Tempo, Jakarta Post, Republika, ANTARA dan detik.com
		3. Friendly soccer match	Tempo Group
10	Okt	1. Mandiri Karnaval Nusantara and Mandiri Jakarta Marathon	Journalists and photographers from national media, including Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, ANTARA and Detik.com
		2. Press Conf Q3 Performance/2014	Journalists and photographers from national media, including Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, ANTARA and Detik.com, editors and executive editors from national media, including Kompas, Bisnis Indonesia, Kontan, Invest.
		3. Press Conf on Macroeconomic outlook	Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, and Detik.com
		4. Press Conf on International Financial Inclusion Forum	Sinar Harapan
11	Nov	1. Press Conf on Mandiri International Islamic Expo	Tempo Group
		2. Informal media meeting	Journalists from national media, including Kompas, Bisqi: Indonesia, Kontan, Investor Daily. Media Indonesia, Koran Tempo, Jakarta Post, Republik dan Detik.com
12	Des	1. Media Training	Journalists from national media including Kompas, Bisn Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, dan Detik.cc
		2. Press Conference on Macroeconomic Outlook	Journalists and photographers from national media, including Kompas, Bisnis Indonesia, Kontan, Investor Daily, Media Indonesia, Koran Tempo, Jakarta Post, Republika, ANTARA dan Detik.com
		3. Informal media meeting	Kontan dan detik.com

Data on the publication of "positive" and "neutral" reports on Bank Mandiri during 2014 is as shown in the following graph:





**Information Conveyed**

Bank Mandiri prepares to greet Ramadhan and 2013 Lebaran holiday.

Bank Mandiri always acts as a reliable research agency for the media through comprehensive studies on the national economy.

Bank Mandiri and media have a mutually dependent and beneficial relationship

Performance of TFS Directorate, particularly in international trade

Bank Mandiri's consistent support for the creation of an entrepreneurial younger generation.

Bank Mandiri's consistent support for the creation of an entrepreneurial younger generation.

Bank Mandiri wants to optimize the role of the media in conveying the latest news on the company to Bank Mandiri stakeholders

To encourage the development of sport, particularly athletics

Q3 Performance/ 2014

Bank Mandiri continues to contribute to national prosperity through up-to-date studies that benefit the media.

Commitment and support of Bank Mandiri to financial literacy and financial inclusion

Commitment of Bank Mandiri to strengthening business and providing support to customers in undertaking Islamic journeys

Bank Mandiri is on the right path to realizing its vision of being the best in Asean by 2020

Bank Mandiri is on the right path to realizing its vision of being the best in Asean by 2020

Bank Mandiri continues to contribute to national prosperity through up-to-date studies that are of benefit to the media.

Bank Mandiri wants to continue optimizing the role of the media in conveying the latest developments in the company to stakeholders.

# procurement of goods and services

Efforts are consistently made by the Bank to ensure sustainable governance through a procurement of goods and services process that accords with the Procurement SOPs (Standard Operating Procedures) & PTO (Technical Operational Guidelines), which serve as references for all unit in conducting the procurement process.

## BANK MANDIRI PROCUREMENT BASIC PRINCIPLES

In carrying out procurements, the Company refers to the basic principles for the implementation of procurement, which are as follows:

<b>EFFECTIVE</b>	Procurement activities are conducted in accordance with the needs / plans that have been established and provide optimal benefits for the Company.
<b>EFFICIENT</b>	Procurement activities are carried out in accordance with the Company Work Plan based upon an agreed timeframe and in an accountable manner.
<b>TRANSPARENT &amp; COMPETITIVE</b>	A procurement must be implemented in a transparent manner and provide opportunities for providers of goods and services that meet the requirements, and be carried based on the principle of healthy competition among providers of goods and services that fulfill the requirements based upon clear and transparent terms.
<b>TRANSPARANT</b>	All conditions and information on the conducting of procurements is informed to providers of goods and services.
<b>FAIR AND NON-DISCRIMINATORY</b>	Provides equal treatment to all providers of goods and services and does not benefit a particular party in any manner or for any reason.
<b>ACCOUNTABLE</b>	The procurement process, outcome, and payment must be accountable
<b>RESPONSIBLE</b>	The procurement process is carried out carefully and in compliance with the applicable regulations.
<b>INDEPENDENT</b>	Procurement decisions are taken objectively and are free from third party intervention

## EBANK MANDIRI PROCUREMENT ETHICS

All parties involved in the procurement process in Bank Mandiri, including the Procurement Implementation Unit, Goods and Services Users and providers of goods and services, must adhere to the following set of ethics:

- a. Carry out their respective obligations in an orderly manner with a sense of responsibility so as to achieve smoothness and accuracy in the procurement process.
- b. Working in a professional and independent manner on the basis of honesty and maintaining the confidentiality of documents.
- c. No mutual influence, directly or indirectly, so as to prevent and avoid unfair competition.
- d. Accepting and accounting for all decisions made in accordance with the agreement of the parties.
- e. Avoiding and preventing conflicts of interest between the parties.
- f. Avoiding and prevent waste in the implementation of procurement activities.
- g. Avoiding and prevent abuse of authority for the purpose of personal, group or third party gain so as directly or indirectly be prejudicial to the Company.
- h. Avoiding and preventing corruption, collusion and nepotism in the procurement process.
- i. Not accepting gifts or benefits of any kind, either directly or indirectly.

## PROCUREMENT OF GOODS AND SERVICES POLICIES

Bank Mandiri has guidelines for the procurement of goods and services that apply the principles of effectiveness, efficiency, openness and competitiveness, transparency, fairness and non-discrimination, accountability,

responsibility and independence in accordance with the prevailing legislation. The guidelines are set out in the Procurement SPO of 2014.

Bank Mandiri has other policies related to the procurement of goods and services that are set forth in the Procurement SPO, which provides guidelines for the conducting of goods and services procurements of both a strategic and non-strategic nature so as to support the operations of the Bank in accordance with the desired quality, quantity and time limits base on the best price by applying the principles of sound risk control management.

To ensure effective, safe, fast, transparent, efficient and accountable procurement operations, the Company applies the following policies:

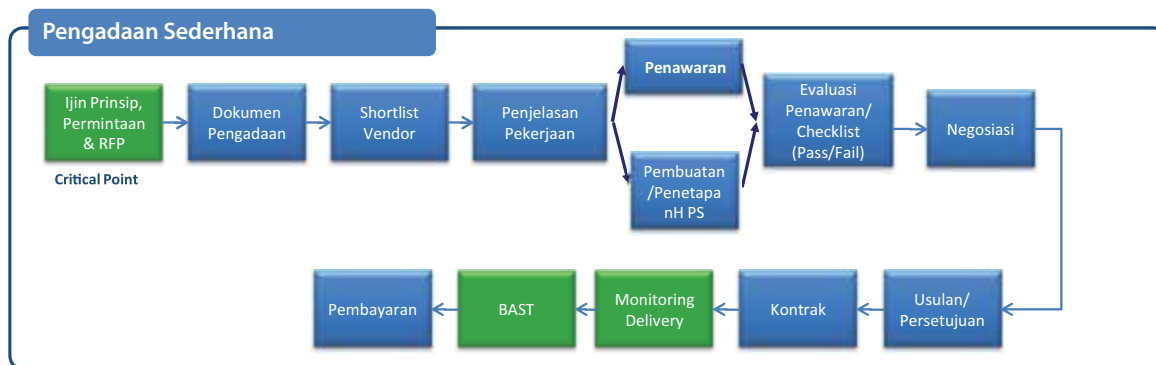
1. Separation of functions in Procurement Implementation Units between units that select candidate vendors, the executors of the procurement process, those responsible for preparing own estimates; and the compliance unit.
2. Always adhering to internal and external regulations.
3. Application of the principles of risk management, including the identification, assessment, mitigation, monitoring and measurement of operational risk.
4. Adhering to the company work culture that is based on the values of Trust, Integrity, Professionalism, Customer Focus, and Excellence, GCG, the Code of Conduct, Business Ethics and prudential principles.

Those responsible for conducting procurements are required to sign Integrity Pacts.

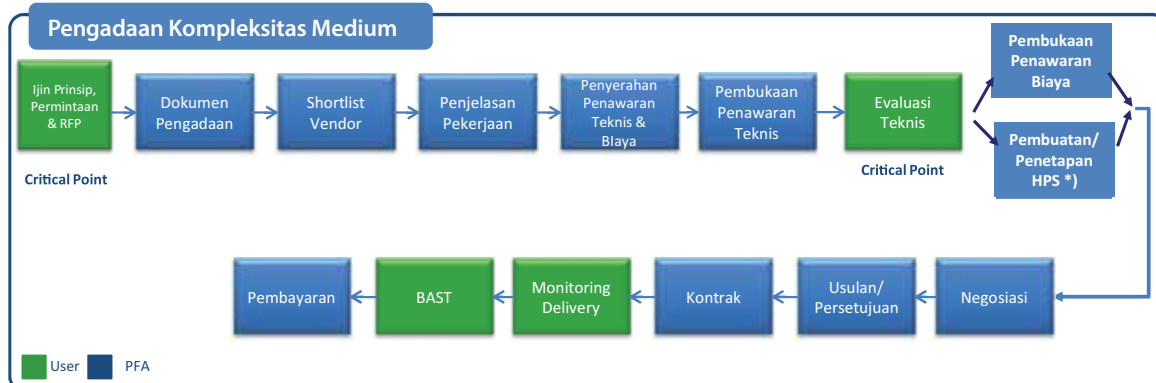
## PROCEDURES FOR PROCUREMENT OF GOODS AND SERVICES IN 2014

Bank Mandiri's procedures for the conducting of procurements of goods and services are as described in the three diagrams below:

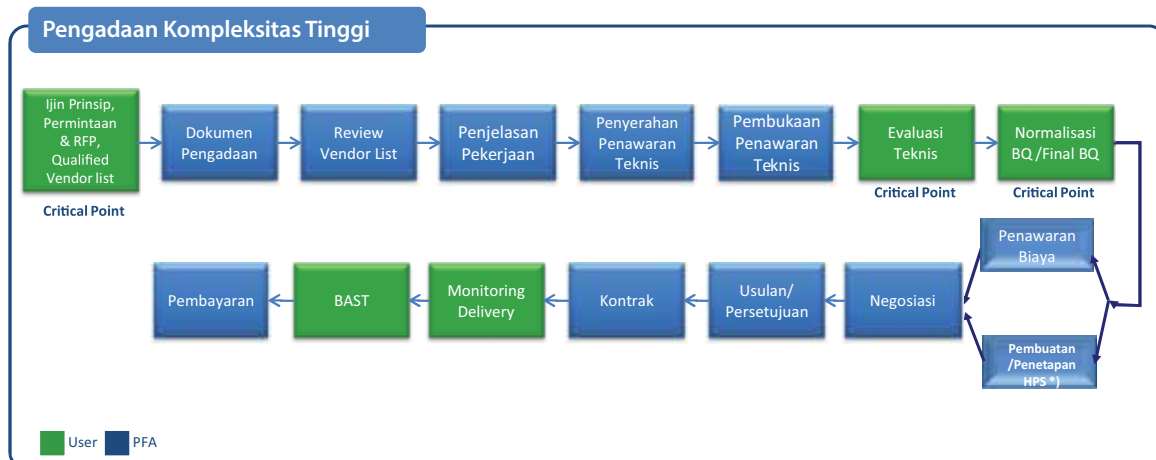
### Simple Procurement Process Flow



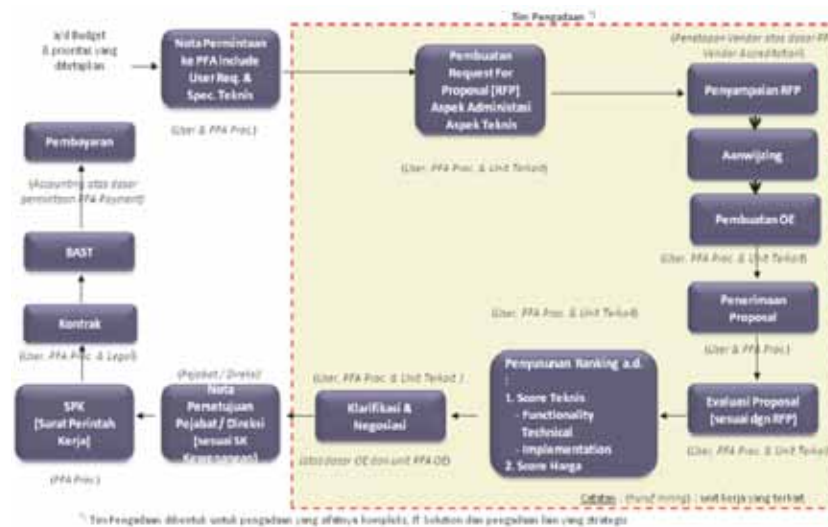
### Medium Complexity Procurement Process Flow



### High Complexity Procurement Process Flow



## GOODS AND SERVICES PROCUREMENT PROCESS, AUTHORITY AND RESPONSIBILITIES FLOW



## PROCUREMENT PROCESS, AUTHORITY AND RESPONSIBILITIES

	User	PFA Group
Budget / Preliminary Approval		-
Product Policy		-
Procurement Policy	-	
User Requirement / Technical Specs		-
Preparation of RFP / Procurement Documents		
Vendor Qualification (List of Selected Suppliers)	-	
OE / HPS	-	
Sending of RFP / Procurement Documents	-	
Sending of Proposal	-	
Technical Evaluation		-
Sign Off SOW [IT Procurements]	[+IT]	-
Administrative Evaluation	-	
Technical & Price Evaluation		
Negotiations		
Proposal Memorandum		
Contract	-	
Implementation ( BAST )		- [Legal (optional)]
Payment	-	[+ Accounting]

## RULES GOVERNING GOODS AND SERVICES PROCUREMENTS

The rules governing goods and services procurements in Bank Mandiri cover the following aspects:

<b>Implementation of Procurement</b>	<p>Through supplier of goods and services:</p> <p>This type of procurement can be undertaken if the specifications of the goods / services are clear, it is more efficient, the timeframe is appropriate.</p> <p>Self-Managed: The procurement of goods services is planned, carried out and supervised by the Bank itself using its own personnel and equipment, or contract manpower</p>
<b>Elements in procurement of goods and services</b>	<p>Procurement Executive</p> <ul style="list-style-type: none"> <li>• Procurement Implementation Unit Procurement</li> <li>• Procurement Committee</li> <li>• Procurement Team</li> </ul> <p>Procurement Documents</p> <p>Own Cost Estimate (HPS)</p> <p>List of Mandiri Approved Partners (DRTM)</p> <p>Clarification &amp; Negotiating Officer</p> <p>Approval Officer</p>
<b>Procurement Preparations</b>	<p>The officer responsible for the procurement process establishes procurement criteria and requirements objectively, and acts impartially in respect of all suppliers.</p>
<b>Handover</b>	<p>Every unit that will use the goods or services must check the conformity of the goods / services that are delivered with the quantity and specifications set out in the agreement, which is confirmed by the signing of a BAST by the authorized officer.</p>
<b>Warranties in goods and services procurements</b>	<p>So as to control the risks that may arise in connection with the procurement of goods / services as a result of non-performance, the supplier must provide a warranty.</p>
<b>Procurement Changes (Only in the Case of Additions / Reductions in Construction Works)</b>	<p>Additional work may not exceed 20% of what was specified in original contract.</p> <p>The additional work order must be in writing and be followed by clarification / negotiation.</p> <ul style="list-style-type: none"> <li>• Approval authority is vested in the original approval officer, if the HPS value changes, authority will be in accordance with approval SK.</li> </ul>

**Procurements in response to specific circumstances**

In certain circumstances that require an immediate response, such as in the case of a natural disaster or other pressing exigency, the following mechanisms shall be permitted:

Direct appointment without issuing of HPS/receipt of offers/issuance of SP/SPK/contract, based on reimbursable real cost without margin, supplier's fee to be based on agreement and reasonableness.

Should a review reveal that the price is not reasonable, the procurement unit must conduct clarifications and negotiations with the supplier, which shall be set out in an Official Report on Clarifications & Negotiations.

The head of the Procurement Unit must monitor the implementation of the work and prepare an accountability report for his immediate supervisor and/or the Disaster Response Team

**Payment Process & Documentation**

The payment process includes:

- 1) Review of payment documents,
- 2) Approval of payment by authorized official,
- 3) Payment shall be made in rupiah or in other currency in accordance with the amount stated on the SPK or contract,
- 4) Every expense component in a payment price shall be recorded in accordance with the relevant budget items.

## PROCUREMENTS OF GOODS AND SERVICES IN 2014

In 2014, the details of Bank Mandiri procurements by type of unit are as described below:

Unit	Value of Procurement (Rp)	Value of Forex-Denominated Procurement (USD)	Total Value (Eq. Rp)	Total Number of Procurements
PFA (Head Office)	3.245.455.871.918	281.225.552	6.051.221.645.493	2.050
Regional Offices	256.387.965.835		256.387.965.835	968
Line units	700.856.639.549	7.379.279	792.359.699.149	2.719

## AUDITING OF GOODS AND SERVICES PROCUREMENTS

Bank Mandiri conducts both period and incidental audits (internal and external) to ensure that the procurement SOPs and other relevant company policies are consistently applied.

The successful operation of the procurement process in Bank Mandiri is closely related to the supervisory role played by the Board of Commissioners, which consistently:

- conducts oversight and provides advice on the application of procurement policies;
- provides recommendations based on the oversight and reviews that have been conducted on procurement policies..

In 2014, there were no audit findings (by either internal or external auditors) of procurements that prejudiced or caused losses to Bank Mandiri, or protests by suppliers in respect of Bank Mandiri procurements of goods and services.

# legal cases involving members of board of directors / board of commissioners





## MATERIAL CASES INVOLVING SERVING DIRECTORS AND COMMISSIONERS

During 2014, no serving directors or commissioners of Bank Mandiri were involved in legal problems, whether civil or criminal. Similarly, Bank Mandiri as a business entity did not have any legal problems, whether civil or criminal.

## LEGAL ISSUES

As regards the operation of its business, Bank Mandiri was involved in a number of legal issues in 2014, as described below:

Legal Issues	Number	
	Civil	Criminal
Resolved, conclusive judicial decision obtained	103	26
In process	148	25
Total	251	51

During 2014, Bank Mandiri was involved in a total of 251 cases, of which 103 had been resolved and a conclusive decision obtained, while 148 cases were going through the judicial process. The Bank was involved in a total of 51 criminal cases, with 26 of these resolved and a conclusive judicial decision obtained, while 25 were still in process. The majority of the legal cases in which Bank Mandiri was involved concerned disputes over loans and customer deposits.

## IMPACT ON COMPANY

The civil and criminal legal cases in which Bank Mandiri was involved during the reporting period have an insignificant impact on the company as mitigation measures have been taken.

In addition, no administrative sanctions were imposed on Bank Mandiri as a listed company, or on directors or commissioners, in connection with the handling of legal cases by the Bank.

# whistleblowing system (wbs)

A Whistleblowing System (WBS) is a system that manages the complaints regarding unlawful conduct and unethical actions in a confidential, anonymous and autonomous (independent) manner so as to optimize the role of Mandiri staff and partners in exposing abuses in Bank Mandiri and its operating environment.

In order to ensure ethical business practices and integrity, Bank Mandiri has and applies a Whistleblowing Policy (WBS) that operates through the Letter to CEO (or 'LTC') mechanism. LTC is a means by which reports and complaints of violations and fraud can be submitted by employees to the CEO, with emphasis being on improving the effectiveness of the internal control system. The implementation of the LTC mechanism is founded on a variety of statutory and other provisions, including (a) Law No 13 of 2006 on the Protection of Witnesses and Victims; (b) Government Regulation No. 71 of 2000 on the Role of Civil Society and the Presentation of Awards in the Prevention and Combating of Corruption; (c) Bank Indonesia Regulation No. 5/8 / PBI / 2003, as amended by Regulation No. 11/23 / PBI / 2009; (d) Bank Indonesia Circular No. 13/28 / DPNP on Anti Fraud Policy; (e) Supreme Court Circular on the Treatment of Whistleblowers and Witnesses who Act as Justice Collaborators, and (f) the various Joint Regulations of the Ministry of Law and Human Rights, the Attorney General's Office, Police, KPK, Prosecution Service and Chairman of the LPSK.

## STATUS OF LTC MECHANISM

The Bank Mandiri LTC initiative was launched in 2009, and was further developed and revised in 2013 in order to improve its effectiveness, as described below:

### Tahun 2009

- LTC introduced in 2009
- Whistleblower must state identity
- Only available to employees
- LTC reports may be submitted by email and sms
- LTC is aimed at rt2 on fraud/indications of fraud and excellence/ improvement

### Tahun 2013

- Revitalization of LTC mechanism in 2013
- Whistleblower not required to state identity in report
- Not only for employees but also for vendors
- Reporting media increased to include LTC website
- LTC now focuses on reports of fraud/indications of fraud

## Objectives of LTC Mechanism

The LTC program is expected to help achieve the objectives and to benefit Bank Mandiri in the following ways:

01

Improvements including: (a) fulfilling customer needs (b) developing the business (c) increasing market share (d) increasing revenue & reducing cost (e) reducing process time and (f) improving employee engagement.

02

Prevention of violations (Anti-Fraud) including: (a) increased participation of employees in control measures (b) establishing early warning systems of fraud, and (c) reducing the risk of bank losses.

## SCOPE OF LTC POLICY

The scope of the LTC reporting system in Bank Mandiri governs aspects, including the management unit, confidentiality and protection of whistleblowers, reporting procedures, and sanctions and punishments.

The LTC policy focuses on encouraging the reporting of fraud, as described below:

- 1) Definition of Fraud
  - a. A deviant act or purposeful omission undertaken in order to deceive, cheat, or manipulate the Bank, a customer, or a third party, that occurs inside the Bank, and/or
  - b. Uses the Bank's facilities so as to result in loss for the Bank, a customer, or a third party, and/or
  - c. results in the perpetrator obtaining financial benefit, whether directly or indirectly.
- 2) Types of Fraud:
  - a. Corruption, namely receiving/asking for reward and/or misappropriation or misuse of bank money for one's personal interest or the interest of others and/or making or causing others to make plans that harm the Bank.
  - b. Deceit, namely deceiving the Bank, its customers or third parties and/or falsifying documents, signatures, physical evidence and/or any original proofs.
  - c. Theft, namely taking part and/or all of the Bank's assets or data illegally.
  - d. Omission, namely intentionally and deliberately ignoring procedures or responsibilities as a Bank employee.
  - e. Violation, namely, violating the Bank's internal regulations or external regulations or defrauding the Bank using technology (cybercrime) and/or not using technology, including manipulating financial statements or committing banking crimes as stipulated in the Banking Law or any other acts equivalent thereto.

## LTC REPORTING MECHANISM

### LTC SUBMISSION

A whistleblower may submit a report using the following media:

1. SMS to 0811-900-7777
2. Email to [lettertoceo@bankmandiri.co.id](mailto:lettertoceo@bankmandiri.co.id)
3. Letter through PO BOX 14000 JKTM 12700
4. Internal Website, namely letter to ceo



Every report submitted by a whistleblower is given a Random Unique Number

### Protection for whistleblowers

With reference to the Bank's internal regulations

### Complaint Response

Reports that are received are handed over to Internal Audit Group and are then investigated and followed up on. The whistleblower can obtain information of the outcome of the process using his or her Random Unique Number to check on the status of his or her report on the Letter to CEO (LTC) website.

## Complaint Management

The Internal Audit Group is the unit that is responsible for handling and managing complaints.

## Complaint Response Outcome

The complaint is acted upon by Internal Audit based on the relevant Service Level Agreement (SLA).

## RESULTS OF LTC PROCESS

As of the end of 2014, the number of LTC reports received via telephone, email, facsimile and mail box, and a comparison with 2013, are as shown below:

Year	Method of Submission			Report Category		Reports Acted Upon	Reports where follow-up Action has been Completed
	Letter	Email	Website	Fraud	Non Fraud		
2013	33	6	2	11	30	21	10
2014	8	6	0	14	5	1	13

# other important information

## HIGHEST TO LOWEST SALARY RATIOS

In 2014, the ratios of highest to lowest salaries were as follows:

1. The ratio of the highest employee's salary to lowest: 39.09: 1
2. Ratio of highest director's salary to lowest: 1.1: 1
3. Ratio of the highest Commissioner's salary to lowest: 1.1: 1
4. Ratio of highest Director's salary to highest employee's salary: 1.83: 1

## PROVISION OF FUNDS TO RELATED PARTIES AND LARGE FUND EXPOSURES

In order to avoid a bank failure as a result of the concentration of funding provision and to increase the independence of bank management in respect of potential intervention from related parties, the Bank applies prudential principles and risk management in the provision of funds, including through funding portfolio diversification. Bank Mandiri has policy guidelines and procedures in place related to the provision of funds to related parties and / or large exposures in accordance with the Bank Indonesia regulations on lending limits for commercial banks.

The following are the details of Bank Mandiri's exposure to related parties and large fund exposures as of 31 December 2014:

No	Provision of Funds	Amount	
		Borrower (Individuals)	Amount (Rp million)
1	To related parties	556*)	7.231.868
2	To key borrowers:		
	a. Individual	5	109.117.153
	b. Group	20	15.632.498
	Total key borrowers	25	124.749.651

\*) 547 executive ol2 and 9 subsidiaries

## FUNDING FOR SOCIAL AND POLITICAL ACTIVITIES

### FUNDING FOR SOCIAL ACTIVITIES IN 2014

In conducting its business, Bank Mandiri is not only concerned with profit alone but also considers the interests of society and the communities in which the Bank carries on business across Indonesia. As a form of social responsibility, Bank Mandiri has set aside some of the profits to help develop communities and their environments. A full description of these activities

are set out in “Corporate Social Responsibility” and the Bank’s 2014 Sustainability Report, which forms an integral and inseparable part of the Annual Report.

## FUNDING FOR POLITICAL ACTIVITIES IN 2014

During 2014, the Bank did not provide any funding for political activities or to political parties.

## CONFLICT OF INTEREST TRANSACTIONS

No conflict of interest transactions, as defined in Bapepam-LK Rule No. IX.E.1, were conducted in 2014.

A conflict of interest is a difference between the financial interest of the Bank and the personal financial interests of the owner, a commissioner, a director, an executive officer and / or another party related to the Bank. To protect the interests of shareholders, Bank Mandiri has set out a policy on conflicts of interest in its corporate governance guidelines.

## BUYBACK OF BANK MANDIRI SECURITIES

During 2014, Bank Mandiri did not buy back any of its shares and / or bonds.

## 2014 PRESS RELEASES

Month	Date	Title
January		
	8	Mandiri Helps PNS Manage their Finances Through Financial Literacy
	12	Bank Mandiri Brand Value Highest, Amounts to US\$ 1,247 Billion
	13	Boosting the Economy, Bank Mandiri Creates New Entrepreneurs
	15	Bank Mandiri Creates Thousands of New Entrepreneurs
	16	Bank Mandiri and Agence Francaise de Development (AFD) Hold Green Banking Seminar
	17	Mandiri Provides Assistance to Manado Flood Victims
	22	Facilitating Access, Bank Mandiri Strengthens MSME Financing
	24	Mandiri Works with Lions Club and Disaster Relief Agency (BPBD) in Bekasi to Assist Thousands of Flood Victims.
	25	Bank Mandiri Introduces Prepaid Card for Second Level Students
	30	Mandiri Provides Rp3,53 Billion for Disaster Victims Around Indonesia
February		
	10	Bank Mandiri Strengthens Intermediation Role
	17	Bank Mandiri Strengthens Contribution to Subsidiaries to Boost Growth
	20	Mandiri Facilitates Mini Master Repo Agreement with 26 Local Development Banks
	20	Mandiri Provides Rp 500 million through PMI to Disaster Victims
	26	Expanding Repo Services, Mandiri Teams Up with 24 Commercial Banks
	27	Bank Mandiri Shareholders Approve InHealth Acquisition

Month	Date	Title
March		
	21	Semen Gresik Secures Non Cash Loan Facility of Representative.4 Triliun from Bank Mandiri to Develop New Cement Plant in Rembang
	21	Mandiri Expands Online Payment Network for Joint University Entrance Process
	26	Integrating Subsidiaries, Bank Mandiri Strengthens Business in Singapore
April		
	2	Mandiri Books Trade Transactions Worth US\$122.3 billion in 2013
	3	Mandiri Provides Corporate Education to Boost Tax Receipts
	4	Developing Infrastructure, Mandiri Backs Syndicated Loan of Rp4.7 Triliun for Semarang-Solo Expressway
	6	Mandiri Closes to Support Election Process
	28	Bank Mandiri Strengthens Intermediation Function
May		
	4	In Run-up to Mandiri Jakarta Marathon, Bank Mandiri stages 5K and 10K runs
	5	Mandiri Installs EDCs in Blue Bird Taxis
	8	Mandiri and BPJS Manpower Plant Urban Forest in Batam
	8	Mandiri Disburses Rp 1.9 Trillion for Indarung VI Cement Plant
	12	Bank Mandiri Launches Mandiri Institute to Create Synergies on Road to Indonesia Incorporated
	12	Mandiri Strengthens Competitiveness and Tax Compliance of SMEs
	14	Bank Mandiri Ensures Customer Deposits are Safe
	16	151 Mandiri Offices Operate over Weekend to Replace Debit Cards
	18	Mandiri and Habitat for Humanity Indonesia Built Homes for Fisherfolk in Mauk, Tangerang
	20	To Facilitate Transactions, Mandiri Launches Mandiri e-Cash with Social Media Touch
	21	Bank Mandiri Continues to Transform Itself to be Best Bank
June		
	2	Bank Mandiri Renovates Community Education Facility in Solo
	12	Mandiri Provides Rp 2.06 Billion in Scholarships to 128 High School and University Students
	13	To Anticipate Tight Competition, Bank Mandiri Improves Services
	16	Now, Bank BRI, Bank Mandiri and Bank BNI E-Money Can be Used to Purchase Commuterline Tickets
	18	Mandiri Provides Syndicated Loan to Thang Long Cement Vietnam
	21	Mandiri Donates Rp 2.952 Billion through Environmental Development Program to Boost Social Economy in Bali
	25	Mandiri Group Develops Business with ReINDO
	27	Mandiri Becomes Margin Fund Bank through Signing of Agreement by CEO of Kliring Berjangka Indonesia (KBI), witnessed by Head of Badan Pengawas Perdagangan Berjangka Komoditi (BAPPEBTI) at the Ministry of Trade.



Month	Date	Title
July		
	1	Bank Mandiri Provides Rp350 Miliar Loan to Ciputra Residence
	1	Mandiri Develops Police Members Cards for Transactions
	3	Bank Mandiri and Police Reveal Skimming Perpetrators
	10	Developing Retail Business, Mandiri Secures International Recognition
	11	Mandiri Provides Assistance of Rp370 million to 1,000 Orphans
	14	Bank Mandiri Sells Commodities Packages Cheaply to Welcome Hari Raya Idul Fitri 1435H at TNI Headquarters, Cilangkap
	17	Bank Mandiri Holds Discount Sale at POLRI Headquarters
	20	Bank Mandiri and PBNU Organize Homeward Trips
	20	For Lebaran 2014, Mandiri Prepares Rp33,97 trillion through Operation of 824 Branches During Compulsory Leave.
	21	Bank Mandiri Provides Rp10.94 Trillion for Expressway
	24	Bank Mandiri's Profit Comes in at Rp9.6 Trillion
August		
	13	1,650 Participate in Bank Mandiri Entrepreneurship Lectures in 18 State and Private Universities Around Indonesia
	14	Bank Mandiri Stages Pasar Indonesia and Bazaar at Pasar Indonesia Fashion Festival
	21	Bank Mandiri, Pos Indonesia and Taspen Set up Joint Venture
	24	Bank Mandiri Ups Lending for Rubber Plantations
	24	Jakarta Marathon Time Again
	26	Bank Mandiri Strengthens Trade Finance Transactions
	27	Supporting International Business, Bank Mandiri Expands Overseas Network

Month	Date	Title
September		
	1	Bank Mandiri Donates Garbage Truck to DKI Jakarta Government
	1	KSEI - Bank Mandiri Collaboration: Facilitating Public Access to Capital Markets through Banking Network
	3	Mandiri and Pelni Sign Agreement for Provision of Mandiri Cards to Pelni Staff
	8	Mandiri Strengthens Retail Payment Services with Mandiri mPOS
	9	Bank Mandiri Extends Rp625 billion Loan to Pakuwon Jati
	10	1,700 Students Participate in Bank Mandiri Entrepreneurship Lecture
	11	Bank Mandiri Stages Race in Makasar
	12	Bank Mandiri and Semen Tonasa Provide Clean Water to 8 Villages in Pangkep
	17	Bank Mandiri Stages Race in Medan
	17	Bank Mandiri Continues to Strengthen Business
	20	Mandiri Holds Young Entrepreneur Conference
	21	Bank Mandiri Helps Improves Alleys in Makassar
	29	Mandiri Introduces Mikro Mandiri Sejahtera Service
October		
	1	Bank Mandiri Appoints Rohan Hafas as Corporate Secretary
	3	Developing Entrepreneurship, Mandiri Establishes Business Incubator
	5	Bank Mandiri Employees Provide Sacrificial Meat to Underprivileged
	8	Bank Mandiri Tests Channeling of Bansos Funds Through LKD
	14	Mandiri DPLK Strengthens Pension Fund Management
	16	Mandiri Directors and Thousands of Employees Provide Lessons to Elementary school up to University Students
	21	DPLK Mandiri Manages Semen Padang Pension Fund
	22	Bank Mandiri Stages Pasar Indonesia to Develop Creative Industries
	23	Bank Mandiri Makes Profit of Rp14.5 Trillion
	23	Mandiri Institute: Financial Inclusion Needs Ecosystem Support
	27	Bank Mandiri Strengthens Business in Hong Kong
	29	Bank Mandiri Supports Provision of Sinabung Assistance by Electronic Means
	31	Strengthening Services, Bank Mandiri Opens Lounge at Kualanamu Airport

Month	Date	Title
November		
	4	Strengthening GCG, Bank Mandiri Implements National Integrity System
	5	Bank Mandiri Provides Rp88.6 Trillion for Infrastructure Development
	10	Developing Mass Transportation, Mandiri Takes Part in Provision of Syndicated Loan of Rp3.04 Trillion for Commuter Rail
	12	Mandiri Creates Most Capital Market Investors
	13	Encouraging International Trade, Mandiri Provides Customs Education to Businesses
	20	Three Banks Provide Financing of Rp 550 billion to Ciputra Subsidiaries
	27	Strengthening Facilities, Mandiri Enhances Priority Networks
	28	Mandiri Launches Mobil Mitra Usaha (MobilMU)
December		
	1	Mandiri Extends Rp415 Billion Loan to Metland
	3	Bank Mandiri Serves UnionPay Cardholders
	5	Bank Mandiri and Semen Padang Provide Ambulance
	8	Mandiri Provides Loan of US\$52 Million to PT Timah
	10	Strengthening Mikro Segment, Mandiri Opens 2900th Office
	18	Strengthening Fishing Capacity, Mandiri Enhances Mikro Mandiri Sejahtera Services
	21	Mandiri Sets Aside Rp15.17 Trillion for Christmas and New Year 2015
	22	Expanding Access to Banking Services, Bank Mandiri Opens New Branch Office
	24	Boosting Business in Micro Segment, Mandiri Forges Synergies with 4 Insurance Companies