

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

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

GENERAL

- I. Improvement of the welfare of all people as mandated by the Preamble of the 1945 Constitution and as further elaborated by Article 33 of the 1945 Constitution constitutes the constitutional duty of all components of the nation. In relation to the above, it is deemed necessary to enhance the possession over all national economic powers either through sectoral regulation or state ownership on certain business units by means to give expediency as much as possible for the prosperity of the people.
State-Owned Enterprises (SOEs) which entire or most of their capital is derived from the restricted state assets constitutes one of the economic actors in the national economic system, in addition to private entities and cooperatives. In the performance of their business activities, SOEs, private entities, and cooperatives play the role which mutually support pursuant to economic democracy.
- II. In the national economic system, SOEs also contribute to the production of goods and/or services required in order to actualize prosperity of the people as much as possible. The role of SOEs is deemed to be more important as leader and/or pioneer in business sectors which private business has lack of interest. In addition, SOEs also have a strategic role as public service obligation performer, balancer of large private business powers, and contribute to the development of small-scale business/cooperatives. SOEs are also one of the significant sources of government revenues through various taxes, dividends, and privatization proceeds.

The performance of such role of SOEs is actualized in the business activities of almost all of economic sectors, such as sectors of agriculture, fisheries, plantation, forestry, manufacture, mining, finance, post and telecommunications, transportation, electricity, industry and trade as well as construction.

- III. In fact, although SOEs have achieved the initial objective as agents of development and motivators of the creation of corporations, however such objectives are achieved at a relatively high cost. The corporate performance is deemed to be insufficient, as demonstrated by the low profits obtain in comparison to the invested capital. Due to various obstructions, SOEs have not yet fully provide high-quality goods and/or services for the public at affordable prices and less competitive in global business competition. In addition, due to lack of resources, the function of SOEs, either as leader/pioneer or as balancer of power of large private business powers, also not yet fully actualized.

On the other hand, the world economic development has been running very dynamically, especially in relation to trade liberalization and globalization which have been agreed by the international world such as agreements regarding World Trade Organization (WTO), ASEAN Free Trade Area (AFTA), ASEAN Framework Agreement on Service, and Asia-Pacific Economic Cooperation (APEC).

- IV. In order to optimize their role and to enable survival of its existence in the world economic development which is more open and competitive, SOEs need to grow corporate culture and professionalism among others through the reorganization of their management and supervision. The management and supervision of SOEs must be performed under the principles of good corporate governance.

Enhancement of efficiency and productivity of SOEs must be performed through restructuring and privatization steps. Sectoral restructuring is performed to create a conducive business climate in order to achieve efficiency and optimal service.

While corporate restructuring which include reorganization of forms of entities, business activities, organization, management, and finance. Privatization is not solely meant as the sale of company, instead to be the tool and method to reorganize SOEs to achieve several targets at once, including to enhance corporate performance and added value, improved financial and management structure, the creation of sound and

competitive industrial structure, empowerment of SOEs which able to compete and global oriented, dissemination of public ownership as well as development of domestic capital market. By the performance of Privatization of SOEs, it does not mean the state control or sovereignty of the state on the respective SOEs become less or gone because of matters as stated above, the state continues to perform the function of control through sectoral regulation where the privatized SOEs perform their business activities.

The importance of sustainable organization of the role of SOEs in the national economic system, especially efforts to enhance corporate performance and value, has been also mandated by the People's Consultative Assembly through Decision Number IV/MPR/1999 on Major Guidelines of State Policy 1999- 2004. The decision has set the line whereas SOEs, particularly those engaged in the public interest, is required to be continuously organized and solvent through restructuring and for SOEs which business is not related to the public interest and existed in the sector which has become competitive are encouraged to be privatized.

- V. Organization of the management and supervision system of SOEs has been performed by the government in the past and expected to be sustainable. One of the steps that has been taken is the organization of the legislation which govern SOEs. In 1960 Law Number 19 Prp. of 1960 has been issued with the objective to establish the uniformity of the management and control as well as legal forms of the existing state enterprises. In 1969 Law Number 9 of 1969 was enacted. The Law simplifies the forms of SOEs into three forms of state enterprises, i.e., Service Company (*Perjan*) that is fully subject to the provisions of *Indonesische Bedrijvenwet* (State Gazette of 1927 : 419), (Public Corporation) *Perum* which is fully subject to the stipulations of Law Number 19 Prp. of 1960, and (State-Owned Limited Liability Company) *Persero* which is fully subject to the Commercial Code (State Gazette of 1847 : 23), especially articles which govern limited liability companies which at present has been replaced by Law Number 1 of year 1995 on Limited Liability Companies. In line with the mandate of Law Number 9 of 1969, the Government composed the guidelines of the governance of SOEs which provide in detail matters in connection with the mechanism of governance, management, and supervision as contained in Government Regulation Number 3 of 1983, as then revised by Government

Regulation Number 12 of 1998 on State-Owned Limited Liability Companies (PERSERO), Government Regulation Number 13 of 1998 on Public Corporation (PERUM), and Government Regulation Number 6 of 2000 on Service Enterprises (PERJAN). Those various Government Regulations provide a more definite direction regarding the system which adopted in the effort to enhance the performance of SOEs, that is through the application of corporate mechanism which performed clearly and expressly in the management of SOEs.

However, the existing various legislation have set out strong legal fundamentals in the development of state enterprises to keep in line of the development of the corporation world, as well as privatization efforts and the actualization of the principles of good corporate governance.

- VI. Pursuant to the foregoing facts and with due regard to mandate of the Decision of the People's Consultative Assembly Number IV/MPR/1999, therefore it is deemed necessary to determine a new Law which governs SOEs more comprehensively and in accordance with the development of business world.

The Law is intended to fulfill the visions of future development of SOEs and to set out fundamentals or principles of good corporate governance. Application of those principles is very important in performing management and supervision of SOEs. Experience has proven that the economic downturn in several countries including Indonesia among others is caused by companies in those countries is not performing the principles of good corporate governance consistently.

Law on SOEs is designed to create management and supervision system under the principles of efficiency and productivity for improvement of the performance and value of SOEs as well as to prevent SOEs from actions of exploitation other than the principles of good corporate governance. This Law is also designed to organize and affirm the role of the institution and position of government representatives as shareholders/owner of the capital in SOEs as well as to affirm and clarify the relation between SOEs as business operators and government institution as the regulator.

In addition, this Law also governs the stipulations on restructuring and privatization as tools and methods to re-organize SOEs in order to achieve their goals as well as other important issues which are supportive and able to be the fundamental on efforts to solvent SOEs.

Specifically concerning the privatization program, This law affirm whereas privatization may only be conducted by an SOE in the form of Persero to the extent that it is permitted by the legislation on business sector in which the Persero is engaged. SOEs in the form of Persero may be privatized because not only permitted by the stipulations of capital markets also because in general only SOEs in the form of Persero which has been engaged in the competitive sector. Privatization always considers the public service.

- VII. With due regard to the nature of business of SOEs, that is to gain profits and perform public service, in this Law SOE is simplified into two forms, those are State-Owned Limited Liability Company (Persero), which purpose is to gain profits and fully subject to the provisions of Law Number 1 of 1995 on Limited Liability Companies and Public Corporation (Perum) which is formed by the government to perform business as the implementation of the obligations of the government in order to provide certain goods and services fulfill the public needs. For the form of business as Perum, although its existence is to perform public service, nevertheless as an enterprise it is endeavored to remain independent and therefore Perum must also be endeavored to gain profit for its continuance.

VIII. ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

Section (1)

Point a

SOEs are expected to enhance their service quality for the public and at the same time contribute in the enhancement of national economic growth and support the state finance revenues.

Point b

Notwithstanding the purposes and objectives of Persero is to gain profit, however, in certain cases with respect to public service obligation, Persero may be assigned with specific duties with due regard to the principles of good corporate

governance. Therefore, assignment by the government must be accompanied with compensation pursuant to business or commercial calculation, while Perum which objective is to provide goods and services for public interest, in the performance must consider the principles of good corporate governance.

Point c

Under these purposes and objectives, any proceeds of SOEs, either goods or services, must fulfill the public needs.

Point d

Pioneering activities constitute a business activity to provide goods and/or services which are needed by the public, however such activities are not yet able to be performed by private and cooperative because of commercially not profitable. Therefore, such activities may be performed through assigning SOEs.

In terms of urgent public needs, the government may also assign an SOE which have the function of public service to perform partnership program with entrepreneurs of low economic group.

Point e

Sufficiently clear.

Section (2)

Sufficiently clear.

Article 3

The term “other legislation” means provisions of Law Number 1 of 1995 including its amendments if any and its implementing regulations and sectoral legislation which govern the business of SOEs and private which issued by department/non-department institutions.

Article 4

Section (1)

The term “restricted” means the restriction of state finance from the State Budget to be used for capital participation of the state in SOEs, and further the governance and management are no

longer based on the State Budget system, however the governance and management are based on the principles of good corporate governance.

Section (2)

Point a

The State Budget also includes projects which funded by State Budget-funded projects and managed by SOEs and/or state receivables in the which are used as state equity participation.

Point b

The term “capitalization of reserves” means addition to the paid-up capital deriving from the reserves.

Point c

The term “other sources” means, among others, asset revaluation proceeds.

Section (3)

Restriction of the state assets to be used for the state equity participation in an SOE may only be conducted by direct participation of the state in the capital of the SOE, so each participation requires to be determined by a Government Regulation.

Section (4)

To monitor and organize state finance which are invested in SOEs and limited liability companies including addition and reduction of the state assets as well as the change of state ownership structure as a result of transfer of state-owned shares or issuance of new shares that are not subscribed by the state, requires to be determined a by Government Regulation.

Section (5)

Addition to the participation deriving from capitalization of reserves and other sources is sufficient by Resolution of the GMS/Minister and is reported to the Minister of Finance because in principle those state assets have been restricted from the State Budget.

Section (6)

The Government Regulation governs, among others, the mechanism of relation between the Minister and the Minister of

Finance as well as the Technical Ministers in accordance with their respective positions and functions, that are the Minister of Finance as manager of the state finance, the Minister whom appointed to represent the government as shareholder, and the Technical Ministers as regulators.

Article 5

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

The Board of Directors in their capacity as an organ of SOEs which assigned to perform the management is subject to all regulations applicable to SOEs and remain to the application of the principles of good corporate governance which include:

- a) transparency, that is the openness in decision-making process and openness in disclosure of material and relevant information concerning the company;
- b) independence, that is a condition in which a company is managed professionally without any conflict of interest and influences/pressures from any party whatsoever which are not in accordance with the legislation and the principles of good corporate governance;
- c) accountability, that is the clearness of functions, performance and of the Organs with respect to the effective management of the company;
- d) responsibility, that is the consistency of the corporate management with legislation and the principles of good corporate governance.
- e) fairness, that is, the reasonableness of the corporate management against the legislation and the principles of good corporate governance.

Article 6

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

See the elucidation of Article 5 Section (3).

Article 7

Taking personal benefit means to abuse his/her authority as a member of the Board of Directors or the Board of Commissioners or the Board of Supervisors of SOEs for the interest of his/her own, group, or class.

Article 8

Section (1)

Which intended by this provision is to prevent any conflict of interest arising among members of the Board of Directors or the Board of Commissioners or the Board of Supervisors of the SOEs they manage/supervise.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Article 9

Sufficiently clear.

Article 10

Section (1)

Assessment as referred to in this section is to determine whether or not the Persero is feasible for establishment through an assessment on the business plan and ability to be independent as well as to develop the business in the future. Assessment in this matter involves the Technical Ministers to the extent that sectoral policy is concerned.

Section (2)

Establishment of the Persero is conducted by the Minister in consideration that the Minister is the representative of the state as shareholder of the Persero by reference to the legislation.

Article 11

In consideration that Persero is basically a limited liability company, all the provisions of Law Number 1 of 1995 on Limited Liability Companies, including its implementing regulations are also applicable to Persero.

Article 12

A Persero as one of the national economic actors is demanded to meet the market demands through the provision of high-quality and highly competitive goods and/or services in both domestic and international markets. Therefore, it may increase the profits and value of the respective Persero and therefore will give optimal service to the relevant parties.

Article 13

Sufficiently clear.

Article 14

Section (1)

For Persero which entire equity (100%) is owned by the state, the Minister designated to represent the state as shareholder in any written resolution concerning Persero constitutes a resolution of the GMS. For Persero and a limited liability company which shares owned by the state are less than 100% (one hundred percent), the Minister has the capacity as shareholder and his/her resolution is made together with other shareholders in the GMS.

Section (2)

The term "individual" means a person who holds a position ranked under the Minister who technically has the duty to assist the Minister as shareholder of the respective Persero. However, if deemed necessary, it is possible to authorize a legal entity in accordance with the legislation.

Section (3)

Although the position of the Minister as government representative has been delegated to an individual or legal entity to represent him/her in GMS, for certain matters, the authorized

party is obligated to first obtain approval of the Minister before such matters are resolved in GMS. This matter requires prior approval from the Minister due to its strategic characteristics for the continuance of Persero.

Article 15

Section (1)

Sufficiently clear.

Section (2)

In his/her position as GMS, his/her appointment and dismissal by Ministerial Decision is sufficient. Such Ministerial Decision has the same force of law as the resolution validly made by the GMS.

Article 16

Section (1)

Sufficiently clear.

Section (2)

In consideration to the position of the Board of Directors as an organ of a Persero is strategic in the management of the company in order to achieve the purposes and objectives of the company, to fill the position requires a prospective member of the Board of Directors having expertise, integrity, honesty, leadership, experience, good behavior, and high dedication as well as vision of the company development.

In order to obtain the best prospective member of the Board of Directors, it is required to make a selection through a fit and proper test that is administered transparently, professionally, independently, and accountably.

The fit and proper test is administered by a team which appointed by the Minister as GMS in terms of all shares are owned by the state, and appointed by the Minister as shareholder in terms of shares are partially owned by the state, specifically for Board of Directors representing the elements of the government.

Members of the team as appointed by the Minister must meet the criteria of, among others, professionalism, comprehension of the

management and business of the respective SOEs, not having conflict of interest with the respective prospective member of the Board of Directors; and have a high integrity and dedication. The Minister may also appoint an independent professional institution to administer a fit and proper test to the prospective member of the Board of Directors of the Persero.

Section (3)

The term “management contract” means a statement of corporate intent (SCI) which, among others, contains promises or statements of the Board of Directors to meet all targets determined by the shareholders. The management contract is subject to renewal every year to be adjusted with the condition and development of the company.

Section (4)

Member of the Board of Directors who has completed his or her term of office may be taken into consideration for re-appointment under the performance assessment of the previous term.

Section (5)

Sufficiently clear.

Article 17

The term “dismissal at any time” means the dismissal before his or her term of office expires. Such dismissal is conducted if the Board of Directors, among others, fail to fulfil their obligations that have been agreed in the management contract, fail to perform their duties properly, violate the provisions of the articles of association and/or legislation; is declared guilty by a court decision that has permanent legal force, passed away, and resignation.

Article 18

Sufficiently clear.

Article 19

Sufficiently clear.

Article 20

A corporate secretary functions to ensure that the Persero is in compliance with the regulations on requirements for transparency in line with the application of the principles of good corporate governance, provide information to the Board of Directors and the Board of Commissioners periodically, if requested. A corporate secretary must meet the qualifications of adequate professionalism. A corporate secretary is appointed and dismissed by the Board of Directors and responsible to the Board of Directors.

Article 21

Section (1)

A draft long-term plan contains, among others:

- a. evaluation of the implementation of the previous long-term plan;
- b. current position of the company;
- c. assumptions that are made in the arrangement;
- d. determination of mission, targets, strategy, policy, and work program of the long-term plan.

Section (2)

The Board of Commissioners, before signing the draft long-term plan as delivered by the Board of Directors, is obligated to discuss it with the Board of Directors.

Upon the joint signing, all members of the Board of Directors and the Board of Commissioners are responsible for the contents of the respective draft long-term plans.

Article 22

Section (1)

A draft work plan and budget of the company contains, among others:

- a. the mission of the Persero, business targets, business strategy, policy of the company, and work/activity programs;
- b. the budget of the company detailed into every budget for work/activity programs;
- c. the financial projections of the Persero and its subsidiaries;
- d. other matters that require a resolution of GMS.

Section (2)

As a work plan and budget is ratified by GMS, any amendments thereof must also be ratified by GMS, except provided otherwise by a resolution of GMS concerning ratification of the work plan and budget of the company.

Article 23

Section (1)

An annual report contains, among others:

- a. Annual statements which consist of end of year balance sheet of proceeding year and profit/loss statement of the same proceeding year as well as the explanations of those documents;
- b. The consolidated balance sheet of the company of the same group, in addition to the respective balance sheet of each company of the same group;
- c. The report on the condition and operation of the company and the result which has been achieved;
- d. The main business activity of the company and changes during the relevant financial year;
- e. The details of issues arise during the financial year which affected the activities of the company;
- f. The names of members of the Board of Directors and the Board of Commissioners; and
- g. The salaries and other benefits of the members of the Board of Directors and honorarium as well as other benefits of the members of the Board of Commissioners.

Section (2)

The Board of Commissioners prior to signing the annual report submitted by the Board of Directors, must discuss it together with the Board of Directors. Upon the joint signing, all members of the Board of Directors and the Board of Commissioners are responsible for the contents of the annual report.

Section (3)

The reasons of the members of the Board of Directors not signing must be explained in writing to GMS so that GMS may use it as one of the considerations in the assessment of the report.

Article 24

In addition to organizing a long-term plan, work plan and budget, annual report, and annual statements, the Ministerial Decision govern, among others, the solvency level of the Persero.

Article 25

Prohibition from holding concurrent position is intended to allow the members of the Board of Directors to fully devote their energy and ideas and/or attention to the duties, obligations and achievement of the objectives of the Persero and prevent a conflict of interest from arising.

Article 26

The term “minutes of meeting” in this article means the minutes of meeting of the Board of Directors, the Board of Commissioners, and GMS. The Board of Directors is required to maintain the minutes of meetings because it constitutes a formal documents that contain matters discussed and resolved in the meeting and constitutes any evidence which become the background any action is taken, either by the Board of Directors, the Board of Commissioners, or shareholders in the management of the company. Bookkeeping of the Persero is prepared pursuant to the financial accounting standards which reflect the prevailing accounting principles.

Any change either caused by transactions or other events which occur in the Persero and affecting the asset, liabilities, capital, expenses, and income must be booked under an accountable accounting system and performed under the principles of internal control, especially restriction of functions in the management, recording, storage, and supervision.

Article 27

Section (1)

Sufficiently clear.

Section (2)

See elucidation of Article 15 section (2).

Article 28

Section (1)

Sufficiently clear.

Section (2)

The term “taking actions independently” means whereas the Board of Commissioners may not have an interest that may affect their ability in the performance of their duties independently and critical on relation with one another and the Board of Directors.

Section (3)

See elucidation of Article 16 section (4).

Section (4).

Sufficiently clear.

Section (5)

Appointment of member of the Board of Commissioners which is not at the same time with the Board of Directors is intended to prevent a vacant position if the term of office of the members of the Board of Commissioners and the Board of Directors has expired, except for initial appointment at the time of establishment of a Persero.

Article 29

See elucidation of Article 17.

Article 30

Sufficiently clear.

Article 31

The Board of Commissioners in performing its duties is obligated to:

- a. give advices and recommendations to GMS regarding work plan and budget of the company as proposed by the Board of Directors;
- b. follow the development of Persero’s business, to give advices and recommendations to GMS concerning any issues deemed important for the management of the Persero;
- c. promptly report to the shareholders if there is any occurrence of degradation of performance of the Persero;

- d. give advice to the Board of Directors in the performance of the management of the Persero;
- e. perform other supervisory duties as determined by the articles of association of the Persero and/or by the resolution of GMS. In addition, for the Board of Commissioners to be able to perform their duties properly in accordance with their duties and functions, the Board of Commissioners have the following authority:
 - a. inspect books, letters,; as well as other documents, examine cash position for verification purposes and other securities and examine the assets of the Company;
 - b. enter into premises, buildings, and offices which are used by Persero;
 - c. request for explanations from the Board of Directors and/or other officials with regard to all issues relating to the management of Persero;
 - d. request the Board of Directors and/or other officials, by acknowledgement of the Board of Directors, to attend the meetings of the Board of Commissioners;
 - e. attend the meetings of the Board of Directors and give advices on matters discussed;
 - f. suspend the Board of Directors by stating the reasons;
 - g. other authority which are deemed necessary as governed by the articles of association of the Persero.

Article 32

Section (1)

Sufficiently clear.

Section (2)

This provision grants an authorization to the Board of Commissioners to perform the management of Persero which actually may only be performed by the Board of Directors in terms of the Board of Directors is unavailable. If the Board of Directors is available, the Board of Commissioners may only perform certain actions as determined by GMS in the articles of association and legislation.

Article 33

Prohibition on holding concurrent position is intended for the member of the Board of Commissioners to fully devote his/her energy and ideas and/or attention on duties, obligations, and achievement of the objectives of the Persero as well as to prevent a conflict of interest from arising.

Article 34

Sufficiently clear.

Article 35

Section (1)

Establishment of Perum must meet the following criteria, among others:

- a. the business field or its activities are associated with the interest of many people;
- b. not solely established to gain profit (cost effectiveness/cost recovery);
- c. pursuant to an assessment has meet the economic condition which necessary for the establishment of an enterprise (independent).

Proposal for establishment of Perum to the President by the Minister may be conducted at the initiative of the Minister and may also at the initiative of the Technical Ministers and/or the Minister of Finance to the extent that it meets the aforesaid criteria.

See also elucidation of Article 10 section (1).

Section (2)

This Government Regulation contains, among others:

- a. determination of establishment of Perum;
- b. determination on amount of restricted state assets;
- c. articles of association;
- d. appointment of Minister as representative of the Government as the owner of the capital.

Section (3)

This Government Regulation, among others, governs the relation between the Minister, the Minister of Finance, and the Technical

Ministers with respect to the establishment, governance, management, and supervision of Perum.

Article 36

Section (1)

Perum differs from Persero because of their nature of business. Perum in the conduct of its business emphasizes on public service through the provision of either service or goods and services. However, as an entity it is endeavored to remain independent, and therefore, Perum needs to gain profit for its continuance.

Section (2)

The term “equity participation” in this section means direct participation of Perum in the share ownership in an entity in the form of a limited liability company, whether the existing or to be established.

Article 37

The Minister has the position as an organ with the highest authority in a Perum having all authority which are not delegated to the Board of Directors or the Board of Supervisors within limits as determined by this Law and/or Government Regulation on its Establishment.

Article 38

The Minister as the representative of the government and as the owner of the capital of Perum determines the development policy of Perum which objective is to set directions in achieving the objectives of the company that involves the policy on investment, business financing, sources of financing, use of proceeds of the company, and other development policy. In view of the Board of Supervisors will be supervising the implementation of the policy, proposal of the Board of Directors to the Minister must obtain prior approval from the Board of Supervisors.

The Minister has very high interest in the state capital invested in Perum to be developed. Accordingly, issues on investment, financing and use of business proceeds of Perum should be clearly directed through the development policy of the company. In order to grant

approval on the proposal of the Board of Directors, the Minister may hold a discussion at any time with the Technical Minister to discuss matters which related to sectoral policy.

Article 39

In view of capital of Perum is basically constitutes restricted state assets, the owner of the capital only be responsible up to the value of participation paid up and exclude the state assets other than such capital. If any actions other than the corporate mechanism occurred as governed by this article, such limited responsibility ceases.

Article 40

The Ministerial Decision governs, among others, actions of the Board of Directors which require approval of the Board of Supervisors and/or approval of the Minister, which includes, among others, approval for:

- a. loan withdrawal;
- b. loan granting;
- c. release of assets;
- d. write offs of bad debts and provision of goods.

Article 41

Section (1)

Government Regulation on Establishment of Perum, in addition to determination of establishment of Perum, at the same time also provides a decision to perform state equity participation in Perum and the articles of association of the respective Perum.

The articles of association of a Perum contain, among others:

- a. name and domicile of Perum;
- b. purposes and objectives of business of Perum;
- c. period of existence of Perum;
- d. composition and numbers of member of the Board of Directors and numbers of the member of the Board of Supervisors; and
- e. determination of the procedures for holding a meeting of the Board of Directors, meeting of the Board of Supervisors, meeting of the Board of Directors and/or the Board of Supervisors with the Minister and the Technical Ministers.

Section (2)

Since the Government Regulation on Establishment of Perum also contains the articles of association of Perum, any amendments to the articles of association of Perum are governed by Government Regulation.

Section (3)

Sufficiently clear.

Article 42

Sufficiently clear.

Article 43

Pursuant to this provision, the Minister may determine either partial or all of the net profits will be used for distribution of dividends to the owner of the capital , or other distribution, such as bonus (*tantiem*) for the Board of Directors and the Board of Supervisors, bonus for employees, social reserve funds, etc., or placement of the net profit as reserves of the Perum which may be used for, among others, business expansion of Perum.

Article 44

In order to appoint the Board of Directors, the Minister may request for input from the Technical Ministers, if deemed necessary.

Article 45

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

In view of the position of the Board of Directors as an organ of Perum is strategic in the management of the company in order to achieve the purposes and objectives of the company, to fill the position requires the prospective member of the Board of Directors to have expertise, integrity, honesty, leadership, experience, good behavior, and high dedication as well as vision for the development of the company.

In order to obtain the best prospective member of the Board of Directors, a selection through a fit and proper test is required which performed transparently, professionally, independently, and accountably.

A fit and proper test is performed by a team appointed by the Minister.

Members of the team as appointed by the Minister must meet the criteria of, among others, professionalism, comprehension of the management and business of the respective SOEs, not having conflict of interest with the respective prospective member of the Board of Directors; and have a high integrity and dedication. The Minister may also appoint an independent professional institution to administer a fit and proper test to the prospective member of the Board of Directors of the Perum.

Section (4)

See elucidation of Article 16 Section (3).

Section (5)

See elucidation of Article 16 Section (4).

Section (6)

Sufficiently clear.

Article 46

The term “dismissal at any time” means the dismissal before his or her term of office expires. Such dismissal is conducted if the Board of Directors, among others, fail to fulfil their obligations that have been agreed in the management contract, fail to perform their duties properly, violate the stipulations of the articles of association and/or legislation; is declared guilty by a court decision that has permanent legal force, passed away, and resignation.

Article 47

Sufficiently clear.

Article 48

Sufficiently clear.

Article 49

Section (1)

Sufficiently clear.

Section (2)

The Board of Supervisors before signing the draft long-term plan as delivered by the Board of Directors, is obligated to discuss with the Board of Directors. Upon the joint signing, all members of the Board of Directors and the Board of Supervisors is responsible for the contents of the draft long-term plan.

Article 50

See elucidation of Article 22 Section (1) and Section (2).

Article 51

Section (1)

See elucidation of Article 23 Section (1).

Section (2)

See elucidation of Article 23 Section (2).

Section (3)

See elucidation of Article 23 Section (3).

Article 52

See elucidation of Article 24.

Article 53

See elucidation of Article 25.

Article 54

See elucidation of Article 26.

Article 55

Section (1)

Sufficiently clear.

Section (2)

Error or negligence of the Board of Directors as referred to in this section is an error or negligence that is committed, for example, through violation of the terms of the articles of association of

Perum or the stipulations that have been outlined by the Board of Supervisors and the Minister and have been proven legally. In this matter, the process of proving is conducted by the Minister together with his or her apparatus. However, whether or not the respective member of the Board of Directors is guilty, is determined pursuant to the verdict of the competent court.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Article 56

Members of the Board of Supervisors may include the elements of officials of the Technical Ministers, the Minister of Finance, the Minister, and officials of department/non-department institutions, which activities are directly associated with Perum.

Also see elucidation of Article 44.

Article 57

Section (1) and (2)

Sufficiently clear.

Section (3)

See elucidation of Article 28 Section (2).

Section (4)

See elucidation of Article 16 Section (4).

Section (5)

Sufficiently clear.

Section (6)

See elucidation of Article 28 Section (5).

Article 58

The term “dismissal at any time” means the dismissal before his or her term of office expires. such dismissal is conducted if the Board of Supervisors, among others, fail to fulfil their obligations that have been agreed in the management contract, fail to perform their duties properly, violate the stipulations of the articles of association and/or legislation; is declared guilty by a court decision that has permanent legal force, passed away, and resignation.

Article 59

Sufficiently clear.

Article 60

See elucidation of Article 31.

Article 61

Section (1)

Sufficiently clear.

Section (2)

See elucidation of Article 32 section (2).

Article 62

See elucidation of Article 33.

Article 63

Section (1)

A Persero may perform a merger or consolidation with another existing Persero or Perum, and vice versa.

A merger and consolidation of SOEs may be conducted without firstly performing liquidation. By such merger, the merging Persero or Perum become dissolved. While by the merger of SOEs which mutually merging become dissolved and form a new SOE.

Section (2)

A legal action performed by SOEs to acquire another SOE or limited liability company, either all or most of shares/capital may result in a transfer of control of the SOEs or the limited liability company.

Article 64

Section (1)

Since the establishment of SOEs is conducted pursuant to Government Regulation which stated the amount of state equity participation in the establishment of the SOEs, the dissolution of the SOEs must also be performed by a Government Regulation.

Section (2)

In the Government Regulation on dissolution of SOEs may also determine so that the remaining proceeds from liquidation to be

used for the state equity participation in another existing SOE or used for participation to establish a new SOE. If not determined so, the remaining proceeds from liquidation is directly deposited into the State Treasury because it constitutes the right of the state as the shareholder or owner of the capital of the SOEs.

Article 65

Section (1)

As establishment of an SOE is performed pursuant to the Government Regulation, any changes in the SOEs as a result of a merger, consolidation, acquisition, or dissolution must also be performed pursuant to the Government Regulation.

Section (2)

Actions to perform a merger, consolidation, acquisition, and dissolution of an SOE will have immediate impacts on the interest of the SOE, its shareholders, third parties, and employees of the SOE. Basically, by performing those actions, it is expected that the surviving and newly-established SOEs will be better. The interest of the shareholders may not be harmed, so are the third parties that should be first notified so that their rights are settled properly. Employees which represent assets of the SOEs themselves are endeavored not to be subject to termination of employment; or if initiated, the termination of employment is the last alternative and must be settled in accordance with the legislation. Therefore, before the aforesaid actions are performed, the Board of Directors of an SOE conducting a merger, consolidation, acquisition, and dissolution is required to disseminate it first to their respective employees.

Article 66

Section (1)

Notwithstanding that an SOE is established with the purposes and objectives to gain profit, in case of urgency, SOE is assigned with a special duty by the government. If such assignment in accordance with scientific assessment is financially not feasible, the government must give compensation for all costs incurred by the SOEs, including the expected margin.

Section (2)

Given the assignment in principle changes the existing work plan and budget of the company, the assignment must be acknowledged and approved by GMS/the Minister.

Article 67

Internal supervisory unit is formed to assist the president director in conducting internal financial audit and operational audits of SOEs as well as to assess his or her control, management, and performance of the relevant SOEs, and to give recommendations for improvements. Since the internal supervisory unit is assigned with a duty to assist the president director, its accountability is reported to the president director.

Article 68

Sufficiently clear.

Article 69

Sufficiently clear.

Article 70

Section (1)

In order to actualize effective supervision in the performance of their duties, the Board of Commissioners and the Board of Supervisors need the assistance of an Audit Committee which duty is to assess the performance of activities and the audit results which conducted by the internal supervisory unit or external auditor, provide recommendations on the perfection of the management control system and the performance, ensuring that there is already a satisfactory review procedures for all information released by the SOEs; identifying matters that requires attention from the Board of Commissioners and the Board of Supervisors as well as other duties of the Board of Commissioners and the Board of Supervisors.

Section (2)

The chairman of the Audit Committee is an independent member of the Board of Commissioners who is appointed by the Board of Commissioners.

Section (3)

Other committees as intended herein, among others, a remuneration committee and nomination committee.

Section (4)

Sufficiently clear.

Article 71

Section (1)

A financial audit is intended to obtain the auditor's advices on the fairness of the financial statements and annual statements of the respective company. The auditor's advices on the respective financial statements and annual financial statements are required by the shareholders/the Minister to, among others, in order to give full discharge (*acquitt et decharge*) to the Board of Directors and the Board of Supervisors in line with Law Number 1 of 1995 on Limited Liability Companies and Law Number 8 of 1995 on Capital Markets, an audit of financial statements and annual statements of a Limited Liability Company is conducted by a public accountant.

Section (2)

Sufficiently clear.

Article 72

As mandated by the People's Consultative Assembly, the government is obligated to maintain the enterprises solvency, especially enterprises which lines of business related to the public interest. Efforts to maintain these enterprises solvency may be performed through restructuring so that the enterprises may operate more efficiently, transparently, and professionally so the enterprises are able to provide the best product/service at competitive prices to the customers also to give benefit to the state. Prior to performing restructuring, the government will consider the cost and benefit of the restructuring.

Article 73

Sectoral restructuring is mainly designated for sectors which receive protection in the past or sectors that have natural monopolies.

Sectoral restructuring is intended to create a sound business climate for fair competition, efficiency, and optimal service. Such industrial restructuring is related to business regulation. Re-organization and arrangement of regulation is conducted jointly with the relevant departments.

Sectoral restructuring may be conducted through the following methods: separate sectoral segments to reduce the vertical integration of the sector; increase competition, introduction of competition from substitute industries, other suppliers of the same sector, and increase market competition as well as demonopolization through regulation. For companies with public service obligation, these companies are still in the restructuring process. Notwithstanding the public interest, the companies will apply business principles in order to better improve the efficiency and productivity of the company. This effort is to clarify the levels of the government subsidies to the cost of public service obligation.

Article 74

By performing privatization, it is expected that a change in the corporate culture occurs as a result of the entry of new shareholders, either through public offers (go public) or direct placement. Companies will face an obligation to meet the requirements of openness which represent the main requirements for a go-public process, or to meet the companies' targets that must be achieved as a result of the entry of new shareholders.

The changed corporate culture will encourage the improvement of performance of the company that will further increase the competitiveness of the companies in competing with the national, regional, and even with global competitors so that in the end will give a larger contribution to national economy in the form of goods and services which are better in its quality and at affordable prices, also state revenues in the form of tax will also increase. Therefore, the purposes and objectives of privatization are basically to improve the role of Persero in its efforts to increase public welfare by expansion of public ownership of Persero as well as to uphold the national economic stability.

Although privatization is intended to perform efficiency, such privatization whenever possible will not cause anxiety to the employees. Therefore, in performing privatization, to the extent possible to that no termination of employment is effected. Termination of employment may only be affected after a definite period of the privatization, except if the employees have committed actions in violation of the provisions of law. Further, if termination of employment occurs, will be conducted in accordance with the legislation. In relation thereto, in the effort so the employees and workers union or the public to be aware of the benefit of privatization, the government needs dissemination the benefit of privatization in a guided and consistent manner.

Article 75

Privatization is conducted transparently, either during its preparation process or its implementation. Privatization process is conducted by reference to the determined privatization procedures without intervention of other parties out of the corporate mechanism and prevailing legislation. Privatization process will also be conducted by intensive consultation with the relevant parties so that its process and implementation can be accountable to the public.

Article 76

Section (1)

The term “competitive industry/business sector” means industry/business sector which basically engaged by whomever, either by an SOE or private enterprise. In other words, there are no legislation (sectoral policy) that prohibit private enterprise from performing activities within that sector, or firmly speaking, that sector is not solely specialized for SOEs. The term “the industry/business sector has the technology element which is rapidly changing” means competitive industry/business sector that has the main characteristics of rapidly proliferating technology and requires very large investment to replace the technology.

Section (2)

Sufficiently clear.

Article 77

Sufficiently clear.

Article 78

Point a

The term “sale of shares under the provisions on capital markets” means, among others, sale of shares through a public offer (Initial Public Offering/go public), issuance of convertible bonds and other equity securities. This also means sale of shares to strategic partners (direct placement) by SOEs that have been listed in the stock exchange.

Point b

The term “direct sale of shares to investors” means sale of shares to strategic partners (direct placement) or other investors, including financial investors. This method is especially applicable to sale of shares by that have not been listed in the stock exchange.

Point c

The term “sale of shares to the management (Management Buy Out/MBO) and/or the employees (Employee Buy Out/EBO)” means direct sale of major part or all of shares of a company to the management and/or the employees of the relevant company.

Article 79

Section (1)

Sufficiently clear.

Section (2)

The Technical Minister as regulator of business sector in which an SOE is performing its business activity becomes a member of the privatization committee for privatization of SOEs only within his or her sector.

Section (3)

Sufficiently clear.

Article 80

Sufficiently clear.

Article 81

In order to perform the duties as referred to in this article, the Minister performs the following steps, among others to:

- a. determine the SOEs to be privatized;
- b. determine the method of privatization to be used;
- c. determine the type and range of amount of shares to be released;
- d. determine the range of share sale price;
- e. determine the estimated value to be obtained from the privatization program of SOEs.

Article 82

Sufficiently clear.

Article 83

This Government Regulation regulates among others:

- a. determination of SOEs which eligible for entry into a privatization program;
- b. submission of annual privatization program to the privatization committee;
- c. consultation with the House of Representatives and the relevant Department/Non-Department Institutions;
- d. performance of privatization.

Article 84

Which included in the definition of person and/or legal entity that has a conflict of interest are including parties that have affiliation relation, as follows:

- a. family relation due to marriage and offspring up to the second degree both horizontally and vertically;
- b. relation between a party and employees, Directors or Commissioners of the party;
- c. relation between 2 (two) companies in which there is one or more members of the same Board of Directors or Board of Commissioners;
- d. relation between a company and party that either directly or indirectly controls or is controlled by that company;

- e. relation between 2 (two) companies that are controlled either directly or indirectly by the same party; or
- f. relation between a company and its major shareholders.

Article 85

Section (1)

The term “information” means a material and relevant fact on a situation, event, or fact that may affect prices and/or decisions of investors, prospective investors, or any other interested parties that are affected by such information or fact.

With respect to such information or fact, to the extent that the information or fact has not been determined as open information or fact, or to the extent that the information or fact has not been announced by the Minister, all parties involved must maintain confidentiality of such information.

Section (2)

In terms of breach of this provision on confidentiality occurred in an SOEs which has not been listed in the stock exchange, and its privatization uses another method other than a privatization method through sale of shares in the stock exchange, such SOE is subject to sanctions pursuant to public criminal law, while in terms of breach is committed in the privatization of SOE that has been listed in the stock exchange, the SOE is subject to sanctions in accordance with the legislation in the field of capital markets

Article 86

Section (1)

The privatization proceeds deposited into the State Treasury is the proceeds of divestment of shares owned by the state. While, in terms of sale of new shares, the proceeds are deposited into the treasury of company. In terms of the privatization proceeds of subsidiaries of the SOEs, their privatization proceeds may be determined as interim dividends. Which intended as net proceeds of privatization is the net profit after deduction of performance of privatization costs. The cost of the privatization must have due regard to the principles of fairness, transparency, and accountability.

Section (2)

Sufficiently clear.

Article 87

Section (1)

With this kind of status of employment of SOEs, for SOEs all provisions of echelonment of position to civil officials is not applicable. The intended collective employment contract is entered into between the employees of SOEs and the employment provider, that is, the management of the SOEs.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Article 88

The term “small-scale businesses/cooperatives” includes small-scale businesses/cooperatives that meet the criteria as small-scale businesses in accordance with the legislation.

Article 89

Sufficiently clear.

Article 90

Sufficiently clear.

Article 91

For the Board of Directors to perform their duties independently, any parties other than the organs of the SOEs is prohibited from having interference to the management of the SOEs. Interference includes an action or direction which directly affect the management of the SOEs or on the decision making of the Board of Directors. This provision is intended to affirm the independence of SOEs as an enterprise in order to be managed professionally so it may develop properly in accordance with the business objective.

This also applies to other Departments and government institutions because the need of funds of other Departments and Government

institution has been regulated and determined separately. Departments and Government institution are not allowed to encumber with any form of expenses, and otherwise, SOEs are not allowed to defray the expenses of Departments and Government institutions in book-keeping.

Article 92

Sufficiently clear.

Article 93

Sufficiently clear.

Article 94

Sufficiently clear.

Article 95

Sufficiently clear.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA
NUMBER 4297