

## **ATTACHMENT**

Decision of the Chairman of  
Capital Market Supervisory Agency  
Number : Kep-41/PM/2003  
Date : December 22,2003

### **RULE NUMBER IX.I.5 : Guidelines on Establishment and Working Implementation of Audit Committee**

1. Definitions
  - a. Audit Committee is a committee established by a Board of Commissioners in order to support the Board to do its duties and tasks.
  - b. Affiliation is a relationship as stipulated in Capital Market Law No. 8 of 1995.
  - c. Independent Commissioners is a member of Boards of Commissioners which:
    - 1) comes from outside of Issuers or Public Companies;
    - 2) does not have any direct or indirect ownership in Issuers or Public Companies;
    - 3) is not affiliated with Issuers or Public Companies, Commissioner, Director, or majority shareholder of Issuers or Public Companies.
  - d. Key Employees are persons that have authorities and responsibilities to plan, lead or control the activities of Issuers or Public companies such as Commissioners, Directors, and Managers.
2. The Establishment of Audit Committee
  - a. Issuers or Public Companies must have Audit Committee.
  - b. Audit Committee answers to the Board of Commissioners.
  - c. Audit Committee consists of at least one Independent Commissioner and at least 2 (two) other members from outside of the Issuers or Public Companies.
3. Guidelines for the Establishment of Audit Committee
  - a. Audit Committee Structure
    - 1). Audit Committee members are appointed and dismissed by Board of Commissioner and reported to Annual Shareholder Meeting.
    - 2) Audit Committee member who is Independent Commissioner acts as Audit Committee Chairman. In case where there are more than one Independent Commissioners appointed as Audit Committee members, then one of them shall act as Chairman of Audit Committee.
  - b. Requirements for Audit Committee Members:
    - 1) Have high integrity, capability, sound knowledge and experience with adequate educational background, as well as the ability to communicate effectively,
    - 2) One of Audit Committee member has educational background in Accountancy or Finance.
    - 3) Have sound knowledge to analyse and interpret financial statements.

- 4) Have adequate knowledge about law and regulation in capital market and other related regulation.
  - 5) Are not insiders of Public Accountant Office that provide audit or non audit service to Issuers or Public Companies within 1 (one) previous year before appointed by Commissioner as stipulated in Rule No. VIII.A.2 concerning Independence of Accountant for Providing Audit Service in Capital Market.
  - 6) Are not Key Employees of Issuers or Public Companies within 1 (one) previous year before appointed by Commissioner,
  - 7) Do not have any direct or indirect ownership in Issuers or Public Companies. In case where Audit Committee members have received share as a result of a legal event, they must transfer the shares to other Person no later than 6 (six) month after obtaining those share,
  - 8) Do not have any affiliated relationship with Issuers or Public Companies, Commissioners, Directors or Majority Shareholders of Issuers or Public Companies.
  - 9) Do not have any direct or indirect business relationship related with Issuers or Public Companies business activities; and
  - 10) Do not serve as Audit Committee member in other Issuers or Public Companies within the same period.
- c. Duties and Responsibilities of Audit Committee
- Audit Committee is responsible for providing advices to Board of Commissioners regarding reports or other issues that have been submitted by Boards of Directors to Boards of Commissioners, identifying any issue that needs concern of Boards of Commissioner, and performing other tasks related to Boards of Commissioner duties, such as:
- 1) To review company financial information that will be released, such as financial statements, financial projection, and other financial information;
  - 2) To review the company compliance to the law and regulation in Capital Market and other related regulations that are in line with company activities;
  - 3) To review audit implementation of internal auditor;
  - 4) To report to the Commissioners regarding any risks faced by company and the implementation of risk management by Boards of Directors.
  - 5) To review and to report to the Commissioners regarding any complains related with Issuers or Public Companies;
  - 6) To keep the confidentiality of company's document, data and information; and
  - 7) To set Audit Committee charter
- d. Authority of Audit Committee
- 1) Audit committee has authority to access fully, freely and with no limitation to any company's records, employees, funds, assets and other resources that related with its duties.
  - 2) In performing its authority referred to in point 1) above, Audit Committee shall work together with the internal auditor.

- e. Meetings of Audit Committee
    - 1) Audit Committee shall hold a meeting at least once a month;
    - 2) Audit Committee meetings can make decisions if at least attended by 2/3 (two third) of Audit Committee members,
    - 3) Decision shall be effective if approved by more than ½ (half) of attended Audit Committee members.
    - 4) Meetings shall be led by the Chairman of Audit Committee or the most senior Audit Committee member if the Audit Committee Chairman does not attend the meetings,
    - 5) Each Audit Committee meetings shall be noted on the minutes meetings which signed by all attended Audit Committee members.
  
  - f. Reporting
    - 1) Audit Committee submit report to the Board of Commissioners for each given assignment, and
    - 2) Audit Committee produce annual report regarding implementation of Audit Committee Activities to the Board of Commissioner.
  
  - g. Terms of Service,  
Terms of Service of Audit Committee member shall not be longer than terms of Service of the Boards of Commissioner and reappointment is only for 1 (one) more term.
4. By no means undermining criminal stipulation in capital market, Bapepam may impose sanctions on any violations of this rule, as well as on any Person that causes the violation to occur.

Enacted in : Jakarta  
Date : December 22, 2003

Chairman of Capital Market Supervisory Agency

Signed

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Based on the original document  
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