

INTERNAL CONTROL SYSTEM

Compliance with SEOJK No. 35/ SEOJK.03/2017 on Internal Control Standard Guidelines for Commercial Banks

SPI consists of 5 (five) components that are interrelated with each other and are effectively applied by all levels of organization in the Company in order to achieve the Company's objectives. The SPI component implemented by the Bank refers to the provisions of the Regulator and considers the principles/practices of internal control that apply internationally (international best practices).

The Internal Control System consists of 5 components that are interrelated with each other and determine the effectiveness of their application, namely:

1. Oversight by Management and a Control Culture
2. Risk Identification and Assessment
3. Control Activities and Separation of Functions
4. Accounting, Information, and Communication Systems
5. Monitoring Activities and Deviation Correction Actions

Evaluation of Internal Control System Implementation

The Board of Directors is responsible for the implementation of a reliable and effective SPI and has an obligation to improve an effective risk-aware culture and is obliged to ensure that it is inherent at every level of the organization.

Internal Audit is responsible for evaluating and playing an active role in improving the effectiveness of SPI on an ongoing basis related to operational implementation in achieving the targets set by the Company. Internal Audit conducts periodic reviews and audits on all activities in the Work Unit and Subsidiaries.

The results of the evaluation are submitted to the Board of Directors for follow-up and monitoring of its implementation to ensure that the SPI has performed effectively. The Board of Commissioners, particularly through the role of the Audit Committee, plays an active role in evaluating SPI by reviewing the results of the evaluation by the Internal Audit. Based on the evaluation that has been carried out during 2022, the results of SPI system at Bank Mandiri is adequate.

Effectiveness of Internal Control System

Internal Control System consisting of 5 components as mentioned above, each other is interrelated and determines the effectiveness of SPI implementation in the Company.

The Management is responsible for the implementation of a reliable and effective Internal Control System and is obliged to improve an effective risk culture and to ensure that it is inherent at every level of the organization.

Internal Audit is responsible for evaluating and playing an active role in improving the effectiveness of the Internal Control System on an ongoing basis related to the implementation of the Company's operations in achieving the targets set by the Company. The results of the evaluation are submitted to management for follow-up and the implementation is monitored to ensure the Internal Control System is performed effectively.

The Management believes that the internal control system has been performing effectively, however improvements remain needed in line with the development and complexities of business.