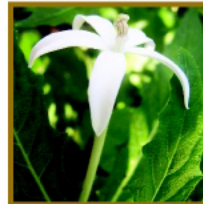


STOCK EXCHANGE INDEXES

# SRIKEHATI

## ENGAGING BUSINESSES FOR BIODIVERSITY CONSERVATION IN INDONESIA



KEHATI

## Background



Indonesia is a country which is rich in biodiversity. Indeed it is the second richest country in the world after Brazil in term of the biodiversity. Biodiversity plays an important role in life because it serves as an indicator of “environmental health”, besides it also has great economic potency. However, if the wealth is not wisely used, it will vanish from the Indonesian earth. The use of natural resources—including the biodiversity potencies—in Indonesia has much to do with the country’s businesses. It is important to build cooperation with businesses in Indonesia to conserve the biodiversity for sustainable use.



## Why did the KEHATI Foundation enter the stock exchange?

With its 15-year experience and competence in generating and managing resources, KEHATI has built strategic alliances with various parties: the government, businesses, Non-Governmental Organizations (NGOs) and the communities. KEHATI will keep strengthening the alliance to empower the communities, advocating public policies, learning together, mobilizing support and participation of involved parties. KEHATI also acts as a “bridge” that facilitates various forms and patterns of relationships (interaction) built among parties with different basic duty. For example, it develops alliances of the communities, biodiversity conservationists and businesses.

To attract businesses and create a forum for them so that they take part in the conservation efforts of biodiversity and sustainable development, KEHATI initiates the Sustainable and Responsible Investment Index (SRI), a stock price index that can serve as guideline or information for investors who are sensitive towards social concerns, especially in the environmental conservation and sustainable development to invest their capital in more responsible companies.

In the SRI KEHATI index, a new stock price index benchmark is also established. It particularly shows the performance of share prices of issuers with good performance for the promotion of the efforts towards sustainable development. A review of the companies’ performance is conducted to see their concern towards the environment, social issues and good company management. The review is conducted by an

independent institution. It is expected that the index will give a new investment reference and promote the flow of investment towards companies with better performance in sustainable development promotion.

SRI is a global phenomenon. Big scale businesses tend to have big social and ecological impacts. For the sake of the company’s survival and the development’s sustainability, investors in various parts of the world start to consider social and ecological aspects in their investment decision. This is followed by fund managers, who begin to create products (portfolio) which are socially and ecologically sensitive. They form associations like: the Social Investment Forum in America, the Social Investment Organization in Canada, the EuroSIF in European Union, the Association of Responsible and Sustainable Investment in Asia, and the Association of Responsible Investment in Australia. In 2006,

the United Nations Environment Programme (UNEP) launched a reference for responsible investment. This reference gives a framework to help investors elaborate environmental, social and governance factors in investment process.

## Objectives of SRI KEHATI

In general SRI-KEHATI is developed to promote the implementation of sustainable development, especially in the private sector, through recognition on companies with good performance socially and ecologically. Particularly, the aim is outlined in specific objectives as follow:

- 1.To promote sustainable businesses among issuers in the market. SRI-KEHATI index is expected to shift investors' attention so that they will no longer focus on financial and short term aspects but also on social and ecological aspects with long term consideration.
- 2.To become a reference for investment products. SRI KEHATI is expected to become an indicator for the quality of trading shares, offering an alternative in the development of investment portfolio and develop investment that cares about social and ecological aspects.
- 3.To have the potency serving as a benchmark for derivative products like ETF of SRI issuers' shares.

### PRINCIPLES OF SRI KEHATI INDEX

SRI KEHATI works under key principles in accordance with values respected by KEHATI, adhering to transparency and impartiality principles towards sustainable development. Based on the above principles, the process to select and review issuers to be listed in the index is done openly based on clear criteria and indicators with standards that promote the achievement of sustainable development. Review is done fairly and impartially.

### Selection and Review Mechanism

Mechanism of the selection of issuers to be included in SRI KEHATI requires two phases. The first phase is initial screening, and the second is performance review. Initial screening is done to make sure that the reviewed companies meet preconditions as follow: first, they has total assets of more than Rp 1 trillion each based on last year's audited finance report, second, they should have positive Price Earning Ratio (PER) and at least 10 percent of its shares is owned by the public. Besides, the selected companies are not involved in the production of weapons and war tools, pornography,

alcohol, tobacco, transgenic products, genetically modified organism (GMO), pesticide and nuclear power.

Issuers that pass the initial screening will be reviewed regarding their performance based on six criteria, in the areas of environment, community development, corporate governance, human rights, business attitude, and employment principles. Each criterion has a number of indicators. The review is done upon secondary data, questionnaires filled by issuers, and other relevant data. From the review results, 25 companies with the highest scores will be listed in the SRI KEHATI index. In addition, this index also considers some other criteria such as,

- Economy and Added Value Indicators
- Screening companies dealing with pesticide, transgenic products/ genetic modification, nuclear power, weapons, tobacco, alcohol, pornography and those involved in employment and human rights violations.

## KEHATI Indonesia Foundation at a glance

KEHATI was established in Jakarta on January 12, 1994 as a non profit foundation that supports the conservation and sustainable use of biodiversity. KEHATI provides supports for resources and facilitate activities of various organizations and civil society components, NGOs, CBOs, research and education & training centers. This mandate is taken by KEHATI with full responsibility and is reflected in its vision and mission as follow:

### Vision of KEHATI 2008 – 2012

Conservation and sustainable use of biodiversity that respect justice for the empowerment and welfare of people, as well as the achievement of the highest quality of life.

### Mission of KEHATI 2008 – 2012

To achieve biodiversity conservation through mobilization and management of resources for community empowerment, public policy advocacy, share learning and enhancement of stakeholders participation.

For more information, please contact:

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