



THE WORLD BANK

# ROSC

## Report on the Observance of Standards and Codes (ROSC)

ANNEX: CORPORATE GOVERNANCE  
DETAILED COUNTRY ASSESSMENT (DCA)

Indonesia

April 2010

## Corporate Governance ROSC for Indonesia: Introduction to the Detailed Country Assessment

The detailed country assessment (DCA) is a tool developed by the World Bank to carry out the Corporate Governance ROSC assessments. The DCA provides the background for the Corporate Governance ROSC, and calculates the assessment of the implementation of each of the OECD Principles of Corporate Governance. The DCA uses the OECD's *Methodology for Assessing the Implementation of the OECD Principles of Corporate Governance*.<sup>1</sup>

The outline of the DCA is as follows:

- The questions are organized according to the six Chapters of the OECD Principles, and within each Chapter, according to the 64 OECD Principles of Corporate Governance.
- Within each Principle, there are three sections:
  - **Legal and regulatory framework.** These questions assess the “laws on the books”, including the corporate governance code (if any), listing rules, securities laws and regulations and company law. The legal and regulatory questions are further broken down by separate “essential criteria” (EC), as per the Methodology.
  - **Compliance and Enforcement.** The second section reviews compliance with the laws and regulation, and the enforcement of the laws and regulations (if applicable). The focus is on actual practice.
  - **Comments and analysis.** The final section summarizes the assessment of each Principle, based on the key issues raised by the individual questions.
- Each question (each row of the DCA) has the following entries:
  - **Answer.** Each question is answered, based on the review of the law / regulation, or the information collected on actual practices. For each question, the answer is either “Yes” (meaning that there is full or nearly full compliance with that question), “Partially”, or “No” (meaning that the corporate governance framework is generally not in compliance with the specific question).
  - **Source.** This box contains identifies the legal source of answer to the question (law, regulation, or code), or other source of information (e.g. company survey).
  - **Legal text and data.** This field analyzes the corporate governance framework, and supports the answer provided.
- Ratings are presented for each principle, based on an aggregation of the yes/no scores.
  - **Computation.** The answer to each question is given a numerical score: 100% for a “yes”, a 50% for a “partially”, and a zero percent for each “no. These scores are equally weighted and averaged for each section (law and regulation / compliance and enforcement). These two sub-scores are averaged to create an aggregate implementation score for each Principle.
  - The aggregate score indicates the degree of compliance:
    - Fully implemented: 95% or higher
    - Broadly implemented: 75% - 95%
    - Partially implemented: 35% - 75%
    - Not implemented: 0 – 35%

<sup>1</sup> [www.oecd.org/dataoecd/58/12/37776417.pdf](http://www.oecd.org/dataoecd/58/12/37776417.pdf)

I. Ensuring the Basis for an Effective Corporate Governance Framework						
I.A. The corporate governance framework should be developed to impact economic performance, market integrity, and transparent and efficient markets.*						
Status of implementation: 65%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The operation of the capital market is viewed as reasonably transparent.</b>						
I.A.1	Does the corporate governance framework ensure high levels of disclosure and transparency?		✓			See Chapter V. The average rating of Chapter V is 71%, therefore the rating is partially.  The CML explicitly recognizes that capital markets play a “strategic role in national development as a source of funding for business and as a vehicle for public investment,” and that such development is further dependent upon a “sound legal foundation,” and protection of the investing public. National development is defined to include the “pursuit of continuous improvement in the prosperity and well-being of Indonesian citizens,” economic growth and societal stability, and “more equitable wealth distribution,” through financing of large and small businesses and investment in small and medium enterprises. In drafting regulations, Bapepam considered international best practices.
I.A.2	Is the market considered to be largely free from insider trading and self-dealing?		✓			See Principles IIIB and IIIC. The average rating is 65, therefore the rating is PARTIALLY.
I.A.3	Do market intermediaries operate in a transparent manner?		✓			Bapepam has rules that apply to the conduct of business and prudential oversight of its licensed intermediaries (Rules VE 1 and VD 10):  (1) treating customers fairly, including assuring proper authorization of trading activities, proper handling of accounts, transactions and funds (including recordkeeping critical to the integrity of an audit trail), customer first requirements, and “suitability/know your client’s financial condition and investment objectives,” and (2) maintaining adequate internal controls, separation of functions, segregation of client money, supervision, and internal audit. Securities companies, and other intermediaries, such as investment managers and their representatives also have anti-AML know your customer, client ID requirements.  There have been some recent problems related to the misuse of shares held by securities intermediaries on behalf of clients.
I.A.4	Does the country rank within the 40 least corrupt countries on Transparency International’s Corruption Perceptions Index?			✓		In fact, requirement of disclosure and transparency as one of the GCG principles has been accommodated in our regulations. In drafting the regulations, we considered international best practices.
I.A.5	Is the country placed within the 75th percentile in terms of the ‘control of corruption’ within the context of the Worldwide Governance Indicators (WGI) Project?		✓			Indonesia is in the 31st percentile of countries in the database.

## 2. The authorities develop policy, laws, and regulations on the basis of effective consultation with stakeholders.

I.A.6	Have regulators taken steps to specifically improve upon the corporate governance framework?	✓				The authorities have made a major effort to improve corporate governance and investor protection in Indonesia, following the financial crisis of the late 1990s. Bapepam has issued and revised rules containing implementation of Corporate Governance in Capital Market. To a large extent these rules are based on the Code of Good Corporate Governance issued by the National Committee on Corporate Governance (most recently updated in 2006).
I.A.7	Does the government provide stakeholders with <a href="#">effective channels</a> to help shape new or amend existing laws and regulations?	✓				Bapepam has the ability to adopt its own rules of operation and has done so and made these public. This includes the Rule Making Procedure (Rule II.3.1) and specific Operating Procedures (Kep-71/BL2007). These procedures are intended to provide for consistent treatment of similar situations. Additionally, there is a published procedure for how to consider sanctions and what factors should be considered as mitigating or escalating factors for non-compliance (Bapepam Rule II. H. 9). According to Rule II.3.1, before issuing new rule or amending existing rule, Bapepam must publically disseminate and publish the draft of the rule to ask for public comments. In addition, Bapepam should also provide adequate consultation period when seeking comments and feedback from public. The comments and the amendment to the final draft of the rule should also be disclosed to public.  IDX also has regular meetings with the IDX Listing Committee and with Association of Listed Companies to discuss various issues related to listings, including relevant GCG matters.
I.A.8	Do authorities provide stakeholders with an <a href="#">adequate*</a> consultation period when seeking comments and feedback on corporate governance related laws, regulations and/or the country corporate governance code?	✓				Market participants indicated in interviews that Bapepam provides ample periods for rules-making-rules process. The standard comment period is three weeks. Bapepam has a comprehensive web-based and direct stakeholder public exposition process for consultation on policy proposals and other proposed rules and actions. Bapepam publishes rules for comment on its website and sends them by letter to relevant stakeholder organizations and self-regulatory organizations. Each proposed rule is published with an explanation, which outlines the reasons for the proposed action. The consultation process permits consideration of costs and benefits, and on various occasions proposed rules have been redesigned based on the consultation process, when Bapepam believes changes are warranted.
I.A.9	Do authorities publicly disclose comments and/or the amendments to the final draft law, regulation or code (e.g. on the internet)?	✓				Both Bapepam and the IDX do publish comments or drafts of laws or regulations that are being discussed.
I.A.10	Do the regulatory authorities <a href="#">sufficiently weigh</a> the likely costs and benefits of issuing new or amending existing regulations on corporate governance?		✓			Bapepam does weigh the costs and benefits of issuing new regulation. A formal cost-benefit review is not carried out. To be responsive to the concerns of listed companies during the current global crisis, BAPEPAM has tried to be flexible and has adjusted some corporate governance-related rules and regulations (for example, those related to buy back and General Shareholders Meeting).

I.B. The legal and regulatory requirements that affect corporate governance practices in a jurisdiction should be consistent with the rule of law, transparent and enforceable.*						
Status of implementation: 69%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The legal and regulatory framework is well understood, reasonably foreseeable, and sufficiently enforced.</b>						
I.B.1	Are corporate governance related laws and regulations, and the country corporate governance code (if existent), clearly written and well understood by market participants?	✓				<p>The various corporate governance rules appear to be well understood by market participants.</p> <p>There are some complaints that Bapepam's regulations can be confusing. The regulations are not presented in the form of a manual (where regulations would be organized by topic), which can make it difficult to get a sense of the regulations as a whole. In addition, English versions are not publically available on the Bapepam website.</p>
I.B.2	Are public awareness and training events organized to help raise awareness and explain new legal and regulatory provisions?	✓				<p>Bapepam conducts seminars and workshops to explain new regulations to the public. In addition, Bapepam also publishes new rules on its website.</p> <p>IDX regularly carries out workshops for Corporate Secretaries of Listed Companies and for the Association of Listed Companies.</p>
I.B.3	Are corporate governance laws and regulations available online?	✓				Laws and regulations are available on-line in Bahasa. However, the English language version of the rules is not publically available (and the English language version of Bapepam's website needs to be updated).
I.B.4	Are corporate governance related laws and regulations <u>consistent</u> with one another?	✓				Each of the different regulatory bodies (Bapepam and Bank Indonesia) has their own bodies of corporate governance regulation, which overlap in certain cases (especially in the case of listed banks). In addition, State-Owned Enterprises (Tbk) have their own legal framework. However, World Bank analysis and interviews suggest that while the current legal framework is relatively complex, it is clear what regulations apply to which companies, and the rules for a given company do not conflict with each other.
I.B.5	Are corporate governance related regulations <u>predictable</u> ?	✓				Bapepam's rule making process appears to be relatively predictable.
I.B.6	Based on Chapter I, Principle D. and Chapter III., Principle A., do the regulatory authorities consistently and fairly enforce laws and regulations?	✓				World Bank analysis and interviews suggest that Bapepam and Bank Indonesia do work to consistently and fairly enforce laws. However, as in most countries, interviews suggest that some categories of companies are more difficult to oversee than others, including large companies with politically well-connected owners, and state-owned enterprises and banks.
<b>2. The legal and regulatory framework is not used in an arbitrary or inconsistent manner incompatible with the rule of law.</b>						
I.B.7	Is the country placed within the 75th percentile in terms of the 'rule of law' within the context of the Worldwide Governance Indicators Project?		✓			Indonesia is in the 31st percentile of countries in the database.
I.B.8	Do the banking supervisor, securities regulator and/or other relevant authorities apply law and regulation in a fair and consistent manner?	✓				World Bank analysis and interviews suggest that Bapepam and Bank Indonesia do work to consistently and fairly enforce laws. However, as in most countries, interviews suggest that some categories of companies are more difficult to oversee than others, including large companies with politically well-connected owners, and state-owned enterprises and banks.

**3. When codes are used, their status in terms of coverage, implementation, compliance and sanctions should be efficient**

I.B.9	Is there a country-level corporate governance code?		✓			The first Code of Good Corporate Governance of Indonesia (the GCG Code) was issued in 1999, under the auspices of the National Committee on Corporate Governance (NCCG). NCCG was established by Decree of the Coordinating Minister for Economy, Finance and Industry, and includes 30 representatives from the public and private sector. The Code has since been revised several times (in 2001 and most recently in 2006). In addition the NCCG has developed a set of sector-specific codes, including the Banking Sector Code (2004) and the Insurance Sector Code (2006). The GCG Code is intended to be "a reference point for all companies in Indonesia".
I.B.10	Is the country-level corporate governance code widely followed or adhered to in practice?		✓			The GCG Code is fully voluntary, and is not itself incorporated into regulation. Regulators are expected to use the GCG Code as a reference for developing specific corporate governance regulation.
I.B.11	Do the regulatory authorities monitor whether companies disclose their adherence to the code on a "comply or explain" basis?			✓		Regulators monitor compliance with the regulations that they have issued, but not with the GCG Code specifically.
I.B.12	Do the regulatory authorities monitor the <a href="#">quality</a> of how companies disclose their adherence to the code?			✓		Regulators monitor compliance with the regulations that they have issued, but not with the GCG Code specifically.
I.B.13	Does the stock exchange, regulatory authority, and/or other body produce a jurisdiction-wide report summarizing the implementation statements of companies, including the incidence of compliance?			✓		Regulators monitor compliance with the regulations that they have issued, but not with the GCG Code specifically.

I.C.	The division of responsibilities among different authorities in a jurisdiction should be clearly articulated and ensure that the public interest is served.*					
Status of implementation:				88%	Broadly Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Enforcement bodies cooperate; laws and regulations are coherent; the cost of compliance is not excessive; and SROs are effective and transparent.</b>						
I.C.1	Does the corporate governance framework effectively cover all company types (e.g. insurance, banks, real-sector companies) or are certain institutions un-regulated, under-regulated, or over-regulated?	✓				All public interest entities appear to be highly regulated. Bapepam oversees the capital market, as well as (since 2006) non-bank financial institutions, including insurance companies and pension funds. Bank Indonesia oversees the banking sector. Both have issued extensive corporate governance regulations. In addition, state-owned enterprises are subject to their own regulation. The banking and insurance sectors have their own codes of corporate governance.
I.C.2	Does the corporate governance framework effectively cover all relevant institutions (e.g. credit rating agencies and hedge funds) or are certain institutions un- or under-regulated?	✓				In general, relevant institutions are covered. However, some institutions (e.g. banks) face significantly more regulation than others.
I.C.3	Has a memorandum of understanding (MoU) or similar agreement(s) been signed between the different regulatory authorities to strengthen regulatory oversight and supervision, e.g. between the securities regulator, insurance regulator, and banking supervisor?	✓				Article 112 of the CML requires Bapepam and Bank Indonesia to “consult and coordinate their respective functions of overseeing Custodians, Trust-Agents (relative to certain products), and other matters regarding Capital Market operations of commercial banks...”  An MoU between Bapepam-LK and BI was signed on 30 April 2010. This MoU covers coordination in exchange of information, exchange of human resources in supervision, including micro and macro surveillance, and harmonization in rules and regulation.
I.C.4	Do the various regulatory authorities cooperate with one another in practice?		✓			In practice, the various regulatory authorities do cooperate with each other. As noted below, Bapepam and Bank Indonesia cooperate and share information, but have not conducted joint investigations. Bapepam has found certain aspects of the bank secrecy rules to be an obstacle in some of its investigations. Joint investigations are not conducted (due to regulatory restrictions).  It was the informal position of several market participants that this cooperation can be improved.
I.C.5	Does the enforcement of the corporate governance framework effectively cover all relevant legal acts (e.g. company law, law on accounting, law on securities markets) or are certain laws or acts under-enforced?	✓				In general, all acts appear to have a relevant enforcement body. Bapepam has replicated some significant provisions of the Companies Act in its own regulation - which allows it to directly enforce many aspects of company law.
I.C.6	Do the banking supervisor and securities regulator and other enforcement bodies share information and conduct joint investigations with one another in practice, when necessary and warranted?		✓			Bapepam and Bank Indonesia do appear to cooperate and share information, but have not conducted joint investigations. Bapepam has found certain aspects of the bank secrecy rules to be an obstacle in some of its investigations.

I.C.7	If any oversight over the corporate governance framework has been delegated to non-public bodies, in particular <a href="#">self-regulatory organizations (SRO)</a> , do these organizations work transparently and in the public interest?	✓				The CML recognizes self-regulatory organizations. Three are active: The Indonesia Stock Exchange (IDX); the Central Securities Depository (KSEI); and the Clearing Guarantee Institution and central counterparty (KPEI).
I.C.8	Is the cost of compliance with the corporate governance framework reasonable?	✓				The cost of compliance appears to be reasonable on an international comparative basis.

I.D.	Regulatory authorities should have the authority, integrity, and resources to fulfill their duties in a professional and objective manner.*					
	Status of implementation:		67%	Partially Implemented		
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
I.D.1.1	Is the country placed within the 75th percentile countries in terms of 'regulatory quality' within the context of the Worldwide Governance Indicators (WGI) Project?		✓		See WGI website	Indonesia ranks 45 (out of 100) on the regulatory quality indicator for 2008.
<b>i. The securities regulator</b>						
<b>1.1. The securities regulator has the authority and integrity to be effective and not subject to commercial and political influence.</b>						
I.D.1.2	Does the securities regulator have a <a href="#">positive reputation</a> among key stakeholder groups?	✓				Market participants generally expressed appreciation about Bapepam and its achievements.
<b>The securities regulator has the authority to be effective</b>						
I.D.1.3	Does the securities regulator have the formal authority to supervise issuers?	✓				Under the capital markets law Bapepam has the authority to supervise issuers.
I.D.1.4	Does the securities regulator have the formal authority to supervise financial intermediaries, e.g. brokers and custodians?	✓			CML §5	According to the CML Bapepam shall have authority to: a. grant: 1) business licenses to Securities Exchanges, Clearing Guarantee Institutions, a Central Securities Depository, Investment Funds, Securities Companies, Investment Advisors, and Securities Administration Agencies; 2) individual licenses to Underwriter's Representatives, Broker-Dealer's Representatives, and Investment Manager's Representatives; and 3) approvals to Custodian banks; b. require the registration of Capital Market Supporting Professionals and Trust-Agents; c. establish qualifications and nominating procedures for directors and commissioners of Securities Exchanges, Clearing Guarantee Institutions, the Central Securities Depository, as well as the procedures for suspending such officials and for appointing interim management until the election of new commissioners or directors. d. establish the requirements and procedures regarding Registration Statements and declare, delay, or cancel the effectiveness of such Registration Statements. e. inspect and investigate any Person with respect to suspected violations of this Law or its implementing regulations;

I.D.1.5	Does the securities regulator's authority to investigate include full access to books and records, as well as the ability to conduct off-site surveillance and on-site examinations?	✓		CML §100, 101	<p>Bapepam has full investigative authority (although it does not have subpoena power) and can launch formal and criminal investigations. Article 100 (1) Bapepam may initiate a formal investigation of any Person suspected of violating or being involved in a violation of this Law and/or its implementing regulations. (2) When conducting investigations referred to in item (1), Bapepam is authorized to: a. request information and corroboration from Persons suspected of engaging in or having been involved in a violation of this Law or its implementing regulations, or from other Persons, as deemed necessary; b. require Persons suspected of engaging in or having been involved in a violation of this Law or its implementing regulations, to do or not to do certain things. c. inspect and make copies of records, books, and or other documents owned by Persons suspected of engaging in or having been involved in a violation of this Law or its implementing regulations, including records, books, and documents owned by other Persons, when deemed necessary; and d. establish requirements for and/or permit Persons to do certain things that are appropriate in the context of the settlement of losses that have occurred as a result of a suspected violation of this Law and or its implementing regulations (3) Further provisions regarding the investigative procedures mentioned in item (1), shall be stipulated in Government Regulations. (4) Bapepam employees and other Persons appointed by Bapepam to conduct formal investigations, may not use for themselves, information obtained by virtue of this Law or disclose such information to another Person, except as necessary to achieve Bapepam's purposes of, or as otherwise required by law. Article 101 (1) Whenever Bapepam believes that a violation of this Law or its implementing regulations has damaged Capital Market interests and/or has placed property of investors or the public in jeopardy, Bapepam may initiate a criminal investigation. (2) Specific Government Officials of Bapepam have special authority to conduct criminal investigations with respect to the Capital Market, based on provisions in the Indonesian Criminal Code. (3) Investigators referred to item (2) are authorized to: a. Receive reports, information or complaints from Persons with respect to Capital Market crimes; b. Investigate the authenticity of reports or information relating to Capital Market crimes; c. Investigate Persons suspected of Capital Market crimes; d. Summon, inspect, and request information and evidence from Persons suspected of Capital Market crimes; e. Inspect books, records and other documents with reference to Capital Market crimes; f. Inspect certain locations where evidence may be found in books, records and other documents and seize materials that may be used as evidence in criminal cases related to the Capital Market; g. Block bank accounts or other financial assets of Persons suspected of Capital Market crimes; h. Request professional assistance in criminal investigations related to the Capital Market; and i. Determine the initiation and termination of an investigation. (4) When conducting an investigation as mentioned in item (1), Bapepam, may make a request to the Minister to obtain information from banks on the financial situation of suspects, under applicable banking laws and regulations. (5) Investigators mentioned in item (2), shall announce the initiation of an investigation and deliver their results to the Attorney General, in accordance with provisions in the Indonesian Criminal Code. (6) When using the investigative powers mentioned in item (1), Bapepam may request assistance from other law enforcement agencies. (7) Bapepam officials and other Persons appointed by Bapepam to conduct criminal investigations, may not use for themselves information obtained by virtue of this Law, or disclose such information to another Person, except as necessary to achieve Bapepam purposes, or as otherwise required by law.</p>
I.D.1.6	Can the securities regulator issue rules and regulations?	✓		CML §3 (1)	<p>Bapepam-LK can "develop, regulate and monitor any parties involved in capital market." It can thus recommend, draft and propose prudential rules, regulations and statutes.</p>

I.D.1.7	Can the securities market regulator intervene on behalf of shareholders in corporate disputes?		✓			<p>Bapepam cannot and does not intervene in disputes between shareholders, other than following up on and investigating complaints.</p> <p>Law Number 30 Year 1999 concerning Arbitrage and Dispute Resolution. Alternative mechanism for dispute resolution is provided by Indonesian Capital Market Arbitration Board (BAPMI) that provides out of court dispute settlement services. The disputes that can be settled through BAPMI shall meet the following criteria:</p> <ol style="list-style-type: none"> <li>1. only dispute on civil case that relates with capital market activity;</li> <li>2. there is an agreement between disputing parties that such dispute will referred to BAPMI;</li> <li>3. there is a written request by disputing parties to BAPMI; and</li> <li>4. such dispute is not a criminal or administrative case such as market manipulation, insider trading, or revocation of business license.</li> </ol> <p>However, there are no cases that have been presented to the arbitration board so far.</p>
I.D.1.8	Can the securities regulator issue the following sanctions:					
I.D.1.8.1	Warning letters		✓		CML §102	Administrative sanctions which can be imposed by BAPEPAM can include: a) written warning; b) fines; c) restriction of business; d) freezing business activities; e) business license revocation; f) cancellation of approval; and g) cancellation of registration.
I.D.1.8.2	Suspensions (both of issuers' listings and financial intermediaries licenses)?		✓		CML §102	Administrative sanctions which can be imposed by BAPEPAM can include: a) written warning; b) fines; c) restriction of business; d) freezing business activities; e) business license revocation; f) cancellation of approval; and g) cancellation of registration.
I.D.1.8.3	Material (substantial) fines?		✓		CML §102	Administrative sanctions which can be imposed by Bapepam can include monetary penalties (fines). In practice, Bapepam does impose fines for violation of securities regulation, especially in regards to disclosure. However, some market participants consider the level of fines too low to be effective. Total fines have also declined in recent years, though this could reflect better compliance.

**The securities regulator is independent**

I.D.1.9	Does the legal and regulatory framework state that the securities regulator is independent?			✓	CML	<p>There does not appear to be any explicit statement of independence from the government. Bapepam is a government institution and responsible to Ministry of Finance. Article 3 of the CML explicitly provides that Bapepam "shall provide ... day to day supervision of the Capital Market," and Article 2 of that Act describes the role of the Ministry of Finance to which Bapepam reports as the determination of "general policy," which in turn is defined as "policy directly or indirectly related to fiscal and monetary policy and macro-economics." Bapepam itself is charged with the licensing process and execution of its other powers and authorities as laid out in the CML without ministerial intervention.</p> <p>The Minister of Finance is accorded a role with respect to issuance of government regulations and the eponymous ministerial decrees, while Bapepam is responsible for its own rules. For example, rules related to day-to-day operations are entirely within the province of the Bapepam, but "government regulations," such as the framework for the formal investigative procedure, must be adopted at the ministerial level and are passed to the Minister by the regulator in proposed draft form. Regulations made by the Bapepam itself are subject to Supreme Court review for failure to follow procedures or as to substantive outcome. Bapepam is required to give reasons for its material decisions relative to licensing and when exercising its administrative authorities to sanction individuals. Individuals or firms who are subject to sanction, under Rule Number II.H.11 may be permitted to present information to Bapepam in explanation and mitigation. Adversely affected persons also may seek review in the Administrative and Constitutional Court (Law 5/1986 as amended by Law 9/2004 and Law 14/1985 as amended by Law 5/2004).</p> <p>In practice, Bapepam appears to be relatively independent from the securities industry, but less so from the Ministry of Finance.</p>
I.D.1.10	Does the securities regulator report to parliament or another body independent from the executive to ensure for regulatory independence?			✓	CML §3 (2)	<p>According to the CML, "Bapepam reports and is responsible to the Minister (of Finance)." Bapepam must report on its performance to the President through the Minister of Finance and must produce an Annual Report, which includes information on promotion of compliance and implementation of its regulations. In practice, Bapepam acts in many ways as a branch of the Ministry.</p>
I.D.1.11	Is the head of the securities regulator appointed or approved by parliament or another body independent from the executive government?			✓	CML §3 (2)	<p>According to the CML, "BAPEPAM reports and is responsible to the Minister (of Finance)." In practice, BAPEPAM acts in many ways as a branch of the Ministry. For example, BAPEPAM does not have obligation to report to parliament or another body. Bapepam operates under a Chairman with a Secretariat composed of 12 bureaus. The procedures for appointing the Chairman, who is proposed by the Minister of Finance, and who serves at the pleasure of the President, are laid down in Government Regulation 13/2002, which sets forth general procedures for appointing a civil servant to chair a governmental institution.</p>
I.D.1.12	Does the legal and regulatory framework provide for clear criteria for the dismissal of the head and senior executives of the regulator?			✓	CML §3 (2)	<p>According to the CML, "Bapepam reports and is responsible to the Minister (of Finance)." Bapepam must report on its performance to the President through the Minister of Finance and must produce an Annual Report, which includes information on promotion of compliance and implementation of its regulations. In practice, Bapepam acts in many ways as a branch of the Ministry.</p>
I.D.1.13	Is the securities regulator financially independent (e.g. does it receive its budget from registration and transaction fees, or fines, or from parliament, as opposed to deriving its budget from the government)?			✓		<p>Bapepam is not financially independent. It relies on the state budget for its funding. Bapepam does receive revenue from stock exchange fees and fines, but this revenue must be paid directly to the state budget. Bapepam can then withdraw it for institutional purposes.</p>

I.D.1.14	Is the securities regulator free from cases of conflicts of interest involving senior staff of the securities regulator?		✓			Bapepam staff, including the Chairman, are civil servants and are subject to general rules respecting Civil Servants, which requires them to serve the purposes of the State, as opposed to any political party, and which enjoins them to act professionally, comply with the constitution and existing laws and regulations, avoid conflicts of interest, protect confidentiality of information obtained in the course of their duties, and to "provide good service proportionally and be neutral ([that is] not dispense special favor or privileges) to any Person that [has a stake in] the Capital Market and Bapepam." (See Bapepam Code of Ethics and Law 31/1999 as amended by Law 20/2001 respecting Eradicating Criminal Acts of Corruption, Article 101 of CML). Bapepam has an Internal Compliance Bureau and there is a general Inspectorate General within the Department of Finance. Each is charged with investigating abuses and imposing sanctions.
<b>The securities regulator is effective</b>						
I.D.1.15	In practice, does the securities regulator issue sanctions when warranted?	✓				Bapepam does issue fines. However, most fines appear to relate to late filings of annual reports. Total fines over the past five years is approximately \$4.3 million.
I.D.1.16	Is the appeals process largely free from abuses, i.e. do market participants refrain from using the appeals process to delay or prevent effective enforcement by the securities regulator?	✓				Appeals are rare, and are not seen to be disruptive to the enforcement activities of Bapepam. Sanctions are imposed while the appeals process is on-going.
I.D.1.17	Are regulatory proceedings considered time and resource effective?	✓				In general, Bapepam's own, proceeding are considered to be relatively time effective. The time needed to process an investigation may vary depend on the type of the cases, i.e. cases of financial statement fraud or market manipulation usually take longer time.  A problem with the effectiveness and credibility of Bapepam enforcement efforts is the fact that serious crimes must be prosecuted within the criminal justice system. The general judicial system is slow; inconsistent for lack of binding precedent; and unreliable in assessing sanctions for financial crimes or misconduct.
<b>1.2. The securities regulator has sufficient resources to fulfill its objectives.</b>						
I.D.1.18	Does the securities regulator have sufficient financial and human <a href="#">resources*</a> , to effectively implement its mandate?		✓			Overall resources are considered to be sufficient. The number of Bapepam employees is 875. The budget for FY 2009 is IDR 156,3 billion.  However, several divisions of Bapepam (including the corporate finance bureau and the enforcement and legal sections) reported that they have insufficient skilled resources in accounting and enforcement issues.
I.D.1.19	Can the securities regulator hire, motivate, and retain qualified staff, e.g. are remuneration packages paid by the securities regulator commensurate with the private sector and/or banking supervisor?		✓			The remuneration of Bapepam staff is comparable to that of the private sector (although some observers note that it remains below some of the elite institutions in the private sector). However the level of remuneration is still below the central bank. Bapepam staff note that the training and study opportunities offered by Bapepam were a significant incentive.
I.D.1.20	Does the securities regulator have a training program in place to ensure that the skills of its staff are continuously updated?	✓				In practice Bapepam LK conducts training for new recruited employees, as well as continuing training for its officials and staff both domestic and overseas.

**1.3. The securities regulator has established a reputation for being transparent and consistent.**

I.D.1.21	Is the securities regulator viewed as being transparent, i.e. does the securities regulator publish information on its activities, statistics on the number of inspections, sanctions, as well as its budget?	✓				Bapepam publishes information about its activities. Through Bapepam's website, public can get information, such as monthly capital market statistics, release of new rules, sanction imposed, data of profession and institutions involved in capital market etc.
I.D.1.22	Does the securities regulator produce an annual report on a timely basis?		✓			Bapepam must also report on its performance to the President through the Minister of Finance and must produce an Annual Report, which includes information on promotion of compliance and implementation of its regulations. In practice, Bapepam regularly issues an annual report.
I.D.1.23	Are rulings by the securities regulator publicly available?		✓			Some rulings are reportedly publicly available.

**1.4. The securities regulator allocates scarce resources effectively to maximize regulatory impact.**

I.D.1.24	Does the securities regulator utilize a risk-based supervision approach, i.e. have a formal strategy and plan to focus its resources on those institutions and practices that pose the greatest risk to the capital markets?	✓				Bapepam LK implements risk based supervision, i.e. monitoring process of issuers by corporate finance bureau based on risk-assessment indicators.
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## Chapter II.: The Rights of Shareholders and Key Ownership Functions

## II.A.1. Basic shareholder rights should include the right to secure methods of ownership registration.\*

Status of implementation: 85%

Broadly Implemented

No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Companies are to maintain a shareholders list, which any shareholder can inspect to verify their holdings.</b>						
II.A.1.1	Does the legal and regulatory framework require companies--either directly or through a third party--to maintain a register of shareholders?	✓			UU No. 40/07, Bapepam Rule X.H.2	<p>Issuers must either manage their own registry or appoint a securities administration agency (BAE in Bahasa) to carry out the function. Most issuers use the services of an independent registrar (BAE in Bahasa)- less than 20 listed companies do it on their own. There are 13 BAE licensed by Bapepem, of which about 9 are active (and members of a BAE Association). The registrars reconcile the "scripless" shares (which are dematerialized and shareholder recordkeeping is managed by KSEI) and the "scrip" shares (for which recordkeeping and transfers are managed by the BAE). An average 70% of shares are held in scripless form, although some big companies are more than 90 percent scripless, and there is a gradual move over time (although there is no organized initiative to move to 100% scripless shares). The BAE report to the issuer, to the tax regulator, and to Bapepam (including significant shareholders).</p> <p>Article 50 paragraph (1) and (2) of CL states that the Companies' Board of Directors shall make and keep a register of shareholders, containing at least shareholders' names and addresses, the number and class of shares held, the amount paid up on every share, the name and address of an individual or legal entity who has a pledge over the shares, information on the shares having been paid up in other forms as contemplated in Article 34 paragraph (2).</p> <p>Bapepam-LK rule No.X.H.2 (Maintenance of Documents by Securities Administration Agencies and Issuers Performing Their Own Securities Administration) sections 1 and 2 regulates the obligation of BAE and issuers that manage and maintain documents and information of registration of shareholders. This rule does not include any specific performance requirements for registrars.</p>
II.A.1.2	Does the legal and regulatory framework allow shareholders or their proxies to inspect the register of shareholders to verify their ownership?	✓			UU No. 40/07, Bapepam Rule III.C.7	<p>Article 50 paragraph (4) of CL regulates that the register of shareholders and special register contemplated in must be made available in the Company's domicile so that they can be seen by the shareholders.</p> <p>Article 3 letter c of Bapepam-LK rule Number III.C.7 (concerning Securities Sub Account With Central Securities Depository) states that a contract concerning the opening of securities account of Client of the Participant must comply with prevailing rules and regulations and shall include provision concerning rights of Clients to request for reports at any time and or to test the similarity between Client's securities account balance recorded in the Participant's Book recording and it recorded in the Securities Sub Account at Central Custody.</p>

**2. Shareholder rights are protected when held by custodians and custodians are required to safeguard customers' assets.**

II.A.1.3	(If shares are held on behalf of shareholders by custodians) Does the legal and regulatory framework sufficiently protect the rights of shareholders by requiring custodians to safeguard customers' assets?	✓			UU No. 8/05	Custodians are active in the local market. Local banks are the largest custodians. Article 44 of CML states that(1) A Custodian is responsible for safekeeping an accountholder's Securities and for fulfilling the conditions of the account-holder's contract with the Custodian.(2) Securities on deposit must be maintained and recorded separately.(3) Securities in safekeeping or posted to a Securities account with a Custodian are not part of the Custodian's assets.Securities accounts are not property of the Custodian, and cannot be taken or seized by the creditors of the Custodian. When a Custodian is bankrupt, the securities deposited with the Custodian are excluded from the bankruptcy assets and must be returned to the account-holders.Moreover, item 2.c. and 2.d. rule No.V.D.3 concerning Internal Control and Book Keeping of Securities Companies states that the funds, securities, and documents owned by the Securities Company must be kept separately in a different place or Securities Custodian account than those of the company's clients and the funds, Securities, and documents referred to in letter a must be protected from misuse, loss, and access by unauthorized Persons.
II.A.1.4	Does the legal and regulatory framework provide for the possibility of inspections and examinations of registrars/transfer agents by the regulatory authorities?	✓			Government rule no 46/1995	According to Article 5 item g CML, Bapepam-LK has the authority to inspect and examine registrars/transfer agent.

**3. Where securities are dematerialized and transferred by book entry, the system is widespread and reliable.**

II.A.1.5	Does the legal and regulatory framework provide for <a href="#">minimum performance standards</a> for registrars/transfer agents?	✓			Bapepam Rule No. X.H.2; Capital Market Law No. 8/1995 chapter 7	The requirements are stated in Bapepam regulation VI.B.1 (concerning Licensing of a Securities Administration Agency). The requirements include: 1. An operational manual which contains at least the organizational structure, including job descriptions, the authority and responsibilities of officers who answer directly to directors, and employment regulations of the Securities Administration Agency; procedures relating to the flow of documents and work. 2. The Securities Administration Agency must properly maintain records on each securities account, and keep a copy of such records in a separate and safe place.
II.A.1.6	Are companies (including their board members), registrars, or the central depository liable for maintaining an accurate shareholders list?	✓			Bapepam Rule No. X.H.2	It is regulated on Bapepam-LK Rule No. X.H.2. concerning Maintenance of Documents by Securities Administration Agencies and Issuers Performing Their Own Securities Administration.

**ii. Enforcement and compliance:**

II.A.1.7	In practice, do companies--either directly or through a third party--maintain a register of shareholders?	✓				All listed companies maintain a share registry, and traded shares are held through the central depository (KSEI).
II.A.1.8	In practice, are shareholders or their proxies able to inspect the register of shareholders to verify their ownership in a low cost and time effective manner?		✓		Survey on associations	Shareholders holding through a broker / custodian and KSEI must work through the broker / custodian. KSEI has launched a new program to allow shareholders to check the information in their sub-account in the system, via the internet, but this program was only launched in July 2009. All associations answered 'Yes, partially'
II.A.1.9	In practice, can shareholders hold companies, registrars, or the central depository accountable for sufficiently safeguarding their assets?		✓			In theory, registrars are accountable to shareholders. However, difficulties and expense associated with legal action would make that difficult in practice. Shareholders are more likely to complain to Bapepam.
II.A.1.10	In practice, do custodians follow <a href="#">minimum performance standards</a> ?		✓			Bank custodians appear to follow international performance standards (there were no complaints from domestic or international investors in this regard).  There have been some problems reported with brokers trading client shares under their control, and shareholders suffering losses as a result. Two initiatives are under way to address this situation including KSEI's new program to allow clients to see their KSEI subaccounts via the internet,

						and a compensation / protection fund that is being set up.
II.A.1.11	In practice, does the regulatory authority inspect and examine registrars/transfer agents?	✓				Bapepam does carry out inspections.

II.A.2. Basic shareholder rights should include the right to convey or transfer shares.*						
Status of implementation:					100%	Fully Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Companies do not in general restrict the transfer or conveyance of shares.</b>						
II.A.2.1	Does the legal and regulatory framework forbid the company, e.g. through its articles or association, to restrict the transfer of shares?	✓			UU no. 40/07, article 59 CML.	It is not possible for companies to restrict the transfer of shares. The law allows certain forms of internationally-acceptable transfer restrictions, including the pre-emptive rights of shareholders to acquire shares in the event of a capital increase, and approval by various government bodies during a share transfer (e.g. during a takeover). According to article 59 CML, the blocking of a securities account in the KSEI may only take place when the Central Securities Depository receives a written order from BAPEPAM or a written request from the Head of the Regional Police Force, the Chairman of the High Prosecutor, or the Chairman of the High Court, with respect to civil or criminal court proceedings. In addition, under Section 2.2 of the Custodian Service Rule, KSEI can block a share transfer by request of securities account holder (not the company) for shares that have been pledged.  There do not appear to be similar rules for transfers of shares held outside of the KSEI.
<b>2. The security depositaries are adequately staffed and funded, independent, and are accepted by market participants.</b>						
II.A.2.2	Does the securities depository have a positive reputation among key stakeholder groups?	✓				KSEI does have a positive reputation in the eyes of the market.
II.A.2.3	Does the corporate governance framework ensure that the securities depository has sufficient financial and human <a href="#">resources*</a> , to effectively implement its mandate?	✓				KSEI does appear to have sufficient financial and human resources to implement its mandate.
II.A.2.4	Is the securities depository required to be independent in terms of funding and special interests?	✓				KSEI appears to be independent of special interests.
II.A.2.5	Does the legal and regulatory framework call for clearing and settlement to take place in DVP (delivery versus payment)?	✓			KSEI	Transfer does take place in DVP.
<b>ii. Enforcement and compliance:</b>						
II.A.2.6	Are shareholders able to freely transfer their shares in publicly listed companies?	✓				Shares are freely transferable in practice, and there are no reports of companies trying to block share transfers. (It is important to note that if the shares are stored in KSEI, it is not clear how the company could block a share transfer in practice).
II.A.2.7	In practice, does the securities depository have sufficient financial and human resources?	✓				KSEI does appear to have sufficient financial and human resources to implement its mandate.
II.A.2.8	In practice, is the securities depository independent?	✓				KSEI appears to be independent of special interests.
II.A.2.9	Does clearing and settlement take place in DVP (delivery versus payment)?	✓				Transfer does take place in DVP.
II.A.2.10	Does clearing and settlement take place in T+3 or better?	✓				Clearing and settlement is T+3. There are 4 settlement banks.

II.A.3. Basic shareholder rights should include the right to obtain relevant and material information on the corporation on a timely and regular basis.*						
Status of implementation:					94%	Broadly Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Internal procedures are not used to impede shareholders from obtaining company information without undue delay and cost.</b>						
II.A.3.1	Does the legal and regulatory framework provide shareholders the right to obtain copies of the articles of association, charter, and by-laws?	✓			UU No. 40/07	<p>The CL and Bapepam regulation do not explicitly state the right for shareholders to obtain information.</p> <p>The law does require approval from the GMS if there is a change in articles (art 19), and the draft must be provided to shareholders. Bapepam regulation (I.J.1) also requires securities administration agencies (BAE) to keep a copy of the articles of association of the issuer, but is not explicit that shareholders should be able to receive it from the issuer.</p> <p>Bapepam regulation does not stipulate shareholders' right to obtain AoA, instead, it compels companies to provide the AoA to shareholders</p> <p>According to article 30 CL, the Article of Association going to be announced in the Supplement to the State Gazette of the Republic of Indonesia by the Minister. It is mean that the Article of Association is available for public after the announcement and can be obtained by shareholders.</p> <p>Additionally, Article of Association is one of registration statement supporting documents that are required by Bapepam LK rule and the AoA must be included in companies' prospectus.</p>
II.A.3.2	Does the legal and regulatory framework provide shareholders the right to obtain the annual audited financial statements?	✓			Bapepam Rule IX.I.1	Disclosure regulation (X.K.6) does require companies to make an annual report available to shareholders at the time of the annual meeting.
II.A.3.3	Does the legal and regulatory framework provide shareholders the right to obtain the minutes of the GMS?	✓			Rule IX.I.1, CL Article 100 (1), Article 100 (3).	According to Bapepam rule IX.I.1, companies must publicly announce the results of GMS within 2 days after the meeting in two Indonesian newspapers (of which one must be distributed nationally). According to article 100 (1.a) CL, the Board of Directors shall make a register of shareholders, special register, GMS minutes, and minutes of meetings of the Board of Directors. Article 100 (3) CL states that at a shareholder's written request, the Board of Directors shall give the shareholder permission to examine the GMS minutes.
II.A.3.4	Does the legal and regulatory framework provide shareholders the right to obtain the company's capital or ownership structure?	✓			Bapepam Rule X.K.6 (section 2 e 9) and Accounting Standard	<p>Description regarding shareholders and percentage of ownership including the following components:</p> <p>a) shareholders with equal to or more than 5% (five percent) ownership of Issuers' or Public Companies' shares;</p> <p>b) director and commissioners that own the Issuers' or Public Companies' shares;</p> <p>c) group of public shareholders that own less than 5% (five percent) of Issuers' or Public Companies' shares;</p> <p>Information to be disclosed is the direct owner of the company.</p>
<b>ii. Enforcement and compliance:</b>						
II.A.3.5	In practice, are shareholders able to obtain copies of the articles of association, charter, and by-laws?	✓				Companies do appear to be able to obtain copies of the relevant company documents.
II.A.3.6	In practice, are shareholders able to obtain the annual audited financial statements?	✓				Audited financial statements are provided in GMS and can be requested. Some companies provide audited FS in their website.
II.A.3.7	In practice, are shareholders able to obtain the minutes of the GMS?	✓				Companies do appear to be able to obtain copies of the relevant company documents.

II.A.3.8	In practice, are shareholders able to obtain the company's capital or ownership structure?		✓		X.K.6, CL 50 (4)	Some information is provided to shareholders, via the financial statements (which must be disclosed annually) and the share register (which per company law must be made available to shareholders). However, since disclosure is only made to the level of direct owners, it is sometimes of limited usefulness to shareholders.
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II.A.4. Basic shareholder rights should include the right to participate and vote in general shareholder meetings.*						
Status of implementation:					100%	Fully Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Procedural mechanisms do not permit companies to impede shareholders from participating and voting in the GMS.</b>						
II.A.4.1	Does the legal and regulatory framework provide shareholders with the right to attend and vote at the GMS?	✓			Art 52 (1.a) UU No.40/07, Bapepam rule IX.1.1	<p>Shares provide rights to their owners to attend and cast vote in the GMS.</p> <p>According to rule IX.1.1, the GSMS should be "thoughtfully planned with respect to determining the place, the time, the procedures, and meeting agenda, in accordance with the Company's Articles of Association".</p>
<b>ii. Enforcement and compliance:</b>						
II.A.4.2	In practice, are shareholders able to participate in the GMS without being impeded by the company, board members, or controlling shareholders?	✓			Co Survey, Assoc Survey,, FGD	<p>The company survey carried out for the corporate governance ROSC shows that most companies employ the minimum regulatory requirement regarding eligibility of shareholders to attend the GMS. Some focus group participants specified some technical problems (e.g., for shareholders residing outside Jakarta, for foreign investors).</p> <p>The company survey also shows that shareholders are not burdened with paperwork when attending the GMS. Further, almost all meetings are held in Jakarta, where most shareholders reside. The association survey is consistent with this view.</p> <p>Bapepam LK enforces its own regulations covering shareholder meetings, but not overall company law (Rule IX.1.1 and IX.J.1). Court efficiency hinders shareholders challenges to these rights in court.</p>

II.A.5 Basic shareholder rights should include the right to elect and remove board members of the board.*						
Status of implementation: 100%					Fully Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Procedural mechanisms do not permit companies to impede shareholders from electing and removing directors.</b>						
II.A.5.1	Does the legal and regulatory framework provide shareholders with the right to vote for board members?	✓			Art 94 & Art 111 UU No.40/07	Art 94: Members of the Board of Commissioners shall be appointed by GMS. Art 111: Members of the Board of Commissioners shall be appointed by GMS.
II.A.5.2	Does the legal and regulatory framework provide shareholders with the right to remove board members, including before the end of their term?	✓			Art 105 & 119 UU No.40/07	Art 105:(1) A member of the Board of Directors may be at any time dismissed based on the resolution of GMS by specifying the reasons. (2) The resolution to dismiss the member of the Board of Directors as referred to in paragraph (1), shall be adopted after the relevant member has been given an opportunity to defend itself in the GMS.  Art 119: The provision regarding the dismissal of a member of the Board of Directors as referred to in Article 105 shall apply mutatis mutandis for the dismissal of a member of the Board of Commissioners.
<b>ii. Enforcement and compliance:</b>						
II.A.5.3	In practice, are shareholders able to elect board members?	✓				There were no reports of problems in this area. In general, the right to vote for board members is in place and is not violated. However (as mentioned elsewhere) this right is typically a formality, as there is no opposing slate of candidates and no real choice is offered to minority shareholders. However (as mentioned elsewhere) this right is typically a formality, as there is no opposing slate of candidates and no real choice is offered to minority shareholders. However (as mentioned elsewhere) this right is typically a formality, as there is no opposing slate of candidates and no real choice is offered to minority shareholders.  No regulatory body is responsible for enforcing these specific rights (since they are only found in company law). Bapepam enforces these rights in the sense of enforcing the general rules covering shareholder meetings. In the association survey, four associations responded that the rules were only partially enforced. Rules that require a nomination process that allows non-controlling shareholders to participate is not enforced.
II.A.5.4	In practice, are shareholders able to dismiss board members?	✓				There were no reports of problems in this area. In general, the right to vote for board members is in place and is not violated. However (as mentioned elsewhere) this right is typically a formality, as there is no opposing slate of candidates and no real choice is offered to minority shareholders. However (as mentioned elsewhere) this right is typically a formality, as there is no opposing slate of candidates and no real choice is offered to minority shareholders. However (as mentioned elsewhere) this right is typically a formality, as there is no opposing slate of candidates and no real choice is offered to minority shareholders. No regulatory body is responsible for enforcing these specific rights (since they are only found in company law). Bapepam enforces these rights in the sense of enforcing the general rules covering shareholder meetings. In the association survey, four associations responded that the rules were only partially enforced. Rules that require a nomination process that allows non-controlling shareholders to participate is not enforced.

II.A.6. Basic shareholder rights should include the right to share in profits of the corporation.*						
Status of implementation:					88%	Broadly Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Shareholders in the same class are treated equally.</b>						
II.A.6.1	Does the legal and regulatory framework provide shareholders with the right to receive declared dividends/shares in the company's profits?	✓			Art 52 (1.b) & (71 (1) (2) UU No.40/07	Company law gives shareholders the rights to dividends (Art 52: (1) b)). Dividends cannot be paid if losses are being made or if the company has not established a reserve of 20% of paid in capital. All net earnings after deduction for reserve fund must be distributed as dividends, unless the GMS provides otherwise (Article 71).  It is possible for companies to issues shares with preferred rights to dividends.
II.A.6.2	Are all shareholders of the same class to receive the same dividends (per share)?	✓			Art 52 (4) UU No.40/07	Art 52 (4) Each share provides its owner indivisible right.
II.A.6.3	Are companies required to pay dividends within an appropriate (for example under six months) period as of the declaration and/or approval at the GMS?		✓			This does not appear to be directly regulated under the law. According to item 2.9.3. Custodian Service Rule, regarding cash dividend payment, the company should have sufficient funds and the funds must be deposited in the account of KSEI at least one day before the dividend payment date.
<b>2. There is a transparent and enforceable legal framework defining how decisions are made about distributing profits.</b>						
II.A.6.4	Does the legal and regulatory framework provide for the board to recommend and shareholders to approve dividends during the GMS?		✓		Art 71 (4) UU No.40/07	According to article 72 (4) CL, the allocation of <u>interim</u> dividends shall be determined by a resolution of the Board of Directors after obtaining the consent of the Board of Commissioners. In practice, directors also give recommendation on final dividend to be proposed to GMS, and based on the recommendation, shareholders approve the dividend in the GMS.
<b>ii. Enforcement and compliance:</b>						
II.A.6.5	In practice, do shareholders receive declared dividends from the company?	✓			Observation	There were no reports of problems with non-payment of declared dividends.
II.A.6.6	In practice, do shareholders of the same class receive the same dividends (per share)?	✓				There were no reports of problems with unfair payments of dividends.
II.A.6.7	Do companies pay declared dividends in a timely (for example less than six months) manner?	✓			Company Survey, Assoc Survey	There were no reports of problems with late or non-payment of dividends. The company survey finds that 65% of firms pay dividends more than 30 days after they are declared, 20% between 20-30 days, and the rest less than 20 days. According to the association survey: Two answered Yes, one answered Partially, one answered No.
II.A.6.8	Does share registrar and/or the depository facilitate shareholders receiving dividends and participating in the GMS?	✓				KSEI also assists the BAE with corporate actions, and prepares a list of sub-account holder for meeting invitations and other corporate actions.
II.A.6.9	In practice, are shareholders able to approve dividends during the GMS?	✓				There were no reports of compliance problems in this area.

II.B.1. Shareholders should have the right to participate in, and be sufficiently informed on, decisions concerning fundamental corporate changes such as amendments to the statutes.						
Status of implementation:					83%	Broadly Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The GMS has the exclusive authority or must provide its approval to change the basic governing documents of the company.</b>						
II.B.1.1	Does the legal framework require that shareholders approve changes to the company's articles of association or statutes?	✓			Art 19 (1) UU No.40/07	Amendments to the articles of association can only be made by a General Meeting of Shareholders (GMS), and cannot be delegated to the board.
II.B.1.2	Does the legal framework provide for a super-majority vote of at least two-thirds at the GMS to approve changes to the company's articles of association or statutes?	✓			Art 88 UU No.40/07, IX.J.1	Under both Bapepam rules (section 15.c.2) a) of Bapepam-LK rule No.IX.J.1, Articles of Association of Companies Conducting Public Offerings and Public Companies), and Article 88 of the CL, the GMS must be attended by shareholders that represent at least 2/3 of the total shares with legal voting rights, and the changes must be approved by at least 2/3 of the vote.
II.B.1.3	Are shareholders to be informed of proposed changes to the company's articles of association or statutes in a timely manner (for example 21 days) before the GMS?		✓		Art 82 UU No. 40/07, Regs No.IX.J.1	Bapepam regulation IX.J.1 (concerning Articles of Association of Companies Conducting Public Offerings and Public Companies) establishes the notification requirements for public companies. Invitations to a GMS must be preceded by a special announcement. Shareholders should be informed at least 14 (fourteen) days before the invitation, and the invitation shall be at least 14 (fourteen) days before the date on which the GMS is held, exclusive of the date of the invitation and the date of the GMS, for a total of at least 28 days notice. The Company Law (Article 83) contains similar provisions.  However, the special announcement does not include the details of the proposed changes.
<b>ii. Enforcement and compliance:</b>						
II.B.1.4	In practice, are shareholders able to approve changes to the company's articles of association or statutes?	✓			FGD, Assoc Survey	Companies reportedly follow the rules.
II.B.1.5	In practice, are shareholders provided with super-majority voting of at least two-thirds at the GMS to approve changes to the company's articles of association or statutes?	✓				Companies reportedly follow the rules.
II.B.1.6	In practice, are shareholders informed of the proposed changes to the company's articles of association or statutes in a timely manner (for example 21 days) before the GMS?		✓		Art 82 UU No. 40/07, Regs No.IX.J.1	Bapepam regulation IX.J.1 (concerning Articles of Association of Companies Conducting Public Offerings and Public Companies) establishes the notification requirements for public companies. Invitations to a GMS must be preceded by a special announcement. Shareholders should be informed at least 14 (fourteen) days before the invitation, and the invitation shall be at least 14 (fourteen) days before the date on which the GMS is held, exclusive of the date of the invitation and the date of the GMS, for a total of at least 28 days notice. The Company Law (Article 83) contains similar provisions.  However, the special announcement does not include the details of the proposed changes.

II.B.2. Shareholders should have the right to participate in, and be sufficiently informed on, decisions concerning fundamental corporate changes such as the authorization of additional shares.						
Status of implementation:					94%	Broadly Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The GMS has the exclusive authority or must provide its approval to change the authorized capital of the company.</b>						
II.B.2.1	Does the legal or regulatory framework provide shareholders with the authority to approve new share issues?	✓			Art 41 (1) & (2) UU No.40/07	Art 41: (1) The increase of the Company's capital shall be conducted based on the approval of the GMS. (2) The GMS may transfer the authority to the Board of Commissioners in order to approve the implementation of the GMS resolution as referred to in paragraph (1) for the period of not more than 1 (one) year.
II.B.2.2	Is a qualified majority vote (for example a 2/3 majority vote) of shareholders required in such instance?	✓			Art 42 (2)	Art 42 (2): The GMS resolution for the increase of issued and paid-up capital within the limits of the authorized capital shall be declared valid if the a quorum attending of more than ½ (one half) part of the total number of shares with voting rights and approved by more than ½ (one half) part of the total votes cast, unless larger number is determined in the articles of association.
II.B.2.3	Does the management or board have less than one year (or a closed horizon) to issues (some of the) shares once the increase has been approved by shareholders?	✓			Art 41 (2) UU No.40/07	The implementation is determined by General Shareholders Meeting. Art 41 (2) (2) The GMS may transfer the authority to the Board of Commissioners in order to approve the implementation of the GMS resolution as referred to in paragraph (1) for the period of not more than 1 (one) year.
II.B.2.4	Are shareholders to be informed of proposed changes to the company's authorized capital in a timely manner (for example 21 days) before the GMS?		✓		Art 82 UU No. 40/07, Regs No.IX.J.1	Bapepam regulation IX.J.1 (concerning Articles of Association of Companies Conducting Public Offerings and Public Companies) establishes the notification requirements for public companies. Invitations to a GMS must be preceded by a special announcement. Shareholders should be informed at least 14 (fourteen) days before the invitation, and the invitation shall be at least 14 (fourteen) days before the date on which the GMS is held, exclusive of the date of the invitation and the date of the GMS, for a total of at least 28 days notice. The Company Law (Article 83) contains similar provisions.  However, the special announcement does not include the details of the proposed changes.
<b>ii. Enforcement and compliance:</b>						
II.B.2.5	In practice, are shareholders able to approve changes to the company's authorized capital?	✓				Companies reportedly follow the rules.
II.B.2.6	In practice, are shareholders provided with super-majority voting of at least two-thirds at the GMS to approve changes to the company's authorized capital?	✓				Companies reportedly follow the rules.
II.B.2.7	In practice, are shareholders informed of proposed changes to the company's authorized capital in a timely manner (for example 21 days) before the GMS?	✓				Companies reportedly follow the rules.
II.B.2.8	Do companies allow shareholders to vote on whether to issue new shares?	✓			Assoc Survey, Co Survey	There were no reports of problems in this area. Association survey: 3 answered Yes, 2 answered Partially. Company survey: almost all answered Yes

II.B.3. Shareholders should have the right to participate in, and be sufficiently informed on, decisions concerning fundamental corporate changes such as extraordinary transactions.						
Status of implementation: 67%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The GMS has the exclusive authority or must provide its approval to extraordinary transactions.</b>						
II.B.3.1	Does the legal and regulatory framework provide shareholders with the right to approve extraordinary transactions, including transfers of all assets and/or sale of the company?				Chapter VIII UU No.40/07, IX.E.2, IX.J.1	<p>Bapepam Rule IX.E.2 lays out detailed requirements for companies wishing to carry out "material transactions".</p> <ul style="list-style-type: none"> <li>• "Material Transaction" is any: a. purchase of shares, including acquisition; b. sale of shares; c. investment in entities, projects, and/or certain business activities; d. purchase, sale, transfer, exchange of business segment or non-share assets; e. lease of assets; f. fund lending and borrowing; g. pledge of assets; and/or h. provide corporate guarantees, with a total value equal or greater than 20% of a company's equity which made in one transaction or in a series of transactions for a particular purpose or certain activity.</li> <li>• Prior approval by shareholders in a shareholders meeting is needed for material transaction which greater than 50% of company's equity. For material transaction with total value 20% - 50% of company's equity, issuers are not required to get prior approval from shareholders. The agenda of the GMS shall include a special session to explain about a company's whose shares will be purchased, sold, or participated, as well as the value of asset and business segment that will be purchased, sold, transfer, or exchanged.</li> <li>• Companies must assign an independent appraiser to make valuation and provide opinion about fairness of the transaction value;</li> <li>• A special announcement must be made in a newspaper at least 28 days in advance of the meeting, with details about the transaction, the report of the independent valuation expert. The information must also be submitted to Bapepam.</li> <li>• The board of directors and commissioners must make a statement that all material information has already been disclosed, and the information is not misleading;.</li> </ul> <p>These rules do not apply to companies transacting with 99%owned subsidiaries, issuers that have only issued bonds, issuers that have already fully disclosed the information in the prospectus, issuers that are increasing investments in order to maintain percentage of ownership or without pre-emptive rights.</p> <p>In addition, a "transaction that is the core business of an Issuer or a Public Company" is also excluded.</p> <p>Under Rule IX.J.I (Articles of Association of Companies Conducting Public Offerings and Public Companies), in order to get approval for extraordinary transaction such as transfer of asset, merger, takeover, dissolution, etc, the GMS shall be attended by shareholders that represent at least 3/4 (three fourths) of the total shares with legal voting rights and the agreement of at least 3/4 (three fourths) of such votes. A similar provision is provided in the company law to approve Mergers, Consolidations, Acquisitions, or Demergers, to file applications for the Company to be declared bankrupt or extensions of its period of incorporation, and to wind up the Company.</p>
II.B.3.2	Does the legal framework provide for a qualified or super-majority vote (for example a 2/3 or 3/4 majority vote) at the GMS to approve extraordinary transactions?				Bapepam Rule IX.E.1, Art 82 (2) UU No.8/95	Transactions are approved by majority vote, and do not appear to be subject to any special super-majority voting requirements.

II.B.3.3	Are shareholders to be informed of the proposed extraordinary transaction in a timely manner (for example 21 days) before the GMS?	✓			IX.E.2 3 b	According to Bapepam Rule IX.E.2, information must be provided to shareholders at least 28 days before the GMS. Announcements must include a description of the transaction, an explanation / rationale for the transaction, the summary of the report of the independent expert, company data (financial statements), the date/time/venue of the shareholders meeting, a statement from the board and commission that all material information has been disclosed, and an location where shareholders can get more information if necessary.
<b>ii. Enforcement and compliance:</b>						
II.B.3.4	Does the board or management submit extraordinary transactions for shareholder approval?	✓				There are no reported cases where companies did not follow the rules.
II.B.3.5	In practice, are shareholders provided with super-majority voting (for example a 2/3 or 3/4 majority vote) at the GMS to approve extraordinary transactions?			✓		This is not required by law.
II.B.3.6	In practice, are shareholders informed of the extraordinary transaction in a timely manner (for example 21 days) before the GMS?	✓				The company survey indicates that companies appear to comply with the law.

II.C.1. Shareholders should be furnished with sufficient and timely information on the date, location and agenda of the GMS as well as full and timely information on the issues to be decided on.*						
Status of implementation: 83%					Broadly Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Companies should provide sufficient advance notice of shareholder meetings and deliver sufficient meeting materials.</b>						
II.C.1.1	Does the legal and regulatory framework require or encourage companies to provide appropriate (for example 21 days) notice of the GMS before the meeting date?	✓			Rule IX.J.1 15 b	Rule IX.J.1 15 b: The Announcement, Invitation and Time Arrangement of the GSM (for public companies) 1) The announcement of the GSM shall be made at least 14 (fourteen) days before the invitation, excluding the announcement and the invitation date. 2) The invitation to the GSM shall be made at least 14 (fourteen) days before the GSM, excluding the invitation and the GSM date. 3) The invitation to the second GSM shall be made at least 7 (seven) days before the second GSM, excluding the invitation and the GSM date, with a notification that the first GSM has already been held but it did not reach the quorum. 4) The invitation to the GSM must include the date, time, location, agenda and notification that the materials to be discussed in the GSM are available at the Company's office as specified in the Company Law except the provisions of legislative regulations in the field of capital market stipulate otherwise. 5) The second GSM may be held no sooner than 10 (ten) days and no later than 21 (twenty one) days after the first GSM.
II.C.1.2	Does the legal and regulatory framework require companies to provide shareholders with the GMS agenda along with the GMS notice?	✓			Rule IX.J.1 15 b 4	Rule IX.J.1 15 b 4) The invitation to the GSM must include the date, time, location, agenda and notification that the materials to be discussed in the GSM are available at the Company's office as specified in the Company Law.
II.C.1.3	Does the legal and regulatory framework require companies to provide shareholders with the audited financial statements along with the GMS notice?	✓			Rule X.K.2	There is no rule that directly states this, but Bapepam Rule X.K.2 states that annual FS is part of the annual report for the purpose of GMS.
II.C.1.4	Does the legal and regulatory framework require companies to provide shareholders with details (for example qualifications, curriculum vitae) of the candidates to the board along with the GMS notice?	✓			Rule X.K.6 2 e.6,7	Rule X.K.6 requires the annual report to include (in the company profile) the name, position and a brief description of the "biography" of every member of the board of commissioners and board of directors. According to article 82 (4) CL the company must give shareholders free copies of the materials to be discussed in GMS.
II.C.1.5	Does the legal and regulatory framework require companies to provide shareholders with information on the rules, including voting procedures that govern the GMS?			✓		There do not appear to be any requirements in this area.
II.C.1.6	Does the legal and regulatory framework allow shareholder(s) to access the shareholders list before the GMS?	✓				Article 50 paragraph (4) of CL regulates that the register of shareholders and special register contemplated in must be made available in the Company's domicile so that they can be seen by the shareholders.
<b>ii. Enforcement and compliance:</b>						
II.C.1.7	In practice, do shareholders receive appropriate (for example 21 days) notice of the GMS before the meeting date?	✓				The company survey found that companies provide the basic information (e.g. financial statements, annual report); however, more detail information are not provided and have to be requested by shareholders.

II.C.1.8	In practice, are shareholders provided with the GMS agenda along with the GMS notice?	✓				The company survey found that companies provide the basic information (e.g. financial statements, annual report); however, more detail information are not provided and have to be requested by shareholders.
II.C.1.9	In practice, are shareholders provided with the audited financial statements along with the GMS notice?	✓				The company survey found that companies provide the basic information (e.g. financial statements, annual report).
II.C.1.10	In practice, are shareholders provided with details (e.g. qualifications, curriculum vitae) of the candidates to the board along with the GMS notice?		✓			The company survey found that some (but not all) companies do provide detailed qualifications of board members.
II.C.1.11	In practice, are shareholders provided with information on the rules, including voting procedures, that govern the GMS?		✓			The review team was not able to obtain consistent information on this question.
II.C.1.12	In practice, can a single shareholder access the shareholders list before the GMS?	✓				Article 50 paragraph (4) of CL regulates that the register of shareholders and special register contemplated in must be made available in the Company's domicile so that they can be seen by the shareholders.

II.C.2. Shareholders should have the opportunity to ask the board questions at the general meeting.*						
Status of implementation: 67%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Companies are to propose resolutions to the GMS agenda and facilitate shareholders asking questions to the board.</b>						
II.C.2.1	Do shareholders have the right to ask questions without meeting unreasonable pre-conditions such as providing written notice in advance or meeting minimum shareholding requirements?	✓				<p>According to article 75 paragraph (2) of CL, in the forum of a GMS, shareholders are entitled to obtain information related to the Company from the Board of Directors and/or Board of Commissioners in so far as it is connected to the agenda items and does not conflict with the Company's interests.</p> <p>Its elucidation states that "The provision in this paragraph is intended to regard the shareholders' right to obtain information in relation to agenda items without prejudice to the shareholders' right to obtain other information in relation to the shareholders' rights provided for in this Act, among others, the shareholders' right to see the register of shareholders and special register contemplated in Article 50 paragraph (4) and the shareholders' right to obtain the materials for the meeting immediately after the invitation to the GMS contemplated in Article 82 paragraphs (3) and (4).</p>
II.C.2.2	Does the corporate governance framework require or encourage boards to answer shareholder questions?	✓			UU NO. 40/07 75 (2)	<p>According to article 75 (2) CL, In the forum of a GMS, shareholders are entitled to obtain information related to the Company from the Board of Directors and/or Board of Commissioners as long as it is connected to the agenda items and does not have any conflict with the Company's interests.</p>
II.C.2.3	Do shareholders have the right to amend, alter, or add items to the GMS agenda?		✓			<p>Shareholders have few means of adding items to the agenda. The only method appears to be calling a special shareholders meeting.</p> <p>According to article 75 paragraph (4) of CL, resolutions on items added to the agenda must be unanimously approved. Shareholders can convene a special meeting. The CL (article 79 paragraph (2)) states that the GMS may be convened at the request of 1 (one) or more shareholders who jointly represent 1/10 (one tenth) or more of the total number of shares with voting rights, unless the articles of association determine a smaller number. If the BOD or BOC refuse to do so, the shareholders may take their request to the District Court.</p>
<b>ii. Enforcement and compliance:</b>						
II.C.2.4	In practice, are shareholders able to ask questions without meeting unreasonable pre-conditions such as providing written notice in advance or meeting minimum shareholding requirements?	✓				Shareholders are able to ask questions in most companies.
II.C.2.5	In practice, do boards provide clear answers to shareholder questions?		✓		Co survey, FGD	The company survey showed that shareholders asked 3 questions or less in 66% of firms, and asked 4-6 questions in more than 20% of firms. FGD participants agreed that in most GMS, questions by shareholders are not fully encouraged.
II.C.2.6	In practice, are shareholders able to amend, alter, or add items to the GMS agenda?			✓		Shareholders are not generally able to add items to the agenda.

II.C.3. Effective shareholder participation in key corporate governance decisions, such as the nomination and election of directors should be facilitated. Shareholders should be able to make their views known on remuneration policies.*						
Status of implementation: 65%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Companies should facilitate the effective participation of shareholders in nominating and electing board members.</b>						
II.C.3.1	Does the corporate governance framework encourage or allow non-controlling or minority shareholders to effectively elect board members, for example, through proportional representation or <a href="#">cumulative voting</a> ?			✓		Mechanisms that allow for non-controlling shareholders to appoint or elect board members (i.e. proportional representation, cumulative voting) are not present in law or regulation.
II.C.3.2	Does the corporate governance framework encourage (non-controlling) shareholders to nominate candidates for election to the board?			✓		Mechanisms that allow for non-controlling shareholders to nominate board or commission members are not present in law or regulation.  Indonesia's Code of Good Corporate Governance calls for the nomination of Commissioners by a Nomination and Remuneration Committee, which should include at least one independent commissioner (CGCG, 1.4). "The appointment of an independent commissioner shall have considered the opinion of the minority shareholders which shall be obtained through the Nomination and remuneration committee." According to the company survey, 12 percent of companies had remuneration committees.
<b>2. Companies should provide shareholders with a say on board remuneration policies and approval on approve equity-based pay.</b>						
II.C.3.3	Does the corporate governance framework require or encourage shareholders to express their opinion on the remuneration policies for executive directors and senior executives?	✓			UU No.40/07	Art 96 of CL that GMS approves the compensation of BOD. It can be delegated to BOC.  Indonesia's Code of Good Corporate Governance calls for the nomination of Commissioners by a Nomination and Remuneration Committee, which should "function to assist the Board of Commissioners in determining the ... remuneration system". The Committee should be chaired by an independent commissioner.
II.C.3.4	Does the corporate governance framework require or encourage shareholders to approve the remuneration policies for non-executive directors?	✓			UU No. 40/07	Art 113 of CL states that GMS approves the compensation of BOC.  Indonesia's Code of Good Corporate Governance calls for the nomination of Commissioners by a Nomination and Remuneration Committee, which should "function to assist the Board of Commissioners in determining the ... remuneration system". The Committee should be chaired by an independent commissioner.
II.C.3.5	Does the legal and regulatory framework allow shareholders to approve stock options, share grants, or share participation programs by board members and senior executives?	✓				Share grants would require approval by shareholders. Issuers can issue non-cash compensation through ESOP/MSOP, following Bapepam-LK Rule Number IX.D.4 for issuing shares in these ESOP/MSOP schemes. Other forms of non-cash compensation are uncommon and unregulated.

## ii. Enforcement and compliance:

II.C.3.6	In practice, are non-controlling or minority shareholders able to <i>nominate</i> candidates to the board of directors?		✓		Co Survey, Assoc Survey, FGD	The available data conflict on this question. The company survey showed that 41% of the firms claimed that non-controlling shareholders were able to nominate board candidates. FGD participants, however, agreed that board candidates were determined by controlling shareholders.
II.C.3.7	In practice, are non-controlling or minority shareholders able to <i>elect</i> candidates to the board of directors?		✓		FGD	Minorities do vote but are rarely given the right to appoint or elect their own representatives.
II.C.3.8	In practice, are shareholders able to express their opinion on the compensation policies for executive directors and senior executives?	✓				According to the company survey, a majority of surveyed firms (more than 80%) answered 'Yes' to the question.
II.C.3.9	In practice, are shareholders able to approve the compensation policies for non-executive directors?		✓			Companies are given the right to vote on compensation, but rarely on compensation policies.
II.C.3.10	In practice, are shareholders able to approve stock options, share grants, or share participation programs by board members and senior executives (when these are issued)?	✓				In practice, some issuers have issued non-cash compensation through ESOP/MSOP, following Bapepam-LK Rule Number IX.D.4 for issuing shares in these ESOP/MSOP schemes.

II.C.4. Shareholders should be able to vote in person or in absentia and equal effect should be given to votes whether cast in person or in absentia.*						
Status of implementation: 75%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The corporate governance framework permits shareholders to vote in absentia.</b>						
II.C.4.1	Does the legal framework allow shareholders to appoint a proxy to represent them in the GMS?	✓			Art 85 (1)UU No.40/07	Art 85(1) The shareholders, either severally or represented based on a power of attorney, shall have the right to attend the GMS and to use their voting rights in accordance with the number of shares they owned. The proxy does not need to be notarized.
II.C.4.2	Does the legal framework allow shareholders to vote by postal mail or electronically?	✓				<p>Electronic voting was included in the 2007 reform to the company law, in Articles 77(1) and 91.</p> <p>Article 77(1): ... the GMS may also be held via teleconference, video conference, or other vehicles for electronic media which make it possible for all of the participants in the GMS to directly see and hear each other and to participate in the meeting.</p> <p>Article 91: Shareholders may also adopt binding resolutions outside GMS provided that all shareholders with voting rights approve them in writing by signing the proposal concerned. Such resolutions shall be adopted without a GMS being held physically, but the resolutions shall be adopted by means of sending in writing the proposal to be resolved upon to all shareholders and the proposal shall be approved in writing by all of the shareholders.</p>
<b>ii. Enforcement and compliance:</b>						
II.C.4.3	Are shareholders practically able to make use of proxies voting?	✓			IICD Study	The use of proxies voting is widely used and relatively easy to use.
II.C.4.4	Is postal or electronic voting widely used in practice?			✓	Co Survey	Adoption of this technology appears to be in its early stages.

II.D. Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.*						
Status of implementation: 25%					Not Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The corporate governance framework requires the disclosure of all capital structures.</b>						
II.D.1	Does the corporate governance framework require companies to disclose <a href="#">'mechanisms for disproportionate control'</a> to shareholders on a continuous basis?			✓		It has not yet been regulated.
<b>2.1. The corporate governance framework requires or encourages companies to disclose the structure of company groups.</b>						
II.D.2	Does the corporate governance framework require or encourage companies to disclose the structure of company groups and the nature of material intra-group relations?		✓			According to Bapepam-LK Rule Number IX.C.1, IX.C.2, IX.C.3 the structure of company group should be disclosed in public offering prospectus. The structure includes parent company (until two level above) and subsidiaries. In addition, it is encouraged by Corporate Governance Code.
<b>3. The corporate governance framework requires or encourages the disclosure of shareholder agreements.</b>						
II.D.3	Does the corporate governance framework require or encourage companies to disclose shareholder agreements covering, <i>inter alia</i> , lock-ins, voting, board member selection, rights of first refusal, and block voting?			✓		There is no rule requiring disclosure of shareholder agreements.
<b>4. The corporate governance framework requires or encourages disclosures to be made in an easy to access and use format.</b>						
II.D.4	Does the corporate governance framework require or encourage companies to disclose their capital structure and other arrangements in their annual report or internet site on a continuous basis?		✓		X.K.6, VIII.G.7, Observation	Capital structure can be found in annual report of the company and financial statement (Bapepam LK Rule Number, X.K.6, VIII.G.7). Disclosure on the owners of companies however is only one level. Since many listed companies have pyramid ownership structure, it is difficult for non-controlling shareholders to identify the ultimate owner of the firm.
<b>ii. Enforcement and compliance:</b>						
II.D.5	In practice, do companies disclose 'mechanisms for disproportionate control' to shareholders on a continuous basis?			✓		There are no requirements to do so, so disclosures are not made in this area.
II.D.6	In practice, do companies disclose the structure of company groups and the nature of material intra-group relations?		✓			Disclosures are made in the prospectus.
II.D.7	In practice, do companies disclose shareholder agreements covering, <i>inter alia</i> , lock-ins, voting, board member selection, rights of first refusal, and block voting?			✓		There are no requirements to do so, so disclosures are not made in this area.
II.D.8	In practice, do companies disclose their capital structure and other arrangements in their annual report or internet site on a continuous basis?		✓		Co survey	Some companies do make disclosures in this area. According to the company survey, 50% of firms answered 'Yes', 31% answered 'Partially', 19% answered 'No'.

II.E.1. The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, should be clearly articulated and disclosed. *						
Status of implementation:					69%	Partially Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. There are requirements for timely disclosure to shareholders and the regulator of a substantial acquisition of shares.</b>						
II.E.1.1	Does law or regulation require shareholders to disclose when they cross certain ownership thresholds (e.g. 5%, 10%, 25%, 50%, etc)?	✓			Rules X.M.1, X.H.1, X.C.1, and Art 87 (3) UU No.8/95	<p>According to Rule X.M.1 (Disclosure Requirements For Certain Shareholders), every shareholder that owns more than 5% of paid in capital of an Issuer or Public Company must report to Bapepam with regard to their ownership and the changes of ownership within a period of no later than 10 (ten) days from the transaction date. The rule also applies to directors and commissioners. A copy of these reports must be available to the public and may be copied at Bapepam.</p> <p>In the event of a takeover, under Rule X.H.1, (2), the new controlling shareholder must announce the shares acquired and total ownership, the identity of the new controller, and the purpose of control, to the public and to Bapepam, within 2 days.</p> <p>In addition, under section 1.d.1 of Rule X.H.2 (Reports from Securities Administration Agencies and Companies that Perform Their Own Securities Administration) BAE (securities administration agencies) must submit reports to Bapepam listing any shareholders who own more than 5% of capital. Section 1.1.11 and 12) of Rule Number X.C.1 (Central Securities Depository Reports) places a similar obligation on KSEI.</p>
II.E.1.2	Is this disclosure required to be made within two business days of the change in ownership or control?			✓	Art 87 (3) UU No.8/95	<p>According to Rule X.M.1 (Disclosure Requirements For Certain Shareholders), every shareholder that owns more than 5% of paid in capital of an Issuer or Public Company must report to Bapepam with regard to their ownership and the changes of ownership within a period of no later than 10 (ten) days from the transaction date. The rule also applies to directors and commissioners. A copy of these reports must be available to the public and may be copied at Bapepam.</p>
II.E.1.3	Does the legal and regulatory framework require this disclosure to be made to the market either directly by the company or acquiring shareholder, or indirectly through the regulator?		✓		Rules X.M.1, X.C.1	<p>Disclosure is made through the regulator and / or the stock exchange, which then must make the reports available to the public. According to Rule X.M.1 (Disclosure Requirements For Certain Shareholders), every shareholder that owns more than 5% of paid in capital of an Issuer or Public Company must report to Bapepam with regard to their ownership and the changes of ownership within a period of no later than 10 (ten) days from the transaction date. The rule also applies to directors and commissioners. A copy of these reports must be available to the public and may be copied at Bapepam. According to Rule Number X.C.1 (concerning Central Securities Depository Reports), the KSEI must submit a report showing ownership of more than 5% of shares to Bapepam LK, with copy to Stock Exchange and Clearing and Guarantee Institution, no later than the next working day after book entry settlement. Then, stock exchange should announce the report no later than the next working day after the stock exchange receives the copy from CSD.</p>

II.E.1.4	Does the legal or regulatory framework require a group of individuals that tries to spread the ownership percentage among friendly parties to avoid declaring or making a tender offer to declare their intentions (also referred to as <a href="#">acting in concert</a> )?	✓		Rule IX.H.1	<p>Bapepam Rule IX.H.1 defines groups of people working together is in the legal definitions:</p> <ul style="list-style-type: none"> <li>- A "takeover" is defined as any activity that "directly or indirectly" causes changes of an open company controller;</li> <li>- An "open company controller" is defined as any person that owns more than 50% of the paid in capital or any person that "director or indirectly: has the ability to control the management and/or the policy of an open company.</li> </ul> <p>In addition, under Article 1 (23) of the CML, a "Person" is defined as a natural person, a Company, a partnership, an association or any organized group.</p> <p>The "directly or indirectly" clause appears to loosely cover acting-in-concert situations but may be to general to enforce.</p>
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II.E.1.5	Is an acquirer seeking to take control of a company required to make an offer to <i>all</i> shareholders if s/he makes a significant acquisition of shares or crosses a certain threshold (a so-called tender offer)?	✓		Reg IX.H.1	A new acquirer is required to make a tender offer for all remaining shares if it acquires more than 50% of shares (or in the language of IX.H.1, if there is a change in "Controller".
II.E.1.6	Is the acquirer required to offer a <a href="#">fair price</a> to those shareholders?	✓		Reg IX.F.1 & IX.H.1	The price to be offered during a tender offer is regulated by Bapepam Rule Number IX.H.1 (sections 12-14). For listed companies, the price must be at least as high as the price during the 90 days prior to the announcement of the tender (120 days if trading has been suspended).
II.E.1.7	Does the offer have to be for all outstanding shares (as opposed to allowing the acquirer to limit the number or amount of shares s/he will buy)?		✓	Reg IX.F.1 & IX.H.1	<p>"Major shareholders" are generally excluded.</p> <p>15 2 b. The new controller must conduct Tender Offer for all the remaining shares, except:</p> <ol style="list-style-type: none"> <li>1) shares owned by the shareholder to whom the new Controller conduct the Takeover transaction;</li> <li>2) shares owned by any other Person that has received an offer with the same terms and conditions from the new Controller;</li> <li>3) shares owned by any other Person who, at the same time, also conducts Tender Offer for the shares of the same Open Company;</li> <li>4) shares owned by other Major Shareholders; and</li> <li>5) shares owned by other controller of the Open Company.</li> </ol>
II.E.1.8	Do the rules governing the tender offer ensure that shareholders are informed of the offer in a timely manner so that they may take advantage of it?	✓		Reg IX.F.1 & IX.H.1	Articles 7 to 11 of Rule Number IX.H.1 state that a new Controller candidate making any negotiation which may result in a Company Takeover must disclose this fact to the target company, Bapepam, and the IDX. This includes the estimated number of shares that will be taken over, the identity of the person making the takeover the objectives of company takeoverc. method and process of takeover negotiation; and d. takeover negotiation issues.10. In every Takeover, if there is any contract or activity between Major Shareholders or Controller with the Controller candidate which will result in:a. significant use of the Target Company resources;b. any change in agreement or settlement that has been made by the Target Company; orc. any change in operational procedure standards of the Target Company;where such things has conflict of interest between the Target Company as well as its shareholders and the Controller as well as Major Shareholders, it must follow the requirements stipulated in Rule Number IX.E.1.
II.E.1.9	Does the legal or regulatory framework define thresholds (e.g. 92% or 95%) at which minority shareholders may require the majority owner to purchase their shares (a sell-out right)?		✓		There to no appear to be no sell-out rights given to companies or shareholders.

II.E.1.10	Does the legal or regulatory framework define thresholds (e.g. 92% or 95%) at which the outstanding shareholders can be squeezed out by the majority owner (a squeeze-out right)?		✓			There to no appear to be no squeeze-out rights given to companies or shareholders.
II.E.1.11	Does the legal or regulatory framework require shareholders to approve mergers?	✓				The Company Law does require the approval of mergers.
<b>3. The plans and financing of transactions are to be clearly known to both the shareholders of the offering and target companies.</b>						
II.E.1.12	Does the corporate governance framework require that the plans and financing of the transaction are clearly known to both the shareholders of the offering enterprise as well as to those of the target company?	✓			Reg IX.E.2, IX.E.1, IX.F.1	<p>Articles 7 to 11 of Rule Number IX.H.1 state that a new Controller candidate making any negotiation which may result in a Company Takeover must disclose this fact to the target company, Bapepam, and the IDX. This includes the estimated number of shares that will be taken over, the identity of the person making the takeover the objectives of company takeover, the method and process of takeover negotiation; and takeover negotiation issues.</p> <p>In addition, under Rule IX.F.1, a Person who conducts a Tender Offer must announce the offer, which contains among others, a statement by an independent accountant, bank, or underwriter certifying that the offeror has sufficient resources to fulfill the proposed terms of the Tender Offer.</p> <p>However, financing plans are not specifically required to be disclosed.</p>
<b>ii. Enforcement and compliance:</b>						
II.E.1.13	In practice, do shareholders publicly disclose their ownership when they cross certain thresholds (e.g. 5, 10, 25%, 50%, etc)?	✓				Since it is required by Bapepam , shareholders do publicly disclose their ownership when they own 5% or more. Company survey supports this.
II.E.1.14	In practice, is such public disclosure made in a timely manner?	✓				The time of the announcement of firms is in line with the regulation.
II.E.1.15	In practice, are cases of acting in concert disclosed by shareholders?		✓			This is difficult to measure but there are some indications that compliance is not complete in this area (given problems in obtaining availability of ownership).
II.E.1.16	In practice, are tender offers made to minority shareholders during changes in control?	✓				Detailed data were not available, but market participants believe that companies follow the regulation in the limited number of cases in which it has been applied.
II.E.1.17	In practice, does the acquirer offer a <a href="#">fair price</a> to shareholders within the framework of a tender offer?	✓				Detailed data were not available, but market participants believe that companies follow the regulation in the limited number of cases in which it has been applied.
II.E.1.18	In practice, are shareholders given the opportunity to approve mergers?	✓				Companies follow the requirements of company law.
II.E.1.19	When the legal and regulatory framework calls for sell-out rights, are minority shareholders able to make use of this right in practice?			✓		There are no legal requirements for sell-out rights.
II.E.1.20	Do acquirers make public offers to shareholders (tender offers) in a timely manner?	✓			Observation	The time of the announcement of firms is in line with the regulation.
II.E.1.21	In practice, does the acquirer clearly disclose the plans and financing of the transaction to both the shareholders of the offering enterprise as well as to those of the target company?			✓		Detailed data were not available, but market participants believe that companies follow the regulation in the limited number of cases in which it has been applied.

II.E.2. Anti-take-over devices should not be used to shield management and the board from accountability.*						
Status of implementation: 92%					Broadly Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. There is a well defined duty of loyalty owed by the company's directors and officers to the company and its shareholders.</b>						
II.E.2.1	Does the legal and regulatory framework specify a <a href="#">duty of loyalty</a> of board members during a possible takeover or change in control?		✓			<p>No special board duties have been elaborated during a change in control. In general, provisions on fiduciary duties of BOD and BOC such as the duty of care and the duty of loyalty apply (as elaborated in articles 97 and 114 of the new CL (article 82 and 98 of previous CL). In practice, they are also elaborated in each company's Article of Association (AOA).</p> <p>IX.F.3  1. The Target Company, Affiliated Persons of the Target Company, Persons conducting a separate Tender Offer for the same Target Company simultaneously, or any Person who discloses information or an opinion with regard to a Tender Offer, as provided in Rule Number IX.F.1, must include in the statement such Person's name, address and relationship with the Person who is conducting the Tender Offer.  2. Any objection or disagreement regarding information contained in the Tender Offer Statement, must indicate clearly the objections and or points of disagreement and the reasons.  3. The information or opinions required in item 1 of this rule, must disclose clearly the Securities ownership of Persons who have any relationship with the target of the Tender Offer, or changes in ownership of securities that may occur because of the Tender Offer.</p> <p>10. In every Takeover, if there is any contract or activity between Major Shareholders or Controller with the Controller candidate which will result in:  a. significant use of the Target Company resources;  b. any change in agreement or settlement that has been made by the Target Company; or  c. any change in operational procedure standards of the Target Company;  where such things has conflict of interest between the Target Company as well as its shareholders and the Controller as well as Major Shareholders, it must follow the conflict of interest transaction requirements.</p>
<b>2. Management and boards are generally accountable for their stewardship of companies.</b>						
II.E.2.2	If " <a href="#">anti-takeover mechanisms</a> " are allowed, are companies required or encouraged to publicly disclose these?	✓				Anti-takeover mechanisms do not exist in practice (because of concentrated ownership) and are not regulated.
II.E.2.3	If "anti-takeover" mechanisms are allowed, does the legal and regulatory framework require or encourage for them to be approved at the GMS?	✓				Anti-takeover mechanisms do not exist in practice (because of concentrated ownership) and are not regulated.
<b>ii. Enforcement and compliance:</b>						
II.E.2.4	In practice, do company boards refrain from implementing blocking mechanisms to prevent takeovers and changes in control?	✓				Companies do not implement blocking mechanisms because they don't see the thread of hostile takeover and thus there is no need to implement the mechanisms.
II.E.2.5	In practice, do companies publicly disclose "anti-takeover" mechanisms (in so far as these are permissible)?	✓				Anti-takeover mechanisms do not exist in practice (because of concentrated ownership) and are not regulated.

II.E.2.6	In practice, do boards present "anti-takeover" mechanisms (in so far as these are permissible) for shareholder approval during the GMS?	✓				Anti-takeover mechanisms do not exist in practice (because of concentrated ownership) and are not regulated.
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II.F.1. Institutional investors acting in a fiduciary capacity should disclose their overall corporate governance and voting policies with respect to their investments.*						
Status of implementation: 38%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Company procedures to determine voting rights are not considered a disincentive to the exercise of ownership rights.</b>						
II.F.1.1	Does the legal and regulatory framework allow investors to freely trade shares in advance of a corporate action / GMS, i.e. ensure that share blocking is forbidden?	✓				A record date system is in place.
<b>2. The legal and regulatory system clearly recognizes the duty of institutional investors to consider exercising their voting rights.</b>						
II.F.1.2	Are institutional investors encouraged to vote the shares under their control in the GMS?			✓		As shareholders with voting right, institutional investors automatically have right to vote, but there is no recommendation or rule that specifically encourages them to vote.
<b>3. The corporate governance framework requires or encourages the development and disclosure of voting policies.</b>						
II.F.1.3	Are institutional investors required or encouraged to publicly disclose their voting?			✓		There are no requirements in this area.
II.F.1.4	Are institutional investors required or encouraged to disclose their <i>policies</i> on voting in the GMS?			✓		There are no requirements in this area.
<b>ii. Enforcement and compliance:</b>						
II.F.1.5	In practice, are institutional investors able to freely trade shares in advance of a corporation action or GMS?	✓			Interviews	A record date system is in place.
II.F.1.6	Do institutional investors participate and vote in the GMS?	✓			Co Survey, FGD	Almost all surveyed companies answered 'Yes' to the question. The average attendance rate of institutional investors is higher than that of individual investors. Participants at FGD agreed that institutional investors generally participate and vote in the GMS.
II.F.1.7	Do institutional investors publicly disclose their voting?			✓	FGD	Institutional investors at FGD stated that they only published these internally.
II.F.1.8	Do institutional investors publicly disclose their voting policies?			✓	FGD	Institutional investors at FGD stated that they only published these internally.

II.F.2. Institutional investors acting in a fiduciary capacity should disclose how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments.*						
Status of implementation: 46%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Institutional investors are to develop and disclose a policy for dealing with conflicts of interest.</b>						
II.F.2.1	Does the legal or regulatory framework require or encourage institutional investors to develop a <a href="#">policy for dealing with conflicts of interest</a> that may affect their decision-making as regards the exercise of their ownership rights?			✓		There do not appear to be any rules in this area.
II.F.2.2	Does legal or regulatory framework require or encourage institutional investors to publicly disclose such policy?			✓		There do not appear to be any rules in this area.
II.F.2.3	Does the legal or regulatory framework require or encourage institutional investors to adopt good corporate governance structures and policies themselves?		✓		NCCG Bapepam-LK has issued Guidance of Pension Fund Governance (Kep-136/BL/2006) at December 21st 2006.	Some institutional investors (banks, pension funds and insurance companies) have had recommendations or guidance issued for their governance. Bapepam-LK has issued Guidance of Pension Fund Governance (Kep-136/BL/2006) at December 21st 2006.  Furthermore, based on Government Regulation Number 39 Year 2008 regarding Governance of Insurance Business Article 3 point (1) letter g, insurance companies have to manage the business based on good corporate governance. In addition, NCCG has also issued CGCG for insurance companies.  The Code of Corporate Governance is designed to apply to a wide variety of entities. Therefore, institutional investors are broadly encouraged by the NCGC encouraged to adopt good corporate governance structures and policies.
<b>ii. Enforcement and compliance:</b>						
II.F.2.4	Do institutional investors have written policies on conflicts of interest?	✓			FGD	Institutional investors at FGD stated that they had policies on conflict of interest.
II.F.2.5	Do institutional investors publicly disclose their policies on conflicts of interest?			✓	FGD	Institutional investors disclose policies on conflicts of interest internally.
II.F.2.6	Do institutional investors occasionally vote against the recommendations of the board or CEO in the GMS?	✓			FGD	In some cases, institutional investors do vote against the recommendations of the board or CEO, but in most cases they support the recommendations of management (or vote in favor of the recommendation since they know they would lose the vote anyway).
II.F.2.7	Do institutional investors have their own corporate governance code or board level charter?	✓			FGD	Institutional investors have CG code and board level charter.

II.G. Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.*						
Status of implementation: 100%					Fully Implemented	
No	Question	Answer			Source	Comments and analysis
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The corporate governance framework has rules for proxy solicitation that allow shareholders to consult with each other.</b>						
II.G.1	Does the corporate governance framework allow and even encourage institutional investors and other shareholders to consult with each other on the selection of board members and <a href="#">other matters</a> without being hindered by rules on proxy solicitation or similar requirements?	✓				There is no rule that prohibits institutional investor from doing so, including proxy solicitation. However, the attention must be put in place when such a consultation becomes cooperation among shareholders. If this occurred, some rules apply, such as the takeover regulation (II.E.2).
II.G.2	Does the corporate governance framework allow shareholders to obtain the shareholders list in a timely manner (for example 21 days) before the GMS, allowing them to coordinate voting in the GMS?	✓			UU No. 40/07	According to article 50 (4) CL, the register of shareholders and special register must be made available in the Company's domicile so that they can be seen by the shareholders.
II.G.3	Does the corporate governance framework allow shareholders to serve as proxies for other investors, or offer to act as proxies?	✓			UU No. 40/07, article 85 (1)	Shareholders, either in person or through a representative by virtue of a power of attorney, are entitled to attend GMS and use their votes in accordance with the number of shares they own.  Article 85 paragraphs (4) of CL states that "in voting, members of the Board of Directors, members of the Board of Commissioners, and employees of the Company concerned are prohibited from acting as proxies for shareholders as contemplated in paragraph (1)". Its elucidation states that "In determining the quorum for the GMS, the shares of shareholders represented by members of the Board of Directors, members of the Board of Commissioners, and employees of the Company as proxies will be included in the count, but in voting they will not have the right to vote as proxies for shareholders."
<b>2. Market trading rules should prevent market manipulation yet remain flexible enough to permit and encourage consultations between owners.</b>						
II.G.4	Does the corporate governance framework regulate consultation between shareholders who have the objective of taking control of the company?	✓				The takeover rule applies to shareholders acting in concert to take over a company.
<b>ii. Enforcement and compliance:</b>						
II.G.5	In practice, do shareholders coordinate before the GMS, e.g., when electing directors?	✓			Assoc Survey, FGD	Since shareholder's coordination before GMS is not prohibited, for example shareholders are allowed to cast all of their votes for one BOD candidate. FGD participants cite examples of shareholders coordination in practice.
II.G.6	In practice, are shareholders able to obtain the shareholders list in a timely manner (approximately 21 days) before the GMS?	✓				There were no reported problems.
II.G.7	In practice, do shareholders serve as proxies for other investors?	✓				This does occur although the review team was not able to obtain any detailed information.
II.G.8	In practice, do shareholders refrain from consulting with one another with the objective of manipulating the market?	✓				Market participants did not generally feel that institutional investors were a significant source of market manipulation.

## Chapter III.: The Equitable Treatment of Shareholders

III.A.1. Within any series of a class, all shares should carry the same rights.\*

Status of implementation: 67%

Partially Implemented

№	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Proposals to change the voting rights of different series and classes of shares should be submitted for shareholder approval.</b>						
III.A.1.1	Is there an explicit requirement or recommendation that all shares of a given series or class carry the same rights?	✓			Art 53 (2) UU No.40/07	Article 53 (2) Each share in the same classification provides its holders the same rights.
III.A.1.2	Does the corporate governance framework require or encourage that changes to voting rights of a series or class of shares needs to be approved by the impacted shares at a GMS?			✓		It has not been yet regulated.
<b>2. Companies are to disclose information about its classes and series of shares on a timely basis.</b>						
III.A.1.3	Does the corporate governance framework require companies to disclose information about the company's series or classes of shares on a timely basis to prospective investors (in particular through the prospectus or online)?	✓			Rule VIII.G.7	Companies are required to provide a "description of the types of company stock" in the notes to the financial statements. Companies also have to disclose the company's classes and series of shares through the prospectus.
<b>ii. Enforcement and compliance:</b>						
III.A.1.4	In practice, do holders of the same series or class of shares have equal rights, especially with respect to voting in the GMS or receiving dividends?	✓				There are no reports of non-compliance with the law.
III.A.1.5	When and if the rights of certain series or class of shares have been changed, have the impacted shareholders approved the changed and otherwise had their rights respected?			✓		It is not clear if there is any practice of each class of shareholders approving changes to that class.
III.A.1.6	In practice, can investors easily learn about the rights attached to a series or class of shares (e.g. through company websites or reports or the stock exchange or regulator website)?	✓				Issuers comply with this requirement (especially since most companies only have one class of shares).

III.A.2. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders, and should have effective means of redress.*						
Status of implementation: 64%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The corporate governance framework provides ex-ante mechanisms and ex-post sanctions to protect minority shareholders.</b>						
III.A.2.1	Does the country score an eight or above on the Doing Business Protecting Investors "Extent of Director Liability Index"?		✓			
III.A.2.2	What is the Doing Business Protecting Investors "Ease of Shareholder Suits Index"?			✓		
III.A.2.3	Is there a (or several) regulatory authority(ies) responsible for enforcing the Company Law, Banking Law, Securities Market Law, and Listing Rules?	✓				Banking Law: Bank Indonesia Securities Markets: Bapepam Listing Rules: IDX Company Law: No clear regulator for company law but for listed issuers Bapepam has "mirrored" many of the key provisions of the company law in its own regulations, which effectively gives it enforcement / supervision power.
III.A.2.4	Does the corporate governance framework require a qualified or super-majority vote (e.g. 2/3 or 3/4) by shareholders at the GMS for <a href="#">important decisions</a> ?	✓			Art 88 UU No.40/07, Rule No.IX.J.1, section 15.c.2.a	Important decisions require super-majority votes, with the threshold depending on the decision under discussion.  Amendments to the articles of association: Under both Bapepam rules ) and Article 88 of the CL, the GMS must be attended by shareholders that represent at least 2/3 of the total shares with legal voting rights, and the changes must be approved by at least 2/3 of the vote.  Extraordinary transactions (transfer of asset, merger, takeover, dissolution, etc.): Under Rule IX.J.I the GMS shall be attended by shareholders that represent at least 3/4 (three fourths) of the total shares with legal voting rights and the agreement of at least 3/4 (three fourths) of such votes.
III.A.2.5	Can (non-controlling) shareholders call for an extraordinary shareholder meeting?	✓			Art 79 (2) UU No.40/07	Art 79 (2) The convention of GMS as referred to in paragraph (1) can be performed upon the request of : a. 1 (one) person or more shareholders jointly represent 1/10 (one tenth) or more of the total shares with legal voting right, except the articles of association stipulates a less number; or b. The Board of Commissioners.

III.A.2.6	Can shareholders call for an inspection or special audit of the company and/or its records or books?				Art 138 UU No. 40/07	<p>Art 138:</p> <p>(1) Companies may be inspected with the purpose of obtaining data or information in the event of suspicion that:</p> <p>a. the Company has committed acts which break the law and are detrimental to shareholders or third parties; or b. members of the Board of Directors or Board of Commissioners commit acts which break the law and are detrimental to the Company or shareholders or third parties.</p> <p>(2) The inspection contemplated in paragraph (1) shall be carried out by submitting a petition in writing together with the reasons therefore to the district court whose jurisdiction covers the Company's domicile.</p> <p>(3) The petition contemplated in paragraph (2) may be submitted by: a. 1 (one) or more shareholders who represent at least 1/10 (one tenth) of the total number of shares with voting rights; b. other parties who are authorised to submit a petition for inspection by virtue of legislative regulations, the Company's articles of association, or contracts with the Company; c. the public prosecutors' office in the public interest.</p> <p>(4) The petition contemplated in paragraph (3) subparagraph a must be submitted after the petitioner first asks the Company for the data or information in a GMS and the Company does not give the data or information.</p> <p>(5) Petitions to obtain data or information concerning a Company or petitions for inspection to obtain data or information must be based on reasonable grounds in good faith.</p>
III.A.2.7	Does the legal or regulatory framework provide shareholders with <a href="#">withdrawal rights</a> , i.e. the right to sell their shares back to the company under specific circumstances?				Art 62 UU No.40/07	<p>According to Article 62 of Company Law, each shareholder is entitled to request the Company that the shareholder's shares be bought at a fair price if the shareholder concerned does not approve of actions by the Company which harm that shareholder or the Company, in the form of:</p> <p>a. amendments of the articles of association;</p> <p>b. assignment or securing of assets of the Company which have a value of more than 50% (fifty per cent) of the Company's net assets; or</p> <p>c. Mergers, Consolidations, Acquisitions, or Demergers.</p>
III.A.2.8	Does the legal and regulatory framework provide shareholders with the right to sue the company, its board members, or managers?				Art 97 (6) & Art 114 (6)	<p>Article 61 of Company Law states that each shareholder is entitled to file suit against the company to compensate for the losses arising from unjust and unreasonable decision as a result of a resolution of GSM, BOD and/or BOC.</p> <p>According to Article 111 CML any Person who suffers losses arising from violations of this Law and or its implementing regulations can sue for compensation, either jointly or severally with other Persons with similar claims, against the Person or Persons responsible for such violations.</p>
III.A.2.9	Does the legal and regulatory framework provide shareholders with the right to sue the company's board members or managers on behalf of the company (so-called derivative suit)?				UU No.8/95	<p>Article 97 item (6) of Company Law states that on behalf of the Company, shareholders representing at least 1/10 (one tenth) of the total number of shares with voting rights may file suit through the district court against the members of the Board of Directors who by their fault or negligence create losses for the Company.</p> <p>Article 114 (6) of Company Law states that on behalf of the company, shareholders representing at least 1/10 (one tenth) part of the total shares can file lawsuit through the District Court against members of the Board of Commissioners inflicting loss on the company due to their mistake or negligence.</p>
III.A.2.10	Does the legal and regulatory framework authorize the regulatory authority or other public body to sue board members or managers on behalf of shareholders?					BAPEPAM does not have this authority under the law.

III.A.2.11	Does the corporate governance framework allow for controlling shareholders to be held accountable through concepts as <a href="#">shadow directors</a> or <a href="#">piercing the corporate veil</a> ?			✓		There does not appear to be a concept of "shadow directors".
III.A.2.12	Can shareholders bring an action against a company when the company behaves in a way that is prejudicial or unfair to the interests of the shareholder?			✓	UU No.8/95, Article 61	Article 61 of Company Law states that each shareholder is entitled to file suit against the company to compensate for the losses arising from unjust and unreasonable decision as a result of a resolution of GSM, BOD and/or BOC. However, this does not appear to be as wide-ranging or give as much latitude to the judge as the "oppression remedy" that is available in common-law jurisdictions.
III.A.2.13	Can a shareholder lawsuit or regulatory action stop or reverse a decision of the GSM, board, or management?			✓	Civil Code	Article 61 of Company Law states that each shareholder is entitled to file suit against the company to compensate for the loss arising from unjust and unreasonable as a result of a resolution of GSM, BOD and/or BOC.  Regulatory action can stop or reverse a decision of GSM, board, or management if it is proved that the decision violates the law. In capital market, according to Article 111 CML any Person who suffers losses arising from violations of this Law and or its implementing regulations can sue for compensation, either jointly or severally with other Persons with similar claims, against the Person or Persons responsible for such violations. In addition article 5(n) CML, Bapepam-LK has power to take steps necessary to avert loss to the public arising from violation of Capital Market regulations.
III.A.2.14	Do shareholders have a pre-emptive right (or right of first refusal) to purchase shares offered by the company at the offer price?			✓	Bapepam rule IX.J.1 item 6 (a), Rule IX.D.4	According to Bapepam rule IX.J.1 item 6 (a), Any increase in capital through the issuance of Equity Securities must be done by giving Pre-emptive Rights to the existing shareholders whose names are recorded on the Company's shareholder register on the record date stipulated by the GSM that approves the issuance of Equity Securities in a proportional amount to the total shares recorded in the name of each shareholder on such record date. (d) Equity Securities that will be issued by a Company but not subscribed to by the holders of the Pre-emptive Rights must be allocated to all shareholders that place order for additional Equity Securities, with the provision that, if the number of Equity Securities ordered by such shareholders exceeds the number of Equity Securities being issued, the unsubscribed Equity Securities must be allocated proportionately to the number of the Pre-emptive Rights that has been exercised by each of such shareholders. (e) If there are any remaining securities that are not exercised by the shareholders as referred to in point 6 letter d of this rule, then such securities must be allocated to a specified Person that has agreed to act as a stand-by buyer at the same price and on the same terms.  There is no way to explicitly waive pre-emptive rights. However, under Bapepam rule number IX.D.4, companies may increase their capital without giving pre-emptive rights to shareholders if capital increases have been limited to 10 percent of paid-in capital during the previous two years.  If existing shareholders do not take up the share offer within 14 days, the shares can be offered to third parties.
III.A.2.15	Does the legal or regulatory framework require or encourage related party transactions to be conducted in such a way as to ensure fair and arms length conditions and/or market based pricing and terms?			✓		Regulation is not explicit in this regard. However, the spirit of regulation IX.E.1 is to encourage companies to do transactions in a fair and arm's length manner. Otherwise companies may be deemed to do conflict of interest transaction that will trigger more complicated and costly requirements, and create negative market perception.

III.A.2.16	Are shareholders able to approve extraordinary transactions with related-parties (e.g. transactions that meet minimum thresholds in terms of assets)?	✓			UU No.8/95	<p>Bapepam upgraded its requirements for the approval of related party transactions in 2008 and 2009. Under Rule IX.E.1, there are two types of relevant transactions: affiliated transactions (defined quite broadly) must be disclosed to Bapepam and announced it to public no later than 2 days after the transaction; conflict of interest transactions must first be approved by independent shareholders or their authorized representatives in a GMS.</p> <p>Under Rule No. IX.E.1 concerning Related Party Transaction. - BAPEPAM-LK has amended Regulation No. IX.E.I concerning Related Party Transaction in December 2008. The new rule is divided into two rules, which are (1) Related party transaction and (2) Conflict of interest transaction. The concept behind these new rules is that not all related party transactions automatically are a conflict of interest transaction. Only conflict of interest transaction that requires an independent GSM approval. If the transaction is considered material, BAPEPAM-LK Rule no. IX.E.2 also applies.</p>
<b>ii. Enforcement and compliance:</b>						
III.A.2.17	In practice, do(es) the relevant regulatory authority(ies) enforce non-compliance with minority shareholder rights provisions contained in the, <i>inter alia</i> , Company Law, Banking Law, Securities Market Law, and Listing Rules?	✓				The authorities do enforce non-compliance, with the exception of company law (where there is no enforcement agency aside from BAPEPAM).
III.A.2.18	In practice, do decisions taken by the board or management (in the area of shareholder rights and or corporate governance) get suspended or reversed following successful shareholder cases?		✓		Assoc Survey	There are some cases where Bapepam LK has suspended or reverse the decision of board or management. (Assoc Survey: One answered Yes, three answered Partially).
III.A.2.19	In practice, do shareholders vote according to qualified or super-majority thresholds (e.g. 2/3 or 3/4) at the GMS for <a href="#">important</a> decisions?	✓			Art 86 UU No.40/07	<p>Most decisions are on the basis of simple majority vote. Important decisions require super-majority votes, with the threshold depending on the decision under discussion.</p> <p>Amendments to the articles of association: Under both Bapepam rules (section 15.c.2) a) of rule No.IX.J.1) and Article 88 of the CL, the GMS must be attended by shareholders that represent at least 2/3 of the total shares with legal voting rights, and the changes must be approved by at least 2/3 of the vote.</p> <p>Extraordinary transactions (transfer of asset, merger, takeover, dissolution, etc.): Under Rule IX.J.I the GMS shall be attended by shareholders that represent at least 3/4 (three fourths) of the total shares with legal voting rights and the agreement of at least 3/4 (three fourths) of such votes.</p>
III.A.2.20	In practice, do (non-controlling) shareholders call for extraordinary shareholder meetings?	✓				Yes, but rarely.
III.A.2.21	In practice, do (non-controlling) shareholders call for an inspection or special audit of the company and/or its records or books?	✓				Yes, but rarely.
III.A.2.22	In practice, do (non-controlling) shareholders make use of their <a href="#">withdrawal rights</a> (insofar as these are granted by law)?			✓		This provision does not appear to be used in practice.
III.A.2.23	In practice, do (non-controlling) shareholders successfully sue the company, its board members or managers?		✓		Assoc Survey	There was general agreement in the focus group discussion that shareholders could use their rights and sometimes do so. There are some cases where shareholders sued companies, their board members, or managers. However, there relatively few examples . There are substantial problems in Indonesia justices and courts practices that make lawsuit by shareholders a lengthy and costly process. As a result shareholders tend to be passive. (Association Survey: One answered Yes, two answered Partially).

III.A.2.24	In practice, do (non-controlling) shareholders sue the company's board members or managers on behalf of the company (so-called derivative suits)?			✓		There have been very few shareholder actions taken under the new Company Law.
III.A.2.25	In practice, do (non-controlling) shareholders sue controlling shareholders through concepts as <a href="#">shadow directors</a> or <a href="#">piercing the corporate veil</a> ?			✓		No.
III.A.2.26	In practice, does the regulatory authority or other public body sue board members or managers on behalf of shareholders?			✓		Although BAPEPAM has this authority, it has not been used to date.
III.A.2.27	In response to shareholder complaints, does the regulatory authority or other public body in practice take actions besides going to court to protect shareholder rights, for example, issuing warning letters or fines?	✓				BAPEPAM has been active in imposing various kinds of sanctions. In recent years, Bapepam has brought charges against directors/companies for violating rules related to conflict of interest. Shareholders can also challenge but have rarely done so in the past.
III.A.2.28	In practice, have shareholder lawsuits or regulatory actions stopped or reversed a decision of the GMS, board, or management?			✓		There are some cases where Bapepam LK has suspended or reverse the decision of board or management. (Assoc Survey: One answered Yes, three answered Partially).
III.A.2.29	In practice, do shareholders make use of their pre-emptive right (or right of first refusal) to purchase shares offered by the company at the offer price?	✓				Shareholders do make use of their pre-emptive rights.
III.A.2.30	In practice, are related party transactions conducted on an arm's length basis, based on market prices and terms?			✓		Research on related party transactions indicates that the situation has improved in recent years.
III.A.2.31	In practice, do shareholders approve extraordinary transactions with related-parties (e.g. transactions that meet minimum thresholds in terms of assets)?			✓		Research on related party transactions indicates that the situation has improved in recent years.

III.A.3. Votes should be cast by custodians or nominees in a manner agreed upon with the beneficial owner of the shares.*						
Status of implementation:					88%	Broadly Implemented
№	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Beneficial owners are able to direct their custodian on how to vote, and custodians are to develop voting policies.</b>						
III.A.3.1	Are custodians required to inform beneficiaries about upcoming GMSs and pass along <a href="#">relevant information</a> ?	✓			UU No. 8/95, Rule VI.A.3	Relevant information of GMS should be provided by custodian to ultimate shareholders. The rights and obligations of Securities Account Holders at custodians are laid out in detail in Rule VI.A.3, and include: <ul style="list-style-type: none"> <li>- Delivery of annual reports and other documents that are distributed by the Issuer to Securities holders not later than 2 (two) days after such documents are received by the Custodian (Section 10.8).</li> <li>- Delivery of written notice regarding various rights and meetings of Securities holders not later than one day after such information is made public by the Issuer (Section 10.9).</li> <li>- Delivery of documents produced by the Issuer that confirm the right of account holders to attend and vote at the general meeting of Securities Holders not later than 3 (three) working days before the meeting, provided that instructions to register such documents have been sent by the account holder to the Custodian not later than 2 (two) days before the date set by the Issuer for determining account holders that may attend the meeting (Section 10.10).</li> </ul>
III.A.3.2	Are the ultimate (sometimes referred to as beneficial) owners of shares able to direct custodians on how to vote on their behalf?	✓			UU No. 8/95	Article 1 (8) CML, a Custodian is a Person who provides safekeeping services with respect to Securities and Securities-related assets and other services, including collection of dividends, interest, and other entitlements, the settlement of Securities Transactions, and agency services for clients who are account holders. "Other services" include such things as the distribution of voting proxies and annual reports, the processing of preemptive subscription rights, the receipt of Securities in a tender offer, and settlement services for foreign central Custodians. <p>The requirement for custodians to vote according to instructions from ultimate shareholders is not explicit in the law, but is implied by the requirement to follow the custodial contract, and is clear market practice.</p>
III.A.3.3	Does the corporate governance framework establish that the custodian disclose their voting and voting policy to shareholder when no voting instructions were given?			✓		There is no specific rule, but in practice custodian will disclose to their shareholder their voting and voting policy. <p>The requirement for custodians to follow instructions from beneficial owners is not explicit in the law but is implied by the requirements to follow the custodial contract.</p>
<b>2. Depository receipt holders can issue binding voting instructions on all issues with respect to their shares to depositaries.</b>						
III.A.3.4	Does the legal or regulatory framework require that depository receipt holders can issue binding instructions on how to vote their shares?	✓				The depository cannot vote the shares.
<b>ii. Enforcement and compliance:</b>						
III.A.3.5	In practice, do the custodians inform their customers (beneficial owners), including foreign beneficiaries, about the GMS agenda and other relevant information?	✓			Custodian Intv	No problems were reported in this area.

III.A.3.6	In practice, do the custodians cast votes on instruction from their beneficiaries, including foreign beneficiaries?	✓			Interviews	Yes, custodians do frequently cast votes on behalf on their clients.
III.A.3.7	Do the principal custodians inform the beneficiaries on how they voted in practice?	✓			Interviews	Yes, they inform the beneficiaries on how they voted.

III.A.4. Impediments to cross border voting should be eliminated.*						
Status of implementation:					95%	Broadly Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The legal framework should clearly specify who is entitled to control the exercise of voting rights.</b>						
III.A.4.1	Does the legal framework forbid limits on foreign participation in equity markets?	✓				There are no limits on foreign participation in equity markets. Approximately 2/3 of the shares held in dematerialized form (at the KSEI) are held by foreigners. However, there are some state enterprises that cannot be owned by foreigners. Article 77 of State Owned Enterprise Law provides criteria for SOE that cannot be privatized (and thus cannot have foreign participation). These include a. SOE whose business are related to defense or national security, b. SOE determined by the state to involve in public service, c. SOE involving in natural resources that are stated by law cannot be privatized.
III.A.4.2	Under the law, do foreign shareholders have the same rights as domestic shareholders?	✓			UU No.8/95 UU No. 40/07	Both CL and CML only mention "shareholders". It might include foreign shareholders. No limitation.
III.A.4.3	When shares of foreign investors are held by (a chain of) intermediaries, does the legal framework clearly specify who is entitled to control the exercise of voting rights attached to those shares?	✓			UU No. 40/07	According to art 48(1) of CL, shares are issued under the name of shareholders and they are entitled to control the exercise of voting rights attached.  In practice, KSEI prepares the list of eligible voters based on the sub-accounts recorded in their records. Interviews with market participants suggest that, for foreign shareholders, each global custodian-client has their own subaccount, making them the (nominee) shareholder of record. As a result, only the contract between the global custodian and their clients regulates the right to vote.
<b>2. Companies are to provide sufficient notice of meetings to enable foreign investors to exercise their voting rights.</b>						
III.A.4.4	Does the corporate governance framework require or encourage companies to provide sufficient (for example 21 days) notice of the GMS to enable foreign investors to vote?	✓			UU No. 40/07	Based on Bapepam Rule Number IX.J.1 (which mirrors CL Article 83), the announcement of the GMS shall be made at least 14 days before the invitation and the invitation shall be at least 14 days before the GMS, for a total of 28 days of notice. In addition, for extraordinary GMS (e.g. conflict of interest transaction or material transaction), the agenda for the meeting has to be included in the notice of GMS which must be sent 28 days before the GMS. However, this is only an announcement and does not include the agenda for the meeting.
<b>3. Companies are to make use of secure and effective processes and technologies that facilitate voting by foreign investors.</b>						
III.A.4.5	Are companies required or encouraged to facilitate foreign investors to vote through electronic or proxy voting?		✓		UU No. 40/07	Art 85(1) of CL states that that shareholders can use proxy to vote. Art 77(1) of CL however states that can be conducted via teleconference, video conference or other electronic media that enable participants of GMS to directly view, hear and participate. There does not appear to be any encouragement given to companies to facilitate voting through electronic or proxy voting.
<b>ii. Enforcement and compliance:</b>						
III.A.4.6	In practice, are foreigners able to fully participate in the equity market?	✓				Foreigners play a significant role in the equity market, owning (by some estimates) a majority of the shares held in KSEI.
III.A.4.7	In practice, are foreign shareholders able to exercise the same rights as domestic shareholders?	✓				In interviews with foreign investors, there were no complaints in this area.

III.A.4.8	In practice, are there any problems in identifying who is entitled to control the exercise of voting rights attached to those shares?	✓				In interviews with foreign investors, there were no complaints in this area.
III.A.4.9	Do foreign shareholders receive relevant information on the GMS in a timely manner?	✓			Association survey , FGD, interviews with foreign investors	Based on the FGD, foreign shareholders receive information on the GMS from their custodians, from IDX and companies' websites, press release and investor relations. They also can obtain information by request. Based on interviews with foreign investors, there were no systematic problems in this area.
III.A.4.10	In practice, do companies use electronic or encourage proxy voting to facilitate foreign investors to vote?	✓				Foreign investors interviewed suggested that they frequently ask their local custodian to act as a proxy (with power of attorney).
III.A.4.11	In practice, do foreign shareholders use their voting rights?	✓			Company Survey and Association Survey	2 Associations said yes-partially while 1 Association said yes-fully. Furthermore, The majority of surveyed companies (more than 83%) answered 'yes' to the question.

III.A.5. Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.*						
Status of implementation:					77%	Broadly Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Companies are to facilitate voting by minimizing costs; using equitable voting methods; and making voting results available.</b>						
III.A.5.1	Does the corporate governance framework encourage companies to organize their GMS in easy to reach locations?	✓			Rule IX.I.1	Bapepam rule IX.I.1 regulates shareholder meetings of listed issuers. "The General Meeting of Shareholders should be thoughtfully planned with respect to determining the place, the time, the procedures and meeting agenda, in accordance with the Company's Articles of Association. Changes in the place, the time, and the agenda of the Meeting should be avoided in order not to confuse Shareholders. The Company must submit the details of the meeting agenda to Bapepam, not less than 7 (seven) days prior to the announcement date of the meeting."  Companies have an incentive to encourage participation because of quorum requirements. For example, under CL article 86(1), a resolution of the GMS to increase the subscribed and paid up capital within the limits of the authorised capital shall be valid if adopted with a quorum attending of more than ½ (one half) of all the shares with voting rights, unless larger numbers are determined in the articles of association.
III.A.5.2	Does the corporate governance framework require or encourage timely dissemination of the <a href="#">full</a> voting results (either during or immediately following the GMS)?	✓			Rule IX.I.1	Companies have to report the results of GMS at most 2 days after the GMS to Bapepam and in two Indonesian language newspapers, one of which is nationally circulated. For small and medium sized firms in one Indonesian language newspaper. The rule does explicitly state 'voting results'.
III.A.5.3	Does the corporate governance framework require or encourage <a href="#">confidential</a> and <a href="#">secure</a> methods for voting at the GMS, in particular alternatives to show of hands voting for sensitive issues (e.g. when electing directors)?			✓	UU No. 40/07, Rule IX.I.1	There does not appear to be any specific requirements or recommendations for voting methods. Both the Company Law and the NCCG call for voting rights proportionate to ownership. However, they do not specifically address issues like "show of hands" voting, which theoretically violates proportional voting.
<b>ii. Enforcement and compliance:</b>						
III.A.5.4	In practice, do a significant number of minority shareholders actually participate in the GMS?	✓			Company Survey and Association Survey	There appears to be a relatively high rate of participation in the GMS. According to the association survey, two associations said yes-partially while 1 Association said yes- fully. Furthermore, the company survey showed that the average attendance rate for individual investor was less than 50%, and 70% for institutional investors.
III.A.5.5	In practice, do companies hold their GMS in accessible locations and allow shareholders to participate without extraordinary requirements?	✓				Companies generally appear to hold their meetings in accessible locations and many small shareholders do attend GMSs.
III.A.5.6	In practice, do companies disseminate voting results on a timely basis (either during or immediately following the GMS)?	✓				Companies generally follow the regulation.

III.A.5.7	Do companies ensure that an independent counting commission or other body counts votes at the GMS?		✓		Company Survey, Association Survey and FGD	In general, most observers said that counts are generally fair. In the association survey, three associations said yes-partially. Furthermore, the company survey (yes-partially) showed that most vote counting is done by show of hands. In general, the disapproving or abstaining shareholder must raise his hand during the voting session, and fill up a voting form for verification process. The results will be announced by a notary public, and decided by the Chairman. One share one vote is assured; however, FGD participants tended to agree that disapproval tend to be discouraged.
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III.B.		Insider trading and abusive self-dealing should be prohibited.*				
Status of implementation:					73%	Partially Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Insider trading and market manipulation is prohibited.</b>						
III.B.1	Is there a law or regulation that prohibits, limits, or regulates trading by company <a href="#">insiders</a> ?		✓		Art 95-98 UU No.8/95	<p>Based on Article 95 of CML, an insider with respect to an Issuer or Public Company, who is in possession of inside information, is prohibited from buying or selling Securities of (a) the Issuer or Public Company; or (b) another Company engaged in transactions with the Issuer or Public Company.</p> <p>Article 96 states that such insider is prohibited from: (a) influencing a Person to buy or sell the Securities in question; or (b) providing inside information to a Person he has reason to believe may use such information to buy or sell the Securities in question.</p> <p>In addition, Article 98 states that a Securities Company that has inside information concerning an Issuer or a Public Company is prohibited from engaging in Securities transactions of such Issuer or Public Company, unless: (a) the transaction is made for the account of and in accordance with instructions of a client; and b) the Securities Company makes no recommendation to the client with respect to such Securities.</p>
III.B.2	Does this law or regulation define insider trading, and in particular the term "insiders" <a href="#">in-line with good practice</a> ?		✓		Expl Art 95 UU No.8/95	<p>Based on elucidation of Article 95 CML, "Insider" means:</p> <p>a) a commissioner, director or employee of an Issuer or Public Company;</p> <p>b) a substantial shareholder of an Issuer or Public Company;</p> <p>c) an individual, who because of his position or profession, or because of a business relationship with an Issuer or Public Company, has access to inside information; and</p> <p>d) an individual who within the last six months was a Person defined in letters a, b or c, above.</p>
III.B.3	Does the legal and regulatory framework effectively regulate <a href="#">market manipulation</a> ?		✓		Art 91-93 UU No.8/95	<p>Detailed regulations about insider trading and market manipulation can be seen in Art 91-98 of CML. Violations of these articles are considered to be criminal violations. The sanctions are stated on article 104 CML, any Person who violates the provisions of Articles 90, 91, 92, 93, 95, 96, 97 item (1) and 98, shall be subject to imprisonment for a maximum of ten years and a maximum fine of fifteen billion rupiah.</p>
<b>2. The continuous collection and analysis of trading data and timely reporting by insiders of securities transactions is provided.</b>						
III.B.4	Are there <a href="#">closed or restricted periods</a> during which board members and executives are restricted or not entitled to deal in company shares?		✓		Article 95 of CML	<p>There are no closed or restricted periods during which board members are restricted from dealing in shares. However, board members and executives and other company key executives who have unpublished information are prohibited from buying or selling their company's shares. See answers to III.B.1 and III.B.2.</p>

III.B.5	Does the legal and regulatory framework require trading by insiders to be publicly disclosed in a timely manner, for example on the company's or stock exchange's website?		✓		X.M.1	<p>Based on Bapepam Rule Number X.M.1, each director or commissioner of an Issuer or Public Company and shareholders that have an ownership of 5% or more of the paid in capital must report to Bapepam with regard to their ownership and the changes of ownership no later than 10 days from the transaction date. A copy of such reports must be available to the public and may be copied at Bapepam.</p> <p>Based on Bapepam Rule Number X.K.6 and VIII.G.7, financial statement and annual report must contain description regarding shareholders and percentage of ownership including the following components:</p> <p>a) shareholders with equal to or more than 5% (five percent) ownership of Issuers' or Public Companies' shares;</p> <p>b) director and commissioners that own the Issuers' or Public Companies' shares;</p> <p>c) group of public shareholders that own less than 5% (five percent) of Issuers' or Public Companies' shares. Similar requirement also stated on stock exchange rule and every report received by stock exchange, will be published through stock exchange website.</p>
III.B.6	Does the corporate governance framework require the stock exchange or securities regulator to collect and analyze trading data?		✓			Yes. This function is carried out by both Bapepam LK and the stock exchange.
<b>3. Investors are protected against abusive self-dealing by insiders.</b>						
III.B.7	Does the legal and regulatory framework effectively regulate <a href="#">abusive self-dealing</a> by insiders?			✓		Some forms of self-dealing (including related party transactions) appear to have become better regulated over time. Others (like insider trading and market manipulation) continue to raise concerns.
<b>ii. Enforcement and compliance:</b>						
III.B.8	Is there a regulator or other enforcement body(ies) with the authority to oversee and enforce insider trading, market manipulation and abusive self-dealing?		✓			Bapepam LK and the Stock Exchange have the authority to oversee and enforce these rights.
III.B.9	Has the relevant authority ever brought charges against a company insider or market intermediary for insider trading, market manipulation, or abusive self-dealing?		✓			Bapepam has successfully proven three insider trading cases, and company insiders and market intermediaries have been charged for insider trading or market manipulation. Insider trading and market manipulation cases have proven to be difficult and complicated.
III.B.10	Can shareholders challenge potential violations of these rights?			✓		Based on Art. 61 of CL and Art. 111 of CML, shareholders can challenge potential violations of these rights. Shareholders have not in fact brought cases in this area.
III.B.11	Do company insiders disclose ownership and trading in company shares?		✓		Company Survey	Yes, partially - Company survey: 61% answered 'Yes', 22% answered 'Partially', 11% answered 'No'.
III.B.12	Are market participants confident that insider trading and market manipulation are rare?				Association Survey and FGD	FGD participants concluded that insider trading and market manipulation are NOT rare. In Indonesia, a single identification card system is not yet in place, making the detection of insider trading and market manipulation more difficult. Companies are not required to publicly disclose their policies and enforcement with regard to insider trading and market manipulation.

III.C. Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation.*						
Status of implementation: 58%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Directors and key executives are to disclose their material interests affecting the company.</b>						
III.C.1	Does a board member or senior manager have to inform the board if they have a direct interest in a potential <a href="#">transaction</a> of the company?		✓		UU no. 40/07, UU No. 8/95, Reg X.K.1, CGGC 3.2.	<p>The following provision is interpreted by legal experts to require disclosure: Article 99 (1a and b) CL, Members of Boards of Directors do not have the authority to represent Companies if a. there is a case before the courts between the Company and the member of the Board of Directors concerned; or b. the member of the Board of Directors concerned has a conflict of interests with the Company.</p> <p>Article 82 item (2) of CML states that Bapepam may require Issuers and Public Companies to obtain approval from independent shareholders with respect to transactions in which the economic interests of the Company are in conflict with the private economic interests of directors, commissioners, or substantial shareholders. Based on Bapepam Rule Number IX.E.1, companies conducting certain affiliated transactions must disclose information to Bapepam and announce it to public no later than 2 days after the transactions. In addition, certain conflict of interest transactions must first be approved by independent shareholders or their authorized representative in GMS.</p> <p>According to the GCCG, Section 3.2 states: b, "b. in carrying out their duties and obligations, members of the Board of Commissioners and the Board of Directors and the employees of a company must prioritize the economic interest of the company above the personal and family's economic interests as well as that of any other party. c. Members of the Board of Commissioners and the Board of Directors and all employees are prohibited from abusing their respective powers and positions in a company in the interest and for the benefit of himself/herself, his/her family and another party. d. The party with a possible conflict of interest is prohibited from participating in discussions and decision-making process. f. Each member of the Board of Commissioners and the Board of Directors as well as the employees of a company having a decision making authority shall make an annual statement certifying that he/she has no conflict of interest in any decisions made by him/her and that he/she has implemented the code of conduct issued by the company.</p>
III.C.2	Does this also include transactions involving the interested party's <a href="#">indirect</a> interests?			✓	Rule IX.E.1	Bapepam regulation IX.E.1 contains significant requirements for companies entering into conflict of interest transactions (including those with board members). But there are no requirements for board members involved in conflict of interest transactions to make any special disclosures to the board.
<b>2. The board's duty of loyalty should include the monitoring and managing of conflict or interest and related party transactions.</b>						
III.C.3	Does the corporate governance framework specify that the board is responsible for monitoring and managing conflicts of interest?		✓		UU No. 40/07	<p>The following provision is interpreted by legal experts to require recusal from voting:</p> <p>Article 99 (1a and b) CL, Members of Boards of Directors do not have the authority to represent Companies if a. there is a case before the courts between the Company and the member of the Board of Directors concerned; or b. the member of the Board of Directors concerned has a conflict of interests with the Company.</p>

III.C.4	Does the corporate governance framework require or encourage conflicted board members to recuse themselves from voting when conflicted?		✓	UU No. 40/07	The following provision is interpreted by legal experts to require recusal from voting:  Article 99 (1a and b) CL, Members of Boards of Directors do not have the authority to represent Companies if a. there is a case before the courts between the Company and the member of the Board of Directors concerned; or b. the member of the Board of Directors concerned has a conflict of interests with the Company.
III.C.5	Are there specific restrictions on board members and senior managers to prevent conflicts of interest?		✓	Art 101 UU No.40/07	Direct restrictions are limited to requirements to disclose trading.
<b>ii. Enforcement and compliance:</b>					
III.C.6	In practice, do board members regularly inform the board about their business, financial, and other interests?		✓	Co Survey	The company survey provides only partial evidence that board members are regularly informing the board about their other interests. Company survey: 59% answered yes, 24% answered partially, 12% answered no.
III.C.9	In practice, do board members abstain from participating in the board discussion on a particular agenda item when they are conflicted?	✓		Co Survey	The company survey provides only partial evidence that board members are recusing themselves when necessary. Company survey: 77% answered yes, 23% answered no.
III.C.10	In practice, do board members abstain from voting on a particular agenda item when they are conflicted?	✓		Co Survey	The company survey provides evidence that board members are recusing themselves when necessary. Company survey: 77% answered yes, 23% answered no.
III.C.11	In practice, do companies have policies on loans to directors and managers, either forbidding this practice or ensure that they are being conducted at an arm's length basis and at market rates?		✓	Co Survey	The company survey provides evidence that companies have adopted conflict of interest policies. Company survey: 47% answered yes, 12% answered partially, 41% answered no.

## Chapter IV: The Role of Stakeholders in Corporate Governance.

IV.A. The rights of stakeholders that are established by law or through mutual agreements are to be respected.\*

Status of implementation: 83%

Broadly Implemented

№	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The corporate governance framework provides for the enforcement of established legal rights for stakeholders.</b>						
IV.A.1	Do the country's laws and/or regulations allow companies and employees to effectively enter in and enforce contracts and agreements with one another?	✓			Art.50 UU No.13/03	Yes, art 50 Law No. 13/03 states that working agreements between employers and employee bound both parties.
IV.A.2	Does the legal and regulatory framework require boards to ensure that those rights of and obligations to <a href="#">stakeholders</a> as specified in the laws and regulations are complied with?	✓			Art.53 UU No.13/03	See next answer.
IV.A.3	Does the corporate governance framework (e.g. through the national corporate governance code) encourage boards to consider the interests of stakeholders in their decision-making, even when these interests are not specified in law?	✓			Chapter III 2.1 National Code, UU No.40/07	The words 'stakeholders' appear 28 times in NCCG. There is a special chapter (Ch. VI) covering firms and boards duties to consider the interests of stakeholders. Chapter III (business ethics) provides the companies' guidance in doing business, including interactions with their stakeholders. Further, article 74 compels companies having its business activities in the field of and/or related to natural resources to perform its social and environmental responsibilities.
<b>ii. Enforcement and compliance:</b>						
IV.A.4	Do companies comply with agreements they have made with employees?		✓			In practice, companies' comply in executing the agreements, as long as the agreements do not impose undue burden on the companies.
IV.A.5	Do companies comply with legal requirements regarding - and agreements they have made with - other stakeholders?	✓				As long as the agreements are legitimate according to the relevant rules, specifically Law No. 13/03 and other Law regulations.
IV.A.6	In practice, do boards consider the interests of stakeholders in their decision-making?		✓			

IV.B.		Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.*				
Status of implementation:				57%	Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
	n/a					
<b>ii. Enforcement and compliance:</b>						
<b>1. The corporate governance framework includes enforcement and remedial mechanisms to protect stakeholder rights.</b>						
IV.B.1	In practice, do stakeholder groups (e.g. employees, creditors, etc.) effectively seek legal redress through courts?		✓		Art 80 (4) UU No.8/95 & Art.138 (3) UU No.40/07	Art 80 Law No. 8/95 provides any party a right to sue those who are responsible for their losses due to misleading information. The civil law allows any party to seek legal redress to other party through civil court. In practice however it is rare to seek redress through courts.
IV.B.2	Is the court system considered efficient in terms of Enforcing Contracts and resolving commercial disputes by the "Enforcing Contracts" Doing Business Index in terms of cost, time, and procedure?			✓	<a href="http://www.doingbusiness.com">www.doingbusiness.com</a>	Courts in Indonesia take more procedures and time than the OECD average, and are significantly more costly than both OECD and other East Asian economies.
IV.B.3	Are the various stakeholder groups (e.g. employees, creditors, etc.) able to effectively seek redress through other means, in particular alternative dispute resolution (ADR) mechanisms such as arbitration or mediation?		✓		UU No.33/99	Law No. 33/99 is the legal basis for Arbitrage and ADR. Further, there are some institutions such as BANI (National Arbitrageur Body), BAPMI (Indonesian Capital Market Arbitrageur Body) and other mediator institutions. However, they are not the first choice for employees nor creditors to seek for justice.
IV.B.4	Can boards, board members, and/or senior managers be held liable for violating the rights of an employee, creditor, or other stakeholder (for example, as specified in the labor law)?	✓			UU No.13/03	
IV.B.5	Do boards, board member, and/or senior managers face the possibility of criminal prosecution for violating the rights of employees, creditors, or other stakeholders?	✓			UU No.13/03	
IV.B.6	Where stakeholders are accorded specific information rights under the legal and regulatory framework, are they able to effectively seek redress for violation of such rights?		✓		UU No.8/95	For listed companies, information rights of stakeholders are the same as of independent shareholders, i.e., information mandatory to be publicly disclosed. Article 111 CML states that "any Person" who suffers losses arising from violations of this Law and or its implementing regulations can sue for compensation, either jointly or severally with other Persons with similar claims, against the Person or Persons responsible for such violations. The term "any Person" include stakeholders and if companies do not provide information mandated by the rules, they can seek redress.

IV.B.7	Where the legal and regulatory framework calls for companies to establish whistle-blowing policies, do the legal and regulatory authorities enforce these?		✓	UU No.13/06, NCCG, UU No. 8/95	Indonesia has Law No 13 Year 2006 concerning Protection of Witnesses and Victims. The authority that has power to enforce this is Protection of Witnesses and Victims Institution (LPSK). NCCG states that a company has to arrange a system that guarantees the protection of the whistle blower. In capital market, according to article 68 of CML, Accountants that are registered with BAPEPAM must report in confidence to BAPEPAM within three working days of discovering the following:a) any violation of this Law and or its implementing regulations; orb) any matter that may jeopardize the financial condition of the institution, or the interests of its clients.Since compliance to NCCG is not mandatory, then it cannot be enforced. The law regarding witness protection was just enacted and thus its enforcement remains to be seen. With regard to art 68 of CML, there were cases whereby accountants reported to Bapepam for violation of the CML and Bapepam followed up the report and imposed sanction to the reported companies.
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IV.C. Performance-enhancing mechanisms for employee participation should be permitted to develop.*						
Status of implementation:			81%		Broadly Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>EC 1. The corporate governance framework permits the development of different forms of employee participation.</b>						
IV.C.1	Does the legal and regulatory framework permit (or at least not expressly prohibit or inhibit) companies to link employee remuneration to company performance, e.g. through profit sharing or performance bonuses?	✓			UU No.13/2003	In practice, the arrangement can be part of a company rule or it is stipulated in working agreement between company and its employees (usually represented by the labor union).
IV.C.2	Does the legal and regulatory framework permit (or at least not expressly prohibit or inhibit) companies to incentivize their employees through stock awards, including stock options?	✓				The framework does not prohibit this. In practice, there are ESOP in listed companies.
IV.C.3	When the legal and regulatory framework allows (or does not prohibit or inhibit) companies to incentivize their employees through stock awards, including stock options, does this same framework require or encourage such awards to be linked to the company's long term performance, i.e. restricted over time, or to require shareholder approval?	✓			UU No. 40/07	According to CL, issuing additional stocks require shareholder approval. This implies that ESOP has to be approved by shareholder. The framework does not require the awards to be linked to the company's long term performance.
IV.C.4	Does the legal and regulatory framework encourage other forms of employee participation, e.g. work councils or board membership?			✓		No.

**2. Company-based pension funds are to be overseen by independent trustees tasked to manage the fund for all beneficiaries.**

IV.C.5	Does the legal and regulatory framework require or encourage company-based pension funds to have trustees that are independent from management?	✓		Art 12 & 13 UU No.11/92 (regarding pension fund)	The law requires that the governance of pension fund includes the Board of Trustees, which are the representative of employees and the employer in equal number. Thus, the board is independent from the management of the pension fund.
IV.C.6	Do the trustees of company-based pension funds have a responsibility to act in the interest of pensioners?	✓		Art 12 & 13 UU No.11/92	Board of Trustees acts on behalf the founders and members (i.e., the pensioners).
IV.C.7	Does the legal and regulatory framework require company-based pension funds to avoid conflicts of interest?	✓		UU No 11/92	One reason for the existence of the Law No. 11/92 is to avoid any forms of conflict of interests. Art 51 of the law states that the pension fund has to be managed for the interest of the participants of the pension fund.
IV.C.8	Are the trustees of company-based pension funds liable vis-à-vis pensioners when they fail to carry-out their responsibilities?	✓		UU No 11/92	Article 21 of Government Regulation 76/1992 as well as Article 14 of Government Regulation 77/1992 state that management (of both employer's Pension Fund and Financial Institution Pension Fund), are individually or jointly, liable for any losses on pension fund assets caused by management's misconducts that breach the regulations on pension fund.

**ii. Enforcement and compliance:**

IV.C.9	In practice, do companies link employee remuneration to company performance, e.g. through profit sharing or performance bonuses?	✓		Company Survey	Company survey: 67% answered Yes, 17% answered Partially, 16% answered No
IV.C.10	When companies offer stock awards, in particular stock options, do they restrict these awards/options over time to ensure that management is acting in the long-term interest of the company?		✓	Company Survey	Company survey: 46% answered Yes, 8% answered Partially, 46% answered No
IV.C.11	In practice, do companies allow for different forms of employees participation, e.g. by forming employee work councils or allowing employees to serve as board members?		✓		Generally no.
IV.C.12	When employees own company shares, are they in practice able to exercise their rights as shareholders (e.g. to participate in the profits and vote at the AGM) independent from management?	✓		Company Survey	Company survey: 77% answered Yes, 5% answered Partially, 18% answered No
IV.C.13	In practice, do the trustees of company-based pension funds act in the interest of the pensioners?	✓		Art 12 & 13 UU No.11/92	Board of Trustees acts on behalf the founders and members (i.e., the pensioners).
IV.C.14	In practice, does the management of company-based pension funds avoid conflicts of interest?	✓			There have no known cases of such conflicts.
IV.C.15	In practice, do pensioners hold the trustees of company-based pension funds liable when the trustees fail to carry-out their responsibilities?		✓	UU No 11/92	There have been no known cases.
IV.C.16	Are company-based pension funds managed independently from the company's management?	✓		Company Survey	Company survey: 67% answered Yes, 17% answered Partially, 16% answered No

IV.D. Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.*						
Status of implementation: 92%					Broadly Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Stakeholders are to be provided with reliable information to facilitate their participation in the governance process.</b>						
IV.D.1	Does the corporate governance framework require or encourage stakeholders to be informed by the company regarding major decisions affecting them?	✓			UU No. 13/03, UU No. 40/07/Reg X.K.1	<p>In general, prevailing laws require companies to inform or consult with their relevant stakeholders. For example, the Labor Law (UU No. 13) requires companies to inform their employees with the plan of termination. Art 44 of the company law (UU no. 40/07) requires companies inform all creditors through at least one newspaper at most 7 days after GMS decision to reduce the amount of capital. Creditors can object to the decision and if the company refuses the objection, they can go sue the company in the court. Bapepam-LK rule No. X. K. 1. regarding Full Disclosure Information that should be Announced to Public regulates listed companies' obligation in submitting such information to public. This rule, however, primarily is intended for shareholders, not stakeholders.</p> <p>The NCGCG also encourages companies to share necessary information with stakeholders.</p>
<b>ii. Enforcement and compliance:</b>						
IV.D.4	In practice, do companies communicate with employees, creditors, or the community regarding major company events?	✓			Co Survey	Company survey: 68% answered Yes, 21% answered Partially, 11% answered No
IV.D.2	Where the legal or regulatory framework allows for <u>employees</u> to participate in the governance process (e.g. through board representation or the establishment of work councils), do they receive sufficient and timely information for them to effectively exercise their rights?	□				This question is not applicable since employees do not participate in the governance process.
IV.D.3	Where the legal or regulatory framework allows for <u>creditors</u> to participate in the governance process (e.g. through an annual debt holders meeting), do they receive sufficient and timely information for them to effectively exercise their rights?		✓			Creditors could receive any important information from publicly listed companies as long as it is covered in lending agreements. Creditors do not really participate in the governance process. An annual debt holders meeting is required only for firms in financial distress.

IV.E. Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this.*						
Status of implementation:					38%	Partially Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Companies are to adopt whistle-blowing policies.</b>						
IV.E.1	Does the corporate governance framework require or encourage companies to develop policies that protect employees that report wrongdoing to the board or another authority inside the company (so-called whistle-blowing procedures)?			✓		There are no such requirements.
IV.E.2	Are there laws or regulations that protect employees that reveal unethical or illegal behavior by the company to authorities outside the company?		✓		UU No.13/06	Law No. 13/06 regulates victims and witnesses, not the whistle-blowers. However the law can be used as a reference to create whistle blowing procedures. Additional protection is provided to those who report cases of corruption or money laundering.
<b>ii. Enforcement and compliance:</b>						
IV.E.3	In practice, do employees make use of company-level "whistle-blowing" policies and procedures?		✓			Company survey on whistle blower policies: 59% answered Yes, 23% answered Partially, 18% answered No. However
IV.E.4	Do legal authorities protect whistleblowers from retaliation in practice?		✓		Co Survey	Company survey: Most surveyed companies provide confidentiality to whistle blowers.

IV.F. The corporate governance framework should be complemented by an effective, efficient insolvency framework and by effective enforcement of creditor rights.						
Status of implementation: 67%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>EC 1. The insolvency system clearly defines the rights of different classes of creditors; and does not involve excessive delays.</b>						
IV.F.1	Does the country score an eight or above on the Doing Business Creditor Rights "Strength of Legal Rights" Index?			✓	Doing Business 2010	Indonesia ranks towards the bottom of Doing Businesses measure of creditor protection. Particular weak are legal rights for creditors.
IV.F.2	Does the insolvency system clearly define the rights of different classes of creditors?	✓			Art 60 (3) UU No.37/04	Concurrent creditors (creditors other than normal creditors) who have the priority rights.
IV.F.3	Does the insolvency system provide creditors with a constructive role in restructuring decisions to be taken by the insolvent company?	✓			Chapter III UU No.37/04	There are requirements in Chapter III Law No. 37/04 about procedures for restructuring.
IV.F.4	Does the legal framework for insolvency facilitate voluntary restructuring of liabilities?	✓			Art 222 UU No.37/04	Yes, in article 222 Law No. 37/04, allows for voluntary restructuring of liabilities.
IV.F.5	Does the legal framework for insolvency allow for formal restructuring of companies in default short of outright liquidation?			✓	UU No.37/04	There is no such requirement in Law No. 37/04.
IV.F.6	Are the legal and regulatory requirements for formal restructuring and liquidation inexpensive and time efficient for creditors?		✓		UU No.37/04	The formal process in the new law is much better than in the old one, but there are some procedures that still need to be conducted.
<b>ii. Enforcement and compliance:</b>						
IV.F.7	Do creditors participate in the restructuring of insolvent companies in practice?	✓			UU No.37/04	According to the law, creditors are involved in process and agreements for restructuring of insolvent companies through Commercial Courts. In practice, they do participate.
IV.F.8	In practice, are formal bankruptcy procedures ever used?		✓		UU No.37/04 & UU No.40/07	Most of bankruptcy procedures are employed if there are creditors' litigation to their debtors through Commercial courts. Nevertheless, this usually is done only for parties that have very substantial interest in debtors' assets.
IV.F.9	Does a typical bankruptcy case spend less than three years in court?		✓		Art 296 (1) UU No.37/04	Legally, requirements in Art 298 (1) specify that Mahkamah Agung (MA = the highest court level in Indonesia) review could be done only in 180 days after the Commercial court's verdicts. But, in practice, it can be more than 180 days.
IV.F.10	In practice, can creditors seize collateral for loans to companies?	✓			Art 60 (3) UU No.37/04	Concurrent creditors or preferred creditors because they have already had the fiduciary agreement or an agreement providing special rights to them (creditors) for the companies' collateral.

## Chapter V. on Disclosure and Transparency

V.A.1. Disclosure should include material information on the financial and operating results of the company.\*

94%

Status of implementation:

Broadly Implemented

No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Listed companies are to provide a full set of annual audited financial statements to shareholders.</b>						
V.A.1.1	Are companies required to provide shareholders with annual financial statements?	✓			Corp Law No. 40 art 66.	<p>The annual report shall contain the following: a financial statement with the current balance sheet, profit and loss statement, cash flows, report on the equity changes.</p> <p>The Law prescribes that financial statements should be prepared according to financial accounting standards issued by the professional accounting organization recognized by the Indonesian Government.</p> <p>The Capital Market Law No. 8 (1995) article 68 requires listed companies to prepare and present audited annual financial statements. The annual financial statements of listed companies must be audited and filed with Bapepam within 90 days after calendar year-end. Half-year financial statements must also be filed with Bapepam dan LK within 30 days, 60 days, or 90 days if unaudited, reviewed, or audited, respectively.</p> <p>Financial institutions must prepare semi-annual and annual financial statements (per the Company Law Banking Law No. 7 (1992), Insurance Business Law No. 2 (1992), and Pension Fund Law No. 7 (1992)). Semi-annual and annual financial statements must be audited and publicly disclosed within 90 days and 4 months, respectively, after the end of accounting period. The annual financial statements of banks must be audited by an auditor approved by Bank Indonesia, published in at least 2 daily newspapers, and submitted to Bank Indonesia within 21 days after its approval at the general meeting.</p>
V.A.1.2	Does the legal and regulatory framework specify that financial statements include:					
V.A.1.2.1	A statement of financial position (balance sheet) at the end of the period?	✓			Corp Law No. 40 art 66 (2)a	See V.A.1.1
V.A.1.2.2	A statement of comprehensive income for the period (or an income statement and a statement of comprehensive income)?	✓			Corp Law No. 40 art 66 (2)a	See V.A.1.1
V.A.1.2.3	A statement of cash flows for the period?	✓			Corp Law No. 40 art 66 (2)a	See V.A.1.1
V.A.1.2.4	A statement of changes in equity for the period?	✓			Corp Law No. 40 art 66 (2)a	See V.A.1.1
V.A.1.2.5	Notes, comprising a summary of accounting policies and other explanatory notes ?	✓			Corp Law No. 40 art 66 (2)a	See V.A.1.1
V.A.1.3	Is there a requirement for these financial statements to be audited?	✓			Corp Law No. 40 art 68 (1)	Under Article No. 40 art 68(1) the following are required to have audited financial statements are: public companies, state owned enterprises, financial institutions, and companies having sales more than 50 billion rupiah.

V.A.1.4	Are companies required to provide shareholders with consolidated financial statements, if necessary?	✓			PSAK No. 4 Laporan Keuangan Konsolidasi	SAK (Financial Accounting Standards) requires consolidation if the subsidiary is controlled by the parent or owned more than 50% by the parent.
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## 2. Listed companies are to provide shareholders with a management discussion and analysis on an annual basis.

V.A.1.5	Are companies required to provide a written discussion of the company's financial statements and trends that may affect the company's future performance in the annual report?	✓			Corp Law No 40 art 66 (2)b -e, Kep Ketua Bapepam LK No. X.K.6	Bapepam LK Rule X.K.6 requires extensive disclosures, including section on corporate governance and CSR.
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### ii. Enforcement and compliance:

V.A.1.6	In practice, do companies disclose their annual financial statements to their shareholders?	✓			IICD Data	Shareholders can get a copy of the audited FS from listed companies and from the website of IDX.
V.A.1.7	In practice, are annual financial statements audited by an external auditor?	✓				In practice, yes, most do
V.A.1.8	Do holding structures and groups fully disclose their consolidated accounts in practice?	✓			IICD Data	Information on group holdings can be seen in the notes to financial statements.
V.A.1.9	In practice, do annual reports contain a discussion of the company's financial statements and trends that may affect the company's future performance?		✓		IICD Data	95% listed companies provide an analysis of financial performances of the firms. The majority of forward looking information is qualitative, not quantitative. It's very rare to see quantitative forecasts/projections made by the board.

V.A.2. Disclosure should include material information on company objectives.*						
Status of implementation:					88%	Broadly Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Companies should disclose material information on their commercial and non-commercial objectives.</b>						
V.A.2.1	Are companies required to disclose their commercial <a href="#">objectives</a> ?	✓			Kep Ketua Bapepam LK No. X.K.6; CGCG	The rule requires companies to state their vision and mission but does not oblige them to state the objectives. The CGCG encourages companies to disclose their objectives.
V.A.2.2	Are companies required to disclose their non-commercial <a href="#">objectives</a> ?		✓		Kep Ketua Bapepam LK No. X.K.6:	See V.A.2.1. The rule does not distinguish commercial and non-commercial objectives.
<b>ii. Enforcement and compliance:</b>						
V.A.2.3	In practice, do companies publicly discuss their commercial objectives?	✓			IICD Study	87% of listed firms provide companies vision, mission and goals.
V.A.2.4	In practice, do companies publicly discuss their non-commercial objectives?	✓			IICD Study	See above.

V.A.3. Disclosure should include material information on major share ownership and voting rights.*						
Status of implementation:					61%	Partially Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Substantial direct and indirect ownership interests are to be disclosed on an ongoing basis, but at least annually.</b>						
V.A.3.1	Are <u>companies</u> required to publicly disclose their ownership structure?	✓			Kep Ketua Bapepam LK No. X.K.6, PSAK 1: Penyajian atas Laporan Keuangan.	The rule requires companies to disclose a. the name of shareholders owning 5% of more of the companies, b. name of directors and commissioners owning the companies, c. ownership by the general public, i.e. those that own less than 5%.
V.A.3.2	Are <u>shareholders</u> holding substantial ownership stakes (e.g. above 5%) required to publicly disclose their ownership stake in companies?	✓			Art 87 () UU No.8/95 Bapepam Rule X.M.1	According to Rule No. X.M.1, all parties which have ownership 5 percent or more must disclose and submit the disclosure of their change of ownership within 10 days to Bapepam LK after the change is made.
V.A.3.3	Is the securities regulator (or other public institution) required to publicly disclose ownership information, e.g. on its website?	✓			Bapepam Rule X.M.1	The Stock Exchange passes on reports on changes in ownership it receives from KSEI. These reports are sent to Bapepam and copied to the IDX after changes in ownership of 5% or more.
V.A.3.4	Does the legal and regulatory framework ensure that indirect (e.g. <u>beneficial ownership</u> ) ownership is publicly disclosed?			✓		The disclosure of the ultimate owner of a firm currently is not required.
V.A.3.5	Does the legal and regulatory framework require the disclosure of structures that permit indirect control, e.g. voting agreements between different shareholder groups; shares held among family members, caps on voting rights, cross share holdings, shares with multiple voting rights, shareholders acting in concert?				Art 87 (2) UU No.8/95 & Reg X.K.1	Outside of voting rights, this sort of disclosure is not generally required.
<b>2. The regulatory and enforcement agencies are to have access to information on the identity of beneficial owners.</b>						
V.A.3.6	Does the legal and regulatory framework ensure that the identity of beneficial owners is disclosed to the regulatory authorities?		✓		Reg. 1X.H.1	Under certain circumstances, for example during control changes, Bapepam can request that beneficial ownership information be provided.
<b>3. Companies should disclosure group structures, cross-shareholdings, and intra-group relations.</b>						
V.A.3.7	Are holding companies or group structures required or encouraged to disclose their holding or group structures, including inter-group shareholdings, agreements, and other control mechanisms?	✓			Art 87 (2) UU No.8/95 & Reg X.K.1 Bapepam Rule VIII.G.7 regarding Presentation of Financial Statements	This kind of information must be disclosed on their Financial Statement on notes of Related Party Transaction (Rule No. VIII.G.7). In addition if the company makes a public offering these kind of information must be disclosed in prospectus. INCLUDING SHAREHOLDER AGREEMENTS??
<b>ii. Enforcement and compliance:</b>						
V.A.3.8	In practice, do <u>companies</u> publicly disclose their direct ownership structure?	✓			IICD Data	100% listed firms provide data on direct ownership

V.A.3.9	In practice, do <u>shareholders</u> holding substantial ownership stakes (e.g. above 5%) publicly disclose their ownership stake in companies?		✓			Direct ownership data is disclosed, indirect is sometimes disclosed to Bapepam.
V.A.3.10	In practice, do companies publicly disclose indirect (e.g. beneficial ownership) ownership information?			✓	IICD Data	Only 9% of listed firms clearly identify their beneficial ownership
V.A.3.11	In practice, are structures that permit indirect control publicly disclosed, e.g. voting agreements between different shareholder groups; shares held among family members, caps on voting rights, cross share holdings, shares with multiple voting rights, shareholders acting in concert?		✓			Only voting rights are generally disclosed.
V.A.3.12	In practice, are the regulatory authorities able to determine the beneficial owners of a company?	✓				In the case of an investigation, yes.
V.A.3.13	In practice, does the securities regulator (or other public institution) publicly disclose ownership information, e.g. on its website?		✓			IDX discloses some ownership information on its website.
V.A.3.14	In practice, do holding companies or group structures publicly disclose their holding or group structures, including inter-group shareholdings, agreements, and other control mechanisms?		✓		IICD Data	Only 26% of listed firms provide information on group structure in their websites, but in practice many include it in their annual reports.

					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>1. Full disclosure is to be made about directors and their qualifications; other directorships; independence; etc.</b>						
V.A.4.1	Are companies required or encouraged to disclose information about board members' qualifications?	✓			Reg VIII.G.2 Kep Ketua Bapepam LK No. X.K.6	Yes. According to Rule X.K.6 concerning Annual Report.
V.A.4.2	Are companies required or encouraged to disclose information about board members' other directorships?			✓		Not required.
V.A.4.3	Are companies required or encouraged to disclose to shareholders whether individual board members are considered to be independent?	✓			Reg VIII.G.2	The information whether individual board member is independent or not, is disclosed in financial statement, annual report and prospectus. In addition, it is also report to Bapepam LK when the company send the result of GMS.
V.A.4.4	Are companies required or encouraged to disclose to shareholders the criteria it uses to define an independent director (or refer to the definition of an independent director in the national corporate governance code)?		✓		Reg IX.1.5	Criteria of Independent Commissioner is regulated in Bapepam LK rule No. IX.1.5 concerning Audit Committee, but companies are not required or encouraged to disclose the criteria they use to define an independent director.
V.A.4.5	Are companies required or encouraged to disclose the attendance record of board members in board and committee meetings?	✓			Reg X.K.6	Yes. According to Rule X.K.6, information regarding meeting frequency and attendance level of the BOC, and BOD must be disclosed in annual report.
V.A.4.6	Are companies required or encouraged to disclose relevant (see questions V.A.4.1 - 5) information of candidates to the board in advance of the GMS?			✓		Bapepam regulation and the company law require companies to provide shareholders with relevant information, but do not specify information on board candidates.
<b>2. Board members and key executives are to disclose their ownership stake and any transactions in company securities.</b>						
V.A.4.7	Are board members and key executives required to disclose transactions in the company's securities on a timely basis, including transactions by their close family members or associates?	✓			Bapepam Rule X.M.1	Yes. According to Rule X.M.1, all board members must disclose their ownership and change of the ownership within 10 days after change is made.
V.A.4.8	Are board members and key executives required to publicly disclose their direct or indirect (e.g. through family members) shareholdings in the company?		✓		Art 101 (1) UU No.40/07 Bapepam Rule X.M.1	According to article 50 (2 and 3) CL, apart from the register of shareholders, Companies' Board of Directors must make and keep a special register which contains information regarding shares in the Company or in other Companies of members of the Board of Directors and Board of Commissioners together with their families and the date such shares were obtained and changes of share ownership. Bapepam regulation also requires disclosure of these holdings in the financial statements. Only board members direct holdings are disclosed to the public.
<b>3. Full and timely disclosure about the remuneration of board members and key executives is to be made.</b>						
V.A.4.9	Are companies required or encouraged to disclose the remuneration of its board members and key executives on an <a href="#">aggregate basis</a> ?	✓			Kep Ketua Bapepam LK No. X.K.6	The rule states that companies have to disclose a. the procedures to determine the remuneration and b. the amount of remuneration of members of BOC and BOD. This requirement is not clear if the amount of remuneration has to be disclosed on an individual basis.

V.A.4.10	Are companies required or encouraged to disclose the remuneration of its board members and key executives on an <a href="#">individual basis</a> ?		✓		Bapepam LK No. X.K.6	See the answer above.
V.A.4.11	Are companies required or encouraged to disclose the link between remuneration and company performance?			✓		There is no specific rule about this for listed companies.
V.A.4.12	Are companies required or encouraged to disclose their remuneration policy?	✓			Kep Ketua Bapepam LK No. X.K.6:	The rule requires companies to disclose the procedure to determine remuneration.
V.A.4.13	In practice, do companies disclose information about board members' qualifications?	✓			IICD Study	Almost all firms provided disclosure on board members' qualifications in the Annual Report.
V.A.4.14	In practice, do companies disclose information about board members' other directorships?		✓		IICD Study	While it is not required, some companies provided the information when they describes qualification of the members of the board.
V.A.4.15	In practice, do companies disclose to shareholders whether individual board members are considered to be independent?	✓			IICD Study	Almost 100% identified commissioners which are considered independent
V.A.4.16	In practice, do companies disclose to shareholders the criteria it uses to define an independent director (or refer to the definition of an independent director in the national corporate governance code)?		✓			While it is not required, some companies do so.
V.A.4.17	In practice, do companies disclose the attendance record of board members in board and committee meetings?		✓		IICD Study	Only 40% of listed firms reported that the average attendance rate of their board members was more than 80%. Almost 60% firms did not disclose the attendance of board members or had the average board attendance of less than 80%.
V.A.4.18	In practice, do companies disclose relevant (see questions V.A.4.1 - 5) information of candidates to the board in advance of the GMS?			✓		This information is rarely provided in advance of the meeting.
V.A.4.19	In practice, do board members and key executives disclose transactions in the company's securities on a timely basis, including transactions by their close family members or associates?	✓				This is generally disclosed
V.A.4.20	In practice, do board members and key executives publicly disclose their direct or indirect (e.g. through family members) shareholdings in the company?		✓		IICD Study	While required by regulation, only 38% of listed firms disclosed direct or beneficial ownership of directors and senior executives.
V.A.4.21	In practice, do companies disclose the remuneration of its board members and key executives on an <a href="#">aggregate basis</a> ?	✓			IICD Study	The majority of listed firms disclosed remuneration on an aggregate basis
V.A.4.22	In practice, do companies disclose the remuneration of its board members and key executives on an <a href="#">individual basis</a> ?			✓	IICD Study	Only 2% of listed firms disclosed remuneration of their board members on individual basis
V.A.4.23	In practice, do companies disclose the link between remuneration and company performance?			✓	IICD Study	Very few companies disclosed their remuneration policy, including the link between remuneration and performance.
V.A.4.24	In practice, do companies disclose their remuneration policy?			✓	IICD Study	Only very few companies (5%) disclosed their remuneration policy.

V.A.5. Disclosure should include material information on related party transactions.*						
Status of implementation:					88%	Broadly Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The corporate governance framework requires timely, comprehensive and public disclosure of related party transactions.</b>						
V.A.5.1	Are companies required to disclose information on related party transactions?	✓			Keppres No. 1/2002 Keppres No. 1/2002 VIII.G.7: Guideline on Presentation of Financial Statements), PSAK 7: Disclosure Related Party Transaction	The accounting standard (PSAK 7) requires disclosure on RPT in the annual report. Bapepam Rule VIII.G.7 requires more detailed disclosure on RPT than the accounting standard, in some cases before the transaction takes place.
V.A.5.2	Are companies required to disclose all of the following items on related party transactions: (i) the type of transactions; (ii) names of the related parties involved; (iii) amount of the transactions; and (iv) other details of the transaction(s) including, whether it was at market price.	✓			Keppres No. 1/2002 VIII.G.7	Disclose the type of transactions; names of the related parties involved; amount of the transactions; and if the value of transaction > 1 billion rupiah. In addition, companies have to disclose the price and the term of transactions and states whether the transaction is "arm's length".
<b>2. A "related party" is defined sufficiently broad to capture transactions that present a risk of abuse and is enforceable.</b>						
V.A.5.3	Does the legal and regulatory framework have a <a href="#">comprehensive definition of related parties</a> ?	✓			Capital Market Law art 1(1).	In the Capital Market Law related parties or affiliates are: Affiliates a. family relationship as marriage and children until the second degree horizontally and vertically; b. The relationship between the officer, director, or trustee of the Party; c. relationship between 2 companies where there are one or more members directors or commissioners that are the same; d. relationship between a company and a party either directly or indirectly, controls or is controlled by the company; e. relationship between 2 companies, either directly or indirectly, that are controlled by the same party; f. relationship between the company and its main shareholder.
<b>ii. Enforcement and compliance:</b>						
V.A.5.4	In practice, do companies disclose information on related party transactions?	✓				Yes, also see below.
V.A.5.5	In practice, do companies disclose all of the following items on related party transactions: (i) the type of transactions; (ii) names of the related parties involved; (iii) amount of the transactions; and (iv) other details of the transaction(s) including, whether it was at market price.		✓		RPT Study	Using 2006 Annual Report, a study by Rivano (2008) found that relative to the disclosure requirement by Bapepam, the average RPT disclosure was 78.6%. About 90% of listed firms disclosed item (i) to (iii), but only 32.1% disclosed that the terms of the transactions are based on arm's lengths transactions.

V.A.6. Disclosure should include material information on foreseeable risk factors.*						
Status of implementation: 88%					Broadly Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Companies should disclose reasonably foreseeable material risks, and risk management policies and procedures.</b>						
V.A.6.1	Are companies required or encouraged to publicly disclose their policies on risk management and internal controls in their annual report?	✓			Kep Ketua Bapepam LK No. X.K.6	Companies have to describe their internal control system and the activities of internal audit. They also have to disclose risks relevant to them and how they deal with the risks.
V.A.6.2	Are companies required or encouraged to publicly disclose <a href="#">material foreseeable risk factors</a> , in the annual report?	✓			Kep Ketua Bapepam LK No. X.K.6	See the above answer.
<b>ii. Enforcement and compliance:</b>						
V.A.6.3	In practice, do companies publicly disclose their risk management policies and outlines of their risk procedures in their annual report?		✓		IICD Data (E.12)	48% of listed firms disclose their risk management policy.
V.A.6.4	In practice, do publicly listed companies publicly disclose material foreseeable risk factors in their annual report?	✓			Kep Ketua Bapepam LK No. X.K.6	Companies have to describe their internal control system and the activities of internal audit. They also have to disclose risks relevant to them and how they deal with the risks.

V.A.7. Disclosure should include material information on issues regarding employees and other stakeholders.*						
Status of implementation: 75%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Companies are to disclose information on key issues relevant to stakeholders that may materially affect their performance.</b>						
V.A.7.1	Are companies required or encouraged to disclose <a href="#">material issues</a> regarding their employees?	✓			Kep Ketua Bapepam LK No. X.K.6:	Rule No. X.K.6 requires companies to disclose any material issues, but does not explicitly mention 'employees'. Require to disclose the number of employees and programs to improve their competencies. The CGCG has a general provision to provide information to stakeholders, which includes employees.
V.A.7.2	Are companies required or encouraged to disclose <a href="#">material issues</a> regarding creditors?	✓			Kep Ketua Bapepam LK No. X.K.6. Rule VIII.G.7	Rule X.K.6 requires companies to disclose any material issues, but does not explicitly mention 'creditors'. Rule VIII.G.7 requires companies to disclose extensive disclosure (e.g., interest rate, asset pledge, maturity, any issue) regarding creditors in FS. The CGCG has a general provision to provide information to stakeholders, which includes creditors.
V.A.7.3	Are companies required or encouraged to disclose <a href="#">material issues</a> regarding its environmental impact?	✓			Kep Ketua Bapepam LK No. X.K.6	The rule requires disclosing any material issues, but does not explicitly mention environmental policies. Require to disclose activities and expenditures related to the community and to the environment
V.A.7.4	Are companies required or encouraged to disclose material issues regarding <a href="#">other stakeholders</a> ?	✓			Kep Ketua Bapepam LK No. X.K.6:	The rule requires cos to disclose any material issues, but does not explicitly mention 'other stakeholders'. Require to disclose activities and expenditures related to the community and to the environment.
<b>ii. Enforcement and compliance:</b>						
V.A.7.5	In practice, do companies disclose material issues regarding their employees?		✓		IICD Study	Percentage of listed companies that disclosed policy towards the following stakeholders were as follow: Employees (44%), Suppliers (11%), Community (55%), Creditors (44%), Environment (11%)
V.A.7.6	In practice, do companies disclose material issues regarding creditors?		✓			Please see above
V.A.7.7	In practice, do companies disclose material issues regarding its environmental impact?			✓		Please see above
V.A.7.8	In practice, do companies disclose material issues regarding other stakeholders?		✓			Please see above
V.A.7.9	In practice, do companies include corporate social responsibility (CSR) statements in their annual reports or on their websites?	✓				A number do.

V.A.8. Disclosure should include material information on: 8. Governance structures and policies, in particular, the content of any corporate governance code or policy and the process by which it is implemented.*						
Status of implementation: 44%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Companies are to publish, at least annually, a corporate governance report.</b>						
V.A.8.1	Are companies required or encouraged to disclose its <a href="#">governance structures</a> ?	✓			Kep Ketua Bapepam LK No. X.K.6:	The rule require companies to disclose governance policies and programs that have been and are planned to be implemented.
V.A.8.2	Are companies required or encouraged to disclose its <a href="#">governance policies</a> ?	✓				Please see above
V.A.8.3	Are companies required or encouraged to regularly disclose their compliance with the national code of corporate governance?			✓		Bapepam regulation has a general requirement to disclose on corporate governance. There is no requirement to report compliance with the national code of CG, which is voluntary.
V.A.8.4	Are companies required or encouraged to explain areas of non-compliance with the national code of corporate governance?			✓		There is no such requirement
<b>ii. Enforcement and compliance:</b>						
V.A.8.5	In practice, do companies disclose their governance structures?		✓		Data IICD (E.1)	28% of listed firms provide comprehensive statement regarding governance policies, while 48% firms disclose some aspects of governance policies. 24% of firms do not disclose any policy related to governance.
V.A.8.6	In practice, do companies disclose their governance policies?		✓		Data IICD (E.1)	Please see above
V.A.8.7	In practice, do companies disclose their compliance with a national code of corporate governance (insofar as one has been issued on a comply-or-explain basis)?		✓			Companies do make corporate governance statements, however they generally do not disclose their adherence to national guideline on good corporate governance.
V.A.8.7	In practice, do companies explain areas of non-compliance with the national code of corporate governance (insofar as one has been issued on a comply-or-explain basis)?			✓		Since it is not required, companies do not disclose this.

V.B. Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial disclosure.*						
Status of implementation:					80%	Broadly Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The corporate governance framework, compliance, and enforcement</b>						
<b>1. An organization is responsible for the development and interpretation of quality accounting standards.</b>						
V.B.1	Are company financial statements required to be prepared using International Financial Reporting Standards (IFRS) or standards of comparable quality?		✓		Company Law No.40/2007 article 66 (33) 69 (UU RI No 8/1995)	<p>Since 1994 Financial Accounting Standard (SAK) is prepared by the Financial Accounting Standards Board (DSAK), part of IAI. According to the Capital Market Law, IAI-issued financial accounting standards are mandatory standards for all entities that fall under the supervisory purview of Bapepam</p> <p>The Indonesian financial accounting standards or Pernyataan Standar Akuntansi Keuangan (PSAK) that are developed by the DSAK are mandatory for financial reporting by public companies, banks, and financial institutions.</p> <p>Some Indonesian accounting standards were developed on the basis of U.S. GAAP, and some others were locally developed taking into account local legal requirements. The SAK have been revised to remove the gap with International Financial Reporting Standards (IFRS), and are on target to converge to full IFRS in 2012. The 2009 Accounting and Auditing ROSC for Indonesia provides a more detailed comparison between SAK and IFRS; as of January 1, 2010, none of the 43 existing PSAK can be viewed as fully comparable with IFRS; 7 PSAK are totally non-comparable with IFRS; 26 PSAK have minor gaps with IFRS; 5 PSAK have moderate gap with IFRS; and 5 PSAK have significant gaps with IFRS. The DSAK continued to revive SAK In 2010.</p>
V.B.2	In practice, do companies prepare their financial statements using International Financial Reporting Standards (IFRS) or standards of comparable quality?		✓			The Accounting and Auditing ROSC reviewed 30 sets of financial statements of IDX-listed companies. The review revealed several compliance gaps, including missing segment information, incomplete disclosure of related party transactions, problems in consolidation, and incomplete reporting of employee benefits.
V.B.3	In practice, are IFRS or standards of comparable quality updated on a regular basis and available in the national language, in particular to reflect the most recent IFRS?	✓			Capital Market Law Art 69(1)	DSAK (Financial Accounting Standard Board) is responsible for updating the standards on a regular basis and available in the national language. It is a body of the IAI.
V.B.4	Is there an organization that is responsible for the development and interpretation of national accounting standards or the promulgation of IFRS?	✓				See above
V.B.5	Does the organization that is responsible for the development and interpretation of national accounting standards consult with the public when issuing new accounting standards or their interpretations?	✓			IAI	DSAK issues exposure draft to the public for comments and conducts public hearings.
V.B.6	is there an accounting oversight body that ensures that the accounting standard setting and interpretations processes is organized in the public's interest?			✓		There is no government or other body that oversees the standard setting process.

V.B.7	Does the securities regulator or stock exchange or other body have the authority to monitor and enforce compliance with national accounting standards?	✓			Interviews	Bapepam monitors public company financial statements. The Corporate Finance Bureau performs field examinations and desk reviews on a sample basis to determine the level of compliance with the applicable accounting standards, as well as the disclosure requirements set forth by the Capital Market Law. Infractions detected through these reviews are considered as violation, which may trigger administrative or criminal sanctions (see Principle ID). However, there is no specific article in the law, regulation, or circulars providing for sanctions for noncompliance with accounting standards or for gross negligence or fraud by preparers and/or auditors of financial statements. Bank Indonesia is responsible for ensuring that the banks comply with the applicable financial reporting requirements. Bank Indonesia has a unit that reviews all financial reports of banks mainly to monitor compliance with prudential reporting requirements. In the course of reviewing financial statements, if significant departures from applicable standards are determined, Bank Indonesia may impose sanctions, including reprimand, suspension of business activities, or fines.
<b>2. Non-financial statement disclosure standards are to be developed by an organization that acts in the public interest.</b>						
V.B.8	Are <a href="#">non-financial disclosure standards</a> * set in the public's interest and through a public consultation process?	✓			Bapepam Rule II.E.1	The capital markets law and Bapepam set non-financial disclosure standards for issuers. In setting the standards and issuing regulation Bapepam follows its rule making rule process (Bapepam rule No. II.E.1) that include public hearing process.
V.B.9	Does the securities regulator or stock exchange or other body have the authority to monitor and enforce compliance with non-financial disclosure standards?	✓				See B.7
V.B.10	Does the securities regulator or stock exchange conduct a qualitative review of company disclosure in this area?	✓				See B.7

V.C. An annual audit should be conducted by an independent, competent and qualified, auditor.*						
Status of implementation:					63%	Partially Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Companies are to have an independent annual audit conducted in-line with internationally recognized auditing standards.</b>						
V.C.1	Are companies required to have their annual financial statements audited by an external auditor?	✓			Corp Law No. 40 art 68(1)	The Company Law, Capital Market Law, and Banking Law stipulate requirements for financial audits. All listed companies, non-bank financial institutions, and banks are required to be audited by a certified public accountant. Company Law art 68(1) specifies that the following are required to have audited financial statements are: public companies, state owned enterprises, financial institutions, and companies having sales more than 50 billion rupiah.
V.C.2	Is the external audit to be conducted in accordance with national auditing standards that are equivalent to International Standards on Auditing (ISAs) as promulgated by the International Federation of Accountants (IFAC)?		✓		IAPI	<p>The Indonesian Institute of Public Accountants (Ikatan Akuntan Publik Indonesia, or IAPI) is the authoritative body for setting auditing standards. In February 2008, through MoF regulation, IAPI was recognized as the professional public accountant organization authorized to establish auditing standards and code of ethics for the accountants in public practice.</p> <p>Auditors are required to comply with the Indonesian Public Accountant Professional Standards (SPAP) set by the IAPI. SPAP are based on the U.S. Statements on Auditing Standards and some international standards of audit. The IAPI prepared a Code of Ethics, based on the IFAC Code of Ethics for Professional Accountants, in October 2008. The new IAPI Code of Ethics became effective on January 1, 2010.</p> <p>Following the 2005 World Bank Accounting and Auditing ROSC, the IAI decided to implement ISA. However, final adoption was postponed until 2009, and now until 2011. IAPI leadership has expressed their intention to converge local auditing standards with International Standards on Auditing (ISA) by 2011 (although no implementation plan has yet been put in place).</p>
V.C.3	Are the external auditors required to conduct their audits in accordance with a national code of ethics equivalent to IFAC's Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA)?	✓			IAPI	The Professional Ethics Rule for Public Accountant was adapted partially from US Professional Ethics Rule. In October 2008, the Auditing Standard Board (Dewan SPAP) promulgated a new Code of Ethics, based on IFAC's Code of Ethics. The new code will be applied from January 1, 2011.
V.C.4	Does the legal and regulatory framework require the external auditor to be <a href="#">independent</a> from the company?	✓			IAPI, Bapepam VIII.A.2, article 3.	The independence requirement is stated in Bapepam regulation VIII.A.2 (article 3), and in the new IAPI Code of Ethics.
V.C.5	Does the corporate governance framework define the independence criteria of what constitutes an independent external auditor?		✓		IAPI, Bapepam VIII.A.2	Bapepam rule No. VIII.A.2 (concerning Independence Of Accountant Performing Services In Capital Market) specifies independence requirements for auditors providing services to listed companies. A non-independent auditor:- has material financial interest, directly or indirectly, in the client- has employment relation to client- has material business relation, directly or indirectly, with the client- gives non audit services to client- gives services/selling products based on contingent fees from the ClientIndependent Rules for Public Accountant is also stated in the ethics rules (No. 100 of old Code of Professional Ethics). The new IAPI Code of Ethics applicable to all accountants also specifies auditor independence.

V.C.6	Does the corporate governance framework require or encourage the rotation of the lead audit or engagement partner?	✓		Finance Ministry Decree No. 17/PMK.01/2008	There are three different sets of auditor rotation requirements. The Ministry of Finance Decree No:17/PMK.01/2008 mandates a 3-year rotation for audit partners and a 6-year rotation for accounting firms. This regulation provides one-year grace period for the same accounting firm to audit the same client once the 6-year period is completed. The rotation of auditors and accounting firms are also regulated by Bapepam dan LK in KEP-VIII.A.2/BL/2008, which requires a 6-year rotation for both audit partner and accounting firm. The Bank Indonesia Regulation (3/22/PBI/2001) sets out criteria for bank auditor rotation. The Bank Indonesia Regulation requires a 5-year rotation for both audit partner and accounting firm.
<b>2. Auditors are to be licensed or de-licensed according to specific qualification and competency criteria, and ongoing training.</b>					
V.C.7	Are audit firms and/or audit partners required to be licensed by a government authority (e.g. securities regulator) or professional association of accounts and auditors?	✓		Ministry of Finance No. 17/PMK/01/2008 dated February 5, 2008, article 5	<p>According to Finance Ministry Decree and CML Article 64, all profession including Auditor must be licensed by MoF and registered in Bapepam. Audit firms are required to be licensed by Ministry of Finance (MOF) after obtaining a recommendation letter from IAI. Based on article 5 of Decree of Ministry of Finance No. 17/PMK/01/2008 dated February 5, 2008, the requirements to obtain CPA license are as follows:</p> <ul style="list-style-type: none"> <li>a. Should have an Accountant Register Number;</li> <li>b. Should have a Certificate of Indonesia Certified Public Accountant (Indonesia CPA) IICPA</li> <li>c. If the written request is submitted more than two years after obtaining (Indonesia CPA), the public accountant should submit evidence that he/she has completed 60 continuing professional education credits in the last two years;</li> <li>d. Should have at the minimum 1000 hours experience in the audit of financial statements in the last five years, of which 500 hours should be spent to lead and/or supervise an audit engagement approved by lead partner of a public accounting office;</li> <li>e. Should be domiciled in the Republic Indonesia as evidence by KTP (identity card) or other evidence which complies with the regulation;</li> <li>f. Should have a tax identification number (NPWP);</li> <li>g. Public accountant license should have never been revoked;</li> </ul>
V.C.8	Are auditors involved in auditing banks required to obtain a special certification from the central bank?	✓		BI regulation	Based on BI regulation, the external auditors who are involved in bank auditing required to obtain certification from Bank Indonesia.
V.C.9	Are external auditors required to pass continuous professional education programs to ensure that their qualifications and competencies are kept up-to-date?	✓		Ministry of Finance Decree No. 17/PMK/01/2008 dated February 5, 2008.	Based on the Decree, public accountants are required to pass continuing professional education (CPE) at least 30 unit per year. In addition, the external auditors are required also to pass additional CPE of 5 unit per year for BAPEPAM and 5 unit per year for BI requirement.

V.C.10	Does the corporate governance framework provide for the withdrawal of the external auditor's license if <a href="#">specific conditions</a> are not met?	✓		IAPI	<p>Bapepam has the authority to impose sanctions on its registered auditors, including cancellation of auditor registration (article 102 CML). The condition of withdrawal of the external auditor's license is as follows :</p> <p>a. Noncompliance with CPE requirements is categorized as light violation, and is subject to administrative sanction (notice or warning sanction).</p> <p>b. Obtaining 3 (three) notice warning sanctions at the maximum, is allowed within a 48 months period. For the next light violation committed after the maximum 3 times notice/warning sanction within the 48 months period, the license of the Public Accountant, Public Accountant Office and/or Branch of Public Accountant Office will be suspended.</p> <p>c. License can be suspended twice for a period of 24 months each suspension, at the maximum. For the next serious violation committed after the maximum 2 times suspension, the license of Public Accountant, Public Accountant Office and/or Branch of Public Accountant Office will be revoked.</p> <p>d. If the public accountant has not submitted request for the reinstatement of license within 6 (six) months after the license has been suspended, the license will be revoked.</p>
<b>3. The organization that enforces audit standards is independent; and has appropriate responsibilities and resources.</b>					
V.C.11	Does the corporate governance framework call for an organization that is responsible for <a href="#">enforcing</a> audit standards?	✓		IAPI, CML art 66	<p>According to the MoF Decree No. 131/KMK.01/2006, the supervision of accountancy profession, including monitoring of statutory auditors' professional activities, falls under the purview of the MoF-based Center for Supervision of Public Accountants and Appraiser Services (Pusat Pembinaan Akuntan dan Jasa Penilai (PPAJP). The PPAJP performs both regular and "for cause" investigative examinations of the accountants in public practice and the appraisers involved in valuation activities. It has about 20 inspectors for public accountants, and about 15 inspectors for appraisers. The number of inspectors for public accountants appears to be inadequate in view that there are about 400 accounting firms and about 800 public accountants who need to be inspected by PPAJP. In 2009, PPAJP conducted on-site reviews of about 50 accounting firms and about 90 public accountants.</p> <p>IAPI has a Professional Honorary Board (Dewan Kehormatan) with sufficient independence from IICPA to enforce and impose sanctions to the members who do not comply with auditing standard and ethics. Members of Dewan Kehormatan however consist of all accountants.</p> <p>Bapepam has taken steps to build capacity to carry out audit quality reviews for auditors of companies that fall under the purview of its supervision.</p>
V.C.12	Does the corporate governance framework call for this organization to be <a href="#">independent</a> of (or subject to the oversight of a body that is independent of) the audit profession?			Accounting and Auditing ROSC	<p>The MoF-based Center for Supervision of Public Accountants and Appraiser Services (Pusat Pembinaan Akuntan dan Jasa Penilai, PPAJP) can theoretically enforce audit standards, but it is in the early stages of development and its powers and resources are limited. According to article 66 CML, all Capital Market Supporting Professionals must comply with codes of ethics and professional standards set by their respective professional associations as long as such standards are not in conflict with this Law and its implementing regulations. Accordingly Bapepam has power to enforce this article. IAPI has a Professional Honorary Board (Dewan Kehormatan) with sufficient independence from IICPA to enforce and impose sanctions to the members who do not comply with auditing standard and ethics. Members of Dewan Kehormatan however consist of all accountants.</p>

**4. An organization is responsible for developing and interpreting audit and ethics standards.**

V.C.13	Does the corporate governance framework provide for an organization that is responsible for <u>developing and interpreting</u> audit standards, including standards of ethics?	✓			IAPI	Indonesian Institute of Public Accountants (IAPI) is the organization that responsible for developing and interpreting audit standards, including Codes of Ethics The source of legal authority is based on the Decree of Ministry of Finance which recognizes IAPI as the professional public accountant organization authorized to establish professional standards and code of ethics, establish uniform public accountant certification standards and establish policies quality review inspections, among others. This has been delegated to the Professional Auditing Standard Board (Dewan SPAP/DSPAP) which is required to consult with other constituents such as Department of Finance (PPAJP), BAPEPAM, and other relevant parties when issuing new auditing standards or interpretation as part of due process procedure of DSPAP.
V.C.14	Does the corporate governance framework call for this organization to be <u>independent</u> of (or subject to the oversight of a body that is independent of) the audit profession ?			✓		There is no body responsible for the oversight of the audit standards process.

**EC 5. The board is to disclose that the auditor was independent, qualified, acted with care; and the value of non-audit work.**

V.C.15	Does the corporate governance framework require or encourage the board of directors or its audit committee to report to shareholders that the external auditor was independent, qualified, and acted with care?		✓			There is no specific regulation. The CGCG calls for the audit committee to nominate auditors for the GMS, to provide the criteria for nomination, and that auditors should be independent from the company.
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**ii. Enforcement and compliance:**

V.C.16	In practice, are company annual financial statements audited by an external auditor?	✓				Yes, listed company statements are audited.
V.C.17	In practice, are the external auditors independent from the companies they audit?	✓			Self-Observation	For public companies, audit firms do not provide non-audit services because of Bapepam regulations.
V.C.18	In practice, is the lead audit or engagement partner rotated on a periodic basis?	✓			Review existing studies regarding rotation	Since it is required by the law, lead audit partner rotates every 3 years.
V.C.19	In practice, does the audit firm and/or audit partner licensing process for publicly listed companies ensure that only qualified auditing firms and/or audit partners are allowed to perform external audits?		✓			The majority of listed firms are audited by big-4 international network firms. However, according to the Accounting and Auditing ROSC, 45% of firms registered with Bapepam have only one licensed auditor, suggesting that many licensed firms do not have the capacity or qualifications to carry out complex audits of listed issuers.
V.C.20	In practice, does the audit firm and/or audit partner licensing process by the central bank ensure that only qualified auditing firms and/or audit partners are allowed to perform external audits of banking organizations?		✓			The majority of banks are audited by big-4 international network firms. However, according to the Accounting and Auditing ROSC, 61% of firms registered with Bapepam have only one licensed auditor, suggesting that many licensed firms do not have the capacity or qualifications to carry out complex audits of listed issuers.

V.C.21	In practice, do external auditors pass continuous professional education programs that ensure that their qualifications and competencies are kept up-to-date?		✓		<p>An Indonesia CPA must apply as a registered public accountant at the Ministry of Finance in order to obtain a license to sign audit opinions. In order to be eligible to apply as a registered public accountant, an Indonesia CPA certificate holder must be an active member of IAPI, domicile in Indonesia, and have 1,000 hours of auditing experience within 5-year period, of which 500 hours are as an audit team leader. However, if applying more than 2 years since obtaining the CPA certificate, then proof of minimum 60 hours of continuing professional education undergone during the previous two years must be presented to the Ministry of Finance.</p> <p>A certified public accountant must maintain CPA status through continuing professional development (CPD). For a CPA in public practice, the total of 30 CPD credits per year must be obtained. When a CPA is not in public practice, he/she is required to undergo a minimum 15 hours of CPD. All public accountants must submit statements regarding their realized CPD credits during a year to the Ministry of Finance before the end of January of the subsequent year. The IAI and IAPI organize training programs for enabling their members to comply with the CPD requirements.</p>
V.C.22	In practice, is the organization that is responsible for <u>developing and interpreting</u> audit standards, including standards of ethics, <u>independent</u> of (or subject to the oversight of a body that is independent of) the audit profession?		✓		There is no body responsible for the oversight of the audit standards process.
V.C.23	In practice, does the organization that is responsible for <u>developing and interpreting</u> audit standards, including standards of ethics, have the authority and resources to carry-out its mandate?			IAPI	The Accounting and Auditing ROSC finds that resources are inadequate at IAPI.
V.C.24	In practice, is the organization that is responsible for <u>enforcing audit standards</u> <u>independent</u> of (or subject to the oversight of a body that is independent of) the audit profession?	✓			PPAJP and Bapepam are both quite independent from the audit profession. IAI / IAPI is not (by definition).
V.C.25	In practice, does the organization that is responsible for <u>enforcing audit standards</u> have the authority and resources to carry-out its mandate?		✓		<p>The PPAJP conducts examinations or quality reviews to ensure compliance by auditors with auditing standards. The PPAJP performs both regular and “for cause” investigative examinations of the accountants in public practice and the appraisers involved in valuation activities. It has about 20 inspectors for public accountants, and about 15 inspectors for appraisers. The number of inspectors for public accountants appears to be inadequate given that there are about 400 accounting firms and about 800 public accountants who need to be inspected by PPAJP. In 2009, PPAJP conducted on-site reviews of about 50 accounting firms and about 90 public accountants.</p> <p>This important enforcement mechanism could be made more efficient and effective by providing stronger legal backing as well as building increased technical capacity.</p> <p>There is no strong mechanism to ensure that practicing accountants and auditors comply with the requirements of the code of ethics for professional accountants. Although there is a code of ethics for accounting practitioners in Indonesia, neither the professional bodies (IAI and IAPI) nor the regulatory bodies (PPAJP and Bapepam dan LK) proactively monitor ethical misconduct or violations. IAPI has Professional Honorary Board which responsible to take action against member that are breach with profession's ethics code. The Board does take action against violation of the code and provides sanctions.</p>

V.C.26	In practice, does the organization that is responsible for enforcing audit standards ensure that audit firms are conducting their audits in compliance with audit standards?		✓	IAPI	According to information provided to the Accounting and Auditing ROSC team, compliance with the applicable auditing standards differs among audit firms of different sizes. It appeared that auditors of firms associated with international accounting firm networks usually have the capability to adhere to high-quality auditing standards. Stakeholders suggested that improved audit supervision by the audit partners, instead of relying heavily on junior-level audit staff, would improve the overall quality of auditing services provided by large and medium-size firms in Indonesia. It was observed that relatively smaller-size accounting firms find it difficult to bear the cost of training and related activities for ensuring compliance with modern auditing standards.
V.C.27	In practice, does the organization that is responsible for enforcing audit standards fine, suspend, and/or de-license auditors when <a href="#">warranted</a> ?		✓		Enforcement actions are rare.
V.C.28	In practice, does the board of directors or its audit committee report to shareholders that the external auditor was independent, qualified, and acted with care in performing their audit?		✓	IICD Data	Since it is not required, it is not common that audit committee reports the independence of auditors to shareholders. The Audit Committee reports in the Annual Report of few listed companies do provide such assessment, but the majority don't.

V.D. External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit.*						
Status of implementation: 58%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The external auditor is to be accountable to the company's shareholders.</b>						
V.D.1	Does the corporate governance framework require shareholders to approve the election and dismissal of the external auditor?			✓	UU No. 40 2007, CGCG	Company Law does not specify the party to elect and dismiss the external auditor. According to Code of Corporate Governance, the external auditor must be appointed by GMS based on a proposal by the BOC based and the recommendation of the audit committee.
V.D.2	Is the external auditor required to report to the board's independent audit committee or independent members of the board?		✓			The Auditing standards require auditor to report to audit committee. Bapepam rule does not explicitly require but Bapepam Rule IX.1.5 regarding Audit Committee requires Audit Committee to review financial statements.
<b>2. External auditors are subject to proportionate, effective, and dissuasive sanctions, penalties and/or liabilities.</b>						
V.D.3	Does the corporate governance framework provide for sanctions, penalties, and/or liabilities for external auditors who fail to perform their audit functions with due professional care?	✓			Capital Market Law art 5	According to CML Article 5 Bapepam LK has authority to impose sanction to the auditor who fail to perform audit function.
<b>ii. Enforcement and compliance:</b>						
V.D.4	In practice, do shareholders elect and dismiss the external auditor?	✓				In practice, the external auditor is chosen by the GMS based on the recommendation of the board
V.D.5	In practice, does the external auditor report to the board's independent audit committee or independent members of the board?		✓			Since it is required by the auditing standard, In practice, external auditors communicate with audit committee.
V.D.6	Do shareholders have effective remedial mechanisms against audit firms and/org partners when harmed by inadequate auditing practices?		✓		Corp Law No. 40 art 61(1) and Capital Market Law art 111	The law enables shareholders to file suit if they incur loss for improper practices; however, it's very impractical to file suit in Indonesia. More practice approach would be to file complaint to IAPI or PPAJP.

V.E. Channels for disseminating information should provide for equal, timely and cost-efficient access to relevant information by users.*						
Status of implementation:				83%	Broadly Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Selective disclosure by companies, board members, and insiders of material non-public information is to be prevented.</b>						
V.E.1	Does the corporate governance framework prohibit <a href="#">selective disclosures</a> by publicly listed companies, their board members and other insiders, of material non-public information?	✓			Capital Market Law art 86 and 89	Selective disclosure is prohibited by the CML.
<b>2. Companies are to make timely disclosure of material information on a non-selective basis.</b>						
V.E.2	Does the corporate governance framework require publicly listed companies to disclose <a href="#">material information</a> on an ongoing and non-selective basis?	✓			Bapepam Rule X.K.1	According to Rule No X.K.1, public companies have to publicly disclose material information immediately or latest in 2 days after the decision or after information that may have significant impact to stock price is known.
<b>3. Companies are to make all information easily accessible to investors and potential investors on a cost-efficient basis.</b>						
V.E.3	Does the corporate governance framework require or encourage companies to make their financial and <a href="#">non-financial</a> information available at the company's headquarters?	✓			Capital Market Law 67	Yes, According to CL Article 67 the annual report shall be made available at the Company's office from the date of the invitation to the GMS for examination by the shareholders. In addition, annual report of listed companies is posted in stock exchange website.
V.E.4	Does the corporate governance framework require or encourage companies to file their financial and non-financial information with the securities market regulator, stock exchange, and/or registrar, which is then made publicly available?	✓			Capital Market Law 67	Yes. Stock exchange requires listed companies to submit their report through electronic means and they are made publicly available.
V.E.5	Does the corporate governance framework require or encourage companies to disclose material information on the internet?		✓			Companies give information to IDX, which is then posted online. There is no requirement for companies to post this information on their websites.
V.E.6	Does the corporate governance framework require or encourage for filings with the securities market regulator or stock exchange to be made through electronic means, which are then made publicly available (e.g. an EDGAR-type system)?	✓			Bapepam, Observation	Stock exchange requires listed companies to submit their report through electronic means and they are made publicly available.
<b>ii. Enforcement and compliance:</b>						
V.E.7	In practice, do publicly listed companies, their board members and other insiders, refrain from selectively disclosing material non-public information?		✓		FGD	In general, listed companies do not have meetings with analysts or potential investors on an individual basis. But, since companies don't have to publicly disclose their policy to prevent the leakage of inside information to external parties, then in practice some companies/insiders may discuss material information to certain parties. Participants at FGD agreed that insider trading is not rare in Indonesia.
V.E.8	In practice, do publicly listed companies disclose material information on an ongoing and non-selective basis?		✓			Material information is reported. Also see above.
V.E.9	In practice, do companies make their financial and non-financial information available at the company's headquarters?	✓				This information is generally found in the annual report and is available from the company.

V.E.10	In practice, do companies file their financial and non-financial information with the securities market regulator, stock exchange, and/or registrar, which is then made publicly available?	✓				Companies generally provide this information to IDX.
V.E.11	In practice, do companies disclose material information on the internet?		✓		IICD Study	The practice of disclosing material events on companies' website is not common yet. Only 48% listed firms provide downloadable financial statements in their websites.
V.E.12	In practice, are filings with the securities market regulator or stock exchange made publicly available (e.g. an EDGAR-type system)?	✓			Observation	IDX provides financial statements and basic information of public companies in its website.

V.F. The corporate governance framework should be complemented by analysis or advice by analysts, brokers and rating agencies that is relevant and free from conflicts of interest.*						
Status of implementation: 63%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The corporate governance framework addresses the conflicts of interest of credit rating agencies.</b>						
V.F.1	Does the corporate governance framework address the issue of potential conflicts of interests by credit rating agencies?	✓			Bapepam Rule V.H.3	According to Rule No. V.H.3 all credit rating agencies must be independent and not affiliate to the company that their cover.
V.F.2	Are credit rating agencies required or encouraged to adopt a code of conduct on conflicts of interest, based on IOSCO's Code of Conduct Fundamentals for Credit Rating Agencies of December 2004?	✓			Bapepam, Interview with CEO of leading rating agency in Indonesia	Bapepam Rule V.H.3 and other rules related to rating agencies were just issued in 2009 and they are among others based on IOSCO's Code of Conduct for Credit Rating Agencies.
<b>2. The IOSCO Statement of Principles for Addressing Sell-side Securities Analyst Conflicts of Interest have been fully implemented.</b>						
V.F.3	Has the corporate governance framework implemented the IOSCO Statement of Principles for Addressing Sell-Side Securities Analyst Conflicts of Interest?	✓			Bapepam	Similar to V.F.2, Bapepam has also issued rules that among other adopt this IOSCO Statement.
<b>3. The corporate governance framework requires or encourages those in the business of providing analysis or advice that is relevant to decisions by investors to disclose conflicts of interest and how they are managed.</b>						
V.F.4	Are investment banks, brokers, and rating agencies required or recommended to disclose conflicts of interest and how they are managed?		✓		Rule V.H.3	The rule specifies activities forbidden to be conducted by these parties and the employees of the parties, including activities having conflicts of interest. Since they are forbidden, then the rule does not require the parties to disclose COI and how they are managed.
<b>ii. Enforcement and compliance:</b>						
V.F.5	Do credit rating agencies have a positive reputation?		✓			Market participants have expressed concern about the lack of transparency in setting ratings.
V.F.6	In practice, do credit rating agencies follow a code of conduct on conflicts of interest, based on IOSCO's Code of Conduct Fundamentals for Credit Rating Agencies of December 2004?		✓			Requirements in this area are relatively new and being phased in.
V.F.9	In practice, do securities firms fully implement the IOSCO Statement of Principles for Addressing Sell-side Securities Analyst Conflict of Interest?		✓		Indonesia Securities Analyst Association & AWPPEI	Securities firms have implemented this but not yet fully.
V.F.9	In practice, do investment banks, brokers, and credit rating agencies disclose (potential) conflicts of interest and how they are managed?			✓	Research, interviews	This disclosure is not required and rarely happens in practice.

## Chapter VI: The Responsibilities of the Board

VI.A. Board members should act in good faith, with care, and in the best interest of the company and shareholders.\*

71%

Status of implementation:

Partially Implemented

No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>EC 1. The <a href="#">corporate governance framework</a> defines the duty of loyalty.</b>						
VI.A.1	Are board members required to act in the interest of the company and shareholders, i.e. have a 'duty of loyalty'?	✓			Art 92 (1) UU No.40/07	Under the CL, the BOC and BOD shall manage the Company for the interest of the Company in the pursuit of its purposes and objectives.
VI.A.2	Does the corporate governance framework define the <a href="#">duty of loyalty</a> ?	✓			Art 97 (2) UU No.40/07	In the law, as noted above.
VI.A.3	When operating in a subsidiary of a holding company (or dependent company within a group of companies), does the corporate governance framework require or encourage board members to act in the best interest of the company in which they are operating in (as opposed to the controlling company)?		✓			The company law does not explicitly state this, however, as mentioned in VI.A.1, board members should act in the best interest of the company.
<b>EC 2. The corporate governance framework defines the duty of care.</b>						
VI.A.4	Does the legal and regulatory framework call for board members and senior executives to show prudence, use good judgment, act honestly, and otherwise comply with a "duty of care"?	✓			Art 97 (2) UU No.40/07	Article 97 Board member duties shall be performed with good faith and full responsibility.
VI.A.5	Does the corporate governance framework define the <a href="#">duty of care</a> ?	✓				In the law, as noted above.
VI.A.6	Does the corporate governance framework include a " <a href="#">business judgment rule</a> ," which protects board decisions if they are made on an informed and disinterested basis?	✓			Art 97, Art 114 UU No.40/07	Board members shall not be liable if it is proven that: a. such loss is not resulted from its fault or negligence; b. it has performed the management of the Company with good faith and prudent for the interest of the Company in the pursuit of its purposes and objectives; c. there is no conflict of interest, either directly or indirectly over the management that result to the loss; and d. it has taken a precaution measure to avoid the loss
<b>ii. Enforcement and compliance:</b>						
VI.A.7	In practice, do companies have a code of conduct or ethics that defines the duty of loyalty?			✓	IICD Research	Only 25.16% firms researched where the BOC provides Code of Conduct, 66.88% did not have any, and the rest did not effectively communicate it.
VI.A.8	In practice, do board members act in the interest of the company and shareholders, i.e. have a 'duty of loyalty'?		✓			Many market participants feel that some board members still act in the interest of the controlling shareholder (See also VI.B.2)
VI.A.9	Does the company have a code of conduct or ethics that defines the duty of care?			✓	IICD Research	Only 25.16% firms researched where the BOC provides Code of Conduct, 66.88% did not have any, and the rest did not effectively communicate it.

VI.A.10	In practice, do board members show prudence, use good judgment, act honestly, and otherwise act according to a "duty of care"?	✓				
VI.A.11	Are board members formally and explicitly informed of their duties of loyalty and care, e.g., as part of their induction training or letter of appointment to the board?	✓			Co Survey	77% firms answered Yes, 18% answered Partially, 6% answered No. Board member duties are included in the training provided by IICD and other organizations.

VI.B. Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly.*						
Status of implementation: 50%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>EC 1. Board members refrain from acting in a way that is oppressive or unfairly prejudicial to any group of shareholders.</b>						
VI.B.1	Does the corporate governance framework require or encourage board members to treat all shareholders fairly, i.e. to put the interest of all shareholders above particular owners or group of shareholders, including those that may have chosen them for the board?		✓		UU No. 40/07	The company law states that BOC and BOD have to act in the interest of the company, but it does not explicitly state that they have to put the interest of shareholders above particular owners or group of shareholders. The CGCG has a general mandate to treat shareholders equitably. To protect all shareholders, Bapepam regulation requires certain related party transactions to be approved by independent shareholders.
<b>ii. Enforcement and compliance:</b>						
VI.B.2	Are board members generally thought to take decisions in the interest of the company and all shareholders, including minorities?		✓		FGD	One FGD participant stated that controlling shareholders' interest still dominate; however, FGD participants noted that the role of independent commissioners in ensuring that the board acts in the company's interest. Others expressed concern with the difficulties in balancing the interests of various parties. Studies on Related Party Transactions find mixed results: Earlier studies (conducted 2006 and before) find RPTs tend to be value decreasing while more recent studies find the opposite.

VI.C. The board should apply high ethical standards. It should take into account the interests of stakeholders.*						
Status of implementation: 70%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>EC 1. The corporate governance framework requires or encourages companies to develop a code of ethical behavior.</b>						
VI.C.1	Are companies required or encouraged to have a code of ethics?		✓		National Code of CG, Bapepam Rule	Under the CGCG, companies are required to have code of ethics. This is purely voluntary. Bapepam regulation requires the company have a charter for the internal audit function, but no requirements for the BOC and BOD.
VI.C.2	Are boards required or encouraged to oversee management's compliance with relevant laws and regulations, as well as internal policies and procedures?	✓			UU No. 40/07	Under the Company Law, the BOC has a general duty to oversee the BOD. Bapepam regulation requires the Audit Committee to oversee compliance with laws and regulations. The CGCG requires that the BOC ensure that the BOD complies with the companies articles and relevant laws and regulations.
VI.C.3	Is the board required or encouraged to report on the company's compliance with the code of ethics?			✓	CGCG	According to the voluntary CGCG, the BOC has to ensure that any complaints related to violation of code of ethics is properly processed. Under Bapepam regulation, companies have a general requirement to report on corporate governance, but there no requirement to report on compliance with a code of ethics or compliance.
<b>EC 2. The corporate governance framework requires or encourages boards to take the interests of stakeholders into account.</b>						
VI.C.4	Are boards required or encouraged to take the interests of <a href="#">stakeholders</a> into account in making corporate decisions?	✓			CGCG	The voluntary CGCG encourages boards and the company to take into account the legitimate interests of stakeholders.
VI.C.5	Does the legal and regulatory framework require or encourage the company to publicly disclose how they take the interest of stakeholders into account?	✓			Bapepam Rule X.K.1 (Annual Report)	The rule requires companies to disclose in annual report their activities and expenditures on the community and environment. They also have to disclose development program for employees.
<b>ii. Enforcement and compliance:</b>						
VI.C.6	In practice, have companies adopted a code of ethics?		✓		Co Survey and IICD Research	94% firms answered Yes, 6% answered Partially, 0% answered No; From IICD research-Only 25.16% firms researched provide Code of Conduct, 66.88% did not have any, and the rest did not effectively communicate it.
VI.C.7	In practice, do boards ensure for compliance with laws and regulations, as well as internal policies and procedures?	✓			Co Survey & FGD	Surveyed firms employ various control mechanism to ensure compliance with laws and regulations: compliance/legal division, internal audit division, audit committee, corporate secretary, company's manual and SOP, GCG code of conduct, & risk management division. One FGD participant noted that at present, the internal audit division primarily function to support the BOD in monitoring company's operation.
VI.C.8	In practice, does the board report on the company's compliance with the code of ethics?			✓		In practice, few companies do so.
VI.C.9	In practice, do boards consider the interests of stakeholders in their decision-making?	✓			Co Survey	94% firms answered Yes, 6% answered Partially, 0% answered No;
VI.C.10	In practice, do boards publicly disclose their policies on how they interact with their stakeholders in relation to significant matters?	✓				In practice, the majority of annual reports have statements on CSR and related matters.

VI.D.1. The board should fulfill certain key functions, including reviewing and guiding corporate strategy, risk policy, business plans; setting performance objectives; monitoring corporate performance; and overseeing major capital expenditures.*						
Status of implementation:					90%	Broadly Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>EC 1. The corporate governance framework specifies clearly the key functions of the board.</b>						
VI.D.1.1	Does the corporate governance framework recognize the board's main role of providing strategic guidance to and oversight over management?	✓			UU No. 40/07 article 108 (1 and 2)	Yes, according to article 108 (1 and 2) CL, Boards of Commissioners shall supervise management policies, the running of management in general, with regard to both the Company and the Company's business, and give advice to the Board of Directors. The supervision and giving of advice shall be done in the Company's interests and in accordance with the Company's purpose and objectives.
VI.D.1.2	Is the board of directors required or encouraged to:				CGCG	
VI.D.1.2.1	Review and approve corporate strategy (as opposed to developing strategy, which is a management function)?		✓		CGCG	Company law gives the BOC a general mandate to supervise the company and the BOD. BOD formulates vision, mission, short & long-term program while BOC or Shareholders approve these (depending article of association).
VI.D.1.2.2	Monitor management performance?	✓			CGCG	Company law gives the BOC a general mandate to supervise the company and the BOD. Under the code, the BOC monitors major corporate action and performance conducted by BOD
VI.D.1.2.3	Develop a risk policy and oversee the development of a risk management function?	✓			CGCG	BOD develops a risk policy and oversee the management level risk management function while BOC provides oversight on the overall risk management.
VI.D.1.2.4	Review and approve the company's annual budgets and business plans (as opposed to developing these, which is a management function)?	✓			UU No. 40/07 article 64 (2)	Under the company law, the articles require the BOC or GMS to approve the work plan, including the annual budget, developed by the BOD.
VI.D.1.2.5	Set performance objectives and key performance indicators?		✓		CGCG	The code states that performance indicators have to be set up to BOC and BOD, but does not specify the party responsible for setting the objectives and indicators. Also see previous.
VI.D.1.2.6	Review and approve major capital expenditures, acquisitions and divestitures?		✓		UU No. 40/07, CGCG	The code and company law require the BOC to approve certain mergers. For transactions qualified to be material, they have to be approved by shareholders (Bapepam Rule IX.E.2)
<b>ii. Enforcement and compliance:</b>						
VI.D.1.3	In practice, do boards fulfill their main role of providing strategic guidance to and oversight over management?	✓			Co Survey, FGD	Surveyed firms overwhelmingly (about 90%) answered Yes to the question. FGD participants agreed that BOC currently are much more active than 4-5 years ago. This may be due to the new Company Law No. 40 and more monitoring by Bapepam and LK.
VI.D.1.4	In practice, do boards monitor management's performance?	✓			Co Survey, FGD	See above
VI.D.1.5	In practice, do boards have a risk policy in place?		✓		IICD Study	IICD Study finds that 45.54% of listed firms provide a risk management policy while others don't.
VI.D.1.6	In practice, do boards review and approve the company's annual budgets and business plans?	✓				

VI.D.1.7	In practice, do boards formally set company objectives and monitor key performance indicators?	✓			Co Survey, IICD Study	75% of surveyed firms answered 'Yes' to the question, 19% answered 'Partially', and 6% answered 'No'. However, IICD study found that only 9% of listed firms clearly disclosed formal criteria for evaluating management.
VI.D.1.8	In practice, do boards review and approve major capital expenditures, acquisitions and divestitures?	✓				

VI.D.2. The board should fulfill certain key functions, including monitoring the effectiveness of the company's governance practices and making changes as needed.*						
Status of implementation:					72%	Partially Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>EC 1. The board is to take responsibility for corporate governance practices.</b>						
VI.D.2.1	Are boards required or encouraged to take responsibility for the corporate governance practices in the company?	✓			CGCG	CGCG encourage firms to adopt their own CG policies. Bapepam rule X.K.6 requires companies to disclose their corporate governance policies.
VI.D.2.2	Are boards required or encouraged to ensure that the company complies with the country (or their own) corporate governance code?		✓		CGCG, Bapepam Rule	The CGCG encourages the BOC to monitor the effectiveness of corporate governance and make changes as needed. Bapepam does not explicitly require companies or boards to comply with the CGCG, which is voluntary.
VI.D.2.3	Are boards required or encouraged to establish the position of a company secretary to support the board in monitoring the effectiveness of the company's governance practices?	✓			Bapepam Rule IX.1.4	Yes. According to Bapepam rule No. IX.1.4 concerning Formation of The Corporate Secretary, every Issuer or Public Company must have a Corporate Secretary. One of the main task is keep informed with respect to Capital Market developments, especially Capital Market regulations, provide the public with all information needed by investors regarding the condition of the Issuer or Public Company, make recommendations to the Issuer or Public Company's board of directors with respect to compliance with Law No. 8, 1995 concerning the Capital Market and its implementing regulations, act as the Issuer's or Public Company's contact person with Bapepam and the public.
<b>EC 2. The corporate governance framework encourages boards to annually assess its performance.</b>						
VI.D.2.4	Are boards and their committees encouraged to evaluate their own performance on a regular, at least annual, basis (so-called board evaluations)?		✓			There is no rule requiring BOC to evaluate their own performance. As stated in VI.D.2.4, NCCG recommends BOC to submit an accountability report.
VI.D.2.5	Does the corporate governance framework recommend that the results of such an assessment be linked to the remuneration of non-executive board members?			✓		There is no such requirement.
<b>ii. Enforcement and compliance:</b>						
VI.D.2.6	In practice, do boards take responsibility for the corporate governance practices in the company?	✓			Co Survey	70% of surveyed firms answered Yes, 18% answered Partially, 12% answered No.
VI.D.2.7	In practice, do boards ensure that the company complies with the country (or their own) corporate governance code?		✓		Co Survey, IICD Study	69% of surveyed firms answered Yes, 24% answered Partially, 6% answered No. IICD study finds that in 28% of listed firms, a. board responsibilities are clearly stated and b. the corporate governance policy is clearly disclosed, meaning the policy is written by the firm itself, distributed to employees, or approved by the board. 48% of listed firms meet only one of the two criterion while 24% of companies has not defined board responsibilities nor established any governance rules.
VI.D.2.8	In practice, do boards have a professional and qualified company secretary to help monitor the effectiveness of the company's governance practices?	✓			Co Survey, Review of background in AR	Surveyed firms overwhelmingly (about 95%) answered Yes to the question. Review of background on company secretary in the Annual Report is consistent with the result of the survey.
VI.D.2.9	In practice, do boards and their committees evaluate their own performance on a regular, at least annual, basis (so-called board evaluations)?	✓			Co Survey, IICD Study	76% of surveyed firms answered Yes, 18% answered Partially, 6% answered No.

VI.D.2.10	In practice, do such board evaluations include an assessment of individual board members in addition to the board as a whole?	✓			Co Survey	57% of surveyed firms answered Yes, 29% answered Partially, 14% answered No.
VI.D.2.11	In practice, are the results of such an assessment linked to the remuneration of non-executive board members?		✓			This is the practice in some companies.

VI.D.3. The board should fulfill certain key functions, including selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.*						
Status of implementation: 55%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The board made responsible for selecting, compensating, monitoring and, replacing key executives, and succession planning.</b>						
VI.D.3.1	Are boards required or encouraged to take responsibility for selecting the CEO?				UU No. 40/07	The president director and other directors are chosen by shareholders. The CGCG encourages companies to have a nomination and remuneration committee that can nominate directors. Banks are required to have such a committee.
VI.D.3.2	Are boards required or encouraged to take responsibility for setting the CEO's remuneration?		✓		UU No. 40/07	CL art 96 states that the remuneration is based on the decision at GMS, but it can be delegated to BOC. The CGCG encourages companies to have a nomination and remuneration committee that can propose remunerations. Banks are required to have such a committee.
VI.D.3.3	Are boards required or encouraged to take responsibility for monitoring the CEO's performance?			✓	UU No. 40/07	Yes, according to article 108 (1 and 2) CL, Boards of Commissioners shall supervise management policies and the running of management in general, with regard to both the Company and the Company's business.
VI.D.3.4	Are boards required or encouraged to take responsibility for dismissing the CEO?		✓		UU No. 40/07	According to article 106 (1) CL, a member of a Board of Directors may be suspended for 30 days by the Board of Commissioners, the GMS must then decide if the director should be retained.
VI.D.3.5	Are boards required or encouraged to develop a <a href="#">succession policy</a> ?			✓		There is no such requirement.
<b>ii. Enforcement and compliance:</b>						
VI.D.3.6	In practice, do boards select or appoint the CEO?	✓			Co Survey, FGD	59% of surveyed firms answered Yes, 29% answered Partially, 12% answered No. FGD participants noted that for state owned enterprise, the government (i.e. the ministry of SOE) determine the CEO and the remuneration. Some FGD participants stated that the nomination and remuneration committee (if there is one) is responsible for recommending these to the board.
VI.D.3.7	In practice, do boards set the CEO's remuneration?	✓				see above
VI.D.3.8	In practice, do boards monitor the CEO's performance?	✓				see above
VI.D.3.9	In practice, do boards dismiss the CEO (when warranted)?	✓				see above
VI.D.3.10	Do companies have a formal <a href="#">succession plan</a> in place?		✓		Co Survey	59% of surveyed firms answered Yes, 6% answered Partially, 35% answered No.

VI.D.4. The board should fulfill certain key functions, including aligning key executive and board remuneration with the longer term interests of the company and its shareholders.*						
Status of implementation: 50%					Partially Implemented	
№	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The board's non-executive directors are to develop and publicly disclose a remuneration policy linked to long term performance.</b>						
VI.D.4.1	Are boards required or encouraged to develop a policy on executive remuneration?		✓			Director remuneration is normally determined by the GMS, but can be delegated to the BOC. Banks are required to have nomination and remuneration committees, and the CGCG encourages other companies to have them. The committees have a mandate to propose a remuneration policy to the GMS for their approval
VI.D.4.2	Are boards required or encouraged to develop a policy on non-executive remuneration?		✓			BOC remuneration is determined by the GMS. Banks are required to have nomination and remuneration committees, and the CGCG encourages other companies to have them. The committees have a mandate to propose a remuneration policy to the GMS for their approval
VI.D.4.3	Are boards required or encouraged to publicly disclose said remuneration policies?	✓				The rule requires companies to disclose the procedures to determine remuneration for BOC and BOD.
VI.D.4.4	Are boards required or encouraged to ensure that executive remuneration is aligned to both the company's short and long-term performance?					There is no such requirement. The CGCG notes that the GMS can provide bonuses based on performance.
VI.D.4.5	Does the corporate governance framework require or encourage the development of executive remuneration to be overseen by non-executive directors capable of exercising independent judgment or have remuneration committees of the board with independent directors?	✓				According to article 121 CL and Code of Corporate Governance, BOC can establish a remuneration committee. Banks are required to have such a committee with at least one independent commissioner. Bapepam does not oblige firms to have remuneration committee.
<b>ii. Enforcement and compliance:</b>						
VI.D.4.6	In practice, do companies have a policy on executive remuneration developed by the board?	✓			Co Survey	82% of surveyed firms answered Yes, 18% answered No.
VI.D.4.7	In practice, do companies have a policy on non-executive remuneration developed by the board?			✓	Co Survey	29% of surveyed firms answered Yes, 29% answered Partially, 42% answered No.
VI.D.4.8	In practice, do companies disclose their executive and non-executive remuneration policies and/or the relationship between performance and remuneration?			✓	IICD Study	Only 5% of listed firms disclosed their remuneration policy in detail, 4% disclosed in general, and 91% did not disclose at all.
VI.D.4.9	In practice, is executive remuneration tied to both short and long-term performance indicators?	✓			Co Survey	59% of surveyed firms answered Yes, 29% answered Partially, 12% answered No.
VI.D.4.10	Do boards have remuneration committees with a majority of non-executive directors capable of exercising independent judgment?			✓	IICD Study	Only 13% of listed firms have remuneration committees with a majority of NED.

VI.D.5. The board should fulfill certain key functions, including ensuring a formal and transparent board nomination and election process.*						
Status of implementation:					33%	Not Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Boards are to develop transparent board nomination and elected processes and disclose these to shareholders.</b>						
VI.D.5.1	Does the corporate governance framework call for boards to develop transparent board nomination and election processes?		✓		UU No. 40/07 and NCCG	Both boards are chosen by the GMS. The CGCG encourages BOC to have a Nomination and Remuneration committee. Banks are required to have such a committee.
VI.D.5.2	Does the corporate governance framework require or encourage shareholders to be provided with detailed information on board candidates' experience and expertise, before electing candidates to the board of directors?			✓	Various	For some industries regulator conducts Fit and Proper Test. For Bank's BOD and BOC is conducted by Central Bank. There is also such a test for Non-Bank Financial Institution, i.e. Insurance company. In capital market, Bapepam-LK also conducts Fit & Proper Test for SRO (Stock Exchange based on Rule No. III.A.3, Clearing & Guaranty based on Rule No. III.B.3, Custodian Central based on Rule No. III.C.3). Fit and Proper Test securities company is regulated on Rule No.V.A.1. In addition according to code of corporate governance, the experiences and expertise of board members are required. However, for listed companies other than banks/financial institutions there is no such requirement.
VI.D.5.3	Does the corporate governance framework require or encourage non-executive directors capable of exercising independent judgment to play a leading role in the nomination process, for example through a nominations committee of the board?			✓	CGCG	CGCG states that the chair of the nomination committee is the independent commissioner but does not specify that the majority of the members has to be independent. Bank nomination and remuneration committees are to have an independent chair. Bapepam does not have such requirement.
<b>ii. Enforcement and compliance:</b>						
VI.D.5.4	In practice, do companies publicly disclose their nomination and election processes for the board of directors?		✓		Co Survey	41% of surveyed firms answered Yes, 29% answered Partially, 30% answered No.
VI.D.5.5	In practice, are shareholders provided with detailed information on the board candidates' experience and expertise, before electing such candidates to the board of directors?			✓	FGD	FGD participants stated that in general shareholders did not receive information on candidates before GMS. At GMS they did receive some information, but not in detail.
VI.D.5.6	Do boards have a dedicated nominations function or nomination committee led by non-executive directors capable of exercising independent judgment?			✓	IICD Study	Only 12% of listed firms have nomination committees with a majority of NED.

VI.D.6. The board should fulfill certain key functions, including monitoring and managing potential conflicts of interest of management, board members and shareholders, including abuse in related party transactions.*						
Status of implementation:					79%	Broadly Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>EC 1. The board is to oversee a system of internal controls.</b>						
VI.D.6.1	Are boards required or encouraged to oversee the establishment of a robust system of internal controls designed to monitor and manage conflicts of interests, use of corporate assets, and related party transactions?		✓		Rule IX.1.7, Rule VIII.G.11	There are no explicit requirements for the BOC or BOD to monitor or manage conflicts of interests and RPTs. All listed companies must have an internal audit function and Audit committee. The BODs is responsible for company's internal control. The CGCG notes that companies should have internal control systems to monitor and address self-dealing.
VI.D.6.2	Does the corporate governance framework contain provisions on the board's role in monitoring related party transactions?		✓		UU No. 7 1995, Rule IX.E.1, UU No. 40 2007	There are no explicit requirements for the BOC or BOD to monitor or manage conflicts of interests and RPTs. Bapepam requires Public Companies to obtain approval from independent shareholders for RPTs in which board members may have an interest.
VI.D.6.3	Does the corporate governance framework specify that the internal auditor review the adequacy of the company's internal controls?	✓			Rule IX.1.7	Yes. According to Bapepam rule No. IX.1.7.
VI.D.6.4	Is the board required or encouraged to ensure that <u>appropriate</u> disclosure of internal control procedures is made to shareholders?	✓			Rule X.K.6	Yes. According to Bapepam rule No. X.K.6, companies have to disclose internal control system and explain the tasks performed by internal audit function.
VI.D.6.5	Are directors required or encouraged to recuse themselves from <u>participating</u> in the deliberations on a particular agenda item when they have a conflict of interest?		✓		UU No. 40/07, Rule IX.E.1	Art. 99 of CL notes that board members with a conflict "not represent" the company, which is interpreted as requiring recusal.
VI.D.6.6	Are directors required or encouraged to recuse themselves from <u>voting</u> on a transactions when they have a conflict of interest?		✓		UU No. 40/07, Rule IX.E.1	Please see above.
<b>EC 2. The board is to manage self-dealing and related party transactions.</b>						
VI.D.6.7	Does the corporate governance framework, including accounting standards, provide a definition of a "related party" or "interested party"?	✓			UU No. 7 1995, PSAK 7	Yes. Definition of a "related party" or "interested party" provide by PSAK No. 7 and Article 1 item 1 CML.
VI.D.6.8	Is there a monetary or other threshold beyond which related party transactions require shareholder approval?	✓			Bapepam Rule IX.E.1, Rule IX.E.2	In Bapepam Rule Number IX.E.1. The value of such Transaction is less than 0.5% (zero point five percent) of Company's paid in capital as long as the amount of 0.5% (zero point five percent) of Company's paid in capital is no more than Rp.5.000.000.000 (five billion rupiah), require independent shareholders approval. RPT that qualifies for material transaction has to obtain shareholder approval (Rule IX.E.2)
VI.D.6.9	If a monetary or other threshold beyond which related party transactions require shareholders approval exists, are those shareholders that themselves are interested parties to the transactions barred from voting on the transaction?	✓			Rule IX.E.1, Rule IX.E.2	In Bapepam Rule Number IX.E.1. Transaction with Conflict of Interest must first be approved by independent shareholders or their authorized representative in Shareholders' General Meeting. Independent shareholders are the shareholders who do not have any Conflict of Interest with respect to a particular Transaction and or who are not an affiliated Party of the director, the commissioner, or the substantial shareholders that have a Conflict of Interest on certain Transaction.

VI.D.6.10	Are boards required or encourage to work with the external auditor with respect to detecting and reporting on related party transactions?		✓		Rule VIII.G.7	Not directly. In Bapepam Rule Number VIII.G.7. Listed Company must disclose in financial report related party and conflicts of interest transaction. And external auditor review the adequacy of information in financial report.
<b>ii. Enforcement and compliance:</b>						
VI.D.6.11	In practice, do boards oversee the establishment of a robust system of internal controls designed to monitor and manage conflicts of interests, use of corporate assets, and related party transactions?	✓			IICD Research	Compliance with Bapepam regulation on shareholder approval of RPTS is adequate, as disclosures of RPT in financial statements. However, for half of the firms important information (e.g. pricing policy, term of transaction) is missing.
VI.D.6.12	In practice, does the internal auditor review the adequacy of the company's internal controls?	✓				Please see above.
VI.D.6.13	In practice, do board provide for <u>appropriate</u> disclosure of internal controls procedures to shareholders?		✓			Please see above.
VI.D.6.14	In practice, do shareholders approve related party transactions beyond a predefined monetary or other threshold?	✓				
VI.D.6.15	If a monetary or other threshold beyond which related party transactions require shareholders approval exists, do those shareholders that themselves are interested parties to the transactions recuse themselves from voting on the transaction in practice?	✓				
VI.D.6.16	In practice, do directors recuse themselves from <u>participating</u> in the deliberations on a particular agenda item when they have a conflict of interest?	✓				For BOC: 76% of surveyed firms answered Yes, 6% answered Partially, 18% answered No. For BOD: 87% answered Yes and 13% answered NO.
VI.D.6.17	In practice, do directors recuse themselves from <u>voting</u> on a transactions in which they have a conflict of interest?	✓				Please see above
VI.D.6.19	Do boards work with the external auditor with respect to detecting and reporting on related party transactions in practice?		✓			Yes, to the extent that auditors review the annual report.

VI.D.7. The board should fulfill certain key functions, including ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, internal controls, risk management, and compliance are in place.*						
Status of implementation: 82%					Broadly Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The board is to develop and disclose policies on risk management and internal controls for financial reporting and operations.</b>						
VI.D.7.1	Is the board required or encouraged to oversee the establishment of a risk management framework and an internal control system designed to ensure for the integrity of the financial reporting system?	✓			CGCG, Rule X.K.6	CGCG requires this. Rule X.K.6 requires companies to disclose risk management and internal control in the annual report. Both do not explicitly mention that it is for the integrity of the financial reporting system.
VI.D.7.2	Is the board required or encouraged to ensure for the integrity of the financial reporting process (e.g., by signing the financial statements)?	✓			Rule VIII.G.11, Rule X.K.6	Rule VIII.G.11 requires directors (Chair of BOD and at least one of the directors) to sign a statement of responsibility. Rule X.K.6 requires all members of BOD and BOC to sign the annual report with a statement that they are responsible for the accuracy of information contained in the AR.
VI.D.7.3	Does the corporate governance framework require or encourage companies to establish an <a href="#">independent</a> internal audit department/function?	✓			Rule IX.1.7	The rule requires that the hiring and termination of head of internal audit to be approved by BOC and be reported to Bapepam LK. The rule also specifies that internal audit function has to cooperate with audit committee (AC), has direct communication with AC, and has regular and special meetings with AC.
<b>2. The board is to manage the relationship with the external auditors to ensure for the auditor's independence and competency.</b>						
VI.D.7.4	Does the corporate governance framework require or encourage the board to manage the overall relationship with and ensure the independence of the external auditors?	✓			Rule IX.1.5	Rule IX.1.5 requires AC to analyze financial information, including audited financial statements. The rule, however, does not explicitly state AC's role to ensure the integrity of the external auditors. Under the CGCG, requirements for banks, and audit standards, the Audit Committee should oversee relations with the external auditor and review its effectiveness and independence.
VI.D.7.5	Does the legal and regulatory framework require and/or the corporate governance code recommend for the external auditor to report to the board or its audit committee?	✓			Auditing Standard	Auditing standard requires and bank requirements and the CGCG implies that auditor communicate with the Audit Committee. Rule IX.1.5, however, does not specify this.
<b>3. Boards are to establish a policy on compliance with laws, regulations, and standards, including the company's ethical code.</b>						
VI.D.7.6	Does the corporate governance framework require or encourage boards to establish and monitor the <a href="#">compliance function</a> ?	✓			IX.1.5	Yes, According Bapepam Rule No. IX.1.5 concerning Guidelines on Establishment and Working Implementation of Audit Committee, and requirements for banks, Audit Committee lead by independent director has a duty to monitor compliance function.
VI.D.7.7	Does the corporate governance framework require or encourage boards' compliance policies to extend to subsidiaries?	✓				No
<b>ii. Enforcement and compliance:</b>						
VI.D.7.8	In practice, have companies established a risk management framework and an internal control system designed to ensure for the integrity of the financial reporting system under the board's leadership?	✓			Co Survey	65% of surveyed firms answered Yes, 17% answered Partially, 18% answered No. The answer might be a response to the new rule by Bapepam LK that requires the head of internal audit has to be approved by the BOC.
VI.D.7.9	In practice, do boards have a sufficient number of financially literate directors to ensure for the integrity of the financial reporting process?	✓			Co Survey	76% of surveyed firms answered Yes, 6% answered Partially, 18% answered No.

VI.D.7.10	Have companies established an <a href="#">independent</a> internal audit department/function in practice?		✓		Co Survey, IICD Study	47% of surveyed firms answered Yes, 47% answered Partially, 6% answered No. IICD study found that in 29% of listed firms, the internal audit function has a line of report to the board audit committee, while in 71% of the firms, the function reported to only to the top operating officer or another member of senior management.
VI.D.7.11	In practice, does the board manage the overall relationship with and ensure the independence of the external auditor?		✓			The BOC does manage this relationship in many companies.
VI.D.7.12	Does the external auditor report to the board or its audit committee in practice?		✓			See above
VI.D.7.13	In practice, have boards established and do they monitor the <a href="#">compliance function</a> ?	✓				Yes, almost all companies have an audit committee, and in practice many do oversee compliance.
VI.D.7.14	In practice, does a company's compliance function extend to subsidiaries?			✓		In many cases, no.

VI.D.8. The board should fulfill certain key functions, including overseeing the process of disclosure and communications.*						
Status of implementation: 75%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. The board is to oversee company disclosure and take responsibility for the company's communications strategy.</b>						
VI.D.8.1	Does the corporate governance framework require or encourage boards to oversee the process of disclosure and communications?		✓		Rule X.K.6, Rule IX.1.5	There is no explicit requirement or guidance in this area. Bapepam Rule No. IX.1.5 concerning Guidelines on Establishment and Working Implementation of Audit Committee requires AC to analyze financial information to be published. Rule X.K.6 that requires BOC and BOD to sign annual report imply that the boards are responsible to oversee the process of disclosure.
VI.D.8.2	Does the corporate governance framework require or encourage boards to develop an information disclosure policy?			✓		There is no rule explicitly requiring firms to develop an information disclosure policy.
VI.D.8.3	Are companies required or encouraged to establish an <a href="#">investor relations function</a> ?	✓			X.1.4	Yes, Based on Bapepam Rule No. X.1.4 concerning Formation of the Corporate Secretary, the company should have a Corporate Secretary who has function as investor relationship.
<b>ii. Enforcement and compliance:</b>						
VI.D.8.4	In practice, do boards oversee company disclosure and communications?	✓			Co Survey	88% of surveyed firms answered Yes, 6% answered Partially, 6% answered No.
VI.D.8.5	In practice, do companies have an information disclosure policy approved by the board?	✓				see above
VI.D.8.6	Do companies have an investor relations function?	✓			IICD Research	65.25% of listed firms had a designated investor relations contact that is easily known by the public. In 28.98% of these firms, an investor relations contact person was named, but the contact information omitted. In 6% of listed firms, no information was provided.

VI.E.1 Boards should consider assigning a sufficient number of non-executive board members capable of exercising independent judgment to tasks where there is a potential for conflict of interest.*						
Status of implementation:					78%	Broadly Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. A proportion of the board is to be independent in-line with a clear definition; companies publicly declare who is independent.</b>						
VI.E.1.1	Does the corporate governance framework require or encourage boards to be composed of a sufficient number or an appropriate percentage of non-executive, independent board members?	✓			UU No. 40/07, IX.1.5	Yes, Art. 120 CL states that stipulates that the company can have one independent commissioner or more. In addition Bapepam Rule No. IX.1.5 concerning Guidelines on Establishment and Working Implementation of Audit Committee required the company to have at least one independent commissioner to lead the audit committee. Bapepam does not have rule requiring a certain number of independent commissioner, but the stock exchange requires that 30% members of BOC have to be independent. The CGCG has somewhat different criteria for "outside members".
VI.E.1.2	Do the legal and regulatory framework and/or the country's corporate governance code provide a definition of independence, <a href="#">in-line with good practice</a> ?	✓			IX.1.5	The definition is stated on Bapepam Rule No. IX.1.5 concerning Guidelines on Establishment and Working Implementation of Audit Committee, and article 120 CL. The definition is in-line with good practice.
VI.E.1.3	Does the corporate governance framework require or encourage the position of the CEO to be separated from that of the chairman of the board of directors?	✓			UU No. 40/07	Yes. According to Indonesian CL, Indonesia adopt dual board system which are BOC and BOD. Both of them are appointed by GMS. The main task of BOC are regulated on article 108 (1 and 2) CL (see answer no. VI.D.3.3) meanwhile main task of BOD are regulated on article 92 CL.
VI.E.1.4	Are companies required or encouraged to designate and <a href="#">publicly disclose</a> which board members are deemed to be independent?		✓		IX.1.5	Yes. Rule No. IX.1.5 requires the chair of AC to be an independent commissioner & this has to be disclosed in the AR. There is no Bapepam rule, however, that require disclosure of other independent commissioners.
<b>2. A sufficient number of non-executive directors can exercise independent judgment where there is a potential conflict.</b>						
VI.E.1.5	Does the corporate governance framework require or encourage the independent board members to play a particular role in evaluating executive performance?		✓		NCCG	There is no such requirement. NCCG states that if there is a nomination committee, the chair shall be the independent commissioner.
VI.E.1.6	Are independent board members required or encouraged to play the lead role in reviewing the company's accounting policies, internal controls and financial statements, e.g. through the board's audit committee?	✓			Rule IX.1.5	Yes, it is stated in Bapepam Rule No. IX.1.5 concerning Guidelines on Establishment and Working Implementation of Audit Committee that the chair of AC has to be an independent commissioner.
VI.E.1.7	Are independent board members required or encouraged to play a lead role in reviewing related party transactions?		✓		UU No. 40/07	The law gives the board a limited role in managing conflicts of interest. However material RPTs generally have to be disclosed and some approved by independent shareholders.
VI.E.1.8	Does the corporate governance framework require or encourage the audit committees to be chaired by or composed of a majority of independent board members?		✓		IX.1.5	Yes, Bapepam Rule No. IX.1.5 concerning Guidelines on Establishment and Working Implementation of Audit Committee. Audit committee must be chaired by independent member of BOC. The members have to be independent and from outside the company, but are not on the BOC
VI.E.1.9	Are independent board members required or encouraged to play a lead role in nominating, hiring, and dismissing key executives?	✓			CGCG	According to CGCG, companies are encouraged to establish nominating committee lead by independent committee which the main role is nominating, hiring and dismissing key executives. Banks are required to have such committees.

VI.E.1.10	Are independent board members required or encouraged to play a lead role in establishing executive remuneration policies and plans?		✓			According to CGCG, companies are encouraged to establish remuneration committee lead by independent director which the main role is establishing remuneration for key executives. Banks are required to have such a committee. However the legal power to set remuneration lies with the GMS.
<b>ii. Enforcement and compliance:</b>						
VI.E.1.11	In practice, are boards composed of a sufficient number of non-executive, independent board members?	✓			IICD Research	11% of listed firms had more than 50% of the board is independent, 76% of firms had 33% to 50% of the board made up of independent commissioners while 13% of firms had less than 33% of the board is independent.
VI.E.1.12	In deciding on which directors are independent, does the board follow the nationally recognized definition of an independent board members?	✓				In practice, the Bapepam definition is used.
VI.E.1.13	In practice, do boards separate the position of the CEO from that of the chairman of the board of directors?	✓				This is required by the two board system followed by all companies.
VI.E.1.14	In practice, do companies designate and <a href="#">publicly disclose</a> which board members are deemed to be independent?	✓			IICD Research	91.72% firms identified their independent commissioners.
VI.E.1.15	In practice, do independent board members play a particular role in evaluating executive performance?		✓			Some companies, including banks, have nomination and remuneration committees with independent commissioners.
VI.E.1.16	In practice, do independent board members play a particular role in reviewing the company's accounting policies, internal controls and financial statements, e.g. through the board's audit committee?	✓			IICD Research	In accordance with the Bapepam requirement, all members of audit committee (including the chair) have to be independent.
VI.E.1.17	In practice, do independent board members play a lead role in reviewing related party transactions?		✓			Only to the extent to which the whole board does.
VI.E.1.18	In practice, do independent board members play a lead role in nominating, hiring, and dismissing key executives?		✓			Some companies, including banks, have nomination and remuneration committees with independent commissioners.
VI.E.1.19	In practice, do independent board members play a lead role in establishing executive remuneration policies and plans?		✓			Some companies, including banks, have nomination and remuneration committees with independent commissioners.
VI.E.1.20	Are audit committees chaired by or composed of a majority of independent board members in practice?	✓			IICD Research	In accordance with the Bapepam requirement, all members of audit committee (including the chair) have to be independent.

VI.E.2. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board.*							
Status of implementation:					75%		Partially Implemented
No	Question	Answer			Source	Legal text and data	
		Yes	Partially	No			
<b>i. The legal and regulatory framework:</b>							
<b>1. Companies are to fully disclosure the mandate, composition, and working procedures of its board committees.</b>							
VI.E.2.1	Does the corporate governance framework allow and encourage boards to establish committees composed of board members, for example, committees on audit, remuneration, and/or nomination?	✓			NCCG	Regulation requires companies to have audit committees. The voluntary CGCG encourages companies to establish these committees. Banks are also required to have nomination and remuneration committees.	
VI.E.2.2	Are boards required or encouraged to publicly disclose the mandate, composition and working procedures of its board committees?	✓			Rule X.K.6	The rule requires these disclosures	
<b>ii. Enforcement and compliance:</b>							
VI.E.2.3	In practice, do boards establish board-level committees composed exclusively of board members, for example on audit, remuneration, and/or nomination?		✓		IICD Research	On the listed companies' surveyed, 86.62% of Audit Committee, 18.47% Compensation Committee, and 15.61% Nomination committee were established and disclosed. Note however that audit committees have non-board members.	
VI.E.2.4	Do companies publicly disclose the mandate, composition and working procedures of its board committees?		✓		IICD Research	Only 28.03% of listed companies surveyed that own, disclose and effectively distributed and approved the terms of references. Also see above.	

VI.E.3.		Board members should be able to commit themselves effectively to their responsibilities.*				
		Status of implementation:			50%	Partially Implemented
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Companies are to disclose each director's tenure; employment and work income; other board positions; and attendance record.</b>						
VI.E.3.1	Are companies required or encouraged to publicly disclose a director's length of service as a board member and tenure on various board committees?					There is no such requirement
VI.E.3.2	Are companies required or encouraged to publicly disclose basic information about the primary employment of its board members?	✓			IX.C.2, X.K.6	Yes, Rule No.IX.C.2 requires the primary employment of its board members to be disclosed on the prospectus. Rule X.K.6 requires disclosure of CV of BOD and BOC. The CGCG also noted that primary employment should be disclosed in the annual report
VI.E.3.3	Are companies required or encouraged to publicly disclose other board seats held by its board members?		✓		IX.C.2, X.K.6	Yes, Rule No.IX.C.2 requires the information to be disclosed on the prospectus, but Rule X.K.6 does not require that.
VI.E.3.4	Are companies required or encouraged to publicly disclose the attendance records of board members in board and committee meetings?	✓			X.K.6	Yes, according Rule No.X.K.6 information regarding boards and committees meetings and attendance should be disclosed on the annual report.

**2. Boards are to provide induction and ongoing training to directors.**

VI.E.3.5	Are companies required or encouraged to offer an induction training to their newly appointed board members?			✓		There is no such requirement.
VI.E.3.6	Are companies required or encouraged to offer ongoing or continuous professional education to board members?		✓			There is no such requirement, but rule X.K.6 requires companies to disclose trainings attended by BOD (but not BOC).

**ii. Enforcement and compliance:**

VI.E.3.7	Do companies in practice publicly disclose a director's length of service as a board member and tenure on various board committees?	✓			IICD Research	92.36% disclosed board member details. However, only 4.46% disclose board attendance
VI.E.3.8	Do companies in practice publicly disclose basic information about the primary employment of its board members?	✓				See above
VI.E.3.9	Do companies in practice publicly disclose other board seats held by its board members?	✓				See above
VI.E.3.10	Do companies in practice publicly disclose the attendance records of board members in board and committee meetings?			✓		See above
VI.E.3.11	Do companies in practice offer an induction training to their newly appointed board members?			✓	IICD Research	Only 3.19% listed companies having more than 75% of their BOD/BOC attending training, and only 2.55% provided orientation to their new BOD/BOC.
VI.E.3.12	Do companies in practice offer ongoing or continuous professional education to board members?			✓		See above

VI.F. In order to fulfill their responsibilities, board members should have access to accurate, relevant and timely information.*						
Status of implementation: 55%					Partially Implemented	
No	Question	Answer			Source	Legal text and data
		Yes	Partially	No		
<b>i. The legal and regulatory framework:</b>						
<b>1. Board members are to be provided with access to material information to fulfill their responsibilities.</b>						
VI.F.1	Does the legal and regulatory framework provide non-executive and independent board members with the right (or obligation) to obtain relevant information on the corporation from management?	✓			UU No. 40/07	All members of BOC can obtain relevant information on the company from executive officers. The CGCG also give board members the right to request relevant information.
VI.F.2	Does such information need to be provided to the board sufficiently (for example five business days) in advance of the board meeting?			✓		There is no such requirement.
VI.F.3	Are boards required or encouraged to establish the position of company secretary to facilitate the flow of information between management and the board?	✓			Bapepam Rule IX.1.4	Yes. According to Bapepam rule No. IX.1.4 concerning Formation of The Corporate Secretary, every Issuer or Public Company must have a Corporate Secretary. One of the main task is keep informed with respect to Capital Market developments, especially Capital Market regulations, provide the public with all information needed by investors regarding the condition of the Issuer or Public Company, make recommendations to the Issuer or Public Company's board of directors with respect to compliance with Law No. 8, 1995 concerning the Capital Market and its implementing regulations, act as the Issuer's or Public Company's contact person with Bapepam and the public.
<b>2. Boards are to be provided with outside, free, and independent advice.</b>						
VI.F.4	Does the legal and regulatory framework require or encourage boards to have access to <a href="#">professional advice</a> at the expense of the corporation in regard to company matters?		✓			Yes, in overseeing BOD, BOC can establish committees that have outside experts (article 121 CL).
VI.F.5	Does the legal and regulatory framework require companies to disclose the use of paid advisors by the board, for example in the context of advising on extraordinary transactions?			✓		There is no such requirement, though non-board members on committees should be disclosed.
<b>ii. Enforcement and compliance:</b>						
VI.F.5	In practice, do non-executive and independent board members obtain relevant information on the corporation from the executive officers?		✓		Co Survey	53% of surveyed firms answered Yes, 34% answered Partially, 13% answered No.
VI.F.6	Are board member provided with adequate information sufficiently (for example at least five business days) in advance of a board meeting in practice?		✓			See above
VI.F.7	In practice, have boards established the position of company secretary to facilitate the flow of information between management and the board?	✓			Co Survey, Review of background in AR	Surveyed firms overwhelmingly (about 95%) answered Yes to the question. Review of background on company secretary in the Annual Report is consistent with the result of the survey.
VI.F.8	Do boards and their directors make actual use of hiring outside advisors in practice?		✓		Co Survey	47% of surveyed firms answered Yes, 35% answered Partially, 18% answered No.

VI.F.9	Do companies disclose the use of paid advisors by the board, for example in the context of advising on extraordinary transactions?		✓			Non board members on the audit committee are generally disclosed. Other advisors are generally not.
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