

# CHAPTER I

## INTRODUCTION

### 1.1 Background

The author worked as a legal intern in PT Titan Infra Energy, according to the author's observations the legal team in PT Titan Infra Energy is mainly divided into 4 smaller teams which are Compliance, Corporate legal (Finance), Commercial (Operations) and Corporate Secretary although each team still helps one another if the workload is more than expected.

The Compliance Legal team is the team that ensures the transaction documents and the company documents have complied legally, the team also handles most of the due diligence work. They also are task to go to legal institutions to get the legal documents needed and will also sign the documents on behalf of the company.

The Corporate legal (Finance) team is the team that makes the legal documents needed for financing the company such as loan agreements with the bank, disposal of assets and Pledge of Shares Agreement.

The Commercial legal (Operation) team is the team that handles the legal regarding the transactions of business, the legal permits from the government needed conduct the business and other third party purchase agreements needed to conduct the business.

The corporate secretary legal is the team that handles the legal documents of the company such as NIB license, NPWP license, GMS (General Meeting of Shareholders), Commissioners and Directors Approval.

During the author's time working at PT Titan Infra Energy, the author mostly worked in the corporate secretary section of the legal team while also helping other parts of the team when they needed the author's help.

Understanding on what a corporate secretary is essential to understanding this internship report. According to Regulation of The Financial Services Authority Number 35/Pojk.04/2014 concerning Corporate Secretary of Issuers or Public Companies, "Corporate Secretary is an individual or person in charge of a work unit that carries out the function of a corporate secretary". Due to their significant role in the company's compliance with relevant legislation, corporations must possess this secretarial function, both in the form of personnel and work units.

One of the first things most of big companies do after being established is to hire a corporate secretary. A corporate secretary plays a crucial function in a company and is responsible for more than simply filing documents and carrying out routine activities like taking calls and completing other administrative work.

The corporate secretary plays a significant part in the organization's compliance with relevant rules. This duty is so crucial that Indonesia's Code of Good Corporate Governance stipulates that the company secretary will perform the compliance function if a firm does not have a dedicated compliance

department. Article 5 of Regulation of The Financial Services Authority Number 35/Pojk.04/2014 concerning Corporate Secretary of Issuers or Public Companies specifies the role of the company secretary. This article explains how the duties of the corporate secretary at a minimum least cover, “the areas of recordkeeping, external relations, law, and compliance. Such as following the development of the Capital Market, in particular the laws and regulations; Providing input to the Board of Directors (BOD) and the Board of Commissioners (BOC) to comply with the provisions of the laws and regulations in the Capital Market sector; and As a Liaison between public companies and shareholders, the Financial Services Authority (OJK), and other stakeholders”.<sup>1</sup>

The corporate secretary must also assist the Board of Directors and the Board of Commissioners in the implementation of corporate governance, which includes: Information disclosure to the public (including online), Submission of reports to the Financial Services Authority (OJK) on time, Implementation and documentation of the General Meeting of Shareholders (GMS), Organizing and documenting meetings of the Board of Directors (BOD) and/or Board of Commissioner (BOC), Implementation of the company orientation program for the Board of Directors and/or Board of Commissioners.

The qualification for becoming a Corporate Secretary is regulated in Article 9 Regulation of The Financial Services Authority Number 35/Pojk.04/2014 concerning Corporate Secretary of Issuers or Public Companies:

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<sup>1</sup> Peraturan Otoritas Jasa Keuangan Nomor 35 /Pojk.04/2014 tentang Sekretaris Perusahaan Emiten atau Perusahaan Publik

“A Corporate Secretary must be proficient in carrying out legal actions; needs to have the knowledge and understanding in the fields of law, finance, and corporate governance; understands the company’s business activities; well-versed into communicating; and domiciled in Indonesia”.<sup>2</sup>

It only makes sense to for a company secretary to be knowledgeable with Indonesian rules and regulations as the company secretary serves as the legal counsel of the company. With an inept secretary, your company may run the danger of breaking the law, paying fines, or finding yourself in a legal situation where you lose. For instance, the company secretary of an auditing firm should be aware of the deadline for submitting the audited annual reports to the registrar; doing so may subject them to fines which is terrible for the business.

A corporate secretary needs to be well-versed into communicating because when speaking with outside parties like shareholders and directors, a company secretary represents the business and acts in that capacity. Additionally, they must be able to arrange meetings with the company's directors including general meetings and annual meetings.

Company secretaries in Indonesia should be capable of handling other financial responsibilities, such as managing financial accounts, submitting tax returns and yearly reports, in addition to serving as the company's "right-hand man." Additionally, they must be prepared to take calls and respond to any queries a client may have. Although these accounting and auditing responsibilities can be outsourced, the company secretary should be able to comprehend, verify, and communicate with the businesses directly, which is why it is very important for a company secretary to have knowledge and understanding in finance in order to

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<sup>2</sup> *Ibid.*

reduce the likelihood that a company secretary may make errors that result in the company suffering a loss due to a simple oversight.

The system of directing and controlling businesses is known as Corporate Governance. It consists of the processes and structures put in place to ensure that a company is managed ethically and transparently, and that the interests of all stakeholders are protected. Good corporate governance practices are critical to a company's long-term success and instilling trust in its shareholders, employees, and customers.

The corporate secretary is an important figure in the implementation of good corporate governance in Indonesia. The corporate secretary is responsible for ensuring that all legal and regulatory requirements are met, as well as assisting the board in implementing good corporate governance practices. This includes maintaining accurate and up-to-date records of the company's activities, communicating with shareholders and other stakeholders, and ensuring that the company's policies and procedures adhere to best practices in corporate governance.

In addition to these responsibilities, the corporate secretary in Indonesia is responsible for ensuring compliance with the regulations of the Financial Services Authority (OJK) and the Indonesian Capital Market Supervisory Board (BAPEPAM-LK). This includes making certain that the company's financial statements and other reports are accurate and timely, and that the OJK and BAPEPAM-LK receive all relevant information.

However, corporate governance in Indonesia has a long way to go. Many businesses continue to fail to fully comply with OJK and BAPEPAM-LK regulations. This is due in part to a misunderstanding of the importance of good corporate governance, as well as a lack of resources and expertise to implement good corporate governance practices.

As a result, Indonesian companies must invest in improving their corporate governance practices. This includes providing training and development opportunities for corporate secretaries and other board members, as well as building strong relationships with stakeholders. Furthermore, it is critical to ensure that the company's policies and procedures adhere to best corporate governance practices and that the organization is transparent and accountable to all stakeholders.

Finally, the corporate secretary is critical to the implementation of good corporate governance in Indonesia. The corporate secretary ensures that the company is managed ethically and transparently, and that all stakeholders' interests are protected, by ensuring compliance with legal and regulatory requirements and assisting the board of directors in implementing good corporate governance practices. Companies in Indonesia must invest in improving corporate governance practices and ensuring that their policies and procedures meet industry best practices.

The rise of global competition in the economy, whether at home or abroad, nationally or internationally, can pose a risk to business, necessitating the

inclusion of opportunities and threats in a strategy that includes an excellent control system. There is an increase or decrease in economic development where there are changes in business operational performance every year. Poor corporate governance is alleged to be one of the causes of every country's political economy crisis. Indonesia, for example, is eager to improve its economy in order to achieve the goal of improving the economy.<sup>3</sup>

Indonesia follows the principles of Good Corporate Governance; examples of failed Corporate Governance include conglomerates that are not good at running their businesses and a corrupt government. A healthy national economy also entails following Good Corporate Governance principles. Every entrepreneur or person who wishes to run a business must follow this principle in order to avoid causing harm to the state.

The significance of Corporate Governance for the success of the company and the improvement of the community's social welfare is undeniable. The failure of many large companies in the United States (US) as a result of corporate governance weaknesses emphasizes the need to improve and implement corporate governance reform at the international level. Concerns about corporate governance have received a lot of attention in Indonesia since the country's economic crisis in 1997-1998. Many argue that one of the primary causes of the crisis was Indonesia's poor corporate governance.

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<sup>3</sup> Dedi Kusmayadi, *et.al*, *Good Corporate Governance*. (Tasikmalaya: LPPM Universitas Siliwangi, 2015)

The issue of Corporate Governance has arisen from time to time in Indonesia. This development arose in response to various corporate failures caused by poor corporate governance. It's difficult to deny that the term Good Corporate Governance (GCG) has grown in popularity over the last ten years. Not only is the term well-known, but it is also held in high regard. First and foremost, GCG is one of the keys to a company's success in terms of long-term growth and profitability, as well as winning the global business competition. Second, the Asian and Latin American economic crises, which are thought to have resulted from the failure of GCG implementation (Daniri, 2005).<sup>4</sup>

GCG has close ties to legal factors. A well-managed company is one with a long-term strategic plan, and in order to achieve this, it is necessary to consider the diverse interests of related parties.

In Indonesia, the application of GCG principles is influenced by cultural and historical factors. The two aspects of the principle are inextricably intertwined and cannot be separated; they are interdependent.

These factors impede the government's implementation and execution of various policies. The diversity and complexity of society contribute to the difficulty of developing an effective management concept.

GCG is important because its presence is one of the solutions for creating an environment conducive to business and can prevent all types of scandals in a

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<sup>4</sup> *Ibid.*

company, particularly in Indonesian companies, which have a high corruption culture.

The vitality of GCG management in Indonesia can assist businesses in escaping the economic downturn and is advantageous for Indonesian businesses that must contend with globalization and a competitive global market.<sup>5</sup>

PT Titan Infra Energy is an infrastructure, energy, and mining company that is considered as one of the largest government-supported energy program companies in Indonesia. The mining business during the author's internship is doing very well financially due to many factors happening in the world at the time.

In this internship report, the author will observe the daily operations of the company and determine if it adheres to "Good Corporate Governance". The author's job is to assist in the drafting of legal documents, including Internal Memos, Shareholder's Resolution, Commissioner's Approval Letter, Corporate Summary, Sale and Purchase Agreement (Stocks), and other legal documents. In Chapter III of this internship report, some of the documents will be elaborated upon for the reader's comprehension. The author chose PT Titan Infra Energy to intern at, not only because it is a mining company which is great, for there a lot of mining companies in Indonesia in turns making the information that this internship report provides more useful for the readers.

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<sup>5</sup> Willa Wahyuni, "Penyebab Good Corporate Governance Tidak Berjalan Dalam Perusahaan", <https://www.hukumonline.com/berita/a/penyebab-good-corporate-governance-tidak-berjalan-dalam-perusahaan-lt62d93c9cb1fe8/?page=1>, accessed on December 23, 2022.

The Examples provided in this internship report are some of the work documents that are allowed by his managing officer to be used in his internship report with the condition that the company's confidential information is not provided in the examples owing to the fact it may provide a liability in the future.

## **1.2 Formulation of Issues**

1. Has the corporate secretary in PT Titan Infra Energy implement Good Corporate Governance in day-to-day operation?

## **1.3 Purposes of Internship**

The purpose of this internship report is not only to fulfil one of the graduation requirements, but it is to provide more information and insight about the theoretically and practically on how to implement Good Corporate Governance as a corporate secretary.

## **1.4 Benefits of Internship**

The author hopes that the experience of this internship report is beneficial, to further the reader's understanding on implementing Good Corporate Governance as a corporate secretary.

### **1.4.1 Theoretical Benefits**

The author hopes theoretically, readers will achieve a higher legal understanding of Good Corporate Governance from reading this internship report.

### **1.4.2 Practical Benefits**

The author hopes practically, readers will understand better on how to implement Good Corporate Governance as a Corporate Secretary. Furthermore, it provides insight on the author's daily activities and can excel better at their future job from learning the author's experience.

### **1.5 Time and Location of Internship**

Author interns in PT Titan Infra Energy, domiciled at Graha Anabatic, Scientia Boulevard Lav. U2 Summarecon Serpong, Tangerang 15811, Indonesia from 21 March 2022 which ends on 15 December 2022.

### **1.6 Systematic of Writing**

In this report, the systematic of writing is divided into 5 chapters to support the understanding of the reader regarding the topic of this internship report.

#### **1. CHAPTER I: INTRODUCTION**

The first chapter provides an introduction for the thesis, followed by five subsections that covers the background of the topic, formulation of issues, purposes of internship, time and place of internship and system of writing.

#### **2. CHAPTER II: THEORETICAL BASIS**

The second chapter provides the theoretical basis of Good Corporate Governance and Corporate Secretary in general and according to Indonesia's Law.

#### **3. CHAPTER III: AN OVERVIEW OF THE INTERNSHIP COMPANY**

The third chapter explains the overview such as their background, history, vision, mission, and beliefs of the company that the author is working for and more details regarding the author's internship.

#### 4. CHAPTER IV: DISCUSSION

The fourth chapter provides a discussion and analysis on PT Titan Infra Energy's Good Corporate Governance and how the PT Titan Infra Energy implements it.

#### 5. CHAPTER V: CONCLUSION AND RECOMMENDATIONS

The fifth chapter provides the conclusion based on the internship report that the author wrote, and recommendations based on the experience and analysis that the author has received during internship.

