

# CHAPTER I

## INTRODUCTION

### 1.1 Background

PT Semen Indonesia (Persero) Tbk (“Company”) is committed to implementing healthy and ethical business practices in running its business and business activities, as well as implementing Good Corporate Governance (“GCG”) consistently based on high standards of business ethics. GCG for company is not only implemented as part of fulfillment or compliance with regulations, but also needed to improve the company's performance towards the well-governed company. The Company considers the importance of preparing Corporate Governance Guidelines that are applied consistently and sustainably in all lines and aspects of the company's business management as the operational base standard. Thus, the values held by the Stakeholders can be utilized and improved optimally and develop a favorable relationship pattern.

The company has a CHAMPS culture which is a belief to always be a champion (champs) which is known as “*We Are The CHAMPS!*”. Thereby, every personnel of the company should contribute to the accomplishment of the company's vision and mission so that the company can achieve victory in the midst of fierce competition it faces.

To realize the vision and mission, the company prepares corporate governance guidelines sourced from company culture, which is the basis for ensuring that every company policy is in line with GCG principles, while its implementation will be stated in the company policies, board manuals, ethical and behavioral guidelines, and other guidelines related to the implementation of GCG.

### 1.2 Purpose and Objectives

The objectives of the corporate governance guideline are to, among others, as follows:

- 1) Optimize the company value while paying attention to the interest of stakeholders and encourage the achievement of business continuity based on the principles of transparency, accountability, responsibility, independency, and fairness;
- 2) Encourage the company's organs including the GMS, the Board of Commissioners and the Board of Directors in making decisions and carrying out actions based on high moral values and compliance with the provisions of the Articles of Association and applicable laws and regulations;

- 3) Encourage more professional, transparent and efficient company management, as well as empower the functions and increase the independency of company organs;
- 4) Encourage and support the development, management of company resources and management of company business risks by applying the principles of prudence, accountability, and responsibility in line with GCG principles;
- 5) Encourage the emergence of corporate social awareness and responsibility toward the community and environmental sustainability, especially around the company;
- 6) Provide guidelines for all personnel of the company in carrying out professional, transparent and efficient company management as well as empower the functions and increase independency, based on moral values and compliance with laws and regulations as well as awareness of corporate social responsibility towards stakeholders and the environment.
- 7) Improve the company competitiveness both nationally and internationally, hence it is able to gain market trust to promote investment flow and sustainable national economic growth.

### **1.3 Scope**

The Corporate Governance Guidelines are prepared as manual for the company and all personnel of the company in carrying out activities and dealing with stakeholders, in accordance with the Company's Articles of Association and/or prevailing laws and regulations.

### **1.4 Vision, Mission And Company Culture**

#### **1.4.1 Vision of PT Semen Indonesia (Persero) Tbk**

To be the Largest Building Material Solution Provider Company in the Region.

#### **1.4.2 Mission of PT Semen Indonesia (Persero) Tbk.**

- 1) Being customer satisfaction-oriented in every business initiative.
- 2) Implementing the best standards for superior quality.
- 3) Focusing on the environment protection and sustainable social responsibility.
- 4) Providing best added value for all stakeholders.
- 5) Using human capital as the Company's development center.

#### **1.4.3 Culture of PT Semen Indonesia (Persero) Tbk.**

The corporate culture is CHAMPS, which is a belief to always be champions, known as the jargon "We Are The CHAMPS!". So that every person in the company

is a winner who will realize victory for the company in the midst of the tough competition it faces.



## 1.5 GCG Principles

Implementation of GCG in the corporate environment is based on the principles of:

- 1) **Transparency**, is openness in performing the decision-making process and the openness in disclosing material and relevant information about the company.
- 2) **Accountability**, is clarity of function, implementation and responsibility of organs to carry out company management effectively.
- 3) **Responsibility**, is conformity of company management to the laws and regulations and sound corporate principles.
- 4) **Independency**, is a condition of the company that is managed professionally without conflict of interest and influence/pressure from any party that is not in accordance with the laws and regulations and sound corporate principles.
- 5) **Fairness**, is justice and equality in fulfilling the rights of stakeholders that arise based on agreements and laws and regulations.

## 1.6 Glossary

- 1) **Subsidiary** is a limited liability company which most of whose shares are owned by the company and/or a limited liability company controlled by the company.
- 2) **Assets** are all movable and immovable fixed assets belonging to the Company

- 3) **External Auditor** is public accounting firm appointed to audit financial statements to provide independent and objective opinion regarding the fairness, compliance and conformity of the company's financial statements to Indonesian Financial Accounting Standards and laws and regulations in force.
- 4) **Conflict of Interest** is a situation where a company person because of the position and authority he has in the company, has differences n personal or family economic interests with corporate economic interests that affect directly or indirectly to the implementation of mandated tasks
- 5) **Special Register** is a list containing records of share ownership and/or changes in share ownership of Members of the Board of Directors and Board of Commissioners and their families in the company and/or in other company including the acquisition date of the shares.
- 6) **Board of Commissioners** is an organ of the company that is tasked with overseeing management policies, the course of management in general And give advice to the Board of Directors.The Board of Commissioners is the entire member of the Board of Commissioners as a unit of the Board of Directors.
- 7) **Board of Directors** is an authorized and fully responsible corporate organ for the management of the company for the interests and objectives of the company and represent the company, both inside and outside the court, in accordance with the provisions of the Articles of Association. The Board of Directors is the entire Director as a unit of the Board.
- 8) **Good Corporate Governance** stands for the principles that underlie a process and mechanism for managing a company based on laws and regulations and business ethics.
- 9) **Company Personnel** refers to the entire Board of Commissioners, Supporting Organs of the Board of Commissioners, Board of Directors and Employees of the Company.
- 10) **Commissioner Independen** is a Member of the Board of Commissioners who is not affiliated with the Board of Directors, other Board members of the Board of Commissioners, and controlling shareholders, and free from business relationships or other relationships that may affect its ability to act independently or act solely in the interests of the company
- 11) **Company Organs** are General Meeting of Shareholders ("**GMS**"), Board of Commissioners and Board of Directors
- 12) **Employees are employees** who have fulfilled the specified conditions, appointed as permanent employees with the provisions of the company that are given rights and obligations according to the applicable provisions in the company and the laws and regulations
- 13) **Company** is PT Semen Indonesia (Persero) Tbk.
- 14) **General Meeting of Shareholders (GMS)** is company organ that has authority not granted to the Board of Commissioners and the Board of Directors within the limits specified in the law of limited liability company and/or the Company's Articles of Association.
- 15) **Remuneration** is salary, honorarium, benefits and other facilities provided by the company and received by the company's person.

- 16) **Company Work and Budget Plan (CWBP)** is annual elaboration of the company's Long Term Plan (LTP).
- 17) **Company's Long-Term Plan** is a strategic plan that includes a formulation of the goals and objectives that the company wants to achieve within a period of 5 (five) years.
- 18) **Stakeholders** are parties who have interest in the company and parties who are directly affected by the company's strategic and operational decisions.

## 1.7 Legal Basis

- 1) The 1945 State Constitution of the Republic of Indonesia.
- 2) Law of the Republic of Indonesia Number 40 of 2007 on Limited Liability Company
- 3) Law of the Republic of Indonesia Number 8 of 1995 on Capital Market.
- 4) Regulation of the State Minister of State-Owned Enterprise Number PER-01/MBU/2011 on Implementation of Good Corporate Governance on State-Owned Enterprise as amended by Regulation of the State Minister of State-Owned Enterprise Number PER-09/MBU/2012 on Amendments to Regulation of the State Minister of State-Owned Enterprise Number PER-01/MBU/2011 on Implementation of Good Corporate Governance on State-Owned Enterprise.
- 5) Regulation of the Minister of State-Owned Enterprises No PER-12/MBU/2012 on Supporting Organs of the Board of Commissioners / Supervisory Board of State-Owned Enterprises.
- 6) Regulation of the Minister of SOE No. PER-02/MSU/02/2015 on Requirements and Procedures for Appointment and Dismissal of Members of the Board of Commissioners and Supervisory Board of State-Owned Enterprise.
- 7) Regulation of the Minister of SOE No. PER-03/MBU/02/2015 on Requirements, Procedures for Appointment and Dismissal of Members of the Board of Directors of State-Owned Enterprise.
- 8) Decree of the Secretary of the Ministry of State-Owned Enterprise No. SK-16/S.MBU/2012 on Indicators/Parameters of Assessment and Evaluation on the Implementation of Good Corporate Governance in State-Owned Enterprise
- 9) Decree of the Chairman of the Capital Market and Financial Supervisory Agency Number KEP-412/BU2009 on Affiliate Transactions and Conflicts of Interest of Certain Transactions.

- 10) Decree of the Chairman of Capital Market and Financial Institution Supervisory Agency Number: KEP-347/BL/2012 on Presentation and Disclosure of Financial Statements of Issuer or Public Company.
- 11) Regulation of Financial Services Authority No. 15/POJK.04/2020 on Plan and Implementation of General Meeting of Shareholders of Public Company
- 12) Regulation of Financial Services Authority No. 16/POJK.04/2020 on Electronic Implementation of General Meeting of Shareholders of Public Company.
- 13) Regulation of Financial Services Authority No. 33/POJK.04/2014 on Board of Directors and Board of Commissioners of Issuer or Public Company.
- 14) Regulation of Financial Services Authority No. 34/POJK.04/2014 on Nomination and Remuneration Committee of Issuer or Public Company.
- 15) Regulation of Financial Services Authority No. 35/POJK.04/2014 on Company Secretary of Issuer or Public Company.
- 16) Regulation of Financial Services Authority No. 8/POJK.04/2015 on Website of Issuer or Public Company
- 17) Regulation of Financial Services Authority No. 21/POJK.04/2015 on Implementation of Public Company Governance Guidelines.
- 18) Regulation of Financial Services Authority No. 31/POJK.04/2015 on Disclosure of Material Information or Fact by Issuer or Public Company.
- 19) Regulation of Financial Services Authority No. 55/POJK.04/2015 on Establishment and Guidelines for Implementation of Audit Committee Work.
- 20) Regulation of Financial Services Authority No. 56/POJK.04/2015 on Establishment and Guidelines for Preparation of Internal Audit Unit Charter.
- 21) Regulation of Financial Services Authority No. 29/POJK.04/2016 on Annual Report of Issuer or Public Company
- 22) Circular of Financial Services Authority No. 32/SEOJK.04/2015 on Public Company Governance Guidelines
- 23) Circular of Financial Services Authority No. 30/SEOJK.04/2016 on Form and Content of Issuer or Public Company Annual Report.
- 24) Indonesia Corporate Governance Manual, Second Edition, Financial Services Authority (FSA), 2018
- 25) Road Map Good Corporate Governance on Companies in Indonesia , Financial Services Authority (OJK), 2014.
- 26) The Company's Articles of Association

and including any changes that occur in the future.

## **CHAPTER II**

### **CORPORATE GOVERNANCE STRUCTURE**

#### **2.1** General meeting of shareholders

General meeting of shareholders is company organ that has authority not granted to the Board of Directors or the Board of Commissioners within the limits specified in the law of limited liability company and/or the Company's Articles of Association.

- 1) GMS consists of:
  - a. Annual GMS must be held every year, not later than 5 (five) months after the closing of the company's financial year.
  - b. Extraordinary GMS may be held at any time based on the need for the interest of the company.
- 2) The GMS may be held at the request of 1 (one) or more shareholders representing 1/10 (one tenth) or more of the total shares with voting rights, unless the Company's Articles of Association specifies a smaller amount, then the GMS may be requested to be held.
- 3) The GMS must be held in the territory of the Republic of Indonesia, that is the domicile of the Company or in the place where the Company carries out its main business activities, or in the provincial capital where the domicile or main business activities of the company is placed, or in the province where the domicile of the Stock Exchange and company shares are listed. The provisions regarding the GMS are further regulated in the Company's Articles of Association.

#### **2.2.** Board of Commissioners

Board of Commissioners is company organ in charge of carrying out general and/or specific supervision in accordance with the articles of association and providing advice to the Board of Directors. The Board of Commissioners must monitor and ensure that GCG has been implemented effectively and sustainably.

##### **2.2.1** Duties of the Board of Commissioners

- 1) The Board of Commissioners is in charge of supervising management policies, the general course of management regarding the Company and the

Company's business carried out by the Board of Directors as well as providing advice to the Board of Directors including supervision of the implementation of the Company Long Term Plan, Company Work and Budget Plan and the provisions of the company's Articles of Association and GMS Resolutions, as well as laws and regulations, for the interest of the company and in accordance with the purpose and objectives of the company.

2) In performing the duties as referred to in number 1, then:

a. The Board of Commissioners is authorized to:

- a) Examine the bookkeepings, letters, and other documents, check the cash for verification and others, securities and check the company assets;
- b) Enter the yards, buildings, and offices used by the company;
- c) Request an explanation from the Board of Directors and/or other officials regarding all issues related to the management of the company.

Details of authority of the Board of Commissioners are explained in the Articles of Association and/or Board Manual.

b. The Board of Commissioners is obliged to:

- a) Provide advice to the Board of Directors in performing the company management;
- b) Provide opinion and approval of the Company's Annual Work and Budget Plan as well as other work plans prepared by the Board of Directors, in accordance with the provisions of the company's Articles of Association;
- c) Follow the development of company's activities, provide opinions and suggestions to the GMS regarding any issue deemed important to the company management.

Details of obligation of the Board of Commissioners are explained in the Articles of Association and/or Board Manual.

3) In carrying out its duties, each member of the Board of Commissioners shall:

- a. Comply with the company's Articles of Association and laws and regulations as well as the principles of professionalism, efficiency, transparency, independency, accountability, responsibility, and fairness;

- b. Have good faith, full of prudence and responsibility in carrying out supervisory duties and providing advice to the Board of Directors for the interest of the company in accordance with the purpose and objectives of the company.

Details of duties of the Board of Commissioners are explained in the Articles of Association and/or Board Manual.

- 4) Under certain conditions, the Board of Commissioners shall hold an annual GMS and other GMS in accordance with their authority as set forth in the laws and regulations and the company's Articles of Association.
- 5) Responsibilities of the Board of Commissioners
  - a. According to its function as supervisor, the Board of Commissioners submits responsibility report of supervision on the company management by the Board of Directors. The Board of Commissioners' supervisory report is part of the annual report submitted to the GMS for approval as set forth in the laws and regulations and the Company's Articles of Association.
  - b. The approval to the annual report and the ratification of the financial statements constitute acquittal and discharge for the members of the Board of Directors to the extent that such actions are reflected in the annual report and the financial statements except for embezzlement, fraud and other criminal acts.
  - c. The responsibility of the Board of Commissioners to the GMS reflects the oversight accountability over the management of the company in the context of GCG implementation.

Details of responsibility of the Board of Commissioners are explained in the Articles of Association and/or Board Manual.

- 6) Composition of the Board of Commissioners
  - a. The composition and number of the members of the Board of Commissioners are determined by the GMS referring to the provisions of Company's Articles of Association with regard to Company's Vision, Mission and strategic plan, thereby they can make effective, right and fast decisions and act independently.
  - b. The Board of Commissioners at least consists of 2 (two) members of the Board of Commissioners, one of them is appointed as President

Commissioner, and if necessary, one of them can be appointed as Vice President Commissioner.

- c. The Board of Commissioners consists of Commissioner and Independent Commissioner. The number of Independent Commissioner is determined in accordance with the laws and regulations.

Details of composition, appointment, and dismissal of the Board of Commissioners are explained in the Articles of Association and/or Board Manual.

7) Meeting of the Board of Commissioners

- a. All decisions of the Board of Commissioners are made at the meeting of the Board of Commissioners. The Board of Commissioners must convene a meeting at least 1 (one) time in 2 (two) months.
- b. The Board of Commissioners must hold regular meeting with the Board of Directors at least 1 (one) time in 4 (four) months.
- c. The Board of Commissioners may hold a meeting at any time at the request of 1 (one) or more members of the Board of Commissioners or the Board of Directors, by stating the agenda to be discussed.

Details of mechanism for meeting of the Board of Commissioners are explained in the Articles of Association and/or Board Manual.

### **2.2.2 Performance Evaluation and Reporting**

Performance of the Board of Commissioners will be evaluated annually by the shareholders in the GMS. The results of evaluation of the Board of Commissioners performance can be used for:

- 1) Basis to provide tantieme/performance incentive.
- 2) Consideration for shareholders to dismiss Members of the Board of Commissioners at any time if they are unable to carry out their duties properly.
- 3) Evaluation of effectiveness of the Board of Commissioners performance and serves as basis for acquittal and discharge (*acquitt et de charge*).

In relation to the reporting the Board of Commissioners shall:

- 1) Report to the company regarding their share ownership and/or their family's share ownership in the company and in other company, including any change thereto.

- 2) Submit a report on the supervisory duties that they have done in the last financial year to the GMS.

Details of performance evaluation and reporting of the Board of Commissioners are explained in the Articles of Association and/or Board Manual.

### **2.2.3 Remuneration**

Members of the Board of Commissioners are given the honorarium, allowance, facility, and/or tantieme/performance incentive in the amount determined by the GMS. The amount of remuneration for the Board of Commissioners is disclosed in the company's annual report. Determination of the remuneration is one of meeting agenda in the annual GMS.

## **2.3 Supporting Organs of the Board of Commissioners**

### **2.3.1 Audit Committee**

Audit Committee is a committee established by and responsible to the Board of Commissioners in assisting the performance of duties and functions of the Board of Commissioners. Members of Audit Committee are appointed and dismissed by the Board of Commissioners. Audit Committee consists of at least 3 (three) members from Independent Commissioners and third parties. Audit Committee is chaired by an Independent Commissioner.

### **2.3.2 Nomination and Remuneration Committee**

Nomination and Remuneration Committee is a committee established by and responsible to the Board of Commissioners in assisting the performance of functions and duties of the Board of Commissioners related to the nomination and remuneration of Members of the Board of Directors and the Board of Commissioners.

### **2.3.3. Strategy, Risk Management, and Investment Committee**

Composition of members of the Strategy, Risk Management and Investment Committee consists of one or more members of the Board of Commissioners and/or independent parties who have expertise and experience in the fields of strategy, risk management, and investment and understand the relevant laws and regulations. The strategy, risk management and investment committee must perform its duties objectively and independently. The organization, duties and responsibilities, and work management of strategy, risk management, and investment committee are further

regulated in the work guidelines (charter) of strategy, risk management and investment committee.

Strategy, Risk Management and Investment Committee has the duty to assist the Board of Commissioners to:

- 1) Review the implementation of strategy, risk management and investment.

The duties of strategy field are to:

- a. Review the policies and procedures of LTP, CWBP and/or business strategy policies;
- b. Review the proposed LTP, CWBP and business strategy;
- c. Review the implementation of LTP, CWBP and business strategy.

The duties of risk management field are to:

- a. Obtain understanding of company risk management which includes various risks faced by company, company's internal control, including methodology and infrastructure policies;
- b. Evaluate various risk measurement models used by the company and provide recommendations for further improvement;
- c. Monitor the suitability of various policies and implementation of risk management, including to monitor the implementation of duties of the division responsible for risk management and monitor the implementation of risk management;
- d. Monitor various potential risks faced by the company;
- e. Evaluate various risk management policies at the request of the Board of Commissioners;
- f. Monitor and provide recommendations regarding the continuing education plan for personnel in the risk management field;
- g. Coordinate the implementation and monitoring of the existence and level of effectiveness of each component of Enterprise Risk Management (ERM) within the company;
- h. Measure the effectiveness of each component of ERM that has been established by the company.

The duties of investment field are to:

- a. Review the company's investment policies and procedures;

- b. Review the proposed investment and/or capex submitted by the Board of Directors in accordance with the authority of the Board of Commissioners;
  - c. Monitor the implementation of investment/CAPEX that has been approved by the Board of Commissioners by sampling.
- 2) Carry out special duties assigned by the board of commissioners to perform review on certain issues;
  - 3) Create activity plan and committee budget to be submitted to the Board of Commissioners.

#### **2.3.4 Secretariat of the Board of Commissioners**

Board of Commissioners may establish Secretariat of the Board of Commissioners chaired by Secretary of the Board of Commissioners assisted by staffs of Secretariat of the Board of Commissioners. Secretary of the Board of Commissioners and staffs of Secretariat of the Board of Commissioners are appointed and dismissed by the Board of Commissioners. Secretary of the Board of Commissioners is external party of the company.

Duties of Secretariat of the Board of Commissioners:

- 1) Secretariat of the Board of Commissioners has the duty of performing activities to assist the Board of Commissioners in executing its duties in the form of:
  - a. Preparing meeting, including briefing sheet for the Board of Commissioners;
  - b. Preparing minutes of meeting of the Board of Commissioners in accordance with the provisions of the company's articles of association;
  - c. Administering the documents of the Board of Commissioners, among others incoming letter, outgoing letter, minutes of meeting and other document;
  - d. Preparing the Work and Budget Plan Draft of the Board of Commissioners;
  - e. Preparing the Draft Reports of the Board of Commissioners;
  - f. Executing other duties of the Board of Commissioners.
- 2) In addition to executing duties as referred to in number (1), Secretary of the Board of Commissioners as the head of Secretariat, perform other duties in the form of:

- a. Ensuring that the Board of Commissioners complies with laws and regulations and applies GCG principles;
- b. Providing information required by the Board of Commissioners on regular basis and/or at any time if requested;
- c. Coordinating committee members, if necessary, to expedite the duties of the Board of Commissioners;
- d. As liaison officer between the Board of Commissioners and other parties.

Details of Audit Committee, Nomination and Remuneration Committee, Strategy, Risk Management and Investment Committee, Secretariat of the Board of Commissioners are explained in the Board Manual.

## **2.4 Board of Directors**

The Board of Directors is an authorized and fully responsible corporate organ for the management of the company for the benefit of the company in accordance with the purposes and objectives of the company and representing the company, both inside and outside the court in accordance with the provisions of the articles of association.

### **2.4.1 Duties of the Board of Directors**

Board of Directors has the duty of executing all actions related to and is responsible for the company management for the interest of the company in accordance with the purpose and objectives of the company as well as representing the company both inside and outside the court concerning anything and all events with restrictions as regulated in the laws and regulations, company's Articles of Association and/or GMS resolutions.

Details of duties of the Board of Directors are explained in the Articles of Association and/or Board Manual.

### **2.4.2 Rights of the Board of Directors**

- 1) Establish policies that are deemed appropriate in the company management;
- 2) Regulate the delegation of authority of the Board of Directors to represent the company inside and outside the court to one person or several people specifically appointed for such purpose including company employees, either individually or jointly and/or other entities;

- 3) Regulate provisions regarding company employees including the determination of wage, pension or old-age benefit and other income for company employees based on laws and regulations in force.

Details of rights of the Board of Directors are explained in the Articles of Association and/or Board Manual.

#### 2.4.3 Responsibilities of the Board of Directors

- 1) Striving for and ensuring the implementation of the Company's business and activities accordance with the aims and objectives as well as its business activities;
- 2) Preparing in time the Company's Long-Term Plan, Annual Work Plan and Budget and other work plans and amendments to be submitted to the Board of Commissioners and obtain approval from the Board of Commissioners;
- 3) Preparing a Register of Shareholders, Special Register, Minutes of GMS, and Minutes of Meeting of the Board of Directors.

The responsibilities of the Board of Directors shall be explained in detail in the Articles of Association and/or the Board Manual.

#### 2.4.4 Composition of the Board of Directors

- 1) The company is managed and directed by the Board of Directors whose number is adjusted to the needs of the company, consisting of at least 2 (two) people, one of whom shall be appointed as the President Director, and one of them can be appointed as the Vice President Director if necessary.
- 2) The members of the Board of Directors shall be appointed and dismissed by the GMS which is attended by the Holders of Series A Golden Shares whose resolution shall be approved by the Holders of Series A Golden Shares with due observance to the provisions in the Company's Articles of Association. The Board of Directors shall be appointed by the GMS from the candidates proposed by the Holders of Series A Golden Shares, whose nomination is binding for the GMS. This provision also applies to the GMS held in order to revoke or affirm the resolution to temporarily dismiss members of the Board of Directors.
- 3) The members of the Board of Directors shall be appointed for a period from the closing or the date set forth by the GMS that appointed them and expired at the closing of the 5th (fifth) Annual GMS after the date of appointment, provided that it should not be no later than 5 (five) years, taking into account the laws and regulations in the capital market sector, but without prejudice to the right of the

GMS to dismiss members of the Board of Directors at any time prior to the expiration of their term of office. Such dismissal shall be effective as of the closing of the GMS, unless otherwise determined by the GMS.

The composition, appointment, and dismissal of the Board of Directors shall be explained in detail in the Articles of Association and/or the Board Manual.

#### 2.4.5 Meeting of the Board of Directors

- 1) The Board of Directors is required to hold a meeting of the Board of Directors periodically at least 1 (one) time in every month.
- 2) The Board of Directors is required to regularly hold meetings of the Board of Directors with the Board of Commissioners at least 1 (one) time in 4 (four) months.
- 3) The meeting of the Board of Directors may be held at any time if:
  - a. deemed necessary by one or more members of the Board of Directors;
  - b. requested by one or more members of the Board of Commissioners in writing.
- 4) The summons for the meeting of the Board of Directors shall be made by a member of the Board of Directors who is entitled to represent the Board of Directors

The mechanism for the Board of Directors meeting shall be explained in detail in the Articles of Association and/or the Board Manual.

#### 2.4.6 Performance Evaluation

The performance of the Board of Directors shall be evaluated annually by the shareholders in the GMS. The results of the performance evaluation of the Board of Directors can be used as:

- 1) Basis for providing tantieme/performance incentive.
- 2) Consideration for shareholders to dismiss members of the Board of Directors at any time if they failed to fulfill their obligations as agreed in the management contract and failed to carry out their duties in a proper manner.
- 3) Means of evaluating the effectiveness of the performance of the Board of Directors and serves as the basis for discharge of the members from responsibilities (*acquies et de charge*).

In relation to the reporting, the Board of Directors shall:

- 1) Report to the company regarding their share ownership and/or their family's share ownership in the company and in other company, including any change thereto.

2) Submit annual reports on activities that they have carried out during the last financial year to the GMS.

The performance evaluation of the Board of Directors shall be explained in detail in the Articles of Association and/or the Board Manual.

#### 2.4.7 Remuneration

Members of the Board of Directors shall be given salaries, allowances, facilities, and/or tantieme/performance incentive in the amount determined by the GMS. The amount of remuneration for the Board of Directors shall be disclosed in the company's annual report. Determination of remuneration shall be one of the meeting agenda items at the Annual GMS.

## **2.5 Supporting Organs of the Board of Directors**

### 2.5.1 Internal Auditor

Internal auditors are an integral part of the corporate internal control system. The Board of Directors is required to establish an internal audit function as a work unit that carries out independent and objective assurance and consulting activities.

The Internal Auditor shall be described in detail in the Board Manual.

### 2.5.2 Corporate Secretary

Corporate Secretary is an individual or person in charge of a work unit that carries out the function of a corporate secretary. The corporate secretary is responsible to the Board of Directors.

The Corporate Secretary shall be explained in detail in the Board Manual.

## **CHAPTER III**

### **CORPORATE GOVERNANCE POLICY**

#### **3.1 Employee Work Regulations**

The company can enter into a Collective Labor Agreement ("CLA") to regulate the work procedures for its employees. The CLA shall be valid no later than 2 (two) years from the date of signing or otherwise set forth in the CLA. In the event that the CLA negotiations have not reached an agreement, then within 30 (thirty) days the validity period of the CLA can be extended 1 (one) time for a maximum of 1 (one) year upon the agreement of the parties. The company considers employees as the company's main asset who plays a very essential role in the development of the company. Therefore, human resources shall be optimally managed by the company to ensure that the company always has excellent employees and can be directed to achieve company goals

#### **3.2 Performance Assessment and Remuneration System Policy**

The company establishes a performance assessment system used to evaluate and analyze and can be used as a basis for providing rewards and punishments for performance achievements. Performance assessment shall be carried out fairly, transparently, and independently by using key performance indicators that have been determined by considering relevant, measurable, comparable, comprehensive and reasonable aspects. Key Performance Indicator (KPI) achievement is one of the company's considerations in providing tantieme/performance incentive to members of the Board of Directors and Board of Commissioners based on the stipulation of the GMS. The company has a remuneration system that is built in a fair and transparent manner. The Company periodically reviews the remuneration system by taking into account the laws and regulations, especially in the field of employment and other important factors

#### **3.3 Financial Management and Accounting Policy**

The company conducts financial management in a professional and open manner based on the principle of prudence and by taking into account the principles of accountability through a clear separation of functions and duties, namely between the functions of verification, recording and reporting, storage and depositing and authorization

#### **3.4 Quality Management Implementation Policy**

The company is committed to implementing a consistent and integrated quality management system at all functions and levels by taking into account the effectiveness of business processes and overall company performance in order to increase productivity and competitiveness. The quality management system must be implemented by all company employees at all levels based on the principles of prioritizing the company's interests, focusing on customer and stakeholder satisfaction, involving all levels of the company and paying attention to the environment.

### **3.5 Information Technology Governance Policy**

The information technology governance shall be implemented in accordance with the ICT (Information & Communication Technology) Governance Procedures, which are structured to ensure that the data/information issued by the company is accurate, easily accessible, available as needed, easy to be reported, reliable and safe. The company utilizes information systems and technology to produce accurate, fast, and reliable information to provide optimal added value for the company. To continuously improve the effectiveness of information technology governance, the company prepares a blueprint or master plan for information technology development and its stages by taking into account the needs, availability of resources and developments in the business environment.

### **3.6 Asset Management Policy**

The company manages assets based on the principle of the highest and best use (optimization) for each company's assets in a prudent manner. The company views that the company's assets include not only tangible and physical assets but also intellectual property. The company protect their own intellectual property and does not do anything that can impair its value. The company upholds and respects the legitimate intellectual property rights of the Company or other individuals

### **3.7 Business Development Policy**

The Company views that business development is a strategic function carried out to maintain business continuity and increase the company's growth and competitiveness. In business development activities, the company is guided by the following principles:

- 1) Prudent, i.e. planning and implementation based on prudence and the implementation of risk management.
- 2) Professional, i.e. planning and implementation prioritizing expertise, independence, and the provisions of applicable laws and regulations.
- 3) Confidential, i.e. information in the company's development plan is not misused for the benefit of parties outside the company.

### **3.8 Policy on Relationships with Subsidiaries**

The Company always maintains good relations with its subsidiaries in an effort to build synergies and improve the company's image, in accordance with GCG principles and applicable laws and regulations.

### **3.9 Occupational Safety, Health and Environment (OSHE) Policy**

The company is committed to consistently establishing OSHE aspects in every activity to minimize potential negative impacts and strive for zero accident to humans and the environment. The company provides a safe and healthy work environment by ensuring that the business site as well as other company facilities and infrastructure comply with the applicable laws and regulations regarding occupational safety and health.

### **3.10 Policy on the Procurement of Goods and Services**

The Company implements the process of procurement of goods and services in accordance with GCG principles by considering the principles of transparency, cost efficiency and competitiveness in accordance with the prevailing laws and regulations. This is done to ensure that the supply chain runs effectively and efficiently, because the ability of the supplier/vendor shall affect the quality of the company's output. Confidential documents for the procurement of goods and services shall be kept confidential in order to prevent irregularities in the procurement of goods and services.

### **3.11 Internal Control Implementation Policy**

The Company establishes an effective internal control system to secure the company's investment and assets, which covers the control environment, assessment, and risk management of control activities, information and communication systems and monitoring. The internal control system shall be implemented by all of the company personnel and the company's internal audit function whose main task is to evaluate the operational activity control process, risk management and corporate governance in order to ensure the effectiveness in achieving the company's goals. The implementation of the internal control system in the company shall be supervised by the Audit Committee through an assessment of the implementation of activities and audit results conducted by the internal audit and external auditors, providing recommendations for improving the internal control system and ensuring that there is a satisfactory review procedure for all information issued by the company.

### **3.12 Corporate Social Responsibility Implementation Policy**

The company realizes that the company has legal, social, moral and ethical obligations and responsibilities towards the interests of the surrounding community, considering that the

company's success cannot be separated from a harmonious, dynamic, and mutually beneficial relationship with the surrounding community. Therefore, the company establishes a corporate social responsibility program as a strategic effort as part of the company's vision and mission to maintain and improve harmonious relations between the company and the surrounding community to create conducive conditions to support the company's business development and growth. The corporate social responsibility shall be implemented based on the principles of participation, accountability, partnership, community development and sustainability.

### **3.13 Policy on Communication with Shareholders or Investors**

This policy is intended to give shareholders/investors a clearer understanding of the information that has been published to the public, and to allow shareholders/investors to provide input to the company, as set forth in the company's communications policy. This policy aims at providing equality to all shareholders/investors and increasing the participation and role of shareholders/investors in the implementation of corporate communication programs.

### **3.14 Policy on Fulfillment of Creditor's Rights**

This policy is used as a guideline in making loans to creditors, with the aim of maintaining the fulfillment of rights and maintaining creditor's trust in the company, as regulated in the code of conduct.

### **3.15 Information Disclosure Policy**

Material information or facts are important and relevant information or facts regarding events, occurrences, or facts that may affect the price of securities on the Stock Exchange and/or the decisions of investors, prospective investors, or other parties with an interest in such information or facts.

The company as a public company is required to submit information disclosure or material facts in order to fulfill the principle of information disclosure which has important meaning for stakeholders as material for consideration in making investment decisions. In relation to this fulfillment, companies are required to submit reports of material information or facts to the FSA and make announcements of material information or facts to the public

### **3.16 Policy on the Prevention of Insider Trading**

The company strives to minimize the occurrence of insider trading by setting ethical standards that must be adhered to by company personnel as specified in the code of conduct.

### **3.17 Policy on Keeping Company Secret**

The Company adheres to the confidentiality provisions as set forth in the laws and regulations and code of conduct, including but not limited to:

- 1) The Board of Directors and the Board of Commissioners shall be responsible for maintaining the confidentiality of company information;
- 2) Internal auditors, external auditors, committee members under the Board of Commissioners and Employees are required to keep the information obtained during their duties confidential.

### **3.18 Policy on Conflicts of Interest**

The company prohibits every personnel of the company from being in a situation that may result in a conflict of interest. The company defines a conflict of interest as a conflict of personal economic interest with the company's economic interest that may have an impact on objectivity and commercial considerations. The company establishes a policy so that every decision made by every company personnel is solely for the best interest of the company.

### **3.19 Anti-Corruption, Gratification and Fraud Practices Policy**

Anti-corruption, gratification and fraud policy is useful to ensure that the company's business activities are carried out legally, prudently, and in accordance with GCG principles. This policy also prevents the company from corrupt practices, both giving and receiving from other parties, as regulated in the code of conduct, gratification control policies, and other related guidelines.

### **3.20 Policy on the Implementation of the Whistle Blowing System**

To improve the compliance of the company personnel with applicable regulations and ethical standards of the company and to prevent violations from occurring, the Company establishes and implements the Whistle Blowing System Guidelines within the company. The Whistleblowing System is a system used to accommodate, process, follow up and prepare reports on any information submitted by the whistleblower regarding violations occurring within the company. The reports obtained from the Whistle Blowing System mechanism shall be subject to attention and follow-up, including the provision of appropriate sanctions and punishments in order to provide a deterrent effect for perpetrators of violations and also for those who intend to do so.

### **3.21 Business Ethics and Work Ethics (Code of Conduct)**

GCG shall be implemented under high integrity. Hence, it is necessary to have code of conduct as a reference for the company personnel. Code of conduct constitutes a set of ethical behavior commitments in undertaking business in the company for the Board of

Commissioners, Board of Directors and employees, which are compiled and used as guidelines to influence, form, regulate and perform consistent behavior under the principles of ethical sensibility, ethical reasoning, and ethical conduct.

## **CHAPTER IV SHAREHOLDERS**

### **4.1 The rights of shareholders**

- 1) Attending, giving opinions, and voting at the GMS, provided that 1 (one) share entitles the holder to cast 1 (one) vote
- 2) Every shareholder has the right to file a lawsuit against the company to the District Court if harmed because of the company's actions that are considered unfair and without reasonable reason as a result of the decision of the GMS, Board of Directors, and/or Board of Commissioners
- 3) Every shareholder shall reserve the right to request the company to purchase their shares at a reasonable price if the person concerned does not approve of the Company's actions that are detrimental to the shareholders or the company, in the form of:
  - a) Amendments to the Articles of Association;
  - b) Assignment or pledge of company assets with a value of more than 50% (fifty percent) of the company's net assets; or
  - c) Merger, Consolidation, Acquisition, or Separation.

The rights of shareholder shall be explained in detail in the Company's Articles of Association.

### **4.2 Controlling shareholders**

The controlling shareholder is 1 (one) shareholder who owns the majority (more than 50%) of the voting rights of all shares with voting rights. The controlling shareholder shall be responsible for:

- 1) Paying attention to the interests of minority shareholders and other stakeholders in accordance with the Articles of Association and the prevailing laws and regulations.
- 2) Disclosing any information about the controlling shareholder up to the ultimate shareholder in the event of an alleged violation of the provisions of the Articles of Association and/or applicable laws and regulations, or in the event that it is requested by the competent authorities in accordance with the provisions of the prevailing laws and regulations to the competent authorities.
- 3) Striving for clear accountability and relationships between companies under its control.

### **4.3 Company Responsibilities**

The Board of Directors and the Board of Commissioners are obliged to ensure the fulfillment of the rights and responsibilities of each shareholder based on the principles of equality and fairness in accordance with the Articles of Association and the prevailing laws and regulations. The Board of Directors and the Board of Commissioners always encourage its implementation based on the following provisions:

- 1) Protect the rights of shareholders in accordance with the provisions of the Articles of Association and the prevailing laws and regulations.
- 2) Hold a GMS and register of shareholders in an orderly and regular manner in accordance with the Articles of Association and the prevailing laws and regulations.
- 3) Provide information about the company in a timely, correct and orderly manner for all shareholders.

The company responsibilities shall be explained in detail in the Company's Articles of Association.

## **CHAPTER V**

### **MANAGEMENT OF RELATIONSHIP WITH STAKEHOLDERS**

The company is aware that the successful implementation of GCG in the company cannot be separated from the support of stakeholders. Stakeholders have a very vital role through their commitment to always apply the principles of GCG and high ethical standards in dealing with the company. Therefore, the management of stakeholders is directed at the company's business interests by paying attention to corporate social responsibility, occupational safety, health and environment, as well as paying attention to the priority scale and mutual respect so as to achieve balance and harmony between:

- 1) The value creation and customer satisfaction-oriented business dimension.
- 2) The social dimension concerning aspects of business ethics and corporate social responsibility, health and safety conditions as well as worker welfare and social aspects.
- 3) The environmental dimension that directs the company to pay attention to aspects of environmental sustainability and balance around the operating unit/business field.

The management of relationships with stakeholders shall be explained in detail in the Code of Conduct.

## **CHAPTER VI**

### **COMPANY MATERIAL TRANSACTION**

#### **6.1 MATERIAL TRANSACTION**

Material transaction is any:

- 1) Participation in certain business entities, projects, and/or business activities;
- 2) Purchase, sale, transfer, assignment of assets or business segments;
- 3) Asset leasing;
- 4) Borrowing of funds
- 5) Pledge of the assets of the company and/or and
- 6) Offering a collateral to the company

With a value of 20% (twenty percent) or more of the company's equity, which is made in one time or in a series of transactions for a specific purpose or activity.

##### **6.1.1 Material Transaction Value**

The Material Transactions value is calculated based on the following financial statements:

- 1) Audited annual financial statements;
- 2) Mid-year financial statements accompanied by accountants' statements in the framework of a limited review for at least equity accounts; or
- 3) The audited interim financial statements other than the mid year interim financial statements, in the event that the company has an interim financial statement.

#### **6.2 AFFILIATE TRANSACTIONS AND CONFLICTS OF INTEREST**

##### **6.2.1 Affiliate Transactions**

- 1) The Company shall announce the disclosure of information on each affiliate transaction to the public and submit proof of announcement and supporting documents to OJK no later than the end of the 2nd (second) business day after the transaction, which at least includes:
  - a. Description of the least Affiliate Transactions
    - a) The object of the transaction
    - b) The value of the transaction in question

c) The names of the parties conducting their transactions and their relationships with the company

d) The affiliate relationships of the parties who conduct transactions with the company

b. Summary of the appraiser's report, at least including information:

a) Identity of the Party;

b) Object of assessment;

c) Purpose of assessment;

d) Assumption;

e) Approach and method of assessment;

f) Conclusion of value; and

g) Reasonable opinions on transactions

The period between the valuation date and the transaction date must not exceed 6 (six) months.

c. Explanation, consideration and reason for the transaction, compared to other similar transactions that are not carried out with affiliated parties

d. Company plans, foreclosed company data, and other related information in the event of a transaction constitute a corporate takeover

e. Statements of the Board of Commissioners and Board of Directors stating that all material information has been disclosed and that such information is not misleading; and

f. Summary of reports of independent experts or consultants, if deemed necessary

2) The following Affiliate Transactions must only be reported by the company to FAS no later than the end of the 2nd (second) business day after the transaction that include information as referred to in a point a), point c), point d), and point e)

a. The use of any facilities provided by the company or controlled company to members of the Board of Commissioners, members of the Board of Directors, and/or major shareholders in the case of major shareholders also serve as employees and these facilities are directly related to their responsibilities to the company and are in accordance with company policies, and have been approved by the GMS;

- b. The company's transactions with employees, members of the Board of Directors, or members of the Board of Commissioners of the company as well as with employees, members of the Board of Directors, or members of the Board of Commissioners of the Controlled Company on the same terms, to the extent that those have been approved by the GMS; In the transaction includes the benefits provided by the company to all Employees, Members of the Board of Directors, or Members of the Board of Commissioners with the same requirements, according to the company's policy
  - c. Transactions with a transaction value of not more than 0.5% (zero point five percent) of the paid-up capital of a Public Company or not exceeding the amount of IDR 5,000,000,000.00 (five billion rupiah), the lower value shall apply;
  - d. Transactions conducted by the company as an implementation of laws and regulations or court rulings
  - e. Transactions between companies and controlled companies whose shares or capital are owned at least 99% (ninety-nine hundredths) or between controlled companies whose shares or capital are owned by at least 99% (ninety-nine hundredths) by the company in question; and/or
  - f. Transactions between companies and controlled companies whose shares or capital are not wholly owned and not a single share not a single controlled company share or capital is owned by Members of the Board of Commissioners, Members of the Board of Directors, major shareholders of the company or its affiliated parties, and the company's financial statements are consolidated with the company
- 3) The following Affiliate Transactions are exempt from liability as referred to in number 1) and number 2)
- a. Benefits, including salaries, pension fund contributions, and/or special benefits provided to members of the Board of Commissioners, members of the Board of Directors, and Major Shareholders in the event that the Major Shareholders also serve as employees, if the total amount of these benefits is disclosed in the periodic financial statements.
  - b. Continuous transactions that have been made before the Public Company makes the Initial Public Offering or before the submission of the Registration Statement as a Public Company, provided that:

- a) The transaction has been disclosed in the prospectus of the Initial Public Offering or in the information disclosure of the Public Company Registration Statement; and
- b) The terms and conditions of the transaction are not subject to any changes which may harm the Public Company;
- c. Continuous transactions made after the Public Company makes the Initial Public Offering or after the Registration Statement as a Public Company becomes effective, provided that:
  - a) The initial transaction that underlies any subsequent transactions has complied with this Regulation of Financial Services Authority; and
  - b) The terms and conditions of the transaction is not subject to any changes which may harm the Public Company
- d. Transactions that are the main business activities of the company or the controlled company
- e. Transactions that are supporting the main business activities of the company or controlled company

#### **6.2.2. Transactions Involving Conflicts of Interest**

- 1) Transactions involving conflicts of interest shall first be approved by the Independent Shareholders or their authorized representatives at the GMS. Approval regarding this matter shall be confirmed in the form of a notarial deed.
- 2) In the event that the transaction that has been approved at the GMS as referred to in letter a has not been made within 12 (twelve) months from the date of the GMS approval, the transaction can only be made after obtaining the GMS re-approval.
- 3) Transactions involving the following conflicts of interest are excluded from the provisions of number 1), namely:
  - a. The use of any facilities provided by a company or controlled company to members of the Board of Commissioners, members of the Board of Directors, and/or major shareholders in the event that the major shareholders also serve as employees, and these facilities are directly related to their responsibilities to the company and in accordance with company policies, and has been approved by the GMS;

- b. Transactions between companies, with either employees, members of the Board of Directors, or members of the Board of Commissioners of the company as well as employees, members of the Board of Directors, or members of the Board of Commissioners of a controlled company, or transactions between controlled companies and employees, members of the Board of Directors, or members of the Board of Commissioners of the controlled company or with employees, members of the Board of Directors, or members of the company's Board of Commissioners with the same requirements, to the extent that those have been approved by the GMS.

The transaction includes benefits provided by the company or controlled company to all employees, members of the Board of Directors, or members of the Board of Commissioners on the same terms, according to policies established by the company;

- c. Benefits, including salaries, pension contributions, and/or special benefits provided to members of the Board of Commissioners, members of the Board of Directors, and major shareholders who also serve as employees, if the total amount of these benefits is disclosed in periodic financial statements;
- d. Continuous transactions made after the company has made a public offering or after the registration statement as a public company becomes effective, with the following conditions:
  - a) The initial transaction that underlies subsequent transactions has complied with this regulation; and
  - b) The terms and conditions of the transaction are not subject to any changes which might harm the company;
- e. Transactions with a value of not more than 0.5% (zero point five percent) of the company's paid-up capital and not more than IDR 5,000,000,000.00 (five billion rupiah);
- f. Transactions made by the company as the implementation of statutory regulations or court decisions; and/or
- g. Transactions between a company and a controlled company whose shares or capital are owned at least 99% (ninety nine percent) or

between controlled companies whose shares or capital are owned at least 99% (ninety nine percent) by the said company.

- 4) Affiliated Transactions involving conflicts of interest as referred to in number 3) shall comply with the provisions regarding Affiliated Transactions as referred to in number 6.2.1.

## **CHAPTER VII**

### **ASSESSMENT OF GCG IMPLEMENTATION**

The Company must assess the implementation of GCG in the form of:

- 1) Assessment, i.e. a program to identify the implementation of GCG in the company through assessment of its implementation and implementation in the company which is conducted periodically every 2 (two) years;
- 2) Evaluation (review), i.e. a program to describe the follow-up to the implementation and application of GCG in the following year after the assessment as referred to in number 1, which includes evaluation of the results of the assessment and follow-up to recommendations for improvement. The results of the assessment and evaluation shall be reported in the annual report.

This guideline shall always be improved on the basis of the applicable laws and regulations, adapted to the development and needs of the Company, and recommendations from the results of the GCG Assessment.

## **CHAPTER VIII**

### **CLOSING**

Corporate governance represents a system that must be implemented consistently to ensure good management in determining and achieving company goals. The implementation of these corporate governance guidelines is expected to ensure that the company always carries out its business activities in accordance with ethical standards and GCG principles. In relation to the implementation of GCG, the company strives to do the followings:

- 1) Building commitment, direct involvement and leadership from the Board of Commissioners and Board of Directors;
- 2) Developing a good corporate culture as the basis for directing and developing a mindset and behavior;
- 3) Creating a healthy organizational climate;
- 4) Implementing ethical behavior guidelines and other guidelines related to GCG implementation.

The company evaluates the corporate governance guidelines to identify and assess their suitability with the company's needs, as well as the effectiveness of the GCG implementation program. The development of corporate governance guidelines and improvement of its implementation program shall be made on an ongoing basis. The commitment and support of all company personnel and other stakeholders are the key to the successful implementation of GCG. Any changes in the provisions and laws and regulations that are used as a reference in the preparation of corporate governance guidelines shall refer to the changes in the provisions and laws and regulations up to the issuance of updated corporate governance guidelines.

