

# 2012

STRIVE FOR SUSTAINABILITY AMIDST ECONOMIC CHALLENGES



Saman dance is a group dance from Aceh. The dance is characterized by its fast-paced rhythm and dynamic move. Harmony, consistency, and high concentration is essential to aim synergy among dancers. Leadership is also an important element in this dance. A chief called 'syekh', guides and coordinates his group members so they can show an excellent performance. These elements; synergy, leadership, cooperation, and diversity; are the core of Indika Energy in operating energy business in Indonesia.



## CONTENT

PT INDIKA ENERGY Tbk.  
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01

ABOUT THE  
REPORT

## 01

## ABOUT THE REPORT

This report is a sustainability report of PT Indika Energy Tbk. – hereinafter referred to as “we” or “the Business Group” – the third as a continuation of our second Sustainability Report in last 2011.

This report is prepared based on the calendar year 1 January up to 31 December 2012. [3.1, 3.2, 3.8]

**REPORT APPROACH**

Unlike our previous Sustainability Report, in this report of 2012, we base the preparation of the report on the materiality principle issue. This principle emphasizes the disclosure of information that could influence decision making related to the stakeholders as well as having a significant impact in the achievement of the company economic, environmental and social performance. [3.5, 3.11]

As a group of companies in the sector of supplying energy resources, energy services and energy infrastructure that is integrated from the upstream to the downstream, we define our material issue on the following matters: Operate in a transparent and ethical manner, work safety and health, employment and human resources development, management of environmental impacts, product and services responsibility and contribution to regional development through social investment.

Apart from material of our business, these issues are also material from the point of view of our stakeholders. With the focus on efforts to report material

issues, we expect to obtain input from the stakeholders for the improvement of our sustainability performance. In addition, our stakeholders can obtain the development of our performance-related issues that is considered material, including reporting of policies, actions and anticipation measures that we performed in relation to the handling of the material issues. [3.7]

We also perform changes on the approach in determining the business units included in the reporting. This year, we only report business units in which we hold operational control over a business unit and have the potential for social and significant environment impacts as well as the shareholding portion that allow us to be in control of the business unit. Accordingly, the scope of business units we reported include: PT Tripatra Engineering and PT Tripatra Engineers & Constructors (Tripatra), PT Petrosea Tbk (Petrosea), PT Mitrabahtera Segara Sejati Tbk (MBSS), PT Cirebon Electric Power (CEP) and PT Kuala Pelabuhan Indonesia (KPI). While the PT Kideco Jaya Agung (Kideco) business unit that previously was included in the reporting, is not included in the reporting scope for this third reporting cycle, as we do not hold a fully operational control over the business unit. [3.6, 3.7]

**GUIDELINES AND PERFORMANCE OF REPORTING**

In preparing this report, we use the guidelines of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Standard Disclosure version 3.1 or known as GRI G3.1. The GRI reporting guideline encourages companies to report on practices and performances related to the sustainability of the enterprise clearly and openly. [3.8]

In accordance with the GRI G3.1 guideline, we also state that this Sustainability Report 2012 is consistent with the requirements of the application rank “B”. This is certainly related to the expectation mainly in order that we can provide more complete, transparent, relevant, balanced and accurate information, as well as maintaining the higher comparability and benefits for the company stakeholders. In this reporting cycle, we requested application checks from independent parties. [3.13]

As a form of our commitment to contribute in the achievement of the sustainable development aim, we are determined to continue publishing this report once a year and consistently perform continuous improvements. [3.3]

We present all information in this report through a qualitative and quantitative approach. Qualitatively, this report presents a narrative and visual description. While quantitatively this report presents data in the form of graphs and tables. Quantitative calculations are performed based on a particular methodology in accordance with the generally accepted standards. We welcome constructive suggestions from all stakeholders of the Company to:

PT Indika Energy Tbk,  
Gedung Mitra,  
Jl. Jendral Gatot Subroto Kav. 21,  
Jakarta 12930. [3.4, 3.9]



02

MESSAGE FROM  
THE PRESIDENT DIRECTOR

## 02

MESSAGE FROM THE  
PRESIDENT DIRECTOR [1.1, 1.2]

**Wishnu Wardhana**  
President Director  
and Group CEO

“

We hope that in line with business growth, we can contribute to national economic growth, maintaining environmental sustainability and improve the quality of life for our stakeholders.

”

## Dear Stakeholders,

In 2012, we managed to strengthen our business portfolio by performing strategic acquisitions and encouraging organic growth of each business unit, as outlined in the main business strategy. The acquisition process we conducted aims to strengthen the value chain of the coal mining as the core business, in particular on the three business pillars, namely: energy resources, energy services and energy infrastructure.

On the pillar of energy resources, we managed to acquire 60% of PT Multi Tambangjaya Utama (MTU) shares in Central Kalimantan and 85% of PT Mitra Energi Agung (MEA) shares in East Kalimantan. While on the energy infrastructure pillar, our position became stronger due to the operation of the PLTU with a capacity of 660 MW which is operated by the PT Cirebon Electric Power (CEP) business unit. Accordingly, our business is integrated and encompasses the entire value chain, from mining to the supply of electricity.

Internally, we also have and are performing alignments and consolidation of business units with the focus to establish synergies on business operations and human resources, while maintaining financial performances in order to remain healthy and solid. So far the pillars of the energy services business remain the main contributor of our business, by contributing 79.6% of our total revenue in 2012. As for net profit, the energy resources business contributed 76.4%, followed by the energy services pillar by 18.1%.

At the other side, the challenges we encounter are not easy, either in terms of the economic, environmental as well as the social aspects. The conditions in the global economy that is slowing down resulting a drastic decrease of coal prices throughout the second half of 2012, and it is estimated to continue until the end of 2013. Therefore our focus in 2013 is to maintain cash flow stability, efficiency in operation and expenses to make Indika Energy as a resilience and competitive corporation.

While in the environmental aspect, due to the more stringent rules and regulations as well as the international consensus in the field of the environment, demands us to be firm in applying operations policies and procedures. One of our efforts is to implement the supercritical boiler technology in CEP. The use of supercritical boiler technology is resulting more efficient of the power plant performance. It means the use of coal become lower and at the end the carbon emission resulting from the power plant is lower.

In the social aspect, we also encounter the challenge of developing good relationships with all our relevant stakeholders. On the internal side, we have to be responsible work providers, by providing a safe, healthy, comfortable working environment, competitive in providing remuneration and respect to diversity. While externally, the social dynamics of the community require us to perform a strategic programs of corporate social responsibility, in particular the community development program for the local community by establish the synergy with our stakeholders to achieve common objectives. Through one of our business unit, PT Tripatra, we provide a series of training for the local community to increase their skill and capacity to be recruited as our employees at Cepu Block Project Bojonegoro. 70% of our employees at Cepu Block Project come from surrounding area.

With regard to our industry, the material issue of the stakeholders concerned ranging from the performance of corporate governance, health and work safety performance, the environmental management performance, the sustainability of the community development programs and our contribution for the development, either at the regional as well as the national level.

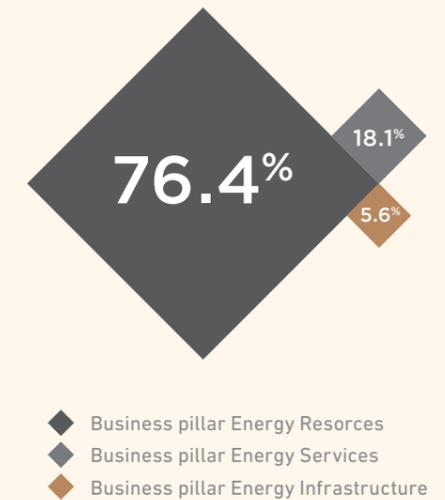
Therefore, the sustainability report we present this time is slightly different from the two previous sustainability reports. We focus on material issues in accordance with the formulation of the social responsibility of our industry. We focus to report the progress related to our efforts to manage the impacts on our operations. Our hope is the stakeholders will actively provide feedback and continuous support for us to become a vital nation asset and can provide benefits in realizing a life balanced of economic, environmental and social. In formulating this report, we use the standard reporting reference issued by *Global Reporting Initiative Generation 3.1* (GRI G 3.1).



**Wishnu Wardhana**  
President Director and Group CEO

**“WE BECOME A VITAL NATION ASSET & CAN PROVIDE BENEFITS IN REALIZING A LIFE BALANCED OF ECONOMIC, ENVIRONMENTAL & SOCIAL”**

2012 NET PROFIT



Through supercritical pressure boiler technology, we able to suppress the use of coal for

**1-2%**  
PER MONTH

of the total coal requirement for

**2.8** Million  
TON PER YEAR





03

ABOUT US

# 03

## ABOUT US

### OUR BUSINESS

PT Indika Energy Tbk is the parent company of subsidiaries, affiliates company, and associates company, focused in energy and mining industry that have been listed in Indonesia Stock Exchange since 2008 with head office in Jakarta. [2.1, 2.4, 2.6]

### THE MAIN IMPACTS AND RISKS OF OUR BUSINESS

We are a company engaged in the energy sector with integrated business segments from upstream to downstream. In the overall, we classify our business sectors into 3 main groups, namely energy resources, energy services and energy infrastructure. Our diverse business units result in various main impacts and risks generated from our operations activities.

A number of major impacts and risks of our businesses are described as follows:



#### Energy resources business units

consist of: employee work safety and health, the management of human rights issues, contribution to climate change, development of employee skills and competences, environmental management, relationship with stakeholders, transparency and ethics in



dealing with stakeholders, the absorption of local manpower and local businessmen as well as contributing to community developments and regional developments.



#### Energy services business units

are among others: employee work safety and health, the employment of local manpower and providing opportunities for local businessmen as well as contributing to community developments and regional developments.



#### Energy infrastructures business units

consist of: contribution to reducing the impacts of climate change, employee safety and health, employee development investment, environmental management, absorption of local manpower and local businessmen.

Our current operations areas are spread-out in various regions in Indonesia. Most of our operations are based in the Kalimantan areas, in particular the energy resources and the energy infrastructure business units. As for the energy services business units, our operations area is of a dynamic nature in accordance with the character of businesses providing services for the mining and mineral sectors.

### OVERVIEW OF OUR BUSINESS

This business description consists of businesses included in the scope of reporting in 2012, comprising of: PT Tripatra Engineering, PT Tripatra Engineers & Constructors, PT Petrosea Tbk, PT Mitrabahtera Segara Sejati Tbk, PT Cirebon Electric Power, and PT Kuala Pelabuhan Indonesia. While our business unit PT Kideco Jaya Agung and PT Santan Batubara are not described in detail in this report.

We strive that in the subsequent reporting period, business units reporting sustainability performance will increase, in line with the commitment to improve our sustainability performance.

#### PT Petrosea Tbk.

Is a business unit in providing services in the mining & minerals sector, engineering and construction as well as an offshore supply base, established in 1972. At present, Petrosea provides services for four coal mines in Kalimantan, namely PT Gunung Bayan Pratama, PT Santan Batubara, PT Adimitra Baratama Nusantara, and PT Kideco Jaya Agung. Currently, we own 69.8% of Petrosea shares.

Apart from providing mining & mineral services, engineering & reconstruction and an offshore supply base, we own 50% of shares in PT Santan Batubara, a producer of coal with a concession area of 24.930 ha in Kutai Kartanegara, East Kalimantan and 47% of shares in PT Tirta Kencana Cahaya Mandiri, a water treatment company in Tangerang.

In 2012, Petrosea managed to mine 9,9 million tons of coal and performed land stripping of 156,7 million BCM. Petrosea also significantly increased its heavy equipment fleet from 368 units in 2011 to 518 units in late 2012. From the financial aspect, in 2012 Petrosea successfully increased revenue by 46.1% to USD 385,5 million, wherein mining services contributed by 92.5%.

#### PT Tripatra Engineering (Tripatra).

Is a business unit that provides engineering services, procurement and construction (EPC), operations and maintenance (O&M) and logistics for the energy sector, in particular oil and natural gas, established in 1973. The strong engineering capacity and good project management are the major factors in the success of Tripatra in implementing world class projects.

In 2012, Tripatra booked a revenue amounting to USD 210,1 million. The engineering, procurement and construction project with Mobil Cepu Ltd. (MCL) in Bojonegoro, East Java, covered almost 42.6% of the total revenue booked by Tripatra, an increase from USD 7,1 million in 2011 to USD 89,5 million in 2012. Apart from that, Tripatra also booked revenues from Perta-Samtan Gas and the Geothermal Chevron Project amounting to USD 47,6 million. Tripatra reported a net profit of USD 11,2 million.

#### PT Mitrabahtera Segara Sejati Tbk (MBSS).

Is one of the business units in the energy infrastructure sector that is a subsidiary of PT Indika Energi Infrastruktur. MBSS



**“WE STRIVE THAT IN THE SUBSEQUENT REPORTING PERIOD, BUSINESS UNITS REPORTING SUSTAINABILITY PERFORMANCE WILL INCREASE,”**

is an integrated coal logistics and transportation service company (one stop solution) with the largest and most diverse fleet in Indonesia, consisting of 80 tugs, 74 barges, 7 floating cranes, 1 cement ship and 1 support vessel. Even in the midst of the coal price decline in 2012, MBSS still booked an increase of revenue as well as net profit, as more than 85.0% of MBSS revenue is supported by a guaranteed minimum volume.

In 2012, MBSS revenue increased by 16.3% to USD 141,4 million, which is primarily due to the increased barges revenue by 17.0% to USD 106,6 million, and floating cranes that increased by 14.4% to USD34,9 million, from 2011. A new contract in 2012 is Cotrans from barges valued at USD 5,7 million, and Berau for floating cranes amounting to USD 3,4 million. MBSS booked a gross profit of USD 56,4 million, and EBITDA amounting to USD 64,4 million and Profit to be Distributed to Parent Entity Owners amounting to USD 36,5 million.

#### PT Cirebon Electric Power (CEP).

Is a business unit we established through an international partnership with Marubeni Corporation, Komipo-Korea Midland Power Co. Ltd., and Samtan Co. Ltd, with the focus on the business development of a coal steam power plant with a capacity of 660 MW in Cirebon, West Java. We own 20.0% of CEP shares and started supplying

electricity to PLN since 27 July 2012, with a contract period of 30 years.

This coal steam power plant with a capacity of 660 MW is one of most prominent power projects in Indonesia that uses the supercritical boiler technology which is efficient and environmentally friendly.

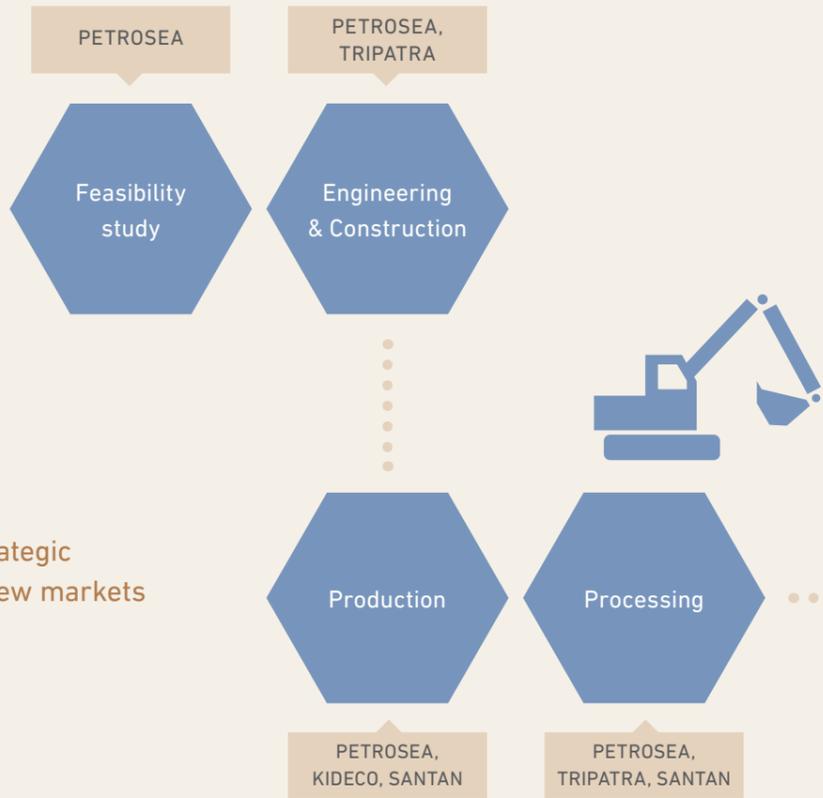
#### PT Kuala Pelabuhan Indonesia (KPI).

Is a subsidiary under Tripatra, that has a business focus on the provision of integrated operations services, management, logistics, maintenance and port services. Currently, KPI has an operation area in Papua, with a revenue level in 2012 amounting to USD 56,8 million.

# 1 Responsible resource development to meet the ever expanding demand for energy



# 2 Integrated operations for maximizing value and efficiency



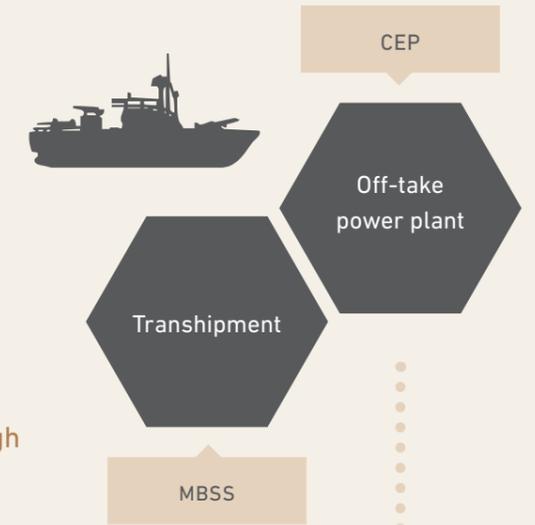
# 3 Leveraging of strategic partnership for new markets and products

## OUR DNA A Strategic Blueprint for the Future

# 4 Asset optimization through the use of technology



# 5 Financial durability - by diversifying earnings and maintaining stable cashflow





## OUR STRATEGIC OBJECTIVES [4.12]

The challenges of natural resource-based businesses that will be stronger in the future require us to well formulate our strategic intents. The followings are a number of strategic intents that we proclaim and become a reference in the development of our businesses. [2.1, 2.4, 2.6]

### To capitalize on Indonesia's abundant natural resources and growth in energy demand, including identifying and acquires attractive energy investments.

To obtain new investments, we conduct: a discipline acquisition approach, follow the regulatory developments related to existing natural resources and follow the economic development of Indonesia.

### Integrate diverse energy platforms and extract operational efficiencies.

We own expertise and capability in the entire energy value chain, in particular coal. To obtain a synergy of business integration, we increase the operational flexibility and cost management, as well as providing efficient services to customers throughout the value chain.

### Leverage existing energy partnerships and expertise in the energy sector by pursuing initiatives aimed at supplying and serving new market.

We have a considerable role in the business of coal mining and energy services nationwide, including the logistics business and energy infrastructure (power plants).

### Optimize production and operational efficiencies by leveraging existing assets and by developing highly productive and effective new mines.

Through a structured planning and developing an Information and Communication Technology system, we encourage the achievement of maximal business targets and objectives.

### Continue to diversify earning sources and stabilize cash flow.

We apply a business strategy by observing the precautionary principle, focusing on acquisition and integration of investments, to generate stable cash flows. We allocate capital increase to fund the capacity expansion of mining contracts and infrastructure activities, as well as additional working capital for new mining and mineral services contracts.

These strategies are reinforced by the accomplishments in 2012, in particular by the completion of the PT Multi Tambangjaya Utama acquisition and the operation of our power plant (CEP). This achievement strengthens our foundation for continued improvements in the business increase model based on an integrated value chain.



### OUR FINANCIAL PERFORMANCE

Our business performance, especially the financial aspect, is one of the strategic issues in business. Our sustainable financial performance is strongly influenced by the ability to optimize synergy along the business value chain, while maintaining the operations supremacy we have and the discipline in managing strategies and the business portfolio. Support of all key stakeholders is essential to be maintained and even improve our financial aspect performance. So far, we have not received assistance from the Government. Our major shareholder is PT Indika Mitra Energi at 63.47%, and the remaining 36.53% is public property.

In 2012, our main revenue is derived from mining services performed by Petrosea by 51.4%, then from engineering and construction services performed by Tripatra that contributed 28.2%, and coal transportation service contracts and other logistics performed by MBSS at 18.9%. This revenue does not include revenue from associated companies such as Kideco, although its profit and loss statements are included in the consolidated report.

The overview of performance revenues, gross profit, direct expenses, administrative costs, net profit before tax and net profit after tax as well as our financial position in 2012 is as follows:

### OUR COMMITMENT TO QUALITY [4.12]

We maintain a strong commitment to quality, either for services rendered to the client as well as goods delivered to consumers. We have built the reputation on quality since established and is proved by the satisfaction of the clients as well as the consumers, so that to date we always obtain confidence. Quality management has become institutionalized and is our main work culture. We always focus on providing the best value in meeting the needs and expectations of clients and consumers.

Even in the business units, we are engaged in the provision of mining services, engineering, purchasing and construction (EPC), operations & maintenance (O&M) as well as the provision of logistics, work culture that prioritizes quality, is already institutionalized in developing economic, social and environmental performances to ensure the sustainability of our business. In the Petrosea business unit, we have the Petrosea Quality Management System (PQMS). From year to year, we are successful in maintaining the quality management performance, as evidenced by the achievement of the ISO9001 certification. Throughout 2012, our services business units never violated any cooperation contracts (default), so that we are spared from the imposition of fines by clients.

26.3%

**REVENUE:** In 2012, our revenue increased by 26.3% from USD 593.398.921 in 2011 to USD 749.705.785. The increase is primarily generated from an increase in Petrosea mining services contracts, an increase in new engineering and construction contracts of Tripatra, and a full year revenue contribution from the increase in the volume of coal transported by MBSS.

47.8%

**GROSS PROFIT:** Our gross profit in 2012 also sharply increased by 47.8%, from USD 130.783.713 in 2011 to USD 193.243.284. The increase in this gross profit is because we managed to meet our contract commitments to consumers, so that we can operate more efficiently.

20.3%

**COST OF CONTRACT & SALES:** Increased by 20.3% in 2012 compared to the previous year of USD 462.615.208 to USD 556.462.501. This is in line with the expansion of our business, either the mining services business unit (Petrosea), engineering and construction (Tripatra), the full-year consolidation of MBSS as well as the business development in the coal mining company that we just acquired.

44.5%

**GENERAL & ADMINISTRATION EXPENSES:** There is an increase in the general and administration expenses from USD 109.705.618 in 2011 to USD 158.569.000 or an increase of 44.5%. This is due to the increased number of employees and workers in projects we performed and the increase of incentives for our professionals.

19.5%

**PROFIT OF ASSOCIATE ENTITIES & JOINTLY CONTROLLED ENTITIES:** Experienced a significant decrease in 2012 by 19.5%, from USD 222.267.857 in 2011 to USD 178.983.576. This occurred due to the weakening selling price of coal products in our associate companies, in particular in the second semester of 2012.

46.3%

**PROFIT ATTRIBUTABLE TO PARENT ENTITY OWNERS (NET PROFIT):** Share of profit that could be distributed to owners of parent entities decreased drastically by 46.3%, from USD 127.868.804 in 2011 to USD 68.680.536 in 2012. This decrease cannot be separated from the impact of the falling coal prices, which affected the revenue and profit of our associate companies, in particular Kideco, which decreased by 19.5% to USD 179,0 million, interest expenses amounting to USD 74,9 million, amortization costs of intangible assets amounting to USD 34,1 million, the distribution of the minority interests amounting to USD 18,5 million (in which USD 13,0 million is due to the divestment of Petrosea shares). Our associate company (Kideco) is still the largest contributor of our net profit of 76.4%, followed by Petrosea of 13.2%, MBSS and Tripatra respectively by 5.6% and 4.9%.

Expressed in US\$, unless otherwise stated

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	2012	2011	2010
Revenues	749.705.785	593.398.921	414.491.196
Cost of Contracts and Goods Sold	556.462.501	462.615.208	346.089.601
Gross Profit	193.243.284	130.783.713	68.401.595
General and Administrative Expenses	158.569.000	109.705.618	75.226.492
Operating Profit (Loss)	34.674.284	21.078.095	(6.824.897)
Equity in profit of Associates and Jointly Controlled Entities	178.983.576	222.267.857	158.883.092
Profit - Attributable to the Owners of the Company	68.680.536	127.868.804	103.433.719
Outstanding Shares	5.210.192.00	5.210.192.000	5.207.142.000
Earnings per share	0,0132	0,0245	0,0199

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2012	2011	2010
Investment in associates	288.079.887	330.330.452	289.469.539
Investment in jointly-controlled entities	25.528.684	22.892.000	15.626.000
Investments in units of funds - Third party	40.026.825	10.245.048	100.443.411
Investments in bond - Third party	N/A	65.249.669	N/A
Total Current Assets	690.693.534	702.194.125	526.450.953
Total Non-Current Assets	1.656.570.522	1.312.828.194	734.031.589
Total Assets	2.347.264.056	2.015.022.319	1.260.482.542
Total Current Liabilities	527.616.177	492.108.268	151.204.356
Total Non-Current Liabilities	794.927.594	668.136.394	515.881.691
Total Liabilities	1.322.543.771	1.160.244.662	667.086.047
Total Equity	1.024.720.285	854.777.657	593.396.495
Total Liabilities & Equity	2.347.264.056	2.015.022.319	1.260.482.542

GROWTH (%)	2012	2011	2010
Revenues	26,3	43,2	73,3
Cost of Contracts and Goods Sold	20,3	33,7	92,5
Gross Profit	47,8	91,2	15,2
General and Administrative Expenses	44,5	45,8	79,5
Operating Profit (Loss)	64,5	408,8	-139,1
Profit - Attributable to the Owners of the Company	-46,3	23,6	6,4
Total Assets	16,5	59,9	1,9
Total Liabilities	14,0	73,9	-1,0
Total Equity	19,9	44,0	5,4

## OUR MILESTONE AND SUSTAINABILITY PERFORMANCE

### February

We conducted the 28.75% divestment obligation of share ownership in Petrosea, with a net proceeds amounting to USD 106,7 million and booked a net profit of USD 57,2 million. This was performed to comply with the regulations of BAPEPAM-LK, as a continuation of the acquisition and tender offer of Petrosea in August 2009. After the transaction, we are still the largest shareholder of Petrosea with an ownership of 69.8%.



### March

We acquired 60% of the ownership shares of MEA, a green-field coal mine that has an IUP with a concession area of 5.000 ha in East Kalimantan.

60%



85%

### May

We acquired 85% of the ownership shares of MTU which is a coal mine of the thermal bituminous coal and coking coal type. MTU has a PKP2B of the third generation with a concession area of 24.970 ha in Central Kalimantan.



### June

We paid off the remaining bonds issued in 2007, amounting to USD 65 million.



### July

CEP, a coal steamed power plant with a capacity of 660 MW, in which we have a 20% share ownership, achieved the Commercial Operation Date (COD). This power plant is the first coal fueled power plant in Indonesia equipped with the supercritical boiler technology that is efficient and environment friendly.



### October

Official ceremony of CEP as a business unit included in the energy infrastructure group, which official announcement was performed by RI Minister of Energy and Mineral Resources and was attended by all shareholders and the local Government.



BUSINESS PERFORMANCE

## SUSTAINABILITY PERFORMANCE

### 13 January 2012 - Best Corporate Citizen Award 2012

We received the *Best Corporate Citizen* 2012 award of The New Economy magazine based in London. This award is provided for business organizations that provide significant contributions to the community through services and direct involvement of the company in the community activities.

This award is organized by The New Economy every year with the aim to promote sustainable Corporate Social Responsibility (CSR). The New Economy is a quarterly magazine that discusses various company economic aspects and shares knowledge on the constructive global economy growth.

### 7 February 2012 - MDG Awards 2011

We received a special Indonesia MDG Award 2011 that was directly presented by the Vice President of the Republic of Indonesia, Prof. Dr. Boediono. This award was given due to our support for the Indonesia Teaching Movement

that is assessed to consistently support the achievement of the Millennium Development Goals [MDG] and ensure a long-term sustainability of programs.

### 20 February 2012 - Certificates ISO & OHSAS

One of the departments in our company, the Corporate Security Indika (CSI) succeeded in achieving the ISO 9001:2008 Certificate (Quality Management System) & OHSAS 18001:2007 (Occupational Health and Safety). CSI is a work unit responsible for developing, maintaining and applying the safety system to minimize risks that we may be face as a business entity as well as all employees as individuals.

This achievement cannot be separated from the business transformation program that we proclaimed since 2010. Through the strong commitment and spirit to always perform sustainable improvements, the efforts of CSI yielded very encouraging results.





**31 October 2012 - International Project Management Association**

In October 2012, one of our subsidiaries, Tripatra, received the award for the *Best Project Excellence in Mega Sized Projects for EPC Jambi Merang Development Gas Production & Facilities* from the International Project Management Association (IPMA). The assessment was conducted by the global project management team from Poland, Austria, England, Germany and Australia.

In March 2012, Tripatra received an award from APFPM (The Asia Pacific Federation of Project Management) as *The Best EPC Company for Jambi Merang Project*. Previously, Tripatra was also selected as the *Best Project for Jambi Merang Project* from IAMPPI (Ikatan Ahli Manajemen Proyek Indonesia – the Association of Indonesia Project Management Experts), which is an affiliate of APFPM in Indonesia.

**3 December 2012 – Indonesia Sustainability Report Award**

At the end of 2012, we obtained one more achievement by receiving the title of *Best Sustainability Report 2011 – Runner up Group B Category Services*, in the event of the *Indonesia Sustainability Report Award 2012*, organized by the *National Center for Sustainability Reporting (NCSR)*.

ISRA 2012 is the 8th annual event providing awards for sustainability reports focusing on the performance of three aspects i.e. the economic, environment and social aspects.

*Project Ujung Pangkah Development, " EPC of Onshore Oil Treating and Storage and LPG Recovery Plant, Gresik.*





04

SUSTAINABILITY APPROACH  
AND STRATEGY

## 04

SUSTAINABILITY APPROACH  
AND STRATEGYMANAGEMENT OF  
SUSTAINABILITYOUR POLICY AND  
MANAGEMENT STRATEGY [4.1]

Sustainability management is aimed to ensure the sustainability of our business in the future by ensuring compliance to the applicable regulations in every aspect of our operations, avoid conflict of interests and violations of business ethics, clarity on the internal reporting scope, clarity of roles, authority and responsibility of every company component and the implementation of the overall corporate social responsibility. In our opinion, good management is as important as the achievement of business and operations performances.

The elements in our company that are responsible for the implementation of the management, consist of the Shareholders General Meeting (RUPS - *Rapat Umum Pemegang Saham*), the Board of Commissioners, the Committees under the Board of Commissioners (the Audit Committee, the Good Corporate Governance/GCG Committee, the Investment Committee, the Human Capital Committee), the Board of Directors, the Group Internal Audit, the External Auditors and the Corporate Secretary.

**Shareholders General Meeting (RUPS):**

Is the highest element in the company structure and functions as a forum for the shareholders to discuss and provide important decisions related to the Company performance over the past year and the development plans in the

future, including the appointment and/or dismissal of the Board of Commissioners and the Board of Directors. We perform a RUPS once a year and an Extraordinary RUPS in accordance to our needs.

**Board of Commissioners:**

Is an element in the company to oversee the implementation of company policies and management performed by the Board of Directors and provide advice and input related to the implementation of policies and management to the Board of Directors. In 2012, the structure of our Board of Commissioners is as follows: [4.2, 4.3]

**President Commissioner**

Wiwoho Basuki Tjokronegoro (also served as Chairman of the Investment Committee and Member of the Human Capital Committee)

**Deputy of the Chief Commissioner**

Agus Lasmono

(also served as the Chairman of the Human Capital Committee and Member of the Investment Committee)

**Commissioner**

Indrachya Basuki

(also served as as Member of the Good Corporate Governance Committee and the Investment Committee)

**Independent Commissioner**

Anton Wahjosoedibjo

(also served as the Chairman of the Audit Committee and Member of the Good Corporate Governance Committee)

**Independent Commissioner**

Dedi Aditya Sumanagara

(also served as Member of the Investment Committee)

**Committees under the Board of Commissioners:**

Are committees established to support the effective implementation of the duties of the Board of Commissioners. There are 4 (four) committees under the Board of Commissioners, namely: the Audit Committee, the Good Corporate Governance Committee, the Investment Committee and the Human Capital Committee. [4.4]

**The Audit Committee**

Assist in the analyzing risk management, ensuring the implementation of internal and external audit, examining the reliability of the company financial statements and ensuring the compliance to all applicable regulations. The committee also functions as an independent advisor to the Board of Commissioners. This committee consists of 3 members, among which 2 members are from outside the Board of Commissioners, namely Maringan Purba Sibarani and Deddy Harijanto Sudarijanto.

**The Good Corporate Governance Committee**

Assists in implementing thorough assessments of the company management policies, develop internal systems to ensure compliance to the Good Corporate Governance, assess the consistency of application, including the application of business ethics and the Corporate Social Responsibilities or CSR, and ensures that the Company complies to all applicable rules and regulations. In relation to the implementation of CSR, this Committee is responsible to conduct studies, prepare implementation guidelines and

periodically provide input on the plans, programs and the implementation of the CSR programs. The committee is led by Arief T. Surowidjojo, who is the only Committee Chairman under the Board of Commissioners who is not a member of the Board of Commissioners and consists of 3 members. [4.3]

**Investment Committee**

Assists in studying the risk management system, including the determination of the corporate action risk and assess the risk tolerance that can be handled by the company, supervise the existence and effectiveness of the Enterprise Risk Management (ERM) and monitor and provide recommendations on the capacity building of personnel in the risk management field. This committee consists of 6 members, of whom 2 persons are members of the Board of Directors, namely M. Arsjad Rasjid P.M. and Wishnu Wardhana.

**Human Capital Committee:**

Assists in studying and approving the company organization structure and other matters related to human resources, such as remunerations and employee benefits, professional development and trainings for employees, ensure that the implementation of the remuneration calculation formula, allowances and facilities are transparent for the employees as well as the Board of Commissioners, Board of Directors, the Secretary of the Board of Commissioners, Committee members and other officials of the Board of Commissioners. This committee consists of 4 members, 2 of who are members of the Board of Directors, namely M. Arsjad Rasjid P.M. and Wishnu Wardhana.

**The Board of Directors:**

Are elements in the company responsible for the company operations and management activities and work in the interest of the company shareholders and stakeholders, and are appointed through the RUPS. At present, the structure of the Board of Directors is as follows: [4.2]

**President Director**

M. Arsjad Rasjid P. M.  
(also served as Member of the Investment Committee and the Human Capital Committee)

**Vice President Director**

Wishnu Wardhana  
(also served as Member of the Investment Committee and the Human Capital Committee)

**Unaffiliated Director**

Azis Armand

**Director**

Pandri Prabono-Moelyo  
Wadyono Suliantoro Wirjomihardjo  
Richard Bruce Ness  
Eddy Junaedy Danu

**Corporate Secretary:** Is in charge to provide information to the public and ensures that the dissemination of company information is conducted accurately, clearly, efficiently and comprehensive in accordance with the applicable laws and regulations, cooperates with the Division of Law and Investor Relations, in accordance with the instructions of the Board of Commissioners and the Board of Directors. The Corporate Secretary is also in charge of developing effective and credible communications with external parties, in particular the Government, the authorities, capital markets, the media and related stakeholders.

**Internal Audit:** Is an element in the company that is responsible for all the aspects of the audit and control of the company, either material as well as financial, examine and analyze the reliability and integrity of financial information and operations activities, analyze the means to secure company assets and prepare reports on specific conclusions. The Internal Audit has an open access to the Board of Commissioners, Board of Directors and the Audit Committee at any time and unlimited, to all functions, records, property and employees. In performing their duties and maintain independence, the Internal Audit adopts a code of ethics to enable it to work independently.

**External Auditor:** Is a party that provide opinions independently on the company financial statements and provide objective and acceptable opinions to the shareholders and stakeholders. The External Auditor is appointed during the RUPS and functions without influence from other company components as well as all parties that have interests in the Company. In 2012, we used the External Auditor from Osman Bing Satrio & Eny who are affiliates of Deloitte – a leading independent audit firm in the world – in Indonesia.

The existence of all the above elements and their roles and functions, proves that we maintain a high commitment to create a good corporate governance, company credibility, the trust of the stakeholders, and place it above the achievement of financial and operational performance.

**OUR BASIS & MANAGEMENT PRINCIPLES**



**TRANSPARENCY**

Consistently we provide all material and relevant information necessary for the relevant stakeholders in accordance with their rights, through the facility of easy access to accurate and timely information in a form that is easy to understand and useful, to maintain the objectivity of our business operations.



**ACCOUNTABILITY**

We monitor and evaluate to ensure that we manage the company correctly, measured and in accordance with the interests of the company and/or the shareholders and relevant stakeholders. We strive to maintain the accountability of performance by behaving transparently and fairly in order to provide and maintain a consistent performance.



**RESPONSIBILITY**

We are committed to always maintain and ensure compliance with all rules and regulations applicable in the jurisdiction in which we operate and implement a social responsibility for our stakeholders, in order to maintain a long-term sustainability of our business.



**INDEPENDENCY**

We are committed to manage the company independently and avoid domination and intervention of specific parties. Various company elements consisting of: RUPS, the Board of Commissioners and Board of Directors should be allowed to implement their functions and duties in accordance with the Articles of Association and the applicable laws and regulations, so that they can uphold the due diligence process in making objective and accurate business decisions.



**JUSTICE & EQUALITY**

We are committed to prioritize the interests of the shareholders and other stakeholders based on the principles of justice and equality.



## OUR VISION, MISSION AND VALUES

As an integrated and progressively growing company in energy sector, we are aware of the importance of formulating the company vision, mission and values that can support the achievement of our expectations and our stakeholder's expectation in the future. Therefore, we formulated our company vision, mission and values as follows.

### VISION

To be a world-class Indonesian energy company recognized for its integrated competencies on energy resources, energy services and energy infrastructure.

### MISSION

- To capitalize on the abundant energy resources in support of the global economic growth.
- To create integration and synergies across businesses.
- To create optimum shareholders value.
- To continuously develop its human capital.
- To become a good corporate citizen.

### VALUES

We strive to:

- Ensure integrity in all of our business endeavors.
- Instill the spirit of unity, diversity and respect for each other.
- Promote the culture of teamwork and excellence.
- Be a responsible steward for the local community and the environment.

The above formulation of the vision, mission indicate our commitment to balance the achievement of business interests and the achievement of social and environmental interests.

## OPERATING TRANSPARENTLY AND ETHICALLY [4.9]

### THE ESTABLISHMENT OF TRANSPARENT AND ETHICAL BUSINESS

We maintain the principle which states that wherever we operate, we will constantly establish the transparent principle and uphold business ethics. We believe that in this way we will maintain integrity in the view of our stakeholders and as a realization of our determination to be a company that maintains a high social responsibility performance.

Therefore, we are also determined to fight all forms of corruption. We believe that corruption is not only contrary to the law, but is also detrimental to the company and all the relevant stakeholders. In our organization, the Audit Committee, Group Internal Audit and External Auditor (Independent), are the parties responsible for conducting audits throughout our company and function to ensure that there is no risk of corruption, acts of corruption, deviation practices or other violations of the law. Throughout 2012, no violations were found that are categorized as corruption. To increase the awareness of every employee on the need to avoid the corruption criminal acts, we formulated a code of conduct applicable to the organization and all our employees. Every form of violation will be sanctioned in accordance with the level of violation committed.

As another form of the principle of transparency and business ethics, we are also committed to respect and cooperate with our stakeholders, including the requirement for all our employees to respect the local norms and culture existing in our operations areas. Consistently we also implement the reporting mechanism on unethical actions and the potential of violating the code of ethics resulting in company financial losses and non-financial losses. Every unethical behavior is reported to the immediate supervisor, for further solutions or sanctions in accordance with the level of violation.

### OUR CODE OF CONDUCT [4.6, HR4, S02, S03, S04, S06, S07, S08]

We are fully aware that in implementing business, we will constantly encounter various risks related to ethics and potential conflicts of interests experienced by employees. Therefore, we issued a Code of Conduct as guideline for us and our employees in conducting business, as well as requiring our employees to sign it as part of the commitment in working. The followings are the provisions in the Code of Conduct.

**Accurate Bookkeeping.**

The company bookkeeping shall be stored properly, so it accurately reflects the transactions. No company employee is allowed to falsify records in whatever manner. The company's bookkeeping and records shall be stored in such a manner that fully:

- Reflect matters pertaining to company transactions such as receipts, expenditures, assets and liabilities.
- Record all transactions in accordance with the rules and regulations.
- Comply with the safety and environmental policies, employment, accounting and financial reporting standards, as well as other policies.

**Bribery and Illegal Business Practices.**

No company employee shall, either directly or through an intermediary, offer or provide anything of value to a Government employee or official. Company employees shall refrain from illegal or unethical actions that may damage the business reputation of the company.

**Business Presents for other Companies or other Sub-vendors being Our Business Partners or Competitors.**

Company employees shall not seek, solicit or accept from parties the followings: gifts/presents, payments, fees, services, opportunities or other assistances.

**Donation of Funds.**

Reasonable donation of funds in the interests of humanity, social, education, sports, professional/business associations shall be made based on a written request. Such donations shall be estimated or planned in conjunction with the preparation of the annual budget of the Business Plan.

**Confidential Information.**

No employee or former employee of the company is allowed to disclose trade secrets or other confidential information. Meant by confidential information is the offer price for equipment, products/ services and manpower, marketing strategies, financing plans, agreements with suppliers, plans of acquisitions, divestments or organizational changes, information regarding the company products and technology, unless such information is widely publicized.

**Conflicts of Interests.**

Employees are not allowed to have investments or relationships with other organizations that may place them in a position of conflict with the greatest interests of the company.

**The Environment, Health and Safety.**

All employees shall comply with the law and regulations in terms of environmental protection and employee safety.

**Equality in Opportunities.**

The company will provide equal employment opportunities for all people, regardless of SARA (ethnic, religion, race and inter-groups) as well as gender. The company shall make exceptions for this policy, only when recruiting employees for positions requiring specific physical abilities in the implementation of main functions of the work.

**Financial Control and Reporting.**

All employees shall adhere to the internal accounting systems and procedures as appropriate. All financial and accounting transactions shall be accurately reported in the financial records and financial statements of the company.

**Computer Security and Data Usage.**

Every employee is responsible for protecting the security of:

- Confidential information of the company or customers.
- Computer security and company information systems.
- Financial data and information stored in the company system.

**Intellectual Property Rights.**

Employees shall protect the company intellectual property rights and are not allowed to violate third party rights in terms of their intellectual property rights.

**Overseas Business.**

Company employees shall comply with the applicable laws in Indonesia and the country in which they are assigned. No employee shall seek to avoid the laws directly or indirectly.

**Anti-harassment Policy.**

We uphold the commitment to maintain a work environment that is free from discrimination and sexual harassment, wherein all individuals are treated with respect and dignity.

**Political Donations.**

No company employee is allowed, either directly or through intermediaries, to use company funds or resources to contribute to political parties or party officials.

**Storage of Records.**

The company shall establish procedures to achieve record-keeping purposes as follows:

- Keep active and inactive records in a proper storage facility.
- Identify and protect vital and historical records.
- Use microfilm and electronics that can be justified for appropriate application.
- Adhere to applicable legal and international guidelines, including the legal provisions related to filing lawsuits, Government investigations and audits required by the law.
- Keep records for a specified period according to the Records Retention Schedule.
- Encourage the routine destruction of records no longer needed for operations, if the storage is not required by law or the Records Retention Schedule.

**MATERIALITY TESTING ISSUES [3.5, 3.7]**

Materiality, in the sustainability context, refers to issues and various activities of concern and main consideration of us as well as the stakeholders, either internally as well as externally. All matters considered significant and relevant for the sustainability of the company operations and the stakeholders.

To understand the materiality of the issue or strategic issues related to business and respond effectively, we collect various inputs through a number of research-based secondary data (desktop research), limited dialogues and feed-back of relevant stakeholders. Secondary data-based research is conducted by reviewing study results of community social conditions implemented by third parties as well as studying various reports and publications related to company operations. Limited dialogues are performed by requesting opinions of relevant stakeholders related to specific issues. Feedback of stakeholders is obtained through inputs from various communication channels, direct communication, company's email accounts or other communication channels.



We strive to be honest regarding the social impacts, the environment and ethics as well as relying on the risk assessment results performed periodically. We consider the issues as material matters or that should receive adequate attention.

Business in the energy sector is a strategic business, as it is related to one of the fundamental issues in the world today, which is the fulfillment of energy resources. Therefore, as found from secondary data researched we performed, from the stakeholders point of view there are virtually no extreme rejections towards this industry.

The major issue for the sustainability of the business in the energy sector is to operate socially and environmentally friendly, such as the management of the safety and health of workers, respect for the local community rights, assessments of negative impacts transparently, fair land compensation, good waste management, meeting the

law requirements and environmental regulations, reduction of greenhouse gases and carbon emissions, local community involvement in the company business chain and community development.

We maximally strive to deliver our various operations impacts balanced, either the potential negative impacts as well as the potential positive impact that occur. Internally, we assess the social and environmental risks and impacts through an internal audit performed strictly apart from risk management by the respective risk owners.

Every industry sector has a specific materiality issue characteristic. Similarly are we, as a business group with diverse business sectors, also have diverse materiality issues in accordance with the business sectors. The following table is a summary of the various materiality issues of our respective business units.

BUSINESS UNIT	MATERIAL ISSUE
Petrosea	<ul style="list-style-type: none"> <li>• Treatment of domestic sewage in each site</li> <li>• Workers safety and health</li> <li>• Transparency mechanism of local labor recruitment</li> <li>• Contribution to local communities through community development programs</li> </ul>
Tripatra	<ul style="list-style-type: none"> <li>• Employee and community work safety and health</li> <li>• Involvement of local contractors</li> <li>• Employment opportunities for the local workforce</li> <li>• Relationship with the local Government</li> <li>• Contribution to local communities through community development programs</li> </ul>
MBSS	<ul style="list-style-type: none"> <li>• Shipping safety</li> <li>• The implementation of the Vessel Tracking System for energy efficiency and emission reduction</li> <li>• Damage to marine biodiversity</li> </ul>
CEP	<ul style="list-style-type: none"> <li>• Land conflicts during the construction process</li> <li>• Efficient use of raw materials (coal) and processes</li> <li>• Toxic and hazardous waste management</li> <li>• Developing relation with stakeholders</li> </ul>
KPI	<ul style="list-style-type: none"> <li>• Local labor recruitment</li> <li>• Developing relation with stakeholders</li> <li>• Contribution through community development programs</li> </ul>

## RISK MANAGEMENT [4.11]

Risk management, in particular social and environmental risks that affect the achievement of business sustainability is performed by integrating it into the Enterprise Risk Management (ERM). This means that we integrate it into all activities, functions and business processes.

The identification process, assessment and forms of effective social and environmental risks is the foundation of our approach to contribute to a sustainable development. The degree assessment of the social and environmental risks are conducted by considering the identification results on material or strategic issues

of the respective business units, assess the degree of probability of occurrence (likelihoods) and the degree of impacts that may occur, if the risks are not properly managed (impact/consequences). The higher degree of risk obtained, then the material issue will be the highest risk. The risk management pattern is in the form of action plans, We perform it in accordance with the risk degree of the respective material issues. The Investment Committee, Internal Audit and Risk Owner perform regular studies on the degree of risks to identify the risk degree development of the respective material issues and determine the action plans to be implemented.

## DEVELOPING RELATIONS WITH STAKEHOLDERS [4.14]

We realize that many parties are concerned, affect as well as are affected directly or indirectly by our business activities. All parties are defined as stakeholders, in which we have the obligation to develop engagements, both in the short and long term. We periodically monitor and ask for their opinions and input, either through public consultations, surveys as well as information tracking, so we are always aware and understand their concerns and interests.

To know who the relevant stakeholders are, is a strategic matter. Therefore, the process of identifying the stakeholders, mapping based on interests and including it in various company decisions such as the fulfillment of legal aspects, as well as the planning and implementation of the social responsibility are conducted by us across the business units.

Based on assessment results, we divide the stakeholders into ten groups, namely: (1) the shareholders; (2) the Government and regulators; (3) employees; (4) contractors and/or business partners; (5) suppliers; (6) consumers; (7) the local and traditional communities; (8) industry associations; (9) the media; and (10) NGOs and other civil society groups. Furthermore, in developing relation strategies with the respective stakeholders, we use the AccountAbility1000: Stakeholder Engagement Standard (AA1000: SES) as reference. This is very helpful in understanding the context and strengthens the efforts to provide positive contributions to the stakeholders. Certainly, a number of issues we encounter today also require partnerships with the stakeholders to achieve the best treatments.[4.15]

The following is a summary of how we perform relationships with the respective stakeholders.[4.16, 4.17]

STAKEHOLDERS	INTEREST	DEVELOPING RELATIONS
Shareholders	<ul style="list-style-type: none"> <li>• Opportunities of growth and long-term value for the company through a combination of good financial performance and quality company management</li> <li>• The commitment to become a company with a high social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders General Meeting (RUPS)</li> <li>• Periodical communication through written as well as electronic reports</li> <li>• Regular meetings with the Board of Directors</li> <li>• Annual reports</li> </ul>
The Government and Regulators (both at the local as well as the central level)	<ul style="list-style-type: none"> <li>• Compliance to all applicable rules and regulations</li> <li>• Contribution to regional development and access to community infrastructure</li> <li>• Periodical monitoring of social and environmental performances</li> </ul>	<ul style="list-style-type: none"> <li>• Official meetings, hearings with the legislative or executives</li> <li>• Exposure and presentations</li> <li>• Does not make political contributions</li> </ul>
Employees (employees meant are our direct employees)	<ul style="list-style-type: none"> <li>• Creating working conditions that are secure, safe and healthy, and a good working environment</li> <li>• A competitive remuneration system</li> <li>• Fair career development opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly performance review</li> <li>• Employee perception survey</li> <li>• Manage direct communication with employees (staff, supervisor and the management)</li> <li>• Internal newsletter/magazine and intranet</li> <li>• Participation in company events</li> <li>• Company reports, including sustainability reports</li> </ul>
Contractors and/or business partners (business partners include organizations or institutions in which we have cooperation's)	<ul style="list-style-type: none"> <li>• Business practices that are transparent, fair and competitive</li> <li>• Long-term business growth and sustainability</li> <li>• The existence of a reward and punishment mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Routine meetings</li> <li>• Routine reports</li> <li>• Participation in the K3 initiatives, community developments and other company social responsibility programs</li> </ul>
Suppliers (Our suppliers are suppliers of goods, including local suppliers and local labor)	<ul style="list-style-type: none"> <li>• Transparent and fair work contract agreements</li> <li>• Timely payment schedules and processes</li> <li>• Transparent local labor recruitment processes</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity building</li> <li>• Dialogue with suppliers</li> </ul>

STAKEHOLDERS	INTEREST	DEVELOPING RELATIONS
Consumers (Our consumers are in general energy supply companies, either coal as well as oil and gas)	<ul style="list-style-type: none"> <li>• Timely completion of services and/ or delivery of products</li> <li>• Quality of products and/ or services</li> <li>• Waste management</li> </ul>	<ul style="list-style-type: none"> <li>• Regular communication with the management</li> <li>• Technical assistance in the use of products</li> <li>• Product information</li> </ul>
Local and traditional communities (Our work areas are mostly located in remote areas and alongside local and traditional communities who maintain diverse stakes and interests)	<ul style="list-style-type: none"> <li>• Management of environmental, social, health and safety impacts on the local communities</li> <li>• Local labor recruitment and local business opportunities</li> <li>• Implementation of sustainable community development programs</li> <li>• Opportunities to increase the local community capacities</li> </ul>	<ul style="list-style-type: none"> <li>• Consultations between the company and the community</li> <li>• Application of commitments to human rights</li> <li>• Involvement of community groups in Community Development (CD) programs</li> <li>• Participation in other company activities</li> <li>• Internal evaluation on the implementation of community development programs</li> </ul>
Industry Associations (including the Indonesian Coal Mining Association (APBI), Chamber of Commerce and Industry (KADIN), the Indonesian Company Association (APINDO) and the Indonesian Mining Association (API))	<ul style="list-style-type: none"> <li>• Socialization of rules and regulations</li> <li>• Application of work safety standards and promotion of the best practices</li> <li>• Advocacy of rules and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Routine meetings</li> <li>• Advocacy of policies</li> <li>• Consultations</li> </ul>
Media (includes the print media, electronic and on-line)	<ul style="list-style-type: none"> <li>• Disclosure of information, in particular related to issues of concern to stakeholders (operational, social and environmental aspects)</li> </ul>	<ul style="list-style-type: none"> <li>• Press release</li> <li>• Media briefing</li> <li>• Presentation and road shows</li> <li>• Site visit (field visit)</li> <li>• Interviews</li> <li>• Advertorials</li> </ul>
NGOs and other civil society groups (especially for those who are engaged in environmental, social, and human right issues)	<ul style="list-style-type: none"> <li>• Company ethical conduct</li> <li>• Social and environmental performances for operations</li> <li>• Contributions to stakeholders and the regions</li> </ul>	<ul style="list-style-type: none"> <li>• Update the company operations developments and the community development programs through the company internal media</li> </ul>

## REPORTING OF SUSTAINABILITY PERFORMANCE

As the realization of transparency and accountability to all stakeholders on the company sustainability performance, every year we prepare and submit a Sustainability Report, since 2 years ago. The report is to complement the Annual Report. We hope that in the future the Sustainability Report will be submitted simultaneously in the Annual Shareholders General Meeting (RUPS).

We state that the Sustainability Report prepared indicates the company commitment and development related to a series of company sustainability indicators, either in the economic, environmental as well as social sectors. However, consistently, we perform various improvements related to the achievement of diverse company sustainability indicators, because we want to contribute significantly to the achievement of the aim of sustainable developments.

## DISCLOSURE OF INDICATORS

A number of indicators requested by GRI G3.1 is very closely to the company policies related to the compliance to regulations at the regional level, national level as well as compliance to the applicable international norms, among others child labor, forced labor and freedom of association. Similarly, in relation to the rights of the local community we ensure that the fulfillment of the most essential indicators is one of our major concerns.

In another aspect, considering that our products and services do not need packaging, so far we do not encounter issues related to violation on packaging regulations or packaging problems [PR3, PR4, PR9]

In this report, we focus on reporting the performance achieved for every main indicator included in the material issue. As long as there are no objection reports or the occurrence of specific cases rose by these indicators and with significant impacts, we did not write it specifically in this Sustainability Report.

Integrated coal logistic and transportation ( one stop solution), with the largest and diverse fleet includes 80 tugs, 74 barges, 7 floating cranes. ▶





05

OCCUPATIONAL  
HEALTH & SAFETY

# 05

## OCCUPATIONAL HEALTH AND SAFETY

We give equal priority between health and work in all activities and encourage a culture where all employees are willing to stop or delay work when risk management controls are not running as it should.

### OUR POLICIES AND COMMITMENT

The environmental management that we practice refers to the Policy document on Work Environment, Safety and Health (K3), which are company policies regulating commitment to prevent the occurrence of work accidents and illness as a result of work, work health and safety potential hazard control at every business process, complying with the applicable legislation on K3 as well as consistently and sustainably applies a Work Health and Safety Management System (SMK3).

There are also program initiatives that we practice to try to reduce the occurrence of accidents and to increase the health and safety status of our employees, among others:

Our Environmental Management System has received the ISO 14001:2004 certificate and has been recertified on 20 May 2012 and is valid until 20 May 2015. The Work Health and Safety Management have received the Occupational Health and Safety Management System (OHSAS) 18001:2007 certificate with a validity period starting from 25 January 2010 to 25 January 2013.

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Oversee the application of work health and safety policies in a strict manner

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Provide work safety equipment, such as Personal Protective Equipment (PPE), which is satisfactory and has good quality

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Conduct training on work health and safety for all employees with no exceptions

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Apply the recommendations from the audit and investigation results related to the occurrence of accidents

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### “WE INITIATE PROGRAMS TO PREVENT ACCIDENT AND TO IMPROVE HEALTH AND SAFETY”

To maintain as well as improve the quality of the Work Health and Safety Management System, We carry out Health Campaigns for the employees. Health campaigns are organized based on the evaluation of employee sickness complaint records during the past year. This is done at the Head Office and in all our operation locations so that all employees receive correct information related to certain diseases and how to prevent them. Whereas the health education program for families and the surrounding communities will be explored in the coming year, including providing information on health hazards

in our operations as well as how to anticipate and prevent them. This entire process is referred to as the Health Risk Assessment process that has successfully been executed. [\[LA8\]](#)

To assist with the consistent application of policies and SMK3, we also encourage every business unit to go through the certification process in the field of work health and safety.

**HEALTH AND SAFETY PERFORMANCE**

We put the aspect of employee work health and safety as a material issue in our operations. Ensuring that employees come in, work, and go home in a health condition as well as finish work well is our main concern. During 2012, there were 90 minor accidents recorded, without any major accidents. [LA7]

In MBSS, one of our subsidiaries operating in the sector of marine transportation services, there is higher risk for accidents. Marine and river transportation indeed is vulnerable to accidents that occur because of bad weather, collisions, mechanical failure, human error, and shipwrecks.

Because of the uniqueness of the business process, we categorized accidents in the MBSS business unit as: property damage, third party property damage, personal injury and community complaint. So far, the number of accidents for the first three categories is very small and there have been no fatalities.

While the incident of community complaint often happens along the river, where it is our route for delivering goods to customers. The most popular complaint is from the community

reportingis that their belongings are affected by our ship activities, such as cage or boat damage. So far, MBSS has also responded and has mapped out high-risk locations to the complaints of the people along the ship's operational route. we We will definitely work together with the local government while establishing constructive approaches and communication with the communities along our goods delivery route. It usually takes two days for the report to be completed through approaching personnel with a reporter.

Certainly, we continue to make efforts so that accidents can be reduced. Among others, by choosing a crew with experience of passing through accident prone routes as well as by involving local guides from citizens around the river.

Various damages caused by accidents somehow influence reputation. Aware of this fact, since 2002, we adopted the International Safety Management Code (ISM CODE). Through the intense attention and efforts, the number of accidents has been proven to decrease. In 2012, there appeared to be a trend where the frequency of accidents was lower compared to the two previous years.

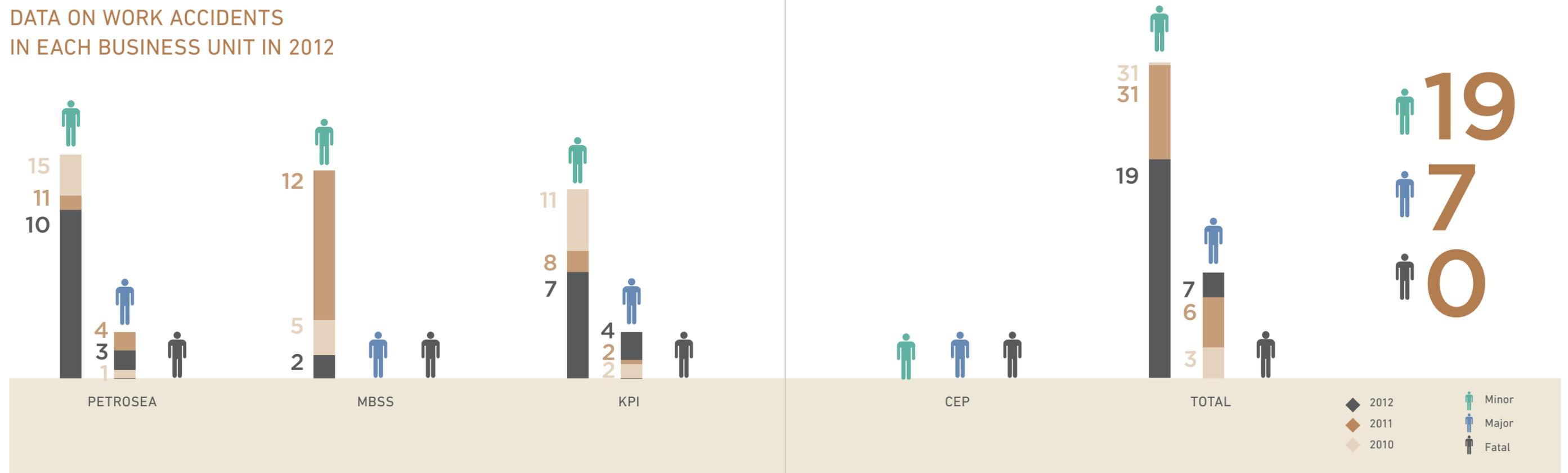


**“WE ADOPTED THE INTERNATIONAL SAFETY MANAGEMENT CODE (ISM CODE), AND HOLDS THE OHSAS 18001:2007”**

Meanwhile, in November 2012 Petrosea was awarded the Safety Milestone Achievement 7.000.000.000 (seven billion) working hours based on nil accidents for Project ABN-3874C starting from January 2010 to November 2012. Petrosea also holds the OHSAS 18001:2007 certificate with ID10/01452 and has been renewed by SGS valid from 25 January 2013 to 25 January 2016. This is the recognition of external parties of our performance in developing a healthy and safe culture at the workplace.

We continue to make the effort to reduce the occurrence of accidents and increase the health status of our employees. Our performance in 2012, particularly concerning work accidents in each business unit in 2012, is presented in the following table.

### DATA ON WORK ACCIDENTS IN EACH BUSINESS UNIT IN 2012



#### SOCIALIZATION OF SAFETY CULTURE IN THE COMMUNITY AND OPERATION CHAIN

As part of our business has high safety risk, we give attention to the application of work safety standards for parties intensively related to us. Ours are: sub-contractors, suppliers, similar companies, work partners/clients, customers and the local community. [LA8]

We proactively use our influence to monitor the safety performance of parties in our sphere of influence. In particular, the sub-contractors and suppliers. This is in line with our

commitment to achieve zero fatality in our operations.

Some concrete steps have been taken by the Petrosea, Tripatra, MBSS, KPI and CEP business units, among others, continuously providing safety briefing to all workers, monitoring and evaluating the implementation of regular safety aspects and providing input for the improvement of the implementation of safety aspects. Even in the Cepu Bojonegoro Project Block, the Tripatra business unit

routinely socializes with the local community regarding safety aspects so that they understand the risks in the oil and gas mining area, as well as actions to be carried out if there are incidents that cause risks for the community. [S01, S09]

With this method, we hope that the attention towards the importance of safety aspects is not only our attention, but also the attention of all parties along the operation chain. Furthermore, we also hope that safety aspects do not only become habits, but become a new culture within the community.



06

EMPLOYMENT & HUMAN  
RESOURCES DEVELOPMENT

# 06

## EMPLOYMENT AND HUMAN RESOURCES DEVELOPMENT

### COMPLIANCE WITH THE RULES AND NORMS OF EMPLOYMENT

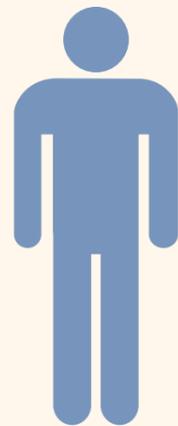
It has already become an international norm that is accepted and ratified by several nations to reject forced labor practices. We ensure that this does not occur in each one of our business units. Because we uphold social responsibility principles, which comply with the applicable legislation as well as the respect towards international norms and rules. [HR7]

Similarly with child labor, we have mechanisms to screen the minimum age of employees accepted in the company and in our business units. We also extend the coverage of this compliance to our contractors and sub-contractors. Strict policies and consistent implementation is our answer to complying with employment rules and norms. [HR6, HR7]

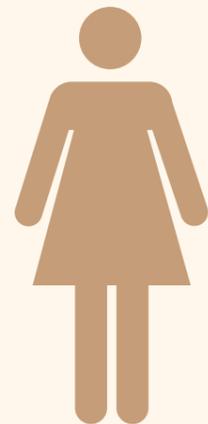
Likewise with the other provisions in the aspect of employment, we always comply with the rules and regulations set by the government, particularly labor laws and regulations, actively contributing to regional development as well as committed to developing the capacity of local human resources.

To maintain harmony in relationships and constructive communication with the employees, we schedule regular meetings between the management and employees through coordination and communication mechanisms between employee and management representatives. We have two labor unions, which are the Bipartite

◆ 2012  
◆ 2011  
◆ 2010

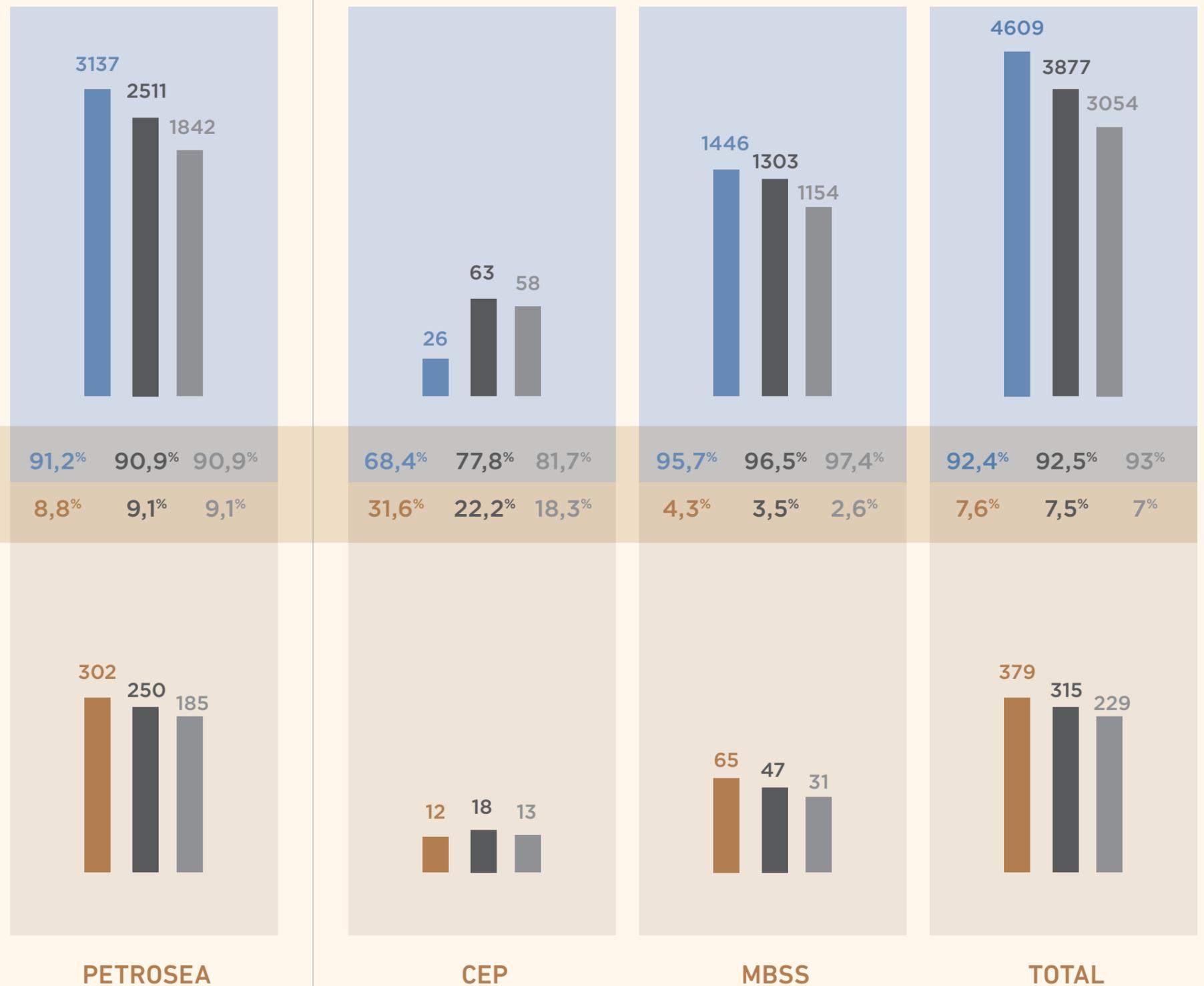


%



◆ 2012  
◆ 2011  
◆ 2010

Comparison of the Number of Employees By Gender



Cooperation Agency (LKS) in Petrosea and the Governing Body of the Chemical Energy Mining Union Federation Work Unit of the Indonesian Labor Union (PUK FSP-KEP SPSI) in KPI. In Petrosea, Company Regulations that are renewed every 3 years – the regulations currently in effect are the results of the 8th revision – is the basis for all employees regarding their rights and obligations. While there were 46 employees who are members of the Bipartite LKS in 2012. [\[HR5\]](#)

Meanwhile, at corporate level, the rights and obligations of permanent employees are regulated and formulated in the Collective Bargaining Agreement (PKB). While for temporary or contract employees, their rights and obligations are set in the Specified Time Work Contract (PKWT). [\[HR5\]](#)

We give freedom to every individual employee to join and unite, in order to support corporate growth and employee welfare. Employees freely select the labor union to represent them. Through labor unions, the Collective Bargaining Agreement (PKB) is compiled and agreed on. In our notes, employees at corporate level have completely been covered in the PKB. [\[LA4, LA5\]](#)

**RESPECT FOR DIVERSITY**

Harmony in diversity is our commitment. Developing diversity means building inter-individual connections of which the outcome is the synergy of experience and knowledge among the employees. We are aware that the character of work in most of our business units leads to more male employees than females. However, as we have stated in our management policies on equal rights, we uphold diversity and open opportunities for all employees, regardless of gender, race, tribe, religion and even region of origin.

In general, there is the trend of the number of female employees increasing from year to year. From 2010 to 2011, there was a 0.5% increase, while for 2012, it has risen by 0.1% from the previous year. [\[LA13\]](#)

At corporate level, the number of employees has grown from year to year. Where in 2011, the total number of employees was 310 people, growing to 378 people in 2012. While data on employees at corporate level based on their employment status is as per the data in the following Table.

**Number of Employees at Corporate Level Based on Employment Status in 2010-2012**

**CONTRACT EMPLOYEES**



**PERMANENT EMPLOYEES**



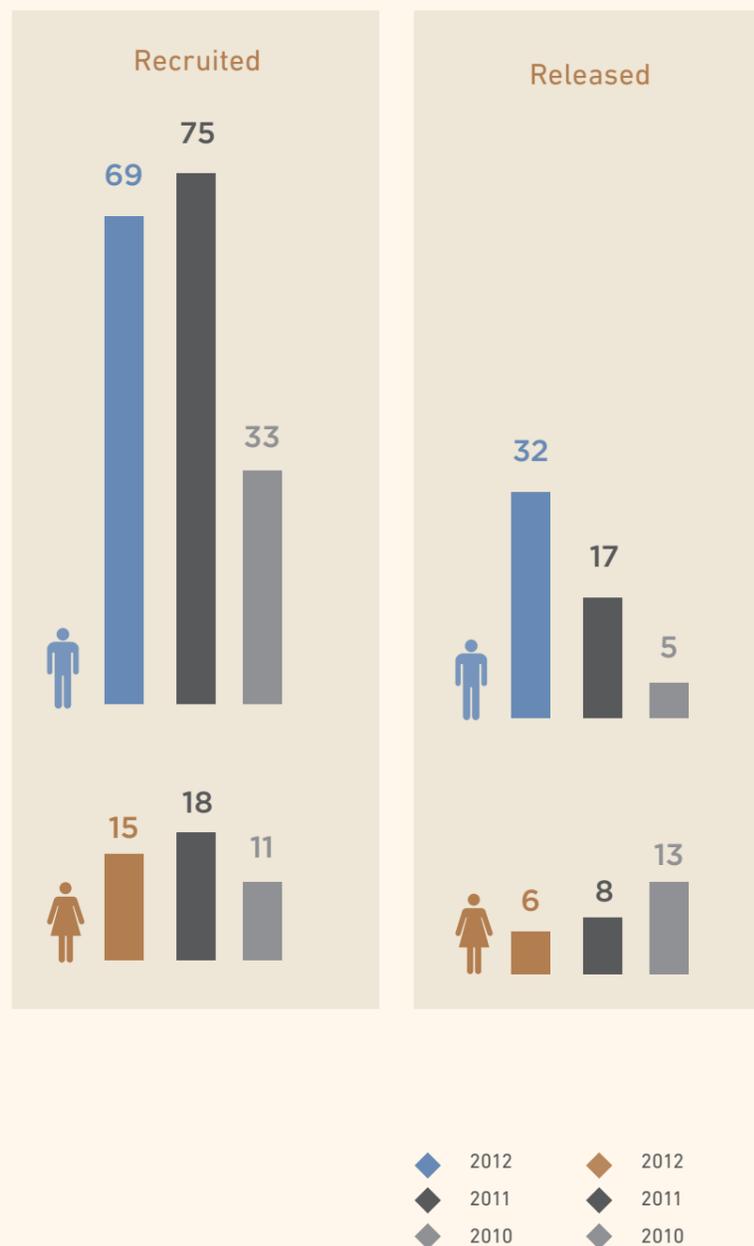
While in Petrosea, from the total number of employees at 3,439 people, 2,982 people among them are permanent employees, increasing from 2,223 permanent employees. The number of contract employees decreased from 538 in 2011 to 457 in 2012. During the same year, KPI hired 2,079 employees, where 1,785 people were permanent employees and 294 people were contract employees. Whereas in MBSS, from the total 1,705 employees, 1,374 people were contract employees (76 on-shore employees and 1,298 off-shore employees) and 331 people were permanent on-shore employees. [LA1]

As a company committed to practicing social responsibility, we strive to create a comfortable working environment for our employees. However so, we cannot avoid having employees who choose to develop their careers in another place, according to their aspirations and orientation. Data on employee turnover at corporate level for 2010-2012 is as presented in the following Table. [LA2]

**FAIR COLLECTIVE BARGAINING AGREEMENT (PKB)[LA4]**

For us, the signing of the Collective Bargaining Agreement (PKB) indicates that the relationship between us with internal stakeholders, especially the employees, is in a harmonious situation. We always strive to have transparent industrial and beneficial relations for both sides.

Data on Employee Turnover at Corporate Level in 2010-2012



**“PEOPLE STRATEGY IS THE STRATEGY THAT WE HAVE BUILT TO RECRUIT, PLACE AND NURTURE THE RIGHT PEOPLE”**

According to the freedom of association guaranteed in the provisions of Freedom of Association based on Article 104 paragraph 1 of Law (UU) No. 13 Year 2003 concerning Employment (Employment Laws) and written regulations in the International Labor Organization/ILO 87 and 98, as well as company regulations, we provide support for the establishment of a Bipartite Cooperation Agency (LKS) as the media for employees to deliver their opinions. The agency is expected to be the communication and consultation form between us and worker representatives/labor union representatives in order to develop industrial relations for survival, corporate growth and development, including employee welfare. Bipartite LKS membership consists of businessman representatives and worker/labor union representatives with a 1:1 ratio.

In addition, we also compiled Company Regulations of which one of them requests the approval of employees when they are officially appointed as employees. This is done to protect the rights of workers who are not ready to be bound to a collective work contract. However so, the rights given to employees are according to the obligations that have previously been agreed on together between the employee and company in the Company Regulations. For employees with temporary or contract status, these rights and obligations are regulated in the Specified Time Work Agreement (PKWT) compiled based on Article 56-63 of the 2003 Employment Law.

**DEVELOPING EMPLOYEE TALENTS**

The capacity and capability of employees is a strategic aspect to achieve corporate goals. Our focus in the development of employees is intended to support People Strategy policies, where additional labor for corporate development in the future needs to be supported by improving labor capacity. People Strategy is a strategy that we built, so that we are able to recruit, place and guide the right people to develop work culture, according to what we desire to achieve a competitive advantage in the future.

To ensure that employee talent continues to develop, we have a series of training in the form of technical skills and soft skills. This training covers levels ranging from basic curriculum to specific skills required by certain departments, with specific job characteristics.

We designed comprehensive learning and development programs referred to as the 2012 Learning Menu catalog. This program encourages our people to have qualified capabilities and capacity as leaders for themselves and experts in strategic matters required in daily work.

Through the 2012 Learning Menu catalog and supported by other facilities and activities including the technical competency improvement program, we have allocated 10,163 hours for our employee development efforts or an average of 29.29 hours for each

employee that meets the requirements and target allocated for development activities. Apart from independent employee development, we also provide opportunities for employees to attend training from external parties, both in and out of the country. As for training needs, it planned every year by each division to be proposed to the Learning and Development - Human Capital Department. [LA10, LA11]

**LOCAL LABOR CAPACITY DEVELOPMENT**

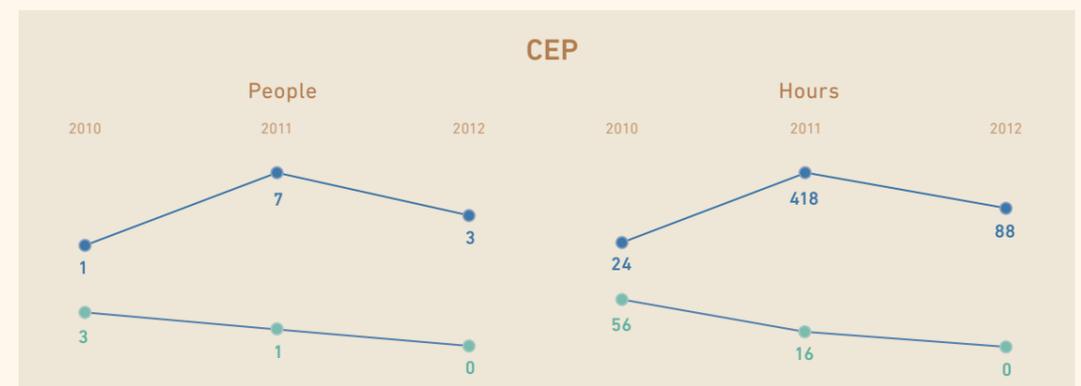
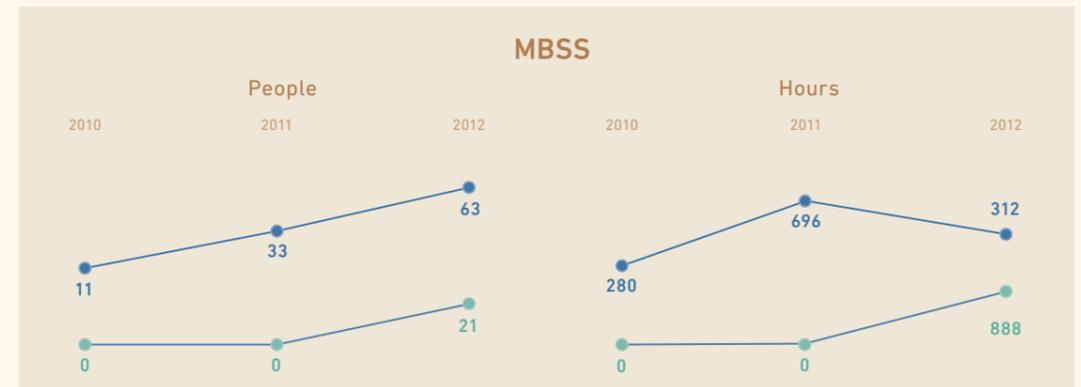
We are aware and have fully considered that the commitment to hire as much local labor as possible brings about consequences that are not easy. We are faced with low quality local labor (knowledge, attitude and skills) to perform various work required. Thus, we continuously give training and capacity development relevant for local labor/candidates. We hope that the communities surrounding our project area are able to gain benefits from the presence of our company.

The capacity development that we implement is expected to improve the capacity and capability of local human resources in the long term, both in the aspect of technical and managerial. As an example, in, Tripatra, we have set the focus of the objective of the training



- Technical skills
- Soft skills

**Type and Number of Training Implemented in 2012**



carried out by Tripatra for local labor/ candidates on striving to improve the competency of workers in Bojonegoro District, particularly in ring 1 of our operational site so that they become skilled labor, therefore the quality of project implementation can be maintained or even improved.

The local labor take part in training, starting from compulsory (training that must be followed when starting work) such as safety induction for drivers or flagmen according to the work done, up to certification for scaffolding abilities (pipe scaffolding workers) and riggers (crane operation controllers).

This is different from what we do in Petrosea. Local labor recruitment procedures in Petrosea, particularly in the GBP Operation Site, are divided into two groups, which are: non-skilled and skilled workers. Non-skilled workers are recruited and placed for daily work in the Maintenance Department as track cleaners, and this is done every twenty days on a rotational basis. For skilled workers, they are recruited from applications received after making announcements in the three sub-districts around the work operation site. The recruitment process for skilled workers with Operator positions (HD

Driver) is done on location by the Human Resources, Trainer and Operation team. While for skilled worker candidates in the Maintenance Department, they will be sent to the representative office in Balikpapan to undergo a series of recruitment tests. [LA12]

Beyond that, we also facilitate training for other parties outside of the project, one of them being vocational training to improve the capacity of the surrounding communities. This training is followed by the community in general, because this training is part of our CSR commitment for the citizens around the project. To carry out this training, we coordinate and cooperate with the Department of Labor, Transmigration and Social (Disnakertransos) of Bojonegoro District and PT Bojonegoro Bangkit Sarana (BBS)-a Regional Owned Enterprise (Enterprise) owned by the Bojonegoro District Government. Through this step, we hope that the local community in the future may continue to utilize the knowledge acquired independently, even though the contract of our engineering, procurement and construction project (EPC) in Cepu Block has ended.



HD operator at Petrosea's Gunung Bayan Project. Harmony, diversity and equality at the mining site. ▶



07

ENVIRONMENTAL  
IMPACT MANAGEMENT

# 07

## ENVIRONMENTAL IMPACT MANAGEMENT

### OUR ENVIRONMENTAL COMMITMENT

We work in various places in Indonesia that have different environmental characteristics. Because of this, our attention is focused on understanding the resources we use as well as impacts from our operations. Thus, we are able to calculate the environmental capacity as a step consistent with maintaining the sustainability of all business units as well as ensure our externalities may be managed well. Environmental friendly practices, saving energy and various efforts that encourage recycling are always prioritized by us in every operational activity of our business units.

The step may be viewed from environmental management performance, which we have classified into four categories,



In addition, we also have Policies on Work Health, Safety and the Environment, which from time to time, we continue to review to see the relevance with the development of the business context. We also expect to receive input from stakeholders regarding these policies. It is expected that these policies do not only reflect our vision and desire, but are also our vision and the will of our stakeholders.

## OPTIMIZING THE USE OF MATERIALS, ENERGY AND WATER

### USE OF MATERIAL [EN1, EN2]

In the production process, our business units operate in the coal mining industry using a number of material such as Ammonium Nitrate, Magnetite, Flocculent, and Lime. In addition, we also use lubricants during exploration. Meanwhile, for our business units operating in the services sector such as Petrosea, we use supporting material such as lubricant, grease, paper and other material. During the reporting period of this year, we did not collect data on the use of material based on weight or volume, except for the use of paper by Petrosea. We hope that in the coming year, there is a record of all material used.

Throughout 2012, Petrosea used 3,795 reams of paper to support its operational activities. From the total usage, approximately 68% of as many as 1,897,685 sheets of paper were used for operational activities in the five projects run and the remaining 32% or as many as 600,185 sheets of paper were used at the head office. Until 2012, Petrosea had not used recycled paper or did any recycling. In addition, we also monitor the use of water in CEP, which reaches 5m3 per hour. [EN2, EN5]

### USE OF ENERGY

We still need to use non-renewable fossil energy sources in operational activities. However, as a form of commitment in conserving energy sources without having to sacrifice the interests of the next generation, we strive to use these fossil energy sources, as direct and indirect energy, effectively and efficiently.

Apart from electricity from the diesel and coal fueled power plant, we use other fossil energy such as Premium, Pertamina and Diesel for the fuel of operational vehicles. Not only as direct energy, electricity is also indirect energy for Petrosea operating in the services sector, to supports its operations. Petrosea uses diesel machines with diesel fuel to save energy. The following is data on the usage of fuel and electrical energy in Petrosea in 2010-2012. [EN3]

Similar to Petrosea, KPI also applies various policies to save on energy usage. While in 2011 the use of diesel reached 9.2 million gallons (34.825.789 liters), in 2012, this amount declined to 8.2 million gallons (31.040.377 liters). [EN1, EN5]

### Type and Amount of Fuel Usage in the Petrosea Business Unit in 2010-2012

TYPE OF FUEL	SITE	2012 (L)	2011 (L)	2010 (L)
Diesel	Jakarta Office	110.794	86.531	-
	POSB	750.362	-	-
	All sites	149.295.712	103.582.419	66.360.636
Gasoline	Jakarta Office	-	-	-
	POSB	93.156	-	-
	All sites	-	-	-
<b>Total (Liters)</b>		<b>150.250.024</b>	<b>103.668.770</b>	<b>66.360.636</b>
Electricity	Jakarta Office	1.663	1.747,00	-
	POSB	5.242.723,10	-	-
	All sites	16.547.174,00	-	-
<b>Total (TOE KWH)</b>		<b>21.791.560,10</b>	<b>1.747,00</b>	

Notes: (-) = not recorded yet

Efforts to save fuel usage were also made by other business units such as CEP. Through super critical pressure boiler technology in the Cirebon Plant, CEP was able to reduce coal usage by 1-2 percent per month out of the total coal requirements at 2.8 million tons per year. [EN5, EN7]

In relation to efforts to reduce the level of electricity consumption, Petrosea optimized lighting by measuring the lighting points required, without neglecting the effectiveness of electricity use. This step is also

supported with the use of energy-efficient lighting equipment. Meanwhile, to reduce the frequency of business trips out of town, Petrosea applied the video conference technology as a step to save on the use of fuel and to reduce carbon emission. [EN5, EN6]

#### USE OF WATER SOURCES

[EN8, EN9, EN10]

Water sources are essential in every operation of our business units. We use water from various sources, covering: rainfed water, surface water, groundwater, seawater as

### The following is data on the use of water from the Petrosea business unit in 2010-2012

WATER RESOURCE	SITE	2012 (m <sup>3</sup> )	2011 (m <sup>3</sup> )	2010 (m <sup>3</sup> )
River (m <sup>3</sup> )/ Surface water	Jakarta Office	-	-	-
	POSB	-	-	-
	All sites	69.738,00	42.186,00	43.800,00
Underground (drilled)	Jakarta Office	-	-	-
	POSB	10.368,00	4.267,00	23.827,00
	All sites	14.745,00	17.147,00	17.942,00
Rainfed water/ mine water	Jakarta Office	-	-	-
	POSB	56.352,01	6.840,00	-
	All sites	72,48	508.259,00	-
Drinking Water	Jakarta Office	280,00	-	-
	POSB	360,00	-	-
	All sites	1.248,75	-	-
<b>Total (m<sup>3</sup>)</b>		<b>153.164,24</b>	<b>578.699,00</b>	<b>85.569,00</b>

well as water from drinking water installations supplied by the local Drinking Water Regional Company (PDAM). As an example, Petrosea uses groundwater and rainfed water to meet water needs at housing complex and office in every site. Not only that, as an effort to maintain the health of workers in the mining area, Petrosea also uses rain fed water to control the level of dust pollution by spraying the surface of hauling roads on a periodic basis. Rainfed water is also used for the production equipment maintenance process.

In the ABN & Santan Project Site, Petrosea has accumulated groundwater and rainfed water through storage tanks and settling ponds, and all of the water is used to meet the water needs in these two projects. Meanwhile, in the GBP Project Site, Petrosea also uses water from Nayan River as an alternative water source.

Different from Petrosea, which uses groundwater and rainfed water sources for its various needs; CEP actually uses seawater to meet production requirements and does not use groundwater sources at all. In 2012, the volume of seawater used by CEP for production purposes was 5m<sup>3</sup> per hour.

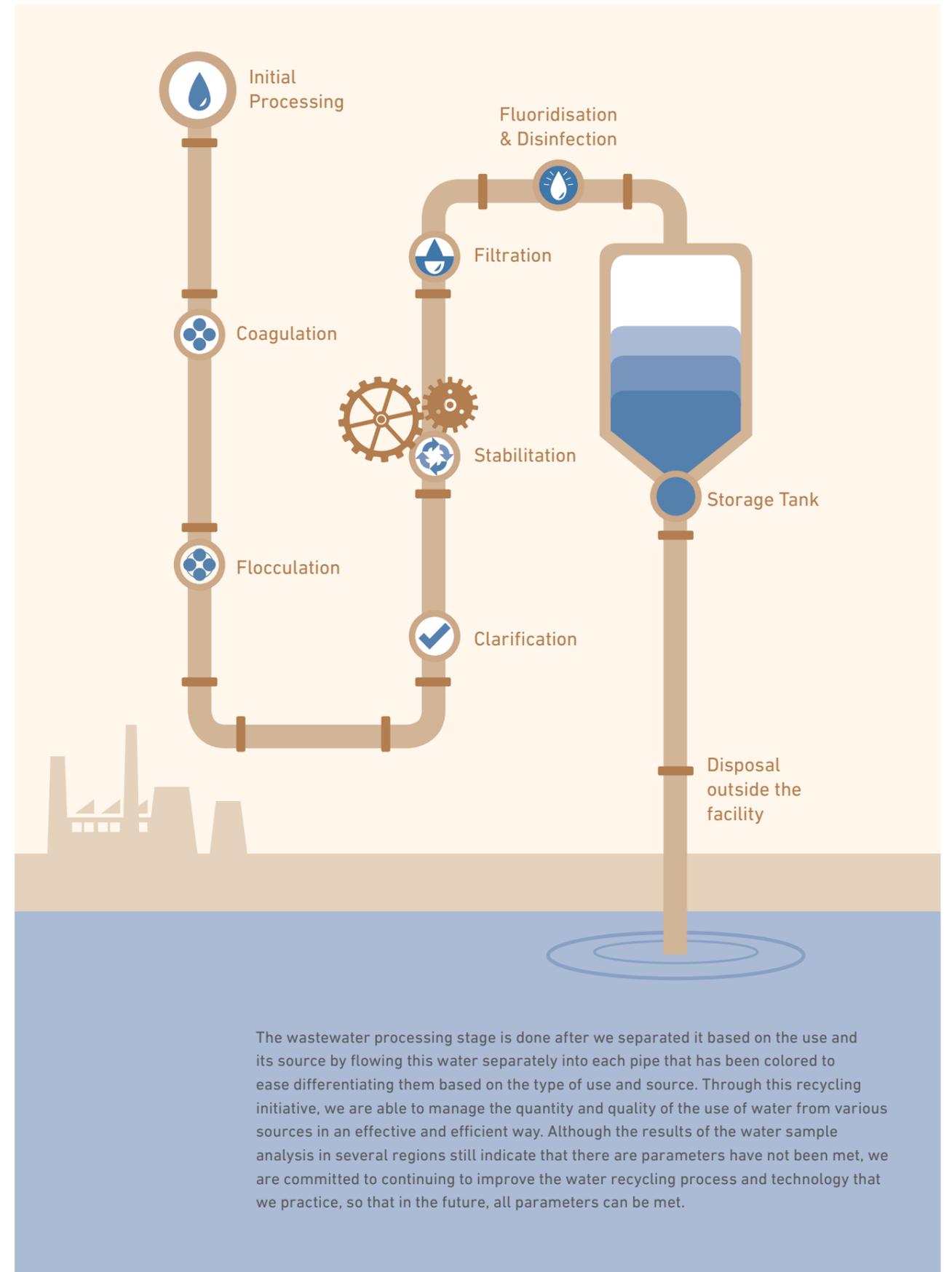
In 2012, we tried to increase the usage of recycle water. For example, the seawater recycling process is required in the production process in CEP. The water that has been reprocessed is then used as a clean water source for the community surrounding the operational area of CEP. This initiative received excellent response from the community, because the quality of groundwater around CEP is not good.

Data on the results of measurement done by the Center of Industrial Pollution Prevention Technology in Semarang on the quality of water in several citizen wells in Kanci Kemis Village, Kanci Kulon Village, CEP office, the Watershed of Kanci River and the bridge of Waru Dhuwur River, Kanci Kulon Village indicated few parameters exceeded the threshold value for the criteria of clean water showed by the table below.

We also reprocess wastewater in the Petrosea Project Site at POSB. Wastewater processing diagram at POSB showed in the following diagram.

Note : ✓ Meet the threshold

NO	MEASUREMENT LOCATION	CLEAN WATER PARAMETER											
		TDS	BOD	COD	Total Chloride	Total Phosphat	Zinc (Zn)	Mangan (Mn)	Sulfur (H <sub>2</sub> S)	Nitrit	Organic Substance (KMnO <sub>4</sub> )	Dissolved Residue	pH
1	Well in Kp. Kanci Kemis, Kel. Kanci Kulon		✓	✓		✓	✓		✓			✓	✓
2	Well & other point in Kantor CEP		✓	✓		✓	✓		✓	✓			
3	Kanci River, Sungai Waru Dhuwur, Kanci Kulon bridge				✓			✓		✓	✓		✓



The wastewater processing stage is done after we separated it based on the use and its source by flowing this water separately into each pipe that has been colored to ease differentiating them based on the type of use and source. Through this recycling initiative, we are able to manage the quantity and quality of the use of water from various sources in an effective and efficient way. Although the results of the water sample analysis in several regions still indicate that there are parameters have not been met, we are committed to continuing to improve the water recycling process and technology that we practice, so that in the future, all parameters can be met.

## ENVIRONMENTAL FRIENDLY TECHNOLOGICAL INNOVATION



Our efforts to manage the environment are not only limited to the minimizing of negative impacts, but we strive to solve it through the approach of technological innovation. We are aware that the more effective our efforts in managing the environment, then our opportunities to practice operational cost efficiency will also be higher. Therefore, in the long run, we will receive great benefits from these efforts.

With regard to energy use efficiency in our business units, we are exploring the mechanisms and technology to be able directly and indirectly to calculate the quantity of energy use in every business unit accurately, to be implemented in every operational area in the coming year. This new technology is expected to be able to monitor the use of energy accurately in order to increase the effectiveness and efficiency of energy use. [EN3, EN4, EN5]

**“OUR EFFORTS TO MANAGE THE ENVIRONMENT ARE NOT ONLY LIMITED TO THE MINIMIZING OF NEGATIVE IMPACTS, BUT ALSO THROUGH TECHNOLOGICAL INNOVATION”**

In CEP, we have strived to save the use of coal through the application of ultra super critical pressure boiler technology. The use of this technology is able to produce higher vapor pressure and stable electricity with high quality. In addition, this technology can also reduce CO2 emission, because the efficiency level of the use of coal becomes higher. Thus, indirectly, it supports our efforts to reduce the level of emission from our business operations. [EN5, EN18]

Currently, we are also exploring the most suitable technology to measure the amount of emission reduction and the level of efficiency of the use of coal. We hope this technology may immediately be applied and can be reported in the coming reporting period. [EN5, EN7]

Another innovation we use to save the use of electricity is the application of GPS Fleet Management System (FMS) in the mining location of Petrosea, which functions to cut down on work time. At present, FMS is able to save an average of 0.9 seconds of the hang time process for excavators and 8 seconds of truck waiting time for every cycle, as well as reduce the loading time process for 4 seconds. To increase the efficiency of the use of fuel, Petrosea also increased the loading quantity by 0.3 bcm in

every haulage. As a result, apart from increasing the productivity of Petrosea, this innovation has also directly reduced the use of fuel at every excavator and truck. [EN6, EN7, EN18]

Meanwhile, in MBSS, to directly reduce energy consumption, we applied the Vessel Tracking System (VTS) technology that is able to guide our ships to sail on the right route, save on ship travel time and produce the efficient use of energy (fuel).

## CARBON EMISSION REDUCTION

Greenhouse gas emissions become an inevitable part of production and non-production activities of all business units. As the global agreement on emission types, we refer to the emissions produced in production activities as direct greenhouse gas emission and for non-production activities, indirect greenhouse gas emission.

Throughout 2012, as we expressed in the 2011 sustainability report, our business units that produced methane gas (CH<sub>4</sub>) were from coal mining activities. While water vapor (H<sub>2</sub>O) produced from production activities were as direct greenhouse gas emission. Meanwhile, our business units offer mining, engineering, procurement and construction services as well as offshore logistic services, such as Petrosea and Tripatra produce some amount of carbon dioxide (CO<sub>2</sub>) gas emission apart from NO<sub>x</sub> and SO<sub>x</sub>.

The measurement of emission that we conduct every year is done based on the amount of fuel usage consumption in the form of diesel, use of electricity, as well as official travels using airplanes as applied in Petrosea to measure carbon dioxide emission gas (CO<sub>2</sub>). Throughout 2012, Petrosea had used 94.482.100 liters of diesel or an average consumption reaching 7.873.508 liters per month. [EN16, EN17, EN20]

To measure the amount of carbon dioxide (CO<sub>2</sub>) gas emission, both directly and indirectly, in this reporting period, we calculated based on the total consumption of diesel usage we used, particularly in Petrosea and KPI. Thus, if calculations are made, the level of carbon dioxide (CO<sub>2</sub>) gas emission produced in Petrosea and KPI is as illustrated in the following Table.



Direct Emission Table Based on the Total Use of Diesel in the Petrosea and KPI business unit in 2012 [EN16]

	TOTAL DIESEL USE (LITER/YEAR)	GWP (GLOBAL WARMING POTENTIAL)	2010 DEFRA CONVERSION FACTOR	EMISSION (CO <sub>2</sub> ) (EQUIVALENT TONS)
PETROSEA	94482100	1	2.6413	249555.5707
KPI	31040377	1	2.6413	81986.94777

Meanwhile, for emission produced by CEP, which requires approximately 2.8 million tons per year and supplies 660 MegaWatt (MW) of electricity, it is estimated that it produced emission as illustrated in the following Table.

Efforts to measure the total emission are also made by us in MBSS, which operates in the sea and shipping logistics services sector. Through the Fuel Monitoring System (FMS) and Vessel Tracking System, MBSS applies

fuel consumption level standards for certain distances for ships that it operates. This is practiced by MBSS, in addition to the demands by clients, also as the effort of MBSS to reduce emission levels produced. [EN6, EN7, EN18]

In addition, we also do not use CFC anymore and have replaced all Halon based extinguishers with the ABC type powder. [EN19]

Emission Table in the CEP Business Unit in 2012 [EN16]

SFC	NCV	CEF
0.465	23	26.2
OXIDE	CARBON MASS COEFFICIENT	EF
0.98	0.98	986.74665
PRODUCTION (MWH)	EMISSION (tCO <sub>2</sub> )	
660	1973.4933	

Description :

- SFC is specific fuel consumption according to UNFCCC CDM-PDD Version 02 in Gusman 2009 for coal with a value of 0,465
- NCV is the Net Calorific Volume (energy content) value per mass or volume of fuel, for coal according to the Revised 1966 IPCC guidelines for national green house reference manual tables 1-2 with values at 23 TJ/Kt Z Fuel.
- CEF is Carbon Emission Factor for coal according to the Revised 1966 IPCC guidelines for national green house reference manual tables 1-4 with values at 26,2 tC/Tj.
- Oxide is the Oxidation Factor for coal according to the Revised 1966 IPCC guidelines for national green house reference manual tables 1-6 with values at 0,98.
- Emission is calculated based on the Emission formula = SFC.NCV.CEF.Oxid.Carbon Mass Coeff.Total CEP electricity production.

## ENVIRONMENTAL MANAGEMENT STANDARDS & PERFORMANCE

Consistent to our commitment on environmental management, apart from stopping the use of gases that damage the ozone layer, we also strive to look for and adopt effective and reliable mechanisms to improve our environmental management internal standards. At present, we ensure that all of our business units have met all provisions in the legislation in the effect of environmental field, particularly obligations for the AMDAL along with RKL/RPL, for business units with potential significant impacts. [\[EN26\]](#)

The risk we face related to the environment has not stopped us from making the effort to continue to identify and minimize every risk that arises from the activities we perform. We strive to comply with regulations from relevant government agencies and optimally carry out environmental management policy initiatives that exist in every one of our operational areas. [\[EN13, EN14\]](#)

For these efforts, throughout 2012, there had not been any incidents or complaints from the public and local government in every one of our operational areas related to the impact of wastewater and other pollutants. [\[EN21, EN25\]](#)

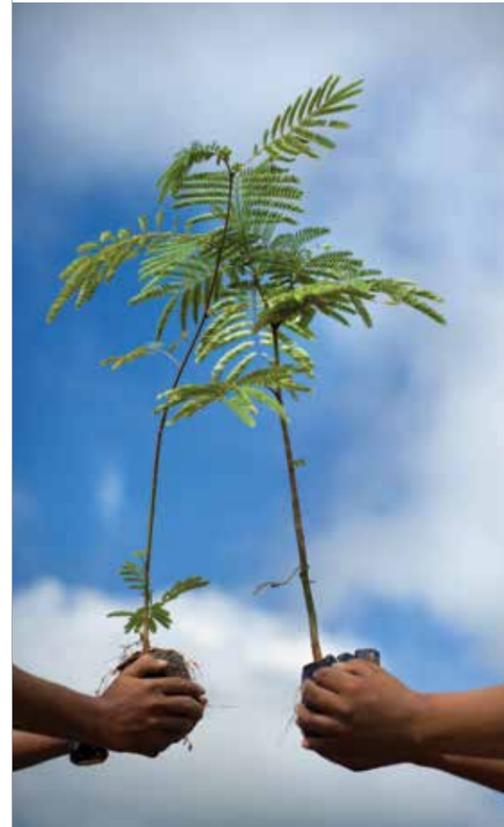
Apart from managing wastewater, we also classify waste generated by office and project activities. In CEP, for example, we classify waste into three

categories, as an effort to minimize the impact on the environment, which are: domestic waste, hazardous and toxic waste, as well as non-hazardous waste. All the categories of waste generated by the CEP, located in Cirebon District of West Java, is processed and disposed safely and does not damage the ecosystem or the surrounding environment. Waste management activities are carried out by a contractor that is a partner of CEP, among others:

- Able to reduce the amount of waste produced;
- Able to prepare a waste disposal area that may be used immediately and clearly indicates the location of the waste disposal site;
- Able to educate and train employees to separate waste based on type;
- Able to record waste disposal in the "Waste Manifest";
- Able to prepare Waste Manifest reporting procedures and report to the CEP business unit.

Apart from applying this waste management method, CEP also strives to select and use as many as possible recyclable material so that the wastewater management process may be carried out optimally. Throughout 2012, waste management in CEP was carried out well, which can be proven by the absence of spills in the disposal process.

**"WE ENSURE THAT OUR SUBSIDIARIES COMPLY WITH THE REGULATIONS"**



In addition, according to Waste Disposal Management Planning agreed on between CEP and the contractor, we transfer hazardous chemical waste from the project area to a specified area to minimize the potential impact of waste on the environment. We believe that these steps are able to minimize potential disruption on environmental preservation around the company.

Meanwhile, to reduce dust pollution from the coal yard, CEP has installed nets covering the entire side of the coal yard, so that dust swept by the wind is retained by this net. To identify the quality of air in the operational area, CEP works together with the Semarang Center for Pollution Prevention Technology, where in 2012, we measured the quality of air in several sample regions around CEP. Some of the regions chosen cover the dock area, cooling tower area, electricity pole crossing areas in Waru Dhuwur Village, dock entrance area, ashpond area, air monitoring area in Banjarwangunan Village, area close to the shrimp paste factory, salt field area, CEP security guard post area, Situpatok dam embankment area and irrigation area. Measurement results indicate that the content of SO<sub>2</sub>, NO<sub>2</sub>, O<sub>x</sub>, CO, Total Dust Particles (TSP), PM 10, PM 2,5 and Pb as air quality parameters was under the national ambient air quality standard according to the provisions in

PP No. 41 Year 1999. The details of the measurement results in a number of regions may be viewed in the following table. [\[EN18, EN20, EN26\]](#)

While in Tripatra, we also apply very strict policies for environmental management. One of our principles is there should not be any soil material or any other material spills when transported by the dump truck during construction activities in the operational or project area. The seriousness of Tripatra received recognition from our clients and from the communities around the project area. [\[EN23\]](#)

On the other hand, in Petrosea, particularly in the PSOB Site, our waste management installation does not only treat our internal waste, but also treats waste produced by clients. In terms of waste treatment, we have policies for not transferring waste outside of the Republic of Indonesia. [\[EN24\]](#)

Table - Air Quality Measurement in CEP (1)

NO	PARAMETER	UNIT	QUALITY STANDARD	RESULT				
				DOCK AREA	COOLING TOWER AREA	TRAJECTORY TOWER AREA IN DESA WARU DHUWUR	DOCK ENTRANCE AREA	ASHPOND AREA
1	Sulfur Dioksida (SO2)	µg/Nm3	365	<25	<25	<25	<25	<25
2	Nitrogen Dioksda (NO2)	µg/Nm3	150	<20	<20	<20	<20	<20
3	Oksidan (Ox)	µg/Nm3	235	33.21	73.78	32.25	32.49	32.46
4	Carbon Monoksida (CO)	µg/Nm3	30000	1648	1696	1682	1680	1664
5	Total Dust Particle (TSP)	µg/Nm3	230	140.7	144.9	63.7	1560.0*	284.7*
6	PM 10	µg/Nm3	150	89.0	78.4	61.5	1184.1*	245.3*
7	PM 2,5	µg/Nm3	65	74.2*	70.2*	56.4	976.7*	201.9*
8	Timbal (Pb)	µg/Nm3	2	<0.003	<0.003	<0.003	<0.003	<0.003

Table - Air Quality Measurement in CEP (2)

NO	PARAMETER	UNIT	QUALITY STANDARD	RESULT				
				AIR MONITORING AREA IN MUARA WANGUNAN	NEAR AREA OF THE PASTE FACTORY	SALT FIELDS AREA	SECURITY AREA IN CEP	SITUPATOK RESERVOIR AREA
1	Sulfur Dioksida (SO2)	µg/Nm3	365	<25	<25	<25	<25	<25
2	Nitrogen Dioksda (NO2)	µg/Nm3	150	<20	<20	35.21	<20	<20
3	Oksidan (Ox)	µg/Nm3	235	27.03	20.19	20.24	20.23	36.19
4	Carbon Monoksida (CO)	µg/Nm3	30000	1673	1661	1672	1666	1648
5	Total Dust Particle (TSP)	µg/Nm3	230	144.8	175.3	175.1	178.6	132.7*
6	PM 10	µg/Nm3	150	88.5	125.5	114.9	124.6	101.8
7	PM 2,5	µg/Nm3	65	63.0	111.5*	98.8*	110.7*	75.1*
8	Timbal (Pb)	µg/Nm3	2	<0.003	<0.003	<0.003	<0.003	<0.003



### “ON MAY 2012, PETROSEA RECERTIFIED FOR ISO 14001 ON ENVIRONMENT MANAGEMENT SYSTEM”

In general, waste management practiced in Petrosea in minimizing activity impacts, cover [\[EN22, EN26\]](#):

- Dividing operational activity waste into five large parts, such as: organic waste, inorganic waste, hazardous solid substances, scrap metal, and waste produced by clients;
- Separating waste into trash cans with categories according to the Petrosea waste matrix;
- Separating organic waste to be made into compost or piled up in the landfill (TPA). Hazardous waste is placed in a special area according to the regulation standards of Hazardous and Toxic material (B3) storage in Indonesia;
- Burning B3 waste that can be burnt using incinerators, while B3 waste such as oil is handed over to a third party to be further processed according to the government regulations;
- Separating and collecting inorganic waste according to type to be recycled by a third party. While unrecyclable waste such as plastic and cloth is burnt using an incinerator.

Data on waste produced from the Petrosea business unit, both B3 and non-B3 waste, is presented in the following Table.

All of our efforts in 2012 to maintain and preserve the environment made us free from complaints and sanctions as a result of violations in the form of environmental pollution. Furthermore, in May 2012, Petrosea received *Recertification ISO 14001 for Environment Management System*. [\[EN25, EN26, EN28\]](#)

As we expressed in the 2011 Sustainability Report, in 2012 also, we will continue to invest in protecting the environment through good environmental management, covering the adoption of environmental friendly waste disposal methods and technology as well as the provision of the best waste management infrastructure. [\[EN30\]](#)

**Data on B3 and Non-B3 Waste in the Petrosea Business Unit in 2010-2012**

DESCRIPTION	SITE	2012 (L)	2011 (L)	2010 (L)
B3 Waste Used Lubricant (l)	Jakarta Office	-	-	
	POSB	21.203,00	3.500,00	
	All Sites	1.490.567,40	615.500,00	211,00
<b>Total (Liters)</b>		<b>1.511.770,40</b>	<b>619.000,00</b>	<b>211,00</b>
Non-B3 Waste Scrap Metal (kg)	Jakarta Office	-	-	
	POSB	150.619,93	21.666,00	9.097,00
	All Sites	118.438,00	36.200,00	
<b>Total (kg)</b>		<b>269.057,93</b>	<b>57.866,00</b>	<b>9.097,00</b>

Notes: (-) = not recorded yet

**BIODIVERSITY CONSERVATION**

Preserving biodiversity, both flora and fauna in all of our operational areas, has become a part of our efforts to protect the environment, without the exception of our business units operating in the services sector, particularly Petrosea. Commitment for not opening land close to or directly bordering protected forests or areas with protected forests inside throughout all of our operational areas is also valid for all of our business units. [\[EN11\]](#)

To identify the biodiversity conditions in the operational area to be opened, we always take the initiative to cooperate with the Forestry Department and Mining Department. We also work together in the effort to minimize the impact of our activities on biodiversity conservation. [\[EN11\]](#)

Apart from the policies above, we also mitigate potential impacts and risks, as recommended in the RKL and RPL document. Mitigation is done by analyzing the report on existing potential impacts and preparing steps to manage these potential impacts. Until 2012, these efforts made our



operational activities avoid creating negative impacts on the areas with high biodiversity and protected forests. [\[EN12, EN14\]](#)

As a mining contractor company, Petrosea has been instrumental in achieving various biodiversity conservation initiatives in every project site and office. We are aware these various biodiversity conservation efforts will extremely depend on the initiative of clients and potential impacts created. However, Petrosea may contribute to the process of procedure preparation and play an active role in minimizing these potential impacts. For example, Petrosea was hydroseeding over five hectares in the Tanjung Batu area, which is the operational area of the Petrosea in the POSB site. We also maintained 1,580 mangrove trees that had been planted in 2010. [\[EN13, EN14\]](#)

Since 2007, Petrosea has always strived to practice its corporate commitments related to biodiversity conservation, by continuing to encourage and support every biodiversity conservation program run by clients in its operational area. The operational area of Petrosea,

particularly in the Santan Project Site, is the habitat for orangutans as one of the protected endangered species according to the International Union for Conservation of Nature (IUCN), and we strive to avoid disrupting orangutan activities and its habitat around our operational area. [\[EN13, EN15\]](#)

Not only that, every employee of Petrosea is prohibited to disrupt the survival of orangutans that roam around this region. Until 2012, although we have not recorded the orangutan population, until today, orangutans are still spotted roaming and searching for food around the Santan Project Site. The results were obtained through the operational activity impact analysis as well as mitigation efforts of the Petrosea in conserving biodiversity. [\[EN12, EN13, EN15\]](#)



08

CONTRIBUTION TO THE  
SUSTAINABLE COMMUNITY  
DEVELOPMENT & GROWTH

# 08

## CONTRIBUTION TO THE SUSTAINABLE COMMUNITY DEVELOPMENT & GROWTH

Our direct economic impacts on the Indonesian economy are in the form of employee wages and benefits, payment to shareholders, tax payment to the government, and direct investment to community.

### OUR CONTRIBUTION TO THE ECONOMIC DEVELOPMENT OF INDONESIA [EC1, EC3]

Through our three business pillars, which are energy resources, energy services and energy infrastructure, in 2012, we managed to increase corporate revenue by 26.3% amounting to USD 749.7 million, compared to USD 593.4 million reported in 2011. This was mainly caused by the increase in revenue from our business unit, which is as follows:

The contribution of MBSS revenue in 2011 was only for 9 months (USD 99.0 million), because we just acquired more shares enabling us to consolidate the revenue of MBSS into our overall revenue. The following graph illustrates the composition of revenue contributions from each of our business units in 2012.

Our developing business directly and indirectly impacts the economy and fiscal of Indonesia. The size of impact can be identified from the measurement of our contribution on the GDP and GDRP in regions where we operate. However so, until 2012, we have not measured our impact or contribution on the GDP and GDRP in regions where we operate. We hope that in the coming years we are able to report this.

Meanwhile, our direct economic impacts on the Indonesian economy are in the form of payments for suppliers, wages and benefits for employees, payments to shareholders, and payments to capital providers, payment to the government tax, and direct investment for the community through social or community development programs.

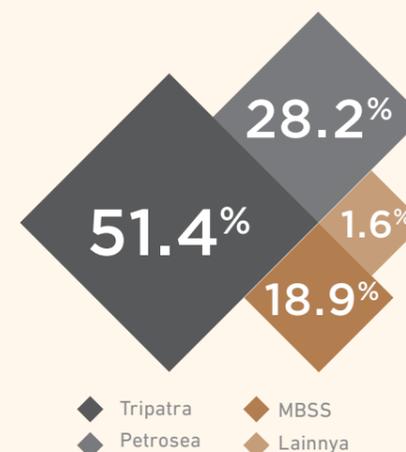
In detail, the direct economic impacts created and distributed from our business activities are as illustrated in the following table.

Meanwhile, the payment of wages and benefits for employees also indicates a growing trend from USD 60.3 million in 2011 to USD 80.1 million in 2012. This is because of additional employees, in line with our business growth.

On the other hand, payment to the government through tax from year to year has increased, where in 2011 it was USD 16.1 million while in 2012, it increased to USD 18.2 million. Likewise with our commitment to invest in the community through community development programs, in 2012, the value reached USD 345 thousand.



### 2012 INCOME



**US\$749.7 million**

### EXPANSION OF EMPLOYMENT OPPORTUNITIES FOR LOCAL LABOR

One of our responsibilities to the community surrounding our operation area is to provide opportunities for the local community to become workers in our business or project. We adopt the policy of positive discrimination in the labor recruitment process, which means that we give priority to the local community to fill in the positions in each one of our business units. We also have a definition on the local community, which we have made according to the business context in which we operate.

As an example in Tripatra in the Bojonegoro Cepu Block Project Site, we have our engineering, procurement and

construction (EPC) project for drilling installation and oil and gas drilling owned by Mobile Cepu Limited. To guide us in the labor recruitment process, we classified the local community into several categories. First, the local-local (Ring 1) category, which is the community living in villages or sub-districts where we operate. Second, the local-regional Bojonegoro (Ring 2) category, which is the community living in Bojonegoro District. The third category is non-local regional East Java & Cepu (Ring 3), which is the community from the East Java Province or Cepu District. And the fourth category is national (Ring 4), which covers people from Indonesia. Working together with Mobile Cepu Limited as a Cepu Block and Bojonegoro District Government

Value of Our Direct Economic Impact [EC1]

TYPE OF DIRECT IMPACT	VALUE (IN USD MILLION)*
	2012
Wages and benefits for employees	80,1
Payment to creditors or capital providers (interest)	312,61
Payment to the government (Tax)	18,2
Investment for the community through Social Programs	0,345**

Notes: \*The value above only for corporate

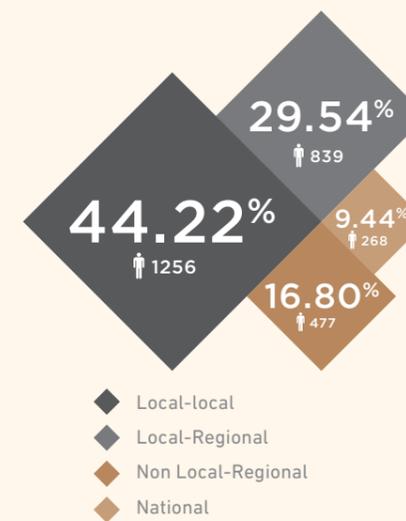
operator, we consistently carry out policies on labor recruitment so that our presence has maximum impact on the local community. In addition, we always strive to meet the various regulations related to local labor absorption.

As a result, until December 2012, for the implementation of our project in Cepu Block, we have absorbed approximately 1,256 people (44.22%) from the Ring 1 area in Banyu Urip (local-local) and 839 people (29.54%) from local-regional Bojonegoro. Or equal to 73.76% of our entire workforce in the Tripatra in Bojonegoro Cepu Block Project, with a total of 2,840 people. [EC7]

The following graph illustrates the distribution of region of origin of labor working in the Bojonegoro Cepu Block Project in 2012.

Local labor absorbed does not only cover workers as non-skilled or semi-skilled labor, but also those who are professional and skilled labor. The number of local labor from Bojonegoro absorbed in the project carried out in Tripatra because we are consistent in holding local contractors from Bojonegoro to carry out work in the Cepu Block Project or place local contractors as sub-contractors of the Tripatra. On average, each sub-contractor that partners with us may recruit tens to hundreds of local labor. We, through the Tripatra, have asked each sub-contractor to absorb as much local labor as possible. Data on the detailed number of labor involved in the Bojonegoro Cepu Block Project as well as the classification based on their expertise is as illustrated in the following Table.

DISTRIBUTION OF LABOR BY REGION OF ORIGIN



We are aware and have fully considered that our commitment to hire as much local labor as possible brings about consequences that are not easy. We are faced with low quality local labor (knowledge, attitude and skills) to perform various work required. Thus, we continuously provide relevant training for local labor/candidates.

The focus of the objective of the training carried out by Tripatra for local labor/candidates strives to improve the competency of workers in Bojonegoro District, particularly in Ring 1 of our operational area so that they become skilled workers, to the point that the quality of project implementation may be maintained or even improved. Through this step, we hope that the local community in the future may continue

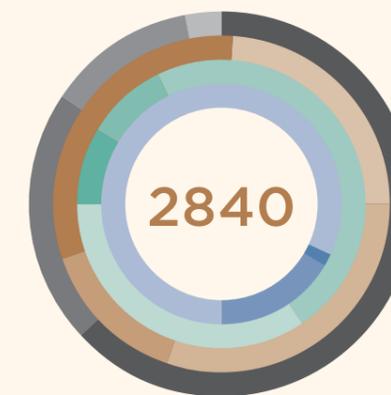
to utilize the knowledge acquired independently, even though the contract of our engineering, procurement and construction project (EPC) in Cepu Block has expired.

Apart from attention on local labor, we also give big attention to the welfare of workers in each one of our business units. One of the methods is by paying the wages or salaries of our workers or employees according to the provisions of laws and regulations in the region, according to the sector. For Tripatra in Bojonegoro Cepu Block Project, we have completely paid wages meeting the provisions of the Regional Minimum Wage in Bojonegoro District for Non-Sector at Rp 930,000/month. We also ensure that all our employees are included in the Social Security Program,

Number of Labor directly involved in the Bojonegoro Cepu Block Project - Tripatra Business Unit

MANPOWER

- Professional
- Skilled
- Semi-Skilled
- Non-Skilled



NATIONAL	NON LOCAL REGIONAL	LOCAL REGIONAL	LOCAL LOCAL
110	37	22	5
302	143	308	236
65	70	359	257
0	18	150	758

DPLK and other retirement programs, in order to prepare for their future. We do this so that our employees entering the full duty age may enjoy their old age. [\[EC3, EC5\]](#)

**PARTNERSHIP FOR LOCAL BUSINESS DEVELOPMENT**

For us, collaboration with the community and relevant stakeholders refers to the conditions of mutually beneficial close cooperation. One of the ways the distribution of benefits from our presence has been realized through the economic growth of the community where we work. Among other things we do, we involve the local community as our local business partners.

We have commitment for prioritizing local and national suppliers reflected in the local supplier capacity improvement program at every one of our operation areas, including Petrosea and Tripatra.

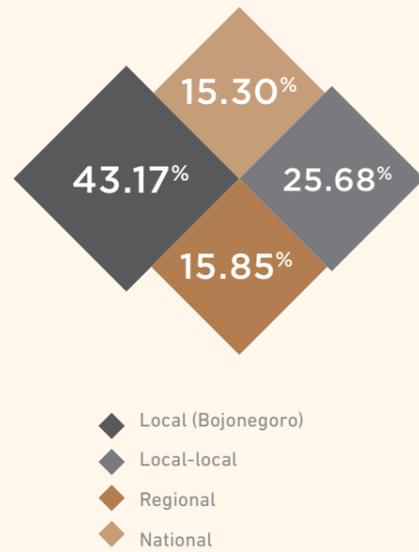
At local level, all of our business units have given enough actual economic impact by involving local businessmen as our business partners. In the Bojonegoro Cepu Block Project operated by the Tripatra, we have also classified or categorized local businessmen that will be our business partners. Similar to the division that we have done for the local labor, we have categorized our business partners into 4 groups.

First, the local-local group, which covers local businessmen living in villages or sub-districts where we operate. Second, the local-regional group, which covers local businessmen living in districts where we operate (in this context, Bojonegoro District). Third, the non local – regional group, which covers the business group living in the East Java Province, which is the province where we operate. Fourth, the national group, which covers businessmen living in Indonesia.

The performance of Tripatra experienced quite a large surge. Because out of the total 183 business partners (vendors) of the Tripatra, 79 businesses (43%) are local-regional Bojonegoro businessmen and 47 businesses are local-local (26%). Therefore, the total local content for Bojonegoro Cepu Block Project is 69%, exceeding the local content percentage target by far set by the local government at 40%. By holding Bojonegoro local contractors, we are optimistic that we are able to optimize local labor as mandated in Bojonegoro District local regulation No. 23/2011 concerning Local Content. [\[EC6\]](#)

In Petrosea, there also have the involvement of local businessmen as our business partners or sub-contractors. As an example, in several of our project

**NUMBER OF BUSINESS PARTNERS INVOLVED IN THE BOJONEGORO CEPU BLOCK EPC PROJECT**



**79 vendors**

locations in Kalimantan, we have handed over employee uniform work for Petrosea to local businessmen. We hope that local businessmen may involve as many citizens as possible for the employment process of this business opportunity.

Meanwhile, one of our business lines in the energy infrastructure industry, which is CEP, is currently operating an efficient and environmental friendly power plant. Power supply provided by the CEP for the Java-Bali interconnection network, which definitely has positive impact for improving the standard of living. [\[EC8, EC9\]](#)

**BUILDING A HARMONIOUS RELATIONSHIP WITH THE LOCAL COMMUNITY [SO9, SO10]**

It is inevitable that building a good relationship with parties provides energy for the achievement of our objectives. We believe that we can do many things with the full support of our main stakeholders, particularly the local community where we operate.

We view that a harmonious and constructive relationship with the communities surrounding our project is very important. For us, technical work is easier to be performed, but non-technical work is far more difficult.

In the context of business carried out by our business units, Tripatra and Petrosea, information on field conditions is very strategic to be able to identify earlier. We always send our social team first to map the conditions of the community long before work begins. Usually six months before the project is implemented we have completed social mapping, to give sufficient time for us to design strategies, patterns and actions plans for fostering relationships with the community and what social programs are required by them.

In the Bojonegoro Cepu Block Project carried out by Tripatra, we have also entrusted a director to build relationships with various parties from early on. For us, the Bojonegoro Cepu Block project is a challenging and a very valuable experience. There, we have shared the role with the government in realizing our commitment in contributing and distributing the biggest benefits for the communities surrounding the project. From the local government, it is required to prioritize local content, and this is in line with Tripatra and our corporate policies.

The main challenge is the fact that the community has only recognized the oil and gas mining sector project for the first time. Thus, we applied a specific process, particularly in the recruitment of workers and local contractors. The main thing that we have put ahead of others is work safety and selection for local contractors with the lowest accident risks.

After operating for almost two years, the response of several parties towards Tripatra has been very positive. From clients, Tripatra has been evaluated as very responsible for managing its social impacts. Similarly from the community, they have showed their gratitude because we have taught them new things by involving them in the implementation of a large oil and gas industrial project.

**OUR COMMITMENT TO SUSTAINABLE COMMUNITY DEVELOPMENT [S01]**

As a good corporate citizens, we definitely also have the spirit to be involved in various community development activities, aiming to create community independence. Currently, we are revisiting our program so that we are able to implement several community development programs that are more strategic and long term orientation. Our top management gives its full support for the initiatives to shift the orientation of the community development program to have long term dimensions and prioritize sustainability.

We currently have also contributed to community development, of which we have divided into 4 (four) areas of focus, which are education, health, local economic empowerment and environmental preservation.

We are committed to being a leading company in carrying out social responsibility and contributing positively to the community around the company operation area through several community investment programs. We want to ensure that social management programs have significant impacts on the community by using various types of community development strategies through direct support (cash contribution) and program management costs (management overheads). The total value of contribution we have given through the community development program in 2012 at the corporate level amounted to USD 345 thousand.

In the field of education, we have the "Indika Energy Cerdaskan Anak Bangsa" program aiming to provide scholarships for the children of employees from elementary to senior high school. We also give full support to "Gerakan Indonesia Mengajar", which has placed 293 Young Teachers in 17 Districts in 16 provinces. In addition, we have also contributed to Karya Salemba Empat Foundation in the implementation of the "Beasiswa Karya Salemba Empat" program, which aims to provide scholarships for students in college.



In the field of health, since 2010, we have supported the "Klinik KSPSI-Indika" program, run by the Indonesian Labor Union Confederation (KSPSI). If in 2010, this program only had one clinic in Pasar Minggu, in 2011, another one was established in Cikupa Tangerang. The clinic we operate in Cikupa has provided services for approximately 400 thousand workers in the region. Meanwhile, in CEP, we participate in the implementation of health programs by providing 2 water pump units with a capacity of 42 liters/minute and 1 main reservoir of clean water with a capacity of 10,000 liters and 3 distribution reservoir units with a capacity of 4,000 liters each. Clean water facilities serve the citizens in Kemis Block, Kanci Kulon Village, which is the closest village to our power plant location. This effort is done so that the village community no longer uses water that does not meet health standards for household needs. Thus, it is hoped that the local community health status may improve.

Through Petrosea, we also contribute to small and medium micro business development. One of them is by establishing a Joint Business Group (KUBE) in Sukamaju Village and Mulawarman Village, which is part of the affected areas of PT Santan Batubara in Kutai Keranegara District, East Kalimantan. Meanwhile, MBSS also established a Loading and Unloading Labor Cooperative (TKBM), which routinely provides training for the communities surrounding the operation area.

In another business unit, which is Tripatra, we have shown concern to the farmers by providing assistance in the form of threshing tools/machines. Meanwhile, in the CEP, together with the community of Pengalengan Village, KUBE Cimisbon has been established, of which its primary product is small shrimp paste. This is done as effort to provide an alternative source of income for local fishermen families where the small shrimp fishing location has shifted after the project completed and the power plant is ready to operate.

In the area of environmental preservation, Petrosea is currently in the middle of mangrove forest rehabilitation in Kariangau Village, Balikpapan City, East Kalimantan. This area is the Petrosea Offshore Supply Base (POSB) operational area or Offshore Logistics Base. The same thing is also practiced in CEP in the coastal area close to the power plant installation. We are carrying out mangrove rehabilitation. This is done as an effort to regrow the population of shrimp as the main source of livelihood of the local fishermen.

We are aware that most of the community development programs we carry out are still dominated by charity projects and short-terms dimensions. However so, we are committed to continuing to focus ourselves on efforts to spread profit oriented equilibrium values and social

advancement through education, health, economic empowerment, and environmental preservation programs for our stakeholders. In the future, we will use the best practice approach and strategy improvements for the implementation of programs, so that we are able to give the largest benefits to the community. We will continue to give support for education programs; community health quality improvement; environmental preservation around our operational area; and local community livelihood improvement.

Especially for our business units of which the core business is the provision of services, we will apply a special approach, because the period of our presence within the community is very limited. Therefore, we will focus on efforts to encourage community independency after the project ends.





## Statement GRI Application Level Check Laporan Pengecekan Tingkat Aplikasi GRI

The National Center for Sustainability Reporting (NCSR) hereby states that PT INDIKA ENERGY Tbk. has presented its 2012 Sustainability Report to NCSR Application Level Check Services, which have concluded that the report fulfills the requirement of Application Level B.

Application Levels communicate the extent to which the content of the GRI G3.1 guidelines have been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Jakarta, 13 November 2013

A handwritten signature in black ink, appearing to read 'Dewi Fitrasari', with a small cross-like mark at the end.

Dewi Fitrasari Ph.D., CSRS., CMA  
Application Level Check Executive

National Center for Sustainability Reporting (NCSR) dengan ini menyatakan bahwa PT INDIKA ENERGY Tbk. telah menyampaikan Laporan Keberlanjutan 2012 kepada NCSR Application Level Check Services, yang menyimpulkan bahwa laporan telah memenuhi persyaratan Level Aplikasi B.

Tingkat Aplikasi memberi gambaran tentang sejauh mana pedoman GRI G3.1 telah diterapkan dalam laporan yang disampaikan. Kami menyatakan bahwa laporan tersebut telah memuat seperangkat pengungkapan yang disyaratkan dalam Level Aplikasi tersebut, dan indeks GRI telah disajikan dalam laporan tersebut secara memadai, sesuai dengan Pedoman GRI G3.1.

Tingkat Aplikasi ini bukan merupakan opini atas kinerja keberlanjutan maupun kualitas informasi yang dimuat dalam laporan tersebut.

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*The National Center for Sustainability Reporting (NCSR) is an independent and non-for profit organization, established in 2005 to promote sustainability reporting in Indonesia, Malaysia and Thailand. NCSR is registered as an organizational stakeholder member of the Global Reporting Initiative (GRI) since 2006.*

INDIKATOR GRI-G3 DAN MMSC GRI-G3 and MMSC Indicators	HALAMAN Page	INDIKATOR GRI-G3 DAN MMSC GRI-G3 and MMSC Indicators	HALAMAN Page		
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#### EMISI, LIMBAH CAIR DAN LIMBAH PADAT Emissions, Effluents and Waste

EN16	Total gas rumah kaca. <i>Total greenhouse gas.</i>	
EN17	Total emisi gas rumah kaca tidak langsung. <i>Total indirect greenhouse gas.</i>	8-11
EN18	Inisiatif pengurangan efek gas rumah kaca. <i>Greenhouse gas effect reduction initiative.</i>	12
EN19	Pengurangan emisi ozon. <i>Ozone emissions reduction.</i>	14
EN20	Jenis-jenis emisi udara. <i>Air emissions type.</i>	15
EN21	Kualitas pembuangan air dan lokasinya. <i>Quality and location of water disposal.</i>	16
EN22	Klasifikasi limbah dan metode pembuangan. <i>Classification of waste and disposal method.</i>	8-11
EN23	Total tumpahan minyak dan bahan cair berbahaya. <i>Total number of oil and hazardous spill.</i>	12
EN24	Limbah berbahaya yang ditransportasikan. <i>Hazardous waste transported.</i>	13
EN25	Keanekaragaman hayati di badan air. <i>Water body biodiversity.</i>	14

#### PRODUK DAN JASA Product and Services

EN26	Inisiatif mengurangi dampak buruk pada lingkungan. <i>Initiatives to mitigate environmental impacts.</i>	16
EN27	Persentase produk terjual dan pengembalian kemasan berdasarkan kategori. <i>Percentage of product sold and their packaging materials that are reclaimed by category.</i>	13

#### KEPATUHAN Compliance

EN28	Nilai denda finansial akibat ketidakpatuhan terhadap peraturan dan hukum lingkungan. <i>Monetary value of significant fines for non-compliance with environmental laws and regulations.</i>	16
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#### TRANSPORTASI Transportation

EN29	Dampak signifikan terhadap lingkungan akibat transportasi produk. <i>Significant environmental impacts due to transporting of product.</i>	14
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#### KESELURUHAN Overall

EN30	Biaya dan investasi perlindungan lingkungan. <i>Environmental protection expenditures and investments.</i>	
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#### KINERJA SOSIAL Social Performance

##### TENAGA KERJA Labour

LA1	Jumlah karyawan. <i>Number of employee.</i>	13
LA2	Tingkat perputaran karyawan. <i>Employee turnover rate.</i>	14
LA3	Kompensasi bagi karyawan tetap dan tidak tetap. <i>Compensation for permanent and temporary employee.</i>	15
LA4	Perjanjian Kerja Bersama (PKB) <i>Collective Work Agreement</i>	16
LA5	Pemberitahuan minimum tentang perubahan operasional. <i>Minimum notification of operational changes.</i>	8-11
LA6	Komite Bersama Keselamatan dan Kesehatan Kerja. <i>Safety and health joint committee.</i>	
LA7	Tingkat kecelakaan kerja. <i>Rate of work accident.</i>	13
LA8	Program pendidikan, pelatihan dan penyuluhan kesehatan. <i>Education, training and health counseling program.</i>	
LA9	Topik keselamatan dan kesehatan kerja dalam PKB. <i>Safety and health topic on collective work agreement.</i>	15
LA10	Rata-rata jam pelatihan. <i>Average hour of training.</i>	
LA11	Program persiapan pensiun. <i>Pre-retirement preparation program.</i>	13
LA12	Penilaian kinerja dan pengembangan karir. <i>Performance assessment and career development.</i>	14
LA13	Keberagaman karyawan. <i>Employee diversity.</i>	15
LA14	Rasio gaji dasar pria terhadap wanita. <i>Ratio of basic salary of men to women.</i>	16

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#### HAK ASASI MANUSIA (HAM) Human Rights

HR1	Perjanjian dan investasi menyangkut HAM. <i>Agreement and investment regarding human rights.</i>	13
HR2	Persentase pemasok dan kontraktor menyangkut HAM. <i>Percentage of supplier and contractor regarding human rights.</i>	14
HR3	Pelatihan karyawan tentang HAM. <i>Human rights training for employee.</i>	13
HR4	Kasus diskriminasi. <i>Discrimination cases.</i>	
HR5	Hak berserikat. <i>Right of association.</i>	
HR6	Pekerja di bawah umur. <i>Underage labour.</i>	8-11
HR7	Pekerja paksa. <i>Forced labour.</i>	13
HR8	Tenaga keamanan terlatih HAM. <i>Human rights trained security force.</i>	14
HR9	Pelanggaran hak penduduk asli. <i>Rights violation of indigenous people.</i>	15
HR10	Evaluasi kebijakan HAM. <i>Evaluation of human rights policy.</i>	
HR11	Penyelesaian formal kasus pelanggaran HAM. <i>Formal grievance mechanisms of human rights filed.</i>	8-11

#### KEMASYARAKATAN Society

S01	Dampak program pada komunitas. <i>Impact of the program on community.</i>	13
S02	Hubungan bisnis dan risiko korupsi. <i>Relation between business and corruption risks.</i>	14
S03	Pelatihan antikorupsi. <i>Anti-corruption training.</i>	16
S04	Pencegahan tindakan korupsi. <i>Prevention of corruption practices.</i>	13
S05	Partisipasi dalam pembuatan kebijakan publik. <i>Participation in public policy formulation.</i>	14
S06	Sumbangan untuk partai politik. <i>Donation for political party.</i>	15

S07	Hukuman akibat pelanggaran persaingan usaha. <i>Penalty of fines of ordinances violation.</i>	16
S08	Hukuman atau denda akibat pelanggaran peraturan. <i>Penalty or fines of ordinances violation.</i>	13
S09	Dampak negatif terhadap komunitas lokal. <i>Negative impacts on local communities.</i>	14
S010	Pencegahan dampak buruk terhadap komunitas lokal. <i>Prevention of negative impacts on local communities.</i>	13

#### TANGGUNG JAWAB PRODUK Product Responsibility

PR1	Perputaran dan keamanan produk. <i>Cycle and safety of products.</i>	14
PR2	Pelanggaran peraturan dampak produk. <i>Violation of product impact regulation.</i>	
PR3	Informasi kandungan produk. <i>Product content information.</i>	
PR4	Pelanggaran penyediaan info produk. <i>Violation of product information provision.</i>	
PR5	Tingkat kepuasan pelanggan. <i>Customer satisfaction rate.</i>	8-11
PR6	Kelayakan komunikasi pemasaran. <i>Feasibility of marketing communication.</i>	12
PR7	Pelanggaran komunikasi pemasaran. <i>Violation of marketing communication.</i>	14
PR8	Pengaduan tentang pelanggaran privasi pelanggan. <i>Reports on violation of customers' privatization.</i>	15
PR9	Denda pelanggaran pengadaan dan penggunaan produk. <i>Fines of product procurement and uses violation.</i>	16

## DEFINISI Term

### Tanggung Jawab Sosial Perusahaan *Corporate Social Responsibility*

Komitmen perusahaan untuk meningkatkan kesejahteraan komunitas melalui praktik bisnis yang baik dan berkontribusi sebagian sumber daya perusahaan (Kotler dan Nancy, 2005).

*The company's commitment to improve welfare of the community through good business practices and contribution of corporate resources (Kotler and Nancy, 2005).*

### AA1000 Stakeholder Engagement Standard

Merupakan standar pembinaan hubungan dengan pemangku kepentingan yang menyediakan kerangka pembinaan hubungan dengan pemangku kepentingan yang berkualitas, berbasis prinsip dan terbuka. Standar ini dapat dipakai secara mandiri atau sebagai salah satu mekanisme untuk memenuhi kebutuhan pemangku kepentingan dari standar lainnya, seperti GRI G3 dan ISO 26000.

*Is a stakeholders relationship guidance standard that provide a framework of fostering good relationships with stakeholders, based on the principle. This standard can be used independently or as one of the mechanisms to meet the needs of stakeholders interests of other standards, such as the GRI G3 and ISO 26000.*

### Pemangku Kepentingan *Stakeholders*

Setiap kelompok atau individu yang terkena pengaruh atau dapat mempengaruhi operasi perusahaan

Each group or individual affected or may affect the company's operations.

### Laporan Keberlanjutan *Sustainability Report*

Laporan organisasi yang memberikan penjelasan amengenai kinerja ekonomi, lingkungan, sosial dan tata kelola.

*The report that provides an explanation on organization performance, economic, environmental, social and governance.*

### Pembangunan Berkelanjutan *Sustainable Development*

Proses pembangunan (lahan, kota, bisnis, masyarakat, dsb) yang berprinsip "memenuhi kebutuhan sekarang tanpa mengorbankan pemenuhan kebutuhan generasi masa depan"

*Development process (land, cities, business, communities, etc.) principle that meet the company needs without compromising the needs of future generations.*

### Gas Rumah Kaca *Greenhouse Gases*

Gas-gas yang ada di atmosfer yang menyebabkan efek rumah kaca. Gas-gas tersebut sebenarnya muncul secara alami di lingkungan, tetapi dapat juga timbul akibat aktivitas manusia. Efek rumah kaca sendiri pertama kali diusulkan oleh Joseph Fourier pada 1824, sebagai proses pemanasan permukaan suatu benda langit (terutama planet atau satelit) yang disebabkan oleh komposisi dan keadaan atmosfernya.

*Gas in the atmosphere which causes the greenhouse effect. These gas actually occurs naturally in the environment, but may also arise as a result of human activity. The green effect was first proposed by Joseph Fourier in 1824, as the process of heating the surface of a celestial body (especially planets or satellites) that is caused by the composition of the atmosphere.*

### Konservasi Lingkungan *Environmental Conservation*

Pengelola sumber daya alam yang menjamin pemanfaatannya secara bijaksana dan bagi sumber daya terbaru menjamin kesinambungan untuk persediannya dengan tetap memelihara dan meningkatkan kualitas nilai dan keanekaragaman (UU No. 4 Thn 1982)

*Natural resources management that utilized wisely to ensure renewable resources, maintain and improve the quality and value of diversity. (Law no.4 Year 1982).*

### Bahan Berbahaya dan Beracun *Hazardous and Toxic*

Setiap bahan sisa (limbah) suatu kegiatan proses produksi yang mengandung bahan berbahaya dan beracun (B3) karena sifat (toxicity, flammability, reactivity, dan corrosivity) serta konsentrasi atau jumlahnya yang baik secara langsung maupun tidak langsung dapat merusak, mencemarkan lingkungan, atau membahayakan kesehatan manusia.

*Any residual material (waste) a production process that contain hazardous materials and toxic (B3) because of the nature (toxicity, flammability, reactivity, and corrosively) as well as the concentration are either directly or indirectly to destroy, pollute the environment, or harm human health.*

### Program Pembangunan Masyarakat *Community Development Program*

Merupakan pendekatan yang mengacu pada upaya membentuk kemandirian masyarakat atau komunitas lokal melalui proses pendampingan dan pengembangan kapasitas dan bisnis secara berkelanjutan.

*An approach that refers to efforts to establish independence of the community or the local community through the process of assistance and capacity building, and business an ongoing basis.*

### Vessel Tracking System

Merupakan sistem yang dapat dipergunakan untuk memantau dan melacak keberadaan kapal (vessels) dengan menggunakan bantuan teknologi satelit, sehingga dapat terpantau pergerakan, lokasi, kecepatan dan aspek lainnya.

*Is a system that can be used to monitor and track the whereabouts of ships (vessels) with the help satellite technology, so it can be monitored movement, location, speed and other aspects.*

## SINGKATAN Abbreviation

AMDAL	Analisis Mengenai Dampak Lingkungan <i>Environmental Impact Assesment</i>	NCSR	Pusat Pelaporan Keberlanjutan Nasional <i>National Center for Sustainability Reporting</i>
APD	Alat Pelindung Diri <i>Personal Protective Equipment</i>	OHSAS	Sistem Manajemen Pekerjaan, Kesehatan dan Keselamatan <i>Occupational Health and Safety Management System</i>
BAPEPAM-LK	Badan Pengawas Pasar Modal dan Lembaga Keuangan <i>Capital Market Supervisory Agency and Financial Institution</i>	PDAM	Perusahaan Daerah Air Minum <i>Regional Water Company</i>
BCM	Bank Cubic Meter <i>Bank Cubic Meter</i>	PDB	Produk Domestik Bruto <i>Gross Domestic Product</i>
BUMD	Badan Usaha Milik Daerah <i>Regional Enterprise</i>	PDRB	Produk Domestik Regional Bruto <i>Gross Regional Domestic Product</i>
CEP	PT Cirebon Electric Power <i>PT Cirebon Electric Power</i>	Pemda	Pemerintah Daerah <i>Local Government</i>
CSR	Tanggung Jawab Sosial Perusahaan <i>Corporate Social Responsibility</i>	Perda	Peraturan daerah <i>Local Regulation</i>
ERM	Manajemen Resiko Perusahaan <i>Enterprise Risk Management</i>	PKB	Perjanjian Kerja Bersama <i>Collective Labor Agreement</i>
FMS	Sistem Pengelolaan Alat Berat <i>Fleet Management System</i>	PKWT	Perjanjian Kerja Waktu Tertentu <i>Specific Timework Agreement</i>
GRI	Global Reporting Initiative <i>Global Reporting Initiative</i>	PQMS	Sistem manajemen kualitas Petrosea <i>Petrosea Quality Management System</i>
GCG	Tata Kelola Perusahaan <i>Good Corporate Governance</i>	PSOB	Pangkalan Logistik Lepas Pantai Petrosea <i>Petrosea Offshore Supply Base</i>
IAMPI	Ikatan Ahli Manajemen Proyek Indonesia <i>Indonesian Project Management Association</i>	PUK FSP-KEP SPSI	Pengurus Unit Kerja Federasi Serikat Pekerja Kimia Energi Pertambangan Serikat Pekerja Seluruh Indonesia <i>Board Work Unit Federation of Chemical Energy Mining Indonesian Workers Union</i>
IPAL	Instalasi Pengolahan Air Limbah <i>Waste Water Treatment Plant</i>	RKL/RPL	Rencana Kelola Lingkungan / Rencana Pemantauan Lingkungan <i>Environmental Management Plan / Environmental Monitoring Plan</i>
ISM CODE	Standar Internasional Manajemen Keselamatan <i>International Safety Management Code</i>	RUPS	Rapat Umum Pemegang Saham <i>Annual General Shareholders Meeting</i>
IUCN	International Union for Conservation of Nature <i>International Union for Conservation of Nature</i>	SGS	Société Générale de Surveillance <i>Société Générale de Surveillance</i>
K3	Kesehatan dan Keselamatan Kerja <i>Work Health and Safety</i>	SMK3	Sistem Manajemen Kesehatan dan Keselamatan Kerja <i>Occupational Health and Safety Management Systems</i>
KPI	PT Kuala Pelabuhan Indonesia <i>PT Kuala Pelabuhan Indonesia</i>	TPA	Tempat Pembuangan Akhir <i>Landfill</i>
KSPSI	Konfederasi Serikat Pekerja Seluruh Indonesia <i>Confederation of Indonesian Workers Union</i>	UU	Undang-Undang <i>Law/ Regulations</i>
KUBE	Kelompok Usaha Bersama <i>Joint business group</i>	VTS	Sistem untuk Memonitor Kapal <i>Vessel Tracking System</i>
Limbah B3	Bahan Berbahaya dan Beracun <i>Toxic and Hazardous Waste</i>		
LKS	Lembaga Kerja Sama <i>Cooperation Institution</i>		
MBSS	PT Mitrahahtera Segara Sejati Tbk <i>PT Mitrahahtera Segara Sejati Tbk</i>		

