

INTERNAL CONTROL SYSTEM

Accounting, Information and Communication Systems

a. Accounting System

- The Bank has a written accounting policy that complies with generally accepted accounting principles.
- The Bank's Accounting System includes methods and recording system to identify, classify, analyse, classify, record/book and report all transactions and activities of the Bank.
- Accounting system must be applied consistently and persistently for all Bank transactions.
- The Company is required to reconcile the accounting data with the management information system every month. The results of the reconciliation are documented in an orderly manner.

b. Information

The Company has an Information System that can produce reports or provide sufficient and comprehensive data/information regarding business activities, financial condition, implementation of risk management, compliance with applicable rules and regulations, market information or external conditions and conditions required for making appropriate decisions. appropriate.

c. Communication

The Company has a communication system that is able to provide information to all stakeholders, both internal

and external, such as the Banking Supervision Authority, external auditors, shareholders and customers of the Company.

ICS ensures that there is an effective communication channel so that Management and Employees understand and comply with applicable policies and procedures in carrying out their duties and responsibilities.

The Board of Directors has an effective communication channel so that the required information is reached by interested parties. This requirement applies to any information, both regarding established policies and procedures, risk exposures and actual transactions as well as regarding the Company's operational performance.

Monitoring and Irregularity Correction Activities

The Board of Directors conducts continuous monitoring of the overall effectiveness of the ICS implementation, including but not limited to the effectiveness and security of the use of IT, in which the Board of Commissioners ensures that the Board of Directors has properly monitored.

Monitoring of the Company's main risks is part of the Company's daily activities including periodic evaluations, whether by the Work Unit, Compliance Unit, Risk Management Unit, and Internal Audit Unit.

The relevant operating units monitor the adequacy of the SPI continuously in relation to changes

in internal and external conditions and increase the capacity of the SPI so that its effectiveness can be increased. Meanwhile, if there are weaknesses in the SPI, whether identified by the Work Unit (risk taking unit), Internal Audit Unit or other parties, it is immediately reported to the Board of Commissioners and Board of Directors of the Company.

Conformity with SEOJK No. 35/SEOJK.03/2017 concerning Guidelines for Internal Control Standards for Commercial Banks

The ICS consists of 5 (five) interrelated components to be implemented effectively by all organizational levels to achieve the Company's goals. The ICS component implemented by the Company refers to the regulator stipulations and takes into account the principles/practices of internal control that apply internationally (international best practices).

The 5 Internal Control System interrelated components that can affect the effectiveness of each of their implementation are:

1. Supervision by Management and a Culture of Control
2. Risk Identification and Assessment
3. Control Activities and Segregation of Functions
4. Accounting, Information and Communication System
5. Deviation Monitoring and Correction Activities

Evaluation of Internal Control System

The Board of Directors is responsible for the implementation of a reliable and effective SPI and has the obligation to promote an



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effective risk awareness culture and must ensure that it is embedded 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 in relation to the operations in achieving the targets set by the Company. Internal Audit conducts periodic reviews and examinations of all activities in the Work Unit and Subsidiaries.

The evaluation results are submitted to the Board of Directors to be followed up and its implementation monitored to ensure the SPI has been running effectively. The Board of Commissioners, especially through the role of the Audit

Committee, has an active role in the evaluation of SPI by reviewing the assessment by the Internal Audit. The evaluation that has been carried out during 2021 shows that the SPI system at Bank Mandiri is adequate.

Effectiveness of Internal Control System

As mentioned above, the 5 Internal Control System that are interrelated components can affect the effectiveness of ICS implementation in the Company.

The Management is responsible for the implementation of reliable and effective Internal Control System and is obliged to improve effective risk culture and shall ensure Internal Control System has been

embedded on every organization level.

Internal Audit is responsible to evaluate and play an active role in improving Internal Control System effectiveness on an ongoing basis with regard to the implementation of the Company's operation to achieve goals set by the Company. The evaluation results are submitted to management for follow up and monitor their implementation to ensure the Internal Control System is effective.

The Management views that the internal control system implemented has been performing effectively, however remain to be improved in line with the growing and complex business.