

REGULATION OF THE GOVERNMENT OF THE REPUBLIC OF INDONESIA
NUMBER 74 OF 2020
ON
INDONESIA INVESTMENT AUTHORITY

BY THE BLESSINGS OF ALMIGHTY GOD

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering : that in order to implement the provisions of Article 157 section (8), Article 158 section (7), Article 159 section (6), Article 164 section (1), Article 166 section (10), and Article 171 section (3) of Law Number 11 of 2020 on Job Creation, it is necessary to issue a Government Regulation on Indonesia Investment Authority;

Observing : 1. Article 5 section (2) of the 1945 Constitution of the Republic of Indonesia;
2. Law Number 11 of 2020 on Job Creation (State Gazette of the Republic of Indonesia of 2020 Number 245, Supplement to the State Gazette of the Republic of Indonesia Number 6573);

HAS DECIDED:

To issue : GOVERNMENT REGULATION ON INDONESIA INVESTMENT AUTHORITY.

CHAPTER I
GENERAL PROVISION

Article 1

In this Government Regulation:

1. Central Government Investment, hereinafter referred to as Investment, means the management of assets in the form of money or property or for the interest of the Central Government with the aim of obtaining profits, economic benefits and other benefits.
2. Indonesia Investment Authority (Lembaga Pengelola Investasi), hereinafter referred to as LPI, means an institution that is given special authority (*sui generis*) in the framework of management of Central Government Investment as referred to in Law Number 11 of 2020 on Job Creation.
3. State-Owned Enterprises (*Badan Usaha Milik Negara*), hereinafter referred to as SOEs, mean business entities which all or most of the capital is owned by the state through direct participation originating from restricted state assets.
4. Minister of Finance means the minister administering government affairs in the field of state finance.
5. Minister of State-Owned Enterprises, hereinafter referred to as the Minister of SOEs, means the minister administering government affairs in the field of state-owned enterprises.
6. Board of Supervisors means an LPI organ assigned to supervise the LPI administration carried out by the Board of Directors.
7. Board of Directors means an LPI organ assigned to carry out the operational management of LPI.
8. Investment Manager means a company or legal entity/institution that has obtained approval or permission from the authorities to operate as an investment manager, specifically for conducting the management of assets.
9. Investment Fund under Management (Fund) means an investment vehicle which, among other things, may be in

the form of funds managed through joint ventures, mutual funds or collective investment contracts or other forms, both in the form of Indonesian and foreign legal entities in which the LPI invests in it for the purpose of making a profit.

10. Regulation of the Board of Supervisors means the regulation stipulated by the Board of Supervisors in the framework of carrying out the duties and authority of the Board of Supervisors.
11. Regulation of the Board of Directors means the regulation stipulated by the Board of Directors in the framework of carrying out the duties and authority of the Board of Directors.

CHAPTER II STATUS, CAPITAL AND DOMICILE

Article 2

- (1) LPI is an Indonesian Legal Entity that is fully owned by the Indonesian Government.
- (2) LPI is responsible to the President.

Article 3

- (1) LPI capital comes from:
 - a. state equity participation; and/or
 - b. other sources.
- (2) State equity participation as referred to in section (1) point a, may originate from:
 - a. cash;
 - b. state-owned assets;
 - c. state receivables in SOEs or limited liability companies; and/or
 - d. state-owned shares in SOEs or limited liability companies.
- (3) LPI capital is set at Rp75,000,000,000,000.00 (seventy-five trillion rupiahs) with the following details:

- a. LPI initial capital injection in the form of cash of at least Rp15,000,000,000,000.00 (fifteen trillion rupiahs); and
 - b. Fulfilment of LPI capital after the initial capital injection as referred to in point a is made in stages until 2021.
- (4) LPI capital as referred to in section (3) may be increased through state equity participation and/or other sources.

Article 4

- (1) LPI is domiciled and headquartered in Jakarta.
- (2) LPI may have offices outside Jakarta and outside the territory of the Republic of Indonesia.

CHAPTER III

OBJECTIVES, FUNCTIONS, DUTIES AND AUTHORITY

Article 5

LPI aims to increase and optimize the value of investments that are managed in the long term in order to support sustainable development.

Article 6

- (1) LPI has the function to manage Investment.
- (2) LPI has the duties of planning, organizing, supervising and controlling, as well as evaluating Investment.

Article 7

- (1) In carrying out the function and duties as referred to in Article 6, LPI has the authority to:
 - a. make a placement of funds in financial instruments;
 - b. carry out asset management activities;
 - c. collaborate with other parties, including trust fund entities;
 - d. determine prospective Investment partners;
 - e. provide and receive loans; and/or
 - f. administer assets.
- (2) In carrying out the authority as referred to in section (1), LPI may cooperate with Investment partners, Investment

- Manager, SOEs, government agencies or institutions, and/or other entities both outside and within the country.
- (3) Further provisions regarding LPI's authority as referred to in section (1) are regulated by a Regulation of the Board of Directors.

CHAPTER IV ORGANIZATIONAL STRUCTURE

Part One Management Organs

Article 8

LPI organs consist of:

- a. Board of Supervisors; and
- b. Board of Directors.

Part Two Board of Supervisors

Paragraph 1 Membership

Article 9

- (1) Board of Supervisors consists of:
- a. The Minister of Finance as Chairperson concurrently a member;
 - b. The Minister of SOEs as a member; and
 - c. 3 (three) persons from professional elements as members.
- (2) The members of the Board of Supervisors as referred to in section (1) are appointed and dismissed by the President.
- (3) Members of the Board of Supervisors from professional elements as referred to in section (1) point c, are appointed for a term of office of 5 (five) years and may only be re-appointed for 1 (one) subsequent term of office.

- (4) In order to appoint members of the Board of Supervisors from professional elements as referred to in section (1) point c for the first time, the President determines the term of office for 3 (three) members of the Board of Supervisors as follows:
 - a. 1 (one) member is appointed for a term of office of 5 (five) years;
 - b. 1 (one) member is appointed for a term of office of 4 (four) years; and
 - c. 1 (one) member is appointed for a term of office of 3 (three) years.

Article 10

- (1) To be eligible for appointment as a member of the Board of Supervisors that comes from professional elements as referred to in Article 9 section (1) point c, a candidate member of the Board of Supervisors must meet the following requirements of:
 - a. Indonesian citizen;
 - b. being able to take legal actions;
 - c. being physically and mentally healthy;
 - d. having a maximum age of 65 (sixty-five) years, at the time of the first appointment;
 - e. not a manager and/or member of a political party;
 - f. having experience and/or expertise in the fields of investment, economics, finance, banking, law and/or corporate organizations;
 - g. having never been sentenced to imprisonment for committing a felony;
 - h. having never been declared bankrupt and having never been a manager of a company that caused the company to go bankrupt; and
 - i. not being declared as a reprehensible individual in the investment sector and other fields based on the provisions of legislation.
- (2) Members of the Board of Supervisors are prohibited from having family relations up to the second degree or in-law relations with:

- a. other members of the Board of Supervisors; and/or
- b. members of the Board of Directors.

Article 11

- (1) The position of a member of the Board of Supervisors ends if:
 - a. the member passes away;
 - b. the member's term of office has ended;
 - c. the member is dismissed by the President; or
 - d. the Board of Supervisors members as referred to in Article 9 section (1) point a and point b no longer hold their position as a minister.
- (2) Members of the Board of Supervisors may be dismissed for the following reasons:
 - a. one of the membership requirements as referred to in Article 10 is not fulfilled;
 - b. breach of disclosure and confidentiality requirements.
 - c. not doing their job properly;
 - d. commit acts which violate ethics and/or appropriateness which should be respected by the Board of Supervisors;
 - e. have been named a suspect in an act that caused losses to LPI, SOEs or state finances;
 - f. resign;
 - g. permanently absent; and/or
 - h. do not carry out their duties as a member of the Board of Supervisors for more than 6 (six) months, even though for reasons that may be considered.
- (3) In the event that members of the Board of Supervisors from professional elements are dismissed before the end of their term of office, the President appoints members of the Board of Supervisors from other professional elements to serve as caretaker for members of the Board of Supervisors who are dismissed from that position until the appointment of a new member of the Board of Supervisors from professional elements.

- (4) The term of office of members of the Board of Supervisors from professional elements who are appointed to replace a member of the Board of Supervisors from professional elements which ends before the term of office as referred to in section (3) is the remaining term of office of the member of the Board of Supervisors from professional elements they replaced.
- (5) Further provisions on the appointment of the caretaker of Board of Supervisors as referred to in section (3) are regulated by Regulation of the Board of Supervisors.

Paragraph 2

Duties, Authority and Code of Ethics

Article 12

- (1) The Board of Supervisors has the duty to supervise the implementation of LPI carried out by the Board of Directors.
- (2) In carrying out the duty as referred to in section (1), the Board of Supervisors has the authority to:
 - a. approve the annual work and budget plan along with the key performance indicators proposed by the Board of Directors;
 - b. evaluate the achievement of key performance indicators;
 - c. receive and evaluate accountability report from the Board of Directors;
 - d. submit the accountability report of the Board of Supervisors and the Board of Directors to the President;
 - e. determine and appoint as well as dismiss members of the Board of Advisors;
 - f. appoint and dismiss Board of Directors;
 - g. determine remuneration for the Board of Supervisors and the Board of Directors;
 - h. propose an increase and/or reduction in LPI capital to the President;
 - i. approve LPI annual financial statement;

- j. temporarily suspend members of the Board of Directors and appoint a temporary replacement for the Board of Directors; and
- k. approve the appointment of LPI auditor.

Article 13

Board of Supervisors prepares Code of Ethics for the Board of Supervisors in carrying out the duties and authority as referred to in Article 12.

Paragraph 3

Selection of Members of Board of Supervisors from Professional Elements

Article 14

- (1) In selecting members of the Board of Supervisors from professional elements, the President forms a selection committee at the recommendation of the Minister of Finance after coordinating with the Minister of SOEs.
- (2) The formation of the selection committee as referred to in section (1) is stipulated with a President Decree.
- (3) The selection committee as referred to in section (1) is formed:
 - a. no later than 6 (six) months before the term of office of members of the Board of Supervisors from professional elements ends; or
 - b. no later than 14 (fourteen) business days since the report of a vacancy in the position of a member of the Board of Supervisors from professional elements is received by the President.
- (4) For the selection of members of the Board of Supervisors from professional elements for the first time, the selection committee is formed no later than 1 (one) month after the promulgation of this Government Regulation.

Article 15

- (1) Selection committee as referred to in Article 12 section (2) consists of:

- a. the Minister of Finance as chairperson concurrently a member;
 - b. the Minister of SOEs as a member;
 - c. 3 (three) persons from the government, professionals, and/or academics/experts.
- (2) For the first time, the selection committee as referred to in Article 14 section (1) consists of:
- a. the Minister of Finance as chairperson concurrently a member;
 - b. the Minister of SOEs as a member;
 - c. 1 (one) person from the Ministry of Finance as a member;
 - d. 1 (one) person from the Ministry of SOEs as a member;
and
 - e. 1 (one) person from professionals or academics/experts.
- (3) Members of the selection committee as referred to in section (1) point c are proposed by the Minister of Finance to the President 2 (two) times as many as the number of members of the selection committee.

Article 16

The selection committee as referred to in Article 15 has the duties to:

- a. announce the acceptance and registration of candidate members of the Board of Supervisors from the professional element;
- b. examine the requirements and carry out fit and proper test of candidate members of the Board of Supervisors from professional elements;
- c. determine the names of candidate members of the Board of Supervisors from professional elements; and
- d. deliver the candidate members of the Board of Supervisors from professional elements to the President.

Article 17

The selection of candidate members of the Board of Supervisors from professional elements is carried out in the following stages:

- a. announcement of acceptance and registration of candidates;
- b. selection process; and
- c. delivery of the names of candidates to the President.

Article 18

The process of announcing the acceptance and registration of candidates as referred to in Article 17 point a, is carried out in the following stages:

- a. The selection committee announces the acceptance of candidate registration.
- b. Announcement of acceptance of candidate registration as referred to in point a is made by way of:
 1. announcing through daily printed media which has nationwide circulation and electronic media.
 2. the announcement as referred to in number 1 contains at least information regarding:
 - a) time and place of registration;
 - b) vacant position;
 - c) requirements that must be met by the registrant;
 - d) supporting forms or documents that must be attached; and
 - e) registration contact information that may be contacted.
- c. Every person may register themselves as candidates to the selection committee in person or online via electronic media by way of:
 1. filling out the registration form provided by the selection committee; and
 2. attaching the required documents in accordance with the requirements.

Article 19

- (1) In order to obtain candidate members of the Board of Supervisors from potential professional elements in accordance with the investment sector to be carried out by the LPI, the selection committee may conduct a special selection.
- (2) In the special selection as referred to in section (1), the selection committee may directly propose the names of candidates to enter the selection process.

Article 20

- (1) The selection process as referred to in Article 17 point b, is carried out by fulfilling the requirements and a fit and proper test.
- (2) In carrying out the selection as referred to in section (1), the selection committee may cooperate with professional institutions.

Article 21

Registration and selection of candidates is carried out within 30 (thirty) business days from the announcement of acceptance.

Article 22

- (1) The submission process to the President as referred to in Article 17 point c, is carried out in the following stages:
 - a. the selection committee determines the names of candidates who have passed the selection 2 (two) times as many as the number of positions required; and
 - b. the selection committee proposes the names of candidates to the President within 5 (five) business days from the determination of the names of candidates as referred to in point a.
- (2) The proposed names of candidates as referred to in section (1) point b, contains at least:
 - a. candidate names according to the recommended order;
 - b. considerations in selecting candidates; and
 - c. documents of the process of selecting and determining candidates.

Article 23

The process and results of the selection of candidates as referred to in Article 20 and Article 22 are confidential and only used for the purpose of selecting and determining members of the Board of Supervisors from professional elements.

Paragraph 4

Secretariat and Committees of the Board of Supervisors

Article 24

- (1) In carrying out the duties as referred to in Article 12 section (1) and the authorities as referred to in Article 12 section (2), the Board of Supervisors is assisted by:
 - a. secretariat; and
 - b. committees.
- (2) The secretariat and committee as referred to in section (1) are appointed and dismissed by the Board of Supervisors.
- (3) The committees as referred to in section (1) point b at least consists of:
 - a. audit committee;
 - b. ethics committee; and
 - c. remuneration and human resources committee.
- (4) Provisions regarding the duties and responsibilities of the secretariat as referred to in section (1) point a are regulated by Regulation of the Board of Supervisors.
- (5) The provisions regarding the duties and responsibilities of the committee as referred to in section (1) point b are stipulated in the committee charter determined by the Board of Supervisors.

Paragraph 5

Procedures for Decision Making of Board of Supervisors

Article 25

- (1) Decision making of Board of Supervisors is carried out through a Board of Supervisors meeting.

- (2) The Board of Supervisors meeting as referred to in section (1) is held with the following provisions:
 - a. at least 1 (one) time in 3 (three) months;
 - b. led by the Chairperson of the Board of Supervisors;
 - c. may be carried out in person or through teleconference or other electronic media;
 - d. declared valid if attended in person or through teleconference or other electronic media by more than 1/2 (one half) of the total members of the Board of Supervisors; and
 - e. may be held inside or outside LPI office.
- (3) In the event that the Chairperson of the Board of Supervisors is unable to lead the Board of Supervisors Meeting, the Minister of SOEs acts as chairperson of the meeting.
- (4) Decision making of the Board of Supervisors is carried out through deliberation to reach a consensus.
- (5) In the event that the deliberation to reach a consensus as referred to in section (4) is not reached, the decision of the Board of Supervisors is determined based on majority votes.
- (6) The decision of the Board of Supervisors meeting as referred to in section (4) and section (5) is valid after it is stipulated in the meeting and is binding for all members of the Board of Supervisors.
- (7) The decision of the Board of Supervisors meeting is signed by all members of the Board of Supervisors who are present in person as well as by teleconference or other electronic media.
- (8) Further provisions regarding the procedure for decision making through the Board of Supervisors meeting as referred to in section (1) are regulated by a Regulation of the Board of Supervisors.

Part Three
Board of Directors

Paragraph 1
Membership

Article 26

- (1) The Board of Directors is a total of 5 (five) people, all of whom come from professional elements.
- (2) Members of the Board of Directors as referred to in section (1) are appointed and dismissed by the Board of Supervisors.
- (3) One of the members of the Board of Directors is appointed as Chairperson of the Board of Directors.
- (4) The term of office of members of the Board of Directors is 5 (five) years and may be re-appointed only for 1 (one) subsequent term of office.
- (5) In order to appoint members of the Board of Directors for the first time, the Board of Supervisors determines the term of office for 5 (five) members of the Board of Directors as follows:
 - a. 2 (two) members are appointed for a term of office of 5 (five) years, one of which is appointed as Chairperson of the Board of Directors;
 - b. 2 (two) members are appointed for a term of office of 4 (four) years; and
 - c. 1 (one) member is appointed for a term of office of 3 (three) years.

Article 27

- (1) To be eligible for appointment as a member of the Board of Directors, an individual must meet the following requirements of:
 - a. Indonesian citizen;
 - b. being able to take legal actions;
 - c. being physically and mentally healthy;
 - d. having a maximum age of 65 (sixty five) years, at the time of the first appointment;

- e. not a manager and/or member of a political party;
 - f. having experience and/or expertise in the fields of investment, economics, finance, banking, law and/or corporate management;
 - g. having never been sentenced to imprisonment for committing a felony;
 - h. having never been declared bankrupt and having never been a manager of a company that caused the company to go bankrupt; and
 - i. not being declared as a reprehensible individual in the investment sector and other fields based on provisions of legislation.
- (2) Members of the Board of Directors are prohibited from having family relations up to the second degree or in-law relations with:
- a. other members of the Board of Directors; and/or
 - b. members of the Board of Supervisors.

Article 28

- (1) The position of a member of the Board of Directors ends if:
- a. the member passes away;
 - b. the member's term of office has ended; or
 - c. the member is dismissed by the Board of Supervisors.
- (2) Members of the Board of Directors may be dismissed by the Board of Supervisors for the following reasons:
- a. one of the membership requirements as referred to in Article 27 is not fulfilled;
 - b. breach of disclosure and confidentiality requirements;
 - c. fail to fulfill the obligations agreed in the management contract;
 - d. not doing their job properly;
 - e. commit acts that violate ethics and/or appropriateness that should be respected by the Board of Directors;
 - f. have been named a suspect in an act that caused losses to LPI, SOEs or state finances;
 - g. resign;

- h. do not carry out their duties as a member of the Board of Directors for more than 6 (six) months even though for reasons that may be considered;
 - i. permanently absent; and/or
 - j. other reasons deemed appropriate by the Board of Supervisors.
- (3) To dismiss a Member of the Board of Directors on the grounds as referred to in section (2) point b, point c, point d, and point j, the Member of the Board of Directors concerned are first given the opportunity to defend themselves before a decision of dismissal is made.
 - (4) Members of the Board of Directors may be temporarily suspended by the Board of Supervisors.
 - (5) In the event that a member of the Board of Directors is temporarily suspended as referred to in section (4), the Board of Supervisors appoints a caretaker to replace the member of the Board of Directors who is temporarily suspended.
 - (6) The temporary suspension as referred to in section (4) is notified in writing to the member of the Board of Directors concerned.
 - (7) Members of the Board of Directors who are temporarily suspended as referred to in section (4) are not authorized to carry out their duties as members of the Board of Directors.

Article 29

Further provisions regarding procedures for the appointment and dismissal of the Board of Directors as referred to in Article 26 section (2) and procedures for the temporary suspension as referred to in Article 28 section (4) are regulated by Regulation of the Board of Supervisors.

Paragraph 2

Duties and Authority

Article 30

- (1) The Board of Directors has a duty to carry out the operational management of LPI.

- (2) In carrying out the duty as referred to in section (1), the Board of Directors has the authority to:
 - a. formulate and stipulate LPI policies;
 - b. implement LPI policies and operational management;
 - c. formulate and propose remuneration of the Board of Supervisors and the Board of Directors to the Board of Supervisors;
 - d. formulate and propose an annual work and budget plan along with the key performance indicators to the Board of Supervisors;
 - e. formulate the organizational structure of the institution and carry out personnel management including appointment, dismissal, payroll system, reward remuneration, pension and old-age benefits programs, as well as other income for LPI employees; and
 - f. represent LPI in and out of the court.
- (3) Further provisions regarding the implementation of duties of the Board of Directors as referred to in section (1) and authority of the Board of Directors as referred to in section (2) are regulated by Regulation of the Board of Directors.

Paragraph 3

Division and Committees of the Board of Directors

Article 31

Board of Directors determines the division of each member of the Board of Directors with approval from the Board of Supervisors.

Article 32

- (1) Board of Directors establishes committees which members come from the Board of Directors, LPI employees, and/or other parties who have the experience required by the committees, by taking international best practices into account.

- (2) The committees as referred to in section (1) at least consist of:
 - a. investment committee; and
 - b. risk management committee.
- (3) The committee as referred to in section (2) is stipulated by decision of the Board of Directors.
- (4) The investment committee as referred to in section (2) point a, at least consists of:
 - a. members of the Board of Directors in charge of investment or business development; and
 - b. members of the Board of Directors in charge of risk management.
- (5) The establishment of the committee is reported by the Board of Directors to the Board of Supervisors after that committee is established.
- (6) The committees as referred to in section (1) are obligated to submit reports and recommendations to the Board of Directors.

Paragraph 4

Procedures for Decision Making of Board of Directors

Article 33

The meeting of Board of Directors is held for the purposes of, including but not limited to decision making, policy making, providing directions, evaluating investment and/or regarding LPI operations.

Article 34

- (1) The decision making of the Board of Directors is carried out through a meeting of the Board of Directors.
- (2) The meeting of the Board of Directors as referred to in section (1) is held with the following provisions:
 - a. at least 1 (one) time in 1 (one) month;
 - b. led by the Chairperson of the Board of Directors;
 - c. may be carried out in person or by teleconference or other electronic media;

- d. declared valid if attended in person or through teleconference or other electronic media by more than 1/2 (one half) of the total members of the Board of Directors; and
 - e. may be held inside or outside LPI office.
- (3) In the event that the Chairperson of the Board of Directors is unable to lead the meeting, the Chairperson of the Board of Directors may appoint another member of the Board of Directors to lead the meeting.
 - (4) In the event that the Chairperson of the Board of Directors is unable to lead the meeting and does not appoint a member of the Board of Directors to lead the meeting, the member of the Board of Directors who has been in office the longest acts as the chairperson of the meeting.
 - (5) In the event that there is no 1 (one) member of the Board of Directors who has been in office the longest as referred to in section (4), the chairperson of the meeting is elected by deliberation to reach a consensus.
 - (6) Decision making of the Board of Directors is carried out through deliberation to reach a consensus.
 - (7) In the event that the deliberation to reach a consensus as referred to in section (6) is not reached, the decision of the Board of Directors is determined based on majority votes.
 - (8) The decision of the meeting of the Board of Directors as referred to in section (6) or section (7) becomes valid after it is stipulated in the meeting and becomes binding for all members of the Board of Directors.
 - (9) Members of the Board of Directors who are not able to attend the meeting of the Board of Directors grant power of attorney in writing to other members of the Board of Directors who are present in person or through teleconference or other electronic media to attend and make decisions on behalf of the authorizer.
 - (10) The decision of the meeting of the Board of Directors is signed by all members of the Board of Directors and their proxies who are present in person or through teleconference or other electronic media.

- (11) Members of the Board of Directors who are unable to attend in person, through teleconference or other electronic media also sign the decision of the meeting of the Board of Directors.
- (12) Deliberations in the Board of Directors are confidential and may be disclosed only with the approval of the chairperson of the meeting in accordance with the internal mechanisms and policies that have been approved for adoption by the LPI.
- (13) Further provisions on the procedures for decision making through a meeting of the Board of Directors as referred to in section (1) are regulated by Regulation of the Board of Directors.

Article 35

In making decisions, members of the Board of Directors are prohibited from having conflicts of interest, either directly or indirectly.

Part Four

Board of Advisors

Article 36

- (1) If deemed necessary, LPI may form an Board of Advisors to provide investment advice to the Board of Directors.
- (2) Board of Advisors members are appointed and dismissed by the Board of Supervisors.
- (3) To be eligible for appointment as a member of the Board of Advisors, an individual must meet the following requirements of:
 - a. having experience and/or expertise in the fields of investment, economics, finance, banking, law, and/or other expertise;
 - b. having a good reputation and having never been sentenced to imprisonment for committing a felony, including a crime that causes loss of state finances and/or is related to the financial sector;

- c. having never been declared bankrupt or having never been a manager of a company that caused the company to go bankrupt; and
 - d. not being declared as a reprehensible individual in the investment sector or other fields based on the provisions legislation.
- (4) Further provisions regarding the Board of Advisors as referred to in section (1) are regulated by Regulation of the Board of Supervisors.

CHAPTER V ASSETS, LOANS AND MANAGEMENT

Part One Assets

Article 37

- (1) LPI's assets may come from:
- a. capital as referred to in Article 3 section (1);
 - b. results of business and asset development of LPI;
 - c. transfer of state assets or SOEs' assets;
 - d. grants; and/or
 - e. other legitimate sources.
- (2) LPI's assets are the property and responsibility of the LPI.

Article 38

- (1) In order to increase asset value, LPI may cooperate with third parties.
- (2) In cooperating with third parties, LPI considers the good reputation, financial capacity and/or expertise of third parties as prospective cooperation partners.
- (3) Cooperation with third parties as referred to in section (1) is carried out by:
- a. granting or receiving management power;
 - b. establishing a joint venture company; or
 - c. other forms of cooperation.

- (4) Cooperation through management power as referred to in section (3) point a is carried out by handing over the agreed asset management to a third party or through receiving the agreed asset management from a third party by the granting of power of attorney.
- (5) In cooperation through the establishment of a joint venture company as referred to in section (3) point b, LPI must have majority ownership portion and become the determinant in decision making if the joint venture company is engaged in the following sector and type of business:
 - a. sole distribution of drinking water in a city or regency;
or
 - b. domestic oil and gas mining.
- (6) In the event that the cooperation is carried out by establishing a joint venture company as referred to in section (3) point b, LPI's assets may be transferred to be used as capital participation in the joint venture company.

Part Two

Loans and Guarantee

Article 39

- (1) LPI may give or receive loans.
- (2) The loan as referred to in section (1) may be in the form of credit facilities, debt securities, or other loan instruments.
- (3) In order to receive loans, LPI may pledge its assets.
- (4) Each provision or receipt of loan is based on a risk analysis which at least includes the following matters:
 - a. purpose of providing or receiving loans;
 - b. assessment of project and/or investment feasibility;
and
 - c. loan repayment ability.
- (5) LPI may provide guarantees to LPI joint venture company to receive loans.
- (6) Further provisions regarding the provision or receipt of loans are regulated by Regulation of the Board of Directors.

Part Three
Principles of Management

Article 40

- (1) Asset management of LPIs carried out based on the principles of good governance, accountability and transparency.
- (2) Provisions regarding the principles of good governance as referred to in section (1) are regulated by Regulation of the Board of Directors.

Part Four
Appointment of Investment Manager

Article 41

- (1) In carrying out asset management, LPI may appoint an Investment Manager to manage investments in accordance with LPI's investment policies and provisions of legislation.
- (2) Provisions regarding the appointment of Investment Manager are regulated by Regulation of Board of Directors.

Part Five
Establishment or Participation
in Investment Fund under Management (Fund)

Article 42

- (1) In carrying out assets management, LPI may invest by way of:
 - a. establishing Investment Funds under Management (Fund); or
 - b. participate in Investment Funds under Management (Fund) established by third parties.
- (2) Investment Funds under Management (Fund) as referred to in section (1) point a may be established independently by LPI or in cooperation with a third party, based on the decision of the Board of Directors.
- (3) The decision to establish an Fund as referred to in section (2) includes but not limited to:

- a. form and objective of establishment, structure;
 - b. management and investment policies;
 - c. capital and paid-up capital;
 - d. number of shares or participation units issued and the return of investment period;
 - e. method of participation in the Investment Fund under Management (Fund) both in the form of cash and non-cash, including capital participation using non-cash assets which is preceded by a fair market assessment of the assets; and
 - f. ownership of the Investment Fund under Management (Fund).
- (4) Investment Fund under Management (Fund) as referred to in section (1) may be in the form of:
- a. joint venture company;
 - b. mutual funds;
 - c. collective investment contract; or
 - d. other forms.
- (5) Legal status of the Investment Fund under Management (Fund) is in the form of an Indonesian legal entity or a foreign legal entity.
- (6) Each Investment Fund under Management (Fund) is managed and has their respective financial independence and is divided into shares or participation units, according to the establishment documents.

Article 43

LPI stores and manages data records for each investment through the Investment Fund under Management (Fund) as referred to in Article 42 section (1), including but not limited to:

- a. name;
- b. form, domicile and jurisdiction of the law governing it;
- c. date and time period;
- d. capital;
- e. distribution of the number of shares, participation units or other forms of participation;
- f. name of the third party as cooperation partner; and/or
- g. name of the manager.

Article 44

- (1) In the event that the management of the Investment Fund under Management (Fund) is in the form of a limited liability company, joint venture company, or similar, LPI may place or appoint LPI representatives as the manager.
- (2) The placement or appointment of LPI representatives as managers in the Investment Fund under Management (Fund) as referred to in section (1) is carried out by the Board of Directors in accordance with the LPI investment policy and refers to the establishment document or articles of association of the Investment Fund under Management (Fund).
- (3) The articles of association of the Investment Fund under Management (Fund) in the form of a limited liability company, joint venture company, or similar as referred to in section (1) are at least include regulations regarding:
 - a. terms of participation and dissolution;
 - b. appointment of management; and
 - c. functions and authorities of the management and their allocation.
- (4) LPI directly or through the management of Investment Fund under Management (Fund) may appoint an Investment Manager to manage their investment in accordance with the investment policy of Investment Fund under Management (Fund).

Article 45

- (1) Establishment documents of Investment Fund under Management (Fund) includes but not limited to:
 - a. authority for the Investment Fund under Management (Fund) to carry out its operational activities by still referring to the provisions of legislation;
 - b. period of establishment;
 - c. form and purpose of establishment;
 - d. investment policies and procedures for investment returns;

- e. provisions and procedures for providing and/or receiving loans by considering risk analysis; and/or
 - f. regulations, procedures for dissolution and liquidation.
- (2) In the event that the Investment Fund under Management (Fund) is carried out together with a third party, in addition to containing the provisions as referred to in section (1) the establishment document also contains provisions regarding the composition of representation of each party in the management of the Investment Fund under Management (Fund).

Article 46

- (1) Assets owned by the Investment Fund under Management (Fund) are evaluated periodically by taking into account asset management activities.
- (2) The results of the asset evaluation as referred to in section (1) are presented in a financial statement in accordance with international accounting standards.

Article 47

- (1) The Board of Directors carry out risk management and investment performance supervision of the Investment Fund under Management (Fund).
- (2) Provisions regarding risk management and investment performance supervision as referred to in section (1) are regulated by Regulation of the Board of Directors.

Article 48

- (1) LPI receives annual report from the Investment Fund under Management (Fund) as referred to in Article 42 section (4) and Article 44 section (1).
- (2) The annual report of Investment Fund under Management (Fund) as referred to in section (1) at least contains financial statement audited by a public accounting firm.

Article 49

Net income of the Investment Fund under Management (Fund) may be reinvested to increase assets in the long term.

Part Six
Utilization of Profits

Article 50

- (1) Profits earned by LPI are used for:
 - a. statutory reserve;
 - b. retained earnings; and
 - c. profit distribution for the government.
- (2) The portion of profit used for statutory reserves as referred to in section (1) point a is at least 10% (ten percent) of the profit.
- (3) The establishment of statutory reserves is carried out until it reaches 50% (fifty percent) of the LPI's capital.
- (4) The portion of profit after provision for statutory reserves is used for retained earnings as referred to in section (1) point b.
- (5) The accumulated retained earnings are invested in accordance with the investment policy.
- (6) In the event that the accumulated retained earnings have exceeded 50% (fifty percent) of LPI's capital, part of the profits may be used as profit distribution for the government as referred to in section (1) point c.
- (7) The profit distribution for the government as referred to in section (6) is no more than 30% (thirty percent) of the profit.
- (8) The profit distribution for the government as referred to in section (7) may exceed 30% (thirty percent) of the profit based on a decision of the Minister of Finance.
- (9) The decision regarding the use of profit as referred to in section (1) is determined by the Board of Supervisors based on a proposal of the Board of Directors.

Part Seven
Loss and Adequacy of LPI's Capital

Article 51

- (1) Board of Directors determines the tolerance limit for LPI investment losses after consulting the Board of Supervisors.

- (2) In the event that the loss tolerance limit as referred to in section (1) has been exceeded, the Board of Directors reports and discuss the measures that must be taken with the Board of Supervisors.
- (3) The joint discussion as referred to in section (2) is conducted no later than 60 (sixty) calendar days from the date of the financial statement.
- (4) The Board of Directors may decide on the use of the statutory reserve to cover losses.
- (5) In the event that LPI records profit, LPI returns the amount of mandatory reserve used to cover losses as referred to in section (4) to the statutory reserve account in accordance with the provisions regarding profit distribution as referred to in Article 50.
- (6) In the event that the accumulated losses of LPI reaches 50% (fifty percent) of the initial capital, the Government may increase LPI's capital.

Part Eight

Audit and Reporting

Article 52

- (1) LPI is obligated to prepare an annual report that ends on 31 December and which also serves as the accountability report of the Board of Directors.
- (2) The annual report as referred to in section (1) consists of activity reports and financial statements.
- (3) The financial statement as referred to in section (2) is audited by a public accounting firm registered with the Audit Board of the Republic of Indonesia and the Financial Services Authority.
- (4) The public accounting firm as referred to in section (3) is appointed by the Board of Directors based on approval of the Board of Supervisors.
- (5) Public accountant from the public accounting firm as referred to in section (4) may be appointed for a maximum of 3 (three) consecutive years, and may be re-appointed only after passing 2 (two) years since the last appointment.

- (6) The audited financial statements is announced not later than 30 April of the following year.
- (7) Further provisions regarding the preparation of the annual report as referred to in section (1) are regulated by Regulation of the Board of Directors.

Article 53

- (1) The annual report as referred to in Article 52 section (1) is signed by all members of the Board of Directors who are in office in the relevant financial year.
- (2) In the event that a member of the Board of Directors does not sign the annual report as referred to in section (1), the relevant member must state the reasons in writing, which are attached to the annual report.
- (3) In the event that there is a member of the Board of Directors who does not sign the annual report as referred to in section (1) and does not provide written reasons as referred to in section (2), the relevant member is deemed to have approved the contents of the annual report.
- (4) The annual report as referred to in Article 52 section (1) is submitted to the Board of Supervisors by the Board of Directors to obtain approval.

Article 54

Board of Supervisors submits an accountability report to the President by attaching the annual report that has been approved by the Board of Supervisors as referred to in Article 53 section (4) not later than 31 May of the following year.

CHAPTER VI

TRANSFER OF ASSETS AND STATE EQUITY PARTICIPATION

Part One

Transfer of Assets

Paragraph 1

General

Article 55

- (1) State assets and SOEs assets may be transferred to LPI.

- (2) The transfer of state assets as referred to in section (1) does not include assets which are:
 - a. management of Important sectors of production and affect the life of the people; and/or
 - b. management of the land, water and natural resources contained therein.
- (3) SOEs assets that are transferred to the LPI as referred to in section (1) may be transferred to the joint venture company established by LPI.
- (4) SOEs assets may be transferred to the joint venture company established by LPI.

Paragraph 2

Transfer of State Assets to LPI

Article 56

- (1) State assets may be transferred to become LPI assets by means of state equity participation.
- (2) The transfer of state assets to become LPI assets by means of state equity participation as referred to in section (1), is recorded in the Financial Report of Central Government as state equity participation in LPI.
- (3) The transfer of state assets by means of state equity participation originating from the conversion of state receivables is recorded in the Financial Report of Central Government as state equity participation in LPI.
- (4) State assets that are transferred to become LPI assets as referred to in section (2) are assets that are not in dispute, and there is no ownership of the special rights of any party unless agreed upon by the rights owner.
- (5) LPI may cooperate with the Central Government to optimize state assets as referred to in Article 55 section (2) through management power and/or other forms of cooperation without transferring assets while still referring to the provisions of legislation.

Paragraph 3
Transfer of SOEs Assets to LPI

Article 57

- (1) SOEs assets may be transferred to become LPI assets by:
 - a. sale and purchase; or
 - b. any other legitimate means.
- (2) SOEs assets that are transferred to become LPI assets as referred to in section (1) are assets that are not in dispute, not under criminal or civil confiscation, and no ownership of the special rights of any party unless agreed upon by the rights owner.

Article 58

- (1) Transfer of SOEs assets to LPI through sale and purchase or other legitimate means is conducted commercially.
- (2) In the transfer of SOEs assets as referred to in section (1), LPI obtains preferential rights.
- (3) Implementation of preferential rights as referred to in section (2) prioritizes the principle of fairness through the fair price valuation of assets.
- (4) Preferential rights as referred to in section (2) may be delegated to the joint venture company as referred to in Article 55 section (3) to carry out the transfer of assets on behalf of LPI, with the approval of LPI.

Paragraph 4
Transfer of SOEs Assets to Joint Venture Company Established
by LPI

Article 59

- (1) SOEs assets may be transferred to become the assets of joint venture company established by LPI through:
 - a. sale and purchase; or
 - b. any other legitimate means.

- (2) SOEs assets that are transferred to become assets of joint venture company as referred to in section (1) are assets that are not in dispute, not under criminal or civil confiscation, and no ownership of the special rights of any party unless agreed upon by the rights owner.

Article 60

- (1) LPI through the established joint venture company may cooperate with private business entities.
- (2) The joint venture company as referred to in section (1) may accept transfer of assets from a private business entity in accordance with the provisions of legislation.
- (3) Transfer of assets as referred to in section (2) may be carried out by:
 - a. sale and purchase; or
 - b. any other legitimate means.

Paragraph 5

Recording and Valuation of Assets

Article 61

- (1) LPI's assets originating from the transfer of state assets or SOEs' assets are recorded in LPI's bookkeeping according to fair value.
- (2) Joint venture company's assets, whether originating from LPI or from the transfer of SOEs' assets, are recorded in the bookkeeping of the joint venture company according to fair value.
- (3) The assets of the private business entity which are transferred to the joint venture company established by LPI are recorded in the bookkeeping of the joint venture company according to fair value.

Paragraph 6
Conversion and Transfer of LPI's Assets

Article 62

- (1) LPI may convert LPI's assets into other forms.
- (2) The conversion of LPI's assets as referred to in section (1) is carried out according to fair value.
- (3) Further provisions regarding the conversion of LPI's assets as referred to in section (1) are regulated with a Regulation of the Board of Directors.

Article 63

- (1) LPI may transfer LPI's assets to other parties.
- (2) The plan for the transfer of LPI's assets to other parties as referred to in section (1) is incorporated in the annual work and budget plan of LPI.
- (3) The transfer of LPI's assets to other parties as referred to in section (1) is carried out according to fair value.
- (4) Further provisions regarding the transfer of LPI's assets to other parties as referred to in section (1) are regulated by a Regulation of the Board of Directors.

Part Two
State Equity Participation

Article 64

The provisions regarding state equity participation in SOEs apply *mutatis mutandis* to state equity participation in LPI.

CHAPTER VII
GOVERNANCE AND POLICIES

Part One
Basic Policies for the Management of Institution

Article 65

- (1) In the management of LPI, the Board of Directors must ensure the implementation of good governance within LPI.

- (2) The implementation of good governance within LPI as referred to in section (1) is regulated under a Regulation of the Board of Directors.
- (3) The Regulation of the Board of Directors as referred to in section (1) at least consists of regulations that regulate the following:
 - a. asset management;
 - b. implementation of risk management;
 - c. compliance;
 - d. human resources;
 - e. finance;
 - f. law;
 - g. information system;
 - h. audit;
 - i. procurement of goods and services.
 - j. work plan; and
 - k. remuneration for the Board of Supervisors and the Board of Directors.
- (4) The Regulation of the Board of Directors as referred to in section (2) is stipulated after being consulted with the Board of Supervisors.

Article 66

- (1) The Board of Supervisors and Board of Directors are entitled to remuneration in accordance with their duties, authority and/or responsibilities.
- (2) The Board of Advisors, members of the secretariat and committee established by the Board of Supervisors and Board of Directors, LPI's employees, and other elements within LPI are entitled to remuneration determined by the Board of Directors.
- (3) Provisions regarding remuneration as referred to in section (2) are regulated by a Regulation of the Board of Directors after being consulted with the Board of Supervisors.

Article 67

LPI ensures that investment policies are implemented with due regard to environmental and social responsibility.

Part Two
Disclosure of Information

Article 68

- (1) LPI discloses data and information in accordance with the provisions of legislation and takes international practices into account.
- (2) Provisions regarding the LPI's data and information disclosure policy as referred to in section (1) are regulated by a Regulation of Board of Directors.

Part Three
Confidentiality

Article 69

- (1) The Board of Supervisors, Board of Directors, LPI's employees, or parties acting for and on behalf of LPI are required to keep the confidentiality of all documents, data and information obtained or generated in the implementation of their duties that must remain confidential based on the provisions of legislation.
- (2) Exempted from the provisions as referred to in section (1) if the Board of Supervisors, Board of Directors, LPI's employees, or parties acting for and on behalf of LPI is required to disclose information based on the provisions of legislation to disclose said information.

Part Four
Conflict of Interest

Article 70

- (1) In the event that members of the Board of Supervisors, Board of Directors, and Board of Advisors have personal interests, either directly or indirectly, which may create a conflict of interest with the object to be decided, the person concerned must disclose the said conflict of interest.

- (2) Members of the Board of Supervisors and Board of Directors as referred to in section (1) are prohibited from voting in decision making.

Part Five

Legal Assistance

Article 71

- (1) LPI provides legal assistance to members of the Board of Supervisors, members of the Board of Directors, employees, former members of the Board of Supervisors, former members of the Board of Directors, and former LPI's employees for criminal prosecution and/or civil lawsuits that may result in liability and/or legal consequences so long as the decision and/or policies taken are carried out in good faith and in accordance with their duties and authority.
- (2) In the event that based on a court decision that has obtained permanent legal force, members of the Board of Supervisors, members of the Board of Directors, employees, former members of the Board of Supervisors, former members of the Board of Directors, and former employees of LPI are required to pay compensation to other parties in connection with the implementation of their duties and authority in LPI, LPI settles the compensation in question as long as:
 - a. the loss is not due to their fault or negligence;
 - b. have carried out management and supervision in good faith and prudence for the interests and in accordance with the objectives of investment;
 - c. do not have a conflict of interest, either directly or indirectly, over the act of LPI's management;
 - d. do not obtain personal gain illegally; and
 - e. have taken measures to prevent the occurrence or continuation of the decline in Investment value in accordance with sound business practices.

- (3) Further provisions regarding legal assistance as referred to in section (1) are regulated by a Regulation of Board of Directors.

CHAPTER VIII BANKRUPTCY

Article 72

- (1) LPI cannot be declared bankrupt, unless it may be proven that LPI is in insolvent condition.
- (2) Proof of insolvent condition as referred to in section (1) is based on insolvency test by an independent institution appointed by the Minister of Finance.
- (3) The costs incurred as a result of the appointment of an independent institution as referred to in section (2) are borne by the bankruptcy applicant.

CHAPTER IX GUIDANCE

Article 73

- (1) Guidance of LPI is carried out by the Minister of Finance.
- (2) Provisions regarding the guidance of LPI as referred to in section (1) are stipulated with a Regulation of the Minister of Finance.

CHAPTER X CLOSING PROVISION

Article 74

LPI (Lembaga Pengelola Investasi) may use the name “Indonesia Investment Authority” which is abbreviated as INA.

Article 75

This Government Regulation comes into force on the date of its promulgation.

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

Issued in Jakarta
on 14 December 2020

PRESIDENT OF THE REPUBLIC OF INDONESIA,

signed

JOKO WIDODO

Promulgated in Jakarta
on 15 December 2020

MINISTER OF LAW AND HUMAN RIGHTS OF THE
REPUBLIC OF INDONESIA,

signed

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2020 NUMBER 286

Jakarta, 20 February 2023

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 AD INTERIM,



DHAHANA PUTRA

ELUCIDATION OF
REGULATION OF THE GOVERNMENT OF THE REPUBLIC OF INDONESIA
NUMBER 74 OF 2020
ON
INDONESIA INVESTMENT AUTHORITY

I. GENERAL

In order to realize the main idea of social justice and one of the national goals of "improving public welfare" as stated in the Preamble to the 1945 Constitution of the Republic of Indonesia, the most important thing that needs to be done is to lay a strong national economic foundation, especially in facing the world economic situation with high dynamics and volatility.

The said strong national economic foundation is the starting point for the realization of the Vision of Indonesia 2045, which is a country with high economic growth and become one of the world's great economic powers. This vision will be achieved with the support of 4 (four) pillars, namely human resource development and mastery of science and technology, sustainable economic development, equitable development, as well as national resilience and governance.

The main pillar of sustainable economic development requires an economic growth target in each year. In order to achieve the said economic growth target, financing is needed that may not be able to be fully covered by the Government. Therefore, investment from the community and the private sector is needed to close the gap between development needs and the government's fiscal capacity.

The government has initiated alternative schemes to encourage public and business entity participation, including through the Public-Private Partnership (*Kerjasama Pemerintah dan Badan Usaha—KPBU*) scheme and other creative financing schemes. However, in practice, these schemes still face many obstacles and challenges that cause these alternative schemes fails to be realized as planned.

SOEs, which has been one of the main backbones of development financing outside the State Budget, also has increasingly limited funding capacity. On the other hand, funding sources from financial sector institutions (bank credit, capital market, and non-bank financial institutions) are also insufficient. The limited fiscal capacity of the Government and the limited funding of SOEs and financial sector institutions indicate that domestic capacity is not sufficient to meet all development financing needs to support economic growth.

With regard to the aforementioned issues, it is necessary to fulfill national development financing that involves foreign investors, particularly through foreign direct investment (FDI). Based on World Bank data, Indonesia's FDI has fluctuated every year, and the amount of Indonesian FDI in the last 5 (five) years tend to be stagnant. In addition, the percentage of Indonesia's FDI to Gross Domestic Product is also far below other ASEAN countries.

The government has made efforts to improve the investment climate and ease of doing business to increase FDI entering Indonesia. In addition, efforts to increase FDI to Indonesia also need to pay attention to the perspectives and appetite of foreign investors. Thus, at this time it is necessary to have an institution that is able to become a strategic partner for these investors, has a strong legal and institutional foundation, as well as applies international practices and standards, and may act as an intermediary for investors in placing investment or FDI in Indonesia.

In line with the aforementioned conditions and challenges, as well as to create the widest possible job opportunities, the Government together with the House of Representatives of the Republic of Indonesia have agreed to establish Law Number 11 of 2020 on Job Creation. The provisions of Article 171 section (3) of the Law delegate the formation of an Indonesia Investment Authority, which in this Regulation of the Government is regulated as a *sui generis* government investment management institution.

The formation of LPI is intended to increase and optimize the investment value that is managed in the long term in order to support sustainable development. To realize these functions and goals, LPI has special characteristics that may make this institution have flexibility and professionalism in increasing investment value, as well as a strategic partner for foreign investors.

In addition to delegating the formation of the LPI, Law Number 11 of 2020 on Job Creation also delegates several provisions that regulates the governance and operationalization of the LPI, namely:

- a. transfer of state assets to the Institution or to a joint venture company established by the Institution (Article 157 section (8));
- b. reserves to cover/bear the risk of loss in investing and/or accumulating capital (Article 158 section (7));
- c. procedures for managing the Institution's assets (Article 159 section (6));
- d. governance of the Institution (Article 164 section (1)); and
- e. selection of members of the Board of Supervisors from professional elements (Article 166 section (10)).

Based on the main points above, the content material which is the scope of the regulation in this Regulation of the Government includes:

- a. LPI's status as an Indonesian Legal Entity which is fully owned by the Government of Indonesia and is responsible to the President. LPI has special authority (*sui generis*) in the context of managing Central Government Investment.
- b. LPI has a two-tier structure consisting of Board of Supervisors and Board of Directors. The Board of Supervisors has the duty to supervise the implementation of LPI by the Board of Directors. One of the main authority of the Board of Supervisors is to appoint and dismiss the Board of Directors.
- c. LPI's capital is set at Rp75,000,000,000,000.00 (seventy-five trillion rupiah) with an initial capital deposit of Rp15,000,000,000,000.00 (fifteen trillion rupiah). Fulfillment of LPI's capital is made in stages until 2021 from state equity participation and/or other sources.
- d. LPI's profit allocation is prioritized for Statutory Reserves and Retained Earnings which can be reinvested. If the accumulated Retained Earnings has accumulated more than 50% (fifty percent) of LPI's capital, LPI's profit can be distributed as a Government Profit Sharing.

- e. State' assets and SOEs' assets can be transferred to LPI. SOEs' assets that are transferred to LPI can be transferred to a joint venture company established by LPI. SOEs' assets can also be transferred directly to the joint venture company established by LPI. In the transfer of SOEs' assets to LPI, LPI obtains preferential rights which can be delegated to the LPI's joint venture company to carry out the transfer of assets on behalf of LPI.
- f. LPI cannot be declared bankrupt unless it can be proven that LPI is in an insolvent condition through insolvency test by an independent institution appointed by the Minister of Finance.
- g. Referring to the elucidation of Article 165 section (1) of Law Number 11 of 2020 on Job Creation, LPI can be referred to by other names such as Indonesian Sovereign Wealth Fund or Indonesia Investment Authority. In this Regulation of the Government, LPI uses the name Indonesia Investment Authority, which is abbreviated as INA.

The LPI regulation in this Regulation of the Government is intended to provide an adequate legal basis for the LPI to be able to carry out its function as an executor of Central Government investment effectively so as to increase investment value and attract direct investment from outside the country to Indonesia and from domestic investors significantly.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

Sufficiently clear.

Article 3

Section (1)

Point a

Sufficiently clear.

Point b

The term "other sources" includes capitalization of reserves, accumulated retained earnings, profits on asset revaluation.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Article 4

Sufficiently clear.

Article 5

Sufficiently clear.

Article 6

Sufficiently clear.

Article 7

Section (1)

Point a

Sufficiently clear.

Point b

The term "asset management activities" includes the activities of acquisition, management, restructuring of companies (shares) and fixed assets, divestments, which are carried out directly or indirectly, either individually, in collaboration with third parties or through the establishment of a special entity which are either in the form of an Indonesian legal entity or a foreign legal entity.

Point c

In cooperating with trust fund entities, settlor must grant power of attorney to the trust fund entity in order to carry out investment management with LPI.

Point d

The determination of prospective investment partners is carried out by directly appointing investment partners by taking into account, among other things, international business practices, while maintaining good governance.

The criteria for prospective investment partners who may be appointed directly are, among other things, having a good

reputation, having the financial capacity to support their investment commitments, and/or having expertise in the investment sector to be cooperated.

Point e

LPI may receive loans from, among other things, the Government in accordance with the provisions of legislation.

Point f

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Article 8

Sufficiently clear.

Article 9

Sufficiently clear.

Article 10

Sufficiently clear.

Article 11

Sufficiently clear.

Article 12

Sufficiently clear.

Article 13

Sufficiently clear.

Article 14

Sufficiently clear.

Article 15

Sufficiently clear.

Article 16

Sufficiently clear.

Article 17

Sufficiently clear.

Article 18

Sufficiently clear.

Article 19

Sufficiently clear.

Article 20

Sufficiently clear.

Article 21

Sufficiently clear.

Article 22

Sufficiently clear.

Article 23

Sufficiently clear.

Article 24

Sufficiently clear.

Article 25

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

Sufficiently clear.

Section (6)

Sufficiently clear.

Section (7)

Sufficiently clear.

Section (8)

The subject matters regulated under a Regulation of the Board of Supervisors are, among other things, regarding meeting participants, meeting notifications, technical aspects for the organization of meetings, and meeting materials.

Article 26

Sufficiently clear.

Article 27

Sufficiently clear.

Article 28

Section (1)

Sufficiently clear.

Section (2)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The term "management contract" means the contract made between the Board of Directors and the Board of Supervisors.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Point h

Sufficiently clear.

Point i

Sufficiently clear.

Point j

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

The temporary suspension is carried out, among other things, due to members of the Board of Directors are currently being examined by the LPI's ethics committee.

Section (5)

Sufficiently clear.

Section (6)

Sufficiently clear.

Section (7)

Sufficiently clear.

Article 29

Sufficiently clear.

Article 30

Section (1)

Sufficiently clear.

Section (2)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

The party (ies) representing LPI in and out of court are the Chairman of the Board of Directors and/or 2 (two) Members of the Board of Directors.

Section (3)

Sufficiently clear.

Article 31

Sufficiently clear.

Article 32

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

The subject matters stipulated by a decision of the Board of Directors includes, among other things, the authority and work policies of the committee.

Section (4)

Sufficiently clear.

Section (5)

Sufficiently clear.

Section (6)

Sufficiently clear.

Article 33

Sufficiently clear.

Article 34

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

Sufficiently clear.

Section (6)

Sufficiently clear.

Section (7)

Sufficiently clear.

Section (8)

Sufficiently clear.

Section (9)

Sufficiently clear.

Section (10)

Sufficiently clear.

Section (11)

Sufficiently clear.

Section (12)

Sufficiently clear.

Section (13)

The subject matters stipulated under a Regulation of the Board of Directors include, among other things, parties who may participate, notifications, technical aspects of the organization, decision-making mechanisms and meeting materials.

Article 35

The term "conflict of interest" means the difference between the economic interests of LPI and the personal economic interests of the members of the Board of Directors which may harm LPI and/or benefit the members of the Board of Directors.

Article 36

Sufficiently clear.

Article 37

Section (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

The term "other legitimate sources" includes assets obtained from debts, loans, bonds and other credit facilities.

Section (2)

Sufficiently clear.

Article 38

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

LPI becomes the main determinant in decision making if it has majority participation or based on a shareholder agreement.

Section (6)

The transfer of LPI's assets to be made into equity participation is carried out by taking into account the objectives of transfer, valuation of assets, internationally accepted business practices, and sound business principles.

Article 39

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

Sufficiently clear.

Section (6)

The subject matters regulated under a Regulation of Board of Directors include the processing procedure and internal approval limits for LPI.

Each application for approval for a loan will be based on a recommendation from LPI's organ in charge of the process of granting or receiving loans by providing the necessary information and analysis.

Article 40

Section (1)

The principle of "good governance, accountability and transparency" means that asset management by LPI is also carried out with the principles of independence, fairness and accountability.

Section (2)

Sufficiently clear.

Article 41

Sufficiently clear.

Article 42

Section (1)

Sufficiently clear.

Section (2)

The decision of the Board of Directors regarding the establishment of Investment Funds under Management (Fund) is based on the analysis and recommendation of the Investment committee in accordance with LPI's investment policy.

Section (3)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Considerations regarding ownership of the Investment Funds under Management (Fund) of LPI or LPI's participation include the form of ownership (single or jointly with a third party), procedures and arrangements for third party financial contributions to the Investment Funds under Management (Fund).

Section (4)

Sufficiently clear.

Section (5)

Sufficiently clear.

Section (6)

Sufficiently clear.

Article 43

Point a

Sufficiently clear.

Point b

The Investment Funds under Management (Fund) may be in the form of an Indonesian legal entity as well as a foreign legal entity. For Investment Funds under Management in the form of a foreign legal entity, the regulation follows the provisions of the legal jurisdiction where the said fund is established.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Article 44

Section (1)

The term “similar” may be in the form of a limited liability company in the form of a foreign incorporated entity, for example, limited liability company, public limited company.

The term “managers” means commissioners, directors, and similar in accordance with the legal jurisdiction of the establishment.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Article 45

Sufficiently clear.

Article 46

Sufficiently clear.

Article 47

Sufficiently clear.

Article 48

Sufficiently clear.

Article 49

Sufficiently clear.

Article 50

Sufficiently clear.

Article 51

Section (1)

Sufficiently clear.

Section (2)

The Board of Directors submits an action plan to the Board of Supervisors regarding a complete explanation relating to the proposed procedure to be implemented, the expected timeframe and the financial impact of its implementation including financial, operational, investment plans and cash flow projections generated from the implementation of the plan for at least a period of 1 (one) year.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

Sufficiently clear.

Section (6)

Sufficiently clear.

Article 52

Section (1)

Sufficiently clear.

Section (2)

The financial statements include a financial position report, income report, cash flow report, a report on changes in capital, and an explanation of the financial report including net asset value.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

Sufficiently clear.

Section (6)

Sufficiently clear.

Section (7)

Sufficiently clear.

Article 53

Sufficiently clear.

Article 54

Sufficiently clear.

Article 55

Sufficiently clear.

Article 56

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

The term "management power" includes transfer of management of the cooperation contract to LPI, cooperation in the utilization of State-Owned Assets.

Article 57

Section (1)

Point a

The transfer of SOEs' assets is stipulated in the General Meeting of Shareholders (GMS) for State-Owned Limited Liability Companies (Persero) or stipulated by the Minister of SOEs for Public Corporations (Perum) or carried out in accordance with the provisions in the articles of association of state-owned limited liability companies and public corporations.

Point b

Sufficiently clear

Section (2)

Sufficiently clear.

Article 58

Section (1)

Sufficiently clear.

Section (2)

The term "preferential right" means that LPI obtains priority from SOEs in the case of transfer of SOEs' assets.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Article 59

Sufficiently clear.

Article 60

Sufficiently clear.

Article 61

Sufficiently clear.

Article 62

Section (1)

The term "conversion" includes those from shares to cash, from cash to debt securities, as well as other forms.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Article 63

Sufficiently clear.

Article 64

Sufficiently clear

Article 65

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Point a

The subject matters regulated under Regulations of the Board of Directors include the areas, terms and conditions for investing in LPI's assets, valuation of invested assets, conversion and/or release of assets for investment purposes, the evaluation process for securities and financial instruments, cash assets, securities contracts, shares owned by subsidiaries and funds, investment funds, concession agreement and other LPI's assets.

Point b

The subject matters regulated under Regulations of the Board of Directors include the identification of types, monitoring, reporting and risk mitigation.

Point c

The subject matters regulated under Regulations of the Board of Directors include Board of Directors decision-making governance, standard operating procedures, whistle blowing system, code of ethics for the Board of Directors and its employees.

Point d

The subject matters regulated under Regulations of the Board of Directors include the rights and obligations of employees, organizational structure and improvement of employees' competencies.

Point e

The subject matters regulated under Regulations of the Board of Directors includes the recording and administration of assets, and LPI's obligation.

Point f

The subject matters regulated under Regulations of the Board of Directors include legal services, drafting of regulations, determination of policies, formulation of agreements, implementation of legal reviews on decisions of the Board of Directors, and litigation.

Point g

The subject matters regulated under Regulations of the Board of Directors include the information technology infrastructure, data and information security and business continuity plans.

Point h

The subject matters regulated under Regulations of the Board of Directors include regulatings the guidelines and implementation of audit.

Point i

The subject matters regulated under Regulations of the Board of Directors include vendor management, the flow of goods and services procurement process and the decision-making officials.

Point j

The subject matters regulated under Regulations of the Board of Directors iclude, regulating the procedures for the formulation, approval and changes in work plans.

Point k

The subject matters regulated under Regulations of the Board of Directors include the types of, calculation mechanism for, composition of amount of, and payment system for remuneration.

Section (4)

Sufficiently clear.

Article 66

Sufficiently clear

Article 67

Sufficiently clear

Article 68

Section (1)

The term “the provisions of legislation” means laws or those equal to laws.

Section (2)

Sufficiently clear.

Article 69

Sufficiently clear.

Article 70

Sufficiently clear.

Article 71

Sufficiently clear.

Article 72

Section (1)

This section implies that in the event that a party wishes to file an application for bankruptcy against LPI, the applicant must first be able to prove that LPI is in an insolvency condition.

Proof of insolvency includes proof where there is a condition that the total amount of LPI's assets is not sufficient to pay off all of its debts.

Section (2)

The Minister of Finance in this case acts as the State General Treasurer.

Section (3)

Sufficiently clear.

Article 73

Sufficiently clear.

Article 74

Sufficiently clear.

Article 75

Sufficiently clear.