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# ASSESSMENT OF GOOD CORPORATE GOVERNANCE IMPLEMENTATION IN PT PERKEBUNAN NUSANTARA III (PERSERO)

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**Abstract:** The research carried out at PT Perkebunan Nusantara III (Persero) aims to find out how the implementation of Good Corporate Governance and what obstacles are encountered in its implementation. The results of the study stated that PT Perkebunan Nusantara III (Persero) received an excellent rating based on the assessment. The implementation of Good Corporate Governance in the company is demonstrated by the implementation of the principles of Good Corporate Governance, namely the principle of Openness with transparency regarding the appointment process of the Directors through due diligence and compliance, the principle of Accountability with clarity of functions and responsibilities of corporate organs through the organizational structure, the principle of Responsibility for the existence of the program corporate social responsibility, the Independent principle by setting an independent auditor the Public Accountant Office to audit the financial statements and finally the Fairness principle is indicated by the existence of different regulations regarding company management. As for the obstacles faced, there is no transparency in the process of selecting members of the Board of Commissioners, the reward and punishment system has not been implemented by the company, the minutes of the meeting have not met the dynamics of the meeting, not yet published.

**Keywords:** Good Corporate Governance, Transparency, Accountability, Responsibility, Independent, Fairness

## INTRODUCTION

State companies have an important role in generating income for the country. State-Owned Enterprises as well as companies generally aim for Profit Oriented. The profit obtained is a form of state revenue source which is used as a form of state development financing. In line with the development of many changes, challenges in the political, economic, social and cultural fields that originate from within the country and from outside the country that can cause state companies to experience problems in managing their businesses and even suffer losses.

Good corporate governance is a way and pattern used by corporate organs to improve business achievement and corporate accountability in the long term by remaining guided by stakeholders, in accordance with applicable laws and regulations and values ethics (Sutedi, 2011: 1).

Companies that do not implement GCG are ultimately undervalued by the public and may be subject to sanctions if the company is based on the results of company evaluations violating the law. Companies like this will lose the opportunity to continue their business activities smoothly, even companies will have difficulty in obtaining outside assistance because there is no good governance concept in the company

Good Corporate Governance is a process that must be passed to get sustainable goals in running a long-term company business. The core application of GCG is on individual awareness, full commitment and integrity. The commitment obtained by all parties is something that cannot be achieved according to the target and is the most difficult part in implementing GCG.

The reasons for the importance of implementing GCG are financial statements that have limitations can not present a description of the company's non-financial conditions that are required by investors and creditors, regarding the condition of the company. Therefore, many capital market and Asian regulators require companies to present their non-financial information, namely GCG principles. Thus, it is expected that the implementation of the principles of Good Corporate Governance can be implemented, the achievement of improving the quality of the company's financial statements as well as the achievement of the targets of the resulting financial statements can be disclosed transparently, accurately, so that in this case can help investors and other parties who have an interest in a company to make decisions.

PT Perkebunan Nusantara III (Persero) illustrates one of the state / state-owned companies whose entire shares are actually owned by the Government of the Republic of Indonesia, where the purpose and objective of establishing a company is doing business in the field of agro-business and agro-industry. Judging from its business activities, the company has a high competitiveness and income potential and is expected to contribute to increasing state revenue. In addition, PTPN is expected to implement the implementation in accordance with the Regulation of the Minister of State-Owned Enterprises No. PER-01 / MBU / 2011 in August 2011 regarding the implementation of good corporate governance in the State-Owned Enterprises, PT Perkebunan Nusantara III is able to maximize the principle of the value of SOEs and in addition to encourage the management of SOEs professionally.

This research has the purpose with the intention to do so that it can find out how the implementation of GCG is carried out by the company with the object of the activity to be examined by the author is PTPN company. Then the difference between this activity and previous research is data analysis based on Good Corporate Governance standards that have been approved and stipulated by the Minister of SOE Republic of Indonesia Regulation No. PER-01/MBU/2011 in August 2011 concerning the implementation of administrative procedures. Good corporate governance in State-Owned Enterprises and analyze the obstacles experienced by companies in implementing GCG towards the achievement of the company's vision and mission.

## LITERATURE REVIEW

Comprehensive and in-depth Corporate Governance designs began to grow and were recognized by various groups since the beginning of the New York Stock Exchange Crash on October 19, 1987, when a large number of multinational companies poured into the model on the New York Stock Exchange, forcing conditions that had a negative impact in the form of considerable financial losses. At that time, in order to minimize internal company conflict conditions, many executives carried out several financial engineering systems whose core was how to change the system to hide company losses or beautify the appearance of management performance and financial statements (Paradita and Nurzaimah, 2010).

The experience of the United States that had to restructure Corporate Governance as a result of the market crash above was also experienced by Indonesia. In 1997 Indonesia experienced a financial crisis which adversely affected the Indonesian economy. The observations of a number of economic observers concluded that there was a high tendency that this crisis was caused by the majority of companies in Indonesia not implementing Good Governance. However, the economic crisis provides wisdom, one of which is increasing public concern about the importance of applying the concept of Good Corporate Governance. After the 1998 crisis, Indonesia tried to rise from adversity trying to improve in order to move forward in the future. Violation cases revealed.

One of the cases of violation according to Arifin (2005: 3) was the problem that revealed the overstated manipulation of the correctness of PT Kimia Farma's financial statements, namely the indication of inflation of the annual net profit report of Rp 32,668 billion (at that time the actual condition of the financial statements should be Rp 99,594 billion manipulated financial statements written as much as Rp 132 billion). This problem is related to the Public Accountant Firm as a profession of corporate auditors who have problems with the court, even though the KAP has the initiative to provide overstated reports. When the current issue is a violation of the principles of accurate disclosure and transparency which consequently has a profound impact on the investors, then because of the condition of earnings reports that indicate an excess of the status of this report has been used as a basis guidelines for business transactions by investors for doing business.

Not only happened in the country, but financial scandals occurred in developed countries as well, as in the United States with the Enron case. During the year 2000, Enron gave birth to an established company activity that has current conditions of very rapid financial growth, therefore Enron was part of one of the 10 largest and well-known groups of companies in the US at that time. The form of the activity began to be contained in the activity reporting book in early 2002, the calculation and analysis of Enron's total revenue in 2000 which was stated in the report amounted to US $ 100.8 billion. there is a value of only 9 billion USD. At the time of bankruptcy began to occur, when the Enron stock prices quickly decreased significantly. This makes Enron bankrupt, this happens can not be accounted for on the accuracy of the financial statement information, damage to the value of the accounting profession in America, and the problem of the loss of an estimated hundreds of millions of dollars of money invested in Enron and the loss of work for thousands of employees.

The cases and violations above are closely related to the phenomenon of separation of company ownership and management, especially in large modern companies or better known as agency theory, which will be elaborated further on theories related to GCG.

## Theoretical foundation related to Good Corporate Governance

According to Kaihatu (2006) there are several main theories relating to the relationship with Corporate Governance, namely the stewardship theory and Agency Theory. Each will be explained in the following sections.

1. Stewardship Theory

This theory is made with philosophical assumptions related to human nature and behavior, which is essentially that humans can be trusted, and also have the ability with full commitment, integrity and honesty to other parties. This is what is implied and stated in the fiduciary relationships and agreements expected of the owners of capital. In addition, stewardship theory considers that management as an executor of organs that can be trusted to act as well as possible for the benefit of the public and stakeholders.

2. Agency Theory

Agency theory was deliberately developed by Michael Johnson, viewing and assessing that company management as an agent for capital owners, when taking action with full awareness and without any influence from other phak for their own interests, not as a wise and wise party and fair to the owner capital.

In this theory it is intended that the company owner can obtain maximum profits with cost-efficient in accordance with the company's target with the management of the company as planned by professional staff who have worked for the interests of the company. The company owners in this case only act as supervisors, where their policies must be able to ensure the management has implemented and managed the company well and planned, for that the company owners provide incentives for management. The larger the company that is managed is expected to be able to obtain greater profits and the greater the incentives given to agents.

There are many positive aspects as mentioned above, but there are also negative aspects of separation between owners and management. In accordance with Jensen's and Meckling's opinion in (Ujiyantho and Bambang, 2007: 5) agency theory bases the contractual relationship between the owner/shareholder and management/manager. The relationship between company owners and managers as managers should be very difficult to be able to create this because there are Conflict of Interest. This problem of interest occurs when the agent does not act in accordance with the interests of the principal, so that it can trigger agency costs that must be borne by shareholders resulting in the delegation of authority to management.

**Definition of Good Corporate Governance**

In other words, Good Corporate Governance was first introduced and implemented by the Cadbury Committee in 1992 which used these other words in their research reports (Cadbury Report). According to the Cadbury Committee, the definition of GCG is a set of rules or principles that formulate the conditions of the relationship between shareholders, company management, funding, government, employees, and stakeholders both internal and external related to their rights and responsibilities (Paradita and Nurzaimah, 2010 ).

In accordance with the decree of the Minister of SOEs related to the implementation and implementation of GCG for state-owned companies. Good Corporate Governance is a process of mechanism and structure used by SOE organs or companies to be able to improve the success of their business ventures and corporate accountability in order to achieve shareholder value in the long term and still pay attention to the relationships of other stakeholder interests, which are grounded in the provisions of the legislation and ethical values of the company

Good governance is definitely a pattern that commands and operates a company that generates value added for all stakeholders (Monks, 2003). There are two points of emphasis in this perception, firstly it is very important for shareholders to get information clearly and precisely at the right time and, secondly, the company's commitment to implement the disclosure on time, openness to all explanations of the company's achievements, participation, and stakeholders.

In accordance with the Forum for Corporate Governance in Indonesia (FCGI) interpreting Corporate Governance is a set of binding laws between owners, managers of companies, supporters, government, executors as well as owners of interests from inside and outside parties related to rights and commitments, also called a pattern corporate control. Corporate Governance has the goal to be able to produce benefits, especially for all parts that are interconnected to stakeholders.

The World Bank defines GCG is a set of laws, norms and guidelines that must be obeyed to encourage the company's ability to work efficiently, grow long-term sustainable economic value for shareholders and the surrounding community as a whole. This concept has been relatively advanced since the 1990s, while the mode of good corporate governance was introduced in the UK in 1992. Developed countries joined in the OECD organization (developing countries in Western Europe and North America) implemented in 1999.

According to Kusmiarti, 2020. By running Business Ethic and GCG there is an increase in company performance and has been proven by the acquisition of awards, besides that the above is supported by business ethics with 3 pillars namely Morality, Capability and Integrity.

**Guidelines for implementing Good Corporate Governance in State-Owned Enterprises**

1. Transparency, To maintain the consistency of activities in conducting business, the company or organ must have appropriate and relevant information that can be easily obtained and understood by stakeholders. The company must have a fast response policy to disclose and resolve not only the problems required by the provisions of the regulations, but also the things that are important for decision making by shareholders, capital lenders and other policy holders;
2. Accountability, namely the firmness of function, application and commitment of the Organ so that company management is achieved effectively;
3. Responsibility, namely the similarity in the company's activities to the rules and sound corporate principles;
4. Independency, that is, the condition of the corporation is competently managed without problems of one's own will and influence from any party that is not in accordance with the rules and principles of a healthy company;
5. fairness, namely balance and alignment in granting the rights of stakeholders who appear according to agreements and regulations.

**General obstacles for the implementation of Good Corporate Governance in State-Owned Enterprises**

The Ministry of State-Owned Enterprises revealed several obstacles and GCG problems in SOEs, among others:

1. Lack of awareness of the benefits of GCG for corporate stakeholders, is carried out merely as a formality, efforts to eradicate KKN practices have not been maximized, and the Board of Directors, Commissioners and RUPS have not yet committed to implementing GCG.
2. In general BUMNs that have not yet gone public, formed a new Audit Committee Committee. And that's not optimal. They only work part time, often even only coming once a month. The time allocated to companies is generally limited, the compensation is still relatively low.
3. The company's Internal Control System tends not to run optimally. Standard Operational Procedure (SOP) is often violated, resulting in cases of irregularities. The Internal Oversight Unit (SPI) is less empowered. (http://www.bumn.go.id/16433/publikasi/berita/implementasi-gcg-di-bumnmasih-hope-banyak-cultures).

**Benefits of implementing Good Corporate Governance for State-Owned Enterprises**

Based on the Regulation of the Minister of StateOwned Enterprises No. PER01/MBU/2011 in August 2011 concerning the application of good corporate governance in state-owned enterprises. Implementation of Good Corporate Governance in SOEs, aims to:

1. Maximizing the meaning of BUMN with the aim of the company being able to compete with its competitors, both national and international conditions, so that it can maintain its existence as a state-owned enterprise and sustainably achieve the SOE achievement target.
2. Motivating the competent, practical and realistic management of SOE corporate governance, as well as empowering functions and enhancing Public Corporation / Public Corporation Organs.
3. Motivate Persero Organs / Public Corporation Organs to make decisions and implement actions based on high etiquette values and adherence to applicable statutory provisions,

and to comply with the social commitment of SOEs to stakeholders and environmental conservation in the area of SOEs.
4. Enhancing the role of SOEs in national economic conditions.
5. Improve conditions conducive to the development of national investment

The basis of the implementation of corporate governance is the development of company performance through the supervision of manager's performance and the existence of manager's accountability to the organizers of other interests, based on a valid rules and regulations. By default, companies that achieve targets are companies that have high ethical values. The above may occur due to the application of high business ethics, so other consumers provide satisfied value so that they are willing to tie up business with the company, so that the company's business can continue to be developed. (Ali, 2018).

**Stages of GCG Implementation**

Implementation of GCG implementation in a corporation is very important for the corporation in carrying out the appropriate stages based on an analysis of the corporate situation, and its beliefs, so that the implementation of GCG can go according to plan and generate support from all components in the corporate. In general, successful corporations in implementing GCG use this stage (Chinn, 2000; Shaw, 2003).

**Preparation Phase:**

This stage consists of 3 main steps: 1) awareness building, 2) GCG assessment, and 3) GCG manual building.

1. Awareness building is a preliminary stage that can shape knowledge about the importance of GCG and joint responsibility in implementing it. This action can be implemented by empowering the resources of independent experts from outside the company. The activities carried out through seminars, workshops, and group discussions.
2. GCG Assessment is the power to map the company's situation in the current implementation of GCG. This step ensures the initial conditions for implementing GCG and for marking the steps that are appropriate to the situation and preparing the infrastructure and system of the company atmosphere that is conducive to effective GCG implementation. GCG assessment is carried out with the intention of mitigating all aspects that need attention first, and what actions can be taken to achieve better targets.
3. GCG manual building, as a stage after GCG assessment is carried out. Following up on the results of the mapping of the company's readiness conditions and forms of identification of implementation priorities, the preparation of GCG implementation guidelines can be prepared. The preparation of manual guidelines can be carried out by experienced resources who are independent from external companies. This procedure can be divided into two, namely between a manual for company organs and a manual for all company members, covering various aspects such as:
   - Corporate GCG policy
   - GCG guidelines for company organs
   - Code of conduct
   - Commitecharter audit
   - Disclosure and transparency policies
   - Risk management policies and frameworks
   - Roadmap for implementation

**Implementation stage:**

After the company has a manual GCG, the next step is to start the implementation in the company. This stage consists of 3 steps as follows:

1. Socialization, carried out with the intention of presenting to all companies various aspects related to the implementation of GCG, especially related to the GCG implementation guidelines. The socialization needs to be carried out with a special team formed, directly under the monitoring of the managing director or director appointed as GCG champion in the company.
2. Implementation, activities carried out in accordance with existing GCG guidelines, according to the roadmap that has been prepared. Implementation must be a top down approach that implies the company's board of commissioners and directors. Implementation should encompass change management efforts to monitor the process of change caused by GCG implementation.
3. Internalization, which is a long period of time in implementation. Internalization includes forms for introducing GCG in all work systems of the company's work, and various company regulations. With this attitude, we can be sure that the implementation of GCG is not just for superficial readiness, but is truly an example in all company activities..

**Evaluation Stage**

Evaluation activities are steps that must be carried out regularly to assess the extent to which the effectiveness of GCG implementation has been carried out by appointing an independent audit of the implementation and assessment of the implementation of existing GCG. Indonesia is also available who scoring GCG implementation. The evaluation carried out is assessment and scoring, this activity is carried out in a work relationship for example as carried out in the SOE environment. This evaluation is expected to help the company in describing the conditions and situations in achieving the company's targets so that improvements can be made based on recommendations submitted by independent experts.

**Framework**

1. Conduct an evaluation of the implementation of the concept of Good Corporate Governance (GCG) at PT Perusahaan Nusantara III (Persero) whether it has applied the concept of GCG based on State Minister's Regulation No. State-Owned Enterprises No. PER-01 / MBU / 2011 with indicators:
   a. Aspects of commitment to the sustainable implementation of GCG:
   b. Shareholders and GMS aspects
   c. Board of Commissioners aspects
   d. Directors' Aspect
   e. Information Disclosure and Transparency Aspects
   f. Other aspects
2. Achievement score data on the results of the GCG implementation assessment conducted by the company will reflect the success of GCG conducted by PT Perkebunan Nusantara III (Persero);
3. The results of the analysis of the achievement of these values are then carried out an analysis of what indicators have been applied to the company, then do also identify which aspects of GCG have been improved by the company and then conclusions drawn. Otherwise if;
4. The results of the analysis of the GCG assessment indicators have not been improved, then recommendations for improvement will be given. However, if there are GCG indicators that have not been applied by the company, then it is necessary to identify what aspects are found and find the cause.

## RESEARCH METHODS

**Population and Sample**

The object used by researchers is one of the State-Owned Enterprises, namely PT Perkebunan Nusantara III (Persero), the Head Office is located in Agro Plaza Building, 15th Floor, Jl. Jam Rasuna Said Kav X2 / 1, Kuningan Timur, Setiabudi, RT.7 / RW.4, Tim Kuningan., South Jakarta City, DKI Jakarta 12950 and Operational Office are located on Jl. Sei Batanghari No.2 Medan 20122. PT. Perkebunan Nusantara III (Persero) is a BUMN that has become a cooperative in the fields of plantation, processing and marketing of plantation products. The products produced are oil palm, rubber, sugar cane, tea, coffee, cocoa, tobacco, various woods, fruits and various other plants. It also has a role in national development through the strength and foreign exchange earner of the non oil and gas sector. So in its management there needs to be good corporate governance, are principles that underlie a company's process and management based on laws and regulations and business ethics. Implementation obligations which have been set in the latest regulations in the Regulation of the Minister of State-Owned Enterprises Number PER-01/MBU/2011

**Unit of Study**

In this study the required objects include:

1. Good Corporate Governance, according to the Minister of State-Owned Enterprises Regulation Number: PER-01/MBU/2011 are principles that are based on a system and stages of corporate governance in accordance with statutory provisions and business ethics. The basic principles of GCG include, Transparency, Accountability, Responsibility, Independence and Fairness.
2. With six aspects as an indicator of implementation viz:
   a. Aspects of commitment to the sustainable implementation of GCG:
   b. Shareholders and GMS aspects
   c. Aspects of the Board of Commissioners
   d. Aspects of the Board of Directors
   e. Aspects of Information Disclosure and Transparency
   f. Other aspects

**Method Analysis**

The steps taken in analyzing research data are:

1. Conduct data grouping from indicators of the implementation of Good Corporate Governance conducted by PT Perkebunan Nusantara III (Persero) based on GCG guidelines. In its presentation, it can be in the form of a brief description of 5 aspects, namely the rights and commitment of the capital owner, GCG Policy, GCG Implementation for Commissioners, Committees, Directors, SPI, Corporate Secretary, Aspects of information disclosure and Commitments.
2. From the GCG assessment conducted by the Finance and Development Audit Board (BPKP) team, they will reflect the scores of each indicator.
3. The parameters used in the assessment will be used as a guide in analyzing the indicators that have been applied, which need to be corrected and which have not been done or applied. In view of the regulation of the Minister of State Owned Enterprises Number: PER-01 / MBU / 2011 replacing Minister of SOE Decree No. 117/M-MBU/ 2002 concerning guidelines for SOEs in implementing GCG.
4. To observe the five aspects of indicators, data and the application of activities in accordance with existing truths and regulations, conformity is carried out through GCG equipment originating from documentation sources that have been prepared in the previous data collection.
5. The results of the above activities are then identified into GCG principles, namely: Transparency, Accountability, Responsibility, Independence and Fairness.

6. The results of the analysis of the implementation of Good Corporate Governance that has been carried out by PTPN III (Persero) will be used on the basis of taking conclusions and giving advice

## RESULTS AND DISCUSSIONS

The implementation of Good Corporate Governance in PT Perkebunan Nusantara III (Persero) was rated as "Very Good". This is indicated by the results of the 2015 assessment conducted by the BPKP Independent assessor in North Sumatra Province. The assessment is based on 5 aspects of GCG. An assessment of the application of GCG to SOEs to provide an overview of the conditions of implementing GCG in companies is faced with best practices.

The actual achievement level of GCG implementation is categorized into 5 predicate groups, namely: Very Good, Good, Fairly Good (needs improvement), Poorly Good (needs improvement), and Not Good (really needs improvement) with range of performance scores as in table 1.

**Table 1: Predicate Assessment Results Category**

| Level | Range of Quality Classification of GCG Implementation | Predicate |
|---|---|---|
| 1 | Value above 85 | Very Good |
| 2 | 75 < Value ≤ 85 | Good |
| 3 | 60 < Value ≤ 75 | Fairly Good |
| 4 | 50 < Value ≤ 60 | Poorly Good |
| 5 | Value ≤ 50 | and Not Good |

*Source : Report on the Results of Assessment of GCG Implementation at PTPN III (Persero) 2015*

The achievement score of the results of the GCG Implementation of PT Perkebunan Nusantara III (Persero) in 2015 reached a score of 92.47 from a maximum score of 100% with the title "Very Good". If outlined by aspects in broad outline the score appears in table 2 below:

**Table 2: Resume assessment of GCG implementation**

| **No** | **Governance aspects** | **Weight** | **Achievements** | | **Penjelasan** |
|---|---|---|---|---|---|
| | | | Score | (%) | |
| I | Commitment to the implementation of governance in a sustainable manner | 7 | 6,66 | 95 | Very Good |
| II | Shareholders and GMS / Capital owners | 9 | 8,33 | 93 | Very Good |
| III | Board of Commissioners | 35 | 32,01 | 91 | Very Good |
| IV | The Directors | 35 | 33,38 | 95 | Very Good |
| V | Information disclosure and transparency | 9 | 8,09 | 90 | Very Good |
| VI | Other aspects | 5 | 4 | 80 | Good |
| | **Total** | **100** | **92,47** | | **Very Good** |

*Source: BPKP Assessment Results of North Sumatra Province, April 1, 2016*

The table above illustrates the comparison between the conditions of implementing GCG in PTPN III (Persero) with the best practices of implementing GCG. Conditions for implementing GCG that require attention and efforts to improve in certain areas.

### Implementation of Good Corporate Governance in PT Perkebunan Nusantara III (Persero)

PT Perkebunan Nusantara III (Persero) has implemented Good Corporate Governance since 2006. The legal basis for implementing GCG is:

a. Republic of Indonesia's Presidential Decree No. 103/2001 concerning Position, Task Duties, Authority, Organizational Structure and Work Procedures of LPND, as articles related to BPKP have been replaced with Presidential Regulation No. 192/2014 concerning the Financial and Development Supervisory Agency;
b. Government Regulation Number 60 Year 2008, concerning Government Internal Control System;
c. State-owned enterprises Minister Regulation Number: PER-01 / MBU / 2011 dated August 1, 2011 concerning the Implementation of Good Corporate Governance in State-Owned Enterprises;
d. Decree of the Minister of State-Owned Enterprises No. SK-16 / S.MBU / 2012 dated June 6, 2012 concerning Indicators / Evaluation and Evaluation Indicators of the Implementation of Good Corporate Governance in State-Owned Enterprises;
e. Letter of Directors of PT Perkebunan Nusantara III (Persero) Number: S-3.12 / X / 63/2015 dated 4 December 2015 concerning Application for Assessment of GCG Implementation at PT Perkebunan Nusantara III (Persero) Year 2015;
f. Approval Letter of the Deputy State Accountant Number: S-74 / D5 / 01/2016 dated January 11, 2016 concerning the approval of the GCG Assessment Assignment at PT Perkebunan Nusantara III (Persero) 2015;
g. Letter of Duty Head of BPKP North Sumatra Province Number: ST58 / PW02 / 4/2016 dated January 15, 2016.

In each aspect of governance there are applications that have approached or reached best practices, but in certain areas there are problems that still need improvement / improvement efforts.

Matters that require immediate handling by company organs are as follows:

**1.** Commitment to Sustainable Implementation of Good Corporate Governance.
   a. The Guidelines for Good Corporate Governance (GCG Code) and the Code of Conduct have not been updated regularly.
   b. The Annual Report does not contain a brief description of the results of the assessment and a description of every aspect of the test.
   c. Officials who hold structural positions have not all submitted their LHKPN in a timely manner and have not been subject to sanctions for officials who have not submitted LHKPN

**2.** Shareholders and RUPS.
   a. Shareholders have not explicitly stated the members of the Independent Board of Commissioners in their appointment decision.
   b. Shareholders have not yet ratified the 2014-2018 Company's Long Term Plan (RJPP).
   c. Shareholders have not yet given approval / decisions in a timely manner on proposed corporate actions that need to get approval / resolution of the GMS regarding the disposal of assets.
   d. Shareholders have not yet assessed the performance of the Directors individually.
   e. The determination of the external auditor who will audit the company's financial statements does not include the amount of the honorarium / fee for the external auditor.
   f. Shareholders have not yet mapped out the action plan and monitored the progress of the implementation of the action plan from the Area of Improvement produced by the GCG assessment

**3.** Board of Commissioners
   a. The realization of the training program for the Board of Commissioners has not been in accordance with the Board of Commissioners' Work Plan.

b. The process of preparing and discussing the Board of Commissioners' Annual Work Plan and Budget has not been documented.
c. The contents/substance of the Board of Commissioners' Policy regarding the mechanism for granting approval/response/opinion of the Board of Commissioners to the RJPP and RKAP draft submitted by the Board of Directors only contains technical granting of approval but has not yet stipulated the timetable for granting approval.
d. The review process of the draft RKAP by the Board of Commissioners has not been documented.
e. Conclusions that the draft RKAP is in line with and/or not in line with the RJPP has not been included in the Board of Commissioners' recommendations regarding the draft RKAP submitted to the RUPS.
f. The Board of Commissioners has not yet reviewed the design of the implementation of the internal control system and the design of the implementation of the company's risk management.
g. The Board of Commissioners' Annual Work Plan and Budget does not yet contain an external audit budget.
h. The Board of Commissioners has not yet fully assessed the effectiveness of external and internal audits.
i. The Board of Commissioners' assessment of the Board of Directors' performance has not been based on collegial review of the target criteria and key performance indicators included in the Directors' Management Contract with the realization of their achievements. In the report on the implementation of the supervisory duties of the Board of Commissioners to the study program which is made on a quarterly basis, containing the achievements of the company's performance, it has not specifically described the achievements of the KPI of the Directors.
j. The Board of Commissioners has not yet carried out an assessment of the performance of the Directors on an individual basis with the realization of their respective achievements and has not yet submitted the assessment results to the RUPS.
k. The Board of Commissioners has not reviewed the proposed remuneration from the Board of Directors.
l. The policy regarding the regulation of conflicts of interest is not yet known to the Shareholders.
m. The review of the results of the assessment / review of the implementation of good corporate governance, and monitoring of the follow-up to the area of improvement (AoI) results of the GCG assessment conducted by the Board of Commissioners is still limited to the AoI under the authority of the Board of Commissioners, not to the overall AoI of the GCG assessment results of PT Perkebunan Nusantara III (Persero)
n. The Board of Commissioners or the Board of Commissioners' Committee has not evaluated the performance achievements of each member of the Board of Commissioners and stated in the minutes of the Board of Commissioners' Meeting and reported in the Report on the Implementation of the Board of Commissioners' Supervisory Duties
o. The 2015 Audit Committee and Risk Monitoring Committee's Work Plans do not include a self-assessment of the performance of each committee.
p. The Committee's quarterly and annual reports to the Board of Commissioners have not included a comparison of the realization of activities with the annual work program

**4.** Directors

a. The company has not applied fertilization SOP appropriately.

b. The guideline for the preparation of RJPP has not yet contained the assumptions used in the preparation of RJPP, the determination of the mission, targets, strategies, and policies and RJPP work programs.
c. The guidelines for preparing the RKAP do not yet contain a work plan that is detailed on the mission, targets, strategies, policies and financial projections of the subsidiary.
d. Submission of RKAP to the Board of Commissioners after the date of submission of the RKAP to the Shareholders.
e. The promotion and transfer plan one level below the Board of Directors has not been documented explicitly in the minutes of the Board of Directors' meeting.
f. The level of achievement of the performance of individual Directors is not yet available.
g. There are still audit findings by internal auditors regarding the procurement of goods and services carried out by the company.
h. The company has not yet conducted a job tender in the determination of officials one level below the Board of Directors
i. There has been no approval by the Board of Commissioners regarding how to handle the risks that have been made by the company.
j. The company has not carried out a risk analysis of the draft RKAP and its handling strategy and reported it to the Board of Commissioners and Shareholders
k. Procedures for handling customer complaints have not yet regulated the rights of consumers / customers and the health of consumers / customers.
l. The company has not conducted a supplier assessment based on the achievement of QCDS (Quality, Cost, Delivery, Service).
m. The company does not yet have a company policy regarding the management / management of the use of long-term loans in accordance with their purpose and repayment.
n. The company has not been able to meet the expectations of Shareholders through the achievement of agreed targets, namely dividends and the trend of Earning Per Share (EPS) which tends to fall.
o. The company has not been able to improve the company's performance (in accordance with the stipulated KPI) from previous years, namely the trend of achievement of Key Performance Indicators (KPI) which tends to decrease
p. Submission of Annual Report to the Board of Commissioners after the date of submission to the Shareholders.
q. The SPI section has not conducted regular internal reviews / reviews of the quality assurance program and overall improvement of the Internal Audit function
r. The Corporate Secretary has not yet made a written review of the new laws and regulations applicable to the company.
s. The method of calculating and determining salary / honorarium, facilities and / or other benefits for each member of the Board of Commissioners and Board of Directors has not been included in the minutes of the Annual General Meeting of Shareholders..

**5.** Information Disclosure and Transparency

a. The company's website has not fully published policies/guidelines on the implementation of corporate governance including the Code of CG, Board Manual, and Code of Conduct.
b. The Annual Report does not contain an explanation of the Company's Vision and Mission.
c. The Annual Report does not contain an explanation of the Internal Audit Charter and an explanation of the duties and responsibilities of the internal audit unit.

d. Companies have not yet been ranked in the top 5 in the Annual Report Award (ARA).

**6.** Other aspects

There are still legal problems faced by management

**Company Financial Condition**

The condition of PT Perkebunan Nusantara III (Persero) financial statements in the last three years, in general has experienced an increase process. This is illustrated by data on total assets from 2013 to 2015 that continued to experience positive changes, each for 2013 amounting to Rp. 61,827,049,593,527.00, in 2014 amounting to Rp. 66,675,908,994,560.00 and in 2015 amounting to Rp. 99 .656,420,926,188.00.
Profits earned by the company in the last 3 years are as follows: 2013 profit of Rp 1,253,155,319,774.00 decreased in 2014 to Rp 675,610,798,159.00 and in 2015 it suffered a loss of Rp 597,858,499,199.00

## CONCLUSIONS AND LIMITATIONS

Based on the analysis of the Implementation of Good Corporate Governance in PT Perkebunan Nusantara III (Persero), it can be concluded, as follows:

1. The implementation of Good Corporate Governance at PT Perkebunan Nusantara III (Persero) has been carried out on the legal basis of implementing GCG, i.e.:
   a. Good Corporate Governance Guidelines issued by the National Committee on Good Corporate Governance policies in 2006.
   b. Decree of the Minister of State-Owned Enterprises No. Kep-117/M-MBU/2002, dated August 1, 2002, concerning the Implementation of GCG Practices in SOEs, which has been amended by
   c. State Minister of SOE Regulation No. PER-01/MBU/2011 dated 1 August 2011 concerning the application of good corporate governance in state-owned enterprises.
2. In the context of the Implementation of Good Corporate Governance at PT Perkebunan Nusantara III (Persero), the Good Corporate Governance Code, Code of Conduct, Board Manual, SPI Charter and Audit Committee Charter are implemented.
3. The above assessment results include the principles of GCG, namely: the principle of transparency with transparency regarding the appointment process of the Board of Directors through due diligence and compliance, the principle of Accountability with clarity of functions and responsibilities of corporate organs through the organizational structure, the principle of responsibility for the existence of corporate social responsibility programs , the independent principle by establishing an independent auditor of a public accountant's office can be checked with the financial statements and finally the Fairness principle is demonstrated by the existence of different regulations concerning company management. The obstacles faced are the lack of transparency in the process of selecting members of the Board of Commissioners, the system of reward and punishment that has not been implemented by the company, the minutes of the meeting have not met the dynamics of the meeting, has not yet been issued a Decree on independent commissioners, and has not uploaded the 2015 annual report to the public.

The main limitation contained in this activity is that the data only uses the results of the assessment of the latest year which have been published in general by the company, while the results of the assessment of the previous year were not included, so progress on the implementation of corporate governance is not yet apparent. For further research there should be two assessment results that can be compared and can add to the object of research not only in one company.

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