



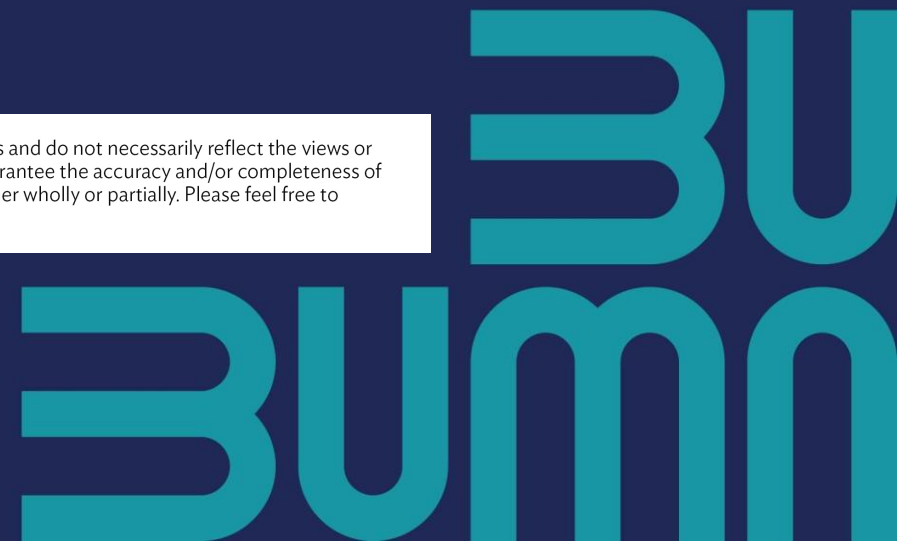
KEMENTERIAN
BADAN USAHA
MILIK NEGARA
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INDONESIA

Indonesia's SOE reforms

ADB Governance Forum

OCTOBER 2021

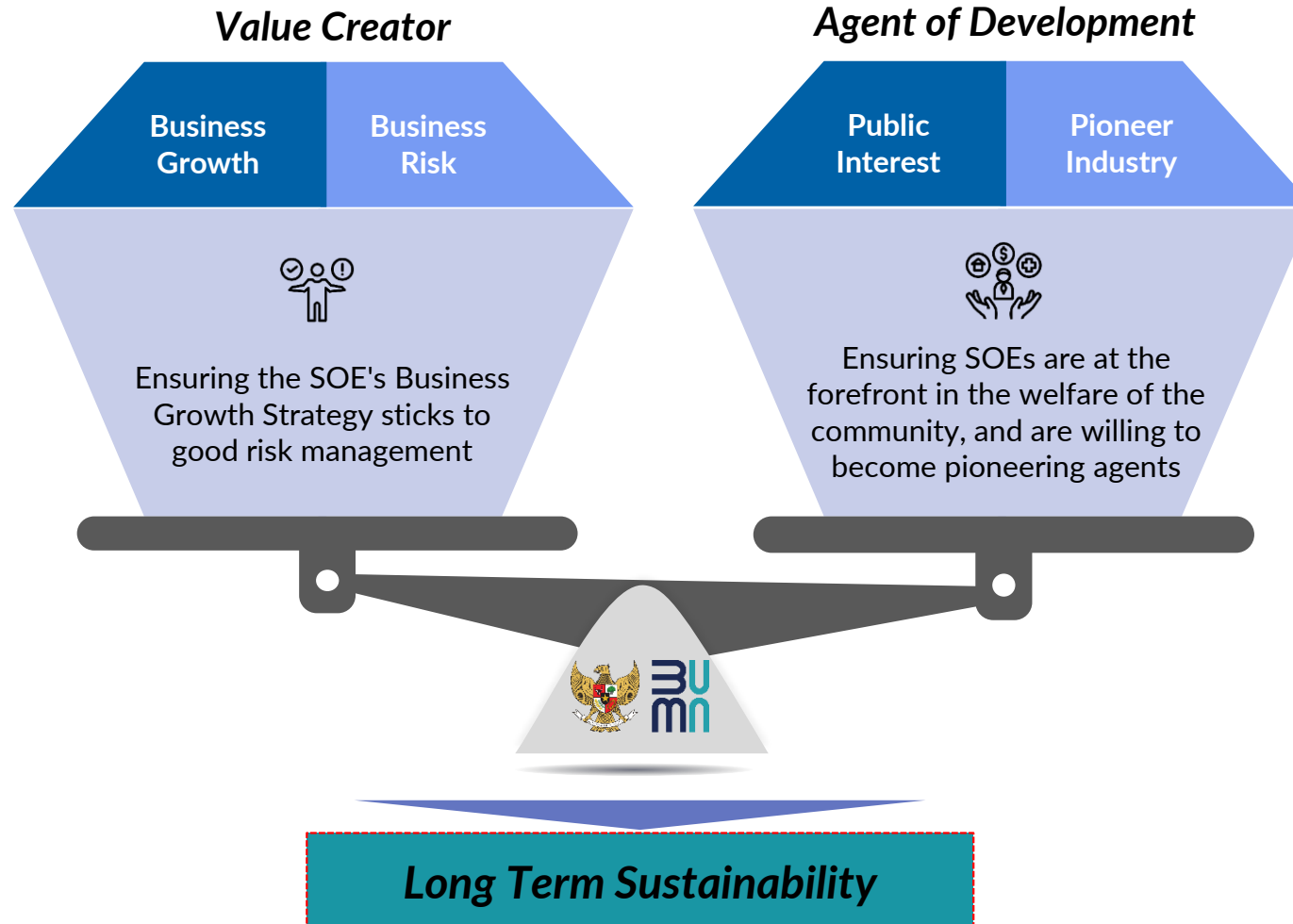
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Indonesia's SOEs are key towards creating economic value while balancing its mandate as the nation's agent of development

SOEs' business continues to grow and professionalize, with increasing number of private partnerships...

- SOEs contribution to the Indonesian Economy = IDR 3,295 Trillion over the last 10 years
- Total Assets of SOEs continue to grow to Rp 8,400 Trillion in 2020
- Expansion into Regional & Global Markets
- Growing partnerships



...while still becoming the forefront players for national development projects

- "One Priced Petrol Fuel" (PERTAMINA)
- Community Development by PNM
- Electricity Infrastructure on Rural area by PLN
- Infrastructure Development in Sumatra

Note: As regulated in Law 19/2003 (related to Indonesian State-Owned Enterprises), Indonesian SOEs must balance their roles as Value Creator and Agent of Development.

AKHLAK - Amanah, Kompeten, Harmonis, Loyal, Adaptif, Kolaboratif

However, SOEs face various long-standing constraints to their performances



Large number of SOEs with overlapping business & value chain

- 142 individual SOEs, many with overlapping core business and value chain
- Misalignment of SOE subsidiaries' core business with its respective parent Co



Major performance discrepancy amongst SOEs

- 43 of the 114 SOEs as of 2019 failed to meet low thresholds for financial viability¹
- Listed SOEs commercially outperform other SOEs ROE (~10 pp difference)



Operational and financial mismanagement

- Unstandardized GCG across SOEs
- Poor management and lax SOE governance and monitoring



Staffing and human capital limitations

- Uncompetitive remuneration standards
- Inconsistent merit system for human capital management

1. Achieving at least half of the sector average ROE for emerging market firms

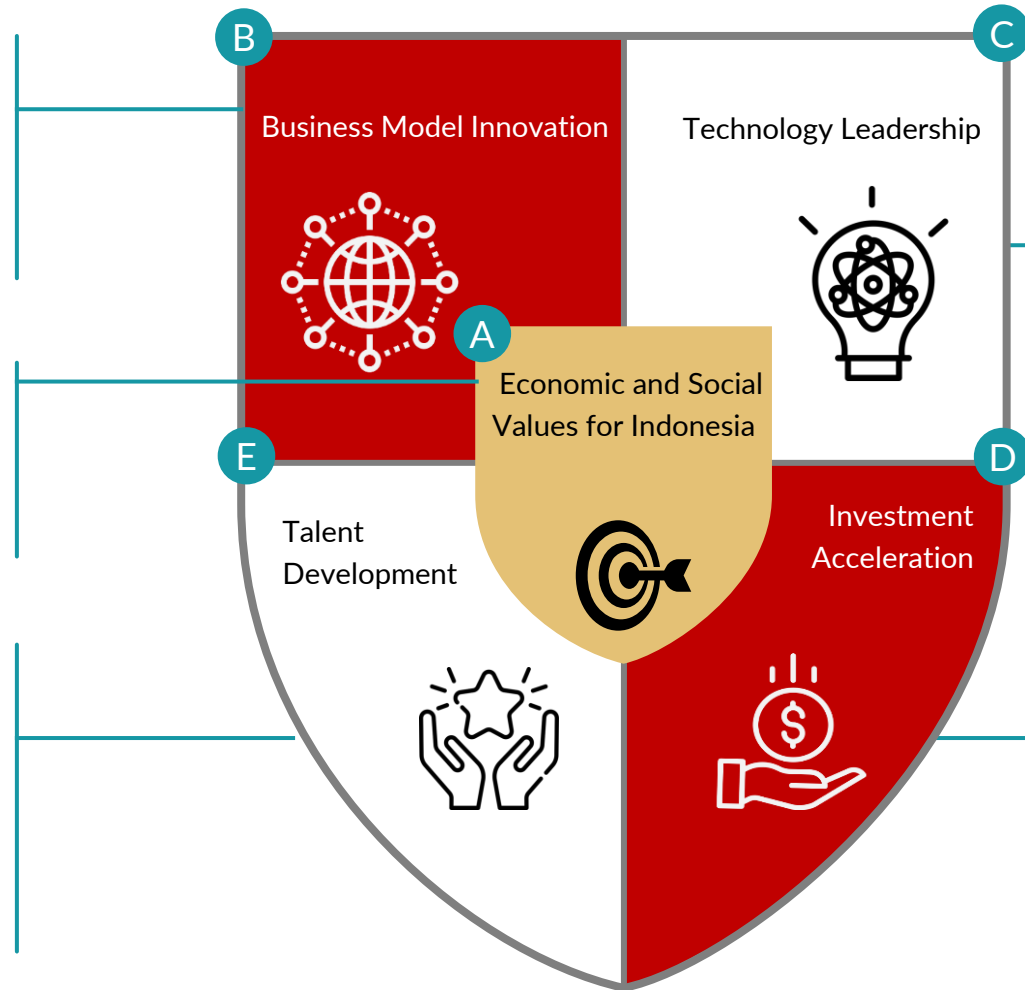
Source: MSOE internal data, ADB analysis

We have introduced 5 strategic priorities as our principles to reform and transform SOEs

Restructuring business models through ecosystem development, cooperation, consideration of stakeholder needs, and focus on core businesses

Increasing economic value and social impact, especially in food, energy and health security

Educating and training workforce, developing quality human capital, professionalizing governance and HR selection systems



Leading globally in strategic technology and institutionalizing digital capabilities such as data management, advanced analytics, big data, artificial intelligence, and others.



Optimizing asset value and building a healthy investment ecosystem

Our Covid-19 response as key considerations in SOE 2020-2024 roadmap development and alignment





3 Stages in SOE 2020-2024 Roadmap

Resilience & survival *Until Q4-2021*

- A1 Strengthen financial monitoring through intensive performance management 
- A2 Improve the foundation of SOEs' GCG along with organizational strengthening 

Restructure & recover *Until Q2-2022*

- B1 Establish SOE clusters based on supply-chain linkages and industry commonalities to increase synergies 
- B2 Improve SOE portfolios with corporate restructuring aimed at consolidating and streamlining 
- B3 Lay the groundwork for new and innovative business models
- B4 Institutionalizing digital capabilities

Reimagine & innovate *Until 2024*

- C1 Create opportunities for more collaborations with strategic partners
- C2 Make SOEs more inclusive



Initiatives completed as of October 2021

Intensive performance management across SOEs

Stress Test

Stress test conducted for SOE financial performance for 2020 projection basis several conditions:

1. Alternative IDR to USD exchange rate
2. Interest rate benchmark
3. Possible end of the Covid-19 pandemic
4. Other specific conditions



Assessment & Monitoring

Intensive monitoring towards SOE financial performance, specifically in 3 indicators:



Cash Flow Operating



EBITDA



Debt to EBITDA

Result

Action

GREEN

Accelerate Production, Investment, and Marketing

YELLOW

Manage cash flow, maintain interest bearing debt, evaluate investment

RED

Restructure companies' operation, gaining cash flow and reduce the debt

Note

GREEN

EBITDA POSITIF, CFO POSITIVE, DEBT TO EBITDA <5X

YELLOW

EBITDA POSITIF, CFO POSITIVE, DEBT TO EBITDA >5X

EBITDA POSITIF, CFO NEGATIVE, DEBT TO EBITDA <5X

RED

EBITDA NEGATIVE, CFO NEGATIVE, ANY DEBT AMOUNT

EBITDA NEGATIVE, CFO POSITIVE, DEBT TO EBITDA >5X

EBITDA POSITIVE, CFO NEGATIVE, DEBT TO EBITDA >5X

EBITDA POSITIVE, CFO POSITIVE, DEBT TO EBITDA >10X/NEGATIVE

Introducing first-ever uniformed core values across all SOEs



Robust onboarding for BOD and BOC across 5 fundamental GCG topics

COMPANY OBJECTIVES

Ensuring that the company's goals are achieved, with maintained sustainability, through supervision of all aspects of risk management, including risks in subsidiaries

MANAGEMENT EFFECTIVENESS

Ensuring the effective implementation of management functions, including the capabilities of members of the board of directors, and assisting shareholders in preparing for a sustainable company succession

AUDIT EFFECTIVENESS

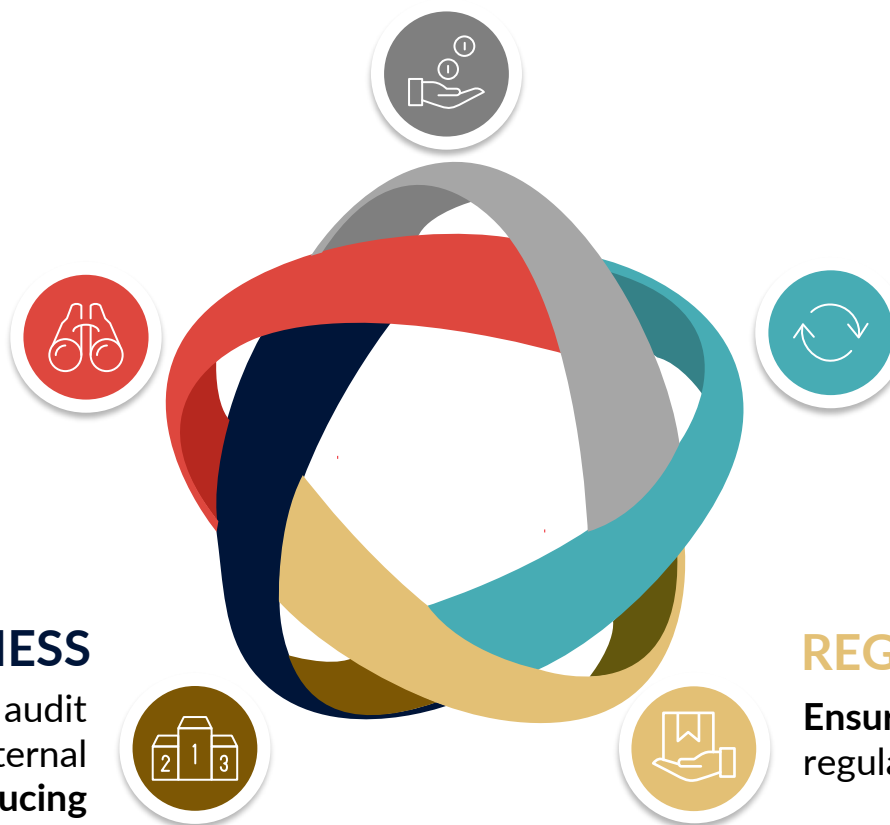
Ensure that the effectiveness of the internal audit function and follow-up on the results of internal and external audits is achieved, **thereby reducing company risk and preventing fraud**

FINANCIAL STATEMENT

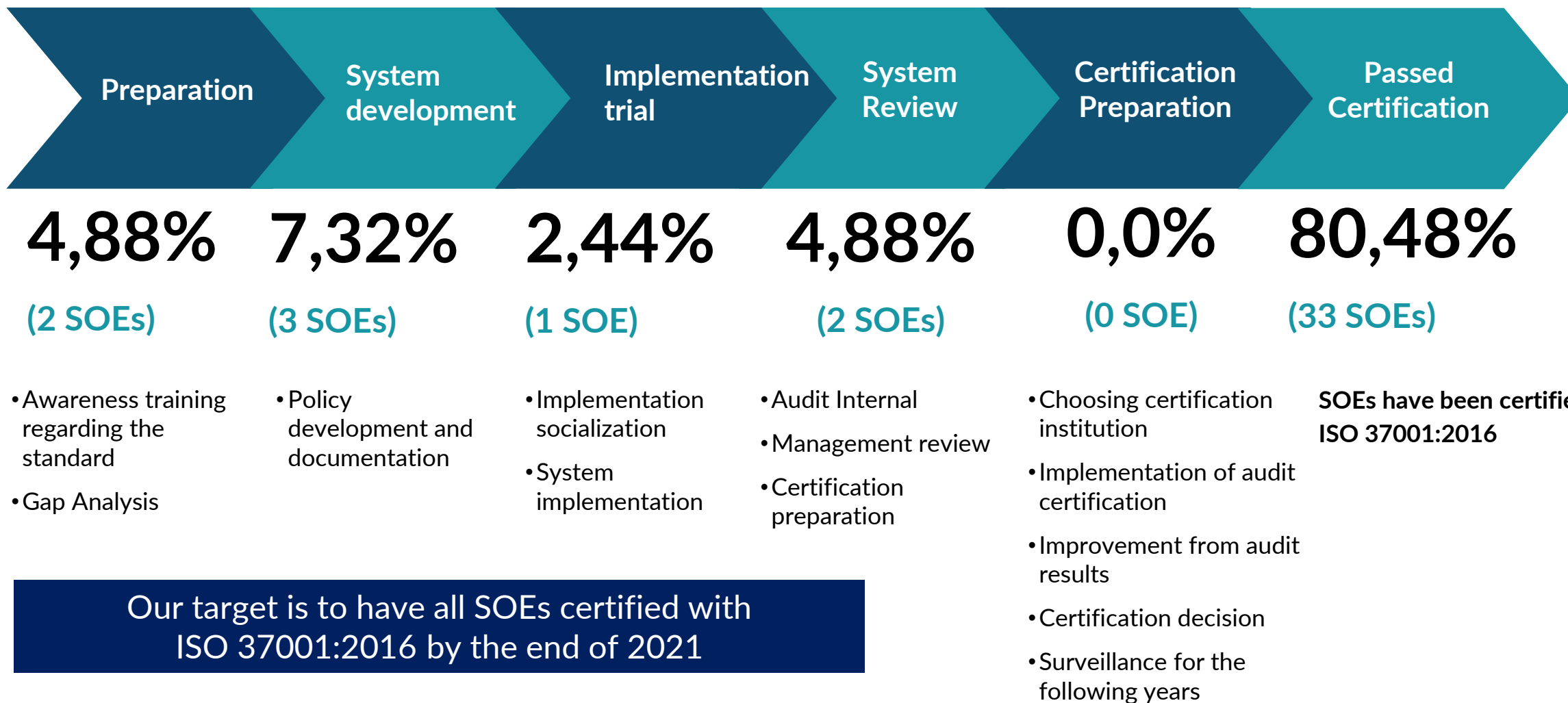
Ensure accuracy, fairness, and transparency of financial reports in accordance with high reporting standards

REGULATORY COMPLIANCE

Ensure compliance with various laws and regulations



MSOE encourages implementation of Anti-bribery Management System (ISO 37001:2016) across SOEs



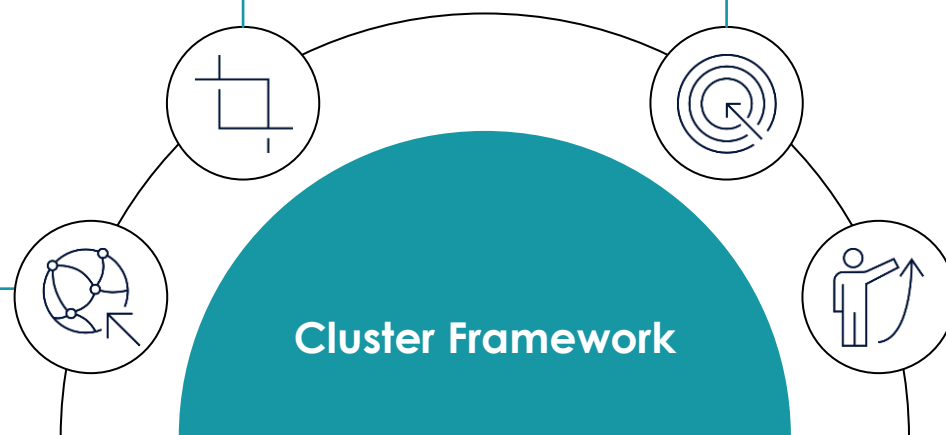
Cluster establishment to strengthen synergy, basis interconnected supply chain and core business similarities

Short term: streamlining the number of clusters to align with the global best practices and to keep the span of control to 6 clusters per vice minister.

Balancing the clusters' composition to align with their scale & complexity

Business model similarities (to share best practices and improvements), interconnected value chain (to create a balanced ecosystem)

Mid and Long Term: designate profit-based SOEs to collaborate with INA and monitor development impact of public service-oriented SOEs



Improving portfolio performance with corporate restructuring

Streamlining and consolidating corporate structure by merging small SOEs with similarities in value chain and/or business models, and by establishing Danareksa – PPA to scale up non-clustered SOEs.

~33%

Retained and
Developed

- High Market Share
- High Market Attractiveness
- Good Performance
- Highly Regulated
- Have Systemic Risks

~33%

Consolidated & Merged

- Low Market Share
- High Market Attractiveness
- Modest Performance
- Have Systemic Risks in Consolidation

~33%

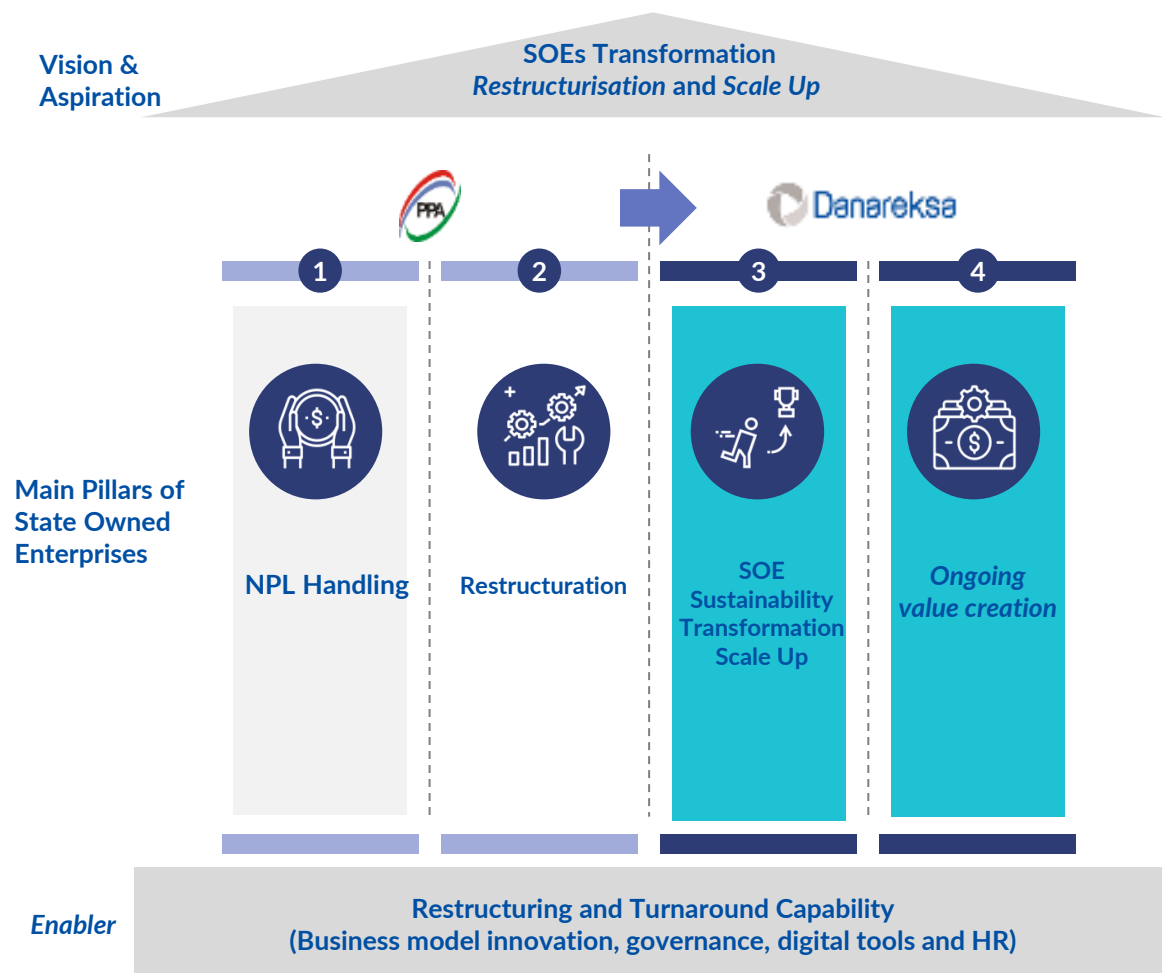
Managed by
Danareksa/PPA

- Low Market Share
- Low Market Attractiveness
- Good/Bad Performance
- Restructuring needed

SOEs have been streamlined from 142 to 108 enterprises and will be further downsized to 41 enterprises managed by the two SOE vice ministers. A move aimed to improve effectiveness, efficiency and added values to the state.

Danareksa & PPA Sub-cluster established to restructure and scale up small and distressed SOEs

Creating effective solutions for handling NPLs, restructuring, transformation and asset management.



ARCIL managed to reduce India's NPL from 10.4% to ~2.4% Yr 2008



KAMCO lowers South Korea's NPL from 8.9% to ~2.4% YoY 2002



CINDA lowering China's NPL from 20% to <5% in 2010

Danareksa PPA will be developed into a national asset management company where this concept has been applied in various countries to reduce NPL

Lay the groundwork for new and innovative business models

Indonesia Battery Corporation (IBC) Establishment

Electric Vehicle is a sustainable transportation solution and IBC is a breakthrough for SOEs to answer future challenges

Indonesia has strong potential for the Integrated EV industry

Strong position in upstream mineral resources

1 # World Nickel Reserves & Production

6 # Reserve Copper, Manganese, Aluminum

Big production and sales market 2025 Potential



8,8 millions unit

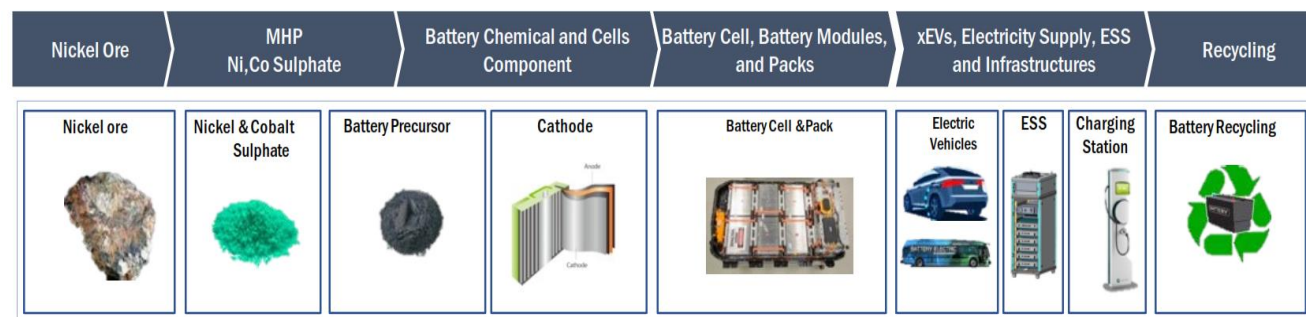


2 millions unit

IBC will play a role in the Electric Vehicle ecosystem with an initial focus on the business of making Batteries, Electric Vehicles, Energy Storage Systems, to battery recycling by partnering with global players

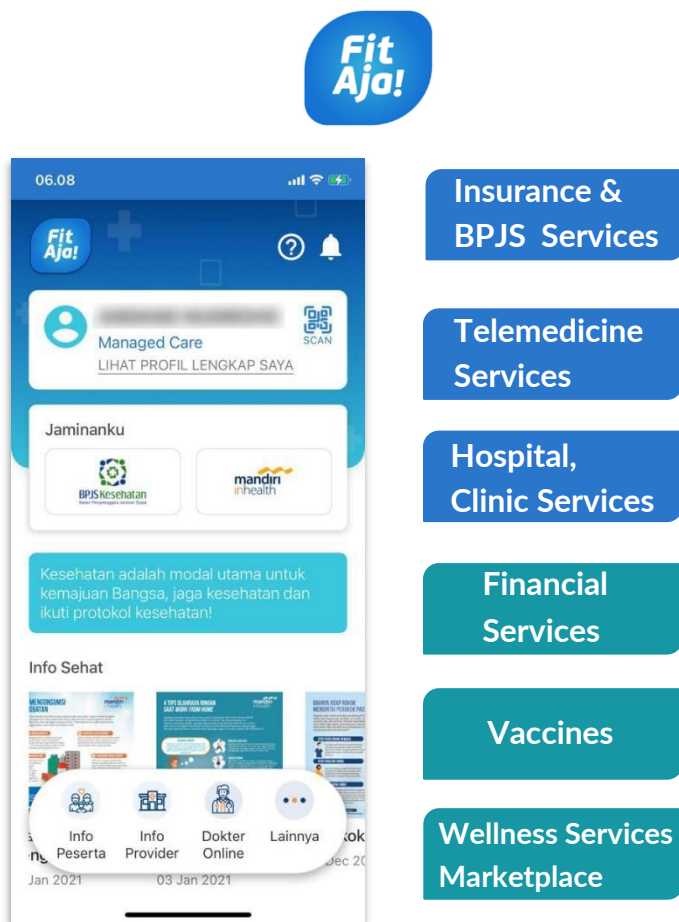


Indonesia Battery Corporation (IBC)



Other Partners

Integrated Digital Healthcare Super Apps : “FitAja”



PLN and Pertamina cooperate with Microsoft to develop Digitization



Performance Optimization Upstream and Downstream

Smart Metering for housing, industry, and government institutions (PLN)

Smart Grid Management to improve reliability and quality of service and data security (PLN)

Integrated Reservoir Simulation to track, predict, and mitigate upstream performance issues (PTMN)

Improved oil and gas well drilling performance (PTMN)

Leak Detection System on crude pipe (PTMN)

Digital Refinery for cost efficiency and increasing reliability of refinery maintenance (PTMN)

Price Analytics for crude oil (PTMN)

Corporate Digitalization

Implementation of **Cloud technology** and **Artificial Intelligence**

Smart Supply Chain for transparency and cost efficiency

Big Data Analytics for historical data analysis and forecasting

Executive dashboard and **Command Center** for monitoring operational and financial performance in real time

Enhanced **cyber security**

Automation process in office activities (Office Automation such as robotic process automation, integrated document management system)

Establishing SOE Strategic Projects along with Strategic Delivery Unit under MSOE

88 Strategic Projects
with large impact and high complexity



Will be monitored by the Strategic Delivery Unit (SDU)

Including IPO and Go-Global projects


14 IPO

**5 SOE
Go-Global**

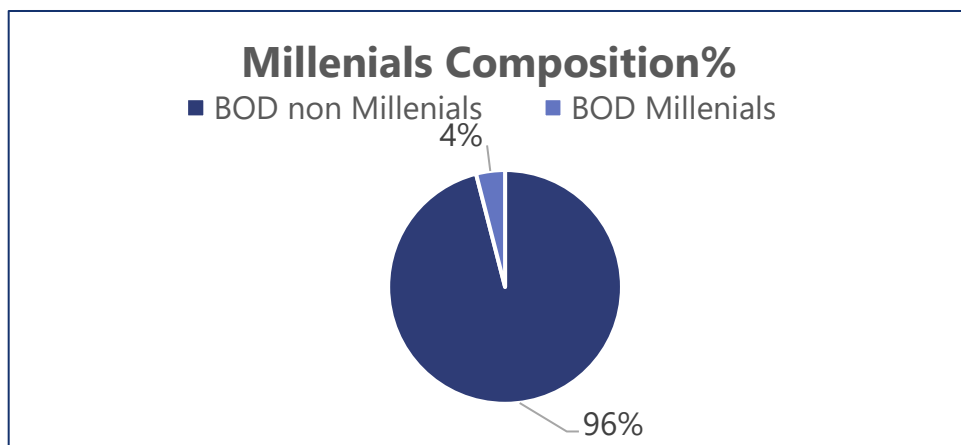
Ensuring a more diverse and inclusive top management

- A more diverse leadership tends to deliver better outcomes on average
- For profitable firms, increasing female leaders to 30% representation is associated with 15% increase in net revenue margin¹
- Indonesia ranks 101 in Global Gender Gap Index, well below average²

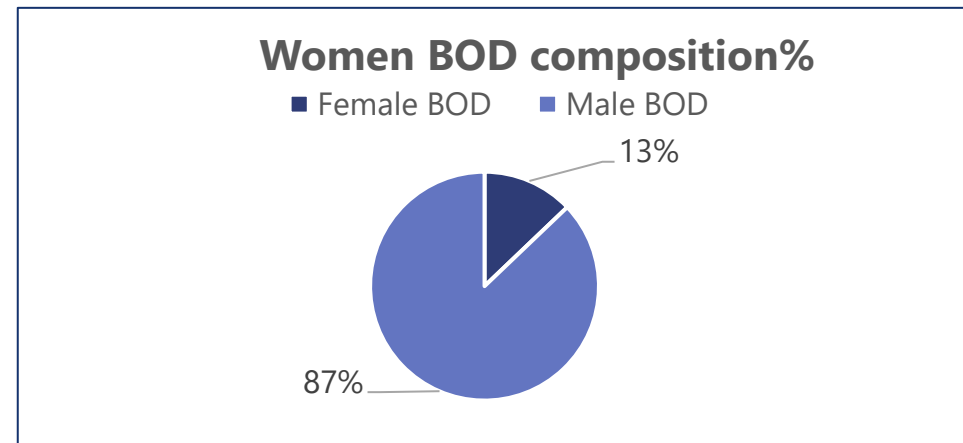
MSOE mandated SOEs to include diversity metrics since 2020

	2021	2024
Millenials BOD, BOD-1 Target	5 %	10 %
Women's BOC, BOD, & BOD-1 Target	15 %	25 %
Establishment of Srikandi BUMN		

Representation of Millenials (≤ 42 years old) and women in the current Top Management of SOEs:



The composition of millenials BOD currently only reaches 4% and is targeted to be 5% by the end of 2021



The composition of women's representation in the BOD is currently only reaches 13% and is targeted at 15% by the end of 2021

1. Increase from 0% representation to 30%; 2. Indonesia ranks 101 out of 156 Based on World Economic Forum Global Gender Gap Report 2021



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BUMN UNTUK
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Thank You

