Document Control

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Document Information

Title	Corporate Governance Guidelines
Document Type	Public
Document Name	Corporate Governance Guidelines
File Name	Corporate Governance Guidelines – Rev. 2

Revision List

Revision	Date of Publication	Status	Reasons for Revisions
0	August 6th, 2012	*Complete (first release)*	-
1	June 15th, 2017	*Complete*	*Information Updates*
2	January 11th, 2023	*Complete*	*Information Updates*

Corporate Governance Guidelines
PT Kustodian Sentral Efek Indonesia

Jakarta, January 11th, 2023
PM-003 Rev.2

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CHAPTER 1. INTRODUCTION

1.1. Background

PT Kustodian Sentral Efek Indonesia (to be referred further as "KSEI" or "the company") has a vision of becoming a reliable and competitive regional-level central custodian. Becoming a reliable institution means that KSEI shall provide a fair, secure, accurate, orderly and timely service. To achieve this vision, KSEI launched initiatives to improve implementation of corporate governance to become competitive at the regional level. The company also provides innovative and efficient services based on regional markets developments and stakeholders' needs.

In order to improve the implementation of corporate governance, KSEI has arranged relevant guidelines and charters to become one of the work references for the company's CG organs. The guidelines aim to support a more effective decision-making function and corporate governance monitoring in compliance with the principles of Good Corporate Governance (GCG).

The CG guidelines contain a set of CG organ's primary duties and responsibilities and implementation of GCG principles in managing The company. The guidelines will be elaborated in detail in each CG Organ's charter. Furthermore, to implement the principles of GCG in all aspects of the company's activities, the guidelines will serve as references and foundations for arranging and developing the company's policies and procedures.

KSEI's CG implementation cannot simply replicate a CG used in other companies. As a Self-Regulatory Organization (SRO) in the capital market, KSEI shall comply with the Financial Services Authority's (OJK) rules and regulations and consider its stakeholders' interests. Therefore, the company's CG guidelines and related GCG charters are prepared in consideration of KSEI's characteristics and the OJK's rules and regulations.

1.2. Purposes and Objectives

The CG guidelines aim to be the references for:

(1) The Board of Commissioners for supervisory functions regarding organizing the company conducted by the Board of Directors.

(2) The Board of Directors for managing the company based on the highest moral values and in compliance with the existing laws and regulations, the company's articles of association, and business ethics.

(3) KSEI's management and employees for their daily duties and activities based on GCG principles.

CHAPTER 2. SELF-REGULATORY ORGANIZATION

KSEI, as a Self-Regulatory Organization (SRO) in the Indonesia capital market industry, is responsible for providing central custodian and securities transaction settlement services and regulations for its members. The rule-making rule complies with the OJK regulation number 48/POJK.04/2016 regarding Procedures for Legal Drafting by Depository and Settlement Institutions.

Below is the implementation of GCG principles related to KSEI's role as an SRO.

2.1 Preparation and Amendment of Rules

(1) KSEI is an institution that obtained business license from OJK to provide orderly, fair, and efficient central custodian and securities transaction settlement services.

(2) Based on its functions, KSEI drafts or amends regulations and services fee of central custodian, which shall be followed and complied with all KSEI's service users.

(3) KSEI drafts or amends central custodian services' regulations based on prevailing rules and regulations, GCG principles, and free of conflicts of interests.

(4) All KSEI's central custodian services regulations or the amendments shall be approved by the Board of Commissioners before submitted for OJK's approval.

(5) KSEI shall request for recommendations from its service users, PT Bursa Efek Indonesia, PT Kliring Penjaminan Efek Indonesia, and other stakeholders.

(6) Recommendations from KSEI's service users, PT Bursa Efek Indonesia, PT Kliring Penjaminan Efek Indonesia, and other stakeholders should be documented and attached to the application of the regulations or the amendments submitted for OJK's approval.

(7) The application and approval process of KSEI regulations or amendments must comply with the prevailing OJK regulations.

(8) KSEI prepares the regulations interpretation documents and submits those documents to the OJK for reviewing and processing in compliance with the prevailing OJK regulations.

(9) KSEI must conduct socialization for the regulations that have been approved by OJK.

2.2 KSEI Regulations

In drafting regulations, at least KSEI must have:

(1) Regulations on Central Custodian Services:
   a. Requirements of the use of depository services for securities and other assets related to securities and other services, including dividends, interests, and other entitlements;
   b. Freezing or termination of services to Service users;
   c. Amount of service fees for Service users; and
   d. Examination of service users and imposition of sanction if rule violation is found.

(2) Regulations on securities transaction settlements:
   a. Procedures of book-entry; and
   b. Procedures of confirmation to service users.

CHAPTER 3. CORPORATE GOVERNANCE FRAMEWORK

The CG framework is prepared based on prevailing laws and regulations, and takes into account the company's conditions, cultures, and values.

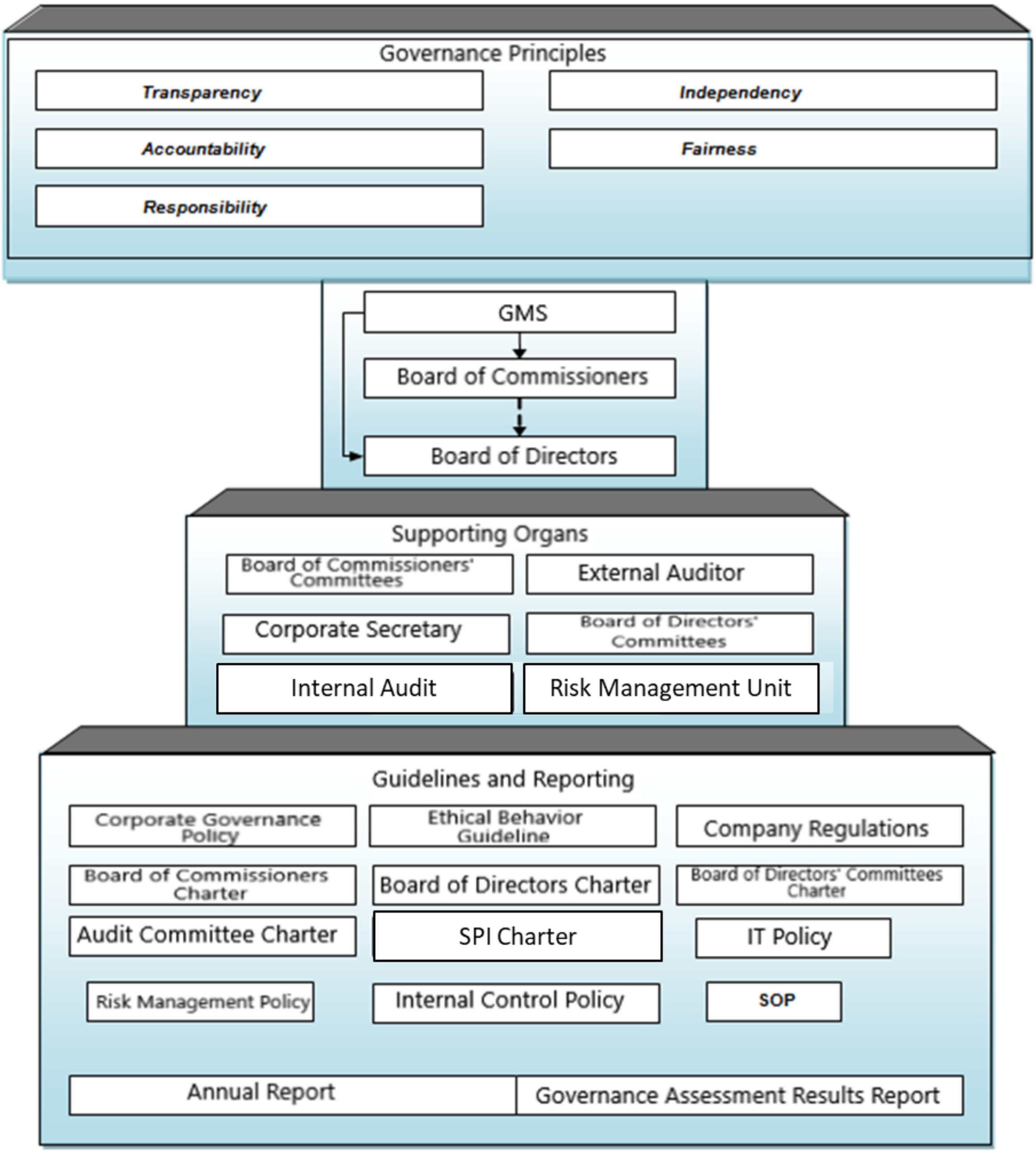
In the CG framework, there is a separation of duties between shareholder components in General Meeting of Shareholders (GMS), supervising body namely the Board of Commissioners, and the company's operating body namely the Board of Directors. These three components are the organs that determine and control the implementation of CG in the company. Therefore, they are called the CG Main Organs. The Board of Commissioners and Board of Directors are appointed by the GMS, as shown from the solid line between the two and the GMS.

In the implementation of their duties, the Main Organs are assisted by the Supporting Organs which include the Board of Commissioners' Committee, the Board of Directors' Committees (Work Committee, Budget Committee, Investment Committee, Risk Management Committee, Sanction Committee), the Internal Audit, the Risk Management Unit and the Independent Auditor (External Auditor).

The Board of Commissioners forms the Board of Commissioners' Committee to perform the supervisory function more effectively. The Board of Directors forms the Board of Directors' Committees to support the company's operations as a Self-Regulatory Organization (SRO). The Internal Audit conducts the examination function toward internal control and compliance, while Risk Management Unit conducts the risk management functions. The Independent Auditor conducts the examination function independently on the company's financial statements.

The Main Organs and the Supporting Organs are completed by relevant guidelines, Charters and Standard Operating Procedures (SOP). The documents serve as references in implementation of CG. As an actualization of the CG implementation accountability, KSEI will prepare relevant reports, e.g.: disclosures of CG implementation in the company's Annual Report and CG Assessment Report.

Framework of KSEI CG in brief is as follows:



The above CG Framework is implemented within the company's organizational structure as specified below. The organizational structure will be reviewed and updated, if necessary, to adjust the organization with the prevailing laws and regulations and the company's business.

CHAPTER 4. CORPORATE GOVERNANCE IMPLEMENTING ORGAN

4.1 Company's Organization

(1) The company's Organization is formed based on organizational needs, long-term work plan, and developments in the industry by taking into account OJK regulations, internal control (e.g.: check and balance system mechanism), efficiency, and organizational effectiveness.

(2) The organization's formation is elaborated into an organizational structure that clearly shows:
   a. Reporting relations.
   b. Flow of information.
   c. Hierarchy levels.
   d. Supervision scope.
   e. Separation of duties and responsibilities.

(3) The Organizational structure is designed by the Board of Directors, reviewed and approved by the Board of Commissioners, and submitted to the OJK for input and approval.

4.2 Corporate Governance Main Organs

Based on Law Number 40 Year 2007 regarding Limited Liability Companies, the company's organs include the General Meeting of Shareholders (GMS), Board of Commissioners, and Board of Directors. These Company's organs are influential in determining the direction and control of the Company. Therefore, the three organs are also significant in the implementation of GCG so that they are also known as GCG Main Organs.

The company's organs, the Board of Directors, and the Board of Commissioners are stipulated in the OJK Rule Number 60/POJK.04/2016 regarding Board of Directors and Board of Commissioners of Central Securities Depository, and OJK Rule Number 3/POJK.04/2021 regarding Implementation of Capital Market Activities.

4.2.1 General Meeting of Shareholders (GMS)

(1) The company's shareholders are PT Bursa Efek Indonesia, PT Kliring Penjaminan Efek Indoneisa, Securities Companies, Regitrars, Custodian Banks, or other parties upon approval from OJK in compliance with Article 15 of the Law of the Republic of Indonesia Number 8 Year 1995 regarding Capital Market.

(2) Transfer of the company share rights complies with the prevailing laws and regulations related to the transfer of KSEI share rights.

(3) The GMS is a company organ that has an authority not granted to the Board of Directors or the Board of Commissioners.

(4) The company's GMS consists of:
   a. Annual GMS, which is a GMS that is held regularly 6 (six) months following the end of fiscal year.
   b. Extraordinary GMS, which is a GMS that is held by no later than October 31 or upon request from the Board of Commissioners or Board of Directors based on the Articles of Association.

(5) The GMS is held in accordance with the company's Articles of Association and the prevailing laws and regulations.

(6) The procedures of GMS will be regulated and read in the implementation of the Annual and Extraordinary GMSs.

(7) A GMS has the authority to:
   a. Authorize the amendments of the company's Articles of Association before obtaining the approval from the OJK. To appoint members of the Board of Commissioners and Board of Directors after obtaining the assessment report of fit and proper test conducted by Committee formed by the Chairman of the OJK.
   b. Dismiss members of the Board of Commissioners.
   c. Dismiss members of the Board of Directors at the recommendation of the Board of Commissioners.

d. Approve and authorize or reject The company Long-Term Plan (CLTP) and Annual Work Plan and Budget (AWPB) prepared by the Board of Directors and reviewed by the Board of Commissioners jointly with the Budget Committee. The CLTP and AWPB will later be submitted to the OJK for input and approval.
e. Approve or reject the Annual Report prepared by the Board of Directors and reviewed by the Board of Commissioners.
f. Determine the amount of honorarium and facilities for the members of the Board of Commissioners as well as the salary and facilities of the Board of Directors.
g. Appoint a Public Accountant Office to audit The company's Annual Financial Statement.

4.2.2 Board of Commissioners

(1) The Board of Commissioners is a Company organ that is responsible for generally and/or specifically supervising The company based on the Articles of Association and providing recommendations to the Board of Directors.

(2) Appointment and/or replacement of a member of the Board of Commissioners is done by the GMS after obtaining the assessment report of fit and proper test conducted by Committee formed by the Chairman of the OJK.

(3) Procedures for the nomination of the Board of Commissioners' members are based on the prevailing OJK regulations.

(4) Composition and number of the Board of Commissioners shall be 7 (seven) members at maximum to conduct independent supervisory function and to make an effective decision-making.

(5) Requirements, composition, and number of the Board of Commissioners are stipulated by the prevailing OJK regulations.

(6) The Board of Commissioners shall have the rights to:
a. Receive remunerations based on GMS decisions.

b. Receive information required to conduct the supervisory duties.
c. Establish Board of Commissioners' Committees as needed and hire a Board of Commissioners' Secretary paid by The company. The Board of Commissioners' Committees shall have valid appointment letters and clear working guidelines.
d. Resigned during their term of office while still being accountable for their duties during their term of office
e. Defend themselves in front of a GMS before they are dismissed permanently or temporarily.
f. Receive an induction program from the company.
g. The primary duty of the Board of Commissioners is to conduct supervisory functions over the Board of Directors' policies and provide recommendations to the Board of Directors on how to manage the company.
h. The primary authority of the Board of Commissioners is to review and approve issues under their jurisdiction.
i. Details on the Board of Commissioners' duties, authority, and other related functions are specified in the Board of Commissioners and Board of Directors Charters.
j. Related to the above duties and authority, the Board of Commissioners is not allowed to make any decisions regarding the company's operations unless it is stipulated explicitly in the prevailing laws and regulations or the company's Articles of Association.
k. A member of the Board of Commissioners can delegate his duties and authority to another member of the Board of Commissioners through an official letter that specifies the reason and period of the delegation. The delegation period cannot be longer than 6 (six) months and does not relieve any obligations and responsibilities of the respective member of the Board of Commissioners.
l. The Board of Commissioners have a mechanism to evaluate the independency of its members from any potential conflicts of interest.
m. The company has a mechanism to develop the skills of members of the Board of Commissioners, which is under the responsibility of the President Commissioner.

(7) A member of the Board of Commissioners who no longer serves as member of the Board of Commissioners for any reason, are not entitled to receive

honorarium from the company, except for the right to receive compensation or reward as long as it is approved by the GMS, provided that the amount of such compensation or reward is not greater than the amount of the honorarium for the remaining term of office.

4.2.3 Board of Directors

(1) The Board of Directors is a Company organ that is fully authorized and responsible for the management of the company, based on the company's interests, goals, and purposes, and represent The company in or outside a legal court in compliance with the provisions of the Articles of Association.

(2) The GMS performs the appointment and/or replacement of members of the Board of Directors after vetting by a committee formed by the OJK.

(3) Procedures for nomination of the Board of Directors members shall comply with the prevailing OJK regulations.

(4) The company is managed and led by at minimum 3 (three) and at maximum 7 (seven) members of the Board of Directors, and one of them is appointed as President Director. The Board of Directors' composition and number are determined based on the need for accomplishing the duties and effective decision-making. The President Director is entitled and authorized to act for and on behalf of the Board of Directors and the company.

(5) The requirements, composition, and size of the Board of Directors' membership are in compliance with the prevailing OJK regulations.

(6) The Board of Directors is led by a President Director as an executive officer who maintains the highest responsibility over The company's Management.

(7) The Board of Directors has a collective duty and responsibility to manage The company. Each member of the Board of Directors can perform the duties and authorities as well as make decisions based on the Board of Directors' distribution of duties and authorities.

(8) A member of the Board of Directors can delegate his duties and authorities to another member of the Board of Directors through a power of attorney specifying the delegation's reason and timeframe.

(9) The Board of Directors retains the rights to:
a. Receive remunerations based on a GMS decision.
b. Defend themselves in front of a GMS before they are dismissed permanently or temporarily.
c. Establish the Board of Directors' Supporting Committees, which are paid by The company and possess valid appointment letters and clear working guidelines.
d. Resign during an appointed term while still upholding duties while still in his position.
e. Receive an induction program from The company.

(10) The primary duty of the Board of Directors is to manage The company based on The company's interests, purposes, and objectives.

(11) The primary authority of the Board of Directors is to establish The company's work policies and guidelines as a reference for The company's operations and resource management.

(12) Details of the Board of Directors' duties, authorities, and other related functions are specified in the Board of Commissioners and Board of Directors Charter.

(13) The Board of Directors based on the Financial Services Authority shall fulfill the independency requirements of the Board of Directors members against conflicts of interest.

(14) The company has a mechanism to develop the skills of the Board of Directors members. President Director is responsible for the development of the Board of Directors' skill and it is reviewed by the Board of Commissioners.

(15) Members of the Board of Directors who no longer serves as members of the Board of Directors for any reason, are not entitled to receive salaries

and other benefits from The company, except for the right to obtain compensation or reward as long as it is approved by the GMS provided that the amount of compensation or reward is not greater than the amount of salary for the remaining term of office

4.3 Corporate Governance Supporting Organs

Supporting Organs are parties that support the Main Organ in performing the duties and authorities regarding GCG implementation. The Corporate Governance (GC) Supporting Organs include the Board of Commissioners' Committees, Internal Audit, Company Risk Management Unit, Corporate Secretary and the Board of Directors' Supporting Committees.

4.3.1 Board of Commissioners' Supporting Committees

(1) Audit Committee

The Audit Committee is responsible to assist the Board of Commissioners in ensuring that:

a. The company has presented its Financial Statement fairly based on generally accepted accounting principles.
b. The company has implemented internal control, risk management, and GCG.
c. The external and internal audits have run well.

(2) Other committees, according to the need and prevailing regulations.

Details of duties of the Board of Commissioners' Committees and other issues related to their functions are specified in each of the Committees' Charters of the Board of Commissioners.

4.3.2 Internal Audit

Internal Audit (IA) is a supporting organ of GCG implementation that can provide audit service (assurance) and independent and objective consultancy in order to increase the value and improve the operational activity of The company through systematic approach by evaluating and improving the effectiveness of risk management, internal control, and corporate governance processes.

1) Any appointment, replacement, or dismissal of the Head of IA shall be immediately notified to the Financial Services Authority.

2) The Head of IA will report functionally and administratively to the President Director.

3) The Head of IA will report functionally to the Board of Commissioners.

4) The Head and members of IA shall have proper qualifications and competencies to perform their duties and responsibilities.

5) Position, main duties and responsibilities of IA are arranged in IA Charter.

4.3.3 Company Risk Assessment

Implementation of Enterprise Risk Management (ERM) of KSEI applies Three Lines of Defense strategy in compliance with international standards, which are ISO 31000, COSO, dan IOSCO PFMI (Principles for Financial Market Infrastructures). The process of risk management comprises of 4 (four) main steps, namely risk identification, risk measurement and assessment, risk handling, and reporting as well as risk monitoring.

KSEI applies the ERM as a basis for establishing risk management requirements. The applied ERM integrates and synergizes all functional risks and risk management practices by using "Top-down and Bottom-up" approach.

KSEI has a risk tolerance value in managing the risk exposure that exists in every identified risk. The company's ERM Policy has a tolerance for medium and low levels of risk.

The Risk Management Unit (MRP) submits periodic risk management reports to the Board of Directors, and the Directors submit it to the Board of Commissioners in joint meetings of the Board of Commissioners and Board of Directors.

4.3.4 Corporate Secretary

Corporate Secretary function is to interact with the shareholders and other stakeholders, and maintain the company's image. The corporate secretary has direct access to the Board of Directors and synergizes with other divisions to obtain relevant information related to the secretary's duties.

(1) Corporate Secretary Duties

a. Become the company's intermediary with the shareholders, the public, the OJK, and other government institutions.

b. Provide reminders and recommendations to the Board of Directors to make the company always comply with relevant laws and regulations and uphold the company's ethical standards.

c. Prepare and disseminate accurate and comprehensive information concerning the company performance to the capital market community and other stakeholders.

d. Take responsibility for the company's GCG implementation, including performing periodic reviews on the company's charters and the corporate governance guidelines.

e. Assist the Board of Directors on:
   i. Preparing a special list related to members of the Board of Commissioners, Board of Directors and their families, as well as their affiliates.
   ii. Preparing any information required by the Board of Directors related to document requested by the Board of Commissioners, the OJK, and other government institutions.
   iii. Ensuring that the company fulfills all of its reporting and information disclosure obligations timely and accurately.

f. Provide proper documentation on the company's various activities and information and publish it timely based on the company policies.

g. Adapt with the capital market industry developments, especially on the prevailing capital market regulations and GCG practices, in order to provide necessary information to the Board of Commissioners, Board of Directors, and Division Head/Officer at similar level regarding the capital market and GCG.

h. Maintain and improve the company's positive image both at national and international levels.

(2) The corporate secretary's duties in relation to Board of Commissioners and Board of Directors meetings are as follows:

a. Preparing Board of Commissioners and Board of Directors' meetings, including inviting relevant parties.

b. Preparing, distributing, and documenting the Board of Directors' minutes of meeting.

c. Coordinating the Board of Commissioners' secretary's duties and documenting the Board of Commissioners' minutes of meeting.

(3) The Corporate Secretary's duties in relation to Annual General Meetings of Shareholders (AGMS) and Extraordinary General Meetings of Shareholders (EGMS) are as follows:

a. Ensuring that the AGMS is held on schedule and complies with OJK regulations.

b. Preparing AGMS and EGMSs, including inviting relevant parties.

c. Preparing the company's Annual Report.

(4) The Corporate Secretary's Duties in relation to Company documents are as follows:

a. Administrating all of the company's policies, work guidelines, standard operating procedures, and incoming and outgoing correspondences.

b. Coordinating all of the company's secretaries regarding document management.

c. Maintaining copies of the Articles of Association and all of its amendments.

d. Maintaining the list of shareholders.

e. Administering the minutes of meeting of the GMS, Board of Directors and/or Board of Commissioners, Committees, or other meetings as needed.

f. Administering other documents, including correspondences, press releases, memorandums, announcements, notifications, circulars, or other notes.

(5) The corporate secretary's duties in relation to the induction programs for the Board of Commissioners and Board of Directors are as follows:

a. The Corporate Secretary coordinates the induction programs, especially for newly appointed members of the Board of Commissioners and the Board of Directors. The purpose of the induction programs includes but not limited to:
   i. Introducing the company's organization, divisions, work units, and Management.
   ii. Introducing the company's work culture and ethical values.
   iii. Introducing the company's operations.
   iv. Increasing the awareness of the Board of Commissioners and Board of Directors on GCG implementation.
   v. Introducing the rules and regulations related to the company.
   vi. Providing information on facilities other than remunerations that members of the Board of Commissioners and Board of Directors will receive.
b. The induction programs are provided after the appointment of members of the Board of Commissioners and Board of Directors at GMS.

(6) The Corporate Secretary's duties related to public relations are as follows:

a. Establishing good relations with various public groups and figures related to the company's environment, and optimizing their role in maintaining and improving the company's positive image.

b. Coordinating the company's response to questions, criticism, and inputs from the public, either verbally or in writing, through various communication channels by paying attention to such recommendations from relevant officials or functionaries.

4.3.5 Board of Directors' Supporting Committees

The Board of Directors can establish supporting committees that provide recommendations to the Board of Directors regarding the company's function as the SRO as stipulated in OJK regulations and the Articles of Association.

The Board of Directors can establish the following committees:

(1) Internal Control Committee
The Internal Control Committee is established to provide inputs, feedback, and recommendations to the Board of Directors concerning KSEI's internal control in order to provide fair, secure, accurate, and timely services to its Service users.

(2) Regulation Committee
The Regulation Committee is established to provide inputs, feedback, and recommendations to the Board of Directors concerning regulations related to parties that open securities accounts and KSEI Account Holders.

(3) Business Committee
The Business Committee is established to provide inputs, feedback, and recommendations to the Board of Directors concerning KSEI's services, service development, and recommendations for changes in KSEI's businesses, services, or costs.

(4) Budget Committee

The Budget Committee is established to provide independent and professional opinions on the Annual Working Plan and Budget and utilization of the company's profit before receiving approval from the OJK.

(5) Investment Committee

The Investment Committee is responsible for supporting KSEI's management in directing and providing recommendations regarding the company's investment plan, asset allocation strategy, and investment policy, and also conducting supervision, evaluation, and discussions with related units regarding the implementation and performance of investing activities.

(6) Risk Management Committee

The Risk Management Committee is responsible for supporting KSEI's management in directing and providing recommendations regarding risk management implementation processes.

(7) Sanction Committee

Sanction Committee is responsible for assisting the Board of Directors in applying KSEI's sanction policy and providing recommendations and follow ups of such imposition of sanction toward KSEI Service users.

Details of the duties and other matters regarding the Board of Directors' supporting committees' functions are stipulated in each Committee's Charter.

4.3.6 Independent Auditor (External Auditor)

The GMS approves the appointment of a Public Accountant Office to audit the company's financial statement in consideration of the Audit Committee's opinion presented through the Board of Commissioners.

CHAPTER 5. IMPLEMENTATION OF CORPORATE GOVERNANCE

5.1 GCG Principles

GCG is a system or structure that applies the following principles:

(1) Transparency, it is a disclosure of material and relevant information, including decision-making processes. Transparency specifically includes, but is not limited to, the following aspects:

a. The company shall provide timely, clear, and accurate information, including its performance and financial condition.

b. The company will provide easy access for shareholders and stakeholders to obtain required information based on the company's policies. The information includes, but is not limited to, the company's vision, mission, business target, strategy, financial condition, management structure and compensation, risk management system, monitoring and internal control systems, GCG practices, and significant events that may affect the company's condition.

c. The above transparency principle does not reduce or remove the company's responsibility to maintain confidentiality on specific information in compliance with the prevailing laws and regulations or business considerations.

d. The company shall proportionally and in writing communicate its policies to relevant stakeholders.

(2) Accountability, it is related to clear functions, duties, and responsibilities of the company's organs which allow the company to operate effectively. Accountability specifically includes, but is not limited to, the following aspects:

a. The company elaborates the functions, duties, and responsibilities of each organ in writing, clearly, and in line with the company's vision, mission, values, and strategies.

b. The company ensures the implementation of a check and balance system and internal control in each function.

c. The company is confident that all of its Organs and employees have the capability to perform each of their duties, responsibilities, and roles in implementing GCG.

d. The company arranges an appropriate and balanced performance measurement unit for each organ.

e. Each of the company's Organs shall perform its duties and responsibilities based on agreed business ethics and code of conduct.

(3) Responsibility, it is the company's compliance with prevailing laws and regulations and healthy Company's management principles. Accountability specifically includes, but is not limited to, the following aspects:

a. While performing their activities, each Company Organ always upholds the principles of prudence and compliance with prevailing laws and regulations and the company's Articles of Association and rules.

b. The company perform its social responsibility function with appropriate planning, implementation, and evaluation.

(4) Independency, it is professional management of the company without pressure, intervention, and conflict of interest in the decision-making process. Independency specifically includes, but is not limited to, the following aspects:

a. The company shall avoid any irregular dominance from Shareholders or other stakeholders.

b. The company shall make its decisions objectively and free from any parties' pressure.

(5) Fairness and equality are fairness and equality of the Shareholders and stakeholders' rights and responsibilities. Fairness and equality specifically include, but are not limited to, the following aspects:

a. The company provides fair and equal treatment to all Shareholders and stakeholders.

b. The company provides the equal opportunity to the Shareholders and stakeholders to give inputs and opinions and obtain access to information based on the principles of transparency of the company's functions and responsibilities.

c. The company provides fair and equal opportunity in the employee recruitment, career, and professional duties completion without discriminating the ethnicity, religion, race, group, gender, and physical conditions.

5.2 GCG Implementation

(1) GCG implementation is an absolute condition for a Company to improve its shareholder value, protect its stakeholders' interests, improve its compliance with prevailing laws and regulations and commonly applied ethics values (as stipulated in the code of conduct), and increase the public and KSEI Service users' trust.

(2) In the implementation of GCG Principles, the company requires stakeholders' participation in providing feedback on how it implements those principles.

(3) The company's GCG implementation shall be conducted through 3 (three) approaches: namely structural, procedural, and principal approaches.

a. A structural approach is an approach that creates or improves GCG implementation structures in the company, both in the GCG Main and Supporting Organs.

b. A procedural approach is an approach that focuses on setting better governance processes. This approach includes but is not limited to empowerment or optimization of duties completion and supervisory functions of the company.

c. A principal approach is an approach that prioritizes on optimal implementation of the GCG Principles. This approach has been described at the beginning of this Chapter.

The three approaches shall always be considered and implemented simultaneously to support an integrated and comprehensive GCG implementation in the company.

5.3 Assessment of GCG Implementation

(1) The company can evaluate the GCG implementation by conducting self-assessment or using a consultant at least once a year.

(2) General summary of the assessment of GCG implementation shall be submitted to the President Director and President Commissioner.

(3) The company shall include the assessment of GCG implementation in its Annual Report.

5.4 Conflict of Interest

(1) A Conflict of interest is a difference between the company's economic interests and the economic interests of individual members of the Board of Directors, Board of Directors, the company's Management, or certain Shareholders, which prevents the individual from acting independently, objectively, and effectively, and it may harm the company. Conflict of interest can be caused by among others:

a. Receiving goods or benefits that may influence or considered to affect an individual's independency in taking actions or decisions.

b. Directly or indirectly involved in managing a vendor or potential vendor company.

c. Having family relations up to the second degree or financial relations with members of the Board of Directors and/or Board of Commissioners.

d. Conducting stock trading transactions.

(2) Handling Conflict of Interest

a. Members of the Board of Directors or the Board of Commissioners shall immediately disclose any potential conflict of interest.

b. If there is a potential conflict of interest within the management level, the potential conflict of interest shall be reported immediately to the superior.

c. Individuals with a conflict of interest can share their ideas and recommendations in a meeting; but they cannot be included in the decision-making process by consensus or voting. The potential conflict of interest shall be recorded in the minutes of meeting.

5.5 Information Disclosure

Financial and non-financial information disclosure is a form of accountability, transparency, and responsibility on the Management of the company, which is communicated to relevant stakeholders.

Policies on the company's information disclosure and communication shall consider the following points:

(1) The company shall disclose information to the OJK based on the prevailing laws and regulations.

(2) The company conducts its information disclosure through its Annual Report, website, and other media that can be timely and efficiently accessed by data users based on relevancy. The company also provides communication channel from stakeholders to the company.

(3) Information that the company discloses in its Annual Report shall at least include, but are not limited to:

a. Financial and operational performance summary.

b. Board of Commissioners' Supervisory Report.
c. Board of Directors' Report.
d. Company Profile (including the company's purpose, Shareholder composition, and voting rights).
e. Management Discussion and Analysis.
f. Corporate Governance (including profile, qualifications, selection processes, remuneration of members of the Board of Commissioners and Board of Directors, organizational structure, corporate governance policies, relevant charters, and implementation of corporate governance).
g. Corporate Social and Environmental Responsibilities.
h. Other non-financial information (including risk factors faced by the company and issues regarding employees and other stakeholders).
i. Audited Financial Statement (including information on transactions with affiliates).
j. Board of Commissioners and Board of Directors Accountability Letters.

(4) The company conducts its information disclosure through its Annual Report, website, and other media that can be timely and efficiently accessed by data users based on relevancy. The company shall also provide communication channel from stakeholders to the company, except confidential issues in compliance with the prevailing laws and regulations, secrets related to individual positions, and private rights.

(5) The company provides relevant, appropriate, reliable, timely, periodic, and accessible information to stakeholders, including the regulators, except confidential issues in compliance with the prevailing laws and regulations, secrets related to individual positions, and private rights.

(6) Information disclosure to relevant stakeholders does not reduce or remove the company's responsibility to maintain confidentiality on specific information according to the prevailing laws and regulations or business considerations.

5.6 Company Long Term Plan (CLTP)

The Company Long Term Plan (CLTP) is a strategic plan which contains the company's targets and goals for the next five years. The drafting of the CLTP is intended to create a structured and measured planning to achieve the company's mission and vision. The

Board of Directors shall prepare a detailed guideline on the CLTP which includes policies and standard operating procedures.

The policy of CLTP drafting shall refer to stipulations in its Strategic Plan that an appointed member of the Board of Directors has presented in General Meeting of Shareholders.

(1) In its drafting, the company's CLTP shall at least have the following:

a. Identification of the company's vision, mission, and goals for the next five years.
b. Strength, Weaknesses, Opportunities, and Threats (SWOT) analysis results.
c. National and international economic development analysis results.
d. Comprehensive analysis of the company's risk profile.

(2) The company shall formulate a realistic and accountable Company Work Plan that can direct the company's operations so it will always be based on careful planning, prudence principles, and good corporate Governance.

5.7 Annual Work Plan and Budget (AWPB)

The Annual Work Plan and Budget (AWPB) is an elaboration of the CLTP into a one-year work plan and budget, including on the use of profit.

The AWPB drafting policy shall observe the following stipulations:

(1) The Board of Directors shall draft the Annual Work Plan and Budget (AWPB) according to established and relevant schedules and regulations regarding budget formulation.

(2) In drafting the AWPB, the Budgetary Committee will assist the Board of Directors regarding the AWPB's fair assumptions, calculations, and presentation.

(3) The company's AWPB shall at least include the following information:

a. The company's planned activities, such as:
   i. Custodian services activities.

ii. Improving securities transaction settlement activities.
iii. Developments in transaction settlement system by book-entry.
iv. Developments in the investor service system, including services related to investors' entitlements.

b. The company's revenue derives from:
   i. Securities depository activities.
   ii. Securities transaction settlement activities.
   iii. Central custodian activities.

c. The company's expenditure comprises of among others:
   i. Settlements.
   ii. Custodian services.
   iii. Financial Management.
   iv. Internal auditing.
   v. Information technology.
   vi. Human resources.

d. Investment budget.

e. Expenditure planning on salaries, facilities, and other benefits for the company's Board of Directors and Board of Commissioners.

f. Material information on contracts value, including the following contracts made by the company and its subsidiaries, such as:
   i. Contracts between the company's Directors and Commissioners with an affiliated party.
   ii. Contracts between the company and its subsidiary with an affiliated party.

(4) The company shall have a mechanism to conduct justified amendments to the AWPB.

(5) The AWPB's drafting process, amendments, and budget realization reporting shall comply with existing OJK regulations.

(6) The company shall have a monitoring mechanism for the absorption and utilization of the authorized budget based on the AWPB. Results of the monitoring mechanism shall be periodically presented in the Board of Commissioners and the Board of Directors meetings.

5.8 Goods and Services Procurement

The company follows the CG Principles in its procurement of goods and services. Procurement processes shall be done without any intervention or conflict of interest and conducted transparently based on existing regulations, fairly and standardized assessment criteria, and clear and accountable procedures. Procurement processes are undertaken to provide the company with required goods and services based on quality, fair price, quantity, and timeliness considerations.

The Board of Directors shall draft a detailed guideline on the procurement of goods and services which include policies and standard operating procedures.

5.9 Human Resources

Human Resource is a crucial asset that the company shall manage and develop fairly. To ensure that the company can recruit, develop, and maintain high-quality Human Resources committed to the company's goals, the Board of Directors shall formulate a detailed strategy, road map, and guideline on the company's Human Resources, including policies and standard operating procedures.

The Human Resources policy shall ensure that:

(1) The company has a plan regarding its staff requirements based on the company's needs, as specified in the CLTP and AWPB.

(2) The Human Resources Unit provides high-quality Human Resources needed to fill positions within the company's organizational structure for its optimal operations.

(3) The company shall have staffing policies that at least cover:
  a. Remuneration.

b. Work hour and leave policies.
c. Work discipline.
d. Industrial relations.
e. Staff developments, appointments, dismissals, and transfers/rotations.
f. Performance review.

(4) The company has periodically reviewed succession programs.

(5) The Human Resources Unit shall provide communication, policy and procedures dissemination related to employment, that include but are not limited to the following:
a. Implementing GCG in coordination with the corporate secretary.
b. Establishing performance reviews and remuneration calculation methods.
c. Establishing patterns for individual work goal determination and periodic performance review procedures, including staff remunerations.
d. Establishing other policies related to the staff's career paths, rotations and transfers, welfare, and capacity building.

(6) The company has a control mechanism that provides trusted performance reviews, career development, and rewards and sanctions for employees based on a Employment Guideline that is accountable, fair and equal.

(7) The company establishes relevant and balanced Key Performance Indicators (KPI) as a media for performance reviews, career development, and rewards and sanctions.

(8) The KPI shall have clear, actionable, and measurable characteristics that can be used to calculate the cost efficiency in line with the company's strategies.

(9) Staff performance is reviewed by a direct or indirect supervisor within the same Working Unit.

5.10 Finance, Accounting, and Tax

Finance, accounting, and tax policies are the basis of the company's decision-making regarding its Management and recording of its financial transactions. All financial transaction recording and Management shall be done based on valid and authorized supporting documents.

The goal of finance, accounting, and tax processes is to manage the company's financial resources allocation, provide information regarding the financial position and performance for decision making, and ensure the compliance with existing tax regulations. The Board of Directors shares information from the finance, accounting, and tax processes with Shareholders as a form of financial management accountability. Therefore, the Board of Directors shall draft a detailed guideline on finance, accounting, and tax processes, which include policies and standard operating procedures.

Policies on financial, accounting, and taxation processes shall consider the following points:

(1) Finance

The company shall have a cash management system that ensures the company's cash requirements match the needs of its operational activities and do not create unproductive excesses.

(2) Accounting

a. The company shall conduct the recording, drafting, and presentation of reports based on its Financial Accounting Standards Statement (PSAK).

b. The company shall have accounting policies and guidelines based on generally accepted accounting principles and practices known as the Financial Accounting Standards (FAS).

c. The company shall have accurate, timely, complete, well-maintained, and periodically stored financial records in compliance with existing rules and regulations.

d. Changes to the applied accounting principles can only be implemented after obtaining the Board of Directors' approval, the Board of Commissioners' acknowledgment, and being reported in the company's Financial Statement. Changes to the accounting principles that have material consequences during the current period or may have an effect during future periods shall be disclosed along with the reason in compliance with the generally accepted accounting and reporting principles.

(3) Tax

a. The company shall comply with all Government taxation regulations specified in Indonesia's existing tax laws.

b. The company shall have a routinely updated policy on taxes that refers to existing tax regulations in Indonesia.

c. Regarding restitutions and reimbursements of paid taxes, the company shall have a mechanism that ensures that the amounts of restitution and reimbursement match their intended amounts and are promptly added to the company's account. Restitutions and reimbursements shall be supported with complete proof of payment, confirmation of receipt, or tax invoices.

5.11 Information Disclosure and Communication

The company's service as a Depository and Settlement Institution really depends on reliable Information Technology (IT). It is crucial to have an IT policy that can support the company in providing fair, secure, accurate, orderly, and timely service. Therefore, the Board of Directors shall draft a detailed information technology guideline with policies and standard operating procedures.

Policies on Information Technology shall consider the following points:

(1) The company shall have an Information Technology policy that governs at least, but is not limited to, the following:
   a. IT Management, including data center and disaster recovery center management.
   b. IT development and procurement.
   c. IT operations.
   d. Communication and data networks.

e. IT security.
f. Business Continuity Plan.
g. Disaster Recovery Plan.
h. End-user computing.

(2) In the utilization of Information Technology, the Board of Directors shall:

a. Establish an IT Governance that covers IT development strategic planning, IT implementation processes, and IT human resources to support the company's strategic goals.

b. Create a company organ that is responsible to provide recommendations related to IT, but are not limited to:

i. The company's IT Development Strategic Plan.
ii. The company's IT development projects' compliance with the IT Development Strategic Plan.
iii. Sufficiency of IT risk management.
iv. Sufficiency of the company's IT operational support.
v. Monitoring of the company's IT performance and development efforts.
vi. Implementation of IT internal audit functions in accordance with existing rules and regulations.

(3) Preparation of relevant IT policies, procedures, and competent human resources.

(4) Information dissemination to all Company staffs on IT system security and risks.

(5) Periodic testing of the company's IT, business continuity plan, and Disaster and Recovery Plan's (DRP) security.

The company shall also observe the following points on communication:

(1) During its communication with external parties, The company shall disclose information fairly, equally, and transparently based on its policies. Information can only be disclosed by a Director in charge of the subject matter.

(2) All information the company discloses to the public through electronic or print media shall be accurate, informative, clear, and provide added value to the company.

(3) The company shall develop and maintain good relations with government institutions as long as it does not violate existing laws, regulations, and ethical standards.

(4) The company shall disseminate information on its new regulations regarding the company's services to receive responses from all Service users.

5.12 Stakeholder Relations

(1) In its relations with stakeholders, the company shall implement a policy of mutual respect, fairness, equality, and transparency.

(2) The company shall have mechanisms to communicate with stakeholders.

(3) The company shall welcome and be open to recommendations and opinions from stakeholders for the company's interests. The company shall respond to the recommendations and opinions as needed.

5.13 Corporate Social Responsibility

(1) The company shall present its social responsibility by contributing to the public's development and empowerment and providing added value to stakeholders to create better synergy for mutual growth and advancement.

(2) The company shall formulate its Corporate Social Responsibility (CSR) programs to maintain and strengthen the harmonious relationship between the company and stakeholders, which will support the company's business development and growth, improve the company's positive image, and build trust among the public and investors.

(3) The company shall appoint a working unit to take responsibility for the CSR programs.

(4) The company shall disclose the CSR programs it has formulated and implemented to stakeholders at least once a year.

(5) The company shall have a mechanism that could evaluate the effectiveness of its CSR programs at least once a year based on the goals set for those programs.

5.14 Ethical Behavior

The success of the company's GCG implementation is greatly influenced by all of the company's staffs, including its Board of Commissioners and Board of Directors. High moral values shall be reflected in the company staff's daily activities as they strive to achieve the company's mission and vision. Therefore, the Board of Directors shall formulate a detailed guideline on the company's Values within a Company Ethical Behavior Guideline.

Policies on ethical behavior shall observe the following points:

(1) The company's ethical behavior shall not collide with the norms generally accepted by the public and the business world.

(2) The Board of Directors shall ensure the effective, efficient, and sustainable implementation of the Ethical Behavior Guideline by upholding commitments, competency, communication, consistency, control, and exemplary leadership.

(3) The Board of Directors shall ensure that the company performs close monitoring, establish effective control mechanisms, and implement sustainable training and dissemination programs to increase the staff's knowledge and understanding of ethical behavior.

(4) The Board of Directors shall ensure that all staff understands and have signed the Ethical Behavior Guideline.

(5) The Board of Commissioners and Board of Directors shall ensure that all staff and non-Company related parties adhere to the Ethical Behavior Guideline, including in settling any conflicts that may arise.

(6) The Board of Directors shall establish a Company Culture that fosters business

development while still upholding ethical behavior.

CHAPTER 6. VISION, MISSION AND CORE VALUES

6.1 Vision

To be a reliable and competitive central Depository whose competence is in line with the growing needs and interests of stakeholders and business environment.

1. Reliable means to consistently provide providing efficient, orderly, secured safe, timely and accurate services.
2. Competitiveness means to strive to become the leading service provider by bringing added value.
3. Competent means to excel and to be expert in the field.

6.2 Mission

1. Actively and consistently support the Indonesia capital market developments;
2. Established KSEI as a financial and information hub that brings added value to the industry;
3. Innovate to meet the needs and interests of stakeholders and business environment; and
4. Apply a continuous learning culture to improve performance and service quality

6.3 Core Values

1. Excellence
2. Togetherness
3. Integrity
4. Continual Development

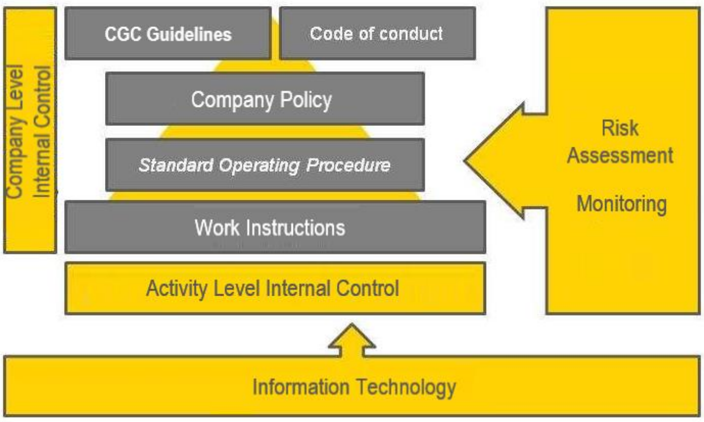
CHAPTER 7. INTERNAL CONTROL

7.1 Internal Control

(1) Internal Control is a process designed by the management to provide sufficient confidence towards achieving operational activities' goals, complying with the prevailing laws and regulations, and reliable financial reporting.

(2) Internal Control covers financial, non-financial, qualitative, and quantitative aspects related to achieving operational effectiveness and efficiency, compliance with prevailing laws and regulations, and transparent, timely, and accountable financial reporting based on Indonesian accounting standards.

(3) The company's Internal Control structure shall at least consist of:



7.2 Structure of Internal Control and Monitoring Function

(1) The monitoring function is an inseparable part of Internal Control. Internal Control activities require monitoring for the management to have sufficient confidence that the Internal Control processes are working based on a jointly designed and approved plan. The company's Internal Control monitoring and supervisory structure is as follows:

a. Board of Commissioners.

b. Audit Committee.
c. Risk Assessment and Management Unit.
d. Corporate Budget Realization Monitoring Unit.
e. External Auditor.

(2) Parties that perform the monitoring functions shall be independent and can account for their activities fairly and transparently.

(3) The company's Internal Control and supervisory functions shall be connected to:
a. All directorates, divisions, and units.
b. Budget utilization and realization.
c. Goods and services procurement.
d. Operational activities.

(4) Internal Control monitoring and supervisory functions shall refer to risk mitigation activities, and comply with existing laws and regulations, and cooperate with the parties that perform risk management functions.

7.3 Internal Control and Monitoring Methodology

(1) Internal control formulation methodology shall cover:

a. Security of Company assets.
b. Operational effectiveness and efficiency.
c. Compliance with laws and regulations.
d. Preparation of financial reports.
e. Consideration of the check and balance system and separation of duties and responsibilities.

(2) The implemented monitoring methodology shall be able to anticipate risks in the company's business processes (Risk-based), provide strategic added value to the company's operations (Value-based), and comply with the company's internal regulations and existing rules and laws (Compliance-based).

a. Risk-based is a study of the company's business processes that considers the risks that the company faces and focuses on auditing high-risk areas.

The "Risk-based Audit" approach utilizes monitoring and control functions as strategic partners for both the auditee and the company.

b. Value-based is a study of potential increases in the company's strategic and operational values.

c. Compliance-based is a study on the company's compliance with existing systems, procedures, rules, and regulations.

7.4 Whistleblowing System

The whistleblowing system is a program designed to receive, analyze, and respond to complaints from the company's staff and third parties while maintaining the confidentiality of the reporters' identities. Information on violations includes but is not limited to internal control issues, accounting, auditing, regulation violation, alleged fraud and/or corruption, and code of ethics infringements.

Based on the principles of stakeholder protection, the Board of Directors shall draft a detailed guideline on a violation reporting system that includes policies and standard operating procedures.

CHAPTER 8. RISK MANAGEMENT

8.1 Risk Management

(1) Risks are "all incidents in any of the company's activities occur due to external or internal factors that have the potential to hamper the company in achieving its goal."

(2) Risk Management is a series of procedures and methodologies that can identify, measure, monitor, and manage risks arising from the company's operational activities.

(3) Rapid developments in the business environment (both internal and external) and dynamic development of the capital market industry have resulted in increasingly complex risks for the Company's business activities. With the increasing complexity of these risks, there will be an increasing need for effective GCG and risk management practices to identify, measure, monitor, and control the company's risks.

(4) The company shall implement effective risk management based on the company's business goals, policies, proportion, complexity, and capabilities.

(5) The main goal of risk management implementation is to ensure that the company's business activities do not create losses that exceeded the company's capabilities or threaten the company's business sustainability. Furthermore, implementing effective risk management can support the company in drafting its strategic plans, optimizing business opportunities, and allocating resources.

(6) To fulfill its need for risk management, the company shall publish a Risk Management Policy Manual, which can be used as a primary guideline for the company's Management and staff on managing the company's risks based on GCG principles.

8.2 Risk Identification, Measurement, Monitoring, and Control

(1) The company shall identify, measure, monitor, and manage material-based risk factors. Risk factors are parameters that affect risk exposure, while material risk factors are risk factors that quantitatively or qualitatively have a significant effect on the company's financial condition.

(2) Risk identification, measurement, monitoring, and management processes shall be supported with:

a. Timely information management system.

b. Accurate and informative reports on the company's financial conditions, functional activity performance, and risk exposure.

(3) The Risk identification process shall at least analyze the following issues:

a. Type of risks attached to the company.

b. Risks from the company's products and business activities.

c. Risk exposure levels.

d. The risk owner's mitigation plans.

(4) The risk measurement process shall at least implement the following activities:

a. Periodic evaluation of the assumptions, data sources, and procedures used for measuring risks.

b. Updates to the risk measurement system in case of any changes to the company's material business activities, products, transactions, and risk factors.

(5) The risk monitoring process shall at least implement the following activities:

a. Evaluation of risk exposure levels.

b. Reporting process updating in case of any changes towards the company's business activities, products, transactions, risk factors, information technology, and material risk management information system.

c. Evaluation of implemented mitigation plans.

(6) The company shall periodically implement risk control processes to mitigate any risks that can endanger the company's business continuity.

8.3 Implementation of Risk Management

(1) Implementation of risk management shall at least comprise of:

a. Suitability of the internal control system with the types and levels of risks attached to the company's business activities.

b. Determination of authority and responsibility to monitor the compliance with policy, procedures, and limits.

c. Determination of reporting channels and clear separation of functions between operational units and internal control unit.

d. Clear organizational structure for the company's business activities.
e. Accurate and timely financial and operational reporting.

f. Adequate procedures to ensure the company's compliance with existing laws and regulations.

g. Effective, independent, and objective reviews of the company's operational activity evaluating procedures.

h. Complete and appropriate documentation on the company's operational procedures, audit coverage and findings, and response from the company's management regarding audit results.

i. Periodic and continuous verification and review on how the company addresses its material weaknesses and how the management responds to and rectifies violations.

(2) The company Risk Management Unit shall evaluate the assessment of risk management implementation.

CHAPTER 9. CLOSING

9.1 Secretariat and Budget

(1) Provisions on the Guidelines for Corporate Governance are reviewed and updated periodically to match the needs of the company and changes in the business environment. Updating the Corporate Governance Guidelines by the Board of Commissioners and Directors is carried out at least 1 (one) time in one term of office.

(2) The Board of Commissioners or the Board of Directors may request amendments to the guidelines.

(3) Any amendments to the guidelines shall be first approved by the Board of Directors and the Board of Commissioners.

9.2 Evaluation and Improvement

(1) The guidelines shall be used by the GMS, Board of Commissioners, Board of Directors, and staff as the primary reference for GCG implementation.

(2) The guidelines come into effect after its authorization by the Board of Commissioners and the Board of Directors.

(3) Other issues not specified in the guidelines shall adhere to the company's internal regulations/stipulations and prevailing laws.

The guidelines will be effective after its signing by the Board of Commissioners and the Board of Directors.

Signed in: Jakarta
Date: January 11th, 2023

PT Kustodian Sentral Efek Indonesia

Board of Commissioners

A. Fuad Rahmany	**Dian Fithri Fadila F**	**Indra Christanto**
President Commissioner	Commissioner	Commissioner

Board of Directors

Uriep Budhi Prasetyo	**Syafruddin**	**Supranoto Prajogo**
President Director	Director	Director