

Table of Risk and Management Method

Type of Risk	Risks that is Faced	The Impact to Telkom	Mitigation/Risk Management
1. Systemic Risks			
Political and Social	Disruptions to political stability, social, and security turmoil both domestically and internationally caused by specific issues such as geopolitical crises, trade wars, and so on.	Has a negative impact on business growth, operations, financial condition, results of operations, supply chain of production equipment and prospects, as well as market prices of securities.	<ul style="list-style-type: none"> a. Monitoring the influence of socio-political turmoil on operational/service disruptions. b. The maintenance of awareness through the improvement of safety & security functions. c. Monitoring supply chain issues related to raw materials and looking for alternatives to materials/device designs.
Macro Economy	<ul style="list-style-type: none"> Changes in the rate of inflation. The fluctuation of Rupiah Exchange rate Increase in energy and fuel prices Increase in loan interest rates The decrease of government or Company's credit rating Penurunan peringkat kredit pemerintah atau Perseroan. 	<ul style="list-style-type: none"> a. Affects the purchasing power and ability to pay customers. b. Have the impact on the business, financial condition, business result or business prospect. c. Have a material adverse effect to the business, financial condition, business proceeds or business prospect. 	<ul style="list-style-type: none"> a. Monitoring of the influence of macroeconomy to the change to increase the expense through Cost Leadership program. b. To look for the opportunity to increase the spending of APBN pursuant to the government focus (health, energy, education, etc).
Risk of Disaster	Natural disasters such as floods, lightning, hurricanes, earthquakes, tsunamis, volcanic eruptions, epidemics, fires, droughts and pandemics, as well as other events such as power outages, riots, terrorist attacks, which are beyond Telkom's control.	Disrupting its business operations and give negative impact to the financial performance and profit, business prospect as well as market price of securities.	<ul style="list-style-type: none"> a. Monitoring indicators that have the potential to cause disturbances to equipment such as device humidity and temperature, ship traffic on the SKKL route through the system. b. Transfer of risk by using the insurance of assets to anticipate the natural disaster and fire. c. Coordination with ASKALSI (Indonesian Sea Cable Association) and BAKAMLA (Indonesian Marine Safety Agency) to secure SKKL. d. Preventive & corrective action by preparing the disaster recovery plan and crisis management team.
Sustainability	Implementation of ESG & Climate Change strategy is not in accordance with IFRS standards	Telkom may be subject to legal sanctions or fines from regulatory authorities	<ul style="list-style-type: none"> a. Fulfillment of employee capacity and capability to implement ESG based on applicable standards/requirements at NYSE and IDX. b. Develop information systems to support the fulfillment of ESG data metrics and reporting. c. Improve collaboration and synergy across entities to support the achievement of ESG targets. d. Improve communication with assessors and ESG Rating institutions. e. Integrate climate risk and its mitigation into Telkom's Risk Profile.

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2. Business Related Risks			
Operational Risk	The failure in the sustainability of network operation, main system, gateway on Telkom's network, or other operator's network.	Has the negative impact to the business, financial condition, proceeds from the operation and business prospect.	<ul style="list-style-type: none"> a. Implementation of BCM, BCP, and DRP. b. Certification of Integrated Management System (IMS) for infrastructure management.
	Threat of physical and cyber security, such as brute force attack, DDoS attack, and threats do Data Center.	Has the negative impact to the business, financial condition, result from the operation materially.	<ul style="list-style-type: none"> a. The upgrade of preventive action in the form of vulnerability assessment and penetration test periodically. b. Monitor and identify all types of attack in the realtime as well as to choose and conduct a necessary action immediately. c. Preparing the recommendation to handle cyber attack based on the historical incident analysis. d. Intensive coordination with relevant parties to handle the cyber attack.
	Risks related to sub-optimal internet services.	May face a lawsuit and damage the reputation.	To be more prudent in the preparation of contract with content provider partner.
	New technology.	Has an impact on the competitive power.	<ul style="list-style-type: none"> a. The preparation of Technology Roadmap by taking into account future technologies and the possible implementation of competitor's technologies. b. Acceleration of IDN (Indonesia Digital Network) program to support future services.
	The limit of operation period, damage or ruin, delay or failure to launch, or the revocation of satellite license.	Can create loss to financial condition, operation result and capability to give services.	<ul style="list-style-type: none"> a. The planning to change the satellite of which operation period will be immediately expired. b. The insurance of satellite operation during the active period. c. Insurance for manufacturing and launching of new satellite. d. Developing the understanding with regulator in relation to the satellite operation by Telkom.
Financial Risk	Interest rate risk.	Has an impact on increasing interest expenses, especially for floating interest loans.	Interest rate swap contract from the float interest rate to become the fix interest rate upon certain loan term.
	Market price risk.	Has an impact of changes in fair value on the performance of financial assets measured through profit or loss.	Perform hedging activities of financial assets.
	Foreign exchange rate risk.	Has negative impact on the financial condition or result from the operation.	Placement of time deposit and hedging to cover the fluctuation risk of foreign exchange.
	Credit risk mainly from trade receivables and other receivables.	Adverse impact on financial condition, operational performance and business prospects.	Continuous monitoring of accounts receivable balances and periodic billing.

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	Liquidity risk.	Has an impact on the ability to meet financial obligations when these financial liabilities mature.	a. Maintaining adequate cash balances in an effort to fulfill financial liabilities. b. Perform analysis to monitor statement of financial position liquidity ratios such as current ratio and debt to equity ratio against debt agreement requirements.
	The limitation of financing the capital expenditures.	Has a material adverse effect to the business, financial condition, operational performance, and business prospect.	Maintaining and improving the Company's performance to gain trust from national or global fund institution sources.
Legal and Compliance Risk	Penalty/fine by KPPU in relation to the price-fixing and the occurrence of class action.	Reducing Telkom's revenue and has negative impact to the business, reputation, and profit.	Strengthening legal review towards corporate action plan or certain contract.
	Civil lawsuits from third parties (vendors, partners or cooperation partners)	It lowers Telkom's revenue and negatively impacts its business, reputation, and profits.	Strengthening legal review of engagement documents with third parties and escorting the settlement of rights and obligations according to contracts.
	Administrative sanctions for the implementation of business activities	It lowers Telkom's revenue and negatively impacts its business, reputation, and profits.	Complete all necessary permits in the context of the implementation of business activities.
Regulation Risk	The change of Indonesian or International Regulation.	Has the impact to the business, financial condition, operational performance, and business prospect.	a. Analysis on the impact of the regulation plan towards the industry in general and Telkom in particular. b. Giving inputs so that the regulation that will be stipulated will give positive impact to the Company and industry.
Transformation Risk	The failure of significant business and organizational transformation initiatives.	Has an impact on business growth and the company's financial performance in the short and long term.	a. Market Assessment and strategic situation analysis on transformation initiatives. b. Preparation of strategic fit and roadmap for transformation initiatives. c. Conducting risk assessment of transformation initiatives both at the pre and post-transformation stages. d. Implementation of change management by maximizing the Project Management Office (PMO) function.

RISK MANAGEMENT SYSTEM'S REVIEW ON THE EFFECTIVENESS

During 2024, Telkom's risk management system has been effective in managing Telkom's various business risks to support every policy and process in the TelkomGroup. Telkom uses several risk management tools or information systems, including:

1. Generic Tools Enterprise Risk Management Online (ERM Online) which is used by all units for Risk Register management.
2. Specific Tools for specific risk management purposes e.g.:
 - a. The Fraud Management System (FRAMES) application is used for the early detection system of potential Customer and Third-Party Fraud.
 - b. The Online Quality Document Information System (Sidomo) is a web application that stores quality documents to ensure that Quality Management System (SMM) documents within the Digital Connectivity Service Division are always controlled and become uncontrollable when printed.
 - c. ICCA is a tool or application used to facilitate the self-assessment process and enable timely reporting of assessment results.
 - d. EITA (Enterprise IT Acquisition) Application is an application that manages the logic of data, applications and infrastructure, which is summarized in a set of policies and technical choices to achieve the company's business goals, technical standardization and integration.

Telkom has also carried out an assessment process for the effectiveness of risk management implementation in 2024, namely:

1. Measurement Risk Maturity Index (RMI).
2. Monitoring and evaluation of the effectiveness of risk mitigation through the ERM Online application.
3. Evaluation/discussion and advisory on a one-on-one basis with business units as needed.
4. Reporting and evaluation together with the BOD and the Planning and Risk Evaluation and Monitoring Committee (KEMPR).
5. Preparation and reporting of contingency plan 2024 documents.

STATEMENT OF BOARD OF DIRECTORS AND BOARD OF COMMISSIONERS ON ADEQUACY OF RISK MANAGEMENT SYSTEM

The Board of Directors and Board of Commissioners, through the Planning and Risk Evaluation and Monitoring Committee (KEMPR), regularly hold meetings with the Risk Management Department to discuss risk monitoring throughout the Company. These meetings also cover follow-up actions taken by risk owners in an effort to minimize identified risks. The Risk Management Department reports the results of risk monitoring to the Board of Directors and Board of Commissioners on a quarterly basis, ensuring that risk management is carried out effectively and sustainably.