

. **Self-Assessment Scorecards System on Good Corporate Governance Practices.**

- A self-assessment scorecard checklist should be made on how far one company has implemented good corporate governance. This checklist will show the company where its good corporate governance meets the standard and where it requires improvement. The checklist must be nationally uniform, and have the backing NCCG and Indonesian government. Companies should also be able to use it no matter they are public listed companies, non public listed companies, state owned enterprise, or others.
- FCGI would research existing models, such as the German model on the scorecards of corporate governance, as the basis standards for the checklist. Funding needs to be found to develop the scorecard. The basic standard of the checklist would be proposed to the ADB forum when it is ready upon accomplishment.
- The self-assessment scorecard should be widely published. This checklist will be installed to the FCGI web-site (and other institution's web-site) so that the companies or persons are able to access it. Since the corporate governance has the voluntarily basis on its implementation, the aforesaid checklist will be the self-assessment for the company to appraise its corporate governance.
- The purpose of the self-assessment scorecard system is to allow management to assess their Corporate Governance practices within the company against best practice (internal use only) with the advantages that it is quick and easy.
- However, there are disadvantages on this system respectively not independent and lack of readily available self-assessment too (that therefore the FCGI could address this issue).

2. **The Independent Assessment on Good Corporate Governance (the benchmarking or the so-called 'quasi' ISO certification).**

- The idea of so-called 'quasi' ISO certification on Corporate Governance is (still) unfeasible for Indonesia. It has several disadvantages such as more complex than self-assessment and lack of readily available certification/benchmarking tool. Yet to create the market and the competition among companies in implementing good corporate governance, it is necessary to make such "benchmarking" for the company complying the requirements on good corporate governance. Besides there are advantages of the benchmarking as independent, and therefore can be used by external parties. The purpose of the benchmarking idea is to allow management to **independently** assess their Corporate Governance within the company against best practices (external use).
- The Independent Assessment can be conducted independently by the auditor of public accounting firm such as Ernst & Young, PricewaterhouseCooper, etc. or other rating bodies such as PEFFINDO. In regard to the basic standard of the aforesaid assessment, the FCGI or any other professional institutions can recognize and provide it thoroughly.

- Since the independent assessment is a continual process to the self-assessment, it is important to acquire independent assessment consistently with the self-assessment.
- Therefore the corporate governance requirements as set out in the self-assessment scorecard should be best independently assessed by the auditor as part of the audit of the company's financial statements. And since the arranging of annual report is related to the Accounting Standard, the corporate governance items should be associated with the accounting standard.

3. Public Award

- The public award has the purpose of to allow management to seek public exposure if their corporate governance practices within the company exceed best practice. The advantages of the public award are that the public award can be the media exposure (i.e. socialization) and reward excellence or "better" practice. Yet the reward can only be given to small number of companies.
- The award winning procedure consists of some steps are as follows:

1. Step 1.

Free entry by self-nominated companies or via sponsoring organization, willing to be or already committed to the following 6 (six) key principles: Accountability, Responsibility, Equitable Treatment, Transparent Disclosure, Creation of long-term value to all stakeholders, Promotion of Best Practices. Names of all the entries will be publicized in the mass media.

2. Step 2.

All entries will be short-listed by popular vote down to 50 to be again announced in the mass media.

3. Step 3.

The 50 top rankers will then be assessed on the following ten criteria and short-listed to only 10 (ten) finalist or 2 (two) for each of the 5 (five) aforesaid categories. For instance, the criteria to be executed are:

- (1). Number of independent directors on the Board and the degree of their independence.
- (2). Balance in the experiences of the Board members in view of the business growth, market competition, and control effectiveness.

- (3). The time and efforts devoted by the Board and other committees as judged by the issues and activities generated as a result of the Board and committee meetings.
- (4). Leadership of the Board and Committees in business ethics and law compliance by establishing a clear policy and guideline, setting tone at the top, and demonstrating good examples.
- (5). The transparency in conducting business, disclosing information, and reporting business results to the public and other stakeholder groups.
- (6). Existence of adequate and effective control measures to safeguard assets, preventive and detective measures against frauds and non-compliance to policies, laws and regulations.
- (7). Existence of an audit committee charter or a written policy ensuring the independence of internal audit function and instances that the balance of power is maintained.
- (8). Ability to sustain long-term growth and investors' value under a well-defined company's objectives, long-term strategic planning, business performance appraisal processes, and promotion of Best Practices.
- (9). Existence of the clearly defined policy on conflict of interest and preventive measures against employee's and management's practices in violation of the policy.
- (10). Existence of the business risk assessment and measures to reduce company from unacceptable risk exposure.

4. Step 4.

Decisions on the winners will be made after actual auditing by the Judging Committee on the three key areas respectively:

- (1). Effectiveness and leadership of the Board and the Board's committees
- (2). Application of the Good Corporate Governance principles in the Board's discharge duties.
- (3). Information disclosure and transparency in management process.

- It is also possible to make the independent assessment made by independent party as one of the requirement basis points in judging corporate governance practices of the company.

4. Training on Good Corporate Governance and the relation with the Institute of Directors and Commissioners.

- It is necessary to provide good corporate governance as a curriculum in universities and the business schools.
- Especially for the professionals corporate governance should be contained in the training conducted.
- Therefore, it is not necessary to establish a centralized institution on corporate governance training but let the available training institutions make the corporate governance as one of the training materials. The reasons are in regards with the **capacity** and the **distribution** of the training conducted.

1. Booklets in certain good corporate governance topics.

- to publish the booklets in certain topics, for instance the role of Directors, Commissioners, the relation within corporate governance and the local autonomy, etc. The booklet is going to contain the self-assessment scorecard checklist so that the companies distributed the booklet could conduct their self-assessment.

2. Other activity in corporate governance implementation: The consultation in a certain field of corporate governance (bank, IT, etc.) through web-site and publish the articles.

- These efforts are stressed on the individual role as members. The effective media is through web-site.
- It is also proposed to publish regularly (weekly or monthly) corporate government issues with a special spot in the newspapers and to make a TV program on corporate governance issues.