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Internal Control Committee Charter Indonesia Central Securities Depository (KSEI)

Jakarta, November 18, 2022

PGM-005 Rev.3



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CHAPTER 1. INTRODUCTION

1.1. Background

The Internal Control Committee is a supporting organ within the Indonesia Central Securities Depository (to be referred further as “KSEI” or the “Company”) tasked to provide suggestions, inputs, and recommendations to the Board of Directors involving internal control in ensuring that the Company’s services comply with existing rules and procedures.

The Internal Control Committee has a crucial role in supporting the Board of Directors and thus requires the operational guidelines specified in this Charter. This Charter is a guideline for the Internal Control Committee to perform its duties, responsibilities, and authority in providing professional support to the Board of Directors.

This Internal Control Committee Charter is an elucidation of the Code of Corporate Governance. Through this Charter, the Internal Control Committee shall perform its functions and duties in supporting the Board of Directors while upholding existing rules and regulations; the Company’s Articles of Association, regulations, and code of ethics; and Good Corporate Governance (GCG) best practices during all of its actions and in its conduct.


1.2. Purpose and Objectives

This Internal Control Committee Charter is created as a guideline for the Committee to perform its duties and responsibilities efficiently, effectively, transparently, competently, independently, and with accountability in accordance with existing rules and regulations.

1.3. Legal Foundation

All aspects of this Charter are based on the following legal foundations:

1. Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) Regulation Number III.C.6. On Operational and Internal Control Procedures in Depository and Settlement Institutions, and attached BAPEPAM-LK Decisions Number: KEP-29/PM/1998 of June 19, 1998.
2. KSEI Regulation Number IX on KSEI Business Committee and Budget Committee and attached KSEI Board of Directors’ Decision Letter Number KEP-0024/DIR/KSEI of May 16, 2016.

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CHAPTER 2. INTERNAL CONTROL COMMITTEE ORGANIZATION AND SERVICE TERM

Internal Control Committee Charter Organization

The Internal Control Committee's organization defines its structure and members' composition, criteria, nominations, dismissals, and resignations.

2.1. Internal Control Committee Membership Structure


The Internal Control Committee's membership composition is as follows:

1. The Internal Control Committee consists of:
 - a. 1 (one) Head of Committee who concurrently holds a Committee member position.
 - b. 4 (four) Committee members.
2. Internal Control Committee members must represent different Shareholder Companies.
3. All Internal Control Committee members must be representatives of Custodian Banks.
4. Internal Control Committee members cannot have concurrent memberships in other Committees.

2.2. Internal Control Committee Membership Criteria

Members of the Internal Control Committee must fulfill the following criteria:

1. All Internal Control Committee members must be representatives of Custodian Banks.
2. Internal Control Committee members must be a member of a Shareholder Company's Board of Directors or staff with a rank no lower than one level below the person in charge of a department that maintains the performance of all custodian services and Capital Market investment products.
3. Internal Control Committee members must possess knowledge and expertise in the Capital Market field.


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4. Internal Control Committee members must possess an understanding of the Company's internal control mechanisms.
5. Internal Control Committee possess the ability to swiftly assess and gain sufficient understanding of the Company's operations and their relation to internal control activities.
6. Internal Control Committee members must have sufficient knowledge of Depository and Settlement Institutions, Capital Market regulations, and other regulations related to Depository and Settlement Institutions' operations.
7. Internal Control Committee members must possess integrity and are committed to the Capital Market's development.
8. Internal Control Committee members must possess clear, concise, and effective communication skills.

2.3. Internal Control Committee Member Appointments

Internal Control Committee members are appointed as follows:

1. Potential Internal Control Committee members are evaluated and selected by the Board of Directors from nominees recommended by Shareholder Companies who are most active in the Capital Market. The criteria for most active is based on the volume of the Company's transaction settlements or other business activities conducted by Shareholders and/or any other criteria based on the Board of Directors' discretion.
2. Internal Control Committee member nominations must be submitted at least 30 (thirty) calendar days before the end of the current Internal Control Committee's term with a stipulation that each Shareholder can submit 1 (one) nominee.
3. The Head of the Internal Control Committee's appointment is based on consensus during the first Internal Control Committee Meeting or determined by the Board of Directors.
4. Internal Control Committee members are appointed and dismissed by the Board of Directors, with approval from the Annual General Meeting of Shareholders.
5. For interim appointments and dismissals between Internal Control Committee terms, GMS approvals, as mentioned in point 4 (four), are unnecessary as long as the Board of Directors has been authorized to appoint or dismiss the members by a General Meeting of Shareholders.

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2.4. Internal Control Committee Members' Dismissal and Resignation

Internal Control Committee members' dismissals or resignations are stipulated as follows:

1. The Board of Directors has the right to dismiss members of the Internal Control Committee if:
 - a. The individual member no longer works at the Shareholder Company.
 - b. The individual member no longer holds the position of a member of the Board of Directors or a staff with a rank no lower than one level below the person in charge of a department that maintains the performance of all custodian services and Capital Market investment products.
 - c. The individual member has been absent in three Internal Control Committee Meetings in a row; or
 - d. The individual member is considered to have failed in performing the member's duties or has not complied with the code of ethics or all of the stipulations in this Committee Charter as determined in a Board of Directors' Decision Letter.
2. Any member of the Identification Committee has the right to resign their membership by submitting a written notification to the Board of Directors by at least 30 calendar days before the resignation date. The resignation will be in effect 30 days after the Board of Directors receives its notification.
3. The Board of Directors can fill the vacuum in the Budget Committee's membership by appointing other nominees previously submitted or newly nominated by Shareholders.

2.5. The Internal Control Committee Members' Service Term

1. Has a length of two years between the date that they are approved in an Annual General Meeting of Shareholders (AGMS) to the following AGMS in two years or at any other length determined by a Board of Directors' Decision Letter. After an Internal Control Committee member's service term ends, the person can be reappointed again for just one term.
2. The service term of Internal Control Committee members appointed as replacements of previous members who left the Committee before their service period ends only lasts for the remaining time of the replaced Committee members' service term.

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CHAPTER 3. INTERNAL CONTROL COMMITTEE DUTIES, RESPONSIBILITIES, AND AUTHORITY

3.1 Internal Control Committee Duties and Responsibilities


The Internal Control Committee is established to provide inputs, suggestions, and recommendations to the Board of Directors on internal control, especially service systems control. Inputs, suggestions, and recommendations from the Internal Control Committee to the Board of Directors are not binding. The Board of Directors retains full responsibility for any decisions based on the Committee's recommendations.

The Head of the Internal Control Committee is tasked to:

1. Coordinate the Committee's activities to fulfill the goals of the Internal Control Committee's establishment.
2. Create the annual work plan.
3. Determine the annual meeting schedule.
4. Draft periodic reports on the Internal Control Committee's activities.

The Internal Control Committee Members' duties are to:


1. Provide inputs and recommendations to the Board of Directors, whether requested or not, regarding internal control, especially service systems control, to ensure that services comply with existing regulations and procedures.
2. Provide recommendations and responses to reports from the Company regarding audit procedures, internal control, security procedures, and any material violations in the implementation of the Company's operational systems.
3. Provide recommendations on the appointment of partners, including Payment Banks, related to service systems utilized directly or indirectly by Account Holders.

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3.2 Internal Control Committee's Authority

In performing its duties and responsibilities, the Internal Control Committee is authorized to:

1. Approve banks that would be utilized to place cash positions recorded in the Company's Securities Accounts.
2. Recommend General Meetings of Shareholders to the Board of Directors that will decide on the Internal Control Committee's recommendations, including on restructuring the Board of Directors and Board of Commissioners.
3. Communicate and interact with the Board of Directors and the Board of Commissioners to report and request instructions or inputs regarding high-risk operational issues that need to be communicated.
4. Receive access and information related to its duties and responsibilities as the KSEI Business Committee.

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CHAPTER 4. INTERNAL CONTROL COMMITTEE WORK MECHANISMS

4.1 Internal Control Committee Meetings

4.1.1 Internal Control Committee Meeting Convening

The Internal Control Committee Meeting Convening procedures are as follows:

1. Internal Control Committee Meetings are held monthly between the Committee and the Board of Directors.
2. Internal Control Committee Meetings must be attended by at least three members of the Internal Control Committee.
3. Business Committee Meetings are held at the Company's location, main place of business, or other mutually agreed locations.
4. The Internal Control Committee Meeting can be conducted through teleconference, video conference, or other electronic media that allows all Meeting participants to view, listen, and participate directly in the Meeting.
5. All Internal Control Committee Meetings are coordinated by the Head of the Internal Control Committee.
6. Internal Control Committee Meeting convocations are made by the Committee Secretary or a representative of the Internal Control Committee members.
7. Internal Control Committee Meeting convocations shall be sent in writing to Committee members by at least one working day before the meetings are held.
8. The Meeting convocations must include the respective Meeting's agenda, date, time, and location.
9. Internal Control Committee Meetings' discussion agenda and materials must be sent to attendees before the Meetings are held.

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10. All Internal Control Committee members attending an Internal Control Committee Meeting will receive a meeting honorarium at an amount determined in a Board of Directors' Decision Letter.
11. Internal Control Committee Meetings may involve other invitees approved by the Board of Directors.
12. Internal Control Committee recommendations can be provided at the Board of Directors' request or through the Committee's own initiative.
13. Recommendations provided from the Internal Control Committee's own initiatives are presented during Internal Control Committee Meetings.
14. Internal Control Committee recommendations requested by the Board of Directors must be received by the Board of Directors, at the latest, by 5 (five) working days after the respective Internal Control Committee Meeting is held.


4.1.2 Internal Control Committee Decision-Making

The Internal Control Committee Meeting decision-making procedures are as follows:

1. Internal Control Committee decisions are reached through deliberation and consensus. If a consensus cannot be reached, then a decision can only be made through a vote by a majority of at least 3 (three) attending Internal Control Committee members.
2. The decision is made based on the majority of votes based on a principle of one vote per person.
3. Internal Control Committee can also make a legal decision without holding an Internal Control Committee Meeting as long as the recommendation is made in writing and signed by all of the Committee's members. Decisions made through this method hold the same power as any legal decisions made in an Internal Control Committee Meeting.

4.1.3 Internal Control Committee Meeting Minutes

1. Every Internal Control Meeting must have Meeting Minutes, which include the views discussed in the Meeting, supporting or dissenting opinions, the Meeting's decision/summary, and reasons for any Internal Control Committee members' absence (if there are any).


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2. The Internal Control Committee Meeting Minutes must be made by a working unit under the Internal Audit Unit, acting as the Internal Control Committee Secretariat, within five days after the Meeting is held.

3. The Meeting Minutes must be sent to the Internal Control Committee for approval or rejection through e-mail or other media agreed upon by the Meeting's attendees. If there are no rejections or revisions within the provided time limit, it will be concluded that there are no objections to the Meeting Minutes.

4. The Internal Control Committee Meeting Minutes must at least include:
 - a. The Meeting's location and date;
 - b. The Meeting's agenda;
 - c. The Meeting's attendees;
 - d. The Meeting's topics of discussion.
 - e. The decision-making process on the discussed topics;
 - f. Dissenting opinions during the decision-making process;
 - g. Decisions made during the Meeting; and
 - h. Signatures of the Minute's drafters and the Board of Directors.

5. The Internal Control Committee Meeting Minutes must be delivered through e-mail or other media agreed upon by the Meeting's attendees to all Internal Control Committee members before the next Internal Control Committee Meeting. The Internal Control Committee Meeting Minutes must also be submitted to the Financial Services Authority (OJK).

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4.2 Internal Control Committee's Work Relationship with Relevant Parties

4.2.1 Internal Control Committee Work Relationship with the Board of Commissioners and Audit Committee

The Internal Control Committee can communicate and interact with the Board of Directors and the Board of Commissioners to report and request instructions or inputs regarding high-risk operational issues that need to be communicated.

4.2.2 The Internal Control Committee's Relations with the Board of Directors

The Internal Control Committee can meet or communicate with the Board of Directors each month to discuss issues related to the Committee's duties and recommendations, including high-risk and high-importance operational issues that need to be communicated.

4.2.3 Internal Control Committee Work Relations with the Internal Audit Unit

The Internal Control Committee's work relationship with Internal Audit Unit is as follows:


1. The Internal Control Committee can engage with the Head of the Internal Audit Unit when the Internal Audit Unit discovers conditions or indications of material violations in the operational and internal control systems.
2. The Internal Control Committee receives reports on internal control audits each month from the Internal Audit Unit.

4.3 Internal Control Committee Performance Review

4.3.1. Reviewing


The Internal Control Committee's performance is reviewed as follows:

- a. The Board of Directors reviews the Internal Control Committee's performance.
- b. The Internal Control Committee is reviewed based on its collective performance and the performance of its individual members.
- c. The Internal Control Committee is reviewed each year or at least before the end of its service term.
- d. The Committee's performance review results will be used as input in selecting the following period's Internal Control Committee members.

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4.3.2. Reviewing Criteria

The Board of Directors must develop a performance review criteria for the Internal Control Committee's collective and individual members' performances, which refer to the Committee's duties and responsibilities as stipulated in this Charter.


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CHAPTER 5. INTERNAL CONTROL COMMITTEE WORK MECHANISMS

Work Ethic describes the basic personal behavioral principles that the Identification Committee should uphold. In its support of the Board of Directors, the Internal Control Committee must be guided by the Company's Articles of Association, the Business Ethics and Conduct Guideline, the Company's internal policies, and existing rules and regulations.

The Internal Control Committee's Work Ethic, in general, can be described as follows:

1. Internal Control Committee members must perform their duties, responsibilities, and Business by upholding the ethical values and moral standards enshrined in the Business Ethics and Conduct Guideline.
2. Internal Control Committee members must encourage the implementation of Good Corporate Governance.
3. Internal Control Committee members must consider all issues objectively, professionally, and independently for the interest of the Company and in consideration of stakeholders.
4. Internal Control Committee members must protect the confidentiality of the Company's documents, data, and information they receive as they perform their duties as members of the Committee. Members must also agree to sign a lifetime Non-Disclosure Agreement (NDA).
5. Internal Control Committee members must report to the Internal Audit Unit and the Board of Directors any known fraud or indication of fraud related to the service system.
6. Internal Control Committee members must perform their duties and responsibilities by always prioritizing the Company's interest and are refrained from using their positions for personal benefits that may directly or indirectly harm the Company.

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CHAPTER 6. CLOSING

6.1. Secretariat and Activities Budget

6.1.1. Stipulations on Internal Control Committee Secretariat and Activity Costs

1. In performing its duties, the Internal Committee is assisted by a Company working unit under the Internal Audit Unit acting as the Internal Control Committee Secretariat.
2. Any costs incurred during the Internal Control Committee's activities will be charged to the Company's budget.

6.1.2. The Committee Secretary's Duties and Responsibilities


1. Assisting the Head of the Committee on all issues related to the Committee's duties and responsibilities.
2. Assisting the Head of the Committee in scheduling Committee Meetings.
3. Assisting in the convening of Committee meetings, including inviting and confirming the attendance of Committee members to ensure that meetings have a quorum as specified in this Charter.
4. Creating the Committee Meeting Minutes.

6.2. Effective Term

This Internal Control Committee Charter is signed in Jakarta and comes into effect as of the date of its signing.

6.3. Evaluation and Updates

This Internal Control Committee Charter will be periodically evaluated and revised for updates to ensure that the Internal Control Committee will continue to function optimally, reflect the Company's Good Corporate Governance practices, and complies with existing rules and regulations.

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6.4. Transitional Provisions

If there are any differences between the stipulations in this Charter with other stipulations in existing rules and regulations, KSEI regulations, or the Financial Services Authority's (OJK) approvals/instructions, then the prevailing stipulations will be those specified in existing rules and regulations, KSEI regulations or OJK approvals/instructions.

Signed in Jakarta
November 18, 2022

Indonesia Central Securities Depository (KSEI)

Uriep Budhi Prasetyo
President Director

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Director

Supranoto Prajogo
Director