Guide for SRI-KEHATI Index

1. INDEX INFORMATION

1.1. General Information

Index Name	**SRI-KEHATI**
Index Code	SRI-KEHATI
Description	Index that measures the stock price performance of 25 listed companies that have best ESG performance and high liquidity.
Counterparty	Collaboration between Indonesia Stock Exchange (IDX) and Keanekaragaman Hayati (KEHATI) Foundation
Methodology	Capped Free Float Adjusted Market Capitalization Weighted On each periodic review, the constituent weight is capped so the highest weight in the index is no more than 15%.
Base Date	December 28, 2006 (Base Value = 100)
Launch Date	June 8, 2009

1.2. General Selection Criteria

Universe	**Assessed Universe** Stocks included in the Assessed Universe are IDX Composite constituents which have selected under following criteria: 1. Financial and Liquidity Screening. 2. Negative List Screening (ESG). **ESG KEHATI Universe** Stocks included in the ESG KEHATI Universe are stocks in the Assessed Universe which have selected under following criteria: 1. Having ESG Score within the required threshold. ESG Score measure company's ESG performance with environment, social, and governance aspect with criteria set by KEHATI. 2. Do not involved in ESG Controversy.

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Selection Criteria	Companies in the ESG KEHATI Universe will be ranked based on the highest to lowest ESG Score. Companies with the highest ESG Score will be selected to be included in the index until the number of index constituents reaches 25 constituents.

2. INDEX MAINTENANCE

2.1. Periodic Evaluation

<table>
<tr><th></th><th>Major Evaluation</th><th>Minor Evaluation</th></tr>
<tr><td>Evaluation Period</td><td>May and November</td><td>February and August</td></tr>
<tr><td>Effective Date</td><td>First trading day of June and December</td><td>First trading day of March and September</td></tr>
<tr><td rowspan="2">Process / Purposes</td><td>Select the stocks of index constituents.</td><td></td></tr>
<tr><td colspan="2">- Adjust changes in the number of listed shares.
- Adjust stock weights based on their free float ratios.
- Adjust the stock weights based on the cap.</td></tr>
<tr><td>Announcement</td><td colspan="2">5 exchange days or later prior to the effective date, depends on announcement date of Sharia Securities List from the Financial Services Authority.</td></tr>
</table>

2.2. Incidental Evaluation

Besides the routine evaluation, incidental evaluation can be done at any time if there are significant changes in the number of shares, delisting, or if there is any other information that has significant impact on an index constituent.

3. CONSTITUENT SELECTION PROCESS

3.1. Selection Universe

Stocks that are eligible to continue the process of index constituents are stocks in the KEHATI ESG Universe which are selected from the Assessed Universe.

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To obtain Assessed Universe, selection will be made from IDX Composite with the following criteria:

Negative List Screening (ESG)

Company does not have a core business in 9 negative sectors screened by KEHATI:

1. Pesticide
2. Nuclear
3. Weaponry
4. Tobacco
5. Alcohol
6. Pornography
7. Gambling
8. Genetically Modified Organisms
9. Coal Mining

Financial and Liquidity Screening

Selected by considering the following factors:

1. Market Capitalization
2. Total Asset
3. Net Income
4. Free Float
5. Average Trading Value

From the Assessed Universe, stocks in the KEHATI Universe will be selected with the following criteria:

1. Having ESG Score within the required threshold. ESG score assesses the company's ESG performance in environmental, social and governance aspects based on predetermined indicators.
2. Passed the ESG Controversy Screening.

3.2. ESG Score Assessment

The focus of ESG performance assessment includes aspects of the environment, social, and governance. Sources of data on the assessment of the ESG score are as follows:

1. Sustainability Report
2. Financial Statements
3. Listed Company Website
4. External Data Provider
5. Questionnaire
6. Other Sources

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The ESG criteria in each of these aspects are:

Environment	Social	Governance
• Sustainable Products and Product Innovation, • Natural Resources and Biodiversity • Energy Usage • Greenhouse Gas Emissions • Waste Management	• Employee Training and Development • Worker Practice • Occupational Health and Safety • Product Safety • Environmental Social Impact	• Shareholder Rights Protection Mechanism • Competencies and Roles of the Board of Commissioners & Directors • Quality and Disclosure of Information • Business Ethics and Stakeholders Engagement • Sustainability Management Practice

3.3. Process of Determining Selected Constituents

From the ESG assessment, 25 stocks with the best ESG values were selected for approval by the KEHATI Index Committee, which authorized to choose to approve or make changes to the proposed constituents. The consideration factors used by the KEHATI Index Committee in making changes to the constituents' proposals are as follows:

- Sectoral concentration of potential constituents.
- Changes in candidate index constituents from one period to another are limited to avoid excessive turnover.
- Other factors that are considered important.

If the KEHATI Index Committee with the above considerations decides to make changes to the constituent candidates in the top 25, the KEHATI Index Committee will take a replacement candidate from the stocks from 26th to 50th based on ESG values.

4. METHODOLOGY OF INDEX CALCULATION

4.1. Index Calculation Formula (Weighting Method)

The index uses “Capped Free Float Adjusted Market Capitalization Weighted Average” methodology. This method adds free float ratio factor into the market capitalization. Moreover, the weight of index constituents is capped at 15%.

Index calculation formula is as follows:

$$\text{Index} = \frac{\sum_{i=1}^{n} (\text{Market Cap}_i \times \text{Free Float Ratio}_i)}{\text{Base Market Cap}} \times 100$$

Where:

Market Cap_i	=	Total listed shares × market price of stock i
Free Float $Ratio_i$	=	Ratio of number of free float shares to the total listed shares of stock i
n	=	Number of index constituents
Base Market Cap_i	=	Market capitalization on the Base Date (adjusted in the evaluation period if there are any changes in the number of shares for the index)

4.2. Adjusting Stock Weight Based on Free Float Ratio

In each evaluation period, the weight of each stock is evaluated based on the value of the free float ratio. There is no technical difference in weight adjustment between major evaluation and minor evaluation. In the major evaluation, this process of adjusting weight was preceded by the selection process of the index constituents.

4.2.1. Calculation of Free Float Ratio

The free float ratio of each stock is calculated based on the free float stocks to total listed stocks. The definition of free float is the number of scripless shares owned by investors with ownership of less than 5% excluding stocks owned by management and treasury stock. The percentage value of the free float ratio is rounded to two decimals.

4.2.2. Calculation of Free Float Adjusted Market Capitalization

The free float adjusted market capitalization of each stock is calculated as follows:

$$MC_i = P_i \times S_i \times FF_i$$

Where:

MC_i	=	Free float adjusted market capitalization of stock i
P_i	=	Price of stock i
S_i	=	Total listed shares of stock i
FF_i	=	Free float ratio of stock i

4.2.3. Calculation of Stock Weight

The weight of each stock is calculated as follows:

$$\mathrm{Weight}_i = \frac{MC_i}{\sum_{i=1}^{n} MC_i}$$

Where:

MC_i	=	Free float adjusted market capitalization of stock i
n	=	Number of constituents
$\sum_{i=1}^{n} MC_i$	=	Total free float adjusted market capitalization of all constituents

4.3. Stock Weight Capping

On the evaluation period, both major evaluation and minor evaluation, the number of shares is also adjusted to ensure the weight of a stock in the index does not exceed the specified cap.

If there is no constituent that has a weight exceed the cap, then this step is not necessary. But if there is one or several stocks that have a weight of more than the cap, then the process of adjusting stock weight by capping is applied as follows:

4.3.1. Determining the Number of Capped Stocks

In this process, the number of stocks with weights above the cap are determined. The number of capped stocks is equal to s and the number of uncapped stocks = t = 1-s.

4.3.2. Calculating the Total Free Float Adjusted Market Capitalization of Capped Stocks

If MC_s is the total free float adjusted market capitalization of capped stocks and c is the cap, then:

$$MC_s = \frac{s \times c}{1 - (s \times c)} \times MC_t$$

Where:

MC_s	=	Total free float adjusted market capitalization of all capped stocks
MC_t	=	Total free float adjusted market capitalization of all uncapped stocks
s	=	Number of capped stocks
c	=	Cap

4.3.3. Calculating the Capped Free Float Adjusted Market Capitalization

If $MC_{i\,s}$ is the capped free float adjusted market capitalization of a capped stock, then:

$$MC_{i.s} = \frac{1}{s} \times MC_s$$

4.3.4. Calculating the Number of Shares for the Index

The adjusted number of shares for index (Adj. S_i) of a stock is calculated by rounding the stock's free float adjusted market capitalization divided by the stock price, as the following formula:

$$\text{Adj. } S_i = \left[\frac{MC_i}{P_i}\right]_{\text{rounded}}$$

If a stock is a capped stock, MC_i is equal to $MC_{i.s}$.

4.3.5. Calculating Final Stock Weight

The final weight of each stock is calculated as follows:

$$\text{Weight}_i = \frac{\text{Adj. } MC_i}{\sum_{i=1}^{n} \text{Adj. } MC_i}$$

$$\text{Adj. } MC_i = \text{Adj.} S_i \times P_i$$

Where:

Weight_i	=	Weight for stock index i
Adj. MC_i	=	Market capitalization of stock i after adjustment of free float ratio and capping.
$\sum_{i=1}^{n} \text{Adj. } MC_i$	=	Total market capitalization of all stocks after adjustment of free float ratio and capping.
n	=	Number of constituents

The weight adjustment process is complete if each index constituent does not exceed the cap. The adjustment process should be repeated if there is still any stock that have a weight of more than the cap as a result of the preceding weight adjustment in other stocks.

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