

**GUIDELINE AND STANDARD OPERATING PROCEDURE OF THE BOARD OF  
COMMISSIONERS OF**

**PT. Matahari Department Store, Tbk.**

**("Company")**

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**1. Legal Basis**

The underlying regulations to draft this **Guideline and Standard Operating Procedure of the Board of Commissioners** are:

1. Law No. 40 of 2007 on Limited Liability Company;
2. Regulation of the Financial Services Authority No. 33/POJK.04/2014 on the Board of Directors and Board of Commissioners of an Issuer or Public Company;
3. Regulation of the Financial Services Authority No. 34/POJK.04/2014 of the Nomination and Remuneration Committee of an Issuer or Public Company;
4. Regulation of the Financial Services Authority No. 35/POJK.05/2014 on Corporate Secretary of an Issuer or Public Company;
5. Resolution Letter of the Board of Directors of PT. Bursa Efek Indonesia No. Kep-00001/BEI/01-2014 dated 20<sup>th</sup> January 2014 on Amendment of the Regulation No. IA on Listing of Shares and Equities in addition to Shares Issued by a Listed Company; and
6. Articles of Association of the Company and amendments.

## 2. Functions of the Board of Commissioners

The Board of Commissioners shall be a part of the Company's elements which supervises the Company's policies management conducted by the Board of Directors and provides advice to the Board of Directors in order to carry out management of the Company.

## 3. Duties, Responsibilities and Authorities

The detailed duties, powers and obligations of the Board of Commissioners are set forth in the Articles of Association.

The duties and responsibilities of the Board of Commissioners include:

1. Supervising the implementation of tasks and responsibilities of the Board of Directors, management of the Company or the Company's business, and advising the Board of Directors, among others in a collective Meeting with the Board of Directors.
2. Executing duties and responsibilities to supervise the Company in good faith, full of responsibility, and prudence.
3. Requiring to establish an **Audit Committee**.
4. Requiring to perform the **functions of Nomination and Remuneration**. In carrying out the functions as referred to, the Board of Commissioners may establish a Nomination and Remuneration Committee.
5. Evaluating the performance of the committees which assist the performance of its tasks and responsibilities at the end of fiscal year.
6. Each member of the Board of Commissioners is responsible jointly and severally for the losses of the Company due to errors or omissions of the members of the Board of Commissioners in carrying out its duties. However, members of the Board of Commissioners cannot be held accountable for damages if they may prove:
  - a. such loss is not caused by a fault or negligence;
  - b. have made arrangements in good faith, full of responsibility, and prudence for the benefit and in accordance with aims and purposes of the Company;
  - c. do not have a conflict of interest, either directly or indirectly, for the management which causes losses; and
  - d. have taken action to prevent such loss arising or continuing.
7. Collectively with the Board of Directors, suggesting to the GMS, an appointment of a Public Accountant to audit the books of the Company.

8. Researching and studying and responding to regular reports and Annual Reports prepared by the Board of Directors, approving and signing the Annual Report.
9. Requiring to be held accountable on its performance of the duties to the shareholders in the GMS.
10. Board of Commissioners and Board of Directors shall draw up a code of conduct which applies to all members of the Board of Commissioners and Board of Directors, employees/workers, and supporting elements of the Company
11. Documenting all minutes of the Board of Commissioners meetings, Board of Commissioners meetings by inviting the Board of Directors and Committee meetings under the Board of Commissioners. Inspecting and approving the business plan and corporate plan.
12. Ensuring the implementation of the Good Corporate Governance (GCG) principles at all levels or structures of the organization and supervising, evaluating and enhancing the effectiveness of Good Corporate Governance practices in the Company.

The authorities of the Board of Commissioners shall include:

1. May suspend members of the Board of Directors by stating the reasons and the suspension shall be notified in written to the relevant members of the Board of Directors and may undertake the management of the Company in certain circumstances for a certain period of time, which is defined by the Law on Company, Articles of Association and/or resolutions of the GMS.
2. Under certain conditions, the Board of Commissioners shall hold an Annual General Meeting of Shareholders and other GMS in accordance with its authority as stipulated in laws and regulations and articles of association.

#### **4. Reporting and Accountability**

The Board of Commissioners must take responsibility for execution of its duty to the Shareholders in the GMS.

#### **5. Number of Members and Structure**

The number of Members and Structure of the Board of Commissioners consists of:

1. Board of Commissioners shall consist of at least 2 (two) persons, one of them is appointed as the President Commissioner and one of them is appointed as Independent Commissioner.

2. If the number of members of Board of Commissioners is more than 2 (two) persons, then it must be appointed Independent Commissioner with the number according to the effective Capital Market laws and/or regulations.

## 6. Requirements to be a Member of the Board of Commissioners

1. An individual to be appointed as a member of the Board of Commissioners shall be an individual who meets the requirements upon appointment and during his tenure:
  - (1) Have good character, moral and integrity;
  - (2) Legally competent;
  - (3) Within 5 (five) years prior to appointment and during his tenure:
    1. Have not been declared bankrupt;
    2. A member of the Board of Directors and/or Board of Commissioners is never found guilty to cause a company to suffer from bankruptcy;
    3. Have never been convicted of a criminal offense which is detrimental to the State's financial and/or related to the financial sector; and
    4. A member of the Board of Directors and/or the Board of Commissioners during his tenure shall not perform the following acts:
      - (i) Hold any annual General Meeting of Shareholders ("GMS");
      - (ii) The accountability as a member of the Board of Directors and/or Board of Commissioners is once not accepted by the GMS or have not been held accountable as a member of the Board of Directors and/or Board of Commissioners to the GMS; and
      - (iii) Cause any companies which obtain a permit, approval, or registration from the Financial Services Authority ("FSA") do not comply with obligations to submit annual reports and/or financial reports to OJK.
  - (4) Have the commitment to comply with laws and regulations; and
  - (5) Have knowledge and/or expertise in the sectors required by the Company.
  - (6) Do not breach a provision on concurrent position as stipulated in prevailing laws and regulations.
2. The compliance of the requirements aforementioned shall be stated in a written statement and submitted to the Company, and will be investigated and documented by the Company.

## 7. Requirements to be an Independent Commissioner

An Independent Commissioner is a member of the Board of Commissioners who comes from outside the Company and complies with additional requirements as an Independent Commissioner.

1. In addition to comply with the requirements to become a member of the Board of Commissioners as referred to above, the Independent Commissioner shall meet the following requirements:

- a. Not an individual who works or has the authority and responsibility for planning, directing, controlling, or supervising the activities of the Company within the last six (6) months, except for reappointment as an Independent Commissioner of the Company in the next period;
  - b. Have no shares, either directly or indirectly to the Company;
  - c. Have no affiliation with the Company, members of the Board of Commissioners, members of the Board of Directors, or a shareholder of the Company; and
  - d. Do not have any business relationship, either directly or indirectly related to the Company's business activities.
2. If such individual has served for 2 (two) periods of tenure, she/he may be reappointed in the next period provided that she/he states that she/he remains independent to the GMS.

#### **8. Requirements to hold Concurrent Position as a member of the Board of Commissioners**

Member of the Board of Commissioners may hold concurrent positions in accordance with laws and regulations on Capital Markets:

1. Members of the Board of Commissioners may hold a concurrent position as:
  - a. Member of the Board of Directors at no more than 2 (two) Issuers or other Public Companies;
  - b. Member of the Board of Commissioners at the most two (2) Issuers or other Public Companies; and
  - c. Member of a committee at the most 5 committees in a Company and Issuer or other public company.
2. If such individual does not hold any concurrent positions as a member of the Board of Directors, she/he may hold a concurrent position at the most 4 Issuers or other public companies.

#### **9. Appointment, Dismissal and /or Replacement of a Member of the Board of Commissioners**

**The procedure of appointment, dismissal and/or replacement of members of the Board of Commissioners:**

1. The members of the Board of Commissioners are appointed and dismissed by the GMS by considering provisions on automatic expiration of the tenure of of the Board of Commissioners, and provisions on the quorum, voting rights and resolutions of the GMS as referred to in the Articles of Association of the Company and amendments.
2. Members of the Board of Commissioners are appointed by the GMS of the candidates proposed by the major shareholders of the Company.
3. Each proposal of appointment, dismissal and/or replacement of members of the Board of Commissioners must

consider the recommendation of the Board of Commissioners or Committee which carries out the Nomination and Remuneration functions.

4. The Company shall hold a GMS to replace a member of the Board of Commissioners who no longer meets the above requirements during his tenure.
5. A member of the Board of Commissioners whose term has expired may be reappointed according to applicable regulations.
6. The GMS may at any time terminate a member of the Board of Commissioners prior to the expiry of his tenure. Such dismissal applies since the closing of the GMS, unless stipulated otherwise by the GMS.

## 10. Tenure

1. The members of the Board of Commissioners are appointed for one period since the stipulation date as set out by the GMS, which appoints them, and end at the closing of the 3<sup>rd</sup> (third) Annual General Meeting of Shareholders following his appointment date.
2. The tenure of an Independent Commissioner shall be at the most two (2) consecutive periods. Independent Commissioner who has served for 2 (two) periods of tenure may be reappointed for the next period provided that the Independent Commissioner has declared himself to remain independent to the General Meeting of Shareholders.
3. If by any reason the post of one or more members of the Board of Commissioners is vacant so the number is smaller than the minimum requirements as set out in the Articles of Association, no later than 30 (thirty) days after such vacancy, the Board of Directors shall announce a notice that the GMS will be held to fill the vacancy.
4. The number of members of the Board of Commissioners
5. In case the Independent Commissioner serves on the Audit Committee, the relevant Independent Commissioner may only be reappointed to the Audit Committee for 1 tenure of the next Audit Committee.
6. In case there is a vacancy on the Independent Commissioner position, the Company must fill such vacant position at the latest in the next GMS or within six (6) months after the vacancy occurs.
7. Length of tenure of the members of the Board of Commissioners shall automatically expire if they:
  - a. Pass away.
  - b. Their tenure expires.
  - c. They are declared bankrupt or placed under custody at the judgment of the Court.

- d. Their resignation is effective based on the Articles of Association.
  - e. They no longer qualify as a member of the Board of Commissioners by prevailing laws and regulations.
  - f. They are dismissed due to the GMS's resolution at the clear and justifiable grounds.
8. The tenure of a person who is appointed to replace a member of the Board of Commissioners who quits or to fill a vacancy for the remainder of the tenure of the dismissed or replaced Board of Commissioners members.
  9. In case there is an additional member of the Board of Commissioners, the tenure of such member shall expire simultaneously with the tenure expiration of other members of the Board of Commissioners as determined by the GMS.

## **11. Resignation**

1. A member of the Board of Commissioners is entitled to resign from his office by delivering a written notice to the Company.
2. In case the resignation of members of the Board of Commissioners causes the number of the Board of Commissioners members is less than the minimum requirements as set out in the Articles of Association, the resignation shall be deemed null and void.
3. The Company shall hold a GMS to decide on the resignation of the Board of Commissioners members no later than 90 (Ninety) days following the receipt of the resignation.
4. The resignation of the Board of Commissioners members shall be valid if it has been determined by the GMS.
5. The Board of Commissioners members who resign may remain held accountable as members of the Board of Commissioners since the appointment until the effective date of their resignation in the next GMS.

## **12. Working time**

1. The Board of Commissioners must provide sufficient time to carry out their duties and responsibilities optimally.
2. The Board of Commissioners must be present at least at the meeting of Board of Commissioners, the Joint Meeting of the Board of Directors and Board of Commissioners, and Committee meeting where members of the Board of Commissioners are also members to the Committee.

## 13. Public Policy of the Meeting of the Board of Commissioners

### **Frequency**

1. The Board of Commissioners may hold meetings at any time. However, it shall not be less than 1 (one) time in 2 (two) months, provided that the meeting may be held if it is attended by a majority of all members of the Board of Commissioners.
2. The Board of Commissioners must hold a periodic meeting collectively with the Board of Directors, at least 1 (one) time in 4 (four) months.

### **Venue**

1. The Board of Commissioners meeting may be held physically or long-distance using telecommunications media, such as teleconferencing or video conferencing.
2. If the Board of Commissioners meeting is held physically, the meeting is held at the domicile of the Company or the Company's place of business or elsewhere in the territory of the Republic of Indonesia.
3. If the Board of Commissioners meeting is held using long-distance means, such means must allow all participants to hear each other directly and participate in the meeting.

### **Schedule**

4. The Board of Directors shall schedule a meeting of the Board of Commissioners and the Joint Meeting of the Board of Commissioners and Board of Directors for the next year before the end of the fiscal year.
5. Meeting agenda shall be delivered to the meeting participants no later than 5 days before the meeting is held.
6. In the event a meeting is held outside the pre-arranged schedule, the agenda shall be delivered to the meeting participants before the meeting is held.

### **Presence**

7. The presence of members of the Board of Commissioners in the meeting of the Board of Commissioners and Joint Meeting of the Board of Commissioners and Board of Directors shall be disclosed in the Company's annual report.
8. The Board of Commissioners Meeting Resolutions shall be taken based on the consensus. In the event that a decision is not reached by consensus, resolutions may be made by a majority vote.

### **Minutes of meetings**

9. The meeting of the Board of Commissioners shall be set out in the Minutes of Meeting of the Board of Commissioners and signed by all members of the Board of Commissioners present.



10. In case a member of the Board of Commissioners does not sign the Minutes of the Meeting, she/he shall mention her/his reasons in written in a separate letter attached to the Minutes of Meeting.
11. Minutes of Meeting of the Board of Commissioners and Minutes of Joint Meeting of the Board of Directors and the Board of Commissioners shall be documented by the Company.
12. Details regarding salary and facilities of the Board of Commissioners members shall be determined in a resolution of the Board of Commissioners.

#### **14. Work Values**

1. Each member of the Board of Commissioners must abide by the code of ethics in the Company, carry out their duties in good faith, full of responsibility and prudence to always comply with applicable laws and regulations and the Articles of Association of the Company, and uphold the standards of the highest integrity and avoid conflict of interest between the Company and the Board of Commissioners and the parties concerned.
2. Each member of the Board of Commissioners is prohibited to take any decision which may place or potentially put the Board of Commissioners at the first occasion against potential conflicts of interest.
3. In the event of any conflict of interest, members of the Board of Commissioners are prohibited from taking actions which may harm the Company or reduce the profits of the Company and must disclose such conflicts of interest in any decision.
4. Commissioners, Directors and Committee members shall maintain the confidentiality of discussions and decisions of the Board of Commissioners and information obtained in meetings, unless specified otherwise by the Chairman or if the information had been disclosed by the Company to the public.
5. Each member of the Board of Commissioners must:
  - (1) Disclose its holdings of 5% or more, either in the Company or other companies domiciled domestically and abroad, as well as disclosure on financial and family relationships with members of the Board of Commissioners, members of the Board of Directors and/or controlling shareholders of the Company.
  - (2) The Company is not used for personal interests, including the interests of the family and/or other parties, which may harm or reduce profits of the Company.
  - (3) Do not take and/or receive personal benefits from the Company in addition to remuneration and other facilities set out by the GMS in accordance with applicable provisions.
6. Each member of the Board of Commissioners is prohibited from directly or indirectly making incorrect statements about material facts or non-disclosure of material facts. Thus, a

statement released does not mislead regarding the state of the Company when the statement is made.

Karawaci, 7 December 2015

**Board of Commissioners of  
PT. Matahari Department Store, Tbk.**