KIROYAN PARTNERS
STRATEGIC COMMUNICATIONS
BUSINESS SOLUTIONS

# COMMUNICATION ON PROGRESS

On behalf of PT Komunikasi Kinerja, as chief executive I reiterate the company's commitment to continue supporting the Global Compact by incorporating its principles in our conduct of business and relating to our internal and external stakeholders.

**Noke Kiroyan**
*President Director & Managing Partner*

## 1. STRATEGY AND ANALYSIS

The Vision of PT Komunikasi Kinerja (Kiroyan Partners) is to "Become a leader in the Indonesian private sector in the active promotion of sustainable business based on good corporate governance and corporate social responsibility" so the company was set up with the intent of supporting sustainable development through its actions and the way it conducts business in Indonesia. Our Vision deliberately does not directly refer to the nature of our business but is set within the much broader business context as we aim to be an example of responsible business behavior in Indonesia. There are other companies in the same field of business in Indonesia but the principles of CSR and sustainable development provide guidelines for conducting business. Apart from providing our team members with solid and unambiguous reference points, totally aligning ourselves with sustainable development objectives is a management strategy that should set us apart from other companies and give us a competitive advantage.

### *1.1. Statements about the relevance of sustainability to the organization and its strategy*

- In keeping with the company's principles and strategic objectives, PT Komunikasi Kinerja will not tolerate corruption, including bribery, within its own ranks and in dealing with clients, which includes refusing to do work for clients that would involve unethical business behavior.
- From the day of its establishment the company has used legal and official software and will not allow any computers within the office premises to contain illegal or pirated software. The same standard applies to books used as reference by the company.
- In the second year of its operation it became necessary for the company to part with two of its founding shareholders who were unwilling to abide by the principles of transparency and accountability and have been in breach of ethical business behavior principles and presented a case of conflict of interest. They were asked to leave and their shares were bought at fair value as determined by independent auditors. This incident was a major challenge to the company during its infancy.
- In the longer term and within the broader perspective the company intends to seek recognition for conducting business that is specifically aligned with sustainability development principles.
- The major challenges the company face are two-fold. First, the bank laws in Indonesia prohibit banks from lending working capital to companies not backed by real estate (land and/or buildings) as collateral. As a young company it is impossible to acquire real estate that can be offered as security to the banks. The solution is to negotiate down payments for each and every contract the company enters into with its clients. Having a strong reputation as an ethical company is a plus point in negotiating down payments. The other challenge is the limiting factor of ethical business. Of necessity this principle precludes us from doing business with potential clients that do not adhere to similarly strict principles. However, on the other hand it is a principle that has given us an advantage with companies that share the same ideals.

## 2. ORGANIZATIONAL PROFILE

### 2.1. *Name of the organization*

Legal name as registered at the Ministry of Justice: PT Komunikasi Kinerja
Trade name: KIROYAN PARTNERS

### 2.2. *Primary brands, products and/or services*

Assessment and evaluation, planning and strategy formulation, implementation assistance and reporting services

### 2.3. *Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures*

| | |
|---|---|
| **Advisory Council** | Dr MAS Hikam<br>Rear-Admiral (ret) Yoost F Mengko<br>Air Chief Marshall (ret) Chappy Hakim<br>Irwan S Habsjah<br>Mas Achmad Daniri |
| **Partners** | Noke Kiroyan *(Managing Partner)*<br>Nunik Maharani Maulana *(Senior Partner)*<br>Sonny S. Sukada *(Partner)* |
| **Associates** | Jalal *(Senior Associate & Technical Advisor)*<br>Nadira Alatas *(Senior Associate)*<br>Puni Ayu Anjungsari *(Senior Associate)*<br>Sri Manganti Hadi *(Senior Associate)*<br>Anton Rizki Sulaiman *(Associate)*<br>Mashudi Noorsalim *(Associate)*<br>Margareth Olivia *(Project Support)* |
| **Administration** | Renny Natalia *(Administration Manager)*<br>Vini Aprillia *(Administration Assistant)* |

### 2.4. *Location of organization's headquarters*

Menara Karya, 10th Floor Suite H
Jl. H.R. Rasuna Said Blok X-5 kav. 1-2
Jakarta 12950 – INDONESIA

### 2.5. *Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report*

Indonesia

### 2.6. *Nature of ownership and legal form*

Private company

### 2.7. *Markets served (including geographic breakdown, sectors served and types of customers/ beneficiaries)*

Mining, oil and gas, industry, banking and development sector

### 2.8. *Scale of the reporting organization*

| | |
|---|---|
| Number of employees | 13 person |
| Net sales | Rp 5,078,894,770 |
| Total capitalization | Rp 962,530,336 |
| Debt | Rp 1,557,790,334 |
| Equity | Rp 1,800,000,000 |
| Quantity of products or services provided (number of projects handled) | 16 |

### 2.9. *Significant changes during the reporting period regarding size, structure or ownership*

Location of Operation: Jakarta
Changes in Share Capital Structure:

| 2006 | 2008 | 2008 |
|---|---|---|
| Noke Kiroyan – 38.46%<br>Albert P. Kuhon – 30.76%<br>Satria Budiono – 15.38%<br>Nadira Alatas – 7.69%<br>Natasha C. Kiroyan – 7.69% | Noke Kiroyan – 84.61%<br>Nadira Alatas – 7.69%<br>Natasha C. Kiroyan – 7.69% | Noke Kiroyan – 61.11%<br>Nadira Alatas – 5.55%<br>Natasha C. Kiroyan – 5.55%<br>Moetaryanto P. – 11.11%<br>Theresia H.H. Kiroyan – 11.11%<br>Nunik Maharani M. – 5.55% |

### 2.10. *Awards received in the reporting period*

None

# 4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT

## GOVERNANCE

### *4.1. Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight*

| | |
|---|---|
| **Board of Commissioners** | Moetaryanto Poerwoaminoto *(President Commissioner)*<br>Theresia Hudy Handayani Kiroyan *(Commissioner)* |
| **Board of Directors** | Noke Kiroyan *(President Director)*<br>Nunik Maharani Maulana *(Director)* |

### *4.2. Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)*

None

### *4.3. For organizations that have a unitary board structure, state the number of members of the highest governance body who are independent and/or non-executive members*

2

### *4.4. Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body*

Annual Shareholders Meeting

## 3. REPORT PARAMETERS

### REPORT PROFILE

#### *3.1. Report period (e.g., fiscal/calendar year) for information provided*

2009

#### *3.2. Date of most recent previous report (if any)*

This is our first report (no previous one)

#### *3.3. Reporting cycle (annual, biennial, etc.)*

This is our first report and we plan to report biennially

#### *3.4. Contact point for questions regarding the report or its contents*

Noke Kiroyan
Nunik Maharani Maulana

### REPORT SCOPE AND BOUNDARY

#### *3.6. Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)*

Following Figure 6 on the Guidelines on Decision Tree for Boundary Setting, PT Komunikasi Kinerja has control over the entity but does not have significant impacts, thus implies that it is not necessary to report. PT Komunikasi Kinerja is considered as not having significant impacts on the entity as our business is not required to conduct an analysis on our environmental impacts. Based on Government Regulation No. 27/1999 on Environmental Impact Analysis (EIA), the criteria for types of industry required to undertake EIA do not include consultancy business such as KP. The list of business types can also be referred to the Regulation of the Minister of State for the Environment No. 11/2006. However, since the UN Global Compact requests to report GRI level C, we are then expected to provide narrative reporting on Issues and Dilemmas or key challenges that we faced in 2009, in accordance to our reporting period.

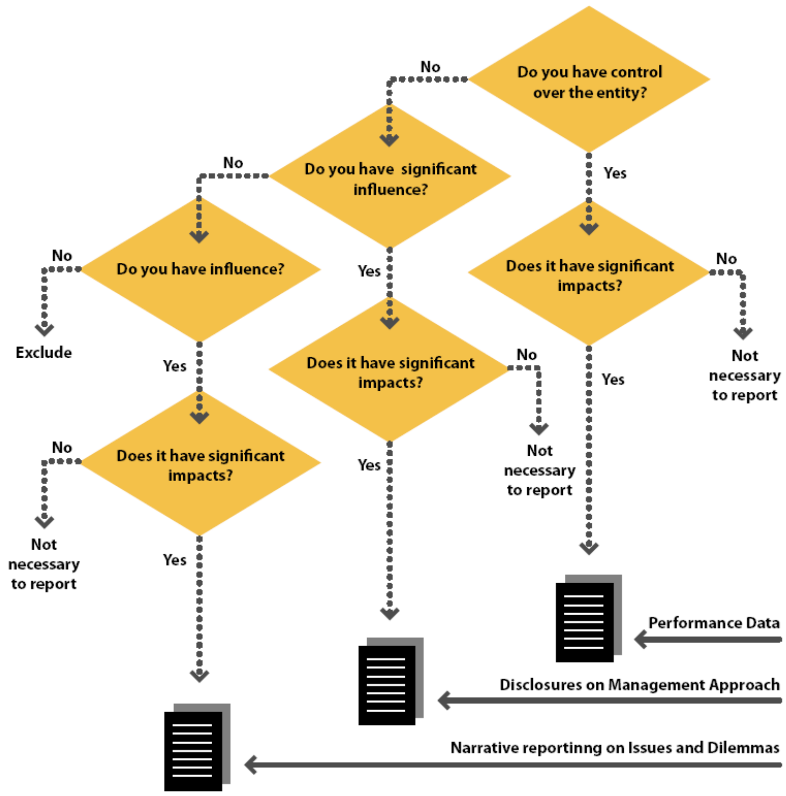



Figure 6: Decision Tree for Boundary Setting

### *3.7. State any specific limitations on the scope or boundary of the report*

The year 2009 was impacted by the financial crisis toward the end of 2008, causing many potential as well as existing investors to defer their plans of investing or expanding their investments in Indonesia. Most of our clients are international companies, so this condition has a direct impact on our revenues. The terrorist bombing at the JW Marriott on July 17, 2009 that killed four foreign business executives and an Indonesian senior hotel staff further dampened business confidence. These conditions took their toll on the business of PT Komunikasi Kinerja. Revenues in 2009 of Rp 5,078,894,770 (= US$ 564,321.64) represent a drop of 27% against 2008 that stood at Rp 6,996,241,531 (= US$ 777,360.17). Combined with the credit restrictions (vide Box 1) the situation became very critical and required the shareholders to inject liquidity into the company. Cost-cutting measures were introduced and the senior management team (the three partners) voluntarily took pay cuts and project-related incentives were suspended. Business development was intensified and the company managed to weather the crisis and continued to operate in 2010. Combined with the improvement of the business climate and returning investor confidence, for PT Komunikasi Kinerja 2010 promises to be a far better year economically.

### *3.8. Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations*

There is no significant impact

### *3.10. Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)*

This is our first report

### *3.11. Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report*

This is our first report

# 4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT

## STAKEHOLDER ENGAGEMENT

Our definition of stakeholders is based on R. Edward Freeman's, i.e. "any group or individual who can affect or is affected by the achievement of organization objectives." Using this definition as guidance we have come up with the following list of stakeholders:

### 4.14. List of stakeholder groups engaged by the organization

- ***Employees***

  PT Komunikasi Kinerja employs directly fourteen highly qualified professionals who have completed at least undergraduate level of higher education or equivalent. In the consulting business, everything hinges on the ability of the team to come up with correct and workable solutions for our clients. Each team member is a highly trained and capable individual and employees at this level are not readily available in the market.

  Engagement: continuous

- ***Shareholders and Potential Providers of Capital***

  Shareholders risked their private capital in the company and have a direct stake in the success of the company and provide directions to be followed by the company. To finance working capital or large projects it is essential that good standing is maintained with the financial institutions in the hope that one day the central bank regulations requiring credits to be secured against real estate as collateral will be relaxed.

  Engagement: sporadic

- ***Clients***

  Clients not only provide work, but in consideration of the credit restrictions described under the section on "shareholders and potential providers of capital" they also provide working capital in the form of down payments. It is essential that invoicing according to the agreed payment conditions is conducted rigorously.

  Engagement: continuous.

- ***Civil Society***

  The nature of our work requires us to have and maintain contacts with various civil society organizations and universities across a wide spectrum of interests, be as potential resource persons, partners in developing projects and conducting various research activities, or allies in advocacy types of work. CSOs that are our stakeholders include Indonesia Business Links, Business Watch Indonesia, The Nature Conservancy, Conservation International, WWF, University of Indonesia -Center for the Study of Governance, and leading universities in all provinces of Indonesia.

  Engagement: continuous.

- ***Press***

  Because a major part of our consultancy work entails communication (media relations, investor relations, public relations campaigns) it is important to continually engage the press in order to maintain good working relations.

  Engagement: continuous.

- ***Suppliers***

  Because our business depends on fast, accurate and reliable information, our most important suppliers are in the area of IT, particularly providers of internet connection and maintenance of software and hardware to ensure that we are able to receive and transmit electronic messages around the clock, which is particularly crucial in crisis management and crisis communications that are included in our portfolio of services.

  Engagement: continuous

- ***Consulting Companies***

  Companies providing similar services are concurrently competitors and business partners. When our capacity is stretched to the limit, some of our work may be outsourced to other companies, and it is not unusual to do cross-referrals in non-competing situations.

  Engagement: sporadic, on a need basis

- ***Communities***

  We are located in a 30-storey building housing with very diverse companies so there are no communities that impact or are impacted by our company at this stage.

### *4.15. Basis for identification and selection of stakeholders with whom to engage*

We adopt the approach of Stakeholder Theory to construct a map of stakeholders, defined as the parties (individuals and groups) that may affect or be affected by the achievement of organizational goals (Freeman, 1984).

To ensure the accuracy of the identification of relevant stakeholders, Mitchell et al (1997) provides an analytical tool by measuring three attributes, respectively power, urgency and legitimacy to arrive at the conclusion about parties that may be classified as stakeholders. This measuring tool is augmented by the thoughts of Driscoll and Starik (2004) that added a fourth criterion: proximity.

The above-mentioned attributes are defined as follows.

- Power: the ability of a stakeholder to affect the organization by legal and illegal coercive means, including economic incentives and disincentives.
- Urgency: the existence of a compelling need to resolve issues raised by the stakeholder towards the company, whereby resolution of the issue will determine the nature of the relationship between the stakeholder and the company.
- Legitimacy: resources at the disposal of the stakeholder in support of its claims in the form of prevailing legislation, scientific evidence or norms regulating relationships in the community concerned (e.g. customary law, collective belief, religious laws etc.).
- Proximity: geographical distance between the living sphere of the stakeholder (including sites, spaces and functions needed to conduct daily life) and the company.

## 3. REPORT PARAMETERS

### REPORT SCOPE AND BOUNDARY

PT Komunikasi Kinerja (Kiroyan Partners) is a strategic consulting firm which aims to actively promote sustainable business based on good corporate governance and corporate social responsibility through its actions and the way it conducts business in Indonesia. We believe that stakeholder engagement is key to sustainable business development; therefore, in our business practices we carefully took into account the needs and interests of our stakeholders. Through this report we have carefully selected the most relevant indicators which depict our company situation with the underlying purpose of transparently communicating it to our stakeholders.

The Performance Indicators comprise of three Indicator Dimensions, namely economic, environmental, and social. For each dimension we selected a number of indicators that we considered most suitable and relevant to report. Firstly, in the economic dimension we chose to report on economic performance and market presence, comprising of three core indicators. On economic performance aspect, direct economic value generated and distributed is fundamental information that shows clearly and openly how our company performed in 2009, especially since that year of our reporting period was a challenging year due to two significant external factors, namely the financial crisis and the J.W. Marriott bombing incident in Jakarta. Moreover, on market presence aspect, we selected two core indicators related to the local resources policy. Aside from being based in the area of our business operation, as a local company, we firmly believe on the strengths of competitive local human capital to support our business. Hence we deemed it relevant to report on the company's view of local resources.

Secondly, in the environmental dimension we chose three aspects, namely energy, water, and compliance. Our first selection was the energy aspect in which we chose a core indicator of presenting our energy consumption as a consultancy office. This was based on the consideration that we work mostly in the office; spending long hours per day using office facilities and depending on the electricity to sustain our work. Among the other aspects, we noticed that water was another relevant aspect of our environmental impact. Our water withdrawal by source came only from the amount of drinking water we spent every month and our use of building facilities for dishwashing and toilet use. Lastly, we also saw the need to indicate the aspect of compliance. We believe that it is essential for both internal and external stakeholders to know that the company has never violated any environmental laws and regulations thus never received fines or sanctions concerning environmental-related misconduct.

For the third and last dimension, social, we decided to focus mainly on labor practices and decent work because as a consultancy office with relatively small number of employees, we give extra attention to our human capital and their development. Each one of our consultants and supporting department play a critical role in strengthening the company. In addition, we also thought it relevant to include the company performance on human rights, society, and product responsibility to provide a complete overview of the company based on the whole social dimension. On human rights, we selected the non-discrimination aspect to show how our company maintains the protection of human rights, particularly since we abide to an international code of ethics. Furthermore, society and product responsibility illustrate how our company performed externally through positive contributions to the community, our company's performance related to corruption as it is a significant issue in Indonesia and the fact that our business emphasized on the promotion of good governance, as well as our commitment to keep our clients' privacy.

Stakeholders we expect to use the report cover both our internal and external stakeholders:

- Internal – Employees
- External – Clients (past, existing, potential), business partners, civil society, the government, competitors (other consulting companies), media, shareholders.

# Box 5 – DATA ON PERFORMANCE

## INDICATOR 1: EC1

**Performance**

Revenue: Rp 5,078,894,770 or US$ 564,321

Operating costs: Rp 5,282,930,567 or US$ 586,992

Employee compensation:
- Monthly payment at the end of each month.
- One-month-salary allowance to be paid prior to Christmas or Idul Fitri.
- Commission fees to be paid after project closing upon approval by Management.

Donations: Rp 10,000,000 or US$ 1,111 per year (end of Ramadhan celebration and Christmas)

Other community investments: 5.56% of total capital

Retained earnings: Rp 468,095,215 or US$ 52,000

Payments to capital providers: 20% of total per capital provider

Payments to governments: Rp 1,350,197,168 including VAT, Tax Art Final, Tax Art 23, Tax Art 21

**Comments**

- Decrease in the Company's revenue was due to the 2009 financial crisis.
- Payments of employee compensation were affected as one of the impacts of the crisis.

## INDICATOR 2: EC6

**Performance**

Policy: Developed and enforced by Management

Practices: Applied to all employees

Spending on locally-based suppliers:

- Regular suppliers:
  - Building management: service charge and rent office were paid every 3 months.
  - IT: The Company provider was called IT Engineer. The regular visit schedule was once a week but also when experiencing sudden IT problems. Payment was done monthly.
  - Office supplies: regularly scheduled weekly and monthly according to the list to supply. Term: monthly payment.
- Project-based suppliers:
  - Researchers: recruited according to type of work by project.
  - Contractors: recruited according to type of work by project.

**Comments**

100% of our suppliers are local. As a relatively young company which has been established for 4 years, KP's core focus is Indonesia and so far the work has not gone beyond Indonesia.

### INDICATOR 3: EC7

**Performance**

Procedure for local hiring:

- Job vacancies were advertised through printed media as well as social media.
- Interviews were held directly by Management and Partners, and where relevant involving Associates.
- Recruitment for project-based field staff was done through the Company's networks.
- Wherever possible, cooperation with local university was enforced.

Proportion of senior management hired from local community: 100%

**Comments**

- In our recruitment policy, we seek local human capitals that are capable and competent to compete with foreign consultants.
- 100% of our senior management is local.

### INDICATOR 4: EN3

**Performance**

Direct energy consumptions: Electricity bill Rp 984,241.86 per month or US$ 109

**Comments**

Most of the electricity usage was consumed for electronic equipments, such as computer, server, microwave and refrigerator, as well as lighting. Energy saving was enforced by only turning on lights during the day or night for rooms requiring lighting. Lights would be turned off for unoccupied rooms.

### INDICATOR 5: EN8

**Performance**

Total water withdrawal by source:

- Water: 10 gallons per month
- Dishwashing: Every twice a day, water supplied by building management.
- Toilet use: Provided by building management.

**Comments**

- Our direct consumption of water is the amount of drinking water provided in our own office.
- Water consumption for basic needs of toilet use and dishwashing are provided by the building.

## INDICATOR 6: EN28

**Performance**

Monetary value of significant fines: 0
Non-monetary sanctions for non-compliance: 0

**Comments**

- As a consultancy office, we are not required to conduct an Environmental and Social Impact Assessment because the social and environmental impacts of our work are considered insignificant. However, we are obliged to comply to the environmental law, Law No.32/2009.
- We have never violated this environmental law and we will continue to uphold the law.

## INDICATOR 7: LA1

**Performance**

Total workforce by employment type:
- Consultants : 9 person
- Non-consultant : 4 person

Employment contract :
- Based on project: contract employees abide by the contract's terms and conditions. The contract period depends on the time required to complete a project, and payment of fee is charged in project costs.
- Freelance worker: based on the time spent working for the Company, and the fee is calculated daily

Region: Jakarta

**Comments**

The Company was set up small, starting with five consultants in 2006, and expanded having nine consultants in 2009. It is always the Company's objective to be efficient by maintaining a small core team and utilizing its vast networks as required on a project basis to support the team.

## INDICATOR 8: LA2

**Performance**

Employee turnover by age group:
- 20-35 years old: 1 person
- 36-50 years old: 1 person

Employee turnover by gender:
- Female: 1 person
- Male: 1 person

Employee turnover by region: None

**Comments**

The turnover was due to a retrenchment and a resignation. The retrenchment was deemed necessary as a result of an under performance. The resignation from a consulting team member was due to his intention to pursue a scholarship opportunity. In a highly competitive consultancy industry, this represents a low turnover rate. The Company has been successful in maintaining its team's loyalty.

## INDICATOR 9: LA7

**Performance**

Rates of injury: 0
Occupational diseases: 0
Absenteeism: 90 days absence of Managing Partner
Number of work-related fatalities by region: 0

**Comments**

The Managing Partner's long absence was due to the bombing incident of JW Marriott taken place in July 2009. The Managing Partner was one of the survivors who should undergo treatment for recovery. In addition, the Managing Partner also had to undergo a cancer surgery in Singapore which also required follow-up treatments.

## INDICATOR 10: LA12

**Performance**

Percentage of employees receiving regular performance and career development reviews: 100%

**Comments**

- A formal employee's performance and personal development review is conducted on a yearly basis.
- The Board of Management oversees directly Consulting Team and Administration thus each employee consult with the top management.
- Feedback mechanism is also in place in the process to ensure a fair and constructive assessment.

## INDICATOR 11: LA 13

**Performance**

Composition of governance bodies:
- Partners
- Associates
- Administration

Employees per category according to gender, age group, minority group membership, other diversity aspect:

| | | |
|---|---|---|
| – By gender | 6 male, 7 female | |
| – By age group | 20-35 years old | 6 person |
| | 36-50 years old | 5 person |
| | 51 years old and above | 2 person |
| – By minority group membership | None | |
| – By other diversity aspect | None | |

**Comments**

- The Company is an equal-opportunity employer.
- The Company also believes in diversity and continues to enjoy the benefit of having cross-cultural team members.
- The portion of male and female employees continues to be balanced.
- Age group ranged from employees in their 20s to their 60s.

## INDICATOR 12: HR4

**Performance**

Number of incidents of discrimination and actions taken: 0

**Comments**

- There had never been any complaints over discrimination at work.
- As member of the International Public Relations Association (IPRA), we abide by an international code of ethics which is based in part on the United Nations charter known as the Code of Athens. This served as our anti-discrimination policy.

## INDICATOR 13: SO1

**Performance**

Programs and practices that assess and manage the impacts of operations on communities: as CSR consultant, every programs and practices in the Company have been analyzed and there have been no direct negative impacts on communities.

**Comments**

- Indirect positive impacts on communities resulted from the various recommendations we provided to clients.
- A number of team members were actively involved in numerous knowledge sharing activities and contributed positively for communities by becoming speakers at seminars and discussions, as well as writing scientific articles or opinion articles in the mass media.
- The Company also initiated a special pro-bono training program on CSR for post-graduate students from the University of Indonesia regularly, aside from being invited to provide various trainings in several other universities in Indonesia non-regularly.
- The Company continues to encourage its employees to actively take part in public and community services.

## INDICATOR 14: SO2

| **Performance** |
| --- |
| Percentage and total number of business units related to corruption: 0 |

**Comments**

- There is only one business unit in the Company and the risk of corruption is related to the permit process when the Company was first established in 2006. We were not involved in the practice of corruption at all during the permit process, although in the end the permit took longer to obtain.
- The second risk is related to tenders. We have never paid anything to potential clients for the purpose of winning a tender.

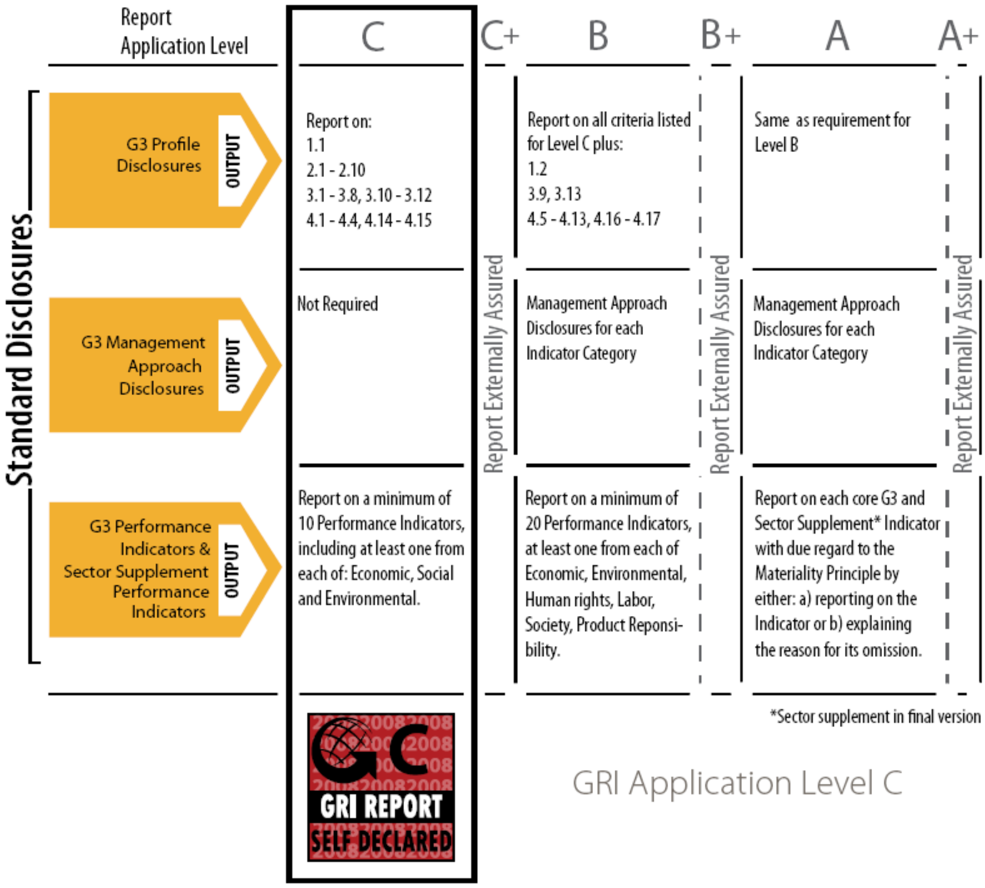
## INDICATOR 15: PR8

| **Performance** |
| --- |
| Substantiated complaints regarding breaches of customer privacy: 0 |

**Comments**

- The Company always signed Confidentiality Agreement with clients for each project we performed.
- We have never violated the Confidentiality Agreement as can be proven by never receiving complaints from clients.

# Box 6 – SELF DECLARATION




I hereby declare that to the best of my understanding this report fulfills the requirements for a GRI G3 Application Level C.

Name **NOKE KIROYAN**
Position ***President Director & Managing Partner***
Date October 13, 2010

Signature

KIROYAN PARTNERS

STRATEGIC COMMUNICATIONS

BUSINESS SOLUTIONS

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