




PT MERDEKA COPPER GOLD, Tbk.

POLICY MALUS AND CLAWBACK POL-CNB-07-00

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1. GENERAL

This document standardizes the Malus and Clawback who are employed in PT Merdeka Copper Gold, Tbk. and its business units. Developing “best practice” in corporate governance is moving towards requiring listed entities to include in executive employment agreements a provision allowing for the Company/ Board of Commissioners (BOC) to “clawback” certain elements of an executive’s remuneration in exceptional circumstances if there has been a material misstatement of the Company’s or group’s financial statements.

Should in the implementation there’s a remuneration Malus and Clawback that are not covered in this document and its deemed important to be standardized, then the benefit will be reviewed and if the Management decided to keep providing and included as a standard, then it may be added as addendum to this document.


As this is intended as a reference document, some component may need further instructions. Should any document created for this purpose, that document shall always refer to this document and in no means could contradict the content outline in this document.

2. PURPOSE POLICY

The purpose of this policy is to sets out the circumstances where the Board of Commissioners (BOC), following the advice of the Nomination & Remuneration Committee (NRC), may apply its discretion to adjust the value of an unvested Award downwards or cancel unvested “at risk” remuneration to ensure remuneration outcomes are fair, appropriate and reflect business performance, and the policy framework provides a transparent mechanism for clawback or adjustment in the event of a significant material restatement of the Company’s financial results which impacts any performance-based compensation.

3. POLICY SCOPE

The Policy applies to current Key Management Personnel (KMP) which is defined as Ex-com members, site General Managers and other key persons determined by shareholders.

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4. RESPONSIBILITY

4.1 Top Management

Top Management must approve and sign all documents including Company Policies, Procedures, Work Instructions, Forms, and other documents.

4.2 Management Representative

The HR department must cooperate with other departments to prepare and revise all documents including Company Policies, Procedures, Work Instructions, Forms, and other documents.


4.3 Section Head or Department Manager

The Section Head or Department Manager must review the relevant documents, and ensure their subordinate staff are aware of any changes or updates to the document.

5. GENERAL POLICY

5.1 Definition

1. Company is PT Merdeka Copper Gold, Tbk. and its subsidiaries.
2. Key Management Personnel (KMP) are Ex-com members, site General Managers and other key persons determined by shareholders.
3. Board of Commissioners (BOC) is the board of commissioners of the Company.
4. Nomination & Remuneration Committee (NRC) is a GCG (Good Corporate Governance) required Committee under the BOC which assist and advises the BOC related to BOD and BOC member's nomination and remuneration.
5. Short Term Incentive Program (STI) is cash-based awards program granted for performance over one fiscal year period as part of annual total remuneration.
6. Long Term Incentive Program (LTI) is an equity or cash-based awards program granted for performance and/or service over a multi-year period, as part of annual total remuneration in conjunction with annual cash-based compensation elements.
7. Malus is a policy that allows Company based on certain criteria to delay and/or forfeit all/part of Short-Term Incentive Program (STI) & Long-Term Incentive Program (LTI) award before it has vested.
8. Clawback is a policy that allows Company based on certain criteria to recover all/part of Short-Term Incentive Program (STI) & Long-Term Incentive Program (LTI) award that has been paid.

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5.2 General Standard

1. Malus and Clawback Triggers

In keeping with the emerging best practice in corporate governance, the BOC may take action on recommendation of the NRC to adjust (malus) or recover (clawback) unvested "at risk" remuneration where there is reasonable evidence that an executive has materially contributed to, or been materially responsible for, the need for the restatement of financial results for reasons including:


- a. Personally, acting fraudulently or dishonestly or in a manner that adversely affects the Company's reputation, or which is characterized as gross misconduct.
- b. Directing an employee, contractor, or advisor to act fraudulently, dishonestly or to undertake other misconduct.
- c. Breaching their material obligations through error, omission, or negligence.
- d. Receiving a STI or LTI Award because of fraud, dishonesty or a breach of obligation committed by another person; and/ or
- e. Receiving a STI or LTI award because of an error in the calculation of a performance measure

2. Examples of a breach of material obligation that could trigger application of this Policy could include:

- a. A material misstatement in the accounts of the Group entity for the years relevant to an unvested or unpaid award; or
- b. Conduct exposing Merdeka to potential reputational damage or legal action or that is otherwise in a breach of the Code of Business Conduct.

5.3 Clawback for Detail

1. Validity of Clawback clause is 3 years after actual payment, means that the Company has the right to do a clawback (if proven) to KMP only maximum of 3 years after actual payment.
2. Clawback policy will not be applied after 3 years after actual payment.
3. Company will either choose to seek a direct clawback payment from incumbents or deduct the amount from incumbent's upcoming remuneration provided that the incumbent is still employed within the Company.
4. The amount of claimed is Gross (Including the tax).

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5.4 Due Process Rights

1. Before the Nomination & Remuneration Committee (NRC) makes a recommendation to the Board to implement malus or clawback provisions under this Policy, the NRC is to.
 - a. Reviews the situation to understand the impact of the misstatement.
 - b. Assess the proximity of the KMP and their level of responsibility regarding the trigger; and
 - c. Provide the relevant KMP with written notice of the intended actions and the right to respond in writing within 14 days to raise salient matters.

5.5 Roles and Responsibilities

1. The Nomination & Remuneration Committee (NRC) will make recommendations to the Board of Commissioners (BOC) in relation to the operation of this Policy and the BOC will apply this Policy and exercise its discretion in the exceptional circumstances covered by this Policy.
2. The CEO are required to notify the Chairman of NRC and the Chairman of BOC respectively of any circumstances that could constitute a “trigger” under this Policy as soon as practical.

5.6 Policy Introduction and Review

1. This Policy will apply to all STI and LTI Award Invitations granted on or after January 1st, 2021.
2. Any STI and LTI awarded to KMP on or after January 1st 2021 will be deemed to be made and accepted by KMP, subject to the terms of this Policy.
3. The Nomination & Remuneration Committee will review the Policy at least annually and make recommendations to the Board as to any changes it considers should be made.

5.7 Disclosure

The Board of Commissioners (BOC) will make appropriate disclosure of this Policy to security holders in Company's Annual Report. This will include outlining specific objectives regarding the clawback of executive remuneration. The Policy will also be placed on Company's website for public display.

6. APPENDIX