

## Recommendations and Follow-Up Action

From the 2017 CGPI assessment result, IICG provided a number of recommendations for the implementation of GCG at Bank Mandiri. The recommendations would be utilized as material for refinement of governance implementation at Bank Mandiri.

Table of Recommendations and Follow-Up Action

No.	Recommendation	Follow Up
<b>Governance Structure</b>		
1	It was recommended that Bank Mandiri develop an integrated governance structure including quality improvements and initiatives for the implementation of integrated governance organs.	Bank Mandiri had had an Integrated Governance Committee under the Board of Commissioners and Integrated Compliance Work Unit, Integrated Risk Management Work Unit, Integrated Internal Audit Work Unit and a Committee under the Board of Directors involving the Main Entity and Subsidiary i.e., the Integrated Risk Committee. All these organs had performed their functions and tasks effectively.
2	It was recommended that Bank Mandiri develop and update the policies and guidelines for the GMS implementation and decision-making in the GMS that added values to the Company's shareholders.	Currently, Bank Mandiri is making improvements to the GMS implementation and decision-making in the GMS.
3	It was recommended that Bank Mandiri should develop policies and guidelines as well as systems for the implementation of corporate social responsibility in a sustainable manner.	Currently, Bank Mandiri is developing policies and guidelines as well as systems for the implementation of corporate social responsibility in a sustainable manner.
<b>Governance Process</b>		
1	It was recommended that Bank Mandiri develop and improve the Company's WBS (Whistle Blowing System) that was easy to access and use (user-friendly) for reporting violations, quick response and proper follow-up, and confidentiality guarantee and reporter protection.	Currently, Bank Mandiri is making improvements to the Company's WBS especially related to the reporting of violations to get quick response and proper follow-up, and the confidentiality guarantee and reporter protection.
2	It was recommended that Bank Mandiri develop and improve the change management systems and instruments, including the systems of change implementation, change communication and change evaluation.	Completion of change management systems and instruments including the systems of change implementation, change communication and change evaluation had been discussed by the Management in order to achieve the vision and mission, which had been determined.
<b>Governance Outcome</b>		
1	It was recommended that Bank Mandiri need to increase the Company's significant profit performance compared to the previous years.	Bank Mandiri continued to develop the strategies that were necessary to improve the Company's performance in a sustainable manner.
2	It was recommended that Bank Mandiri need to improve supervision and prudential aspects in credit disbursement to cope with the increase in non-performing loans (NPLs).	Bank Mandiri had implemented a crediting strategy that had resulted in a significant decline in NPLs.
3	It was recommended that Bank Mandiri develop and increase the number of employees attending training and competency development to support organizational changes and business needs.	Bank Mandiri had conducted employee training policies in accordance with the needs of the Company.
4	It was recommended that Bank Mandiri need to improve employee communication and understanding of ethical guidelines to reduce ethical violations.	Bank Mandiri had increased the effectiveness of ethical guideline socialization to employees, among others were through Knowledge Management System, training, meetings, Mandiri Magazine medium, gathering and so on.

## Asean Corporate Governance Scorecard

One of the conducted assessment forms related to the GCG implementation at Bank Mandiri was the ASEAN Corporate Governance Scorecard that was a parameter of measuring governance practices agreed upon by the ASEAN Capital Market Forum (ACMF). The parameter was created based on the OECD Principles and is expected to be capable of improving investors' trust to ASEAN's listing companies.

### Criteria Employed

ASEAN Corporate Governance Scorecard employs the following assessment components:

1. Shareholders' Rights
2. Equal Treatment to Shareholders
3. Stakeholder Roles
4. Disclosure and Transparency
5. Accountability of the Boards

### Parties Performing Assessment

In Indonesia, the ASEAN Corporate Governance Scorecard assessment is performed by an independent institution, the Indonesian Institute of Corporate Directorship (IICD).

### Assessment Score

ASEAN Corporate Governance Scorecard assessment score over years is as follows:

Table of ACGS Assessment Score

Phase	Bank Mandiri's Score		
	2017	2016	2015
SCORE	104.09	103.55	85.68

With a score of 104.09, Bank Mandiri was awarded with the Leadership in Corporate Governance title, while its GCG implementation was rated the Best Overall.

### Recommendations and Follow-Up Action

Based on Bank Mandiri's 2017 ASEAN CG Scorecard score, the assessor has provided several recommendations for the implementation of GCG at Bank Mandiri. The recommendations were received in December 2017, and will be followed up in early 2018. The recommendations include, among others:

Table of Recommendations and Follow-Up Action

No.	Recommendation	Follow Up
1	Bank Mandiri to disclose transaction of corporate shares conducted by the Board of Commissioners or Board of Directors in 3 (three) business days.	Bank Mandiri is in the process of refining its internal provisions related to the reporting of transaction of shares conducted by the Board of Commissioners and Board of Directors.
2	Decision making during Meeting of the Board of Commissioners should be attended by 2/3 of the Board of Commissioners members to be deemed valid.	The Decree of Board of Commissioners No. KEP.KOM/005/2016 on Board of Commissioners Charter, CHAPTER III Article 7 regarding Type and Quorum of Meeting stated that "Meeting of the Board of Commissioners shall be deemed legitimate and is authorized to make binding decisions when attended by 2/3 of the number of members of the Board of Commissioner, either in person or by representatives."
3	Bank Mandiri's President Commissioner to double as Independent Commissioner.	Through the Extraordinary Meeting on 21 August 2017, Bank Mandiri has appointed Mr. Hartadi A. Sarwono as President Commissioner and Independent Commissioner.

### Excellent Performance Assessment Criteria

Excellent Performance Assessment Criteria is a Malcom Balridge-based method applied by the Ministry of State-owned Enterprises (SOE) to assess/measure all elements of corporate governance system, as well as factors of process and result improvements as part of the consideration. According to the Letter of the Secretary of the Ministry of State-owned Enterprise on the Submission of Criteria Guideline of Key Performance Indicator (KPI) and SOE, Excellent Performance Assessment Criteria is the basis and reference in governing SOE to achieve excellent performance.

### Criteria Being Used

The Assessment System on the Performance Evaluation of SOE was based on the method described in the document of Excellence Performance Assessment Criteria as determined by the Ministry of SOE through letter of the Secretary of the Ministry of SOE no. S-198/D7.MBU/10/2017 dated 7 October 2017 that adopted and adapted the "Malcolm Baldrige Criteria for Performance Excellence" in 2013-2014.

Reports on the fulfillment of requirements in a subcategory were assessed by considering; the subcategory requirements, key business factors reported in the Company Profile, perfection of the system implemented in the company, the breadth of the scope of system implementation, and the consistency of process quality and performance improvements as set out in the scoring system. The performance evaluation of SOE was based on two dimensions of assessment; process and outcome. The assessment factors for each of these dimensions are as follows: