

## Report Procurement of Goods and Services

With the growing size of the Bank's business activities, the greater the funds needed by the Bank in the procurement of goods and services to support the Bank's business wheel. It is necessary to get attention and special handling by the Bank so as not to cause harm and violation of applicable law. At this time, the bank has had a work unit to process the procurement of goods and services as well as provisions in the form of SOPs (Standard Operating Guidelines) Procurement (Procurement) which serve as guidelines in carrying out procurement activities.

### Procurement of Goods and Services

Related Conditions Procurement of Goods and Services Procurement SPO is determined by the Board of Directors of the Bank. SPO Procurement Bank Mandiri is a guideline in the process of procurement of goods and services that are strategic and non-strategic to support the Bank's operations according to the quality, quantity and time are set at the best price as well as applying the principles of risk control management.

To realize the procurement activities with the procurement principles of effective, efficient, open, competitive, transparent, fair and not discriminatory, accountability, responsibility, and the Independent, the Bank implemented the following matters:

1. Segregation of duties on Procurement Implementation Unit that is, units which perform the candidate selection partners/vendors, the unit undertaking the procurement process, the units that make up Estimate Alone; and Compliance Work Unit
2. Always subject to and comply with internal and external regulations
3. Application of the principles of risk management includes the identification, assessment, mitigation and monitoring and measurement of operational risk.
4. Guided by the work culture of the Company, which is based on the values TIPCE (Trust, Integrity, Professionalism, Customer Focus, and Excellence), GCG, and adhere to the Code of Conduct and to implement the precautionary principle

### Procurement Ethics

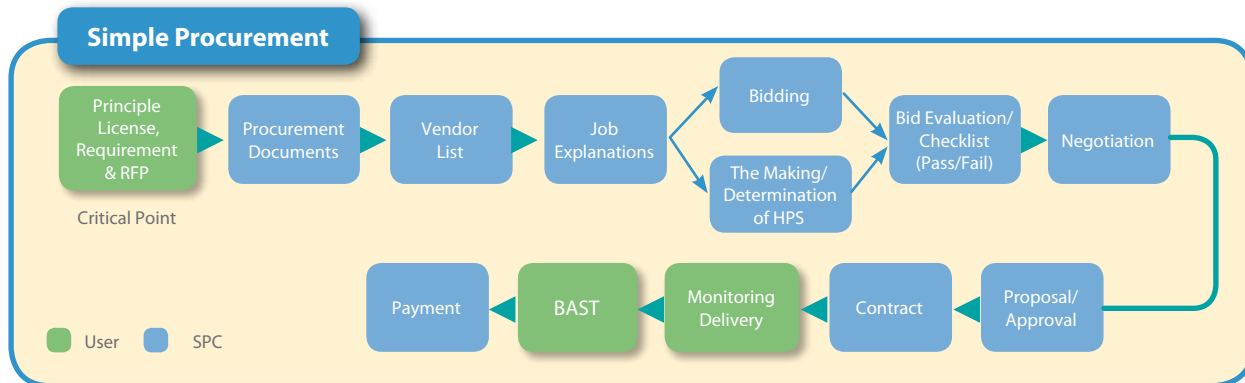
All parties involved in the procurement process of the Bank include Executive Unit Procurement of Goods and Services Users and providers of goods and services required from time to time in compliance with ethics as follows:

- a. Implement their respective obligations in an orderly manner with a sense of responsibility to achieve smoothness and accuracy achievement of Procurement.
- b. Work professionally and independently on the basis of honesty and confidentiality of documents should not be disclosed, such as the Self-Estimated Price (HPS), to prevent the occurrence of irregularities in the implementation of procurement activities.
- c. Not affect each other, either directly or indirectly to prevent and avoid unfair competition.
- d. Accept and be responsible for any decision taken in accordance with the agreement of the parties.
- e. Avoid and prevent conflicts of interest between the parties.
- f. Avoid and prevent wastage in the implementation of procurement activities.
- g. Avoiding and preventing the abuse of authority and/or collusion with the purpose of personal gain, class or other parties that may directly or indirectly impair the Bank.
- h. Avoid and prevent corruption, collusion and nepotism (KKN) in the procurement process.
- i. Not receiving a gift or compensation in any form, either directly or indirectly.

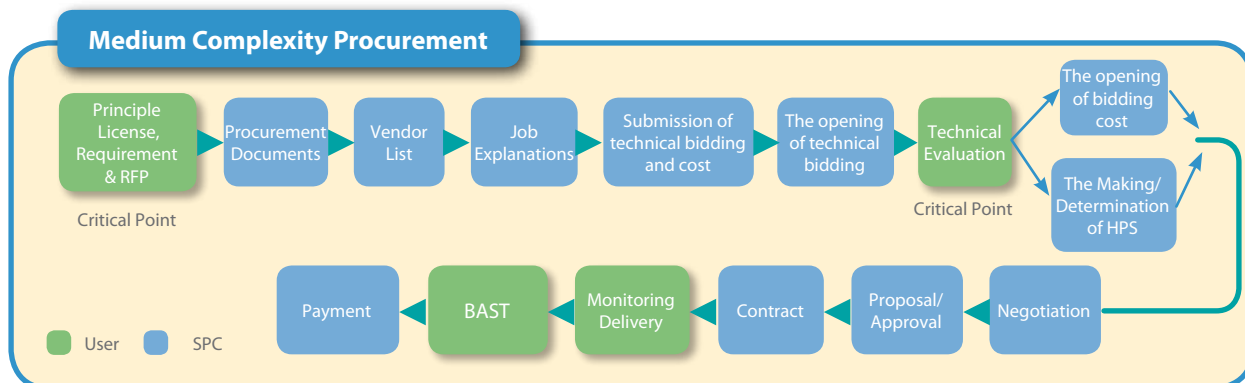
## Procurement Procedures

Bank Mandiri has procedures in the procurement of goods and services which can be described through three schemes below

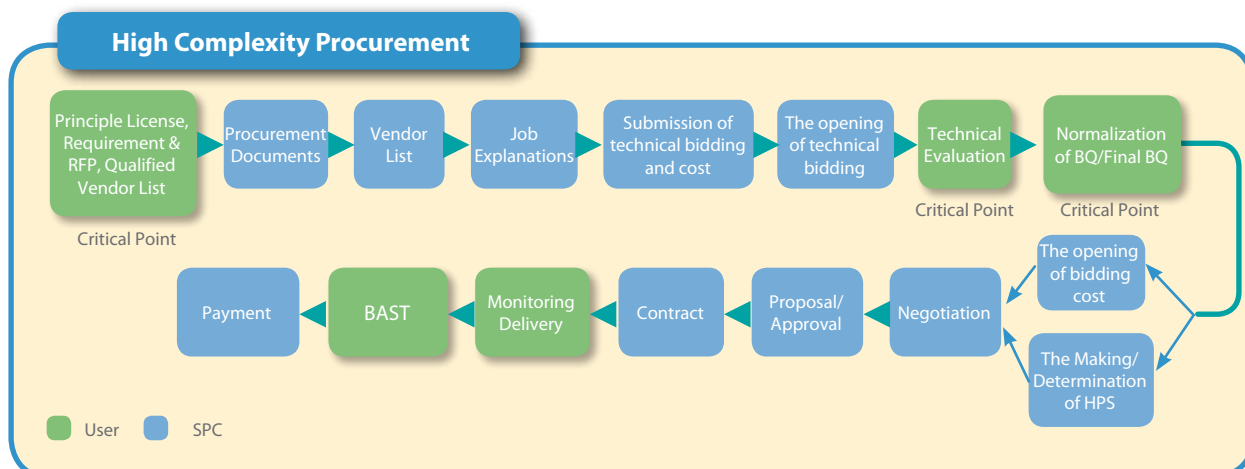
### Flow Process Simple Procurement (One Step One Page)



### Flow Process Medium Complexity Procurement (One Stage Two Pages)



### Flow Process High Complexity Procurement (Two Stages)



06  
Corporate  
Governance

07  
Integrated Corporate  
Governance

08  
Corporate Social  
Responsibility

09  
Cross Reference of  
Annual Report  
Award 2016 Criteria

10  
Consolidated Financial  
Statements

## Authority and Responsibility Procurement

Working Unit	User	Group PFA
Budget/Preliminary Approval	v	-
Product Policy	v	-
Procurement Policy	-	v
Procurement Request Nota	v	
User Requirement/Technical Specs/RFP & BoQ	v	-
Procurement Documents	v	v
Vendor Qualification/Vendor Shortlist	-	v
OE/ HPS	-	v
Sending of RFP/Procurement Documents	-	v
Acceptance of Proposal	-	v
Technical Evaluation	v	
Sign Off SOW	v + IT *)	-
Administrative Evaluation	-	v
Technical Evaluation	v + IT*) + IT**)	
Price Evaluation	-	v
Negotiations	v	v
Proposal Memorandum	v + IT **)	v
Contract	V * *)	v
License Agreement (If Any)	v + IT **)	v
Implementation	v	-
BAST	v	-
Recomendation on Payment	-	v
Payment	-	v + Accounting

Note :

\*) Exclusively for IT procurement

\*\*) If it is deemed necessary

\*\*\*) For the contracts, one of which was signed by GH SPC, SPC Legal Unit be reviewed

## Conditions for Procurement of Goods and Services

Provisions of the procurement of goods and services of the Bank include the following aspects:

Procurement	<p>a. Through the providers of goods and services: Procurement can be implemented if the specification of goods which will be held clearly, more efficient, timely manner.</p> <p>b. Self-management: Activities to obtain goods and services carried out by a planned, carried out and supervised by the Bank using its own power, owned-equipments, or piece rate workers.</p>
Implementing Organization Goods and Services	<p>a. Procurement Implementation Unit</p> <p>b. Users Work Unit Goods / Services hereinafter User</p> <p>c. Related Work Unit</p> <p>d. Procurement Officer Tim breakers</p>
Procurement Planning	Each Procurement Planning Procurement process to be carried out should be preceded by careful planning that includes clear specifications, the number of work packages to be undertaken, budget and implementation time. Planning question must be well coordinated between the relevant work units, among others, work unit owner's budget, the work unit system Trustees and work units responsible for the implementation of the procurement process.
Handover of Work	Unit of Work Users of Goods/Services (User) is responsible for ensuring that all work submitted by the vendor has met all the requirements, scope and specifications according to which has been set in the document of Employment and supporting documents.

01 Main Highlights	02 Management Report	03 Company at a Glance	04 Management Discussion and Analysis on Company's Performance	05 Review of Business Support Function
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Guarantees In Procurement	In order to control the risks that may arise on Procurement of Goods and Services caused wan achievement, then the provider of goods and services required to provide a guarantee
Procurement Implementation Activities To Solve Specific Conditions	<p>In conditions requiring rapid handling due to natural disasters and other Force Majeure circumstances, so handling should be done immediately, it can be :</p> <ol style="list-style-type: none"> <li>1. Pointed Directly, without issuing HPS/Entry deals/Publishing SP/SPK/Contract, the Real Cost is reimbursable without adding margin, Fee for providers of goods and services based on agreements and fairness.</li> <li>2. If there is not a reasonable price based on the results of the review, the Executive Unit Procurement clarification and negotiation with providers of goods and services that carry out the work specified in the Minutes of Clarification &amp; Negotiation.</li> <li>3. Head of Procurement Implementation Unit shall monitor the implementation of the work and make accountability reports to officials and one level above or Natural Disaster Team.</li> </ol>
Document and Payment Process	<p>Payment Process include :</p> <ol style="list-style-type: none"> <li>1. Payment Document Research,</li> <li>2. Approval of the payment by the competent authority,</li> <li>3. Payments are made in Rupiah or other currency according to the value or price listed in the CMS or the Contract,</li> <li>4. Recording the actual cost of each payment in accordance with the eyes of its budget.</li> </ol>

## Procurement of Goods and Services in 2016

Here's a comparison of the procurement of the Bank in 2015 and 2016 that have been realized:

Work unit	Value Procurement (in billion Rp)		Acquisition Value Currency (in million USD)		Rated Total (in billion Rp)		Amount Procurement	
	2015	2016	2015	2016	2015	2016	2015	2016
SPC (Headquarters)	5,596	7,310	89	26	6,404	7,670	1,833	1,936
Regional Offices	310	470	-	-	310	470	1,098	1,078
Working Units	1,183	978	13	1	1,368	1,465	2,898	2,661

Until December 2016, the total value of procurement conducted by the Bank in the Central Office (SPC) of Rp7,670 billion, while the Regional Office of Rp470 billion, and to the work unit is Rp1,465 billion.

Number Procurement conducted for the Bank until December 2016 SPC many as 1,936, while the Regional Office as much as 1,078, and for as many as 2,661 Work Unit.

## Procurement Audit

To ensure SPO Procurement and Bank policies have been implemented in accordance with the provisions, the Bank continues to do audits periodically and at any time, through the Internal and External Audit.

During 2016, there were no findings of an audit, either by the external auditors and internal auditors regarding the procurement of adverse Bank Mandiri.

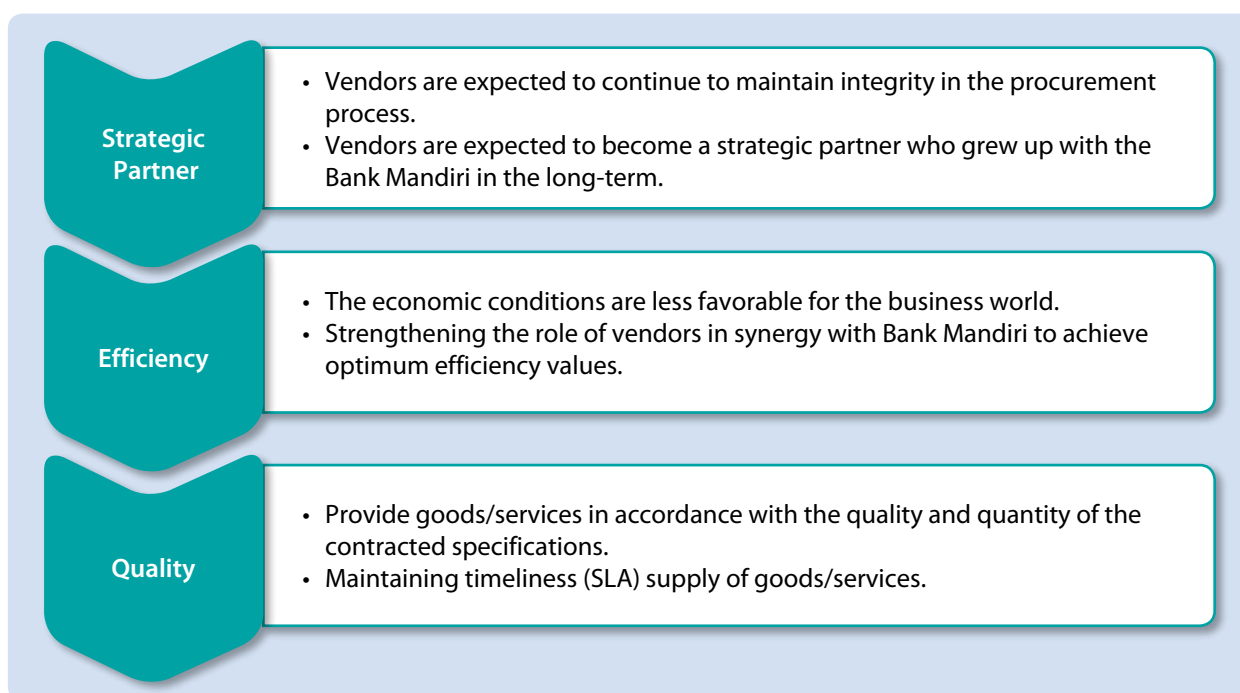
## Competence Development Program Supplier

Bank Mandiri has been carrying out development activities to improve the quality of vendor Bank Mandiri, through the implementation of Vendor Award Gathering and conferring with the following caption:

Implementation Date	November 16, 2016
Venue	Auditorium, 3rd Floor, Plaza Mandiri - Jakarta
Partner Invited	<ul style="list-style-type: none"> <li>• IT Fields (Software and Hardware): 23 vendors</li> <li>• Non-IT Fields (i.e. Advertising and Promotion, Vehicles, Office, Printing, Insurance, Expedition): 35 vendors</li> <li>• Construction: 10 vendors</li> </ul>

Gathering the materials Vendor as follows :

1. Sharing values between Bank Mandiri with the vendor.
2. Economy Outlook Update Indonesia, including Indonesia's macroeconomic conditions and the performance of the national banking sector.
3. Refreshment important aspects related to th procurement of goods and services, among others



4. Communication and discussion among vendor and Bank Mandiri to gain input in relation with efficient and effective procurement process.

### Creditor's Rights Policy

In general, fulfillment of creditor's rights which is the payment of interest and total loan conducted in timely manner, information regarding financial report easily access by creditors, and to assure that all term and condition of credit agreement has been settled.