

RISK MANAGEMENT SYSTEM

Telkom implements risk management as a form of compliance with applicable regulations and in the context of protecting assets and business activities. Besides, the implementation of risk management also creates value for stakeholders. The role and function of Telkom's risk management are to support the telecommunications business with a wide business area coverage amid various business risks related to communication transformation in the digital era, huge investments with high levels of competition, rapid technological development, and dynamic regulatory in the telecommunications industry sector and information.

GENERAL ILLUSTRATION REGARDING THE RISK MANAGEMENT SYSTEM

SOE Ministerial Regulation No. 1 of 2011 requires SOEs, including Telkom to implement risk management. Besides, the implementation of risk management is also an obligation of Telkom as a company listed on the New York Stock Exchange (NYSE) to fulfill the Sarbanes-Oxley Act, specifically articles 302 and 404.

Risk Management System (Framework) and Policy

Regulation of the Board of Directors No.P.6.614.00/r.00/HK.200/COP-D0030000/2015 dated September 30, 2015, regarding Company Risk Management (Telkom Enterprise Risk Management) and Regulation of Finance Director number PR.614.01/r.00/HK200/COP-D0030000/2016 regarding Guidelines for Implementation of Corporate Risk Management (Telkom Enterprise Risk Management) becomes the basis of Telkom's Risk Management Policy.

The main framework for Risk Management at Telkom refers to the framework of the COSO (COSO ERM Framework), which includes three main components:

1. The implementation of the Company's risk management must be able to support the Company's objective from the aspects of strategic, operational, reporting and compliance.
2. The company's risk management is applied at all levels of the organization, namely Enterprise level, Division, Business Unit, and Subsidiary in the Company.
3. The implementation of the Company's risk management shall consist of 8 components of process namely:
 - a. Internal development.
 - b. Objective setting.
 - c. Event identification.
 - d. Risk assessment.
 - e. Risk response.
 - f. Control activities.
 - g. Information/communication.
 - h. Monitoring.

Other references and guidelines relevant to the application of risk management in Telkom include:

1. ISO 31000 Enterprise Risk Management as a comparison and implementation complementary.
2. ISO 27001 Information Security Management System (ISMS) as a reference in the development of risk management to ensure Information Security in terms of Confidentiality, Integrity, and Availability.
3. ISO 22301 Business Continuity Management System (BCMS) as a reference in the effort to ensure business continuity.
4. ISO 20000 Information Technology Service Management (ITSM) as a reference to ensure IT service.