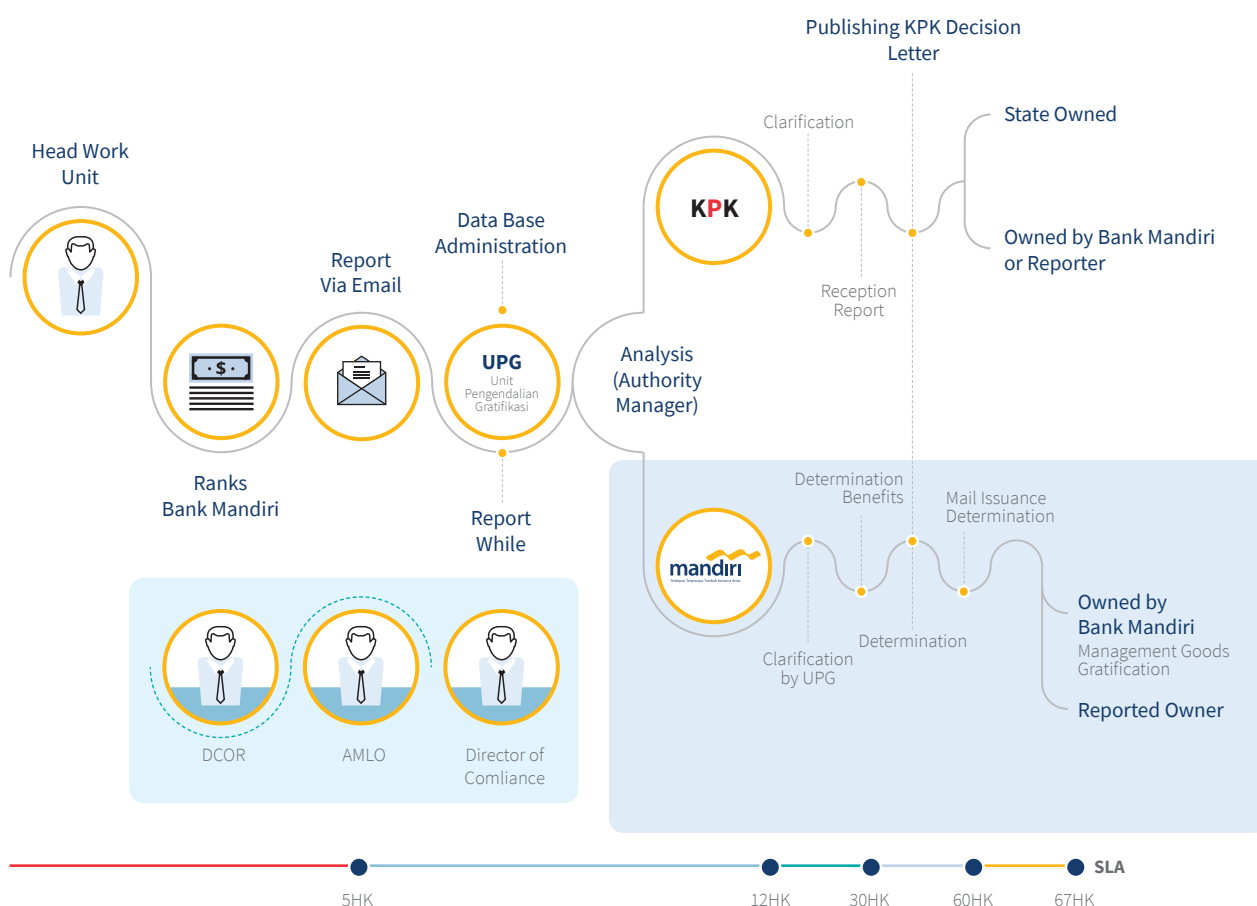


Gratuity Report Mechanism

Bank Mandiri has gratuity report mechanism that is in correspond to the KPK report mechanism. This mechanism can be seen in the following diagram:



Implementation of Gratuity Control

Integrity Pact

In order to support the gratuity control program, Bank Mandiri has Integrity Pact program that denotes a statement from all Bank Mandiri personnel to commit in upholding moral and integrity, protect and maintain the image, credibility and interests of Bank Mandiri by not soliciting and accepting gratuity from parties with conflict of interests.

The Integrity Pact is signed by Board of Commissioners and Board of Directors on the appointed date and also annual signing. In addition to that, Integrity Pact is also signed by entire Bank Mandiri personnel (aside from Board of Commissioners and Board of Directors) in the beginning of their working days with Bank Mandiri and resigning is performed every 2 years.

In 2017, Bank Mandiri has conducted the Refreshment of Integrity Pact Signing that was attended by 1000 representatives of external stakeholders that are partners, vendor and customers. Hereinafter, the refreshment of Integrity Pact signing has been followed up with the Integrity Pact signing by Board of Commissioners, Board of Directors, and Senior Executive Vice President also all Bank Mandiri Personnel either in the Headquarter Office or Regional Offices in December 2017 with the total of 39,906 employees.

Socialization And Understanding Of Gratuity Control

Socialization is done continuously by UPG that coordinates with DCOR Head and AMLO to Work Unit in Headquarter Office, Regional Offices or through regular classes ODP/SDP/Basic Branch Manager (BM)/Intermediate BM/Advance BM.

Up to December 2017, face to face socialization has been done to more or less 2,648 Bank Mandiri employees. Moreover, the socialization was done by setting up Gratuity Control Poster in Regional office (Banking Hall) and Headquarter Office (Plaza Mandiri), via sending email blast, Screen Saver, Tabloid Mandiri, the making of display cabinets for gratuity goods, and also suggestion to all partners of the Bank to not give gratuity in relation to religious and new year celebrations via national newspaper.

Gratuitye-Learning

The e-Learning Program of Gratuity Control has been held by Bank Mandiri Personnel in 2 (two) batches, the first batch started in 7-25 August 2017 and the second batch started in 1-25 November 2017. This e-learning program is an online leaning material that can be accessed in the Mandiri Easy website and can be accessed by all employees with their own NIP. By the end of the learning material, there is a post test that has to be done by employees to measure the employee's understanding. The e-Learning of Gratuity Control has been accessed by 29,945 employees (78% from total employees registered in Mandiri University Group which is 38,559 employees with NIP). Hasil post test memiliki rinciansebagai berikut:

- a. The number of employees that has passed the test is 23,564 people.
- b. The number of employees that has not passed the test is 5,865 people.

Gratuity Control Program In Subsidiary Company

As a step to manifest the integrity culture as one of the standard of "One Culture" in Mandiri Group, recommendation to implement the Gratuity control program has been given to all subsidiary companies. Moreover, in order to implement the Integrated Compliance Unit program, socialization of the gratuity control program has been done for PT.Bank Syariah Mandiri Compliance Unit in November 2017.

Raksa Culture Program

As an effort to implement the gratuity control in Bank Mandiri, Gratuity Control Program has been incorporated into Central Cultural Internalization Team Program through Badges Raksa -Culture Excellent Scoreboard, this program was a reward from fiestapoin program and Excellence Work Culture of Bank Mandiri in relation to Governance theme. The purposes of this program are to develop Good Corporate Governance values and instill value Integrity to all Bank Mandiri employees.

Gratuity Report Year 2017

Gratuity reporting in Bank Mandiri is performed by Bank Mandiri employees by sending email to UPG. The Bank Mandiri employees who receive/reject gratuities report the receiving/rejection to UPG via email

at the latest of 5 Working Days after the receiving/rejection of gratuity by sending the gratuity report form that can be obtained through KPK office or website or by file on Gratuity Control PTO accompanied by supporting documents such as goods photographs, evidence from handover event, invitation or other supporting documents.

After receiving the report, UPG will perform the review and classify the gratuity report whether it is Bank Mandiri's authority or KPK's authority. Up to December 2017, the number of receiving/rejection of Gratuity report was 137 reports. The receiving of Gratuity reported were in the form of honorarium, electronic goods, souvenirs, and food.

Whistleblowing System

Based on SE BI No.13/28/DPNP about Anti Fraud Strategy Implementation for Commercial Banks, Bank Mandiri has carried out various efforts to monitor and mitigate fraud risk through implementation of 4 pillars, namely:

1. Prevention
2. Detection
3. Investigation
4. Report and Sanction
5. Monitor, Evaluation, and Follow Up

In order to monitor and control fraud on detection pillar, Bank Mandiri provides policy of whistleblowing system which is called "Letter to CEO (LTC)". LTC is a means to report fraud complaints either from employees or third party to President Director to focus on revelation on the complaints to improve the effectiveness of fraud control system implementation.

LTC program is one of the Anti Fraud Strategy (SAF) programs that aims to:

1. Detect fraud crime or fraud indication with the reports from employees or third party of Bank Mandiri, that are presented by citing the name clearly or anonymous, with which investigation process or other follow up can be performed.
2. Promote awareness or concern to all employees to participate in keeping their work unit from suffering a loss caused by fraud so the monitoring quality is better and sense of belonging of the employees is higher.
3. Improve the company's reputation especially in the context of Good Corporate Governance that will improve the company's image because the company has adequate anti fraud tools.

Management of Whistleblowing System

Internal Audit Division is a Work Unit that manages the complaints in which reports received by Group CEO are followed up by the related work unit. If needed, that work unit will perform further investigation.

Submission of Violation Reports and Handling of Complaints

Indication of fraud/fraud can be submitted by Reporter through the following mechanisms.

1. Submitting the complaints via reporting media, i.e:
 - a. Email to lettertocceo@bankmandiri.co.id
 - b. Letter to PO BOX 14000 JKTM 12700
 - c. SMS to 0811900777
 - d. Website, by typing lettertocceo to the browser (intranet).
2. The reporter will get Random Unique Number (RUN) for the reports of fraud/indication of fraud.
3. Complaints reports are directly received by CEOGroup and are followed up by related unit.
4. The related work unit follows up the reports and if needed will perform further investigation.
5. The reporter will get feedback status on the complaints reported.

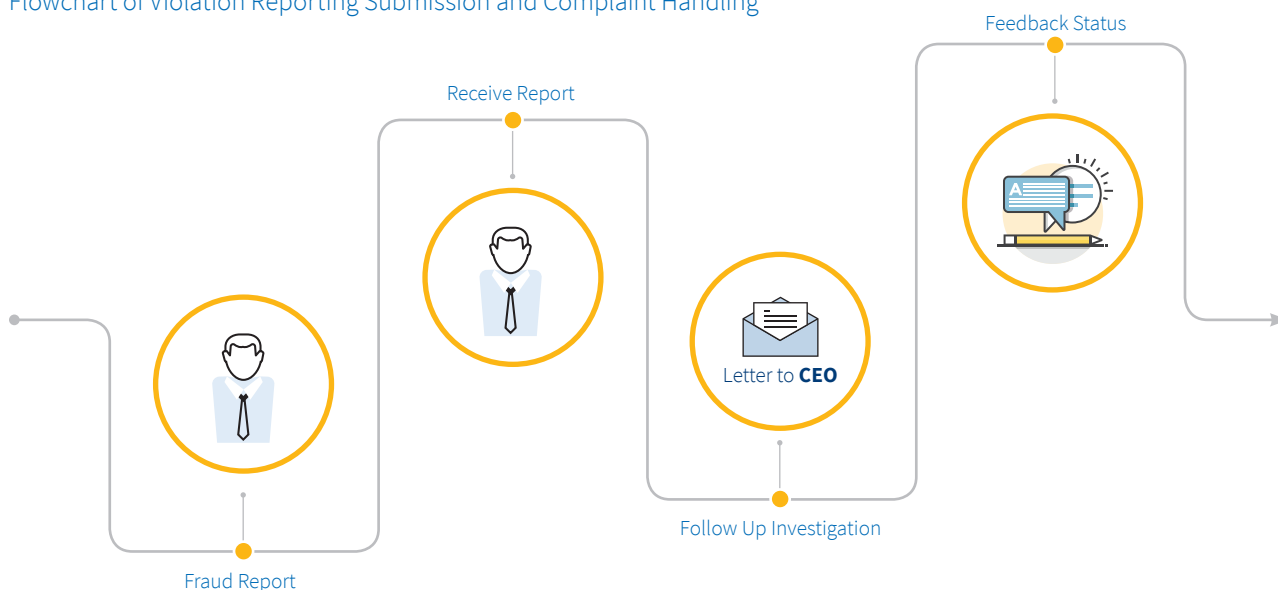
Protection for Whistleblower

Each of the reporting parties will be given protection from Bank Mandiri by maintaining the confidentiality of the reporting identity (name, address, telephone number, email and work unit/company). Moreover, the reporters are allowed to not give their identities (anonymous).

Types of Violation to be Reported

1. Complaints received through the LTC of Bank Mandiri are reports that are related to fraud/fraud indication with the following definitions:
 - a. Deliberate deviation or omission acts to deceive, cheat, or manipulate Bank, customers, or other parties that occur in the Bank environment, and/or;
 - b. Using the Bank facilities that cause Bank, customers, or other parties suffer a loss, and/or;
 - c. Perpetrators of fraud obtain financial gain either directly or indirectly.
2. The types of fraud
 - a. Corruption which means receiving/soliciting rewards and/or misappropriation or misuse of Bank's money for personal interest or the interest of others and/or having others or making plans that harms the Bank.
 - b. Deceit which means cheating on Bank, customer or third party and/or forging documents, signature, physical evidence and/or all authentic evidences.
 - c. Theft which means taking some part and/or all Bank's assets and data illegally.
 - d. Omission which means ignoring the procedures or responsibilities as the employee of the Bank intentionally and deliberately.
 - e. Violation which means violating the internal or external regulations of the Bank or defrauding the Bank with the cyber crime technology and/or without technology, including manipulating financial statement or committing banking crime as regulated by Banking Law and any other acts equivalent hitherto.

Flowchart of Violation Reporting Submission and Complaint Handling



Sosialization of Whistleblowing System

In order to improve the understanding about Whistleblowing System in all organizational levels, Bank Mandiri consistently socializes in related to this system in various ways, namely placing brochure or poster around the office environment, doing various presentations and using internal printed media Mandiri Magazine.

Number of Violation and Follow Up

Violation complaint reports received through the LTC submission media via letter, email or website are as follow:

Table of Number of Violations and Its Follow Up

Submission Media					Report Classification		Followed up Report	Completed Report
Letter	Email	Website	SMS	Miscellaneous (direct letter to Internal Audit)	Fraud (F)	Non Fraud (NF)		
0	8	0	0	0	5	3	8	8

Implementation of Integrated Governance

Based on the Regulations of Financial Services Authority (POJK) Number 18/POJK.03/2014 about the Implementation of Integrated Governance for financial conglomerate, Bank Mandiri as the main entity in the financial conglomerate with 11 (eleven) Subsidiary Companies, has compiled Integrated Governance Guideline as the reference for Bank Mandiri and all Subsidiary Companies in the Bank Mandiri Group. Bank Mandiri has also perfected its governance organs by forming Integrated Governance Committee, Integrated Compliance Unit (SKKT), Integrated Risk Management Unit (SKMRT) and Internal Audit Unit (SKAIT).

Assessment of Integrated Governance

Self assessment of Bank Mandiri and its Subsidiary Companies was performed by referring to Circular Letter of Financial Service Authority Number 15/SEOJK.03/2015 about the Implementation of Integrated Governance for Financial Conglomerates and refers to sectoral regulations of Subsidiary Companies.

Assessment was conducted to 3 aspects of governance, namely structure, process and result (outcome) on 7 factors of Assessment for Implementation of Integrated Governance as follow:

1. Implementation of task and duties of Board of Directors of Main Entity
2. Implementation of task and duties of Board of Commissioners of Main Entity
3. Task and duties of Integrated Governance Committee
4. Task and duties of Integrated Compliance Unit
5. Task and duties of Integrated Internal Audit Unit
6. Implementation of Integrated Risk Management
7. Preparation and Implementation of Integrated Governance Guideline

Integrated Governance Assessment (TKT) in each semester involves all Board of Directors and Board of Commissioners, Risk Management Unit, Internal Audit Unit, Compliance Unit and Corporate Secretary as well as all Subsidiary Companies.

The outcome of integrated governance assessment during 2017 is as follow:

Semester I year 2017 Assessment

Rating	Definition of Rating
1 (very good)	Financial Conglomerate was assessed to perform generally well on the Implementation of Integrated Governance. This was reflected from the adequate compliance on the implementation of TKT. If there was weakness in the implementation of Integrated Governance, generally this weakness was not significant and could be immediately corrected by Main Entity and/or LJK.