

3.5 PRINCIPLE E: RESPONSIBILITIES OF THE BOARD

The Principle of Responsibilities of the Board of Commissioners consists of 5 (five) key/main parameters, where each parameters consists of several measurement parameters, namely as follows:

1. Duties and Responsibilities of the Directors and the Board of Commissioners.

- The responsibilities of the Directors and the Board of Commissioners and CG Policy must be clearly stated by the company
- Company Vision and Mission

2. Board of Commissioners Structure.

- Code of Ethics or Code of Conduct
- Board of Commissioners Structure and Composition
- Nominating Committee
- Remuneration Committee/Compensation Committee
- Audit Committee

3. Board of Commissioners Process.

- Board of Commissioners Meetings and Attendance
- Access to Information
- Appointment and Re-Election of members of the Board of Commissioners
- Remuneration Matters
- Internal Audit
- Risk Oversight

4. Individuals in the Structure of the Board of Commissioners.

- Company Board Chairman
- Board of Commissioners Skills and Competencies

5. Board of Commissioners Performance.

- Training/ Development of the Board of Commissioners
- Appointment and Performance Assessment of the CEO or Managing Director/President
- Performance Assessment of the Board of Commissioners
- Performance Assessment for Members of the Board of Commissioners
- Performance Assessment for the Committees under the Board of Commissioners

E.1 Duties and Responsibilities of the Directors and the Board of Commissioners

This parameter is divided into 2 (two) sub-parameters of measurement consisting of a total of 6 (six) items as the assessment indicators. The following is the assessment result for the questions.

CG SCORE FOR INDICATOR E.1 (Duties and Responsibilities of the Directors and the Board of Commissioners)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
	The responsibilities of the Board of Commissioners and CG Policy must be clearly stated by the company:			
E.1.1	Does the company disclose its corporate governance policy / board charter?	Yes	1	Comply
E.1.2	Are the types of decisions requiring board of directors/commissioners' approval disclosed ?	Yes	1	Comply
E.1.3	Are the roles and responsibilities of the board of directors/commissioners clearly stated ?	Yes	1	Comply
	Company Vision and Mission:			
E.1.4	Does the company have an updated vision and mission statement?	Yes	1	Comply

CG SCORE FOR INDICATOR E.1 (Duties and Responsibilities of the Directors and the Board of Commissioners)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
E.1.5	Does the board of directors play a leading role in the process of developing and reviewing the company's strategy at least annually?	Yes	1	Comply
E.1.6	Does the board of directors monitor/oversee the implementation of the corporate strategy?	Yes	1	Comply
TOTAL CG SCORE for Indicator E.1			6	

The company has fully complied with every questions regarding the disclosure of the duties and responsibilities of the board as required in the ACGS standard.

E.2 Board of Commissioners Structure

This main parameter is divided into 5 (five) measurement sub-parameters consisting of a total of 24 (twenty four) questions as the assessment indicators. The following is the assessment result for the items:

CG SCORE FOR INDICATOR E.2 (Board of Commissioners Structure)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
	Code of Ethics or Code of Conduct:			
E.2.1	Are the details of the code of ethics or conduct disclosed?	Yes	1	Comply
E.2.2	Does the company disclose that all directors/commissioners, senior management and employees are required to comply with the code?	Yes	1	Comply
E.2.3	Does the company have a process to implements and monitors compliance with the code of ethics or conduct?	Yes	1	Comply
	Structure and Composition of the Board of Commissioners:			

CG SCORE FOR INDICATOR E.2 (Board of Commissioners Structure)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
E.2.4	Do independent directors/commissioners make up at least 50% of the board of directors/commissioners?	Yes	1	Comply
E.2.5	Does the company have a term limit of nine years or less or 2 terms of five years each for its independent directors/commissioners?	No	0	Not Comply
E.2.6	Has the company set a limit of five board seats that an individual independent/non-executive director/commissioner may hold simultaneously?	Yes	1	Default answer Yes
E.2.7	Does the company have any executive directors who serve on more than two boards of listed companies outside of the group?	No	1	Comply
	Nominating Committee:			
E.2.8	Does the company have a Nominating Committee (NC)?	Yes	1	Comply
E.2.9	Does the Nominating Committee comprise of a majority of independent directors/commissioners?	No	0	Not Comply
E.2.10	Is the chairman of the Nominating Committee an independent director/commissioner?	Yes	1	Comply
E.2.11	Does the company disclose the terms of reference/ governance structure/charter of the Nominating Committee?	Yes	1	Comply
E.2.12	Is the meeting attendance of the Nominating Committee disclosed and if so, did the Nominating Committee meet at least twice during the year?	Yes	1	Comply
	Remuneration Committee/Compensation Committee:			
E.2.13	Does the company have a Remuneration Committee?	Yes	1	Comply
E.2.14	Does the Remuneration Committee comprise of a majority of independent directors/commissioners?	No	0	Not Comply

CG SCORE FOR INDICATOR E.2 (Board of Commissioners Structure)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
E.2.15	Is the chairman of the Remuneration Committee an independent director/commissioner?	Yes	1	Comply
E.2.16	Does the company disclose the terms of reference/ governance structure/ charter of the Remuneration Committee?	Yes	1	Comply
E.2.17	Is the attendance of members at Remuneration Committee meetings disclosed?	Yes	1	Comply
	Audit Committee:			
E.2.18	Does the company have an Audit Committee?	Yes	1	Default answer Yes
E.2.19	Does the Audit Committee comprise entirely of non-executive directors/commissioners with a majority of independent directors/commissioners?	Yes	1	Default answer Yes
E.2.20	Is the chairman of the Audit Committee an independent director/commissioner?	Yes	1	Default answer Yes
E.2.21	Does the company disclose the terms of reference/governance structure/charter of the Audit Committee?	Yes	1	Comply
E.2.22	Does at least one of the independent directors/commissioners of the committee have accounting expertise (accounting qualification or experience)?	Yes	1	Comply
E.2.23	Is the meeting attendance of the Audit Committee disclosed and, if so, did the Audit Committee meet at least four times during the year?	Yes	1	Comply
E.2.24	Does the Audit Committee have primary responsibility for recommendation on the appointment, and removal of the external auditor?	Yes	1	Comply
TOTAL CG SCORE for Indicator E.2			21	

*) For assessment item E.2.7, the answer "Yes" shows that the company did not comply with the intended practice, and in contrast, the answer "No" indicates that the practice has been fulfilled/done by the company.

The following is an explanation for items that have not been fulfilled/done by the company (3 assessment items):

- E.2.5 requires the term limit for an independent commissioner to be a maximum of 9 years or 2 (two) times a 5-year period. The company (SMSM) did not disclose the deadline for the related term limit.
- E.2.9 & E.2.14 request that the majority of the nominating & remuneration committee members to come from an independent party. Based on the assessment result, there are less than 50% of the nominating & remuneration committee members are independent.

E.3 Board of Commissioners Process

This main parameter is divided into 6 (six) measurement sub-parameters consisting of a total of 22 (twenty two) questions as the assessment indicators.

CG SCORE FOR INDICATOR E.3 (Board of Commissioners Process)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
	Board of Commissioners Meetings and Attendance:			
E.3.1	Are the board of directors meetings scheduled before the start of financial year?	Yes	1	Comply
E.3.2	Does the board of directors/commissioners meet at least six times per year?	Yes	1	Comply
E.3.3	Has each of the directors/commissioners attended at least 75% of all the board meetings held during the year?	Yes	1	Comply
E.3.4	Does the company require a minimum quorum of at least 2/3 for board decisions?	No	0	Not Comply

CG SCORE FOR INDICATOR E.3 (Board of Commissioners Process)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
E.3.5	Did the non-executive directors/commissioners of the company meet separately at least once during the year without any executives present?	Yes	1	Comply
	Access to Information:			
E.3.6	Are board papers for board of directors/commissioners meetings provided to the board at least five business days in advance of the board meeting?	Yes	1	Comply
E.3.7	Does the company secretary play a significant role in supporting the board in discharging its responsibilities?	Yes	1	Comply
E.3.8	Is the company secretary trained in legal, accountancy or company secretarial practices and has kept abreast on relevant developments?	Yes	1	Comply
	Appointment and Re-election of members of the Board of Commissioners:			
E.3.9	Does the company disclose the criteria used in selecting new directors/commissioners?	Yes	1	Comply
E.3.10	Does the company disclose the process followed in appointing new directors/commissioners?	Yes	1	Comply
E.3.11	Are all directors/commissioners subject to re-election every 3 years; or 5 years for listed companies in countries whose legislation prescribes a term of 5 years each? The five years term must be required by legislation which pre-existed the introduction of the ASEAN Corporate Governance Scorecard in 2011	Yes	1	Comply
	Remuneration Matters:			

CG SCORE FOR INDICATOR E.3 (Board of Commissioners Process)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
E.3.12	Does the company disclose its remuneration (fees, allowances, benefit-in-kind and other emoluments) policy (i.e. the use of short term and long term incentives and performance measures) for its executive directors and CEO?	No	0	Not Comply
E.3.13	Is there disclosure of the fee structure for non-executive directors/commissioners?	Yes	1	Comply
E.3.14	Do the shareholders or the Board of Directors approve the remuneration of the executive directors and/or the senior executives?	Yes	1	Comply
E.3.15	Does the company have measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interests of the company, such as claw back provision and deferred bonuses?	No	0	Not Comply
	Internal Audit:			
E.3.16	Does the company have a separate internal audit function?	Yes	1	Default answer Yes
E.3.17	Is the head of internal audit identified or, if outsourced, is the name of the external firm disclosed?	Yes	1	Comply
E.3.18	Does the appointment and removal of the internal auditor require the approval of the Audit Committee?	Yes	1	Default answer Yes
	Risk Oversight:			
E.3.19	Does the company establish a sound internal control procedures/risk management framework and periodically review the effectiveness of that framework?	Yes	1	Comply

CG SCORE FOR INDICATOR E.3 (Board of Commissioners Process)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
E.3.20	Does the Annual Report disclose that the board of directors/commissioners has conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems?	Yes	1	Comply
E.3.21	Does the company disclose the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic)?	Yes	1	Comply
E.3.22	Does the Annual Report contain a statement from the board of directors/commissioners or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems?	Yes	1	Comply
TOTAL CG SCORE for Indicator E.3			19	

The following is an explanation for items that have not been fulfilled/done by the company (3 assessment items):

- E.3.4 requires a 2/3 quorum for decision-making at a board of commissioners meeting. While the information available (in the Annual Report) states that for the quorum of the board of commissioners meeting, the company (SMSM) only requires a minimum of more than 1/2 the number of board of commissioners members to be present at the meeting.
- E.3.12 requires the company to disclose performance measurements for short-term and long-term incentives in the remuneration policy of the directors members. The assessment result only found disclosures from the remuneration

of directors and commissioners that are short-term, therefore the company has not been able to obtain points for this assessment indicator.

- E.3.15 requires that the company should own measurable standards that align the performance-based remuneration of the executive directors and senior executives with the company's long-term interests (company's long-term performance), including claw back provision (the refund of partial or all bonuses that has been received) and deferred bonuses payment. The assessment result indicates that the company does not have the intended performance measurable standards and provision.

E.4 Individuals in the Structure of the Board of Commissioners

This main parameter is divided into 3 (three) measurement parameters consisting of a total 6 (six) questions as the assessment indicators.

CG SCORE FOR INDICATOR E.4 (Individuals in the Structure of the Board of Commissioners)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
	Company Board Chairman			
E.4.1	Do different persons assume the roles of chairman and CEO?	Yes	1	Default answer Yes
E.4.2	Is the chairman an independent director/commissioner?	No	0	Not Comply
E.4.3	Is any of the directors a former CEO of the company in the past 2 years?	No	1	Comply
E.4.4	Are the role and responsibilities of the chairman disclosed?	Yes	1	Comply
	Senior Independent Commissioner:			
E.4.5	If the Chairman is not independent, has the Board appointed a Lead/Senior Independent Director and has his/her role been defined?	No	0	Not Comply

CG SCORE FOR INDICATOR E.4 (Individuals in the Structure of the Board of Commissioners)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
	Board of Commissioners Skills and Competencies:			
E.4.6	Does at least one non-executive director/commissioner have prior working experience in the major sector that the company is operating in?	Yes	1	Comply
TOTAL CG SCORE for Indicator E.4			4	

*) For assessment item E.4.3, the answer "Yes" shows that the company did not comply with the intended practice, and in contrast, the answer "No" indicates that the practice has been fulfilled/done by the company.

Based on the 6 (six) assessment items above, the following is an explanation for items that have not been fulfilled by the company (2 assessment items):

- E.4.2 requests that the chairman of the board of commissioners needs to come from an independent circle. In the assessment result, the chairman of the board of commissioners of PT Selamat Sempurna Tbk is not from an independent circle therefore the company has not been able to obtain points in this item.
- E.4.5 the company is expected to own a policy if the chairman of the board of commissioners is not an independent commissioner, then the board of commissioners needs to appoint an independent commissioner (Senior Lead Commissioner). The duties and responsibilities of the intended senior independent commissioner should also be disclosed to obtain points in this item. The assessment result does not indicate that the company has practiced this matter.

E.5 Board of Commissioners Performance

This main parameter is divided into 3 (three) measurement sub-parameters consisting of a total 7 (seven) questions as the assessment indicators. The following is the assessment result of these items:

CG SCORE FOR INDICATOR E.5 (Board of Commissioners Performance)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
	Training/Development of the Board of Commissioners:			
E.5.1	Does the company have orientation programmes for new directors/commissioners?	Yes	1	Comply
E.5.2	Does the company have a policy that encourages directors/commissioners to attend on-going or continuous professional education programmes?	Yes	1	Comply
	Appointment and Performance Assessment of the CEO/Managing Director/President:			
E.5.3	Does the company disclose how the board of directors/commissioners plans for the succession of the CEO/Managing Director/President and key management?	No	0	Not Comply
E.5.4	Does the board of directors/commissioners conduct an annual performance assessment of the CEO/Managing Director/President?	Yes	1	Comply
	Performance Assessment of the Board of Commissioner:			
E.5.5	Did the company conduct an annual performance assessment of the board of directors/commissioners and disclose the criteria and process followed for the assessment?	Yes	1	Comply
E.5.6	Did the company conduct an annual performance assessment of the individual directors/commissioners and disclose the criteria and process followed for the assessment?	No	0	Not Comply

CG SCORE FOR INDICATOR E.5 (Board of Commissioners Performance)				
No	Questions	"Yes" or "No" or "N/A" Answer	SCORE	Compliance Status (comply or not comply)
E.5.7	Did the company conduct an annual performance assessment of the board committees and disclose the criteria and process followed for the assessment?	Yes	1	Comply
TOTAL CG SCORE for Indicator E.5			5	

Based on the 7 (seven) assessment items above, the following is an explanation for items that have not been fulfilled by the company (2 assessment items):

- E.5.3 the company is required to disclose the succession policy for the president director. There was no disclosure of the intended practice found in the assessment result.
- E.5.6 requests a disclosure of information regarding the performance assessment for individual members of the board of commissioners along with the assessment criteria that are being used. There was no disclosure of the intended practice found in the assessment result.

The following is the recapitulation of the assessment result on the company's level of compliance for principle E (Responsibilities of the Board):

THE ASSESSMENT RESULT OF CG PRACTICES FOR RESPONSIBILITIES OF THE BOARD PRINCIPLE

CG SCORE FOR RESPONSIBILITIES OF THE BOARD PRINCIPLE				
No	Indicators/Key Parameters	Number of Items Complied with Each Parameter	Number of Items	Score per Component
1	Duties and Responsibilities of the Board of Directors and Commissioners	6	6	100%
2	Board of Commissioners Structure	21	24	87,50%
3	Board of Commissioners Process	19	22	86,36%
4	Individuals in the Structure of the Board of Commissioners	4	6	66,67%
5	Board of Commissioners Performance	5	7	71,43%
TOTAL ITEMS THAT COMPLY WITH THE RESPONSIBILITY OF THE BOARDS PRINCIPLE		55	65	84,62%