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August 26, 2013

Ms. Etty R Wulandari
Senior Specialist to the Chairman
Indonesia Financial Services Authority
Jakarta

By email

Dear Etty,

Proxy Voting in Indonesia

Thank you for informing us recently about the plans of the Indonesia Financial Services Authority (OJK) to develop an "Indonesia CG Roadmap" this year. This is an important development and ACGA would be pleased to offer its assistance as appropriate.

As earlier discussed, please find below a summary of the challenges that global institutional investors face in voting their shares at the Annual General Meeting of Shareholders (AGMS) of many Indonesian listed companies. We would be pleased to discuss these items in more detail and provide further data on best practices in proxy voting.

Key challenges in Indonesia include:

1. **Late meeting agendas**
   AGMS agendas are typically sent out only 14 days before meetings. While this used to be the norm in many Asian markets, good practice is now 21 days and better practice is 28 days. Best practice is to release final agendas more than one month early.

2. **Lack of detail in agendas**
   AGMS agendas in Indonesia lack detailed explanations of each resolution and, in most cases, contain only a simple list of items to be voted on. In most other markets in the region, the final agenda will usually include a meeting handbook (also called a "circular" or "explanatory notes to the AGM") that contains a detailed description of each resolution to be voted on. Such documents can often run to several dozen pages, or longer, depending on the complexity of issues to be discussed. Best practice is also to translate all this material into English. (We would be pleased to provide good examples of such handbooks.)

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3. **Names of directors not given**
The names of directors and commissioners nominated for election are rarely divulged before the meeting. No other market in Asia follows this practice. In all markets, the names are disclosed, and typically the biographical details of directors and commissioners (or supervisors) as well. Without such information, it is not possible for investors to make an informed vote. Ideally, companies should include a detailed biography of each director/commissioner in their meeting handbook.

4. **Inaccessibility of meeting documents**
While meeting notices state that "all materials to be discussed in the AGMS are available during office hours at the head office of the company", the quality and quantity of information available is usually insufficient to make an informed vote. No other market in Asia requires shareholders to visit a company in person to obtain meeting materials. Institutional investors who have sought more information from company investor-relations teams often find it a frustrating process and receive the additional material after the deadline for voting (set by their global custodian bank) has passed. It should be relatively straightforward for companies to put all information relevant to the AGMS on their websites. Global institutional investors who do not receive sufficient information will normally vote against the resolution in question.

5. **Lack of full voting by poll / Voting results not disclosed publicly**
While many companies count the proxy votes received before the AGMS, and display the results in the meeting, there is almost no public disclosure of these results. Hence, any shareholders voting by proxy, including global investors, do not know the actual voting results of the meeting. Companies only publish a summary statement to the effect that the resolutions were passed and the main content of each resolution. It is increasingly common for companies in Asia to count all the votes cast at their meetings (both by proxy and in the meeting) and to publish a detailed announcement of total votes For, Against, and any Abstentions within one or two days. Independent scrutineers, such as law firms or share registrars, supervise the vote counting. Such "voting by poll" is mandatory in Hong Kong and common in Thailand. It will become mandatory in Singapore from August 2015.

   Given the useful role that institutional investors such as pension funds and investment managers can play in helping to facilitate corporate governance best practices—and their growing importance as shareholders in Asian capital markets—we believe that it is in the interests of financial regulators and governments to facilitate an informed and transparent proxy voting system. Such a system would incorporate the measures outlined above as a minimum and, ideally, would also provide investors with confirmation that their votes have been received by the listed company or its share registrar (something still lacking in most markets).

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It is worth noting that many of the challenges highlighted above could be resolved without too much difficulty. For example, many companies in Indonesia produce a detailed announcement immediately after their AGMS outlining the content of resolutions and whether they were approved. This suggests companies have the information already and could release it prior to their meetings fairly easily. Similarly, if companies are already counting proxy votes received before their AGMS and displaying the detailed and complete results in their meetings, then publicly disclosing such information right after the meeting would incur minimal cost.

Since ACGA's inaugural survey on proxy voting in Asia in 2006, we have seen considerable progress in the transparency, accountability and technological efficiency of shareholder meetings around the region. We believe Indonesia would benefit considerably from enacting similar reforms and that they would be welcomed by both domestic and foreign investors.

We look forward to discussing these issues further with you.

Yours truly,

Jamie Allen
Secretary General

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