

RISK MANAGEMENT SYSTEM

Telkom realizes that Risk Management plays an important role to ensure the realization of Good Corporate Governance (GCG) in the business environment of Telkom and its Subsidiaries. A well managed Risk Management able to support the telecommunications business with a wide business area coverage amid various business risks related to communication transformation in the digital era. Therefore, one of Telkom's important steps to achieve GCG by continuing to implement and improve a Risk Management system on an ongoing basis.

GENERAL ILLUSTRATION REGARDING THE RISK MANAGEMENT SYSTEM

SOE Ministerial Regulation No. 1 Year 2011 requires SOEs, including Telkom to implement Risk Management. The implementation of Risk Management is also an obligation for Telkom as a Company which listed in New York Stock Exchange (NYSE) to fulfill the Sarbanes-Oxley Act, specifically articles 302 and 404. All these regulations and provisions serve as Telkom's foundation for implementing Risk Management, apart from of course referring to various existing standards and best practices.

Risk Management System (Framework) and Policy

There are two guidelines as basis for Telkom Risk Management Policy. The first guideline is regulation of the Board of Directors No.PD.614.00/r.00/HK.200/COP-D0030000/2015 dated September 30, 2015 regarding Corporate Risk Management (Telkom Enterprise Risk Management). The second is Regulation of Director of Finance number PR.614.01/r.00/HK200/COP-D0030000/2016 regarding Guidelines for the Implementation of Corporate Risk Management (Telkom Enterprise Risk Management).

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

1. The implementation of Corporate Risk Management must be able to support the Company's objective from the aspects of strategic, operational, reporting and compliance.
2. Corporate Risk Management was applied at all levels of the organization, which are Enterprise Level, Division, Business unit, and Subsidiary in the Company.
3. The implementation of Corporate Risk Management shall consist of 8 components of process which are:
 - 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.