



2023 Anti-Bribery Management System Implementation

One aspect of the Company's commitment to supporting the government is the execution of the Anti-Bribery Management System (ABMS) in state-owned enterprises. The Company adheres strictly to Board of Directors Regulation No. PD-024/SMI/1220 on Anti-Bribery Management System Guidelines for the implementation and application of ABMS. This regulation was subsequently amended by Board of Directors Regulation No. PD-009/SMI/0322 on Anti-Bribery Management System (ABMS) Procedures. The strict enforcement and oversight of ABMS within the Company are conducted annually by internal and external independent assessors.

Clauses outlined in the ISO37001:2016 standard require consistent implementation, specifically are:

1. Top management commitment.
2. Adequacy of the Anti-Bribery Unit.
3. Environmental assessment.
4. Scope and policy of the organization.
5. Bribery risk assessment.
6. Planning and achieving anti-bribery process objectives.
7. Documentation.
8. Awareness & capacity building.
9. Implementation.
10. Monitoring & Evaluation processes.
11. Management review.
12. Continuous improvement.

The following are some benefits of implementing ISO 37001:2016:

1. Assurance to management, investors, employees, customers, and other stakeholders that the organization is taking reasonable measures to prevent bribery.
2. More efficient and faster business operations.
3. Prudent decisions and competition enhance the quality of products and services required by the organization.
4. Boosts the international credibility of the organization.
5. Creates an anti-bribery corporate culture.
6. Investigational evidence demonstrating that an organization has taken reasonable measures to prevent bribery.
7. The internal assessor is the Internal Audit Division, which evaluates the ABMS implementation's conformity with the ISO37001:2016 standard and the Company's policies.

The external assessor is an Appraisal Service Company appointed to conduct an ISO37001:2016 conformity assessment.

The Internal Audit Division's evaluation of the ABMS implementation in 2023 revealed no minor findings, however one observation was suggested which are Anti-Bribery Compliance Function promptly communicated the review (evaluation) results to the Top Management and Supervisory Board subsequent to receiving the ABMS 2023 audit report.

As the Company has been ISO 37001:2016 certified since March 5, 2021, an external assessor must conduct an annual evaluation of the ABMS implementation. To maintain the ISO37001:2016 certification, the Company underwent its second surveillance audit, which was carried out by an independent party, PT Sucofindo, on May 15-16, 2023. According to the findings of the second ISO 37001:2016 ABMS surveillance audit, PT SMI has consistently implemented the acquired certification. Furthermore, a Non-Conformity/Observation Report was included, in which no Major findings were discovered. However, PT SMI was required to address two minor and issues five observations.

These are two minor enforced by external assessor:

1. In Risk and Control Self Assessment, there are several main activities determined to be related to bribery risk which are no longer relevant to the latest main tasks and functions so they need to be adjusted, for example activities related to subsidiary management & financing withdrawal facilities.
2. The organization has an Internal Audit team consisting of the person in charge which are Quality Assurance, two Team Leader and three members for assignments evaluating anti bribery's process starting on November 22 2022. However, one of the audit team personnel on duty had not received ISO 37001:2016 training.

Meanwhile for the observation are:

1. The organization has Anti Bribery Management System procedure No. PD-009/SMI/0322 dated March 8 2022, where the anti-bribery commitment has been informed but it is necessary to ensure that the document has been signed by the President Director and President Commissioner.
2. In Risk Control Self Assessment document need review the following matters:
 - Suitability of identification risk events related to ABMS, for example the risk of virus attacks, trojans, malware/ransomware
 - Has covered all divisions within the scope, for example DP 1 & DP 2

- Addition of an impact category column according to operational risk management procedures as a reference in risk assessment
 - Separation of action plan / mitigation columns from existing controls to make it easier to verify existing controls"
3. Based on the results of interviews regarding understanding of WBS and gratification, it is necessary to improve employee understanding regarding:
 - Use and procedures for reporting via the website spp.ptsmi.co.id
 - Types of gratification that do not have to be reported along with value limits
 - Explanation of anti-bribery policy
 4. The organization need detailed rule regarding limits on the use of cash payments in financial transactions, examples of conditions & forms of transactions that are permitted for cash payments, as well as methods of controlling cash payments.
 5. When carrying out an auditing, it is best to create a working paper/audit program that can explain the scope of the audit, namely 5 Directorates (all divisions), audit clauses, PIC Auditor and Auditee.

External assessor expected the Company to make improvements of Minor status findings no later than 2 (two) months, at the latest of July 16th 2023. The Company had completed the improvement and had been declared by Sucofindo on July 7th, 2023, that all nonconformities had been rectified and that this would be confirmed during the subsequent audit.