

In relation to the integrated implementation of risk management, Bank Mandiri has started it in stages since 2008 based on the Regulation of BI Number: 8/6/PBI/2006 on the Consolidated Implementation of Risk Management for Banks Controlling Subsidiaries and the Regulation of the Financial Services Authority Number: 17/POJK.03/2014 on the Integrated Implementation of Risk Management for Financial Conglomerates. Periodically Bank Mandiri discussing risk profile topics and Soundness Rating of the Bank (Risk Based Bank Rating) to the financial services authority (OJK). This is considered important because Bank Mandiri is aware that its business continuity shall be also affected by risk exposure arising directly or indirectly from the Subsidiaries' business activities as well as the business characteristics of each Subsidiary.

Internal Control System

An Internal Control System (Sistem Pengendalian Internal/SPI) is an important component in monitoring Bank Mandiri's compliance in carrying out its operational activities. The implementation of effective internal control system shall secure the Company's assets in compiling the steps for reducing the risks of loss, deviation, and violation to prudential aspect.

SPI of Bank Mandiri refers to Circular Letter of Financial Services Authority (SE0JK) 35/SE0JK.03/2017 on Guidelines of Internal Control System for Commercial Banks. The Company has implemented 2 (two) kinds of approaches, which are continuous supervisory (on going basis) and periodic review. Continuous supervisory of the effectiveness of internal control system was carried out by using tiered model by every officials according to their scope of responsibility. The continuous supervisory has commenced from the lowest stage such as agency stage. Periodic review is the second layer in the process of evaluating the internal control. The review was carried out independently by both internal and external parties. Internal Audit Work Unit (Satuan Kerja Audit Internal/SKAI) is one of the organization's components that has a function to evaluate the effectiveness of the internal control system.

The evaluation conducted by SKAI is to be delivered to the Board of Directors to be followed up and its implementation to be monitored. From the evaluation result that was conducted in 2017 with the fraud control, it could be drawn the conclusion that the implementation of SPI on Bank Mandiri has been adequate.

Implementation of Code of Conduct

The code of conduct of Bank Mandiri becomes the reasonable, appropriate and trustworthy standard in doing the business activities including the interaction with stakeholders. The Company's Code of Conduct is said applicable to all personnel in every tier in Bank Mandiri.

Based on the evaluation results of the Code of Conduct violations that occurred during the year 2017, it has been followed up by the Board of Directors of Bank Mandiri.

Implementation of Whistleblowing System

In order to detect early any violation that might occur within the Company, Bank Mandiri already has a complaint system or whistleblowing system (WBS) that is Letter to CEO (LTC) which is a means for employees and vendors to submit complaint reports violation, fraud or indication of fraud and/or other violations that are detrimental to Bank Mandiri to the President Director directly. Throughout the year 2017, complaints received through the LTC had been properly followed up by the Board of Directors, however, in view of the Board of Commissioners, it was necessary to evaluate the WBS system mechanism so that WBS was further upgraded to be more effective.

Implementation of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is the commitment of Bank Mandiri to the public and its society that indirectly affects its reputation and performance. CSR program is realized hand in hand with Program Kemitraan dan Bina Lingkungan (PKBL) that is derived from the Authority Regulation of SOEs, like BUMN Hadir Untuk Negeri, development assistant toward education and religious facilities, and natural disasters.

In relation to the issuance of the Financial Services Authority (POJK) Regulation No. 51 / POJK.03 / 2017 on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies, Bank Mandiri has prepared measures to implement the implementation of such sustainable finances, Bank Mandiri as one of "First Movers on Sustainable Banking" stipulated by OJK.

Assessment on Supporting Committee of The Board of Commissioners

In order to enhance the role of the Board of Commissioners in implementing the supervisory function, the Board of Commissioners has established 4 (four) committees, namely:

1. Audit Committee

Audit Committee has the duties and responsibilities to perform supervisory on matters related to financial information, internal control system effectiveness of examination by external and internal auditors, effectiveness of risk management implementation and compliance with the applicable laws and regulations. Throughout 2017, Audit Committee had monitored and evaluated the audit planning and implementation and the follow up of audit result in order to evaluate the sufficiency of internal control.