Factsheet

The Indonesia Corporate Governance Roadmap and Manual

Overview: The development and sustainability of capital markets is linked to the quality of corporate governance practices and standards. Corporate governance is a key factor in the ability of a country to have a conducive and attractive investment climate. Compliance with good corporate governance practices makes companies more transparent and therefore more attractive to potential investors. Good corporate governance provides companies with stronger boards and control environments, thereby improving their performance.

The Indonesia Roadmap and Manual are two separate, but complementary documents. They specifically address the case of Indonesia. They each have a specific objective: the roadmap – to recommend improving existing regulation; the manual to improve the understanding of corporate governance and its benefits.

The Indonesia Corporate Governance Roadmap
The Indonesia Corporate Governance Roadmap was designed to strengthen corporate governance regulation in Indonesia for listed companies and new issuers. The aim of the roadmap is to strengthen the supervising role of company boards, increase the quality of disclosure and increase company transparency. The protection of the rights of shareholders and stakeholders is also part of this process.

The roadmap includes:

- An analysis of existing gaps in corporate governance norms and practices and areas of improvement
- A set of recommendations relating to changes in corporate governance related regulations and listing requirements
- A timeline for the implementation of the recommendations by Otoritas Jasa Jeuangan (OJK)

The timeline for implementation spans a period to June 2015. The recommendations should be turned into detailed and specific regulations by June 2015.
The CG Roadmap recommendations are:

- Corporate governance framework:
  - enforcement of a code of good corporate governance through a comply, or explain regime. This regime is a standard regulator tool used in many jurisdictions. A company either complies with a specific regulation, or has to explain why it hasn’t complied and what steps it’s taking to comply in the future.
  - implementation of a code of conduct for stakeholders, such as capital market professionals, business journalists and other media.

- Protection of shareholders:
  - transparent preparation, organization and disclosure of results of General Meetings of Shareholders.
  - clearly defined dividend and voting rights.

- Role of stakeholders (such as employees, vendors, and others):
  - implementation of anti-corruption and procurement policies
  - long-term incentives for employees
  - role and qualification of corporate secretaries
  - implementation of whistleblower policies

- Transparency and disclosure:
  - disclosure of ultimate ownership and disclosure of independence criteria of commissioners
  - availability of financial and non-financial information on companies’ websites

- Role of boards:
  - nomination and remuneration process of commissioners and directors
  - disclosure of qualifications of board members
  - orientation programs for boards members and their fiduciary duties
  - tenure of commissioners
  - promotion of board diversity
  - evaluation of board performance
  - implementation of succession planning policies.

The Indonesia Corporate Governance Manual

The manual is a learning tool meant to help Indonesian companies at different developmental stages to better understand the value and benefits of good corporate governance. The manual gives an overview of how companies could improve their corporate governance. It provides a bridge between internationally recognized best practices and local laws, codes and regulations. Through this, the manual serves as a tool for policymakers to identify gaps and strengthen Indonesia’s regulatory framework. The manual also serves as a teaching tool for students and other interested readers who want to know about the principles, foundations and benefits of good corporate governance.

Given the importance of state-owned enterprises in Indonesia’s economy, the Indonesia Corporate Governance Manual includes a dedicated chapter on corporate governance requirements for SOEs.

The Manual covers:

- An introduction to corporate governance foundations
- An overview on the governance structure of Indonesian companies
- An overview of the required corporate documents for companies in Indonesia
- Requirements for boards of commissioners and boards of directors, including their authority and responsibilities under existing laws and regulations in Indonesia
- An overview of the role of the corporate secretary
- An introduction to shareholders’ rights as well as an overview of the organization of the General Meetings of Shareholders under existing laws and regulations
- A detailed overview of topics such as the charter capital, dividends, corporate securities and material transactions
- The information disclosure framework
- Control and audit procedures
- A chapter on the corporate governance framework for SOEs in Indonesia

Each chapter provides examples of internationally recognized best practices and comparative practices in other countries for the reader to benchmark Indonesian practices against international practices.