

LAW OF THE REPUBLIC OF INDONESIA
NUMBER 19 OF 2003
ON
STATE-OWNED ENTERPRISES

BY THE BLESSINGS OF ALMIGHTY GOD

PRESIDENT OF THE REPUBLIC OF INDONESIA,

- Considering :
- a. that State-Owned Enterprises constitutes one of the actors of economy activity in the national economic pursuant to economic democracy;
 - b. that State-Owned Enterprises have an important role in the establishment of national economic in order to actualize public welfare;
 - c. that the enforcement of role of State-Owned Enterprises in the national economic to actualize public welfare has not been done optimally;
 - d. that in order to optimize the role of State-Owned Enterprises, the management and supervision must be conducted professionally;
 - e. that the legislation regulate the State-Owned Enterprises are no longer appropriate with the rapid enhancement of economy and business world, both nationally and internationally;
 - f. that in accordance with the consideration as referred to in point a, point b, point c, point d, and point e, it is necessary to establish a Law on State-Owned Enterprises;

- Observing : 1. Article 5 section (1), Article 20, Article 23 section (4), and Article 33 of the 1945 Constitution;
2. Resolution of the People's Consultative Assembly of the Republic of Indonesia Number IV/MPR/1999 on Major Guidelines of State Policy of 1999 – 2004;
3. Law Number 1 of 1995 on Limited Liabilities Companies (State Gazette of the Republic of Indonesia of 1995 Number 13, Supplement to the State Gazette Number 3587);
4. Law Number 17 of 2003 on State Finance (State Gazette of the Republic of Indonesia of 2003 Number 47, Supplement to the State Gazette Number 4286);

With the Joint Approval of
THE HOUSE OF REPRESENTATIVES

And

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

HAS DECIDED:

To enact : LAW ON STATE-OWNED ENTERPRISES.

CHAPTER I

GENERAL PROVISIONS

Article 1

In this Law:

1. State-Owned Enterprises, hereinafter referred to as SOEs, means an enterprise which equity owned by the state either majority or entirely through direct equity participation deriving from the restricted state assets.
2. State-Owned Limited Liability Company (*Perusahaan Perseroan*), hereinafter referred to as Persero, means a SOE in the form of limited liability company which equity is divided into shares which entirely or at least 51% (fifty one percent) of the shares are owned by the State of the Republic of Indonesia with main objective is to gain profits.

3. State-Owned Listed/Registered Company, hereinafter referred to as Listed/Registered Persero, means Persero which equity and number of shareholders has fulfilled specific criteria or Persero which has conducted public offering in accordance with the legislation in the sector of capital market.
4. Public Corporation (*Perusahaan Umum*), hereinafter referred to as Perum, means an SOE which capital entirely owned by the state and not divided into shares, which objective is for public service in the form of high quality goods and/or service provision and at the same time to gain profits under the principles of corporate governance.
5. Minister means the minister appointed and/or given the power to represent the government as the shareholder of the state in Persero and owner of the capital in Perum with regard to the legislation.
6. Technical Minister means the minister having the authority to govern the sectoral policy where SOEs are conducting its business activity.
7. Board of Commissioners means the organ of Persero which duties are to conduct supervision and advise the Board of Directors in performing management activity of Persero.
8. Board of Supervisors means the organ of Perum which duties are to conduct supervision and advise the Board of Directors in performing management activity of Perum.
9. Board of Directors means the organ of SOEs which responsible for the management of SOEs for the interest and objective of SOEs, also to represent SOEs both in and out of the court of law.
10. Restricted State Assets means the Asset of the State deriving from the State Budget to be included as state equity participation to Persero and/or Perum also other limited liability companies.
11. Restructuring means the effort conducted in order to solvent SOEs which constitutes one of the strategic steps

for the improvement of internal conditions of the company to improve the performance and enhance the corporate value.

12. Privatization means the sale of shares of Persero, either partially or entirely, to other party in order to enhance the corporate performance and value, to enhance the expedience to the state and the public, also to broaden the ownership of shares by the public.
13. General Meeting of Shareholders, hereinafter referred to as GMS, means the organ of Persero holding the ultimate power in Persero and holding all authority which are not delegated to the Board of Directors or the Board of Commissioners.

Article 2

- (1) Purposes and objectives of the establishment of SOEs are:
 - a. to contribute generally in the development of national economic and specifically in government revenues;
 - b. to gain profits;
 - c. to perform public service in the form of high quality and satisfactory goods and/or services provision to fulfill the live needs of many people;
 - d. to become the pioneer of business activities which are not yet performed by private and cooperative sectors;
 - e. to be actively involved in providing guidance and social welfare benefit to lower economic class entrepreneurs, cooperative and the public.
- (2) SOEs activities must be in accordance with the purposes and objectives also not contrary to the legislation, public order and/or decency.

Article 3

This Law, articles of association, and provisions of other legislation are applicable to SOEs.

Article 4

- (1) The equity of SOEs constitutes and deriving from restricted state assets.
- (2) State equity participation for establishment or equity participation to SOEs is sourced by:
 - a. State Budget;
 - b. capitalization of reserves;
 - c. other sources.
- (3) Any state equity participation for establishment of SOEs or limited liability company which source of fund from the State Budget is determined by a Government Regulation.
- (4) Any changes on state equity participation as referred to in section (2), either in the form of addition or deduction, including the change of ownership structure of the state on the shares of Persero or limited liability company is determined by a Government Regulation.
- (5) For addition to state equity participation deriving from capitalization of reserves and other sources is exempted from the provision as referred to in section (4).
- (6) Further provisions regarding procedures of equity participation and administration of capital of the state for establishment or equity participation to SOEs and/or limited liability company which shares are partially owned by the state, is regulated by a Government Regulation.

Article 5

- (1) Management of SOEs is performed by the Board of Directors.
- (2) The Board of Directors is fully responsible for the management of SOEs for the interests and objectives of SOEs also to represent SOEs, both in and out of the court of law.
- (3) In performing their duties, members of the Board of Directors must comply with the articles of association of SOEs and the legislation, also are obligated to perform the principles of professionalism, efficiency, transparency, independency, accountability, responsibility, and fairness.

Article 6

- (1) Supervision on SOEs is performed by the Board of Commissioners and the Board of Supervisors.
- (2) The Board of Commissioners and the Board of Supervisors are fully responsible for the supervision of SOEs for the interests and objectives of SOEs.
- (3) In performing their duties, the Board of Commissioners and the Board of Supervisors must comply with the Articles of Association of SOEs and the provisions of legislation also are obligated to perform the principles of professionalism, efficiency, transparency, independency, accountability, responsibility, and fairness.

Article 7

Members of the Board of Directors, the Board of Commissioners, and the Board of Supervisors are prohibited from taking any personal benefit either directly or indirectly from the activities of SOEs, other than legitimate income.

Article 8

- (1) Members of the Board of Directors, the Board of Commissioners, and the Board of Supervisors are not authorized to represent SOEs, if:
 - a. a dispute occurs before a court between SOEs and the respective member of the Board of Directors or the Board of Commissioners or the Board of Supervisors; or
 - b. a respective member of the Board of Directors or Board of Commissioners or Board of Supervisors has an interest which conflicting the interest of SOEs.
- (2) The articles of association determines the person entitled to represent SOEs if there are any circumstances as referred to in section (1).
- (3) In the event that the articles of association does not determine the provision as referred to in section (2), GMS appoints 1 (one) shareholder or more to represent Persero, and the Minister appoints 1 (one) person or more to represent Perum.

Article 9

SOEs consist of Persero and Perum.

CHAPTER II

PERSERO

Part One

Establishment

Article 10

- (1) Establishment of Persero is proposed by the Minister to the President accompanied by considerations after being assessed jointly with the Technical Minister and the Minister of Finance.
- (2) Establishment of Persero is conducted by the Minister in accordance with the provisions of legislation.

Article 11

All provisions and principles for limited liability companies as regulated in Law Number 1 of 1995 on Limited Liability Companies are applicable to Persero.

Part Two

Purposes and Objectives

Article 12

The purposes and objectives of establishment of Persero are:

- a. to provide high quality and highly-competitive goods and/or services;
- b. to gain profits in order to increase the corporate value.

Part Three

Organs

Article 13

Organs of Persero are GMS, the Board of Directors, and the Board of Commissioners.

Part Four
Authority of GMS

Article 14

- (1) The Minister acts as GMS in terms of all shares of Persero are owned by the state and as a shareholder of Persero and limited liability company in terms of not all of the shares are owned by the state.
- (2) The Minister may grant a power of attorney to an individual or a legal entity with the substitution right to represent him or her in GMS.
- (3) The party accepting the power of attorney as referred to in section (2), is obligated to firstly obtain approval from the Minister in order to make decisions in GMS concerning:
 - a. change of amount of capital;
 - b. amendment to the articles of association;
 - c. plan of profits distribution;
 - d. merger, consolidation, acquisition, division also dissolution of Persero;
 - e. investment and long-term financing;
 - f. cooperation of Persero;
 - g. formation of subsidiaries or equity participation;
 - h. transfer of assets;

Part Five
Board of Directors of Persero

Article 15

- (1) Appointment and dismissal of the Board of Directors are performed by GMS.
- (2) In the event that the Minister acts as GMS, the appointment and dismissal of the Board of Directors are performed by the Minister.

Article 16

- (1) A member of the Board of Directors is appointed in consideration of his or her expertise, integrity, leadership,

experience, trustworthiness, good behavior, and high dedication to enhance and develop Persero.

- (2) Appointment of member of the Board of Directors is conducted through the mechanism of fit and proper test.
- (3) Prospective member of the Board of Directors which has been declared to have passed the fit and proper test is obligated to sign a management contract prior to the determination of his or her appointment as a member of the Board of Directors.
- (4) The term of office of a member of the Board of Directors is determined for 5 (five) years, and he or she may be re-appointed for 1 (one) term of office.
- (5) In the event that the Board of Directors consists of more than one member, one of the members of the Board of Directors is appointed as president director.

Article 17

Member of the Board of Directors may be dismissed at any time pursuant to the resolution of GMS by stating the reasons.

Article 18

Further provisions regarding the requirements and procedures for appointment and dismissal of member of the Board of Directors are regulated by Ministerial Decision.

Article 19

In the performance of his or her duties, member of the Board of Directors is obligated to fully devote his or her energy, ideas and attention to the duties, obligations, and achievement of the objectives of Persero.

Article 20

In consideration to the specific nature of each Persero, the Board of Directors may appoint a corporate secretary.

Article 21

- (1) The Board of Directors is obligated to prepare a draft long-term plan which constitutes a strategic plan containing targets and objectives of Persero to be achieved within the period of 5 (five) years.
- (2) The draft long-term plan which has been jointly signed with the Board of Commissioners is submitted to GMS in order to obtain ratification.

Article 22

- (1) The Board of Directors is obligated to prepare a draft work plan and budget of the company which constitutes an annual breakdown of the long-term plan.
- (2) The Board of Directors is obligated to submit the draft work plan and budget to GMS in order to obtain ratification.

Article 23

- (1) Within 5 (five) months after the closing of the financial year of Persero, the Board of Directors is obligated to submit an annual report to GMS in order to obtain ratification.
- (2) The annual report as referred to in section (1) is signed by all members of the Board of Directors and the Board of Commissioners.
- (3) In the event that there is a member of the Board of Directors or the Board of Commissioners not signing the annual report as referred to in section (2), the reasons must be stated in writing.

Article 24

Further provisions regarding the long-term plan, work plan and budget of the company, annual report and annual calculation of Persero are regulated by Ministerial Decision.

Article 25

Member of the Board of Directors is prohibited from holding concurrent position as:

- a. a member of the Board of Directors of a SOEs, local-owned enterprises, private-owned enterprises, and other position that may cause a conflict of interest;
- b. other structural and functional position in central and local government institution; and/or
- c. other position in accordance with the provisions of legislation.

Article 26

The Board of Directors is obligated to maintain the minutes of meetings and perform book-keeping of Persero.

Part Six

Board of Commissioners

Article 27

- (1) Appointment and dismissal of the Board of Commissioners is performed by GMS.
- (2) In the event that the Minister is acts as GMS, appointment and dismissal of the Board of Commissioners is performed by the Minister.

Article 28

- (1) Member of the Board of Commissioners are appointed in consideration of their integrity, dedication, understanding of company management issues that related to one of the management functions, appropriate knowledge in the line of business of the Persero, and ability to provide sufficient time to perform their duties.
- (2) Composition of the Board of Commissioners must be determined in such a way that allows any decision to be made effectively, accurately and promptly, and able to take actions independently.
- (3) The term of office of member of the Board of Commissioners is determined for 5 (five) years and he or she may be re-appointed for 1 (one) term of office.

- (4) In the event that the Board of Commissioners consists of more than one member, one of the members of the Board of Commissioners is appointed as president commissioner.
- (5) Appointment of member of the Board of Commissioners is not at the same time with the appointment of member of the Board of Directors, except for initial appointment at the time of establishment.

Article 29

Member of the Board of Commissioners may be dismissed at any time pursuant to the resolution of GMS by stating the reasons.

Article 30

Further provisions regarding the requirements and procedures for appointment and dismissal of the Board of Commissioners are regulated by Ministerial Decision.

Article 31

The Board of Commissioners has the duty to supervise the Board of Directors in the performance of the management of Persero and to advise the Board of Directors.

Article 32

- (1) The granting of authorization to the Board of Commissioners to grant approval to the Board of Directors to perform certain legal action may be determined in the articles of association.
- (2) Pursuant to the articles of association or resolution of GMS, the Board of Commissioners may perform the management of Persero in certain condition for a certain period of time.

Article 33

Member of the Board of Commissioners is prohibited from holding concurrent position as:

- (1) a member of the Board of Directors of a SOEs, local-owned enterprises, private-owned enterprises, and other position that may cause a conflict of interest; and/or
- (2) other position in accordance with the provisions of legislation.

Part Seven
Listed/Registered Persero

Article 34

The provisions of this Law and Law Number 1 of 1995 are applicable to Listed/Registered Persero to the extent that they are not regulated otherwise by legislation in the sector of capital market.

CHAPTER III
PERUM

Part One
Establishment

Article 35

- (1) Establishment of Perum is proposed by the Minister to the President accompanied by considerations after being assessed jointly with the Technical Minister and the Minister of Finance.
- (2) The established Perum as referred to in section (1) has obtained the status as a legal entity since the promulgation of Government Regulation on its establishment.
- (3) Further provisions regarding establishment, governance, management, and supervision of Perum are regulated by a Government Regulation.

Part Two
Purposes and Objectives

Article 36

- (1) The purposes and objectives of Perum are to perform business which intended for the public service in the form of high-quality goods and/or services provision at affordable price to public under the principles of good corporate governance.
- (2) In supporting activities in order to achieve the purposes and objectives as referred to in section (1), by approval of the Minister, Perum may conduct equity participation in other business entities.

Part Three
Organs

Article 37

Organs of Perum consist of the Minister, the Board of Directors, and the Board of Supervisors.

Part Four
Authority of the Minister

Article 38

- (1) The Minister grants approval for business development policy of Perum as proposed by the Board of Directors.
- (2) Business development policy as referred to in section (1) is proposed by the Board of Directors to the Minister after obtaining approval from the Board of Supervisors.
- (3) Policy as referred to in section (1) is determined in accordance with the purposes and objectives of the relevant Perum.

Article 39

The Minister is not responsible for any consequences arising from legal actions performed by Perum and not responsible for

any losses of Perum which exceed the amount of the restricted state assets for Perum, except if the Minister:

- a. either directly or indirectly, in bad faith, takes advantage of Perum solely for personal interest;
- b. is involved in unlawful actions committed by Perum; or
- c. either directly or indirectly, illegally uses the assets of Perum.

Article 40

The provisions regarding the procedures for transfer, imposition on fixed assets of Perum as well as proceeds of medium/long-term loans and the granting of loans in any forms and methods, and claim debts discontinuation and writing-off of both account receivables and provision inventory of goods by Perum are regulated by a Ministerial Decision.

Part Five

Articles of Association

Article 41

- (1) The articles of association of Perum is determined by a Government Regulation on its establishment.
- (2) Amendments to the articles of association of Perum are determined by a Government Regulation.
- (3) Amendments to the articles of association as referred to in section (2) are effective since the date of promulgation of the Government Regulation on amendments to the articles of association of Perum.

Part Six

Profits Distribution

Article 42

- (1) In each financial year Perum is obligated to allocate certain amount of the net profits for reserves.
- (2) The net profits allocation as referred to in section (1) is performed until the reserves reach at least 20% (twenty percent) of the capital of Perum.

- (3) The reserves as referred to in section (1), which has not reached the amount as referred to in section (2), may be used only to cover losses that are unrecoverable by other reserves.

Article 43

Profits distribution of Perum including determination of amount to be allocated for reserves as referred to in Article 42 is determined by the Minister.

Part Seven

Board of Directors of Perum

Article 44

Appointment and dismissal of the Board of Directors are determined by the Minister in accordance with the mechanism and the provisions of the legislation.

Article 45

- (1) Eligible persons to be appointed as members of the Board of Directors are individuals whom capable of performing legal actions and never been declared bankrupt or become members of the Board of Directors or Board of Commissioners or Board of Supervisors whom have declared as guilty of causing a limited liability company or Perum to be declared as bankrupt, or persons whom have never been convicted for committing criminal offenses which are detrimental to the state finance.
- (2) In addition to the criteria as referred to in section (1), members of the Board of Directors are appointed in consideration of their expertise, integrity, leadership, experience, trustworthiness, good behavior, and high dedication to enhance and develop Perum.
- (3) Appointment of members of the Board of Directors is performed through the mechanism of a fit and proper test.

- (4) Prospective members of the Board of Directors which have been declared to have passed the fit and proper test are obligated to sign a management contract prior to the determination of their appointment as members of the Board of Directors.
- (5) The term of office of a member of the Board of Directors is determined for 5 (five) years, and he or she may be re-appointed for 1 (one) term of office.
- (6) In the event that the Board of Directors consists of more than one member, one of the members of the Board of Directors is appointed as president director.

Article 46

A member of the Board of Directors may be dismissed at any time pursuant to the Ministerial Decision by stating the reasons.

Article 47

Further provisions regarding the requirements and procedures for appointment and dismissal of member of the Board of Directors are regulated by a Ministerial Decision.

Article 48

In performing the duties, the Board of Directors is obligated to fully devote the energy, ideas, and attention to the duties, obligations, and achievement of the objectives of Perum.

Article 49

- (1) The Board of Directors is obligated to prepare a draft long-term plan which constitutes a strategic plan containing targets and objectives of Persero to be achieved within the period of 5 (five) years.
- (2) The draft long-term plan which has been jointly signed with the Board of Commissioners is submitted to GMS in order to obtain ratification.

Article 50

- (1) The Board of Directors is obligated to prepare a draft work plan and budget of the company which constitutes an annual breakdown of the long-term plan.
- (2) The Board of Directors is obligated to submit the draft work plan and budget to GMS in order to obtain ratification.

Article 51

- (1) Within 5 (five) months subsequent to the closing of the financial year of Perum, the Board of Directors is obligated to submit an annual report to The Minister in order to obtain ratification.
- (2) The annual report as referred to in section (1) is signed by all members of the Board of Directors and the Board of Supervisors.
- (3) In the event that there is a member of the Board of Directors or the Board of Supervisors not signing the annual report as referred to in section (2), the reasons must be stated in writing.

Article 52

Further provisions regarding the long-term plan, work plan and budget of the company, annual report and annual calculation of Perum are regulated by a Ministerial Decision.

Article 53

Member of the Board of Directors is prohibited to hold concurrent position as:

- a. member of the Board of Directors of SOEs, local-owned enterprises, private-owned enterprises, and other position that may cause a conflict of interest;
- b. other structural and functional position in central and local government institution; and/or
- c. other position in accordance with the provisions of legislation.

Article 54

The Board of Directors is obligated to maintain the minutes of meetings and perform book-keeping of Perum.

Article 55

- (1) The Board of Directors may only file an application to the district court for Perum to be declared as bankrupt only by approval of the Minister.
- (2) In the event that bankruptcy occurs due to errors or negligence of the Board of Directors and the assets of Perum are insufficient to cover losses caused by such bankruptcy, each member of the Board of Directors is jointly and severally responsible for such losses.
- (3) A member of the Board of Directors who can prove that the bankruptcy is not caused by his/her error or negligence is not jointly and severally responsible for such losses.
- (4) In the event that the actions performed by the Board of Directors have caused losses to Perum as referred to in section (2), the Minister representing Perum will file a claim or suit against the Board of Directors through the court of law.

Part Eight

Board of Supervisors

Article 56

Appointment and dismissal of member of the Board of Supervisors are determined by the Minister in accordance with the mechanism and provisions of legislation.

Article 57

- (1) Eligible persons to be appointed as members of the Board of Supervisors are individuals whom capable of performing legal actions and never been declared bankrupt or become members of the Board of Directors or Board of Commissioners or Board of Supervisors whom

have declared as guilty of causing a limited liability company or Perum to be declared as bankrupt, or persons whom have never been convicted for committing criminal offenses which are detrimental to the state finance.

- (2) In addition to the criteria as referred to in section (1), members of the Board of Supervisors are appointed in consideration of their integrity, dedication, understanding of company management issues that related to one of the management functions, appropriate knowledge in the line of business of the Perum, and ability to provide sufficient time to perform their duties.
- (3) Composition of the Board of Supervisors must be determined in such a way that allows any decision to be made effectively, accurately and promptly, and able to take actions independently.
- (4) The term of office of member of the Board of Supervisors is determined for 5 (five) years and they may be re-appointed for 1 (one) term of office.
- (5) In the event that the Board of Supervisors consists of more than one member, one of the members of the Board of Supervisors is appointed as a chairperson of the Board of Supervisors.
- (6) Appointment of member of the Board of Supervisors is not at the same time with the appointment of member of the Board of Directors, except for initial appointment at the time of establishment.

Article 58

Member of the Board of Supervisors may be dismissed at any time pursuant to the Ministerial Decision by stating the reasons.

Article 59

Further provisions regarding the requirements and procedures for appointment and dismissal of a member of the Board of Supervisors are regulated by a Ministerial Decision.

Article 60

The Board of Supervisors has the duty to supervise the Board of Directors in the performance of the management of Perum and to advise the Board of Directors.

Article 61

- (1) In the articles of association, it may be determined regarding the granting of authorization to the Board of Supervisors to grant approval to the Board of Directors to perform certain legal action.
- (2) According to the articles of association or Ministerial Decision, the Board of Supervisors may perform the management of Perum in certain condition for a certain period of time.

Article 62

Member of the Board of Supervisors is prohibited to hold concurrent position as:

- a. member of the Board of Supervisors of SOEs, local-owned enterprises, private-owned enterprises, and other position that may cause a conflict of interest; and/or
- b. other positions in accordance with the provisions of legislation.

CHAPTER IV

MERGERS, CONSOLIDATION, ACQUISITIONS, AND
DISSOLUTION OF SOEs

Article 63

- (1) Merger or consolidation of SOEs may be performed with other existing SOEs.
- (2) A SOE may acquire other SOEs and/or limited liability companies.

Article 64

- (1) Dissolution of a SOE is determined by Government Regulation.

- (2) Unless determined otherwise by Government Regulation as referred to in section (1), the remaining proceeds from liquidation or dissolution of a SOE are deposited directly to the State Treasury.

Article 65

- (1) Further provisions regarding mergers, consolidation, acquisitions, and dissolution of SOEs are regulated by a Government Regulation.
- (2) In the performance of actions as referred to in section (1), the interest of SOEs, shareholders/owner of the capital, third parties, and employees of SOEs must remain attended.

CHAPTER V

PUBLIC SERVICE OBLIGATION

Article 66

- (1) The government may grant specific assignment to SOEs to perform functions of public service with due regard to the purposes and objectives of the activities of SOEs.
- (2) Any assignments as referred to in section (1) must first obtain approval of GMS/the Minister.

CHAPTER VI

INTERNAL SUPERVISORY UNIT, AUDIT COMMITTEE, AND OTHER COMMITTEES

Part One

Internal Supervisory Unit

Article 67

- (1) Internal supervisory unit is formed at each SOEs which constitutes internal auditors of the company.
- (2) The internal supervisory unit as referred to in section (1) is led by a head whom responsible to the president director.

Article 68

Upon written request of the Board of Commissioners/Board of Supervisors, the Board of Directors provides statements on the results of audit or the results of duties performed by the internal supervisory unit.

Article 69

The Board of Directors is obligated to have due regard to and immediately take necessary steps against anything presented in every report on the results of audit made by the internal supervisory unit.

Part Two

Audit Committee and Other Committees

Article 70

- (1) The Board of Commissioners and the Board of Supervisors of SOEs are obligated to form an audit committee which works collectively and functions to assist the Board of Commissioners and the Board of Supervisors in the performance of their duties.
- (2) The audit committee as referred to in section (1) is led by a chairperson that is responsible to the Board of Commissioners or the Board of Supervisors.
- (3) In addition to the audit committee as referred to in section (1), the Board of Commissioners or the Board of Supervisors may form other committees which determined by the Minister.
- (4) Further provisions regarding the audit committee and other committees are regulated by Ministerial Decision.

CHAPTER VII

EXTERNAL AUDITS

Article 71

- (1) Audit of corporate financial report is conducted by an external auditor as determined by GMS for Persero and by the Minister for Perum.

- (2) The Audit Board of the Republic of Indonesia has the authority to audit SOEs in accordance with the provisions of legislation.

CHAPTER VIII RESTRUCTURING AND PRIVATIZATION

Part One Purposes and Objectives of Restructuring

Article 72

- (1) Restructuring is conducted with the objective to solvent SOEs in order to operate efficiently, transparently, and professionally.
- (2) The purposes of restructuring are to:
 - a. increase the corporate performance and value;
 - b. provide benefits through dividends and taxes to the state;
 - c. produce products and services at competitive prices to consumers; and
 - d. facilitate the implementation of privatization.
- (3) The performance of restructuring as referred to in section (1) remains to have due regard to cost and benefits obtained.

Part Two Scope of Restructuring

Article 73

Restructuring includes:

- a. sectoral restructuring which performance is adjusted to the sectoral policy and/or the provisions of legislation;
- b. restructuring of company or corporation, includes:
 - 1) enhancement of intensity of business competition, mainly in sectors in which monopoly occurs, either the regulated and natural monopoly;

- 2) organization of functional relation between the government as regulator and SOEs as enterprises, including application of principles of good corporate governance and determine the direction in order to perform obligations of public service;
- 3) internal restructuring which include finance, organization/management, operation, system, and procedures.

Part Three

Purposes and Objectives of Privatization

Article 74

- (1) Privatization is conducted with the purposes to:
 - a. expand the public ownership of Persero;
 - b. enhance the efficiency and productivity of corporate;
 - c. create good/strong financial structure and financial management;
 - d. create fair and competitive industrial structure;
 - e. create a global competitive and global-oriented Persero;
 - f. grow a business climate, macro economy, and market capacity.
- (2) Privatization is conducted with the objectives of enhancement of corporate performance and added value, and also enhance public participation in the share ownership in Persero.

Part Four

Principles of Privatization and Criteria of Privatizable Corporates

Article 75

Privatization is conducted with due regard to the principles of transparency, independence, accountability, responsibility, and fairness.

Article 76

- (1) Privatizable Persero must at least meet the following criteria:
 - a. the industry/business sector is competitive; or
 - b. the industry/business sector has the technology element which is rapidly changing.
- (2) A part of assets or activities of Persero which performs public service obligations and/or by Law its business activities must be performed by SOEs, may be restricted to be used as participation in the establishment of a company to further be privatized if required.

Article 77

Unprivatizable Persero are:

- a. a Persero which business under the legislation may only be managed by SOEs;
- b. a Persero which engaged in business sector associated with the state defense and security;
- c. a Persero which engaged in certain sector and has been given special assignments by the government to perform certain activities associated with public interest;
- d. a Persero which engaged in the sector of natural resources which under the provisions of legislation is expressly prohibited from being privatized.

Article 78

Privatization is conducted through:

- a. sale of shares under the provisions on capital markets;
- b. direct sale of shares to investors;
- c. sale of shares to the management and/or respective employees.

Part Five

Privatization Committee

Article 79

- (1) To discuss and decide the policies privatization in relation to inter-sectoral policy, the government formed a privatization committee as a coordination forum.

- (2) The privatization committee is led by the Coordinating Minister for economics of which the members are the Minister, the Minister of Finance, and the Technical Minister where Persero performs its business activity as members.
- (3) Membership of the privatization committee as referred to in section (2) is determined by a Presidential Decree.

Article 80

- (1) The privatization committee has the duties to:
 - a. formulate and determine the general policy and requirements for the performance of Privatization;
 - b. determine the required steps to smoothen the process of Privatization;
 - c. discuss and provide a solution on the strategic issues arising during the process of Privatization, including issues relating to the sectoral policy of the government.
- (2) The privatization committee in performing its duties as referred to in section (1), may invite, request for input and/or assistance from government institution or other parties as deemed necessary.
- (3) Chairperson of the privatization committee reports periodically regarding the progress of the performance of his/her duty to the President.

Article 81

In conducting Privatization, the Minister has the duties to:

- a. compose annual program of Privatization;
- b. submit an annual program of Privatization to the privatization committee for direction;
- c. conduct Privatization.

Part Six
Procedures for Privatization

Article 82

- (1) Privatization must be preceded by action of selection on corporates and refer to the criteria which have been determined in a Government Regulation.
- (2) Corporates that have been selected and met the determined criteria, subsequent to obtaining recommendation from the Minister of Finance, are further disseminated to the public and consulted with the House of Representatives.

Article 83

Further provisions regarding the procedures for Privatization are regulated by a Government Regulation.

Article 84

Any person and/or legal entity having the potential to have a conflict of interest is prohibited from being involved in the process of Privatization.

Part Seven
Confidentiality of Information

Article 85

- (1) Parties involved in the program and process of privatization are obligated to keep any information obtained confidential to the extent that such information has not been disclosed.
- (2) A breach of the provision as referred to in section (1) is imposed with sanctions in accordance with the provisions of legislation.

Part Eight
Privatization Proceeds

Article 86

- (1) Privatization proceeds through sale of state-owned shares are directly deposited to the State Treasury.
- (2) Further provisions regarding the procedures for deposit of Privatization proceeds are regulated by a Government Regulation.

CHAPTER IX
MISCELLANEOUS PROVISIONS

Article 87

- (1) Employees of SOEs are workers at SOEs whose appointment, dismissal, position, rights and obligations are determined pursuant to collective employment contract in accordance with the provisions of legislation in the field of manpower.
- (2) Employees of SOEs may form a trade union in accordance with the provisions of legislation.
- (3) A trade union is obligated maintain security and order within the company and enhance work discipline.

Article 88

- (1) SOEs may set aside a part of their net profits for assisting small-scale businesses/cooperatives and society development in the surrounding of SOEs.
- (2) Further provisions regarding the allocation and utilization of profits as referred to in section (1) are regulated by a Ministerial Decision.

Article 89

Members of the Board of Commissioners, the Board of Supervisors, the Board of Directors, and employees of SOEs are prohibited from giving or offering or receiving, either directly or indirectly, anything valuable to or from customers

or government officials to persuade or as reward for what they have conducted and other action in accordance with the provisions of legislation.

Article 90

SOEs within a reasonable manner may only give donations for charity and social objectives in accordance with the provisions of legislation.

Article 91

In addition to the organs of SOEs, any other party is prohibited from having interference in the management of SOEs.

Article 92

A change in the legal entity form of SOEs is regulated by a Government Regulation.

CHAPTER X

TRANSITIONAL PROVISIONS

Article 93

- (1) Within 2 (two) years since this Law comes into effect, all SOEs in the form of service company (*perusahaan jawatan*, Perjan) must have been changed into Perum or Persero.
- (2) All provisions which regulate SOEs are declared to remain in effect to the extent that they are not contrary to or not yet replaced by new provisions under this Law.

CHAPTER XI

CLOSING PROVISIONS

Article 94

At the time this Law comes into effect:

1. *Indonesische Bedrijvenwet* (*Staatsblad* of 1927 Number 419), as amended and added several times, last by Law

Number 12 of 1955 (State Gazette of the Republic of Indonesia of 1955 Number 49, Supplement to the State Gazette Number 850);

2. Law Number 19 Prp of 1960 on State Enterprises (State Gazette of the Republic of Indonesia of 1960 Number 59, Supplement to the State Gazette Number 1989);
3. Law Number 9 of 1969 on Enactment of Government Regulation in Lieu of Law Number 1 of 1969 (State Gazette of the Republic of Indonesia of 1969 Number 16, Supplement to the State Gazette Number 2890) on Forms of State-Owned Enterprises to become Law (State Gazette of the Republic of Indonesia of 1969 Number 40, Supplement to the State Gazette Number 2904);

are declared ineffective.

Article 95

This Law comes into force on the date of its promulgation.

In order that every person may know hereof, it is ordered to promulgate this Law by its placement in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta
on 19 June 2003

PRESIDENT OF THE REPUBLIC OF INDONESIA,

signed

MEGAWATI SOEKARNOPUTRI

Promulgated in Jakarta
on 19 June 2003

STATE SECRETARY OF THE REPUBLIC OF INDONESIA,

signed

BAMBANG KESOWO

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2003 NUMBER 70

Jakarta, 14 August 2020

Has been translated as an Official Translation
on behalf of Minister of Law and Human Rights
of the Republic of Indonesia

DIRECTOR GENERAL OF LEGISLATION,


WIDODO EKATJAHJANA