GLASS LEWIS

2020

PROXY PAPER™

GUIDELINES

AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE

INDONESIA

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Guidelines Introduction

LAWS AND REGULATIONS

Indonesian corporate governance is centered primarily upon the Company Law, Capital Market Law regulations issued by the Otoritas Jas Keunangan ("OJK", the Financial Services Authority of Indonesia), Bapepam Rulebook ("Bapepam-LK")[1] issued by the Capital Market and Financial Institution Supervisory Agency ("CMFISA"),[2] the Indonesia Stock Exchange Listing Rules (the "Listing Rules") and the Indonesia's Code of Good Corporate Governance (the "Code"). The Code is a set of voluntary recommendations composed by the National Committee on Governance, under the Coordinating Minister for Economic Affairs, to provide guidance for long-term sustainability.

GOVERNANCE STRUCTURE

Indonesian companies are governed by a two-tier structure consisting of a board of directors[3] ("BOD") (also known as executive boards in most major markets) and a board of commissioners ("BOC") (also known as a board of directors in most major markets).

According to the laws and regulations, the BOD shall be responsible for the day-to-day management of the company for the company's interest with good faith and full responsibility.[4] The BOC shall oversee the performance of the BOD, such as management policy, and implementation of the management.[5] The BOC also has the authority and duty to ensure internal controls and social responsibilities, consider and protect the interests of shareholders and monitor the effectiveness of the company's corporate governance practices. The BOC may establish a committee, which may contain one or more members of the BOC.[6]

Members of the BOD and BOC should be appointed by shareholders at a general meeting and may be eligible for re-election. The duty and authority among the BOD members should be determined by shareholders, and if not, by a resolution of the BOD.[7] The Company Law requires at least one independent commissioner and one representative commissioner serve on the BOC. The representative commissioner shall not be a member of management.

SHAREHOLDER MEETINGS AND DISCLOSURE

Annual general meetings should take place no later than six months after the end of a fiscal year.[8] Special general meetings may be held by the BOD or upon the request of BOC or one or more shareholders jointly holding one-tenth or more of the company's total shares with voting rights.[9]

The Company law mandates that a company's annual report is, following review by the BOC, submitted by the BOD to a general meeting of shareholders no later than 6 months after the end of a fiscal year.[10] The annual

1 Bapepam has been superceded by the OJK as the capital market's oversight agency.
2 Although the OJK is now the market regulator, the Bapepam-LK rules remain in force, while OJK is implementing new regulations that are replacing Bapepam rules.
3 Given the roles and duties provided by the laws, BODs of Indonesian companies are considered as executive boards that should be appointed by shareholders.
4 Article 92, Company Law.
5 Article 108, Company Law.
6 Article 121, Company Law.
7 Article 92, Company Law.
8 Chapter 1, Article 2, "Planning and Convening of the General Meeting of Shareholders for Public Companies" (No. 32/POJK.04/2014).
9 *Ibid.*
10 Article 66, Company Law.

report must be made available to shareholders at the same time as the invitation to the shareholders meeting.[11] Meeting notices should be sent out by the BOD to shareholders at least 21 days prior to the general meeting of shareholders,[12] excluding the date of the notice and that of the meeting.

The annual report shall contain the following: (i) audited financial statements of the most recent two fiscal years; (ii) report on the company activities; (iii) report on the implementation of social environmental responsibility; (iv) issues regarding the company's activities; (v) report on supervisory duty performed by the BOC during the last fiscal year; (vi) names of the members of the BOD and BOC; and vii) remuneration of the members of BOD and BOC of the last fiscal year. More detailed disclosures in meeting notices are desired, especially around proposed nominees and proposed remuneration or compensation practices for members of BOD and BOC and auditors, which are often not available for shareholders' informed decisions.

Based on OJK regulations, all companies must now have websites that have corporate governance information for shareholders in Bahasa Indonesia and in English. These portions of a company's website must include information pertaining to shareholder meetings, including nominees standing for election as a director or a commissioner.[13]

SUMMARY OF CHANGES FOR THE 2020 INDONESIA POLICY GUIDELINES

Glass Lewis evaluates these guidelines on an ongoing basis and formally updates them on an annual basis. This year we've made noteworthy revisions in the following areas, which are summarized below but discussed in greater detail in the relevant sections of this document:

CORPORATE GUARANTEES

We have added our policy for how we will assess the granting of corporate guarantees by companies to other entities.

11 Chapter 4, Article 14, "Annual Report of Issuer or Public Company" (No. 29/POJK.04/2016).
12 Chapter 2, Article 12, Paragraphs 1 and 2, "Planning and Convening of the General Meeting of Shareholders for Public Companies" (No. 32/POJK.04/2014).
13 Chapter 1, Article 8, Section D, "The Website of the Issuer or Public Company" (No. 8/POJK.04/2015).

A Governance Structure that Serves the Interests of Shareholders

The purpose of Glass Lewis' proxy research and advice is to facilitate shareholder voting in favor of governance structures that will drive performance, create shareholder value and maintain a proper tone at the top. Glass Lewis looks for talented boards with a record of protecting shareholders and delivering value over the medium- and long-term. We believe that boards working to protect and enhance the best interests of shareholders are independent, have a record of positive performance, and have members with a breadth and depth of experience.

We note that the election of Indonesian boards of directors and commissioners is usually through a slate. Often the election of both directors and commissioners is combined in one proposal. Should we find significant shareholder concerns regarding either board, we will typically recommend voting against the proposal, meaning against the entire slate.

In past years, we have found that Indonesian companies tend to not provide the identities of the directors and commissioners standing for election in a timely manner. Where we have previously recommended shareholders abstain from voting on such proposals, we believe companies have an obligation to shareholders to provide such vital information. Therefore, where a company does not release the identities of directors and commissioners standing for election, we will recommend shareholders vote against the proposal(s) in question.

INDEPENDENCE

The independence of commissioners, or lack thereof, is ultimately demonstrated through the decisions they make. In assessing the independence of commissioners, we will take into consideration, when appropriate, whether a commissioner has a track record indicative of making objective decisions. Likewise, when a commissioner sits on multiple boards and has a track record that indicates a lack of objective decision making, this will also be considered when assessing independence. Ultimately, the determination of a commissioner's independence must take into consideration both his/her compliance with applicable independence listing requirements, as well as his/her past conduct.

We look at each commissioner nominee to examine the commissioner's relationships with the company, the company's executives and other commissioners. We do this to find personal, familial, or financial relationships (not including commissioner compensation) that may impact the commissioner's decisions. We believe that such relationships make it difficult for a commissioner to put shareholders' interests above the commissioner's or the related party's interests. We also believe that a commissioner who owns more than 20% of a company's share capital can exert disproportionate influence on the board and, in particular, the audit committee.

Thus, we put commissioners into two categories based on an examination of the type of relationship they have with the company:

Independent Commissioner — An independent commissioner has no material,[14] financial, familial[15] or other

14 A material relationship is one in which the dollar value exceeds 1% of the company's consolidated gross revenue for other business relationships (e.g., where the director is an executive officer of a company that provides services or products to or receives services or products from the company).
15 Familial relationships include a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces, nephews, in-laws, and anyone (other than domestic employees) who shares such person's home. A director is an affiliate if the commissioner has a family member who is employed by the company.

current relationships with the company,[16] its executives or other board members except for service on the board and standard fees paid for that service. An individual who has been employed by the company and/or its group companies within the past five years[17] is not considered to be independent. We use a three year look back for all other relationships. An independent commissioner does not have any position on the company's BOD.[18] Further, an independent commissioner must not own shares in a company, per OJK regulations.[19]

However, we will not consider a commissioner to be independent if they have progressively been re-designated from a executive director to an independent commissioner despite never leaving the company. We believe that where an individual transitions from being an executive director to an independent commissioner, they must leave the company for a period of time before rejoining the board with a designation as a commissioner or independent commissioner.

Affiliated Commissioner[20] — An affiliated commissioner has a material financial, familial or other relationship with the company or its executives, but is not an employee of the company. This includes commissioners whose employers have a material financial relationship with the company. This also includes a commissioner directly or indirectly holding 20% or more of the total outstanding shares of the company.[21] Additionally, where we find independent commissioners receiving additional compensation in the form of salaries, allowances and/or emoluments that exceed 50% of a commissioner's normal fee-based compensation, we will consider such independent commissioners as being affiliated.

Voting Recommendations on the Basis of Independence

Glass Lewis believes a board of commissioners will be most effective in protecting shareholders' interests if at least 30% of the commissioners are independent for a non-bank company[22] and if at least 50% of them are independent for a bank.[23] In the event that a board of commissioners does not meet these independence requirements (30% for a non-bank and 50% for a bank), we typically recommend voting against some of the affiliated commissioners to satisfy the minimum thresholds. Where the directors and commissioners are elected by slate, we will recommend shareholders vote against the entire slate if the board commissioners fails the minimum independence requirement.

In evaluating the independence board of commissioners, where we find the board is not sufficiently independent, we will recommend against the chair of the nomination committee. Where a company does not have a nomination committee, we will recommend against the president commissioner for lack of sufficient board independence.

BOARD GENDER DIVERSITY

Glass Lewis will generally recommend voting against the nomination committee chair (or absent the nomination committee, the president commissioner) where companies do not have at least one female member on either the board of directors or board of commissioners. Depending on other factors, including the size of the company, the industry in which the company operates and the governance profile of the company, we may extend this recommendation to vote against other nominating committee members. When making these voting recommendations we will carefully review a company's disclosure of its diversity considerations, and may refrain from recommending shareholders vote against directors of companies when

16 A company includes any parent or subsidiary in a group with the company or any entity that merged with, was acquired by, or acquired the company.
17 In our view, a five-year standard is appropriate because we believe that the unwinding of conflicting relationships between former management and board members is more likely to be complete and final after five years. However, Glass Lewis does not apply the five-year look back period to directors who have previously served as executives of the company on an interim basis for less than one year.
18 Listing Rules.
19 Chapter 3, Article 21(2)(b), "Board of Directors and Commissioners of Issuers and Public Companies" (No. 33/POJK.04/2014).
20 In every instance in which a company classifies one of its commissioners as non-independent, that commissioner will be classified as an affiliate by Glass Lewis.
21 Article 1.1, the Capital Market Law.
22 III.1.4 of the Listing Rules.
23 Chapter 3, Article 24, Paragraph 2 "Implementation of Corporate Governance for Commercial Banks" (No. 55/POJK.03/2016).

boards have provided a sufficient rationale for not having any female board members. Such rationale may include, but is not limited to, a disclosed timetable for addressing the lack of diversity on the board, and any notable restrictions in place regarding the board's composition, such as director nomination agreements with significant investors.

INDEPENDENT COMMISSIONERS' BOARD TENURE

For Indonesian companies, OJK regulations stipulate that an independent commissioner may serve up to two service periods of five-years per service period.[24] Although companies may provide an affirmation of a commissioner's independence after 10 years of service, we will redesignate an independent commissioner to consider them as being non-independent upon reaching 10 years of consecutive years of service.

COMMITTEES OF BOC

In accordance with the relevant laws and regulations, every listed company must have an audit committee,[25] while OJK regulations require all publicly-traded companies to have a remuneration and nomination committee.[26]

AUDIT COMMITTEE PERFORMANCE

Audit committees play an integral role in overseeing the financial reporting process because "[v]ibrant and stable capital markets depend on, among other things, reliable, transparent, and objective financial information to support an efficient and effective capital market process. The vital oversight role audit committees play in the process of producing financial information has never been more important."[27]

When assessing an audit committee's performance, we are aware that an audit committee does not prepare financial statements, is not responsible for making the key judgments and assumptions that affect the financial statements and does not audit the numbers or the disclosures provided to investors. Rather, an audit committee monitors and oversees the process and procedures that management and the auditors perform.

A proper and well-functioning system exists, therefore, when the three main groups responsible for financial reporting — the full board including the audit committee, financial management including the internal auditors, and the outside auditors — form a "three legged stool" that supports responsible financial disclosure and active participatory oversight. However, in the view of [this committee], the audit committee must be "first among equals" in this process, since the audit committee is an extension of the full board and hence the ultimate monitor of the process.

For an audit committee to function effectively on investors' behalf, it must include members with sufficient knowledge to diligently carry out their responsibilities. In its audit and accounting recommendations, the Conference Board Commission on Public Trust and Private Enterprise said, "members of the audit committee must be independent and have both knowledge and experience in auditing financial matters."[28]

The Listing Rules stipulates that the audit committee should have at least three members, one of whom should be an independent commissioner to chair the committee. Additionally, one of the members should be an expert in accounting and/or finance. Other members of the audit committee should be independent and be appointed from outside of the company (they do not have to be commissioners). In addition to reviewing financial information, public accountant, and internal controls, an audit committee should give an independent advice to the BOC about statements submitted by the BOD and identify matters thereof.

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24 Article 25 POJK. 33 No. 2014. We note that companies may have terms of service that may be less than five years, as such, we will observe their cumulative years of service, not necessarily the number of terms of service.

25 Article 1.1, the Capital Market Law.

26 Article 3, Chapter 2, "Nomination and Remuneration Committee of the Issuer or Public Company" (No. 34/POJK.04/2014).

27 "Audit Committee Effectiveness — What Works Best." PricewaterhouseCoopers. The Institute of Internal Auditors Research Foundation. 2005.

28 Commission on Public Trust and Private Enterprise. The Conference Board. 2003.

Thus, we recommend voting against the following members under the following circumstances:

- The audit committee chair when there are less than three members on the audit committee.
- The audit committee chair if the audit committee does not have a financial expert.
- The audit committee chair if the committee is chaired by a non-independent commissioner.
- Any audit committee member who serves as a commissioner who is not considered independent based on our research.
- All members of an audit committee at a time when material accounting fraud occurred at the company or financial statements had to be restated due to serious material fraud.
- The audit committee chair when fees for non-audit services are greater than audit and audit-related fees paid to the auditor for one financial year.
- All serving members of an audit committee, when fees for non-audit services are greater than audit and audit-related fees paid to the auditor for two or more consecutive financial years.
- Any member of the audit committee who is affiliated with a beneficial owner of more than 20% of the Company's issued shares.
- The audit committee chair when the audit committee failed to meet a minimum of four times during the previous fiscal year.
- The audit committee chair when the Company fails to disclose their proposed auditor at the AGM.
- The audit committee chair when the Company fails to disclose the fees paid to the auditor.

REMUNERATION COMMITTEE PERFORMANCE

Pursuant to OJK Regulations all companies must constitute a remuneration committee comprising a minimum of three members, with an independent commissioner as committee chair.[29] Moreover, because this committee is responsible for evaluating and prescribing the remuneration of directors and commissioners, and given the potential for conflicts of interests, we do not believe executives and employees should be members of the remuneration committee.

Remuneration committees are also responsible for overseeing the transparency of remuneration. This oversight includes the disclosure of remuneration arrangements, the matrices used in assessing pay-for-performance and the use of remuneration consultants. This oversight includes deciding the basis on which remuneration is determined, as well as the amounts and types of remuneration to be paid. It is important that remuneration be consistent with, and based on, the long-term economic performance of a business' and long-term shareholder returns. As such, it is important for investors to have clear and complete disclosure of all the significant terms of remuneration arrangements in order to reach informed opinions regarding the remuneration committee.

Remuneration committees are responsible for overseeing internal controls in the executive remuneration process. This includes monitoring controls over gathering information used to determine remuneration, establishing equity award plans and granting equity awards. Lax controls can contribute to conflicting information through the use of non-objective consultants, for example. Lax controls can also contribute to the granting of improper awards, such as backdated or spring-loaded options, or the granting of bonuses when triggers for such payments have not been met.

29 Chapter 2, Article 3, "Nomination and Remuneration Committee of the Issuer of Public Company" (No. 34/POJK.04/2014). We note that even though Paragraphs 3 and 4 of Article 3, Chapter 2 of this regulation allows for the director overseeing human resources to be a member of this committee, we do not believe an executive should be on this committee.

We will evaluate remuneration committee members on the basis of their performance while serving on the remuneration committee in question, and not for actions taken solely by prior committee members who are not currently serving on the committee.

When assessing the performance of remuneration committee, we will recommend voting against the following members under the following circumstances:

- Any remuneration committee member who is considered an executive or employee of the company based on our research.

- The remuneration committee chair if the committee is chaired by a non-independent commissioner.

- All members of the remuneration committee (during the relevant time period) if: (i) the company entered into excessive employment agreements and/or severance agreements; (ii) performance goals were changed (i.e., lowered) when employees failed or were unlikely to meet original goals, or performance-based compensation was paid despite goals not being attained; or (iii) excessive employee perquisites and benefits were allowed.

- The remuneration committee chair if the committee has less than three members.

- The remuneration committee chair if the committee meets less than three times in a year, when the committee is combined with a nomination committee.[30]

- The president commissioner if the company has not established a remuneration committee.

NOMINATION COMMITTEE PERFORMANCE

Pursuant to OJK Regulations, all companies must constitute a nomination committee comprising a minimum of three members, with an independent commissioner as chair.[31]

The nomination committee, as an agency for the shareholders, are responsible and accountable for the selection of objective and competent board members. We will recommend voting against the following members of the nomination committee under the following circumstances:

- The nomination committee chair[32] if: (i) the committee is chaired by a non-independent commissioner; (ii) the board of commissioners is not sufficiently independent; (iii) there are more than 20 members on the board of directors or commissioners; (iv) the committee did not meet during the year, but should have (i.e., new directors or commissioners were nominated); (v) the committee re-nominates a director or commissioner who did not attended any board meetings in the previous fiscal year and does not provide a reason for such re-nomination despite of the poor attendance; (vi) the committee re-nominated a director or commissioner who attended less than 75% of the meetings held by the board and/or the committees for two or more consecutive years; (vii) where the nomination committee fails to meet at least three times per year, based on OJK regulations;[33] or (viii) when information regarding director and/or commissioner nominees up for election is either not provided or is ambiguous.

- Any committee member who is considered an executive or employee of the company based on our research, when the committee is combined with a remuneration committee.

30 Chapter 4, Article 12, "Nomination and Remuneration Committee of the Issuer of Public Company" (No. 34/POJK.04/2014).
31 Chapter 2, Article 3, "Nomination and Remuneration Committee of the Issuer of Public Company" (No. 34/POJK.04/2014).
32 When the information regarding committee chair is not disclosed, we recommend voting against the committee member with the longest tenure on the board.
33 Chapter 4, Article 12, "Nomination and Remuneration Committee of the Issuer of Public Company" (No. 34/POJK.04/2014).

- All members of the nomination committee when the committee nominated or re-nominated an individual who had a significant conflict of interest, or whose past actions demonstrated a lack of integrity or inability to represent shareholder interests.

- The president commissioner if the company has not established a nomination committee.

RISK COMMITTEE PERFORMANCE

Pursuant to OJK Regulations, banks[34] and insurance companies[35] must constitute a risk monitoring committee comprising a minimum of three members, with an independent commissioner as chair.

The risk committee is responsible for assisting the Board of Commissioners in controlling the implementation of risk monitoring as performed by the Board of Directors and assess the levels of risk tolerance acceptable by the Bank or Insurance. This committee, if separate from the audit committee, would be responsible for ensuring robust internal control systems to oversee and manage a company's risk profile.

While the OJK Regulations provide that this committee should be applicable to banks and insurance institutions, where additional companies establish this committee, we will hold those companies accountable to our policies. In particular:

- The committee should not have any directors, but instead only comprise one commissioner and a financial and risk management expert. The committee should be chaired by an independent commissioner.

- Where there is a failure of risk management, we will recommend against the members of the committee for their lack of oversight.

- Where a bank or insurance company does not establish this committee, and does not disclose that its function is carried out by the audit committee or another board committee, we will recommend against the president commissioner.

ENVIRONMENTAL AND SOCIAL RISK OVERSIGHT

Glass Lewis understands the importance of ensuring the sustainability of companies' operations and believes that an inattention to material environmental and social issues can present direct legal, financial, regulatory and reputational risks for companies that could serve to harm shareholder interests. Therefore, we believe that these issues should be carefully monitored and managed by companies and that companies should have an appropriate oversight structure in place to ensure that they are mitigating attendant risks and capitalizing on related opportunities to the best extent possible.

Glass Lewis believes that companies should ensure appropriate, board-level oversight of material risks to their operations, including those that are environmental and social in nature. Accordingly, in instances where we identify material oversight issues, Glass Lewis will review a company's overall governance practices and identify which directors or board-level committees have been charged with oversight of environmental and/or social issues.

Where it is clear that companies have not properly managed or mitigated environmental or social risks to the detriment of shareholder value or when such mismanagement has threatened shareholder value, Glass Lewis may consider recommending that shareholders vote against members of the board who are responsible for the oversight of environmental and social risks. In the absence of explicit board oversight of environmental and social issues, Glass Lewis may recommend that shareholders vote against members of the audit committee, risk committee or other applicable committees. In making these determinations, Glass Lewis will carefully review the situation at hand, its effect on shareholder value, as well as any corrective action or other response made by the company.

34 Chapter 3, Article 34, "Implementation of Corporate Governance for Commercial Banks" (No. 55/POJK.03/2016).
35 Chapter 8, Article 51, "Good Corporate Governance of Insurance Companies" (No. 73/POJK.05/2016).

PERFORMANCE

The most crucial test of a board's commitment to the company and its shareholders lies in the actions of the board and its directors/commissioners. We look at the performance of these individuals as directors/commissioners and executives of the company and of other companies where they have served. We also look at how directors/commissioners voted while on the board where such information is available.

Voting Recommendations on the Basis of Performance

We disfavor directors/commissioners who have a track record of poor performance in fulfilling their responsibilities to shareholders at any company where they have held a board or executive position. We typically recommend voting against:

- A director/commissioner who fails to attend a minimum of 75% of the board meetings, or 75% of the total of applicable committee meetings, including committees other than the audit, nomination, remuneration, and risk committees, and board meetings. While we generally recommend directors/commissioners to attend board meetings in person, we understand it is not always feasible to do so. Therefore, when evaluating a director's or commissioner's attendance, we consider their participation via electronic communication means, such as audio, video or web conferencing "devices."[36]

  Where companies fail to disclose the complete attendance records of the board of directors and commissioners and its required committees,[37] we will recommend shareholders vote against the president commissioner.

- A director/commissioner who is also the chief executive of a company where a serious restatement has occurred after the chief executive certified the pre-restatement financial statements.

- In the event a company's performance has been consistently lower than its peers and the board has not taken reasonable steps to address the poor performance, we will consider voting against all directors/commissioners of the board.

- A commissioner who serves as a commissioner of more than four other publicly-traded companies. Or a commissioner who serves as a director for more than two publicly-traded companies while simultaneously serving as a commissioner for more than two other publicly-traded companies.[38] We will count commissioners who serve as board chairmen of boards in select other non-Asian markets, per our global policies, as two board seats given the time commitment of directorship in those markets.

- A director who serves as a director of more than one other publicly-traded companies or simultaneously serving as a commissioner of more than three other publicly-traded companies.[39] We will count directors who serve as board chairmen of boards in select other non-Asian markets, per our global policies, as two board seats given the time commitment of directorship in those markets.

EXPERIENCE

We find that a director/commissioner's past conduct is often indicative of future conduct and performance. We often find directors/commissioners with a history of overcompensating executives or with a history of serving on boards where significant and avoidable disasters have occurred, reappearing at companies that follow these same patterns.

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36 However, if a director or commissioner has served for less than one full year, we will not typically recommend voting against him/her for a failureto attend 75% of meetings. Rather, we will note the failure and track this issue going forward. We will also refrain from voting against directors and commissioners when the proxy discloses that the director missed the meetings due to serious illness, other extenuating circumstances or potential conflicts of interest.

37 The required committees will primarily be the audit, nomination, and remuneration committees. The risk committee will be required for bank and insurance companies.

38 Chapter 3, Article 24, "Board of Directors and Commissioners of Issuers and Public Companies" (No. 33/POJK.04/2014).

39 Chapter 2, Article 6, "Board of Directors and Commissioners of Issuers and Public Companies" (No. 33/POJK.04/2014).

Voting Recommendations on the Basis of Experience

We typically recommend that shareholders vote against directors/commissioners who have served on boards or as executives of companies with a track record of poor performance, over-compensation, audit or accounting related issues and/or other indicators of mismanagement or actions against the interests of shareholders.

CONFLICT OF INTEREST

In addition to the three key characteristics — independence, performance, experience — that we use to evaluate commissioners, we consider the following issues in making voting recommendations.

Irrespective of the overall presence of independent commissioners on the board, we believe that a board should be wholly free of people who have an identifiable and substantial conflict of interest. Accordingly, we recommend shareholders vote against the following types of affiliate or inside commissioners under nearly all circumstances.

Voting Recommendations on the Conflict of Interest

- A commissioner who has an immediate family member, providing material professional services at any time during the past three years. These services may include legal, consulting or financial services to the company. Commissioners who receive compensation from the company will have to make unnecessarily complicated decisions that may pit their interests against those of the shareholders they serve. Given the pool of commissioner talent and the limited number of commissioners on any board, we think shareholders are best served by finding individuals who can represent their interests without conflicts. A commissioner who has been employed by the company or its subsidiaries within the past five years is not considered to be independent.

- A commissioner who has an immediate family member, engaging in airplane, real estate or other similar deals, including perquisite type grants from the company. Commissioners who receive these sorts of payments from the company will have to make unnecessarily complicated decisions that may pit their interests against those of the shareholders they serve.

BOARD SIZE

Pursuant to OJK regulations, boards of directors and commissioners are required to have no fewer than two members.[40] To that end, while there is no limit on a maximum board size, we believe that boards whose size exceeds 20 members will suffer under the weight of "too many cooks in the kitchen" and have difficulty reaching consensus and making timely decisions. Sometimes the presence of too may voices makes it difficult to draw on the wisdom and experience in the room by virtue of the need to limit the discussion so that each voice may be heard.

To that end, we will typically recommend voting against the nomination committee chair if the board of directors or board of commissioners has more than 20 directors or commissioners. If the company does not have a nomination committee, we will recommend against the president commissioner for excessive board membership sizes.

BOARD EVALUATION AND REFRESHMENT

Glass Lewis strongly supports routine director and commissioner evaluation, including independent external reviews, and periodic board refreshment to foster the sharing of diverse perspectives in the boardroom and the generation of new ideas and business strategies. Further, we believe the board should evaluate the need for changes to board composition based on an analysis of skills and experience necessary for the company, as well as the results of the director evaluations, as opposed to relying solely on age or tenure limits. When necessary, shareholders can address concerns regarding proper board composition through director elections.

40 Chapter 1, Article 2 and Chapter 3, Article 20, "Board of Directors and Commissioners of Issuers and Public Companies" (No. 33/POJK.04/2014).

In our view, a director's and commissioner's experience can be a valuable asset to shareholders because of the complex, critical issues that boards face. This said, we recognize that in rare circumstances, a lack of refreshment can contribute to a lack of board responsiveness to poor company performance.

On occasion, age or term limits can be used as a means to remove a director for boards that are unwilling to police their membership and enforce turnover. Some shareholders support term limits as a way to force change in such circumstances.

While we understand that age limits can aid board succession planning, the long-term impact of age limits restricts experienced and potentially valuable board members from service through an arbitrary means. We believe that shareholders are better off monitoring the board's overall composition, including its diversity of skill sets, the alignment of the board's areas of expertise with a company's strategy, the board's approach to corporate governance, and its stewardship of company performance, rather than imposing inflexible rules that don't necessarily correlate with returns or benefits for shareholders.

However, if a board adopts term/age limits, it should follow through and not waive such limits. If the board waives its term/age limits, Glass Lewis will consider recommending shareholders vote against the nominating and/or governance committees, unless the rule was waived with sufficient explanation, such as consummation of a corporate transaction like a merger.

However, we note that pursuant to OJK regulations, an independent commissioner may serve up to two consecutive terms. Yet, such commissioners may be reelected to serve additional terms, provided companies declare the independence of the commissioner standing for election.[41]

INITIAL PUBLIC OFFERING

Where a company recently completed its initial public offering ("IPO") and became listed on the stock exchange, we will exempt the company from our guidelines for a period of the first financial year or 12 months from the IPO date, whichever is longer.

However, we will review our exemption on a case-by-case basis if: (i) a company and/or its board members are the subject of serious regulatory investigations or actions; and/or (ii) there are significant concerns about overall corporate governance practices.

41 Chapter 3, Article 25, "Board of Directors and Board of Commissioners of Issuers and Public Companies" (No. 33/POJK.04.2014).

Transparency and Integrity in Financial Reporting

ACCOUNTS AND REPORTS

In Indonesia, companies are required to submit annual reports and financial statements for shareholder approval. Approval of such a proposal is required for them to be legally valid. We will recommend voting for these proposals except in the case where there are concerns about the integrity of the statements/reports.

However, in the event that the audited financial statements have not been made available, we do not believe shareholders have sufficient information to make an informed judgment regarding this matter. In those cases, we will recommend that shareholders vote against this agenda item.

ALLOCATION OF PROFITS/DIVIDENDS

In Indonesia, companies routinely submit the allocation of income for shareholder approval. However, we note that it is common for companies to not disclose the proposed dividends for the most recently completed financial year. Nevertheless, we generally recommend supporting a company's policy when it comes to the payment of dividends (or the absence thereof). We believe, in most cases, the board is in the best position to determine whether a company has sufficient resources to distribute a dividend or if the company would be better served by forgoing a dividend to conserve resources for future opportunities or needs. As such, we will only recommend that shareholders refrain from supporting dividend proposals in exceptional cases.

APPOINTMENT OF AUDITORS AND AUTHORITY TO SET FEES

The auditor's role as gatekeeper is crucial in ensuring the integrity and transparency of the financial information necessary for protecting shareholder value. Shareholders rely on the auditor to ask tough questions and to do a thorough analysis of a company's books to ensure that the information provided to shareholders is complete, accurate, fair, and that it is a reasonable representation of a company's financial position. The only way shareholders can make rational investment decisions is if the market is equipped with accurate information about a company's fiscal health.

Shareholders should demand an objective, competent and diligent auditor who performs at or above professional standards at every company in which the investors hold an interest. Like directors, auditors should be free from conflicts of interest and should avoid situations requiring a choice between the auditor's interests and the public's interests. Almost without exception, shareholders should be able to annually review an auditor's performance and to annually ratify a board's auditor selection.

When ratification of the auditor is submitted to shareholders for their approval, we generally support management's choice of auditor except when we believe the auditor's independence or audit integrity has been compromised.[42] When there have been material restatements of annual financial statements or material weakness in internal controls, we usually recommend voting against the auditor. In the event that the audited financial statements have not yet been disclosed, we base our voting recommendations on the company's financial statements for the previous year. We do not hold a company's auditor responsible for, what we believe, may be the company's failure to comply with reporting obligations or a lack thereof, depending on the jurisdiction.

42 If ratification of the auditor is not presented to shareholders for their approval and if we find a significant concern with the auditor, we may recommend shareholders vote against the election of audit committee members.

Reasons why we may not recommend ratification of an auditor include:

- When the company fails to disclose the name of their proposed auditor for the upcoming fiscal year.
- Recent material restatements of annual financial statements have been made, including those resulting in the reporting of material weaknesses in internal controls and including late filings by the company where the auditor bears some responsibility for the restatement or late filing.
- When the company has aggressive accounting policies evidenced by restatements or other financial reporting problems.
- When the company has poor disclosure or lack of transparency in its financial statements.
- When the auditor has limited its liability through its contract with the company.
- When other relationships or concerns with the auditor suggest a conflict between the auditor's interests and shareholder interests.
- Where the company failed to disclose the auditor fees paid for the previous fiscal year or a breakdown thereof.
- When audit and audit-related fees total 50% or less of the overall fees billed by the auditor.

It is not customary in Indonesia for companies to disclose the name of the independent auditor that the company plans to employ for the next fiscal year. Where the proposed auditor is disclosed, we will generally support management's selection of the Company's auditor, except in cases where we believe the independence of the auditor or the integrity of the audit is compromised. We note that non-audit services that independent external audit firms may provide is restricted under the regulations from the Ministry of Finance[43] and that provision of this type of services is not a common practice in Indonesia.

43 Chapter 12, Article 38, "Guidance and Oversight of Public Accountants" (No. 154/PMK.01.2017).

The Link Between Compensation and Performance

REMUNERATION OF BOD AND BOC

Glass Lewis believes that non-employee members should receive compensation for the time and effort they spend serving on the board and its committees. In particular, we support compensation plans that include option grants or other equity-based awards, which help to align the interests of non-executive members with those of shareholders. The BOD and BOC members' fees should be reasonable in order to retain and attract qualified individuals. At the same time, excessive fees represent a financial cost to the company and threaten to compromise the objectivity and independence of non-employee members. Therefore, a balance is required.

Indonesian companies generally seek shareholder approval on the total remuneration of both BOD and BOC members. However, the proposed fees are often not disclosed by companies. We note that the disclosure around compensation is opaque, and full disclosure of individual directors and commissioners is not a common practice; the fees paid to directors and commissioners are aggregated without the breakdown of the two. Therefore, we look at the company's recent compensation practices in order to determine whether to grant authority to fix the fees for the following year. If we find this amount to be excessive relative to other companies we have reviewed, we will recommend shareholders vote against such a proposal.

As part of the corporate governance roadmap, companies are supposed to provide greater details of the remuneration paid to directors and commissioners. Where previously we evaluated the remuneration paid, we will expect companies to provide greater details of their remuneration payable to directors and commissioners alike.

EQUITY-BASED COMPENSATION

We believe that equity compensation awards are useful, when not abused, for retaining employees and providing them with an incentive to act in a way that will improve company performance.

Equity-based compensation programs have important differences from cash compensation plans and bonus programs. Accordingly, our analysis takes into account factors such as plan administration, the method and terms of exercise, and express or implied rights to re-price.

Our analysis is both quantitative and qualitative. In particular, we examine the potential dilution to shareholders, the company's grant history and compliance with best practice recommendations.

We evaluate option plans based on the following overarching principles:

- Companies should seek more shares only when they need them.
- Plans should be small enough that companies need approval every three to four years (or less) from shareholders.
- Plans should not permit re-pricing of stock options.
- Plans should not contain excessively liberal administrative or payment terms.

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- Plans should not contain excessively liberal administrative or payment terms.

In addition, as a general rule, we do not support granting performance-linked compensation to those who carry out supervisory duties because we believe that a commissioner should hold the same type of securities as ordinary shareholders. Thus, we recommend shareholders vote against when commissioners are eligible to participate in performance-linked plan.

When evaluating equity-based compensation proposals, we will look for companies to provide complete disclosure surrounding the proposed equity grants. In the absence of complete disclosure, we may recommend shareholders oppose either the adoption of an equity-based compensation plan or the granting of equity awards. However, in recognition of equity compensation practices for Indonesian companies, we will generally evaluate the general authority to grant awards under equity compensation plans in the following manner:

- For proposals seeking to grant awards within the general limits of an existing plan or plans and the proposed grant size is not disclosed, we will look at the previous year's grants to infer a potential grant size in the current financial year. We will generally recommend shareholders oppose proposals to grant additional equity awards if grants exceeded 2% of a company's issued share capital as at the holding of the general meeting.

- Where companies had existing plans, and are looking to adopt a new plan, we will examine whether companies in the preceding two years had plans which granted more than 2% of a company's issued share capital on an annual basis. Where such grant histories are found, we will oppose the adoption of a new equity compensation plan, unless the proposed new plan commits to granting less than 2% of issued share capital on an annual basis.

- Where companies previously did not have equity-compensation plans but are adopting a plan for the first time, we will generally look at the qualitative elements of the proposed plan to guide our recommendation.

We will oppose the granting of equity-based compensation awards where:

- The exercise price or discount rate of stock options is determined at the discretion of the plan administrator.

- The exercise price discount for stock options exceeds 20% of the market price.

- The maximum vesting period is less than two years unless vesting occurs immediately after a minimum two-year performance period.

- The equity-based compensation plans include the acceleration of vesting of awards upon an offer being made on a company's shares without the transaction needing to be completed, along with a further event such as termination of employment of the grantee. However, we may take into consideration the acceleration of vesting of awards, provided the vesting is in conjunction with the achievement of performance targets as at the time of the transaction leading to a change in control.

We will oppose proposals to grant individual equity awards where:

- The number of share options or shares to be granted has not been disclosed by the company.

- We oppose the plan or plans the awards are being granted under.

- If an individual's grant or the combined grant size for several individuals exceed 2% of a company's issued share capital.

OPTION EXCHANGES

Glass Lewis views option re-pricing plans and option exchange programs with great skepticism. Shareholders have substantial, real downside risk in owning stock, and we believe that the employees, officers and directors and/or commissioners who receive options should be similarly situated to align interests optimally. We are concerned that option grantees who believe they will be "rescued" from underwater options will be more inclined to take on unjustifiable risks. Moreover, a predictable pattern of re-pricing or exchanges substantially alters the value of the stock option, as options that will practically never expire deeply out of the money are worth far more than options that carry such a risk. In short, repricings and option exchange programs change the bargain between shareholders and employees after the bargain has been struck. Re-pricing is tantamount to a re-trade.

There is one circumstance in which a repricing or option exchange program is acceptable: if the value of a stock has declined dramatically because of macroeconomic or industry trends (rather than specific company issues) and a re-pricing is necessary to motivate and retain employees. In this circumstance, we think it fair to conclude that option grantees may be suffering from a risk that was not foreseeable when the original equity-based compensation "bargain" was struck. In such a circumstance, we will support a re-pricing only if the following conditions are true:

- Officers and directors/commissioners do not participate in the program.
- The stock decline mirrors the market or industry price decline in terms of timing and approximates the decline in magnitude.
- The exchange is value-neutral or value-creative to shareholders with very conservative assumptions and a recognition of the adverse selection problems inherent in voluntary programs.
- Management and the board make a cogent case for needing to incentivize and retain existing employees, such as the company's position in a competitive employment market.

Governance Structure, Capital Management and the Shareholder Franchise

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

We will evaluate proposed amendments to a company's articles of association or charters on a case-by-case basis. We are opposed to the practice of bundling several amendments under a single proposal because it might force shareholders to vote in favor of amendments that they might otherwise reject had they been submitted as separate proposals. In such cases, we will analyze each change on their own. We will recommend voting for the proposal only when, on balance, we believe that all of the amendments are in the best interests of shareholders.

DIVIDEND REINVESTMENT (OR SCRIP DIVIDEND) PLAN

We support plans that provide shareholders with the choice of receiving dividends in stock instead of cash. For the company, a stock dividend typically offers a tax benefit. In addition, the company can keep more of its earnings rather than distributing them. For shareholders, a dividend reinvestment plan offers a less expensive way to acquire additional shares. They avoid paying brokers' commissions or the taxes on normal stock transactions. The stock price is usually equal to an average, middle-market price, which is often lower than the price available on the stock exchange.

ISSUANCE OF SHARES AND/OR CONVERTIBLE SECURITIES

In general, issuing an excessive amount of additional shares and/or convertible securities can dilute existing holders. Accordingly, where we find that the company has not detailed a plan for use of the proposed shares, or where the number of shares far exceeds those needed to accomplish a detailed plan, we typically recommend against the authorization of additional shares.

While we think that having adequate shares to allow management to take advantage of developing business opportunities and effectively operate the business is critical, we prefer that, for significant transactions, management come to shareholders to justify their use of additional shares rather than providing a blank check in the form of a large pool of unallocated shares available for any purpose.

WITHOUT PREEMPTIVE RIGHTS

In our view, unless a board provides any compelling reason, in general any authorization to issue shares and/or convertible securities without preemptive rights should not exceed 20% of the company's total share capital. Likewise, we believe the discount rate for the new issuance should not exceed 15% of the average market price.

Under OJK regulations, share issuances without preemptive rights are generally limited to 10% of issued share capital. However, companies may issue shares in excess of the 10% limit, provided it is for the improvement of a company's financial position.[44] Where a company seeks to issue shares beyond the 10% limit, we will generally observe a 20% limit, as mentioned, unless there is a unique situation which would necessitate a larger issuance.

44 Regulation of Financial Services Authority, Republic of Indonesia, Number 32/POJK.04/2019.

REPURCHASE OF SHARES

A company may want to repurchase its own shares for a variety of reasons. A repurchase plan is often used to increase the company's stock price, to distribute excess cash to shareholders or to provide shares for equity-based compensation plans for employees. In addition, a company might repurchase shares in order to offset dilution of earnings caused by the exercise of stock options.

We will recommend voting in favor of a proposal to repurchase shares when the plan includes the following three provisions: (i) a maximum number of shares which may be purchased; (ii) a reasonable maximum price which may be paid for each share (as a percentage of the market price); and (iii) a reasonable term with an expiration date. However, per OJK regulations, repurchase prices tend to not exceed the average of the closing price of a company's shares in the preceding 90 days prior to the date of the share repurchase.[45]

STOCK SPLIT

We typically consider three metrics when evaluating whether we think a stock split is likely or necessary: (i) the historical stock pre-split price, if any; (ii) the current price relative to the company's most common trading price over the past 52 weeks; and (iii) some absolute limits on stock price that, in our view, either always make a stock split appropriate if desired by management, or would almost never be a reasonable price at which to split a stock.

SUPERMAJORITY VOTE REQUIREMENTS

Glass Lewis believes that supermajority vote requirements act as impediments to shareholder action on ballot items that are critical to shareholder interests. One key example is in the takeover context where supermajority vote requirements can strongly limit the voice of shareholders in making decisions on such crucial matters as selling the business.

DUAL-CLASS SHARE STRUCTURES

Glass Lewis believes dual-class voting structures are typically not in the best interests of common shareholders. Allowing one vote per share generally operates as a safeguard for common shareholders by ensuring that those who hold a significant minority of shares are able to weigh in on issues set forth by the board.

Furthermore, we believe that the economic stake of each shareholder should match their voting power and that no small group of shareholders, family or otherwise, should have voting rights different from those of other shareholders. On matters of governance and shareholder rights, we believe shareholders should have the power to speak and the opportunity to effect change. That power should not be concentrated in the hands of a few for reasons other than economic stake.

We generally consider a dual-class share structure to reflect negatively on a company's overall corporate governance. Because we believe that companies should have share capital structures that protect the interests of non-controlling shareholders as well as any controlling entity, we typically recommend that shareholders vote in favor of recapitalization proposals to eliminate dual-class share structures. Similarly, we will generally recommend against proposals to adopt a new class of common stock.

With regards to our evaluation of corporate governance following an IPO or spin-off within the past year, we will now include the presence of dual-class share structures as an additional factor in determining whether shareholder rights are being severely restricted indefinitely.

When analyzing voting results from meetings of shareholders at companies controlled through dual-class structures, we will carefully examine the level of approval or disapproval attributed to unaffiliated shareholders when determining whether board responsiveness is warranted. Where vote results indicate that a majority of

45 Chapter 3, Article 11, "Buyback of Shares Issues by the Publicly Traded Company." (No. 30/POJK.04/2017).

unaffiliated shareholders supported a shareholder proposal or opposed a management proposal, we believe the board should demonstrate an appropriate level of responsiveness.

We note, however, that Indonesian companies may create new share classes with different nominal values and issue shares from those new share classes, so long as a company's shares are trading below the nominal value of other existing share classes. However, where such classes of shares are created, the rights attached may not be different from existing share classes, nor can the nominal value of the existing share classes be converted into the share classes with the new nominal value.[46]

It is also noted that among companies where the Indonesian Government is the controlling or major shareholder, companies have a separate share class of Series A or "Dwiwarna Shares." This class of shares may confer the right to the Government to appoint directors and/or commissioners.[47]

CORPORATE GUARANTEES

Companies may seek shareholder approval to provide corporate guarantees to subsidiaries and associate companies. Where shareholders are asked to approve corporate guarantees, our assessment will take the following into consideration:

i. The overall disclosure relating to the corporate guarantees;

ii. The relationship between the company providing the corporate guarantees and those entities receiving the corporate guarantees;

iii. The benefits for provision of guarantees to the company itself and its shareholders as a whole, ensuring that the provision of guarantees will not only benefit select major shareholders;

iv. The size of the corporate guarantees compared to a company's net assets; and/or

v. The rationale for the provision of guarantees.

We will oppose proposals to provide corporate guarantees if companies do not disclose the amount of corporate guarantees it intends to grant. Similarly, where a company seeks to provide corporate guarantees to joint ventures or entities where it does not have majority ownership or operational control and other investors are not providing similar corporate guarantees, we will recommend shareholders oppose such proposals as financial risk should be shared by all investment partners. The same may be applied where a company and guaranteed entity only share common directors or common shareholders, but there is no equity relationship between the company and guaranteed entity.

For entities controlled by a company and the amount of corporate guarantees are disclosed, we will evaluate the size of corporate guarantees as a percent of a company's audited net assets, as based on the most recent audited financial statements. Where the proposed corporate guarantees and existing guarantees (if any) are less than 100% of audited net assets, we will support the provision of corporate guarantees. In contrast, where the proposed guarantees and existing corporate guarantees (if any) exceed 100% of audited net assets, we will oppose the provision of corporate guarantees.

TRANSACTION OF OTHER BUSINESS

We typically recommend that shareholders not give their proxy to management to vote on any other business items that may properly come before the annual meeting. In our opinion, granting unfettered discretion is unwise.

46 Chapter 2, Articles 3 and 4, "Issuance of Shares with Different Nominal Value" (No. 31/POJK.04/2017).
47 Part 5, Article 53, Limited Company Law No. 40, 2007.

Shareholder Initiatives

Although uncommon in Indonesia, should a shareholder proposal arise, we will evaluate it on a case-by-case basis. We generally favor proposals that are likely to increase shareholder value and/or promote and protect shareholder rights. We typically prefer to leave decisions regarding day-to-day management of the business and policy decisions such as those related to political, social or environmental issues to management and the board except when there is a clear and direct link between the proposal and an economic or financial risk for the company. We feel strongly that shareholders should not attempt to micromanage the business or its executives through the initiative process. Rather, shareholders should use their influence to push for governance structures that protect shareholders, including through director elections, and promote the composition of a board they can trust to make informed and careful decisions that are in the best interests of the business and its owners. We believe that shareholders should hold directors accountable for management and policy decisions through the election of directors.

ENVIRONMENTAL, SOCIAL & GOVERNANCE INITIATIVES

For a detailed review of our policies concerning compensation, environmental, social and governance shareholder initiatives, please refer to our comprehensive *Proxy Paper Guidelines for Shareholder Initiatives*, available at www.glasslewis.com.

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