

AUDIT COMMITTEE CHARTER
PT KUSTODIAN SENTRAL EFEK INDONESIA

CHAPTER 1

INTRODUCTION

Background

The Board of Commissioners (BOC) forms an Audit Committee that works professionally and independently to assist BOC in carrying out its supervisory functions. The Audit Committee oversees the accounting and financial reporting process. The Audit Committee also reviews the quality of internal and external audit processes and results. In carrying out its duties, the Audit Committee always maintains relationship with BOC, Board of Directors (BOD), Internal Audit, Risk Management and External Auditors.

The Audit Committee Charter is a working guideline that explains the duties and functions of Audit Committee members in carrying out their duties as supporting organs of Corporate Governance (GCG), by assisting BOC in a professional manner, and in accordance with the principles of GCG, namely transparency, independence, accountability, responsibility, fairness and equality, and ethical standards that apply in the Company.

The establishment of the Audit Committee is based on the following rules:

1. Article 121 of Law No. 40 of 2007 concerning Limited Liability Companies.
2. OJK Regulation No. 55 / POJK.04 / 2015, concerning the Formation and Guidelines for the Work Implementation of the Audit Committee.
3. OJK Regulation No. 60 / POJK.04 / 2016, concerning the Board of Directors and Board of Commissioners of the Depository and Settlement Institution.
4. OJK Regulation No. 13 / POJK.03 / 2017, concerning the Use of Public Accountant Services and Public Accountant Offices in Financial Services Activities.

Purpose

The Audit Committee was formed with the aim of helping BOC carry out its supervisory function in order to:

1. Maintaining the quality of financial reporting, so that it can be reliable.
2. Ensuring the effectiveness of internal control, risk management and corporate governance (GCG).
3. Ensuring that internal and external audit processes are carried out in accordance with professional standards and applicable regulations.
4. Maintaining the Company's compliance with applicable laws and regulations.

CHAPTER 2 ORGANIZATION

Audit Committee Composition

1. Members of the Audit Committee are proposed, appointed and dismissed by BOC.
2. The Audit Committee shall consist of at least:
 - a. Two Commissioners of the Company.
 - b. Two people from outside the Company.
3. One Committee member who is BOC member acts as Chair of the Audit Committee. The appointment of the Chairperson of the Audit Committee shall be determined in BOC meeting as soon as possible after BOC is established.
4. The Audit Committee can be assisted by the Audit Committee Secretary, who can come from within the Company or outside parties of the Company. Audit Committee members may also hold a concurrent position as Committee Secretary.
5. Audit Committee member may not become a members of other Committees within the Company and its subsidiaries in the same period.

Audit Committee Membership Requirements

The requirements of Audit Committee members are as follows:

1. Audit Committee member who are also members of BOC follow the provisions stipulated in the OJK Regulation on Commissioners.
2. The qualifications of Audit Committee member who are not members of BOC, are as follows:
 - a. Integrity Requirements
Having good morals, high professional responsibilities, having a commitment of time and energy to carry out their duties and responsibilities optimally.
 - b. Independency Requirements
 - i. Is not an internal public accounting firm that is the Company's External Auditor, Legal Consultant Office or Other Parties that provide audit services, non-audit services, legal services and / or other consulting services to the Company within the last 6 (six) months before being appointed by BOC.
 - ii. Not a person who has the authority and responsibility to plan, lead and control the Company's activities within the last 6 (six) months before being appointed by BOC.
 - iii. Has no business relations, directly or indirectly, related to the Company's business activities.
 - iv. Has no family relations due to marriage and descent to the second degree, both horizontally and vertically with BOC and BOD of the Company.
 - c. Competency Requirements
 - i. Audit Committee members must have expertise and experience in the field of law, finance or accounting.
 - ii. Have a minimum of 10 (ten) years of work experience in the field of supervision or inspection and/or practical experience at managerial level in a business entity that allows its function as an

- Audit Committee to be carried out optimally.
- iii. Have sufficient knowledge to understand and interpret financial statements.
 - iv. Having adequate knowledge of the Laws and Regulations in the Capital Market and Legislation relating to the Company's operations.
 - v. Having knowledge about; business processes, accounting standards, audit concepts, risk management, and control concepts, related to the Company.
 - vi. Having an understanding of the duties, responsibilities, and authority of the Audit Committee.
 - vii. Having adequate understanding of Good Corporate Governance.
 - viii. Having good communication skills to express opinions and recommendations.
- d. Requirements for Audit Committee members with educational background and experience in finance and accounting are understanding in:
- i. accounting standards that apply in Indonesia.
 - ii. the application of accounting standards, especially regarding accounting estimates, accrual systems, and the establishment of accounting reserves.
 - iii. the general audit process of financial statements.
 - iv. internal controls and procedures for the financial reporting process.

Audit Committee Term of Office

1. Term of office of Audit Committee members who are BOC Members is at maximum the same as the term of office as a member of BOC through a General Meeting of Shareholders (GMS).
2. The term period of an Audit Committee member that is not part of BOC is at most equal to the term period of BOC and appointed through BOC Decree.
3. The appointment of Audit Committee members is no later than 6 (six) months after the appointment of BOC.
4. The term period of an Audit Committee member that is not part of BOC must expires at the latest 6 (six) months after BOC term of office, to maintain continuity with the newly appointed BOC.
5. Audit Committee term of office has not considered to 1 (one) period if it has not passed 2 (two) years.
6. Audit Committee member who is not part of BOC and whose term has expired, can be reappointed only for the next 1 (one) period. Therefore, his/her tenure is a maximum of 2 (two) periods.
7. Audit Committee Chairman has the right to provide recommendations for replacing Audit Committee members, if one of Audit Committee members who is not a member of BOC ends his term of office, resigns or is dismissed because he/she is considered unable to carry out his/her duties in accordance with his/her mandate.
8. If a BOC member who becomes the Audit Committee Chairman quits before his/her term of office as BOC member, then the Audit Committee Chairman is replaced by another member of the Audit Committee who serves as BOC.
9. Audit Committee member who is not a member of BOC has the right to resign from membership with prior written notice to BOC at least 30 (thirty) calendar days before the date of resignation and resignation shall take effect 30 (thirty) calendar day after the resignation letter is received by BOC.

10. If there is Audit Committee member who is not BOC members is dismissed or resigned before his/her term of office expires which then resulting number of Audit Committee members being less than 3 (three) people, then his/her replacement must be done as soon as possible.
11. The tenure of Audit Committee members who are appointed as a substitute for Audit Committee members who quit before their term of office expires is valid for the remaining tenure of the Audit Committee members they replace.
12. If the term of office of Audit Committee member has ended and not possible to be reappointed (based on provision), while at the same time, BOC has not been able to appoint a new Audit Committee member, then his/her membership is extended until BOC appoints the new Audit Committee member.

Technical Capability Development

Audit Committee members must give special attention to develop their potential and ability and consistently improve their knowledge and understanding. Audit Committee members need to carry out continuous learning in areas related to their role as Audit Committee members. The Company is responsible for improving the technical capabilities of Audit Committee members.

Audit Committee Performance Assessment

1. The Audit Committee self-assessed the performance of their duties and responsibilities at the end of each year.
2. BOC evaluates the performance of the Audit Committee at least before the end of their term of office, both collectively and individually. The results of the Committee's performance evaluation will become one of the inputs in the selection of Audit Committee members in the next period.

Working Relationship

In carrying out its functions, Audit Committee has working relationships with BOC, Internal Audit Division (SPI) and Risk Management Unit (MRP)

1. Relationship with BOC
 - a. Audit Committee discuss the implementation of their duties and responsibilities with BOC.
 - b. Audit Committee can meet and communicate with BOC if necessary.
2. Relationship with SPI
 - a. The Audit Committee must held a meeting with SPI at least every 3 (three) months.
 - b. The meeting with SPI discussed the completion of SPI duties and responsibilities including the findings and recommendations and the follow-up (if any).
 - c. The Audit Committee can have meetings and communicate with SPI beside the predetermined schedule if there are important issues that need immediate responded.
3. Relationship with MRP
 - a. The Audit Committee must held a meeting with MRP at least twice a year.
 - b. The meeting with MRP discussed the completion of MR's duties and responsibilities including

identification, evaluation, and risk mitigation.

- c. The Audit Committee can have meetings and communicate with MRP beside the predetermined schedule if there are important issues that need immediate responded.

Honorarium, Allowances and Other Facilities

In carrying out their duties, Audit Committee members who are not BOC members are given an honorarium, benefits and other facilities, the amount of which is determined by BOC, and is charged to the Company.

CHAPTER 3 ETHICAL STANDARDS

Audit Committee members must comply with the following ethical standards:

Integrity

The Audit Committee is required to have a commitment to carrying out its duties based on good faith, decisiveness, and honesty.

Objectivity

- a. The Audit Committee is obliged to avoid the existence of or things that may cause conflicts of interest in carrying out their duties.
- b. The Audit Committee must be objective and unbiased in every decision-making.

Professional Competency

The Audit Committee must maintain professional knowledge and expertise on an ongoing basis in order to carry out their duties properly.

Scrupulosity

The Audit Committee must carry out their duties with care and responsibility.

Confidentiality

The Audit Committee must maintain the confidentiality of documents, data, and information obtained by the Company while carrying out their duties, which are not for public consumption and are willing to sign a Non-Disclosure Agreement (NDA) in accordance with Company policy.

Professional behavior

- a. The Audit Committee in carrying out their duties and responsibilities are prohibited from taking personal benefits either directly or indirectly from the Company's activities in addition to the honorarium along with other benefits and facilities.
- b. The Audit Committee must comply with the applicable laws and regulations in carrying out their duties, and avoid any actions that are known or should be known, which will discredit the image as the Audit Committee.

CHAPTER 4

DUTIES, RESPONSIBILITIES AND AUTHORITY

Duties and Responsibilities of the Audit Committee

The Audit Committee provides an independent professional opinion to BOC regarding reports made by BOD to BOC, also to identify the things needed by BOC's attention. In this regard, the duties and responsibilities of the Audit Committee include:

1. Financial Information

- a. Having discussions with management regarding internal control related to financial reporting.
- b. Reviewing financial information that will be issued such as financial reporting, projections and other financial information.

2. Internal Audit

- a. Having discussions with SPI regarding audit findings and issues in the financial reporting process as well as their Company's financial research.
- b. Monitoring the audit process to ensure there is no limitation within the audit scope.
- c. Reviewing audit findings and management responses to these findings, and monitoring the follow-up process to those findings.
- d. In the event that the audit findings are not followed up, the Audit Committee must question the decision and assess the risk to be communicated to BOC.
- e. The Audit Committee examines the adequacy of human resources by taking into account the extensiveness of SPI's duties.
- f. Providing direct access to SPI to be able to communicate beside the predetermined Audit Committee meetings schedule.
- g. Reviewing and approving long-term (if any) and short-term audit plans, including giving recommendation towards audit plans changes if needed.
- h. Examining the contents of the Internal Audit Charter and GCG Guidelines.

3. Risk Management

- a. Evaluating policies and completion of risk management that have been determined and implemented by management. In carrying out the evaluation process, the Audit Committee:
 - i. Has the right to receive a risk management report of the Company.
 - ii. Hold periodically meetings to discuss risk identification, risk assessment, risk mitigation monitoring, and risk control monitoring.
- b. Reviewing whether Standard Operating Procedures and Company policies have been in line with the risk management Guideline.

4. Internal Control

- a. Evaluating the adequacy of management's efforts in maintaining the effectiveness of internal control so that financial and operational information can be reliable, the operating process can be carried out efficiently and in accordance with the objectives, the Company's assets can be protected, and ensure that the Company's actions and decisions are in accordance with applicable laws and regulations. In carrying out the evaluation process, the Audit Committee:
 - i. Have the right to obtain internal audit reports regularly from SPI to identify possible internal control weaknesses.
 - ii. Conduct discussions with SPI regarding audit findings relating to the Company's internal control, including indications regarding weaknesses in internal control, inefficiency of the Company's operations, and violations of applicable laws and regulations.
- b. In carrying out the responsibilities of evaluating internal control, the Audit Committee first evaluates the following:
 - i. Guidelines and directions that have been approved by the BOD regarding how internal control activities in the Company must be carried out.
 - ii. SPI has used a risk-based audit approach for audit planning.

5. External Audit

- a. Conducting discussions with External Auditors regarding financial reporting issues, including:
 - i. Events that significantly effect financial statements (significant events) that occur during the audit period, including lawsuits if any.
 - ii. Changes in the use of critical accounting standards (material impact) that are applied by the Company.
 - iii. Misstatements that are not corrected by management in the financial statements with reasons that they are not material.
 - iv. Alleged fraud and irregularities of laws and regulations by management or employees that impact material misstatement in the financial statements.
 - v. Other difficulties related to financial reporting.
- b. Reviewing the financial statements that have been audited by External Auditor before finalized.
- c. Reviewing problem that occurs during the audit (together with the External Auditor). The review includes facilitating problem-solving between External Auditors and Management in the event of disagreements during the audit. Differences of opinion that occur such as: the application of accounting standards, the scope of the audit, disclosures in financial statements and editors used by auditors in the audit report.
- d. Facilitating open communication between the External Auditor, Management, SPI and BOD.
- e. Meeting with the External Auditor during the audit assignment to discuss:
 - i. Audit planning and scope.
 - ii. Difficulties in conducting audits.
 - iii. Significant audit corrections.
 - iv. Audit findings summarized in the management letter.

- f. Ensuring that audit findings are followed up and there are effective mechanisms for following up on the findings.
- g. In the event that the audit findings are not followed up, the Audit Committee must ask the reason for the decision and assess the risk of those unfollowing up findings to be submitted to BOC.
- h. Evaluating the performance of the External Auditor.
- i. The Audit Committee recommends the appointment of Public Accounting Firm (KAP) to audit the Company's financial report to the Board of Commissioners to be submitted to the General Meeting of Shareholders (GMS). In addition, the Audit Committee also provides recommendations to the Board of Commissioners on the termination of Public Accounting Firm.
- j. If the KAP that have been decided by the GMS can not complete the grant of audit services to annual historical financial information during the assignment period, appointment of replacement KAP shall be conducted by the Board of Commissioners after obtaining approval of the GMS by taking into account the recommendations of the Audit Committee .
- k. Providing suggestion of External Auditor service fee.
- l. Reviewing the competency, integrity, and independency of the candidate for External Auditors.
- m. Giving pre-approval for non-audit services that will be assigned to the Financial Auditor as long as do not affect their independency.

6. Compliance and Complaints of Financial Reporting

- a. The Audit Committee oversees compliance with laws and regulations relating to the submission of financial statements.
- b. Reviewing complaints regarding financial reporting.

7. Reporting Responsibilities

Submitting Audit Committee responsibility to BOC in the following forms:

- a. Minutes of Audit Committee Meeting with BOC.
- b. Reports for each implementation of the Audit Committee's duties such as findings, analysis, conclusions, and recommendations.
- c. Annual report on the completion of Audit Committee's duties.

8. Other Responsibilities

Carry out special/other tasks assigned by BOC based on the provisions of the applicable laws and regulations.

Authority and Rights of the Audit Committee

- 1. Obtaining full, free and unlimited access to records or information regarding the Company's employees, funds, assets and other resources relating to the implementation of their duties through BOC.
- 2. In carrying out its duties relating to the supervision of internal control and risk management, the Audit Committee works closely with SPI and MRP.

3. The Audit Committee on behalf of BOC receives a summary of the report issued by SPI.
4. If necessary, with the written approval of BOC, the Audit Committee can form an ad hoc team. The criteria and assignment period are adjusted according to the type of work.
5. Reviewing the contents of the Audit Committee Charter for later approval by BOC.
6. If necessary, with the written approval of BOC, the Audit Committee can hire experts and / or consultants to assist the Audit Committee.

CHAPTER 6

CLOSING

The Audit Committee Charter is effective since it was ratified and will be evaluated periodically by BOC to adjust with the regulatory changes so that the function of the Audit Committee can be carried out optimally.

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