

the board of directors

The Board of Directors is the organ of the company to take full responsibility collectively on the management of the company's interests and objectives of the company and to represent the company, both inside and outside the court in accordance with the Statutes. In performing its duties, the Board of Directors is responsible to the General Meeting of Shareholders (RUPS) as the embodiment of the management accountability in accordance with the principles of corporate governance.

Criteria and Procedures for the Appointment of Directors

Determination of criteria and procedures for the appointment of the Board of Directors is very important for shareholders to gain confidence that only candidates who have certain qualifications and experience will be selected. As one of the State Owned Enterprises (SOEs), which has been publicly owned, in applying the principles of good corporate governance, the Bank is subject to the rules and regulations prevailing in the determination of the criteria and procedures for the appointment of Directors of the Bank, namely:

- a. Law No. 40/2007 regarding Limited Liability Company ("Limited Liability Company Law"),
- b. Government Regulation No. 45/2005 on the Establishment, Management, Monitoring and Dissolution of State Owned Enterprises ("PP No. 45/2005"). All the provisions in question have been set out in the Articles of Association of the Bank.
- c. Bank Indonesia Regulation (PBI) No. 12/23/PBI/2010 dated December 29, 2010 concerning Fit and Proper Test ("PBI No. 12/23/PBI/2010"). As from December 31, 2013 the functions, duties and authority to regulate the financial services activities of the banking sector switched from BI to the Financial Services Authority (OJK), so the fit and proper test conducted by the OJK.

Limited Liability Company Law stipulates that can be appointed as members of the Board of Directors refers to individuals who are legally competent, except within 5 (five) years prior to his appointment never:

- Being declared bankrupt;
- Being a member of the Board of Directors or the Board of Commissioners who were responsible for causing a company to go bankrupt; or
- Being convicted for committing a crime that harm the State's financial and/or related to the financial sector.

Law No. 40/2007 regulates the procedure of appointment of the Board of Directors. Namely Directors are appointed by the RUPS for a certain period and can be reappointed. The RUPS also set the time of entry into force of the decision related to the appointment, replacement and dismissal. If the RUPS does not specify it, the appointment, replacement and dismissal of members of the Board of Directors effective as of the closing of the RUPS.

Government Regulation No. 45/2005 Government Regulation No. 45 Year 2005 on the Establishment, Management, Monitoring and Dissolution of State-

Owned Enterprises also set the criteria and procedure of appointment of Directors. In line with the provisions of Article 50 of Regulation No. 45/2005, individual who can be appointed as a Member of the Board of Directors of Bank Mandiri is an individual who has integrity, dedication, understanding the issues related to the management of the company that one of the functions of management, have adequate experience in the fields of business, and can provide a time enough to carry out their duties and people who meet the criteria as stipulated in the legislation on limited liability company terbatas. Procedures for appointment or dismissal of the Board of Directors are conducted by the RUPS.

A person who is appointed as Directors must undergo Fit and Proper Test (Fit and Proper Test) before performing their duties as Directors of the Bank, as stipulated in PBI No. 12/23/PBI/2010 dated December 29, December 31, 2013 2010. Sejak functions Fit and Proper Test (Fit and Proper Test) Board of Directors and Board of Commissioners of Bank have been transferred from Bank Indonesia to the OJK. Thus, the Bank Management must predicate Graduated in the fit and proper test conducted by the OJK.

Bank management should meet the requirements of integrity, competency, and financial reputation. In order to meet the requirements of integrity, a candidate member of the Board of Directors must have good moral character and commitment to comply with the legislation in force, has a strong commitment to the development of the bank's operations are healthy and are not included in the Unsuccessful List. Meanwhile, to meet competency requirements member of the Board of Directors shall have adequate knowledge in the field of banking relevant to the position, having experience and expertise in banking and/or finance and have the

ability to perform strategic management for developing a healthy bank. Also, the majority of members of the Board of Directors shall have experience in bank operations at least 5 (five) years as an executive officer at the bank.

Prospective members of the Board of Directors must meet the requirements of financial reputation, namely:

- Not included in the list of bad debts; and
- Not been declared bankrupt or become directors or commissioners found at fault in causing a company to go bankrupt, within 5 (five) years prior to nomination.

The Bank must apply for and obtain approval of the prospective managers to the OJK in order to follow the fit and proper test process. Board candidates proposed amount to a maximum of two (2) people for each vacancy, and the determination of candidates proposed has been done in accordance with the applicable law. Approval or rejection of the application by the OJK no later than 30 (thirty) days after receipt of the complete application.

The fit and proper test conducted by the OJK, including the administrative and interview tests. If candidates who requested the OJK has been approved and appointed as the Bank Management in accordance RUPS, but is concerned not approved by Bank Indonesia, the Bank through the RUPS shall dismiss the concerned. Candidate Management of Banks that have not been approved by the OJK prohibited from doing duty as a Member of the Board of Directors in the operations of the Bank and or other activities that have a significant influence on the policies and financial condition of the Bank, although it has been approved and appointed by the RUPS.