

INTERNAL CONTROL SYSTEM

Internal Control System (SPI) is a monitoring mechanism established by the Company's management on an ongoing basis. SPI includes the reliability of financial reports, availability of complete and timely financial reports, including up to the implementation of evaluation of financial reporting.

In accordance with the scope of SPI, Telkom always strives to ensure that the preparation of consolidated financial statements is in accordance with Financial Accounting Standards established by the Indonesian Institute of Accountants (IAI). With Telkom listed on the New York Stock Exchange, Telkom also complies with the provisions of SOX Section 404 which requires Telkom to build, maintain, test, and disclose the effectiveness of internal control over financial reporting.

Furthermore, in addition to the financial aspect, SPI also aims to provide adequate guarantees of achieving efficiency and effectiveness of operational activities, as well as compliance with regulations. Operational control within the SPI framework for business processes is carried out in accordance with the activities and the applicable work system in each function. Through SPI, Telkom monitors compliance with various prevailing laws and regulations, both internal regulations issued by company officials and government regulations.

Currently, Telkom's Internal Control System (SPI) is under the supervision of the President Director and the Director of Finance, and is carried out by the Board of Directors, management, and other personnel collectively. The application of SPI aims to gain public confidence regarding the effectiveness of financial reporting and preparation of consolidated financial statements.

INTERNAL CONTROL FRAMEWORK

In its implementation, SPI implemented by Telkom is in line with the 2013 Internal Control-Integrated Framework from The Committee of Sponsoring Organizations of the Treadway Commission (COSO). One of Telkom's efforts to implement this framework is a commitment to always ensure that policies, Company compliance and all business activities are carried out in accordance with applicable

laws and regulations, both internal and external. The unit that responsible for compliance with laws and regulations is the Legal & Compliance unit under the Corporate Secretary Department. Activities carried out include legal advisory, legal opinion, legal review, and litigation.

Following the COSO Framework, Telkom implements five components of internal control that are bound together at all levels and business units of the Company, which are:

1. Control Environment

- a. Demonstrates commitment to integrity and ethical values.
- b. Exercises oversight responsibility.
- c. Establishes structure, authority, and responsibility.
- d. Demonstrates commitment to competence.
- e. Enforces accountability.

2. Risk Assessment

- a. Specifies relevant objectives
- b. Identifies and analyzes risk.
- c. Assesses fraud risk.
- d. Identifies and analyzes significant change.

3. Control Activities

- a. Selects and develops control activities.
- b. Selects and develops general controls over technology.
- c. Deploys through policies and procedures.

4. Information and Communication

- a. Uses relevant information.
- b. Communicates internally.
- c. Communicates externally.

5. Monitoring Activity

- a. Conducts ongoing and/or separate evaluations.
- b. Evaluates and communicates deficiencies.

The five components have been applied and applied to Telkom's policies, including the following:

INTERNAL CONTROL IMPLEMENTATION IN TELKOM

Control Environment

- Telkom is committed to integrity and ethical values by building and establishing a corporate culture as a guide for main players in building leadership patterns and strengthening organizational synergies, as an engine of economic growth, an accelerator of social welfare, a provider of employment, and a provider of high performing culture talent. Telkom guarantees sustainable competitive growth in the form of long-term superior performance achievement. Core Values AKHLAK (*Amanah, Kompeten, Harmonis, Loyal, Adaptif, and Kolaboratif*) are the main values of SOE human resources that must be adopted by TelkomGroup so that every TelkomGroup resource knows, implements, and internalizes seriously, consistently and consequently, thus bring forth to daily behaviors that shape the work culture of TelkomGroup which is in line with the Core Values of SOE.
- Telkom ensures the effectiveness of implemented Internal Audit activities by implementing the SOA 302/404 prerequisites and managed with a risk-based audit approach. Telkom also ensures that effective coordination and co-operation with internal and external parties, and business risks to all business activities are adequately managed with internal control systems.
- Telkom has a Competency Directory that defines the Company's competency needs. One of them is Finance Stream which includes the competence of Corporate Finance with the sub-area of Capital Structure competency and Working Capital Management (Treasury Management). Then, Accounting with sub-area competence of Financial Accounting, Management Accounting, and Corporate Tax. The competency development policy is aimed at creating superior, global quality, and highly competitive employees.

Risk Assessment

- Telkom has several considerations in developing accounting policies such as Statements of Financial Accounting Standards (PSAK), Interpretation of Statements of Financial Accounting Standards (ISAK), International Accounting Standards (IAS), related laws, and changes in impacted internal environments.
- Telkom has a principle of financial assertion in ICOFR planning that is well respected by all relevant employees.
- Telkom manages internal and external corporate risk with established mechanisms.
- Telkom also implements an anti-fraud policy control system and have potential fraud prevention.

Control Activities

- Telkom sets up a Business Process Owner (BPO) and AO (Application Owner) that have duties and responsibilities related to ICOFR.
- Risk determination rules and internal controls refer to the ICOFR policy consisting of segregation of duties, risk determination, and determination of internal controls.
- Telkom has guidelines for the implementation of information systems security that are aligned with company needs and can be implemented on an ongoing basis.

Information and Communication

- Telkom has accounting policies implemented under IFAS and IFRS, outlined following accounting principles and implementation, including information or data related to the process and disclosure of financial reporting, and regulates the components of the consolidated financial statements.
- Telkom has an information technology policy that provides a frame of reference for each process or unit associated with the organization's IT operations in the preparation and implementation of guidelines and procedures. The scope of IT regulations in our Company covers aspects of IT governance and IT management.

Monitoring Activity

- Telkom has an Internal Audit Charter that includes the auditor's requirements in the Internal Audit unit, which has professional integrity and behavior, knowledge of risks and important controls in the field of information technology, knowledge of Capital Market laws and regulations.
- CEO Telkom always increases awareness from Management regarding audit and change management in the form of CEO Notes and establishes Integrated Audit, and forms Probis IFRS.

To improve the quality of the Internal Control System, Telkom regularly conducts assessments related to the implementation of SPI in the Company. In 2020, Telkom has conducted an assessment of the implementation of SPI. This assessment process is in line with Regulation of the Minister of State-Owned Enterprises Article 26 Paragraph 2 Year 2011 regarding the Implementation of Good Corporate Governance (GCG) in SOE.

The result of the SPI assessment state that the effectiveness of Telkom's Internal Control System is Effective.