

## Report on the Execution of the Committee's Duties

The Committee reports to the BOD and must submit a report to the BOC on every execution of tasks, followed by recommendations if necessary both quarterly and annual and signed by the Chairman of the Committee and the Committee members.

## Statement of the Audit Committee on the Effectiveness of Internal Control System



Internal control system carried out by the Bank is considered to be effective and adequately reflected in the effective discharge of the functions of internal control, among others, includes the functions of internal audit, risk management, compliance, and financial and operational controls.

## Evaluation and Assessment of the Committee's Performance

Evaluation and assessment of the performance of the Committee carried out every year by using the method determined by the BOC. Implementation of the activities and performance of the Committees

under the BOC regularly evaluated and assessed by the BOC for the sake of increasing the effectiveness of implementation and performance of committees in the coming year.

## 3. Remuneration and Nominations Committee

Remuneration and Nomination Committee, established by and directly responsible to the BOC. Remuneration and Nomination Committee was formed to assist the Board in carrying out its duties and oversight on matters relating to the determination

of the qualifications and the nomination process as well as the remuneration of the BOC, BOD and Executive Officers in order to realize good corporate governance.

### Basis for Establishment of the Remuneration and Nominations Committee

Remuneration and Nomination Committee established by reference to the Articles of Association, Law No. 19 of 2003 on SOEs and Bank Indonesia regulations specifically listed in Bank Indonesia Regulation Number 8/4/PBI/2006, 2006 on Implementation of Good Corporate Governance for Banks, as amended by Bank Indonesia Regulation No. 8/14/PBI/2006; set out in article 12, paragraph 1 stated the BOC shall establish a Remuneration and Nomination Committee in order to support the effective implementation of

duties and responsibilities, Minister of State Owned Enterprises No. PER-12/MBU/2012 on the Organs Supporting the Board of Commissioners of State Owned Enterprises, the Financial Services Authority (OJK) Regulation No. 34/POJK.04/2014 on Komite Nomination and Remuneration of Public Company, and POJK No. 45/POJK.03/2015 on Remuneration Procedures for Commercial Banks.

## Criteria for the Committee Members

Remuneration and Nomination Committee is expected to perform its functions properly, the members of the Remuneration and Nomination Committee shall have integrity, good character and morals. In addition members of the Remuneration and Nomination Committee of the Bank is also required to meet the requirements of ability and experience as well as the requirements of Independence, namely:

### Ability 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 perform their duties.
- 4) Are capable of working as a team and communicating effectively.

### Independence Requirements:

- 1) Not the owner, executive or employee of a company, entity or institution that provides

services to Bank Mandiri or has a business relationship with the Bank;

- 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 members of the Audit Committee

## Appointment and Discharge of the Committee Members

BOC may establish another committee whose name and tasks are tailored to the needs of the Board which consists of a Chair and members as stipulated in Regulation of the Minister of State Enterprises No. PER-12/MBU/2012 on the Organs Supporting the Board of Commissioners at State Owned Enterprises. The Chair and other Committee members are appointed and dismissed by BOC.

The Committee members may resign or be discharged, 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) Violating or failing to fulfill the requirements for

serving as a member of the Integrated Corporate Governance Committee, as stipulated in the relevant Bank Indonesia Regulations.

- 6) Unable to carry out his or her duties and responsibilities, as certified by BOC.

Member of the Remuneration and Nominations Committee who sits in BOC will be automatically dismissed when his/her term of office ends.

### Committee Member's Term of Office

Regulation of the Minister of State Owned Enterprises No. PER-12/MBU/2012 states that the term of office of other Committee members not serving as Commissioner is maximum three years and may be extended once for a term of two years, without prejudice to the right of the BOC to dismiss them at any time.

## Membership of the Remuneration and Nominations Committee

In accordance with the Bank Indonesia Circular Letter No. 15/15/DPNP Date 29 April 2013 on the Implementation of GCG for Commercial Banks, it was arranged that the number and composition of the Remuneration and Nomination Committee of Bank Mandiri set consist of at least 3 (three) people, with a composition of at least as follows an independent Commissioner as chairman, an independent party with expertise in the field of Accounting/Finance and an independent party with expertise in the field of law as well as other criteria according POJK No. 45/POJK.03/2015 is contained Executive Officer which is in charge of Human Resources or an employee representative.

In 2015, the Annual General Meeting dated March 16, 2015 had dismissed with respect Mr. Herman Anton Gunawan, Mr. Krisna Wijaya and Mr. Pradjoto as Commissioner; accepted the resignation of Mr. Mahmuddin Yasin and appointed Mr. Nasution, Mr. Imam Apriyanto Putro, Mr. Goei Siauw Hong, Mr. Suwhono and Mr. Bangun Sarwito Kusmuljono as a member of the BOC. With the change in the composition of the new BOC, the composition of the Remuneration and Nomination Committee members are also changing.

The composition per December 2015:

Name	Role
Bangun Sarwito Kusmuljono	Chair (Independent Commissioner)
Darmin Nasution	Member (Chief Commissioner)
Imam Apriyanto Putro	Member (Deputy Chief Commissioner)
Abdul Aziz	Member (Independent Commissioner)
Aviliani	Member (Independent Commissioner)
Askolani	Member (Commissioner)
Suwhono	Member (Commissioner)
Goei Siauw Hong	Member (Independent Commissioner)
Group Head Human Capital Strategy & Policy	Secretary (ex-officio)

## Profiles of the Committee Members

Some of the Remuneration and Nominations Committee members are also BOC members, so that their profiles take after the ones presented in the BOC section. All the Committee members have good integrity, accomplished competencies and reputable financial standings.

## Independence of the Remuneration and Nominations Committee

Based on the Remuneration and Nominations Committee Charter:

1. Members of the Remuneration and Nominations Committee must at least satisfy the following criteria:
  - a) Have good integrity, objectivity and ethics.
  - b) Have good competencies with:
    - sufficient knowledge, including knowledge of the rules and regulations, and the legislation in force.
    - Understanding of 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.
2. 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.
3. The Remuneration and Nominations Committee shall be chaired by an Independent Commissioner.
4. Should the Remuneration and Nominations Committee have more than three (3) members, there shall not be less than 2 Independent Commissioners.
5. If necessary, the Remuneration and Nominations Committee may appoint members who are external parties that are independent of the Bank.
6. The members of the Remuneration and Nominations Committee shall be appointed by

Name	Criteria							Status
	1	2	3	4	5	6	7	
Bangun Sarwito Kusmuljono	v	v	v	v	v	v	v	Independent
Darmin Nasution	v	v	v	v	v	v	v	Independent
Imam Apriyanto Putro	v	x	x	v	v	v	v	Non Independent
Abdul Aziz	v	v	v	v	v	v	v	Independent
Aviliani	v	v	v	v	v	v	v	Independent
Askolani	v	x	x	v	v	v	v	Non-Independent
Suwhono	v	x	x	v	v	v	v	Non Independent
Goei Siauw Hong	v	v	v	v	v	v	v	Independent

### Independence Criteria

1. Not sitting in the Bank's board of management
2. Not having business relationship and any other relationships that might influence discretion
3. Not the Company's majority shareholder or employee dealing directly with the majority shareholder
4. Not an employee or formerly an executive in the company or its affiliates, at least three years prior to sitting in the Committee
5. Not a key professional adviser or material consultant for the company or its affiliates, or employee dealing directly with service providers for at least three years prior to becoming a Committee member
6. Not a supplier or anchor of the company or its affiliates or an employee of/who directly or indirectly works with a supplier or anchor
7. Not having an agreement with the company or other affiliates as Director

### Familial & Financial Relationships, Managerial Roles and Share Ownership of the Committee Members

Name	Role	Familial Relationship with			Financial Relationship with			Managerial Roles & Share Ownership in Other Companies		
		Other Committees	BOD	BOC	Other Committees	BOD	BOC	BOD	BOC	Shareholder
Bangun Sarwito Kusmuljono	Chair	-	-	-	-	-	-	-	-	-
Darmin Nasution	Member	-	-	-	-	-	-	-	-	-
Imam Apriyanto Putro	Member	-	-	-	-	-	-	-	-	-
Abdul Aziz	Chair	-	-	-	-	-	-	-	-	-
Aviliani	Member	-	-	-	-	-	-	-	-	-
Askolani	Member	-	-	-	-	-	-	-	-	-
Suwhono	Member	-	-	-	-	-	-	-	-	-
Goei Siau Hong	Member	-	-	-	-	-	-	-	-	-

In 2015, all members of Bank Mandiri Remuneration and Nominations Committee had no familial and financial relationships with members of the BOC, BOD and other Committees and did not serve as Commissioners, Directors and shareholders in other companies.

## The 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) Authority of the Committee, (c) Meetings of the Committee and (d) Organization of the Committee.

Remuneration and Nomination Committee Charter on periodic review to ensure that the scope of these guidelines are always in line with the needs, the Regulation of Bank Indonesia and/or other related applicable regulations.

## Functions, Authorities and Responsibilities of the Remuneration and Nominations Committee

### Functions

Assisting the Commissioner to make suggestions to the shareholders of Series A Dwiwarna Share in:

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 BOD.
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 BOD in the form of systems for payment of salary and allowances, evaluation on the system, the options given and the retirement system.

### Authorities

1. To ask PT. Bank Mandiri (Persero) Tbk. to conduct survey according to the requirements of

the Nomination and Remunerations Committee

2. To ask from various parties for any required information, either internal or external of PT. Bank Mandiri (Persero) Tbk.

### Duties and Responsibilities

The Chair and Committee Members have the following duties and responsibilities:

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 BOD.
5. To assist the Commissioners in obtaining and analyzing the data of prospective candidates of officials one level below the BOD 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 BOC, regarding:
    - Remuneration policy for the BOC and BOD to be presented at the RUPS.
    - 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 BOC and BOD, to the BOC to be presented at the RUPS.
  10. To develop and provide recommendations on the candidates for membership to the BOC and BOD, to the BOC 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.

## Remuneration of the Committee Members

Regulation of the Minister of State Owned Enterprises No. PER-12/MBU/2012 also stipulates remuneration for the Committee members with honoraria at maximum 20% (twenty percent) of the salary of the Company's President Director, with taxes paid by the Company. The members are also not allowed to

receive any other income in addition to the honoraria and member of the BOC chairing the Remuneration and Nominations Committee is not entitled to extra income from the role. The income of the Committee members is determined by the BOC with regard to the Company's financial capacity.

## Work Plan of the Remuneration and Nominations Committee

Before the current financial year, the Committee shall prepare and submit annual work plan and budget to the BOC to be established and to the Board to be known. Remuneration and Nomination Committee has drawn up a work program in 2015 as follows:

1. Evaluate the performance of the Board of Directors and Board of Commissioners:
  - a. Evaluate the performance of Board of Directors and Board of Commissioners by self- assessment
2. Selection of Candidates for Board of Directors and Board of Commissioners
  - a. Conduct identification of candidate for Directors and Board of Commissioners from Internal (Talent Management)
  - b. Selecting candidates in conformity with the requirements as stated on the Charter
  - c. Propose name of candidates for Directors and Commissioners to the Board of Commissioners

3. Evaluation and remuneration proposal of Directors and the Board of Commissioners (salary / honorarium and other benefits):
  - a. Evaluate the industry benchmark
  - b. Propose adjustments to the remuneration of Directors and Board of Commissioners
4. Propose remuneration and Long Term Incentive (LTI) on the basis of Performance of Directors and Board of Commissioners:
  - a. Evaluate remuneration and Long Term Incentive (LTI) on the basis of Performance of Directors and Board of Commissioners:
  - b. Propose remuneration and Long Term Incentive (LTI) for the Board of Directors and the Board of Commissioners as well as their distribution

### Execution of the Remuneration and Nominations Committee's Duties

During 2015 the Remuneration and Nomination Committee has conducted include the following:

Date of Meeting/Visit	Agenda
12-Jan-2015	<ol style="list-style-type: none"> <li>1. Interview with Proposed Candidate Directors of PT BM</li> <li>2. Miscellaneous</li> </ol>
4-Mar-2015	<ol style="list-style-type: none"> <li>1. Determining Remuneration and Bonus for BOD</li> <li>2. Miscellaneous</li> </ol>
13-Mar-2015	<ol style="list-style-type: none"> <li>1. Recommendation of Candidate Directors and Commissioners</li> <li>2. Miscellaneous</li> </ol>
10-Jun-2015	<ol style="list-style-type: none"> <li>1. Bonus Distribution on Performance for Fiscal Year 2014</li> <li>2. Miscellaneous</li> </ol>
29-Jul-2015	<ol style="list-style-type: none"> <li>1. Discussion on results of Fit &amp; Proper Test of Directors and Commissioners</li> <li>2. Miscellaneous</li> </ol>
2-Sep-2015	<ol style="list-style-type: none"> <li>1. Discussion Criteria Candidates Commissioner</li> <li>2. Miscellaneous</li> </ol>
23-Sep-2015	<ol style="list-style-type: none"> <li>1. BOC Honorarium</li> <li>2. Miscellaneous</li> </ol>
6-Nop-2015	<ol style="list-style-type: none"> <li>1. Continued Discussion on CEO Succession</li> <li>2. Miscellaneous</li> </ol>
15-Des-2015	<ol style="list-style-type: none"> <li>1. Proposed Candidates for BOC Members for RUPSLB 2015</li> </ol>
17-Des-2015	<ol style="list-style-type: none"> <li>1. Proposed Candidates for BOC Members for RUPSLB 2015</li> </ol>



## Remuneration and Nominations Committee Meeting

As explained in the Minister of SOE No. PER-12/MBU/2012 that the Committee held a meeting at least equal to the minimum requirements BOC meeting set out in the articles of association and documented in minutes of meetings are submitted in writing by the committee to the BOC.

In accordance with the Employment Guidelines for Remuneration and Nomination Committee, Remuneration and Nomination Committee meetings held in accordance with the needs of the Bank, a minimum of once a month. The meeting was chaired by the chairman of the Remuneration and Nomination

Committee or the Remuneration and Nomination Committee members, when the chairman of the Remuneration and Nomination Committee was unable to attend and can only be implemented if attended by a minimum of 51% of the number of members including an Independent Commissioner and Independent parties. Resolutions of the Committee are taken by consensus and consensus. In the event that consensus cannot be reached a decision, the decision taken by a majority vote, provided that the decisions are taken by majority vote.

## Frequency and Attendance of the Remuneration and Nominations Committee Meeting

The presence of the committee members at the meeting is reported on quarterly and annual reports. Number of Meetings of the Remuneration and Nomination Committee during 2015 as many as 10 (ten) times and shown in the following table:

Name	Role	Total			% of Attendance
		Meeting	Attendance	Absence	
Mahmuddin Yasin*	Mamber	3	1	2	33%
Pradjoto*	Chief	3	3	0	100%
Krisna Wijaya*	Mamber	3	2	1	67%
Anton. H Gunawan*	Mamber	3	3	0	100%
Darmin Nasution**	Mamber	2	2	0	100%
Bangun Sarwito Kusmuljono***	Chief	6	6	0	100%
Imam Apriyanto Putro**	Mamber	6	3	3	50%
Abdul Aziz***	Mamber	9	9	0	100%
Aviliani	Mamber	9	8	1	89%
Askolani	Mamber	9	6	3	67%
Suwhono***	Mamber	5	4	1	80%
Goei Siauw Hong***	Mamber	5	5	0	100%

### Note:

- \*) Mr. Mahmuddin Yasin, Mr. Pradjoto, Mr. Krisna Wijaya, Mr. Anton H. Gunawan according to EGM results, per March 16, 2015 no longer served as BOC Members
- \*\*) Based on appropriate fit & proper test results, Mr. Darmin Nasution, Mr. Imam Apriyanto Putro as of June 8, 2015 effectively served as Chief Commissioner and Deputy Chief Commissioner
- \*\*) Mr. Abdul Aziz, Mr. Bangun Sarwito Kusmuljono, Mr. Suwhono, Mr. Goei Siauw Hong as per fit & proper test results effectively served as Commissioner as of June 19, 2015 (Mr. Abdul Aziz became Independent Commissioner from Non-Independent Commissioner served previously)

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## Evaluation and Assessment of the Committee's Performance

Evaluation and assessment of the performance of the Committee carried out every year by using the method determined by the BOC. Implementation of the activities and performance of the Committees

under the BOC regularly evaluated and assessed by the BOC for the sake of increasing the effectiveness of implementation and performance of committees in the coming year.

## Use of Appraisal Services Company to Select Candidates of BOC and BOD Members

The Remuneration and Nomination Committee establishes criteria for candidates of BOC and BOD members, and then make the selection of the candidates who conform to the criteria in the set. Furthermore, the Bank Mandiri in cooperation with the appraisal company to conduct an assessment of candidates for the BOC and BOD.

Bank Mandiri in cooperation with several appraisal company, one of them is PT . Daya Dimensi Indonesia. Candidates who have obtained a recommendation from the appraisal company will be reported by the Remuneration and Nomination Committee to BOC as candidates which would be submitted to the GMS for approval .

## 4. Risk Monitoring Committee

Risk Monitoring Committee was established by and reports to the BOC in monitoring and providing advice to the BOD to obtain reasonable assurance that the implementation of risk management remains the elements of the adequacy of risk management

procedures and methodologies. Risk Monitoring Committee has a role in the monitoring and assessment of risk management policies and the implementation of good corporate governance as a whole.