

THE IMPORTANCE OF TRANSPARENCY – FRAMEWORK FOR A BETTER INVESTMENT IN INDONESIA ENERGY INDUSTRY

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BACKGROUND

Nowadays business requires more transparencies as an important element

“....However, we believe that greater **transparency** of project data and risks would help to **capture potential capital**, and therefore **certain improvements** could make corporate reporting more **conducive to infrastructure and other long-term investment....**”

Source :
Unlocking Investment in
Infrastructure
- B20 Panel of Six International
Accounting Networks
Jun 2014

“.... **Transparency** of market prices and of government operations are the **foundations of efficiency and integrity, encouraging participation** by market players and citizens, and **spurring new ideas and innovations.....**”

Source :
Open data: Unlocking innovation
and performance with liquid
information
- McKinsey Global Institute
Oct 2013

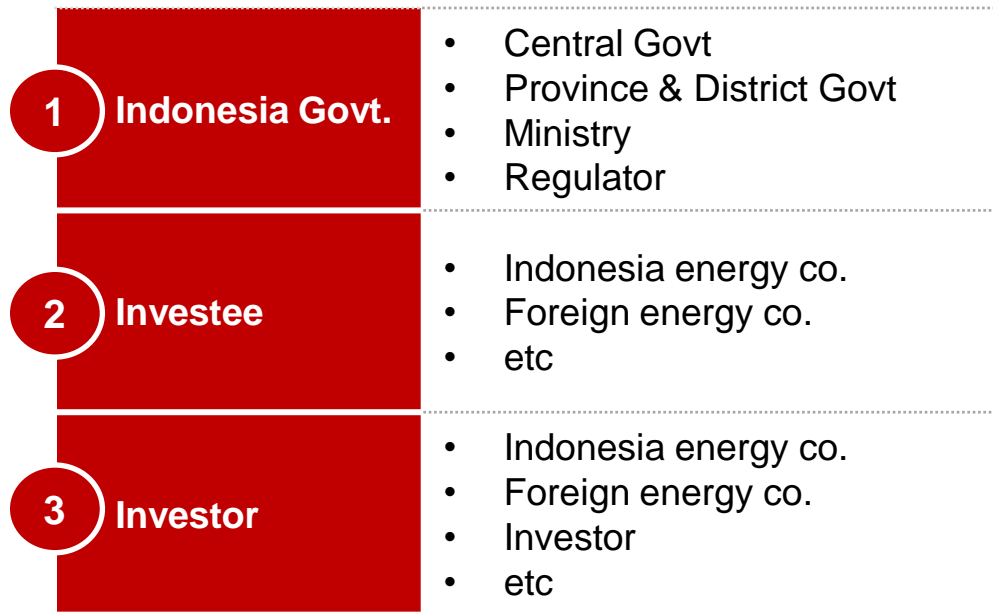
“....From a business point of view, **transparency reduces risks and uncertainties**, promotes patient investment, reduces opportunities for bribery and corruption, **helps unveil hidden investment barriers** and draws the line between genuine and less genuine policy objectives, assists investors dealing with 'thin' rules, **discourages 'conflicting requirements' situations between home country or host country**, contributes to the playing field among firms and facilitates sustainable development.....”

Source :
Public Sector Transparency &
The International Investor
- Organization for Economic Co-
Operation & Development
(OECD)
2003

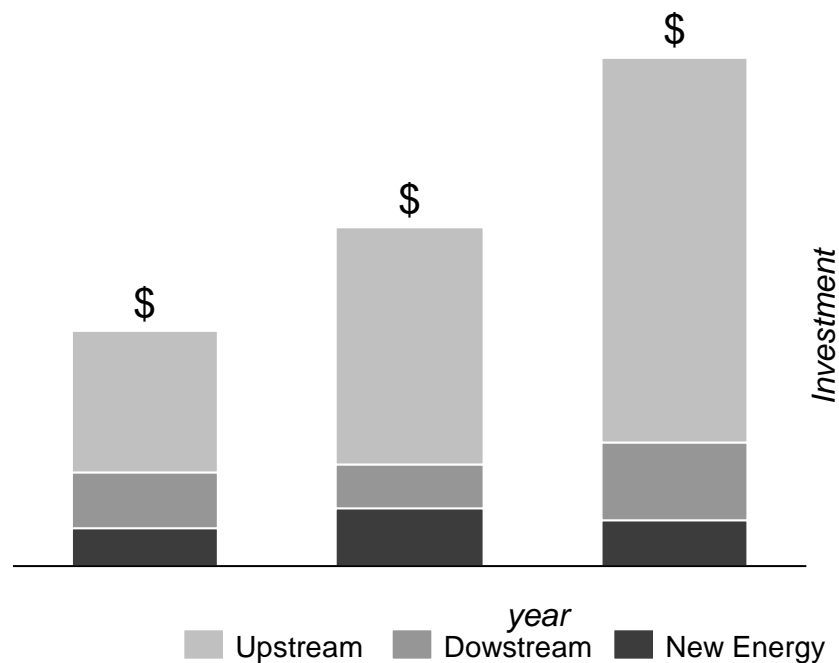
Transparency is a business' element that's getting more required by business nowadays. By providing transparency, it may reduce risk and uncertainty, it would provide accurate information on a timely basis, it may encourage investors' confidence, it allows efficiency in decision making process & spurs new innovations.

THE THREE PARTY

Unlocking transparency in Indonesia energy industry



*) Illustration only



Providing Transparency

- Easy access for information, regulation
- Transparency on decision making process
- Good corporate governance
- etc

Potentially Enhancing Investment Growth

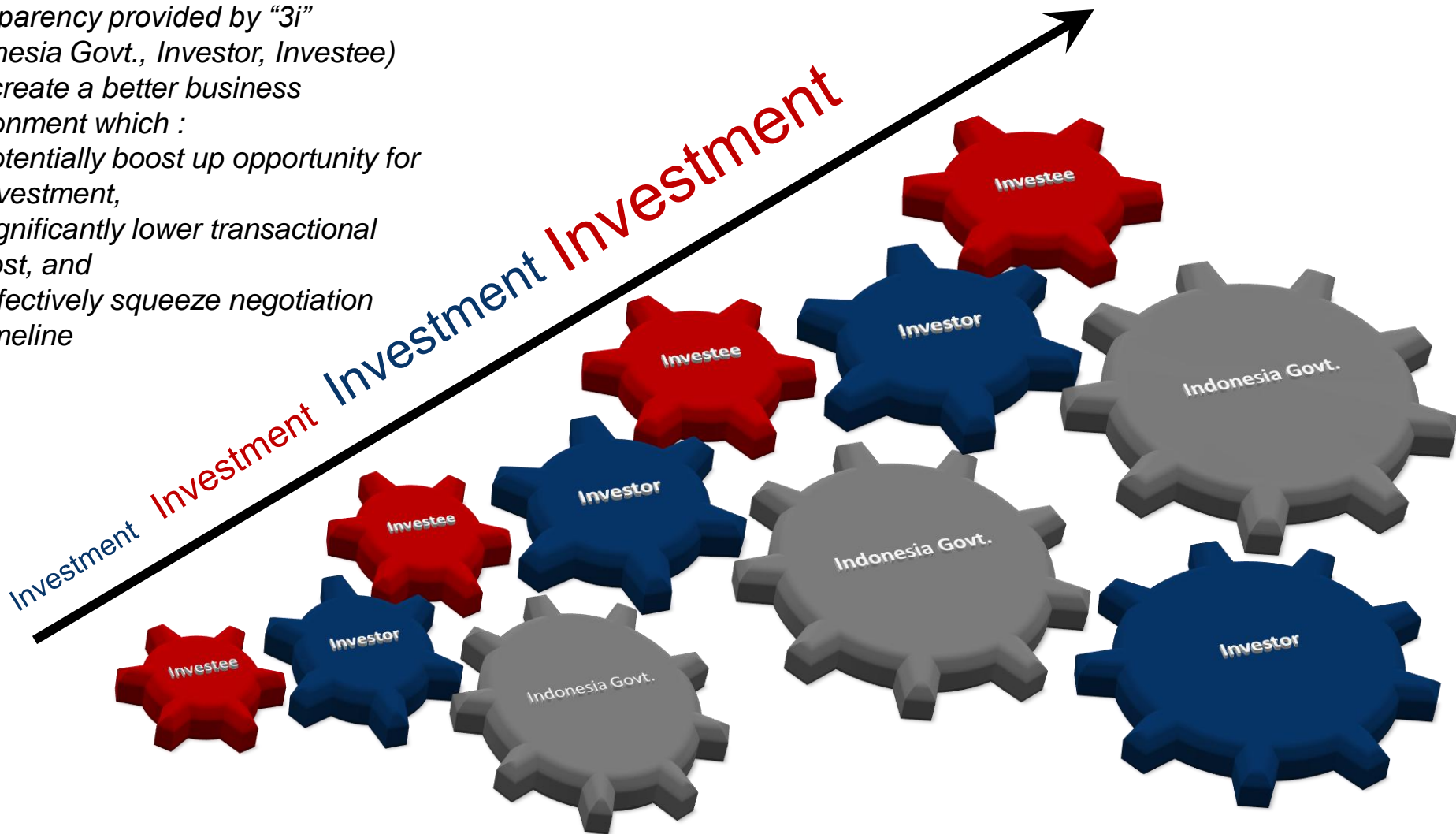
- More capital invested by investor as :
- they may reduce risk & uncertainty
 - more efficient decision making process available
 - etc

THE THREE PARTY

“3i” as the catalisator in business environment

Transparency provided by “3i”
(Indonesia Govt., Investor, Investee)
may create a better business
environment which :

- potentially boost up opportunity for investment,
- significantly lower transactional cost, and
- effectively squeeze negotiation timeline



THE GOVERNMENT

Indonesia investment climate needs government's transparencies to enhance investor's confidence

Indonesia Key Facts

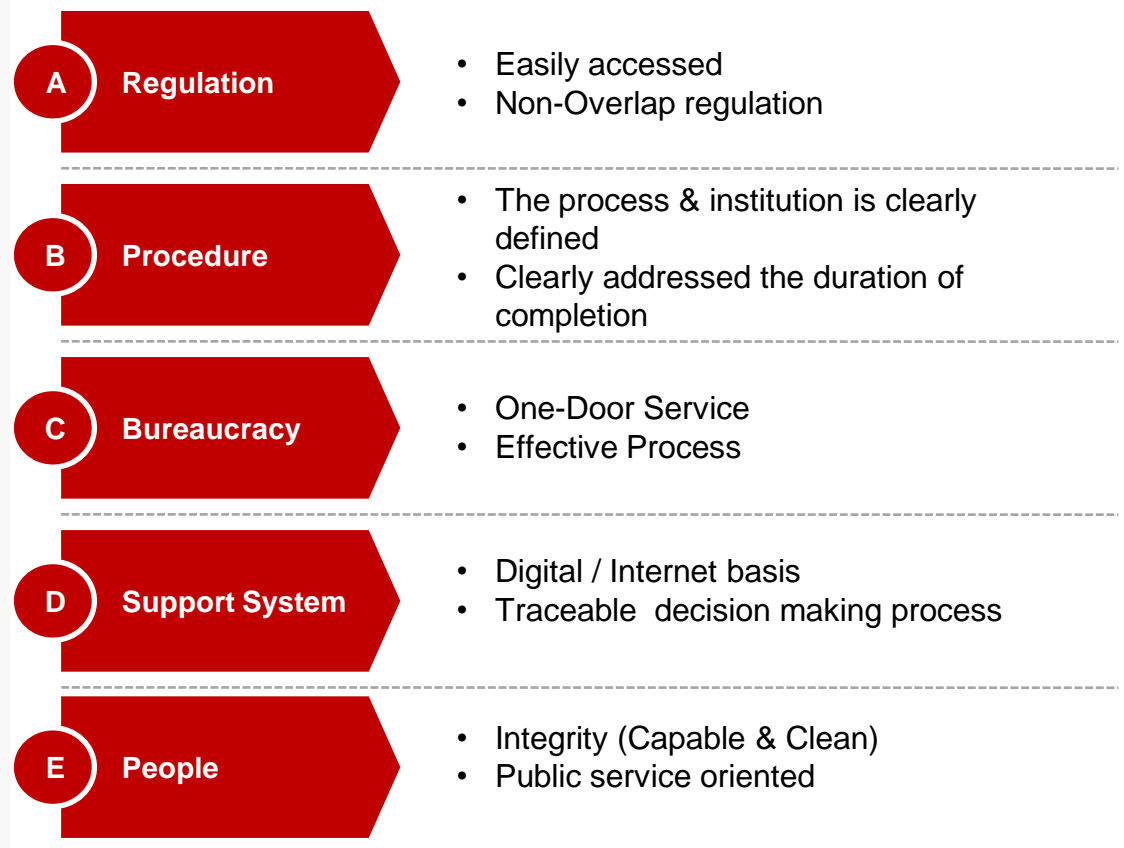
Business Monitor International – Oct 2014

“.... Investors in Indonesia are faced with a variety of hurdles in the process of setting up a business. The business environment is damaged by a range of restrictions on foreign direct investment (FDI), **high levels of bureaucracy, numerous trade barriers, endemic corruption and poor enforcement of intellectual property (IP) laws.** Consequently, **Indonesia scores poorly in BMI's Trade and Investment Risk Index, with an overall score of 41.9 out of 100** placing the country 19th out of 29 states in Asia....”

Resources Governance Index - 2013

“.... Indonesia received a “partial” score of 66, ranking 14th out of 58 countries. Relatively high scores on the Institutional & Legal Setting and Safeguards & Quality Controls components were **offset by a low Enabling Environment score....”**

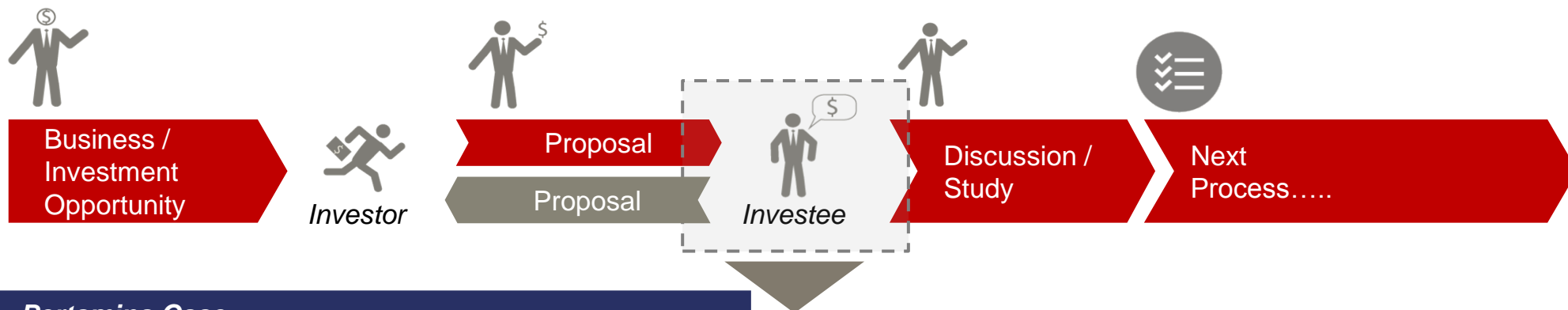
Govt. should provide transparency in such aspects :



THE INVESTEE

Investee's transparencies is important to enhance investor confidence, reduce potential risk in conflict of interest and effectively address the required path forward

Investee¹⁾ = a domestic / foreign entity in which direct investment is made or actively persuaded & proposed by a cooperation / investment proposal.



Pertamina Case :

Global Bond Issuance

- *Global bond issuance is one of the financing sources for Pertamina*
- *To convince investor, Pertamina has to transparently deliver its performance (financial & operational), and deliver its investment long term plan*
- *Pertamina financial report get audited and Pertamina get rated by credit rating agencies*

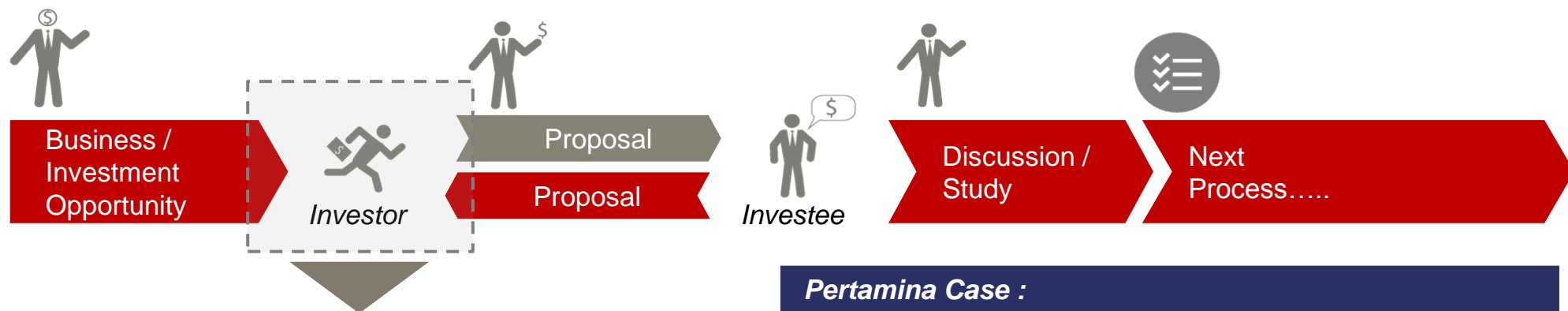
Investee should provide transparency in such aspects :

- *Company Long Term Aspiration*
- *Company Performance Report (Financial & Operational)*
- *Investment Decision Making Process / Steps*
- *Good Corporate Governance Commitment*

THE INVESTOR

Investor's transparencies is important to outline its investment purpose, address expectation, build commitment and express reputation to investee

Investor²⁾ = a domestic / foreign entity who makes a direct investment or actively persuades & proposes a cooperation / investment proposal.



Investor should provide transparency in such aspects :

- *The reasons / causes make investor come investee*
- *Investor expectation to investee*
- *Company Long Term Aspiration*
- *Company Performance Report (Financial & Operational)*

Pertamina Case :

West Qurna I Acquisition Project

- *In 2013, Pertamina was contemplating to acquire 10% stake in WQ I field, Iraq.*
- *As a Investor candidate at that time, Pertamina provided transparency in regard to :*
 - Rationales why Pertamina was contemplating to invest in WQ 1*
 - Pertamina financial & operational performance*
 - Long term plan of cooperation that Pertamina would like to build with Iraqi Govt.*

WHAT PERTAMINA HAS DONE

Pertamina as an Investor and as an Investee

INVESTOR

Transparent Rationale



Transparent Expectation



Annual Report

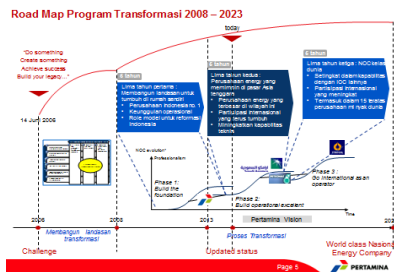


GCG Commitment



INVESTEE

Long Term Aspiration



Annual Report



GCG Commitment

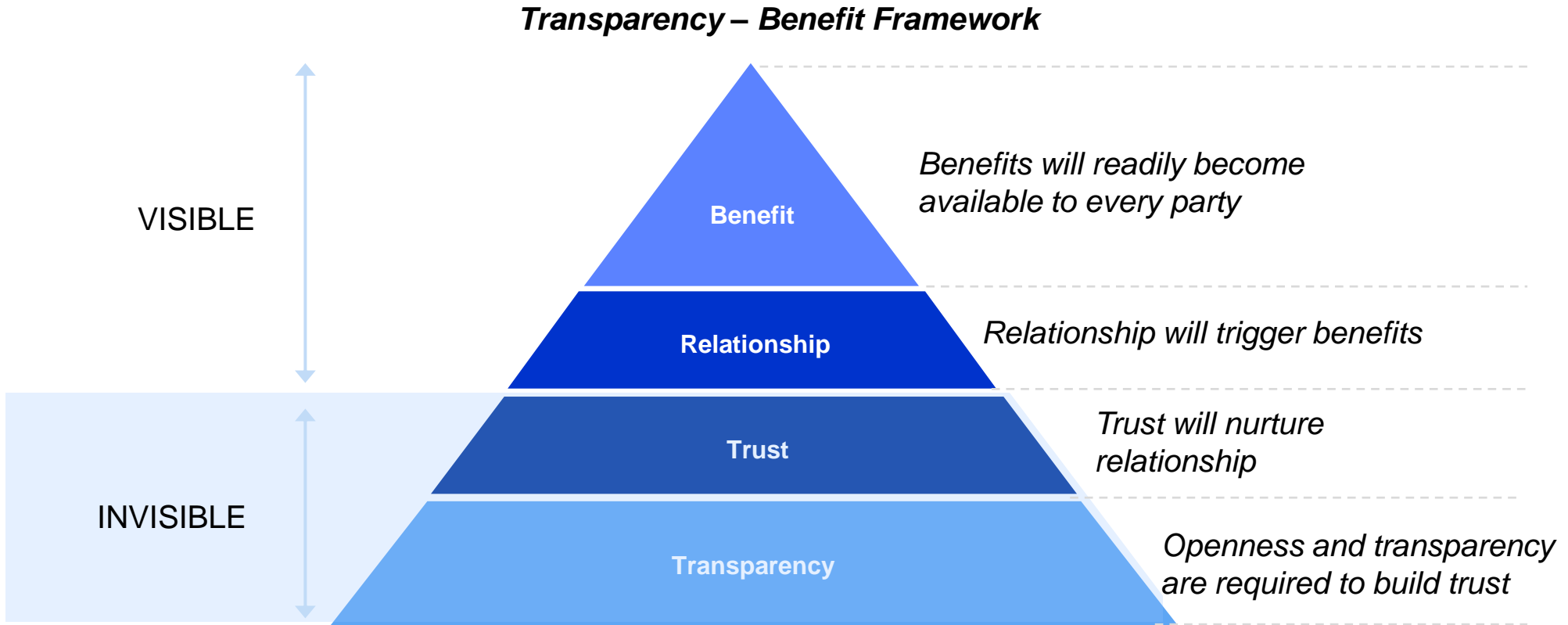


Bondholders Day



CONCLUSION

Transparency framework eventually would benefit all parties



THANK YOU

