Indonesia
Corporate Governance Institutions, Practices and Developments

1. Key Institutional Features of Corporate Governance and Company Profile in Indonesia

Komite Nasional Kebijakan Corporate Governance (KNKCG), as stipulated in Decree of the Coordinating Minister for Economy, Finance and Industry No. KEP-31/M.EKUIN/06/2000. The main task of KNKCG is formulating and proposing economy-wide policy recommendations on GCG, as well as to initiate and to oversee efforts to improve corporate governance in Indonesia. In 2001, KNKCG managed to publish General Guidelines on Good Corporate Governance (GCG) and revised on 2006, and in 2004 a CG Guidelines for Banking industry, as well as Guidelines on the effective appointment of Independent Commisioner and establishment of Audit Committee. In 2004, GoI enhanced the task and function of KNKCG through the issuance of Decree of Coordinating Minister on Economic Affairs No. KEP-49/M.EKON/II/TAHUN 2004 concerning The Establishment of National Committee on Governance Policy (KNKG). The decree states that the task of KNKG is not only to socialize the principles of GCG in corporate sector, but also in the public service sector.

Until recently Indonesia had two stock exchanges, the Jakarta Stock Exchange and the Surabaya Stock Exchange. The two merged in 2007, creating the Jakarta-based Indonesian Stock Exchange (IDX).

As in other emerging markets, the five years leading up to 2008 saw a boom in market prices and activity. From January 2005 to December 2007, the composite index of the IDX climbed by over 160%, and the number of listed companies grew from 330 to 383. The market then declined by over 50% , before recovering in 2009 by over 87% in the nine month period ending in July. However, despite its significant growth, Indonesia's equity market (and portfolio equity flows) remains relatively modest by international standards.

Indonesia has a modern shareholder recordkeeping system. All shares that are traded on the IDX must first be dematerialized and deposited in KSEI2. Only brokers and custodians have access to the system but the KSEI has also begun keeping track of sub-accounts at the customer level. Settlement is T+3.

There are about 335,000 accounts in KSEI. When mutual funds are included, many estimate that there are approximately two million shareholders in Indonesia.

Based on ownership data from scripless shares, the three largest shareholders control an average of 60.9% of listed companies. Listed companies can be generally broken down into five different categories (actual ownership patterns are not transparent and detailed data were not available for the report):

- ***Groups***. The majority of listed companies are controlled by families or approximately 10 large family-owned company groups. The largest groups include Bari, Jolum, Lipo and Jardin.
- ***State-owned enterprises.*** The central government controls 114 companies through the Ministry of State-Owned Enterprises; 13 are listed on the ISX.
- ***Banks.*** There are 123 banks, of which 24 are listed (including all the large ones). The four state-owned banks (all listed) represent 35% of assets. According to Bank Indonesia, on average, 48% of bank assets are owned by foreigners.
- ***Foreign controlled companies.***
- ***Independent companies that are not part of groups***

2. Development, Enforcement and Assessment of Implementation of Corporate Governance Rules

Development of Corporate Governance Rules

The company law framework is based on civil law. Key laws include the 2007 Company Law (Law 40/2007). Bapepam LK is the securities and non-bank finance regulator and has issued a number of corporate governance related regulations. Bank Indonesia, the central bank, has also issued corporate governance standards for banks. The National Commission on Governance (NCG) was established by Decree of the Coordinating Minister for Economy, Finance and Industry, and includes 30 representatives from the public and private sector. It works on both public and private sector governance and issued a Code of Good Corporate Governance (CGCG), most recently updated in 2006.

Bapepam has issued a variety of regulations for public companies. These cover typical securities market matters (prospectus and disclosure requirements, and takeover regulation) but also issues that are often part of company law (for example shareholder meeting requirements). In many cases the regulations duplicate certain CL provisions, allowing Bapepam to enforce these matters directly.

Bank Indonesia's (BI) 2006 corporate governance regulation applies to both listed and non-listed banks, and addresses the function and composition of the board of commissioners (BoC) and the board of directors (BoD); the establishment of risk management, audit, nomination and remuneration committees; internal and external audit, disclosure of financial information; and introduced a requirement for a corporate governance implementation report.

As well as government-initiated undertakings, there are several non-governmental organizations whose main purpose is to establish, monitor and improve the implementation of GCG principles, including the Forum for Corporate Governance in Indonesia, the Center for Good Corporate Governance, the Indonesian Institute for Corporate Directorship (IICD), the Indonesian Institute of Corporate Governance (IICG), *Ikatan Komite Audit Indonesia* (IKAI) and the Indonesian Society of Commissioners (ISICOM). In addition, the Indonesian Chamber of Commerce and Industry has drafted a roadmap of GCG implementation in Indonesia.

The role of the National Committee on Corporate Governance Policy (KNKCG) is to create a general code and sectoral codes, and publish best practices of corporate governance and technical guidelines:

- General code:
  - — General Code of GCG, Published on 2001, and Revised on 2006
  - — General Code of Good Public Governance (2008)
- Sectoral code:
  - — Code of Good Corporate Governance for The Banking Industri (2004)
  - — Code of Good Corporate Governance for The Insurance and Re-Insurance Company (2009)
  - — Code of Good Corporate Governance for Aktuaris Consultant Company (2010)
- Technical Guideline:
  - — Code of Independent Commissioners and Audit Committee (2004)
  - — Whistle Blowing System (WBS)/Pedoman Pelaporan Pelanggaran
  - — Best Practices : Code of Business Ethics (2010)

Enforcement of Corporate Governance Rules

The enforcement of regulations for implementing GCG principles does not yet include effective sanctions, except in the banking sector and in capital markets, where the Capital Market and Financial Institutions Supervisory Body (Bapepam-LK) can impose sanctions for violations of administrative law or its implementing regulations committed by any party that has obtained a permit, approval or registration from Bapepam-LK. Sanctions imposed by Bapepam-LK can include: written warning, fines, cancellation of business activities, freezing of business activities, revocation of a business license, cancellation of the agreement and cancellation of registration.

Specifically as regards public listed companies, to enhance transparency and good corporate governance in public listed companies Bapepam-LK has issued Rule No. IX.I.5: Tentang Pembentukan Dan Pedoman Pelaksanaan Kerja Komite Audit (Setting up and Operating Guidelines of the Audit Committee), Lampiran Keputusan Ketua Bapepam-LK No. Kep-29/PM/2004 dated 24 September 2004. It is expressly provided therein that the Audit Committee which shall be set up by the BoC is to assist the BoC in discharging its duties and responsibility. Such Committee must be headed by the Independent Commissioner who must fulfill certain requirements laid down in detail in said Bapepam-LK Rule.

The Audit Committee shall consist of at least one Independent Commissioner and at least two other members from outside the public listed company. The said Bapepam-LK Rule further lists a number of specific requirements which must be fulfilled by the members of the Audit Committee.

In carrying out its duties the Audit Committee is entitled to have access to the company's records, assets, capital, manpower and other matters related to its function as the Audit Committee, including close cooperation with the company's internal audit.

The Audit Committee shall report to the BoC about each specific task given to it and shall once a year give an annual report of the way it has discharged its duties.

Likewise in the case of Indonesian commercial banks, including branches of foreign banks licensed to operate in Indonesia, Peraturan Bank Indonesia No. 8/4/PBI/2006 Tentang Pelaksanaan Good Corporate Governance provides that the BoC shall institute an audit

committee in the furtherance of an effective discharge of the Board's duties and responsibility. The structure and membership of the audit committee, and the duties and responsibility of its members are set forth in detail in the above-mentioned Bank Indonesia Regulation.

Bapepam-LK has continued to introduce and amend its regulations, and has actively enforced these regulations to better protect investors. In 2006, Bank Indonesia introduced rules for corporate governance in banks, and has actively monitored and enforced their implementation. The Code of Good Corporate Governance (CGCG), first adopted in 1999, was amended in 2006, and sector specific codes issued for Banking and Insurance. In 2007 a new Company Law was adopted that introduced explicit duties for board members. The Ministry of State-Owned Enterprises has also carried out significant corporate governance reform in the state-owned enterprise (SOE) sector.

- Keputusan Menteri Negara Pendayagunaan BUMN Nomor Kep-133/M-PBUMN/1999 tentang Pembentukan Komite Audit bagi BUMN.
- SE Ketua Bapepam Nomor Se-03/PM/2000 tentang Komite Audit yang berisi himbauan perlunya Komite Audit dimiliki oleh setiap Emiten.
- Peraturan Menteri BUMN Nomor PER-05/MBU/2008 Tentang Pedoman umum pelaksanaan Pengadaan Barang dan Jasa BUMN.
- Keputusan Menteri BUMN No. 09A/MBU/2005 Tentang Proses Penilaian Fit & Proper Test Calon Anggota Direksi BUMN.
- SE Menteri BUMN No. 106 Tahun 2000 dan Keputusan Menteri BUMN No. 23 Tahun 2000 - mengatur dan merumuskan pengembangan praktik good corporate governance dalam perusahaan perseroan.
- Disempurnakan dengan KEP-117/M-MBU/2002 tentang Keputusan Menteri BUMN Nomor Kep-117/M-MBU/2002 tentang Penerapan Praktek *Good Corporate Governance* Pada BUMN.
- Peraturan Bank Indonesia (PBI) No. 8/4/PBI/2006 tentang GCG yang dirubah dengan PBI No. 8/14/GCG/2006.
- PBI No.11/33/PBI/2009 tentang pelaksanaan GCG bagi bank umum syariah dan unit usaha syariah.

Assessment of Corporate Governance Practices

Indonesia's corporate governance framework was assessed in 2004 by the World Bank, in cooperation with Bapepam-LK and the IMF, under the Reports on Observance of Standards and Codes (ROSC) for Corporate Governance (World Bank, 2004). This World Bank assessment is somewhat out of date, especially bearing in mind the enacting of the new Company Law in 2007. However, as it used the OECD Principles of Corporate Governance as the benchmark, it nevertheless provides a helpful reference. In 2009 this program was continued through the ROSC Financial Services Assessment Program (FSAP), which covers corporate governance practices in Indonesia.

Using the Assessment of the OECD Principles of Corporate Governance, Indonesia's scores have improved since the last ROSC was carried out in 2004**.** The biggest increases are in shareholder rights, where average implementation has increased from 56% to 76%, and disclosure, where implementation increased from 60% to 74%. Nevertheless, more work remains to be done. Using a new methodology to assess compliance with the OECD Principles only four Principles were fully observed, 29 were broadly observed, 27 Principles were

partially observed, and three were not observed. Compared to other economies in the region, Indonesia still lags in key areas, but is closing in on the regional standard-setters, particularly India, Thailand and Malaysia.

BI has developed a survey instrument to monitor the implementation of its regulation, and monitors the corporate governance reports that must be produced by banks. In general, these surveys indicate that governance performance significantly improved from 2008 relative to 2007, and state-owned banks appear to be doing better at complying with corporate governance regulations than smaller banks. In general, there appears to be a much higher level of understanding, more training, and better policies and procedures relative to five years ago.

3. Awareness and Advocacy for Good Corporate Governance

Company Directors

Instituted for directors and commissioners by the Indonesian Commissioners and Directors Institute (*Lembaga Komisaris dan Direktur Indonesia,* LKDI). LKDI has 241 members drawn from directors and commissioners of SOEs and private-sector enterprises. LKDI, under the auspices of KNKG, has been promoting change agents in corporations that have consistently exercised GCG principles since 2001. Other educational institutes and training agencies also participate in the program. Directors and commissioners are not yet required to have GCG certification, but the government considers that there is a need to introduce such a requirement. The government intends to develop systems, structures and processes that will encourage improvements in corporate culture. As a longer term measure, the government intends to support the inclusion of modules on ethics and governance in basic education up to college level.

While not encouraged by the rule/law, the Indonesian Commissioners and Directors Institute and other institutions in Indonesia offer board member training, and hundreds of directors and commissioners have been participated in training programs. The law/rule does encourage some board evaluation, and many companies seem to have some evaluations for the BoC, though they disclose few details on the process.

Stock Exchange

IDX has continuously encouraged listed companies to enhance the quality of their GCG, through the transparency of the company's activities throughout the year reported in the company's annual report. The IDX in cooperation with the State Ministry of State-Owned Enterprises, Bank Indonesia, Bapepam–LK, Directorate General of Taxation, National Committee of Governance and Association of Indonesian Accountants held Annual Report Award (ARA), ARA is routine annual program. This year (2010) marked the Eighth ARA. The number of corporations competing for the award is growing, and the quality of the reports presented is also improving. The objective of the ARA is to improve the quality of corporate annual reports, with a focus on the reporting on implementation of good corporate governance. Adequate information about the implementation of good corporate governance enables investors to make better investment decisions and also improves the quality of the capital market in Indonesia. The commitment that listed companies showed towards the GCG values was reflected in the participation of 120 listed companies in the event (ARA).

In addition to this, in support of GCG and efforts to enhance the business world's awareness of the importance of GCG, the IDX and PT Ernst & Young Advisory Services (EY) carried out a survey to assess listed companies' GCG practices and Internal Control over Financial

Reporting */ICoFR*. The survey was carried out on the basis of the Indonesian Good Corporate Governance Guidelines issued by the KNKG, Bapepam Decree No. KEP-40/PM/2003 dated 23 December 2003, concerning the Director's Responsibility for the Company's Financial Statement, prevailing international practices, as well as standards determined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Government

The main activity that promotes the quality and implementation of corporate governance is the Annual Report Award, a collaborative activity conducted since 2002 by seven organizations (Bapepam, BI, the Indonesian Stock Exchange, the Tax Office, IAI, the SOEs Ministry and KNKG).

4. Corporate Governance and State-Owned and Family-Controlled Enterprises

State-Owned Enterprises

SOEs are required to comply with sectoral and technical regulations in exactly the same way as other companies. For example, SOEs not using state budget funds for the procurement of goods and services are exempt from government procurement procedures so that they can be more efficient and not lose business momentum. Indonesian Minister for State-Owned Enterprises Decree No. 117/M-MBU/2002 stipulates that all companies owned by the state have an obligation to use the Code of Good Corporate Governance as a basic operational guideline.

To improve SOE governance and performance, the MSOE has appointed more professional directors / commissioners, improved the design of annual performance contracts for managers and listing minority stakes in many companies. They have also pushed through other changes, for example, requiring Bank Mandiri to appoint five new directors to support an IPO in 2003.

More recently, MSOE has developed a scorecard for rating the governance of the companies in the portfolio and produces an annual report on the state of the portfolio.

The government has disseminated GCG information to all SOEs. The government periodically employs independent parties to monitor GCG implementation. SOE BoCs are supported by several committees, including an Audit Committee, a Risk Management Committee and a Committee on Remuneration and Nomination. The number of SOEs that have an independent commissioner is increasing.

Family-Controlled Enterprises

Professionalism, succession planning, and communication among family members, are major CG issues in the way family-controlled corporations operate. Many Indonesian companies are family controlled. Weak rules on independence of non-executive directors, related party transactions and takeover protection for minority shareholders, suggest that many of them are still run for the benefit of their controlling shareholders. Insider trading and market manipulation are commonplace, surveillance and enforcement are weak and the legal process cumbersome.

Many family-controlled enterprises still consider the mandatory requirements as a burden and do not contribute significantly to the value maximization of the company. The government and market at large do not function optimally in giving incentives for company with GCG.

The majority of listed companies are controlled by families or approximately 10 large family-owned company groups.

The awareness is not yet there for family-controlled companies This is the reason why awarding publicly listed companies with best GCG practices regularly is very important to encourage more listed companies to join the enforcement of GCG principles.

6. Recent Developments in Corporate Governance

Enforcement of Corporate Governance Rules

All listed companies are required to produce annual reports with audited financial statements that include a balance sheet, income statement, and cash flow statement. Consolidation is required if a public company controls or has majority ownership in other companies. The great majority of listed companies produce annual reports on a timely basis and Bapepam regularly monitors and enforces compliance with basic disclosure requirements.

In addition to financial statements, the annual report must include a board report with statements on corporate governance and corporate social responsibility. While recent regulation requires disclosure of corporate governance policies and practices.

The annual report should include details on board members including qualifications, meeting attendance and independence. Board member remuneration and remuneration policy are also to be disclosed.

Other mandatory elements of non-financial reporting include ownership, related party transactions (RPTs), and risks and risk management. Shareholders owning 5% or more of shares and the holdings of board members are to be disclosed. Disclosure of indirect or ultimate shareholdings or control is not required. Because shareholder approval is required for certain transactions, RPTs are sometimes disclosed *ex-ante*. Economy-wide accounting standards also require *ex-post* disclosure in the annual report. A limited set of RPTs, included transactions between SOEs, do not have to be disclosed.

Under Bapepam regulation, companies are required to publicly disclose information that could materially impact stock prices within two days, though such information is rarely posted on company websites. Material information is not to be selectively disclosed to certain investors or others, and companies generally comply with this requirement.

Corporate Governance in Action

In Indonesia the authorities have continued to make significant efforts to improve corporate governance and investor protection.

Since it was issued in 1999, the CGCG has been revised several times (most recently in 2006). In addition the NCG has developed a set of sector-specific codes, including the Banking Sector Code (2004) and the Insurance Sector Code (2009). The GCG Code is considered to be voluntary, “a reference point” for both regulators and “all companies in Indonesia”. In contrast to codes in many other economies, companies do not have to provide a report on whether or not they comply with certain provisions, and if not why not (i.e. “comply or explain”).

The CGCG has indirectly served as an important source of good practice; the regulatory authorities have adopted key provisions and thus made them mandatory. This approach does increase compliance with those provisions that have been adopted into law or regulation, but

also reduces flexibility for small companies and others that may have specific and legitimate corporate governance concerns.

A new Company Law (CL) was introduced in 2007. The new law introduced explicit duties for board members and included a number of other updates. The new CL also contains: new regulations on corporate social responsibility for companies; removal of the possibility for companies to have authorized capital in excess of issued capital; a new requirement for a "Shariah Supervisory Board" for companies organized under the principles of Islamic finance; increased capital requirements for a limited liability company all shares to be paid in full; allows companies to send electronic updates to the company registry; and allows shareholder meetings to be held through electronic means.

Bapepam has issued a variety of regulations for public companies. These cover typical securities market matters (prospectus and disclosure requirements, and takeover regulation) but also issues that are often part of company law (for example shareholder meeting requirements). In many cases the regulations duplicate certain CL provisions, allowing Bapepam to enforce these matters directly.

Bank Indonesia's (BI) 2006 corporate governance regulation applies to both listed and non-listed banks, and addresses the function and composition of the BoC and the BoD; the establishment of risk management, audit, nomination and remuneration committees; internal and external audit, disclosure of financial information; and introduced a requirement for a corporate governance implementation report.

The authorities generally consult with stakeholders on regulatory changes. Bapepam's rule-making process requires an adequate consultation period when seeking comments from the public, and that these comments and amendments be disclosed. Observers report that Bapepam's performance in this area has significantly improved over time.

Current Issues and Challenges for Corporate Governance

Lessons Learned

Reforms to the legal and regulatory framework

The disclosure of ownership is hampered by the lack of a requirement to disclose the "ultimate" shareholders—most disclosure is made at the level of direct shareholders (including custodians). This prevents shareholders and regulators from understanding the true picture of ownership and makes it much more difficult to detect a variety of possible conflicts of interest (especially the various forms of related party transactions).

Definitions of direct (nominal) ownership and ultimate (indirect/beneficial) ownership should be introduced into the law, probably in the capital markets law. The notion of "acting in concert" should also be introduced.

Companies should also be required to disclose all significant (5%) direct and controlling owners in the annual report.

- As part of the redrafting of rules related to the disclosure of ownership and control, issuers should also be required to disclose the voting rights of all classes of shares, any special voting rights for specific shareholders, cross-shareholding, company group structures, and the identity of the ultimate controlling shareholder.

- Bapepam should also review ownership disclosures and work with the private sector to publish a report on overall ownership and control of listed issuers.

Non-financial disclosure should be more effectively regulated and complied with more generally. This includes: board member remuneration, including individual pay, pay policy, and the link to long-term performance; and policies on risk management and conflict of interest.

Reforms to build regulatory capacity

Bapepam should develop a set of guidelines, an operations manual, and a training program for the oversight of disclosure and other key corporate governance topics, in order to strictly enforce existing and future regulation. The manual should include: (a) a description of why disclosure is so important, (b) a description of good practice in each area, and (c) clearguidelines on what types of disclosures and behaviors are not acceptable.

Topics should include at a minimum:

- Conduct of shareholder meetings
- The review and approval of significant/related party transactions.
- The disclosure of ownership and control.
- Interpretation of company corporate governance statements.

Bapepam should strive to improve its capacity to review financial statements, engage additional professionally qualified and experienced accountants, and train existing staff to further enhance the effectiveness of the financial statements reviewers in the Corporate Finance Bureau to detect sophisticated manipulations of accounting and financial reporting policies.

Bapepam should also seek to recruit other staff from the private sector; and its policies on remuneration and training should be reviewed to facilitate this. In addition, Bapepam should create a strong deterrent to fraudulent use of customer securities by vigorously taking action against brokers and other market intermediaries in the event it takes place.

Current pre-emptive rights rules

Under current law and regulation, there is no way to “waive” or “dis-apply” pre-emptive rights in the event of a capital increase. In most jurisdictions, pre-emptive rights can be waived with a supermajority (e.g., 75%) vote. This gives companies the flexibility to raise capital when necessary from a new investor. Bapepam should study the advantages (and risks to shareholders) of allowing pre-emptive rights to be waived in Indonesia.

While significant progress has been made with SOE governance, the Ministry of State-Owned Enterprises should consider an additional, focused diagnostic on SOEs that could be the basis for improving their overall ownership policy and improving corporate governance in specific SOEs.

Challenges

Indonesia is still facing several challenges in its efforts to improve corporate governance, notably in enhancing the capacity of its regulators and improving the protection of shareholders’ rights and board responsibilities in practice. There is a strong demand for deepening the dialogue between the OECD and Indonesia. A bilateral program on corporate governance is being explored.

Indonesia's scores have improved since the last Report on the Observance of Standard and Codes (ROSC) was carried out in 2004 by the OECD. The average percentage implementation in the shareholder rights chapter increased from 56% to 76%, and from 60% to 74% in the chapter on equitable treatment of shareholders. Disclosure implementation increased from 60% to 71%, and the implementation of board responsibilities increased from 60% to 66%.

Nevertheless, more work remains to be done. Using the new methodology to assess compliance with the OECD Principles, four Principles were fully observed, 29 were broadly observed, 27 principles were partially observed, and three were not observed.

Indonesia lags many economies in the region, but is gaining on the regional standard-setters. Across most of the aspects of good corporate governance as defined by the OECD Principles, Indonesia is now closing on several economies (India, Thailand and Malaysia).

Financial Crisis

The full impact of the financial crisis in the US that had been triggered by the subprime mortgage crisis, could not be adequately foreseen. In September 2008, the effects of the crisis would broaden with the closure of a number of world-class financial institutions. The Dow Jones index reached its lowest point in the last seven years. This would cause a dramatic decline of share price indexes for all of the world's major stock markets including the IDX Composite Index.

The IDX Composite Index declined sharply on 8 October 2008 causing the market to panic. To address this situation and to prevent investors from taking hasty decision, the IDX took swift and effective action halting all trading activity at the Stock Exchange from 8-10 October 2008. Other key measures taken included reductions to share price auto rejection limits and the restriction of short-selling activities.

Throughout the suspension of trading activities, the IDX updated investors and other parties regarding the state of the market. As a result the IDX was able to secure the market, providing investors with sufficient time to make rational decisions.

The strategic steps taken by the IDX allowed it to mitigate the crisis. These measures received the full support of key stakeholders. Through intensive coordination with the government, Indonesian Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK) and other authorities, the IDX has effectively maintained public trust in Indonesia's capital market.

The course of action taken by the IDX during this critical period has been commended. Successful implementation of its strategy was reflected by improving conditions by the end of the year. The Composite index as of year-end 2008 closed at a position of 1,355, an increase of 22% compared to the lowest position recorded in October 2008. The volume of foreign shareholdings has also registered an increase, up 26.7% from 422.39 billion sheets in December 2007 to 535.28 billion sheets in December 2008. This clearly indicates that in spite of the unstable conditions of the Capital Market in 2008, investors have not lost their trust in Indonesia's Capital Market.

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 (including those related to share buy backs and shareholder meetings).

Key Corporate Governance Rules and Practices in Indonesia

Element	Yes	No	Source/Rule	Comments
RIGHT OF SHAREHOLDERS				
Do shareholders add items to the agenda for shareholders' meetings?	Yes		Company Law No. 40 Tahun 2007	Shareholders have the right to use the GSM to obtain information. Companies must create a list of shareholders in accordance with regulations. They must provide all information relating to the company, excluding genuinely confidential information—to shareholders on a timely and regular basis. This information must be provided to all shareholders regardless of the type of shares owned. Companies must provide accurate information on the conduct of the GSM. Shareholder rights are also protected by a Bapepam rule stating that the Audit Committee chairman shall be an independent commissioner.
Do shareholders ask questions of directors at shareholders' meetings and do they receive answers?	Yes			
Must company transactions with its insiders be on a non-preferential basis?	Yes			Every public company or issuer is required to submit an annual financial report to Bapepam including the balance sheet, profit and loss account, changes in equity holding, cash flow statement and other required financial reports. Every issuer must submit information to Bapepam if it conducts a transaction containing any conflict of interest or if it conducts a material transaction that changes its business.
COMPOSITION AND ROLE OF BOARDS OF DIRECTORS				
Must boards have independent directors?		No	Company Law No. 40 Tahun 2007	Indonesian companies have a two-tier board structure: a board of commissioners (BoC) and a board of directors (BoD). The BOC is supposed to oversee and advise the BoD, which in turn carries out the day-to-day operations of the company. Beyond these general mandates, there are few explicit responsibilities for the two boards in the law. The UUPT provides that the duty of the BoC (Board of Commissioners) is to supervise the policy of the BoD in managing the company and to advise the BoD. The BoD is the board which looks after the interest of the PT as an independent subject at law. The PT is the reason for the existence of the Direksi, therefore the Direksi owes its allegiance to the PT alone and not to individual shareholders. The Direksi is the representative of the PT as a *persona standi in judicio* (independent subject at law) (Article 1 item 5 jis. Articles 92(1), 97(1) and 98(1)). Management of the PT as provided in Article 90 (2) means that the Direksi is charged with the duty: • to organize and execute the business activities of the PT; • to administer the assets of the PT; and • to represent the PT inside and outside the courts of law. The BoC is an independent supervisory body unknown to the common law. Albeit the Anglo-American Board of Directors may be divided in executive/managing directors and non-executive/non-managing directors, such board of directors is essentially different from the BoC as it is the executive organ of an Anglo-American corporation/company. The BoC is a mandatory organ of the PT charged with the duty to supervise the way the Direksi is discharging its management duties and to give advice to the BoD (Article 1 item 6 jo. Article 108(1) and (2). The members of the BoC are not representatives of the shareholders. They are to exercise their supervisory duties in the interest of the PT. For this purpose the BoC has preventive powers where the Articles of Association require prior approval for certain acts of the Direksi (Article 117) and repressive powers where the Dewan Komisaris can suspend from office any members of the Direksi (Article 106). It should, however, be noted that the Direksi is not subordinated to the BoC, there is no hierarchy between the two organs. The responsibility of the BoC can be said to be substantially the
Does an independent director decide what information the board receives from management?				
Are the chairman of the board and chief executive officer different persons in the majority of listed companies?				

Element	Yes	No	Source/Rule	Comments
				same as that of the Direksi. In connection with such responsibility one has to distinguish between internal liability and external liability. Internal liability refers to liability of the BoC to the PT for the proper discharge of its supervisory responsibility (Article 114). As regards external liability for loss suffered by third parties as e.g. in the case where the BoC had given its approval as required by the Articles of Association, knowing that the PT was not in the position to perform its obligations under the contract at hand, such external liability is expressly provided in Article 115 whenever the PT is adjudicated bankrupt due to the fault or negligence of the BoC. Said liability survives the termination of office of any members of the BoC for five years after such termination.
Are all board members elected annually?	Yes			
Does the board oversee enforcement of a company code of conduct?	Yes			
TRANSPARENCY AND DISCLOSURE OF INFORMATION				
Is the identity of the five largest shareholders disclosed?	Yes		Company Law No.40 Tahun 2007. Bapepam Regulation	The Bapepam Regulation on disclosure requires every public company or issuer to submit to Bapepam-LK all information or material facts that may affect the value of issued stock and the investment decisions of investors. Information includes good corporate governance practices, the remuneration of directors and commissioners, a description of the company's internal control and audit system, details of the risks and risk management efforts, and the CSR activities related to the community and the environment. Such information must also be publicly disclosed not later than two working days after the IPO proposal is approved. The continuation of the life of the PT requires the GMS as the organ (Article 1 item 2 jo. article 75) at which the owners of the PT's shares are able and fully authorized to decide to whom the Management of the PT they wish to entrust namely the Direksi (Article 1 item 5 jis Articles 92 and 97) and to whom supervision of the way such management is to be carried out namely the Dewan Komisaris (Article 1 item 6 jis Articles 108 and 114). It therefore can be said that decisions concerning the organizational structure of the PT (e.g. amendments of the Articles of Association, merger, amalgamation, division, acquisition, dissolution and liquidation, and bankruptcy), the rights and obligations of the shareholders, issuance of new shares, and appropriation of the annual profit made by the PT belong to the authority of the GMS. On the other hand, all that pertains to the business organization of the PT which are needed to achieve the PT's objects fall within the jurisdiction of the Direksi and Dewan Komisaris. Thus the appointment and dismissal of employees, to open branch offices and to perform any activities with regard to the organization of the PT as a business entity belong to the authority of the Direksi and Dewan Komisaris. This clear and distinct separation between shareholders' function (ownership of shares) and management (power) is the distinctive character of the PT and essentially differentiates it from the limited and unlimited partnerships.
Is compensation of company executive officers disclosed?	Yes			
Are extraordinary corporate events disclosed?	Yes			
Are risk factors disclosed in securities offering materials?	Yes			
Are transactions of a company with its insiders disclosed?	Yes			