BOARD MANUAL
Dewan Komisaris dan Direksi
MESSAGES FROM DIRECTOR

Distinguished Management of PT Badak NGL, nowadays we are in the era that requires a better business management practice through responsible and prudence governance to provide added value to Shareholders, Stakeholders and other interested parties.

It is expected for the Management to fully aware that the success and performance of the company is strongly driven by the attitudes, behavior and performance throughout organization, either individually or institutionally. It certainly demands full awareness and efforts from all Management of PT Badak NGL and supported by all employees with no exception.

The Guidelines for Board of Commissioners (BOC) and Board of Directors (BOD) or well known as Board Manual, describes in summary the rights, obligations, duties and authorities of Board of Commisioners/Directors as the main organ of Company, and also explains the functions and relationships between both of them. Board Manual is one of the soft structures of Good Corporate Governance (GCG). As description of the Corporate Governance Guidelines (Code of Corporate Governance) which refers to the Company’s Articles of Association, acceptable laws, corporate law principles, shareholder directives, and the good corporate governance’s best practices.

Let us build our commitment to manage PT Badak NGL with much better governance. By implementing what is written properly and well in every level of authority, we strongly believe that every single effort, no matter how small, would give more meaning and finally gain benefits in the future.

Jakarta, November 2016

Salis S. Aprilian
President Director & CEO
MESSAGE FROM PRESIDENT COMMISSIONER

We are fully aware that good corporate governance is not an easy effort; in fact it is a sustainable process towards the best outcome in long-term that will positively affect throughout the performance. Moreover, those implementations should be enhanced in line with the dynamic and change of the Company.

With respect to the above matter, we are welcome the launching of the Working Guidelines for BOC and BOD (Board Manual) as a guidance of main jobs and performance functions of each organ of the Company, to improve teamwork quality and effectiveness between the organ, to implement the principles of Good Corporate Governance (GCG) namely; Transparency, Accountability, Responsibility, Independence, and Fairness, as a form of commitment of PT Badak NGL to implement the principles of good corporate governance in accordance to the pertinent best practice.

We sincerely hope with the establishment of the Board Manual, the Company business practice shall be conducted in harmony pursuant to the principles of good corporate governance to meet the Company’s Vision and Mission as stipulated and not only as the objectives of activity, but becoming a prominent reference for the Company activities to ensure the smooth implementation of Good Corporate Governance (GCG) within the Company.

Jakarta, November 2016

Tanudji Darmasakti
President Commissioners
SHARED AGREEMENT
BETWEEN BOARD OF DIRECTORS AND BOARD OF COMMISSIONERS
IN IMPLEMENTING BOARD MANUAL

Board Manual is one of the soft structure of good corporate governance, as description of Code of Corporate Governance which refers to the prevailing laws and regulation, the provision of the Articles of Association, the principles of Corporate laws, shareholders directives as well as GCG practice.

Board Manual is a Memorandum of Understanding (MoU) between Board of Directors and Board of Commissioners aims to:

1. Be a reference/main guidelines of duties and functions for each organs of Company.
2. Improve teamwork quality and effectiveness among organs of Company.
3. Implement the principles of good corporate governance, namely; Transparency, Accountability, Responsibility, Independent and Fairness.

By the implementation of this Board Manual in the relationship between 2 (two) organs of the Company, it is expected that Company business operations can be conducted harmoniously pursuant to the principles of good corporate governance in order to achieve the Company’s Vision and Mission as stipulated.

Jakarta, November 2016

PT Badak NGL

On behalf of the Board of Commissioners

On behalf of the Board of Directors

Tanudji Darmasakti
President Commissioner

Salis S. Aprilian
President Director & CEO
FORE WORD

The Company's vision for "Becoming a World Class Energy Company that Leads in Innovation", should be managed with the best performance standards in order to maximize added value and consistent with the Core Value owned by PT Badak NGL, namely: Safety, Health and Environment, Innovative, Professionalism, Integrity, Dignity (SINERGY).

In accordance to the Vision of PT Badak NGL as mentioned above in implementing Corporate Governance, PT Badak NGL takes a hard look at Code of Corporate Governance (or abbreviated "COCG"), and the Code of Business Ethics and Conduct (or abbreviated "COC"), which became the basic principles in conducting its business activities.

In order to achieve excellent performance and enhance the quality and effectiveness of relations between organs of The Company, by implementing the principles of good corporate governance i.e. Transparency, Accountability, Responsibility, Independence and Fairness, then the work relations between the Board of Directors and the Board of Commissioners should be always created in such way to be harmonious relationship, mutual supportive and remind each other to have strong commitment towards the ultimate purpose of the Company to continuously grow.

Therefore, the Board of Directors and the Board of Commissioners considered that it is necessary to restructure a relation between the organs of Board of Directors and the Board of Commissioners; hence every step taken by the Board of Directors would be aligned as stipulated by the Board of Commissioners and Shareholders.

Along with GCG implementation in PT Badak NGL, which refers to the Decree of the Minister of State Owned Enterprises No.Kep-01/MBU/2011 and No.PER-09/MBU/2012 regarding the Implementation of Good Corporate Governance at State Owned Enterprises, requires a provision that regulates the effective relationship between Board of Directors and Board of Commissioners, therefore PT Badak NGL views the necessity to establish a guidelines of relationship between the Board of Directors and Board of Commissioners, called Board Manual.

The Board Manual is intended to explain the standard pattern of relationship between the Board of Directors and Board of Commissioners in carrying out their duties, in order to create a professional Company management, transparent, effective, efficient and uphold integrity and honesty in conducting their business activities.

With this Board Manual, then the Board of Directors and Board of Commissioners are fully committed to carry out their mandate from the Company, truly, highly dedicated and fully responsible pursuant to the principles of good corporate governance.
SHARED COMMITMENT STATEMENT
BOARD OF DIRECTORS AND BOARD OF COMMISSIONERS 
OF PT BADAK NGL

Board Manual is one of the references for implementing good corporate governance. As description of Code of Corporate Governance which refers to the prevailing laws and regulation, the provisions of the Articles of Association, principles of corporate laws, shareholders directives as well as GCG practice.

Board Manual is a Memorandum of Understanding (MoU) between Board of Directors and Board of Commissioners aims to:
1. Be a reference/guideline of main duties and functions for each organ of the Company.
2. Improve teamwork quality and effectiveness among organs of the Company.
3. Implement the principles of good corporate governance, which are; Transparency, Accountability, Responsibility, Independent and Fairness.

With the implementation of this Board Manual in the relationship between 2 (two) organs of the Company makes the business activities of the Company can be carried out harmoniously by referring to the principles of good corporate governance. In order to achieve the Company’s Vision and Mission, the Board of Directors and Board of Commissioners are committed to strive a clean Company, based on the principle of honesty and transparency, as well as avoiding conflicts of interests.

Therefore, the Board Manual is becoming a main reference/policy ground in implementing daily tasks for the Board of Directors and Board of Commissioners. Thus this commitment between Board of Directors and Board of Commissioners is made and stipulated. As basis towards a better and cleaner PT Badak NGL. May Allah SWT, guides all PT Badak NGL employees in a correct and straight path.

Jakarta, November 2016
PT Badak NGL
On behalf of the Board of Commissioners
On behalf of the Board of Directors

Tanudji Darmasakti
President Commissioner

Salis S. Aprilian
President Director & CEO
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CHAPTER I
GENERAL

In the Indonesian legal system, the relationship between Board of Directors and Board of Commissioners is a relationship pursuant to the principle of two tiers system. It means that there is a clear separation of duties and obligations where the company is chaired and managed by the Board of Directors, while the Board of Commissioners supervises and giving advice to the Board of Directors's action. The Board of Directors and the Board of Commissioners are two separate organs and independent.

The Board of Directors and the Board of Commissioners as the organ of the Company have particularly pertinent role to determine the success of achieving the Company's goals. They have a responsibility to maintain the company's business sustainability in the long term. Therefore, They must have a common vision, mission, values and strategy of the Company as well as managing the Company pursuant to the principles of Good Corporate Governance (GCG) which requires the clarity of the system and the structure in terms of the relationship among the Company’s Organ. The authority, duties and responsibilities of each Organ of the Company as well as their working relationship is clearly defined and consistently executed.

Development of Board Manual is one of effort of PT Badak NGL (or referred to as Company) to enhance the commitment on the implementation of the GCG principles, which is a Code or Procedures which explain the relation of the Board of Directors and the Board of Commissioners structurally, systematically, easy to understand and can be implemented consistently, to become a reference for the working relationship of the Board of Directors and the Board of Commissioners in carrying out their respective tasks to achieve the Vision and Mission of the Company. The Board Manual is prepared pursuant to the principles of Indonesia corporate law containing the provision of Article of Association, laws and regulations, directives General Meeting of Shareholders (GMS) as well as the best practices in the GCG implementation.

Board Manual is a living document and always evolving in accordance to the changes occured and faced by the Company. Therefore, if necessary the Board Manual can be evaluated for further improvement. Development of the Board Manual can may be conducted in accordance to the needs of the Company. The changes made should be based on applicable regulations and does not violate the provision of the Articles of Association and based on the agreement of the Board of Commissioners and Board of Directors.

Considering that Board Manual is a compilation of the corporate laws principles, thus in the implementation of the Board Manual should pursuant to the pertinent laws and regulations. Various detailed provisions contained in the Articles of Association, the direction of the GMS and various other legal provisions remains binding although it is not specifically described in this Board Manual.
A. BENEFIT AND OBJECTIVE

1) Benefits of Board Manual is:
   To improve transparency, accountability and responsibility of the Board of Commissioners and Board of Directors in the management of the Company in accordance to the pertinent laws and regulations and the principles of sound corporate management.

2) Board Manual aims to:
   a. Provide further explanation on the functions, duties, responsibilities, authority, rights and obligations of Board of Directors and Board of Commissioners and the relations between two organs of the Company;
   b. Facilitate Board of Directors and Board of Commissioners to understand their functions, duties, responsibilities, authority, rights and obligations of each organ of the Company;
   c. Become a reference or guidance for the Board of Directors and the Board of Commissioners in carrying out their functions, duties, responsibilities, authority, rights and obligations;
   d. Enhance the quality and effectiveness of communication and the relations between the Board of Directors and the Board of Commissioners;
   e. Facilitate the Board of Directors and the Board of Commissioners to understand the regulations which related to their working procedures.
   f. Focus on the creation of relations between Company's organ effectively pursuant to the principles of - Transparency, Accountability, Responsibility, Independent and Fairness (TARIF);
   g. Improve the Company's image as a Company which consistently applied GCG.

B. SCOPE

Board Manual explains and regulates the pattern of standard relations between the Board of Directors and the Board of Commissioners in carrying out duties and responsibilities, in order to create good, professional, transparent, effective and efficient corporate governance.

C. DEFINITION

1. Board of Commissioners is entire member of the Board of Commissioners as an assembly unity or council (Board) which is an Organ of the Company who has duty to supervise the Company generally and/or specifically in accordance to the articles of association as well as giving advice to the Board of Directors.

2. Board of Director is entire Directors of the Company's as an assembly unity or council (Board) which is an organ of the Company collegially in charge with and fully responsible for managing the Company in accordance to the purposes and
objectives of the Company as well as representing the Company, either inside or outside the court in accordance to the provisions of the articles of association.

3. **Commissioner** is a Member of the Board of Commissioners which refers to an individual (not as the Board).

4. **Commissioners Committee** is a Committee which established to assist the Board of Commissioners in carrying out supervisory duties on the Management of Company performed by the Board of Directors.

5. **Company** with a capital letter “C”, refers to PT Badak NGL, while **company** with a small letter “c” refers to the company in general.

6. **Company’s Organ** is General Meeting of Shareholders (GMS), Board of Directors and Board of Commissioners.

7. **Corporate Governance** is a process and structure used by the General Meeting of Shareholders, Board of Directors and Board of Commissioners to improve competitive advantage and the Company's accountability in order to provide long term shareholder value and take into account the interests of other stakeholders based on the prevailing laws and regulation as well as ethical values.

8. **Director** is a Member of Board of Directors who is responsible for managing the Company's operations. This refers to an individual and not as a Board.

9. **Employee** is Indonesian citizens who works and receive wages in terms of employment relations with the Company.

10. **Financial Responsibility** is a Corporate financial responsibility which is submitted through:
    a. Audited annual financial statements;
    b. Semi-annual (mid year) report includes financial and operational performance; or
    c. Audited interim financial statements beside semi-annual (mid year) interim financial statements, in the case of the Company has interim financial statements.

11. **General Meeting of Shareholders**, here in after called the GMS, is a Company’s Organ who has the authority which is not granted to Board of Directors or Board of Commissioners within specified limits in this Laws and/or the articles of association.

12. **Producers** are Companies pursuant to Processing Agreement and Principles of Agreement (POA) feed natural gas for the Badak LNG plant which consists of Pertamina, VICO, TOTAL INDONESIE and CHEVRON.

13. **Ranks of Management**, are Board of Directors and Senior Management two (2) levels below the Board of Directors who assist the Company’s arrangement and management.

14. **Shareholder** is a person or legal entity that legally has one or more shares in the Company.
15. **Stakeholder** is parties who have an interest with the Company, either directly or indirectly, they are shareholders/capital owners, Board of Commissioners, Board of Directors and Employees as well as government and other interested parties.

16. **The Articles of Association (AA)** is the provision which has been developed at the first time of PT Badak NGL establishment and last amended by Deed of Amendment No. 88 dated 8 July, 2013, which was made in front of Netty Maria Machdar, S.H., notary in Jakarta and has been approved by the Minister of Law and Human Rights of Republic No. AHU-AH. 01.10-31467 year 2013.

**D. REFERENCE**

1. Constitution/Act No.22 year 2001 on Oil and Natural Gas;
2. Constitution/Act No.40 year 2007 on Limited Company;
3. Constitution/Act No.11 year 2008 on Electronic Transaction Information;
5. Regulation of the Minister of State Owned Enterprises Number PER-05/MBU/2006 on Audit Committee For State Owned Enterprises.
7. Regulation of the Minister of State Owned Enterprises PER-12/MBU/2012 on Supporting Organ of Board of Commissioners/Supervisory Board of State Owned Enterprises.
10. Decree of the Minister of State Owned Enterprises Number KEP-103/MBU/2002 on the Establishment of Audit Committee For State Owned Enterprises.
12. General Guidelines of GCG Indonesia Year 2006 from National Committee on Governance (NCG).
13. PT Badak NGL’s Articles of Association as amended and the last Deed of Amendment No. 5 dated 19 May, 2014, which was made in front of Ade Irvanni, S.H., Notary in Jakarta and has been approved by the Minister of Justice and Human Rights of Republic of Indonesia dated 8 January, 2003, No. C-03.HT.03.02-TH 2003.
14. Code of Good Corporate Governance of PT Badak NGL.
CHAPTER II
BASIC PRINCIPLES
RELATIONSHIP OF BOARD OF DIRECTORS
AND BOARD OF COMMISSIONERS

A stipulation of good working relationship between the Board of Directors and the Board of Commissioners is one of crucial things, so that each Organ of the Company can work in accordance to the duties, authority and responsibility effectively and efficiently with the following principles:

1. The working relationship of the Board of Directors and the Board of Commissioners is a relationship of checks and balances with the ultimate goal is to improve the Company's performance and progress.

2. The Board of Commissioners respects the function and role of the Board of Directors in managing the Company as stipulated in the pertinent laws and regulations and the Articles of Association of the Company.

3. The Board of Directors respects the function and role of the Board of Commissioners in monitoring and providing advice on policy of management of the Company.

4. Each working relationship between the Board of Directors and the Board of Commissioners is a formal relationship, which is always based on a standard mechanism or correspondence that can be accounted.

5. Each informal working relationship can only be conducted by each Member of the Board of Directors and Member of the Board of Commissioners, but it can not be used as a formal policy prior to through mechanism or correspondence that can be accounted.

6. Each of the working relationship between the Board of Directors and the Board of Commissioners is an institutional relationship in the sense that They are as a whole represents the collective positions of its members so that each of the working relationship between the Board of Directors and the Board of Commissioners Member should be known by all Member of the Board of Directors and Board of Commissioners.

7. The Board of Commissioners is entitled to access Company’s information accurately, completely and timely. The Board of Directors is responsible for the accuracy, completeness and timeliness of the Company’s information to the Board of Commissioners. ¹

¹ Regulation of SOE Ministry No. PER-01/MBU/2011 Article 32
CHAPTER III
BOARD OF DIRECTORS

A. FUNCTIONS OF BOARD OF DIRECTORS

Board of Directors is an Organ of the Company who has an authority and fully responsible for the management of the Company for the interest of the Company in accordance to the purpose and objective of the Company and representing the Company, both in and out of the court in accordance to the provision of the Article of Association. The Board of Directors is responsible for the implementation and management of the Company in order to achieve the vision, mission and objective as stipulated by the Company and conducting decision taken in the General Meeting of Shareholders (GMS).

The Board of Directors as a Company’s Organ has a duty and responsibility to manage the Company collegially. Thus, each Member of the Board of Directors may carry out tasks and make decision in accordance to the distribution of task and responsibility, but the implementation of their respective duties of the Board of Directors remains a shared responsibility. The Board of Directors should implement the principles of good corporate governance and comply with the pertinent laws and regulations.

As the Company’s organ, The Board of Directors is fully responsible for managing the Company both inside and outside the court pursuant to the Articles of Association.

B. REQUIREMENTS AND COMPOSITION

1. General Requirements
   Is the basic requirements stipulated by the prevailing laws and regulations which includes:
   a. Formal requirements
   b. Material requirements (integrity and morale, technical competence/skill, psychological)

2. Special Requirements
   Board of Directors is selected based on nominations from majority shareholders through a fit and proper assessment test which has been stipulated and conducted in a transparent manner with considering their competence, experience, attitude and track record as well as getting the approval from Shareholders and approved at General Meeting of Shareholders².

² Constitution/Act No. 19 Year 2003 on SOE Article 16
3. Board of Directors Membership
   a. Company is managed and led by 2 (two) Directors who are selected from among the candidates proposed by PT Pertamina (Persero). One of them is appointed as President Director.
   b. For any reason, the position of one Director or more is vacant, then within a period of 30 (thirty) days since the position has been vacant, GMS should be held to fill the vacancy by taking into account the requirements of the prevailing laws and regulations and the Company’s Articles of Association.
   c. If for any reason all positions of Board of Directors are vacant, the Company is temporarily managed by the Board of Commissioners members who are appointed by the Board of Commissioners Meeting.

C. TENURE OF BOARD OF DIRECTORS

Board of Directors member is appointed by the General Meeting of Shareholders (GMS), for a period of 3 (three) years and can be reappointed if necessary, without any prejudice to the right of GMS to terminate any of them at any time. Every change of the Board of Directors should be reported to GMS for approval.

Tenure of The Board of Directors will end if\(^3\) :
1. Resign
2. No longer meets the requirement of the prevailing laws and regulations
3. Pass Away
4. Are dismissed by the General Meeting of Shareholders

D. INDUCTION AND DEVELOPMENT PROGRAMS FOR THE BOARD OF DIRECTORS

1. Induction and Development Programs for The Board of Directors is very important, because they may come from a various backgrounds, so that they can work in a solid team, induction and development programs for Board of Directors shall be conducted.

2. The provisions of Induction and Development programs for Board of Directors include the following:
   a. The newly appointed member of the Board of Directors must undergo an induction program regarding the Company.
   b. Corporate Secretary or anyone who has function as Corporate Secretary shall be held responsible for the induction and development programs.
   c. Induction and Development programs for Board of Directors, include as follows:
      1) Implementation of good corporate governance principles by the Company.

\(^3\) Article of Association , Article 11 (7)
2) Company’s profile related to vision, mission, culture, objectives, nature, scope of business, financial performance and operations, strategy, short-term and long-term business plans, competitive position, risks and other strategic issues.

3) Information that are related to delegated authority, internal and external audit, internal control systems and policy, including the audit committee.

4) Information of duty and responsibilities of Board of Commissioners and Board of Directors as well as the things that are not allowed.

5) Team Building. In this activity involves either the newly appointed member of the Board of Directors, or they who have previously chaired.

3. Development Program is an important thing for the Board of Directors in order to follow the latest development regarding the core business of the Company and always ready to manage business continuity of the Company.

4. Several things that should be a concern in conducting Development Program of the Board of Directors member is as follows:
   a. Development program is conducted in order to improve the function and effectiveness of the Board of Directors.
   b. Plan and cost to conduct the Development Program for Member of the Board of Directors included in the Annual Work Plan and Budget.
   c. Every Member of the Board of Directors who join the Development Program such as seminar, training, and workshop is obliged to share information and knowledge to other Member of the Board of Directors who do not join Development Program.
   d. The material received from the Development Program should be documented neatly and completely. The responsibility of the documentation is owned by Corporate Secretary and it must be available at any time needed.

E. **INDEPENDENCE OF THE BOARD OF DIRECTORS**

Board of Directors may act for the sake of the Company’s interests, then the independence of the Board of Directors is one of the important factor that must be monitored. To maintain independence, the Company has established the following conditions:

1. Besides the Company’s Organ, any other party is prohibited to involve or intervene in the management of the Company.
2. The Board of Directors should be able to take decisions objectively, without any conflict of interest and free from any pressure from any party.
3. The Director is prohibited to conduct activities that may interfere their independence in managing the Company.
4. The Board of Directors are not allowed to take double jobs/executive position in other Company, but they may serve as a Commissioner of Subsidiaries (maximum two) as long as there are no potential conflict of interest and do not interfere with their duties.

5. Member of the Board of Directors who hold dual position, then he/she must resign from his position no later than 30 (thirty) days since his appointment as the Member of the Board of Directors.

6. In terms of the pertinent Board of Directors Member does not resign from his position as referred to point 5 (five) above, then his/her position as Member of the Board of Directors ends with the passage of that 30 (thirty) days.

F. DUTIES AND OBLIGATIONS OF THE BOARD OF DIRECTORS

1. Conducting management of the Company for the benefit of the Company and in accordance to the purposes and objectives of the Company based on organizational structure which has been established as well as approved by the GMS.

2. The management as stated in point 1 (one) above, shall be conducted by the Board of Directors in good faith and fully responsible.

3. Each member of the Board of Directors shall be liable personally for loss in the Company if found guilty or negligent in carrying out their duties in accordance to the prevailing regulations.

4. In case of the Board of Directors consists of 2 (two) people so the responsibility as referred to point 3 (three) is severally liable to the Board of Directors.

5. Member of the Board of Directors shall not be accountable of losses if they can prove that:
   a. The losses do not come from their fault or negligence;
   b. Have conducted their duties in good faith and prudent for the benefit of the Company and in accordance to the goals and objectives of the Company;
   c. Have no conflict of interests either directly or indirectly to the Board of Directors’ action that have resulted in losses to the Company; and
   d. Have taken action to prevent such loss arising or continuing.

6. Board of Directors and each Director shall explain all matters asked by the Board of Commissioners.⁴

Duties and Obligations of the Board of Directors can be described as follows:

1. Related to GMS
   a. Submit periodic reports with the manner and time pursuant to the prevailing regulations as well as other reports whenever requested by the GMS.

⁴ Articles of Association, Article 15 (2)
b. Give responsibility and all the information about the situation and activities of the Company as reflected in the Annual Report including the Financial Statements to the GMS to be approved and ratified, after reviewed by the Board of Commissioners.

c. Signing the Annual Report, in case of Director is not willing to sign the Annual Report, then the reasons should be mentioned in written.

d. In case of the member of the Board of Directors and the Board of Commissioners do not sign the annual report as intended in paragraph (c) and do not give reasons in writing, They are deemed to approve the contents of the annual report.

e. Calling and conducting of Annual GMS and/or Extraordinary GMS.

f. Avoiding the legal action for transactions containing conflict of interest between personal economic interests of members of the Board of Directors, the Board of Commissioners or Shareholders with the Company economic interests which determined by the majority of vote in favour from shareholders having no conflict of interests.

g. Providing the GMS’s material to Shareholders in the Company Office and given free of charge if requested.

2. Related to the Strategy and Action Plan


   b. Shall manage and ensure the implementation of the Company’s business and activities in accordance to the intention and objectives as well as business activities.

   c. Board of Directors convey work plans, either long term (5 years business plan) or short term (annual work programs) including Company's annual budget to the Board of Commissioners to be forwarded to shareholders for approval, before the fiscal year begins.\(^5\)

   d. Work plan as stated in paragraph 1 (one), should be submitted at the latest 30 (thirty) days before future fiscal year begins.\(^6\)

   e. Board of Directors prepare the annual reports and make it available in Company's office for inspection by shareholders as of the date of notice of annual GMS.\(^7\)

3. Related to Risk Management\(^8\)

   Board of Directors shall build and implement integrated enterprise risk management programs which is part of the GCG implementation program as well as submitting

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\(^5\) Articles of Association, Article 17 (1)
\(^6\) Articles of Association, Article 17 (2)
\(^7\) Articles of Association, Article 17 (3)
\(^8\) Regulation of the Minister of State-Owned Enterprises No.: PER-01/MBU/2011 Article 25 (2,4)
report of profile and handling of risk management altogether with the Company periodic reports.

4. **Related to Business Ethics and Anti-Corruption**
   a. Directors are obliged to develop and lead the implementation of GCG Code.
   b. Directors are not allowed to give or offer or receive, either directly or indirectly, something valuable to or from a customer or government official to influence or as a reward for what he has done and other actions, in accordance to the laws and regulations.\(^9\)

5. **Related to Internal Control System**
   a. Directors have to establish an effective internal control system to safeguard the Company's investments and assets.\(^10\)
   b. Internal Control System is a system that must be compiled/built by the Board of Directors so that they can direct and guide subordinates in the execution of their duties in order to achieve organizational goals and objectives that have been established, as well as to prevent fraud and financial waste of the organization, even able to prevent corruption, collusion and nepotism (KKN).\(^11\)
   c. Board of Directors and all employees shall ensure the internal control system has been effectively conducted, as well as avoidance from losses or irregularities in the Company's objective achievement as stipulated.
   d. The duties, functions and authority of Internal Control Unit/Internal Audit regulated in Internal Audit Charter which is stipulated through Decree of Board of Directors.

6. **Related to Disclosure and Confidentiality of information**\(^12\)
   a. Board of Directors is required to disclose important information in the Annual Report and Financial Statements to other party, according to the prevailing laws and regulations in timely, accurate, clear and objective manner.
   b. Board of Directors has to disclose howfar the implementation of GCG principles in the Company.
   c. Confidential information obtained when they served as The Company's Director have to be kept its confidentiality in accordance to the prevailing laws and regulations.

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\(^9\) Constitution/Act No.19 of 2003 on State Owned Enterprises Article 89 & Constitution/Act No. 20 Year 2001 on Eradication of Corruption & Regulation of the Minister of State Owned Enterprises No.: PER-01/MBU/2011 Article 40 (1)

\(^10\) Regulation of the Minister of State-Owned Enterprises No.: PER-01/MBU/2011 Article 26

\(^11\) Constitution/Act No. 20 Year 2001 on Eradication of Corruption

\(^12\) Constitution/Act No. 14 year 2008 on Public Information, Article 14
d. In terms of maintaining the confidentiality of Company’s information, Board of Directors are required to concern utmost on the interests of the Company rather than the interests of individuals or groups.

7. Related to Reporting to The Board of Commissioners

As the form of the Board of Directors’s responsibility in managing the Company, then the Board of Directors submits a report including but not limited to:

a. Report of realization and monitoring the Corporate Work Plan and Budget (RKAP) every semester (six months).

b. Performance Management Reports/Key Performance Indicator (KPI) and financial statement each semester.


d. Audited Financial Statements as of 31st December.


f. Progress report of 5 years business planning conducted every year.

8. Relations with Stakeholders

a. Ensure the Company to conduct corporate social responsibility.13

b. Corporate Social and Environmental Responsibility as referred to point (a) is the Company's obligations that is budgeted and charged as the cost of the Company which the implementation adhere to the appropriateness and fairness.

9. Related to the duties and other obligations

Conducting other obligations in accordance to the provisions as stipulated in the Articles of Association and set by the GMS as well as the prevailing laws and regulations.

G. JOB DESCRIPTIONS OF THE BOARD OF DIRECTORS

The Board of Directors has a collegial duty, but to make more efficient and effective in carrying out their duties, distribution of tasks between the Board of Directors member is conducted. It does not eliminate the responsibility of the Board of Directors member as a collegial in the management of the Company. The distribution of tasks among Member of the Board of Directors stipulated in accordance to the Company's need by refering to the applicable regulations.

13 Constitution/Act No. 40 Year 2007 on Limited Company, Article 74
H. AUTHORITY AND RIGHTS OF BOARD OF DIRECTORS

1. Authority and Rights
   a. President Director has rights and authority to act for and on behalf of the Board of Directors to represent the Company.
   b. In case of prevented President Director, then President Director may delegate authority to other members of the Board of Directors.
   c. Board of Directors has the right to represent the Company either inside or outside the court on all matters and any event, bind the Company with other party and the other party with the Company, and conducting all actions, either related to the management or ownership of the Company, with restrictions as regulated in the prevailing laws and regulations, the Articles of Association and/or the General Meeting of Shareholders (GMS) decisions.
   d. The authority to conduct other actions, i.e. the Board of Directors has an authority to conduct other actions, in adherence with the Company’s interests and business, with compliance to the existing laws and regulations.
   e. Board of Directors is responsible for the implementation of the write-off and/or the alienation, as well as guarantees free of pressure, coercion and interference from other parties.
   f. Member of the Board of Directors is entitled to resign by giving written notification to the Company about the intention, with a carbon copy to the Shareholders, the Board of Commissioners and other member of the Board of Directors of the Company at the latest 30 (thirty) days before the date of his resignation.  

2. Description of the authority, duties and responsibilities of Board of Directors
   If it is not regulated by the GMS, the description of Board of Directors’s authority, duties and responsibilities will be stipulated in separate Decree by the Board of Directors.

3. Relations between The Directors
   a. The relations among the Director are collective and collegial.
   b. In conducting operational activities, President Director shall coordinate with the Director (first among equals).

I. DELEGATION OF AUTHORITY AMONG THE BOARD OF DIRECTORS MEMBER

1. President Director has the right and authority to act for and on behalf of the Board of Directors and to represent the Company.
2. In terms of the President Director is absent due to whatever reason, which does not need to prove to others, then one of the Member of the Board of Directors has the

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14 The Articles of Association Article 11 (4)
right and authority to represent and act for and on behalf of The Board of Directors and represents the Company.

3. Board of Directors for certain action is entitled to appoint one or more persons as representative or proxy by giving him/her authority as stipulated in letter of authorization.

4. The Board of Directors may assign Daily Executives (PLH) of Director to fill the vacancy of Director in terms of Member of the Board of Directors is absent temporarily. Temporary absent means the position is still exist, but due to something, the pertinent Board of Directors Member is not able to carry out his duty, such as absent for leave and official duty either domestic or abroad/overseas.

5. Determination of PLH of Director is pursuant to the following specifications:
   a. Appointment of PLH of Director is conducted through the issuance of the Board of Director’s decree.
   b. In the decree must be mentioned clearly the tasks that can be conducted by PLH of Director during the Board of Directors Member who is being replaced is absent temporarily.
   c. Appointment as PLH of Director shall not cause the Member of the Board of Directors who is appointed as PLH released from the definitive position and continue to perform the duties at the definitive position.
   d. Inherent authority on PLH of Director during replacing the pertinent position of Director is equal to the inherent authority in the pertinent position and it is not limited to specific actions only.

J. BOARD OF DIRECTORS ETHICS
   1. Exemplary Ethics\textsuperscript{15}
      Board of Directors has to encourage the establishment of ethical behavior and uphold the highest ethical standards in the company. One of the ways is by making him/herself as a good role model for all employees.
   2. Compliance Ethics to the Laws and Regulations\textsuperscript{16}
      Board of Directors has to comply to the prevailing laws and regulations, the Articles of Association, and GCG's Code as well as the Company policy that has been established.
   3. Ethics related to the Disclosure and Confidential Information\textsuperscript{17}
      Board of Directors has to disclose the information in accordance to the prevailing laws and regulations and always keep such confidential information which entrusted to them as required under the prevailing laws and regulations, as well as Company policy.

\textsuperscript{15} Best practice of GCG
\textsuperscript{16} Constitution/Act No.19 of 2003 on State-Owned Enterprises, Article 5 (3)
\textsuperscript{17} Constitution/Act No.14 year 2008 on Public Information, Article 14
4. Ethics related to the Corporate Opportunities

Board of Directors are not allowed to:

a. Taking corporate business opportunities for their own interest.

b. Using the Company's assets, information or their position as Board of Directors for personal interests beyond the provisions of the prevailing laws and regulations as well as the existing Company policy.

c. Competing with the Company using the knowledge/inside information to gain an advantage for the interests other that the interest of the Company.

5. Ethics related to Personal Benefits

Directors are not allowed to take personal benefits from the Company activities, except salary and benefits received as a Director of the Company, which is determined by GMS.

6. Ethics related to Conflict of Interest

a. Directors always strive to avoid any conflicts of interest pursuant to the prevailing laws and regulations.

b. Directors will not take advantage of the position for personal benefit or for the benefit of other person or other party which contrary to the interests of the Company.

c. If any conflict of interests, exist then it should be disclosed, and the pertinent Directors are not allowed to involve in the Company’s decision making process dealing with the cases.

7. Ethics after the Expiration of Service Term of the Directors

After the expiration term of service, a former Director must:

a. Returns all the documentations related to the previous position at the Company at the latest 30 (thirty) calendar days after the end of his/her term of service.

b. If a Director pass away during service, then his/her heir of the Director must returns the documentation in accordance to the item (a) above.

K. MEETING OF THE BOARD OF DIRECTORS

1. Meetings Provisions

Meeting of the Board of Directors is a meeting held by the Board of Directors.

a. Meeting of the Board of Directors chaired by the President Director, and if necessary, it can be attended by related Management.

b. Board of Directors may also take a legal decision without conducting a meeting of Board of Directors, with provision that all members of Board of Directors has been
notified in writing and all the members of Board of Directors approve the proposal by signing the agreement. Thus the decision has the same enforceable legal with the legitimate decisions as taken by the Meeting of the Board of Directors.

2. **Schedule and Agenda of Meeting**\(^{19}\)
   
   a. If necessary, Meeting of the Board of Directors shall be conducted at any time:
      
      1) By one or more members of the Board of Directors
      2) Upon the written request by one or more members of the Board of Commissioners, or
      3) Upon written request by 1 (one) or more shareholders who jointly represent 1/10 (one tenth) or more of the total shares with voting rights
   
   b. Invitation of the Board of Directors Meeting is conducted by members of the Board of Directors
   
   c. Invitation of the Board of Directors Meeting is delivered by registered mail or by letter which is directly delivered to each Member of the Board of Directors by obtaining a receipt at the latest 3 (three) days before the meeting, by ignoring the date of the invitation and the date of meeting.
   
   d. The meeting invitation must include the agenda, date, time and place of the meeting.

3. **Place of Meeting**\(^{20}\)

Meeting of the Board of Directors is conducted in the domicile of the Company or the Company's operations location and if necessary it can be conducted in other place, so far it’s for the interests of the Company.

4. **Meeting Implementation**\(^{21}\)

   a. Each meeting of the Board of Directors begins with the follow-up evaluation of the decision results of the previous meeting.
   
   b. In the meeting of Board of Directors, a member of Board of Directors may be represented only by the other member of the Board of Directors based on power of attorney.
   
   c. Meeting decision is binding if more than than ½ (one a half) of the members of Board of Directors are present or represented in the meeting.
   
   d. Meeting decision is taken based on deliberation and consensus. If not achieved, the decision will be taken by the affirmative vote at least more than ½ (one a half) of the total votes cast in the meeting.
   
   e. If the affirmative and dissenting votes are balanced, the chairman of the meeting of Board of Directors will be decisive.

\(^{19}\) Articles of Association, Article 13  
\(^{20}\) Articles of Association, Article 13  
\(^{21}\) Articles of Association, Article 13
f. Every member of Board of Directors who attend is entitled to vote one (1) voice and an additional one (1) voice for each other members of the Board of Directors who are being represented.

g. A vote regarding a person is conducted by close ballot without any signature meanwhile a vote regarding to other matters is conducted orally unless the chairman decides otherwise without any objection from meeting attendees and un-legitimate ballot and voices are assumed not voted legally, therefore the voting form is considered as invalid and does not take into account in determining the total votes cast.

5. Making of Minutes of Meeting

   a. Every meeting of the Board of Directors must be prepared the minutes of meeting which is signed by the Chairman of the meeting and the Directors who present, that contains all matters discussed and decided in the meeting, including but not limited to the developing opinions, either affirmative or non affirmative opinion or dissenting opinion, as well as the reasons for the absence of the members of the Board of Directors, if any. Minutes of meeting should reflect the dynamics of the meeting to find out the decision making process and it can be a legal document to determine accountability of the decision results of the meeting. Minutes of Meeting must include:

      1) Place, date and time of the meeting was conducted.
      2) Agenda discussed (including the pending matter).
      3) List of attendance and reasons for absence.
      4) Duration of the meeting.
      5) Decision making process.
      6) Resolutions taken.
      7) Objections statements to the decision of the meeting if there is no unanimity (dissenting opinion).

   b. Corporate Secretary or other officer who appointed by the Board of Directors is assigned to prepare and keep as well as distribute the Minutes of Meeting.

   c. Minutes of Meeting must be signed by the Chairman of the meeting. Each Director is entitled to receive a copy of the Minutes of Meeting of the Board of Directors, either they were present or absent in the meeting.

   d. The original minutes of meeting from every meeting of the Board of Directors must be stored by the Company.

6. Documentation and Confidentiality of Meeting

   a. Corporate Secretary or other official who appointed by the President Director keeps the original minutes of meeting and give a copy to all the Directors.

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22 Regulation of the Minister of State-Owned Enterprises No.: PER-01/MBU/2011, Article 24 (3)
b. Every information/decision discussed in the meeting is **Confidential and Limited** until the Board of Directors may convey the information/decision to the public or the interested party.

c. Each meeting participants who acknowledge the information/decision of the meeting should keep the confidential information/decision of the meeting of the Board of Directors and does not convey it to any party without any permission from the Board of Directors.

L. PERFORMANCE EVALUATION OF BOARD OF DIRECTORS

1. Performance Evaluation
Performance of Board of Directors or each of Directors will be evaluated by the **Shareholders in the GMS**:

   a. Generally, the performance of the Board of Directors determined by the duties as stipulated in the prevailing laws and regulations and Articles of Association of the Company and Shareholders' mandate. Formal evaluation criteria presented openly to the Directors from the date of their appointment.

   b. The performance evaluation results of the Board of Directors collegially and individually will be an integral part in the scheme of compensation and incentives for the Directors.

   c. The performance evaluation result of each Director individually is one of the basic considerations for Shareholders to dismiss and/or re-appoint them.

   d. The performance evaluation result is a means of the assessment as well as to improve the effectiveness of the Board of Directors.

2. Performance Evaluation Criteria of Board of Directors
Evaluation criteria of the Board of Directors performance are proposed by Corporate Secretary to the Board of Commissioners to be stipulated in the GMS. It includes:

   a. Contribution to the Company’s business activities.

   b. Their involvement in certain assignments.

   c. Commitment to advance the Company’s interests.

   d. Adherence to the prevailing laws and regulations, as well as the Company policies.

M. INTERNAL CONTROL UNIT/INTERNAL AUDIT

1. The duties of Internal Control Unit are as follows:
   a. Develop and implementing the strategies, policies and plans of supervisory/control activities.

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23 Regulation of the Minister of State-Owned Enterprises No.: PER-01/MBU/2011, Article 28
b. Conduct operational audit and compliance to all the Company activities in order to improve the effectiveness of internal control, risk management, GCG processes and utilization of Information Technology (IT).

c. Conduct a special audit to reveal the case indicated the existence of abuse of authority, embezzlement, misappropriation and fraud.

d. Giving advice to all levels of management about the efforts to improve the internal controls effectiveness, increase efficiency, risk management, and other activities related to enhance the performance of the Company.

e. In addition to reporting to the President Director, Internal Audit performs coordination, by submitting a carbon copy to the Board of Commissioners through Audit Committee. While the results of evaluation from the Board of Commissioners is submitted to the Board of Directors to be followed up.

2. Main activities of Internal Control Unit include:

a. Develop Internal Audit Charter to be approved by the President Director, prepared once every 5 (five) years and reviewed every 3 (three) years.

b. Develop and prepare Internal Auditor’s Code of Ethics for getting approval from the President Director, once every 5 (five) years and the implementation evaluation result is reviewed every 3 (three) years if necessary.

c. Determine, stipulated and validate the examination strategy according to Internal Audit Norms and Internal Audit Professional Standards (SPAI) in all supervision/control activities, include the following stages:

1) Planning,
2) Implementation,
3) Reporting,
4) Follow up.

d. Determine, stipulated and validate the long-term and short-term planning of Internal Audit, includes:

1) Long Term Plan of Internal Audit/Audit Universe reviewed every 3 (three) years and re-developed every 5 (five) years.
2) Working Plan and Budget of Internal Audit and Annual Control Work Program, prepared at least 3 (three) months before the beginning of next year.

e. Determine, stipulate and validate the Supervision Information System (SIP) of Internal Audit (IA), includes:

1) The Blue print of SIP-IA development, developed once 5 (five) years and reviewed every year.

2) The development and implementation of SIP-IA, conducted continously.

3) The information generated by SIP-IA, used at any time when needed.
f. Determine, stipulate and validate the information of supervision/control results through the assurance process (assessment & audit) and consulting, includes the information on the area of improvement, followed-up recommendations, trend of deviation type, cause of deviations trend, map of task target achievement, constraints, and its action plan, in accordance to the quality standards that has been established and the quantity as per the stakeholders needs.

g. Determine and stipulate the strategy and policy for the implementation of external audit assignment (KAP), as well as other institutions, includes:

1) Cost & Budget Plan, prepared at least 3 (three) months before the beginning of next year.

2) The coordination mechanism between the External Audit, Public Accountant Firm and other institutions with the related management functions, are implemented on every assignment.

3) The management of the follow up of audit results and the report of updating result as well as the follow up consolidation of audit results, is performed quarterly.

h. Determine and stipulate the strategy and the policy of HR of Internal Audit’s development/coaching, IA organizational development as well as the development of Working Management System of IA, include:

1) The Need of Human Resources of IA, Competencies Development Program for Auditors, IA Human Resources Development Program, every year

2) Organizational structure, job establishment, job description, descriptions of position assessment, job specification, job competence, job evaluation, job requirement and the career path of IA organizations, General Guidelines for IA organizational management, according to the needs and reviewed every year.

i. Determine, stipulate and approve the policy of Key Performance Indicator (KPI)/the Goals and Objectives (GO) of IA as well as validate its realization, include:

1) The methodology and formula of IA’s KPI and/or the GO of IA Employees, reviewed every year.

2) Realization achievement of KPI and/or the GO as well as the implementation of performance dialogue of IA prepared quarterly and the implementation of GO achievement review of all employees of IA are conducted every semester.

j. Planning and conducting the Audit of Information Technology (TI).

3. The Main Responsibility of Internal Control Unit includes:

a. Establishment of the effective governance monitoring to produce information of supervision results that can encourage and escort the achievement of vision and mission’s of the company optimally through determination, stipulation and validation of IA’s Charter.

b. Establishment of a high integrity of internal auditors, through determination, stipulation and approval of the Internal Auditors’s Code of Ethics.
c. Establishment of the professional competence of internal auditors to generate data and information plan, implementation, reporting and follow up results of quality monitoring that can give support to the Corporate Leader in decision making promptly, precisely and accurately so that the vision and mission of the Company can be optimally achieved through determination, stipulation and validation of implementation strategies of Internal Audit Norms and Profession Standards of Internal Audit (SPAI) in all control activities by IA.

d. Establishment of the acceleration process of business processes improvement so that the performance objectives of all the activities of the Company's can be achieved effectively, efficiently, economically and productively through the determination, stipulation and validation of strategy and monitoring methodologies.

e. As an effective facilitator (counterpart) through determination and stipulation of implementation strategies for the assignment of external audit (Producer Audit, Audit Customs, BPK-RI, BPKP and KAP) and other institutions with the results in the form of budget plan, coordination mechanisms between External Audit and the related functions of the management, management policy of the audit results follow up and report of updating result and consolidation of the audit results follow up.

f. Establishment of the effective management governance of IA, through determination and stipulation of strategy and policy of HR’s development/coaching, organization and its comprehensiveness as well as Policy & Procedure Guide with the results in the form of HR needs, Employee's Competency Development Program, Human Resources Development Program, organizational structure, job establishment, job description, description of position assessment, job specification, job competence, job evaluation, career path, HR’s development/coaching, and the general guidelines for the management of organization.

g. Achievement of the performance, development and optimally coaching of IA employees through determination, stipulation and validation of policy for Key Performance Indicator (KPI)/Goals & Objectives (GO), as well as the results of Performance Dialogue Implementation and GO Achievement.

h. Establishment of IA management functions and data security as well as the information of an effective monitoring result, through determination and stipulation of policy and supporting strategies of IA management.

N. CORPORATE SECRETARY

1. The functions of Corporate Secretary are as follows:

   a. Ensure that the Company complies with the regulations about disclosure requirements in line with the implementation of the GCG’s principles.

24 Regulation of the Minister of State-Owned Enterprises No.: PER-01/MBU/2011, Article 29
b. Provide the information required by the Board of Directors and the Board of Commissioners periodically and/or at any time when required.

c. As a liaison officer.

d. Administering and keeping the Company’s documents, including but not limited to the List of Shareholders and minutes of meetings of Board of Directors, Board of Commissioners and GMS.

2. Besides carrying out the above functions, Corporate Secretary conducts the following duties:

a. Attending Board of Directors internal meetings and Board of Directors meetings with the Board of Commissioners as well as making the minutes of meeting.

b. Responsible for the GMS implementation.

c. Preparing the necessary materials related to the routine reports/activities of the Board of Directors that will be submitted to the related parties.

d. Preparing the necessary materials related to the matters that should have a decision from the Board of Directors regarding to the Company management.

e. Organizing meetings within the Board of Directors.

f. Following up each decision taken by Board of Directors by noting each decision resulted in the decision making forums together with the person in charge and monitor as well as ensure the progress of implementation of the meeting results.

g. Conducting secretarial activities within the Board of Directors as well as the administration.

3. Corporate Secretary may have delegation of authority from the Board of Directors as follows:

a. Develop systems and procedures of archives and correspondence in the Board of Directors’s environment.

b. Observe the Company’s documents and the reports for the purpose of the information provision required by the Board of Directors.

c. Request the progress report of the implementation of the Board of Directors’s decision.

d. Request the data/information/clarification required by the Board of Directors to the related parties either inside or outside of the Company for the purposes of implementation of the duties of the Board of Directors.

e. Increase and asking an explanation to the person in charge of the Company who was delayed in the implementation process of the Board of Directors's decision.

f. Remind and asking an explanation from the working units/related parties for the delay in providing the materials/information/data required by the Board of Directors.
g. Representing the Board of Directors associated with parties outside of the Company and/or in the Company in accordance to the given assignment and predetermined policies.

h. Propose the agenda for the Board of Directors meetings with parties inside/outside of the Company.

i. Using the secretarial facilities to carry out the duties.
CHAPTER IV
BOARD OF COMMISSIONERS

A. FUNCTION OF THE BOARD OF COMMISSIONERS

Board of Commissioners as the Company’s Organ has duty and responsibility collectively to supervise on the management policy in running the Company generally either regarding the Company itself or the Company’ business as well as giving advice to the Board of Directors\textsuperscript{25}. In carrying out the duties and responsibilities, the Board of Commissioners should comply to the provision of the Articles of Association, GMS decisions and the applicable laws and regulations. Board of Commissioners is a Company’s Organ that responsible to the General Meeting of Shareholders (GMS).

Guidelines for the implementation of the supervisory functions of the Board of Commissioners is:

a. Supervision by the Board of Commissioners is conducted to the management of the company executed by the Board of Directors.

b. In performing the supervision, the Board of Commissioners which consists of more than 1 (one) member as a council and each member of the Board of Commissioners can not act individually, but by the decision of the Board of Commissioners.\textsuperscript{26}

c. In conducting the supervision, the Board of Commissioners should not participate in taking operational decisions. The Board of Commissioners may take decisions on specified matters in the Articles of Association or Laws and Regulations. The decision making is conducted in its supervisory function so the decision of operational activities remain as the responsibility of the Board of Directors.

d. Supervision is conducted on the decisions that have been taken (ex post facto) as well as the decisions is going to be taken (preventive basis).

e. Supervision is conducted not only based on the information from the Board of Directors and General Meeting of Shareholders (GMS), but it can also be based on information from other sources that can be accounted for.

f. Supervision is conducted not only by simply approve or disapprove to the actions that require the approval of the Board of Commissioners, but the supervision is conducted by covering all business and operational aspects of the Company.

g. Board of Commissioners is the organ of the Company who has a task to supervise generally and/or specially in accordance to the Article of Association and to provide advice to the Board of Directors in carrying out the management of the Company.\textsuperscript{27}

\textsuperscript{25} Constitution/Act No. 40 Year 2007 on Limited Company, Article 1 (6)

\textsuperscript{26} Ibid, Article 108 (4)

\textsuperscript{27} Constitution/Act No. 40 Year 2007 regarding Limited Liability Company Article 1 (6)
B. REQUIREMENTS AND COMPOSITION

a. Board of Commissioners consists of 6 (six) persons, one of them is appointed as the President Commissioner and one of five Commissioners is appointed as Independent Commissioner who both are nominated and proposed by PT Pertamina (Persero) and four Commissioners, each of them are nominated and proposed by PT PERTAMINA (PERSERO), VICO, JILCO dan TOTAL.

b. In conducting supervisory duties, one of them is appointed as the President Commissioner pursuant to the nomination from PT Pertamina (Persero).

c. The one who may be appointed as a member of Board of Commissioners is Indonesian citizens and foreign nationals who meet the specified requirements by the prevailing laws and regulations.

d. Nomination of the Board of Commissioners members is conducted through fit and proper test determined and carried out transparently based on expertise and experience.

e. If for any reason of the position of member of the Board of Commissioners is vacant, then within a period of 30 (thirty) days since the position was vacant, a GMS must be held to fill the vacancy by taking into account point (c) above.

f. A member of Board of Commissioners has the right to resign from their position by sending a written notification to the Company at least 30 (thirty) days prior to the resignation date.

g. Independent Commissioner is appointed by Shareholders and legalized by General Meeting of Shareholders (GMS).

C. TENURE OF THE BOARD OF COMMISSIONERS

Member of the Board of Commissioners is appointed by General Meeting of Shareholders (GMS) on proposal from each party, they are PT PERTAMINA (Persero), VICO, JILCO and TOTAL, for a period of 3 (three) years and may be reappointed if necessary and without any prejudice of GMS’s right to terminate at any time.

The position of the Board of Commissioners member ends should they:

a. Resign
b. No longer meet the requirement of the prevailing of laws and regulations

c. Pass away
d. Dismissed by decision of the General Meeting of Shareholders.
D. INDUCTION AND DEVELOPMENT PROGRAMS FOR THE BOARD OF COMMISSIONERS

With a background of the Board of Commissioners Member from various parties representing Shareholders and stakeholders and among the Member of the Board of Commissioners is possible not to know each other and/or have never worked in a team before, then the existence of Program is very important to be implemented.

The stipulation of Induction Program for the Board of Commissioners includes such things as the following:

1. Induction Program of the Company shall be given to Member of the Board of Commissioners who served the Company for the first time.\textsuperscript{28} It is conducted to improve the function and effectiveness of the Board of Commissioners.

2. The responsibility to conduct the induction and development programs is on Corporate Secretary or whoever is carrying out the functions as Corporate Secretary.

3. Induction Program for the Board of Commissioners includes such things as the following:
   a. Implementation of the principles of good corporate governance by the Company.
   b. Description of the Company deals with vision, mission, culture, objectives, character, scope of activities, financial and operating performance, strategy, short and long terms business plan, competitive position, risks and other strategic issues.
   c. Information related to the delegated authority, internal and external audits, internal control system and policy, including the audit committee.
   d. Information regarding duty and responsibility of the Board of Commissioners and Directors as well as any things that are not allowed.
   e. Team building. In this activity involves the member of the Board of Commissioners, either new serving and who has served previously.

4. The induction program is carried out at the latest \textbf{30 (thirty) calendar days} after the GMS decided the appointment of a new Member of the Board of Commissioners.

The development program is one of the important programs to make the Board of Commissioners member may always update the information on the latest development of the Company’s business activity and other knowledge related to the implementation of the Board of Commissioners’s tasks.

In conducting the development program of the Board of Commissioners, it is necessary to pay attention to the following:

1. It is conducted to improve the function and effectiveness of the Board of Commissioners.

2. Plan and cost of the Development Program for the Board of Commissioners member is included in the Work Plan and Budget of the Board of Commissioners.

\textsuperscript{28} Regulation of SOE Ministry Number Per-01/MBU/2011 Article 43 (1)
3. Each member of the Board of Commissioners who follow the Development Programs such as seminar, training, workshop are obliged to share information and knowledge to the Member of the Board of Commissioners who do not follow Development Program.

4. The material received from the Development Program should be neatly filed in a separate section. The responsibility of the documentation is carried out by Secretary of the Board of Commissioners and must be available when needed.

E. INDEPENDENT BOARD OF COMMISSIONERS

Independent Commissioner is a member of the Board of Commissioners who does not have any relationship of financial, management, share ownership and/or family with other member of the Board of Commissioners, member of the Board of Directors and/or controlling Shareholders or relationship with the Company, which may affect its ability to act independently. So, it requires the Independent Commissioner who has become a necessity for the Company to reach the pertinent objective. The composition of Independent Commissioner is at least 20% (twenty percents) of the Board of Commissioners member and the composition can be changed pursuant to the provisions of applicable regulations.29

Independent Commissioner should be able to resist the influence, intervention and pressure from major Shareholders who have an interest in the transaction or specific interests. As part of the Supervisory Organ, Independent Commissioner is expected to have attention and full commitment in carrying out their duties and obligations. Therefore Independent Commissioner are people who have knowledge, ability, time and high integrity.

F. DUTIES AND OBLIGATIONS OF THE BOARD OF COMMISSIONERS

Related to the implementation of supervision function and providing advice to the Board of Directors, Board of Commissioners has the duty and/or obligation to supervise the management policy of the Company’s, management activities in general, either the Company’s internal or the Company business, and provide advice to the Board of Directors for the sake of the Company’s benefit and in accordance to the goals and objectives of the Company.

The Duties and Obligations of the Board of Commissioners can be described as follows:

1. Related to the Supervisory Process
   a. Board of Commissioners develop job description among the internal Board of Commissioners members and prepare the work plan and budget.

29 Regulation of SOE Minister Number Per-01/MBU/2011 Article 13
b. In order to conduct evaluation and monitoring process, Board of Commissioners carries out meeting periodically with Board of Directors in accordance to predetermined schedule.

c. Meeting of Board of Commissioners with the Board of Directors can be conducted upon the written request from one or more members of Board of Commissioners, led by the President Commissioner. If the President Commissioner is unable to be present due to any reason then Board of Commissioners member shall appoint one of the members of Board of Commissioners to lead the meeting.

d. Board of Commissioners and Board of Directors meeting discuss the materials include: Annual Report (Operation, Budget, Project and KPI, Audit Reports by the Producers and Internal Audit, performance among Board of Commissioners and Board of Directors, and Developing KPI for Corporate and the Board of Directors and GCG Assessment Preparation).

e. In conducting the supervisory duties, Board of Commissioner have established Audit Committee, that work collectively to assist the Board of Commissioners by giving an opinion and a review of the Financial Information, the Company's compliance to the laws, regulations and internal policy of the Company, the implementation of audit by Internal Audit Department and External Auditor as well as encouraging the implementation of GCG and Risk Management

f. Board of Commissioners submit the Annual Work Program and also periodically submit the Reports of Supervision Duty that has been carried out during the fiscal year to the Shareholders to obtain approval from GMS.

2. Related to Risk Management

Board of Commissioners has an obligation to conduct regular assessment and provide recommendations about the risks on the proposed project programs or operations of the Company.

3. Related to Business Ethics and Anti Corruption

Members of the Board of Commissioners are not allowed to receive, give or offer something valuable either directly or indirectly to and/or from government officials and/or other parties that may affect or as a reward for what they have conducted and other action pursuant to the prevailing laws and regulations\(^{30}\).

To support the business ethics programs, then each member of the Board of Commissioners are required to sign the Integrity Pact.

4. Related to Internal Control System

Board of Commissioners, assisted by the Audit Committee has an obligation to:

\(^{30}\) Regulation of the Minister of State-Owned Enterprises No.: PER-01/MBU/2011, Article 40
a. Reviewing to ensure the effectiveness of the internal control system, including: sub-chapter of organizing systems, policy of implementation, work plans, record/accounting, reporting, personnel coaching and sub-chapter of system of internal review, from the highest level managers (top manager) until the field manager to assess the competency and the amount of resources, the scope of duty and authority as well as the independence of Internal Auditor.

b. Reviewing to ensure the effectiveness of Internal Auditor and the External Auditor duties implementation, by assessing the competence, independence as well as scope of duties of Internal Auditors and External Auditors.

c. Ensure the Internal Auditors, External Auditors and Audit Committee have adequate access to the information about the Company which is required to perform their duties.

d. Conducting assessment of the accuracy of the information provided for other party, especially in Annual Financial and Non Financial Statements as well as Annual Reports.

e. Evaluating and making a proposal for the remuneration of Board of Directors for approval from Shareholders.

5. Related to Disclosure and Confidentiality of Information

a. Board of Commissioners conduct supervision to the Company to disclose the important information in the Annual Report (including Financial Statements) to the other party pursuant to the prevailing laws and regulations timely, accurately, clearly and objectively.

b. Board of Commissioners is responsible to the Company to safeguard the confidentiality of the data and/or information of the company.

c. Confidential information obtained when they served as a Member of the Board of Commissioners should be kept remains confidential. Pursuant to the prevailing laws and regulations.31

d. Board of Commissioners ensures that the Company should disclose the implementation of GCG principals in Annual Report.

6. Related to the Duties and other Obligations

The Implementation of supervisory and providing advisory by the Board of Commissioners is conducted through:

a. Request for the information in writing to the Board of Directors about the problems occurred.

b. Report immediately to GMS if there is a phenomenon of declining performance of the Company.

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31 Regulation of the Minister of State-Owned Enterprises No.: PER-01/MBU/2011, Article 33
c. Providing advice or directives in meeting of the Board of Commissioners and the Board of Directors or other meetings attended by the Board of Commissioners.

d. Responding to periodic reports which submitted by the Board of Directors.

Giving feedback/direction as described above, including, carried out to the related matters such as information technology, goods and services procurement, quality policy, organizational development, accounting policies and financial reporting as well as stakeholder’s problems and complaints through the Board of Directors.

G. AUTHORITY AND RIGHTS OF BOARD OF COMMISSIONERS

1. Anytime during office hours, the Board of Commissioners may enter into any buildings or premises or other places that are used or controlled by the Company; and entitled to check all financial accounts, documents and other evidences; scrutinize and match cash position and other aspects, and exercise its right to be informed of all actions carried out by the Board of Directors.

2. Getting an adequate access to get Company information in terms of observing the books, correspondence, and other documents, verify cash of the Company and other Company securities and examining the assets of the Company;

3. Enter into any premises, buildings and offices used by the Company;

4. Asking an explanation to the Board of Directors and/or other officials regarding any issues related to the management of the Company;

5. Knowing all the policies and actions that have been and will be conducted by the Board of Directors;

6. Request the Board of Directors and/or other officials under the Board of Directors’s position and acknowledge by Board of Directors to attend meeting of the Board of Commissioners;

7. Establish other committees, if deemed necessary by considering the ability of the Company;

8. Hire the experts for this and for a certain period at the expense of the Company, if deemed necessary;

9. Attending the Board of Directors meetings and give insights on issues discussed;

10. Board of Commissioners and/or the Commissioners either individually or collegially may conduct a working visit to the operating unit whether requested or on the initiative of Board of Commissioners by initially notifying the plan to the Board of Directors;

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13 Articles of Association, Article 15
H. BOARD OF COMMISSIONERS ETHICS

1. Ethics related to Exemplary
   Board of Commissioners should encourage ethical behavior and uphold ethical standards in the company, one way is by making themselves as a good role model for Board of Directors and Employees of the Company.

2. Ethics related to the Compliance with the Laws and Regulations
   Board of Commissioners must comply with the prevailing laws and regulations, Articles of Associations, and GCG Code as well as policies of the Company that has been established.

3. Ethics related to the Corporate Opportunities
   During service as the Board of Commissioners, they are is not allowed to:
   a. Take the Company’s business opportunities for their own interest or the interests of other people.
   b. Using the Company’s assets, information or their position as Member of the Board of Commissioners for personal interests or other people’s interests, which is contrary to the provisions of the prevailing laws and regulations as well as the existing Company policies.

4. Ethics related to the Disclosure and Confidentiality of Information
   Board of Commissioners must disclose the information and always keep the confidential information entrusted to them in accordance to the prevailing laws and regulations as well as Company’s policies.

5. Ethics related to the Conflict of Interest
   The definition of conflict of interest is a certain condition in which the members of the Board of Commissioners have an interest which against the interests of the Company to increase the value, to achieve the Vision and Mission as well as directives of the GMS, which in turn caused losses to the Company. Hence Member of the Board of Commissioners should always:
   a. Avoid the conflicts of interest.
   b. Be guided not to take advantage of their positions for personal interest or for the interests of other person or other party associated with the Company's interests, including comply with the prevailing laws and regulations about the permissibility of members of Board of Commissioners to hold dual position so far they can consider the time and capacity and do not interfere or override/neglect to the Commissioners positions. The implementation of regulations regarding the dual position of the Board of Commissioners referred to the dual position rule as stipulated in the Articles of Association.
   c. Avoiding every activity that could affects their independence in carrying out the duties.
d. Conducting disclosure in case of conflict of interest, and the respected member of the Board of Commissioners should not be involved in the Company decision making process related to the case, including the statement about members of Board of Commissioners and their family do not own shares in companies which could potentially raises conflict of interests.

If any ethical deviation occurs which are conducted by each Commissioners, it will be enforced in accordance to the provision as stipulated in the Code of Conduct.

6. The work relations between Board of Commissioners.
   a. The work relation among Commissioner is collective
   b. In the implementation of operational activities, the President Commissioner conducts coordination with all Commissioners.

I. MEETING OF THE BOARD OF COMMISSIONERS

1. Meetings Provisions
   a. Board of Commissioners conduct meetings periodically, and may invite the Board of Directors if deemed necessary at the meeting.
   b. Board of Commissioners may conduct the meetings at any time upon request:
      1) President Commissioners
      2) One or more Commissioners
      3) Board of Directors of the Company
      4) Shareholders
   c. The invitation and agenda of Board of Commissioners meeting is submitted in writing by President Commissioner or member of the Board of Commissioners appointed by the President Commissioner to other member of Board of Commissioners, at least three (3) calendar days prior to the meeting, except for an urgent circumstances (emergency) it can be conducted without invitation.
   d. Meeting materials are submitted concurrently with the delivery of the invitation.
   e. Meeting invitations can be delivered by using the existing information and technologies facilities such as using email.
   f. When in urgent circumstances (emergency), meeting invitations may also use facility of telecommunications or mobile phone such as SMS, other electronic telecommunication facility, and oral conversation.

2. Place of Meeting
   a. Board of Commissioners meeting is considered legitimate if the place of meeting held in the domicile of the Company or in which the main business activities conducted within territory of the Republic of Indonesia or in other place if deemed necessary.
b. When it is necessary, Board of Commissioners meetings can be conducted by using information and technology facilities like Conference Call. The procedure for the implementation of Conference Call is conducted as common Board of Commissioners meeting include attendance list and the power of attorney letter (if any).

3. Meeting Attendance

a. All meetings of the Board of Commissioners chaired by President Commissioner. If the President Commissioner is unable to present, then the meeting will be chaired by one of the Commissioners appointed by the President Commissioner.

b. If the President Commissioner does not appoint, one then the Commissioners with the longest service as Commissioner will chair the Board of Commissioners meeting, if the longest service as Commissioner is more than 1 (one) person then the longest and the oldest one is selected to chair the meetings of the Board of Commissioners.

c. Meeting of the Board of Commissioners is valid and entitled to adopt binding resolutions if attended or represented by more than ½ (one a half) of the members of the Board of Commissioners.

d. If the meeting is a continuation of the previous meeting, the meeting chairman may inquire first about the followed-up result of the matters that have been decided in the previous Board of Commissioners meeting.

e. If a Commissioner is unable to attend, that person should notify the absence information to the Board of Commissioners through the Corporate Secretary regarding his/her absence in the Board of Commissioners meeting.

f. A Commissioner may be represented at the meeting by other Commissioners only by a written letter of power of attorney granted specifically for that matter.

g. If the Commissioners is unable to attend and that person does not give written authorization to the other Commissioners, then the Commissioners’s voting rights can not be used in decision making.

h. A Commissioner may only represent another Commissioner.

i. In the meeting of the Board Commissioners, Board of Commissioners may require the attendance of one of the Directors, officers under the Board of Directors and/or employees of the Company or other party which is required.

4. Decision Making

a. All decisions of the Board of Commissioners meeting should be based on good faith, rational considerations and have been through depth investigation towards various related things, sufficient information and having no conflicts of interest as well as made independently by each Commissioners.
b. All decisions of Board of Commissioners meeting should be strived to be taken by consensus. When a decision based on consensus is not reached, then the decision taken by majority vote by more than ½ (one a half) of the total valid votes issued at the Meeting.

c. Each Commissioners is entitled to issue 1 (one) vote plus 1 (one) vote for each Commissioners whom he/she represents.

d. If the affirmative and dissenting votes are equal, then the decision of the meeting is the same as the opinion of chairman of the meeting with due regards to the provision about responsibility to make minutes of meetings, except regarding to personality, the decision making can be conducted by the closed selection.

e. Board of Commissioners may also take legal decision without conducting a meeting of Board of Commissioners, with provision that all members of the Board of Commissioners have comitted to approve circularly. Those decisions have the same power as the decisions which are legally taken in the meeting of Board of Commissioners.

f. The decisions related to the strategic aspects must be conducted through the meeting of Board of Commissioners mechanism. The strategic aspects including all activity of the Board of Directors which must be approved by the GMS after getting a written recommendation from the Board of Commissioners as well as all the Board of Directors’s activity which must be approved by of the Board of Commissioners in writing.

g. In a period no later than 14 (fourteen) days since receipt of proposal and explanation or complete document from the Board of Directors, the Board of Commissioners should decide on the pertinent proposal. If within the proposed period, the Board of Commissioners does not respond then it is considered the Board of Commissioners has approved the proposal submitted by The Board of Directors.

h. Board of Commissioners communicates the decision to the Board of Directors within a period of at least 7 (seven) days since the decision approved/signed by the Board of Commissioners.

5. Meeting Evaluation

In every meeting of Board of Commissioners follow up evaluation of conclusions from the previous meeting is conducted, as well as further discussion of the pending matters, including the evaluation of the Board of Directors’s proposals and recommendations which are determined at the GMS.

6. The Making of Minutes of Meeting

a. The making of Board of Commissioners’s Minutes of Meeting and the distribution are carried out by the Secretary of Board of Commissioners or other official appointed by the President Commissioner.
b. If the meeting is not attended by the Secretary of Board of Commissioners or other official appointed by the President Commissioner, the minutes of meeting made by one of the Commissioners appointed from among those who were present.

c. Minutes of Meeting of Board of Commissioners should reflect the dynamics of the meeting i.e. matters which are discussed (including the statement of disagreement/dissenting opinion from each Commissioners, if any) and the matters have been decided.

d. Minutes of Meeting should be signed by the Chairman of the meeting and all Commissioners who attended.

e. Minutes of Meeting of Board of Commissioners shall be administered by the Secretary of Board of Commissioners as well as distributed to all of Board of Commissioners.

7. Documentation and Confidentiality of the Meeting

a. Any information/decision discussed in the meeting are Strictly Confidential and Limited until the time the Board of Commissioners is allowed to disclose the information/decision to the related and interested parties.

b. At the end of Commissioners's tenure, former Commissioners must return all of the documentations related to the previous positions in the Company.

J. PERFORMANCE EVALUATION OF BOARD OF COMMISSIONERS

1. The performance of Board of Commissioners is collegially and personally evaluated based on the work plan as well as achievement.

2. Generally, the performance of Board of Commissioners is determined based on the duties as regulated in the prevailing laws and regulations and the Articles of Association of the Company and the Shareholders' mandate. Formal evaluation criteria is submitted transparently to member of the Board of Commissioners since their appointment.

3. The evaluation results of the performance of Board of Commissioners either collectively and individually is going to be an integral part of the compensation and incentives scheme for the Commissioners.

K. AUDIT COMMITTEE

1. The Duty

    The duties of Audit Committee are :

    a) Assist the Board of Commissioners to ensure the effectiveness of the Internal Control System and the effectiveness of external auditor and internal auditor duties implementation.
b) Provide recommendations regarding the appointment of Public Accounting Firm to the Board of Commissioners to be submitted to the GMS.

c) Identify matters that require an attention from Board of Commissioners as well as other Board of Commissioners duties.

d) Conduct a review of Company’s information, as well as Long Term Plan, Work Plan and Company Budget, management reports and other information.

2. Responsibility

a) The responsibility of the Audit Committee is to provide analysis, assessment, recommendation and information about the matters which are reviewed and reported to the Board of Commissioners.

b) Implement monitoring on the process and implementation of GCG in the Company.

c) Monitoring compliance to supporting policy of GCG implementation (GCG soft structure) in the Company.

d) Monitor the compliance to the prevailing laws and regulations or other existing rules in the Company.

e) Making a work plan as well as conduct evaluation periodically.

3. Authority

Based on a written assignment letter from Board of Commissioners, the Audit Committee may access the record or information about employees, funds, assets as well as other Company’s resources related to the implementation of their duties.

L. SECRETARY OF BOARD OF COMMISSIONERS

Board of Commissioners has right to appoint a Secretary of the Board of Commissioners to assist their task at the expense of the Company. Secretary of the Board of Commissioners comes from outside of the Company who has a task to conduct administrative and secretariat related to all activities of the Board of Commissioners.

Secretary of the Board of Commissioners has a main function to give support to the Board of Commissioners in providing advice and supervision related to the management of the Company conducted by the Board of Directors and all staff. Secretary of the Board of Commissioners has several tasks such as:

1) Providing information to the Board of Commissioners to make decision.

2) Prepare materials which is needed by the Board of Commissioners related to the regular reports of the Board of Directors in managing the Company, such as RKAP, Annual Report, Quarterly Report, Audit Report of Internal Audit and other reports required.
3) Prepare the materials required related to the things that need to have a decision from the Board of Commissioners regarding the Company's management activities conducted by the Board of Directors and all staff.

4) Prepare and coordinate the meeting agenda with the parties who are present at the meeting.

5) Prepare and send meeting invitation to the parties who will attend the meeting.

6) Confirm the time, place, attendance, as well as other matters which are deemed necessary for smoothness of the meeting.

7) Making minutes of meeting on the implementation of the regular meetings as well as non-routine of the Board of Commissioners.

8) Deliver the minutes of meetings to the pertinent parties.

9) Conducting activities in terms of secretarial services for the Board of Commissioners, both for their purposes and committees.

10) Implement and coordinate activity of correspondence and archives.

11) The function of Secretary of the Board of Commissioners could be conducted by Audit Committee in case of no resources.
CHAPTER V
APPROVAL MECHANISM OF BOARD OF COMMISSIONERS
AND RATIFICATION BY GMS

A. RATIFICATION OF CORPORATE WORK PLAN AND BUDGET

Approval procedure of Corporate Work Plan and Budget/Business Plan (RKAP) is as follows:

1. The Board of Directors prepares a draft of RKAP by coordinating with the Committee of the Board of Commissioners.

2. The Board of Directors submit a proposal of RKAP draft to the Board of Commissioners for review and approval.

3. The Board of Commissioners reviews the draft of RKAP and if it is deemed necessary, the Board of Commissioners provides input/advice for improvement.

4. If there is any input/advice from the Board of Commissioners, then the Board of Directors make improvements of RKAP draft to re-propose to the Board of Commissioners.

5. If there is no input/advice, the Board of Directors proposes approval of RKAP to the Shareholders no later than 60 (sixty) days prior to the commencement of the next fiscal year.

6. GMS gives the approval and ratification of the proposed RKAP no later than 30 (thirty) days after the fiscal year has commenced (the fiscal year of the pertinent RKAP).

B. RATIFICATION OF RJPP (5 YEARS BUSINESS PLAN)

Approval Procedures of RJPP is follow:

1. The Board of Directors prepares a draft of RJPP by coordinating with the Committee of the Board of Commissioners.

2. The Board of Directors conveys proposal of RJPP draft to the Board of Commissioners for review and approval.

3. The Board of Commissioners reviews the RJPP draft and if it is deemed necessary, the Board of Commissioners provides input/advice for improvement.

4. If there is any input/advice from the Board of Commissioners, the Board of Directors make improvements to re-propose RJPP draft to the Board of Commissioners.

5. If there is no input/advice, the Board of Directors proposes approval of RJPP to the Shareholders.

6. The GMS approves the proposed RJPP.
C. RATIFICATION OF ANNUAL REPORT

Ratification Procedure of Annual Reports is as follows:

1. The Board of Directors prepares the draft of Annual Report.
2. The Board of Directors conveys the draft of Annual Report to the Board of Commissioners for review and approval.
3. The Board of Commissioners reviews the draft of Annual Report and, if it is deemed necessary, the Board of Commissioners provides input/advice for improvement.
4. If there is any input/advice from The Board of Commissioners, the Board of Directors make improvements to the Annual Report to re-propose to the Board of Commissioners.
5. The Board of Commissioners and The Board of Directors sign the Annual Report to be submitted to GMS.
6. The Board of Directors sends an invitation of Annual GMS, no later than fourteen (14) days prior to the date GMS will be conducted excluding the date of invitation is made and the date of GMS is held.
7. The Board of Directors conducts the Annual GMS no later than six (6) months after the closing of the pertinent fiscal year.
8. GMS makes a decision to the proposed Annual Report.

D. APPOINTMENT OF PUBLIC ACCOUNTING FIRM (KAP)

Procedure of KAP determination is the following:

1. The Board of Commissioners prepares and delivers Term of Reference (TOR) and a short list of KAP candidates to the Board of Directors, no later than ninety (90) days prior to GMS to be conducted.
2. The Board of Directors subsequently prepares TOR and Owner Estimate to be used in the process of service procurement of KAP.
3. TOR and Owner Estimate are submitted to the procurement function to be conducted the service procurement process of KAP by the Committee for Procurement of Goods and/or Services pursuant to the prevailing regulations, no later than 60 (sixty) days prior to GMS to be conducted.
4. The Committee for Procurement of Goods and/or Services person the process of procurement of KAP and subsequently submit a proposal of the winner to the Board of Directors.
5. The Board of Directors sends a proposal of the winner to the Board of Commissioners for further review.
6. The Board of Commissioners proposes for the appointment of KAP to the GMS.
7. The GMS gives a decision on the proposed KAP.