



EDUCATING **F**UTURE GENERATION  
EMPO**W**ERING COMMUNITY  
ENSURING **S**USTAINABILITY  
PRESERVING **E**NVIRONMENT  
EMBRACING **D**IVERSITY  
BUILDING **N**ATIONAL CHARACTER  
OPERATING **W**ITH INTEGRITY  
CARING FOR HEALTH  
DEMONSTRATING **T**OLERANCE  
SUSTAINING **S**AFETY

**Building  
the Foundation  
for Indonesia** 2017  
SUSTAINABILITY  
REPORT



In the midst of an increasingly challenging social climate of burgeoning divisiveness and intolerance, Indika Energy expanded its longstanding sustainability commitment and vision of a solidly unified Indonesia with the establishment of Indika Foundation.

We embrace the heritage and the legacy of Pancasila, five guiding principles that place the good of the people and nation above that of any individual or group. We believe that the rich diversity of the people of Indonesia, if harnessed with unified efforts through cultural links, will prove to be our greatest strength toward forging a peaceful path for the benefit of all citizens.

**Azis Armand**

Chief Executive Officer, Indika Foundation

**INDIKA**  
FOUNDATION



# **BUILDING THE FOUNDATION FOR INDONESIA**

2017 SUSTAINABILITY REPORT

# ABOUT THIS SUSTAINABILITY REPORT

INDIKA ENERGY GROUP HOLDS SUSTAINABILITY AS A CORE PART OF WHO WE ARE AND EVERYTHING WE DO. THIS REPORT COVERS OUR SYNERGIC SUSTAINABILITY STRATEGIES AND PROGRAMS GROUP-WIDE, WITH THE INTENTION OF PROVIDING AN OVERVIEW OF OUR BUSINESS AND SUSTAINABILITY ACTIVITIES WITHIN THE CONTEXT OF SUSTAINABLE OPERATIONS AND BENEFIT FOR ALL STAKEHOLDERS.

## SUSTAINABILITY AS PART OF COMPANY BUSINESS STRATEGY

Indika Energy strives to fulfill a positive role in society by sustainably enabling job creation, economic and social development within the current energy transition that confronts us with the challenges of addressing increasing global demand for energy and the pressing need to reduce carbon emissions.

In this context, Indika Energy applies its sustainability principles and strategies, including a solid collaboration model and community social welfare empowerment, to maintain our business reputation and support high-value growth through risk management, efficiency, and addressing stakeholders' rapidly changing expectations.

In 2017, Indika Energy expanded its sustainability programs with specific attention to education and environmental protection, which are key concerns for our operational communities. We also began expanding our social empowerment reach to more beneficiaries with the establishment of Yayasan Indika Untuk Indonesia (Indika Foundation).

## REPORTING APPROACH

This report covers Indika Energy Group: PT Kideco Jaya Agung (Kideco), PT Indika Indonesia Resources (IIR), PT Multi Tambangjaya Utama (MUTU), PT Indika Energy

Trading (IET), PT Tripatra Engineering and PT Tripatra Engineers & Constructors (Tripatra), PT Petrosea Tbk. (Petrosea), PT Mitrabahtera Segara Sejati Tbk. (MBSS), PT Cirebon Electric Power (Cirebon Power), PT Petrosea Offshore Supply Base (POSB), PT Indika Logistic and Support Services (Indika Logistics), and PT Kuala Pelabuhan Indonesia (KPI).

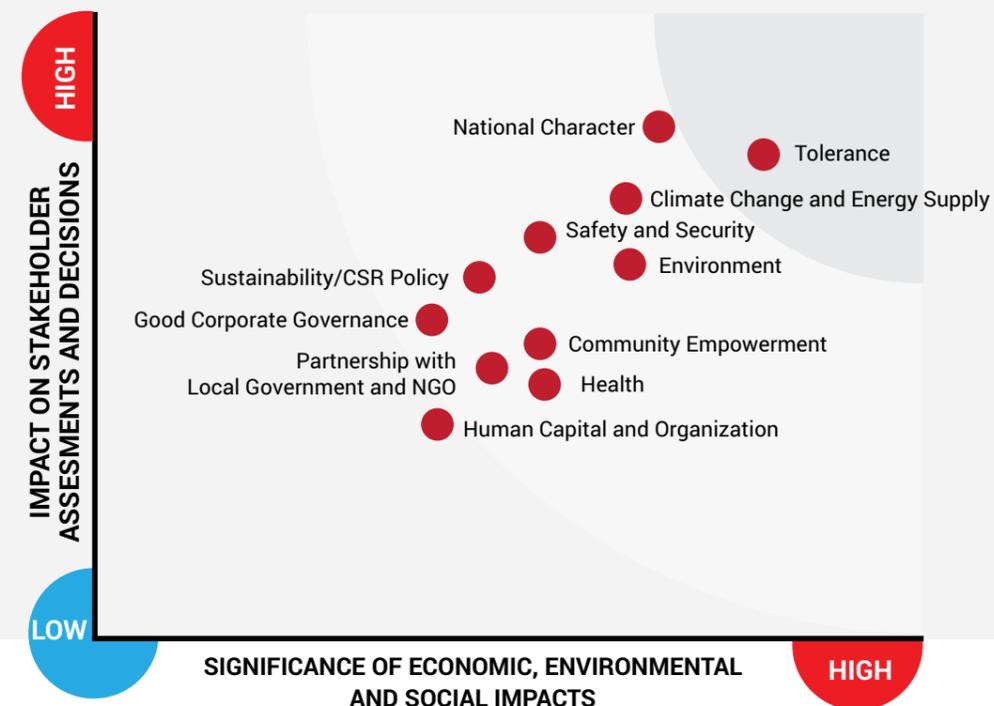
Unless otherwise stated, 'Group', 'we', and 'us' refers to the entire group throughout this Sustainability Report, which aligns with the International Council on Mining and Metals' Sustainable Development Framework and is in accordance with Global Reporting Initiative Standards (GRI-4).

This year, the Sustainability Report focuses on Indika Energy's business, social, and environmental strategies, activities and performance, including turnover and the acquisition of Kideco. Another important milestone is the establishment of Indika Foundation.

## REPORTING BOUNDARY AND SCOPE

This Sustainability Report covers Indika Energy Group assets, which have been wholly owned and/or operated, as well as owned as a joint operation, during the period from 1 January to 31 December 2017.

All data presented has been internally validated, with much of the quality management data also being internationally certified through ISO 9001, OHSAS



18001, and ISO 14001. The economic performance data is based on the 2017 Indika Energy Annual Report, which has been verified by a public accountant.

## OUR STAKEHOLDERS

We interact with shareholders, business partners, governments, regulators, employees, suppliers, customers, organizations, media, and non-governmental organizations. Globally, we communicate via Annual General Meeting of Shareholders, corporate publications, website ([www.indikaenergy.co.id](http://www.indikaenergy.co.id)), releases to the market and media, analyst briefings, speeches and interviews with senior executives.

We engage employees via tailored internal channels, including our intranet, internal magazine, town halls, and perception surveys.

## MATERIALITY ANALYSIS

We engage with our external and internal stakeholders to understand sustainability issues pertinent to them and important to our business to enhance our annual materiality assessment, which is done in accordance with Global Reporting Initiative (GRI) principles that define content through identification, prioritization, validation and review.

The materiality assessment, which is a key element in our ability to create value for shareholders, covers sustainability strategies transparently under the supervision of Indika Energy's Sustainability Panel.

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# CONTENTS

## PRESIDENT DIRECTOR'S MESSAGE

## INDIKA ENERGY IN BRIEF

## HOW WE OPERATE SUSTAINABLY

- Education
- Health
- Community Empowerment
- Environment

## ESTABLISHMENT OF INDIKA FOUNDATION

## OPERATING WITH ETHICS AND INTEGRITY

## RELENTLESS PURSUIT OF OPTIMAL SAFETY

## PRIORITIZING WORKFORCE WELLBEING

## APPENDIX

- Annex GRI G4 Index Core

To learn more, please visit [www.indikaenergy.co.id](http://www.indikaenergy.co.id)



We perceive Indika Foundation as an effort to enhance the core values of national character building, unity in diversity, and tolerance within plurality upon which the modern state of Indonesia has been founded.

**M. Arsjad Rasjid P.M.**  
President Director, Indika Energy



# PRESIDENT DIRECTOR'S MESSAGE

**INDIKA FOUNDATION BEGINS ITS COLLABORATION WITH OTHER ORGANIZATIONS WITH THE SAME VALUES AND MISSION TO DEVELOP PROGRAMS AND PROJECTS, ESPECIALLY FOR YOUNG PEOPLE, TO FACILITATE TOLERANCE AND SOCIAL SOLIDARITY**

For Indika Energy, 2017 was a landmark year of new beginnings. Indika Energy's solid financial performance, on the back of improved efficiency and better utilization of assets, with favorable coal prices worldwide, has returned Indika Energy to a solid position.

Indika Energy, with its carefully selected array of energy sector subsidiaries linked synergically all along the energy chain, thoroughly understands that well planned and executed business moves are the best way toward solid performance and sustainability of operations.

Among the key strategic advancements made in 2017, Indika Energy successfully issued US\$ 265 million bond with a coupon of 6.875% and US\$ 575 million bond with a coupon of 5.875%. The latest bond issuance, with the lowest coupon ever recorded in the history of mining company in Indonesia, was warmly welcomed in the financial market.

This helped enable Indika Energy to undertake a strategic purchase of shares in one of the best coal mining assets in Indonesia. Indika Energy's acquisition of an additional 45% shares in Kideco Jaya Agung from Samtan Co., Ltd. and PT Muji Inti Utama gained it a majority shareholding of 91% in this subsidiary. Kideco produces a range of sub-bituminous coal containing very low levels of sulphur (average of 0.1%) and ash (blended average of 2.1% to 4.9%), that makes it ideal for use in coal-fired power plants.

Indika Energy's stronger shareholding in Indonesia's third largest coal producer with an operational area of 47,500 hectares in East Kalimantan province opens a new chapter for the Indika Energy Group. Quick moves toward greater strategic consolidation and renewed emphasis on synergic group links through this newly

majority-owned subsidiary enables Indika Energy to more effectively leverage its large and efficient production scale and excellent operational track record. Indika Energy has also taken steps to further enhance Kideco's reputation for emphasising on workplace safety and preservation of the environment, and to share its expertise throughout group entities.

Beyond these concerted efforts to move forward increasingly stronger and better in the ever challenging energy sector, Indika Energy has been continuing to reevaluate, focus, enhance and expand its sustainability programs. This is being done in such a way to more totally encompass and meet the needs of the people living in the communities within and around the areas in which Indika Energy operates. Indika Energy's effort toward overall synergy among its various subsidiaries carries over into its sustainability efforts that are guided by a united vision.

To maximize the effectiveness of all sustainability programs throughout our business group, Indika Energy has established a Sustainability Panel involving all group company directors in-charge for Sustainability to monitor and evaluate all sustainability activities in all subsidiaries to enhance our unity of vision, purpose, and synergy toward greater positive impact for all stakeholders.

Indika Energy believes that the success of any business entities can be ensured only when the individuals and communities, which our operations affect most directly, are provided the developmental support and resources that they require to establish and maintain beneficial livelihoods toward adequate welfare for all. For that reason, Indika Energy continues to guide and develop its sustainability program in a solidly synergic



and sustainable manner through socio-economic and educational programs and activities that are designed to achieve the impacts expected by all stakeholders throughout our subsidiaries and operational areas.

Throughout 2017, Indika Energy directed the implementation of its sustainability programs and activities toward greater achievements in improving and expanding the education, health, community empowerment, and environment.

In 2017, Indika Energy continued its collaboration, in particular in Mariso in South Sulawesi, with Sokola, a non-profit organization dedicated to the education and advocacy of customary and other marginal peoples, through literacy and other education based programs.

Indika Energy also supported SabangMerauke, an intra-nation student exchange program that aims to promote cultural diversity and reinforce the values of unity in diversity, and further leveraged its Indorelawan volunteer program among company employees to facilitate and enhance the impact of its sustainability efforts in education and other focus sectors.

Indika Energy also moved forward with its environmental preservation efforts in collaboration with the Yayasan Scorpion Indonesia, which actively monitors, reports, and curbs wildlife trade in Indonesia.

Perhaps, most importantly within the realm of Indika Energy's role as a concerned and good corporate citizen for Indonesia, in early 2017, Indika Energy made the forward-looking decision to establish Indika Foundation.

Contemporary trends in Indonesian society created greater urgency for social solidarity toward unified action, not only within Indika Energy Group, but within the

government and communities across the archipelago.

Internally, this effort underlines our overall commitment to all of our stakeholders and the nation by bringing our business, sustainability and societal empowerment visions into a synergic surge that will leverage our single efforts into a much more powerful and effectively beneficial whole for all citizens from all walks of life nationwide.

We envision Indika Foundation not only as a service umbrella to facilitate the sharing of sustainability experiences and reconsolidation toward greater efficiency in effective community engagement among our subsidiaries. We also perceive it as an effort to enhance the core values of national character building, unity in diversity and tolerance within plurality upon which the modern state of Indonesia has been founded.

For this reason, Indika Foundation begins its collaboration with other organizations with the same values and mission to develop programs and projects, especially for young people, to facilitate tolerance and social solidarity by focusing on similarities instead of differences.

Going forward into 2018, Indika Energy, newly energized with its expanded presence in Kideco, will focus on creating optimal synergy within the Indika Energy Group to mobilize overall business strengths, while actively curtailing operational costs and exploring new business opportunities.

Indika Energy also intends to harness all lessons learned and leverage its business, sustainability, and Indika Foundation endeavors to build an increasingly solid business reputation, while empowering society toward strengthening national unity.

# INDIKA ENERGY IN BRIEF

INDIKA ENERGY'S COMMITMENT TO CONTINUOUS CONSOLIDATION, SYNERGY AND CONCERTED COOPERATION AMONG ITS HIGHLY DIVERSE SUBSIDIARIES, WHICH ARE ACTIVE ALONG ITS SOLIDLY ESTABLISHED ENERGY VALUE CHAIN FROM MINING, LOGISTICS, INFRASTRUCTURE, TRANSPORTATION, UP TO ELECTRICITY PRODUCTION, DRIVES OUR SUSTAINABILITY. WE WORK TOGETHER TO GROW AND EMPOWER OUR BUSINESSES, THE COMMUNITIES IN OUR OPERATIONAL AREAS AND OUR NATION.



# ABOUT INDIKA ENERGY

PT Indika Energy Tbk. ("Indika Energy" or "the Company"), established in 2000 and listed on the Indonesian Stock Exchange (IDX) in 2008, has grown into one of Indonesia's leading integrated energy companies with a portfolio of enterprises spanning its business pillars of the Energy Resources, Energy Services and Energy Infrastructure sectors.

The Company continues to advance its strength by organically and with acquisition of synergistic businesses. This expansion consistently enables the Company to provide both its domestic and international customers a wide range of complementary products and services. In turn, these strategic moves have strongly positioned the Company to continuously act

to capture growth opportunities across the Indonesian energy sector well into the future.

Indika Energy currently sustainably guides a group of major operating companies and other business entities with extensive experience in coal, oil and gas, and electricity generation. Through effective planning and strategic implementation, Indika Energy, is now positioned to leverage the synergic linkages it has created in all of the diverse operations undertaken throughout the Indonesian archipelago. Going forward into 2018 and the coming decades, the Company anticipates further collaboration with key stakeholders within the government's drive toward energy diversification and development of renewable energy for the nation.

## VISION

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

## MISSION

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

## CORPORATE VALUES

- o **INTEGRITY**  
Honest with oneself, others and one's work at every moment by upholding prevailing ethical standards and legal norms
- o **ACHIEVEMENT**  
Achievement as the measure of success and the motivation to do what is best for the company
- o **UNITY IN DIVERSITY**  
Viewing diversity as an asset to the company and accepting, valuing, completing and strengthening one another as a solidly unified entity
- o **TEAMWORK**  
Actively contributing and collaborating based on trust and shared interests rather than personal interests
- o **SOCIAL RESPONSIBILITY**  
Highly concerned for the environment and community, and contributing added value as well as contributing to the prosperity of the society

## BUSINESS PILLARS

# ENERGY RESOURCES

IN 2017, INDIKA ENERGY GROUP CONTINUED TO LEVERAGE ITS ACTIVE THERMAL COAL MINING OPERATIONS AT VARIOUS SITES IN EAST AND CENTRAL KALIMANTAN IN THE MIDST OF A TREND TOWARD THE STABILIZING AND GREATER AMENABILITY OF INTERNATIONAL COAL PRICES. FOLLOWING IS A BRIEF LOOK AT OUR ENERGY RESOURCES PILLAR ACCOMPLISHMENTS IN THE PAST YEAR.



Kideco Jaya Agung, established in September 1982, is Indonesia's third largest coal producer, and among the top five international mining companies in thermal coal production. In 2017, Kideco, which ranks among the lowest cost coal producers worldwide, produced 3.2 million tonnes of coal at a low strip ratio of 6.1. In 2017, Indika Energy acquired 45% additional stake of Kideco, thus putting Indika Energy in possession of majority shareholding in Kideco by 91%.

[www.kideco.com](http://www.kideco.com)



In 2012, Indika Energy acquired an indirect 85% equity interest in Multi Tambangjaya Utama (MUTU), a high-rank bituminous thermal and coking coal holding a third-generation CCoW based in Central Kalimantan, with a concession area of 24,970 hectares. Located approximately 30 km northeast of Ampah city and approximately 250 km north of Banjarmasin, MUTU has developed coal hauling roads with a capacity of 3 million tonnes per year and a barge port with a capacity of 5 million tonnes per year.



Established in 2013 and commenced operations in 2014, Indika Energy Trading sources, supplies and trades coal products on the domestic and seaborne markets. Partnering with leading coal producers in Indonesia to ensure quality and sustainable supply, Indika Energy Trading delivers coal products ranging from high to low calorific value for diverse industries.



**BUSINESS PILLARS**

## ENERGY SERVICES

INDIKA ENERGY'S ENERGY SERVICES PILLAR COVERS CONTRACT MINING, ENGINEERING, PROCUREMENT AND CONSTRUCTION (EPC), OPERATIONS AND MAINTENANCE (O&M), ALONG WITH LOGISTICS TO ENABLE HIGHLY EFFECTIVE PIT TO PORT SOLUTIONS ALL ALONG THE ENERGY VALUE CHAIN. PETROSEA AND TRIPATRA, INDIKA ENERGY'S TWO MAIN SERVICES SUBSIDIARIES, PROVIDE COAL MINING, AS WELL AS OIL & GAS DEVELOPMENT SERVICES.



Established in 1973, Tripatra provides a complete range of services for oil & gas, downstream, petrochemical, and power sector clients. Tripatra is among the most respected and longest serving engineering, procurement and construction companies in the energy sector in Indonesia. In 2017, Tripatra improved its revenue by 26.3% to US\$ 274.8 million from US\$ 217.3 million in 2016. The major contributor was EPC work on the 3) Expansion Project from BP Berau.

[www.tripatra.com](http://www.tripatra.com)

### PETROSEA

For more than 46 years, Petrosea offers a comprehensive array of services to the Indonesian mining sector and is one of only a few Indonesian companies with the ability to deliver a complete pit-to-port and life-of-mine mining solution. Petrosea provides the following principal services: contract mining, logistics and oil and engineering and construction. Petrosea's top line performance improved in 2017, with revenue growth of 24.1% to US\$ 259.9 million from US\$ 209.4 million in 2016.

[www.petrosea.com](http://www.petrosea.com)

**BUSINESS PILLARS**

## ENERGY INFRASTRUCTURE

THROUGHOUT YEARS OF BUSINESS OPERATIONS, INDIKA ENERGY HAS DEVELOPED AND ACQUIRED A WIDE RANGE OF INFRASTRUCTURES AND FACILITIES, INCLUDING ROADS, PORTS, BARGES AND TRANSSHIPMENT SITES TO ENCOMPASS THE ENTIRE ENERGY SECTOR SPECTRUM WITH RIVER AND SEA LOGISTICS SERVICES, AS WELL AS ELECTRICITY GENERATION THROUGH PARTIAL OWNERSHIP OF THE COAL-FIRED CIREBON ELECTRIC POWER PLANT.



Mitrabahtera Segara Sejati (MBSS), incorporated in 1994, is an integrated one-stop coal transportation and logistics company, which provides port, barging, river and sea-based transportation services with floating crane systems to offshore vessels. MBSS operated a large and varied fleet comprised of 76 barges, 86 tug boats, 4 floating cranes, and 1 support vessel. In 2017, MBSS' revenue increased slightly by 4.1% from US\$ 65.8 million in 2016 to US\$ 68.5 million in 2017, mainly due to 5.7% higher barging segment revenue which offset more than 0.5% lower floating crane revenue.

[www.mbss.co.id](http://www.mbss.co.id)

### PETROSEA

Petrosea Logistics and Support Services (PLSS) is Petrosea's business line. PLSS offers services for the oil and gas industry in Indonesia through Petrosea Offshore Supply Base (POSB) located in Tanjung Batu, East Kalimantan and Sorong, West Papua. PLSS provides truly world

class capabilities, extensive experience, and a reputation for quality provision of energy sector offshore based logistics services. PLSS' long-term relationships with major international oil, gas and mining companies testifies to its cost effective provision of diverse services.

[www.petrosea.com](http://www.petrosea.com)

(CEPR), a 1000MW coal-powered expansion of the existing Cirebon power plant. In 2015, CEPR, which will utilize ultra-critical technology, signed a 25-year Power Purchase Agreement with PLN.

[www.cirebonpower.co.id](http://www.cirebonpower.co.id)



Cirebon Power was established in 2007, under a consortium of leading international energy players in Asia, including Indika Energy which owns a 20% interest. Cirebon Power owns and operates a 660 MW coal-fired power plant in Cirebon, West Java, which utilizes super-critical technology for high efficiency, consuming less coal and producing fewer emissions. The power plant continues to operate above expectations in terms of availability factor and performance, including completely recycling remnant ash, and maintain gas emission records.

Indika Energy also indirectly owns 6.25% of Cirebon Energi Prasarana

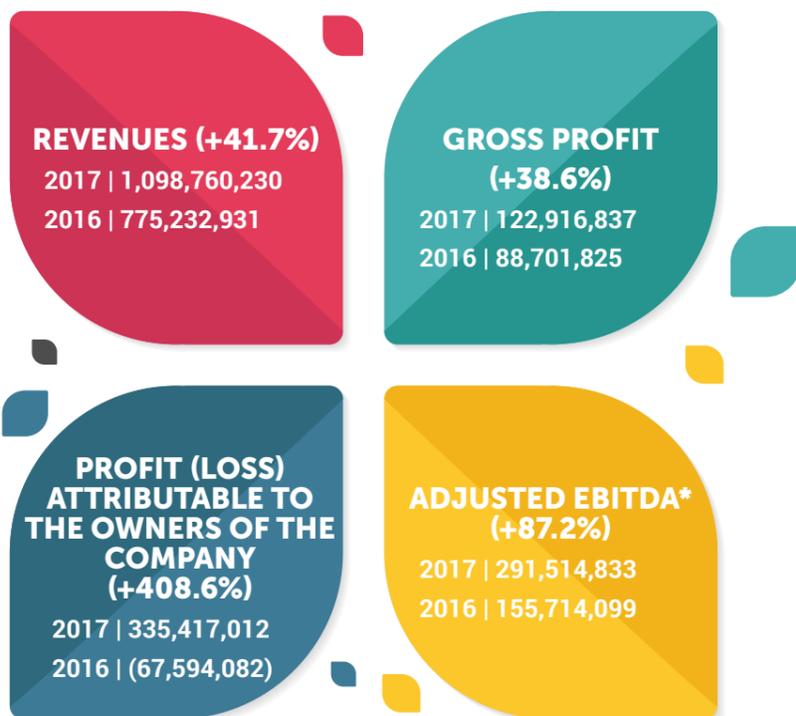


Indika Logistic and Support Services provides a wide variety of logistic services, including supply chain solutions, warehousing and inventory management, transportation, and port operation. Indika Logistics, which holds a Port Business Entity License, operates port and logistic related services at all major and intermediary ports in Indonesia. In 2017, Indika Logistics was granted the Frost & Sullivan Best Practices Award for being the Best Indonesia Niche Logistic Service Provider of the Year.

Kuala Pelabuhan Indonesia, Indika Logistics' subsidiary, also provides integrated ship dock operations, as well as management, logistics, and maintenance services for Freeport Indonesia in Papua.



## KEY FIGURES



## KEY PROJECTS LOCATIONS IN 2017



\*) including dividends received from associates and jointly controlled companies



# HOW WE OPERATE SUSTAINABLY

CONTINUITY OF INDIKA ENERGY GROUP OPERATIONS REQUIRE CONCERTED CORPORATE AND COMMUNITY COOPERATION, PARTNER COLLABORATION, AND THE UNDERSTANDING THAT WE ARE ALL A PART OF WHAT IS AND WHAT WILL BE. IT IS UP TO US ALL TO ENSURE SUSTAINABLE POSITIVE OUTCOMES. IT IS IMPERATIVE THAT WE LEVERAGE THIS JOINT IMPETUS TOWARD SUSTAINABILITY EVERY DAY IN EVERY WAY THAT WE CAN. EACH AND EVERY ONE OF US, WITHIN THE GROUP AND IN OUR SECTOR AND OUR COMMUNITIES, DETERMINE WHETHER OUR ACTIVITIES ARE SUSTAINABLE OR NOT, AND WHETHER WHAT WE DO INDIVIDUALLY AND COLLECTIVELY WILL HAVE CONTINUOUS POSITIVE IMPACTS FOR OUR NATION AND THE WORLD.



**OUR SUSTAINABILITY FRAMEWORK**

As a sustainability partner to host communities, mining sector entities, and the government, we share stewardship of not only economic development and the environment, but also the nurturing of local cultures, and the enhancement of health, education, and community empowerment. Many of our operations last for decades, and a social license to operate them is essential.

Sustainability is at the heart of everything we do. We put education, health and safety first, we are environmentally responsible, we respect human rights and we support host communities. Our approach to sustainability is defined by the Sustainability DNA in which we set the following five core principles at the center of our sustainability drive:

- o Corporate Mission: Sustainability programs must fulfill our mission to be a good corporate citizen
- o Strategic Support: Sustainability programs must serve as strategic intervention in support of business
- o Justifiable: Sustainability activities must be of the appropriate nature, scale and measurable effectiveness to bring positively beneficial impact to communities and the company
- o Effectively Managed: Sustainability programs must be properly developed, communicated, implemented, monitored and evaluated
- o Compliance: Sustainability programs must comply with prevailing laws and regulations

The focus areas of our sustainability programs and related partnership efforts are the 3+1 pillars of education, health, community empowerment, and the environment; while the subsidiaries, for whom environment is part of their Health, Safety and Environment (HSE) programs, stress the 3 pillars of education, health, and community empowerment in their sustainability activities.

Contractors working at our assets are required to comply with our health, safety, environment (HSE) standards and requirements. We also engage with and encourage our suppliers, agents and service providers to maintain business practices and workplace standards that are comparable to our own.

**SUSTAINABILITY GOVERNANCE**

Indika Energy believes that high standards of governance are critical to effectively applying our strategies to achieve long-term value and maintain our social license to operate. The Board of Directors (BOD) oversees our sustainability approach, while our Audit and Corporate Governance Committee undertakes comprehensive review of the BOD's corporate governance policies and their implementation consistency; especially in the case of business ethics and sustainability.

Within this context, Indika Energy annual Sustainability Panel, a high-level discussion forum on sustainability strategy, attended by all Directors-in-charge of sustainability within the Group, including Petrosea, Tripatra, MBSS, Indika Indonesia Resources, Indika Logistics and Cirebon Power, reviewed all 2017 programs and ongoing strategies for sustainability.

**INDIKA ENERGY CONSISTENTLY REACHES OUT TO AND INVOLVES ITSELF IN ITS HOST COMMUNITIES AND THE LARGER NATIONAL SCENE TO ADDRESS COLLECTIVE CONCERNS. NO ONE PERSON, NO ONE CORPORATE ENTITY, NO ONE COMMUNITY, NOR INSTITUTION IS AN ISLAND ALONE; TOGETHER WE ARE AN ARCHIPELAGO WITH COLLECTIVE RESOURCES AND KNOWLEDGE THAT CAN BE USED TOWARD SUSTAINABLE BENEFICIAL BUSINESS AND SOCIAL ADVANCEMENTS.**

**SUSTAINABILITY PLATFORM**

Our new Sustainability DNA Platform, developed and established Group-wide in 2016, on the basis of input and suggested solutions from all subsidiaries. In 2017, we continued to familiarize all of our subsidiaries' sustainability teams for program implementation, while consistently mapping out and communicating to them our directions and ongoing progress toward maximizing the effectiveness of our sustainability programs.

Going forward with the understanding that communication and cooperation enhance the Group synergy, this Sustainability DNA Platform is expected to bridge and link up the sustainability processes going on among the various subsidiaries to simplify sustainability program risk analysis, planning, approval, program implementation monitoring and evaluation.

**CONTRIBUTING TO SUSTAINABLE DEVELOPMENT**

As a globally active business entity, Indika Energy contributes to Indonesia's efforts to achieve the United Nations' 17 Sustainable Development Goals (SDGs) for the wellbeing of present and future generations through our business activities such as our products, our supply chain, our creation of employment opportunities and our voluntary social investment, as well as payments of taxes and royalties to host governments worldwide.



# EDUCATION

**WE STRONGLY BELIEVE THAT ASSISTING IN OPENING UP ACCESS TO EDUCATION WILL EMPOWER INDONESIA'S COMING GENERATIONS WITH THE KNOWLEDGE AND SKILLS THEY WILL NEED TO DEVELOP LIVELIHOODS AND CAREERS FOR THE BETTERMENT AND ADVANCEMENT OF THEIR COMMUNITIES, THEIR REGIONS, AND THE ENTIRE INDONESIAN ARCHIPELAGO FAR INTO THE FUTURE.**

## OUR APPROACH

Indika Energy is confident that our provision of opportunities to skill training not only for our employees, but for as many people as possible in the communities in our operational areas, as well as access to quality education for the local children, will trigger a ripple effect throughout Indonesia. By empowering individual community members to leverage useful knowledge to achieve more lucrative livelihoods, as well as gaining a greater understanding of important community issues, such as the need for adequate sanitation, the improvement of personal hygiene, and the achievement of appropriate levels of nutrition, Indika Energy can also open doors toward improved health and greater productivity and more viable livelihoods for generations to come.

We convinced that consistent emphasis on helping communities take these basic steps toward improved

community welfare overall is the best way to ensure continuous and sustainable economic progress throughout the nation.

## EDUCATING INDONESIA

Indika Energy Group, which consistently employs as many locals in our operations as possible, is well aware that providing jobs is just a part of fulfilling our good corporate citizen role in the communities around our areas of operations. For that reason, we are actively engaged in community development through enhancing not only the knowledge and skills of our employees, but also the educations of their children and other members of the community.

For children in rural Indonesia, one of the core advantages of formal learning is applying their newly gained knowledge to secure a coveted place on the ladder of continuing education that will enable them to

## CHANGING LIVES THROUGH EDUCATION IN MARISO

The conditions in Mariso, Makassar's most populated district are heartrending. The overall level of education is so low that the people there lack basic understanding of sanitation, hygiene, nutrition, which directly impacts their health and wellbeing.

Most of the populace is illiterate, which in tandem with the ingrained tradition of gambling – children are hooked into playing games of chance as early as ages 4 to 6 – results in communities entrenched in poverty, deprivation and illnesses that could be alleviated with better understanding of nutrition. Most Mariso residents, particularly the children, subsist on a nutritionally meager diet of instant foods and snacks heavy with chemical dyes and preservatives.

In the hopes of mitigating the situation in Mariso through identification of the roots of illiteracy and poverty and the development of appropriate solutions, Indika Energy linked up with Sokola, an organization facilitating community-based alternative education for customary peoples, to facilitate early childhood education, nutrition improvement, and skill development for youth and women.

Sokola countered the ubiquitous morning ritual of gambling among the very young with the provision of the free of charge Sokola early education centre (PAUD Sokola Pesisir).

To ensure that the playgroup had maximum impact, Sokola encouraged and facilitated the involvement of family members in the development of the youngsters, thus creating a communal sense of purpose. In time, the limited physical facilities provided for the budding education center required a move to a better location with more space.

Once this had been accomplished, Sokola was able to expand its efforts at community education beyond the playgroup activities. This was done through the provision of cooking lessons and knowledge of how to develop micro-scale healthy snack-making home industries to facilitate income generation among the young women in Mariso and simultaneously improve the nutritional status of the children living there.

Indika Energy and Sokola believe in applying the idea that change can best be enacted through providing people with the knowledge they need to work toward solving their community problems on a day to day basis.



### Facts:

**1,400+** students have participated in educative Cirebon Power plant study tours

**500+** employee children have become Indika Energy Group scholars

**100+** people have benefited from the Mobil Belajar program in Cirebon

**80+** children have been enrolled in Sokola early education centre

**300+** regencies across Indonesia have engaged with SabangMerauke for the benefit of local children

counter the long-entrenched cycle of poverty in their home regions and collectively contribute positively on local, regional and national levels.

For that reason, Indika Energy collaborates with Sokola, an organization facilitating community-based alternative education for indigenous peoples, to facilitate early childhood education, nutritional improvement, and skills development for youth and women in Mariso, Makassar. Thus far, more than 80 children and teenagers in Mariso have been enrolled in early childhood education and vocational training.

In 2017, we also engaged with SabangMerauke, an intra-nation student exchange program, to promote cultural diversity and reinforce the values of Bhinneka Tunggal Ika. This program not only attracted students, but also broadly impacted other communities. More than 1,000 people signed up to help this program either as younger brother/sister of SabangMerauke

(ASM), older brother/sister of SabangMerauke (KSM), or SabangMerauke (FSM) Family.

Beyond these collaborative efforts, Indika Energy provides educational assistance through the Educating the Nation's Children (Indika Energy Cerdaskan Anak Bangsa) program, which provides scholarships for children of employees who exhibit above average academic performance. This ongoing education program, which was launched in November 2012, provides communities in our operational areas the chance to achieve future prosperity through education. Currently, more than 500 students have received scholarships.

Going forward, Indika Energy Group expects to continue addressing existing problems in communities and empowering positive change through the education of as many people as possible in support of individual, community and national development.

## HEALTH FACILITY ASSISTANCE MAKES LIFE BETTER IN BINTUNI AND FAKFAK



### Facts:

In 2017, of the **102** lactating women in Kariangau, Balikpapan, **52** mothers (51%) succeeded at exclusive breastfeeding until their infants were six months old

The Balikpapan Municipal Government recognized the **Suka Asi** program in 2017 as an innovative sustainable program

Health is a basic human right recognized as a core element of human well-being throughout the world, including in the Indonesian archipelago, of which Papua, is an important part due to its natural resources and potential for development.

Tripatra, which is an Indika Energy subsidiary, operationally active in Papua through the Chiyoda, Saipem, Tripatra and Suluh Ardhi (CSTS) Consortium, is well aware of the challenges faced in providing sufficient health care in Papua overall and especially in its operational host communities of Bintuni and Fakfak.

For this reason, to provide better assistance for Papua, Tripatra has identified a number of medical core constraints. Among the most challenging issues is the dearth of adequately skilled medical professionals to provide proper care to the Bintuni and Fakfak communities, as well as poor distribution of medical supplies and medicines to the area, and especially the lack of nearby health care facilities. The health centers and hospitals are located at some distance away from the villages and other communities that require their services.

Tripatra collaborated with Medika Plaza Hospital to bring doctors from Bintuni and Fakfak regional general hospitals (RSUD) for medical training in Jakarta. Tripatra also has supported the enhancement of hospital facilities in Papua by providing Medical Checkup Unit (MCU) equipment for RSUD Bintuni and RSUD Fakfak.

The enhancement of the local doctor skills and the upgrading of medical facilities, medical standards and patient treatment capacities of the MCU at both of the regional hospitals, reflect Tripatra's concern for the health and well-being of the people living around its operational sites in Papua as well as the Tripatra's dedication to making a positive difference for local communities.

# HEALTH

**INDIKA ENERGY IS WELL AWARE THAT GOOD HEALTH IS A KEY ELEMENT IN THE DEVELOPMENT AND ADVANCEMENT OF PEOPLE LIVING IN BOTH URBAN AND RURAL COMMUNITIES ACROSS THE INDONESIAN ARCHIPELAGO. WE FOCUS MANY OF OUR SUSTAINABILITY EFFORTS ON FINDING WAYS TO ASSIST COMMUNITIES TO IMPROVE THEIR KNOWLEDGE OF THE NEED FOR PROPER SANITATION, HYGIENE AND NUTRITION.**

### OUR APPROACH

We believe that poor educational levels and lack of viable livelihoods are the main reasons for the critical health issues that Indonesia faces today. Health is a major concern both within our business operations and in our approach to the empowerment of the communities around us.

We are convinced that developing both education and health services can facilitate community empowerment through the creation of better educated and healthier individuals who can work more productively toward enhanced livelihood and community welfare going sustainably forward.

Indika Energy strives concertedly to put that awareness into action through identifying the roots of the health

problems in individual communities in its operational areas. In general, we have found that the core problem is a lack of basic health-related education. To address this, we have initiated programs for teaching the basics of hygiene, sanitation, and good nutrition to youngsters in the local schools along with their science and other pertinent subject matter, as well as improving knowledge of how to achieve better health in the larger community.

### HEALTH

Indika Energy believes that low levels of education in tandem with a lack of viable livelihoods exacerbate the health issues facing Indonesia today. For that reason, health is a major concern within our business and community empowerment approaches. We know that empowering our employees and the communities in

## PETROSEA PROMOTES INFANT HEALTH

In 2017, Petrosea implemented the Suka ASI infant health program promoting exclusive breastfeeding for newborns in Kariangau and Margomulyo subdistricts in Balikpapan to improve the health and wellbeing of families living in areas near its operational sites.

The Suka ASI Program was undertaken in collaboration with Kariangau Public Health Center (Puskesmas), whose personnel have earned respect through provision of consistent quality health care. It was expected that this partnership would ease access to target beneficiaries.

The Suka ASI program, which advocates the exclusive feeding of newborns for the first six months of life, was implemented by 45 exclusive breastfeeding activists with the facilitation of 10 motivators, originated from the beneficiary communities. These 55 advocates succeeded in creating 3 exclusive breastfeeding groups in Kariangau subdistrict alone in 2017.

This public awareness campaign, which was designed specifically to inform families of the efficacy of exclusive breastfeeding in the first six months of a child's life, has done much toward improving overall health and nutritional status among newborns despite the constraints existing in the communities themselves.

Throughout 2017, it became apparent that although one of the challenges in reaching the public was the limited number of Health Center workers in comparison to the size of the populace, a bigger problem was the lack of understanding of the need to ensure that newborns (aged 0-6 months) were getting the nutrition and immune system enhancement of breastmilk they required to develop optimally. Another major roadblock was the lack of support of working mothers from their husbands, parents and other immediate family members.

The Suka ASI team members soon realized that the best way to facilitate care for the mothers and their infants was to educate their husbands and fathers and to motivate them to support the exclusive provision of breast milk in the early months of life. This understanding enabled the team to focus their public awareness drive more effectively.

As a result, in 2017, as many as 52 lactating mothers (51%) from a total of 102 young women with newborns, succeeded in breastfeeding exclusively for at least 6 months. This success led the Balikpapan municipal government to recognize and honor the Suka ASI program among the most innovative of the sustainability efforts in the city.



Indika Energy has established programs in communities in our operational areas to teach the basics of hygiene, sanitation, and good nutrition, along with science and other pertinent school-curriculum based subject matter to children in local educational facilities. This is done with the expectation that the children will pass this information along to their parents and members of their extended families, creating a ripple effect toward better health and improved well-being in the larger community.

We also are convinced that developing both education and health education, services and infrastructure are effective ways to facilitate community empowerment and economic capacity by ensuring a healthier, more productive workforce and overall community welfare.

which they live with useful knowledge and understanding of sanitation, hygiene and good nutrition will enable them to achieve better health and productivity. In turn, these efforts will ensure better education, improved health, and viable livelihoods for generations to come.

Therefore we consistently undertake intense efforts to strengthen health infrastructure, including the development of Integrated Community Health Clinics (Posyandu) and the provision of health education in operational host communities. These efforts reflect our conviction that one of the key elements in improving the health and wellbeing of the people of Indonesia is improving and expanding health and medical services as a long-term investment in human resources, which can contribute to driving forward the economy development.

In this context, Petrosea, Indika Energy subsidiary, held a breastfeeding promotion program in Balikpapan, East Kalimantan, as part of its effort to improve public health in 2017. This was accomplished through a public awareness drive designed to inform local families, doctors and government officials of the benefits of breastmilk for infants. Additionally, Petrosea also made efforts to enhance health service provision to children by supporting local health agencies' efforts to improve the capability and capacity of Health Center personnel to provide better pediatric healthcare.

# COMMUNITY EMPOWERMENT

## CIREBON POWER COMMUNITY EDUCATION PROGRAM

As innovation powered technology evaporates the distance between nations and cultures, driving competition, education is becoming imperative for the community especially the young generation. Cirebon Power recognizes that the power plant does not only generate electricity and jobs, but it is an exemplary representation of today's technology, providing a perfect source of knowledge and learning experience for all.

Cirebon Power is a large-scale private power plant project in Indonesia, 1x660MW, with super-critical boiler technology that has been tested in terms of efficiency and emissions generated. Japan and other developed countries have also been using this technology.

However, the location of the power plant, which is surrounded by villages, makes impression that it will pollute the environment. Though super-critical technology boiler makes the power plant operate very clean and the rest of the ash produced is very minimal. Meanwhile, to cool the steam, Cirebon Power does not use direct-flow water to the power plant site. Cirebon Power uses a cooling tower that allows the maximum water-cooling cycle, so that the water released into the sea becomes less and cold, making it safe for the environment.

The second stage of this plant even uses a higher technology, the ultra-super critical boiler, which by using the same coal, ultra-super critical boilers can generate greater energy and also cleaner coal combustion.

But to explain the technology we use to the community is not relatively easy. Therefore, we need to continue educate the public, which include a site visit program that invites elementary to high school students to see the power plant directly to learn the process of electricity production to innovation and clean coal technology.

Since 2012, Cirebon Power opened its gates to learn energy generation, clean coal technology and technological innovations and has invited over 1,400 students to come and learn about the environmentally-friendly electricity generation in Cirebon Power. We want the plant to enlighten and enrich as many brilliant minds as possible. Not only students, Cirebon Power also regularly invited officials, members of the community and the media to visit our plant.

This is inline with the vision of Cirebon Power, which is not only to provide electricity but also to create dreams for young generations. We only succeed only if the people around us are also empowered, independent and sustainable. Engineers must continue to exist. It is our duty to help inspire our children.

### Facts:

Indorelawan has more than **52,000** volunteers, **500** partners and **1,460** activities

Petrosea has helped local entrepreneurs to produce up to **3,000** bottom plugs per month

Kideco has implemented its community empowerment and guidance programs in **71** villages

**INDIKA ENERGY BELIEVES THAT REACHING OUT A HELPING HAND TO THE PEOPLE LIVING IN ITS OPERATIONAL AREA BEGINS WITH LISTENING CAREFULLY TO WHAT THEY NEED IN TERMS OF ASSISTANCE TOWARD ESTABLISHING SUSTAINABLE POSITIVELY BENEFICIAL PROGRAMS FOR COMMUNITY EMPOWERMENT AND THE ENHANCEMENT OF OVERALL WELL-BEING.**

### OUR APPROACH

Indika Energy business strategies integrally encompass closely aligned sustainability programs toward the continuation of operations that take into consideration the need for educated, healthy and productive workers and the welfare of communities. We are well aware that community participation is an important factor in achieving the sustainability of our business and the enhancement of the conditions in local communities.

Indika Energy's community economic empowerment programs are based on the philosophy that helping people help themselves is the fastest way to help them

## KIDECO INTEGRATED FARMING

Throughout Kideco's more than 35 years of operation in Indonesia, Kideco has taken inspiration from an old saying from the Paser, East Kalimantan, community that goes "The future will be better than now". Kideco has embraced this expectation and has been striving to imbue its relationship with local communities with this powerful impetus for cooperation and collaboration for a better tomorrow.

In collaboration with Student Activity Units (UKM) university's agrarian development program, Kideco has engaged the community and local government to formulate programs of optimal benefit through which local farmers are provided with seeds, fertilizer, and agricultural tools, and training in various farming techniques.

Kideco's efforts, which also encompass agro-tourism development, have led to the first integrated farming program undertaken by a mining company in tandem with communities and institutions in its area of operations. They also assisted farmers in expanding their productive land areas from flat lands onto hillsides, where they learned how to cultivate tomatoes, spinach and other vegetables, along with fruit trees on fairly steep inclines, while raising ducks, chickens, goats and cattle, whose droppings are used to provide fertilizer for the plants.

Kideco also has assisted in developing a pleasant agro-tourism space for locals and tourists alike to relax, while providing a healthy environment for engaging children in educative activities and simultaneously growing the local economy. Kideco has further enhanced this integrated agricultural program by providing meeting rooms and training facilities for government institutions and companies, as well as formulating travel packages that offer not only eco-tourism spaces like a park and children's playground, but also facilities, such as the flying fox, and high rope for the enjoyment of tourists and local families.

Throughout 2017, Kideco has leveraged its sustainability principles to continue engaging with and empowering 71 village communities as effectively as possible through this integrated agriculture-education-tourism approach toward maximum benefit for the local people as a part of its ongoing commitment to the communities hosting its operational activities. Kideco is committed to consistently working shoulder-to-shoulder with the communities, local government and educational institutions to make the hope for a better future for Paser, East Kalimantan, a sustainable reality.

achieve more solid financial footing and the ability to support themselves independently and sustainably. As is the case with all of our sustainability activities, this betterment is achieved by determining what the communities need within the context of our long-term strategies toward sustainable operations that benefit all of our stakeholders. Once this is done, it is a matter of working with the community to develop programs that target their aspirations and enable their achievement.

### OUR COMMUNITY EMPOWERMENT PROGRAMS

All of Indika Energy Group sustainability programs are aligned with its business strategies towards establishing sustainable operations, which depend on educated, healthy and productive workers and the welfare of the local communities in which they live and interact.

As in previous years, in 2017 we continued to embrace empowering our operational communities and helping them to improve their capacities toward greater



prosperity through sustainable enhancement of skills and focused efforts at advancement. Toward this end, our subsidiaries have undertaken specifically targeted community empowerment activities in their individual operational regions.

Among these projects is Petrosea's drive to develop and empower the community in the area around its Kideco project in Paser Regency, East Kalimantan. In this region, Petrosea has helped local entrepreneurs to produce more than 3,000 bottom plugs per month, and is now assisting them by selling their products to contractors supporting the Kideco project. Kideco itself, has community empowerment program in 71 villages including the integrated farming program.

In addition since 2014, Indika Energy has been cooperating with

Indorelawan, a foundation dedicated to connecting social welfare organizations of all kinds with volunteers. Indorelawan's website, [www.indorelawan.org](http://www.indorelawan.org), enables organizations or communities seeking the assistance of appropriately skilled volunteers to reach out to potential volunteers to get help with meeting their needs. This same website assists volunteers in determining whether their skill sets, locations, and schedules match up by providing information about the types of projects and activities in need of their assistance. In 2017, Indorelawan had more than 52,000 volunteers, 500 partners and 1,460 activities registered on their online volunteer management platform.

We believe that carefully targeted and well organized community empowerment programs, based on input from local people like those mentioned above can lead to the continual initiation and facilitation of the establishment and maintenance of sustainable livelihoods among a wide range of individuals and communities well into the future.



# ENVIRONMENT

**INDIKA ENERGY UNDERSTANDS THAT NO MINING BUSINESS OPERATION ANYWHERE CAN REMAIN SUSTAINABLE WITHOUT KEEPING IN SERIOUS CONSIDERATION THE IMPACT OF ITS ONGOING ACTIVITIES ON THE ENVIRONMENT. FOR THIS REASON, WE MAKE EVERY EFFORT POSSIBLE TO MITIGATE OR REVERSE ANY POSSIBLE NEGATIVE IMPACTS OF ITS OPERATIONS THROUGHOUT INDONESIA.**

## OUR APPROACH

Indika Energy consistently evaluates its operational processes toward reducing pollution and waste because we understand that preserving a clean, safe, and healthy environment ensures the ability to sustainably meet the world's energy needs.

We are committed to finding and using every method and approach possible for the responsible mining and utilization of natural resources. We are also sincerely dedicated to minimize and mitigate all potential negative environmental impacts from our activities and operations to preserve and conserve the environment.

Beyond that, Indika Energy exerts every effort possible to consistently make the right decisions for the environment across the entire scope of our business activities; from the daily routines and strategic planning in our corporate offices to our ongoing in-the-field operations. We constantly look for and adopt the most effective and reliable mechanisms available to improve our internal standards for the creation of viable environmental management toward sustainability of operations and the well-being of the planet on which we all live.

## PROTECTING OUR ENVIRONMENT

Indika Energy proves that preserving the natural environment can be done in tandem with efforts to meet the world's energy needs. Our efforts to accomplish this involve making consistently positive decisions toward the sustainability of our efforts to improve our operational processes in order to reduce pollution and waste, conserve natural resources, and minimize any potential negative environmental impacts stemming from our activities and operations. In addition, Indika Energy emphasizes the innovative development of reliably effective mechanisms to improve our internal environmental management standards.

Our subsidiary, Kideco and our affiliate company Cirebon Power are exemplary in their strict adherence to global environmental standards and government regulations.

Kideco accomplishes this by conducting thorough analyses prior to the development of mining sites to mitigate any detrimental environmental impact from its mining operations. Kideco also has established a comprehensive mine closure program that covers not only environmental restoration, but also the training of farmers to enhance their agrarian skills, and the

## MBSS BAGAN ASAHAN BERSIH PROGRAM

MBSS, operating mining-related marine freight transfer and transportation services, is well aware of the sanitation and health problems that arise from the uncontrolled disposal of trash into the nation's waterways. For that reason, MBSS has undertaken collaboration with Bagan Asahan Village authorities to carry out a public awareness campaign called Clean Bagan Asahan to make the village community more aware of the need to keep their environment clean and free of rubbish to improve overall health for the local populace.

This cooperative effort to improve the health and well-being of villagers through mobilizing the active participation of all stakeholders in the Clean Bagan Asahan campaign was based on Presidential Decree No. 1 of 2017, concerning the Community Movement Program. This program mandates that marine sanitation and local governments work together with communities to improve sanitation and waste management.

Building on this administrative momentum, the Bagan Asahan Village administration, facilitated by MBSS, mobilized the public to clean up the beaches and establish better garbage, environmentally-friendly garbage disposal.

These efforts involved as many as 260 students, village stakeholders and naval personnel participated in the ensuing information rallies and cleanup activities, and resulted in the improved well-being of 1,000 families. These efforts, along with ongoing environmental hygiene assessment and hygiene counseling has led to the much improved cleanliness of the river channels used by MBSS' boats and barges,

MBSS has also assisted the local community through the provision of 6 permanent rubbish facilities, and 72 waste bins for 7 schools, as well as 1 three-wheeled garbage truck.

In 2017, in continuation of its ongoing support for this Community Movement Program, MBSS held the community wide Clean Environment Competition as part of its overall effort to ensure the sustainability of the Clean Bagan Asahan drive. This contest, carried out in cooperation with 10 appraisers from the local government, health agencies and the department of education, as well as Karang Taruna, was meant to further educate the public about the need for immediate changes in waste disposal behavior in 6 hamlets and 7 schools in the Bagan Asahan Village region.



### Facts:

In 2017, MBSS assisted more than **1,000** families in Bagan Asahan through its Bagan Asahan Bersih coastal environment cleanup and waste disposal program.

forward looking development of tourist-attractive eco-recreational facilities in a bid to grow the local economy.

Kideco also has established two plant nurseries near Roto, Samarangau and Susubang on a total combined area of 2.5 ha. These nurseries nurture more than 45 plant species and have the total capacity to produce over 800,000 trees per year to be used in post-operations mining site rehabilitation and general reforestation in the region.

Cirebon Power, a steam powered electricity plant with a capacity of 660 MW, is committed to optimally managing the aspects of its operation that could negatively impact the environment. For example, Cirebon Power is the first large coal-fired power plant in Indonesia to implement a closed cycle cooling tower for power plant cooling. This system prevents hot water from being discharged into the ocean, where it could affect organisms such as plankton and benthos, which are sensitive to hot water.

In addition, Indika Energy collaborates with Yayasan Scorpion Indonesia, a foundation which dedicates itself to preserving the natural environment and protecting endangered wildlife species across the Indonesian archipelago. Thus far, Indika Energy has assisted Yayasan Scorpion Indonesia in facilitating the return of nine poached and trafficked gibbons to their natural habitat in Sumatra.



# INDIKA FOUNDATION

INDIKA ENERGY, BOTH AS A BUSINESS ENTITY AND AS INDIVIDUAL MEMBER OF ITS SUBSIDIARIES AND CENTRAL HEADQUARTERS, IS DEDICATED CITIZENS OF THE REPUBLIC OF INDONESIA, WHICH ENCOMPASSES THE DIVERSITY OF THE VARIOUS TRIBAL AND ETHNIC COMMUNITIES MAKING UP ITS POPULACE: THE PEOPLE OF THE ARCHIPELAGO. ALTHOUGH, THERE ARE THOSE IN VARIOUS CIRCLES OF OUR POPULACE WHO WOULD EMPHASIZE THE DIFFERENCES AMONG US, WE BELIEVE THAT THE RICH DIVERSITY OF THE PEOPLE OF INDONESIA, IF HARNESSSED WITH UNIFIED EFFORTS THROUGH CULTURAL LINKS, WILL PROVE TO BE OUR GREATEST STRENGTH TOWARD FORGING A PEACEFUL PATH TOWARD THE BENEFIT OF ALL CITIZENS.



## TOLERANCE FOR INDONESIA

The unified identity of a diverse people is the essence of solidarity within a nation guided by the spiritual principles inherent in Indonesia's declaration of "Unity in Diversity". The people and the nation we build together in solidarity constitute an indivisible union whose sustainability is rooted in tolerance, respect for difference as elements mutually enriching of the whole, and a determined commitment to the vision of "one people, one nation and one language" that our forefathers formulated almost a century ago. Indika Energy embraces this heritage and the legacy of Pancasila; five guiding principles that place the good of the people and nation above that of any individual or group.

## THE ESTABLISHMENT OF INDIKA FOUNDATION

On 15 February 2017, in the midst of an increasingly challenging social climate of burgeoning divisiveness and intolerance, Indika Energy expanded its longstanding sustainability commitment and vision of a solidly unified Indonesia with the establishment of Indika Foundation.

Indika Foundation believes fundamentally that no individual is an island, nor is any business, community, social, religious or ethnic entity. All of us, no matter our backgrounds, are citizens of Indonesia, which means that we are part of a greater whole that must embrace diversity as an enriching factor, rather than focusing on divisive issues like race, ethnicity, religion, and social status. It is the individual and collective obligation of all Indonesians to contribute to building a solid and equitable civil society in our own ways through the empowerment of the nation's entire

populace with education, economic development, and greater efforts toward establishing sociopolitical, ethical and legal structures that embrace the rights of all citizens.

Indika Foundation prioritizes imbuing the people of Indonesia with a spirit of tolerance that fosters reciprocal respect toward the benefit of all based on the Unified Republic of Indonesia (NKRI) as stipulated in the 1945 Constitution and Pancasila state ideology.

We intend to accomplish this through a National Mission for the empowerment of Indonesia's diverse citizenry nationwide as reflected in the values and traditions of the archipelago. Indika Foundation will build on its well-established Good Corporate Citizenship and expand its efforts to forge strong links with community and donor partners to carry out programs that are justifiably based in the needs of the public, the mission of the foundation and the vision of donors.

**WE HAVE FAITH IN THE POTENTIAL OF INDONESIA TO HARNESS AND UNIFY THE CULTURAL ROOTS OF ITS DIVERSE PEOPLES IS BASED ON THE VISION AND EFFORTS OF OUR FOUNDING LEADERS TOWARD INDEPENDENCE FROM COLONIAL FORCES THAT DIVIDED US TO WEAKEN US, AND OUR OWN EXPERIENCE WITH BRINGING DIVERSE PEOPLE TOGETHER TO CREATE SOMETHING GREATER THAN THE SUM OF THE WHOLE.**

## INDIKA FOUNDATION PERFORMANCE HIGHLIGHTS

In 2017, Indika Foundation implemented a number of partnership initiatives programs, in particular the Tolerance program in collaboration with SabangMerauke as a good start toward introducing the spirit of tolerance into early age and youth education activities with the understanding that tolerance must be experienced and felt firsthand.

Indika Foundation also linked up with IndiVolunteer to convey the importance of tolerance through storytelling. Our volunteer storytellers entertain stories with significant messages, reaching out to school children in North Jakarta. Going forward, Indika Foundation plans to expand this effort into a roadshow to several cities nationwide.

Indika Foundation understands the value of volunteering for communal benefit, and also cooperates with Indorelawan in activities ranging from the annual Clean Up Jakarta Day to National Volunteer Month.

Even though we realize that our mission is idealistic and has only just begun, Indika Foundation is confident that our efforts will prove sustainable because we are already growing strong with thanks to the contributions and support of our donors, professional advisors and volunteers.



# OPERATING WITH ETHICS AND INTEGRITY

INDIKA ENERGY CONSISTENTLY ESTABLISHES AND DEVELOPS SUSTAINABLE SYSTEMS, PROCESSES AND BEHAVIORS THAT SUPPORT OUR COMMITMENT TO INTEGRITY AND ETHICAL OPERATIONS WITHIN ALL OF OUR CORPORATE ENDEAVORS, OUR ONSITE MINING AND ENERGY PRODUCTION, AND OUR CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES. WE ARE COMMITTED TO SUSTAINED GOOD CORPORATE GOVERNANCE (GCG) ON ALL LEVELS.

## BUSINESS CONDUCT

Operating responsibly and ethically as a corporate entity, listed on the Indonesian Stock Exchange (IDX) involves keeping our corporate values alive. We consistently deliver on our commitments to our shareholders, employees and host communities by demonstrating these values through our actions, processes, systems and interactions with all stakeholders.

This is clearly reflected in our strict adherence to the existing laws of the Republic of Indonesia, in particular the rulings and regulations relating to business and financial activities as monitored and enforced by The Financial Services Authority (OJK), Indonesian Stock Exchange (IDX), and other pertinent institutions. We are determined to continuously functioning in a balanced and sustainable manner in support of our business over the long term.

## BOARD OF COMMISSIONERS AND DIRECTORS

The Board of Commissioners (BOC) bears the mandate to oversee company-wide policy formulation and application covering all business endeavors. The BOC, in its capacity as the body monitoring and protecting the interests of the

Company, advises all Directors toward proper application of corporate policy. The Directors of the Company are responsible for guarding and supporting the interests of the Company in line with the precepts of GCG.

Remuneration for the members of the BOC as approved by the General Shareholders Meeting, is determined through internal corporate policy and pertinent regulations in line with industrial standards. The remuneration and monitoring processes for both the Board of Commissioners and Directors are overseen by the Audit and Corporate Governance Committee and the Human Capital, Risk and Investment committees to ensure proper management at all levels.

## DIVERSITY RULES

The makeup of the Company's workforce, including the membership of its Board of Commissioners and Directors, as well as of its Committees, strongly reflects the focus on diversity in Indika Energy overall values and code of ethic, which emphasize openness throughout our workforce to capable individuals regardless of their ethnic, cultural and educational backgrounds, their ages, religions,

social status, gender, and sexual orientation.

## COMPLIANCE POLICIES

Indika Energy is determined to comply fully with all human rights, anti-bribery and corruption regulations in an effort to ensure that our operational region communities and the nation benefit optimally from the development of natural resources. We understand that the energy industry must be especially vigilant regarding corruption risks due to the large sums spent on projects. For that reason, we have developed an e-learning zero-tolerance for corruption module that all employees are expected to complete. In addition, our Internal Audit and Risk Intelligence Challenge (RIC) teams carry out internal audits periodically.

## WHISTLEBLOWING SYSTEM

Indika Energy established a "whistle blowing" system for reporting ethical infractions and lack of adherence in December 2013. This system includes communication channels for reporting inappropriate behavior or failure to comply with corporate ethics or existing laws across all Indika Energy Group companies. With no reports filed in 2017, this

system is clearly reinforcing our reputation for ethical business.

## MEMBERSHIP AND CERTIFICATION

We prioritize our commitment to Health, Safety and Environment (HSE) through ethical operations in strict adherence to existing standards and regulations, including Environmental Impact Assessment. Our subsidiaries hold environmental management certificates such as ISO14001:2004. Together with our subsidiaries, we also hold membership in Indonesian Coal Mining Association (APBI-ICMA), Indonesian Mining Association (API-IMA), Indonesian Chamber of Commerce (KADIN), and Indonesian Contractors Association (AKI).

## TRANSPARENT STAKEHOLDER ENGAGEMENT BUILDS TRUST

Our business operations are based on trust. For that reason, we are dedicated to providing our stakeholders with meaningful information about our business in the public domain. Our approach to transparency is strongly grounded in our transparency principles of responsibility, openness, fairness and accountability.

Stakeholders	Interest	Engagement
Shareholders	<ul style="list-style-type: none"> <li>Opportunity for long-term growth</li> <li>Commitment to achieve sustainable</li> <li>Development goals</li> </ul>	<ul style="list-style-type: none"> <li>General Meeting of Shareholders</li> <li>Periodic communication</li> <li>Routine meetings</li> <li>Annual Report</li> <li>Sustainability Report</li> </ul>
Government/ Regulator	<ul style="list-style-type: none"> <li>Compliance with regulations</li> <li>Tri-sector partnership</li> <li>Monitoring of social and environmental performance</li> </ul>	<ul style="list-style-type: none"> <li>Official meetings</li> <li>Joint Program</li> <li>Performance reporting</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Occupational Health and Safety</li> <li>Career and remuneration</li> </ul>	<ul style="list-style-type: none"> <li>Performance Review</li> <li>Direct communication</li> <li>Internal media</li> <li>Education and training</li> <li>Annual Report</li> <li>Sustainability Report</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Collective Labor Agreement</li> <li>Prioritization for local content</li> <li>Transparency</li> </ul>	<ul style="list-style-type: none"> <li>Capacity building</li> <li>Publication and dissemination of performance reports</li> </ul>
Consumers	<ul style="list-style-type: none"> <li>Timeliness</li> <li>Product quality</li> <li>Waste management</li> </ul>	<ul style="list-style-type: none"> <li>Routine communication</li> <li>Technological innovation and technical support</li> <li>Dissemination of product information</li> </ul>
Communities	<ul style="list-style-type: none"> <li>Impact management</li> <li>Local manpower absorption</li> <li>Contribution to the community</li> <li>Capacity development</li> <li>Community development</li> </ul>	<ul style="list-style-type: none"> <li>Public consultation</li> <li>Participation in the management of community</li> <li>development programs</li> <li>Publication and dissemination of reports</li> </ul>
Media	<ul style="list-style-type: none"> <li>Disclosure of information</li> </ul>	<ul style="list-style-type: none"> <li>Public expose</li> <li>Media release</li> <li>Media gathering</li> <li>Media consultation</li> </ul>
NGO	<ul style="list-style-type: none"> <li>Social and environmental performance</li> <li>Tripartite partnership</li> </ul>	<ul style="list-style-type: none"> <li>Consultation</li> <li>Partnership</li> <li>Sustainability Report</li> </ul>

# RELENTLESS PURSUIT OF OPTIMAL SAFETY PERFORMANCE

## HOW WE ENSURE SAFETY FIRST

We keep its longstanding commitment to protecting and keeping its employees safe, as well as curtailing and mitigating negative environmental impact on operational site ecosystems and local communities. The safety of our workforce and the communities in which we operate is essential.

Our commitment to safety first across its operations is reflected in its I-Drive philosophy and Employee Handbook on Safety. I-Drive refers to the Indika Energy Group's HSE management system as applied in accordance with OHSAS 18001:2007 certification.

In compliance with regulations, our Health Safety and Environment (HSE) Committee has set out global safety priorities as a means for the group companies to apply high level standards HSE service standards in formulating management policies, identifying hazards, investigating accidents cases, and educating and motivating employees.

Our goal is zero fatalities. We aim to consistently achieve this by identifying common safety risks and their minimum mandatory controls. All of our subsidiaries are required to identify, mitigate and control risks specific to their operations. Critical controls are subject to ongoing review and verification, to make sure they are implemented appropriately within the framework of the standard required to effectively manage risk quickly through adequate preparation and clear points of escalation. This requires that our leaders spend time in the field observing at-risk activities and engaging with employees and contractors on how we can enhance our safety processes.

All our companies work hard to learn from safety incidents to prevent reoccurrence and ensure everyone goes home safe. For instance, in 2017, MBSS launched its Onboard and Onshore training programs that include four basic safety modules encompassing lessons-learned case studies.

## OUR SAFETY PERFORMANCE

Total Recordable Injury Rate (TRIR)  
*Number of injuries recorded per million hours worked*

	2015	2016	2017
Kideco	0.13	0.07	0.07
Multi Tambangjaya Utama	0.00	0.00	0.34
Petrosea	0.78	0.63	0.51
Tripatra	0.03	0.00	0.17
MBSS	1.29	3.45	2.62

## LOST TIME INJURY RATE (LTIR)

*Number of lost-time injuries per million hours worked*

	2015	2016	2017
Kideco	2.14	3.49	3.64
Multi Tambangjaya Utama	0.00	0.00	0.34
Petrosea	0.00	0.00	0.08
Tripatra	0.00	0.00	0.00
MBSS	1.00	0.29	0.52

SAFETY IS A PRIMARY CONCERN THROUGHOUT INDIKA ENERGY GROUP DUE TO THE VERY NATURE OF THE COAL MINING AND OIL & GAS SECTORS IN WHICH WE OPERATE. THIS CONCERN FOR THE SAFETY OF NOT ONLY OUR EMPLOYEES, BUT ALSO OF MEMBERS OF HOST COMMUNITIES AND THEIR LIVING ENVIRONMENTS DRIVES OUR CORPORATE POLICY AND ALL ACTIONS WE UNDERTAKE.

## SUSTAINING SAFETY

Our sustainability targets prioritize year-on-year Total Recordable Injury Frequency (TRIF) improvements, including setting minimum mandatory safety controls, as we continuously renew our commitment to establishing and maintaining a corporate culture and processes that support the achievement of zero work-related fatalities.

To ensure the sustainable development of the strict and effective safety culture that we aspire to, we have incorporated specific field leadership models into the leadership development tools provided to all our managers at all levels.



# PRIORITIZING WORKFORCE WELLBEING

INDIKA ENERGY IS COMMITTED IN MAXIMIZING THE WELL-BEING OF ALL MEMBERS OF ITS WORKFORCE THROUGH THE FOSTERING OF A COLLABORATIVE AND PRODUCTIVE WORKPLACE IN WHICH EMPLOYEES AT ALL LEVELS AND IN ALL OPERATIONAL REGIONS HAVE EQUALLY INPUT INTO OUR EFFORTS TO CONSISTENTLY DELIVER GREATER VALUE TO ALL OF OUR STAKEHOLDERS.

## OUR APPROACH

We consistently emphasize the recruitment and retention of people with leadership capability and highly functional expertise. We intentionally create and nurture a corporate culture in which our employees are highly valued for their contributions and provided with opportunities to develop fully for the overall enhancement of an optimally productive workforce.

Our approach in developing our workers at all levels and enabling them to cultivate their leadership capacities is a core aspect of our "step up" culture of inclusion and equal opportunity for advancement. This approach encompasses the empowerment of our people to speak up directly and integrally involve themselves in improving safety and productivity across Indika Energy Group.

Indika Energy is determined to create, cultivate and maintain the best possible workforce in our business sector; dedicated to the benefit of not only themselves and their colleagues, but also that of the people in the communities where we operate.

## OPTIMIZING INCLUSION AND DIVERSITY

We believe that embracing diversity in all aspect of our operations is key to ensure that capable individuals have the opportunity to fulfill their potential in a workplace that employs, develops and promotes everyone on the basis of merit. We do not tolerate any form of exclusion, unlawful discrimination, bullying or harassment. Our systems, processes and practices support fair treatment.

In addition, we work closely with our suppliers to identify opportunities for greater inclusion; for example, by collaborating with suppliers on the development of equipment to allow for handling by all operators, regardless of gender.

As of 31 December 2017, the gender composition of Indika Energy employees was increase by 20.5% women.

## EMPLOYEE RELATIONS

Mutual respect is the cornerstone of our approach to employee relations as we strive to achieve outcomes that are mutually beneficial for everyone across our operations. We are committed to full compliance with legislative

workplace requirements in the many jurisdictions in which we work and have individual and collective employment contract arrangements in place.

Our subsidiaries are covered by collective arrangements so that when labor disputes occur, we can ensure the safety of employees, while minimizing impact on customers. As well, Kideco and Petrosea each have instituted a Collective Labor Agreement and carry out annual discussions through management-labor communication channels. In addition, Kideco runs a training program toward strengthening human resource staff industrial relations competence.

## PRIORITIZING WORKFORCE WELL-BEING

Indika Energy consistently applies clear requirements to manage and protect the health and wellbeing of our workforce, and sets minimum mandatory controls to identify and manage health risks for both employees and contractors.

We strive to enhance the physical and mental wellbeing of our employees through the provision of preventative health measures,



such as sports facilities, healthy food alternatives, and a health awareness campaign. In addition, periodic medical checkups are conducted to detect signs of potential illness, as well as to assist our employees in recovery and management of illness resulting from workplace conditions.

## MANPOWER PERFORMANCE

	2016	2017
<b>Indika Energy Group employees by employment status</b>		
Total Indika Energy Group employees	5,930	7,132
Indika Energy Group permanent employees	4,253	4,536
Indika Energy Group temporary / contract employees	1,677	2,596
<b>Indika Energy Group employees by gender</b>		
Male	5,425	6,538
Female	505	594
<b>Indika Energy Group employees by educational background</b>		
Elementary to high school	3,904	4,648
Associates degree	404	525
Bachelor's degree	1,470	1,778
Master's degree	148	178
Doctorate	4	3
<b>Indika Energy Group employees by nationality</b>		
Indonesian	5,888	7,075
Expatriate	42	57

# ANNEX GRI G - 4 INDEX CORE

	DISCLOSURE OF GENERAL STANDARDS	PAGE		DISCLOSURE OF GENERAL STANDARDS	PAGE
G4-1, G4-2	Strategy and Analysis	14		<b>Governance</b>	
	<b>Organisational Profile</b>		G4-34	Governance structure of the organization	32
G4-3	Organizational Profile	15	G4-35	Delegating authority process for economic, environmental and social	32,33
G4-4	Primary brands, products, and/or services	14,15,16,17	G4-36	Appointed executive-level position or positions with responsibility for economic, environmental and social	32
G4-5	Location of organization's head office	7	G4-37	Consultation between stakeholders and the highest governance body on economic, environmental and social topics	32
G4-6	Number of locations where the organization operates	6	G4-38	Composition of the highest governance body and its committees	32
G4-7	Nature of ownership and legal form	6	G4-40	Nomination and selection processes for the highest governance body and its committees	32
G4-8	Markets served	14		<b>Ethical Integrity</b>	
G4-9	Scale of the reporting organization	6	G4-56	The organization's values, principles, standards and norms of behavior	14
G4-10	Total number of employees	18		Economic performance	
G4-11	Total employees covered by collective labor agreement	37	G4-EC1	Direct economic value generated and distributed	13
G4-12	Supply chain of the organization	14	G4-EC8	Understanding and describing significant indirect economic impacts, including the extent of impacts.	22 - 27
G4-16	List memberships of associations	33		<b>Environmental aspects</b>	
	<b>Materiality and purpose of the Report</b>		G4-EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	28, 29
G4-17	Entities included in the report	6	G4-EN12	Description of significant impacts of activities, products, and areas and areas of high biodiversity value outside protected areas. services on biodiversity in protected	28, 29
G4-18	Process of determining report content and boundaries	6	G4-EN13	Habitats protected or restored	28, 29
G4-19	Material aspects	7	G4-EN27	Environmental impact mitigation of products and services	28
G4-20	Boundaries of reporting the material aspects	6		<b>Social aspects</b>	
G4-23	Significant changes during the reporting period	6	G4-SO1	Local community engagement	26, 27
	Stakeholder engagement		G4-LA1	Total number of employee hires and employee turnover by age group, gender and region.	37
G4-24	List of stakeholder groups	33	G4-LA5	OHS joint committee	34, 35
G4-25	Basis for identification and grouping of stakeholders	33	G4-LA6	Injury rate	34
G4-26	Approach to stakeholder engagement	33			
G4-27	Stakeholders' key topics and concerns	33			
	<b>Report profile</b>				
G4-28	Reporting period	6			
G4-29	Date of most recent previous report	6			
G4-30	Reporting cycle	6			
G4-31	Contact point for questions regarding the report	7			
G4-32	GRI content index core option	28			

INDIKA ENERGY GROUP GREATLY APPRECIATES THE SUPPORT OF OUR PARTNERS



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