

**GOOD CORPORATE GOVERNANCE
MANUAL
(QUALITY MANAGEMENT
SYSTEM STANDARD)**

**PT APEXINDO PRATAMA DUTA, Tbk.
Dan
SELURUH UNIT-UNIT USAHA
And
*BUSINESS UNIT***

JAKARTA, 1 DESEMBER 2005

**STANDARD CORPORATE PROCEDURE
GOOD CORPORATE GOVERNANCE
MANUAL**

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- 4. Personal Privacy
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VISION:

To be a world class drilling contractor with performance without compromise service

MISSION:

- To satisfy the expectations of our stakeholders, shareholders, costumers, employees and society
- To strengthen our competitiveness by continuously improving our cost effectiveness
- To adopt a “one big family” business philosophy and shared sense of purpose
- To focus our value on trust, dedication and performance

Corporate Values:

- Trust: Integrity, Commitment, Honesty
- Dedication: Loyalty, Enthusiasm, Devotion
- Performance: Competence, Professionalism, Leadership, Result

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FOREWORD FROM THE CEO

Being a world class drilling contractor has been PT Apexindo Pratama Duta Tbk (“**Apexindo**” or the “**Company**”) long term goal ever since its establishment back in 1984. Having such vision within the Company’s daily operation for such a long time has synchronized each layer within the Company to embrace good corporate governance.

However, corporate governance is much more than merely the basic legal obligations imposed upon the managers, directors and many members of the Company. No simple model exists but successful corporate governance practices aspire to positively influence the behavior and performance that encourage the attainment of concepts which are not limited to legal prescription but rather optimize accountability, reliability and responsibility, and transparency and fairness tailored to meet the changing circumstances of the Company and maintain investor confidence.

This Good Corporate Governance (GCG) Manual is a guide to help Apexindo’s Board of Directors, the Board of Commissioners, Shareholders, Stakeholders and employees live up to the Company’s high ethical standards. This GCG Manual is supported by written policies and procedures on each of these standards, by providing training to employees on the details and importance of these standards, and by formal communication systems to ensure these standards are observed, discussed, and reinforced. Our management team will lead by example, demonstrating their commitment to this Manual at all times through their personal pretense and through the guidance they provide to our staff.

In retrospect, Apexindo has always been and will continue to be a Company of integrity. We conduct our business with the highest ethical standards and applicable law. We believe in and cherish our reputation for ethical business behavior and open and honest reporting to the investing public.

Yours truly,
PT Apexindo Pratama Duta Tbk

Hertriono Kartowisastro
President Director

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**CHAPTER I
UNDERLINING RESPONSIBILITIES FOR PARTICULAR PARTIES**

Employees at all levels of the Company are expected to follow, adhere, and comply to the Good Corporate Governance Manual (“**GCG Manual**”) of PT Apexindo Pratama Duta Tbk (“**Apexindo**” or the “**Company**”) in their day-to-day activities. For such purpose, the Company has established the following responsibilities:

EMPLOYEES are responsible for understanding, adopting, and familiarizing themselves with policies and the Company Code of Conduct and the GCG Manual, in addition to be insightful to situations that may lead to illegal and unethical actions, and thus avoiding or preventing such behavior.

SUPERVISORS (including Managers and Vice Presidents) are responsible to maintain a working atmosphere that could ensure an open communication with regards to the proper legal and ethical issues related to their activities and responsibilities, respectively. They should also be acquainted with the resources available in order to assist them in resolution of ethical questions. It is also their responsibility as supervisors to encourage all their subordinates to adhere and comply with the GCG Manual in day to day activities.

HUMAN RESOURCES DEPARTMENT is responsible for disseminating and providing the GCG Manual to all employees at the Company, including new employees and contractors. Together with the Corporate Secretary Department, it should keep supervising the implementation of GCG Manual.

FINANCE DEPARTMENT AND ACCOUNTING DEPARTMENT are responsible for protecting the Company’s assets, recording all financial transactions in accordance with the accounting principles and reporting practices generally accepted in Indonesia, and continuously furnishing an accurate, rational, timely, and reliable accounting and financial report.

CORPORATE SECRETARY DEPARTMENT is responsible for advising the Company and employees on the importance of this GCG Manual, monitoring implementation, updating information, and ensuring compliance of the GCG Manual.

Further, in the assistance of legal & compliance manager, it also holds responsibility for advising and assisting the Company in all legal aspects related to the Company’s activities, ensuring that all the Company’s activities are complied with the GCG Manual applicable to the laws, rules, and regulations, both local/or overseas. In addition to the responsibilities laid out above, the legal & compliance manager also holds responsibility to assist the Corporate Secretary Department in directing investigations of suspected violations of this GCG Manual.

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INTERNAL AUDIT DEPARTMENT is responsible for appraising compliance through the examination and evaluation of the Company's activities, and assessing the risk exposed to the Company's financial and operational activities.]

HEALTH, SAFETY & ENVIRONMENT DEPARTMENT (HSE DEPARTMENT) is responsible for the development of the HSE Management System as it applies to all Apexindo activities and for the regular monitoring and auditing of the Apexindo HSE performance according to a program approved by the President Director and the Apexindo BOD.

To implement its roles, HSE Department will resource an appropriate HSE organization to manage the System and provide technical support to all areas of Apexindo line management.

Reporting to the HSE Manager, Apexindo employs full time HSE Program Coordinators, Safety Supervisors and Safety Officers who are responsible to advise and assist line managers in the implementation of the HSE management system. The HSE Manager in Jakarta reports directly to the Chief Operating Officer.

At District Level and Internationally, HSE Program Coordinators, Safety Supervisors and Safety Officers report directly to the respective District Manager.

Safety Supervisors regularly visit all Rig sites and District Offices. They regularly audit compliance with the Company HSE policy and procedures and provide assistance as required. The Safety Supervisors also conduct on-site training sessions and are involved in incident investigation, safety meetings and liaison with clients

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**CHAPTER II
FUNDAMENTAL VALUES TO THE CORPORATE GOVERNANCE**

This GCG Manual is intended to be the primary source of reference and guidance on all aspects of corporate governance under which Apexindo operates. It is therefore outlines the key processes and systems we use; the roles and accountabilities of shareholders, Board of Commissioners (“**BOC**”), Board of Directors (“**BOD**”), Supervisors and Employees as well as our code of ethics. It is not intended to be all-inclusive, rather it should be practical; distil essential information and point out the way to where more detailed information could be found. However, this GCG Manual is subject to revision should it stipulate terms and conditions which are not in line with the Articles of Association of the Company, Badan Pengawas Pasar Modal/Indonesian Supervisory Board (“**Bapepam**”) Regulations or any other prevailing rules and regulations.

In the process of implementation, Apexindo has adopted five principles of good corporate governance as a base in which we construct this corporate governance manual:

1. Transparency;
2. Accountability
3. Reliability and Responsibility;
4. Independent; and
5. Fairness.

Apexindo believes that by enhancing those principles in our daily activities would maximize the shareholders’ and stakeholders’ value in order to carry out the Company’s vision “to be a world class drilling contractor with performance without compromise service”. Apexindo has adopted three core components to enhance the four components above as follows:

1. Professionalism, which accounts for the following manners:
 - a. Knowledgeable, capable and proficient in fulfilling their own responsibilities
 - b. Honesty;
 - c. Disciplined and Accountable; and
 - d. Willing to accept improvement and able to respond to changes
2. Good Internal control and transparency in operation.
3. Fair and Fiduciary duties towards Stakeholders as follows:
 - a. Shareholders
These includes Apexindo general investors and minority shareholders. Apexindo shall operate in a sufficient and fair manner, ensure that investments, assets and financial status are secure.

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- b. Customers
Apexindo shall provide drilling services which reflect their worth, price, quality and safety, and has to be also proven safe.
- c. Government
Apexindo shall observe the Government regulation and any other laws, rules and regulations applicable.
- d. Partners
Apexindo shall conduct its business professionally, openly, with honesty, integrity and transparency to maximize benefit.
- e. Public and Environment
Apexindo shall operate as a good corporate citizen and social responsibility. Apexindo shall observe standard operation practices to protect health, hygiene, safety and environment, so that the impact will not create loss in human, community life and resources.
- f. Suppliers
Apexindo shall treat all suppliers equally and fairly, with maximum benefits to Apexindo.
- g. Lenders
Apexindo shall comply with the contract given, and be fair to lenders in order of debt seniority in the contract.
- h. Competitors
Apexindo shall not take advantage of or insult the competitors, but treat them professionally.

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**CHAPTER III
THE SHAREHOLDERS POLICY**

1. OBJECTIVE

Shareholders Policy is a policy, which stipulates the rights and responsibilities of shareholders in Apexindo, and how Apexindo treats its shareholders. By having this policy, Apexindo expects that its' vision "to be a world class drilling contractor with performance without compromise service" by the investors and shareholders who seek value creation could be achieved and its strategy to improve the good corporate governance standard could be realized.

2. DEFINITION OF SHAREHOLDERS

The shareholders of Apexindo are individuals or institutions/legal entity who have varieties of interests, goals, investment horizons and capabilities, which investments in Apexindo are in the form of equities/shares. In the other words, shareholders of Apexindo are also called as equity investors.

Shareholders have certain property rights, which entitle them to enjoy profits of Apexindo, with liability limited to the amount of their investments. They also have rights to information about Apexindo and rights to influence Apexindo in General Meeting of Shareholders ("**GMS**") and too, posses voting rights.

With those regards, Apexindo shall protect the rights of its shareholders and, accordingly, Apexindo shall allow the shareholders to exercise their rights. Besides protecting the rights of shareholders, Apexindo has to ensure an equitable treatment of all shareholders, including minority and foreign shareholders. With the equitable treatment of all shareholders, Apexindo gives the opportunity to its shareholders to obtain redress for any violation of their rights in Apexindo.

3. SHAREHOLDERS' RIGHTS

Apexindo recognizes three types of shareholders rights:

a. Basic Shareholders Rights

- (1) Apexindo shall secure methods of ownership registration. In this regard, Apexindo shall provide a book of "Register of Shareholders" and encourage its shareholders to register their shares ownership at the appointed Securities Administration Bureau ("**SAB**"), PT Datindo Entrycom, or the Central Custodian, PT Kustodian Sentral Efek Indonesia ("**KSEI**").

Every shareholder has the right to obtain information related to their share ownership on the Register of Shareholders book.

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- (2) Every shareholder in Apexindo has the right to convey or transfer their shares. Such rights include:
- (a) To sell their shares to another party through the Jakarta Stock Exchange or any other method that they prefer to do so. For the sale method other than the sales in the Jakarta Stock Exchange, shareholders should comply with the Jakarta Stock Exchange (“**JSX**”) Regulation, reported to the Company, and registered to the SAB or KSEI in that such transfer could be recorded on the book of Register of Shareholders.
 - (b) To request the management of Apexindo to repurchase their shares at a fair market value if they disagree with the actions taken by Apexindo in (1) changing the Articles of Association; (2) selling, pledging, trading a substantial amount of assets; or (3) merger, consolidating, or being acquired. The process of repurchasing of shares shall comply with the prevailing BAPEPAM’s Regulation No. XI.B.2 and Articles 30 and 55 of the Company’s Law No. 1/1995.
- (3) Every shareholder in Apexindo has the right to obtain relevant information on:
- (a) The Operational and Financial status of Apexindo in timely and regular basis through:
 - ii. Annually - the Annual Report and Audited Annual Financial Report; and
 - iii. Quarterly/Semesterly - the Quarterly/Semesterly Financial Report and Investor Update.
 - (b) The transactions that needs approval from the shareholders of Apexindo prior to the GMS.
 - (c) Their shares ownerships in the book of Registers of Shareholders.
 - (d) The Articles of Association.
 - (e) The activities of Apexindo in the web-site at the address of www.apexindo.com.
 - (f) Any material information related to its activities that may affect the shares’ price of Apexindo, such as:
 - i. Merger, acquisition, consolidation or establishment of a joint venture;
 - ii. Stock split or distribution of stock dividends;
 - iii. An unusual dividend;
 - iv. An acquisition or loss of an important contract;
 - v. A change in control or significant change in management;
 - vi. A call for purchase or redemption of debt Securities;

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- vii. A sale of material amount of Securities to the public or in a limited manner;
 - viii. A purchase, or loss from the sale, of material asset;
 - ix. A relatively important labor dispute;
 - x. Any important litigation against the Company and/or the Company's directors or commissioners;
 - xi. An offer to purchase Securities of another company;
 - xii. The replacement of the Accountant who audits the Company;
 - xiii. The replacement of the Company's Trustee Agent; and
 - xiv. A change in the Company's fiscal year.
- (4) Every shareholder in Apexindo has the right to participate and vote in the GMS, each share shall present one vote to its holder. In order to exercise this right, the shareholders shall:
- (a) Register their shares ownership to the SAB or KSEI at the latest by 1 (one) working day before the publication of Summon/Call of the GMS on the newspapers.
 - (b) Appoint another shareholder or another person to represent them on the general meetings of shareholders by virtue of a power of attorney, which has been fully signed by the shareholder and the attorney in fact, in their absences. Such power of attorney shall be presented to Apexindo (or through the Corporate Secretary) of Apexindo at the latest by 3 (three) working days before the general meetings of shareholders. The format of a power of attorney will be provided by the Company.
- (5) Every shareholder in Apexindo has the right to participate on the election of members of BOC and BOD in the general meetings of shareholders.
- (6) Every shareholder in Apexindo has the right for the share in the profits of Apexindo, provided that:
- (a) The shares in the profit meet the Company's policy.
 - (b) The shareholders approve the proposal for distribution of dividend during the year on the Annual General Meeting of Shareholders ("**AGMS**"). The proposal shall include the dividend pay out ratio, the total gross amount of dividend pay out, the gross amount of dividend pay out per share, and the distribution schedule.
 - (c) The dividend tax of each shareholder will be withheld by the Company.
- (7) One or more shareholders in Apexindo who hold at least 10% of the total number of shares having valid voting rights may file a suit to the District

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Court against any members of the BOC/BOD whose misconduct or failure has inflicted losses upon the Company.

b. Shareholders Rights on the Decisions Concerning Fundamental Changes in Apexindo

Such fundamental changes in Apexindo include:

- (1) Amendments to the Articles of Association.
In this regard, the shareholders of Apexindo shall exercise their right in the general meetings of shareholders.
- (2) Issuance of additional shares.
For the issuance of additional shares, Apexindo shall give preemptive rights to its existing shareholders on a proportionate basis. Such issuance shall be proposed and approved on the general meetings of shareholders.

Provided that Apexindo will sell and transfer such rights to other parties or to the employees, such action shall comply with the article 4 of Apexindo's Article of Association, Article 82 of Capital Market Law, and the prevailing BAPEPAM Regulations.

- (3) Extraordinary transactions.
Such extraordinary transactions include:
 - (a) Merger;
 - (b) Sale of substantially all of the Apexindo's assets outside of the ordinary course of business; or
 - (c) Acquisition of assets outside of the ordinary course of business that represents a significant increase in Apexindo's overall assets.

In order to realize such transactions, Apexindo shall propose it to the general meetings of shareholders and such action shall comply with the Company's Articles of Association, Capital Market Law, and the BAPEPAM's Regulations No. IX.E.1, IX.E.2 and X.K.1.

C. Shareholders Rights on the Participation in General Meeting of Shareholders

Shareholders of Apexindo hold the rights to participate effectively and vote in general meetings of shareholders. In order to enable them to exercise their rights in general meetings of shareholders, they have the rights to:

- (1) Obtain information concerning Apexindo's plan to convene the general meetings of shareholders. This information includes:
 - (a) Notification concerning the plan to hold the general shareholders meeting through two daily newspapers 14 days prior to the publication of summon/call of general meetings of shareholders in two daily newspapers.

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- (b) Summon/call general meetings of shareholders 14 days prior to the general meeting of shareholders through two daily newspapers. The information in the summon/call will include the date, location, and the agenda of the general meetings of shareholders.
- (c) Information on the issues that will be proposed in the general meeting of shareholders through the Corporate Secretary 14 days prior to the meetings.

In the event that Apexindo will propose the following agenda:

- i. issuance new shares; or
- ii. buy back shares program; or
- iii. conflict of interest transactions; or
- iv. material transactions;

the summary of information on such issues shall be fully disclosed and published on two daily newspapers, 28 days prior to the meetings. By doing so, Apexindo will provide the shareholders an ample time to study and to deliver the best decision or comments on the issues that will be discussed on the general meetings of shareholders.

- (2) Register their shares ownerships at SAB or KSEI at the latest of 1 day prior to the publication of summon/call of general meetings shareholders, in order to enable them to attend the meetings.
- (3) Vote in person or through Proxy Holder in their absence.
- (4) Ask questions to the Boards of Apexindo concerning the information on the issues to be decided during the general meetings of shareholders.

4. SHAREHOLDERS RESPONSIBILITIES

In order to enable the shareholders to fully exercise their rights in Apexindo, they have obligation to fulfill their responsibilities as the shareholders of Apexindo. These responsibilities include:

- a. To register their names and any other information requires to be disclosed on the Register of Shareholders to Apexindo's SAB or KSEI.
- b. To submit written reports to the BAPEPAM and Apexindo with regard to shares acquisition of 5% or more of the paid up capital in Apexindo. The requirement of such reporting is stipulated under the BAPEPAM's Regulation No. X.M.1.

The former shareholder of Apexindo, who previously owns 5% or more of the paid up capital or holds controlling power in Apexindo, shall report to BAPEPAM and Apexindo with regard to the sale or transfer of shares. Such reporting is stipulated under the BAPEPAM's Regulation No. X.M.1.

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- c. To report to the BAPEPAM and conduct a tender offer to the public shareholders if they acquire and have an ownership of 20% or more of the paid up capital (directly or indirectly) in Apexindo and awards a controlling right in Apexindo. The requirement of such reporting is stipulated under the BAPEPAM's Regulation No. X.M.1 and IX.F.1.
- d. To report any pledge of shares to BOD of Apexindo and register the relevant pledge to the SAB or KSEI for recording in the book of Register of Shareholders. Acknowledgement regarding the pledge of shares may only be proven from the recordation of such pledge in Apexindo's book of Register of Shareholders, as required by the company law.
- e. To notify every change of address in written to Apexindo, otherwise all correspondences or rights that can be exercised will be addressed to the existing address in the book of Register of Shareholder.

5. EQUITABLE TREATMENT OF SHAREHOLDERS

Apexindo only issues one type of shares. The shares are listed at the Jakarta Stock Exchange since 10 July 2002, under the code of APEX, with the nominal value of Rp 500,- per share.

Therefore, all shareholders of Apexindo have the same voting rights, whereas every share holds one voting right. The numbers of voting rights that are owned by the shareholders shall be in accordance to the number of shares that they are holding. The shares that are owned by Apexindo, or so called as the Treasury Stocks, do not have voting rights. The changes in voting rights shall be subject to the GMS and be include in the Articles of Association of Apexindo.

In order to promote the equitable treatment of shareholders, Apexindo shall ensure that:

- a. Apexindo provides protection to the minority shareholders. Such protections include:
 - (1) The availability of pre-emptive rights in the case of Apexindo increases the issuance of shares;
 - (2) The rights to decide on the approval of the conflict of interest transaction through the GMS; and
 - (3) The rights to request the District Court to appoint an inspection panel in respect of the Company. Such request may be made wherever the Company, Commissioners, or Directors are suspected of having committed an illegal act which causes loss to the shareholders, stakeholders, or the Company itself.
- b. Apexindo allows the custody to cast votes of the shares on behalf of the shareholders in the GMS. In order to allow the shareholders to reflect and consult with the custody before they cast their voting rights, Apexindo has set

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processes and procedures for General Meetings of Shareholders in adequate time.

- c. Apexindo prohibits any insider trading carried out by any person having close relationships to the Company and exploits those relationships to the detriment of the Company and the shareholders. As stipulated under the Capital Market Law No. 8/1995, an insider trading transaction entails manipulation of the capital market.

6. GENERAL MEETINGS OF SHAREHOLDERS (“GMS”)

The GMS holds the highest authority in Apexindo and holds powers that are not granted to BOC or BOD. GMS shall be held at the domicile of and where Apexindo lists its shares, which is in Jakarta.

The GMS of Apexindo comprises:

- a. The AGMS, which shall be held at the latest by one (1) month after the issuance of the Annual Financial Statement.

The AGMS shall approve among other matters:

- (1) The ratification of the Annual Report, which includes the Audited Annual Financial Report;
- (2) The release and discharge of the BOC and BOD from the liability arising from the Annual Report;
- (3) The use of profit.
- (4) The Appointment and Fee Determination of the Independent Public Accountant who will audit the Annual Financial Statement of the following year;
- (5) The Appointment and Remuneration of the BOC and BOD.

- b. The Extraordinary General Meeting of Shareholders (“EGMS”), may be held at any time when necessary.

The issues that may be proposed to the EGMS, among others, are those relating to:

- (1) The changes in Articles of Association;
- (2) The issuance of new shares;
- (3) The buy back shares program;
- (4) Any transaction that may cause conflict of interest between the Company and its Commissioners, Directors, Controlling Shareholders and their affiliates;
- (5) Any extraordinary transaction that are material in amount (exceeding 10% of the revenue and 20% of the equity of the Company’s Audited Financial Statement), such as:
 - (a). Merger;
 - (b). Sale of substantially all of the Apexindo’s assets; or
 - (c). Acquisition of assets outside of the ordinary course of business that represents a significant increase in Apexindo’s overall assets.

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Prior to the GMS, Apexindo shall:

- a. Report to BAPEPAM concerning its plan to convene the GMS at the latest by seven (7) days prior to the publication of the GMS Notification on the newspapers. The report shall include:
 - (1) The date and the venue of the GMS;
 - (2) The agenda of the GMS; and
- b. Notify the shareholders on its plan to convene the general shareholders meetings by publishing such notification in two daily newspapers at the latest 28 days prior to the GMS. The notification shall include the date and the venue of the GMS
- c. Make a Summon/Call to the shareholders by publishing such Summon/Call in two daily newspapers 14 days prior to the GMS.
- d. Provide information to the shareholders on the issues that will be proposed in the GMS 14 days prior to the GMS.

For specific issues, such as (i) the issuance of new shares; (ii) buy back shares program; (iii) conflict of interest transactions; or (iv) material transaction, Apexindo shall fully disclose all the information on such issues 28 days prior to the GMS by publishing the summary of information on two daily newspapers.

- e. Inform the shareholders who hold or represent 10% or more of issued shares that they are allowed to request to the Boards to place items on the agenda at the GMS provided that the request has been submitted to the Boards 3 (three) days prior to the Summon/Call of GMS.

The conduct of GMS in Apexindo:

- a. One share holds one voting right. The numbers of shares owned by the shareholders shall be in accordance to the numbers of voting rights.
- b. Every shareholder has the right to vote in person or through Proxy Holder in their absence.
- c. The shareholders or their Proxy Holder shall register their attendance to the registration desk and present their identification and proxy as an evidence of proof to their shares ownerships.
- d. During the GMS, the shareholders of Apexindo have the rights to ask questions to the Boards concerning the information on the issues to be decided.
- e. The chairman of GMS is one of the Commissioners who are appointed by the other members of Commissioners. In the absence of the Commissioners, the President Director may be appointed to chair the GMS.
- f. The minutes of GMS shall be taken by the Notary.

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- g. The Resolutions of GMS shall be reported to BAPEPAM and Bourse and publicized on the two daily newspapers at the latest by two (2) days after the GMS.

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**CHAPTER IV
THE BOARDS POLICY**

1. OBJECTIVE

The Boards Policy is a policy, which stipulates the roles and responsibilities of the Boards in Apexindo. By adhering to and implementing this policy, every member of the Boards in Apexindo will be able to manifest a good leadership quality and to manage Apexindo effectively and efficiently. At the end, this policy will become the tools of the Boards in order to achieve Apexindo's vision "to be a world class drilling contractor with performance without compromise service".

The Boards in Apexindo are the supreme entity in the issuance of GCG Manual. Therefore, every member of the Boards shall become the role model of the implementation and the adherence of this GCG Manual.

2. THE BOARDS IN APEXINDO

The Indonesian Company Law No. 1/1995 follows the Dutch civil law tradition, which adopts a two-tier system management structure. Such system comprises BOC and BOD. In this regard, Apexindo as an Indonesian company also adopts this two-tier system.

The Commissioners in Apexindo are tasked with supervising and advising the Directors, while the Directors are tasked with the management of Apexindo. In carrying out their tasks, both Boards members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of Apexindo and its shareholders.

In accomplishing their duties, BOC and BOD shall exercise independent, careful and impartial judgment to Apexindo. By doing so, it will create trustworthiness among the shareholders.

Every member of Commissioners and Directors shall devote their time and full attention to Apexindo, and ready to attend any Boards meetings, at all times.

BOC, in cooperation with BOD shall define Apexindo visions, missions and values, and ensure that these are conformed and complied in all Apexindo's day-to-day business activities. Furthermore, every member of BOC and BOD must be ethically and legally responsible to Apexindo and other stakeholders.

3. BOARDS CODE OF CONDUCT

In carrying out their duties, the Boards of Apexindo always conform to the five principles of good corporate governance, namely:

- a. Transparency;
- b. Accountability

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- c. Reliability and Responsibility;
- d. Independent; and
- e. Fairness.

These five principles are reflected on the followings Code of Conduct, which shall be implemented by BOC and BOD of Apexindo in day-to-day business activities:

- a. The Boards of Apexindo shall conduct its affairs effectively, since they are responsible to lead and control the Company.
- b. The Boards of Apexindo shall be strong and independent. In this regard, they have to be able to exercise objective judgment on Apexindo's corporate affairs independently. They also have to execute their duties honestly, and strictly remain neutral, for Apexindo and employee benefit, at present and in the future.
- c. The responsibilities of Apexindo BOC and BOD shall be clearly divided, and the existence of the balance of power and authority between the Commissioners and Directors shall be ensured. No concentration of power that is represented by one individual only is allowed.
- d. BOC of Apexindo shall be accountable to the shareholders, while BOD is accountable to BOC. In this regard, both Boards shall execute their duties lawfully, according to the objectives of Apexindo, related rules and regulations, Articles of Association, and Resolutions of the General Meetings of Shareholders.
- e. BOC of Apexindo shall establish an Audit Committee to assist them in supervising and monitoring the operations and running of the Company by BOD.
- f. The Board of Director of Apexindo shall establish and manage internal controls system to safeguard the investment of the shareholders and the assets of the Company. By managing the internal controls system, the Boards would be able to execute their responsibility to their utmost ability, to maximize the benefit of Apexindo and sustain the image and reputation of Apexindo.
- g. The Board of Director of Apexindo shall establish an independent internal audit to assist them in managing the internal control system.
- h. The Boards of Apexindo shall disclose their (and their families: spouse and children) shares ownership in Apexindo..
- i. The Boards of Apexindo shall not participate in any business dealing with the Company they belong to, or in any competitive business with the Company they belong to, directly or indirectly.
- j. The Boards of Apexindo shall avoid any conflict of interest in their execution of duties, to be able to effectively execute their responsibilities to the maximum, as follow:
 - (1). Shall not exploit the directorship status for personal benefit.
 - (2). Shall not abuse any confidential information.
 - (3). Shall not act as a director in any business, which competes with Apexindo.
 - (4). Shall not benefit from any contractual agreement of the Company.
- k. If the Boards of Apexindo enter into a conflict of interest transaction could not be avoided, Apexindo shall declare such potential conflict of interest transaction

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and seek approval from the independent shareholders prior to the entering into such transaction.

- l. The Boards of Apexindo shall not exploit their status, directly or indirectly, to gain unethical benefit.
- m. The Boards of Apexindo shall not involve in administrating or managing in a way that can deteriorate the benefit of the Company where they belong to, or allow advantages to any person or entity over others, regardless of the intention to benefit self or others.
- n. The Boards of Apexindo shall abide by the policies and ethics stated in the GCG Manual when executing any related responsibilities, such as conflict of interest, procurement ethics or confidential information policy on Apexindo, etc.
- o. The Boards of Apexindo shall establish a Nomination and Remuneration Committee to determine and update the qualifications and selection methods of the Boards, and the formulation of remuneration of the Boards.
- p. The appointment and remuneration of the Boards in Apexindo shall be processed in a formal and transparent manner and approved by the GMS.
- q. The performance of the Boards of Apexindo shall be evaluated annually, and shall be published in the Annual Report.

4. BOARD OF COMMISSIONERS (BOC)

a. Function, Duties and Responsibilities of the BOC:

Besides their main duties, which are supervising policies of the BOD in operating the Company, as well as providing advice to the BOD, BOC of Apexindo also holds the followings function, duties, and responsibilities:

- (1) To grant approval to the BOD in performing the following legal actions:
 - (a) To borrow or to lend money (not including withdrawing Apexindo moneys from a bank) on behalf of Apexindo provided that no conflict of interest involve in such borrowing or lending. Otherwise, the procedures of obtaining an approval from the minority shareholders shall be followed prior to the borrowing or lending the money;
 - (b) To buy, sell obtain or release the rights over the immovable assets of Apexindo provided that no conflict of interest involved. Otherwise, the procedures of obtaining an approval from shareholders shall be followed prior to such transaction;
 - (c) To pledge or secure Apexindo's immovable assets, including to bind Apexindo as guarantor provided that no conflict of interest involved. Otherwise, the procedures of obtaining an approval from shareholders shall be followed prior to such transaction;
 - (d) To carry out investment or divestment in other companies provided that no conflict of interest involved. Otherwise, the procedures of obtaining an approval from shareholders shall be followed prior to such transaction;
 - (e) To assign, release rights or guarantee over Apexindo assets provided that such transaction amount is between 10% - 50% of the assets of Apexindo as stated on the Audited Financial Statement provided that no conflict of interest involved. Otherwise, the

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procedures of obtaining an approval from shareholders shall be followed prior to such transaction;

- (2) To raise question to the BOD of Apexindo on any matters and entitled to obtain the response for their questions from the BOD.
- (3) To suspend one or more members of the BOD in the event that the said member(s) of the BOD has (have) acted in violation against the Articles of Association and/or the prevailing Laws and Regulations or causes a detrimental affect to Apexindo's purposes and objective or the said member(s) of the BOD has (have) neglected to carry out his/their obligations through a majority votes of the Commissioners' Meeting. Such suspension and the reason for such suspension shall be notified to the concerned person(s), and proposed to the GMS in order to determine whether to permanently discharged or reinstated to his/their positions.

The lack of convening the GMS for such suspension in the period of thirty (30) days, will deem the suspension as void, and the person(s) concerned shall be resumed to his/their initial positions.

- (4) To undertake the management of Apexindo temporarily for a specific period of time should all members of BOD are suspended. During this period of time, the BOC will assume all the provisions regarding the rights, powers and obligations of BOD in respect to the Company.
- (5) To monitor the effectiveness of the Corporate Governance practices as set in this CG Manual and advise any changes as needed.

b. Composition, Nomination and Remuneration of BOC

The Articles of Association of Apexindo has determined the composition, nomination and remuneration of the BOC as follows:

- (1) The BOC of Apexindo shall consist of at least two (2) members, and one of them shall be nominated as the President Commissioner. At least 30% of the total numbers of members of the BOC is/are Independent Commissioners.
- (2) The general requirement for nominating the members of BOC are as follows:
 - (a) An individual who has good character and relevant experience to Apexindo;
 - (b) An individual who is capable of implementing a legal act;
 - (c) An individual who has never been declared insolvent or at fault causing a company to be declared insolvent in five (5) years prior to his election; and
 - (d) An individual who has been sentenced for undertaking a criminal act which caused loss to state funds.
- (3) The nomination of the members of BOC in Apexindo shall be approved by the GMS for a period of five (5) years. The details of nomination criteria

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can be obtained from the Nomination and Remuneration Committee, except for the nomination of Independent Commissioners. Following to the JSX' Regulation, the Independent Commissioner may be nominated by the controlling shareholders.

- (4) The members of BOC in Apexindo whose term of office have expired may be re-appointed through the General Meetings of Shareholders.
- (5) The performance of the members of BOC in Apexindo shall be appraised and evaluated annually. The details systematical of appraisal and evaluation can be obtained from the Nomination and Remuneration Committee.
- (6) One or more members of BOC may be dismissed from his/their position(s) through GMS.
- (7) Every member of BOC in Apexindo may resign from his position by submitting a written notification to Apexindo at the latest thirty (30) days prior to the effective date of his resignation. Apexindo will propose his resignation to the GMS for approval. Until the date of his resignation in the subsequent the GMS, he still remains accountable for his appointment.
- (8) Every member of BOC in Apexindo shall be terminated if he:
 - (a) Is declared bankrupt or place under custody pursuant to a decision from the court;
 - (b) is forbidden to be a member of BOC under certain prevailing laws and regulations;
 - (c) Is dismissed by virtue of a resolution of the GMS; or
 - (d) Passes away.
- (9) Every member of BOC in Apexindo is entitled to have remuneration as determined in the GMS.

c. Independent Commissioners

In order to comply with the JSX's Regulation, besides meeting the criteria established for the BOC nomination, Apexindo also established specific criteria and responsibility for the nomination of Independent Commissioner.

(1) Criteria

The followings are criteria to become the member of Independent Commissioner in Apexindo:

- (a) The Independent Commissioner(s) shall not be affiliated to other members of Commissioners, Directors, and the majority shareholders of Apexindo;
- (b) The Independent Commissioner(s) shall have knowledge and experiences among others matters in Finance and Accounting, Capital Market, and Oil and Gas Industry.

(2) Role and Responsibility

As Independent Commissioners, they shall assume Chairman of Audit Committee position.

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d. Meetings of BOC

Regarding the Meetings of BOC, the Articles of Association of Apexindo stipulate as follows:

- (1) The BOC shall convene the meeting at minimum once a year.
- (2) The call of a meeting shall be made by the President Commissioner, or in his unavailability, by other member of Commissioners, and distributed by registered mail or facsimile at the latest fourteen (14) days prior to the meeting. For any urgent matter, the summons may be distributed three (3) days prior to the meeting, excluding the date of the summons and the date of the meeting. If all the Commissioners are present or represented, such prior notice shall not be required.
- (3) The call of meeting shall include the agenda, the date, the time, and the place of the meeting.
- (4) The meeting shall be convened at the Company's place of domicile or in Jakarta. If all the Commissioners are present or represented, the meeting may be convened anywhere in Indonesia, and is entitled to adopt valid and binding resolutions.
- (5) The meeting shall be chaired by the President Commissioner, or in his unavailability, by one of the members of BOC who is present or represented in the meeting.
- (6) The meeting shall be lawful and shall be entitled to pass binding resolution only if more than fifty percent (50%) of the members of BOC are present or represented in the meeting. Such resolutions shall be adopted on the basis of the principles of deliberation to reach a consensus. If no consensus is reached by deliberation, the resolution shall be adopted by voting based on affirmative votes of more than ½ (one-half) of total votes lawfully cast at the meeting
- (7) The Minutes of Meeting shall be drawn up and signed by the Chairman of the meeting and another member of the BOC who is present and appointed for such purpose by the meeting.
- (8) The Minutes of Meeting shall constitute as legal evidence to members of the BOC and third parties concerning all resolutions adopted by the BOC in such meeting.
- (9) The BOC may also adopt lawful resolutions without convening a meeting, provided that all members of BOC have been notified in writing and all members have given approval concerning such proposal, and signed such approval. Such resolution shall have the same legal powers as the resolutions which are lawfully adopted in a meeting of BOC.

e. Committees Established by the BOC

(1) Audit Committee

- (a) Apexindo Audit Committee is chaired by an Independent Commissioner member.
- (b) Apexindo Audit Committee consists of three members:
 - i. One Chairman, being an Independent Commissioner;
 - ii. One external member; and
 - iii. One member, being an Independent Commissioner.

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- (c) The requirements of the members of Apexindo Audit Committee:
 - i. Having no affiliate relationships with the Commissioners, Directors, Controlling Shareholders, and/or the Company's external auditor;
 - ii. Having knowledge and experience of Finance and Accounting, as well as Capital Market;
 - iii. Having knowledge and experience in Oil and Gas Industry.
- (d) The members of Audit Committee are nominated and dismissed by the meeting of BOC.
- (e) Function of Apexindo Audit Committee:
 - i. Increase the quality of the financial report;
 - ii. Increase the effectiveness of the function of the internal and external audits; and
 - iii. Assist the BOC in identification of the matters which may need more attention from the BOC.

(2) Nomination and Remuneration Committee

- (a) Apexindo Nomination and Remuneration Committee consists of 3 (three) members, one of them is appointed as chairman.
- (b) The members of Nomination and Remuneration Committee are nominated and dismissed by the meeting of BOC.
- (c) Function of Apexindo Nomination and Remuneration Committee:
 - i. Determine the salaries and other remunerations of each member of the Board of Directors and Commissioners which total maximum amount shall be subject to the Annual General Meeting of Shareholders of the Company.
 - ii. Determine the salaries and other remunerations of the Audit Committee.
 - iii. Propose prospective candidates to the Board of Commissioners with respect to the composition of:
 - (i) the Board of Directors and Commissioners of the Company.
 - (ii) the Audit Committee of the Company.
 - iv To do any and all other acts and things of whatever nature to consummate the implementation of the above mentioned foregoing Resolutions.

5. BOARD OF DIRECTORS (BOD)

a. Function, Duties and Responsibilities of the BOD

Besides managing Apexindo efficiently and effectively for the interests and objectives of the Company, also controlling, maintaining and managing the Company assets, BOD also holds the following functions, duties, and responsibilities:

- (1) To represent Apexindo within and outside the Court of Justice in all matters and in all events.
- (2) To bind Apexindo with another party and another party with Apexindo.

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- (3) To perform all acts, either those concerning management or concerning ownership, with restriction that they should obtain prior approval from the BOC:
 - (a) To borrow or to lend money (not including withdrawing Apexindo moneys from a bank) on behalf of Apexindo provided that no conflict of interest involve in such borrowing or lending. Otherwise, the procedures of obtaining an approval from the minority shareholders shall be followed prior to the borrowing or lending the money;
 - (b) To buy, sell obtain or release the rights over the immovable assets of Apexindo provided that no conflict of interest involved. Otherwise, the procedures of obtaining an approval from shareholders shall be followed prior to such transaction;
 - (c) To pledge or secure Apexindo's immovable assets, including to bind Apexindo as guarantor provided that no conflict of interest involved. Otherwise, the procedures of obtaining an approval from shareholders shall be followed prior to such transaction;
 - (d) To carry out investment or divestment in other companies provided that no conflict of interest involved. Otherwise, the procedures of obtaining an approval from shareholders shall be followed prior to such transaction;
 - (e) To assign, release rights or guarantee over Apexindo assets provided that such transaction amount is between 10% - 50% of the assets of Apexindo as stated on the Audited Financial Statement provided that no conflict of interest involved. Otherwise, the procedures of obtaining an approval from shareholders shall be followed prior to such transaction;
- (4) To provide information/answers to the BOC of Apexindo on any matters questioned by the BOC.
- (5) To act for and on behalf of the BOD in representing Apexindo. Such act may be delegated or performed by one (1) other Director in the Company.
- (6) To jointly liable for any losses suffered by the shareholders as a result of not complying with the Apexindo's Articles of Association, the Company Law, the Capital Market Law, and any other Laws and Regulations related to the business of Apexindo.
- (7) To jointly liable for the losses which results in the bankruptcy of Apexindo caused by the misconduct or negligence of the BOD. The members of Director who can prove that the bankruptcy was not due to his misconduct or negligence is not liable for the losses.
- (8) To establish and maintain a book of Registers of Shareholders.
- (9) To prepare and publish the Annual Report, including the Annual Audited Financial Statement.

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- (10) President Director and Finance Director must sign the Annual Audited Financial Statement.
- (11) To prepare the General Meetings of Shareholders.
- (12) To report the Use of the fund from the Public Offering (both Equities and Debts).
- (13) To performs the social responsibilities and considers the interests of the various stakeholders of the Apexindo.
- (14) To ensure that the Corporate Governance has been practiced effectively and make any changes as needed.

b. Composition, Appointment and Remuneration of BOD

- (1) The BOD of Apexindo shall consist of at least four (4) members, and one of them shall be nominated as the President Director.
- (2) The general requirement for nominating the members of BOD are as follows:
 - (a) An individual who has good character and relevant experience to Apexindo.
 - (b) An individual who is capable of implementing a legal act;
 - (c) An individual who has never been declared insolvent or at fault causing a company to be declared insolvent in five (5) years prior to his election; and
- (3) An individual who has been sentenced for undertaking a criminal act which caused loss to state funds.
- (4) The nomination of the members of BOD in Apexindo shall be approved by the GMS for a period of five (5) years.
- (5) The members of BOD in Apexindo whose term of office have expired may be re-appointed through the General Meetings of Shareholders.
- (6) One or more members of BOD may be suspended from his/their position(s) by the meeting of the BOC. Such suspension shall be approved by the GMS.
- (7) Every member of BOD in Apexindo may resign from his position by submitting a written notification to Apexindo thirty (30) days prior to the effective date of his resignation, and such resignation shall be approved by the following GMS. Until the date of his resignation in the subsequent GMS, he still remains accountable for his appointment.
- (8) Every member of BOD in Apexindo shall be terminated if he:
 - (a) Is declared bankrupt or place under custody pursuant to a decision from the court;
 - (b) Resigns from his position;
 - (c) No longer meets the general requirement for the nomination of BOD;
 - (d) Is dismissed by virtue of a resolution of the GMS; or
 - (e) Passes away.

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- (9) Every member of BOD in Apexindo is entitled for remuneration, which entire amount shall be determined by the GMS.

c. Meetings of BOD

The conduct of meeting of the BOD is stipulated under the Articles of Association of Apexindo as follows:

- (1) The BOD shall convene the meeting at minimum once a year.
- (2) The summons of a meeting shall be made by the President Director, or in his unavailability, by another Director, and distributed by facsimile fourteen (7) days prior to the meeting, excluding the date of the summons and the date of the meeting. For any urgent matter, the summons may be distributed three (3) days prior to the meeting.
- (3) The summons of meeting shall include the agenda, the date, the time, and the place of the meeting.
- (4) The meeting shall be convened at the Company's place of domicile or in Jakarta. If all Directors are present or represented, the meeting may be convened anywhere in Indonesia, and is entitled to adopt valid and binding resolutions.
- (5) The meeting shall be chaired by the President Director, or in his unavailability, by one of the members of BOD who is present in the meeting.
- (6) The meeting shall be lawful and shall be entitled to pass binding resolution only if more than fifty percent (50%) of the members of BOD are present or represented in the meeting. Such resolutions shall be adopted on the basis of the principles of deliberation to reach a consensus.
- (7) The Minutes of Meeting shall be drawn up and signed by the Chairman of the meeting and another member of the BOD who is present and appointed for such purpose by the meeting.
- (8) The Minutes of Meeting shall constitute as legal evidence to members of the BOD and third parties concerning all resolutions adopted by the BOD in such meeting.
- (9) The BOD may also adopt lawful resolutions without convening a meeting, provided that all members of BOD have been notified in writing and all members have given approval concerning such proposal, and signed such approval. Such resolutions shall have the same legal powers as the resolutions which are lawfully adopted in a meeting of BOD.

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**CHAPTER V
HUMAN RESOURCES POLICY**

1. OBJECTIVE

This policy shall encourage Apexindo's employees to achieve their best performance. It is also a form of Apexindo's commitment to provide equitable employment opportunity and fair career advancement opportunity in the Company.

2. DEFINITION OF HUMAN RESOURCES

Human resources in Apexindo mean all permanent and temporary employees, who work for Apexindo. This Human Resource Policy shall apply for all employees of Apexindo.

Employees are valuable assets of Apexindo. Apexindo recognizes the value of its employees, and always encourages continuous development of its employees.

3. EQUAL EMPLOYMENT OPPORTUNITY

Apexindo shall not discriminate against any employee or applicant on the basis of race, gender, culture, religion, social/family status, age, sexual preference, disability or other personal traits that have no impact on job performance (and shall provide a nondiscriminatory work environment).

Apexindo shall also ensure that all employees at all levels are free from any type of harassment and intimidation, whether from an individual or policy.

Apexindo shall secure the rights of its employees to organize, to bargain and to engage in concerted activities for that and other purposes as far as they do not contravene with Apexindo's policies.

4. RECRUITMENT

Apexindo applies direct employment and outsourcing recruitment through labor supplier company. Apexindo shall avoid hiring immediate family of any permanent employees at all levels, such as children or spouse.

Whenever necessary, for its non core business activities Apexindo shall "hire" local employees where it has operations through a third party being labor supplier company. For this purpose, Apexindo will fairly consider the local candidates regarding their qualifications ability and suitability against position requirements.

Apexindo shall only perform outsourcing recruitment process provided that:

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- a. The Human Resources Committee has approved the recruitment requisition form to fill the position within the manning table or to support an approved project that has been submitted to the HR (Human Resources) Division;
- b. The unavailability of internal candidates as required on the approved recruitment requisition to fill the position.

Without the existence of the foregoing reasons, the HR Division may not proceed with any external recruitment.

Apexindo prescribes that any new recruited employee, at all level, shall undergo a probationary period. Through a probationary period, Apexindo should monitor and evaluate the performance of such employee during such period (the form of evaluation can be obtained from the HR Division); then consider whether the new recruitment is suitable for the position prior to confirmation and placement.

5. CAREER ADVANCEMENT OPPORTUNITY

Apexindo shall provide fair career advancement opportunity to its employees. In this regard, Apexindo shall ensure that its employees can achieve their best performance, and its employees are placed in positions appropriate to their qualification, experience and ability.

For any vacancy, Apexindo shall consider the most suitable qualifications and competencies of the internal candidates prior to external recruitment.

Before considering and deciding to hire permanent placement, Apexindo shall consider an internal placement as a form of promotion. In this regard, Apexindo may assign the employee to take capacity in the new position as an acting position for [*] months period, with a view to evaluate and monitor the employee's performance and suitability. Once the evaluation has been made, and the Management satisfies with the employee's performance, Apexindo shall issue a letter for such promotion.

6. RIGHTS OF EMPLOYEES

Apexindo provides its employees with the following rights:

a. Salary and Remuneration

It is the right of the employees who work for Apexindo to receive remuneration in return from performing the job. In this regard, Apexindo has established a Salary and Remuneration Policy as follows:

- (1) For fairness purposes, Apexindo established a remuneration system based on the following factors:

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- (a) Salary scales and pay methods currently practiced by other companies with the size of assets and business risks similar to Apexindo.
 - (b) The difference in the individual jobs in terms of required knowledge, experience, job complexity, responsibilities and accountability including the work environment and conditions, level of knowledge, experience required, complexity of operation, responsibility carried, and other work environment in different jobs.
 - (c) The employee ability which can be proven through the performance of the assigned work. The objective is to inspire and maintain appropriate, capable employees so that they can work efficiently and effectively for the Company.
- (2) It is the employee's legal responsibility for personal income tax (PPH 21) to the Government. In this regard, Apexindo shall withhold such personal income tax.
 - (3) Apexindo shall be responsible for all traveling expenses as necessary and appropriate to the employee social status related to business operations and to increase employee knowledge and experience.
 - (4) None of the employees in Apexindo shall be entitled to any other extra benefit in addition to normal remunerations as per Company policy.

b. Benefit and Allowance

In order to enable its employees to perform as expected, Apexindo provides certain benefits and allowances to its employees. The followings are the policy that has been established for the Benefits and Allowances for the employees:

- (1) Apexindo will improve employee Benefits and Allowances by taking into the following factors:
 - (a). Benefits and Allowances that will be given pursuant to fairness compensation based on the employees level and responsibility and accordance with the prevailing Labor Law.
 - (b). Benefits and Allowances provided by other companies with the size of assets and business risks similar to Apexindo.
 - (c). Apexindo financial payment capability, in the short and long run.

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- (2) Whenever the Government amends its Labor Law or issues new laws concerning employee Benefits and Allowance, Apexindo shall amend a part or all of its Benefits and Allowance system, providing that the Benefits and Allowance received by the employee from the Company shall not be less than before, unless agreed upon.
- (3) As paying personal income tax to the Government is the employee's legal responsibility, if any of the Benefits and Allowance given to the employee or the employee's family is subject to personal income tax, the said employee or beneficiary shall be responsible for such tax.

c. Working Attendance and Leaves

Apexindo expects all employees to fully and regularly dedicate both physical and mental effort as prescribed by the Company. In this regard, Apexindo shall ensure that:

- (1) Every employee (except those working in the rig fields) attends the work every 5 consecutive days, Monday to Friday, from 8:00 a.m to 5:00 p.m. In the case of there is an unavoidable absence or sick, the employee shall inform his direct supervisor, or present a letter from a doctor.
- (2) Its employees should take their provided annual leave. By avoiding the routine work load, Apexindo believes that work break will enhance employees' performance upon their return from leave. In order for the employees to enjoy their annual leaves, the Company provides its employees with the annual leaves allowances.

d. Discipline and Grievances

Apexindo employees with strict responsibility shall ensure that they will comply with the Company's discipline, rules and regulations firmly, and to prevent any wrong-doings by the employees which will result serious damage to employees, colleagues or Apexindo. The followings are the consequences of not complying with the Company's discipline, rules and regulations:

- (1) Any employee whose behavior falls outside the disciplinary boundary must be disciplined to prevent the similar inappropriate behavior, or behavior of more offences. Disciplinary actions will be taken without any desire for punishment or without any malice toward the employee.
- (2) Even though the situation may be similar, resulting punishment may vary, depending on how often the offence has occurred, the employee's intention or the level of damage as a whole.

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- (3) In cases where a problem/complaint occurs between employees or employees and supervisors, the employees have a right to submit his complaint, as stated in the regulation. Apexindo recognizes the value and the significance of negotiation that can quickly solve any problems that have occurred, in order to maintain harmonious relationships, without utilizing the formal complaint channels or procedures.

e. Termination of Employee Status

Apexindo always prevents not to terminate the employment status of its permanent employees, except due to retirement period. If a termination shall be taken, Apexindo has established the followings policy:

- (1) A termination of employment status may only be determined by HR Committee. Pursuant to the HR Committee resolution, Vice President (VP) HR or HR Manager is obliged to inform the employee of the causes.
- (2) Apexindo shall consider which benefits a terminated employee should receive and the suitability of the benefits, according and appropriate to the circumstances of the termination.

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**CHAPTER VI
CODE OF CONDUCT**

1. OBJECTIVE

By establishing Code of Conduct, Apexindo believes that every employee will continuously comply with Apexindo's company regulation and all prevailing Laws and Regulations and have responsible behavior in carrying out day to day business activities. The implementation of this Code of Conduct will encourage the employees of Apexindo to become professional employees with high integrity. In other words, Code of Conduct will promote the accomplishment of Apexindo Corporate Values, which are Trust (Integrity, Commitment, Honesty), Dedication (Loyalty, Enthusiasm, Devotion) and Performance (Competence, Professionalism, Leadership, Result).

2. DEFINITION OF CODE OF CONDUCT

The Code of Conduct is a set of rules and regulations which constitute action justification of every employee's conduct in Apexindo in carrying out their daily business activities.

Therefore, obtaining this Code of Conduct, Apexindo will require all employees to be honest and aware of their responsibilities in carrying out their respective duties. In addition, the code prohibits every employee in Apexindo to involve in illegal practices and deviated norms as demanded and prevailed in the communities.

On the other hand, dishonesty may lead to moral hazard among employees, unethical decision making and negative assessment to the Company's image.

3. CODE OF CONDUCT

The detailed description of Code of Conduct is stipulated further separately in Apexindo Code of Conduct.

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**CHAPTER VII
CONFLICT OF INTEREST**

1. OBJECTIVE

Fairness and transparencies are fundamental principles for Apexindo in developing Conflict of Interest policy. This policy shall ensure that all Boards and Employees of Apexindo prevent themselves from carrying out any conflict of interest transaction without prior approval from the independent parties or shareholders. By having Conflict of Interest Policy, Apexindo's vision to become a world class drilling contractor with performance without compromise service can be achieved.

2. DEFINITION

Pursuant to the BAPEPAM's Rule No. IX.E.1. concerning Conflict of Interest for Certain Transaction, the definition of Conflict of Interest is the difference between the economic interest of the Company and the personal economic interest of the Company's Director, Commissioner, or Substantial Shareholder and their affiliates. The Article 1 Section 1 of the Indonesian Capital Market Law No/ 8/1995 defines affiliates as:

- a. a family relationship by marriage and descent to the second degree to the second degree, vertically and horizontally;
- b. a relationship between a Person and its employees, Directors, or Commissioners;
- c. a relationship between two companies that are managed by one or Directors, Commissioners in common;
- d. a relationship between a Company and a Person that directly or indirectly, controls or is controlled by that Company;
- e. a relationship between two Companies that are controlled directly or indirectly by the same Person; or
- f. a relationship between a Company and a substantial shareholder.

Such BAPEPAM's Rule also stipulates the type of transactions that will possibly trigger conflict of interest, such as:

- a. granting or obtaining loan to or from the Company or the controlling company; and/or
- b. acquiring or disposing assets, services, or Securities (Stock, Bond) of a company or the controlling company; and
- c. entering into a contract for those activities.

The Rule also stipulates that those transactions may only be carried out after the approvals from the Independent Shareholders or their authorized proxies have been obtained through a General Shareholders Meeting. Such stipulation may be exempted for:

- a. the transaction that is made between the holding company and its wholly owned subsidiary, or between the wholly owned subsidiaries if their financial statements are consolidated in the holding company; or

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- b. the transaction that is made between the holding company and its non wholly owned subsidiary, to the extent that none of the Company's director, commissioner, or substantial shareholders and their affiliates own shares of such subsidiary. If the holding company owns more than 50% shares ownership, the financial statement of such subsidiary shall be consolidated to the holding company; or
- c. the transaction which been carried out before the Company listed its' shares; or such transaction which has been approved by independent shareholders;
- d. the transaction between the Company and its employees, directors, or commissioners that has been fully disclosed to the BAPEPAM, the shareholders, and the employees;
- e. any facility that is provided to the commissioners, directors, and the substantial shareholders on their action as the employees of the Company provided that such facility has been disclosed to the BAPEPAM and the public;
- f. remuneration of the commissioners, directors, and the substantial shareholders on their action as the employees of the Company provided that such remuneration has been disclosed on the financial statement;
- g. any purchase of land and or houses from the commissioners, directors, and the substantial shareholders provided that such purchase:
 - (1). does not exceed 0.5% of the last audited net asset value;
 - (2). has been evaluated by an independent evaluator; and
 - (3). has been disclosed to the employees, BAPEPAM, and the public.

3. CONFLICT OF INTEREST TRANSACTION

Apexindo shall ensure that approval from the independent shareholders, through GMS, has been obtained prior to carrying out any potential conflict of interest transactions on the corporate level. Apexindo will request an independent evaluator to evaluate such transaction and disclose the evaluation result to the public prior to seeking the approval of the independent shareholders.

Apexindo requires its employees, at all levels, to avoid from having any financial interest and/or relationship with their affiliates or the affiliates of Apexindo that will potentially result a lowered benefit to Apexindo. Apexindo believes that carrying out a Conflict of Interest activity will create loyalty conflicts and difficulty in performing an effective work.

It is the concept of Apexindo that any decision made about the Company business, by any employees at every level, must solely for the maximum benefit of Apexindo. Any decision made shall be free from any influence, directly or indirectly, by an employee's own interest, family benefit, or for the benefit of person, who has a close relationship with the employees, which may damage his independent judgment to provide the highest benefit to Apexindo.

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In order to prevent any conflict of interest, all employees in Apexindo shall work full time and to the best of his ability for Apexindo, and shall not work for any other benefit, other than for Apexindo.

It is the right of Apexindo to protect its legitimate benefits, and at the same time minimize any restrictions on its employees, at all levels, regarding freedom from performing activities.

Activities that may lead into conflict of interest

Every employee in Apexindo shall regard the conflict of interest issue as an important issue of their work performance and consider the following activities as references for his benefit. The employee who has any doubt in carrying out one of the following activities is urged to request discussion and seek advice from the Compliance Department.

- a. General investment
Apexindo shall seek approval from the independent shareholders, through GMS, prior to grant/obtain any loan to/from its affiliates, such as PT Medco Energi Internasional Tbk, PT Medco Exploration & Production Indonesia;
- b. Goods and services procurement
Apexindo shall seek approval from the independent shareholders, through a GMS, prior to purchase/sell any assets, equipment, raw materials, services, or securities from/to its affiliates should the transaction fall under the criteria of conflict of interest transaction pursuant to Bapepam Rules and Regulations

4. POLITICAL CONTRIBUTIONS

It is the Company's policy to refrain from extending political contributions to any political party whatever it may be, except it meets the prevailing legal provisions and laws and approved by the Board of Directors.

A political contribution by an Employee that meets legal provisions or decision to extend contributions shall not affect his salary, job security or opportunities for advancement.

The Company does not forbid nor prevent the Employees in all levels to exercise their rights as citizens by casting their votes in the General Elections, extend political contributions personally if they want is using their own money, or in the other way around by actively participating in politics. It must be clearly understood that his political activities are carried out personally and confidentially in his capacity as a citizen and not on behalf of the Company.

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The Company believes not to be involved in internal politics of a foreign country. The Company's participation in the development of oil and gas drilling projects, energy and petrochemical in international arena is based on the natural resource potential, economic calculation and technical expertise, and not based on any political motivation.

In carrying out its businesses/operations overseas, the Company will continuously uphold the prevailing Business Ethics norms.

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**CHAPTER VIII
INTERNAL CONTROL SYSTEM**

1. OBJECTIVE

By having an internal audit, Apexindo expects that the Company could establish a systematic and efficient business process, evaluate and improve the effectiveness of risk management, control and governance process, which are suitable for each operation or business environment. The Internal Audit shall provide assurance to the Audit Committees and the Boards that business risks are identified and managed effectively and efficiently; also to support business unit managers in assessing, controlling and monitoring their business risks. For these purposes, the Internal Audit shall have a regular periodical audit activity to facilitate adaptation and improvement of the internal control system to be appropriate to changing situations, environment and risks.

The Internal Audit of Apexindo shall foster management awareness of the important role of the internal control process, and build into all levels operations and businesses until becomes a part of the way management performs all activities. This Internal Audit specifies procedures, forms and regulations suitable to each operation or business environment, risk level and risk management at all times recognizing the efficiency and effectiveness of the said system.

By introducing the internal control system, the BOD can ensure that they create an optimization of work performance with sufficient and efficient internal control system, as well as ensure the cost-benefit. Nevertheless, they also can ensure that personnel at all levels recognize that it is important for them to regularly and continuously comply with every internal control process that Apexindo sets up.

Internal control system is the process effected by Apexindo Boards and employees, so that they can be reasonably assure that Apexindo business actions and decisions will meet the following objectives:

- a. Operations – efficient and effective operations, as well as resource utilization.
- b. Financial reporting – acceptable, accurate, reliable and on time financial report.
- c. Compliance - comply with policies, rules, regulations and legal requirements in all operations.

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2. INTERNAL AUDIT

Internal Audit is an independent, objective assurance and consulting function established within Apexindo to add value and improve its operations including its subsidiaries.

Internal Audit assists Apexindo management to accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process. Internal Audit is not an extension of, or substitutes for, executive management. Responsibility for operational control rest fully with operational management who must ensure that appropriate and adequate control managements exist.

The Vision, Mission and Goal of Internal Audit are as follows:

- a. Vision: Strategic partner of management
- b. Mission: Adding value through business risk assurance
- c. Goal: Assist management in achieving corporate objectives

a. Role

Internal Audit role is to provide assurance to the Internal Auditor, Audit Committee and Board of Director that business risk are identified and managed through effective and efficient systems of internal control. And also to support business unit managers in assessing, controlling and monitoring their business risks.

Business risks being event, actions, ineffective business controls or missed opportunities which could impact PT APD ability to meet its objectives and achieve its strategic goals.

b. Scope of Activities

Internal Audit evaluates and contributes to the improvements of risk management, control and governance systems:

- (1) Risk Management
 - (a) Monitor and evaluates the effectiveness of the organization's risk management system
 - (b) Evaluates risk exposures relating to the organization governance, operations, and information systems and the effective strategies to control them.
- (2) Control
 - (a) Evaluates the adequacy and effectiveness of controls encompassing the organization governance, operations, and information systems. This should includes;
 - i Reliability and integrity of financial and operational information
 - ii Effectiveness and efficient and effective use of resources

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- iii Economical, efficient and effective use of resources
 - iv Safeguarding of Company's assets,
 - v Compliance with laws, regulation, ethical and business norms and contracts.
- (b) Ascertain the extents to which organization's goals and objectives have been Established
- (c) Reviews operations and programs to ascertain the extent to which result are consistent with established goals and objectives
- (d) Ascertain the extent to which management has established adequate criteria to determine whether goals and objectives have been accomplish.
- (3) Governance Systems
- (a) Contributes to the organization's governance process by evaluating and improving the process through which;
- i values and goals are established and communicated
 - ii the accomplishment of goals is monitored
 - iii accountability is ensured, and
 - iv values are preserved.
- (b) Reviews operations and programs to ensure consistency which organizational values.

In addition, internal audit should also undertake special reviews and investigations as requested by the Audit Committee and Board of Director.

(4) Independence and Authority

Internal Audit is independent of the system and activities it reviews. Internal Audit has no responsibility for operational functions within business units and no direct responsibility for, nor authority over any of the activities subject to internal audit review. Internal Audit shall not design and install procedures, prepare records, or engage in any other activity that it would normally review and appraise and that could reasonably be construed to compromise its independence and objectivity.

Internal Audit derives its authority from the Audit Committee who enable them to unrestricted access to all records, system, documents, property and staff as required in the performance of its work.

(5) Responsibility

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Internal auditor is responsible for the operation of the Internal Audit function and will report to Audit Committee functionally and to the CEO organizationally. He or She is responsible for developing people, methodology, technology and knowledge of Internal Audit function. He or She will prepare plans to meet the Internal Audit needs of PT APD based upon recurring assurance requirements and a business risk assessment undertaken with Executive and Operational Management.

The Audit Committee should regularly review and approve the annual audit plan and the scope of audit work. The audit committee should also review and approve and necessary changes to the agreed plan. Annual audit plans quarterly progress reports, including summaries of key findings, recommendations and progress on implementation will be submitted to the President Director and the Audit Committee. Assignment reports will be discussed with appropriate levels of Board of Director. Board of Director will be charged with a duty to ensure that Internal Audit recommendations are implemented to the agreed time scale.

c. Fraud

The prevention, detection and investigation of internal fraud are the responsibility of management. In conducting audit assignments, internal Auditor will be alert to opportunities, such as control weaknesses, that could allow fraud. Where fraud is suspected the appropriate authorities within the group will be informed.

Internal Audit will undertake the investigation of a reported or suspected fraud at the request of Executive management. Related Management will be responsible for taking action on any findings and determining whether controls need to be implemented or strengthened to reduce future vulnerability.

d. Quality Assurance

Internal Audit should establish and maintain a quality assurance program to evaluate the operations of the Internal Audit Function.

- (1) Supervision of the work of Internal Audit should be carried out to assure conformance with Internal Audit standards, policies and audit strategies.
- (2) Internal Audit staff should perform periodically internal reviews to appraise the quality of the audit work performed. These reviews should be performed in the same manner as any other internal audit.
- (3) External reviews of the Internal Auditing function should be performed to appraise the quality of the function's operations and assure conformance with the **Standard for the Professional Practice on Internal Auditing** as issued by The Institute of Internal

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Auditors. These reviews should be performed by qualified persons who are independent of the group and who do not have either a real or apparent conflict interest. Such reviews should be conducted at least once every three years. On completion of the review, a formal, written report should be issued. The report should express an opinion as to the function's compliance with the Standard for the Professional Practice of Internal Auditing and, as appropriate should include recommendations for improvement.

e. Reporting Accountabilities

Internal Auditor following the conclusion of each audit will prepare and issue written report and distribute as appropriate. A copy of the hull report will be forwarded to the Audit Committee and the President Director.

f. Standards for the Professional Practice of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Company's operations. It helps the Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

It is important that there be a criteria against which Internal Audit Division's auditing practice can be evaluated and measured. For this purpose, the Standard of Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditor (IIA) Inc, USA are used as a benchmark to assure the Internal Audit Division's audit practices meets with the internationally accepted internal auditing standards.

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**CHAPTER IX
INFORMATION & COMMUNICATION**

Apexindo realizes the importance of Information Technology and Communication and thus has established an effective system, including internal and external channels as detailed below:

1. Internal Communication

The Company has forged ahead with technically sophisticated and up-to-date computerized communication systems and equipment so that management and staff can readily achieve work objectives. Apexindo distributes related enforcement information, such as, government policies, newly promulgated laws through the Apexindo Intranet or electronic mail, both of which are provided for all employees.

2. External Communication

For more elaborate external communication, Apexindo guarantees that adequate information and the required reports are available for all institutions as required by law. Also, it is a Apexindo policy to always strive for efficiency and promptness as goals that will result in better understanding and improved networking for the business.

3. Secure Data Transmission

With a dependable information control system moderating the sending and receiving of data, Apexindo has attained clear distinction of authority and easily understood responsibilities for all its staff and functional units. Furthermore, Apexindo has laid out levels for access to confidential information and applications in all its divisions, which allow access to authorized personnel only.

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**CHAPTER X
ACCOUNTING AND FINANCE POLICY**

1. OBJECTIVE

Apexindo expects that by establishing a policy on Accounting and Finance, the Company will be able to manage the preparation of its accounting and financial report accurately, timely, rationally, and reliably. Therefore, the accountability and responsibility of the Boards in presenting the periodical accounting and financial report to the shareholders, partners, creditors, the Capital Market and other regulatory bodies can be confirmed. At the end, by providing an accurate and timely accounting and financial report, Apexindo will be able to enhance its shareholders value.

Furthermore, the policy shall also establish accountable finance supporting activities that comply with the regulations and auditable. The role of Finance supporting activities shall ensure the continuous support to operational activities either at Corporate level or at rig sites. All the activities shall be documented, accurate, reliable, auditable by the applicable regulations and are carried out to the best interest of the company in time context.

2. DEFINITION

Accounting and Finance policy is a policy that is established by the Company to promote ethical and responsible financial decision-making and to safeguard integrity in financial reporting through full compliance with *Pedoman Standar Akuntansi Keuangan/PSAK* (Indonesian Generally Accepted Accounting Principles) and stock market authorities rules and regulations.

3. FINANCE & ACCOUNTING PRINCIPLES

It is mandatory for Apexindo to record all of its business transactions for the preparation of fair, timely and reliable accounting and financial reports, which will be submitted to the shareholders, partners, creditors, the Capital Market, and other regulatory bodies.

a. Accuracy of Transaction Recording

Apexindo shall ensure that:

- (1). all recording of business transactions are accurate and complete;
- (2). all recording of business transactions could be auditable without any limitation or exception;
- (3). all recording of business transactions must be fairly prepared with care and integrity; and
- (4). any fraudulent or manipulated entries are not allowed, regardless of cause.

Every employee of Apexindo, at all levels, must:

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- (1). perform their business transactions with compliance to Company regulations;
- (2). complete and attach properly all the supporting documents for the transactions;
- (3). provide sufficient, appropriate and on time information to the accounting employee involved in recording, preparing and evaluating the accounting and financial transactions, so he is able to record and prepare all accounting and financial entries into Apexindo books and records with accuracy and completeness.

b. Accounting and Financial Reports

Apexindo is obliged to consolidate all accounting and financial reports of its subsidiaries where the Company has direct or indirect ownership interest of more than 50%. In order to reflect the financial position and the results of operations of Apexindo and its subsidiaries as one business entity, Apexindo shall eliminate the inter-company balances and transactions, including the unrealized gain/loss on inter-company transactions.

Apexindo shall deliver to PT Medco Energi Internasional Tbk, as its parent company, consolidated accounting and financial report every month. In order to meet such requirements, Apexindo is required to submit its accurate, complete and reliable Accounting and Financial Reports to PT Medco Energi Internasional Tbk accordingly.

Pursuant to the BAPEPAM's Rule No. X.K.2. concerning the Requirement to Submit the Accounting and Financial Report and the JSX's Listing Rule No. I.A., Apexindo shall:

- (1). submit its un-audited quarterly consolidated Accounting and Financial Report to JSX and copy to BAPEPAM at the latest by one month after the closing period; and
- (2). submit its un-audited second semester consolidated Accounting and Financial Report to BAPEPAM and copy to JSX and publish the summary of the results on the newspapers at the latest by one month after the closing period; or
- (3). submit its limited audit quarterly consolidated Accounting and Financial Report to JSX and its copy to BAPEPAM at the latest by two months after the closing period; and
- (4). submit its limited audit second semester consolidated Accounting and Financial Report to BAPEPAM and its copy to JSX and publish the summary of the results on the newspapers at the latest by two months after the closing period; or
- (5). submit its audited quarterly consolidated Accounting and Financial Report to JSX and copy to BAPEPAM at the latest by three months after the closing period; and
- (6). submit its audited second semester and yearly consolidated Accounting and Financial Report to BAPEPAM and copy to JSX and

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publish the summary of the results on the newspapers at the latest by three months after the closing period.

Audit Committee shall evaluate the completeness of consolidated Accounting and Financial Report and inform the report to the Boards prior to submission to BAPEPAM and/or JSX. For evidence of responsibility, the Boards of Apexindo shall sign the consolidated Accounting and Financial Reports prior to submission of the Report.

Apexindo shall adequately disclose all significant information in compliance with the financial and accounting rules and regulations that are established by the BAPEPAM and the Indonesian Generally Accepted Accounting Principles/PSAK.

All employees of Apexindo must not engage in any actions that will manipulate transactions or commit fraud. Such action includes, but is not limited to, the manipulation of financial or operational data. Every employee shall be aware that the accuracy and integrity of the accounting and financial reports are the joint responsibility of Apexindo Boards, employees who are responsible for accounting and finance, and all other employees who are involved in the operation, preparation and/or distribution of business transaction information.

c. Internal Finance Policies

(1). Cash Advance

In order to secure the flows and appropriate procedures of all disbursement using temporary cash advance and to ensure that the Company's temporary cash advance fund is used properly and accountable, Apexindo provides a temporary cash advance with a certain agreed maximum limit. The use of temporary cash advance should be supported by valid and complete documentation and shall be accounted with a complete and proper reporting.

Employees who requested temporary cash advance has to fill out a form to be approved by their respective Manager. However, should the employees still have remaining outstanding balance of temporary cash advance which has not been cleared (expense report), the Finance Manager is authorized to reject the request for temporary Cash Advance.

(2). Account Receivables/Collection

Apexindo implements a standard policy to ensure the invoices for drilling services, back charges, mobilization/demobilization and VAT have been prepared and billed to clients in timely manner, correct and complete documentation according to the drilling contract and

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have been followed up and collected in timely manner according to the drilling contract, Apexindo applies a policy which requires that all invoices must be prepared, issued and delivered no later than the 10th day of each month pursuant to the relevant drilling contract.

To ensure that all invoices all invoices shall have to be prepared in accordance with the applicable time distribution/time sheet/official report which have been agreed and signed by the Company Man and Rig Superintendent.

If a payment has not been received on the due date for a particular invoice, Apexindo applies reminder letters procedure (first to third) that would ensure continuous communication with the relevant client..

In parallel with the reminder letters (first to third reminder), account receivables officer shall make an effort to contact and communicate with the client with regard to non payment of the invoice and try to resolve and collect the due amount.

(3). Petty Cash

To secure the flows and appropriate procedures of all disbursement using petty cash and to ensure that the Company's petty cash fund is used properly and accountable, Apexindo applies among others the following polices:

- (a) The amount of petty cash managed by the cashier is set at certain agreed amount, and the cashier shall prepare petty cash reconciliation report at the closing day on Friday in every week and report the status of petty cash every week to the Finance Manager.
- (b) Petty cash may only be used for payment with certain agreed maximum limit.
- (c) Application of petty cash has to be acknowledged by the relevant Manager or by the relevant supervisor in the absence of the Manager, and then approved by Finance Manager.

With regard to the use of petty cash, Finance Department and Accounting Department shall perform a periodic audit procedure on the petty cash randomly. Petty cash audit shall include evaluation and verification of the validity and completeness of all the documents related to the use of the petty cash and at any point of time, cash balance plus available payment receipt or other competent evidence shall have to be equal to the pre-set agreed amount. Should there be any discrepancy, cashier shall provide full explanation on the related discrepancy. Further, the result of petty cash audit shall be reported in a formal audit report signed by the

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cashier and the person who performed the audit, acknowledged by Finance Manager and Accounting Manager, and approved by VP Finance & Accounting.

d. Audited Financial Statement

Apexindo shall obtain an opinion from public accountant for its annual financial statement and any other periodical financial statements, which are commonly required from a publicly traded institution. The appointment of the public accountant shall be approved by the shareholders through an AGMS.

The appointed Public Accountant shall notify Apexindo and its Audit Committee on any event related to the Company that is contrary to the prevailing laws and regulations.

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**CHAPTER XI
PROCUREMENT ETHICS**

1. OBJECTIVE

The reason for Apexindo to develop the Procurement Ethics and Regulations is to ensure appropriateness of its relationship with traders/suppliers and only on business and arms length terms. To this regard, care should be taken to ensure that there is fairness and equality among all parties concerned when selection or negotiation is done in procuring certain equipment or services .

2. DEFINITION OF PROCUREMENT

Procurement is the process to acquire goods and services from the traders/suppliers/consultants to support the employees in performing their works. Procurement shall be conducted on a business development basis, with the intention to enable Apexindo and its traders/suppliers/consultants to gain mutual and fair benefit.

Any office goods procurement shall be centralized at the General Services Department, except for the computers and communications related, shall be centralized at the Information Technology Department and for drilling equipment and its supporting equipment shall be centralized at the Procurement Department.

3. PROCUREMENT ETHICS

In conducting the procurements, Apexindo has established the following codes related to:

a. The Relationship With The Traders/Suppliers/Consultants

- (1). Every employee shall honor and regard traders/suppliers/consultants as external resources that are essential to the existence of Apexindo.
- (2). The relationship with the traders/suppliers/consultants shall not be based on the concept of win-lose or unlimited benefit to Apexindo without any concern over the probability of the traders/suppliers/consultants ability to continue doing business either in the short or long term.
- (3). Apexindo shall provide fair, accurate and straightforward information to traders/suppliers/consultants on a fair and honest basis. Leading traders/suppliers/consultants into misunderstanding, hence making quick decisions based on insufficient information shall be prohibited.

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- (4). In order to prevent any criticism that may occur and to prevent any bias toward reciprocal action in the future, Apexindo does not allow its employee to accept any gifts, gratuity, invitation to any party or reception that the traders/suppliers/consultants arrange personally for any specific group, including any invitation to business functions that the traders/suppliers/consultants offer to pay for or accepting supporting expenses for other activities from traders/suppliers/consultants. The decision to attend a thank you party after the order placement or contract awarded, shall be made by the members of BOD, who is not involved in the procurement process, or the CEO. For some occasions, accepting any lunch or dinner invitation with the intention to exchange information, knowledge or to negotiate informally is allowed, and employees should take turns in paying as well.
- (5). The trader/supplier/consultants shall not bear any cost which is a part of procurement expenses, especially during the specification, negotiation or decision making process. In the case of there are any expenses incurred for trips to the operation areas of Apexindo, the division or department doing the procurement shall be responsible.
- (6). Any employee shall not hope for, expect, or seek personal or group benefits from any trader/supplier/consultants, regardless of the occasion or event. Apexindo forbids its employees to accept cash or bribes in any form.
- (7). The followings are the characteristics of trader/supplier/consultant who are not allowed to deal with by Apexindo:
 - (a) expect short term more than long term benefit
 - (b) have negative attitude toward free trade, prefer monopolistic trade or obstruct competition.
 - (c) collude on bidding prices or benefit among traders/suppliers/consultants without doing proper competitive bidding,
 - (d) are not interested in helping customers to save cost or not protecting customer benefit.
 - (e) offer personal benefit to employees or management.
 - (f) have a history of defaming their own business partners.
 - (g) are insincere, dishonest or not being straight forward with customers.

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b. Procurement

- (1) Any employees in Apexindo shall not invite any trader/supplier/consultant to submit a proposal or bid when there is no real need to procure any goods or services, or when there is a prior intention not to procure anything from this specific trader/supplier/consultant. Any invitation may only be sent to any trader/supplier/consultant that, after consideration, possesses the characteristics, intention and capability sufficient to enter into the bidding process, with expectation that Apexindo will finally procure goods or services from them. Inviting trader/supplier/consultant just to become an instrument to facilitate negotiation with other traders/suppliers/consultants shall not be allowed. The trader/supplier/consultant shall be informed in advance, if the intention to invite them is only to gather information for expense forecasting or budgeting purposes.
- (2) All bidders shall be provided with clear and accurate rules, opportunity, time, content, numbers and information equally and fairly. In this regard, every bidder has the same rights to request and obtain additional information that has not been provided by Apexindo before. If the extension of submission date is given to one of the bidder, Apexindo shall notify the new date to other bidders immediately as well.
- (3) Apexindo shall maintain confidentiality on information gained in the bidding or proposal submitting process. Making public information or technical data from one trader/supplier/consultant to another for benefit, which could be short lived while losing the trust of every trader/supplier/consultant in the long run is not acceptable. Any employee of Apexindo who involve in the procurement process shall be alert to any party, acting as "information agent", and shall not answer any questions directly or indirectly that may lead to the destruction of information confidentiality.
- (4) All procurements should be completed transparently, fairly and honestly. No illegitimate influence will be allowed to interfere with the process.

c. Negotiation

- 1) Negotiation should be done on basis of a mutual business relationship that strives for problem solving and solutions or satisfactory and acceptable conclusions. Negotiation should not be done on the basis of deception, intimidation or without any rational logic or principles.

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- 2) Negotiation should not be done on a one-on-one basis without any memorandum or minutes of the negotiation. In order to prevent any criticism, each party in the negotiation should consist of at least 2 persons, be it formal or informal negotiation. Negotiating on the telephone is prohibited. After each negotiation, a written conclusion should be signed by all parties concerned.

d. Disclosure of Potential Conflict of Interest

Any employee in Apexindo who has authority to make procurement decisions shall disclose details concerning all personal business or benefit, related to the procurement decision, to Apexindo without being asked. Disclosure that shall be made including any shares held, or benefit received from the trader/supplier/consultant business directly or indirectly, or for any close relative working for, being a partner of, or holding a position in the trader/supplier/consultant business.

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**CHAPTER XII
CONTRIBUTIONS POLICY**

1. OBJECTIVE

It has become Apexindo vision statement to become a world class drilling contractor with performance without compromise service. In order to continue realizing the vision statement, Apexindo developed this Contribution Policy to ensure that all the contributions made are fully utilized for the benefit of the society and community.

2. DEFINITION

Contributions are any form of supports that are granted and furnished to the society and community where Apexindo operates its businesses, which will give positive image and good relationship to such society and community.

3. TYPE OF CONTRIBUTIONS

There are several types of contributions that become Apexindo's targets:

- a. Contributions provided to social community and environmental development, creating and preserving natural resources of the surrounding areas where Apexindo operates.
- b. Contributions provided for education of Indonesian youth
- c. Contributions provided for public services in poor communities, to help them become a strong and self-supporting community economically, by improving skills and creating careers in the community.
- d. Contributions provided to local community activities where Apexindo operates.
- e. Contributions provided to support any public activity, which is beneficial to civil society, and taking into consideration the community, where Apexindo operates.
- f. Contributions to provide aid to community in the natural disaster events, such as floods, fire, volcanic eruption, landslide, internally displace persons.

4. PROHIBITION

Although Apexindo adheres to democratic principles and encourages employees to exercise their voting rights under the Constitution, nevertheless, Apexindo is a politically neutral entity therefore it prohibits any financial

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contribution/donation directly or indirectly to any politician or Political party for the sakes of their benefits.

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CHAPTER XIII

DISCLOSURES AND CONFIDENTIAL INFORMATION POLICY

1. OBJECTIVE

Transparency, as an important reflection and one of the result of having good corporate governance's principle shall be implemented to improve the Company's overall standards.

2. DEFINITION

Disclosure means publishing any information material concerning any event or transaction occurs in Apexindo.

Pursuant to the BAPEPAM's Rule No. X.K.1., Material Information is any information related to the event or transaction that could affect the shares price of Apexindo. Under such rule, Apexindo obliges to disclose any material information to the public, not later than two (2) working days after the event or transaction occurs.

Confidential Information means the information that shall be prevented from public access to damaging such information that might assist other injured parties in seeking justice.

3. DISCLOSURES INFORMATION

Apexindo believes that by disclosing information to the public with respect to its business and securities, such information may influence the decision of investors in Apexindo shares or bonds prices.

Prior to disclosing any information, the BOD or Corporate Secretary of Apexindo shall approve such disclosures, and only the BOD or a Corporate Secretary is authorized to disclose and speak on behalf of the Apexindo concerning such information. Any disclosing information related to a joint venture, Apexindo shall obtain an approval from the joint partner prior to the disclosing.

a. Disclosures That Must Be Made to Public Immediately

Apexindo commits to disclose any information concerning its activities that might potentially affect its shares price by reporting such activities to BAPEPAM and making public such report two (2) days after the activities occur. These activities include:

- (1) Participation in the establishment of a joint venture which is not material in value (less than 10% of revenue or 20% of total equities of Apexindo Audited Consolidated Financial Statement);

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- (2) Repurchase or redemption of any debt Securities issued by Apexindo;
- (3) Any merger or consolidation of its subsidiaries or Apexindo itself (Disclosures made after obtaining approval from the EGMS);
- (4) Change in Apexindo's controlling shareholders compositions (Disclosures shall be made after obtaining written confirmation letter from the controlling shareholders);
- (5) Change in Apexindo's Management compositions (Disclosures shall be made after obtaining approval from the EGMS);
- (6) A relatively important labor dispute in Apexindo or its subsidiaries;
- (7) Any important litigation against Apexindo and/or its Directors or Commissioners;
- (8) Stock split or distribution of stock dividends by Apexindo (Disclosures shall be made after obtaining approval from the EGMS);
- (9) Replacement of the Public Accountant who audits Apexindo Financial Statement (Disclosures shall be made after obtaining approval from the EGMS);
- (10) Replacement of the Trust Agent;
- (11) Change in the fiscal year (Disclosure shall be made after obtaining approval from the EGMS);
- (12) An offer made by Apexindo to purchase Securities of another company; and
- (13) Any other event that is considered important to be disclosed by the Management of Apexindo.

Once the approval to disclose such information from the BOD or Corporate Secretary has been obtained, the Corporate Secretary shall submit the information to the BAPEPAM, JSX, and SSX and distribute such information to the public.

When asked by outsiders, employees may not disclose or express any opinion, and have to refuse to answer them politely, and recommend them to contact the Corporate Secretary instead.

The Corporate Secretary Department shall not provide any information other than what stated on the fact sheet and the disclosures that has been made.

Any person who wishes to obtain Apexindo information can do so, by contacting the Corporate Secretary Department.

b. Disclosures Made to Public Prior to GMS

Apexindo is required to disclose the summary of information on certain transactions by publishing in newspapers twenty eight (28) days prior to the GMS. These transactions include:

- (1) Right Issue with Preemptive Rights;

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- (2) Participation in establishment of a joint venture which is material in value (more than 10% of revenue or 20% of total equities of Apexindo Audited Consolidated Financial Statement);
- (3) Acquisition or sale or transfer of asset which is material in value (more than 10% of revenue or 20% of total equities of Apexindo Audited Consolidated Financial Statement);
- (4) Repurchase of shares issued by Apexindo from the public; and
- (5) Any transaction, which may lead into conflict of interest.

c. Publishing Periodic Consolidated Financial Statement

Apexindo shall publish Consolidated Financial Statements periodically. The BAPEPAM's Rule No. X.K.1. concerning the Requirement to Submit the Accounting and Financial Report and the JSX's Listing Rule No. I.A., require Apexindo to:

(1) Annual Accounting and Financial Report:

submit Annual Audited Consolidated Financial Statement to BAPEPAM, JSX and SSX and publish the summary of the results on the newspapers at the latest by three months after the closing period.

(2) First Semester Accounting and Financial Report:

- (a). submit four exemplars its un-audited first semester consolidated Accounting and Financial Report to BAPEPAM and copy to JSX and publish the summary of the results on the newspapers at the latest by one month after the closing period; or
- (b). submit four exemplars its limited audit first semester consolidated Accounting and Financial Report to BAPEPAM and its copy to JSX and publish the summary of the results on the newspapers at the latest by two months after the closing period; or
- (c). submit four exemplars its limited audit first semester consolidated Accounting and Financial Report to BAPEPAM and its copy to JSX and publish the summary of the results on the newspapers at the latest by two months after the closing period.

(3) Second and Third Quarter Accounting and Financial Report:

- (a). submit four exemplars its un-audited quarterly consolidated Accounting and Financial Report to JSX and copy to BAPEPAM at the latest by one month after the closing period; or
- (b). submit four exemplars its limited audit quarterly consolidated Accounting and Financial Report to JSX and its copy to BAPEPAM at the latest by two months after the closing period; or

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- (c). submit its audited quarterly consolidated Accounting and Financial Report to JSX and copy to BAPEPAM at the latest by three months after the closing period; and

Committee Audit shall evaluate the completeness of consolidated Accounting and Financial Report and inform the report to the Boards prior to submission to BAPEPAM and/or JSX. For evidence of responsibility, the Boards of Apexindo shall sign the consolidated Accounting and Financial Reports prior to submission of the Report (the Boards of Subsidiaries shall sign their Accounting and Financial Report prior to submission to Apexindo).

d. Disclosures on Annual Report

Apexindo shall disclose and publish the Operation and Financial information concerning its full year activity on the Annual Report. The BAPEPAM's Rule No. VIII.G.2. requires a publicly listed company to submit and publish the Annual Report fourteen (14) days prior to the convention of the AGMS.

The followings are the information that shall be disclosed and included in the Annual Report:

- (1) Company profile, which includes the following:
 - (a) History in brief
 - (b) Structure of organization
 - (c) Share ownership.
 - (d) All important events and achievements
 - (e) Human resources development
 - (f) Health, safety, and environment.
- (2) Good Corporate Governance ("GCG"), which includes the following:
 - (a) Vision, mission, and strategy
 - (b) Main principles of GCG
 - (c) Audit committee and remuneration committee
 - (d) The role of Corporate Secretary.
- (3) Management discussion and analysis
- (4) Financial information which includes the following:
 - (a) Consolidated financial statements
 - (b) Key financial indicators

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- (c) Subsequent events
- (d) Stock review and performance.

e. Expose to Public and Analyst

Apexindo shall conduct Annual Public Expose and Analyst Meeting.

4. CONFIDENTIAL INFORMATION

There are occasion in which Apexindo directors, management, employees, secondees, contractors will be working with information and documents that cannot be disclosed to outsiders and/or trade secrets, such as confidential information on concessions, plans, maps, data, formulas or inventions under Apexindo right. Protection of this data confidentiality of utmost importance to Apexindo success in future, and also to the security of all employee careers.

It is the duty of all personnel holding the position of Apexindo director, management. employee, seconded, contractor, to legally and ethically protect confidential information and documents or trade secrets for the next two years after leaving the Company.

It is the duty of all employees to be aware of the security control procedures that have been developed to protect confidential information, and lo adhere to these security control procedures to prevent any unintentional disclosure.

a. Degree Confidentiality

Trade secrets are Apexindo internal information that must be protected from being disclosed to outsiders. The confidentiality of the information can be graded by the severity of the information, in ascending order, such as information that can be disclosed, protected information, confidential information and extremely confidential information.

When sharing internal information, the sharing must be practiced within the framework of duty and responsibility as assigned.

b. Opinions Expressed To Outsider

The Commissioners and Directors are under an obligation of confidentiality to the Company.

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**CHAPTER XIV
INSIDER TRADING POLICY**

1. OBJECTIVE

Apexindo is a publicly listed company in Jakarta Stock Exchange, therefore Apexindo has the obligation to adhere to the Indonesian Capital Market Laws and Regulations. By establishing the Insider Trading Policy, Apexindo could ensure that all of its investors are treated with equality and fairness.

2. DEFINITION

Inside Information is any information concerning the Company's business activities that has not been disclosed to the public and might affect the shares price. Inside information, and Commissioners, Directors and key executives concerned with the planning and implementations of these programs should provide fair treatment to all affected shareholders.

Insider Trading is any person, such as Commissioners, Directors and key employees who has inside information and use such information to buy or sell the Company's securities

3. INSIDER TRADING

Apexindo requires its Directors and Commissioners to disclose their securities holding at Apexindo.

4. PREVENTION

In order to ensure that all the employees adhere to this Policy, Apexindo shall:

- a. Limit the access to non public inside information only to persons concerned and necessary only.
- b. Ensure that all parties concerned strictly adhere to the security measure.

5. PENALTY

Any violation will be subject to disciplinary action and/or violators legally prosecute, as the case may be.

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**CHAPTER XV
POLICY ON INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS**

1. OBJECTIVE

It is the responsibility of Apexindo personnel at all levels to adhere to the acceptable business standard and remain consistent with Apexindo policies and ethic when utilizing computers and other related peripherals or telecommunication equipment.

2. DEFINITION

Information Technology refers to computer and telecommunication equipments (hardware and software) provided by Apexindo for the business use purposes.

3. INFORMATION TECHNOLOGY

a. Internet

Apexindo provides internet service as a means to facilitate personnel's ability to achieve his goals or objectives by utilizing modern technology in the most efficient way possible.

Apexindo promote internet services as a strategy in doing business and as a learning toll, including appropriate personal utilization but personnel are forbidden from utilizing this internet service for personal business.

It is Apexindo personnel's responsibility when using the Company Internet service, during and after normal office hours, to refrain from accessing any sites deemed illegal by Apexindo, or that violate good normal standards. Also, internet users must not disseminate information or news of the said sites to others.

Apexindo reserves the right to follow and monitor internet usage, and the right to deny access to said web sites. If there any queries concerning legality, as defined by Apexindo or violation of a good moral standard, please obtain advice from the Legal Department.

Internet activities are considered public activities, and should be cautiously used. Confidential information, when transmitted, must be properly encoded.

b. Electronic Mail (E-Mail)

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Apexindo has implemented an electronic mail system to be generally used in normal business operations by personnel at all levels. Appropriate personal use is allowed, but personnel are forbidden from utilizing the electronic mail system for personal business.

Personnel must refrain from sending electronic mail that may impede Apexindo operations, annoys others, violate Company policies, is illegal or violates good moral standards.

Electronic mail users must be aware that that any mail, personal or business, stored on Apexindo server may be audited by Apexindo assigned personnel, when appropriate.

Any other access without proper approval will be considered an offense.

c. Information Access

Only assigned personnel have the right to access data or program files, be they computer files, or any other form of files.

Any attempt to access the files to review, copy, cascade, erase destroy or change password or any other acts that may cause damage by personnel who have not been authorized by Apexindo is considered an offense.

d. Telecommunications Equipment

Telecommunications equipment consist of telephones, facsimile machines, mobile phones, pagers, satellite signal receivers, lease lines, etc. Apexindo has implemented a telecommunications system to be used in communication for the benefit of Apexindo business by personnel all levels. Appropriate personal use is allowed, but personnel are forbidden from utilizing the telecommunications equipment for personal business.

Apexindo personnel must refrain from using telecommunications equipment in a way that may impede Apexindo operations, annoy others, violate the Company policies, or be illegal.

Apexindo provides personnel with telecommunications equipment as required in performing assigned tasks, not by assigned position. Therefore, Apexindo forbids using telecommunication content, or on special occasion, with prior approval from the President.

4. PERSONAL PRIVACY

Apexindo adheres to legal requirements concerning personnel: personal privacy in the work place. However, Apexindo reserves the right to access any information, including voice mails, electronic mails, stored on computer systems or peripherals

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or telecommunications equipment owned by Apexindo, or that are under the rightful control of Apexindo or within Apexindo premises. Moreover, Apexindo reserves the right to change passwords, for the purpose of auditing, initiate investigation for searching of computer files, voice mails or electronic mails, as stated.

5. ACCESS TO EXTERNAL/CONTRACT PERSONS

In granting access to Apexindo computer system or peripherals, including software licenses, programs, and telecommunications equipment, the division employing such personnel must ensure that the access is limited to what is necessary required to support their work for Apexindo.

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