



REPORT OF THE BOARD OF COMMISSIONERS

International Monetary Fund (IMF) forecasts that global economic growth will be restricted in 2023, with a focus on the economic growth rates of developed and developing countries projected at 1.2% and 4.0% year-over-year, respectively, resulting in an overall global growth rate of only 2.9% yoy.

Despite the uncertain global economic conditions in 2023, Indonesia's economy is expected to continue to grow. This is supported by increased private consumption and investment in response to the uptick in mobility and financial-economic activity, robust export performance of key products such as coal, crude palm oil (CPO), iron, and steel, and strong demand from important trading partners. Additionally, public purchasing power remains relatively stable despite inflationary pressures. Recent indicators and outcomes of the Bank Indonesia (BI) survey, such as consumer confidence, retail sales, and the Purchasing Managers' Index (PMI) Manufacturing, reflect the ongoing recovery of the domestic economy.

Although there has been a slight reduction to the midpoint of the range of 4.5-5.3%, the national economic growth in 2023 is expected to remain strong. Inflation is also predicted to decrease and return to the target of 3.0±1%. This will be supported by a relatively stable Rupiah exchange rate and a proactive monetary policy response that is pre-emptive and forward-looking. Nevertheless, some short- and medium-term risks must be taken into account.

In the short term, global turmoil may negatively affect domestic economies through both trade and financial channels. Trade may be impacted by the global economic slowdown, and even economic recessions in certain countries, which could pose a threat to the contribution of exports to economic growth. The high costs of global energy and food may result in increased inflationary pressures within the country. A strong US dollar exchange rate, high US monetary policy interest rates and Treasury yields, risk premiums, and uncertainties in global financial markets may lead to the withdrawal of foreign portfolio assets (capital outflows), which is another risk. The spillover of the global upheaval may increase the risks to financial system stability, both from market risks caused by declining currency rates and increasing yields on State Securities (SBNs), and credit risk due to a decrease in domestic economic activity.

In the medium term, there is a possibility that the emergence of multipolar international trade patterns may hinder Indonesia's economic recovery prospects. This is due to the political and economic fragmentation that has resulted in the decline of US and European dominance in the global economy and trade, and the growing influence of Asia, particularly China and India. Furthermore, several African nations are expected to expand and become global trading hubs.

Considering the global and national factors at play, as well as the Board of Directors' plans for the 2023 period and the solid

performance of Bank Mandiri in 2022, which demonstrates both capital and momentum, the Board of Commissioners believes there is significant business potential for Bank Mandiri and its subsidiaries to sustainably grow in their respective business lines. As a result, Bank Mandiri plans to strengthen growth by enhancing business synergies with all subsidiaries, while taking into account possible risks and prioritizing good corporate governance at every operational stage, as well as advancing digital transformation in 2023.

OVERSIGHTS ON CORPORATE GOVERNANCE IMPLEMENTATION

The Board of Commissioners has assessed that the implementation of Good Corporate Governance (GCG) at Bank Mandiri has been successful overall. This conclusion is based on various evaluations, including individual and integrated governance self-assessments, as well as external assessments such as the ASEAN Corporate Governance Scorecard (ACGS) and the Corporate Governance Perception Index (CGPI), which were conducted throughout 2022.

Bank Mandiri strives to apply corporate governance best practices as a foundation in delivering sustainable value for all stakeholders. The application of the GCG at Bank Mandiri is also based on the five fundamental principles of the GCG known as TARIF (Transparency, Accountability, Responsibility, Independence, and Fairness) that generate beneficial outcomes in all parts of business for the company's sustainability.

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Bank Mandiri Governance implementation in 2022 were as follows:

- **Individual Governance Self-Assessment**
Bank Mandiri conducts a continuous Governance self-assessment based on POJK No. 55/POJK.03/2016 and SEOJK No. 13/POJK.03/2017 on the application of Governance Implementation for Commercial Banks. This self-assessment is conducted twice a year (June and December).

The self-assessment results of the Individual Governance semester I of 2022 received a score of 1; however, the OJK provided feedback on 22 December 2022 with a score of 2, indicating that the management of Bank Mandiri has applied the Governance in a generally effective manner. This is shown by the proper application of the Governance principles. While the results of the self-assessment of the individual Governance in semester II 2022 received a score of 1, indicates that the Bank's management has implemented Governance in a manner that is generally excellent. OJK has not provided any feedback as of yet.

If there are weaknesses in the implementation of governance principles, generally the gap is less significant and or insignificant that can be promptly resolved with frequent actions and

or improvements by the management of the Bank.

- **Integrated Governance Self-Assessment**
Bank Mandiri also carries out self-assessment for the Integrated Governance based on POJK No. 18/POJK.03/2014 and OJK Circular No. 15/SEOJK.03/2015 on the integrated Governance. This self-assessment is carried out twice a year (June and December) involving the entire Financial Services Institution (LJK) in the Bank Mandiri Financial Conglomerate.

The self-assessment of the Integrated Governance in the first semester of 2022 yielded a score of 1, however the OJK provided feedback on 22 December 2022 with a score of 2, indicating that the evaluated financial conglomerate has implemented a generally good integrated governance. This is evident in a highly appropriate use of the Integrated Governance principle. While the findings of the self-assessment of the Integrated Governance in the second semester 2022 received a score of 1, indicates that the evaluated financial conglomerate has implemented an effective integrated governance. This is evident in a highly appropriate use of the Integrated Governance principle. If there are gaps in the execution of the integrated governance principles, they are often minor and/or insignificant and may

be resolved promptly by the Main Entity and/or Financial Services Institutes of a Financial Conglomerate by frequent action and/or improvement. OJK has not provided any feedback as of yet

- **ASEAN Corporate Governance Scorecard**
To continue improving the Governance practices, Bank Mandiri has adopted the ASEAN Corporate Governance Scorecard, an assessment of the governance implementation based on the principles developed by the Organization for Economic Cooperation and Development (OECD) and has been agreed by the ASEAN Capital Market Forum (ACMF) (ACGS).

At the 2022 ACGS assessment, Bank Mandiri regained the rating of ASEAN Asset Class, joined the list of 50 companies that had implemented the Governance in accordance with ACGS, and was awarded "The Best Financial Sector" in The 13th Institute of Corporate Directorship (IICD) Corporate Governance Award 2022.

- **Corporate Governance Perception Index**
Bank Mandiri has engaged in the research and rating program of Governance practices, namely the Corporate Governance Perception Index (CGPI) 2021 rating executed in 2022, in order to assess the quality of Governance implementation. The "Building Strength Within



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the GCG framework” is the topic of the CGPI. The CGPI assessment phase consists of self-assessment, an evaluation of document completeness, and observations. Governance Structure, Governance Process, and Governance Outcome are evaluated with the CGPI. Bank Mandiri uses the outcomes of the CGPI evaluation to conduct the GCG implementation assessment and improvement.

In 2022, Bank Mandiri achieved the “Very Trustworthy” designation from the 2021 CGPI assessment held in 2022 with a score of 95.11. This is the sixteenth consecutive award for Bank Mandiri. At the same time, the CGPI also granted the “Very Trustworthy” rating to three Bank Mandiri Financial Conglomerate subsidiaries, while four subsidiaries obtained the “Trustworthy” predicate.

Advisory Mechanism to the Board of Directors

In addition to overseeing the Company's management, the Board of Commissioners conducts frequent monitoring and provides advice to the Board of Directors. The Board of Commissioners' supervision and advice includes the work plan, the development of the Company, the implementation of Strategic Policy, the execution of the Articles of Association and the decisions of the GMS and/or Extraordinary GMS, as well as the prevailing laws and regulations.

During 2022, the Board of Commissioners provided guidance to the Board of Directors, including in relation to the 8 Strategic Goals

2022 and the execution of the 3-3-1 strategy, particularly on matters of our concern, namely loans, information technology, human resources, GRC, and Mandiri Group synergy. The Board of Commissioners is aided in the performance of its functions by the committees.

Throughout 2022, the Board of Commissioners provided advice to the Board of Directors through meetings, including 30 internal meetings, 12 joint meetings between the boards, 25 meetings of the Audit Committee, 35 meetings of the Risk Monitoring Committee, 15 meetings of the Remuneration and Nomination Committee, and 6 meetings of the Integrated Governance Committee. Remarkably, the number of meetings held by the Board of Commissioners for each committee exceeded the minimum requirement set out in the Financial Services Authority Regulation No. 55/POJK.03/2016 on Good Governance Implementation for Commercial Banks.

Implementation of Anti-Corruption and Anti-Fraud Strategy Policies

To support the ongoing efforts to counter corruption, Bank Mandiri has achieved ISO 37001:2016 Anti-Bribery Management System certification on 10 August 2020 and successfully enhanced the scope of ISO 37001:2016 Anti-Bribery Management system certification to include Procurement, Vendor Management, and Internal Audit Process on 20 September 2022.

In order to comply with Financial Services Authority (POJK) Regulation No. 39/POJK.03/2019

regarding the Implementation of the Anti-Fraud Strategy (SAF) for the Commercial Banks, and as part of the improvement of the Internal Control Policy, we assess that Bank Mandiri has enhanced these provisions. During 2022, this is performed on every policy, including the Operational Procedure Standard (SPO), Operational Technical Instructions (PTO), and other rules. The anti-fraud banking strategy is composed on four pillars:

- Pillar 1 (Prevention)**
The responsibility of the entire Bank (working unit) and is part of the Fraud Control System in order to limit the likelihood of fraud. Programmes undertaken under this pillar include anti-fraud awareness, insecurity identification, and Know Your Employee.
- Pillar 2 (Detection)**
The responsibility of the entire unit, either 1st line, 2nd line, or 3rd line of defense and is part of the fraud control system in order to identify and detect fraud in banking activities. The programs implemented by Independent Banking in this pillar include Whistleblowing, Fraud Detection System, Surprise Audit, and Surveillance System.
- Pillar 3 (Investigation, Reporting, Sanctions, and Legal Process)**
As part of the Fraud Control System, in the context of addressing fraud that occurs through investigations, the results are reported to the President Director, the Board of Commissioners, and the