

## GOVERNANCE IN PROVIDING REMUNERATIONS

### Performance Measurement Related to Remuneration

In providing remuneration, Bank Mandiri conducts performance measurements related to remuneration including a review of remuneration policies related to performance assessments, methods of linking individual remuneration with Bank Mandiri performance, work unit performance and individual performance and methods used by Bank Mandiri to certify performance (key performance indicators) that has been agreed upon cannot be achieved so it is necessary to make adjustments to the remuneration as well as the amount of remuneration adjustment if this condition occurs.

The application of the remuneration strategy is also carried out by taking into account the performance of each individual employee, the performance of the work unit and the overall performance of the Bank, but still within the stipulated budget. In general, in implementing total rewards, Bank Mandiri provides salaries, annual salary adjustments, holiday allowances (THR), annual leave fees, and large leave pay for each 3 (three) year working period. Bank Mandiri also provides health facilities for employees and their family members, including inpatient care, outpatient care, childbirth, dental care, General Check Up, eyeglasses and the health program for Bank Mandiri retirees.

### Remuneration Adjustment Related to Performance and Risk

Bank Mandiri provides variable remuneration, namely remuneration related to performance and risk, including bonuses, rewards/performance incentives or other equivalent forms. Remuneration

in the form of bonuses, rewards, incentives can be given in the form of cash, shares or share-based instruments issued by Bank Mandiri with special provisions for the benefit of the Board of Commissioners given in cash to avoid conflict of interest in carrying out supervision.

### External Consultant Services

To find out the position of the Bank's remuneration against market conditions, every year Bank Mandiri participates in the Annual Salary Survey which is conducted by an independent and competent third party. The results of the study from the survey were used as a basis for adjusting the remuneration strategy of Bank Mandiri which would then be proposed at the Board of Directors Meeting for approval.

### Process for Preparation of Remuneration Policy

Remuneration policy was one of the important factors in obtaining and/or maintaining employees, executive officers, Directors and Board of Commissioners who were competent and qualified. It was the Bank's strategy in providing rewards according to the ability of Bank Mandiri in accommodating changes in employee demographics, management of labour costs, and to encourage the achievement of Bank Mandiri's business objectives.

Bank Mandiri's remuneration was prepared with the aim of being able to attract, maintain, motivate, and increase the commitment of employees to continuously provide optimal performance as well as to support Bank Mandiri's vision, mission and strategy.

Bank Mandiri's considerations when preparing the remuneration policy:

1. Financial performance and reserve fulfilment as stipulated in the applicable laws and regulations.
2. Remuneration that is adapted to the industry in accordance with the Company's business activities and the scale of the company's business in the industry.
3. The duties, responsibilities and authorities of members of the Board of Directors and members of the Board of Commissioners related to the achievement of the Company's goals and performance.
4. Target or performance of each member of the Board of Directors and/or members of the Board of Commissioners in order to achieve equality between the work results and the benefits received.
5. Balance between permanent and variable benefits.
6. The Bank's Long-term goals and Strategies

### Indicators/Coverage of Remuneration Policy and Its Implementation

Pursuant to OJK Regulation No. 45/POJK.03/2015 concerning the Implementation of Governance in Providing Remuneration for Commercial Banks, Bank Mandiri has in place the Remuneration Policy which was ratified through a Joint Decree of the Board of Commissioners and Directors dated 20 March 2018. Currently, the remuneration policy only regulated the remuneration for the Board of Commissioners and Board of Directors, which will further be implemented to employees



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at certain levels determined as material risk takers. Determination of risk taker material will be carried out by using a qualitative and quantitative approaches.

In determining the remuneration of employees, Executives, Directors and Board of Commissioners, the Remuneration and Nomination Committee consider the following:

1. Benchmarks on remuneration of employees, executive officers, members of the Board of Directors and members of the Board of Commissioners with similar industries (peer group).
2. The size and complexity of the company's operations.
3. Remuneration consisted of salary/honorarium and benefits that could be standardized, namely Annual Holiday Allowance (THR),

Home Service, Vehicle Service, Health and Utilities Facilities and other benefits. Whereas remuneration based on performance was a bonus/incentive for employees and bonuses for the Board of Directors and Board of Commissioners.

### Remuneration and Facilities of the Board of Commissioners and Directors

#### Remuneration Structure of Members of the Board of Commissioners and Directors

By taking into account the prevailing remuneration stipulations, the remuneration for the Board of Commissioners and Board of Directors is provided in the form of:

1. Fixed remuneration, a remuneration that is unrelated to performance and risk,

such as salary/honorarium, facilities, housing allowance, health allowance, education allowance, festive allowance, and post-employment benefit Salary/honorarium, facilities, allowances, and post-employment benefit are provided in cash.

2. Variable remuneration: Remunerations provided in connection with performance and risks, such as bonuses, rewards/performance incentives, or any other similar forms.

Bonuses, rewards, and incentives may be provided in cash, shares, or stock-based instruments issued by the Company, and cash only for the Board of Commissioners to prevent conflict of interest in their supervisory duties.

The structure for determining the remuneration for the Board of Commissioners and the Board of Directors is as follows:

#### Remuneration Structure of the Board of Commissioners and Directors

No.	Types of Income	Rules	
		Board of Commissioners	Board of Directors
1.	Salary	The amount of position factor <ul style="list-style-type: none"> <li>• President Commissioner 45% of the President Director</li> <li>• Vice President Commissioner 42.5% of the President Director</li> <li>• Commissioners 90% of the President Commissioner</li> </ul>	The amount of position factor <ul style="list-style-type: none"> <li>• Vice President Director 95% of Managing Directors</li> <li>• Director in charge of HR 90% of the President Director</li> <li>• Other Directors Members 85% of the President Commissioners</li> </ul>
2.	Allowance		
	Religious Holiday Allowance	1 (one) time honorarium	1 (one) time honorarium
	Housing allowance	Not given	Housing allowance was given monthly if the person did not occupy an official residence with a maximum of IDR27,500,000
	Transportation Allowance	Equal to 20% of the honorarium	Not given
	Annual Leave Allowance	Not given	Not given
	Retirement Compensation	Maximum insurance premium was 25% of honorarium/ year	Insurance premium maximum was 25% of salary/year