

REGULATION OF GOVERNMENT OF THE REPUBLIC OF INDONESIA  
NUMBER 45 OF 2005  
ON  
ESTABLISHMENT, MANAGEMENT, SUPERVISION, AND DISSOLUTION OF  
STATE-OWNED ENTERPRISES

BY THE BLESSINGS OF ALMIGHTY GOD

PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering : that in order to implement the provisions of Law Number 19 of 2003 on State-Owned Enterprises, it is necessary to issue a Government Regulation on Establishment, Management, Supervision, and Dissolution of State-Owned Enterprises;

Observing : 1. Article 5 section (2) of the 1945 Constitution of the Republic of Indonesia;  
2. 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);  
3. 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);  
4. Law Number 19 of 2003 on State-Owned Enterprises (State Gazette of the Republic of Indonesia of 2003 Number 70, Supplement to the State Gazette Number 4297).

HAS DECIDED:

To issue : GOVERNMENT REGULATION ON ESTABLISHMENT, MANAGEMENT, SUPERVISION, AND DISSOLUTION OF 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 an 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 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.
8. 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.
9. 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.
10. 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.
11. Establishment means the formation of Perum or Persero which is stipulated by a government regulation.
12. Management means the activity which is conducted by the Board of Directors in order to achieve the objectives and purposes of the company.
13. Supervision means the activity which is conducted by the Board of Commissioners and Board of Supervisors to assess SOEs by comparing the real situation and the ideal situation, both in the financial sector and/or in the operational technical sector.
14. Dissolution means the termination of Persero or Perum which is stipulated by a government regulation.

## Article 2

The establishment, management, supervision, and dissolution of the Persero are conducted by the provisions of the legislation of the limited liabilities companies.

Article 3

- (1) Organs of Persero are the GMS, the Board of Directors, and the Board of Commissioners.
- (2) Organs of Perum are the Minister, the Board of Directors, and the Board of Supervisors.

CHAPTER II

ESTABLISHMENT AND ARTICLES OF ASSOCIATION

Part One

Establishment

Article 4

- (1) Establishment of an SOE includes:
  - a. the formation of new Perum or Persero;
  - b. the formation change of a government institution unit to an SOE;
  - c. the formation change of legal entity of an SOE;
  - d. the formation of an SOE as the result of consolidation of Persero and Perum.
- (2) Establishment of Persero is conducted under the legislation of limited liabilities companies.

Article 5

- (1) The establishment of an SOE is stipulated by a government regulation.
- (2) The government regulation as referred to in section (1), contains at least:
  - a. the stipulation of an SOE establishment;
  - b. the objectives and purposes of an SOE establishment; and
  - c. the stipulation of the amount of restricted state assets participation for the SOE establishment.
- (3) In the event that the establishment of SOE is conducted by changing government institution unit to an SOE, then in the government regulation as referred to in section (1), it is stated that all or part of the assets, rights and

obligations of such government institution unit is transferred to assets, rights and obligations of the established SOE.

- (4) For the establishment of Perum, the government regulation also states the articles of association of such Perum and the appointment of the Minister as the representative of government as capital owner.

#### Article 6

SOEs have domiciled within the territory of the State of the Republic of Indonesia as stated in the articles of association.

#### Article 7

SOEs are established for a definite period as stated in the articles of association.

#### Article 8

The establishment of SOEs is conducted with due regard to the regulations on equity participation for SOE establishment.

### Part Two

#### Articles of Association

#### Article 9

- (1) Articles of association of Persero contains at least the matters that are regulated in the legislation of limited liabilities companies.
- (2) Articles of association Perum contains at least:
  - a. name and domicile;
  - b. objectives and purposes as well as the line of business;
  - c. period;
  - d. amount of capital;
  - e. arrangement and number of members of the Board of Directors and the Board of Supervisors as well as the composition of the Board of Supervisors;

- f. procedures for selection, appointment, and dismissal of members of the Board of Directors and the Board of Supervisors;
- g. procedures for the execution of the Board of Directors meeting and the Board of Supervisors meeting;
- h. procedures for the use of profits; and
- i. other provisions based on this Government Regulation.

#### Article 10

- (1) The amendment to articles of association of Perum is proposed by the Minister to the President accompanied by the consideration base which has been reviewed jointly with the Technical Minister.
- (2) The review as referred to in section (1), can also include other ministers and/or other institution leaders who are deemed necessary with or without hire independent consultant.
- (3) In the event that the initiative of the amendment to articles of association of Perum is conducted as referred to in section (1) coming from the Technical Minister, then such initiative is delivered to the Minister, for further review which is conducted by coordination by the Minister.
- (4) The amendment to articles of association of Perum which is related with the change of capital is conducted based on the provisions on the procedures for state equity participation in the SOE.

#### Article 11

In the event that the result of review as referred to in Article 9 is stated that the plan of the amendment to articles of association of Perum is proper to be conducted, then the Minister delivers such proposal to President for the approval.

Article 12

- (1) The name of Persero is written as follows:
  - a. in the event that the name of Persero is fully written, then it is started with the words “Perusahaan Perseroan (Persero)”, followed by the abbreviation of “PT” then followed by the name of the company;
  - b. in the event that the name of Persero is written as an abbreviation, then the word “(Persero)” is written after “PT” and name of the company.
- (2) Name of Perum is started with the words “Perusahaan Umum (Perum)” or abbreviated as “Perum” which is stated before the name of the company.

CHAPTER III  
MANAGEMENT

Part One

Appointment and Dismissal of  
Members of the Board of Directors

Article 13

- (1) Management of SOE is conducted by the Board of Directors.
- (2) Management of Persero is conducted based on provisions and principles that applied for limited liabilities companies.

Article 14

- (1) Appointment and dismissal of a member of Board of Directors are conducted by the GMS for Persero and by the Minister for Perum.
- (2) For appointment of Board of Directors, the Minister may request for suggestion from Minister of Finance and/or Technical Minister.

Article 15

- (1) The distribution of duties and authority of members of the Board of Directors of a Perum is determined by the Minister.

- (2) In the articles of association, it can be determined that the authority of the Minister as referred to in section (3) can be carried out by the Board of Supervisors based on the delegation given by the Minister.

#### Article 16

- (1) Candidate members of the Board of Directors determined as members of the Board of Directors are candidates who pass the selection through a fit and proper test conducted by a team or a professional institution appointed by the Minister.
- (2) The provisions as referred to in section (1) do not apply to the reappointment of members of the Board of Directors considered capable of carrying out their duties properly during their term of office.
- (3) Candidate members of the Board of Directors declared to have passed the fit and proper test as referred to in section (1) and reappointed members of the Board of Directors as referred to in section (2) are obligated to sign a management contract prior to their appointment as members of the Board of Directors.
- (4) Further provisions regarding the fit and proper test are regulated by a Ministerial Regulation.

#### Article 17

- (1) Those who can be appointed as members of the Board of Directors are individuals who meet the criteria of expertise, integrity, leadership, experience, honesty, good behavior, and have high dedication to advance and develop the company.
- (2) In addition to fulfilling the criteria as referred to in section (1), those who can be appointed as members of Board of Directors of a Perum are individuals capable of carrying out legal actions and have never been declared bankrupt nor have been members of the Board of Directors or Board of Commissioners or Board of Supervisors found guilty of causing a company or a Perum to be declared



bankrupt or a person who has never been convicted of a criminal offense detrimental to the state's finances.

- (3) In addition to meeting the criteria as referred to in section (1), those who can be appointed as members of the Board of Directors of a Persero are individuals who meet the criteria as regulated in the provisions of the legislation the field of limited liabilities companies.

#### Article 18

- (1) The number of members of the Board of Directors are determined by the GMS for Persero and the Minister for Perum according to the requirements.
- (2) In the event that the Board of Directors consists of more than one member, one of whom is appointed as the President Director.

#### Article 19

- (1) Members of the Board of Directors are appointed for a term of 5 (five) years, and may be reappointed for 1 (one) more term of office.
- (2) If the term of office of a member of the Board of Directors expires, then not later than 30 (thirty) days from the end of the term of office, the GMS for Persero and the Minister for Perum must determine a definitive member of the Board of Directors.
- (3) In the articles of association, the provisions concerning temporary filling of a vacant position of a member of the Board of Directors or in the event that a member of the Board of Directors is temporarily suspended or is unable to serve are stated.

#### Article 20

- (1) Among members of the Board of Directors, between members of the Board of Directors and members of the Board of Commissioners for Persero and the Board of Supervisors for Perum are prohibited from having family relations to the third degree either in a straight line or sideways, including relations arising from marriage.

- (2) In the event of the situation as referred to in section (1), the GMS for Persero and the Minister for Perum have the authority to dismiss one of them.
- (3) The prohibition of family relations as referred to in this article is further regulated in the articles of association.

#### Article 21

- (1) Members of the Board of Directors are prohibited from holding double positions as:
  - a. members of the Board of Directors of other SOEs, local-owned enterprises, and private-owned enterprises;
  - b. other structural and functional positions in central and local government institutions/agencies; and/or
  - c. other positions in accordance with the provisions of legislation.
  - d. other positions that may lead to conflicts of interest;
- (2) For members of the Board of Directors of an SOE concurrently holding other positions as referred to in section (1), their term of service as members of the Board of Directors of the SOE terminate as of the commencement of holding the double positions.
- (3) In the event that the person occupies a position prohibited from being occupied concurrently with the position as a member of the Board of Directors of an SOE as referred to in section (1) is appointed as a member of the Board of Directors of another SOE, the relevant person must resign from the previous position not later than 30 (thirty) days after his or her appointment in the SOE.
- (4) If the member of the Board of Directors of an SOE that does not resign from the original position as referred to in section (3), then his or her position as a member of the Board of Directors of the SOE will terminate with the lapse of the 30 (thirty) day period.

Article 22

- (1) Members of the Board of Directors of an SOE are prohibited from becoming officials of political parties and/or candidates/members of legislative agencies.
- (2) Further provisions regarding the prohibitions as referred to in section (1) are regulated by a Ministerial Regulation.

Article 23

- (1) A member of the Board of Directors may be dismissed at any time based on the resolution of a GMS for Persero and the Minister for Perum by stating the reasons.
- (2) The dismissal of a member of the Board of Directors as referred to in section (1) is carried out if based on the fact, the relevant member of the Board of Directors:
  - a. cannot fulfill his or her obligations as agreed in the management contract;
  - b. is unable to carry out duties properly;
  - c. fails to implement the provisions of the legislation and/or the provisions of the articles of association;
  - d. engages in actions detrimental to the SOE and/or the state;
  - e. is declared guilty by virtue of a court decision that has had permanent legal force; or
  - f. resigns.
- (3) The plan for the dismissal of the member of the Board of Directors as referred to in section (1) is informed verbally or in writing to the relevant member of the Board of Directors by the Minister or the appointed official.
- (4) The dismissal decision under the reasons as referred to in section (2) point a, point b, point c, and point d is made after the relevant person has been given the opportunity to defend him or herself.
- (5) The defense as referred to in section (4) is submitted in writing to the GMS for Persero or the Minister for Perum or the appointed official within 14 (fourteen) days from the date the relevant member of the Board of Directors is informed as referred to in section (3).

- (6) As long as the dismissal plan is still in process, the relevant member of the Board of Directors is still required to perform duties properly.
- (7) Dismissal due to the reasons as referred to in section (2) point d and point e is a dishonorable dismissal.

#### Article 24

The position of a member of the Board of Directors terminates in the following events:

- a. passing away;
- b. expiration of term of office;
- c. dismissal based on the resolution of a GMS/a decree of the Minister; and/or
- d. no longer fulfills the requirements as a member of the Board of Directors based on the provisions of this Government Regulation and other legislation.

#### Article 25

Further provisions regarding the appointment and dismissal of members of the Board of Directors are regulated by a Ministerial Regulation.

### Part Two

#### Duties and Authority of the Board of Directors

#### Article 26

- (1) The Board of Directors is fully responsible for the management of an SOE for the interests and objectives of the SOE and to represent the SOE both in and out of the court of law.
- (2) In carrying out duties, the Board of Directors must devote its full attention and be loyal to the duties, obligations and achievement of the objectives of the SOE.

#### Article 27

- (1) Every member of the Board of Directors is obligated show good faith and full responsibility in carrying out his or her duties for the interests and business of the SOE.

- (2) Every member of the Board of Directors takes full personal responsibility if the relevant director is guilty or negligent in carrying out duties in accordance with the provisions as referred to in section (1).
- (3) On behalf of the Perum, the capital owner may submit a lawsuit to the court against a member of the Board of Directors who due to his or her fault or negligence has inflicted losses to the Perum.

#### Article 28

- (1) In the event that the Board of Directors consists of more than 1 (one) person, the person authorized to represent the SOE is every member of the Board of Directors unless otherwise stipulated in the articles of association.
- (2) The articles of association may determine the limitations on the authority of members of the Board of Directors as referred to in section (1).

#### Article 29

A member of the Board of Directors is not authorized to represent the SOE in the following cases:

- a. a litigation in court between the SOE and the relevant member of the Board of Directors, and/or
- b. the relevant member of the Board of Directors has an interest that conflicts with the interests of the SOE.

#### Article 30

The duties and authority of the Board of Directors are further regulated in the articles of association of the SOE.

#### Article 31

- (1) All resolutions of the Board of Directors are adopted in meetings of the Board of Directors.
- (2) Resolutions of the Board of Directors may also be adopted without convening a meeting of the Board of Directors as long as all members of the Board of Directors agree on the method and the materials of the resolution.

- (3) For any meeting of the Board of Directors, there must be a minutes of meeting containing the matters discussed and resolved, including statement of disapproval of members of the Board of Directors if any.
- (4) The procedures for meeting of the Board of Directors are further regulated in the articles of association of the SOE.

Part Three  
Long-Term Plan

Article 32

- (1) The Board of Directors is obligated to prepare a draft Long-Term Plan which is a strategic plan that contains the targets and objectives of the SOE to be achieved within a period of 5 (five) years.
- (2) The draft Long-Term Plan that has been signed collectively with members of the Board of Commissioners/Board of Supervisors is submitted to the GMS for Persero and the Minister for Perum for approval.

Article 33

- (1) The Long-Term Plan as referred to in Article 32, at least contains the following:
  - a. evaluation of the implementation of the previous Long-Term Plan;
  - b. position of the SOE during the preparation of the Long-Term Plan;
  - c. assumptions used in preparing the Long-Term Plan; and
  - d. determination of the mission, targets, strategies, policies and work programs of the Long-Term Plan.
- (2) In addition to the matters as referred to in section (1), the Long-Term Plan for Perum also includes the business development policies of the Perum.

Article 34

Further provisions regarding the Long-Term Plan are regulated by a Ministerial Regulation.

Part Four  
Company Work Plan and Budget

Article 35

- (1) The Board of Directors is obligated to prepare a draft Company Work Plan and Budget that contains an annual explanation of the Long-Term Plan.
- (2) The draft Company Work Plan and Budget as referred to in section (1) which has been signed collectively with the members of the Board of Commissioners/Board of Supervisors, is submitted to the GMS for Persero and the Minister for Perum not later than 60 (sixty) days before the commencement of the fiscal year for approval.
- (3) The draft Company Work Plan and Budget as referred to in section (1) is approved by the GMS for Persero and the Minister for Perum not later than 30 (thirty) days after the current fiscal year.
- (4) In the event that the draft Company Work Plan and Budget has not been approved by the GMS/Minister as referred to in section (3), the draft Company Work Plan and Budget is considered valid to be implemented as long as it meets the provisions on the procedures for preparing the Company Work Plan and Budget.
- (5) For SOEs declared sound for 2 (two) consecutive years, the authority of the GMS and the Minister as referred to in section (3) can be delegated to the Board of Commissioners for Persero and the Board of Supervisors for Perum.

Article 36

- (1) Amendments to the Company Work Plan and Budget that have been approved as referred to in Article 35 section (3) are made by the GMS for Persero and the Minister for Perum.
- (2) Proposed amendment to the Company Work Plan and Budget signed collectively with the Board of Commissioners/Board of Supervisors is submitted by the Board of Directors to the Minister/GMS for approval.

- (3) The approval of the GMS/Minister as referred to in section (1), must be given not later than 30 (thirty) days after receipt of the proposed amendment from the Board of Directors.
- (4) In the event that the GMS/Minister does not give approval in time as referred to in section (3), the GMS/Minister is deemed to approve the proposed amendment.
- (5) In certain cases, the authority of the GMS/Minister as referred to in section (1) may be delegated to the Board of Commissioner for Persero and the Board of Supervisors for Perum.

#### Article 37

The Company Work Plan and Budget as referred to in Article 35 at least contains the following:

- a. mission, business objectives, business strategies, company policies, and work programs/activities;
- b. company budget detailed by each work program/activity budget;
- c. financial projections of the company and its subsidiaries; and
- d. other matters that require the resolution of the GMS for Persero and the Minister for Perum.

#### Article 38

Further provisions regarding the Company Work Plan and Budget are regulated by a Ministerial Regulation.

#### Part Five

#### Reporting

#### Article 39

- (1) The Board of Directors is obligated to prepare periodic reports containing the implementation of the Company Work Plan and Budget.
- (2) The periodic reports as referred to in section (1) include quarterly reports and annual reports.



- (3) In addition to the periodic reports as referred to in section (2), the Board of Directors may at any time provide special reports to the Board of Commissioners and/or the GMS for Persero or to the Board of Supervisors and/or Minister for Perum.
- (4) Further provisions regarding quarterly reports and special reports are regulated by a Ministerial Regulation.

#### Article 40

The contents and mechanism for the submission and approval of the annual report of Persero are regulated in accordance with the legislation in the field of limited liabilities companies.

#### Article 41

- (1) Within 5 (five) months after the fiscal year of a Perum is closed, the Board of Directors is obligated to submit an annual report to the Minister for approval.
- (2) The annual report as referred to in section (1) least contains the following:
  - a. annual financial statements consisting of the balance sheet at the end of the previous fiscal year and the income statement from the relevant fiscal year and explanation of the documents;
  - b. consolidated balance sheet and consolidated income statements of the companies in one group, in addition to the balance sheet and income statement of each company;
  - c. report on the circumstances and operation of the Perum and the results achieved;
  - d. the Perum's main activities and changes during the fiscal year;
  - e. details of issues arising during the fiscal year that affect the activities of Perum;
  - f. names of members of the Board of Directors and Board of Supervisors; and
  - g. salaries and other allowances for members of the Board of Directors and honorarium and other allowances for members of the Board of Supervisors.

Article 42

- (1) The annual report of a Perum is signed by all members of the Board of Directors and the Board of Supervisors and is submitted to the Minister;
- (2) In the event there are members of the Board of Directors or Board of Supervisors that refuse to sign the annual report as referred to in section (1), the reasons must be stated in writing.

Article 43

- (1) The annual financial statements of Perum as referred to in Article 41 section (2) point a are made in accordance with the Financial Accounting Standards;
- (2) In the event that the Financial Accounting Standards as referred to in section (1) cannot be implemented properly, the explanation and reasons for that must be stated.

Article 44

- (1) The Board of Directors is obligated to submit the annual financial statements to the external auditor appointed by the GMS for Persero and the Minister for Perum to be audited.
- (2) The report on the audit result of the external auditor as referred to in section (1) is submitted in writing to the GMS for Persero and the Minister for Perum for approval.
- (3) In the event that the obligations as referred to in section (1) are not fulfilled, no approval can be given to the annual financial statements.
- (4) The annual financial statements as referred to in section (1) after being approved by the GMS for Persero and the Minister for Perum are announced in a daily newspaper.

Article 45

- (1) Approval to the annual report and ratification of the annual financial statements of the Perum is carried out by the Minister.

- (2) In the event that the annual financial statements documents provided are found incorrect and/or misleading, members of the Board of Directors and the Board of Supervisors are jointly and severally liable to the injured party.
- (3) Members of the Board of Directors and Board of Supervisors are released from the responsibilities as referred to in section (2) if it is proven that the situation is not caused by their faults.

#### Article 46

The approval as referred to in Article 44 section (2) releases members of the Board of Directors, Board of Commissioners and Board of Supervisors from the responsibility for everything contained in the annual financial statements.

#### Article 47

Further provisions regarding annual reports are regulated by a Ministerial Regulation.

### CHAPTER IV SUPERVISION

#### Part One

#### Appointment and Dismissal of the Board of Commissioners and Board of Supervisors

#### Article 48

- (1) Supervision on SOEs is carried out by the Board of Commissioners and the Board of Supervisors.
- (2) Supervision on Persero is carried out based on the provisions and principles applicable to limited liabilities companies.

#### Article 49

- (1) Appointment and dismissal of members of the Board of Commissioners are carried out by the GMS and of

members of the Board of Supervisors are carried out by the Minister.

- (2) Members of the Board of Supervisors may consist of elements of officials under the auspices of the Technical Minister, the Minister of Finance, the Minister and heads of departments/non-departmental institutions whose activities are directly related to the Perum.
- (3) Appointment of members of the Board of Supervisors from the elements as referred to in section (2) is carried out with due regard to the requirements of the members of the Board of Supervisors as regulated in this Government Regulation.

#### Article 50

- (1) Those who can be appointed as members of the Board of Commissioners and Board of Supervisors are individuals who have integrity, dedication, understand company management issues related to one of the management functions, have adequate knowledge in the field of company business, and can provide sufficient time to carry out their duties.
- (2) In addition to meeting the criteria as referred to in section (1), those who can be appointed as members of the Board of Supervisors are individuals capable of carrying out legal actions and have never been declared bankrupt or have been members of the Board of Directors, Board of Commissioners or Board of Supervisors found guilty of causing a company or Perum to go bankrupt or a person who has never been convicted of a criminal offense detrimental to the state finances.
- (3) In addition to meeting the criteria as referred to in section (1), those who can be appointed as members of the Board of Commissioners are individuals who meet the criteria set out in the provisions of the legislation in the field of limited liabilities companies.

Article 51

- (1) The number of members of the Board of Commissioners is determined by the GMS and of the Board of Supervisors is determined by the Minister in accordance with the requirements.
- (2) In the event that the Board of Commissioners/Board of Supervisors consists of more than one member, one of whom is appointed as the President Commissioner/Chairperson of the Board of Supervisors.

Article 52

- (1) Members of the Board of Commissioners and Board of Supervisors are appointed for a term of 5 (five) years, and may be reappointed for 1 (one) more term of office.
- (2) Members of the Board of Commissioners/Supervisor are not appointed at the same time with members of the Board of Directors, except for the first appointment at the time of establishment.
- (3) If the term of office of the members of the Board of Commissioners and the Board of Supervisors expires, then not later than 30 (thirty) days, the GMS must appoint members of the Board of Commissioners and the Minister must appoint the definitive members of the Board of Supervisors.
- (4) The articles of association contains the provisions concerning temporary filling of vacant positions of members of the Board of Commissioners/Board of Supervisors or in the event that the members of the Board of Commissioners/Board of Supervisors are suspended temporarily or unable to serve.

Article 53

- (1) Members of the Board of Commissioners/Board of Supervisors are prohibited from having family relations up to the third degree either according to a straight line or to the side, including relations arising from marriage.

- (2) In the event of the situation as referred to in section (1), the GMS for Persero and the Minister for Perum have the authority to dismiss one of them.
- (3) The prohibition of having family relations as referred to in this article is further regulated in the articles of association.

#### Article 54

- (1) Members of the Board of Commissioners and the Board of Supervisors are prohibited from holding double positions as:
  - a. members of the Board of Directors of an SOE, local-owned enterprises, private-owned enterprises;
  - b. other positions in accordance with the provisions of legislation; and/or
  - c. other positions that can lead to a conflict of interest.
- (2) For members of the Board of Commissioners/Board of Supervisors of an SOE concurrently holding other positions as referred to in section (1), their term of service as members of the Board of Commissioners/Board of Supervisors of the SOE terminates as of the commencement of holding the double positions.
- (3) In the event that the person occupies a position prohibited from being occupied concurrently with the position of a member of the Board of Commissioners/Board of Supervisors as referred to in section (1) is appointed as a member of the Board of Commissioners/Board of Supervisor of another SOE, the relevant person must resign from the previous position not later than 30 (thirty) days after his or her appointment in the SOE.
- (4) If the member of the Board of Commissioners/Board of Supervisors of an SOE that does not resign from its previous position as referred to in section (3), then his or her position as a member of the Board of Directors of the SOE will terminate with the lapse of the 30 (thirty) day period.

Article 55

- (1) Members of the Board of Commissioners and the Board of Supervisors are prohibited from becoming officials of political parties and/or candidates/members of the legislative agency.
- (2) Further provisions regarding the prohibitions as referred to in section (1) are regulated by a Ministerial Regulation.

Article 56

- (1) Members of the Board of Commissioners and the Board of Supervisors can be dismissed at any time based on the resolution of a GMS for Persero and the Minister for Perum by stating the reasons.
- (2) The dismissal of members of the Board of Commissioners and the Board of Supervisors as referred to in section (1) is carried out if based on the facts, the relevant members of the Board of Commissioners and the Board of Supervisors:
  - a. are unable to carry out their duties properly;
  - b. fail to implement the provisions of the legislation and/or provisions of the articles of association;
  - c. engage in actions that are detrimental to the SOE and/or the state;
  - d. are declared guilty by a court decision that has had permanent legal force; and/or
  - e. resign.
- (3) The plan to dismiss members of the Board of Commissioners and the Board of Supervisors as referred to in section (1) is notified to the relevant members of the Board of Commissioners and the Board of Supervisors verbally or in writing by the Minister or the appointed official.
- (4) The dismissal decision for the reasons as referred to in section (2) point a, point b, and point c, is taken after the relevant person has been given the opportunity to defend him or herself.

- (5) The defense as referred to in section (4) is submitted in writing to the Minister or the official appointed by the Minister within 14 (fourteen) days from the date the relevant member of the Board of Commissioners and the Board of Supervisors is given the notification as referred to in section (3).
- (6) As long as the termination plan as referred to in section (4) is still in process, the relevant members of the Board of Commissioners and the Board of Supervisors are required to carry out duties properly.
- (7) Dismissal due to the reasons as referred to in section (2) point c and point d, is a dishonorable dismissal.

#### Article 57

The position of a member of the Board of Commissioners and Board of Supervisors terminates in the following events:

- a. passing away;
- b. expiration of term of office;
- c. dismissal based on the resolution of a GMS for Persero and decision of the Minister for Perum; and/or
- d. no longer fulfills the requirements as a member of the Board of Commissioners and the Board of Supervisors based on the provisions of this Government Regulation and other legislation.

#### Article 58

Further provisions regarding the appointment and dismissal of members of the Board of Commissioners and Board of Supervisors are regulated by a Ministerial Regulation.

#### Part Two

#### Duties and Authority of the Board of Commissioners and Board of Supervisors

#### Article 59

- (1) The Board of Commissioners and the Board of Supervisors are obligated to have good faith and full



responsibility to carry out duties for the interests and business of an SOE.

- (2) The Board of Commissioners and the Board of Supervisors are fully responsible personally if the relevant person is guilty or negligent in carrying out duties in accordance with the provisions as referred to in section (1).
- (3) On behalf of the Perum, the Capital Owner may submit a lawsuit to the court against a member of the Board of Supervisors who due to his or her mistake or negligence has caused a loss to the Perum.

#### Article 60

- (1) The Board of Commissioners and the Board of Supervisors have the duty to:
  - a. carry out supervision of the management of the SOE carried out by of the Board of Directors; and
  - b. provide advice to members of the Board of Directors in carrying out the SOE's management activities.
- (2) The duties and authority of the Board of Commissioners and the Board of Supervisors are further regulated in the articles of association of the SOE.

#### Article 61

To help in the smooth implementation of their duties, the Board of Commissioners and the Board of Supervisors can appoint a secretary of the Board of Commissioners/Board of Supervisors at the expense of the SOE.

#### Article 62

If deemed necessary, the Board of Commissioners and the Board of Supervisors in carrying out their duties can obtain expert assistance for certain matters and certain time periods at the expense of SOEs.

#### Article 63

All costs involved in carrying out the duties of the Board of Commissioners and the Board of Supervisors are borne by the

SOE and clearly stated in the Company Work Plan and Budget.

Article 64

- (1) All resolutions of the Board of Commissioners/Supervisors are adopted at meetings of the Board of Commissioners/ Board of Supervisors.
- (2) Resolutions of the Board of Commissioners/Board of Supervisors may also be adopted outside a meeting of the Board of Commissioners/Board of Supervisors as long as all members of the Board of Commissioners/Board of Supervisors agree on the method and the material of resolution.
- (3) In every meeting of the Board of Commissioners and the Board of Supervisors, must be drawn-up a minutes of meeting containing the matters discussed and resolved, including the statements of disapproval of members of the Board of Commissioners/Supervisors, if any.
- (4) The procedures for meetings of the Board of Commissioners and Board of Supervisors are further regulated in the articles of association of the SOE.

CHAPTER V

PUBLIC SERVICE OBLIGATION

Article 65

- (1) The Government may give special assignments to an SOE to carry out public benefit function while taking into account the purpose and objectives and business activities of the SOE.
- (2) The special assignment plan as referred to in section (1) is jointly studied between the relevant SOE, the Minister, the Minister of Finance and the Technical Minister who gives the assignment which is coordinated by the Technical Minister who gives the assignment.
- (3) If the assignment is financially unprofitable, the Government must provide compensation for all costs

incurred by the SOE, including the expected margin as long as it is within the level of fairness according to the assignment given.

- (4) Any assignment as referred to in section (1) must first be approved by the GMS for Persero and the Minister for Perum.
- (5) The SOE that carries out a Government special assignment, must explicitly have separate accounts with regard to the assignment with the accounts in order to achieve the company's business targets.
- (6) After the implementation of public service obligations, the Board of Directors must provide a report to the GMS/Minister, the Minister of Finance, and the Technical Minister who gives the assignment.

CHAPTER VI  
INTERNAL AUDIT UNIT, AUDIT COMMITTEE,  
AND OTHER COMMITTEES

Part One  
Internal Audit Unit

Article 66

- (1) An Internal Audit Unit is formed in each SOE.
- (2) The Internal Audit Unit as referred to in section (1) is led by a head responsible to the President Director.

Article 67

The Internal Audit Unit has the following duties:

- a. to assist the President Director in carrying out the SOE's operational and financial audits, to assess their control, management and implementation in the SOE and to provide suggestions for improvement;
- b. to provide information on the results of the inspection or the results of the implementation of the Internal Audit Unit's duties as referred to in point a to the President Director; and
- c. to monitor the follow-up of the results of audits reported.

Article 68

- (1) The President Director submits the results of the Internal Audit Unit as referred to in Article 67 point b to all members of the Board of Directors, for further action in meetings of the Board of Directors.
- (2) The Board of Directors is obligated to observe and immediately take the necessary steps for anything stated in each report on the results of the inspection made by the Internal Audit Unit.

Article 69

Upon the written request of the Board of Commissioners/Board of Supervisors, the Board of Directors provides information on the results of audit or results of the implementation of duties of the Internal Audit Unit as referred to in Article 67 point b.

Article 70

In carrying out its duties, the Internal Audit Unit is required to maintain the smoothness of the tasks of other organizational units of the SOE in accordance with their respective duties and responsibilities.

Part Two

Audit Committee

Article 71

- (1) The Board of Commissioners and Board of Supervisors are obligated to form an audit committee that works collectively and functions to assist the Board of Commissioners/Board of Supervisors in carrying out their duties.
- (2) The audit committee as referred to in section (1) is chaired by a head that is responsible to the Board of Commissioners/Board of Supervisors.
- (3) The requirements to be appointed as members of the audit committee are:

- a. having good integrity and sufficient knowledge and work experience in the field of supervision/inspection;
  - b. having no personal interests/relations that can cause negative impacts and conflicts of interest to the relevant SOE; and
  - c. being able to communicate effectively.
- (4) The audit committee head is a member of the audit committee who is a member of the Board of Commissioners/Board of Supervisors.
  - (5) If an audit committee member comes from a particular institution, then the institution of origin of the audit committee member may not provide services to the relevant SOE.
  - (6) With respect to certain SOEs designated by the Minister, the position as members of the audit committee may be concurrently held by members of the Board of Commissioners/Board of Supervisors.

#### Article 72

The audit committee is responsible:

- a. for assisting the Board of Commissioners/Board of Supervisors in ensuring the effectiveness of the internal control system and effectiveness of the performance of external auditors and internal auditors' tasks;
- b. for assessing the implementation of activities and results of audits carried out by the Internal Audit Unit and external auditors;
- c. for giving recommendations concerning the improvement of the management control system and its implementation;
- d. for ensuring that there has been satisfactory review procedure for all information released by the company; and
- e. for identifying matters that require the attention of the Board of Commissioners/Board of Supervisors and the other duties of the Board of Commissioners/Board of Supervisors.

Article 73

Further provisions regarding the audit committee are regulated by a Ministerial Regulation.

Part Three

Other Committees

Article 74

- (1) The Board of Commissioners and Board of Supervisors may form other committees to assist the duties of the Board of Commissioners/Board of Supervisors.
- (2) Further provisions regarding other committees are regulated by a Ministerial Regulation.

CHAPTER VII

APPROPRIATION OF PROFIT AND RESERVE FUNDS

Part One

Appropriation of Persero's Profit and Reserve Funds

Article 75

The appropriation of a Persero's profit and reserve funds is carried out in accordance with the legislation in the field of limited liabilities companies.

Part Two

Appropriation of Perum's Profit and Reserve Funds

Article 76

- (1) In every fiscal year, a Perum is required to allocate a certain amount of its net income for reserves.
- (2) The net income allowance as referred to in section (1) is carried out until the reserves reach at least 20% (twenty percent) of the capital of the Perum.
- (3) Reserve funds of up to 20% (twenty percent) of the capital of Perum can only be used to cover the Perum's loss.

- (4) If the reserve fund has exceeded 20% (twenty percent), the Minister may decide that the excess of the reserve fund is used for the Perum's needs.
- (5) The Board of Directors must manage the reserve funds so that the reserve funds make profits in a good manner by observing the legislation.
- (6) Profits obtained from the management of the reserve funds are included in the income statement.

#### Article 77

The appropriation of a Perum's net profit including the allowance for reserves as referred to in Article 76 is determined by the Minister.

#### Article 78

If the income statement in a fiscal year indicates a loss that cannot be covered by the reserve funds, then the loss will still be recorded in the accounting records of the Perum and the Perum is deemed to have no profit as long as the recorded loss is not yet fully covered, without prejudice to the provisions of legislation.

### CHAPTER VIII

#### DISSOLUTION OF SOEs

##### Part One

##### General

#### Article 79

The dissolution of SOEs is determined by a government regulation.

##### Part Two

##### Dissolution of Persero

#### Article 80

The dissolution of a Persero is carried out in accordance with the provisions and principles set out in the legislation in the field of limited liabilities companies.

Article 81

- (1) The dissolution of a Persero under the resolution of a GMS is proposed by the Minister to the President accompanied by the ground for consideration after a joint review with the Minister of Finance.
- (2) The review of the Persero's dissolution plan as referred to in section (1) may include the Technical Minister, other Ministers and/or other agency heads deemed necessary with or without hiring an independent consultant.
- (3) In the event that the proposed dissolution plan of the Persero as referred to in section (1) is carried out at the initiative of the Technical Minister, the said initiative is submitted to the Minister for further study to be coordinated by the Minister.

Article 82

The Minister immediately submits a draft government regulation to the President concerning the dissolution of the Persero not because of a GMS resolution.

Part Three

Dissolution of Perum

Article 83

A Perum is dissolved because of the following reasons:

- a. stipulated by a Government Regulation based on the Minister's proposal;
- b. the period of establishment stipulated in the articles of association has expired;
- c. under a court decision;
- d. revocation of the declaration of bankruptcy by the Commercial Court because the Perum's bankruptcy assets are insufficient to pay the bankruptcy fees; or
- e. the Perum is insolvent as stipulated in the provisions of the legislation in the field of bankruptcy.



Article 84

- (1) The dissolution of a Perum as referred to in Article 83 point a, point b, point c, and point d is followed by liquidation.
- (2) The liquidation as referred to in Article 83 point a, point b, and point d is carried out by a liquidator appointed by the Minister.
- (3) Provisions regarding the appointment, temporary dismissal, dismissal, authority, obligation, responsibility, and supervision of the Board of Directors also apply to the liquidator as referred to in section (2), except for the appointment and dismissal of the liquidator appointed by the court.
- (4) The Minister immediately submits a draft government regulation to the President concerning the dissolution of the Perum as referred to in Article 83 point a, point c, and point d.

Article 85

- (1) The dissolution of a Perum carried out based on the provisions as referred to in Article 83 point a is proposed by the Minister to the President accompanied by the grounds for consideration after a joint study with the Minister of Finance.
- (2) The study on the dissolution plan of the Perum as referred to in section (1) may include the Technical Minister, other ministers and/or heads of other institutions deemed necessary, with or without hiring an independent consultant.
- (3) In the event that the dissolution plan of the Perum initiative as referred to in section (1) originates from the Technical Minister, the initiative is submitted to the Minister for further study, which is coordinated by the Minister.

Article 86

- (1) No later than 1 (one) year before the end of the period of establishment of the Perum, the Minister may propose to

the President to extend the period of establishment of the Perum.

- (2) In the event that the proposal to extend the period of establishment of the Perum is not submitted as referred to in section (1), the Minister submits a draft government regulation concerning the dissolution of the Perum to the President.
- (3) In the event that the President does not stipulate an extension of the period of the establishment of the Perum until the date of expiry of the period of establishment of the Perum, the Perum dissolves on that date.

#### Article 87

- (1) The court can dissolve the Perum as referred to in Article 83 point c on the public attorney's application based on strong reasons that the Perum has violated the public interest.
- (2) In the court ruling, it is also stipulated the appointment of the liquidator.

#### Article 88

- (1) In the event that the Perum is dissolved because of the provisions as referred to in Article 83 point e, the liquidation is carried out in accordance with the legislation in the field of bankruptcy.
- (2) The Minister immediately submits a draft government regulation concerning the dissolution of the Perum as referred to in Article 83 point e.

#### Article 89

- (1) The liquidator not later than 30 (thirty) days after the dissolution of Perum is obligated to:
  - a. register the dissolution of the Perum in accordance with the legislation in the field of mandatory company registration;
  - b. announce the dissolution of the Perum in 2 (two) daily newspapers; and

- c. notify all its creditors with a registered letter concerning the dissolution of the Perum.
- (2) The registration, announcement and notification as referred to in section (1) must contain the following:
  - a. name and address of the liquidator;
  - b. procedure for filing invoice; and
  - c. the period for filing invoices cannot exceed 120 (one hundred and twenty) days from the date of registration, announcement and notification of the dissolution of the Perum as referred to in section (1).
- (3) Creditors who submit invoice in accordance with the provisions concerning the procedures as referred to in section (2) point b and the period as referred to in section (2) point c, and then rejected, can file a lawsuit to the district court no later than 90 (ninety) days from the date of rejection.
- (4) Creditors who do not submit their invoices in accordance with the period as referred to in section (2) point c, may submit their claims through a district court within 2 (two) years from the date the Perum has been registered, announced and notified as referred to in section (1).
- (5) The invoices submitted by the creditors as referred to in section (4) may only be made for the remaining assets of Perum that have not been paid to the Minister.
- (6) In the event that the remaining assets resulting from the liquidation have been paid to the Minister and there are creditors' invoices as referred to in section (5), the district court at the request of the creditor appoint a liquidator to withdraw the remaining liquidation proceeds paid.
- (7) The Minister is obligated to return the remaining assets resulting from the liquidation as referred to in section (6) in accordance with the total invoices.

#### Article 90

- (1) In the event that a Perum is dissolved, the Perum cannot take legal action unless it is necessary to settle its assets in the liquidation process.

- (2) The settlement acts as referred to in section (1) include:
  - a. record and collection of the Perum's assets;
  - b. determination of the procedures for the distribution of assets;
  - c. payment to creditors;
  - d. payment of the remaining liquidation assets to the Minister; and
  - e. other actions that need to be taken in carrying out the settlement of assets.
- (3) In the event that the Perum is in the process of liquidation, its outward correspondences bear the wordings "*dalam likuidasi*" behind the name of the Perum.

#### Article 91

- (1) At the request of 1 (one) or more persons having interest or at the request of the attorney's office, the head of the district court may appoint a new liquidator and dismiss the old liquidator because the relevant person fails to carry out his or her duties properly or in the event that the Perum's debt exceeds the assets of the Perum.
- (2) In the court ruling as referred to in section (1), matters relating to transfer of duties and obligations of the liquidator are also determined.

#### Article 92

- (1) The liquidator appointed by the Minister is responsible to the Minister for the liquidation.
- (2) The liquidator appointed by the court is responsible to the Court for the liquidation.

#### Article 93

- (1) The remaining assets resulting from the liquidation are allocated to the Minister.
- (2) Unless otherwise stipulated in a government regulation concerning the dissolution of the Perum, the Minister directly deposits the remaining assets resulting from the liquidation as referred to in section (1) to the State Treasury.

- (3) The liquidator is obligated to register in the Company Register and announce in the Supplement to the State Bulletin of the Republic of Indonesia the final results of the liquidation process and announce it in 2 (two) daily newspapers not later than 30 (thirty) days after the decision of the Minister or court concerning approval of the liquidation final results.

## CHAPTER IX MISCELLANEOUS

### Part One SOE Fiscal Year

#### Article 94

The fiscal year of an SOE is a calendar year, unless otherwise stipulated by the GMS for Persero and the Minister for Perum.

### Part Two SOE Employees

#### Article 95

- (1) SOE employees are SOE workforce whose appointments, terminations, rights and obligations are determined based on a collective labor agreement in accordance with the provisions of the legislation in the field of manpower.
- (2) For SOEs, no provisions on employment and echelonization of positions applicable to Civil Servants are applicable.

#### Article 96

- (1) In the event that an SOE employee is appointed as a member of the Board of Directors of the SOE, the relevant person retires as an employee of the SOE with the highest rank in the SOE concerned, as from the appointment as a member of the Board of Directors.

- (2) Further provisions regarding employees appointed as members of the Board of Directors are regulated by a Ministerial Regulation.

#### Article 97

- (1) SOE employees are prohibited from becoming officials of political parties and/or candidates/members of legislative agency.
- (2) Further provisions regarding the prohibitions for employees as referred to in section (1) are regulated by a Ministerial Regulation.

### Part Three

#### Issuance of Bonds and Other Debt Instruments

#### Article 98

Issuance of bonds and other debt instruments by SOEs are determined by the GMS for Persero and the Minister for Perum.

### Part Four

#### Procurement of Goods and Services

#### Article 99

- (1) Procurement of goods and services by an SOE that use funds directly from the State Budget is carried out in accordance with the provisions of the implementation of the State Budget.
- (2) The Board of Directors of the SOE determines the procedure for the procurement of goods and services for the SOE, in addition to the procurement of goods and services as referred to in section (1) based on the general guidelines set by the Minister.
- (3) The general guidelines and procedures as referred to in section (2) are established by taking into account the principles of efficiency and transparency.

Part Five  
Remuneration of the Board of Directors, Board of  
Commissioners and Board of Supervisors

Article 100

- (1) The amount and type of remuneration of the Board of Directors, Board of Commissioners and Board of Supervisors are determined by the GMS for Persero and the Minister for Perum.
- (2) Determination of the remuneration of the Board of Directors, Board of Commissioners and Board of Supervisors is carried out by taking into account the revenue, assets, achievement of targets, financial capabilities and soundness of the relevant SOE.
- (3) In addition to considering the matters as referred to in section (2), the Minister may also consider other relevant factors.
- (4) In addition to the salary and facilities received as members of the Board of Directors, Board of Commissioners and Board of Supervisors stipulated by the GMS for Persero and the Minister for Perum, members of the Board of Directors, Board of Commissioners and Board of Supervisors are prohibited from taking personal advantage from the activities of the relevant SOE.
- (5) Further provisions regarding the remuneration of members of the Board of Directors, Board of Commissioners and Board of Supervisors are further regulated by a Ministerial Regulation.

Part Six  
Company Documents

Article 101

The Board of Directors is required to manage the company documents in accordance with the legislation concerning company documents.

Part Seven  
Writing Off and Transfer of Assets of SOE

Article 102

Further provisions regarding procedures for the writing off and transfer of SOE assets are regulated by a Ministerial Regulation.

CHAPTER X  
TRANSITIONAL PROVISION

Article 103

At the time this Government Regulation comes into force, all implementing regulations determined and enforced based on Government Regulation Number 12 of 1998 as amended by Government Regulation Number 45 of 2001, and Government Regulation Number 13 of 1998 remain in effect as long as they do not conflict and have not been replaced with new regulations determined and enforced based on this Government Regulation.

CHAPTER XI  
CLOSING PROVISIONS

Article 104

With the enforcement of this Government Regulation, Government Regulation Number 12 of 1998 on State-Owned Limited Liability Company (Persero) as amended by Government Regulation Number 45 of 2001, and Government Regulation Number 13 of 1998 on Public Corporation (PERUM) are declared ineffective.

Article 105

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



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

Issued in Jakarta  
on 25 October 2005

PRESIDENT OF THE REPUBLIC OF INDONESIA,

signed

DR. H. SUSILO BAMBANG YUDHOYONO

Promulgated in Jakarta  
on 25 October 2005

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

signed

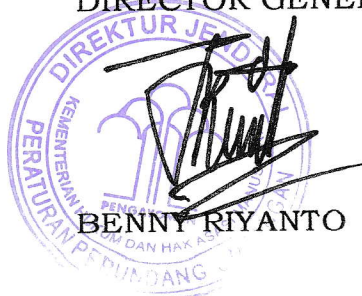
HAMID AWALLUDIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2005 NUMBER 117

Jakarta, 18 March 2022

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

DIRECTOR GENERAL OF LEGISLATION,



ELUCIDATION OF  
REGULATION OF THE GOVERNMENT OF THE REPUBLIC OF INDONESIA  
NUMBER 45 OF 2005  
ON  
ESTABLISHMENT, MANAGEMENT, SUPERVISION, AND DISSOLUTION OF  
STATE-OWNED ENTERPRISES

GENERAL

In line with the rapid development and the results achieved, the productivity and efficiency of all national economic forces need to be boosted-up so that their role and contribution in development can provide optimal results for improving the welfare of the people.

State-Owned Enterprises (SOE) of which entire or most of their capital comes from allocated state assets are one of the economic actors in the national economic system, in addition to private businesses and cooperatives.

In the national economic system, SOEs play a role in producing goods and/or services needed in order to realize the greatest prosperity of the people. The roles of SOEs are increasingly important as a pioneer in the business sectors not yet served by the private sector. In addition, SOEs also have strategic roles as the executor of public services, balancing entities of large private forces and entities to help develop small enterprises and cooperatives. SOEs are also significant sources of state revenue in the forms of various types of taxes, dividends and privatization proceeds.

The development of the economy has led to increasingly fierce market competition, in line with the trend of economic globalization and trade liberalization. Indonesia as an active participant in various regional and multilateral forums has agreed to participate in the era of free trade through its participation in various agreements reached in various forums, namely the General Agreement on Tariff and Trade, the General Agreement on Trade in

Service, the Asean Free Trade Area, The ASEAN Framework Agreement on Service, and the free trade agreement of Asia Pacific Economic Cooperation.

Noting the important role of SOEs in the national economic system in accordance with the tendency of free trade and the era of globalization, then on 19 June 2003, Law Number 19 of 2003 on State Owned Enterprises is promulgated. Under the law, SOEs are given the opportunity to develop their businesses in a progressive and independent manner.

The SOE Law is intended to create a system of management and supervision based on the principles of efficiency and productivity in order to improve the performance and value of SOEs, as well as to distance SOEs from exploitative actions outside the principles of good corporate governance.

Furthermore, SOEs of which performance has declined and fail to show improvement albeit restructuring efforts and are considered unsustainable, and the products produced have been easily obtained by the public without being dependent on the SOEs are liquidated.

Although Law Number 19 of 2003 on State-Owned Enterprises has regulated the principles relating to the establishment, management, supervision and dissolution of SOEs, further elaboration with government regulation is still needed.

The contents of this government regulation are, among others, relationship between the Minister, the Minister of Finance and the Technical Minister in terms of the establishment, management, supervision and dissolution of SOEs.

## ARTICLE BY ARTICLE

### Article 1

Sufficiently clear.

### Article 2

Sufficiently clear.

### Article 3

Sufficiently clear.

### Article 4

Section (1)

Point a

The term “formation of new Perum or Persero” means the formation of a Perum or Persero which is not derived from transformation and consolidation as referred to in point b, point c, and point d.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Section (2)

Sufficiently clear.

Article 5

Section (1)

Sufficiently clear.

Section (2)

Point a

Sufficiently clear.

Point b

The determination of the objectives and purposes in the government regulation concerning the establishment of an SOE is as far as possible provide flexibility to the SOEs to develop its business in accordance with the development of the business world.

Point c

If at the time of establishment of the SOE the state participation cannot be stipulated in the government regulation of its establishment, then the government regulation may provide that the determination of participation is done by the minister of Finance.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Article 6

Sufficiently clear.

Article 7

In the articles of association, it can be provided that the SOE is established for a definite or indefinite period of time.

Article 8

Provisions regarding the procedures for the participation and administration of state capital in SOEs are regulated in a Government Regulation on Procedures for Participation and Administration of State Capital in SOEs and Limited Liability Companies.

Article 9

Section (1)

Sufficiently clear.

Section (2)

Point a

Sufficiently clear.

Point b

The determination of the objectives and purposes and business activities of an SOE may not conflict with the legislation, public order and/or principle of decency.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

The number of members of the Board of Directors and the Board of Supervisors determined in the articles of association of the Perum is only the minimum number. The composition of the Board of Supervisors is made effectively by, among others, including the Board of Supervisors from independent elements namely parties outside the SOE and government institution.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Point h

Sufficiently clear.

Point i

Sufficiently clear.

#### Article 10

The involvement of the Technical Minister in the process of amending the articles of association of Perum is needed in connection with changes in the sectoral policies in the place where the SOE conducts business activities, existence of public service obligations and legislation that require the amendment to the articles of association of Perum.

The term "amendment to articles of association of Perum which is related with the change of capital is conducted based on the provisions on the procedures for state equity participation in the SOE" means the provisions regulated in the government regulation as the implementation of Article 4 of Law Number 19 of 2003 on State-Owned Enterprises.

#### Article 11

Sufficiently clear.

#### Article 12

##### Section (1)

The provisions regarding the writing of the name of the Persero are intended to differentiate state-owned companies from private companies.

For example:

Perusahaan Perseroan (Persero) PT XYZ, or abbreviated as PT XYZ (Persero).

##### Section (2)

For example:

Perusahaan Umum (Perum) XYZ, or abbreviated as Perum XYZ.

#### Article 13

Sufficiently clear.

Article 14

Section (1)

For Perum of which shares are entirely held by the state, the appointment and dismissal of its members of the Board of Directors can be made through a decision of the Minister as a GMS.

Section (2)

The recommendation of the Minister of Finance and/or Technical Minister can be requested by the Minister in connection with the implementation of Public Service Obligations by SOEs.

Article 15

Sufficiently clear.

Article 16

Section (1)

For SOEs of which shares are not entirely held by the state, the provisions on the fit and proper test only apply to candidates of Members of the Board of Directors who represent the government.

Section (2)

The meaning of reappointment without fit and proper test is the appointment of a member of the Board of Directors in the same position in an SOE. The assessment of the competence of members of the Board of Directors in carrying out their duties is based on, among others, achievement of the company performance targets, team cohesiveness, integrity and track record.

Section (3)

The management contract contains the commitment or declaration of the candidate that if he or she is appointed/re-appointed as a member Director, he or she among others meets all targets set by the GMS/Minister and applies the principles of good corporate governance.

Section (4)

Sufficiently clear.

Article 17

Sufficiently clear.

Article 18

Sufficiently clear.

Article 19

Section (1)

With this arrangement, a person may only serve in one SOE for a maximum period of 10 (ten) years. This provision is intended to avoid excessive control by a person over the company resulting in the potential of moral hazard.

Section (2)

As of the expiry of the term of office, the member of the Board of Directors no longer serves as a member of the Board of Directors in accordance with the provisions of Article 24 of this Government Regulation.

Section (3)

Included in the definition of a vacant position of a member of the Board of Director is if the term of office of a member of the Board of Directors expires and a definitive member of the Board of Directors has not been appointed.

Article 20

Sufficiently clear.

Article 21

Section (1)

The prohibition to hold double position is intended to make members of the Board of Directors truly devotes all energy and thoughts and/or full attention to the duties, obligations and achievement of the objectives of the Company, so that the focus of the members of the Board of Directors is expected not to be divided into another company whose line of business is the same as the company of the members of the Board of Directors.

Positions that can lead to a conflict of interest include, among others, official of a political party and/or candidate/member of the legislative agency.

Section (2)

With this arrangement, a member of the Board of Directors appointed to a position prohibited from being concurrently occupied is



prohibited from acting as a member of the Board of Directors of an SOE. If this is violated, the legal actions carried out by the member of the Board of Directors for and on behalf of the SOE remain binding and become the responsibility of the SOE without prejudice to the liability of the member of the Board of Directors for the losses suffered by the company due to the legal actions committed.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Article 22

Section (1)

The prohibition on members of the Board of Directors in this provision is intended so as not to cause a conflict of interest.

The term “candidates/members of the legislative agencies” means candidates/members of the House of Representatives of the Republic of Indonesia, Regional Representative Council, Provincial Representative Council and Regency/Municipal Representative Council.

Section (2)

The Ministerial Regulation provides, among others, the mechanism for dismissal of the member of the Board of Directors.

Article 23

Section (1)

Sufficiently clear.

Section (2)

Point a

Sufficiently clear.

Point b

Included in this sense for example suffering physical and/or mental illness and other conditions that prevent the relevant person from doing his or her job properly.

Point c

Sufficiently clear.

Point d

The intended loss does not include losses incurred because of business risks.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Section (3)

In the event that the notice is made verbally, then it is done by a face-to-face meeting and proven with minutes signed by the relevant member of the Board of Directors and the Minister or designated official. In the event that such member of the Board of Directors refuses to sign the minutes, the reason for such refusal is stated in the minutes.

Section (4)

Sufficiently clear.

Section (5)

In the event that the dismissal of a member of the Board of Directors is carried out at a GMS, the defense of such member of the Board of Directors may be made at the GMS. But if the defense is not carried out in the GMS forum, the SOE's articles of association must regulate that the GMS can be held outside the meeting forum in accordance with the provisions of Article 64 of Law Number 1 of 1995 on Limited Liability Company which allows the GMS to be held outside the meeting forum as long as it is stipulated in its articles of association.

Section (6)

Sufficiently clear.

Section (7)

Sufficiently clear.

Article 24

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Included in the sense of not meeting the legislation is double position as referred to in Article 21 and resignation of members of the Board of Directors.

Article 25

The Ministerial Regulation contains, among others, procedures for resignation of members of the Board of Directors and the effective date of dismissal as a member of the Board of Directors in the event of resignation of a member of the Board of Directors.

Article 26

Sufficiently clear.

Article 27

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

For Persero, the authority to file a lawsuit is carried out according to the provisions of the legislation in the field of limited liabilities companies.

Article 28

Section (1)

The articles of association may provide that (i) the President Director has the right and authority to act for and on behalf of the Board of Directors based on the approval of other members of the Board of Directors (ii) other members of the Board of Directors have the right and authority to act for and on behalf of the Board of Directors, each in accordance with their area of duty and authority.

Section (2)

Sufficiently clear.

Article 29

Point a

Sufficiently clear.

Point b

Example: A is a member of the Board of Directors of PT XYZ (Persero). PT XYZ (Persero) has a case with another company where A's child and/or wife is the management of the other company, then A is not authorized to represent PT XYZ (Persero) in the case before the court.

Article 30

Sufficiently clear.

Article 31

Section (1) and section (2)

With this arrangement, all actions taken by a member of the Board of Directors must be approved by other members of the Board of Directors, whether such approval is given at a meeting of the Board of Directors or outside a meeting of the Board of Directors. The actions of a member of the Board of Directors carried out without the approval of other members of the Board of Directors which in fact causes losses to the company are the personal responsibility of the relevant member of the Board of Directors.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Article 32

Sufficiently clear.

Article 33

Section (1)

Sufficiently clear.

Section (2)

The Minister as the representative of the government as the owner of a Perum's capital determines the Perum's development policy which aims to determine the direction in achieving the company's goals both concerning investment policies, business financing, sources of financing, use of the company's business proceeds, and other development policies. Since the Board of Supervisors will oversee the

implementation of the policy, the Board of Directors' proposal to the Minister must be preceded by the approval of the Board of Supervisors. The Minister has significant interests in state capital embedded in the Perum to be managed. For this reason, investment, financing and utilization of Perum's business proceeds need to be clearly directed in a company development policy.

In order to approve the proposal of the Board of Directors, the Minister may hold discussions at any time with the Technical Minister to discuss matters relating to the sectoral policies.

Article 34

Sufficiently clear.

Article 35

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

The term "sound" means at least in the category of sound (AA) as regulated in a Ministerial Regulation.

Article 36

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear

Section (5)

The term "in certain cases" includes shifting of budget posts and budget ceiling changes up to certain percentage as determined by the GMS for Persero and the Minister for Perum.

Article 37

Sufficiently clear.

Article 38

Sufficiently clear.

Article 39

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

The Ministerial Regulation includes the type of the periodic report, time of delivery, addressee, and responses to the periodic report.

Article 40

Sufficiently clear.

Article 41

Section (1)

Sufficiently clear.

Section (2)

Point a

Annual financial statement is one form of financial reports as referred to in Article 71 section (1) of Law Number 19 of 2003 on State-Owned Enterprises.

Point b

The consolidated income statement and the income statement of each subsidiary are needed to assess the performance of the parent company (Perum) regardless of the performance of its subsidiaries.

Point c

The report also includes a report on the intensity of meetings of the Board of Directors and Board of Supervisors.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Article 42

Sufficiently clear.

Article 43

Section (1)

The term “Financial Accounting Standards” means accounting principles that have been recognized and agreed upon by Indonesian accountants together with authorized government institution.

Section (2)

The explanation and reasons are delivered to the Minister to be used as a basis for the consideration in the approval of the statements.

Article 44

Section (1)

Financial audit includes the annual financial statements of the company carried out to obtain the auditor's opinion on the fairness of the relevant financial statements. The auditor's opinion on the financial statements is needed by the shareholders/Ministers, among others, in the context of granting acquit et de charge to the Board of Directors, Board of Commissioners and Board of Supervisors of the company.

In line with Law Number 1 of 1995 on Limited Liability Company and Law Number 8 of 1995 on Capital Market, financial audit and annual financial statements of a limited liability company are carried out by a public accountant.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Article 45

Sufficiently clear.

Article 46

Sufficiently clear.

Article 47

Sufficiently clear.

Article 48

Sufficiently clear.

Article 49

Section (1)

For a Persero of which shares are entirely owned by the state, the appointment and dismissal of members of the Board of Commissioners can be made through a decision of the Minister as GMS.

Section (2)

Members of the Board of Supervisors from these elements are related to the implementation of Public Service Obligations by SOEs.

Section (3)

The term "requirements" is as defined in Article 50.

Article 50

Sufficiently clear.

Article 51

Sufficiently clear.



Article 52

Section (1)

Sufficiently clear.

Section (2)

This is intended to prevent vacancies in the managerial and supervisory functions of the SOE.

Section (3)

As of the expiry of the term of office, the member of the Board of Commissioners/Board of Supervisors no longer serves as a member of the Board of Commissioners/Board of Supervisors in accordance with the provisions of Article 56 of this Government Regulation.

Section (4)

Sufficiently clear.

Article 53

Sufficiently clear.

Article 54

Section (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Section (2)

With this arrangement, members of the Board of Commissioners and Board of Supervisors who are appointed to positions prohibited from being concurrently occupied are no longer permitted to act as members of the Board of Commissioners/Board of Supervisors of the SOE. If this is violated, the legal actions carried out by the members of the Board of Commissioners/Board of Supervisors remain binding and are the responsibility of the SOE without prejudice to the responsibility of the members of the Board of Commissioners/Board of Supervisors for the losses suffered by the company due to legal actions committed by them.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Article 55

Sufficiently clear.

Article 56

Sufficiently clear.

Article 57

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Included in the sense of not meeting the legislation is occupying concurrent positions as referred to in Article 53 of this Government Regulation.

Article 58

Sufficiently clear.

Article 59

Sufficiently clear.

Article 60

Sufficiently clear.

Article 61

Sufficiently clear.

Article 62

Sufficiently clear.

Article 63

Sufficiently clear

Article 64

Sufficiently clear.

Article 65

Section (1)

The term "public benefit function" means the assignment given by the government in order to provide public service obligation in the form of government obligation to provide certain goods and services needed by the wider community. The meaning of the Government in this section is the Minister, Minister of Finance, or Technical Minister.

Section (2)

The results of the study are documented in writing as a basis for implementing the public service obligations.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

The term "achievement of company's business targets" means profit motive/non-public service obligation.

Section (6)

The public service obligation reports are prepared separately and audited according to the applicable regulations.

Article 66

Sufficiently clear.

Article 67

Sufficiently clear.

Article 68

Sufficiently clear.

Article 69

The provision of information is accompanied by a report on the results of the Internal Audit Unit.

Article 70

Sufficiently clear.

Article 71

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Members of the Board of Commissioners/Board of Supervisors holding concurrent position as the head of the audit committee are not given additional income from the position.

Section (5)

This provision is in accordance with the principles of Good Corporate Governance, namely to avoid unfair actions and conflicts of interests among members of the audit committee.

For example:

If a member of the audit committee comes from a particular consultant, the consultant is not entitled to participate in the activities of the relevant SOE.

Section (6)

The term "certain SOEs" means SOEs that do not have the financial capacity to finance the audit committee. In the event that a member of the Board of Commissioners/Board of Supervisors holds a double position as a member of the audit committee, the member of the Board of Commissioners/Board of Supervisors is not given additional income from the position.

Article 72

Sufficiently clear.

Article 73

Sufficiently clear.

Article 74

Section (1)

Sufficiently clear.

Section (2)

The Ministerial Regulation provides, among others, other types of committees such as the remuneration committee and the nomination committee.

Article 75

Sufficiently clear.

Article 76

Sufficiently clear.

Article 77

Based on this provision, the Minister may stipulate that part or the entire net income will be used to distribute dividends to the capital owner, or other distributions such as *tantiem* for the Board of Directors and the Board of Supervisors, bonuses for employees, etc., or placement of the net profit in the Perum reserves which, among other things, are intended for the expansion of the Perum's business.

Article 78

Sufficiently clear.

Article 79

Sufficiently clear.

Article 80

Sufficiently clear.

Article 81

Section (1)

The proposal to dissolve the Persero is submitted by the Minister to the President after an assessment has been made and resolved by the

GMS. The submission of the proposal is accompanied by a draft government regulation.

Section (2)

The involvement of the Technical Minister in the context of dissolution of the Persero is related to sectoral policies which is the authority of the Technical Minister and/or public service obligations and/or due to the provisions of legislation.

Section (3)

Sufficiently clear.

Article 82

The submission of the draft government regulation does not require a study, because the dissolution of the Persero is a juridical consequence. The draft government regulation is merely administrative in nature and is not a requirement for the dissolution of the Persero.

Article 83

Point a

Sufficiently clear.

Point b

Sufficiently clear

Point c

Sufficiently clear

Point d

Since the bankruptcy statement decision has been passed until the bankruptcy statement decision has been revoked by the Commercial Court, the procedures are in accordance with the provisions as referred to in the legislation in the field of bankruptcy.

Point e

The term “insolvent” means an insolvency condition in accordance with the provisions as referred to in the legislation in the field of bankruptcy.

Article 84

Sufficiently clear.

Article 85

Sufficiently clear.

Article 86

Sufficiently clear.

Article 87

Sufficiently clear.

Article 88

Sufficiently clear.

Article 89

Section (1)

The 30-day period is as of:

- a. in the event that the Perum is dissolved by the Minister, the period of time is calculated from the date of dissolution by the Minister;
- b. in the event that the Perum is dissolved because of the expiry of the period of establishment, the period of time is calculated from the date of expiration of the period of establishment of the Perum; or
- c. in the event that the Perum is dissolved based on a court ruling, the period of time is calculated from the date the court ruling has permanent legal force.

Section (2)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

In the event that the registration, announcements and notifications are not done at the same time, the 120 (one hundred and twenty) day period is calculated from the date the ultimate action is taken.

Section (3)

Sufficiently clear.

Section (4)

This provision only applies to creditors whose identities and addresses are unknown when the liquidation process takes place.

Section (5)

Sufficiently clear.

Section (6)

Sufficiently clear.

Section (7)

Sufficiently clear.

Article 90

Section (1)

During the liquidation process, the articles of association of a Perum along with any changes that take effect when the Perum is dissolved remains valid until the day the liquidator is released from the responsibility by the Minister.

Section (2)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The term “creditors” includes the state and employees.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Section (3)

Sufficiently clear.

Article 91

Sufficiently clear.

Article 92

Sufficiently clear.



Article 93

Section (1)

Sufficiently clear.

Section (2)

In the government regulation concerning the dissolution of a Perum, it can also be stipulated that the liquidation proceeds are used as state capital participation in other existing SOEs or is participated in the framework of establishing a new SOE.

Section (3)

Upon approval of the final liquidation result, the liquidator is given a full release and discharge (acquit et de charge).

Article 94

The term "calendar year" means the fiscal year lasting from 1 January to 31 December.

Article 95

Sufficiently clear.

Article 96

Section (1)

The term "the highest rank" means the rank of the SOE in which the relevant person is employed.

Section (2)

Sufficiently clear

Article 97

Section (1)

Sufficiently clear.

Section (2)

The provisions in the Ministerial Regulation concerning prohibition of employees of the SOEs to be political party officials and/or candidates/members of the legislative agency are further regulated in the company employment regulations.

Article 98

Sufficiently clear.

Article 99

Section (1)

Sufficiently clear.

Section (2)

The general guidelines stipulated by the Minister apply automatically to SOEs of which entire shares/capital are owned by the state because in this case the Ministerial Regulation on the stipulation of these general guidelines are equivalent to the resolution of the GMS. Whereas for SOEs not entirely owned by the state, the enforcement of the general guidelines stipulated by the Minister in question are confirmed by a resolution of the GMS.

Section (3)

Sufficiently clear.

Article 100

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

The term "other relevant factors" are among others level of remuneration generally applicable in similar industries.

Section (4)

With this arrangement, any action taken by a member of the Board of Directors that has the effect of enriching themselves or their family or their cronies from the SOE's activities, especially those that cause harm to the SOE, is subject to sanctions in accordance with the applicable legislation.

Section (5)

Sufficiently clear.

Article 101

The term "company documents" means data, records and/or information made and/or received by the company in the context of carrying out its activities, whether written on paper or other means, or recorded in any form that can be seen, read or heard, as regulated in Law Number 8 of 1997 on Company Documents.

Article 102

This Ministerial Regulation applies automatically to SOEs of which entire shares/capital is owned by the state because in this case the Ministerial Regulation is equivalent to the resolution of the GMS. Meanwhile, for SOEs not entirely owned by the state, the enforcement of the said Ministerial Regulation is confirmed in advance by a resolution of the GMS.

Article 103

Sufficiently clear.

Article 104

Sufficiently clear.

Article 105

Sufficiently clear.

SUPPLEMENT TO STATE GAZETTE OF THE REPUBLIC OF INDONESIA  
NUMBER 4556 OF 2005