



Good Corporate

Governance

Implementation Guidelines

Board of Commissioners and Board of Directors

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Board of Directors

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Board of Commissioners and Board of Directors

Role of Board of Commissioners and Board of Directors

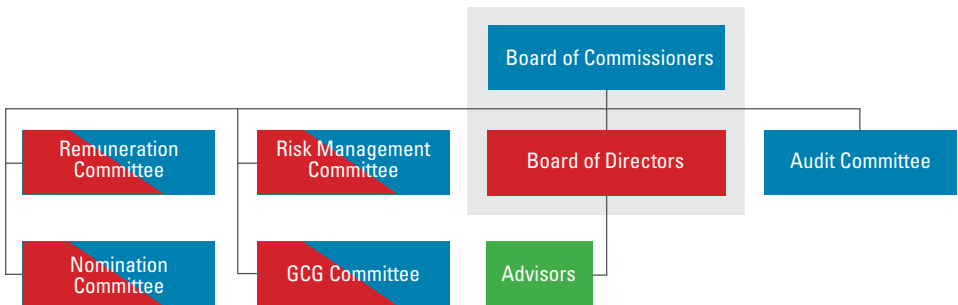
The role of the Board of Commissioners is to supervise the management of the Company by the Board of Directors for the interest of the Company and its shareholders. The role of the Board of Directors is to guide and manage MedcoEnergi's business in its entirety and to control, maintain and manage MedcoEnergi assets in accordance with the Company's strategic goals. Each member of the Board of Directors must act and take decisions based on a fair judgment, in a responsible manner and good faith, as well as for the interest of MedcoEnergi, its shareholders and stakeholders.

The Company Management Structure

Size and Composition

The Board of Commissioners and Board of Directors of MedcoEnergi, in particular PT Medco Energi Internasional Tbk, shall respectively consist of at least three members as stipulated in the Articles of Association, whereas the Board of Commissioners and Board of Directors of Indonesian subsidiary must, respectively, consist of at least one member as stipulated in their respective articles of association. For a company which is incorporated under the law of other countries, the size and composition of Board of Directors shall follow the applicable laws of its respective country. Members of the Board of Commissioners and the Board of Directors of PT Medco Energi Internasional Tbk (also known as "Medco Energi Corporation" or the "Company") must be nominated as member of the Board of Commissioners and/or Board of Directors of subsidiaries incorporated under the law of Republic of Indonesia, whereas at subsidiary incorporated under the law of other countries, a member of the Medco Energi Corporation Board of Directors may be nominated as Director.

The Company's Management Structure



Members consist of Board of Commissioners and Board of Directors

Independent Commissioner and Independent Director

Independent Commissioners are members of the Board of Commissioners from outside the Company who do not own, either directly or indirectly, shares of the company, do not have any affiliation with the company, commissioners, directors or primary shareholders of the company, and do not have any business relation, either directly or indirectly, with the company. The appointment of independent commissioners is solely based on their knowledge, experience and professional expertise to perform their duties for the interest of the company.

As a public company, MedcoEnergi stipulates that at least 1/3 (one third) of the members of its Board of Commissioners shall consist of Independent Commissioners (non-affiliated). One of the Independent Commissioners shall chair the Audit Committee. Independent Commissioners are prohibited from holding positions as commissioners or directors in other companies that are considered as competitors to MedcoEnergi.

Independent Directors are members of the Board of Directors from outside the company who do not own, either directly or indirectly, shares of the company, do not have any affiliation with the company, commissioners, directors or primary shareholders of the company, and do not have any business relation, either directly or indirectly, with the company. The appointment of independent directors is solely based on their knowledge, experience and professional expertise to perform their duties for the interest of the company.

Independent Commissioners and Independent Directors have to meet the qualification standards set by the capital market regulations with regards to independence.

Term of Service

Members of the Board of Commissioners and the Board of Directors of MedcoEnergi shall hold office for a maximum of five years. Each member of the Board of Commissioners and Board of Directors of MedcoEnergi may be reappointed through the General Meeting of Shareholders (GMS) upon expiration of their term of service.

Members of the Board of Commissioners and Board of Directors may resign from their position before the end of their term of service by submitting a written notification not later than 30 days prior to the effective date of resignation. Members of the Board of Commissioners or the Board of Directors who resign from their position will still be accountable for the GMS up to the date of their resignation. The term of service of members of the Board of Commissioners and the Board of Directors shall also end if they are declared bankrupt, no longer fulfill the provisions of the law, pass away, or are removed from office by GMS decision.

Remuneration

Each member of the Board of Commissioners and Board of Directors of MedcoEnergi is entitled to remuneration as approved by shareholders during GMS. The amount of remuneration shall be determined by the Remuneration Committee of MedcoEnergi based on annual evaluation that includes benchmarking against market practice and the performance of the company as well as the scope of work and responsibilities of each respective member of the Board of Commissioners and the Board of Directors.

Selection, Qualification and Continuing Education

Selection

The elected members of the Board of Commissioners and the Board of Directors of MedcoEnergi are eligible as members of the Board of Commissioners in its subsidiaries in Indonesia and/or members of the Board of Directors of its subsidiaries that are subject to the law of other countries. Members of the Board of Directors of its subsidiaries are eligible as members of the Board of Directors of other subsidiaries within the same business unit.

The best candidates selected to fill vacant position on the Boards of Commissioners and the Boards of Directors of MedcoEnergi and its subsidiaries shall be recommended by the Nomination Committee based on propositions by the Board of Commissioners and the Board of Directors. The proposed candidate shall be selected and determined in GMS.

The selection of Independent Commissioners or Independent Directors must be conducted based on the recommendation of the Nomination Committee that is submitted in the GMS agenda. The elected members of the Board of Commissioners and the Board of Directors of MedcoEnergi Corporation are eligible as members of the Board of Commissioners in MedcoEnergi's subsidiaries in Indonesia and/or members of the Board of Directors of subsidiaries that are subject to the law of other countries. Members of the Board of Directors of MedcoEnergi's subsidiaries are eligible as members of the Board of Directors of other subsidiaries within the same business unit.

Qualification

The qualifications for membership of the Board of Commissioners and Board of Directors shall be determined by the Nomination Committee in accordance with criteria which are stated in a separate guideline, which will be updated from time to time.

Strengthening the Contextual Understandings

All members of the Board of Commissioners and Board of Directors of MedcoEnergi are required to participate at least once a

year in strengthening the contextual understandings activity relating to the development of MedcoEnergi's industries and Good Corporate Governance best practices. This activity may be held by MedcoEnergi or any institution relating to MedcoEnergi industries or any institution engaged in Good Corporate Governance. To gain a deep contextual understandings about the latest development and performance of MedcoEnergi, the members of the Board of Commissioners and Board of Directors are required to attend corporate meetings and conduct site visit to MedcoEnergi operation areas.

Meetings

Number of Regular Meetings

Both the Board of Commissioners and the Board of Directors shall conduct regular meetings. These meetings may be held at any venue that has been approved by the members of the Board of Commissioners and Board of Directors. Additional meetings may be scheduled if deemed necessary.

Attendance

Meetings of the Board of Commissioners of MedcoEnergi must be attended by all of its members and shall be chaired by the President Commissioner or any other member of the Board of Commissioners in the absence of the President Commissioner. Each member of the Board of Commissioners shall make an effort to attend all Board of Commissioners meetings, though a remote conferencing is permitted. Members of the Board of Commissioners who are unable to attend the meeting shall provide notification of their absence along with a written opinion on the agenda of the meeting.

Meetings of the Board of Directors of MedcoEnergi must be attended by all of its members. Meetings shall be chaired by the President Director or any other member of the Board of Directors in the absence of the President Director. Each member of the Board of Directors shall make effort to attend all Board of Directors meetings, though a remote conferencing is permitted. Members of the Board of Directors who are unable to attend a meeting shall provide notification of their absence along with a written opinion on the agenda of the meeting.

Invitations, Agendas and Minutes of Meetings

Invitation for the Board of Commissioners meeting must be prepared and issued by the President Commissioners, whereas invitation for the Board of Directors meeting must be prepared and issued by the President Director. Meeting invitation must be circulated at least five working days prior to the meeting and clearly describe the agenda of the meeting.

Any report or material to be presented in the meeting at the MedcoEnergi Corporation level must be mentioned in the agenda prepared by the Corporate Secretary at the latest two days prior to the meeting. The minutes of the Board of Commissioners and the Board of Directors meeting shall be prepared by the Corporate Secretary and disseminated to the participant of the meeting.

Committees

In performing its duty, the Board of Commissioners of MedcoEnergi shall be assisted by the following committees:

1. Audit Committee

The Audit Committee is responsible for evaluating the consolidated financial statement and internal control system prepared by the Board of Directors of MedcoEnergi and identifying new issues relating to business compliance with the prevailing law, legislation and other regulations. The Committee shall comprise at least 3 (three) members, consisting of one Independent Commissioner and 2 (two) members from outside MedcoEnergi. The Committee shall be chaired by an Independent Commissioner.

2. Risk Management Committee

The Risk Management Committee is responsible for ensuring a comprehensive analysis has been undertaken on all potential business risks and recommends measures to be taken to minimize the said business risks. The Committee shall consist of at least 5 (five) members from the Commissioners and Directors of MedcoEnergi, with the majority of members is from the Board of Commissioners. The Risk Management Committee shall be chaired by one of the members of the Board of Commissioners.

3. Nomination Committee

The Nomination Committee is responsible for selecting candidates for member of the Board of Commissioners and Board of Directors of MedcoEnergi and its subsidiaries, ensuring proper implementation of the selection policy and system to fill positions in the Board of Commissioners and Board of Directors, preparing a succession plan for the Board of Directors, explaining the division of duty, role and responsibility of each member of the Board of Directors, as well as evaluating the performance of each member of the Board of Directors. The Committee shall consist of at least 4 (four) members from the Commissioners and Directors of MedcoEnergi, with the majority member is from the Board of Commissioners. The Nomination Committee shall be chaired by one of the members of the Board of Commissioners.

4. Remuneration Committee

The Remuneration Committee is responsible for ensuring that the remuneration package of the Board of Commissioners and Board of Directors is in line with their duty, role, responsibility, expertise, MedcoEnergi's financial condition and market practice. The Committee shall consist of at least 4 (four) members from the Commissioners and Directors of MedcoEnergi, with the majority member is from Board of Commissioners. The Remuneration Committee shall be chaired by one of the members of the Board of Commissioners.

5. GCG Committee

The GCG Committee is responsible for the successful implementation of the GCG Guidelines and CoC throughout MedcoEnergi. The GCG Committee also receives reports pertaining to the implementation of good corporate governance and any violation thereof from the BPRC, as well as provides advice on enhancing GCG practices and CoC compliance in MedcoEnergi. The Committee shall consist of at least 5 (five) members from the Commissioners and Directors of MedcoEnergi. The GCG Committee shall be chaired by an Independent Commissioner.

Evaluation and Succession

Performance Review

The performance of the Board of Commissioners and Board of Directors of MedcoEnergi shall be evaluated annually by the Nomination Committee and Remuneration Committee. The Nomination Committee and Remuneration Committee may employ a services of independent professional consultant to evaluate the annual performance of the members of the Board of Commissioners and Board of Directors.

Succession Planning

The Board of Commissioners and Board of Directors of MedcoEnergi Corporation shall review a succession plan for members of the Board of Directors of MedcoEnergi and other senior officers at least once a year. The succession plan includes succession in the normal cost of business and also alternative plans in case of unexpected event.

Resources

The Board of Commissioners and Board of Directors of MedcoEnergi Corporation shall have full access to the management of MedcoEnergi and other employees as requested to discuss MedcoEnergi business and affairs. The Board of Commissioners and Board of Directors may hold regular meetings with directors of MedcoEnergi and other members of management in both formal and informal settings as required.

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Internal Control Unit and Corporate Secretary

Internal Control Unit (Internal Audit)

The Internal Control Unit of MedcoEnergi, also called Internal Audit, is an impartial and objective function in providing advice and recommendations to increase value and improve the operational performance of the Company. The Internal Audit Unit also supports the Company in achieving its goals by systematically evaluating measures which need to be taken to increase and improve the efficiency of Risk Management, Internal Control and Good Corporate Governance processes.

As a public company, MedcoEnergi has complied with Bapepam-LK Regulation No.: Kep-496/BL/2008 of 28 November 2008, by having established Corporate Internal Audit unit in 1998. The Corporate Internal Audit unit is subordinate to the Board of Directors and reports directly to the President Director.

The Company also recognizes the Corporate Internal Audit as an important and active organ of the Company for supporting the implementation of GCG through supervision.

Duty of the Corporate Internal Audit Unit

The duty of the Corporate Internal Audit unit comprises the following:

1. To prepare an Annual Audit Plan (AAP) and implement audit program as prescribed in the AAP by assessing efficiency and effectiveness in the areas of finance, accounting, operations, human capital, supply chain and other areas.
2. To test and evaluate the implementation of internal control and risk management system according to the Company policy.
3. To provide advice on improvement and objective information on activity that is being audited at every level of management.

4. To prepare audit finding report and present the report to the President Director and Chairman of the Audit Committee.
5. To monitor, analyze and report recommended follow-up measures for improvement.
6. To evaluate periodically on performance of internal auditors in implementing audit program.
7. To undertake special audits if deemed necessary.

Responsibility of the Corporate Internal Audit Unit

The responsibility of the Corporate Internal Audit unit comprises the following:

1. To carry out the audit process in accordance with the prevailing audit standards and code of ethics, allocate audit resources effectively and efficiently, enhance the professionalism of the auditors and undertake quality assurance on the discharge of Corporate Internal Audit management duty.
2. To safeguard classified data, documents and information relating to audit assignments and audit finding reports in accordance with policy on confidentiality of the company information as set by the Board of Directors and the Auditor's Code of Ethics.
3. To seek approval from the President Director with respect to the AAP and the development plan for the audit organization.
4. To report to the President Director any information pertaining to audit findings.

Corporate Secretary

Since 1997 the Company has complied with Bapepam-LK Rule No.IX.I.4 and IDX Rule No.I-A regarding the Formation of the Corporate Secretary, a position which was held by a director at that time. In 2005, the Company then established a Corporate Secretary Division which is led by a Head of Division. In performing its duty and function, the Corporate Secretary Division reports to the President Director. The Head of Corporate Secretary Division is appointed by a resolution of the Board of Directors with approval from the Board of Commissioners.

Function of the Corporate Secretary

As stipulated under the Rules of Bapepam-LK No.IX.I.4 and IDX No.I-A, the Corporate Secretary of the Company serves as a liaison between the Company and its shareholders, the Indonesia Financial Services Authority (formerly Bapepam-LK), the Indonesia Stock Exchange, other capital market authorities and the public. In addition, the Corporate Secretary Division also holds the responsibility to stay updated on the developments of laws and regulations relating to the Capital Market and the Limited Liability Company as well as, to some extent, other prevailing laws and regulations relating to MedcoEnergi's business sectors and activities. The Corporate Secretary Division of MedcoEnergi, in cooperation with the Corporate Legal Division, is responsible for advising the Board of Directors and Board of Commissioners on any changes in the prevailing laws and regulations and ensuring that MedcoEnergi complies with any such changes. The Corporate Secretary Division is also responsible for assisting the Board of Directors and Board of Commissioners to ensure that GCG principles are implemented throughout MedcoEnergi.

Implementation of Corporate Secretary Duty and Function

The Corporate Secretary Division assists the Board of Directors and Board of Commissioners in:

- Organizing and coordinating meetings of the Board of Directors and Board of Commissioners, General Meetings of Shareholder and public expose.
- Enhancing communication between the Board of Directors and stakeholders.
- Enhancing good relations between the Company and communities through social corporate responsibility programs.
- Enhancing good relations between the Company and government institutions and other authorities.
- Ensuring the Company's compliance with Bapepam-LK (now Financial Services Authorities) and Indonesia Stock Exchange rules and the Company's articles of association.
- Implementing the education & socialization of GCG Guidelines and CoC throughout the Company, revitalizing the Corporate Values and managing a Whistleblowing System.

3 Code of Conduct for Board of Commissioners and Board of Directors

The Board of Commissioners and Board of Directors of MedcoEnergi shall be obliged to comply with the following:

- To manage the company effectively and efficiently in accordance with prevailing regulations and the Company's Statement of Policy.
- To manage the company based on the findings of independent objective evaluations.
- To manage stock transactions in an honest and fair manner for the interest of MedcoEnergi, its shareholders and stakeholders in accordance with prevailing law and regulations.
- To manage the company without domination of power by any individual.
- To manage the company in accordance with MedcoEnergi strategy and policy.
- To manage the company with a sturdy and vigorous internal control system to safeguard shareholders' investments and company assets.
- To report the number of MedcoEnergi shares owned, including their close family members and submit annual Shareholdings Report to the Company.
- To refrain from participating in any business negotiation between MedcoEnergi and their owned company.
- To refrain from holding any control over a company that is competing directly or indirectly with MedcoEnergi.
- To avoid involvement in any company transaction that presents potential conflict of interest. If conflict of interest cannot be avoided, then any such transaction must be disclosed and declared in a statement of conflict of interest in accordance with prevailing laws and regulations, and a Conflict of Interest Report form must be filled out.
- To refrain from exploiting their position and title for personal gain, either directly or indirectly.
- To avoid misusing any confidential information.

- To comply with policy and ethic declared in the GCG and CoC Guidelines when performing any relevant responsibility, including matter that is relating to conflicts of interests, procurement ethics, or information disclosure policy of MedcoEnergi.
- To manage the company without any personal conflicts of interest in the business decision-making process.
- To treat employee fairly in accordance with the prevailing manpower regulations.
- To participate in various development activities both within and outside the company, such as educational activity, training, or radio as well as television broadcast.
- To refrain from involvement in money laundering practice.

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Equitable Treatment of Shareholders

MedcoEnergi grants rights and responsibility and provides equitable treatment to its shareholders. MedcoEnergi is required to maintain correct and accurate records of share ownership among its shareholders. Therefore, MedcoEnergi must perform a continually updated Shareholders Register.

Shareholder Rights

Each shareholder shall have the following rights:

- To obtain information relating to their share ownership as listed in the Shareholders Register.
- To transfer the rights over their shares, including by 1) sale of shares to other parties, 2) pledge of shares for personal needs and 3) shares repurchase by MedcoEnergi at a reasonable market price in the event a shareholder disapproves action taken by MedcoEnergi in accordance with the provisions of the prevailing laws and regulations.
- To obtain sufficient information from the Corporate Secretary Division and/or Investor Relations Division.
- To vote in General Meetings of Shareholders with the provision that each share represents one vote of its holder.
- To elect and appoint the Board of Commissioners and Board of Directors in General Meetings of Shareholders.
- To vote on fundamental changes at General Meetings of Shareholders, including: 1) amendments of the Articles of Association of the Company, 2) issuance of additional shares, 3) Company transactions, such as mergers; sales of key assets; acquisition of asset outside of ordinary business activity that constitutes a significant increase of the overall asset of MedcoEnergi.
- To file claims with local court against violation or failure by any member of the Board of Commissioners and Board of Directors that cause the Company to suffer losses, in the event they, either individually or collectively, represent at least 10% of the total number of shares that have voting rights.

Shareholder Responsibility

Shareholders may fully exercise their rights and are obliged to fulfill their responsibility as shareholders of MedcoEnergi. This responsibility consists of:

- Submitting of name and other information required for disclosure in the Shareholders Register.
- Reporting of every purchase of share representing a certain percentage of share of a publicly listed company in accordance with Capital Market regulations.
- Granting of controlling rights for every purchase of share representing a certain percentage of share of a publicly listed company in accordance with Capital Market regulations.
- Submitting of sufficient information for every pledge of rights transaction and recording of relevant pledge of rights transaction in the Shareholders Register.

Equitable Treatment of Shareholders

Every shareholder of MedcoEnergi has the same voting rights, i.e. one share, one vote.

With the aim of improving equal treatment of shareholders, MedcoEnergi guarantees the protection of minority shareholders with the following rights:

- Availability of preemptive rights in the event MedcoEnergi issues additional shares.
- Rights to pass decision to approve transaction that may generate conflicts of interest through General Meetings of Shareholders.
- Rights to request District Court or relevant courts of justice to appoint a team of investigators in the case of allegations of illegal conduct committed by the Board of Commissioners or Board of Directors that have caused shareholders, MedcoEnergi or stakeholders to suffer losses.

- MedcoEnergi permits custodian to exercise voting rights over shares on behalf of shareholder in General Meetings of Shareholders. MedcoEnergi shall stipulate the process and procedure for a General Meeting of Shareholders in such a manner that allows sufficient time for shareholder to consult with their custodian prior to voting.
- MedcoEnergi prohibits any party from conducting any insider trading transaction and from exploiting any information that may be detrimental to MedcoEnergi and its shareholders.
- MedcoEnergi must provide information to shareholders pertaining to specific corporate action, including issuance of new share, share-repurchasing program, transaction that may cause conflict of interest and material transaction.

General Meeting of Shareholders (GMS)

The GMS is the highest authority in MedcoEnergi and has authority that is not conferred to the Board of Commissioners or the Board of Directors. The GMS shall convene at the Company's place of domicile or where its shares are registered, except for subsidiary established outside Indonesia, which is subject to prevailing laws at the respective location of the said subsidiary.

The GMS of MedcoEnergi consists of the Annual General Meeting of Shareholders (AGMS) which is convened on an annual basis after the issuance of the Annual Financial Statement and the Extraordinary General Meeting of Shareholders (EGMS) which may be convened at any time if deemed necessary.

Various matters must be approved by an AGMS held in Indonesia, among others:

- Ratification of the Annual Report, which includes the audited Annual Financial Statement.
- Indemnification of the Board of Commissioners and the Board of Directors from any obligation that may be generated from the Annual Report.

- Utilization of profits comprising the allocation of a certain amount of the net profit for reserve funds in accordance with regulations (at least 20% of the issued capital of MedcoEnergi) and for dividends (where MedcoEnergi limits the distribution of dividends to a maximum of 50% of the net profit), after calculation of reserve funds in accordance with regulations.
- Appointment of the Independent Public Accountant that will audit the Annual Financial Statement and determination of honorarium for the following year.
- Determination of the Remuneration for the Board of Commissioners and the Board of Directors, which in respect to units outside Indonesia shall be made in accordance with the provisions of the prevailing law.

An Extraordinary General Meeting of Shareholders (EGMS) shall be convened at any time if deemed necessary. The agenda that may be proposed to an EGMS are as follows:

- Amendment to the Articles of Association
- Issuance of new shares
- Share repurchasing program
- Execution of transaction that may generate conflict of interest between Commissioners, Directors, Controlling Shareholders and their affiliated parties.
- Execution of transaction with material values in accordance with prevailing provision, among others acquisition of equity and assets, sales, participation in a significant amount, and/or change of business lines.



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