

**RESEARCH REPORT
OF
ASEAN CORPORATE GOVERNANCE SCORECARD
ON
PT PETROSEA Tbk**



Jakarta, 8 August 2019

Internalizing Best Practices of Good Corporate Governance and Directorship

EXECUTIVE SUMMARY

This report is aimed to deliver the assessment result conducted by IICD on Corporate Governance (CG) practices implemented by PT Petrosea Tbk (PTRO) based on ASEAN CG Scorecard (ACGS). The assessment conducted was based on public information, especially on Annual Report 2018 and company's website.

The assessment result shows that the overall weighted score obtained by PT Petrosea Tbk was **69,29** points. The details of the weighted score for each Scorecard components are as follows:

- 1. Principle A – Rights of Shareholders: 5,24.**
- 2. Principle B – Equitable Treatment of Shareholders: 5,71.**
- 3. Principle C – Role of Stakeholders: 10,38.**
- 4. Principle D – Disclosure and Transparency: 16,41.**
- 5. Principle E – Board of the Commissioners Responsibilities: 27,37.**

In the component assessment of bonus and penalty, PT Petrosea Tbk obtained bonus of 2 points and penalty of **minus 2** points on its CG practices done during fiscal year 2018.

Based on the final score of 69,29 points, the performance level of compliance of PT Petrosea Tbk is categorized as the **“Minimum Requirement”** category or Level 1 (60-69,99), which means that GCG practices done by the company merely fulfill the minimum requirements of the regulator's provisions regarding GCG practices. Referring to the assessment results of 200 PLCs in ACGS 2018 as a comparison, the total score obtained by the company (PTRO) is just slightly above the average total score of PLCs (public companies) that included in the Mid Cap category (100 middle market capitalization PLCs) which achieved 62,97 points, however the score is still below the average total

score obtained by PLCs in the Big Cap category (100 biggest market capitalization PLCs) which achieved 72,57 points.

Besides providing the assessment result of the compliance level on CG practices based on the standard of ASEAN CG Scorecard, this report also delivers some recommendations as guidelines/references to improve the implementation of GCG practices for the company in the future.

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CHAPTER 1

INTRODUCTION

1.1. BACKGROUND

ASEAN Corporate Governance Scorecard is one of the ASEAN Capital Market Forum (ACMF) initiatives which aims to establish capital market integration of member countries in the Association of Southeast Asian Nations (ASEAN). The countries that participated in this ASEAN CG SCORECARD are: Indonesia, Singapore, Thailand, Malaysia, Philippines, and Vietnam. The practice of ASEAN CG SCORECARD has been started since 2011. The objectives of ASEAN CG SCORECARD are as follows;

- 1) To improve corporate governance standards and practices of ASEAN Public Listed Companies (PLCs);
- 2) To enhance the global worthiness for ASEAN PLCs with good corporate governance and to showcase them (the global community) that the well-governed ASEAN PLCs are the places to invest; and
- 3) To complement the other ACMF initiatives and to promote ASEAN countries as a high-class asset.

This initiative not only encourages each ASEAN countries that participated in CG Scorecard to strengthen their related GCG regulations, but it also encourages ASEAN PLCs, including Indonesia, to strengthen their CG system by adopting GCG Principles based on ASEAN CG Scorecard.

ASEAN CG Scorecard is a quantitative tool to measure the compliance of ASEAN PLCs towards corporate governance guidelines according to the exemplary practices based on international standards, specifically the principles of corporate governance issued by The Organization for Economic Cooperation and Development (OECD) which consists of:

- A. Rights of Shareholders
- B. Equitable Treatment of Shareholders
- C. Role of Stakeholders
- D. Disclosure and Transparency
- E. Responsibility of the Boards

In order to strengthen GCG practices based on the ASEAN CG SCORECARD standard, the company has the initiative to build efforts in improving its performance level of compliance in a good measured and planned way. Therefore, the company considered that it is necessary to have references that can be used as guidelines in preparing the effective strategy in order to do the improvement on the GCG practices in the future.

The company has considered that it is important to conduct a routine assessment on the GCG practices of the company based on the international standard adopted from the corporate governance principles issued by The Organisation for Economic Cooperation and Development (OECD), and it reflects on the GCG principles that regulated in ASEAN CG Scorecard.

Then, the result of the routine assessment on GCG practices is expected to provide information for the company regarding the trend of improving the performance level of compliance that has been achieved by the company compared to the years before, hence in the future the company can decide some steps and efforts that still need to be improved for its performance level of compliance to be achieved optimally.

1.2 THE SYSTEMATICS ARRANGEMENT OF THE CORPORATE GOVERNANCE PRACTICES REPORT

The systematics arrangement of the corporate governance practices report are grouped as follows:

CHAPTER 1 - INTRODUCTION

CHAPTER 2 – ASSESSMENT METHODOLOGY

CHAPTER 3 – ASSESSMENT RESULT ON GCG PRACTICE OF THE COMPANY

3.1 ASSESSMENT RESULT OF PRINCIPLE A. RIGHTS OF SHAREHOLDERS

3.2 ASSESSMENT RESULT OF PRINCIPLE B. EQUITABLE TREATMENT OF
SHAREHOLDERS

3.3 ASSESSMENT RESULT OF PRINCIPLE C. ROLE OF STAKEHOLDERS

3.4 ASSESSMENT RESULT OF PRINCIPLE D. DISCLOSURE AND
TRANSPARENCY

3.5 ASSESSMENT RESULT OF PRINCIPLE E. RESPONSIBILITIES OF THE
BOARD OF COMMISSIONERS

3.6 BONUS DAN PENALTY

CHAPTER 4 – CONCLUSION AND RECOMMENDATIONS

CHAPTER 2

ASSESSMENT METHODOLOGY

2.1. Instruments of the Assessment

The assessment instruments were developed based on the international standard of corporate governance principles, especially corporate governance principles issued by OECD and International Corporate Governance Network (ICGN). The assessment instruments are divided into two levels as follows.

Level 1, covers five Principles:

PRINCIPLE A: Rights of Shareholders, consists of 21 items.

PRINCIPLE B: Equitable Treatment of Shareholders, consists of 15 items.

PRINCIPLE C: Role of Stakeholders, consists of 13 items.

PRINCIPLE D: Disclosure and Transparency, consists of 32 items.

PRINCIPLE E: Responsibilities of the Board, consists of 65 items.

Thus the total questions for level 1 are 146 items. The assessment weight used to evaluate the implementation of CG practice of the company on each area of the principles (main area) are fully presented as follows.

No.	OECD Principles (Main Principles in the Assessment)	Assessment Weight
1.	Rights of Shareholders	10%
2.	Equitable Treatment of Shareholders	10%
3.	Role of Stakeholders	15%
4.	Disclosure and Transparency	25%
5.	Responsibilities of the Board	40%
TOTAL		100%

Level 2, consists of bonus and penalty:

- Bonus consists of 13 items with the total score for bonus that reach 30 points.
- Penalty consists of 25 items with the total score for penalty that reach minus 58 points.

Hence, the total questions for bonus and penalty are 38 items. Level 2 score will be added (if bonus occurs) or reduced (if penalty occurs) to the total score obtained in level 1.

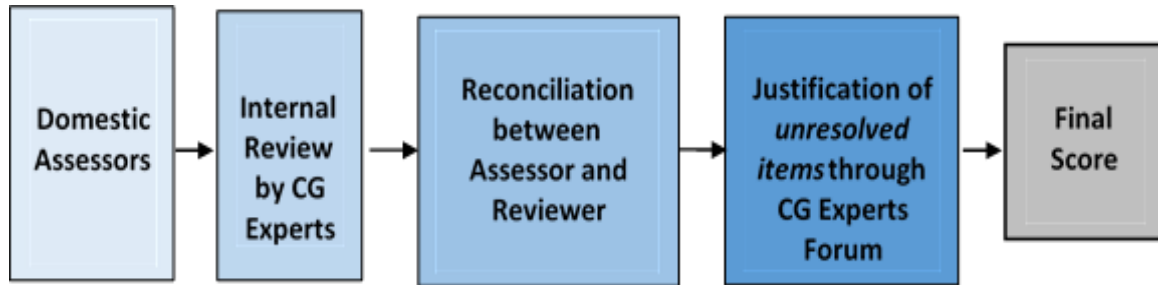
2.2. Assessment Technique

Assessment Technique for this ASEAN CG Scorecard 2019 was based on information or documents that are available in public related to the corporate governance practices implemented by the company for fiscal year 2018. The source of informations and documents are as follows:

- Annual report 2018; audited financial report for fiscal year 2018;
- Notice to call of Annual General Meeting of Shareholders (AGMS) conducted in 2019 for company's performance in the fiscal year 2018;
- Notice to the result of AGMS for company's performance in the fiscal year 2018;
- Company's Article of Association;
- Board Manual and Committee's Charter;
- Company's Website; as well as
- Other related public information

There was no difference in the assessment process of GCG practices for Indonesian PLCs based on ASEAN CG Scorecard 2018 and ASEAN CG Scorecard 2019 (for 200 PLCs) conducted by IICD, where the assessment process of GCG practices for listed companies still follow the process as described below:

Picture:
Process of Assessment & multiple checks and balances on GCG Practice based on ACGS 2019



Each question was designed by using dichotomy answer “YES” or “NO”, unless the question was not relevant to the CG practices implemented by the company, would be assigned N/A (not applicable).

Total Score or final score of CG performance by the company is interpreted as follows:

Score (points)	CG Performance of the Company	Interpretation
60,00-69,99	Level 1	Minimum Requirement,
70,00—79,99	Level 2	Fair
80,00 - 89,99	Level 3	Good
90,00 - 99,99	Level 4	Very Good
100 or more	Level 5	Leadership in corporate governance

CHAPTER 3
ASSESSMENT RESULT OF GCG PRACTICES
ON
PT PETROSEA TBK

3.1. PRINCIPLE A: RIGHTS OF SHAREHOLDERS

The implementation of good corporate governance can not be separated with the involvement of its shareholders. The company should pay special attention to its shareholders by fulfilling their rights to participate continuously in controlling the company's operational activity. Therefore, OECD declares that the rights of shareholders is the first principle in implementing good corporate governance practice by the company. There are 5 (five) key parameters in the rights of shareholders principle which described as follows:

1. Basic rights of shareholders.
2. Right to participate in decisions related to fundamental corporate changes.
3. Right to participate effectively and to vote in AGMS and to be informed about the rules of AGMS (including voting procedures).
4. Market for corporate control should be allowed to function in an efficient and transparent manner.
5. The exercise of ownership rights by all shareholders, including institutional investors should be facilitated by the company.

A.1 Basic Rights Of Shareholders

The mechanism of dividend distribution and nominal paid to the shareholders is declared in Annual General Meeting of Shareholders (AGMS). In relation to ASEAN CG Scorecard,

score “Y” is given if dividend is paid within 30 days after the announcement of dividend payment date in AGMS.

The following is the assessment result on the performance of GCG practices of PT Petrosea Tbk for 1 (one) assessment item below:

CG SCORE FOR PARAMETER A.1 (Basic Rights Of Shareholder)				
No	Question	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
A.1.1	Does the company pay (interim and final/annual) dividends in an equitable and timely manner; that is, all shareholders are treated equally and paid within 30 days after being (i) declared for interim dividends and (ii) approved by shareholders at annual general meeting (AGM) for final dividends?	Yes	1	Comply

Based on the minutes of AGMS published in the exchange, information is obtained that for the fiscal year that ends on December 31 2018, the company paid a final dividend on 24/5/2019 after the company announced it to the public on 24/4/2019. Thus, a maximum period of 30 days is fulfilled.

A.2 Rights to Participate in Decisions Concerning Fundamental Corporate Changes

This parameter consists of three assessment items. First, the granting of rights or opportunities for shareholders to be involved in amendments to company AD/ART is regulated in Corporate Law No. 40, 2007 concerning Limited Liability Companies (Chapter 19 verse 1 and 2). Second, the authorization of additional shares is regulated in Corporate Law No. 40, 2007 concerning Limited Liability Companies (Chapter 41 verse 1) and all companies incorporated as PT are required to comply with this provision. Third, providing opportunities for shareholders to participate in the transfer of all or substantially all assets that have an impact on the sale of the company is also regulated in

Corporate Law No. 40, 2007 concerning Limited Liability Companies (Chapter 89 verse 1).

Therefore, the three items as shown below have met the criteria and obtained default answer "Yes" in the ASEAN CG Scorecard assessment.

CG SCORE FOR PARAMETER A.2 (Rights to Participate in Decisions Concerning Fundamental Corporate Changes)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
	Do shareholders have the right to participate in:			
A.2.1	Amendments to the company's constitution?	Yes	1	All Indonesian companies comply with these items as it is regulated by Indonesian Law (i.e., Default answer Yes)
A.2.2	The authorization of additional shares?	Yes	1	
A.2.3	The transfer of all or substantially all assets, which in effect results in the sale of the company?	Yes	1	
TOTAL CG SCORE for Parameter A.2			3	

A.3 Right to Participate Effectively In and to Vote In General Shareholder Meetings, and Should Be Informed of the Rules That Govern General Shareholder Meetings (Including Voting Procedures).

This parameters consists of 15 (fifteen) items as the assessment indicators related to the rights to participate in AGMS. The following is the assessment result of these items:

CG SCORE FOR PARAMETER A.3 (Right To Participate Effectively In and To Vote In General Shareholder Meetings and Should Be Informed Of The Rules That Govern General Shareholder Meetings (Including Voting Procedures))				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)

CG SCORE FOR PARAMETER A.3				
(Right To Participate Effectively In and To Vote In General Shareholder Meetings and Should Be Informed Of The Rules That Govern General Shareholder Meetings (Including Voting Procedures))				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
A.3.1	Do shareholders have the opportunity, evidenced by an agenda items, to approve remuneration (fees, allowances, benefit-in-kind and other emoluments) or any increases in remuneration for the non-executive directors/commissioners?	Yes	1	Default answer Yes
A.3.2	Does the company provide non-controlling shareholders a right to nominate candidates for board of directors/commissioners?	Yes	1	Default answer Yes
A.3.3	Does the company allow shareholders to elect directors/commissioners individually?	Yes	1	Default answer Yes
A.3.4	Does the company disclose the voting procedures used before the start of meeting?	No	0	Not Comply
A.3.5	Do the minutes of the most recent AGM record that the shareholders were given the opportunity to ask questions and the questions raised by shareholders and answers given recorded?	No	0	Not Comply
A.3.6	Does the company disclose the voting results including approving, dissenting, and abstaining votes for all resolutions/each agenda item for the most recent AGM?	No	0	Not Comply
A.3.7	Does the company disclose the list of board members who attended the most recent AGM?	No	0	Not Comply
A.3.8	Does the company disclose that all board members and the CEO (if he is not a board member) attended the most recent AGM?	No	0	Not Comply
A.3.9	Does the company allow for voting in absentia?	Yes	1	Default answer Yes
A.3.10	Did the company vote by poll (as opposed to by show of hands) for all resolutions at the most recent AGM?	No	0	Not Comply

CG SCORE FOR PARAMETER A.3 (Right To Participate Effectively In and To Vote In General Shareholder Meetings and Should Be Informed Of The Rules That Govern General Shareholder Meetings (Including Voting Procedures))				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
A.3.11	Does the company disclose that it has appointed an independent party (scrutineers/inspectors) to count and/or validate the votes at the AGM?	No	0	Not Comply
A.3.12	Does the company make publicly available by the next working day the result of the votes taken during the most recent AGM/EGM for all resolutions?	No	0	Not Comply
A.3.13	Do companies provide at least 21 days notice for all AGMs and EGMs?	Yes	1	Comply
A.3.14	Does the company provide the rationale and explanation for each agenda which require shareholders’ approval in the notice of AGM/circulars and/or the accompanying statement?	Yes	1	Comply
A.3.15	Does the company give the opportunity for shareholder to place item/s on the agenda of AGM	No	0	Not Comply
TOTAL CG SCORE for Parameter A.3			6	

Based on the 15 assessment indicators above, the following is an explanation for items that have not been done by the company (9 assessment items):

- A.3.4 – A.3.8, A.3.10 – A.3.12 and A.3.15 requires disclosure in the AGMS for the following:
 - ✓ Policy or voting procedure that delivered before the AGMS takes place (A.3.4)
 - ✓ Provide opportunities for AGMS participants to ask questions and to record all questions and answers to the related questions during the AGMS (A.3.5)
 - ✓ Voting results, including the number of votes that agreed, dissenting and abstain from all resolutions of each AGMS agenda (A.3.6)

- ✓ Attendance list of board members (commissioners) of the company at the AGMS (A.3.7)
- ✓ The attendance of all members of the board of commissioners and the CEO of the company at the AGMS (A.3.8)
- ✓ The voting mechanism, requires each agenda that must be decided at the AGMS should go through a mechanism of opinion polling or voting conducted in a closed manner (not only through mechanism by raising hands) (A.3.10)
- ✓ The appointment of a third party (independent) to count or validate the voting results (A.3.11)
- ✓ The publication time of the AGMS result. ASEAN CG Scorecard requires that the publication time of the AGMS result should be done within 1 working day after the AGMS. The company did not fulfill the indicator in this principle because the disclosure is counted for within 2 working days. The AGMS was held on 22/4/2019 (Monday) and the result was announced on 24/4/2019 (Wednesday) (A.3.12)
- ✓ The company provides an opportunity for shareholders to submit opinions/responses on each meeting agenda that discussed at the AGMS (A.3.15)

The performance of governance practices that required in the assessment items above is closely related to the disclosure of information contained in the minutes of the AGMS. The assessment result shows that the minutes of the AGMS is only available in Indonesian language, therefore a Yes score is not obtained.

A.4 Markets for corporate control should be allowed to function in an efficient and transparent manner

This parameter refers to the appointment of an independent party by the board of commissioners to evaluate the fairness of the transaction price in regard of mergers and acquisitions. This item is a default item (Bapepam LK IX.G.1). There is 1 (one) assessment item on A.4 as follows.

CG SCORE FOR PARAMETER A.4 (Markets for corporate control should be allowed to function in an efficient and transparent manner)				
No	Question	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
A.4.1	In cases of mergers, acquisitions and/or takeovers, does the board of directors/commissioners of the offeree company appoint an independent party to evaluate the fairness of the transaction price?	Yes	1	Default answer Yes

A.5 The Exercise of Ownership Rights by All Shareholders, Including Institutional Investors Should Be Facilitated

This parameter is related to indicate the company's effort to actively encourage shareholders, especially institutional shareholders to attend the AGMS, as well as including the engagement process of shareholders.

CG SCORE FOR PARAMETER A.5 (The Exercise of Ownership Rights by All Shareholders, Including Institutional Investors Should Be Facilitated)				
No	Question	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)

CG SCORE FOR PARAMETER A.5 (The Exercise of Ownership Rights by All Shareholders, Including Institutional Investors Should Be Facilitated)				
No	Question	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
A.5.1	Does the company publicly disclose policy/practice to encourage shareholders including institutional shareholders to attend the general meetings or engagement with the company?	No	0	Not Comply

All forms of engagement practices/activities between company and its shareholders can be considered as a form of activity that has complied with the CG practices requested in the assessment item above, without having to be stated in the form of policies or active efforts from the company to encourage shareholders to participate/attend the General Meeting of Shareholders. Based on the available document and evidence, hence for this assessment item the company has not fulfilled the compliance requirements.

Following is the recapitulation of the assessment result of the company's compliance level for principle A (Rights of Shareholders):

**THE ASSESSMENT RESULT OF CG PRACTICES ON RIGHTS OF SHAREHOLDERS
PRINCIPLE**

CG SCORE FOR RIGHTS OF SHAREHOLDERS PRINCIPLE				
No	Key Parameters	Number of Items Complied with Each Parameter	Number of Items	Score per Component
1	Basic Rights of Shareholders	1	1	100%
2	Right to participate in decisions concerning fundamental corporate changes	3	3	100%
3	Right to participate effectively in and vote in general shareholder meetings and should be informed of the rules that govern general shareholder meetings (including voting procedures)	6	15	40%
4	Market for corporate control should be allowed to function in an efficient and transparent manner	1	1	100%
5	The exercise of ownership rights by all shareholders, including institutional investors, should be facilitated	0	1	0%
TOTAL ITEMS THAT COMPLY WITH PRINCIPLE OF RIGHTS OF SHAREHOLDERS		11	21	52,38%

3.2. PRINCIPLE B: EQUITABLE TREATMENT OF SHAREHOLDERS

A corporate governance practice is also assessed through the company's effort in doing its responsibilities to guarantee equal treatment to its shareholders. Therefore, the OECD defines equitable treatment of shareholders as the second principle in implementing good CG practice by the company.

The principle of Equitable Treatment of Shareholders consists of 5 (five) key parameters as follows:

1. Shares Ownership and Voting Rights
2. Notice of AGMS
3. Insider Trading and abusive self-dealing should be prohibited
4. Related party transactions by the Board of Commissioners and Directors
5. Protecting minority shareholders from abusive action

B.1 Share Ownership and Voting Rights.

This parameter consists of 2 (two) items as the assessment indicators towards GCG practices at PTRO. The following is the assessment result of these questions:

CG SCORE FOR PARAMETER B.1 (Share Ownership and Voting Rights)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
B.1.1	Do the company's ordinary or common shares have one vote for one share?	Yes	1	Default Answer Yes
B.1.2	Where the company has more than one class of shares, does the company publicise the voting rights attached to each class of shares (e.g. through the company website / reports/ the stock exchange/ the regulator's website)?	N/A	-	
TOTAL CG SCORE for Parameter B.1			1	

PT Petrosea Tbk (PTRO) has done/complied with the two assessment items above. For assessment item B.1.2, the answer N/A is given because the company only has 1 type of stock.

B.2 Notice of AGMS

This parameter consists of 5 (five) items as the assessment indicators. The following is the assessment result for these items:

CG SCORE FOR PARAMETER B.2 (Notice of AGMS)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
B.2.1	Does each resolution in the most recent AGM deal with only one item, i.e., there is no bundling of several items into the same resolution?	No	0	Not Comply
B.2.2	Are the company's notice of the most recent AGM/circulars fully translated into English and published on the same date as the local-language version?	Yes	1	Comply
	Does the notice of AGM/circulars have the following details:			
B.2.3	Are the profiles of directors/commissioners (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) in seeking election/re-election included?	No	0	Not Comply
B.2.4	Are the auditors seeking appointment/re-appointment clearly identified?	No	0	Not Comply
B.2.5	Were the proxy documents made easily available?	Yes	1	Default answer Yes
TOTAL CG SCORE for Parameter B.2			2	

Based on the 5 (five) assessment indicators above, the following is explanation for the assessment items that have not been complied with or that have not been done by the company (3 assessment items):

- B.2.1. The assessment for this item refers to the information in the call and the Minutes of AGMS Results. This assessment item requires that bundling of several agendas to only 1 (one) agenda or resolution is not allowed. In fact, in this ACGS 2018 is even more strict in requesting/requiring that in relation to the agenda of changes in the composition of the company's board of directors and/or commissioners, the voting must be done on each individual candidate for directors/commissioners and the results must be disclosed to the public. Hence for the voting process and the disclosure of voting results on the changes in the arrangement or composition of the company's directors/commissioners that are only done in packages, the agenda will be assessed as bundling. In addition to the disclosure of information that only available/delivered in Indonesian version, the assessment result also indicates that there is still a bundling agenda found, especially on the 5th agenda.
- B.2.3 requests the profile disclosure of the new commissioner candidates that will be appointed at the AGMS. With the minimum disclosures are including age, qualifications, date of joining the company, experiences, and multiple positions in other PLCs. As the AGMS invitation or notice to call did not contain the information, it is also not available in English version. (The profile of Mr. Hasnul Suhaimi as a member of the Independent Commissioner and Mr. Kamen Kamanov Palatov as a member of the Commissioner).
- B.2.4 request information disclosure of the external auditor that will be appointed at the AGMS. And the information requested regarding the related external auditor

is the name of the external auditor that assigned to conduct an audit at the company, not the name from Office of the External Auditor. The assessment result indicates that the AGMS' invitation (notice to call) did not contain the information, thus the company has not complied with this assessment item.

B.3 Insider Trading and Abusive Self-dealing Should Be Prohibited

This Parameter consists of 2 (two) items as the assessment indicators. The following is the assessment result of these items:

CG SCORE FOR PARAMETER B.3 (Insider Trading and Abusive Self-dealing Should Be Prohibited)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
B.3.1	Does the company have policies and/or rules prohibiting directors/commissioners and employees to benefit from knowledge which is not generally available to the market?	Yes	1	Default Answer Yes
B.3.2	Are the directors and commissioners required to report their dealings in company shares within 3 business days?	No	0	Not Comply
TOTAL CG SCORE for Parameter B.3			1	

B.3.2 requests disclosure of the company's stock transactions by commissioners and directors within 3 (three) working days. The assessment result did not find disclosure of any information related to this matter by the company.

B.4 Related Party Transactions by the Board of Commissioners and Directors

This parameter consists of 4 (four) items as the assessment indicators. The following is the assessment result of the items:

CG SCORE FOR PARAMETER B.4 (Related Party Transactions by the Board of Commissioners and Directors)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
B.4.1	Are directors and commissioners required to disclose their interest in transactions and any other conflicts of interest?	Yes	1	Default answer Yes
B.4.2	Does the company have a policy requiring a committee of independent directors/commissioners to review material/significant RPTs to determine whether they are in the best interests of the company?	Yes	1	Default answer Yes
B.4.3	Does the company have a policy requiring board members (directors/commissioners) to abstain from participating in the board discussion on a particular agenda when they are conflicted?	Yes	1	Default Answer Yes
B.4.4	Does the company have policies on loans to directors and commissioners either forbidding this practice or ensuring that they are being conducted at arm's length basis and at market rates.	No	0	Not Comply
TOTAL CG SCORE for Parameter B.4			3	

Item B.4.4 requests an explicit policy statement regarding the prohibition of loans to Directors and Commissioners or the existence of a policy that ensures that loans are done in a reasonable maturity period and interest rates. Based on the assessment result, there was no disclosure of information indicating that the company PT Petrosea Tbk (PTRO) had fulfilled or complied with the assessment indicator for this practice.

B.5 Protecting minority shareholders from abusive actions

This parameter consists of 2 (two) items as the assessment indicators of GCG practices in the company. The following is the assessment result of these items:

CG SCORE FOR PARAMETER B.5 (Protecting minority shareholders from abusive actions)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
B.5.1	Does the company disclose that RPTs are conducted in such a way to ensure that they are fair and at arms' length?	No	0	Not Comply
B.5.2	In case of related party transactions requiring shareholders approval, is the decision made by disinterested shareholders?	Yes	1	Default answer Yes
TOTAL CG SCORE for Parameter B.5			1	

Based on the 2 (two) assessment items/questions above, the company is assessed as still has not complied with the governance practices requested or required in the assessment item B.5.1, which requests the company to disclose related party transactions are done in a reasonable transaction. Based on a review of PT PETROSEA Tbk's Annual Report & Audited Financial Report for Fiscal Year 2017, there was no disclosure of information that clearly states the transactions conducted by company with related parties are all done fairly (fair and at arms' length transaction).

The following is the recapitulation of the assessment result for principle B (Equitable Treatment of Shareholders):

THE ASSESSMENT RESULT OF CG PRACTICES ON EQUITABLE TREATMENT OF SHAREHOLDERS PRINCIPLE

CG SCORE FOR EQUITABLE TREATMENT OF SHAREHOLDERS PRINCIPLE				
No	Key Parameters	Number of Items Complied with Each Parameter	Number of Items	Score per Component
1	Shares Ownership and Voting Rights *)	1	1	100%
2	Notice of AGMS	2	5	40%
3	Insider Trading and Abusive Self-dealing Should be Prohibited	1	2	50%
4	Related Party Transactions by the Board of Commissioners and Directors members	3	4	75%
5	Protecting Minority Shareholders from Abusive Action	1	2	50%
TOTAL ITEMS THAT COMPLY WITH EQUITABLE TREATMENT OF SHAREHOLDERS		8	14	57,14%

*) There is 1 assessment item/question that is not assessed (N/A), thus the number of items in principle B that counted are only 14 questions.

3.3. PRINCIPLE C: ROLE OF STAKEHOLDERS

The Role of Stakeholders Principle consists of 4 (four) key parameters as follows:

1. The rights of Stakeholders that are regulated by Law or through mutual agreements should be respected.
2. Stakeholders should have the opportunity to obtain effective redress for violation of their rights.
3. Performance-enhancing mechanisms for employee participation should be permitted to develop.
4. Stakeholders, including individual employee 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.

C.1 The Rights of Stakeholders that are established by law or through mutual agreements should be respected

This parameter consists of 7 (seven) items as the assessment indicators. The following is the assessment result of related questions.

CG SCORE FOR PARAMETER C.1 (The Rights of Stakeholders that are established by law or through mutual agreements should be respected)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
	Does the company disclose a policy that :			
C.1.1	The existence and scope of the company's efforts to address customers' welfare?	Yes	1	Comply
C.1.2	Supplier/contractor selection procedures?	Yes	1	Comply

CG SCORE FOR PARAMETER C.1 (The Rights of Stakeholders that are established by law or through mutual agreements should be respected)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
C.1.3	The company's efforts to ensure that its value chain is environmentally friendly or is consistent with promoting sustainable development?	Yes	1	Comply
C.1.4	The company's efforts to interact with the communities in which they operate?	Yes	1	Comply
C.1.5	Describe the company's anti-corruption programmes and procedures?	Yes	1	Comply
C.1.6	Describes how creditors' rights are safeguarded?	Yes	1	Comply
C.1.7	Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?	Yes	1	Comply
TOTAL CG SCORE for Parameter C.1			7	

Based on the 7 (seven) assessment items above, the company considered to has done/complied with all the assessment items.

C.2 Stakeholders should have the opportunity to obtain effective redress for violation of their rights

This parameter only consists of 1 (one) item as the assessment indicator. The following is the assessment result of the question:

CG SCORE FOR PARAMETER C.2 (Stakeholders should have the opportunity to obtain effective redress for violation of their rights)				
No	Question	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)

CG SCORE FOR PARAMETER C.2 (Stakeholders should have the opportunity to obtain effective redress for violation of their rights)				
No	Question	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
C.2.1	Does the company provide contact details via the company's website or Annual Report which stakeholders (e.g. customers, suppliers, general public etc.) can use to voice their concerns and/or complaints for possible violation of their rights?	No	0	Not Comply

The company has not fulfilled or complied with the assessment items above. Item C.2.1 requires the availability of specific channels for the delivery of complaints by stakeholders that arise as an impact on business activities done by the company. During this time, complaints from stakeholders are still handled only by each CSR Officer who acts as External Relations on each company’s project.

C.3 Performance-enhancing mechanisms for employee participation should be permitted to develop.

This parameter consists of 3 (three) items as the assessment indicators. The following is the assessment result of the questions:

CG SCORE FOR PARAMETER C.3 (Performance-enhancing mechanisms for employee participation should be permitted to develop)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
C.3.1	Does the company explicitly disclose the health, safety, and welfare policy for its employees?	Yes	1	Comply

CG SCORE FOR PARAMETER C.3 (Performance-enhancing mechanisms for employee participation should be permitted to develop)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
C.3.2	Does the company explicitly disclose the policies and practices on training and development programmes for its employees?	Yes	1	Comply
C.3.3	Does the company have a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures?	No	0	Not Comply
TOTAL CG SCORE for Parameter C.3			2	

The company has not complied with 1 (one) item/assessment above, which is in item C.3.3 that requires disclosure of the existence of long-term performance-based compensation/remuneration policy or program. The example of this compensation is providing stock options for its employees.

The long-term performance-based compensation/remuneration program also requires disclosure of information that explains the lock out period (the time when the program can only be exercised within 2 years or more or stated that the stock reward is LOCK-OUT for 2 years or 3 years).

Throughout 2018, the Company (PTRO) has not conducted the long-term incentive programs both in the form of Employee Stock Ownership Plan (ESOP) or Management Stock Ownership Plan (MSOP) as informed by the company in the Annual Report 2018.

C.4 All stakeholders, including individual employee 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

This parameter consists of 2 (two) items as the assessment indicators. The following is the assessment result of the questions:

CG SCORE FOR PARAMETER C.4 (All stakeholders, including individual employee 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)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
C.4.1	Does the company have a whistle blowing policy which include procedures for complaints by employees concerning alleged illegal (including corruption) and unethical behavior and provide contact details via the company’s website or annual report?	No	0	Not Comply
C.4.2	Does the company have a policy or procedures to protect an employee/person who reveals alleged illegal/unethical behavior from retaliation?	No	0	Not Comply

The company has not done or complied with all the assessment items above. The following is an explanation for the assessment items that have not been done or complied with by the company (2 assessment items):

- C.4.1 requests information disclosure regarding the existence of whistle blowing policy. The policy at least includes the procedures for complaints by employees concerning alleged illegal actions (including corruption) and unethical behavior and the existence of contact details of those responsible for this matter, either through the company’s website or annual report. Based on the assessment result of company’s documents related to this matter, it is known that the whistle blowing

policy or whistle blowing system that stated by the company did not disclose procedures and contact details as required in this assessment item. Thus, the company has not complied with this assessment item.

- C.4.2 requests disclosure of information regarding the existence of a policy or procedures to protect an employee or person who reveals alleged illegal and unethical behavior (whistle-blower) from retaliation. Based on the assessment result of company's documents related to this matter, it is known that there is no information that explicitly discloses the procedures for employee's protection as mentioned/stated by the company in the annual report 2018. Thus, the company has not complied with this assessment item.

The following is the recapitulation of the assessment result for Principle C (Role of Stakeholders):

**THE ASSESSMENT RESULT OF CG PRACTICES OF THE COMPANY ON THE ROLE OF
STAKEHOLDERS PRINCIPLE**

CG SCORE ON THE ROLE OF STAKEHOLDERS PRINCIPLE				
No	Key Parameters	Number of Items Complied with Each Parameter	Number of Items	Score per Component
1	The Rights of Stakeholders that are established by law or through mutual agreements should be respected.	7	7	100%
2	Stakeholders should have the opportunity to obtain effective redress for violation of their rights.	0	1	0%
3	Performance-enhancing mechanisms for employee participation should be permitted to develop.	2	3	66,67%
4	All stakeholders, including individual employee 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.	0	2	0%
TOTAL ITEMS THAT COMPLY WITH THE ROLE OF STAKEHOLDERS		9	13	69,23%

3.4. PRINCIPLE D: DISCLOSURE AND TRANSPARENCY

The Principle of Disclosure and Transparency consists of 9 (nine) key parameters listed as follows:

1. Transparency of Ownership Structure.
2. Quality of Annual Report.
3. Disclosure of Related Party Transactions.
4. Disclosure of the Member of Directors and the Board of Commissioners dealings in shares of the company.
5. External Auditor and Auditor Report.
6. Company Media of Communications.
7. Timely submission or release of the information on financial report or annual report.
8. Company Website.
9. Investor Relations.

D.1 Transparency of Ownership Structure.

This parameter consists of 5 (five) questions as the assessment indicators. The following is the assessment result of the questions.

CG SCORE FOR PARAMETER D.1 (Transparency of Ownership Structure)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
D.1.1	Does the information on shareholdings reveal the identity of beneficial owners, holding 5% shareholding or more?	YES	1	<i>See AR Holding</i>

CG SCORE FOR PARAMETER D.1 (Transparency of Ownership Structure)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
D.1.2	Does the company disclose the direct and indirect (deemed) shareholdings of major and/or substantial shareholders?	YES	1	<i>See AR Holding</i>
D.1.3	Does the company disclose the direct and indirect (deemed) shareholdings of directors (commissioners)?	No	0	Not Comply
D.1.4	Does the company disclose the direct and indirect (deemed) shareholdings of senior management?	No	0	Not Comply
D.1.5	Does the company disclose details of the parent/holding company, subsidiaries, associates, joint ventures and special purpose enterprises/ vehicles (SPEs)/ (SPVs)?	Yes	1	Comply
TOTAL CG SCORE for Parameter D.1			3	

The following are the explanations for assessment items that have not been done by the company (2 assessment items):

- D.1.3 requires that the company disclose share ownership by the commissioners, both direct and indirect ownership. Based on the assessment result, the company only disclosed the direct ownership of shares that owned by the commissioners and has not revealed or disclosed the indirect ownership (deemed).
- D.1.4 requires that the company disclose share ownership by the directors, both direct and indirect ownership. Based on the assessment result, the company only disclosed the direct ownership of shares that owned by the board of director members and has not disclosed the indirect ownership (deemed).

D.2 Quality of Annual Report

This parameter consists of 8 (eight) questions as the assessment indicators. The following is the assessment result of the questions:

CG SCORE FOR PARAMETER D.2 (Quality of Annual Report)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
	Does the company's annual report disclose the following items:			
D.2.1	Corporate objectives	No	0	Not Comply
D.2.2	Financial performance indicators	Yes	1	Comply
D.2.3	Non-financial performance indicators	Yes	1	Comply
D.2.4	Dividend policy	No	0	Not Comply
D.2.5	Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes	1	Comply
D.2.6	Attendance details of each director/commissioner in respect of meetings held	Yes	1	Comply
D.2.7	Total remuneration of each member of the board of directors/commissioners	No	0	Not Comply
D.2.8	Does the Annual Report contain a statement confirming the company's full compliance with the code of corporate governance and where there is non-compliance, identify and explain reasons for each such issue?	Yes	1	Comply
TOTAL CG SCORE for Parameter D.2			5	

Based on the 8 (eight) assessment indicators above, the following are the explanations for the assessment items that have not been complied with related information in the Annual Report (3 assessment items):

- D.2.2 the company did not explicitly disclose its purpose. To obtain points, the company was asked to disclose quantitatively its long-term goals or at least its performance target in the next 1 (one) year.
- D.2.4 requests disclosure of dividend policy for fiscal year 2018 in the company's Annual Report 2018. The information contained in the company's Annual Report only stated about the dividend policy done by the company for previous periods, namely only for fiscal year 2013, 2014 , 2015, 2016 and 2017 (dividend history), but did not disclose dividend target/policy for fiscal year 2018.
- D.2.7 requires a detail disclosure of the total and structure of remuneration received by each member of the board of commissioners in the company's Annual Report 2018. PT Petrosea Tbk did not disclose this information related to this matter. The existing information only discloses the total amount of remuneration in aggregate received by the Board of Commissioners without explicitly mentioning the name of the commissioner and the amount of remuneration received.

D.3 Disclosure of Related Party Transactions.

This parameter consists of 2 (two) items as the assessment indicators. The following is the assessment result of the questions:

CG SCORE FOR PARAMETER D.3 (Disclosure of Related Party Transactions)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)

CG SCORE FOR PARAMETER D.3 (Disclosure of Related Party Transactions)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
D.3.1	Does the company disclose its policy covering the review and approval of material/significant RPTs?	No	0	Not Comply
D.3.2	Does the company disclose the name of the related party and relationship for each material/significant RPT?	Yes	1	Comply
TOTAL CG SCORE for Parameter D.3			1	

For item D.3.1 above, it requests/requires a provision for each transaction with related party that the total is significant/material must be reviewed and approved in advance by an independent committee such as an audit committee. Based on the assessment result, there was no disclosure of information indicating that the company had fulfilled or complied with the assessment indicators for this practice.

D.4 Disclosure of the Member of Directors and the Board of Commissioners dealing in shares of the company.

This parameter only consists of 1 (one) question as the assessment indicator. The following is the assessment result of the question.

CG SCORE FOR PARAMETER D.4 (Disclosure of the Member of Directors and the Board of Commissioners dealing in shares of the company)				
No	Question	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
D.4.1	Does the company disclose trading in the company's shares by insiders?	Yes	1	Comply

The company has done or complied with the assessment item above.

D.5 External Auditor and Auditor Report

This parameter consists of 2 (two) questions as the assessment indicators. The following is the assessment result of the questions:

CG SCORE FOR PARAMETER D.5 (External Auditor and Auditor Report)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
D.5.1	Are audit fees and non-audit fees disclosed?	No	0	Not Comply
D.5.2	Does the non-audit fees exceed the audit fees?	Yes	0	Not Comply

Based on the assessment result on the two assessment indicators above, the company only disclosed the audit fees, but did not disclose the non-audit fees and the amount paid to third party (c/o: non audit fees for the independent auditor or Office of the External Auditor) during the fiscal year 2018.

The non-compliance of the company in the assessment item D.5.1 has an impact on the assessment result in item D.5.2 which requires the value of audit fees paid by the company to the third party has to be greater than the value of non-audit fees.

Since the information regarding the value of non-audit fees is not available, then the condition required in the assessment item D.5.2 will automatically become not fulfilled. Thus for the two assessment items above, it is considered that the company has not fulfilled or complied with the practices required on both items.

For assessment item D.5.2, the answer **"Yes"** indicates that the company has not complied with the practice, and instead the answer **"No"** given if the practice has complied or has been done by the company.

D.6 Company Media of Communication

This parameter consists of 4 (four) items as the assessment indicators. The following is the assessment result of the items:

CG SCORE FOR PARAMETER D.6 (Company Media of Communication)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
	Does the company use the following modes of communication?			
D.6.1	Quarterly reporting	Yes	1	Comply
D.6.2	Company website	Yes	1	Comply
D.6.3	Analyst's briefing	Yes	1	Comply
D.6.4	Media briefings /press conferences	Yes	1	Comply
TOTAL CG SCORE for Parameter D.6			4	

The company has done or complied with all the assessment items above.

D.7 Timely submission or release of the information on financial report or annual report

This parameter consists of 3 (three) items as the assessment indicators. The following is the assessment result of related items:

CG SCORE FOR PARAMETER D.7 (Timely submission or release of the information on financial report or annual report)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
D.7.1	Are the audited annual financial report/statement released within 120 days from the financial year end?	Yes	1	Comply
D.7.2	Is the annual report released within 120 days from the financial year end?	Yes	1	Comply

CG SCORE FOR PARAMETER D.7 (Timely submission or release of the information on financial report or annual report)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
D.7.3	Is the true and fairness/fair representation of the annual financial statement/reports affirmed by the board of directors/commissioners and/or the relevant officers of the company?	Yes	1	Comply
TOTAL CG SCORE for Parameter D.7			3	

The company has done or complied with all the assessment items above.

D.8 The Existence of Company Website in Disclosing Information about The Company to the Public

This parameter consists of 6 (six) items as the assessment indicators. The following is the assessment result of these related items:

CG SCORE FOR PARAMETER D.8 (Company Website)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
	Does the company have a website disclosing up-to-date information on the following:			
D.8.1	Financial statements/reports (latest quarterly)	Yes	1	Comply
D.8.2	Materials provided in briefings to analysts and media	Yes	1	Comply
D.8.3	Downloadable annual report	Yes	1	Comply
D.8.4	Notice of AGM and/or EGM	Yes	1	Comply
D.8.5	Minutes of AGM and/or EGM	Yes	1	Comply
D.8.6	Company's constitution (company's by-laws, memorandum and articles of association)	No	0	Not Comply

CG SCORE FOR PARAMETER D.8 (Company Website)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
TOTAL CG SCORE for Parameter D.8			5	

The source of the data for each assessment items in the parameters above are from the company's website, and for the assessment item D.8.6 which requests for material regarding the Company's Articles of Association. This material can be in the form of documents (word, pdf, text) that can be downloaded. Based on the company's website, no information was found on the Company's Articles of Association. For this reason, it is considered that the company has not fulfilled or complied with the practices requested in this assessment item.

D.9 Investor Relations

This parameter only consists of 1 (one) item as the assessment indicator, which is as follows:

CG SCORE FOR PARAMETER D.9 (Investor Relations)				
No	Question	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
D.9.1	Does the company disclose the contact details (e.g. telephone, fax, and email) of the officer responsible for investor relations?	Yes	1	Comply

PT Petrosea Tbk (PTRO) both on the company's website and the Annual Report has disclosed the information regarding a specific e-mail for the investor relation activity in accordance with the requirement of this item.

The following is the recapitulation of the assessment result of the company's compliance level for the principle D (Disclosure and Transparency):

THE ASSESSMENT RESULT OF CG PRACTICES ON DISCLOSURE AND TRANSPARENCY PRINCIPLE

CG SCORE FOR DISCLOSURE AND TRANSPARENCY PRINCIPLE				
No	Key Parameters	Number of Items Complied with Each Parameter	Number of Items	Score per Component
1	Transparency of Ownership Structure	3	5	60,00%
2	Quality of Annual Report	5	8	62,50%
3	Disclosure of Related Party Transaction	1	2	50,00%
4	Disclosure of the Member of Directors and the Board of Commisioners dealing in shares of the company	1	1	100%
5	External Auditor and Auditor Report	0	2	0%
6	Media of Communication	4	4	100%
7	Timely Submission or Release of Annual or Financial Reports	3	3	100%
8	Company Website	5	6	83,33%
9	Investor Relations in the Company	1	1	100%
TOTAL ITEMS THAT COMPLY WITH DISCLOSURE AND TRANSPARENCY PRINCIPLE		21	32	71,88%

3.5. PRINCIPLE E: RESPONSIBILITIES OF THE BOARD

The Principle of Responsibilities of the Board of Commissioners consists of 5 (five) key/main parameters, where each parameters consists of several measurement parameters, namely as follows:

1. Duties and Responsibilities of the Directors and the Board of Commissioners.

- The responsibilities of the Directors and the Board of Commissioners and CG Policy must be clearly stated by the company
- Company Vision and Mission

2. Board of Commissioners Structure.

- Code of Ethics or Code of Conduct
- Board of Commissioners Structure and Composition
- Nominating Committee
- Remuneration Committee/Compensation Committee
- Audit Committee

3. Board of Commissioners Process.

- Board of Commissioners Meetings and Attendance
- Access to Information
- Appointment and Re-Election of members of the Board of Commissioners
- Remuneration Matters
- Internal Audit
- Risk Oversight

4. Individuals in the Structure of the Board of Commissioners.

- Company Board Chairman
- Board of Commissioners Skills and Competencies

5. Board of Commissioners Performance.

- Training/ Development of the Board of Commissioners
- Appointment and Performance Assessment of the CEO or Managing Director/President
- Performance Assessment of the Board of Commissioners
- Performance Assessment for Members of the Board of Commissioners
- Performance Assessment for the Committees under the Board of Commissioners

E.1 Duties and Responsibilities of the Directors and the Board of Commissioners

This parameter is divided into 2 (two) sub-parameters of measurement consisting of a total of 6 (six) items as the assessment indicators. The following is the assessment result for the questions.

CG SCORE FOR INDICATOR E.1 (Duties and Responsibilities of the Directors and the Board of Commissioners)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
	The responsibilities of the Board of Commissioners and CG Policy must be clearly stated by the company:			
E.1.1	Does the company disclose its corporate governance policy / board charter?	Yes	1	Comply
E.1.2	Are the types of decisions requiring board of directors/commissioners' approval disclosed ?	Yes	1	Comply
E.1.3	Are the roles and responsibilities of the board of directors/commissioners clearly stated ?	Yes	1	Comply
	Company Vision and Mission:			

CG SCORE FOR INDICATOR E.1 (Duties and Responsibilities of the Directors and the Board of Commissioners)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
E.1.4	Does the company have an updated vision and mission statement?	Yes	1	Comply
E.1.5	Does the board of directors play a leading role in the process of developing and reviewing the company’s strategy at least annually?	Yes	1	Comply
E.1.6	Does the board of directors have a process to review, monitor and oversee the implementation of the corporate strategy?	Yes	1	Comply
TOTAL CG SCORE for Indicator E.1			6	

The company PT Petrosea Tbk (PTRO) has done or complied with all the assessment items above.

E.2 Board of Commissioners Structure

This main parameter is divided into 5 (five) measurement sub-parameters consisting of a total of 24 (twenty four) questions as the assessment indicators. The following is the assessment result for the items:

CG SCORE FOR INDICATOR E.2 (Board of Commissioners Structure)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
	Code of Ethics or Code of Conduct:			
E.2.1	Are the details of the code of ethics or conduct disclosed?	Yes	1	Comply
E.2.2	Does the company disclose that all directors/commissioners, senior management and employees are required to comply with the code?	Yes	1	Comply

CG SCORE FOR INDICATOR E.2 (Board of Commissioners Structure)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
E.2.3	Does the company have a process to implements and monitors compliance with the code of ethics or conduct?	Yes	1	Comply
	Structure and Composition of the Board of Commissioners:			
E.2.4	Do independent directors/commissioners make up at least 50% of the board of directors/commissioners?	No	0	Not Comply
E.2.5	Does the company have a term limit of nine years or less or 2 terms of five years each for its independent directors/commissioners?	No	0	Not Comply
E.2.6	Has the company set a limit of five board seats that an individual independent/non-executive director/commissioner may hold simultaneously?	Yes	1	Default Anser Yes
E.2.7	Does the company have any executive directors/commissioners who serve on more than two boards of listed companies outside of the group?*)	No	1	Comply
	Nominating Committee:			
E.2.8	Does the company have a Nominating Committee (NC)?	No	0	Not Comply
E.2.9	Is the Nominating Committee comprise of a majority of independent directors/commissioners?	N/A	-	
E.2.10	Is the chairman of the Nominating Committee an independent director/commissioner?	N/A	-	
E.2.11	Does the company disclose the terms of reference/ governance structure/charter of the Nominating Committee?	N/A	-	

CG SCORE FOR INDICATOR E.2 (Board of Commissioners Structure)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
E.2.12	Is the meeting attendance of the Nominating Committee disclosed and if so, did the Nominating Committee meet at least twice during the year?	N/A	-	
	Remuneration Committee/Compensation Committee:			
E.2.13	Does the company have a Remuneration Committee?	No	0	Not Comply
E.2.14	Is the Remuneration Committee comprise of a majority of independent directors/commissioners?	N/A	-	
E.2.15	Is the chairman of the Remuneration Committee an independent director/commissioner?	N/A	-	
E.2.16	Does the company disclose the terms of reference/ governance structure/ charter of the Remuneration Committee?	N/A	-	
E.2.17	Is the meeting attendance of the Remuneration Committee disclosed, and if so, did the Remuneration Committee meet at least twice during the year?	N/A	-	
	Audit Committee:			
E.2.18	Does the company have an Audit Committee?	Yes	1	Default Answer Yes
E.2.19	Is the Audit Committee comprised entirely of non-executive directors/commissioners with a majority of independent directors/commissioners?	Yes	1	Default Answer Yes
E.2.20	Is the chairman of the Audit Committee an independent director/commissioner?	Yes	1	Default Answer Yes
E.2.21	Does the company disclose the terms of reference/governance structure/charter of the Audit Committee?	Yes	1	Comply

CG SCORE FOR INDICATOR E.2 (Board of Commissioners Structure)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
E.2.22	Does at least one of the independent directors/commissioners of the committee have accounting expertise (accounting qualification or experience)?	Yes	1	Comply
E.2.23	Is the meeting attendance of the Audit Committee disclosed, and if so, did the Audit Committee meet at least four times during the year?	Yes	1	Comply
E.2.24	Does the Audit Committee have primary responsibility for recommendation on the appointment, and removal of the external auditor?	Yes	1	Comply
TOTAL CG SCORE for Indicator E.2			12	

*) For assessment item E.2.7, the answer "Yes" indicates that the company actually did not comply with the practice, whereas the answer "No" indicates that the practice has been fulfilled/done by the company.

Based on the 24 assessment indicators above, where only 16 assessment indicators were assessed, the following is an explanation for items that have not been fulfilled/done by the company (4 assessment items):

- E.2.4 requires the number of independent commissioners in the composition of the company's board of commissioners to be at least 50% of all Board of Commissioner members. However, there are only 2 independent commissioners in the composition of the board of commissioners of PT Petrosea Tbk (PTRO) which has the total of 5 members, or this number is still less than the minimum requirement of 50%.
- E.2.5 requires the term limit for an independent commissioner to be a maximum of 9 years or 2 (two) times a 5-year period. The company (PTRO) did not disclose the deadline for the related term limit.

- E.2.8 and E.2.13 require the company to have a Nominating and/or Remuneration Committee. Based on the assessment result, the company does not yet have a Nominating and Remuneration Committee until the end of the fiscal year 2018. The company does not comply with these two assessment items, causing the assessment items/questions related to this matter to become irrelevant to be assessed or given N/A (namely on item E.2.9 until E.2.12 and E.2.14 until E.2.17).

E.3 Board of Commissioners Process.

This main parameter is divided into 6 (six) measurement sub-parameters consisting of a total of 22 (twenty two) questions as the assessment indicators. The following is the assessment result of the questions:

CG SCORE FOR INDICATOR E.3 (Board of Commissioners Process)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
	Board of Commissioners Meetings and Attendance:			
E.3.1	Are the board of directors meetings scheduled before the start of financial year?	No	0	Not Comply
E.3.2	Does the board of directors/commissioners meet at least six times per year?	Yes	1	Comply
E.3.3	Has each of the directors/commissioners attended at least 75% of all the board meetings held during the year?	No	0	Not Comply
E.3.4	Does the company require a minimum quorum of at least 2/3 for board decisions?	No	0	Not Comply
E.3.5	Did the non-executive directors/commissioners of the company meet separately at least once during the year without any executives present?	Yes	1	Comply

CG SCORE FOR INDICATOR E.3 (Board of Commissioners Process)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
	Access to Information:			
E.3.6	Are board papers for board of directors/commissioners meetings provided to the board at least five business days in advance of the board meeting?	No	0	Not Comply
E.3.7	Does the company secretary play a significant role in supporting the board in discharging its responsibilities?	Yes	1	Comply
E.3.8	Is the company secretary trained in legal, accountancy or company secretarial practices and has kept abreast on relevant developments?	Yes	1	Comply
	Appointment and Re-election of members of the Board of Commissioners:			
E.3.9	Does the company disclose the criteria used in selecting new directors/commissioners?	Yes	1	Comply
E.3.10	Does the company disclose the process followed in appointing new directors/commissioners?	Yes	1	Comply
E.3.11	Are all the directors/commissioners subject to re-election every 3 years; or 5 years for listed companies in countries whose legislation prescribes a term of 5 years to each? The five years term must be required by legislation which pre-existed the introduction of the ASEAN Corporate Governance Scorecard in 2011.	Yes	1	Comply
	Remuneration Matters:			

CG SCORE FOR INDICATOR E.3 (Board of Commissioners Process)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
E.3.12	Does the company disclose its remuneration (fees, allowances, benefit-in-kind and other emoluments) policy/practices (i.e. the use of short term and long term incentives and performance measures) for its executive directors and CEO?	No	0	Not Comply
E.3.13	Is there disclosure of the fee structure for non-executive directors/commissioners?	No	0	Not Comply
E.3.14	Do the shareholders or the Board of Directors approve the remuneration of the executive directors and/or the senior executives?	Yes	1	Default Answer Yes
E.3.15	Does the company have measurable standards to align the performance-based remuneration of the executive directors and senior executives with long term interests of the company, such as claw back provision and deferred bonuses?	No	0	Not Comply
	Internal Audit:			
E.3.16	Does the company have a separate internal audit function?	Yes	1	Default Answer Yes
E.3.17	Is the head of internal audit identified or, if outsourced, is the name of the external firm disclosed?	Yes	1	Comply
E.3.18	Does the appointment and removal of the internal auditor require the approval of the Audit Committee?	Yes	1	Default answer Yes
	Risk Oversight:			
E.3.19	Does the company establish a sound internal control procedures/risk management framework and periodically review the effectiveness of that framework?	Yes	1	Comply

CG SCORE FOR INDICATOR E.3 (Board of Commissioners Process)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
E.3.20	Does the Annual Report disclose that the board of directors/commissioners has conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems?	Yes	1	Comply
E.3.21	Does the company disclose the key risks to which company is material exposed to (i.e. financial, operational including IT, environmental, social, economic)?	Yes	1	Comply
E.3.22	Does the Annual Report/Annual CG Report contain a statement from the board of directors/commissioners or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems?	Yes	1	Comply
TOTAL CG SCORE for Indicator E.3			15	

Based on the 22 (twenty two) assessment items above, the following is an explanation for items that have not been fulfilled or done by the company (7 assessment items):

- E.3.1 requires the board of commissioners meeting to be scheduled in advance, for instance, to be done at the end of fiscal year 2017 or in the early 2018. The company still has not disclosed information regarding the meeting schedule.
- E.3.3 requires the attendance of each member of the board of commissioners in separate meetings and joint meetings to be at least 75% of all the board meetings held by the company. The assessment result found that there is still 1 (one) member

of the board of commissioners who has not fulfilled the minimum requirement (Mr. Richard Bruce)

- E.3.4 requires a 2/3 quorum for decision-making at a board of commissioners meeting. Based on the assessment result, there was no disclosure found regarding this matter.
- E.3.6 requires that the meeting materials need to be distributed to board of commissioners at least 5 (five) working days prior to the board of commissioners meeting. Based on the assessment result, there was no disclosure of information indicating that the company had fulfilled or complied with to the practices required in this assessment indicator.
- E.3.12 requires the company to disclose the remuneration policy of the board of director members which covers three things, namely short-term incentives, long-term incentives, and incentives based on company's performance measurement. The assessment result indicates that the company only disclosed policy related to short-term incentives, while for remuneration policy related to the provision of long-term incentives and incentives based on company's performance measurement have not been fulfilled by the company.
- E.3.13 requires disclosure of the details or compensation structure paid to the Board of Commissioners, for instance salary, transport per arrival and others. PT Petrosea Tbk did not provide information regarding this matter.
- E.3.15 requires that the company should own measurable standard that align the performance-based remuneration of the executive directors and senior executives with the company's long-term interests (company's long-term performance), including claw back provision (the refund of partial or all bonuses that has been

received) and deferred bonuses payment. The assessment result indicates that the company does not have the intended performance measurable standard and provision.

E.4 Individuals in the Structure of the Board of Commissioners

This main parameter is divided into 3 (three) measurement sub-parameters consisting of a total 6 (six) questions as the assessment indicators. The following is the assessment result of these items:

CG SCORE FOR INDICATOR E.4 (Individuals in the Structure of the Board of Commissioners)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
	Company Board Chairman:			
E.4.1	Do different persons assume the roles of chairman and CEO?	Yes	1	Comply
E.4.2	Is the chairman an independent director/commissioner?	No	0	Not Comply
E.4.3	Is any of the directors a former CEO of the company in the past 2 years? *)	No	1	Comply
E.4.4	Are the role and responsibilities of the chairman disclosed?	No	0	Not Comply
	Senior Independent Commissioner:			
E.4.5	If the Chairman is not independent, has the Board appointed a Lead/Senior Independent Director and has his/her role been defined?	No	0	Not Comply
	Board of Commissioners Skills and Competencies:			
E.4.6	Does at least one non-executive director/commissioner have prior working experience in the major sector that the company is operating in?	Yes	1	Comply
TOTAL CG SCORE for Indicator E.4			3	

*) For assessment item E.4.3, the answer “Yes” shows that the company did not comply with the intended practice, and in contrast, the answer “No” indicates that the practice has been fulfilled/done by the company.

Based on the 6 (six) assessment items above, the following is an explanation for items that have not been fulfilled by the company (3 assessment items):

- E.4.2 requires that the Chairman is an independent commissioner. The company has not been able to comply with the assessment item because the company's Chairman for fiscal year 2018 is not an independent commissioner.
- E.4.4 requests disclosure of specific duties and responsibilities from the chairman. The company PT Petrosea Tbk (PTRO) did not provide specific information regarding this information.
- E.4.5 requires the existence of a Lead Directors/Senior Independent Director if the company's chairman is not an independent commissioner, whose main task is to lead independent commissioner meetings. However, if the President Commissioner is an independent commissioner, then this item will receive N/A or it is considered as not included in the assessment. It is not just PT Petrosea Tbk (PTRO) that still has not complied with this assessment item, but in Indonesia this practice is still not common or unusual, hence the score for this assessment item is mostly "No".

E.5 Board of Commissioners Performance

This parameter consists of 7 (seven) items as the assessment indicators. The following is the assessment result of these items:

CG SCORE FOR INDICATOR E.5 (Board of Commissioners Performance)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
	Training/Development of the Board of Commissioners:			

CG SCORE FOR INDICATOR E.5 (Board of Commissioners Performance)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
E.5.1	Does the company have orientation programmes for new directors/commissioners?	Yes	1	Comply
E.5.2	Does the company have a policy that encourages directors/commissioners to attend on-going or continuous professional education programmes?	Yes	1	Comply
	Appointment and Performance Assessment of the CEO/Managing Director/President:			
E.5.3	Does the company disclose how the board of directors/commissioners plans for the succession of the CEO/Managing Director/President and key management?	No	0	Not Comply
E.5.4	Does the board of directors/commissioners conduct an annual performance assessment of the CEO/Managing Director/President?	No	0	Not Comply
	Performance Assessment of the Board of Commissioners:			
E.5.5	Did the company conduct an annual performance assessment of the board of directors/commissioners and disclose the criteria and process followed for the assessment?	Yes	1	Comply
E.5.6	Did the company conduct an annual performance assessment of the individual directors/commissioners and disclose the criteria and process followed for the assessment?	No	0	Not Comply

CG SCORE FOR INDICATOR E.5 (Board of Commissioners Performance)				
No	Questions	“Yes” or “No” or “N/A” Answer	SCORE	Compliance Status (comply or not comply)
E.5.7	Did the company conduct an annual performance assessment of the board committees and disclose the criteria and process followed for the assessment?	No	0	Not Comply
TOTAL CG SCORE for Indicator E.5			3	

Based on the 7 (seven) assessment indicators contained in the parameters above, the company has been able to fulfill the governance practices in 3 (three) assessment indicators, while for 4 (four) other assessment items, it is considered that the company still has not complied. The following is an explanation for items that have not been done/fulfilled by the company:

- E.5.3 requests information disclosure regarding the succession plan from the company’s board of commissioners that intended for the president director and other members of the board of directors. Based on the assessment result, there was no disclosure of information regarding this matter by the company PT Petrosea Tbk (PTRO).
- E.5.4 requests information disclosure regarding the performance assessment of the President Director which should be done by the board of commissioners. Based on the assessment result, it did not indicate the disclosure of any information that explicitly mentioned regarding the related practice. The existing information only showed the existence of a performance assessment practice of the board of directors that done collectively.

- E.5.6 requests disclosure of information regarding the existence of assessment practices on the performance of individual members of the board of commissioners, the assessment process and the criteria used in the assessment. Based on the assessment result, there was no disclosure found regarding the three practices.
- E.5.7 requests disclosure of information regarding the existence of assessment practices on the performance of all committees (under the board of commissioners) in the company, the assessment process and the criteria used in the assessment. Based on the assessment result, there was no information disclosure especially that related to the assessment criteria used in assessing the performance of each Committees which is a part of the company's board of commissioners.

The following is the recapitulation of the assessment result on the company's level of compliance for principle E (Responsibilities of the Board):

**THE ASSESSMENT RESULT OF CG PRACTICES FOR RESPONSIBILITIES OF THE BOARD
PRINCIPLE**

CG SCORE FOR RESPONSIBILITIES OF THE BOARD PRINCIPLE				
No	Indicators/Key Parameters	Number of Items Complied with Each Parameter	Number of Items	Score per Component
1	Duties and Responsibilities of the Board of Directors and Commissioners	6	6	100%
2	Board of Commissioners Structure	12	16	75,00%
3	Board of Commissioners Process	15	22	68,18%
4	Individuals in the Structure of the Board of Commissioners	3	6	50,00%
5	Board of Commissioners Performance	3	7	42,86%
TOTAL ITEMS THAT COMPLY WITH THE RESPONSIBILITY OF THE BOARDS PRINCIPLE		39	57	68,42%

**SUMMARY OF THE PERFORMANCE ASSESSMENT OF PT PETROSEA TBK ON
CORPORATE GOVERNANCE PRACTICES FOR LEVEL 1 ASSESSMENT (PRINCIPLE A
UNTIL PRINCIPLE E)**

PRINCIPLE	Number of Assessment Items	Total assessment items that have been complied	Assessment Weightings	Score
A	21	11	10	5,24
B	14	8	10	5,71
C	13	9	15	10,38
D	32	21	25	16,41
E	57	39	40	27,37
Level 1 Score	137	88	100	65,11

The Achievement Result of the company's Total CG Score for level 1 assessment in ACGS 2019 has reached 65,11. Compared to the average score of 200 PLCs assessed in ACGS 2018 for level 1 assessment, the total score obtained by the company PT Petrosea Tbk (PTRO) is still slightly above the average score of public companies (PLCs) in the Mid Cap category (100 middle market capitalization PLCs) that reached **63,68**, however this achievement is still below the average score obtained by the Big Cap category or 100 biggest market capitalization PLCs which achieved **71.25** .

3.6. BONUS AND PENALTY

✓ **Assessment Bonus For Company GCG Practices**

PT Petrosea Tbk (PTRO) obtained bonuses in ASEAN CG Scorecard 2019 assessment period for 1 (one) assessment item:

- (B) C.1.1: +2 points. The company has a Sustainability Report that separated from the Annual Report and has referred to the GRI index standard (not just the GRI table).

Total bonus points obtained by the company are 2 (two) points.

✓ **Penalty For Company GCG Practices**

In this ACGS 2019, the company PT Petrosea Tbk (PTRO) received penalties for 1 (one) assessment items;

- (P) E.4.2: **-2 points**. This penalty point will not be imposed on the company if the independent commissioner does not obtain stock options, bonus shares or bonuses from the company. During fiscal year 2018 (ACGS 2019) it was revealed (explicitly) that the company had given bonuses to all members of the board of commissioners, including independent commissioners.

Total penalty points obtained by the company are -2 (minus two) points.

SUMMARY OF THE PERFORMANCE ASSESSMENT RESULT OF PT PETROSEA TBK ON CORPORATE GOVERNANCE PRACTICES FOR LEVEL 2 ASSESSMENT (BONUS AND PENALTY)

BONUS & PENALTY	Number of Assessment Items	Total assessment items that obtained Bonus & Penalty	Score
BONUS	13	1	2
PENALTY	25	1	-2
Level 2 Score			0

Based on ACGS 2019, The achievement result of the company's Total CG Score for level 2 are 0 (**zero**) points. Although the score is below the average score of level 2 for public companies (PLCs) that included in the 100 biggest market capitalization PLCs (Big Cap) that reached 1.32, it is still above the average score of level 2 for Mid Cap PLCs that reached **minus 0,71**.

CHAPTER 4

CONCLUSION AND RECOMMENDATION

4.1. CONCLUSION

Based on the assessment result done on the CG practices of PT Petrosea Tbk (PTRO), based on the principles set out in the ASEAN Corporate Governance Scorecard, the total scores that the company has successfully obtained are as follows:

Total Score for GCG Practices of PT Petrosea Tbk		
No.	Assessment Components	Weighted Score per Principle
1.	Rights of Shareholder Total rough score * weight = 52,38 x 10%	7,14
2.	Equitable Treatment of Shareholders 57,14 x 10%	6,43
3.	Role of Stakeholders 69,23 x 15%	10,38
4.	Disclosure & Transparency 65,63 x 25%	17,97
5.	Responsibility of the Board of Commissioners 68,42 x 40%	27,37
6.	Bonus	2
7.	Penalty	-2
Total Weighted Score		69,29

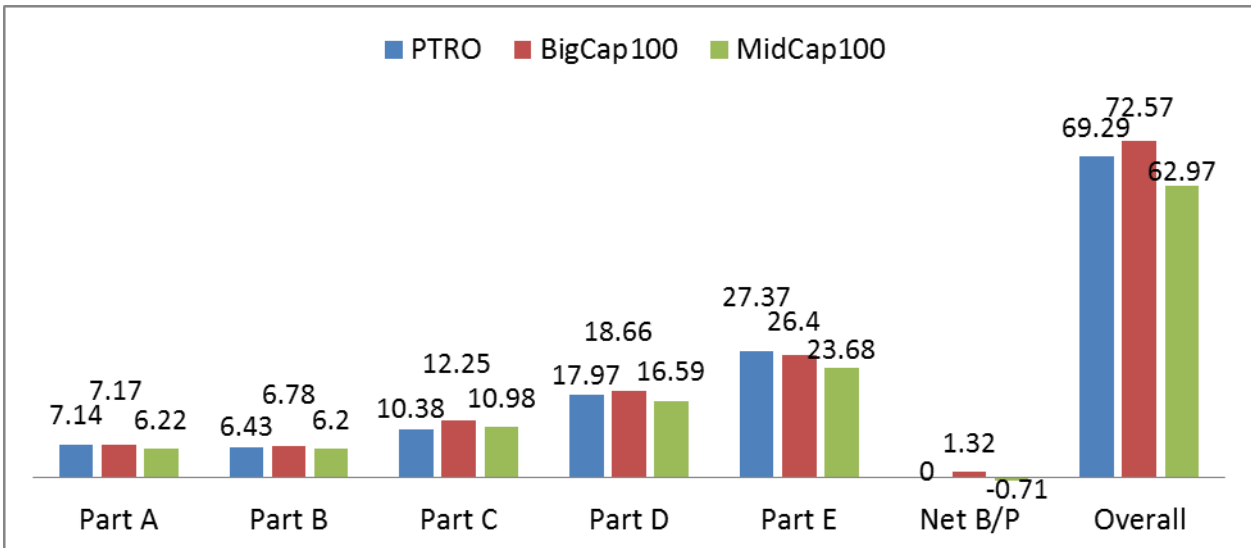
The overall score of GCG practices obtained by the company for fiscal year 2018 (ASEAN CG Scorecard 2019) is **69,29**. Overall, the assessment result of the GCG implementation on PT Petrosea Tbk (PTRO) only able to obtain the title of "**Minimum Requirement**", meaning that GCG practices done by the company merely fulfilled the minimum requirements of regulatory provisions regarding GCG practices. This GCG practice still

needs to be improved by the company to show a strong commitment to the implementation of GCG in Indonesia.

When viewed from a rough score (unweighted), it can be concluded that the compliance level of the company for the principle Part A (the principle of shareholder rights) has reached 71,43 percent, Part B (the principle of equal treatment of shareholders) has reached 64,29 percent, Part C (the principle of role of stakeholders) has reached 69,23 percent, Part D (the principle of disclosure and transparency) has reached 71,88 percent, and Part E (the principle of responsibility of the boards) has reached 68,42 percent.

4.1.1 Comparison of Performance Level of Compliance between PTRO and 100 PLCs (Based on the Biggest Market Cap)

The following graph presents the comparison of CG Score of PT Petrosea Tbk (PTRO) that assessed based on ASEAN CG Scorecard 2019 with the average of 100 PLCs in the Big Cap category (100 biggest market capitalization PLCs) based on ASEAN CG Scorecard 2018.



The graph above shows that the Final CG Score result of PT Petrosea Tbk (PTRO) reached 69.29 points and it is still below the average Final CG Score obtained by 100 Biggest Market Capitalization PLCs which reached 72.57 points.

Based on the weighted score of each part, the Company (PTRO) was only good on Part E comparing to the average score of 100 Biggest Market Capitalization PLCs . Meanwhile, the average total score of PTRO is still above the average score of 100 Mid Cap PLCs (69,29 points compared to 62,97 points). Except Part C, score of each part of PTRO is also above the average score of each part of 100 MidCap PLCs.

4.1. RECOMMENDATION

The following recommendations are expected to be used as guidelines/references for the company in order to make improvements for governance practices in the future, especially for several assessment indicators where the company has not been able to comply with the standard of GCG practices required in the ASEAN CG Scorecard (both for Level 1 assessment and Level 2 assessment).

4.2.1 RECOMMENDATION FOR LEVEL 1 (PRINCIPLE A UNTIL PRINCIPLE E)

The following are some recommendations to improve the performance of GCG practices that have not been fulfilled by the company in the ACGS 2019 assessment based on each assessment principle;

PRINCIPLE A

- ✓ The company is advised to disclose information to the public that the Minutes or Summary of AGMS are to be conducted in two languages or bilingual, namely both in Indonesian version and English version.

- ✓ Summary or Minutes of AGMS is expected to contain information requested or required in the assessment items/questions contained in the assessment parameters in Principle A (especially in parameter 3).
- ✓ **(A.3.10):** In order to ensure the independence of the votes obtained for each meeting agenda, the company is advised to make a policy regarding the decision-making mechanism for each agenda at the AGMS which requires voting (voting process or opinion polling) to be done in a closed manner as well as to inform the public through the minutes of AGMS regarding the practice/implementation of the policy at the meeting.

Voting (voting process or opinion polling) in a closed manner can be facilitated by using ballot papers or through electronic voting. If it is not possible to do voting through electronic voting, the company can use ballot papers to collect the number of voters who disagree/abstain.

- ✓ **(A.3.11):** The company just needs to mention the notary/external auditor/independent party appointed to count or validate the voting results during the AGMS and submit them in the Minutes of AGMS.
- ✓ **(A.3.12):** The company is expected to be able to immediately announce the AGMS result to the public within 1 working day. In order for the announcement of the AGMS result to be done immediately, the company can utilize the website (while still informing the date or time of uploading the information).

Actually, most of the recommendations above have been regulated in POJK 32 and it is the company's obligation to disclose this.

- ✓ **(A.5.1):** The company is recommended to make policy or to conduct all forms of engagement activities/practices with shareholders as an active step in encouraging

them, including the institutional shareholders, to attend the AGMS held by the company.

PRINCIPLE B

- ✓ **(B.2.1):** The bundling agenda can be handled by the company if the voting process (Voting) for the agenda related to the changes in composition of the board of commissioners/directors' membership (election or re-election of new members of the board of commissioners and/or directors) is done individually per each candidate, thus it is not through voting on the candidate package that has been going on so far.
- ✓ **(B.2.3):** Regarding the invitation document or AGMS call, it is recommended to explicitly disclose an explanation about the profile of new commissioners or directors (candidates) that will be appointed at the AGMS. With the disclosure at least contains age, qualifications, date of joining the company, experiences, and multiple positions in other public listed companies. Explanation of the profile can be presented explicitly on several alternative sources of information, such as document or explanation of AGMS invitation, supporting material or attachments for the AGMS, company's website, and Annual Report.
- ✓ **(B.2.4):** To identify and disclose the identity or name of the external auditor who will be appointed to do the financial report audit for the current period. For the identity or name of the external auditor referred in this matter is the name of a person, not the name of Office of the External Auditor.
- ✓ **(B.3.2):** To make rules or policies regarding the reporting period (a maximum of 3 days) for company stock trading transactions conducted by the

directors/commissioners and to put them in the Corporate Governance Guidelines or Board Charter. Thus, every changes in the company's shares ownership by members of the Board of Commissioners and Directors are possible to be delivered or submitted to the Corporate Secretary no later than 3 (three) working days since the transaction happened. Furthermore, the Corporate Secretary will process the report to OJK and IDX.

- ✓ **(B.4.4):** To review the RPT policy and to include regulation that set the loan bans or to ensure the permitted lending for members of the board of commissioners and directors of the company to be done in a reasonable transaction and at a reasonable interest rate/market interest rate.
- ✓ **(B.5.1):** The company is advised to arrange and disclose policy which requires that RPT must be done fairly (fair and arms' length transaction).

PRINCIPLE C

- ✓ **(C.2.1):** The company is expected to provide a specific channel for the delivery/submission of complaints from stakeholders that arise as an impact of the business activities done by the company.
- ✓ **(C.3.3):** The company needs to consider implementing reward or compensation programs/policies for employees (and not just for the board of commissioners and directors), for instance ESOP/MSOP or stock options, and must be accompanied by further information or explanation regarding the lock out period from the long-term compensation programs.
- ✓ **(C.4.1):** The company is expected to be able to deliver information to the public regarding its whistle blowing policy in a clear and comprehensive manner, including

the procedure for complaints by employees concerning alleged illegal actions (including corruption) and unethical behavior as well as the existence of contact details of those responsible for this matter, both through the company's website or annual report.

- ✓ **(C.4.2):** The company is also expected to disclose policy or procedure for the protection of whistle-blower from the delivery of information regarding the existence of illegal practices and unethical behavior that occurs in the company.

PRINCIPLE D

- ✓ **(D.1.3):** To disclose the number of company's shares that owned indirectly by the Board of Commissioner members (deemed). Even if there are no company's shares that are owned indirectly by each member of the Board of Commissioners, then it is necessary to make and disclose the statement that will explain this matter.
- ✓ **(D.1.4):** To disclose the number of company's shares that owned indirectly by the Board of Director members (deemed). Even if there are no company's shares that are owned indirectly by each member of the Board of Directors, then it is necessary to make and disclose the statement that will explain this matter.
- ✓ **(D.2.1):** The company should be able to explicitly mentions its short-term or long-term goals/targets in a more measurable manner in the Annual Report.
- ✓ **(D.2.4):** To mention and disclose the company's dividend policy or dividend pay-out ratio target for fiscal year 2019 in the Annual Report 2019 which will be published in 2020.
- ✓ **(D.2.7):** To conduct disclosure in the Annual Report regarding the total amount of remuneration received by each member of the company's members of

commissioners. The requested disclosure must include the name of the related commissioner and the amount of remuneration received.

Hence it is not enough to only identify based on the name of the position from the board of commissioners structure or the delivery of the total amount of remuneration that done only in aggregate value.

- ✓ **(D.3.1):** The company is advised to disclose policy regarding the related party transactions that significant or material where it must be reviewed first and obtained approval, for instance by the audit committee.
- ✓ **(D.5.1):** To disclose the non-audit fee that paid by the company to third party (if any) or even if there are no other non-audit activities during one fiscal year, the information must still be disclosed. Disclosure of this information can be published directly through the company's website or in the fiscal year 2019 Annual Report.
- ✓ **(D.5.2):** In addition to ensuring the fulfillment of the practices required in item D.5.1 above, the company must also ensure that the other non-audit fees (if any) must not exceed the audit fee paid by the company to third party.
- ✓ **(D.8.5):** In addition to uploading the Minutes or Summary of EGMS result, it is advised that in the future the company will also upload the Minutes or Summary of AGMS result in English version. The form of this document can be in a text file, pdf or doc that can be downloaded.
- ✓ **(D.8.6):** The company is also advised to complete the company's website with the company's Articles of Association in English version. The form of this document can be a text file, pdf or doc that can be downloaded.

PRINCIPLE E

- ✓ **(E.2.4):** To improve the supervision of the board of commissioners, it is necessary to consider the total number of independent commissioners in the composition of the board of commissioners membership of the company, which is at least half or 50% of the total members of the board of commissioners.
- ✓ **(E.2.5):** To express and disclose the term limit for independent commissioner members, namely maximum of 9 years or 2 periods of each 5-year period in the Board Charter or other documents that are easily accessed by the public (for instance, annual report and company's website)
- ✓ **(E.2.8) & (E.2.13):** It is necessary to consider the establishment of Nominating/Remuneration Committee in the company with a composition of the majority members from independent parties and led by an independent commissioner.
- ✓ **(E.3.1):** The company should arrange schedule for commissioner and director's meeting at the beginning of the current fiscal year or at the end of the previous fiscal year. The purpose is that each board of commissioner's meeting can be done effectively and efficiently.
- ✓ **(E.3.3):** The company needs to encourage members of the board of commissioners to attend at least 75% of the total meetings that held during one year or it needs to be considered to arrange policy that set a minimum limit of attendance level of the board of commissioner's members at the meeting (a minimum of 75% attendance of the total meetings held in a year).
- ✓ **(E.3.4):** It is necessary to regulate a policy that requires the quorum terms of conditions in a decision-making meeting by the board of commissioners, namely a minimum of 2/3 members who must be present or attend.

- ✓ **(E.3.6):** The circulation of meeting material should be received by each member of the board of commissioners no later than five (5) working days before the board of commissioners meeting.
- ✓ **(E.3.12):** The company is advised to disclose remuneration policy for directors, including the president director. The remuneration policy covers all types of allowances, not only to provide short-term incentives, but also to include long-term incentives and as well as company's performance-based incentives. Thus, the remuneration policy/practice of director members is at least to be in fully detail which related to basic salary, incentives or bonus that paid in the short-term (annual bonus) and long-term (in the form of deferred stock). Performance measurement as the basis for determining bonus (short and long term), such as operating margin, free cash flow, or ROE, etc., should be disclosed.
- ✓ **(E.3.13):** The company is also advised to disclose the details or compensation structure paid to the Board of Commissioners, for instance salary, transport per arrival, allowances or fees for other roles or functions that run in the company (such as chairman or member of a committee). The detail of fees and the amount of fees need to be disclosed, however it is not necessary to be delivered to each member of the commissioner individually.
- ✓ **(E.3.15):** To formulate the remuneration policy by setting measurable standards that can connect the performance of directors with the company's long-term interests, such as the existence of claw back provision, reward or deferred bonuses that use measurements, such as ROE, Cummulative Free Cash Flow, Operating Profit or others. In Indonesia, banking was already regulated in POJK 45/2015.

- ✓ **(E.4.2):** To submit a proposal regarding the position of the company's president commissioner that should be occupied by an independent commissioner or party and delivered at the AGMS at the end of the current board of commissioner's tenure, or in the future it can be considered regarding the policy that requires the position of company's president commissioner should be an independent commissioner.
- ✓ **(E.4.4):** The company is advised to publish the duties and responsibilities of the president commissioner in the job manual/guidelines of the boards and disclose it to the public.
- ✓ **(E.4.5):** If it is not yet possible for the position of the company's president commissioner to come from an independent party, then the company needs to appoint an independent commissioner to run and do the role as it is done by the company's president commissioner.
- ✓ **(E.5.3):** The Board of Commissioners need to arrange and disclose a succession plan that intended for the position of President Director.
- ✓ **(E.5.4):** The performance assessment of the president director/chief executive (CEO) by the board of commissioners to be conducted annually and must be disclosed clearly/explicitly to the public (not just an assessment for the board of directors that is only done collegially).
- ✓ **(E.5.6):** The company is advised to conduct annual performance assessment of each member of the board of commissioners (or to disclose it if the practice is already conducted) and as well as to disclose the process that happened during the performance assessment and also the criterias used in the intended performance assessment.

- ✓ **(E.5.7):** To add information disclosure for the assessment criteria used in assessing the performance of committees that are parts of the board of commissioners.

4.2.2 RECOMMENDATION FOR LEVEL 2 (BONUS ITEM & PENALTY)

To be able to increase the final score (weighted) on the performance of GCG practices in the future, aside from omitting bad practices that have an implication in reducing scores (due to the existence of penalty), the company also needs to pay special attention to obtain bonus points through GCG implementation according to the company's capabilities.

The following is the GCG implementation that advised to achieve bonus points or that can reduce/omit the penalty points, other than the efforts to improve the assessment indicators that have been recommended in the level 1 assessment above:

- ✓ The OJK Regulation of AGMS issued in December 2015 requires companies to send AGMS calls to shareholders at least 21 days. However, the AGMS call mechanism itself allows the company to deliver information regarding AGMS calls to shareholders within 28 days prior to the AGMS. **(Has 2 points score).**
- ✓ The company should be able to try to release Audited Financial Report to the public within a maximum period of 2 months (60 days) after the end of the fiscal year. **(Has 3 points score).**
 - Please note that for information regarding the released date or time for the Financial Report to the public must be clearly identified through information sources that can be easily accessed by the public (should be delivered in English). The information contained in the Annual Report or Financial Report regarding the legalization date of the Financial Report cannot be used as a

determinant in assessing the company's level of compliance on the practices that are requested/required. Related to this matter, the company is advised to deliver independently to the public (through the website) the upload date or the date the Financial Report is informed (released) to the public through the website.

- ✓ The company can consider the appointment of women from independent party (independent commissioners) in the proposal to increase the number or changes in the composition of the commissioner's members in the company's Board of Commissioners membership as stated in the recommendation/action plan in E.2.4. **(Has 2-3 points score, depends on the number of female independent commissioners in the company).**
- ✓ The company can consider making a policy arrangement that clearly regulates the diversity of the composition on the membership of the company's board of commissioners accompanied by targeting as well as progress report or achievement of the target/objectives of the diversity. With the following explanation;
 - A diversity policy includes how diversity is defined and set as well as how inclusion is found on the board. Diversity is not only interpreted in terms of expertises and competencies owned by the prospective commissioners, but it also includes age, gender, or even ethnicity.
 - Targets are set according to knowledge or educational background, experiences, and gender. The target of gender diversity, for instance the board of commissioners in the next 3 years consists of 30% of women. The diversity of knowledge and experience must be like that.

(Has 2 points score).

- ✓ To include this practice (undertake the process of identifying the quality of directors aligned with the company's strategic directions) in the job description or the duty and responsibility of the nominating/remuneration committee and to ensure its implementation. **(Has 2 points score).**
- ✓ The company has the ability to use Professional search firms not only to find candidates for directors, but also to find candidates for company's commissioners. **(Has 2 points score).**
- ✓ The company through the Board of Commissioners must be able to ensure that the governance process of IT problems is done properly, including those related to disruption, cyber security and disaster recovery to ensure that all major risks can be identified, managed and reported to the Board of Commissioners. **(Has 2 points score).**
- ✓ The company can form a committee that responsible for managing risks that have separated structures and authorities in the company (Separate Board Level Risk Committee). **(Has 2 points score).**
- ✓ The company needs to ensure the presence of all members of the board of directors and commissioners at the AGMS, especially for the President Commissioner, President Director and Chairman of the Audit Committee. **(Can reduce -2 (minus two) points score).**
- ✓ It is necessary to consider arranging policy regarding the prohibition of share options and performance shares, including bonuses (tantiem) from the company for the company's independent commissioners. Giving compensation in the form of bonus (tantiem) is a bad practice, because bonus (tantiem) is related to company's performance, namely the performance of directors. It is recommended that compensation to the board of commissioners, especially for independent

commissioners, to not be given in the form of bonus or tantiem. **(Can reduce -2 (minus two) points score).**

Efforts that can be done by the company to increase GCG scores should start from things that are possible to be fixed in the short-term which do not really require fundamental changes to the company's rules or articles of association as well as there is no need for a strategic decision to change it, such as always ensuring disclosure of all informations (in English version) regarding the compliance practices that have been done by the company to the public. This effort is certainly different from several indicators or parameters that require more strategic decisions, where the fulfillment of compliance practices will require/demand greater commitment, especially from shareholders (the majority). Hence to improve the achievement of the company's GCG score through improvements in the implementation of compliance on the indicators or parameters, it will be more difficult (but not impossible) to be implemented in the near period of time.



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Internalizing Best Practices of Good Corporate Governance and Directorship