

## **Risk Management Policy**

PT Indo Tambangraya Megah, Tbk. (ITM), is committed to establishing enterprise wide risk management systems and processes to ensure the strategic objectives and corporate governance responsibilities are met. This policy recognizes risk management is integral to good management practice and effective corporate governance and is necessary to ensure decisions are made with sufficient information about risks and opportunities.

### **The objectives of the ITM Risk Management Policy and Manual are to:**

- Ensure the achievement of both ITM's long-term year targets and single year targets.
- Provide a systematic approach to identify, analyse, evaluate, treat, monitor and report on all material risks across ITM.
- Provide a framework that encourages enterprise and innovation, and assists management to make appropriate decisions.
- Ensure the risk profile is maintained to describe current risks in each area of ITM's business operations.
- Ensure activities are undertaken within approved risk tolerance levels and with sufficient independent oversight to protect among others, the profitability, assets and reputation of ITM.

The ITM Risk Management Manual is customized from and meets or exceeds the provisions within the Banpu Risk Management Policy and Manual.

### **Policy Direction**

This policy applies to all ITM's business units and support functions.

### **Resources**

ITM will provide the necessary resources and support mechanisms to ensure commitment toward risk management is achieved.

### **Implementation**

Each ITM business unit and support function is responsible for implementing the requirements of this policy in consultation with their employees. The effective management of risk is vital to the continued growth and success of ITM.

## **1. ITM's Vision and Mission**

ITM's vision is to become a leading coal-related energy company in Indonesia with sustainable growth through professionalism and care to our employees, community and environment.

ITM's mission are as follows :

- To develop operational excellence to serve our customers with consistent quality and quantity of products and services
- To develop competent employees, efficient systems and infrastructure under the innovation, integrity, care and synergy culture within the organization
- To invest in coal-related energy business that sustainably strengthen our position
- To promote and contribute to the development of society by acting as a good citizen and contribute to the economy and society

The Risk Management Function contributes, where appropriate, to the determination of these objectives and mission.

## **2. Risk Management Principles**

ITM is committed to the following risk management principles :

1. creates and protects value
2. is an integral part of all organisational processes
3. is part of decision making
4. explicitly addresses uncertainty
5. is systematic, structured and timely
6. is based on the best available information
7. is tailored
8. takes human and cultural factors into account
9. is transparent and inclusive
10. is dynamic, iterative and responsive to change
11. facilitates continual improvement of the organisation.

## **3. Risk Management Framework**

A risk management framework is a set of components that support and sustain risk management throughout the organization. Since the BANPU's risk management framework has to be operationalized by all of subsidiaries, so that ITM has customized the BANPU's framework using the PDCA mechanism to become the ITM's risk management framework, which consist of :

- Strategic process applied at the ITM as the Corporate Level
- Operational process applied at the Asset Level and specifically at the Risk Owners level.

#### **4. Risk Management Process**

A risk management process is a systematic way to establish the context in which every Risk Owner and its sub-ordinate can identify, analyse, evaluate and treat their risks, while communicating and consulting with stakeholders and continuously monitoring and reviewing the elements of the process.

There are four distinct but interrelated stages in the risk management process :

- Risk environment which consist of two phase: Communication & Consultation and Establishing the Context.
- Risk assessment which containing three phases: risk identification, risk analysis, and risk evaluation.
- Risk treatment means selecting one or more options for modifying risks including funding and other resource considerations.
- Monitoring and review: Continual monitoring and reviewing of risk profiles is essential to maintain the effectiveness and appropriateness of ITM's risk management profiles, including more specifically, risk treatment plans, risk assessments and to identify emerging risks.

#### **5. Responsibility**

##### **Board of Commissaries (BoC)**

As per the Indonesia Company Law, the BoC in carrying out its supervisory and advisory duties to the Board of Directors, should pay attention to the interests of the organization and in accordance with the purposes and objectives of the organization, and the organization's Articles of Association.

In accordance with the BoC duties above, supervising the implementation of risk management is the responsibility of the BoC.

##### **Board of Directors (BoD)**

BoD must consider the interests of the organization, carry out their duties in accordance with the purposes and objectives of the organization (intra vires act) and meets the provisions of the Indonesia Company Law

In accordance with the BoD duties above, the implementation of risk management are the responsibility of the Board of Directors. While retaining complete accountability for compliance with Indonesia Organization Law, the BoD may delegate certain tasks, including the development and implementation of the risk management framework, to Risk Manager.

##### **Audit & Risk Committee (ARC)**

The ARC's responsibilities include the oversight of risk management processes of the Organization. The ARC may request :

- written reports and other risk management reports from senior management (Risk Owners) including risk registers.
- the results of risk treatment or risk response.
- senior management (Risk Owners) to present at ARC meetings to discuss their activities and risks.

### **ITM Risk Management Committee (ITM-RMC)**

ITM-RMC is a forum for the Risk Owners at the ITM level to discuss various issues regarding the management of risk and as well as agree on the things that need to be taken to ensure that any risk always under control.

### **Risk Management Forum (RMF)**

RMF is a forum for the Risk Owners at the Asset Level to discuss various issues regarding the management of risk and as well as agree on the things that need to be taken to ensure that any risk always under control.

### **Risk Management Function**

The risk management function is responsible for facilitating and assisting responsible officers with their risk management obligations (Risk Owners). The risk management function should be independent of line management.

It is important to emphasise that the risk management function does not own the risks. Risk owners are responsible and accountable for risks, and this accountability must form part of their job descriptions (refer to the separate description of 'Risk owners' below in this section).

### **Risk Manager**

A Risk Manager should be appointed to lead the risk management function. This officer is also a primary risk champion. The Risk Manager is responsible for designing organization's risk management framework and for the day-to-day activities associated with coordinating, maintaining and embedding the framework in the organization.

### **Risk Coordinator**

Risk coordinators are people who promote risk management across the organization, or specifically within a particular organization function or project. A risk coordinators may hold any position within organization (ITM level and Asset level), but is generally a person who :

- has the skills, knowledge and leadership qualities required to support and drive a particular aspect of risk management
- has sufficient authority to intervene in instances where risk management efforts are being hampered by a lack of cooperation or through lack of risk management capability or maturity
- is able to add value to the risk management process by providing guidance and support in managing difficult risk or risks spread across functional areas.

## **Managers (Risk Owners)**

Managers at all levels of the organization running the role as the Risk Owners that are responsible for managing risk and ensuring that their staff perform their duties within the constraints of organization's ability to manage risk.

## **Risk Response Owner**

A risk response owner is the person who has responsibility for designing, implementing and monitoring risk treatments for a particular risk. Risk response owners are accountable for ensuring that the risk is managed in accordance with the organization's ability to accept or tolerate risk.

## **Staff**

All staff must be aware of their responsibilities in managing risk in their day-to-day roles. This includes carrying out their roles in accordance with all policies and procedures, identifying risks and reporting these to relevant risk response owners in accordance with reporting protocols. Staff should also report ineffective or inefficient controls.

All staff should be aware of the risks that relate to their roles and activities.

## **Internal Audit**

Internal audit function plays a major role in organizational compliance and risk management. These responsibilities are set out in the Internal Audit Charter, and they include providing assurance that risk controls are appropriately designed and effectively implemented and organization's risk management framework is effective.

## **External Audit**

External auditors are not part of the organization, and they are responsible to external stakeholders. External auditors are required to make those charged with governance or management aware of material weaknesses in the design or implementation of internal controls that come to their attention during the audit.

The risk management policy will be gradually reviewed in consideration of company's operation and business need.