



# **GUIDELINES FOR GOOD CORPORATE GOVERNANCE**

2020 Edition

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## I. Introduction

### A. Background

PT Merdeka Copper Gold Tbk (“**Company**”) was incorporated by Deed of Incorporation No. 2 dated 5<sup>th</sup> September 2012, drawn up before Notary Public Ivan Gelium Lantu, SH, M.Kn, which was ratified by the Minister of Law and Human Rights of Republic of Indonesia by Decision No. AHU-48205.AH.01.01 Of 2012 dated 11<sup>th</sup> September 2012 and the Company’s Articles of Association have been amended several times.

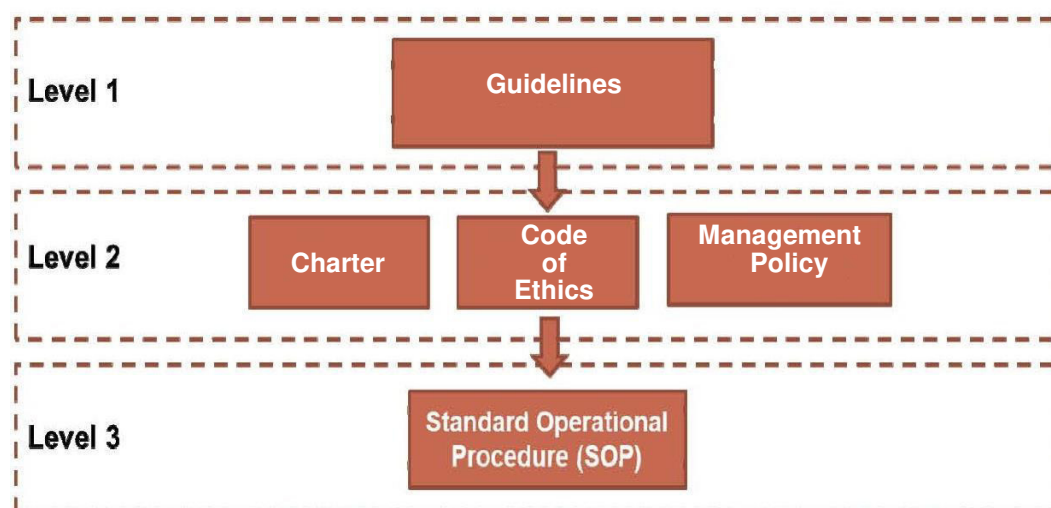
The Company has been committed to constantly apply Good Corporate Governance (“**GCG**”) principles in the Company’s environment since its incorporation until now and in the future.

These Guidelines for Good Corporate Governance (“**Guidelines**”) will serve as a guide for the Company’s management to manage the company in the process of decision making in the Company for the Board of Directors and in the supervisory function for the Board of Commissioners and will be a valid measuring tool in GCG application in the Company’s environment.

These Guidelines are prepared based on GCG principles with in accordance with the prevailing laws and regulations (Law No. 40 Of 2007 on Limited Company, Law No. 8 of 1995 on Capital Market, Financial Services Authority Regulations, and Financial Services Authority Circular Letters) and the Company’s Articles of Association.

### B. Structure

The Guidelines structure consists of 3 levels, namely:



Level 1: GCG Guidelines are the Company’s master policy containing a set of GCG basic guidelines that serve as the bases for reference of the implementation of all the Company’s activities.

Level 2: The Charter, Code of Ethics, and Management Policy adopt the contents of the Guidelines in order to maintain the Company's policy to remain consistent and to avoid conflicts between policies.

Level 3: The Standard Operational Procedure (SOP) is prepared based on the Company's requirements and may change any time to adjust to changes of regulations or policies, business activities, business activity location, and organizational structure of the Company.

### **C. Purpose and Objective**

Broadly, the purpose and objective of having the Guidelines is to guide the Company's Board of Commissioners, Board of Directors, and employees to apply GCG principles in any decision making and business activities in the Company. The followings are the specific objectives the Company desires to achieve by the Guidelines existence:

- a. To specify the Company's strategic objectives to be communicated and applied in all organizations of the Company;
- b. To empower and specify the functions and responsibilities of each of the company's organs such as General Meeting of Shareholders (GMS), Board of Commissioners and Board of Directors.
- c. To apply the Company's standards of value, purpose, and strategy.
- d. To encourage the shareholders, Board of Commissioners, and Board of Directors to consistently apply high moral values and compliance to the prevailing laws and regulations in any process of decision making;
- e. To guarantee the implementation of rights of each shareholder, especially minority shareholders.
- f. To respect the rights of stakeholders as specified by the legislation or by a mutual understanding;
- g. To give guidelines to the internal and external audit control functions, risk management function, and compliance by check and balances mechanism;
- h. To give guidelines for monitoring the risk on any possible transactions containing conflicts of interest, including business relation with affiliated parties, shareholders, members of the Board of Commissioners and Board of Directors, and employees of the Company;
- i. To enhance the Company's value for the shareholders and stakeholders by enhancement of transparency, accountability, responsibility, integrity and fairness.

### **D. Vision, Mission and Values**

#### **1. Company's Vision**

The Global Leader in the Indonesian Mining and Metals Industry.

#### **2. Company's Mission**

- To be the development partner of choice in the Indonesian mining and metals industry.
- To be the leaders in safety, sustainable development and environment conservation, and corporate social responsibility.

- To generate superior value and investor returns through prudent investment and effective project development.
- To be a leader in innovation and efficiency.

### 3. Corporate Values

#### Greatness

**Growth** can only be achieved if we **Respect** each other, working **Accountability**, creating **Excellence** results, and put **Safety** as our top priority.

#### 1. Growth

- We grow the Merdeka Business in a responsible and profitable way, to maximize returns to all stakeholders.
- We strive for continuous learning and constant improvement.

#### 2. Respect

- We respect each other, our customers, our products and our community.
- We create a diverse and inclusive workplace, valuing our employees.
- We treat each other with respect.

#### 3. Accountability

- We take personal accountability for our actions and results.
- We focus on finding solutions and achieving results.
- We keep promises and commitments made to others.

#### 4. Excellence

- We strive for excellence in all that we do.
- We will endeavor to exceed expectations in everything that we do.

#### 5. Safety

- We work safely – Always.
- We incorporate safety in all aspects of our operations.
- We continually improve our safety performance through effective risk management programs.

## II. GCG Principles

In applying GCG principles, the Company refers to a few Guidelines for GCG principles as follows:

### 1. Transparency

#### Basic Principle

To maintain objectivity in undertaking the business, the Company must provide information timely, relevantly, accurately and easily accessible for all stakeholders as part of the Company's effort to hold on to the principle of transparency and to maintain objectivity in the business operation. The Company should also disclose not only information required by the prevailing laws and regulations, but also any information that could influence decision making by the shareholders, creditors and other stakeholders.

#### Basic Guidelines for Implementation

- a. The Company has to provide information timely, sufficiently, clearly, accurately and easily accessible by the stakeholders.
- b. Information to be disclosed includes, but is not limited to, the company's vision, mission, business goal and strategy, the composition and compensation of the management, controlling shareholders, share ownership by members of the Board of Directors and members of the Board of Commissioners and members of their families, the risk management system, internal supervision and control system, GCG system and implementation and its compliance level, and significant events that may affect the company's condition.
- c. The principle of transparency does not reduce the obligation to meet the condition of confidentiality according to the prevailing laws and regulations, confidentiality of their functions, and personal rights.
- d. The Company's policy shall be made in written form and proportionally communicated to the stakeholders.

## 2. Accountability

### Basic Principle

The Company should be able to account for its performance transparently and fairly. For that purpose, the Company shall be managed correctly, measured and in accordance with the Company's interest while still taking into account the interests of the shareholders and other stakeholders to achieve sustainable performance.

### Basic Guidelines for Implementation

- a. The Company outlines the accountability framework, defines the roles and responsibilities of the Board of Commissioners, Board of Directors, and employees clearly and harmoniously with the Company's vision, mission, values and strategy.
- b. The Company believes that the Board of Commissioners, Board of Directors, and employees have the capacities according to their jobs, responsibilities, and roles, especially in GCG application.
- c. The Company has to ensure the existing internal control system that is effective in the company's management.
- d. The Company shall have the performance measurement for all employees consistent with the company's business objectives, and to have a reward and punishment system.
- e. In performing their jobs and responsibilities, any company's organs and all employees shall comply to the prevailing business ethics and code of conduct.

## 3. Responsibilities

### Basic Principle

The Company really ensures compliance to the law and implements the principle of prudence and performs responsibilities to society and environment to enable maintaining the business continuity in the long-term period.

#### Basic Guidelines for Implementation

- a. The Company's organs must hold on to the principle of prudence and ensure compliance to the prevailing laws and regulations, company's articles of association and regulations.
- b. The Company must perform its social responsibilities, such as community contribution and environmental sustainability, especially around the Company by making sufficient planning and implementation.

### 4. Independency

#### Basic Principle

The Company seeks to encourage the Board of Commissioners, Board of Directors and employees to be independent without being influenced by operational interest and without influencing their capacities in undertaking the responsibilities in the Company.

#### Basic Guidelines for Implementation

- a. The Board of Commissioners, Board of Directors and employees must prevent any domination from any party whatsoever, not be influenced by specific interest, free from conflict of interest and from any influence or pressure to enable making decisions objectively.
- b. The Board of Commissioners, Board of Directors and employees have to perform their functions and responsibilities according to the articles of association and prevailing laws and regulations, and to not dominate and or shift responsibility from one another.

### 5. Fairness

#### Basic Principle

In performing its activities, the Company must always consider the interests of the shareholders and other stakeholders based on the principles of fairness and equality.

#### Basic Guidelines for Implementation

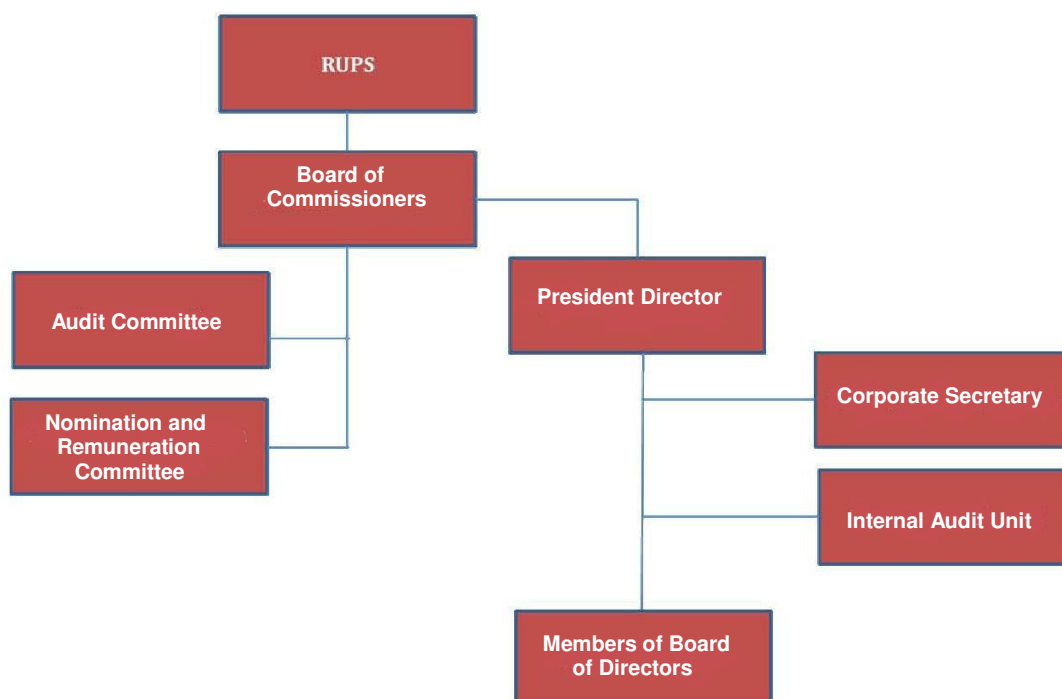
- a. The Company should give opportunity to the stakeholders to give inputs and express opinions in the Company's interest and to disclose any access to information according to the principle of transparency in the respective scope of each position.
- b. The company should give equal and fair treatment to the stakeholders according to the benefits and contribution given to the Company.
- c. The Company should give the same opportunity in the process of employee recruitment, making career and performing their jobs professionally without discrimination of ethnic group, religion, race, class, gender, and physical condition.

### III. GCG Policy and Practice

Based on Law No. 40 of 2007 on Limited Company, the company's organs consist of GMS, Board of Commissioners, and Board of Directors. The company's organs play the key roles in the success of GCG performance.

GCG implementation in the Company is reflected from the tasks and responsibilities of each organ of the company, namely the GMS, Board of Commissioners, or the Board of Directors. The GMS shall conduct significant decision makings based on the Company's interest, by respecting the provisions in the Articles of Association and the prevailing laws and regulations. While the Board of Directors conducts the Company's management and the Board of Commissioners conducts the sufficient supervision function on the Company's management performance. The management and supervision functions have the responsibility to maintain the Company's business continuation in the long term period. Therefore, the Company's organs should be able to synergize to actualize the Company's vision, mission and values.

In performing its jobs, the Board of Commissioners is assisted by the supporting elements, namely the Audit Committee and the Nomination and Remuneration Committee, while the Board of Directors is assisted by the Corporate Secretary and Internal Audit unit. In order to work effectively and efficiently to reflect the principle of accountability, the Company has also made the organizational structure adjusted to the necessity.





## A. General Meeting of Shareholders (GMS)

### 1. Principle

General Meeting of Shareholders (GMS) is a Company's organ that has the authority not given to the Board of Commissioners or Board of Directors as long as allowed by the law and/or the Company's Articles of Association. GMS consists of Annual of GMS and Extraordinary of GMS. GMS is a forum of the Shareholders to use the rights they possess to obtain information related to the Company from the Board of Directors and Board of Commissioners as long as related to meeting agenda points and not in conflict with the Company's interest and by observing the provisions of the Company's articles of association and the prevailing laws and regulations.

### 2. Guidelines for Implementation

The followings are the guidelines for implementation of GMS, including but not limited to:

- a. GMS shall be conducted in timely, right, and transparent manner and to produce valid shareholders' resolutions by complying to the Company's articles of association and the prevailing laws and regulations ;
- b. GMS shall be conducted in the Company's domicile or the place where the Company conducts its main business activity or in the capital city of province where the Company is domiciled or conducts its main business activity or in the province of domicile of the stock exchange in which the Company's shares are listed, and shall be in the territory of Republic of Indonesia;
- c. A request to conduct a GMS may be raised by: i) one or more shareholders who collectively represent at least 1/10 (one tenth) or equal to 10% (ten percent) of the total number of shares with voting rights; and ii) Board of Commissioners;
- d. The Company shall give notification on the meeting agenda points to the Financial Services Authority at the latest 5 (five) working days prior to the GMS announcement without counting the date of the GMS announcement;
- e. The Company shall make the GMS announcement to the shareholders at the latest 14 (fourteen) days prior to summons to the GMS, without counting the date of announcement and date of the calling;
- f. The Company shall make calling to the GMS at the latest 21 (twenty one) days prior to the date of the GMS without counting the date of calling and the date of the GMS;
- g. One or more shareholders who collectively represent at least 1/20 (one twentieth) or equal to 5% (five percent) of the total number of shares with voting rights may propose the meeting agenda points to the Company at the latest 7 (seven) days prior to the calling to the GMS;
- h. The Company shall provide the meeting agenda points materials for the shareholders that are accessible and can be downloaded via the Company's website and/or e-GMS since the date the calling to the GMS is made until the date the GMS;
- i. A shareholder shall be entitled to, personally or by proxy based on a power of attorney, attend a GMS;

- j. The GMS decisions shall be made in deliberation for consensus. If no decision in deliberation for consensus is reached, the decision shall be made by voting by observing the condition of attendance quorum and decision quorum of the GMS in accordance with the Company's articles of association and the prevailing laws and regulations;
- k. The followings are the procedure of voting in GMS:
  - i. Any decision making deliberation is carried out by inquiring whether the proposals submitted in the GMS can be approved by the shareholders who are present and/or by their proxies. If no shareholder and/or shareholder's proxy of the Company disagrees, the chairman of GMS shall conclude that the submitted proposals have been agreed unanimously.
  - ii. In case any shareholder or his/her valid proxy does not approve the proposals discussed in the GMS, the decision on the proposals being discussed shall be made by voting.
  - iii. In general, voting shall be conducted verbally, however for decisions requiring confidentiality or requested by the shareholders, voting may be conducted in a closed letter not signed.
  - iv. Verbal voting shall be conducted by way of "raising hands and giving voting cards".
  - v. The shareholders who do not agree or are abstain shall raise their hands and present disagreeing or abstaining voting cards to the officer after the chairman of GMS has inquired the disagreeing or abstain votes. Furthermore, the officer shall present them to the Public Notary for counting.
  - vi. Any shareholders not raising their hands shall be considered approving the proposals discussed in the Meeting.
  - vii. The Company has appointed the public notary and Securities Administration Bureau as independent parties to count the total number of disagreeing and abstaining votes, and further the public notary shall present the result of votes counting to the chairman of GMS.
- l. The Company shall be required to make the GMS minutes and summary of the GMS minutes;
- m. The announcement of and summons to the GMS shall be made at least in the Company's website and stock exchange's website;
- n. All members of the Board of Directors and members of Board of Commissioners of the Company shall be present in the Annual GMS.
- o. The announcement on the summary of GMS minutes shall be made at least through the Company's website and stock exchange's website for minimum 1 (one) year.

## B. Board of Commissioners

### 1. Principle

The Board of Commissioners is the Company's organ assigned to conduct general and/or special supervision according to the articles of association and to give advice to the Board of Directors. The Board of Commissioners as the Company's organ is assigned and responsible collectively to conduct supervision and to give advice to the Board of Directors independently related to the implementation of the Board of Directors' tasks and responsibility in managing the Company and to ensure that the Company has performed GCG properly. However, the Board of Commissioners shall not be allowed to participate in making operational decisions.

The position of each member of the Board of Commissioners, including the President Commissioner is equal. To enable the functions of the Board of Commissioners' running effectively, the following principles have to be satisfied:

- a. The Board of Commissioners' composition should enable effective, accurate and fast decision makings, and enable it to act independently by considering the variety of required expertise, knowledge, and experience.
- b. The Board of Commissioners shall have a professional integrity, perform its functions in good faith, with full responsibility and prudence by ensuring that the Board of Directors has observed the interest of all stakeholders.
- c. The supervision and advice given by the Board of Commissioners shall include among others the Company's significant strategies and plans, the financial statement integrity, the internal control and risk management system, the reporting and disclosure of information, conformity and good corporate governance of the Company.
- d. The Board of Commissioners shall perform its jobs in good faith, with full responsibility and prudence in the Company's interest and according to the Company's purpose and objective.
- e. The Board of Commissioners shall have the policy of self-assessment to assess the Board of Commissioners' performance as revealed by the Company's annual report.
- f. The Board of Commissioners shall have the policy related to resignation of members of the Board of Commissioners in case they are involved in financial crimes.
- g. The Board of Commissioners or Committee who undertakes the Nomination and Remuneration function shall prepare the succession policy in the process of Nomination of members of the Board of Directors.
- h. The Board of Commissioners' function of supervision and conveying advice to the Board of Directors shall include actions of prevention, correction, to temporary dismissal.
- i. Other principles are as governed in the Company's articles of association, Board of Commissioners' charter and the prevailing laws and regulations.

## 2. Conditions of Board of Commissioners Guidelines

### a. Membership of Board of Commissioners

Any person who may be appointed as members of the Company's Board of Commissioners shall be individual who meet the requirements at the time of appointment and while holding the position:

1. have good character, moral and integrity;
2. legally competent;
3. within the last 5 (five) years:
  - a. never been declared bankrupt;
  - b. never become members of the Board of Directors and/or members of the Board of Commissioners who were convicted of causing a company being declared bankrupt;
  - c. never being convicted of criminal offenses resulting in the state's financial loss and/or related to financial sector; and
  - d. never become members of the Board of Directors and/or members of the Board of Commissioners who, during their term of office:
    - i. failed to conduct an annual of GMS;
    - ii. their accountability as members of the Board of Directors and/or members of the Board of Commissioners was rejected by the GMS or they never once provide accountability as members of the Board of Directors and/or members of the Board of Commissioners to the GMS;
    - iii. cause a company that had a license, approval, or registration at the Financial Services Authority not fulfilling the obligation to submit the annual report and/or financial statements to the Financial Services Authority.
4. committed to comply with prevailing laws and regulations; and
5. having the knowledge and/or expertise that can give added value to the Company.

### b. Membership of Independent Commissioners

Besides fulfilling the above conditions, an independent commissioner shall meet the following requirements:

1. not a person working or having the authority and responsibility to plan, direct, control or supervise the Company's activities within the last 6 (six) months, except for reappointment as the Company's Independent Commissioner for the next period.
2. not holding a share directly or indirectly in the Company;
3. not having any affiliation with the Company, any member of the Board of Commissioners, any member of the Board of Directors, or the major shareholder of the Company; and
4. not having any business relation directly or indirectly related to the Company's business activities.

### **c. Composition, Appointment and Dismissal of Board of Commissioners**

1. The Board of Commissioners shall consist of at least 2 (two) members, one of them is appointed as the president commissioner.
2. The number of independent commissioners shall be at least 30% (thirty percent) of the total number of members of the Board of Commissioners.
3. Members of the Board of Commissioners shall be appointed and dismissed by the GMS after going through the nomination process according to the prevailing laws and regulations. Members of the Board of Commissioners shall be appointed for a specific period and may be reappointed.
4. 1 (one) term of office of members of the Board of Commissioners shall be maximum 5 (five) years or until the closing of the annual GMS at the end of that 1 (one) term of office without prejudice to the GMS' right to dismiss them at any time.
5. A member of the Board of Commissioners may resign from his position before his/her term of office is ended by submitting his resignation to the Company and the Company shall organize a GMS to decide such request of resignation at the latest 90 (ninety) days upon receipt of such request of resignation.
6. The Nomination and Remuneration Committee shall give recommendation and propose the names of prospective members of the Company's Board of Commissioners to the Board of Commissioners to be presented to the GMS and to be further appointed by the GMS.
7. An Independent Commissioner who has held the position for 2 (two) terms of office may be reappointed for the next term as long as such Independent Commissioner states to the GMS that he/she remains independent.
8. In optimizing the functions of Board of Commissioners, the Board of Commissioners shall make a distribution of tasks according to the capability and expertise of each member, by considering the Company's business scope. The job distribution shall be governed among members of the Board of Commissioners themselves and stipulated in a guideline and code of ethics of the Board of Commissioners.

### **d. Term of Office of Board of Commissioners**

1. One term of office of members of the Board of Commissioners shall be maximum 5 (five) years or until the closing of the annual GMS at the end of that 1 (one) term of office without prejudice to the GMS' right to dismiss them at any time.
2. The term of office of members of the Board of Commissioners shall terminate, if:
  - a. submitting the resignation according to the provisions of articles of association;
  - b. no longer meet the requirements of prevailing laws and regulations;
  - c. passes away;
  - d. their term of office expires; and
  - e. they are dismissed in accordance to the shareholder's resolution, including dismissal for no longer meeting the requirements as members of Board of Commissioners;

3. A member of the Board of Commissioners shall have the right to resign from his/her position by giving a written notice to the Company at least 90 (ninety) days prior to the date of his resignation provided that in case his resignation results the number of members of Board of Commissioners becoming less than 2 (two) members, such resignation shall be valid if it is decided by the GMS and a new member of Board of Commissioners has been appointed to meet the required minimum number of members of Board of Commissioners.
4. A member of the Board of Commissioners who has resigned before or after his term of office expires shall remain responsible for his /her actions which accountability is still not accepted by the shareholders;
5. A member of the Board of Commissioners may be dismissed any time based on the shareholders' resolution by specifying the reason, including but not limited to:
  - a. unable to meet his/her obligations agreed in the management contract;
  - b. unable to perform his/her tasks and responsibility properly;
  - c. Not performing the provisions of articles of association;
  - d. Being involved in any action harming the Company and/or country;
  - e. convicted of criminal offenses by a court's decision that has become final and binding; and/or
  - f. Submitting his/her resignation.

#### **e. Jobs, Authorities and Responsibilities of Board of Commissioners**

The jobs, authorities and responsibilities of the Board of Commissioners shall include among others:

1. To conduct supervision on the policy of management, the management operation in general regarding the Company as well as the Company's business conducted by the Board of Directors and to give advice to the Board of Directors including supervision on the implementation of the Company's work program and the provisions of articles of association and the GMS' decision, and the prevailing legislation, in the Company's interest and according to the Company's purpose and objective;
2. To perform the jobs, authorities and responsibilities according to the provisions in the Company's articles of association and the GMS' decisions;
3. To observe and study annual reports prepared by the Board of Directors and sign the reports;
4. The Board of Commissioners shall not participate in making operational decisions. In case the Board of Commissioners make decisions on matters applied in the Company's articles of association or the prevailing laws and regulations, such decision making shall be conducted in its function as supervisor, thus the decisions on operational activities shall remain the Board of Directors' responsibility. The authorities of the Board of Commissioners shall remain held in its function as supervisor and adviser;
5. The Board of Commissioners shall have a guideline and code of ethics of Board of Commissioners regulating in more details the Board of



- Commissioners' supervisory function to enable the job performance to be more directed and effective and they may be used as a tool of assessment of the Board of Commissioners' performance;
6. To perform the Company's objective by observing the shareholders' interest and to be responsible to the GMS;
  7. To establish committees other than the Audit Committee and the Nomination and Remuneration Committee, if deemed necessary, with regard to the Company's capacity;
  8. The Board of Commissioners shall have the right to obtain access on the Company's information timely and completely;
  9. If deemed necessary, the Board of Commissioners may directly ask for information from the Corporate Secretary, Internal Audit Unit (via the Audit Committee) or related units deemed necessary;
  10. The Board of Commissioners may ask the Board of Directors and/or other officials at the Board of Directors' knowledge to attend the Board of Commissioners' meetings;
  11. The Board of Commissioners' meetings may temporarily dismiss a member of the Board of Directors from his position, if such member of the Board of Directors acts in conflict with the articles of association or there is an indication of causing a loss to the Company or fails his/her duties or there is an urgent reason from the Company with regard to the provisions in the articles of association;
  12. The Board of Commissioners may attend the Board of Directors' meetings and give opinions on the matters discussed;
  13. The Minutes of the Board of Commissioners and Board of Directors Meeting shall be maintained by the Board of Directors and shall be available if required by members of the Board of Commissioners and Board of Directors.
  14. In case of matters requiring further supervision, they shall be performed by special task force.

**f. Board of Commissioners' Functions**

1. The Board of Commissioners shall not be allowed to participate in making operational decisions. In a condition where the Board of Commissioners makes a decision on matters as governed in the Articles of Association or the laws and regulations, such decision shall be made under the auspices of supervisory and advisory functions, therefore decisions on operational activities shall remain the Board of Directors' responsibility.
2. The Board of Commissioners' supervisory and advisory roles shall at least contain as follows:
  - a. To review and propose to the shareholders the Company's business strategy, main action plan, risk policy, annual budget and business program; to resolve the purpose of implementation; to monitor the company's operation and performance; and to supervise investment, acquisition and divestment that are beyond the agreed limits;
  - b. To report to the shareholders regarding the implementation of the Board of Commissioners' supervisory and advisory functions covering recommendations and suggestions for improvement in case of any signs of decline;

- c. To ratify the Company's work program and budget prepared by the Board of Directors at least 30 (thirty) days before the beginning of each financial year;
  - d. To monitor the effectiveness of the Company's governance practice and to make recommendations if required;
  - e. To monitor the Board of Directors' performance and supervise the succession planning;
  - f. To align remuneration of the Board of Commissioners' and Board of Directors' with the Company's and its shareholders' long-term interest. To ensure the process of nomination and selection of members of the Board of Commissioners and Board of Directors is conducted in formal and transparent manners;
  - g. To ensure the process of nomination and selection of members of the Board of Commissioners and Board of Directors formally and transparently;
  - h. To report to the Company regarding the share ownership and any alteration to the share ownership of each member of the Board of Commissioners and members of their families.
  - i. To monitor potential conflicts of interest of the management, members of Board of Commissioners, Board of Directors, and shareholders; including misuse of the company's assets and misuse in transactions of affiliated parties;
  - j. To ensure the integrity of the company's accounting and financial reporting system, including independent audit, and the existence of precise control system, particularly the system for risk management, financial and operational control, and compliance to the law and relevant standards.
  - k. To supervise the process of information disclosure and communication.
3. In the conditions deemed necessary for the Company's interest, the Board of Commissioners may impose sanction to members of the Board of Commissioners in the form of temporary dismissal, subject to further decision by the GMS.
  4. In case of vacant position in the Board of Directors or in any situation as specified by the laws, regulations and articles of association, the Board of Commissioners may temporarily perform the Board of Directors' functions.
  5. To enable performing its functions, members of the Board of Commissioners shall collectively and individually be entitled to have access to and to obtain information on the Company.
  6. The Board of Commissioners shall have the rules and guidelines specified in the Board of Commissioners' Work Guidelines to ensure that its jobs can be performed objectively and effectively. The work guidelines may also be used as a tool for performance evaluation. In performing its supervisory and mentoring functions, the Board of Commissioners shall present an accountability report for supervising the Board of Directors' management performance in order to obtain acquittal and discharge (*acquitt et de charge*) from the GMS.
  7. In performing its jobs, the Board of Commissioners shall establish relevant committees. Any proposals of the committees shall be submitted to the Board of Commissioners for approval.



#### **g. Relation between Board of Commissioners and Board of Directors**

1. The joint responsibilities of the Board of Commissioners and Board of Directors in maintaining the Company's long-term business continuation are reflected in:
  - The proper implementation of internal control and risk management;
  - The optimal achievement of return for the shareholders;
  - The fair protection of stakeholders' interest for the management continuation in all organizational lines.
  
2. Unless governed otherwise by the provisions of prevailing laws and regulations, the relation between the Board of Commissioners and Board of Directors as governed above may include but not limited to the followings:
  - Long-term plan, business plan, budget, or the achievement strategy;
  - To collectively study the Company's vision and mission;
  - The policy in ensuring the fulfillment of laws and regulations and articles of association and in preventing any kinds of conflict of interest;
  - Other matters regulated in the guidelines and code of ethics of the Company's Board of Commissioners and Board of Directors and/or Articles of Association.

#### **h. Supporting Committees of Board of Commissioners**

In order to support the effectiveness of its jobs implementation and performance, the Board of Commissioners may establish supporting committees of the Board of Commissioners as governed in the of capital market regulations regarding the Establishment and Guidelines for the Audit Committee, and the Nomination and Remuneration Committee. Each supporting committee of the Board of Commissioners shall be directed by a member of the Board of Commissioners.

The establishment of the Board of Commissioners' Supporting Committees shall refer to some provisions of OJK Regulation, namely:

##### **1. Audit Committee**

Audit Committee is a committee established by and responsible to the Board of Commissioners in assisting the implementation of the Board of Commissioners' jobs and functions.

The Membership Requirements and Terms of Office of Audit Committee:

- a. required to have high integrity, capability, knowledge, experience according to their job expertises, and have good communication ability;
- b. required to understand the company's financial statement and business, especially those related to the Company's business service or activities, audit process, risk management, and regulations in Capital Market sector and other related regulations;

- c. required to comply to the Audit Committee's code of ethics established by the Company;
- d. committed to improve their competencies continuously through education and training;
- e. required to have at least 1 (one) member having the education background and expertise in accounting and finance;
- f. not a member of a Public Accounting Firm, Legal Consultant Firm, Public Appraisal Service Office or other parties providing insurance service, non-insurance service, appraisal service and/or other consultation service to the relevant Company within the last 6 (six) months;
- g. not working or having the authority and responsibility to plan, direct, control, or supervise the Company's activity within the last 6 (six) months, except for Independent Commissioners;
- h. not having shares directly or indirectly in the Company; in case a member of the Audit Committee acquires the Company's shares either directly or indirectly resulted from a legal action, such shares shall be transferred to other party within the period of maximum 6 (six) months after acquiring such shares;
- i. not having any Affiliate relation with a member of the Board of Commissioners, member of the Board of Directors, or Major Shareholder of the Company;
- j. not having any business relations directly or indirectly related to the Company's business activity;
- k. members of the Audit Committee shall not be assigned longer than the term of office of the Board of Commissioners as governed in the Articles of Association and may be reselected just for 1 (one) following period.

The Audit Committee shall be assigned and responsible for at least the followings:

- a. to conduct study on the financial information to be issued by the Company to public and/or authorities such as financial statement, projection, and other reports related to the Company's financial information;
- b. to conduct study on the adherence to the laws and regulations related to the Company's activities;
- c. to give independent opinions in case of conflict of opinion between the management and the Accountant on the service provided;
- d. to give recommendation to the Board of Commissioners concerning the Accountant appointment based on independency, scope of assignment, and re-compensation;
- e. to conduct study on the implementation of audit by the internal auditor and supervise the implementation of follow-up by the Board of Directors on the internal auditor's findings;
- f. to conduct study on the activity of risk management implementation conducted by the Board of Directors, if the Company has no risk monitoring function under the Board of Commissioners;
- g. to study complaints related to the Company's accounting process and financial reporting;

- h. to study and provide advices to the Board of Commissioners related to any potential conflict of interest of the Company; and
- i. to keep confidential, the Company's documents, data and information.

In order to support the implementation of its jobs and responsibilities, the Audit Committee has the following authorities:

- a. to access the Company's documents, data and information on the company's required employees, funds, assets and resources;
- b. to directly communicate with employees, including the Board of Directors and parties undertaking the functions of internal audit, risk management, and accountant related to the Audit Committee's responsibility;
- c. to involve independent parties outside members of the Audit Committee required to assist its job implementation (if required); and
- d. perform other authorities given by the Board of Commissioners.

## **2. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee is an integral part of GCG implementation in public companies in order to help the implementation of the Board of Commissioners' functions and tasks related to nomination and remuneration to members of the Board of Directors and members of the Board of Commissioners.

The membership requirements and the tenure of the Nomination and Remuneration Committee shall be as follows:

The Nomination and Remuneration Committee has at least 3 (three) members on the following conditions:

- a. 1 (one) chairman serving concurrently as a member, who is an Independent Commissioner;
- b. Other members may be of:
  - Members of the Board of Commissioners;
  - Parties from outside the relevant to the Company; or
  - Parties holding managerial positions under the Board of Directors in charge of human resources.

The tenure of members of the Nomination and Remuneration Committee shall be regulated as follows:

- a. Appointed and dismissed based on the Board of Commissioners' meeting decision.
- b. Members of the Nomination and Remuneration Committee are appointed for a specific term of office and may be reappointed.
- c. The tenure of members of the Nomination and Remuneration Committee shall not be longer than the term of office of the Board of Commissioners as governed in the Company's articles of association.

The Nomination and Remuneration Committee shall be assigned and responsible for:

- a. Related to Nomination function:

- i. providing recommendation to the Board of Commissioners on:
    - The composition of members of the Board of Directors and/or members of the Board of Commissioners;
    - The policy and criteria required in the Nomination process;
    - The policy of performance evaluation for members of the Board of Directors and/or members of the Board of Commissioners;
  - ii. Assisting the Board of Commissioners in making assessment of performance of members of the Board of Directors and/or members of the Board of Commissioners based on the benchmarks prepared as the material for assessment;
  - iii. providing recommendation to the Board of Commissioners on capacity development programs for members of the Board of Directors and/or members of the Board of Commissioners;
  - iv. providing candidates proposal as members of the Board of Directors and/or members of the Board of Commissioners to the Board of Commissioners to be presented to the GMS.
- b. Related to Remuneration function:
- i. Giving recommendation to the Board of Commissioners on:
    - Remuneration Structure;
    - Policy on Remuneration;
    - Amount of Remuneration;
  - ii. Assisting the Board of Commissioners in making performance assessment according to the suitability of Remuneration received by the respective members of the Board of Directors and/or members of the Board of Commissioners.

The jobs, authorities, membership and other matters related to the Board of Commissioners' supporting committees shall be regulated in more details in the charter or guidelines.

#### **i. Performance Assessment of Board of Commissioners**

1. The Board of Commissioners performance assessment in details shall be specified based on the Board of Commissioners' decision that will be evaluated periodically.
2. The Board of Commissioners' performance assessment shall be conducted by self-assessment system consisting of 60% committee's performance by the same quality and 40% other performances by various qualities.
3. The Board of Commissioners' performance assessment based on the indicators specified in the beginning of each year shall be prepared by the Nomination and Remuneration Committee according to the inputs of the Company's performance value and the inputs of committee value later decided by the Board of Commissioners.
4. The Nomination and Remuneration Committee shall be responsible for preparing the data required for making assessment and shall propose the achievement based on the data and inputs of each supporting committee of the Board of Commissioners and propose to the Board of Commissioners to be discussed at the Board of Commissioners' level.

5. The assessment on the Board of Commissioners' performance shall be made annually and the results informed to the GMS.

**j. Board of Commissioners' Accountability**

In performing its jobs, the Board of Commissioners shall be responsible to the GMS. The Board of Commissioners' accountability to the GMS is an actualization of accountability of supervision on the company's management in the frame of GCG principle. The followings are the form of reporting of the Board of Commissioners' accountability to the GMS:

1. In case the Company indicates any sign of stark setback, the Board of Commissioners shall immediately report to the GMS, provided with the proposal on the correction measure to take.
2. The Board of Commissioners shall give opinion and suggestion to the GMS on any issues considered significant for the Company's management.
3. The Board of Commissioners in its supervisory function shall present the report on accountability of supervision on the Company's management by the Board of Directors. The supervision report shall be a part of the annual report presented to the GMS.
4. By giving approval on the annual report and ratification on the financial statement, the GMS has given discharge and acquittal from responsibility (*acquitt et de charge*) to each member of the Board of Commissioners in so far the matters are reflected in the annual report.

**C. Board of Directors**

**1. Principle**

The Board of Directors as an organ of the Company shall be fully responsible for the company's overall management. The Board of Directors has a significant role in creating a positive corporate culture and becomes the identity of a company through GCG system implementation. The company's GCG-based management shall be conducted collegially although the coordination is carried out by the President Director. The President Director's position shall be equal to other members of the Board of Directors, however the President Director's job shall coordinate the Board of Directors' activities.

To enable effective and efficient performance of the Board of Directors' jobs, the following principles shall be met:

- a. The established composition of the Board of Directors could produce effective, fast and accurate, and independent decisions by considering the variety of required expertise, knowledge and experience.
- b. The Board of Directors shall have integrity, be professional and perform its jobs in good faith, with full responsibility and prudence in the Company's interest and have established experience in their fields.
- c. The management functions by the Board of Directors includes among other, resources effectiveness and efficiency, internal control implementation, risk management, sustainable management, communication with stakeholders

- including via corporate secretary, preparing accountability reports, and implementation of corporate governance of the Company.
- d. A member of the Board of Directors supervising the field of accounting or finance shall have the expertise and/or knowledge in accounting.
  - e. The Board of Directors shall have the policy of self-assessment to assess the Board of Directors' performance, as revealed by the Company's annual report.
  - f. The Board of Directors shall have the policy related to resignation of members of the Board of Directors in case of their involvement in financial crimes. The Board of Directors shall be capable of managing the company, by not only focusing on profit and material growth, but also by producing an immaterial and sustainable value added to the Shareholders as well as Stakeholders.

## **2. Conditions of Board of Directors Guidelines**

### **a. Membership of Board of Directors**

Any person who may be appointed as members of the Company's Board of Directors shall be individual who meet the requirements at the time of appointment and while holding the position:

1. have a good character, moral and integrity;
2. legally competent;
3. within the last 5 (five) years:
  - a. never been declared bankrupted;
  - b. never become members of the Board of Directors and/or members of the Board of Commissioners who were convicted of causing a company being declared bankrupt;
  - c. never being convicted of criminal offenses resulting in the state's financial loss and/or related to financial sector; and
  - d. never become members of the Board of Directors and/or members of the Board of Commissioners who, during their term of office:
    - i. failed to conduct an annual of GMS;
    - ii. their accountability as members of the Board of Directors and/or members of the Board of Commissioners was rejected by the GMS or they never once provide accountability as members of the Board of Directors and/or members of the Board of Commissioners to the GMS; and
    - iii. cause a company that had a license, approval, or registration at the Financial Services Authority not fulfilling the obligation to submit the annual report and/or financial statements to the Financial Services Authority.
4. committed to comply with prevailing laws and regulations; and
5. having the knowledge and/or expertise that can give added value to the Company.

### **b. Composition, Dismissal and Appointment of Board of Directors**

The Board of Directors' composition should be able to represent the company's vision, mission and development plan.

1. the number of members of the Board of Directors shall be adjusted to the company's complexity while observing effectiveness in decision making.
2. The number of members of the Board of Directors shall be at least 2 (two) persons, one of them may be appointed as the President Director. The number of members of the Board of Directors shall be decided by the Shareholders.
3. Members of the Board of Directors shall be selected, appointed and dismissed by the GMS/Shareholders by the process of fit and proper test conducted by the Nomination and Remuneration Committee before the GMS is organized.
4. The distribution of tasks and responsibilities of members of the Board of Directors shall be decided by the Shareholders and the Shareholders may delegate the authorities to the Board of Commissioners.
5. If for any reason the position of a Member of the Board of Directors is vacant:
  - a. The Shareholders should have, within not later than 90 (ninety) days after such vacancy, fulfill such vacancy;
  - b. As long as the position is vacant and the replacement is still not available, another member of the Board of Directors appointed by the Board of Commissioners shall perform the tasks and responsibilities of such member of the Board of Directors with the same tasks and responsibilities; or
  - c. In case a vacant position is caused by expiration of the term of office of a member of the Board of Directors, such member of the Board of Directors whose term of office has expired shall continue performing the jobs and authorities with the same rights and obligations as a member of the Board of Directors until a definitive member of the Board of Directors has been appointed.
6. All members of the Board of Directors shall be domiciled in Indonesia, in the place that enables implementation of the company's daily management activities.

**c. Term of Office of Board of Directors**

1. One term of office of members of the Board of Directors shall be maximum 5 (five) years or until the closing of the annual GMS at the end of that 1 (one) term of office without prejudice to the GMS' right to dismiss them at any time.
2. The term of office of members of the Board of Directors shall terminate, if:
  - a. submitting the resignation according to the provisions of articles of association;
  - b. no longer meet the requirements of prevailing laws and regulations;
  - c. passes away;
  - d. their term of office expires; and
  - e. dismissed based on the shareholder's resolution, including dismissal for no longer meeting the requirements as Members of Board of Directors;



3. A member of the Board of Directors shall have the right to resign from his position by giving a written notice to the Company at least 60 (sixty) days prior to the date of his resignation provided that in case his resignation results the number of members of Board of Directors becoming less than 2 (two) persons, such resignation shall be valid if it is decided by the GMS and a new member of Board of Directors has been appointed to meet the required minimum number of members of Board of Commissioners.
4. A member of the Board of Directors who has resigned before or after his term of office expires shall remain responsible for his actions which accountability is still not accepted by the shareholders.
5. A member of the Board of Directors may be dismissed any time based on the shareholders' resolution by specifying the reason, including but not limited to:
  - a. unable to meet his/her obligations agreed in the management contract;
  - b. unable to perform his/her tasks and responsibility properly;
  - c. Not performing the provisions of articles of association;
  - d. Being involved in any action harming the Company and/or country;
  - e. convicted of criminal offenses by a final and binding court's decision ; and/or
  - f. Submitting his/her resignation.
6. The plan for dismissal of a member of the Board of Directors shall be informed to the related person verbally or in writing by the Board of Commissioners of the assigned official. The decision for dismissal shall be made after the related person has been given an opportunity to defend him/herself.
7. Unless specified otherwise in the plan for dismissal of member of the Board of Directors, as long as the plan for dismissal is still in process, such member of the Board of Directors shall perform his jobs properly.
8. The Board of Commissioners may temporarily dismiss one or more members of the Board of Directors, if the person(s) concerned take(s) any actions conflicting with the Company's Articles of Association and/or indicate(s) any actions that can cause harm to the Company and/or fail(s) his/their duties and/or there is an urgent reason for the Company.
9. Such temporary dismissal shall be informed in writing to the member(s) concerned with the reasons. A dismissed member of the Board of Directors shall be entitled to defend himself. Within 90 (ninety) days upon receipt of temporary dismissal notice , the Board of Commissioners should have decided whether the person(s) concerned will be permanently dismissed or will resume his/her position(s).
10. If the Shareholders do not make a decision within 90 (ninety) days, such temporary dismissal shall be cancelled. The dismissal cannot be renewed or re-decided for the same reason, and the member(s) of the Board of Directors concerned shall perform their jobs again properly.
11. The Company shall conduct information disclosure to public and inform the Financial Services Authority regarding:
  - a. the decision of temporary dismissal; and
  - b. the result of GMS organizing or the information on cancellation of temporary dismissal by the Board of Commissioners for not conducting the GMS until the period has lapsed at the latest 2 (two) working days after such event occurrence.



12. In case of new additional number of Members of the Board of Directors, the term of office of new Members of the Board of Directors shall expire at the same time with the term of office of other existing Members of the Board of Directors.

#### **d. Jobs, Authorities and Responsibilities of Board of Directors**

1. **Jobs of Board of Directors**  
The Board of Directors shall have the job of undertaking the Company's management according to the Company's purpose and objective specified in the Articles of Association, and to synchronize it with the company's vision and mission.
2. **Authorities of Board of Directors**  
The Board of Directors shall conduct undertake the management function in accordance with the articles of association, and authorized:
  - a. To represent the company in and outside the court, with limitation to (i) borrow or lend fund on behalf of the Company (not including withdrawing the Company's funds in banks) with amount determines from time to time by the Board of Commissioners; and (ii) establish a business or participate in other companies, domestically as well as internationally, shall first be approved by the Board of Commissioners.
  - b. Not authorized to represent the Company if:
    - There is a case in the court between the Company and a concerned member of the Board of Directors; and
    - Such concerned member of the Board of Directors has conflict with the Company's interest.
  - c. To establish the Company's management policy.
  - d. To govern employment policy according to the prevailing laws and regulations regarding labor.
  - e. To appoint and dismiss employees according to the prevailing laws and regulations regarding labor.
  - f. To appoint and dismiss the Corporate Secretary based on the Board of Directors' decision.
  - g. To take all measures and other actions on the Company's assets management or ownership, which binds the Company with other parties.
  - h. Each member of the Board of Directors shall in good faith and with full responsibility perform their tasks and responsibilities in the Company's best interest and business in accordance with the prevailing laws and regulations.
3. **Responsibilities of Board of Directors**
  - a. Each member of the Board of Directors shall be jointly responsible for the Company's losses caused by the fault or negligence of members of the Board of Directors on performing their tasks and responsibilities.
  - b. A member of the Board of Directors shall not be hold accountable for the Company's losses, if such member of the Board of Directors can prove that:
    - i. The losses are not due to his fault or negligence;

- ii. has conducted their tasks and responsibilities in good faith, with full responsibility, and prudence for the interest of and according to the Company's purpose and objective;
- iii. has no conflict of interest either directly or indirectly with the management action causing the Company's losses; and
- iv. has taken actions to prevent the losses from occurring or continuing.

#### **e. Functions of Board of Directors**

In order to create an effective, efficient, precise, fast and sustainable management process in the Company, the Board of Directors shall manage as of the followings:

##### **1. Management**

- The Board of Directors shall prepare the Company's vision, mission, values and long and short-term programs to be presented and approved by the Board of Commissioners or the GMS according to the Company's Articles of Association.
- The Board of Directors is able to monitor the fair interest of the stakeholders.
- The Board of Directors is capable of controlling the resources possessed by the Company effectively and efficiently.
- The Board of Directors has the guidelines and code of ethics so that the implementation of its tasks and responsibilities are aligned and effective as well as able to be utilized as a tool for performance assessment.
- The Board of Directors shall report to the Company regarding their shares ownership and any change of shares ownership of each member of the Board of Directors and members of their families.

##### **2. Risk Management**

- The Board of Directors shall prepare and perform the Company's risk management system containing the aspect of Company's activities.
- any strategic decision making, including creating new products or services shall carefully consider its risk impact.
- To ensure a proper implementation of risk management, the Company shall have the work unit in charge of the risk control.

##### **3. Internal Control**

- The Board of Directors shall prepare and perform a reliable internal control system of the Company in order to maintain the Company's assets and performance and to fulfill the requirement in the prevailing laws and regulations.
- The Internal Audit shall perform the assessment and review on the Company's internal control system.
- The Internal Audit shall report its job performance to the President Director.
- In the organization structure, The Internal Audit shall be responsible to the President Director and shall coordinate with the Audit Committee.

##### **4. Communication**

- The Board of Directors shall ensure a good communication between the Company and stakeholders by empowering the Corporate Secretary's functions.
  - The Company has a Corporate Secretary function in which is able to carry out investor relations function as well.
  - The function for ensuring compliance to the legislation in capital market shall be performed by the Corporate Secretary.
  - The Corporate Secretary shall be responsible to the Board of Directors, the report on the Corporate Secretary's job performance shall be presented to the Board of Commissioners.
5. Corporate Social Responsibility
- In order to maintain the Company's continuation/sustainability, the Board of Directors should be able to ensure the fulfillment of corporate social responsibility.
  - The Board of Directors shall have a clear written planning and focused in performing the corporate social responsibility.

#### **f. Supporting Organs of Board of Directors**

The Board of Directors in performing the jobs and responsibilities in the Company's management is supported by organs under the Board of Directors' coordination in order to apply GCG principles. The jobs and responsibilities of the organs under the Board of Directors according to the Board of Directors' functions are:

##### **1. Corporate Secretary**

In public companies, a Corporate Secretary has a very significant role in maintaining the Company's good image through an effective communication management program between the Company and stakeholders. The Corporate Secretary shall be directly responsible to the President Director.

The Corporate Secretary shall have at least the following jobs and responsibility:

- a. To follow the development of Capital Market, especially the laws and regulations governing the Capital Market;
- b. To provide inputs to the Company's Board of Directors and Board of Commissioners to comply with the provisions of laws and regulations in Capital Market;
- c. To assist the Board of Directors and Board of Commissioners in the implementation of corporate governance, covering:
  - i. Information disclosure to public, including information availability at the Company's Website.
  - ii. Submission of reports to OJK in timely manner.
  - iii. Managing the conduct and documentation of General Meetings of Shareholders.
  - iv. Managing the conduct and documentation of Board of Directors and/or Board of Commissioners meetings

- v. Implementing the orientation program for the newly appointed Board of Directors and/or Board of Commissioners.
- d. As a liaison between the Company and the shareholders, OJK and other stakeholders.
- e. The Corporate Secretary shall be responsible to keep confidentiality of the Company's documents of data and information in order to fulfill the obligations according to the prevailing laws and regulations.

## 2. Internal Audit Unit

The business dynamism demands the Company to conduct comprehensive and integrated internal control. The function of implementing internal control system is carried out by the Board of Directors through the Internal Audit Unit. The Internal Audit Unit works independently in accordance to the Internal Audit Unit Charter and shall be directly responsible to the President Director.

Internal audit is an activity of providing independent and objective assurance and consultation, in order to increase the corporate value and improve the company's operation through a systematic approach, by evaluating and increasing the effectiveness of risk management, control, and process of corporate governance.

The internal audit shall have at least the following tasks and responsibilities:

- a. To prepare and carry out the annual internal audit plan;
- b. To assess and evaluate the implementation of internal control and risk management system according to the company's policy;
- c. To conduct audit and assessment on the efficiency and effectiveness in finance, accounting, operation, human resources, marketing, information technology, and other activities;
- d. To give improvement suggestion and objective information on the audited activities to all management levels;
- e. To prepare report on audit results and present the report to the President Director and Board of Commissioners;
- f. To monitor, analyze and report the further implementation of suggested improvement;
- g. To coordinate with the Audit Committee;
- h. To prepare the program for evaluating the quality of the conducted internal audit activities;
- i. To conduct special audit if required.

The Internal Audit Unit shall be authorized at least:

- a. To access all relevant information on the Company related to its tasks and responsibilities;
- b. To conduct communication directly with the Board of Directors, Board of Commissioners, and/or Audit Committee and members of the Board of Directors, Board of Commissioners, and/or Audit Committee;
- c. To conduct meetings periodically and incidentally with the Board of Directors, Board of Commissioners, and/or Audit Committee;

- d. To conduct coordination of its activities with the activities of external auditor.

**g. Report on Board of Directors' Accountability**

1. The Board of Directors shall prepare the reports on its management accountability containing among others, financial statement, report on Company's activities, and report on GCG implementation.
2. The annual report shall be approved by the GMS and the financial statement shall be ratified by the GMS.
3. The annual report shall be made available before the GMS is conducted according to the prevailing laws and regulations to enable the shareholders to make evaluation.
4. The approval of annual report and ratification of financial statement indicate that the GMS has given a full discharge and acquittal to each member of the Board of Directors as long as it is reflected in the annual report, without limiting the responsibility of each member of the Board of Directors in any case of criminal conduct, fault or negligence which caused a loss to third parties that is unable to be compensated by the Company's assets;
5. The Board of Directors' accountability to the GMS is an actualization of the management's accountability related to the implementation of GCG principles.

**D. Management of Company's Policies**

In relation to the implementation of good corporate governance, it requires a sector-specific instrument of derivative policies in order to support the GCG implementation in the Company's operational sector. The derivative policies required are namely:

a. Risk Management Policy

The objectives of risk management policy are:

- The availability of basic guide for the Company in managing the Company's risk.
- Having a coordinated, synchronized, and integrated process and activities relating to the risk management in the Company's environment, in order to have an implementation of the risk management process in the Company's environment.

b. Legal Policy

The objective of legal policy is to ensure that the Company's activities are legally (including contractually) protected, compliance of the Company's business and the Company's assets legality with the prevailing laws and regulations to ensure the Company's existence and business continuation in achieving the vision and mission.

c. Anti-Bribery & Corruption Policy

It is the Company's policy to prohibit each member of the Board of Commissioners, Board of Directors, executives and employees of the Company to offer or accept any kinds of bribery, and to conduct and/or participate in actions of bribery and/or corruption.

Actions of bribery or corruption are understood as actions that will encourage or influence any persons in performing their jobs and encourage them to act in a way that a reasonable person would deem dishonest in such circumstances.

Bribery could be defined as offering, promising or giving financial benefits (or other benefits) to others with the aim of tempting or driving them to act or to have acted in a way that a reasonable person would deem inconsistent in such circumstances. Corruption is a form of abuse of entrusted power for personal gain and could include but is not limited to bribery.

d. Anti-Money Laundering Policy

It is the company's policy to prohibit and actively prevent money laundering and activities facilitating money laundering or funding of terrorist activities or criminal acts by complying to the applicable requirements based on the prevailing policy.

Money laundering in general is defined as being involved in actions designed to conceal or disguise the true origins of results obtained through criminal acts so that the results seem to have been obtained from legitimate origins or assets.

Money laundering can be identified on their occurrences through three phases as follows:

- The cash first enters the financial system at the placement stage, in which the cash produced from a criminal act is converted into a monetary instrument, such as money orders or traveler's checks, or deposited in an account at a financial institution.
- At the layering stage, the fund is transferred or moved to another account or another financial institution to separate the cash further from the origin of crime.
- At the integration stage, the fund is put back into the economy and used to purchase of legal assets or to fund other criminal or legal business activities.

e. Violation Reporting Policy (Whistleblowing)

Violation reporting policy is a policy managing complaints from the company's internal parties, external parties (customers, suppliers, public), or stakeholders on allegation of illegal acts or unethical/inappropriate actions. The disclosure shall be conducted confidentially, anonymously and independently. The violation reporting policy enables the Company to take actions deemed necessary, including but not limited to disciplinary actions and employment termination to the responsible parties.

The scope of complaints for further investigation of the violation reporting policy including but not limited to:

- a. unusual practices/questionable in accounting or audit perspectives.
- b. Disclosure of a matter.
- c. Deviation on internal control.
- d. Insider trading.
- e. Conflict of interest.
- f. Serious breach of the policy.
- g. Company and prevailing regulations.
- h. Collusion with competitors.
- i. Unsafe work practice.
- j. Other matters related to employee's fraud, corruption and behavior.

f. Insider Information

Insider information is defined as information that is accurate related to a public companies, which is not announced, and which can, directly or indirectly, have significant effect on stock trading or on companies' prices in the market.

Insider is defined as someone having information from an insider, who knows, or should have known, that it is information from an insider. In accordance to Article 95 of the Law of Capital Market, individual having access to insider information particularly includes:

- a. commissioners, directors or employees of an issuer or public company;
- b. the major shareholder of an issuer or public company;
- c. an individual who, due to his position or profession, or due to the business relation with the issuer or public company, has access to insider information;  
or
- d. individual who, in the last six months, are individual defined in letters a, b or c above.

An insider, in relation with an issuer or public company, who has information from an insider, shall be prohibited from buying or selling stock of the issuer or public company or other companies involved in transactions with such issuer or public company. An insider is also prohibited from influencing someone to buy or sell the stock, to give insider information to someone giving the reason to believe that he can use the information to buy or sell the stock.

The Indonesian laws and regulations also recognize criminal responsibility of violation of insider information, namely, persons who could be considered insiders have an obligation to safeguard insider information as business secrets and its disclosure will be subject to sanction as a criminal offence.

Members of the Board of Commissioners, Board of Directors and all employees must not disclose or use of confidential information or insider information on the Company and shall observe the policy of insider trading. The Company's policy of insider trading must explain when you are allowed and not allowed to buy, sell or transfer stocks issued by the Company.

This policy shall also apply despite the purchase, sale or transfer is conducted by or for members of the Board of Commissioners and/or Board of Directors or their



colleagues, including their husbands/wives and children who are their dependents and all employees who have influence on investment decision. It is the responsibility of members of the Board of Commissioners and/or Board of Directors and all employees to comply with this policy.

Compliance with this policy will be monitored regularly. Violation of this policy will result in disciplinary actions that may include employment termination. Besides, serious criminal and civil sanctions may be imposed for violation of the regulation on insider transactions.

g. Development Policy

The objective of development policy is to maintain, adjust and increase the Company's growth and competitiveness according to the Company's vision and mission in anticipating changes of business environment and any amendment to the provisions of prevailing laws and regulations.

h. Operational Policy

The objective of operation policy is to produce products having high quality and competitiveness according to the Company's vision and mission.

i. Human Resource Policy

The objective of human resource policy on the process of the Company's human resources management is to enable the Company's people to become subjects in the effort to achieve the Company's vision and mission. It is the main task of all parties involved in human resource management to ensure that the Company has recruited, developed and maintained human resources who are qualified and highly committed to the Company's goals.

j. Policy of Finance, Accounting, Budget, Tax and Insurance

The objective of policy of finance, accounting, budget, tax and insurance is to manage the Company's allocation of financial resources and to give information and reports on financial position and condition for making a decision in fulfilling the Company's vision and mission. The process of finance and accounting is the Board of Directors' responsibility to the Shareholders for the use of financial resources.

k. Information and Communication Technology Policy

The objective of information and communication technology policy is to support the business process to achieve the Company's vision and mission.

l. Policies of Supply Selection (Supply Chain Management) and Improvement of Supplier's or Vendor's Capacity

The policy of supply selection is carried out to obtain goods and services at the specified time and places with the required volumes and quality, at reasonable prices and from the right sources so that the required goods or services are of



competitive prices and good quality. The policy of improvement of supplier's or vendor's capacity is useful to ensure that the supply chain runs efficiently and effectively. The supplier's or vendor's capacity in supplying/fulfilling the goods or service required by the Company will influence the Company's output quality. Therefore, the implementation of those policies could guarantee the supply continuity either from the points of quantity or quality required by the Company. The scope of these policies covers the criteria in supplier or vendor selection, transparent supply mechanism, effort to improve supplier's or vendor's capacity, and fulfillment of the rights related to suppliers or vendors.

m. Corporate Social Responsibility/CSR Policy

The objective of CSR policy is to give contribution in building better life quality with the stakeholders where the Company operates to achieve sustainable development according to the applicable laws and regulations, and to maintain the balance of relationship between the Company and the stakeholders which have direct or indirect impacts on the Company's image in order to actualize the Company's vision and mission.

n. Public Administration Policy

The objective of public administration policy is to keep the standardization of correspondence and reporting and to maintain documentation and record management having direct impacts on the Company's operation in order to achieve the vision and mission.

o. Assets Management Policy

The objective of assets management policy is to maintain the Company's assets in order to support the Company's smooth operation in achieving the Company's vision and mission.

## E. Affiliate Transactions

The company shall comply to all relevant regulations related to affiliate transactions, in particular Financial Services Authority Regulation No.42/POJK.04/2020 – **Affiliate Transactions and Conflict of Interest Transactions** ("POJK 42") containing the detailed definition and procedure to ensure fairness when transactions of affiliated parties and conflict of interest over certain transactions occur.

Affiliate transactions are any activities and/or transactions carried out by a public company or controlled company with an Affiliate of the public company or Affiliate of a member of Board of Directors, member of Board of Commissioners, major shareholder, or Controller, including any activities and/or transactions carried out by a public company or controlled company in the interest of the Affiliate of the public company or Affiliate of the member of Board of Directors, member of Board of Commissioners, major shareholder, or Controller.

In accordance with POJK 42, affiliation is defined as follows:

- a. family relationship by marriage and descent to the second degree, horizontally as

- well as vertically;
- b. relationship between a party and an employee, director, or commissioner of that party;
  - c. relationship between 2 (two) companies in which there is 1 (one) or more same members of the Board of Directors or Board of Commissioners;
  - d. relationship between a company and a party, who directly or indirectly controls or is controlled by that company;
  - e. relationship between 2 (two) companies that are controlled directly or indirectly by the same party; or
  - f. relationship between a company and the major shareholder.

## **F. Conflict of Interest**

In accordance with POJK No.42, conflict of interest is a difference between the economic interest of a public company and the personal economic interest of a member of Board of Directors, a member of Board of Commissioners, the major shareholder, or the Controller that could harm that public company.

Conflict of Interest Transactions are transactions made by a public company or controlled company with any party, either with an Affiliate or a party other than an Affiliate, that contain Conflict of Interest.

Any transactions of conflict of interest shall obtain approval of the independent shareholder in the GMS.

## **G. Information Disclosure and Transparency**

As a listed company, the Company shall maintain high standard of corporate transparency for its shareholders and stakeholders by disclosing information timely and accurately.

The Company has to protect the shareholders' rights and to improve their capacities to make proper economic decisions by giving access to the Company's relevant material information. Furthermore, the Company's information may be useful for other stakeholders, including the creditors, partners, and employees to judge their positions, respond to changes, and establish their relationship with the Company.

### **1. Policy and Practice of Information Disclosure**

The Company's Policy is to disclose all relevant material information, among others are as follows:

- a. The Company's financial and operational outcomes;
- b. The Company's objectives;
- c. Shares ownership and ownership structure;
- d. The Board of Commissioners and Board of Directors, and their remuneration;
- e. Predictable material risk factors;
- f. Material issues on employees and other stakeholders;
- g. Structure and policy of governance.

The abovementioned material informations shall be available to the Company's shareholders and wider society in a timely and appropriate manner.

The Company must keep the records and prepare one complete set of financial statement based on the related laws and regulations. A detailed note shall be provided with the financial statement to enable the report users to correctly interpret the Company's financial performance. The management discussion and analysis and the external auditor's opinion shall complete all financial information.

The financial and operational outcomes shall be specified in the Company's prospectus, annual report, and financial statement published quarterly, semesterly, and annually.

The Company must disclose non-financial significant information including the Company's objectives; predictable factors of material risks; summary of management operation including forward-looking feedback; status of capital adequacy; corporate governance and management framework; information of composition, structure and functionality of Board of Commissioners and Board of Directors; transactions of related parties (affiliates); and other non-financial information.

The Company must ensure that the ownership of direct and indirect beneficial owners of five percent or more, of commissioners and directors, is disclosed to public. Any corporate relationship in case of company group could also be clearly identified and disclosed to public.

## **2. Annual Report and Website**

The Company must disclose information through various channels, including but not limited to annual report, Company's website, media, etc.

The Company's annual report published annually shall contain relevant information as required by Financial Services Authority Regulation No.29/POJK.04/2016 on Annual Report of Issuers or Public Companies and Financial Services Authority Circular No.30/SEOJK.04/2016 on the Form and Contents of Annual Report of Issuers or Public Companies.

The Company should also seek to disclose its corporate governance practice and other material information in the Company's website to be renewed timely.

## **3. Maintain Information Confidentiality**

The Company should take the measures to protect confidential information that are commercially sensitive information.

Unless required by the law, the Company and all of its members, during its membership in the board or after, and the employees, during their employment in the Company or after, shall not be allowed to disclose the Company's confidential information either by the nature of information or the extent of information availability, for example information related to its clients, or information which may cause the Company to suffer a loss or to lose its competitive advantage. Any information obtained by the Company's employees and members of the governing body shall not be used for their personal interest.

Commercially-sensitive information which needs to be protected must fulfill the following characteristics:

- a. the information is confidential in such a way so that it is only known by certain people or the information is unknown to public;
- b. the information has an economic value in such a way so that the information confidentiality could only be used to undertake commercial or business activities or could increase economic profits; and
- c. the confidentiality is kept through the required efforts in such a way so that the owners or the parties controlling the information have made the necessary and appropriate efforts.

-----**FINISH**-----