CHAPTER III

WORKING RELATIONSHIP OF THE BOARD OF DIRECTORS AND THE BOARD OF COMMISSIONERS

A. THE FORMS OF WORKING RELATIONSHIP BETWEEN THE BOARD OF DIRECTORS AND THE BOARD OF COMMISSIONERS

The working relationship between the Board of Directors and the Board of Commissioners will be carried out in the form of:

1. Formal Meeting;
2. Informal Meeting;
3. Formal Communication;
4. Informal Communication.

1. Formal Meeting

Formal meeting is the Meeting of the Board of Commissioners and the Meeting of the Board of Directors convened by each organ. The formal meeting aforesaid will be convened upon the invitation of the Board of Commissioners or the Board of Directors.

a. Attendance of the Board of Directors in the Meeting of the Board of Commissioners

1) The attendance of the Board of Directors in the Meeting of the Board of Commissioners will be possible if the Board of Directors or one of the members of the Board of Directors is invited by the Board of Commissioners to explain, provide input or deliberate a discussion.

2) The attendance of the Board of Directors in the Meeting of the Board of Commissioners, through the following procedure:

   a) The Board of Commissioners sends the invitation for the Meeting of the Board of Commissioners to the Board of Directors in writing, can be in the form of letter/memorandum, electronic mail (e-mail) or facsimile by attaching the materials for the meeting, at least 5 (five) working days prior to the convening of the meeting.

   b) The Board of Directors, based on the agenda of the meeting, determines the Member of the Board of Directors or the members of the Board of Directors who will attend the meeting and gives confirmation to the Board of Commissioners, at least 2 (two) working days prior to the starting of the meeting.

   c) The Board of Commissioners convenes the meeting attended by the Board of Directors and towards the meeting aforesaid, the Secretary of the Board of Commissioners will draw up the minutes of meeting and distribute to the participants of the meeting.

b. Attendance of the Board of Commissioners in the Meeting of the Board of Directors

1) Attendance of the Board of Commissioners in the Meeting of the Board of Directors upon the Invitation of the Board of Directors

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a) The attendance of the Members of the Board of Commissioners both collectively and individually to provide insights towards the matters discussed in the Meeting of the Board of Directors is possible with the invitation by the Board of Directors.

b) The attendance of the Board of Commissioners in the Meeting of the Board of Directors upon the Invitation of the Board of Directors, through the following procedure:

   i. The Board of Directors sends the invitation for the Meeting of the Board of Directors to the Board of Commissioners in writing which can be in the form of letter/memorandum, electronic mail (e-mail) or facsimile by attaching the materials of the meeting, at least 5 (five) working days prior to the convening of the meeting, excluding the date of the summoning and the date of the meeting or within a shorter period in urgent condition.

   ii. The Board of Commissioners, based on the agenda of the meeting, determines the Member of the Board of Commissioners or the members of the Board of Commissioners who will attend the meeting and gives confirmation to the Board of Directors, at least 2 (two) working days prior to the starting of the meeting.

   iii. The Board of Directors convenes the meeting which is attended by the Board of Commissioners and towards such meeting, the Secretary of the Company will draw up the minutes of the meeting and distribute it to the participants of the meeting.

2) Attendance of the Board of Commissioners in the Meeting of the Board of Directors upon the Request of the Board of Commissioners

a) The Board of Directors convenes the meeting every time if it is considered necessary by one or more members of the Board of Directors or upon the written request from one or more members of the Board of Commissioners or the Shareholders owning the largest total number of shares by stating the matters to be discussed.

b) The attendance of the Board of Commissioners in the Meeting of the Board of Directors is also possible upon the request of the Board of Commissioners or one of the members of the Board of Commissioners to be present in the meeting of the Board of Directors in order to give insights towards the matters to be discussed.

c) The attendance of the Board of Commissioners in the Meeting of the Board of Directors upon the Request of the Board of Commissioners will be through the following procedure:

   i. The Board of Commissioners delivers the request to the Board of Directors to be present in the Meeting of the Board of Directors.

   ii. The Corporate Secretary schedules the Meeting of the Board of Directors to be attended by the Board of Commissioners.

   iii. The Board of Directors convenes the meeting of the Board of Directors which is attended by the Board of Commissioners and towards the

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meeting aforesaid, the corporate secretary will draw up the minutes of meeting and distribute it to the participants of the meeting.

c. Company Introduction Program to the New Officials in the Organs of the Company.

The Company introduction program to the new officials in the organs of the Company is intended to provide comprehension to the new officials in the organs of the Company towards the existing conditions in the Company, therefore, the new officials of the Company obtain comprehensive understanding over the Company both organizationally and operationally.

The Company introduction program to the new officials, both in the Board of Directors and the Board of Commissioners levels, becomes the liability of the Corporate Secretary or anyone carrying out the function as the corporate secretary. The materials which are introduced to the New Officials will at least cover:

(1) The implementation of GCG principles in the Company;

(2) The illustrations regarding the Company related to the objectives, nature, and scope of work, financial and operational performance, strategies, short term and long term business plans, competitive position, risks and other strategic issues;

(3) The information related to the authorities being delegated, internal and external audit, internal control system and policies, including the Audit Committee;

(4) The information regarding the duties and responsibilities of the Board of Commissioners and the Board of Directors as well as prohibited matters.

The Company introduction program may be in the form of presentation, meeting, visits to the company and review of the documents or other program considered appropriate with BUMN in which the program aforesaid is being implemented.

2. Informal Meeting

The informal meeting shall be the meeting of the members of the Board of Commissioners and the members of the Board of Directors outside the formal meetings forum. This meeting can also be attended by the member or the members of other organs, or the members of both organs in complete format, to examine or discuss an issue in informal atmosphere.

In accordance with its informal nature, the meeting is not intended to come up with a resolution, instead, it is to align opinions through disclosure of insights informally, as well as to endeavor the common view/comprehension which has no binding power towards both parties.

Every meeting with informal nature can be convened by each Member of the Board of Commissioners and the Board of Directors, however, it cannot be used as the formal policy before undergoing the accountable mechanism or correspondences.

3. Formal Communication

The formal communication is the communication taking place among organs related to the fulfilment of formal provisions as stipulated in the Articles of Association and or the prevalence based on the best practices in the Company, in the form of delivery of report and or the exchange of data, information and its supporting analysis.

a. Periodic reporting

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Periodic reporting is a delivery of report from the Board of Directors to the Board of Commissioners containing the implementation of RKAP, the implementation of Enterprise Risk Management, and the development of strategic regulation related to the Company (including the provisions of the capital market in which the shares of the Company are listed) within a certain period of time which then submitted to the Board of Commissioners.

The Board of Directors will be obliged to prepare, in a timely manner, RJPP, RKAP, including other plans related to the implementation of business and activities of the Company as well as deliver them to the Board of Commissioners to obtain approval.

Procedure:

1) The Periodic Report is delivered in the form of written script (hardcopy) and/or electronic script (paperless);

2) The quarterly RKAP realization report is delivered at the latest 30 (thirty) days after the end of one quarterly period or with due observance of the provisions and procedure for the delivery of materials in the joint meeting of the Board of Directors and the Board of Commissioners. The response from the Board of Commissioners should be delivered at the latest 1 (one) month after the delivery of the quarterly report.

3) The annual RKAP realization report will be submitted at the latest 3 (three) months after the current year as a part of the annual report. The response from the Board of Commissioners should be delivered at the latest 2 (two) months after the delivery of the annual RKAP realization report;

4) The reports in the form of written and electronic scripts will be carried out in accordance with the prevailing practices.

5) Upon the reports which it received, the Board of Commissioners may request additional explanation from the Board of Directors towards the matters considered necessary, and the Board of Directors may update the reports aforesaid.

b. Special reporting

Special reporting is the delivery of report from the Board of Directors to the Board of Commissioners, outside the delivery of the Quarterly and Annual RKAP periodic reports, upon the request of the Commissioners or the initiative of the Board of Directors, related to the implementation of the activities of the Company.

Procedure:

1) The request of special report will be sent in writing by the Board of Commissioners to the Board of Directors, by stating the subject matter which they would like to be reported as well as the expected time of delivery.

2) Based on the review over the coverage of the issue, the Board of Directors gives the estimates of the time of delivery of the report requested by the Board of Commissioners, and in accordance with the agreed upon time aforesaid, the Board of Directors deliver the special report to the Board of Commissioners.

3) The report prepared based on the initiative of the Board of Directors can be delivered at any time to the Commissioners, by stating the needs or the unnecessary of response from the Commissioners.

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4) The report in the form of written or electronic scripts will be carried out in accordance with the prevailing practices.

5) The Board of Commissioners may request additional information over the report from the Board of Directors and the Board of Directors may make updates and additions over the report aforesaid if it is considered necessary.

c. Correspondences/handling of Memorandum

Correspondences/handling of Memorandum is a formal correspondence among organs, in relation to the implementation and smooth running of the main duties and functions of each organ. Letter/Memorandum may be, in nature, a delivery of information, request and opinion and advice, request for specific written responses, and request for approval from the Board of Directors to the Board of Commissioners.

Likewise, from the Commissioners constitutes a deliver of information, responses, opinions and advices, specific written responses, and the statement of approval over the request of the Board of Directors.

Procedure:

A. Correspondences/handling of Memorandum may be made in written script (hardcopy), electronic record (computer-media) or utilization of electronic mail (e-mail).

B. The Corporate Secretary and the Secretary of the Board of Commissioners will carry out monitoring and provide instruction/reminder in the event that there should occur any deviation on the time of handling.

C. To improve the security and confidentiality of documents, will be carried out effort for the prevention and deterrence of detection and corrective measures by the related unit function, by carrying out efforts to decrease the occurrence of written script.

D. One of the efforts for the handling of documents aforesaid can be carried out in the form of back up document by means of electronic recording towards physical documents (for example, the usage of scanner), in addition, will continue to be carried out physical securitization, among others, the storage of script, the securitization of infrastructure (server, working terminal, network) as well as the stipulation on the distribution of right of access.

4. Informal Communication

Informal communication is the communication between the Board of Directors and the Board of Commissioners organs, between the member or the members of one organ with other organ, outside the provisions of formal communication stipulation in the Articles of Association and the prevailing laws and regulations.

In addition to using written (hardcopy) personal letter/notes, information communication is supported by the implementation of e-Office or by means of other media, among others, in the form of:

- personal e-mail;
- chatting application or social media;
- Knowledge Management Systems.

Every informal communication can be carried out by each Member of the Board of Commissioners and the Board of Directors; however, it cannot be used as the formal policy before undergoing accountable mechanism or correspondences.

In the event that the Board of Directors and/or the Board of Commissioners has adopted a resolution in the framework of implementation of their duties, authorities, and liabilities toward the Company through informal communication, then, the adoption of resolution aforesaid must be set out in the form of the resolution adoption minutes document executed without attending the meeting (circular letter) by the relevant members of the Board of Directors and/or the Board of Commissioners in accordance with the Articles of Association of the Company and the prevailing laws and regulations. The execution of the resolution adoption minutes document by the members of the Board of Directors and/or the Board of Commissioners can be carried out manually (with wet signature) or electronically in accordance with the provisions and the prevailing laws and regulations, in such case, the relevant document will be considered valid and has binding legal force.

B. THE GRANTING OF APPROVAL RELATED TO CERTAIN ACTIONS OF THE BOARD OF DIRECTORS

1. In general, there are two categories of certain actions of the Board of Directors, which are:
   a. Related to equity participation activity (investment) and/or the discharge of equity participation (divestment).
   b. Other actions as stipulated in the Articles of Association which are not included in the equity participation activity (investment) and/or discharge of equity participation (divestment).
2. Before performing certain actions as stipulated in the Articles of Association of the Company and with the threshold value or limit beyond the authorities of the Board of Directors, the Board of Directors will be obliged to obtain written approval from the Board of Commissioners or written approval of the Board of Commissioners by firstly obtaining the approval of the Dwiwarna A Series Shareholder.
3. In submitting application for the approval as referred to in point 2 above, the Board of Directors will be obliged to submit the related documents to the Board of Commissioners with the proposal of application for the approval submitted by the Board of Directors.
4. For certain actions category of the Board of Directors as referred to in point 1 above, it is stipulated as following:
   a. The limit of value and/or criteria (threshold) and the procedure of application for the approval on certain actions of the Board of Directors as well as other related provisions will be further stipulated in the Resolution of the Board of Commissioners.
   b. Specifically for the stipulation of organizational structure which is 1 (one) level under the Board of Directors, which is included in certain actions category of the Board of Directors in point 1 b above, the application for the approval of the Board of Directors to the Board of Commissioners will only be applicable for the stipulation of the organization who will be directly accountable to the Board of Directors, which is for the organization elected by a Senior Vice President level official at the Office of the Company, and the Business Unit led by an Executive Vice President/Senior General Manager/Executive General Manager level official. The stipulation of the temporary/definite term organizational structure will be sufficient to be reported to the Board of Commissioners.

C. BUSINESS JUDGEMENT RULE

In the event that the decision or action of the Board of Directors and/or the Board of Commissioners is

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causing losses to the Company, based on Law No. 40 of the Year 2007 regarding Limited Liability Company, the Regulation of the Financial Services Authority Number 33/POJK.04/2014 regarding the Board of Directors and the Board of Commissioners of Issuer or Public Company, as well as the Articles of Association of the Company, the Board of Directors and the Board of Commissioners cannot be charged for the losses arising due to the decision or action aforesaid to the extent the Board of Directors and the Board of Commissioners can prove their actions have conformed to the matters stipulated in the laws and regulations as well as followed the internal Standard Operating Procedure (SOP) of the Company related to the policy making. This is to prove that he losses arising from the taking of such policy constitutes the consequences of business risks, instead of a criminal offense committed with ill intention.

By referring to the Business Judgement Rule mentioned in the General Principles, the Board of Directors and the Board of Commissioners before carrying out or approving to carry out the action, they must consider and observe the required Business Judgement Rule guidelines, as following:

1. **Carried Out Decision or Action Category**

   a. The Board of Directors or the Board of Commissioners making the decision or carrying out the action has the authorities in accordance with the provisions of the laws and regulations, the Articles of Association and the internal regulations of the Company.

   b. The Board of Directors or the Board of Commissioners aforesaid is based on good faith and not contradictory to obligatory and binding regulations. In the event that a regulation does not contain specific and/or explicit requirements and give discretion, then, the exercise of such discretion is generally qualified as business decision or action.

2. **Decision or Action Carried Out, Taken Without Unduly Effect (Without Personal Conflict of Interest of the Decision Maker or Action or Relationship and Other Special Interests (Individual, Politics, Commercials or Other Things Which Need to be Known)**

   a. Referring to the prevailing laws and regulations regarding the procedure to carry out transaction containing conflict of interest;

   b. The decision or action aforesaid does not contain the element of suspicion and does not contain the element of abuse of authority and position as the Directors or the Board of Commissioners as well as there is not any personal gain obtained from the decision taken by the relevant Board of Directors or Board of Commissioners;

   c. In several conditions, it is very difficult to be proven that the decision making and actions carried out by the Board of Directors and/or the Board of Commissioners is not under any interest influence aforesaid. In such case, the decision making in the situation should be avoided.

3. **There is a Sufficient Information Basis for the Board of Directors or the Board of Commissioners in Making Decision or Carrying out Actions**

   a. In making the decision or carrying out action has been based on adequate considerations and information, accountable and rational data, as well as does not contain negligence or fraud element or abuse of authorities and position as the Board of Directors and/or the Board of Commissioners which resulted in the presence of personal gain obtained by the relevant Board of Directors and/or Board of Commissioners.

   b. Adequate information does not mean a necessity to collect the entire information. The criteria regarding adequate information depends on the time, nature, size, potential risk related to the decision or action, the financial stance and position of the Company in the market. Greater sources/basis/references will be more appropriate for the making of decision or the action having the potential to or which might have impact on the financial welfare of the Company or the decision being taken does not conform to the practices of the Company if compared to the making of decision with more standards or having less impact.

c. Documentation: a series of decision making must be well documented, including the minutes of meetings, conversations, discussions which can demonstrate the processes and methods for the decision making from the beginning to the end. Even though the completeness of the documentation could give rise to high cost, however, if the business decision to be taken has business risk and/or could give rise to business risk in the future, the completeness of the documentation will become the solid evidence towards the taking of the business decision aforesaid.

4. A Group of People in the Same Position and Same Condition who will be Making the Decision or Carrying Out the Same Action

5. The Board of Directors and/or the Board of Commissioners making the decision or carrying out the action aforesaid has considered the best interest of the Company

a. If the Board of Directors and/or the Board of Commissioners have already had the adequate information and there is not any unduly affect from any party whomsoever, then, the Board of Directors/the Board of Commissioners can make the best decision for the interest of the Company. Such action may only be categorized as the Business Judgement Rule if there is not any ill intention in the decision making process and/or the action to be taken aforesaid.

b. If there is not any ill intention in the decision-making process aforesaid, then, the Board of Directors/Board of Commissioners must also be able to prove the presence of rational justification (does not have many ambiguities and does not give any way to the opportunity of multi-interpretation) towards the taking of such decision. This rational justification includes the taking into account of the risk mitigation towards the decision to be taken and/or the action to be carried out.

c. If required, the Board of Directors/Board of Commissioners in the making of decision may use professional opinion from independent third party stating that there is not any elements of conflict of interest or personal gain to be acquired either by himself or by the members of the Board of Directors/Board of Commissioners over the providing of his opinion aforesaid.

D. LONG TERM PLAN OF THE COMPANY, CORPORATE STRATEGIC SCENARIO, CORPORATE ANNUAL MESSAGE, AND WORK & BUDGET PLAN OF THE COMPANY

1. The Board of Directors will be obliged to prepare the draft Long Term Plan of the Company (RJPP) for a timeline of 5 (five) years.

2. As the elaboration over the RJPP document, the Board of Directors also prepares the implementation strategy document which is the Corporate Strategic Scenario (CSS) document, for a timeline of 3 (three) years.

3. The Board of Directors will be obliged to prepare the Corporate Annual Message (CAM) and the Work & Budget Plan of the Company (RKAP) as the short-term strategic document of the company, containing the annual elaboration of the RJPP and/or the CSS.

4. The governance for the preparation of RJPP, CSS, CAM and RKAP is set out in the Company regulation.

5. In the supervisory over the implementation of RJPP, CSS, and RKAP, the Board of Commissioners may carry out site visit which in its implementation, they will be accompanied by the related Director

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or in the event that the related Director is impeded, they may be accompanied by the Corporate Secretary and/or the official appointed by the related Director.

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