



PT ACE JAYA PROTEKSI

**Annual Report of Good Corporate
Governance Implementation**

Year 2014



INTRODUCTION

This Good Corporate Governance Report of PT ACE Jaya Proteksi ("**the Company**") is structured to comply with the Regulation of Financial Services Authority ("**FSA**") No. 2/POJK.05/2014 regarding Good Corporate Governance for Insurance Company ("**POJK 2**") jo. the FSA Circular Letter No. 17/SEOJK.05/2014 ("**SEOJK 17**").

This Good Corporate Governance Report contains the following items:

- 1) Basic Principles of Good Governance Application;
- 2) Results Report of Application of the Good Governance Principles;
- 3) Governance Structure;
- 4) Implementation of Internal Control System; and
- 5) Litigation Case

PT ACE Jaya Proteksi



2014 Annual Report of Good Corporate Governance Implementation of PT ACE Jaya Proteksi

I. Basic Principles of Corporate Governance Application

In line with the spirit of the Financial Services Authority (“FSA”) in ensuring the application and implementation of the principles of Good Corporate Governance (“GCG”) in the financial services sector, which grow sustainably, accompanied by financial activities and systems that are increasingly complex, dynamic and interconnected between financial service institutions, the FSA has imposed regulations that comprehensively regulate corporate governance that aims to protect the stakeholders.

In conducting its business, the Company is always fully committed to implementing high ethical business standards adhering to the five basic principles of GCG consisting of (i) Transparency, (ii) Accountability; (iii) Responsibility; (iv) Independency; and (v) Fairness.

II. Result Report of Corporate Governance Application

In accordance with the mandate of the FSA Regulation No. 2/POJK.05/2014 regarding Corporate Governance Good for Insurance Companies (**POJK 2**), the Company submitted 2014 Good Corporate Governance Implementation Report and 2014 Self-Assessment Checklist to the FSA on February 27, 2015.

III. Governance Structure

1. General Meeting of Shareholders (AGM)

The Company organized the Annual General Meeting of Shareholders on June 30, 2014. During 2014, the Company also organized 4 Extraordinary General Meeting of Shareholders via Shareholder Decision Taken outside the Meeting.

2. Board of Commissioners

The Board of Commissioners collectively conducts oversight and provides input and advice to the Board of Directors.

As set forth in POJK 2, the Company was in the process of fulfilling the provisions regarding the composition of the Independent Commissioner, which will be fulfilled latest by April 8, 2015.

2.1 Membership and Composition

The composition of the Company’s Board of Commissioners as of December 31, 2014 was as follows:

Name	Position	References
Daniel Andrew Albert Vanderkemp	President Commissioner	Notarial Deed of Shareholders Decision of PT ACE Jaya Proteksi No. 05 dated January 20, 2015, made by Liestiany Wang SH, M.Kn, Notary in Jakarta.
Andrew Ian Kingsford Smith	Commissioner	
Iqbal Islami	Independent Commissioner	

2.2 Meetings of the Board of Commissioners

Throughout 2014, the Board of Commissioners held number of meetings as required by POJK 2 with respect to the performance oversight of the Board of Directors.



3. Committees under the Board of Commissioners

To help the effectiveness of the oversight function performed by the Board of Commissioners, the Company has established an Audit Committee and Risk Oversight Committee with the following responsibilities:

3.1 Audit Committee

The Audit Committee is responsible to monitor and ensure the effectiveness of internal control systems and the implementation of the tasks of internal and external auditors to conduct monitoring and evaluation of the planning and execution of audits in order to assess the adequacy of internal controls, including financial reporting process

3.2 Risk Oversight Committee

The Risk Oversight Committee plays a role in monitoring the implementation of risk management strategies formulated by the Board of Directors as well as assessing the risk tolerance that may be taken by the Company

4. Board of Directors

The Board of Directors is authorized and fully responsible for all activities of the organization and management of the Company, and the continuity of operations of the Company in accordance with the purpose, interest, and mission of the Company. The Board of Directors is responsible for the implementation of strategies, action plans, policies and budgets that have been established by the Company.

4.1 Membership and Composition of the Board of Directors

The composition of the Company's Board of Directors composition as of December 31, 2014 was as follows:

Name	Position	Reference
Edward Wei Jiat Ler	President Director	Notarial Deed of Shareholders Decision of PT ACE Jaya Proteksi No. 05 dated January 20, 2015, made by Liestiany Wang SH, M.Kn, Notary in Jakarta.
Sujaya Dinata Pangestu	Vice President Director	
Adi Darmaputra	Director	
Stephen Brian Dundon	Director	
Adrianto Gunawan	Director	

4.2 Board of Directors Meeting

Throughout 2014, the Board of Directors of the Company held number of meetings as required by POJK 2 with respect to the implementation of the tasks and responsibilities of the Board of Directors.

5. Committees under the Board of Directors

In supporting the effective discharge of its responsibilities, the Board of Directors of the Company has established the following committees:

5.1 Investment Committee

The Investment Committee supports the Board of Directors in charge of formulating investment policies and, and overseeing the implementation of those investment policies and strategies

5.2 Enterprise Risk Committee

The Enterprise Risk Committee has role in helping the Board of Directors to establish, maintain, and monitor compliance with the risk management framework that integrate risk management into all business activities



5.3 Product Development Committee

The Product Development Committee is responsible for reviewing and making recommendations to the Board of Directors regarding the product development plans, product marketing and distribution channels of the Company

IV. Internal Control System Implementation

The Board of Directors and Senior Management have the responsibility to determine the organization's objectives and determining the appropriate strategy to achieve these goals. In order to reach all these goals, the Board of Directors and Senior Management develop a comprehensive management process on the risks that arise through the development of appropriate organizational structures and processes; and the development of effective and sustainable Internal Control Systems.

The Board of Directors is responsible for the effective and sustainable Internal Control System, supported by the working units below:

- a) Compliance Unit
- b) Risk Management Unit
- c) Internal Audit Unit

In general, the Company adheres to and implements the internal control system through a model of "*three lines of defense*".

Broadly speaking, the "three lines of defense" model is a control system that is comprehensive and integrated, and as a model for risk governance which strictly separates between three (3) parts involved in effective risk management, which includes (i) those functions which run the daily risk management and risk control, (ii) those functions responsible for the oversight of risk management, and (iii) those functions that perform an independent assessment.

The following table shows the shared responsibility and the interaction of the role and responsibilities of risk management and comprehensive risk control environment that provides assurance that the primary duties and responsibilities are run effectively.



The Board of Directors and Management	Compliance and/or Risk Management	Internal Audit
First Line of Defense (Daily Risk Management and Control)	Second Line of Defense (Risk Oversight, Policy and Approach)	Third Line of Defense (Independence Assurance)
<p>Directly responsible for the risk management and control, normally on legal entity level and/or units business level.</p>	<p>Coordinating, facilitating and overseeing effective Risk Management Framework</p>	<p>Certainty of independence and management challenges as well as business functions in terms of the integrity and effectiveness of risk management controls</p>
<p><u>Senior Management</u> Setting/approving the strategy, establishing and maintaining risk management and internal control, including the setting of risk tolerance.</p> <p><u>Business/Functional Management/Legal</u></p> <ul style="list-style-type: none"> • Directly responsible for the risk management and risk control. • Possessing, operating and controlling processes associated with risk. • Managing and assessing the daily risks. • Supervision of the underwriting process. • Reviewing underwriting and claims metrics, audits and studies. <p><u>Local Underwriting, Claims, Operations, Finance and Product Development</u> Pricing and support for risk control, risk selection, risk modeling/metrics, and the loss reserves. Compliance monitoring and oversight role for the collateral management.</p>	<p><u>Enterprise Risk Committee</u></p> <ul style="list-style-type: none"> • Stipulating and implementing risk management strategy, including monitoring its effectiveness. • Identifying and assessing the emerging risks; escalating appropriate issues to the Risk Enterprise Committee, Directors or Management. <p><u>Compliance Function, Risk Management Function</u> The oversight function that is responsible for designing the Company's policy, setting direction, introducing best practices to ensure compliance and provide assurance oversight and monitoring to management and the Board of Directors.</p>	<p><u>Internal Audit</u> Objective assurance over the group internal control system effectiveness.</p> <p><u>Audit Committee</u> Undertaking strategic oversight on behalf of the Board of Commissioners on the effectiveness of risk management and control systems of the Company, including the management of insurance risk, financial risk, operational risk, and strategic risk as well as the level of risk appetite incurred by the Financial Conglomerate.</p> <p><u>Other third parties</u> Auditor, external actuaries, the regulator, and other independent review.</p>



V. Litigation Case

Throughout 2014, there was one (1) case of civil litigation against the Company, which was still in the process of completion as of December 31, 2014.

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