KEHATI involvement in SDG
ASEF - Stockholm
19 - 20 Oct

By: M.S. Sembiring
Executive Director
KEHATI was established in 1994 as a non-profit organization grant-making, and expanding its role into a “Conservation Trust Fund” based on its Strategic Planning 2013-2017.
Grant resources

Endowment Fund:
USD 16.5 Mio

Bilateral Donor Agencies:
USAID, AusAID, DfID, CIDA, JICA, DoI, MCA-Indonesia, and many more

Multilateral Donor Agencies:
UNEP, UNDP, World Bank, Partnership for Governance Reform, and many more

Debt- for Nature Swap (DNS):
GoI & USG

120 Million + 40 Million = 160 Million

Private Sector:
Garuda Indonesia, Pembangunan Jaya Ancol, Unilever Indonesia, Bank CIMB Niaga, Bank Danamon Indonesia, Bank Rakyat Indonesia, Bank Negara Indonesia, Bank Mandiri, Indonesia Exim Bank, Bahana Pembinaan Usaha Indonesia, Bahana TCW Investment Management, Indo Premier Investment Management, Bursa Efek Indonesia, Kustodian Sentral Efek Indonesia, Grahaniga Tatautama, Styrindo Mono, 24 Jam Online, The Body Shop, Chevron Geothermal Salak Ltd, Alexandre Christie International Pte, Chandra Asri, **Selling Agent ORI010**, and many more.

Bird Head’s Seascape (BHS) Program – West Papua

Philanthropic & Private Institution

Crowd Fund, Cause-related marketing:
Alfa Mart

Debt- for Nature Swap (DNS): GoI & USG
Where does KEHATI work?
Indonesia as a mega-biodiversity country

Tropical area:

- Diversity center of: **17% Birds, 16% Reptiles, 12% Mammals, 10% Flowers**, etc.
- Native fruits of: Mangosteen (*Manggis*), King of Fruit (*Durian*), Ambarella (*Kedondong*), Water guava, etc.
- Endemic center of: **Komodo Dragon, Sumatran Tigers, Orangutans, Javan and Sumatran Rhinos “Harapan from Cincinnati Zoo”**, Sumatran Elephant, Anoa, Bird of Paradise, Maleo, Bali Starling/Mynah, Rafflesia, Orchids, Asian Bonytounge (*Arwana*), Featherbacks (*Belida*), etc.

Source: [https://ajimachmudi.wordpress.com/fauna-dan-flora-Indonesia]
KEHATI Programs

**Agro Ecosystem**
- Conserve and sustainable use of plants genetic resources and underutilized crops
- Foster ecological agricultural development model
- Develop community-based Climate Change Adaptation Model

**Forest Ecosystem**
- Community-based forest management and partnership
- Develop community-based mitigation model
- Forest Rehabilitation and Forest Governance

**Coastal and Small Islands**
- Community based Coastal and Small Island Management
- Coastal Forest Rehabilitation
- Conservation of endangered species
- Adaptation to Climate Change
KEHATI Roles & Functions

Together with local community, KEHATI is actively reducing the threat of Indonesian biodiversity loss.

**GOVERNMENT**
Central and Local Government, Research Institution, etc.

**PRIVATE & BUSINESS SECTORS**
Investors, Private Sectors, State-Owned Enterprise, etc.

**COMMUNITY**
Non-Government Organisation, Academition, Cultural Organisation, Mass Media, Indigenous People, etc.

KEHATI
Programmes Performance

1150
Programmes in all over Indonesia

>1000
Grantees

20+2
years as Grant Making Institution for conservation

Managed
>160 Million Dollar
KEHATI involvements in Sustainable Development Goals:

1. No Poverty
2. Zero Hunger
3. Good Health and Well-Being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life on Land
15. Life Below Water
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals
- Mangrove forest absorb five times more carbon compared to land forest
- KEHATI with its grantees has rehabilitated more than 50 hectare of mangrove forest
- Mangrove rehabilitation is part of climate change mitigation which give economic impact to the society around mangrove forest.

- Mangrove also plays a vital part as nature fortress to protect coastal areas from sea-abrasion and intrusion, as well as to provide natural habitat for various fishes and crabs.
- Sustainable use of biodiversity to increase communities' welfare, through the use of Mangrove as nature-dye agent in women’s group batik-cloth production (Brebes, and other part of Java north coastal areas)

5 GENDER EQUALITY

5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

14.2 Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience
2.3 To double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers

2.10 To encourage and expand access to banking, insurance and financial services for all
- Pyco-hydro to provide electricity for Aek Mateo Jae village in North Tapanuli district, of North Sumatera with this power plant installation, the communities must protect their forest area to ensure stable and sufficient water stream for the particular river.
- Capacity: 220 watt for each of 29 families in the village

- East Nusa Tenggara: Flores Island and East Flores
- Potential food source with the ability to grow in dry land with low frequency of rain.
- KEHATI with its grantees has planted sorghum in total area of 153 hectare

15.1 To ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services
15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity
- Pioneer on green index on Indonesia which appears on Indonesia Stock Exchange
- SRI KEHATI index is a form of green investment which beneficial to both of environment and business

- More than 400 companies were take part on 3 level screening process and as result, 25 companies were considered eligible to meet SRI KEHATI Index criteria so that they can be used as guidance for investors.

**Goal 12: Sustainability Information**

**Target 12.6:** Encourage companies, especially large and trans-national companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

**Goal 17: Global Partnerships**

**Target 17.16:** Enhance the global partnership for sustainable development complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technologies and financial resources to support the achievement of sustainable development goals in all countries, particularly developing countries.
SDG and Stock Exchanges ......
Launched by UN Secretary General Ban Ki-moon in 2009, the SSE was named by Forbes magazine as one of the “World’s Best Sustainability Ideas”.

“Stock exchanges and other financial bodies and institutions have a key role to play. Many of you have taken important steps to advance this agenda. I welcome your efforts to incorporate ESG considerations into new stock indexes, listing rules and regulatory frameworks.”

Ban Ki-moon
UN Secretary-General
Sustainable Stock Exchanges Launch, 2009
Sustainable Development Goals (2016-2030)

On 25-27 Sept 2015, VP Jusuf Kalla attended UN summit meeting in UN headquarters, New York, and he has provided our commitment to support SDG:
Indonesia commitments on COP21 - UNFCCC

“...Indonesia is committed to reduce greenhouse gases emissions to 29 pct by 2030, and 41 pct with international supports...”

His Excellency President Joko Widodo at COP21 - UNFCCC, Paris, December 2015.
SDGs Platforms

SDGs IN INDONESIA

GOVERNMENT AND PARLIAMENT

ACADEMIA AND EXPERTS

PHILANTHROPY AND BUSINESS

CIVIL SOCIETY AND MEDIA
SDGs: What do they mean for stock exchanges?

Making an Impact
Our evaluation of the SDGs found four relevant goals that stock exchanges are best positioned to support. In addition, there is one underpinning action that will allow exchanges to impact these four areas and other SDGs.

- Gender Equality (Goal 5)
- Sustainability Information (Goal 12)
- Climate Change (Goal 13)
- Global Partnerships (Goal 17)

Underpinning Action: Mobilizing Finance

Goal 12: Sustainability Information

**Target 12.6:** Encourage companies, especially large and trans-national companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Many stock exchanges are already playing a key role in achieving target 12.6 by providing guidance and training for companies and strengthening listing requirements. By focusing on these actions, exchanges play a vital role in achieving this target and ensuring transparency in their markets.

What you can do to enhance sustainability information:

1. Provide guidance and training for companies on environmental, social and governance (ESG) reporting: The SSE is supporting exchanges in this endeavor through the development of the *Model Guidance on Reporting ESG Information to Investors* to help exchanges address the growing need for sustainability information.
2. Develop sustainability indices that encourage companies to publicly disclose ESG information by highlighting the highest quality reporters.
3. Update listing requirements to provide a consistent and comparable baseline for sustainability data.
Growth of the PRI Initiative

Assets under management in USD trillion

No of signatories

Assets under management by PRI signatories as at April 2016 stands at more than $62 trillion, almost 10 times since the PRI’s launch in 2006.

Source: http://www.unpri.org/
Launched on 05 December 2014, Muliaman D. Hadad, Chairman of Financial Services Authority (OJK) Board of Commissioners

Background:

- National Long-Term Development Plan 2005-2025
- Summit in Pittsburgh in September 2009, Indonesian pledged an emission reduction target of 26% (29%) from business under a normal scenario by 2020 (2030) or 41 percent with international assistance.
- Law of Republic Indonesia no 32 year 2009 about protection and management of the environment
Since it was launched in Jun 2009, the index gained positive response from the investors as it consistently outperform the market by 10% above the LQ45 Index and JII Index, therefore it proves that investors are willing to pay premium prices to those companies in SRI-KEHATI index which considered as green companies. This year is the 7th Anniversary of SRI-KEHATI Index.
The purpose of SRI-KEHATI Index

1. To boost the implementation of sustainable development for the businesses in Indonesia, particularly the companies which have been listed in the Indonesia Stock Exchange.
2. To be an assessment of the company’s performance in terms of concern for the environment, social issues and good corporate governance.
3. To be a barometer of the quality of environment and natural resources in Indonesia.
4. To be a friendly environment or green investment benchmark.
5. To encourage the capital market investors into a sustainable investment and business direction.
6. To develop other financial and derivative products such as ETF, Conventional Index Fund, etc.
Screening Process of SRI-KEHATI Index (consists of 25 publicly listed companies)

Screening 1
Core Business

Forbidden business:
- Pesticide
- Nuclear
- Weapons
- Tobacco
- Alcohol
- Porn
- Casino/gambling
- Genetically Modified Organism (GMO)
- Coal Mining

Screening 2
Financial Aspects

Financial ratio and market indicators:
- Market Cap min IDR 1 T
- Total Assets min IDR 1 T
- Free Float Ratio >10%
- Positive Price/Earning Ratio

Screening 3
Fundamental Aspects

Company management:
- Environment
- Community involvement
- Corporate Governance
- Business behaviour
- Labour - Human Resources
- Human Rights
SRI-KEHATI Data Collection & Review
Every Six Months

- Questionnaires' provided to listed companies.
- Companies data available on public; *PROPER*, annual report, publication on mass media, etc.
- All information and data gathered are analyzed by KEHATI independent partners (consultant): YPB/Petra University. (*OWW-Consulting*).
- SRI-KEHATI Committee recommendation to KEHATI (management) after thoroughly reviewed the consultant inputs.
- Management decided the 25 companies which are eligible to SRI-KEHATI Index.
# Screening 3 - Fundamental Aspects

<table>
<thead>
<tr>
<th>Environment</th>
<th>Community Involvement</th>
<th>GCG</th>
<th>Conduct of Business</th>
<th>Labor Practice</th>
<th>Human Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENV-1: ISO 14001, environmental management, environmental policy &amp; systems.</td>
<td>CI-1: Promotion of economic development. CI-2: Integration of products and services. CI-3: Social dialogue, rules distractions and avoid conflicts. CI-4: Charitable activities, contributions to the public interest such as capacity building, training, etc.</td>
<td>GCG-1: Board practice, code of ethics, business value, risk management, economic issues. GCG-2: Audit committee/external evaluation and rights of shareholders. GCG-3: Policy &amp; strategy, respect the rules, the indirect impact. GCG-4: Openness and anti corruption.</td>
<td>COB-1: System customers who are responsible; suppliers and customers; anti competition, allegation. COB-2: The involvement of stakeholders; accountability to clients and subscription products. COB-3: Litigation by the supplier. Conformity with suppliers. COB-4: Satisfaction quality; safety quality.</td>
<td>LHR-1: Feasibility work; health and safety.. LHR-2: Training and development of human capital. LHR-3: Union and collective bargaining. LHR-4: Procedure restructuring work.</td>
<td>HR-1: Freedom of association, collective bargaining negotiations. HR-2: Non discriminatory policy; diversity &amp; equal opportunity. HR-3: There is no child labor, no forced labor. HR-4: Ethic respect, respect for minorities; respect human rights and prevents violations.</td>
</tr>
</tbody>
</table>
### Screening 3 - Fundamental Aspects; Environment

<table>
<thead>
<tr>
<th>DIMENSIONS</th>
<th>DEFINITION</th>
<th>DIRECTIONS</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 ENVIRONMENT</td>
<td>Maintenance factors, habits and conditions (without reducing capacity) that contribute to long-term environmental quality where between humans and nature can create a productive harmony to fulfill the social, economic and other needs for the benefit of present and future generations.</td>
<td>3 ENV---1</td>
<td>ISO14001, Environmental Management, Environmental Policy &amp; System</td>
</tr>
<tr>
<td>ENV---1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ENV---2</td>
<td>Environmental impact, impact reduction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ENV---4</td>
<td>Emissions, Affluent, Waste, and Biodiversity.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# LIST OF CONSTITUENTS OF SRI-KEHATI INDEX

**PERIOD: May – October 2016**

<table>
<thead>
<tr>
<th>No</th>
<th>Code</th>
<th>Company Names</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AALI</td>
<td>PT Astra Agro Lestari Tbk.</td>
</tr>
<tr>
<td>2</td>
<td>ADHI</td>
<td>PT Adhi Karya (Persero) Tbk.</td>
</tr>
<tr>
<td>3</td>
<td>ASII</td>
<td>PT Astra International Tbk.</td>
</tr>
<tr>
<td>4</td>
<td>BBCA</td>
<td>PT Bank Central Asia Tbk.</td>
</tr>
<tr>
<td>5</td>
<td>BBN</td>
<td>PT Bank Negara Indonesia (Persero) Tbk.</td>
</tr>
<tr>
<td>6</td>
<td>BBRI</td>
<td>PT Bank Rakyat Indonesia (Persero) Tbk.</td>
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<tr>
<td>7</td>
<td>BDMN</td>
<td>PT Bank Danamon Indonesia Tbk.</td>
</tr>
<tr>
<td>8</td>
<td>BMRI</td>
<td>PT Bank Mandiri (Persero) Tbk.</td>
</tr>
<tr>
<td>9</td>
<td>BSDE</td>
<td>PT Bumi Serpong Damai Tbk.</td>
</tr>
<tr>
<td>10</td>
<td>GIAA</td>
<td>PT Garuda Indonesia (Persero) Tbk.</td>
</tr>
<tr>
<td>11</td>
<td>INDF</td>
<td>PT Indofood Sukses Makmur Tbk.</td>
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<tr>
<td>12</td>
<td>JPFA</td>
<td>PT Japfa Comfeed Indonesia Tbk.</td>
</tr>
<tr>
<td>13</td>
<td>JSMR</td>
<td>PT Jasa Marga (Persero) Tbk.</td>
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</tbody>
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<tbody>
<tr>
<td>14</td>
<td>KLBF</td>
<td>PT Kalbe Farma Tbk.</td>
</tr>
<tr>
<td>15</td>
<td>LSIP</td>
<td>PT PP London Sumatra Indonesia Tbk.</td>
</tr>
<tr>
<td>16</td>
<td>PGAS</td>
<td>PT Perusahaan Gas Negara (Persero) Tbk.</td>
</tr>
<tr>
<td>17</td>
<td>PJAA</td>
<td>PT Pembangunan Jaya Ancol Tbk.</td>
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<tr>
<td>18</td>
<td>SMCB</td>
<td>PT Holcim Indonesia Tbk.</td>
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<td>19</td>
<td>SMGR</td>
<td>PT Semen Indonesia (Persero) Tbk.</td>
</tr>
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<td>20</td>
<td>TINS</td>
<td>PT Timah (Persero) Tbk.</td>
</tr>
<tr>
<td>21</td>
<td>TLKM</td>
<td>PT Telekomunikasi Indonesia (Persero)</td>
</tr>
<tr>
<td>22</td>
<td>UNTR</td>
<td>PT United Tractors Tbk.</td>
</tr>
<tr>
<td>23</td>
<td>UNVR</td>
<td>PT Unilever Indonesia Tbk.</td>
</tr>
<tr>
<td>24</td>
<td>WIKA</td>
<td>PT Wijaya Karya (Persero) Tbk.</td>
</tr>
<tr>
<td>25</td>
<td>WSKT</td>
<td>PT Waskita Karya (Persero) Tbk.</td>
</tr>
</tbody>
</table>

*Source of Data: Indonesia Stock Exchange*
Performance of SRI-KEHATI vs JCI & LQ45

- SRI-KEHATI, 69%
- JCI, 45%
- LQ45, 39%

Thank you