

## INTERNAL CONTROL IMPLEMENTATION IN TELKOM

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

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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 has 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 Internal Audit Department, 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 TelkomGroup always increases awareness from management regarding audit and change management in the form of CEO Notes and establishes Integrated Audit and forms Probis IFRS.

Telkom regularly conducts assessments related to the implementation of SPI, to improve the quality of the Company's Internal Control System (SPI). In 2022, Telkom has conducted an assessment of the implementation of SPI, in line with Regulation of the Minister of State-Owned Enterprises Article 26 Paragraph (2) of 2011 regarding Implementation of Good Corporate Governance (GCG) in SOE. The result of SPI assessment in 2022 stated that the effectiveness of the Telkom Control System is effective.

## FINANCIAL AND OPERATIONAL CONTROL

The Company runs a control system for the financial function starting from financial plans, feedback, adjustments to validation process to ensure that plans are implemented or to change existing plans in response to various changes that occur. Operational control includes the placement process so that operational activities are carried out effectively and efficiently.

In general, financial and operational control at Telkom, includes:

1. **Physical Control of Assets and Intangible Assets**  
Physical control of assets in the corporate environment is directed at securing and protecting risky assets.
2. **Separation of Functions and Authorization**  
Segregation of functions is geared towards adequate review and reduces the potential for errors and fraud.
3. **Execution of Events and Transactions**  
Control is carried out to ensure that transaction activities are carried out properly according to the plan and need that have been determined.
4. **Accurate and On Time Records on Events and Transactions**  
Accurate and on time records of operational events and transactions that carried out.
5. **Restricted Access and Accountability for Resources and Their Records**  
Access to company resources and records should be limited only to the personnel that assigned the duties and responsibilities.
6. **Good Documentation of Control Events and Transactions**  
Every event and transaction in the company is well documented as basic evidence of the occurrence and fairness of the transaction.

## EFFECTIVENESS OF INTERNAL CONTROL SYSTEM OVERVIEW

Telkom reviews the effectiveness of control system based on the supervision carried out by Internal Audit Department, and External Audit Unit. Management is responsible for the implementation of a reliable and effective Internal Control System and ensures that it is embedded at every level of the organization.

Internal Audit Department oversees the implementation of Internal Control System and report it to the Board of Directors and the Board of Commissioners. The audit findings will be submitted to the relevant management for follow-up. Based on the supervision in 2022, Internal Control System at Telkom is considered to have been running effectively.

## STATEMENT OF THE BOARD OF DIRECTIONS AND/OR THE BOARD OF COMMISSIONERS ON ADEQUACY OF INTERNAL CONTROL SYSTEM

In an effort to ensure the effectiveness of internal control system, the Board of Directors and the Board of Commissioners through Audit Committee hold regular meetings with the Internal Audit and External Audit Unit. The meeting discussed internal control monitoring and follow-up plans on matters that need to be of concern to management. Internal Audit and External Audit Unit will report to the Board of Directors and the Board of Commissioners the result of monitoring and testing of internal controls at least once a year.

The Board of Directors and the Board of Commissioners assess that Telkom's internal control system has been running effectively and has met the adequacy of policy and standard referred. This adequacy includes:

1. Provisions of Sarbanes-Oxley Act (SOX) 302, 404, and 906.
  - a. SOX 302 Corporate Responsibility for Financial Reports  
Require the CEO and CFO to provide certification regarding the effectiveness of design and implementation of internal control and disclosure of significant deficiencies in internal control in the context of financial reporting (Internal Control over Financial Reporting/ICoFR).
  - b. SOX 404 Management Assessment of Internal Controls  
Require companies that list their shares on United States stock exchange to design, implement, document, evaluate, and disclose the result of evaluation of the effectiveness of internal control over financial reporting (internal control over Financial Reporting/ICoFR).
  - c. SOX 906 Corporate Responsibilities for Financial Reports: Failure of Corporate Officers to Certify Financial Reports
    - i. If misrepresented, the CEO and CFO are subject to criminal penalties of up to \$1 million or up to 10 years in prison, or both, or
    - ii. If the disclosure is intentional, the CEO and CFO are subject to criminal penalties of up to \$5 million or up to 20 years in prison, or both.
2. Regulation of the Minister of State-Owned Enterprises Number 1 of 2011 Article 26 paragraph (2) regarding the Implementation of Good Corporate Governance (GCG) in SOEs.