

# C Corporate Governance Report

The Company is committed to applying principles of good corporate governance towards the highest standard. We believe it is our responsibility to go above and beyond what is legally required in order to achieve the best benefits and sustained value for our stakeholders.

In 2007, we continued to seek out opportunities for improvement. Notably, we fully complied with the Indonesian capital market regulations issued by Bapepam&LK (the Indonesian Capital Market Supervisory Agency) and the Indonesia Stock Exchange (IDX) as well as the applicable capital market regulations issued by the U.S. Securities and Exchange Commission (US-SEC) and the New York Stock Exchange (NYSE). The improvements we adopted in 2007 include:

- Successful establishment of comprehensive internal controls for the financial reporting process to meet the regulated controls under Section 404 of the U.S. SOX for the second time. We are pleased to state that we fully complied with one of the most challenging U.S. regulations for the year ending 2007 with no material weakness reported.
- Successful launch of I-Policy, an electronic data bank of all the Company's policies in the Company's Internal Communications portal, to ensure that all employees are well informed and fully aware of Company's policies. The I-Policy also acts as the Company's electronic manual on Corporate Governance, which is accessible for employees and to provide updated information from time to time.

This Corporate Governance Report is based on the principles of Good Corporate Governance issued by the National Committee on Corporate Governance. It presents transparency, accountability, responsibility, independence, and fairness as the five guiding GCG principles.

## TRANSPARENCY

### • Principles

*To preserve and maintain objectivity in practicing business, a company must provide material and relevant information that is easily accessible and understandable by stakeholders. A company must take the initiative to disclose not only the issues are mandated by laws and regulations, but also other information are deemed necessary for shareholders, creditors, and other stakeholders to form a decision.*

We adhere strongly to the principles of transparency and fair disclosure in our interactions with our stakeholders to ensure timely, relevant, and accurate information is reported to the relevant market authorities within the stipulated timeline and in accordance with the applicable disclosure rules.

To ensure that investors, shareholders, and the public are well informed of the Company's performance and activities, we communicate all such information through various media, including our website, fact sheets, quarterly investor bulletins, corporate releases, mailing lists, and press conferences.

In 2007, the Company made public 42 items of material information and 27 material releases, all of which were reported in accordance with the prevailing regulations.

### **Corporate Secretary**

Our Corporate Secretary plays an important role in ensuring the Company remains transparent. Reporting directly to the President Director, the Corporate Secretary is in charge of managing relations with investors, the public, and internal parties, as well as corporate data. In March 2004, the Company appointed Strasfiatri Auliana as the Corporate Secretary.

The Corporate Secretary also chairs the Disclosure Committee, which ensures all corporate disclosure is accurate in all material respects, including compliance with the existing capital market regulations.

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### **Corporate Secretary Biography**

**Strasfiatri Auliana** has been Group Head Corporate Secretary since 2004. Before her current role, she has held several positions including Senior Vice President of Corporate Communications for Indosat from 2002 to 2004, Assignment Staff for the National Banking Restructuring Agency (BPPN) from 2000 to 2002, and various other positions with Indosat from 1987 to 2000. She earned a degree in Electrical Engineering from Bandung Institute of Technology in 1986.

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### **Disclosure Controls and Procedures**

To further strengthen the Company's transparency, we issued a disclosure policy entitled Disclosure Controls and Procedures and established the Disclosure Committee on June 14, 2004. The policy is regularly reviewed by the Committee and was last updated in 2007.

The objectives of the policy are that all material corporate disclosure is accurate and that all material information required is recorded, processed, summarized, and reported within the time periods specified in the applicable regulations on disclosure.

All material corporate disclosure is subject to review and comments by the Disclosure Committee and communicated to the Board of Directors.

The Disclosure Committee is responsible to the Board of Directors and its members comprise several senior executives under the Board of Directors, namely the Corporate Secretary and Group Heads, who are responsible for the Accounting, Controlling, Treasury, Internal Audits, Legal, and Risk Management.

In 2007, the Disclosure Committee held 27 discussion sessions through meetings and electronic mails.

### **Investor Relations**

Indosat went Public in 1994, by listing its shares on the Jakarta Stock Exchange (JSX:ISAT), Bursa Efek Surabaya (SSX:ISAT), and the New York Stock Exchange (NYSE: IIT). Indosat's shares on the NYSE are listed as ADS (American Depository Shares), equivalent to 50 shares each.

The number of shares during that period was 4 billion, with a nominal value of Rp 500 per share. On March 8, 2004, Indosat conducted a stock split to Rp 100 per share, resulting in an increase in the number of shares to 20 billion and an increase in the number of issued shares from 1,035,500,000 to 5,177,500,000.

As the liaison between the Company and the stock market community, we have established an Investor Relations Division, part of the Corporate Secretary Group. The Investor Relations Division is responsible for ensuring that the Company is transparent to the capital market communities, such as share and bond investors, analysts, trustees, rating agencies, self-regulatory bodies, depository banks, and other related financial institutions. Since March 2007, Armand Hermawan appointed as Head of Investor Relations.

Having an Investor Relations Division under the Corporate Secretary Group further demonstrates the Company's emphasis on having access to fair and equitable information under one command. With this structure, the same information is disseminated to all shareholders through various communication channels and media.

Regularly, once the financial reports have been submitted to Bapepam&LK and US-SEC, the Company conducts conference calls to promptly communicate the operational and financial developments of the Company.

In 2007, we held four (4) conference calls with extensive question and answer sessions to report our quarterly results, all of which were webcast for instant access by shareholders and investors. We also conducted extensive road shows that included ten (10) Non-Deal Road Shows and participated in seven (7) investor conferences in Asia, the United States, Europe, and the Middle East. Furthermore, we provided open access for all queries about the Company and responded to these through investor and analyst visits, calls, and electronic correspondence.

The Company endeavors to keep enhancing our transparency. This year we have added a lot of information in our Annual Report and seek your feedback on how we can further improve in the future.

## ACCOUNTABILITY

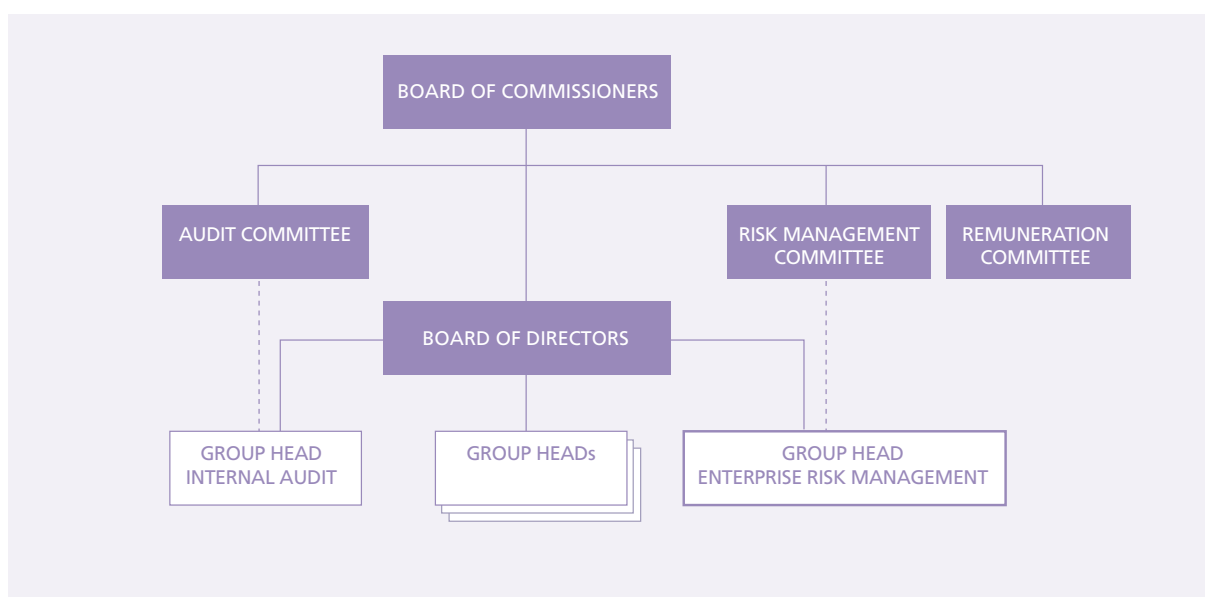
### • Principles

*A company must be accountable for its performance transparently and fairly. Thus, a company must be managed in a proper and measurable manner, in such that it is aligned with the interest of a company by also considering the interest of shareholders and other stakeholders. Accountability is a prerequisite to achieve sustainable performance.*

Our philosophy is that a transparent organization is subject to timely, comprehensive, and regular review by its stakeholders and the public as a whole. In turn, they will provide clear feedback to management and the board as to our performance, business conduct, principles, and values. Therefore, accountability is the key to the Company's performance and sustained growth.

### Corporate Governance Structure

The corporate governance structure and framework of the Company is carried out through a number of functions or structures, including the General Meeting of Shareholders, the Board of Commissioners, the Board of Directors, and the Committees. Each entity has its own roles and accountabilities that help to implement GCG effectively. Each entity carries out its respective function in accordance with applicable provisions based on the principle that each will act professionally in carrying out its duty, function, and responsibility in the sole interest of the Company. The following chart shows accountabilities of the Board of Commissioners and its Committees.



### Board of Commissioners and Board of Directors

As a limited liability company in Indonesia, we have adopted two regulating and supervisory boards, namely the Board of Commissioners and the Board of Directors, each of which has clear authority and responsibility based on its respective functions as mandated by the Articles of Association and related laws and regulations.

The Board of Commissioners acts as the overall supervisory and monitoring body with principal functions including reviewing our development plan, reviewing and approving the Company's budget, monitoring the performance of our work plan, providing recommendations to the General Meeting of Shareholders on the appointment of public accountants to examine the Company's financial condition for reporting purposes to shareholders, and on any other important duties and is to perform its duties, authority, and responsibilities in accordance with the provisions in our Articles of Association and resolutions from the General Meeting of Shareholders. Decisions above certain monetary thresholds must be referred by our Board of Directors to our Board of Commissioners or shareholders for their preview and approval.

The Company's Board of Commissioners consists of 10 Commissioners. Three members of the Board of Commissioners, representing 30% of the Board of Commissioners members, are Independent Commissioners, which is in accordance with Indonesian capital market rules. The Board of Directors (BOD) plays a key role in the implementation of good corporate governance in the Company. It is the Board of Directors' responsibility to endorse the organization's strategies, develop directional policy, lead, appoint, and manage the day to day business operations. The Board of Directors performs its duties under the supervision of the Board of Commissioners (BOC). To avoid any conflict of interest, members of the Board of Commissioners and Board of Directors cannot hold other jobs that could create such conflict, either directly or indirectly.

Currently our Board of Directors consists of 9 members. Each Director has specific skills to deal with different business issues. The Company defines the Directors' authority in each relevant policy. We believe that with clear delineation of authority, there will be appropriate accountability and commitment from each member of the Board of Directors to fulfill his or her responsibilities and duties.

Committees under the Board of Commissioners  
The Board of Commissioners is supported by three Committees; Audit Committee, Remuneration Committee, and Risk Management Committee. Each Committee has its own charter that determines its duties and responsibilities as approved by the Board of Commissioners.

#### The Audit Committee

The Audit Committee assists the Board of Commissioners in scrutinizing our financial information to be published and reviewing internal audit assessment reports submitted to the Committee, including to the Board of Commissioners, with regards to the risks faced by the Company and the implementation of risk management by the Board of Directors. The Audit Committee also reviews and reports any grievances concerning the Company to the Board of Commissioners.

As of December 31, 2007, the members of the Audit Committee were Lim Ah Doo (Chairman), Soeprapto, Achmad Rivai, Setio Anggoro Dewo, and Achmad Fuad Lubis. On June 5, 2007, Farida Eva Riyanti Hutapea was discharged from her position as one of the Independent Commissioners at the Company's Annual General Meeting of Shareholders (AGM) and ceased to serve on our Audit Committee. Setio Anggoro Dewo was then appointed as an Independent Commissioner. Achmad Rivai and Achmad Fuad Lubis also serve as independent members of our Audit Committee pursuant to Bapepam regulations requiring at least two outside persons to serve as members of the Audit Committee. The Audit Committee charter can be viewed in our [website www.indosat.com](http://www.indosat.com).

Please refer to item 6 in the 20-F chapter of the 2007 Annual Report for the biographies on Lim Ah Doo, Soerapto, and Setio Anggoro Dewo in Board of Commissioners section. Meanwhile, the biographies of our independent Audit Committee members are as follows:

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#### Audit Committee Independent Member

**Achmad Rivai** has been a member of the Audit Committee since 2004. In the past, he has held several positions including Independent

Commissioner of Indosat and Chairman of the Audit Committee of Indosat from 2001 to 2004, Commissioner of Indosat from 2000 to 2004, Director of Operations & Engineering of Indosat from 1996 to 2000, Commissioner of PT Satelindo from 1996 to 2001, Director of International Telecommunications of PT Satelindo from 1993 to 1996, General Manager of Operations and Engineering of Indosat from 1988 to 1991 and General Manager of Logistics and Development of Indosat from 1987 to 1988. He earned a degree in Electrical Engineering from Bandung Institute of Technology in 1975.

**Achmad Fuad Lubis** has been a member of the Audit Committee since 2001. He is an independent expert with executive experience in Human Resources, Logistics, Support Services, and Auditing. He earned a Masters in Business Administration from Institut Pengembangan Manajemen Indonesia (IPMI) in 1988 and a Bachelor of Engineering from the University of Tasmania in 1971.

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#### The Remuneration Committee

The Remuneration Committee is responsible for providing advice to the Board of Commissioners on remuneration, bonuses, and benefits for the Board of Commissioners and the Board of Directors.

As of June 20, 2007, the members of our Remuneration Committee were Sio Tat Hiang (Chairman), Lim Ah Doo, and Soeprapto. Please refer to item 6 on 20-F chapter of the 2007 Annual Report for more information on the Remuneration Committee. The Remuneration Committee Charter can be viewed on our website, [www.indosat.com](http://www.indosat.com).

#### The Risk Management Committee

The Risk Management Committee assists the Board of Commissioners in formulating policy pertaining to risk assessment and management. The policy emphasizes the effective execution of the risk management process and provides guidance for the prudent management of key company risks. The Committee also reviews the adequacy, comprehensiveness, and effectiveness of the implementation of the Company's risk management procedures and recommends improvement when necessary.

As of December 31, 2007, the members of our Risk Management Committee were Sum Soon Lim (Chairman), Roes Aryawijaya, Setyanto P. Santosa, and Sio Tat Hiang. Please refer to item 6 on 20-F chapter of the 2007 Annual Report for the information of the Remuneration Committee. The Risk Management Committee Charter can be viewed on our website, [www.indosat.com](http://www.indosat.com).

#### Satellite Strategy Committee

On March 3, 2006, the Board of Commissioners formed a Satellite Strategy Committee tasked with acquiring a new satellite to replace the existing satellite, due to expire in 2010.

The appointment of the Committee ended on June 30, 2007. The Committee has been successful in performing its tasks by procuring a new satellite from Thales Alenia Space France. The agreement for this procurement was signed on June 29, 2007. Upon the fulfillment of this procurement, the Committee was terminated.

#### Commissioners' Remuneration

The Board of Commissioners receives fixed and non-fixed remuneration consisting of an honorarium, incentives, insurance, bonuses, and other facilities and benefits, the amount of which is recommended by the Remuneration Committee and determined at the AGM. The total amount of the remuneration awarded to members of the Board of Commissioners is reported by the Company at the AGM.

For 2007, the remuneration of the Board of Commissioners approved at the AGMS on June 5, 2007, was Rp 20,000,000,000 and the distribution of said amount was based on the composition of the Board of Commissioners at the time of the AGM.

The remuneration was distributed, pursuant to the AGM, as follows:

- President Commissioner: Rp 1,969,229,487.- and
- Commissioners: Rp 1,792,201,084.- (average)

In practice, the remuneration of members of the Board of Commissioners may differ according to the duties and responsibilities of each Commissioner and the Board of Commissioners Committees. Details of the remuneration granted to the Board of Commissioners in 2007 are presented in the following table.

#### Directors' Remuneration

The Board of Directors receive fixed and non-fixed remuneration that consists of a salary, allowances, short- and long-term bonuses, and other facilities and benefits, the amount of which is recommended by the Remuneration Committee and the Board of Commissioners in accordance with the Extraordinary General Meeting of Shareholders ('EGM') held on March 8, 2004. The total amount of the remuneration awarded to members of Board of Directors was reported by the Company at the EGM. Details of the remuneration granted to the Board of Directors in 2007 are presented in the table below.

#### Commissioners' Remuneration

Period	Honorarium for 2007	Allowance for 2007	Committee Fee for 2007	Total
January – June	2,167,083,000	1,479,960,000	819,806,630	4,466,849,630
July – December	2,911,012,000	3,068,861,500	615,968,503	6,595,842,003
TOTAL	5,078,095,000	4,548,821,500	1,435,775,133	11,062,691,633

Note: Total cash excluding income tax for 2007

#### Directors' Remuneration

Period	Salary for 2007	STI (Bonus 2006)	STI (Bonus 2007)*	MPUP 2006-2008	Total
January – June	7,737,740,000	2,336,668,312	-	-	10,074,408,312
July – December	12,979,739,605	-	1,563,000,000	1,137,000,000	15,679,739,605
TOTAL	20,717,479,605	2,336,668,312	1,563,000,000	1,137,000,000	25,754,147,917

Note: Total cash excluding income tax for 2007

\*Bonuses for members of the Board of Directors who ended their tenure in 2007.

### Directors' Training

To further improve the Board of Directors' knowledge and insight, Indosat provides various trainings and courses for the members of the Board of Directors.

The Directors receive regular, structured trainings and briefings from senior officers in their respective fields of responsibility and attend relevant external executive courses. In addition, the Directors are briefed on new regulations, developments in good corporate governance best practices, information technology, emerging issues in risk management, as well as changes in accounting standards.

In 2007, the Board of Directors joined the following trainings: 3 GSM World Congress 2007, ESQ Leadership, Service Management Strategy, Team Building: "Spirit of Pirates", and other courses for executives.

To support the implementation of Good Corporate Governance, the Directors also participated in relevant GCG trainings, such as a Legal Liabilities training held by Sidley Austin, LLP and Assegaf Hamzah & Partners.

### Board Meetings and Share Ownership

The Board of Directors and Board of Commissioners as well as each Committee conduct regular board meetings to allow potential problems to be identified, discussed, and avoided.

In line with our belief in transparent and accountable behavior, meeting attendance must be published, along with the share ownership of the Board of Directors and Board of Commissioners in 2007, which is summarized in the following table.

As of December 31, 2007

Name	Position	Board Meeting	Indosat's Share Ownership	
			Number of Shares	Percentage
<b>Board of Commissioners</b>				
Peter Seah Lim Huat	President Commissioner	5 out of 5	-	-
Lee Theng Kiat	Commissioner	5 out of 5	135,000	0.0025
Sio Tat Hiang	Commissioner	4 out of 5	-	-
Sum Soon Lim	Commissioner	5 out of 5	-	-
Roes Aryawijaya	Commissioner	5 out of 5	-	-
Setyanto P. Santosa	Commissioner	5 out of 5	-	-
Sheikh Mohamed Bin Suhaim Hamad Al-Thani	Commissioner	0 out of 2	-	-
Lim Ah Doo	Independent Commissioner	5 out of 5	-	-
Setio Anggoro Dewo	Independent Commissioner	2 out of 2	-	-
Soeprapto S. IP	Independent Commissioner	5 out of 5	-	-

As of December 31, 2007

Name	Position	Board Meeting	Indosat's Share Ownership	
			Number of Shares	Percentage
<b>Board of Directors</b>				
Johnny Swandi Sjam	President Director	27 out of 34	30,000	0.0006
Kaizad Bomi Heerjee	Deputy President Director	30 out of 34	-	-
Fadzri Sentosa	Director or Jabotabek & Corporate Sales	21 out of 23	10,000	0.0002
Syakieb Ahmad Sungkar	Director of Regional Sales	21 out of 23	-	-
Raymond Tan Kim Meng	Director of Network	25 out of 34	222,500	0.0041
Roy Kannan	Director of Information Technology	18 out of 23	-	-
Wong Heang Tuck	Director of Finance	25 out of 34	75,000	0.0014
Wahyu Wijayadi	Director of Corporate Services	28 out of 34	152,500	0.0028
Guntur S. Siboro	Director of Marketing	20 out of 23	-	-

Note: Of the five Board of Commissioners' meetings in 2007, four meetings were attended by the Board of Directors and one meeting was a session for the Board of Commissioners only.

#### Developing the Company's Code of Ethics

To ensure that the Company's business is conducted with integrity and in compliance with applicable laws and regulations, we have enacted the Company's Code of Ethics, which is a guide intended to generate greater awareness amongst the management and employees on significant issues pertaining to the law and ethical conduct.

The Code of Ethics supplements our other policies, manuals, and internal regulations and is applicable to all employees, Officers, and Directors. Anyone who violates these policies in whole or in part is subject to disciplinary sanctions.

Our Code of Ethics can be found on the Company's corporate website, [www.indosat.com](http://www.indosat.com), which is accessible to the public. The Company posts its Code of Ethics on the Intranet and distributes it to all employees. The Company also reviews the Code of Ethics on a regular basis. In 2007, the Company further revised the Code of Ethics.

#### Enhance the Whistleblower Policy

In accordance with Section 301 of the SOX and consistent with the Company's commitment to uphold the highest standards of ethical, moral, and legal business conduct, the Company has formulated policies and procedures for employees and other interested parties to raise complaints or concerns relating to any impropriety or to the accuracy of the Company's financial statements, press releases and other publicly disclosed information, accounting, internal accounting controls, or auditing matters.

Putting in place such policies ensures that any concerns or potential wrongdoings are addressed before they adversely impact or disrupt the Company's operations or lead to financial or reputation loss. To promote a climate of accountability with respect to Company resources, including its employees, the policy ensures that no person feels at a disadvantage or fearful of retaliation when raising legitimate concerns.

The procedures for accessing information and ways of raising complaints or concerns are posted on the Company's corporate website, [www.indosat.com](http://www.indosat.com). The Board of Directors Decree on the Whistleblower Policy & Procedures is posted on the Company's Intranet which can be accessed by all employees. The Whistleblower Policy is reviewed on a regular basis and adjusted if needed. The last update to the Policy was in 2006.

#### Performance Indicator

The Company refined our key performance indicator ('KPI') system in 2006 to align our performance measurement with the new organizational structure. The performance indicators are assessed based on Individual, Group, Directorate, and Company levels. The effectiveness of the system is assured by aligning our incentives and bonuses for employees based on the KPIs achieved. The KPIs were developed through detailed study and planning conducted by the management with independent advisors and human resources experts including the Remuneration Committee.

The Company places great importance on KPIs as they reflect the accountability of the management to the Company's performance mandated by our shareholders and other stakeholders.

#### Internal Control System

Our Board of Directors is responsible for ensuring that the Company has satisfactory internal control, which is overseen by the Audit Committee. Our Internal Audit Group is responsible for evaluating, reviewing, and analyzing all activities within the Company and reporting those activities to the Board of Directors as well as the Audit Committee.

Since 2005, we have implemented risk-based audits in order to enable the Internal Audit Group to coordinate with business units in identifying the Company's risk exposure and to optimize Internal Auditor resources.

The Internal Audit Group and the Enterprise Risk Management Group (ERM) have assessed, analyzed, and mapped the risks of our all corporate activities. The Risks Map will be used by the Internal Audit Group to plan and undertake audit programs, especially the risk-based audit. While the Internal Audit Group provides the ERM Group with recommendations on improving procedures, the ERM Group provides the Internal Audit Group with added value in their risk assessments. The synergy of the ERM Group and the Internal Audit Group makes our Company's internal controls even more effective.

In carrying out the audit programs, the Internal Audit Group has structured its work into the following divisions functions:

1. Finance & Support System Audit Division
2. Business Audit Division
3. Operational & Technical Audit Division
4. Regional Audit Division (Greater Jakarta Area, Sumatra, West & Central Java, East Java, Kalimantan & Sulawesi, Maluku, and Papua)
5. Fraud & Investigation Function

During 2007, the Internal Audit Group conducted 84 audits, using the risk-based methodology, and produced 84 audit reports with a total of 568 recommendations.

As the Company is also listed on the New York Stock Exchange, the requirements detailed in the SOX section 404 regarding the assessment of the effectiveness of internal controls over financial reporting have been applicable since the 2006 fiscal year. The Company has assigned the Sarbox Compliance Management Group to ensure the application and compliance with the Committee on Sponsoring Organizations (COSO) framework and the SOX 404. In 2007, our Independent Auditors submitted their opinion on the effectiveness of the Company's internal controls in Form 20-F of our Annual Report filed with the US-SEC. In their opinion, the Company's internal control system in 2007 was effective.

## What is SOX?

The Sarbanes-Oxley Act is a United States Federal Law enacted on July 30, 2002 in response to a series of major corporate and accounting scandals, including those affecting Enron, Tyco International, and WorldCom. The Act is named after its sponsors, Senator Paul Sarbanes and Representative Michael G. Oxley.

The U.S. Securities and Exchange Commission and major stock markets including the New York Stock Exchange have adopted new rules to comply with the Act. The Act applies to U.S. and non-U.S. public companies that have registered securities, either debt or equity, with the SEC under the Securities Exchange Act of 1934.

### The main provisions of SOX among others are:

- Certification requirements (compliance with applicable reporting requirements, fairly presented financial statements, internal control structures, and disclosure control processes)
- Internal control report must include an attestation report by an independent auditor
- Disclosure requirements

## Compliance with Section 404 of SOX

We have successfully implemented the final requirements of Section 404 of the U.S. Sarbanes-Oxley (SOX) Act regarding internal controls over financial reporting in 2007. We are pleased to report that Indosat is in full compliance with Section 404 of SOX as required for the fiscal years ended December 31, 2006 and 2007, and we are among the first Indonesian companies to comply with SOX.

Our Independent Auditor, Purwantono, Sarwoko & Sandjaja, a member of Ernst & Young Global, conducted an attestation and produced a final report on Indosat's SOX compliance, which was included in our 2006 and 2007 Annual Report, Form 20-F.

*"In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO Criteria."*

### Our efforts to comply with Section 404 of SOX comprise:

- Addressing approximately 400 processes and 1,200 key controls
- Identifying and engaging process owners for major processes
- Focusing fully on controls critical to the integrity of the financial reporting
- Completing extensive testing to support management's assessment of internal controls over financial reporting
- Successfully completing our first fraud risk assessment.

### Independent Auditor

The Independent Auditor is appointed by the AGM based on the recommendations of the Board of Commissioners and the Audit Committee.

On the advice of the Board of Commissioners, the AGM held on June 5, 2007 gave its approval

for the appointment of Purwantono, Sarwoko & Sandjaja, member of Ernst & Young, as the Company's Independent Auditor for the audit of the annual accounts of the Company for the 2007 financial year, and delegated authority to the Board of Commissioners to stipulate the terms and conditions of their appointment.

The AGM also delegated its authority to the Board of Commissioners to appoint an alternative Public Accountants' Firm and to stipulate the terms and conditions of its appointment should the Accountant appointed be unable to carry out its tasks for any reason, based on the prevailing rules and regulations.

For further detail on Public Accountants' Firm fees and services please refer to 20-F report, item 16C of this Annual Report.

#### **Employment of External Auditor Personnel**

This policy was established to ensure the independence of our External Auditor is not compromised or impaired in connection with recruitment of former or current external auditor personnel and/or their close family members. The hiring policy of former employees of the Company's Independent External Auditor requires a "cooling off period" before recruiting former employees from the current External Auditor to defined positions within the Company. This policy is intended to comply with Bapepam Rule VIII.A.2 and Section 206 of SOX.

#### **Enterprise Risk Management**

Since the establishment of the ERM team in September 2006, risk management has become a part of our planning, reporting, and internal control assessment process through which we diligently seek to incorporate the expertise and insight of team members from all functions of the Company.

The purpose of the ERM team is to create a comprehensive and integrated approach to anticipating, identifying, measuring, prioritizing, and managing the portfolio of business risks that may influence the achievement of the Company's goals. The team was formalized as a Group in the governance structure and is responsible to the President Directors. The Group also reports its activities to the Risk Management Committee.

Based on the Company's risk management policy, the Enterprise Risk Management Manual and Roadmap was produced to guide all risk owners in the implementation of risk management in the Company. The ERM Group has also successfully put in place a risk culture for all business units and established a common understanding for managing risk in the Company.

In order to safeguard the interests of the Company, all enterprise level risks to the Company have been successfully identified, assessed, and communicated to all risk owners. Action plans to mitigate these risks have been developed to ensure their effective management.

We rolled out a comprehensive mediation framework in mid-2007 to all business units down to the process level. All business unit and group level risks are monitored and reviewed quarterly by the Enterprise Risk Management Group, which reports to the Board of Directors and the Risk Management Committee. The Group also regularly monitors the risk owner's capability to manage risks and help raise it to the required level.

See "Risk Factors" in Section 20-F, page 78, for a more detailed view of the Company's risks in this Annual Report.

#### **Corporate Values**

The Company believes that people play a key role in ensuring the successful implementation of and compliance with good corporate governance. Hence, the management has put a lot of emphasis on and effort into inculcating corporate values into the culture of the entire organization.

The measures taken by the management include internal website communications, workshops, and corporate gatherings to drive acceptance and awareness by all in the organization. Our corporate values, summarized in the Indonesian expression

Insan Gemilang, stands for Integrity, Teamwork, Excellence, Partnership, and Customer Focus.

## RESPONSIBILITY

### • Principles

*A company shall abide by laws and regulations and fulfill its responsibility to the communities and environment for the purpose of maintaining long-term sustainability of the business and being recognized as a good corporate citizen.*

The Company has always been committed to complying with regulatory requirements. As an Indonesian public limited liability company, we are governed by the Articles of Association and the Indonesian Law on Limited Liability Companies (Undang Undang Perseroan Terbatas) and must comply with the listing requirements of the Indonesia Stock Exchange ('IDX') and are subject to the regulations published by the Indonesian Capital Market Supervisory Agency (Bapepam). As a foreign private issuer on the New York Stock Exchange ('NYSE'), we are also subject to its listing rules as well as the requirements laid out by the United States-Securities Exchange Commission ('SEC').

We also abide by the requirements set forth in the SOX described on page 40

In addition, because our bonds are listed on the IDX, Luxembourg Stock Exchange, and the Singapore Exchange, we are also required to comply with the covenants and indentures in effect in those markets. The payment of bond interest and profit sharing has been carried out in accordance with the stated schedules. We constantly monitor our credit and corporate rating every year to provide timely and updated information to investors and the public by publicizing it in the newspapers as well as on our website.

Our recent credit and corporate ratings are as follows:

Rating	Agency Ratings
Pefindo	<sup>id</sup> AA+/Long Term
Moody's	Stable Outlook Ba1/LC Currency Issuer Rating Ba1/LC Corp Family Rating
Standard & Poor's	Stable Outlook BB/LT Foreign Issuer Credit BB/LT Local Issuer Credit
Fitch	Stable Outlook BB-/Foreign Currency LT Debt BB-/Local Currency LT Debt

We are committed to complying with other rules and regulations in Indonesia, including telecommunications regulations. However, occasionally the Company is involved in various legal actions and claims from third parties. Please refer to item 8 in Section 20-F, page 173, on Legal Proceedings in the Annual Report.

### Responsibilities to the Employees

People are the key drivers for building sustainable business. We are responsible for equipping our people to sustain our business. We believe in continuously upgrading and improving our people, which includes providing a conducive and supportive learning environment. Learning is seen as an important component of our corporate culture and can be structured and unstructured, formal and informal. An effective learning process enables people to grow and develop new skills and capabilities that put them in a good position to support the Company's vision. To prepare the next-generation of Indosat leaders and employees, we also have our own comprehensive and modern training center in Jatiluhur, West Java, called the Indosat Training Center (ITC).

The training center strengthens Indosat's learning environment. The training center is not only for developing our own employees but also open to external parties to support to the improvement of the Nation's skills.

To show our managements' commitment to encouraging training and learning, training is set as part of our employees' performance evaluations. We recognize training as an important driver and success factor for the Company. In 2007, the average number of training days per employee was 15.8, an increase of 18.8% compared to 13.3 days per employee in 2006. The training and development programs for employees comprise 1,914 programs in the form of in-house trainings, external trainings, online trainings, as well as project trainings. All of our employee training programs attended by all employees reached a total investment of Rp 28.2 billion, an increase of 22.6% compared to Rp 23.0 billion in 2006.

To demonstrate our responsibility to our employees, we also provide a comfortable working environment and various facilities such as a canteen, nursery room, medical clinic, sport facilities, and other facilities.

In 2007, we fully implemented the merit-based remuneration program, which links with performance, including special incentives for network development acceleration. The Company has also developed an HR information system which covers online approval for business travel, expenditures, medical reimbursements, as well as online learning including 'Mylearning'.

#### **Responsibility to Customers**

Customer satisfaction is critical to our success. We have established a number of measurement systems to monitor call drop, call success ratios and other issues at the Indosat Customer Care Center. This can help our Customer Service staff in addressing any problems promptly. We have improved our customer service with the help of external experts. More importantly, we conduct regular surveys on customer satisfaction so as to continue improving our services.

#### **Responsibilities to Partners**

Our business partners are an important part

of our success. Our partners, including dealers (distributors), vendors, banks, and content providers help to grow our business. Dealers and vendors are the frontliners for servicing our customers and gaining new subscribers, which contribute to our top line performance. We revamped our distribution system in 2007 to strengthen our distribution network and reach so that better mutual benefits can be achieved. This new distribution system brings dealers into our business value chain, ensuring their continued business viability and ability to help us grow our performance.

We have improved our payment process for vendors, reducing the time needed to make payments and automatizing our procurement process, making transactions fair and faster.

#### **Responsibilities to the communities**

As part of our corporate social responsibility to our communities and in accordance with our mission to help create a better living environment for the communities we operate in, we further enhanced and expanded our social programs for communities.

Underlying our social care program is the vision of our role in helping create long-term sustainable programs. Our CSR program focuses on four main areas: education, with 'Indonesia Belajar'; health, with 'Indonesia Sehat'; natural disaster relief, with 'Indosat Peduli'; and a joint contribution program between us and our customers through the 'Berbagi Bersama' program.

A more detailed description of our CSR activities during 2007 is provided in the CSR section of this Annual Report, page 58.

In line with our commitment to building sustainable communities, we have supported the United Nations (UN) initiative called the UN Global Compact since 2006.

### What is the UN Global Compact?

The UN Global Compact was formed in 1999 to bring business and industry together to be more closely associated with the UN's work. Companies that sign the Global Compact commit to working toward the implementation of the ten UN Global Compact principles on human rights, labor standards, the environment, and the fight against corruption. For more information on UN Global Compact, please visit [www.unglobalcompact.org](http://www.unglobalcompact.org).

At the General Meeting of Shareholders, the shareholders also exercise their voting rights with regard to the composition of the Board of Commissioners and Board of Directors, the allocation of Indosat's net income for dividends, and important resolutions. Shareholders also have a voice in determining the policies and direction of the Company and the election of External Auditors and their fee structures.

## We uphold the principles of the UN Global Compact

We share the beliefs outlined in the guiding principles of the UN Global Compact and consider them to be prerequisites for long-term business growth that benefits all our stakeholders. We uphold the principles of the UN Global Compact and strive to incorporate these principles into our Company strategy and culture. We uphold the principles of anti-corruption through the enactment of the whistleblower policy and the code of ethics. We also undertake regular discussions with the union to review our agreement with them and to ensure we comply with the current labor standards. To implement our environmental policy we invested considerable time, effort, and a sizeable investment in our corporate social responsibility program, including studying the possibilities for alternative energy in our cellular base station towers to reduce fuel use. Our social programs focus on education and health, in line with the current concerns of our Nation. To uphold our human rights principles, we regularly review our employment policy to ensure its compliance with the Ministry of Labor regulations.

### INDEPENDENCE

#### • Principles

*To accelerate the implementation of the GCG principles, a company must be managed independently with an appropriate balance of power, in such a manner that no single company's organ shall dominate the other and that no intervention from other parties shall exist.*

#### General Meeting of Shareholders

The General Meeting of Shareholders is the Company's organ that facilitates shareholders to make important decisions regarding their investment in the Company by observing provisions in our Article of Association as well as the related rules and regulations.

#### Indosat's Annual General Meeting of Shareholders 2007

The AGM was held on June 5, 2007, at the Indosat Building, Jakarta. Indosat's Board of Commissioners, Board of Directors, and related external parties were present at the meeting.

Decisions taken at the 2007 AGM include:

1. Approval of the Annual Report of the Company for the financial year ended 31 December, 2006; the ratification of the financial statements of the Company for the financial year ended 31 December, 2006; and the approval of the full release and discharge of the Board of Commissioners from its supervisory responsibilities and of the Board of Directors from its managerial responsibilities in relation

to the Company, to the extent that their actions are reflected in the financial statements of the Company for the financial year ended 31 December, 2006.

2. The determination of the allocation of net profit for the financial year ended December 31, 2006, with the following composition:
  - For reserve funds: 1% of net income, equivalent to Rp 14.10 billion
  - For dividends: Rp 129.75 per share
  - The remaining amount will be allocated for reinvestment and working capital
3. Determination of the amount, time, and manner of payments of dividends for the financial year ended December 31, 2006.
4. Approval of the appointment of Public Accounting Firm Purwantono, Sarwoko & Sandjaja, a member of Ernst & Young Global, as the Company's Independent Auditor to audit the Company's financial statements for 2007 on the advice of the Board of Commissioners and the delegation of authority to the Board of Commissioners to determine the terms and conditions of such appointment. The AGM also delegated the authority of the General Meeting of Shareholders to the Board of Commissioners to appoint an alternative Independent Auditor, including the determination of the terms and conditions of the appointment should the appointed Independent Auditor not fulfill or implement its task for any reason whatsoever, based on the prevailing rules and regulations.
5. Approval of the appointment of the President Director, change in composition of the Board of Directors, and the appointment of a Commissioner. The detail and biographies of the Board of Directors and Board of Commissioners can be seen in Form 20-F, section 6 in the 2007 Annual Report.

## FAIRNESS

### • Principles

*In conducting its activities, a company must always consider the interests of shareholders and other stakeholders based on a fairness principle.*

## Equal Treatment of Shareholders

In accordance with one of the principles of good corporate governance, every shareholder is to be treated fairly and equitably. We treat all our shareholders equally and all enjoy the same access to receive timely updates of material information from Indosat.

## Preserving the Rights of Shareholders

The Company respects the rights of all shareholders and continuously strives to help shareholders exercise their rights effectively, by communicating information and encouraging shareholders to participate in general meetings held by the Company.

The 2008 AGM will be held in Jakarta, in June 2008. The AGM announcement will be advertised, along with the agenda and information on how shareholders can give notice of attendance, on Indosat's website and in two (2) major national Indonesian newspapers in Bahasa Indonesia as well as in one (1) major national Indonesian newspaper in English.

These announcements are also disseminated to our U.S. shareholders through the Company's depository bank. We also provide proxies with the same detailed information to enable non-Indonesian speaking shareholders to participate; the AGM is translated simultaneously in English. All information materials are also available in English.

Resolutions at General Meeting of Shareholders are normally passed by simple majority. However, the Indonesian Companies Act requires special quorums and majorities in certain cases. For more information on the shares of Indosat, please see "Share Information" in the Annual Report, page 10.

To avoid selective disclosure, the Company disseminates public information materials and other information through the Company's website. For inquiries, contact numbers are clearly stated and accessible to all shareholders and the public.

The General Meeting of Shareholders offers shareholders the opportunity to raise questions regarding the Company and the

results of the year under review. The members of the Board of Directors, the senior management, the External Auditor and other relevant parties are all present to answer such questions.

### Prohibition of Insider Trading

Based on the existing laws and regulations, Directors or employees who have access to or knowledge of non-public material information from or about the Company are prohibited from buying, selling, or otherwise trading our stock or other securities of the Company. Such insiders are also prohibited from giving “tips” on non-public material information, either directly or indirectly, disclosing such information to any other person, including family members, relatives, or friends, so that they may trade in the Company’s stock or other Company’s securities.

To avoid any insider trading, the Company applies a trading window policy every quarter. The trading window policy is based on the concept that the period following a company’s quarterly earnings disclosure is a safe time to sell (or buy) company stock by insiders. The trading window period opens two business days after the Company issues its quarterly earnings release and closes 10 business days afterwards. The purpose of the two-day interval is not just to allow the market to react to the earnings release but also to allow the market to digest such information. During this period, analysts and the financial media are likely to comment on the results which can affect the stock price.

### Equal Treatment of Our Employees

We believe in treating all employees fairly and equitably, with respect and dignity. We value the rich diversity and creative potential of people from different backgrounds and abilities. A culture of ‘equal opportunity’ in which success depends on personal merit and performance is encouraged throughout our operations. Every year we conduct an employee satisfaction survey to assess our Human Capital Index.

We have five core values: Integrity, Teamwork, Excellence, Partnership, and Customer Focus. These values represent the cornerstone of how

we operate our business and treat each other, our customers, and our business partners.

These values have developed a business culture that promotes innovation and taking calculated risks; honesty, trust, and support for each other; high ethical standards; and leadership by example at all levels. We believe the best way to further develop our business is to be accountable to ourselves and to our customers at all times.

We strive to be the employer of choice in the more than 20 provinces where we operate. Our strong and innovative culture is the key to successfully attracting and retaining employees. Indosat’s turnover rate of 2% is much lower than the telecommunications industry standard of around 6% annually. This confirms our standing as a employer of choice.

To ensure our remuneration package remains competitive, we periodically review our salary structure and benefits based on surveys in the telecommunications industry and other sectors. We also update our key performance indicators regularly to define bonuses and incentives.

### Encouraging Open Communication

We maintain an open management style that actively involves our employees in both daily decisions that affect them as well as long-term matters. Our President Director participates in open and direct communication and maintains a regularly updated CEO blog. The CEO blog gives two way communication between CEO and all employees.

We believe in keeping all employees informed about any major business changes and other relevant matters. Key business priorities, which form part of employee compensation and incentive plans, are communicated throughout the organization.

To ensure all the employees are informed of the Company’s policies and activities, we have developed an internal communications portal called ‘My Indosat’. This portal features various

menu and applications which can be viewed and utilized by employees, including 'I-Policy', an electronic data bank of all Company policies. Other menus available through this portal include Telecommunications Regulations, Product Knowledge, and 'My Values', that can assist employees in refreshing the Company's values. News related to the Company and other telecommunications providers can also be found on this portal.

The Company has also established 'MyInfo', a private application for each employee that allows them to upload their curriculum vitae, request annual leave, access the electronic appraisal system, and other applications.

#### **Embracing the Union as an Equal Partner**

We believe in engaging the union and maintaining harmonious relations and active dialogue where appropriate. Employees and the labor union are entitled to express their opinions and offer recommendations regarding the working environment and employee welfare within the Company.

Each employee has the right to join the labor union and the management considers the union to be an equal partner in helping us grow the Company.

#### **Our Plan for 2008**

To further implement the GCG principles in the Company, we aim to undertake the following initiatives:

1. Enhance the Company's corporate governance policies and practices
2. Empower the Company's Committees
3. Disseminate the GCG policies and practices to all employees