

**IMPLEMENTATION GUIDELINES
FOR NOMINATION AND REMUNERATION FUNCTIONS
PT ADARO ENERGY TBK**

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A. INTRODUCTION

PT Adaro Energy Tbk ("**Company**") is a listed company based on Letter of the Chairman of the Capital Market and Financial Institution Supervisory Board Number S-4299/BL/2008 dated July 4th 2008 concerning the Notification of the Effectiveness of the Registration Statement. As a listed company, the Company in carrying out its business activities must comply with all prevailing laws and regulations, including those applicable to the Capital Market.

Based on Article 2 of Financial Services Authority Regulation No. 34/POJK.04.2014 concerning the Committee for Nomination and Remuneration of Issuers or Listed Companies (**POJK 34.2014**), an issuer or a listed company must have Nomination and Remuneration functions, the implementation of which must be carried out by the Board of Commissioners (the BoC). In regard to the implementation, the BoC may form a Nomination and Remuneration Committee.

As per the Circular Decree of the BoC dated 31 March 2015, the BoC decided that the Nomination and Remuneration functions would be carried out directly by the BoC, without the formation of a Nomination and Remuneration Committee.

The guidelines for the implementation of Nomination and Remuneration functions have been prepared to comply with the provision of Article 20 of POJK 34/2014, to serve as guidelines for the BoC in carrying out the Nomination and Remuneration functions properly and in line with the commitment of the Company's BoC to apply the principles of good corporate governance.

B. DEFINITION

1. **The BoC** is the corporate organ whose duty is to conduct general and/or special supervision in accordance with the Company's articles of association and to provide advice to Board of Directors (the BoD).
2. **The BoD** is the corporate organ which is authorized and fully responsible for managing the Company for the benefit of the Company, in accordance with the aims and objectives of the Company, as well as for representing the Company, both in and out the court in accordance with the provisions of the Company's articles of association.
3. **Nomination** is the proposal for appointing someone to take the position as a member of the BoD or the BoC.
4. **Meeting** means the meeting of the Company's BoC with the agenda of Nomination and/or Remuneration, as set out in section D 1 of this Guideline.
5. **Remuneration** is the reward determined and granted to the members of the BoD and BoC due to their positions and roles and in accordance with the duties, responsibilities and authority of the members of the BoD and BoC.
6. **GMS** is General Meeting of Shareholders, which is the Company's organ holding the authority not granted to the BoD or BoC within the limits as determined in Law No. 40 of 2007 on Limited Liability Companies and/or within the Company's articles of associations.

C. DUTIES, RESPONSIBILITIES, PROCESS AND PROCEDURE

1. Duties and Responsibilities

a. Duties and Responsibilities regarding the Nomination Function

The duties and responsibilities of the BoC with regard to the implementation of Nomination function are as follows:

- 1) Establish policies regarding:
 - a) the composition of the BoD and/or the BoC;
 - b) the criteria required in the Nomination process; and
 - c) the performance evaluation on the BoC and BoD members
- 2) Assess the performance of the BoD and/or the BoC members based on the benchmark prepared as evaluation material;
- 3) Establish policies regarding the BoD and/or the BoC's skill development programs; and
- 4) Determine the candidates qualified to be members of the BoD and/or the BoC to be submitted to GMS.

b. Duties and Responsibilities regarding the Remuneration Function

The duties and responsibilities of the BoC regarding the implementation of the Remuneration function are as follows:

- 1) Establish policies regarding:
 - a) Remuneration structure;
 - b) Policies on Remuneration; and
 - c) Amounts of Remuneration.
- 2) Assess the performance of the BoD and/or the BoC members with reference to Remuneration received.

2. Process and Procedure

a. Process and Procedure regarding the Nomination Function

In implementing the Nomination function, the Company's BoC must apply the following procedure:

- 1) Formulate and determine the composition of the BoD and/or the BOC and their Nomination process;
- 2) Formulate and establish the policies and criteria needed for the Nomination process of the candidates of the BoD and/or BoC members;
- 3) Conduct performance evaluation on the BoD and/or the BoC members;
- 4) Establish competency development programs for the BoD and/or the BoC members;
- 5) Review and appoint candidates who are qualified to be the BoD and/or BoC members to be proposed to GMS.

b. Process and Procedure regarding the Remuneration Function

1) In implementing the Remuneration function, the Company's BoC must apply the following procedure:

- a) Formulate and determine the BoD and/or the BoC's Remuneration structures, which may be in the form of:
 - i. Salary;

- ii. Honorarium;
 - iii. Incentives; and/or
 - iv. Fixed and variable allowances
- b) Formulate and establish policies regarding Remuneration for the BoD and/or the BoC members; and
 - c) Formulate and establish the amounts of Remuneration for the BoD and/or the BoC members.
- 2) The determination of the structures, policies and amounts of the Remuneration for the BoC and BoD members shall consider the following:
- a) Remuneration applied in the industry in line with the issuers or listed companies with similar business activities and scale;
 - b) The duties, responsibilities and authority of the BoC and BoD members associated with the achievements of the Company's objectives and performance;
 - c) The performance target or performance of each member of the BoC and/or BoD; and
 - d) The balance between fixed and variable allowances.
- 3) The structures, policies and amounts of the Remuneration must be evaluated by the Company's BoC at least once in 1 (one) year.

D. ORGANISING MEETINGS

1. The BoC must hold a meeting with an agenda for Nomination and/or Remuneration ("**Meeting**").
2. The Meeting is to be held regularly at least once every four months.
3. The Meeting can only be held if:
 - a. attended by the majority of the BoC members, or if a member of the BoC is unable to attend s/he can be represented only by another member of the BoC based on a Power of Attorney, and one member of the BoC can only represent one other member of the BoC; and
 - b. one of the members of the BoC is an Independent Commissioner.
4. Meeting decisions are made through deliberation to reach a consensus.
5. In the case where consensus is not reached, decisions will be made based on the majority votes.
6. In the case where there is a difference of opinions in the decision making process, such difference and its reasons must be stated in the Minutes of Meeting.
7. Meeting resolutions must be stated in the Minutes of Meeting and documented by the Company.

E. INFORMATION DISCLOSURE AND SYSTEM FOR REPORTING ACTIVITIES

The Company must disclose the implementation of the Nomination and Remuneration functions in the Company's annual report and website, which at least includes:

1. The explanation on the absence of a Nomination and Remuneration Committee; and
2. The description of the implementation of the Nomination and Remuneration functions carried out during the financial year.

Executed in Jakarta

December 16, 2015

Name: **Edwin Soeryadjaya***
Position: President Commissioner

Name: **Ir. Theodore Permadi Rachmat***
Position: Vice President Commissioner

Name: **Ir. Subianto***
Position: Commissioner

Name: **Palgunadi Tatit Setyawan***
Position: Independent Commissioner

Name: **Dr. Ir. Raden Pardede***
Position: Independent Commissioner

*All members of the Board of Commissioners have signed the document in Indonesian version.