





SUSTAINABILITY  
REPORT 2012-2013  
PT ADARO INDONESIA

Delivering  
**POSITIVE ENERGY  
SUSTAINABLY**



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# About This Report

This is the Sustainability Report 2012-2013 of PT Adaro Indonesia which explains a lot of aspects related to our sustainability in the last two years. This report is published in both hard copy and soft copy, which is available on <http://www.adaro.com>.

With the issuance of the GRI G4 Sustainability Reporting Guidelines (GRI G4), we no longer refer to GRI G3.1. Therefore, we used no more application level and prepared this Sustainability Report based on the Core Option referring to GRI G4. We decided to use this option by considering data availability and the significant sustainability issues that we analyzed according to our company's characteristics.

The preparation of this Sustainability Report involved various internal functions in our company, such as Finance, Human Resources, Operations, and Corporate Social Responsibility, as well as external parties, such as Yayasan Adaro Bangun Negeri (YABN), external consultants and contractors that helped us determine the materiality of topics. The process of determining materiality in this Sustainability Report was done with reference to several factors, such as the significance of impacts on stakeholders, potential impacts that may occur, issues proximity to business characteristics, and the significance of issues that became the basis of stakeholders' assessments.

Sustainability Report of PT Adaro Indonesia for the year of 2012-2013 has been prepared in accordance with the core option of GRI Sustainability Reporting Guidelines G4.



## PERIOD, PUBLICATION OF PREVIOUS REPORT, THE REPORTING CYCLE [G4-28, G4-29, G4-30]

After publishing 2011 Sustainability Report of PT Adaro Indonesia in Bahasa Indonesia and English on July 30, 2012 and October 31, 2012, on our website, we publish PT Adaro Indonesia's Sustainability Report for the period of 2012 and 2013. Unlike the previous reports, which were annual, this time our report includes our sustainability information and performance of the last two years. In the future, we will continue to issue a Sustainability Report biennially.

## REPORTING SCOPE, BOUNDARY, AND RESTATEMENTS [G4-22, G4-23]

In general, there are no significant changes in the scope and boundary of this Sustainability Report compared to the previous. It still includes Adaro Indonesia's operational impacts and responsibilities in the planning process, exploration, mining, crushing and transportation of coal, which are carried out in the South and Central Kalimantan of Indonesia. For some material aspects, information is also collected from Adaro Indonesia's headquarter in Jakarta, the parent company PT Adaro Energy Tbk, and contractors.

In connection with the use of the GRI G4 Sustainability Reporting Guidelines, we expand the discussion on the identification and context of material issues as well as the management approach. We avoid issues and indicators that are considered less relevant and insignificant to our organization. Thus, we hope the readers can better understand our business characteristics and sustainability performance.

Furthermore, we understand that Sustainability Report preparation is not easy. Data availability and coordination between functions within the organization is the biggest challenge in preparing this report. Therefore, we acknowledge that there are some data from our previous Sustainability Reports that need to be restated in order to improve their accuracy. One example is the restatements of some economic and environmental data that we have updated. However, those restatements generally do not change our sustainability performance and meaning that have been presented in the previous Sustainability Reports.

**In connection with the use of the GRI G4 Sustainability Reporting Guidelines, we expand the discussion on the identification and context of material issues as well as the management approach.**

**GRI INDEX, ASSURANCE, AND REPORT APPROVAL [G4-32, G4-33, G4-48]**

To make the readers understand this Sustainability Report more easily, we have provided GRI Index recommended by GRI G4 at the end of this report. We do not include Assurance on this report; however, we have used actual data of existing conditions compiled by our internal team. In the future, we will consider having Assurance to increase our report credibility.

Before issuing this Sustainability Report, we have requested related parties within our company to do a review. This is our effort to ensure the validity of the presented data in describing our sustainability performance and initiative properly. Should there are any misstatements; we apologize for the inadvertent omission.

The President Director and the Board of Directors are the highest positions in the company who reviewed and approved the content of this Sustainability Report, including approving the material aspects to be reported. This is an indication that our management is committed to continuously encourage sustainability in PT Adaro Indonesia.

**CONTACT POINT REGARDING SUSTAINABILITY REPORT [G4-31]**

For stakeholders who need more information or want to give advice about our Sustainability Report, please contact:

**Corporate Secretary of PT Adaro Energy, Tbk**

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 Jl. HR Rasuna Said Blok X-5 Kav.1-2  
 Jakarta 12950, Indonesia  
 Phone +62 21 255 33 000  
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**CSR Department of PT Adaro Indonesia**

Dahai Office  
 PO Box TTB 110 Tanjung 71500  
 South Kalimantan, Indonesia  
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 E-mail csr@ptadaro.com

### Table of the Summary of Review on Sustainability Report 2012-2013 of PT Adaro Indonesia

Name and Position	Comments
Chia Ah Hoo <i>President Director</i>	A lot of social economic achievements are documented in Sustainability Report, and those must be communicated appropriately, especially to the main stakeholders namely the government, customers, community, and investors.
Budi Rahman <i>Operation Director</i>	Sustainability Report is Adaro's commitment to report social and environmental aspects in business transparently that motivates the company to make refinement gradually.
David Tendian <i>Finance Director</i>	Balancing of the interests of Profit, People and Planet becomes the major business challenge that never ends. In this Sustainability Report, all company's initiatives are documented systematically.
Edwin Tsang <i>Marketing Director</i>	Buyers really care for sustainability issues and require Sustainability Reports showing their partners' commitment to be responsibility for social and environment. Adaro is one of their business partners that regularly publish business performance and other sustainability-related aspects.
Leonard Lembong <i>Service and Strategy Director</i>	GRI G4-based Sustainability Report reflects Adaro's commitment focusing on significant issues in accordance with its business characteristics. It is Adaro's main strategy to consistently aiming on significant and material business issues.



# Foreword [G4-1]



Our strategy is to create community independence by strengthening the social, economic and environmental aspects in the community

*Chia Ah Hoo,  
President Director of PT Adaro Indonesia*

DEAR STAKEHOLDERS,

On behalf of the Board of Directors of PT Adaro Indonesia, I would like to express our gratitude to God Almighty over the publication of PT Adaro Indonesia's Sustainability Report for the period of 2012 and 2013. In line with the recent developments, we have prepared this Sustainability Report with reference to a widely-used guiding principle; Global Reporting Initiative Sustainability Reporting Guidelines version 4 (GRI G4).

Furthermore, taking into account the needs, business conditions, as well as technical and non-technical aspects in preparing sustainability report, we decided that this Sustainability Report should contain information about sustainability aspects of the last two years. This is unlike the previous reports, which were published annually. However, we believe that this Sustainability Report has no less functionality and benefits to our stakeholders.

## GLOBAL ISSUES AND OUR SUSTAINABILITY

In general, in a broader perspective, the global economy, world energy prices, environmental issues, and climate change have significant impacts on our sustainability. It will be good for our business if the American and European economies recover well. Industries will also absorb more coal supply if Asian economies, particularly in China, India and South East Asian Countries, continue to grow.

Moreover, another business challenge that we must face is the price of coal, which has decreased by more than 40% over the last two years. The fall in coal prices to below USD 80 has made it difficult for many coal mines to operate. By operating effectively and efficiently, we currently still have positive margins.

Besides the price of coal, world oil prices also affect the coal industry, where the coal is considered a low-cost energy source. Rising world oil prices will boost demand for coal, and vice versa. We do hope that these conditions will get better because low coal prices will increase the intensity of operations that would negatively affect the life of the deposit of mining site.

In addition, environmental concerns and global warming are still the critical issues. Our operations use open-pit mining mechanism that changes the landscape and it has significant impacts on the biodiversity in the mining areas. That becomes a concern for the stakeholders. Therefore, we strive to restore the biodiversity in the sites after the mining operations end.

Regarding climate change and its mitigation and adaptation, we see that at least for the next five years, new and renewable energy technologies will still be fairly expensive and the supply will not have been stable. Therefore, the use of coal as a low-cost energy source is still needed, especially in Asia. For the same reason, implementing good mining practices and development of green coal technology are still the choice of energy source at present.

At national level, Indonesia has good macro factors. Existing regulations are fairly supportive to the growth of coal industry. Demand for coal as an energy source for power plant is also high. This is why the domestic market is our main target, mainly to supply the power plants, particularly in Java.

#### PRIORITY ISSUES, VISION AND STRATEGIES FOR SUSTAINABILITY

The concept of profit, people and planet underlies our concern for sustainability. In accordance with our operational characteristics, our top priorities of sustainability issues include environmental protection, energy and water usage, community development,

occupational health and safety, human resource development, sustainability aspects of contractors, and economic performance. Other things that are immaterial, irrelevant, or outside the organization's scope of responsibility, such as forced labor, child labor, and ethical marketing of products, are not prioritized in our sustainability strategy.

Furthermore, we have a vision that our corporate activities should be in line with the principles of good corporate governance (GCG). This is the basis of our ethics to always have positive impacts on our stakeholders. Therefore, we implement a strategy to build the institution and equip it with the right business processes, especially in developing the competent and socially responsible human resources.

We also see that the harmonization of the company's operations and the environment is essential. Energy efficiency and the use of 10% biodiesel are our strategy to maintain company's profit margin while reducing the negative impact of operations on the environment. In addition, we also consider the use of gas as an alternative energy because its emission is relatively lower and the price is more affordable. To launch this initiative, we ask our contractors to be in line with our vision. This is probably one of the things that have not been done seriously by other mining companies.

What is more, our sustainability vision is also built for community development, especially those residing in the surrounding area of our operations. Our strategy is to create community independence by strengthening the social, economic and environmental aspects in the community, such as education, health, environmental hygiene, water availability, and the financial ability to improve their standards of living. Thus, in the long run, we hope that the people's lives can still go well even after we stop to operate and leave the mining sites.

## COMPLIANCE WITH REGULATIONS AND PRACTICE OF SUSTAINABLE MINING

Compliance with the regulations has become one of our pillars in implementing GCG in Adaro Indonesia. We strive to consistently comply with the law, including related environmental regulations set by Ministry of Environment, and Ministry of Energy and Mineral Resources. Our efforts to meet the rating criteria of PROPER, a voluntary program of the Ministry of Environment, show our willingness to do the best for our stakeholders.

In addition, we also implement sustainable mining practices in various operational aspects. These include meeting the international standards for mining operations, being efficient in the use of energy and capital goods, preventing water pollution, and managing waste properly. Every year we feel the needs to make continuous improvements in each of our business processes.

Furthermore, we have started doing internal benchmarking of our performance against the indicators used in Dow Jones Sustainability Index. One of the things that still need improvement is gender equality in our mining company. This is a challenge for us because Indonesian women's interest in mining industry is relatively low. Currently we can be proud of having Indriani Herliani as our Mine Water Management Section Head at the Strategic Planning Division. She is our youngest female employee with the fastest career advancement in Adaro Indonesia.

## PERFORMANCE AND EXPECTATIONS

Institutional development, in terms of economic, social, and environmental aspects was our target throughout the years of 2012 and 2013. Previously we only pursued growth, but now it is time to strengthen our vision, mission, values, and business processes of Adaro Indonesia as a company with competitive corporate culture.



In relation to that, our efforts in the last two years were also intended to maximize the operational effectiveness and efficiency. This was reflected in our energy use intensity that declined from 499.86 gigajoules/metric ton in 2012 to 461.17 gigajoules/metric ton in 2013 despite the increase of production tonnage.

In production, we recorded the sales of coal as much as 47.4 million tons in 2012 and 52.2 tons in 2013. Those results were achieved in the midst of difficult conditions caused by the declining of global coal prices. We are constantly working to increase the production capacity to 70 million tons of coal for the next year.

In term of human resources, we continue to make improvements and refinements. Together with our partners, we provide coaching and trainings to maximize the engagement of local employees in the company operations. We also reduced incidents of corruption and solved a number of social complaints. Improvements were made on occupational health and safety with the number of incidents declining from 437 cases in 2012 to 392 in 2013. Lost Day Rate also dropped from 6.71 to 4.54 during the reporting period.



Next, in the aspect of environment, reclamation of the used mining site in Paringin shows the encouraging results. We asked the Faculty of Forestry of the University of Lambungmangkurat to conduct research in this area. The result shows that Paringin area is already occupied by proboscis and 68 species of birds, 16 of which are protected.

Throughout 2012 and 2013, we remained committed to contribute to community's social, economic and cultural development. Although coal prices dropped and our revenue potential decreased, but the intensity of community development programs was not reduced. It was carried out in order to achieve the target of creating an independent community.

We would like to emphasize to the public that corporate social responsibility is part of our business strategy. In exercising our social responsibility, we always engage with the government and various groups of people in the society. This collaboration with the various parties to create shared values becomes the strength of our company.

## APPRECIATION TO THE STAKEHOLDERS

In general, we are satisfied with our economic, social and environmental performance in the last two years. Although we had a more challenging market, but we also had a stronger management. In finance and marketing we had a healthy funding and loyal buyers. We contributed to the country through tax and non-tax mechanism. Relationships with banks, investors and shareholders were also very good. We believe that our employees, contractors and local community still support the presence of Adaro Indonesia, and that is why we look at the long-term sustainability of this company with optimism.

Finally, we would like to thank our employees, contractors, and other partners who have worked together with us in running Adaro Indonesia's businesses. We would also like to extend our highest appreciation to the shareholders, investors, banks, and the buyers and users of our coal. Last but not least, we also thank the local community, central and local government, people representatives at national and local levels, media, associations, and other stakeholders for the support given to us.

Hopefully in the future, Adaro Indonesia can continue to carry out its activities based on economic, social, and environmental sustainability to improve the prosperity for all.

Jakarta, July 2014

**Chia Ah Hoo**  
*Presiden Director*  
PT ADARO INDONESIA



# OUR COMPANY

# / Company History and Profile

The history of our company, PT Adaro Indonesia (hereinafter referred to as "Adaro Indonesia") began with the cooperation between Enadimsa, a Spanish company, and Perum Tambang Batubara in a coal exploration project in Tanjung Subdistrict, South Kalimantan, in 1982. The name "Adaro" is derived from the name of a Spanish family who was famous in the country's mining industry. In 1989, New Hope from Australia and several Indonesian companies purchased Adaro Indonesia's shares and took over its coal mining concession management. Three years later, in 1992, Enadimsa released its entire ownership of Adaro Indonesia

Adaro Indonesia started using the trademark "Envirocoal" in 1990 for their coal product with low ash, sulfur and NOx content. In 1992, Adaro Indonesia commenced mining activities in a 385-square-meter mining concession area in Tabalong, South Kalimantan. No less than one million metric tons of Envirocoal 5000 was successfully extracted from Paringin mining site and sold that year. Now our main products are known as Envirocoal E5000 and E4000.

## E4000

### Proximate Analysis

Parameter	Basis	Unit	Typical
Moisture	ARB	%	40
Air Dried Moisture	ADB	%	20
Ash	ADB	%	3
Total Sulphur	ADB	%	0.2
Volatile Matter	ADB	%	40
Fixed Carbon	ADB	%	36
Calorific Value	GAR	kcal/kg	4,000
Calorific Value	NAR	kcal/kg	3,620
HGI	-	-	61

### Ultimate Analysis

Parameter	Basis	Unit	Typical
Carbon	DAF	%	72
Hydrogen	DAF	%	5
Nitrogen	DAF	%	0,9
Oxygen	DAF	%	21,8
Sulphur	DAF	%	0,3

### Ash Fusion Temperature C

Parameter	Basis	Unit	Typical
(Reducing Atmosphere)			
Deformation	-	°C	1,200
Hemisphere	-	°C	1,250
Flow	-	°C	1,310

### Ash Analysis

Parameter	Basis	Unit	Typical
Silicon - SiO <sub>2</sub>	DB	%	39
Aluminum - Al <sub>2</sub> O <sub>3</sub>	DB	%	17
Titanium - TiO <sub>2</sub>	DB	%	0,9
Iron - Fe <sub>2</sub> O <sub>3</sub>	DB	%	18
Calcium - Ca O	DB	%	10
Magnesium - Mg O	DB	%	6
Sodium - Na <sub>2</sub> O	DB	%	0,2
Pottasium - K <sub>2</sub> O	DB	%	0,7
Manganese - Mn <sub>3</sub> O <sub>4</sub>	DB	%	0,2
Phosphorus - P <sub>2</sub> O <sub>5</sub>	DB	%	0,2
Sulphates - SO <sub>3</sub>	DB	%	7,8

## E5000

### Proximate Analysis

Parameter	Basis	Unit	Typical
Moisture	ARB	%	26
Air Dried Moisture	ADB	%	14,5
Ash	ADB	%	2,5
Total Sulphur	ADB	%	0.1
Volatile Matter	ADB	%	43
Fixed Carbon	ADB	%	40
Calorific Value	GAR	kcal/kg	5,000
Calorific Value	NAR	kcal/kg	4,668
HGI	-	-	46

### Ultimate Analysis

Parameter	Basis	Unit	Typical
Carbon	DAF	%	74
Hydrogen	DAF	%	5
Nitrogen	DAF	%	0,9
Oxygen	DAF	%	20
Sulphur	DAF	%	0,1

### Ash Fusion Temperature C

Parameter	Basis	Unit	Typical
(Reducing Atmosphere)			
Deformation	-	°C	1,200
Hemisphere	-	°C	1,260
Flow	-	°C	1,340

### Ash Analysis

Parameter	Basis	Unit	Typical
Silicon - SiO <sub>2</sub>	DB	%	39
Aluminum - Al <sub>2</sub> O <sub>3</sub>	DB	%	13,5
Titanium - TiO <sub>2</sub>	DB	%	0,8
Iron - Fe <sub>2</sub> O <sub>3</sub>	DB	%	16
Calcium - Ca O	DB	%	15
Magnesium - Mg O	DB	%	7
Sodium - Na <sub>2</sub> O	DB	%	0,3
Pottasium - K <sub>2</sub> O	DB	%	0,9
Manganese - Mn <sub>3</sub> O <sub>4</sub>	DB	%	0,2
Phosphorus - P <sub>2</sub> O <sub>5</sub>	DB	%	0,2
Sulphates - SO <sub>3</sub>	DB	%	7,1

### Company Profile

Company name [G4-3]	PT Adaro Indonesia	
Products [G4-4]	Sub-bituminous coal	
	Envirocoal E5000 from Tutupan and Wara mining site	
	Envirocoal E4000 from Paringin mining site	
	Other coal products with certain specifications such as E4700 and E4500 Envirocoal	
Main Office [G4-5]	Name of Building	Menara Karya
	Floor	22-23
	Office Address	Jl. HR Rasuna Said, Blok X-5 Kav. 1-2
	Province	DKI Jakarta
	Postal Code	12950
	Country	Indonesia
	Telephone Number	(62) (21) 2553 3000
	Facsimile Number	(62) (21) 5211 266
	Email Address	corsec@ptadaro.com
	Website	<a href="http://www.adaro.com">http://www.adaro.com</a>

In 1996, Mission Energy, an American company, became the largest shareholder of Adaro Indonesia through MEC Indocoal BV. Five years later, after 10 years of operations, New Hope lowered their shares from 50% to 40.83% to comply with the Coal Contract of Work; making Indonesian the majority shareholder. From 2002 to 2003, PT Dianlia acquisitioned Adaro Indonesia's shares from 40% up to 51%. The following year, Adaro Indonesia's production capacity reached 24 million metric tons per year.

Afterwards, New Hope and MEC Indocoal BV sold all their shares to a consortium. Adaro Indonesia then legally became a subsidiary of PT Padang Kurnia, a company that was founded in 2004 as the consortium's vehicle to control Adaro Indonesia. Purchases through the consortium were the forerunner of Adaro Energy. Two years later, Adaro Indonesia's production capacity increased by more than 28% to 34.4 million metric tons.

In 2007, Adaro Indonesia was named National Vital Object (Obvitnas) according to the Decree of the Minister of Energy and Mineral Resources No. 1762 K/07/MEM on the Protection of National Vital Objects in the Energy and Mineral Resources Sector. Nowadays, we run our business based on a Coal Contract of Work (CCoW) that is valid until 2022.

In 2008, PT Padang Kurnia changed its name into PT Adaro Energy and became a public company that launched its Initial Public Offering (IPO) at Jakarta Stock Exchange in July of the same year. Out of the 35% of shares offering, PT Adaro Energy Tbk raised IDR 12.2 trillion in proceeds, which were then used to restructure the company and its subsidiaries. PT Adaro Indonesia has remained the largest subsidiary that contributes to 90% of the annual revenue of PT Adaro Energy, Tbk.

### OWNERSHIP AND LEGAL FORM [G4-7]

PT Adaro Indonesia is a private limited company 100% owned by PT Adaro Energy, Tbk. We conduct explorations, mining and coal sales based on Coal Contract of Work (CCoW) No. J2/JIDU/52/82 on November 16, 1982.

### OPERATIONAL AREAS, MARKETS SERVED, AND LEGAL COMPLIANCE RELATED TO PRODUCTS [G4-6, G4-8, G4-PR9]

Our main activities are mining operations, crushing and transport of coal in our operational areas in Central Kalimantan and South Kalimantan, Indonesia. To support the main operations, we have a head office in Jakarta and a representative office in Banjarmasin. Although we do not operate in other countries, we have coal distribution channels in Asia, America, and Europe. For this Sustainability Report, we gathered the majority of data and information from our main operations in Kalimantan, and a small portion of data, which we considered as significant enough, were taken from activities in Jakarta and Banjarmasin.

As we followed the laws and regulations related to coal production and sales throughout 2012 and 2013, we sold our coal both to domestic and international market. In 2012, most of our products were sold to Indonesia

(23%), India (15%) and Spain (12%). The following year, our biggest markets were Indonesia (21%), India (17%) and Japan (14%), while sales to Spain decreased by 8%. Our other export destinations included Malaysia, Thailand, Philippines, Hong Kong, China, Taiwan, South Korea, Switzerland, Italy, Germany, United States, and New Zealand.

The following table illustrates the composition of markets that were served in 2012 and 2013.

**Table of Composition of Markets Served in 2011-2013**

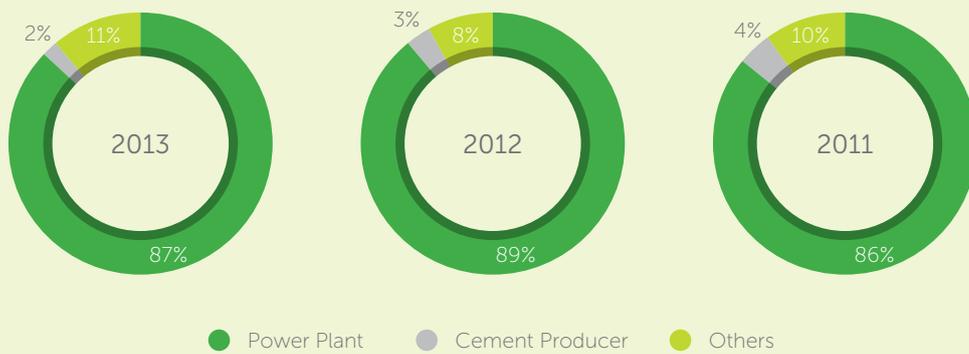
Country	2011	2012	2013
Indonesia	23%	23%	21%
India	10%	15%	17%
Spanyol	6%	12%	8%
Jepang	11%	9%	14%
Hong Kong	6%	8%	7%
Korea Selatan	5%	8%	7%
Tiongkok	9%	6%	10%
Malaysia	5%	5%	7%
Taiwan*)	6%	4%	
Amerika Serikat	7%	4%	3%
Lainnya	12%	6%	6%

\* In 2013, coal sales to Taiwan decreased and became small in percentage, thus it merged with the percentage of "Others"

Coal delivery through the haul road before the year of 1993



Diagram of Composition of Adaro Indonesia Coal Users in 2011-2013



In the last three years, more than 85% of our coal users were power plants. Other users were cement plants and other factories. Below is the diagram that shows the composition of our coal users.

**SUPPLY CHAIN [G4-12]**

Overall, our operational activities and supply chain can be described as follows:

1. Activities in the mining sites of Wara, Tutupan and Paringin.

We operate three mines in Tutupan, Paringin and Wara in South Kalimantan. Activities in the mining sites include exploration, mine planning and production, which involve blasting, removing surface layers, coal extraction, and stockpiling ROM (Run-of-Mine) in the mining areas to be transported by haul trucks to Kelanis. Exploration, mine planning and production control are the focus of our activities while five main contractors undertake the production activities.

Our main contractors in 2012 and 2013 were PT Pamapersada Nusantara (PAMA), PT Saptaindra Sejati (SIS), PT Bukit makmur Mandiri Utama (BUMA), PT Rahman Abdi Jaya (RA), dan PT Rante Mutiara Insani (RMI). SIS, a fully-owned subsidiary of PT Adaro Energy, Tbk, was in charge of a third of the mining activities. However, the biggest job portion was undertaken by PAMA.

The following is the percentage of each contractor's responsibility in our mining sites.

**Table of Contractor's Responsibility Percentage in Mining Sites in 2012-2013**

Contractor	2012	2013
PAMA	44%	40%
SIS	34%	35%
BUMA	13%	15%
RA	8%	9%
RMI	1%	1%

## 2. Coal Hauling to Kelanis

Coal is transported from the mining sites to Kelanis in Central Kalimantan by using haul trucks through the haul road. Therefore, it does not affect the public roads. Haul road to Kelanis, a crushing facility and river port, spans 80 km. Each haul truck has a capacity of 130 metric tons and the hauling is managed by five main contractors, namely PAMA, SIS, BUMA, RA and RMI.

Today, PAMA and SIS have the biggest responsibilities in our coal hauling. Through SIS, we can intervene to lower the transportation costs by reducing the average coal hauling cycle time. With this initiative, we managed to reduce the energy use for coal hauling by 2% per year.

The following table presents the percentage of coal hauling responsibility.

**Table of Contractor's Responsibility Percentage in Coal Hauling in 2012-2013**

Contractor	2012	2013
PAMA	37%	36%
SIS	35%	37%
BUMA	13%	12%
RA	13%	13%
RMI	2%	2%

The unloading process of the coal from the haul truck into the hopper in Kelanis.





### 3. Crushing, stockpiling and barge loading in Kelanis.

Arriving in Kelanis, the coal is poured into a hopper and then it is crushed into a maximum diameter of 50 mm. That is the ideal size for use in power plants. Once crushed, the coal is stockpiled at a yard before it is loaded onto the barges using conveyor belt.

We have our own crushing facility in Kelanis with the capacity reaching 10,500 metric tons per hour. In 2010, Kelanis could process 55 million metric tons of coal per year. We later increased the capacity up to 70 million metric tons per year. The first phase of construction was completed in 2013. Today, with more conveyor belts, the coal loading process onto barges reaches 14,000 metric tons per hour.

### 4. Transport of coal via river to Taboneo, Laut Island and buyers.

Coal already loaded onto barges is transported down the Barito River. A total of 75% of coal was transported to an open-sea anchorage Taboneo

at the mouth of Barito River, where buyers' vessels wait. A total of 20% of coal was shipped directly to domestic buyers via the Java Sea. The remaining 5% was taken to a storage facility in Laut Island.

Five contractors undertake the coal transshipment via the Barito River, namely PT Maritim Barito Perkasa (MBP), PT Pulau Seroja Jaya (PSJ), PT Rig Tenders Indonesia, Tbk (RTI), PT Mitrabahtera Segara Sejati (MBSS), and PT Meratus Advance Maritim (MDM). Approximately 45% of the river shipment was managed by MBP as a subsidiary of PT Adaro Energy, Tbk. In 2012, MBP transported 22.5 million metric tons of coal.

On average, we use barges with deadweight of 11,750 metric tons to transport coal. We also use large barges with deadweight of 18,000 metric tons in hope to reduce barge cycling time and save energy.

The maintenance of the shipping route along the Barito River is undertaken by PT Sarana Daya Mandiri (SDM), which is 51% owned by PT Adaro Energy Tbk.



Situation in Taboneo Open Sea Anchorage, the coal is transferred from a barge to a buyer's vessel.

Dredging is carried out along the 15-km river channel to maintain the depth so large barges may navigate. The Barito River is a coal shipping route that has been used by many companies. As many as 84.6 million metric tons of coal per year were transported via this route in 2012.

#### 5. Loading to buyers' vessels in Taboneo.

Coal transported by barges to Taboneo is directly loaded onto buyers' vessels. Some of these vessels have their own cranes to load the coal, but mostly the coal is loaded onto ships using floating cranes available in the open sea anchorage.

The work in Taboneo is undertaken by three main contractors, i.e. PT Maritim Barito Perkasa (MBP), PT Pelita Samudera Shipping (PSS), and PT Mitrabahtera Segara Sejati (MBSS). MBP was responsible for 50% of the work and the rest by PSS and MBSS.

#### 6. Coal unloading in Laut Island.

The coal that is not barged to buyers or transhipped to Taboneo is temporarily stored in Laut Island. PT Indonesia Bulk Terminal (IBT) has been managing the operational area in Laut Island since 1998. IBT, which is a subsidiary of PT Adaro Energy Tbk, operates one of the two terminals that are authorized to manage coal stockpiles in Indonesia.

IBT is capable to receive and store 12 million tons of coal per year. In collaboration with PT Shell Indonesia, IBT also has 80,000 Kl liquid fuel storage, which supports our operations. Work intensity at IBT decreases each year as activities in Taboneo increase. In 2012, IBT only used 4 million metric tons of its storage capacity and loaded coal onto 55 ships.

# DIAGRAM OF ADARO INDONESIA'S



EXPLORATION ACTIVITIES,  
MINE PLANNING AND PRODUCTION  
IN WARA, TUTUPAN AND PARINGIN  
(PAMA - SIS - BUMA - RA - RMI)



DIRECTLY DELIVERED  
TO BUYERS VIA THE JAVA SEA



TRANS SHIPPED TO  
THE OPEN SEA PORT IN TABONEO  
(MBP - PSS - MBSS)



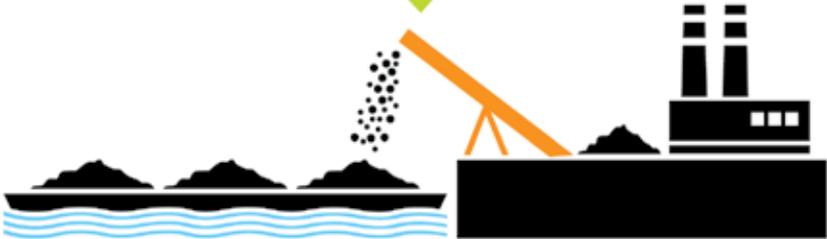
SENT TO LAUT  
ISLAND TERMINAL FACILITY  
(IBT)



# OPERATIONAL FLOW AND SUPPLY CHAIN



**COAL HAULING**  
(PAMA - SIS - BUMA - RA - RMI)



**CRUSHING ACTIVITIES  
AND BARGE LOADING IN KELANIS**



**THE TRANSPORT OF COAL  
VIA THE BARITO RIVER**  
(MBP - PSJ - RTI - MBSS - MDM - SDM)





Adaro Indonesia's Office on Km 73 is the workplace for the management to control the company's activities.

**THE SCALE OF ORGANIZATION, EMPLOYMENT, COLLECTIVE BARGAINING AGREEMENT [G4-9, G4-10, G4-LA12, G4-11]**

Overall, our company operates in Borneo and Java. But our significant activities, which are exploration, mine planning, coal production, crushing, barge loading and ship loading, as well as the transport of coal, are carried out in South and Central Kalimantan. Our management controls the whole activities from Dahai, Wara Km 73, and Jakarta. To facilitate operational coordination, we also have a Representative Office in Banjarmasin.

In 2012 and 2013, we had USD 2,927.4 million and USD 2,912.0 million assets respectively, while our liabilities in 2012 and 2013 stood at USD 2,508.3 million and USD 2,401.3 million.

The following table presents data on our business activities in Borneo and Java.

**Table of Adaro Indonesia's Activities**

Activity	Area	Island	Total Site
Exploration, mine planning and production of coal	Wara	Kalimantan	1
Exploration, mine planning and production of coal	Tutupan	Kalimantan	1
Exploration, mine planning and production of coal	Paringin	Kalimantan	1
Crushing and barge loading	Kelanis	Kalimantan	1
Loading to the buyers' vessels	Taboneo	Kalimantan	1
Temporary storage and loading to buyers' vessels	Pulau Laut	Kalimantan	1
Management activities, general and administrative	Dahai	Kalimantan	1
Management activities, general and administrative	Wara, Km 73	Kalimantan	1
Management activities, general and administrative	Jakarta	Jawa	1
Representative office	Banjarmasin	Kalimantan	1

In 2012 and 2013, we had USD 2,927.4 million and USD 2,912.0 million assets respectively, while our liabilities in 2012 and 2013 stood at USD 2,508.3 million and USD 2,401.3 million. Those numbers continued to increase since 2010. We also recorded revenues of USD 3,343.1 million and sales of USD 2,984.6 million in 2012. The decline in the average price of coal sales from over USD 120 in 2012 to below USD 80 in 2013 significantly affected our revenue in spite of the increased sales that year.

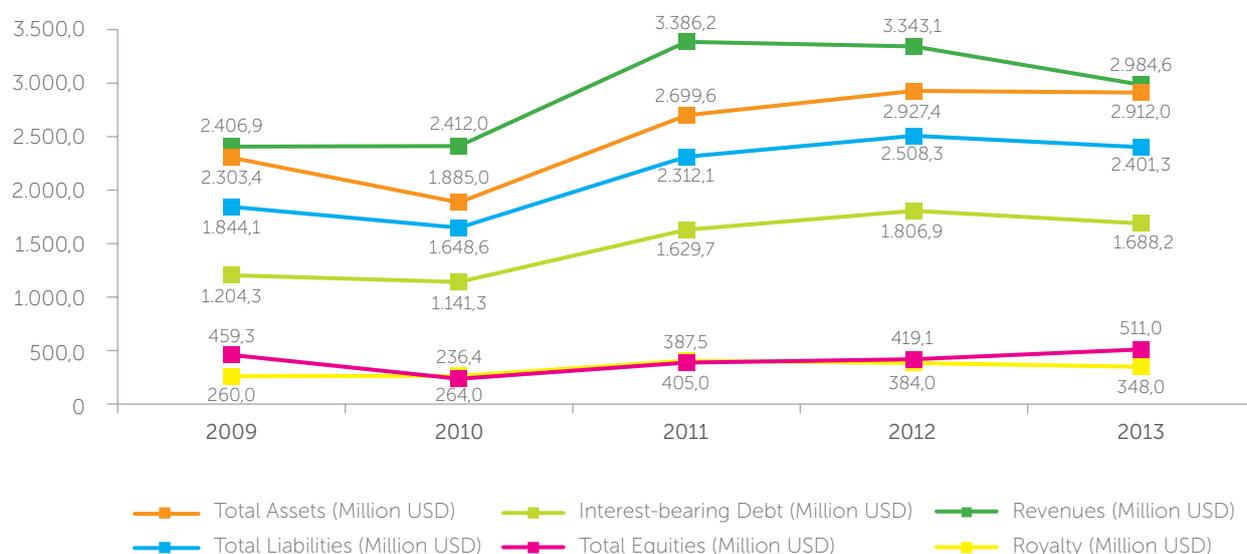
In line with the increase in assets, we have also increased our capital. Our total equity in 2012 and 2013 was amounted to USD 419.1 million and USD 511.0 million respectively. In addition, we also received loans that were used to run our business. Our interest-bearing debts stood at USD 1,806.9 in 2012 and USD 1,688.2 million in 2013.

The following table and graph displays data on the scale of the organization, especially in terms of finance, production and sales.

**Table of Adaro Indonesia's Scale of Organization based on Financial and Operational Indicators for 2009-2013**

	2009	2010	2011	2012	2013
Assets (Million USD)	2.303,4	1.885,0	2.699,6	2.927,4	2.912,0
Liabilities (Million USD)	1.844,1	1.648,6	2.312,1	2.508,3	2.401,3
Interest-bearing Debt (Million USD)	1.204,3	1.141,3	1.629,7	1.806,9	1.688,2
Equities (Million USD)	459,3	236,4	387,5	419,1	511,0
Revenues (Million USD)	2.406,9	2.412,0	3.386,2	3.343,1	2.984,6
Royalty (Million USD)	260,0	264,0	405,0	384,0	348,0
Coal Production (Ton)	40,6	42,2	47,7	47,2	52,3
Coal Sales (Ton)	41,1	42,5	47,2	47,4	52,2
Overburden (Mbcm)	208,5	225,9	299,3	331,5	294,9
Averaged Planned Strip Ratio	5,0	5,5	5,9	6,4	5,8

**Graph of Adaro Indonesia's Scale of Organization based on Financial Indicator 2009-2013**



In the last 2 years, we extracted coal from three areas, namely Tutupan, Wara and Paringin. According to JORC-Compliant Study in 2012, it was estimated that our coal reserves reached 921 million metric tons. In 2012, export sales reached 36.7 million tons, while domestic sales amounted to 10.7 million tons. The following year, we recorded export sales of 42.3 million tons and domestic sales of 9.9 million tons, which surpassed the Domestic Market Obligation mandated by the government.

In 2012 and 2013, our sales reached 47.4 million metric tons and 52.2 million metric tons respectively. E5000 Envirocoal continued to dominate our sales, contributing 37.7 million tons to sales in 2012 and 34.1 million tons in 2013. The sales of E4700 and E4900

### E5000 Envirocoal continued to dominate our sales, contributing 37.7 million tons to sales in 2012 and 34.1 million tons in 2013.

in 2013 amounted to 8.4 million metric tons, while the E4000 and E4500 recorded sales of 9.7 million tons and 9.6 million tons in 2012 and 2013 respectively.

The table and diagram below provides an overview of the composition of our coal sales by type of coal and market in 2012 and 2013.

Table of Sales by Types of Coal in 2012-2013

Coal Types	2011		2012		2013	
	Million Ton	Percent	Million Ton	Percent	Million Ton	Percent
E5000	41,7	88%	37,7	80%	34,1	65%
E4700 & E4900	-	0%	-	0%	8,4	16%
E4000 & E4500	5,5	12%	9,7	20%	9,6	18%
<b>Total Sales</b>	<b>47,2</b>	<b>100%</b>	<b>47,4</b>	<b>100%</b>	<b>52,2</b>	



In 2012 we had 863 full time, permanent employees in Kalimantan and in 2013 increased to 935. Most of our employees are operational staff and non-staff, while the rest are supervisors and the management. Although we practice non-discrimination, but we only have a small number of female employees because generally there are not many women interested in working in a mining company.

Even though we can hire professionals for some functions, the number is insignificant compared to our

total employees. In addition, the intensity of our work can be predicted and does not fluctuate extremely, so we do not have seasonal employees.

We maintain good relations with our employees by having a Collective Bargaining Agreement (*Perjanjian Kerja Bersama* or PKB), which applies to all employees who meet the requirements, e.g. having passed the probation. Thus, any industrial relations problems can be resolved through communication and negotiation.

**Table of Number of Employees in Adaro Indonesia by Positions in 2012 -2013**

Group Position	Total Employee Per 31 December			
	2012		2013	
	Male	Female	Male	Female
Management	60	4	63	4
Supervisor	111	6	146	12
Staff	206	42	206	41
Non Staff	417	17	437	26
Sub Total	794	69	852	83
<b>Total Employees</b>	<b>863</b>		<b>935</b>	

Note:

The above numbers do not include 78 and 107 employees in Jakarta in 2012 and 2013

**Table of Number of Adaro Indonesia's Employees by Types of Contract in 2012-2013**

Group Position	Total Employee Per 31 December			
	2012		2013	
	Male	Female	Male	Female
Permanent	690	45	741	61
Specified time contract	104	24	111	22
<i>Outsource</i>	655	13	596	7
<b>Total</b>	<b>1,449</b>	<b>82</b>	<b>1,448</b>	<b>90</b>

# / Values and Governance

ORGANIZATIONAL VALUES [G4-56]

## VISION

“To be a leading Indonesian mining and energy group”

## MISSION

We are in the business of mining and energy to:

- satisfy our customers’ needs
- develop our people
- partner with our suppliers
- support community and national development
- promote a safe and sustainable environment
- maximize shareholder value

We also have vision and mission in social responsibility which are inseparable from the vision and mission of our group. Our vision, which is “to be a company that can grow together with the community”, encourages us to continuously carry out sustainability initiatives for the community and the company.

To achieve this vision, we set our mission in social responsibility as follow:

1. Developing community entrepreneurship that can serves as support to families
2. Improving the quality of human resources based on educational level and quality of education.
3. Providing health services to improve community welfare.

4. Improving public access to self-actualization in religion, sports, arts and culture.
5. Providing infrastructures and means to accelerate educational, healthcare and socioreligious developments.
6. Institutionalizing CSR programs in community life to ensure their sustainability.

Furthermore, the vision and mission of our group is interpreted into the values that guide our company in building ethics, integrity and professionalism in the workplace. The values, available in Bahasa Indonesia and English, are expected to develop the integrity of our employees so as to prevent incidents of corruption. Each of our employees is required to understand these values since their joining Adaro Indonesia and is constantly reminded, formally and informally, to apply them in workplace.

One of our important corporate values is called I LOVE ADARO MORE, which emphasizes on five important aspects:

**1. Integrity**

- a. Protect the company's assets from fraud, theft, and unauthorized use.
- b. Prioritize the company's interest above the individual interest.
- c. Only provide factual data and information.

**2. Meritocracy**

- a. Compete fairly and ethically by building competence and delivering the best performance.
- b. Support subordinates' growth by giving equal opportunity.
- c. Appraise subordinates' performance objectively.

**3. Openness**

- a. Dare to express different opinions for the best interest of the company.
- b. Dare to admit mistakes and wrongdoings
- c. Welcome others' constructive inputs and feedback from others.

**4. Respect**

- a. Demonstrate good manners and avoid using offensive language.
- b. Treat everyone with respect and appreciate differences.
- c. Show respect to others by listening to them attentively.

**5. Excelent**

- a. Execute PDCA (Plan, Do, Check, Action) consistently to achieve company's objectives.
- b. Do the best to reach the optimal balance between quality and efficiency.
- c. Strive to exceed customer expectations.



## CORPORATE VALUES

- 1. Focus on Consumers
- 2. QCDS (Quality, Cost, Delivery, Safety)
- 3. ADARO IBT (Attitude, Determined, Adaptive, Responsive, Open minded, Integrity, Balanced, Team spirit)
- 4. PDCA (Plan, Do, Action, Check)
- 5. KISS (Keep It Simple Spirit)
- 6. MbL (Management by Love)
- 7. I Love Adaro MORE

**SUGGESTION AND GRIEVANCE MECHANISM [G4-57, G4-58]**

In our company, weekly, monthly and annual meetings are the primary channel for internal shareholders to make suggestions and report complaints to the management. In addition, employees and the trade union may also use the regular dialogues between Adaro Labor Organization (OPA) and the management. Issues or themes of discussion generally include employee welfare, work efficiency and effectiveness, and occupational health and safety.

Furthermore, in accordance with our characteristics as a coal mining company, we also have several mechanisms for suggestions and complaints from the external stakeholders. One of them is a communication line to the Corporate Secretary of PT Adaro Energy Tbk in Jakarta via e-mail [corsec@ptadaro.com](mailto:corsec@ptadaro.com). This means of communication can be utilized especially by the investors.

The mechanism for suggestions and complaints for external stakeholders in our operational areas in Kalimantan is explained in our Standard & Operational Procedure No. SOP: AI-SD-07-DHI on Public Complaints Handling. External parties can also submit recommendations or complaints in writing to us with the same information is sent to local government leader, at least the Village Head. By utilizing available communication lines, our stakeholders, i.e. employees, buyers, contractors, local communities or other relevant external parties, can make suggestions or report their complaints to us.

Every report made in our operational areas in Kalimantan is received by the Security Department or the Site Liaison Section. It will then be forwarded to the related department according to the issue or theme being reported. We will have a discussion, conduct an investigation, verification and mediation as needed to resolve the problem. Investigations are especially carried out for the cases of theft or accidents that may harm company's operations.



Adaro Indonesia's contact number in Kalimantan for complaints (call or text):  
+62 813 48622678 or +62 821 55123505

Throughout 2012 and 2013, reports received from stakeholders including economic, social and environmental issues. There were 68 reports received in 2012, 43 of which were related to land acquisition and 25 related to environmental disturbance. Thirty-nine land acquisition cases and 23 environmental disturbance cases were successfully resolved. In 2013, there were 148 reports comprising 69 land acquisition cases and 79 environmental disturbance cases. Thirty-three land acquisition cases and 49 environmental disturbance

cases were resolved. Besides the incoming reports in the last 2 years, no less than 72 cases that were reported before 2012 had also been successfully resolved.

#### PRECAUTIONARY PRINCIPLE [G4-14]

Adaro Indonesia runs its activities based on precautionary principle. It is implemented through the risk management of various aspects at strategic and operational levels, as shown by the following table.

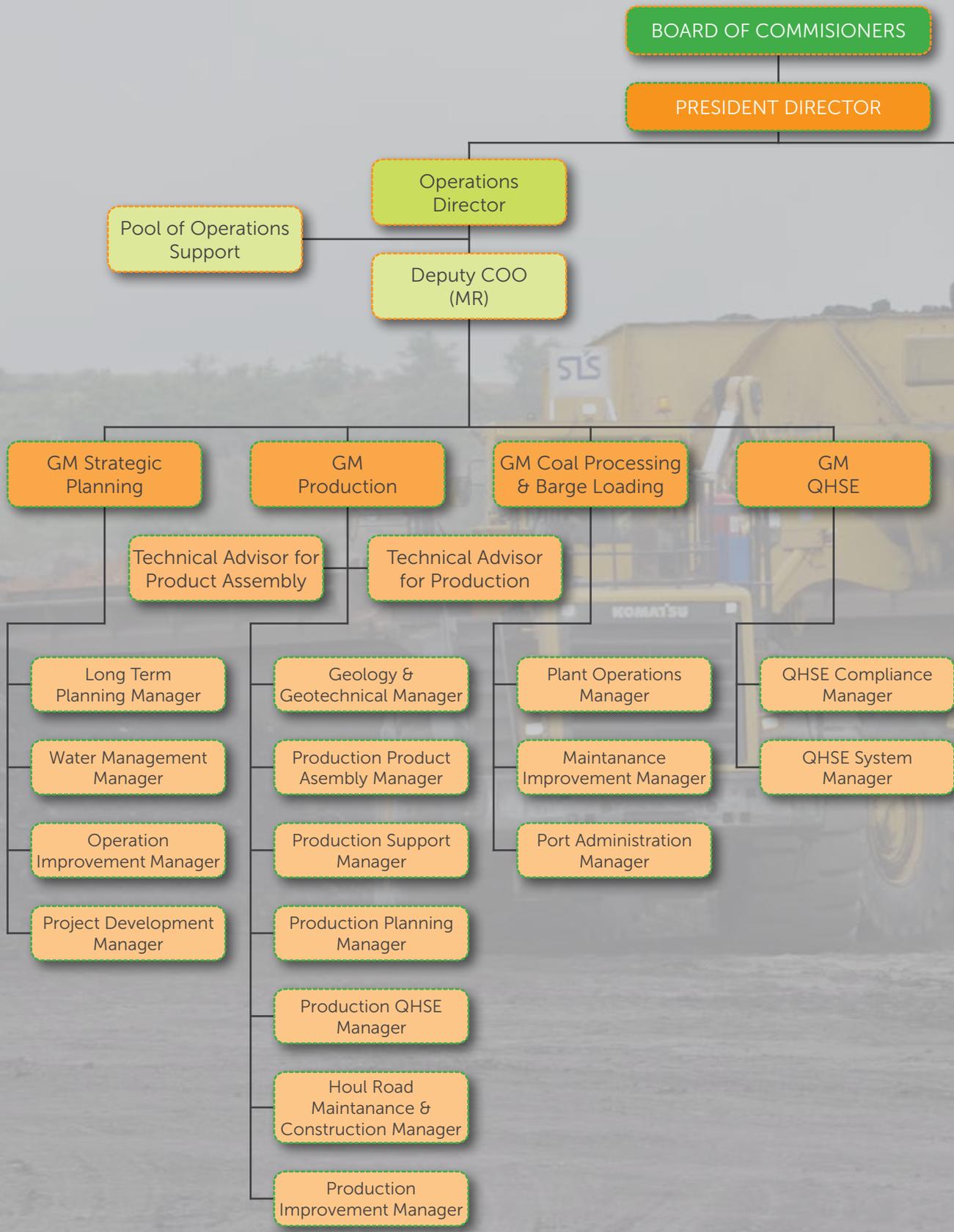
#### Table of Risks at Strategic Level

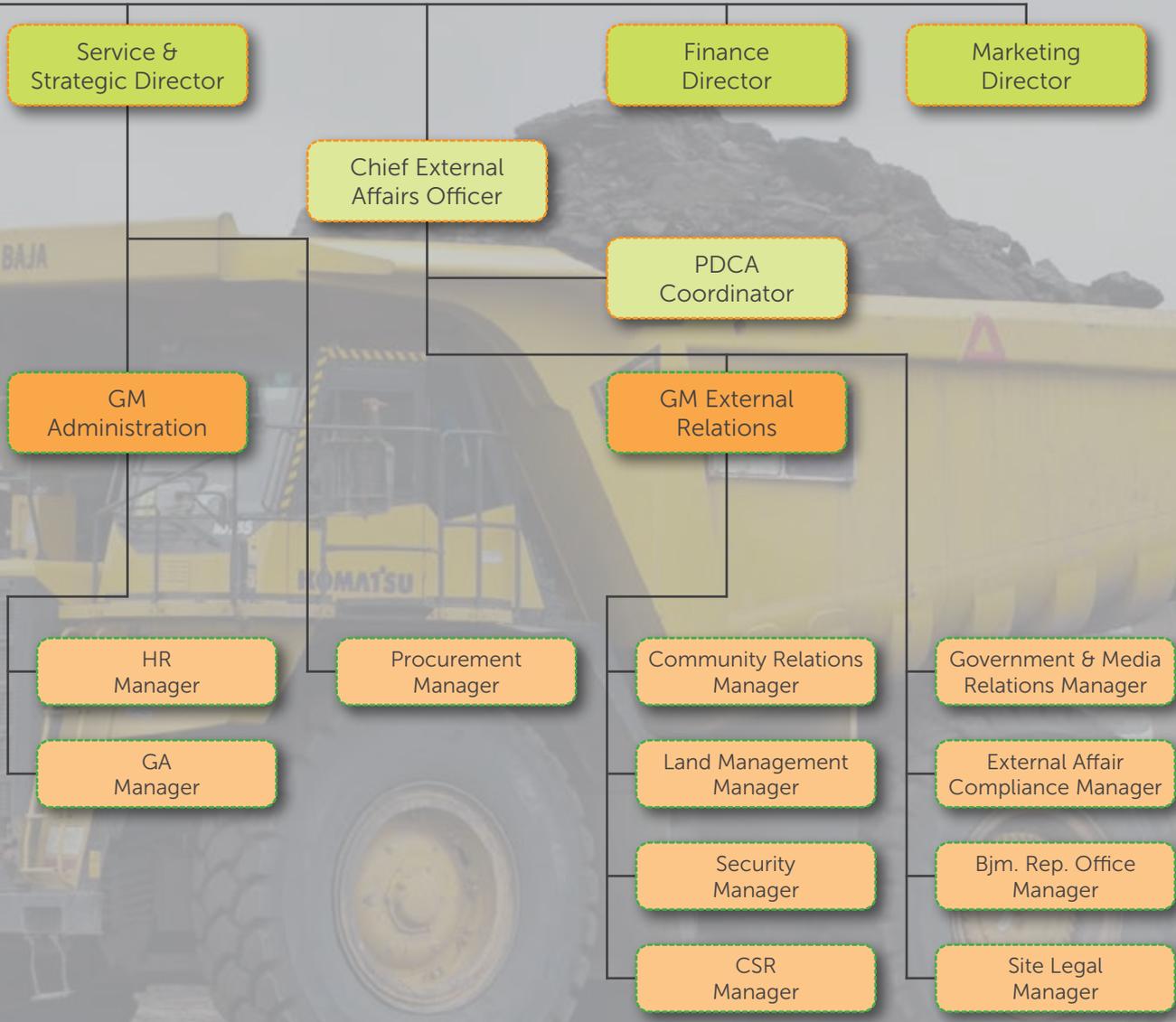
No.	Strategic risk	Mitigation
1	Political, legal and regulatory developments	Comply with all regulations, extend all license
2	The development of alternative energy technologies could reduce the demand for coal	Adaro Mining Technology (AMT) was established in 2011 to develop coal utilization technology
3	Global fluctuations in coal prices	Long-term coal contracts with annual price negotiations
4	Global economic crisis affecting the coal market	Geographical diversification of coal marketing to 15 countries
5	Currency fluctuations	Natural hedging by transacting mainly in USD
6	Fluctuations in interest rates	Interest rate swap contract with a fixed rate to protect interest payments to the partnering banks

#### Table of Risks at Operational Level

No.	Operational Risk	Mitigation
1	Abnormal and unseasonal weather patterns	Improve mine drainage and pumping, design haul roads with certain rock materials, hire a hydrologist to predict rainfall.
2	Disruption in fuel supply due to natural disasters, political situations or the weather	Create long-term fuel supply contract, collaborated with PT Shell Indonesia in 2009 to build fuel storage terminal at Laut Island
3	Damage to Overburden Crushing and Conveying System (OPCC)	Hire third-party experts to maintain Overburden Crushing and Conveying System (OPCC)
4	Incidents in the coal supply chain, such as fire, vandalism, natural disasters, etc.	Executing the Standard Operational Procedure for incident handling and Business Continuity Plan in the event of an incident
5	Shortage of experts, operators and other technical services personnel	Adaro Institute was founded in 2009 as a training center to meet the needs of human resources
6	Occupational health and safety and environment	Applying occupational health and safety and environmental management systems according to ISO 9001 standards
7	Relationships	Formed a partnership with the community through several community development programs in the areas of healthcare, education, economic improvement, and cultural promotion

# ORGANIZATIONAL STRUCTURE OF PT ADARO INDONESIA AS OF 31 DECEMBER 2013





## ORGANIZATIONAL STRUCTURE AND IMPORTANT COMPANY'S ORGANS [G4-34, G4-38]

Within the reporting period of 2012 and 2013, we made some changes in the composition of the Board of Commissioners and Board of Directors. We added one member into our Board of Commissioners from four people in 2012 to five in the following year. Each of them plays a role in monitoring the company businesses as well as the economic, social and environmental sustainability aspects as managed by the Board of Directors.

Working together with the Board of Commissioners is our Board of Directors, which consists of six members including the President Director as the main leader. Every member of the Board of Directors has their own duties and responsibilities, such as operations, finance, marketing, services and strategies. Throughout the reporting period, we did not have any independent commissioners or directors.

The following table contains information on our Board of Commissioners and Board of Directors in 2012 and 2013 as determined in the General Meeting of Shareholders.

Table of the Board of Commissioners of PT Adaro Indonesia

Board of Commissioners 2013	Board of Commissioners 2012	Position	Gender	Status
Garibaldi Tohir	Edwin Suryadjaya	President Commissioner	Male	Permanent
Christian Ariano Rachmat	Theodore Permadi Rachmat	Vice President Commissioner	Male	Permanent
Sandiaga Salahuddin Uno	Ir. Subianto	Commissioner	Male	Permanent
M Syah Indra Aman	N/A	Commissioner	Male	Permanent

Table of the Board of Directors of PT Adaro Indonesia

Board of Directors 2013	Board of Directors 2012	Position	Gender	Status
Chia Ah Hoo	Garibaldi Tohir	President Director	Male	Permanent
Budi Rahman	Christian Ariano Rachmat	Vice President Director	Male	Permanent
David Tendian	Sandiaga Salahuddin Uno	Director	Male	Permanent
Edwin Tsang	David Tendian	Director	Male	Permanent
Leonard Lembong	Chia Ah Hoo	Director	Male	Permanent
Julius Aslan	Edwin Tsang	Director	Male	Permanent

Situation of Adaro Indonesia's crushing plant at night. Adaro Indonesia recorded 47.4 tons and 52.2 tons of coal sales in 2012 and 2013 respectively.



# / Changes and Achievements

## SIGNIFICANT CHANGES [G4-13]

There were no significant changes in our core business and operational processes throughout 2012 and 2013. We did not reduce, add, nor change our operational areas that might significantly affect our sustainability vision and mission. The change in the composition of our Board of Commissioners and Board of Directors was part of our business strategy to improve organizational performance. In the last two years, we also have utilized the power plant 2x30 megawatt that our parent company Adaro Energy built in Tanjung. These changes do not decrease our commitment to sustainability.

## ACHIEVEMENTS

Throughout 2012 and 2013, we recorded a number of encouraging achievements in the economic, social and environmental aspects. Amid the difficult condition in coal industry due to the decline in coal prices, our coal sales reached 47.4 million tons in 2012 and 52.2 tons in 2013. Furthermore, we also successfully managed to reduce the intensity of our energy use from 499.86 gigajoules/metric ton in 2012 to 461.17 gigajoules/metric ton in 2013.

In the environmental aspect, our post-mining rehabilitation efforts in Paringin area have shown promising results. According to a research conducted by the Faculty of Forestry of the University of

Lambungmangkurat, Paringin area has become a habitat for Proboscis Monkeys and 68 species of birds, 16 of which are protected. In general, our achievement in the environmental aspect is satisfactory. This is reflected in the lack of public complaints about negative environmental impacts in our operational area.

Also in 2013, we witnessed a decline in the number of incidents of corruption and resolved several social complaints. Improvement was also seen in terms of occupational health and safety as the number of incidents decreased from 437 cases in 2012 to 392 in 2013, and fatal accidents declined from three cases in 2012 to two in 2013. Lost Day Rate was also reduced from 6.71 to 4.54 during the reporting period.

Our achievements as well as shortcomings throughout 2012 and 2013 serve as valuable lessons to improve the sustainability of our company and the community. The experience has been acknowledged internally and externally in order to maximize positive impacts and minimize negative impacts of the existence of the company. This is certainly part of our social responsibility vision to create an independent society in the long run, even after our operation ends.

**In the environmental aspect, our post-mining rehabilitation efforts in Paringin area have shown promising results. According to a research conducted by the Faculty of Forestry of the University of Lambungmangkurat, Paringin area has become a habitat for Proboscis Monkeys and 68 species of birds, 16 of which are protected.**



OUR SUSTAINABILITY

# / Sustainability Context and Limitations

## DESCRIPTION, OPPORTUNITIES, RISKS AND IMPACTS OF SUSTAINABILITY ASPECTS [G4-2]

Our company, Adaro Indonesia, is supported by a parent company, PT Adaro Energy Tbk, the business of which is integrated vertically from the coal mining to power plant. This results in efficient operations. With large sub-bituminous coal resources and reserves, solid financial foundation, efficient operations, and long-term sales contracts, we have successfully recorded a track record of good business growth. Commitment and cooperation between shareholders, management, workers and reliable suppliers result in good performance, not only in generating profit, but also in sustainability aspects.

A high demand for coal in the electricity industry also supports our company's sustainability in a volatile coal market. Energy demand in the Asia Pacific region opens a large opportunity for coal sales. The latest boiler technology also allows the use of sub-bituminous coal as fuel. Our Envirocoal that contains less ash and is less polluting compared to other coal is one of our competitive advantages. It improves our chances to compete in the coal market, especially as the current environmental standards become more stringent.

In order to reach for and take advantage of this great opportunity, obviously we need to maintain and handle our business risks. Potential regulatory changes are one of the challenges we face. We also have to deal with the risks arising from the supply and demand cycle, market fluctuations, coal prices, the global economic slowdown, and the potential for additional supply of coal from China, India, and Mongolia. The increasing concerns for environment, the release of carbon emission and greenhouse gases, as well as the development of alternative energy technologies that are more environmentally friendly have also become our concerns.

From the operational side, our site is located far from the sea transportation network. This certainly adds to operational costs and has social and environmental impacts that need to be addressed. The whole process from mine planning to the delivery of coal to buyers or users also requires specific skills and is highly risky. In addition, we also undertake open-pit mining by making use of heavy equipment and machineries that use considerable amount of energy, especially fossil fuel.

With the business characteristics, opportunities and risks that we have, we are trying to address the various economic, social and environmental impacts. Environmental management includes the aspect of biodiversity that needs to be considered at the set up and the end of mining operations (post-mining). Furthermore, the management of waste and pollution, as well as addressing energy and water is also well-practiced.

Employee welfare, human resources development and freedom of association are the pillars of our human resource excellence. We manage occupational health and safety using our own system that refers to international standards, namely ASEP (Adaro Safety and Environmental Protection). We also address various social issues using social approaches, such as community development and Corporate Social Responsibility programs. There are many more sustainability impacts that we organize, all of which are executed with high commitment and by taking into account stakeholders' expectations and the alignment with our sustainability strategy.

# / Stakeholders

We fully understand that the sustainability of our business depends on stakeholders' support for our mining operations and other related activities. Therefore, we need to maintain a good relationship and work together with internal and external stakeholders. We have identified and maintained relationships with a number of stakeholder groups that are highly relevant and significant for our business, i.e. employees, parent company, the public, non-governmental organization (NGOs), educational institutions, local governments, the Regional House of Representatives (Dewan Perwakilan Rakyat Daerah), the media, and the coal buyers or users.

## IDENTIFICATION OF STAKEHOLDERS [G4-24, G4-25]

Stakeholder identification process is generally performed in accordance with a number of criteria. One of which is the relevance and significance of stakeholders according to their proficiency, competence, legality, authority and influence on Adaro Indonesia's business. This category includes employees, business partners, parent company and shareholders, local governments, the Regional House of Representatives (DPRD), the media, educational institutions, Non-Governmental Organizations (NGOs), and the coal buyers or users.

Other criteria used in identifying stakeholders are the closeness to Adaro Indonesia and the extent of their impact on Adaro Indonesia's operations. This category includes the public, especially the local community living around the mining sites.

## CONSULTATION PROCESS AND STAKEHOLDERS ENGAGEMENT [G4-26, G4-37]

Our approach in establishing a good relationship with each stakeholder group is tailored to the needs, issues, impacts and the characteristics of the stakeholders group. For example we engage the community in planning the community development programs from the beginning to the implementation, monitoring and evaluation of programs. Together with the community we also agree on the programs that will be implemented based on a Regent's Decree (*Surat Ketetapan Bupati*).

Furthermore, in keeping a good relationship with stakeholders, we also engage with women and the natives. We do this with the indigenous Banjar and Dayak people in the Ring I of mining sites. Another program of ours is a waste bank, which involves women as the program administrators and initiators. To ensure the smooth running of our community development programs, we conduct direct monitoring to evaluate the implementation of programs. The results from evaluation will become the inputs in preparing the subsequent programs.

**Sustainability of our business depends on stakeholders' support for our mining operations and other related activities.**

Table of Stakeholders, Consultation and Engagement

Stakeholder	Stakeholder Representative	Forms of Consultation and Engagement Methods
Employees	Adaro Labor Organization	<ul style="list-style-type: none"> <li>• General discussion with employees, twice a year</li> <li>• Regular meetings with Adaro Labor Organization, quarterly</li> </ul>
Business partners, including contractors	n/a	<ul style="list-style-type: none"> <li>• Each business partner communicates directly.</li> </ul>
Parent company, Shareholders, Investors	PT Adaro Energy as the parent company and shareholder	<ul style="list-style-type: none"> <li>• Maintaining good relations and intensive communication with the capital market</li> <li>• Periodically and as needed publish Quarterly Activity Report, Financial Press Release, Press Release, hold Investor Gathering, and organizing Site Visit</li> </ul>
Community	The community can communicate directly, through the Village Development Committee, or represented by local government	<ul style="list-style-type: none"> <li>• Maintaining good relations and intensive communication</li> <li>• Engaging the community in CSR programs and periodic evaluation by program managers</li> <li>• Organizing annual CSR program planning dialogue involving the government, community, NGOs, and Adaro Indonesia with its partners.</li> </ul>
Governmental Organization (NGO)	Each NGO can communicate directly	<ul style="list-style-type: none"> <li>• Maintaining good relations and intensive communication</li> <li>• Engaging NGOs in CSR programs and periodic evaluation by program managers</li> <li>• Organizing annual CSR program planning dialogue involving the government, community, NGOs, and Adaro Indonesia with its partners.</li> </ul>
Local Government	Regents and Departments according to the issues and needs	<ul style="list-style-type: none"> <li>• Maintaining good relationships and intensive communication by the External Affairs / Relations</li> <li>• Organizing meetings as needed</li> <li>• Exchanging information intensively</li> </ul>
Central Government	Ministry of Energy and Mineral Resources, Ministry of Forestry, Ministry of Environment, Ministry of Transportation, Ministry of Trade	<ul style="list-style-type: none"> <li>• Maintaining good relationships and intensive communication with the External Affairs / Relations</li> <li>• Organizing meetings as needed</li> <li>• Exchanging information intensively</li> </ul>
Regional House of Representatives (DPRD)	Commission IV of Forestry and Commission VII of Energy and Mines	<ul style="list-style-type: none"> <li>• Maintaining good relationships and intensive communication with the External Affairs / Relations</li> <li>• Organizing meetings as needed</li> <li>• Attending the public hearing</li> </ul>



A poultryman in Tabalong has become a beneficiary of Adaro Indonesia's CSR Program. In designing the CSR Program, Adaro Indonesia engages with the community extensively and their needs and wants are fully respected.

We extensively engage the community in our Corporate Social Responsibility programs since the initial planning so they can be tailored to the community's needs and preferences. These include educational, healthcare, economic, and sociocultural programs. Then, the

impacts and success of those programs are measured in a study of Community Development Index.

The following are aspects of community development and the stakeholder engagement

### Table of Community Development and Stakeholder Engagement

Aspect of Community Development	Stakeholder Engagement
Community economic development planning, which includes people's income, access to social and public facilities, infrastructures, access to capital, management of natural resources, and access to education and training.	Stakeholders, including the community, are involved in program formulation meeting with the developer team. In addition, CSR Officer communicates directly with the public to know / explore community's needs and preferences.
Coordination with various institutions, such as poverty reduction and natural resource management.	Relevant stakeholders, such as the Department of Education, Department of Health, the acceleration team of poverty reduction, and universities are involved in the program according to their respective capabilities.
Identifying and protecting important resources for the local community, such as water, flora and fauna	Inputs from stakeholders, including the community, form the basis for identifying important resources and the management planning. Universities are also involved in the study of resource management and the flora and fauna in the post-mining reclaimed land.
Measuring the health and welfare of the community	Conducting Community Development Index studies periodically
Organizing cultural events and community gatherings	Organizing cultural programs, such as Kampong Festival 10 and Tabalong Ethnic Festival.

# / Material Issues

## REPORT CONTENT AND BOUNDARIES [G4-17, G4-18]

We determined the content and data presentation in this report by taking into account our business characteristics, data availability, sustainability performance, connectivity of issues to the internal and external stakeholders, identification of material issues, as well as stakeholders' inputs on the previous sustainability reports. We formed a content development team that includes Adaro Bangun Negeri Foundation and various functions within the company, such as finance, human resources, operations, occupational health and safety, environment, and CSR. The main task of the team was to discuss the contents of this report through direct meetings and indirect communication using e-mails or phone, as well as to provide data.

The development of this report content takes into account the reporting guidelines recommended in GRI G4. We identified and engaged relevant and significant stakeholders (both internal and external) in the preparation of this report in order to comply with the stakeholder inclusiveness principle. To apply the sustainability context, materiality and completeness principles, we identify and present internal and external material issues based on business characteristics, regulations, international norms, the relevance and significance of sustainability issues for our type of business, impacts arising from our business activities, and stakeholders' views on sustainability issues in the context of coal mining.

In preparing the report, the main data was collected from PT Adaro Indonesia's operational areas in Indonesia as the entity to be reported. We do not present data related to the coal buyers or users because sales and marketing aspects are within the main scope of our parent company. In addition, to meet the reporting requirement on material issues, we also collected data from contractors and our parent company, PT Adaro Energy Tbk. One example was the data regarding the use of diesel fuel in the mining area. Diesel fuel in the mining area was mostly used by heavy mining

equipment controlled by contractors. Another example was information on corporate values, which referred to PT Adaro Energy Tbk as our parent company.

## MATERIAL ASPECTS [G4-19, G4-20, G4-21, G4-27]

To determine Adaro Indonesia's material sustainability issues, we performed the identification based on several perspectives. First, we identified material issues based on internal and external scopes. In relation to this, we looked at the material issues, their connection and impacts on internal and external stakeholders.

Another perspective in defining material issues was to understand the impacts and how they influenced stakeholders' assessments and decisions on Adaro Indonesia as a coal mining company. By referring to GRI G4, we identified at least 38 material issues at different levels of impact and association with business characteristics.

Situation in the office of of Adaro Bangun Negeri Foundation (YABN). In preparing this Sustainability Report, YABN was involved in the Team to discuss and prepare the content of report.



Table of Material Issues within Internal and External Scopes

No	Material Issue	Material in Adaro Indonesia's Scope and Boundary	Material for External Stakeholders and Boundary
1	Economic performance	Important for shareholders and employees. Some economic data cannot be disclosed because of the organization's policy as a private company.	Important for government and communities, particularly in terms of tax contributions, royalties, procurement, and CSR programs
2	Market Presence	Important for employees and unions	Important for all parties in terms of economic contributions through local employment
3	Indirect Economic Impacts	n/a	Important for the community, for the growth of availability of goods and services in the local areas.
4	Procurement Practices	Important for Adaro Indonesia in terms of the availability of goods and services with good quality and at reasonable prices.	Important for the community, for the growth of availability of goods and services in the local areas.
5	Material	Use of materials especially for blasting.	n/a
6	Energy	Important, especially in term of Adaro Indonesia's efficient use of diesel and electricity.	Important, especially in term of contractors' efficient use of diesel and electricity.
7	Water	It is important for Adaro Indonesia to manage clean water, rainwater runoff, mining water, wastewater and recycled water.	Important for the community in term of the availability of clean water
8	Biodiversity	It is important for Adaro Indonesia to manage the land and biodiversity at the time of operation and mine closure.	It is important for all parties that Adaro Indonesia handle and reclaim the mined land properly so as not to harm the environment and local community.
9	Emission	It is important for Adaro Indonesia to control air emissions so as not to harm human.	It is important for all parties that Adaro Indonesia controls air emissions so as not to harm human.
10	Effluent and Waste	It is important for Adaro Indonesia to manage waste properly so as not to harm the environment and human.	It is important for all parties that Adaro Indonesia manages waste properly so as not to harm the environment and human.
11	Environmental Compliance	It is important for Adaro Indonesia to comply with the laws and environmental regulations to avoid sanctions and to ensure business continuity.	It is important for all parties that Adaro Indonesia comply with the laws and environmental regulations so as not to harm the environment and others.
12	Transport	It is important for Adaro Indonesia to manage the transportation of coal along the haul road and Barito River.	It is important for the community that Adaro Indonesia manages the transportation of coal along the haul road and Barito River.

No	Material Issue	Material in Adaro Indonesia's Scope and Boundary	Material for External Stakeholders and Boundary
13	Overall Environmental Handling	It is important for Adaro Indonesia to manage its environmental impacts so as not to harm the environment and human.	It is important for all parties that Adaro Indonesia manages its environmental impacts so as not to harm the environment and human.
14	Supplier Environmental Assessment	It is important for Adaro Indonesia to choose suppliers who care about the environment so as to minimize environmental risks.	It is important for suppliers to care about the environment so as to earn Adaro Indonesia's trust.
15	Environmental Grievance Mechanisms	It is important for Adaro Indonesia to address environmental issues so as not to harm the environment and human.	It is important for all parties that Adaro Indonesia does not harm the environment and human.
16	Employment	It is important for employees to have job satisfaction.	n/a
17	Labor / Management Relations	Important for employees in term of stable employment relationship with Adaro Indonesia.	n/a
18	Occupational health and safety	Important for employees in term of proper working conditions and occupational risks.	n/a
19	Training and Education	It is important for Adaro Indonesia to develop a competent and reliable workforce.	n/a
20	Diversity and Equal Opportunity	Important for employees in terms of proper working conditions and non-discrimination.	n/a
21	Equal Remuneration	Important for employees in terms of proper working conditions and non-discrimination.	n/a
22	Supplier Assessment for Labor Practices	It is important for Adaro Indonesia to have suppliers with good labor practices so as to minimize risks.	It is important for suppliers to have good labor practices so as to earn Adaro Indonesia's trust.
23	Labor Grievance Mechanisms	It is important for Adaro Indonesia to address labor problems to minimize the risks for employees and so that business operations can continue.	It is important for suppliers to address labor problems so as to earn Adaro Indonesia's trust.
24	Investment and Human Rights	It is important for Adaro Indonesia to invest by taking into account human rights so as to earn trust and not to harm other parties.	It is important for all parties that Adaro Indonesia does not violate human rights nor harm others.
25	Non-Discrimination	It is important for Adaro Indonesia not to discriminate so as to develop all available potentials.	It is important for all parties to have equal opportunities.

No	Material Issue	Material in Adaro Indonesia's Scope and Boundary	Material for External Stakeholders and Boundary
26	Freedom of Association and Collective Bargaining	It is important for employees to be able to gather and discuss collectively with Adaro Indonesia about employment so they can have a decent workplace.	n/a
27	Security Practices	It is important for Adaro Indonesia that security personnel can avoid human rights incidents while performing their duties so as to minimize risks.	It is important for all parties that security personnel carry out their duties with respect to human rights so as not to harm others.
28	Indigenous Rights	It is important for Adaro Indonesia to pay attention to the rights of indigenous peoples so as to earn their trust and not to harm anybody.	It is important for the indigenous peoples to have their rights respected so they can have a decent living.
29	Assessment of Human Rights	It is important for Adaro Indonesia to minimizing the human rights risks that can potentially have negative impacts on business continuity.	It is important for all parties to have their basic human rights respected so they can have a decent living.
30	Supplier Human Rights Assessment	It is important for Adaro Indonesia to choose suppliers that care about human rights so as to minimize the human rights incidents.	It is important for suppliers to respect human rights so as to earn Adaro Indonesia's trust.
31	Human rights Grievance Mechanism	It is important for Adaro Indonesia to resolve human rights incidents so as not to harm others and business operations can continue.	It is important for all parties that Adaro Indonesia resolves human rights grievances so as not to harm others.
32	Local Communities	Communities need to be developed so as to support the development of Adaro Indonesia.	It is important for the community and other concerned parties that Adaro Indonesia helps the community to have a better life.
33	Anti-Corruption	It is important for Adaro Indonesia to eradicate corruption and prevent company's loss.	It is important for all parties who do business with Adaro Indonesia not to engage in corruption in order to remain credible.
34	Public Policy	Adaro Indonesia has an interest in public policy in order to ensure its business continuity.	Government and the Regional House of Representatives represent the public interests in public policies to ensure Adaro Indonesia can run their business and make positive contributions in the economic, social and environmental aspects.
35	Anti-Competitive Behavior	It is important for Adaro Indonesia to have a good business behavior against the competitors so as to minimize business risk and earn others' trust.	It is important for many parties that Adaro Indonesia participates in building fairness in industry for the common good.

No	Material Issue	Material in Adaro Indonesia’s Scope and Boundary	Material for External Stakeholders and Boundary
36	Compliance to the Laws	It is important for Adaro Indonesia to comply with the laws and regulations so it can avoid sanctions and business can continue.	It is important for all parties that Adaro Indonesia complies with the laws and regulations so as not to harm other parties.
37	Supplier Assessment for Impacts on Society	It is important for Adaro Indonesia to choose suppliers that have positive social impacts so as to earn others’ support.	It is important for suppliers to have positive social impacts so as to earn Adaro Indonesia’s trust.
38	Grievance Mechanisms for Impacts on Society	It is important for Adaro Indonesia to deal with negative social impacts so as not to harm others and so that business can continue.	It is important for all parties that Adaro Indonesia resolves social complaints so as not to harm others.

### EXCEPTION ON SUSTAINABILITY ISSUES AND INDICATORS

Adaro Indonesia has a range of coal mining operations from planning, exploration, mining, crushing, to delivery to coal buyers or users. As a subsidiary of PT Adaro Energy, Tbk, marketing and sales policies are controlled by the parent company. We also do not have significant issues related to the confidentiality of customer data. Therefore, aspects of corporate communications and customer data privacy are less relevant to our operations and sustainability.

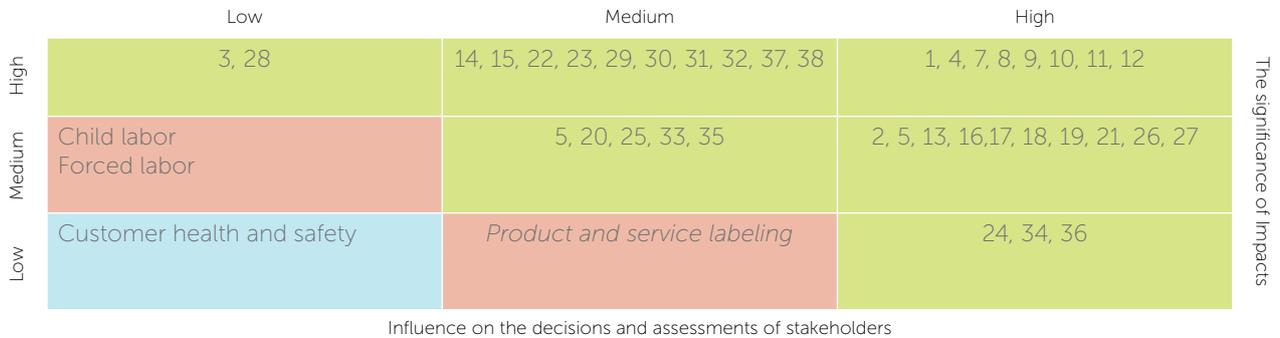
Furthermore, our products are not for the consumption of general public. Coal is not consumed, not in direct contact with humans, and it is shipped in bulk without packaging. Information on the specifications and quality of our products sent to the prospective buyers, the current buyers or users is based on laboratory test results. In relation to that, we consider that customer health and safety as well as product labeling aspects are not significant

and do not become a priority. Therefore, we do not discuss both aspects in this Sustainability Report.

Moreover, the practice of coal usage is also outside the scope of direct monitoring of Adaro Indonesia. One of the important things in the use of coal is the coal emission handling, which needs to be addressed by every coal user. However, because it is outside the scope of PT Adaro Indonesia, the environmental impact mitigation of goods and services as well as product stewardship is not presented in this report.

What is more, considering the high occupational risk in the mining area, our company firmly rejects the practice of child labor, forced labor and artisanal mining in our mining concession areas. Therefore, discussions about child labor, forced labor, and artisanal mining aspects are also unnecessary in this Sustainability Report.

### Diagram of Identification of Material Issues



In addition, throughout 2012 and 2013, we also initiated communication with stakeholders and understood their views on various sustainability issues in Adaro Indonesia. We pay attention to and consider our stakeholders' inputs in implementing Adaro Indonesia's sustainability strategies.

The following table presents data on several significant issues of stakeholders' concerns and Adaro Indonesia's responses and actions.

### Table of Significant Issues of Stakeholders' Concerns

Stakeholders	Issues	Responses and Follow-up
Employees	Employee benefits, and career and competence development, occupational health and safety	Good human resource management, dialogue with Adaro Labor Organization, management of occupational health and safety through the implementation of ASEP
Business Partners, including Contractors	Work efficiency and effectiveness, occupational health and safety	Routine dialogue to solve operational problems, management of occupational health and safety through the implementation of ASEP
Parent Company, Shareholders, Investors	Economic aspects, ESG (Economy, Social and Governance) aspects are asked by big investors	Conducting the Dow Jones Sustainability Index assessment, prepare Sustainability Report
Community	Land acquisition, environmental disturbance, employment opportunity	Resolving land acquisition problems, handle environmental disturbances, create job opportunities for the community
Non-Governmental Organization (NGO)	Social and environmental disruptions, community development	Resolving social and environmental issues, implement community development programs
Central and Local Governments	Economic contributions, regulatory compliance and taxation, social and environmental disruption, contract renegotiation	Contributing to the economy as agreed in contract, comply with regulations, meet tax regulations, resolve social and environmental complaints, renegotiating contracts by taking into account business conditions and stakeholders' expectations
Regional House of Representatives (DPRD)	Coal Contract of Work (CCoW) renegotiation related to land size, refining & processing, state income, and domestic consumption aspects in Mineral & Coal Mining Law no. 4 of 2009	Renegotiating contracts by taking into account business conditions and stakeholders' expectations

# / Sustainability Strategy

Sustainability is important to us and therefore it has become one of our ways in conducting the coal mining activities. This is reflected in our efforts to manage the negative environmental impacts, human resources management that emphasizes on employees' welfare and competency development, as well as our occupational health and safety management. In addition to that, the CSR function in our organization also shows that the sustainability of our stakeholders, especially the public, is equally important.

We realize that Adaro Indonesia's presence in the mining sites is bounded by a variety of factors, such as depletion of coal deposits in the region and the duration of work contract, which sets the time limit. Therefore, the final goal of our sustainability strategy is to create an independent community, especially in the Adaro Indonesia's operational areas. This includes economic, social and environmental aspects that can support community independence.

Our goal is to help creating an independent community that can earn sufficient income, have the intellectuality and ability to manage itself without having to depend on the company's or government's help to sustain its economy, education, healthcare, and sociocultural needs. To achieve those conditions, we make a variety of efforts and set our mid-term targets, which include improving business units and educational and health services as well as executing sociocultural programs. We hope these programs are continuously implemented on the basis of a harmonious relationship with the community.

The following diagram displays our sustainability strategies to help the realization of an independent community.

## Diagram of Sustainability Strategies Toward the Independent Community



The criteria of an independent community:

- Having a regular income that can support their family life and not being dependent to any companies or government
- Having a good intellectual that can compete with other communities
- Having the ability to organize themselves as well as the community without being dependent to other parties.

The implementation of Adaro Indonesia's internal sustainability initiatives is the responsibility of the entire organizational functions according to their capacities and scope of authorities. On the other hand, the external sustainability initiatives are performed based on a number of approaches. The first is Adaro Bangun Negeri Foundation, which manages various CSR activities in healthcare, education, economic and sociocultural empowerment. YABN is funded by Adaro Indonesia and other subsidiaries under PT Adaro Energy, Tbk. By combining resources, CSR activities can be tailored more strategically for the community and more efficient in the use of human resources, funding, equipment, infrastructure, and technology.

Another approach for the implementation of external sustainability initiatives is through CSR Department of Adaro Indonesia. This department manages the initiatives on social investment including the construction of public facilities, social facilities and infrastructures for the community. We engage the community in the development of these programs. In general, social investment is determined together since

the beginning, but it is also possible to implement ad hoc programs according to the community's needs and preferences.

Adaro Indonesia's commitment to sustainability is reflected in operational policies that take into account the economic, social and environmental impacts as well as stakeholders' expectations. This applies to all aspects of company's operations and is the joint responsibility of all Adaro's leaders. In addition, Adaro Indonesia also measures and reports its sustainability performance referring to the Global Reporting Initiative (GRI) guidelines.

**INVOLVEMENT IN EXTERNAL SUSTAINABILITY INITIATIVES AND ASSOCIATIONS [G4-15, G4-16]**

One embodiment of our commitment to play a strategic role in business continuity and sustainability issues is by engaging ourselves in external associations and initiatives. Below is a table that presents the data of our membership in associations and participation in external initiatives throughout 2012 and 2013.

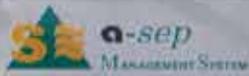
**Table of Memberships in Association**

Association Name	Special position in Association, Project, Working Group or Committee	Funding contribution other than routine membership dues	The Strategic Role of the Association for Adaro Indonesia
Indonesian Chamber of Commerce and Industry (KADIN)	Vice Chairman of the Division of Mineral Resources, represented by Garibaldi Tohir	IDR 4,500,000 / year	Relationship to the government and involvement in the development of the industry, such as regulatory reviews and other industry issues
Indonesia Mining Association (API)	<ul style="list-style-type: none"> <li>• Member of Governing Body: Sandiaga Uno</li> <li>• Committee coordinator for Environment: Wisnu Susetyo</li> <li>• Member of Environment Committee and member of Public Relations Committee: Fajar Widijanta</li> <li>• Member of Environment Committee: Didik Triwibowo</li> <li>• Members of Human Resources Committee: Hendrik Moesthafa and Devindra Ratzarwin</li> <li>• Members of Tax and Finance Committee: Susanti, Shirly Suardi and July Seventia Tarin</li> <li>• Members of CSR Committee: Okty Damayanti and Ignatius Iryanto</li> </ul>	USD 13,000 / year	<ul style="list-style-type: none"> <li>• As a non-profit organization container to promote exploration, mineral mining and metallurgical aspects in Indonesia</li> <li>• Relationship to government and involvement in the development of the mining industry, such as regulatory reviews and other mining issues</li> </ul>

Association Name	Special position in Association, Project, Working Group or Committee	Funding contribution other than routine membership dues	The Strategic Role of the Association for Adaro Indonesia
Indonesian Coal Mining Association (ICMA)	<ul style="list-style-type: none"> <li>• Advisor: Garibaldi Thohir</li> <li>• Deputy Chairman for Coal Technology and Investment : Leonard Lembong</li> <li>• Deputy Chairman for Public Relations: Devindra Ratarwin</li> <li>• Chairman of Environment Committee: Vishnu Susetyo</li> </ul>	IDR 80,000,000 / year	Association as a place for members to discuss mutual concerns, exchange ideas and increase investment in the coal industry to provide greater benefits to the government, investors, communities, employees, customers and the environment
Forum on Post Mining Forest Land Reclamation (FRHLBT)	Chairman III: Vishnu Susetyo	IDR 15,000,000 / year (2012)	<ul style="list-style-type: none"> <li>• As the main stakeholder in the implementation of forest reclamation that can be expected to increase efforts on post-mining land reclamation and critical soil rehabilitation.</li> <li>• As a partner of the government for forest rehabilitation</li> <li>• As a media to develop and recommend processes, assessment and deployment of reclamation technology</li> </ul>
Association of Indonesian Mining Professionals (Perhapi)	Chairman of the Working Group K3LH: Priyadi	n/a	<ul style="list-style-type: none"> <li>• Organizational development as well as improving the integrity and competence</li> <li>• The development of the mining sector that follows the rules of sustainable development</li> <li>• Creation of competitive advantages and networks</li> </ul>
Indonesia Australia Business Council (IABC)	Member: Edwin Soeryadjaya	IDR 3,750,000 / year	<ul style="list-style-type: none"> <li>• Consultancy services to government, industry sectors and the Chamber of Commerce and Industry.</li> <li>• Media of communication for investment and business opportunities in Australia and Indonesia</li> </ul>

### Table of Participation in Sustainability Initiatives

Name of Initiative, Agreement or Group	Position In Sustainability Initiative	Country or Territory	Voluntary or Mandatory	Stakeholder Group tar are Involved
Corporate Forum for Community Development (CFCD)	Regional Coordinator	South Kalimantan, Indonesia	Voluntary	Companies that are committed to community development as a part of their social responsibility initiatives



### SHE PERFORMANCE BOARD PT ADARO INDONESIA



	MINING	HAULING	WORKSHOP	KELANIS	OTHERS	TOTAL ACCIDENT
CIDERA RINGAN MINOR INJURY	2	0	3	2	2	9
HILANGNYA WAKTU KERJA LOSS TIME INJURY	0	0	0	1	0	1
SERIOUS SERIOUS	0	1	0	0	0	1
MENINGGAL FATAL	0	0	0	0	0	0

	BULAN INI(MTD)	KUMULATIF TAHUN INI(YTD)
JUMLAH KARYAWAN NO. OF EMPLOYEE	20.206	
JAM KERJA MAN HOURS	5,051,500	5,051,500

SR	18,31	18,31
JUMLAH REVEGETASI NO. OF REVEGETATION		
MONITORING LIMBAH CAIR		
PERCEMARAN LINGKUNGAN ENVIRONMENTAL CONTAMINATION		

OUR PERFORMANCE



# / Taking care of Environmental Quality

For us that operate in coal mining industry, environmental aspects are very important for company's sustainability. Even though we do not comprehensively and specifically use the UN Global Compact and the OECD Guidelines for Multinational Corporations, our operational practices are directly and indirectly in line with those guidelines and principles.

We have an environmental management system called ASEP (Adaro Safety and Environmental Protection) that encourages us to apply the precautionary approach in addressing environmental issues and pursuing environmentally friendly technologies. Some of which are the use of biodiesel and solar panels. This is consistent with the principles 7, 8 and 8 on the environment suggested by the UN Global Compact.

Furthermore, we also have an educational scheme to increase the awareness of environmental health and safety aspects, such as safety induction, safety talk, as well as other trainings. We are also open to public complaints regarding negative impacts on health and the environment. In the event of an incident, we open the lines of communication, conduct dialogues and consult the communities and other stakeholders to resolve the problem. If needed, stakeholders may request important information regarding the operational impacts on health and the environment from the company. All of these are in accordance with the OECD Guidelines for Multinational Corporations.

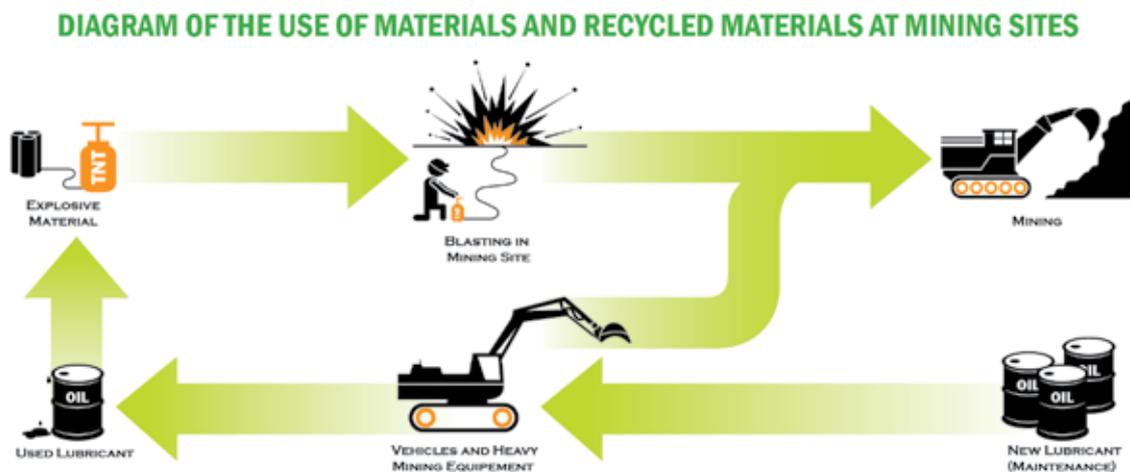
Throughout 2012 and 2013, our company was consistent in upholding environmental qualities with higher performance in some aspects while the others decreased.

## // MATERIALS AND ENERGY

### DISCLOSURE OF MANAGEMENT APPROACH FOR MATERIALS AND ENERGY

As a coal mining company, we do not use materials or recycled materials to be processed into our products. The significant use of materials and recycled materials that is necessary to be discussed is for blasting activities. To create explosives, we use a mixture of oil, grease, ammonium nitrate, emulsion, and ANFO, as well as used lubricant to replace diesel fuel. It is our management's approach to be more efficient in the use of explosives.

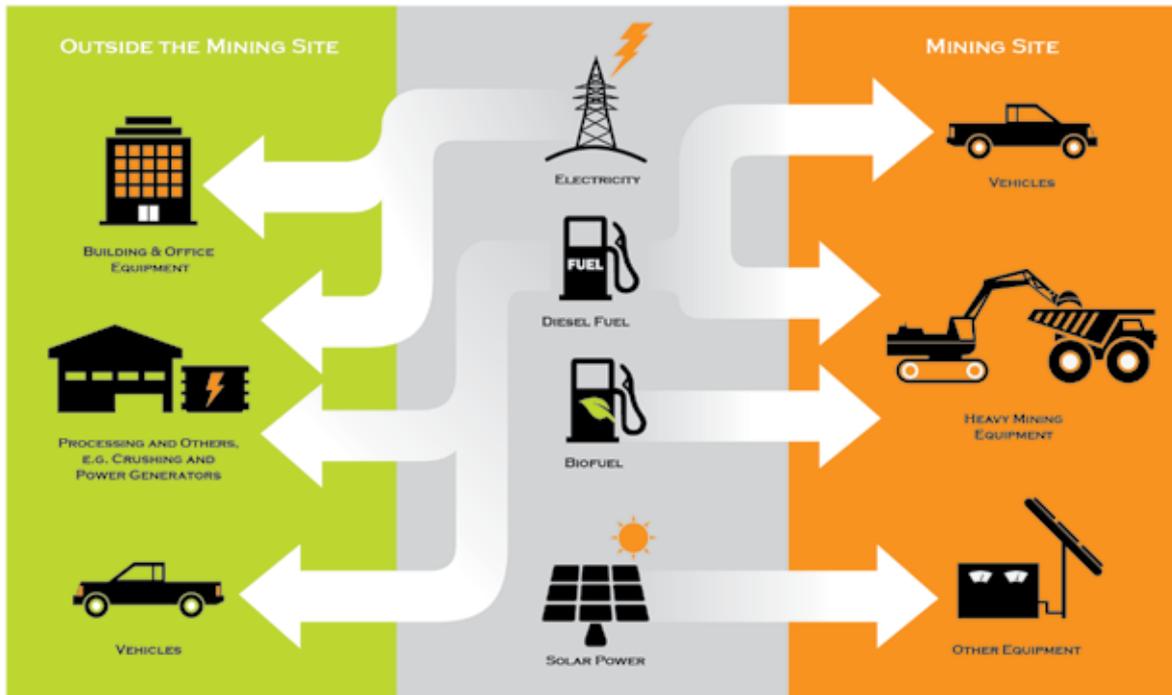
The following scheme shows our approach to using recycled materials, particularly used lubricant, for blasting activities.



Electricity and diesel fuel are our main sources of energy for our operations at mining sites and other operational areas. We use electricity from PLN at our buildings, for office equipment and other processes. We also use our own generator to produce electricity for operational use. On the other hand, our operations consume a significant amount of diesel fuel. It is used mainly to run vehicles, heavy mining equipment, and power generators.

As a manifestation of our concern for the environment and climate change, we also use alternative energy sources, such as biofuels and solar energy. Throughout 2012 and 2013, we tested the use of biofuels on heavy mining equipment, while solar power was used mainly for static mining equipment.

**DIAGRAM OF THE ADARO INDONESIA'S MAIN ENERGY CONSUMPTION**



In addition, we also launched several initiatives in order to comply with various energy-related laws and regulations. One of which is the policy of the Minister of Energy and Human Resources on the development of green energy, energy saving and energy management.

#### SIGNIFICANT REGULATIONS RELATED TO ENERGY

- The Minister of Energy and Mineral Resources' Decree No. 02 year 2004 on the Development of Renewable Energy & Conservation of Energy (Green Energy Development)
- The Minister of Energy and Mineral Resources' Regulation No. 31 year 2005 on the Procedures for Energy Conservation.
- The Minister of Energy and Mineral Resources' Regulation No. 14 year 2012 on the Energy Management
- Government's Regulation No. 70 year 2009 on the Energy Conservation
- Law No. 31 year 2007 on the Energy
- The Minister of Energy and Mineral Resources' Regulation No. 25 year 2013 on the Supply, Utilization and Trade System of Biofuel as Other Fuel

#### USE OF MATERIALS AND RECYCLED MATERIALS [G4-EN1, G4-EN2]

Throughout 2013, we mixed the used lubricant, grease, ammonium nitrate, emulsion and ANFO to create explosives. Of all these materials, the largest composition was ammonium nitrate and emulsion. The use of ammonium nitrate and emulsion in 2013 reached 32.97 million kilograms (up 21.5% from that of 2012) and 24.38 million kilograms (up 17.2% from that of 2012) respectively. The rise was in line with the increased production during the year of 2013.

Moreover, the use of used lubricant for blasting in 2013 amounted to 47.3 thousand kilograms, significantly down from 121.38 thousand kilograms in 2012. This was because our contractor PT Pama Persada Nusantara, which was authorized to utilize used lubricant as a component in explosives, used more emulsion as a blasting agent. In the coming years, we will plan an integrated program to create emulsion mainly from used lubricant.

The following table shows the usage amount of materials and recycled materials.

Table of the Use of Materials and Recycled Materials

Material	Consumption Amount			Recycled Amount				
	2012	2013	Up (Down)	2012	2013	Up (Down)	% Recycled Material	
Lubricant (in liters)	6.452.128	6.696.985	3,8%	121.381	47.295	-61%	1,9%	0,7%
Grease (in liters)	202.768	314.487	55,1%	-	-	n/a	0%	0%
Ammonium Nitrate (in kgs)	27.125.760	32.965.271	21,5%	-	-	n/a	0%	0%
Emulsion (in kgs)	20.798.634	24.377.936	17,2%	-	-	n/a	0%	0%
ANFO (in kgs)	9.839.520	10.120.829	2,9%	-	-	n/a	0%	0%

### CONSUMPTION AND ENERGY INTENSITY [G4-EN3, G4-EN4, G4-EN5]

As explained earlier, we generally use diesel fuel, biofuel (biodiesel), electricity and solar power. Neither coolant nor hot steam is used in our core production process. Furthermore, we do not determine the use of certain energy source based on operational areas. We use the four types of energy sources as needed in our mines in Tutupan, Wara, and Paringin, the port area and crushing facility in Kelanis, as well as in other operational areas, such as in Tabalong and Balangan.

For our daily activities, diesel fuel is consumed for transportation and heavy mining equipment. A small percentage is also used for our power generator to produce electricity. Our diesel fuel consumption amounted to 622,340,002 liters in 2012 and 635,255,444 liters in 2013. The electricity we buy from PLN is used to power our buildings, working tools and machines in the office, processing and port areas, while the supporting equipment placed in mining sites primarily use solar power.

Government through the Minister of Energy and Mineral Resources Regulation No. 25 year 2013 urges all companies to use biofuels. To comply with this

regulation, we started to use biofuels (biodiesel) B5 in heavy mining equipment in November 2013. However, since January 2014, we have replaced it with B10, to comply with the obligation to use 10% biodiesel (B10).

Besides the use of energy for mining activities, there are also other activities outside our organization or in our value chain that significantly use the energy. These include the transportation related to our purchases of goods and services and the coal transportation, burning or processing of our coal products by users, and employees' business trips by land, sea or air.

Due to our limited resources, we have not made technical calculation on the energy consumption of those activities.

Next, we use our energy intensity as the basis to measure our energy performance. With the increased production, 47.19 million metric tons in 2012 and 52.26 million metric tons in 2013, our energy intensity in diesel fuel and biodiesel consumption dropped from 499.86 gigajoules/metric ton in 2012 to 461.17 gigajoules/metric ton in 2013. This 7.74% decline was an indication of our energy efficiency in the last two years, especially in terms of diesel fuel and biodiesel consumption.

Table of the Energy Consumption from Diesel Fuel and Biodiesel

Energy Source	Consumption Amount		
	2012	2013	Up (Down)
Diesel Fuel (in Liter)	622.340.002	635.255.444	2%
Diesel (in gigajoules)	23.586.686.087	24.076.181.339	2%
Biofuel (in gigajoules)	-	27.241.930	n/a
Total (in gigajoules)	23.586.686.087	24.103.423.269	2%

Notes:

- Conversion factor: 1 liter of diesel fuel = 37.9 Joules (Example from the Minister Energy and Mineral Resources Regulation no. 14 year 2012 on Energy Management)
- Electricity and solar energy consumptions are not yet calculated.
- Energy consumption outside organization or value chain is not yet calculated.

### Table of the Energy Intensity of Diesel Fuel and Biodiesel

Consumption Amount			
Energy Source	2012	2013	
Solar Fuel and Bio Solar (in gigajoules)	23.586.686.087	24.103.423.269	
Amount Produced and Delivered			
Product	2012	2013	Up (Down)
Envirocoal 4000 (in metric tons)	7.633.549	7.869.854	3,10%
Envirocoal 5000 (in metric tons)	39.553.279	44.396.330	12,24%
<b>Total Production (in metric tons)</b>	<b>47.186.828</b>	<b>52.266.184</b>	<b>10,76%</b>
<b>Energy Intensity (in gigajoules/metric ton)</b>	<b>499,86</b>	<b>461,17</b>	<b>-7,74%</b>

#### ENERGY REDUCTION [G4-EN6]

To reduce energy consumption, in general we manage energy on three main aspects. The first is power saving. This is done by reducing the use of lamps and air conditioners in rooms. Partition walls are designed to allow light and temperature spread more evenly in each room.

The second is the replacement of biodiesel with solar panels in operating the supporting equipment for mining operations, such as slope monitoring equipment, tower lamp and street lights.

The third is the improvement and maintenance of tools and other supporting facilities so we can operate maximally and efficiently. One of the improvements that we made was haul road repairs and asphalt paving,

which reduced travel time, energy consumption for maintenance, and haul road watering.

By using solar panels, we managed to reduce as much as 4.7 million gigajoules and 9 million gigajoules of diesel fuel usage in 2012 and 2013 respectively. The increase was in line with the application of more solar panels in supporting equipment. In addition, by utilizing used lubricants to replace diesel fuel, we also reduced diesel fuel consumption as much as 4.6 million gigajoules in 2012. However, this number drastically dropped in 2013 as more emulsion was used to create explosives.

The following table presents information about Adaro Indonesia's initiatives and achievements related to energy reduction in 2012 and 2013.

### Table of the Energy Reduction Initiatives

Initiative	Type of Energy	Calculation Method	Achievement in Energy Reduction (gigajoules)	
			2012	2013
The use of solar panels for mining support tools	Diesel Fuel	Power consumption (kWh) * 3.086 (conversion facto: 1 kWh= 3.086 liter of diesel fuel)	4,707,858	9,008,907
The utilization of used lubricants to substitute diesel fuel as blasting agent	Diesel Fuel	The use of used oil = reduced diesel fuel	4,600,340	1,792

## // WATER

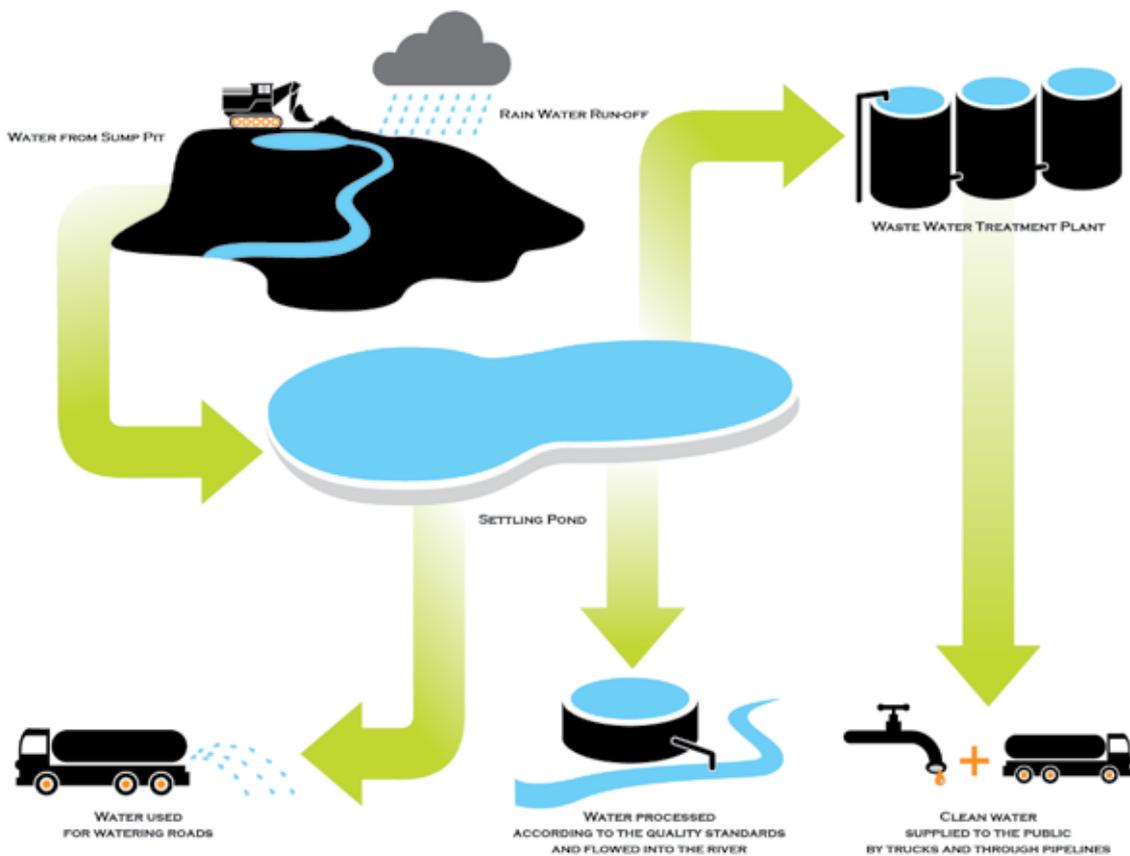
### DISCLOSURE OF MANAGEMENT APPROACH FOR WATER

As a coal mining company, we use a specific approach related to the use, processing and discharge of water. For domestic use, we still use groundwater. Based on the volume, water management in coal mining and processing areas is more significant compared to that in domestic use. Therefore, water handling in coal mining and processing areas is the focus of our management approach.

In our mining operations, we need to draw groundwater upto the soil in the mining site. It then becomes the mining water that flows from a sump pit to our settling pond. Afterward, some of the settling pond water is flowed to the water treatment facility to produce ready-to-use clean water. We then distribute the clean water to the community through pipes or by water trucks. We process the residual water in the pond to meet certain quality standards and we use it for watering roads or we flow it to the river.

Next is the scheme for using, processing, and disposing the water in mining sites.

### DIAGRAM OF THE WATER USAGE AND TREATMENT IN MINING SITES



In Kelanis we apply a different approach as we need a significant amount of water to prevent the escape of dust into the air in coal crushing operation. That is carried out in order to prevent the negative impact of dust on the people’s health in the surrounding area.

Furthermore, we use water from the Barito river for our operational purposes. To reduce the withdrawals of river water, we recycle our wastewater. The process starts by channeling the wastewater to treatment ponds through waterproof permanent ditches or pipes. Next the wastewater is treated and flowed into a safety pond. After that recycled water is clean and can be reused. In order to maintain the quality of recycled water, we always maintain our ponds and water treatment plant.

The following diagram presents the water use and treatment in Kelanis.

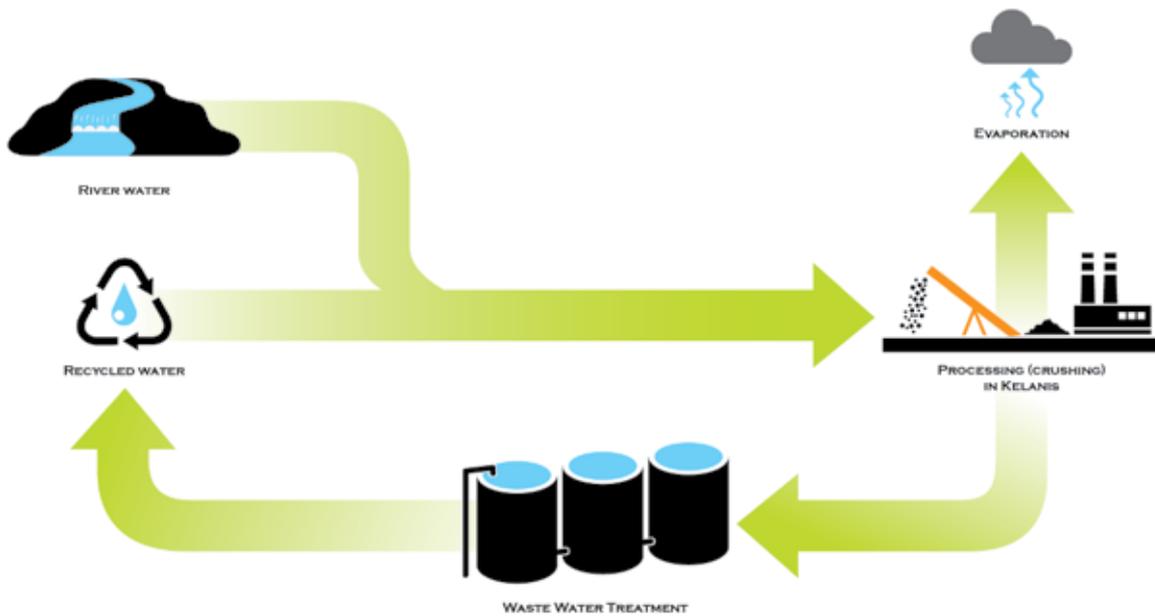
In addition, we conduct regular monitoring of water management in our workplace. Every day we measure the water flow velocity so as to know and control the volume of water flowed.

**WATER WITHDRAWAL, USE AND RECYCLING [G4-EN8, G4-EN9, G4-EN10]**

During 2012 and 2013, the withdrawal and consumption of mining water, rainwater and river water increased. However, we believe it did not disturb the river as the withdrawal was estimated to be less than 5% of the river’s capacity. In addition, there was no observable water level drop associated to the water withdrawal for our operations.

The volume of mining water and rainwater flowed into the settling pond increased significantly from 1.2 million

**DIAGRAM OF THE WATER USAGE AND TREATMENT IN KELANIS**



cubic meters in 2012 to 3.1 million cubic meters in 2013 (166% increase). In Kelanis, the volume of river water consumption was also dramatically increased from 476.9 thousand cubic meters in 2012 to 1.3 million cubic meters in 2013 (182% increase). This rise was related to the intensity of our operations, improvements and developments throughout 2012 and 2013.

In the last two years, we had recycled no less than 898.9 thousand cubic meters of water. In 2012, we recycled 165.6 thousand cubic meters or 35% compared to the river water volume we withdrew and used. The following year, it rose to 733.3 thousand cubic meters or 55% of the water withdrawn and used. This increase is a proof of our commitment to taking care of the environment.

#### WATER DISCHARGE [G4-EN22, G4-EN26]

As explained earlier, our main water discharge is from our settling pond to the nearby river or tributary. This water comes from the sump pit and rainwater runoff that flow to the settling pond. We treat the water so it

meets certain quality standards required by the laws and government regulations before it is flowed to the river.

As far as we know, our water discharge does not have any negative impacts to the river and its flora and fauna. There are also no parties that specifically use the disposed water. However, the destination river is used by local people, especially for transportation, irrigation and other domestic needs.

In the last two years there was a 72.2% increase in the volume of water discharge, from 142.3 billion cubic meters in 2012 to 245.1 billion cubic meters in 2013. Of several discharge destinations, Jaing Creek received most of the disposed water. We disposed as much as 64.3 billion and 88.7 billion cubic meters of water to Jaing Creek in 2012 and 2013 respectively.

Another body of water that received the second biggest volume of disposed water in 2012 was Sei Dahai. However, in 2013, Sei Dinding received the second biggest volume of disposed water. As much as 19.6 billion and 26.3 billion cubic meters of water

Table of Water Withdrawn and Used

Water Source	Location	Water volume (in m <sup>3</sup> )		
		2012	2013	Up (Down)
Water from Sump Pit and Rainwater	Mining sites in Wara and Tutupan	1.178.674	3.135.242	166,00%
River water	Kelanis	476.899	1.344.319	181,89%
<b>Total</b>		<b>1.655.573</b>	<b>4.479.561</b>	<b>170,57%</b>

Table of Recycled Water

Year	Volume of Water Withdrawn (in m <sup>3</sup> )	Volume of Recycled Water (in m <sup>3</sup> )	% Recycled water
2012	476.899	165.611	35%
2013	1.344.319	733.270	55%
<b>Total</b>	<b>1.821.217</b>	<b>898.881</b>	<b>49%</b>

was disposed to Sei Dahai in 2012, while the volume disposed to Sei Dinding was 8.5 billion and 45.1 billion cubic meters in 2012 and 2013 respectively.

Changes in the volume of water disposed to the bodies of water depend on various aspects. These include the change in work intensity in one area, precipitation, the

need to watering the roads, and the volume of water channeled to the water treatment plant.

The following table presents data about water discharge destinations and volumes.

**Table of Water Discharge Destinations and Volumes**

Destination	Water discharge volume (in m <sup>3</sup> )		Up (Down)
	2012	2013	
Sei. Paran	2.451.275.328	9.203.954.400	275,5%
Sei. Belerang	12.415.855.392	11.298.363.840	-9,0%
Sei. Dinding	8.472.888.804	45.135.532.800	432,7%
Sei. Dahai	19.576.987.200	26.328.153.600	34,5%
Sei. Nungkaran	254.033.280	905.938.560	256,6%
Sei. Kanio	6.627.515.904	5.500.224.000	-17,0%
Sei. Balang	1.038.997.440	3.832.047.360	268,8%
Sei. Tutupan	8.391.019.742	21.082.170.240	151,2%
Jaing creek	64.292.139.680	88.712.608.320	38,0%
Padang Panjang creek	5.339.710.080	13.242.528.000	148,0%
Mangkusip creek	12.793.176.095	18.203.488.128	42,3%
Sei. Urah	220.579.200	506.217.600	129,5%
Sei. Barito Hilir	416.075.621	591.683.283	42,2%
Sei. Desa Taniran	-	522.448.358	n/a
<b>Total</b>	<b>142.290.253.766</b>	<b>245.065.358.489</b>	<b>72,2%</b>

An officer is distributing clean water from Adaro Indonesia's water treatment plant to community



## // BIODIVERSITY

### DISCLOSURE OF MANAGEMENT APPROACH FOR BIODIVERSITY

We realize the importance of biodiversity in our operational environment. Therefore, since 2012, we have a strategic plan for biodiversity protection. The main purpose of this strategic plan is to conserve natural resources so that we can properly manage the impacts of our mining operations on biodiversity.

Our strategic plan for biodiversity protection include:

1. Identification of biodiversity in mining areas
2. Monitoring and supervision of biodiversity on a regular basis.  
Conservation using in-situ or ex-situ approach.

3. Conducting research and protection of biodiversity internally or involving other relevant parties

### AREAS OF HIGH BIODIVERSITY VALUE [G4-EN11]

All of our operations are not located in conservation areas. However, we have identified that the post-mining reclamation area Paringin has high biodiversity. The area is a habitat for many species of flora and fauna.

Paringin is the first mining site we operate. When activities in that area stopped, mining operations were transferred to Tutupan. To conserve the environment, we conducted reclamation in Paringin. The reclamation proves to be successful as Paringin is now a habitat for various species of plants and animals.

The following table shows data about the surrounding areas of our mining sites that have high biodiversity value.

Table of Areas of High Biodiversity Value

Area	Total Area	Operation	Conservation area status	Biodiversity
Post-mining reclamation area in Paringin	177.83 Ha	Coal Contract of Work (PKP2B) PT Adaro Indonesia	No	Fauna, such birds, mammals, and reptiles

A barge is transporting coal through the Barito River. The entire operations of Adaro Indonesia, including mining, crushing and transporting, are not located in conservation areas.



## IMPACTS OF OUR OPERATION ON BIODIVERSITY, AND THE MANAGEMENT [G4-EN12]

We have identified a number of potential negative impacts of our operation on biodiversity. These potential negative impacts certainly concern many parties, such as the government, academia, local communities, non-governmental organizations, and environmental activists.

How we manage this issue is described below.

1. The constructions and developments of infrastructures, roads, buildings, and plants have impacts on biodiversity, especially on the mammals, reptiles and birds living in the region. We tackle this issue in a number of the following actions:

- Management during construction:
  - a. Installing demarcation signs on areas to be cleared so the size of the land cleared does not exceed the requirement.
  - b. Observing the areas to be cleared to look for protected wildlife. If there are protected species, we will coordinate with the Forest Service or local Natural Resources Conservation Agency (BKSDA) to save the animals.
- Management during operation:
  - a. Conducting planned revegetation every year
  - b. Planting commercial crops and shrubs in reclamation area to restore its previous condition and create a habitat for wildlife.
  - c. Handling plants correctly since seeding, planting and tending so as to meet the standards set by the Ministry of Forestry.

d. Revegetating areas bordering the mined land and creating a pond to surround the area. The pond will serve as a buffer zone and provide a sense of comfort to the surrounding communities.

e. Revegetating the pond with water plants that can absorb and trap contaminants as well as serve as a habitat for wildlife.

f. Selecting plants according to the needs of fauna living in the post-mining site.

In addition, each employee is required to have an Employee Discipline Statement (SPDK), which specifies sanctions for those hunting the wildlife in our operational area.

2. We realize that our operation can cause pollutions that affect biodiversity. Although so far we have not found any significant effects due to the pollution from our activities, we continue to apply environmental management and monitoring procedures to maintain biodiversity.

3. Our operational activities can also potentially lead to the emergence of new diseases and species. But until this report is published, we have not found any new species or diseases that can be associated with our operations.

4. Our operations could also reduce the population of new animal and plant species. However, we have not been able to conclude which species is reduced in population since animals often migrate from one region to another. We collaborate with the Faculty of Forestry of the University of Lambung Mangkurat in revegetation and forest plant enrichment or tests. We do this because the mining site has become a plantation after the operations stopped, which results in the change of endemic plant species and population reduction.

5. Our operational activities could have impacts on habitat and ecosystem. In relation to this, we collaborate with the Faculty of Forestry of the University of Lambung Mangkurat to conduct a study on this subject.

documents for operational areas in Wara, Tutupan, Paringin, Kelanis, and Dahai. These plans have been evaluated and approved by the government in the Letters of Approval for Post-mining Plans. Another commitment to the mine closure planning is our post-mining collateral time deposits at a state bank for period of 2014-2020.

#### SUPPLEMENTS FOR MINERALS AND MINING SECTOR (MM)

In 2012 and 2013, we did not undertake resident relocation that can have an impact on biodiversity. We manage biodiversity through CSR initiatives, land restoration, as well as other operational initiatives.

#### SIZE OF LAND USED AND REHABILITATED, AS WELL AS THE NUMBER OF SPECIES [G4-EN13, G4-EN14, MM1]

Open-pit mining process that we undertake requires us to clear and excavate the land, then rehabilitate it after the mining ends. We cleared 1,616 hectares and 876.3 hectares of land in Wara, Paringin and Tutupan in 2012 and 2013 respectively. The largest area we cleared was Tutupan, extending 1,115.3 hectares in 2012 and 384.4 hectares in 2013.

#### OPERATIONAL AREAS WITH CLOSURE PLANS [MM10]

As a socially responsible coal mining company, we understand that our activities will end at some point along with the exhaustion of coal deposits in our region. In relation to that, we already have closure plan

In addition to land clearing, we also undertake the land rehabilitation in those three locations. Not less than 227.1 hectares and 268 hectares have been rehabilitated in 2012 and 2013 respectively. The following table presents data about land cleared, managed and rehabilitated.

Table of Total Cleared, Managed, Used and Rehabilitated Land in 2012 and 2013

Area	2012		2013	
	Total land that was cleared / expanded to be managed / used (in hectares)	Total rehabilitated land (in hectares)	Total land that was cleared / expanded to be managed / used (in hectares)	Total rehabilitated land (in hectares)
Wara	414,7	15,7	257,4	11,4
Paringin	86,4	11,6	234,5	45,0
Tutupan	1.115,3	199,8	384,4	211,6
<b>Total</b>	<b>1.616,5</b>	<b>227,1</b>	<b>876,3</b>	<b>268,0</b>



The post-mining rehabilitated area in Paringin has now been planted with a variety of prolific plants.



We partner with the Faculty of Forestry of the University of Lambung Mangkurat for the habitat restoration and protection in Paringin. Through this partnership, we also analyze the possibility of using HCV (High Conservation Value) standards as a reference for the evaluation and success measurement of the habitat restoration and protection we carry out.

Each year, the restoration and protection activities we undertake are reported through the PROPER (Program for Pollution Control, Evaluation and Rating) mechanism and evaluated by an evaluation team from the Ministry of Environment. PROPER evaluates aspects related to biodiversity protection policies, structure

and responsibilities, planning, reporting and program implementation.

Based on the results of monitoring, we have found that the restored area of Paringin is now a habitat for proboscis monkeys and 68 species of birds, 16 of which are protected. Two of the protected species are under the category Vulnerable according to IUCN Red List. These results prove that the land restoration has been successful and that area is now a favorable habitat for wildlife.

The following table displays data about protected mammalian species living in the restored area.

**Table of Protected Mammalian Species in Restored Area**

Species name (Indonesian and Latin)	Status	Number of species per December 31	
		2012	2013*
Bekantan ( <i>Nasalis larvatus</i> )	Endangered	> 25 individuals/group (2 groups)	> 20 individuals/group (3 groups)

Note:

\*) No special research conducted, but an independent team of flora and fauna inventory found additional groups in areas different from the previous year.

The following table displays data about protected bird species living in the restored area.

Table of Bird Species in Restored Area

No.	Family	Scientific Name	Indonesian Name	Common name	PP 7/99		IUCN					
					L	TL/BL	EN	VU	NT	LC	NA	
1	Accipitridae	<i>Haliastur indus</i>	Elang bondol	Brahminy Kite	1	-	LC-d	-	-	-	1	-
2	Accipiteridae	<i>Ictinaetus malayensis</i>	Elang hitam	Black Eagle	1	-	LC-d	-	-	-	1	-
3	Alcedinidae	<i>Alcedo meninting</i>	Raja-udang meninting	Blue-eared Kingfisher	1	-	LC-d	-	-	-	1	-
4	Alcedinidae	<i>Ceyx rufidorsa</i>	Udang punggung-merah	Rufous-backed Kingfisher	1	-	LC-d	-	-	-	1	-
5	Alcedinidae	<i>Pelargopsis capensis</i>	Pekaka emas	Stork-billed Kingfisher	1	-	LC-d	-	-	-	1	-
6	Apodidae	<i>Collocalia maxima</i>	Walet sarang-hitam	Black-nest Swiftlet	-	1	LC-d	-	-	-	1	-
7	Artamidae	<i>Artamus leucorhynchus</i> , <i>A. leucorhynchus</i>	Kekep babi	White-breasted Woodswallow	-	1	LC-s	-	-	-	1	-
8	Campephagidae	<i>Hemipus hirundinaceus</i>	Jingjing batu	Black-winged Flycatcher-shrike	-	1	LC-d	-	-	-	1	-
9	Campephagidae	<i>Lalage nigra</i>	Kapasan kemiri	Pied Triller	-	1	LC-s	-	-	-	1	-
10	Campephagidae	<i>Pericrocotus flammeus</i>	Sepah hutan	Scarlet Minivet	-	1	LC-s	-	-	-	1	-
11	Campephagidae	<i>Pericrocotus igneus</i>	Sepah tulin	Fiery Minivet	-	1	NT-d	-	-	1	-	-
12	Capitonidae	<i>Calorhamphus fuliginosus</i>	Takur ampis	Brown Barbet	-	1	LC-s	-	-	-	1	-
13	Caprimulgidae	<i>Caprimulgus affinis</i>	Cabak kota	Savannah Nightjar	-	1	LC-s	-	-	-	1	-
14	Chloropseidae	<i>Aegithina viridissima</i>	Cipoh jantung	Green Iora	-	1	NT-d	-	-	1	-	-
15	Ciconiidae	<i>Leptoptilos javanicus</i>	Bangau tongtong	Lesser adjutant	1	-	VU-d	-	1	-	-	-
16	Columbidae	<i>Chalcophaps indica</i>	Delimukan zamrud	Emerald Dove	-	1	LC-d	-	-	-	1	-
17	Columbidae	<i>Stigmatopelia/Streptopelia chinensis</i>	Tekukur biasa	Spotted-Dove	-	1	LC-i	-	-	-	1	-
18	Columbidae	<i>Treron olax</i>	Punai kecil	Little Green-pigeon	-	1	LC-s	-	-	-	1	-
19	Columbidae	<i>Treron vernans</i>	Punai gading	Pink-necked Green-Pigeon	-	1	LC-s	-	-	-	1	-
20	Coraciidae	<i>Eurystomus orientalis</i>	Tiong-lampu biasa	Asian Dollarbird	-	1	LC-d	-	-	-	1	-
21	Cuculidae	<i>Cacomantis merulinus</i>	Wiwik kelabu	Plaintive Cuckoo	-	1	LC-s	-	-	-	1	-
22	Cuculidae	<i>Centropus bengalensis</i>	Bubut alang-alang	Lesser Coucal	-	1	LC-i	-	-	-	1	-

No.	Family	Scientific Name	Indonesian Name	Common name	L	TL/BL	EN	VU	NT	LC	NA	
23	Cuculidae	<i>Centropus sinensis</i>	Bubut besar	Greater Coucal	-	1	LC-s	-	-	-	1	-
24	Cuculidae	<i>Chrysococcyx minutillus</i>	Kedasi laut	Little Bronze-cuckoo	-	1	LC-s	-	-	-	1	-
25	Cuculidae	<i>Phaenicophaeus chlorophaeus</i>	Kadalan selaya	Raffles's Malkoha	-	1	LC-s	-	-	-	1	-
26	Cuculidae	<i>Phaenicophaeus curvirostris</i>	Kadalan birah	Chestnut-breasted Malkoha	-	1	LC-s	-	-	-	1	-
27	Cuculidae	<i>Surniculus lugubris</i>	Kedasi hitam	Drongo Cuckoo	-	1	LC-d	-	-	-	1	-
28	Dicaeidae	<i>Dicaeum trigonostigma</i>	Cabai bunga-api	Orange-bellied Flowerpecker	-	1	LC-s	-	-	-	1	-
29	Dicaeidae	<i>Dicaeum trochileum</i>	Cabai jawa	Scarlet-headed Flowerpecker	-	1	LC-s	-	-	-	1	-
30	Estrildidae	<i>Lonchura fuscans</i>	Bondol kalimantan	Dusky Munia	-	1	LC-s	-	-	-	1	-
31	Estrildidae	<i>Lonchura malacca</i>	Bondol rawa	Black-headed Munia	-	1	LC-s	-	-	-	1	-
32	Estrildidae	<i>Lonchura punctulata</i>	Bondol peking	Scally-breasted Munia	-	1	LC-s	-	-	-	1	-
33	Eurylaimidae	<i>Cymbirhynchus macrorhynchos</i>	Sempur-hujan sungai	Black-and-red Broadbill	-	1	LC-d	-	-	-	1	-
34	Falconidae	<i>Microhierax fringillarius</i>	Alap-alap capung	Black-thighed Falconet	1	-	LC-s	-	-	-	1	-
35	Hemiprocidae	<i>Hemiprocne longipennis</i>	Tepekong jambul	Grey-rumped Treeswift	-	1	LC-u	-	-	-	1	-
36	Hirundinidae	<i>Delichon dasypus</i>	Layang-layang rumah	Asian House-martin	-	1	LC-i	-	-	-	1	-
37	Hirundinidae	<i>Hirundo rustica</i>	Layang-layang api	Barn Swallow	-	1	LC-d	-	-	-	1	-
38	Hirundinidae	<i>Hirundo tahitica</i>	Layang-layang batu	Pacific Swallow	-	1	LC-i	-	-	-	1	-
39	Laniidae	<i>Lanius schach</i>	Bentet kelabu kepala abu	Long-tailed Shrike	-	1	LC-u	-	-	-	1	-
40	Meropidae	<i>Merops philippinus</i>	Kirik-kirik laut	Blue-tailed Bee-eater	-	1	LC-s	-	-	-	1	-
41	Meropidae	<i>Merops viridis</i>	Kirik-kirik biru	Blue-throated Bee-eater	-	1	LC-s	-	-	-	1	-
42	Meropidae	<i>Nyctornis amictus</i>	Cirik-cirik kumbang	Red-bearded Bee-eater	-	1	LC-d	-	-	-	1	-
43	Muscicapidae	<i>Cyornis rufigastra</i>	Sikatan bakau	Mangrove Blue-flycatcher	-	1	LC-d	-	-	-	1	-
44	Nectariniidae	<i>Aethopyga siparaja</i>	Burung-madu sepah raja	Crimson Sunbird	1	-	LC-s	-	-	-	1	-
45	Nectariniidae	<i>Anthreptes malacensis</i>	Burung-madu kelapa	Plain-throated Sunbird	1	-	LC-s	-	-	-	1	-
46	Nectariniidae	<i>Anthreptes singalensis</i>	Burung-madu belukar	Ruby-cheeked Sunbird	1	-	LC-s	-	-	-	1	-
47	Nectariniidae	<i>Nectarinia jugularis</i>	Burung-madu sriganti	Olive-backed Sunbird	1	-	LC-s	-	-	-	1	-

No.	Family	Scientific Name	Indonesian Name	Common name	L	TL/BL	EN	VU	NT	LC	NA	
48	Nectariniidae	<i>Nectarinia sperata</i>	Burung-madu pengantin	Purple-throated Sunbird	1	-	LC-s	-	-	1	-	
49	Picidae	<i>Celeus brachyurus</i>	Pelatuk kijang	Rufous Woodpecker	-	1	LC-d	-	-	1	-	
50	Picidae	<i>Meiglyptes tristis</i>	Caladi batu	Buff-rumped Woodpecker	-	1	LC-d	-	-	1	-	
51	Picidae	<i>Dendrocopos moluccensis, Picoides moluccensis</i>	Caladi tilik	Sunda Woodpecker	-	1	LC-i	-	-	1	-	
52	Pittidae	<i>Pitta nympha</i>	Paok bidadari	Fairy Pitta	1	-	VU-d	1	-	-	-	
53	Pittidae	<i>Pitta sordida</i>	Paok hijau	Hooded Pitta	1	-	LC-d	-	-	1	-	
54	Ploceidae	<i>Passer montanus</i>	Burung-gereja erasia	Eurasian Tree Sparrow	-	1	LC-s	-	-	1	-	
55	Psittacidae	<i>Loriculus galgulus</i>	Serindit melayu	Blue-crowned Hanging-parrot	1	-	LC-s	-	-	1	-	
56	Pycnonotidae	<i>Pycnonotus atriceps</i>	Cucak kuricang	Black-headed Bulbul	-	1	LC-s	-	-	1	-	
57	Pycnonotidae	<i>Pycnonotus aurigaster</i>	Kutilang	Sooty-headed Bulbul	-	1	LC-d	-	-	1	-	
58	Pycnonotidae	<i>Pycnonotus goavier</i>	Merbah cerukcuk, keruang	Yellow-vented Bulbul	-	1	LC-i	-	-	1	-	
59	Pycnonotidae	<i>Pycnonotus plumosus</i>	Merbah belukar	Olive-winged Bulbul	-	1	LC-s	-	-	1	-	
60	Rallidae	<i>Amaurornis phoenicurus</i>	Burak-burak	White-breasted Waterhen	-	1	LC-u	-	-	1	-	
61	Rhipiduridae	<i>Rhipidura javanica</i>	Kipasan belang	Pied Fantail	1	-	LC-s	-	-	1	-	
62	Scolopacidae	<i>Actitis hypoleucos; Tringa hypoleucos</i>	Trinil pantai	Common Sandpiper	-	1	LC-d	-	-	1	-	
63	Silviidae	<i>Gerygone sulphurea</i>	Remetuk laut	Golden-bellied Gerygone	-	1	LC-d	-	-	1	-	
64	Silviidae	<i>Orthotomus ruficeps</i>	Cinenen kelabu	Ashy Tailorbird	-	1	LC-s	-	-	1	-	
65	Silviidae	<i>Prinia flaviventris</i>	Prenjak rawa	Yellow-bellied Prinia	-	1	LC-d	-	-	1	-	
66	Timaliidae	<i>Macronous gularis</i>	Ciung-air coreng	Striped Tit-babbler	-	1	LC-s	-	-	1	-	
67	Timaliidae	<i>Pellorneum capistratum</i>	Pelanduk topi hitam	Black-capped Babbler	-	1	LC-d	-	-	1	-	
68	Turdidae	<i>Copsychus saularis</i>	Tinjau	Oriental Magpie-robin	-	1	LC-s	-	-	1	-	
69	-	-	Tetapaian coklat	-	-	1	-	-	-	-	-	
<b>Total Number of Bird Species</b>					<b>16</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>64</b>	<b>0</b>

## Notes:

Status of the species according to the IUCN Red List as follows:

- Critically Endangered - CE
- Endangered - EN
- Vulnerable - VU
- Near Threatend - NT
- Least Concern - LC

## AREAS REQUIRING BIODIVERSITY MANAGEMENT PLANNING [MM2]

In accordance with the regulations in Indonesia, we have environmental management plans and implementations in the form of AMDAL (Environmental Impact Assessment, UKL (Environmental Management Efforts), and UPL (Environmental Monitoring Efforts) for all our mining operations in Wara, Tutupan and Paringin. These cover various aspects, including:

- impacts and potential impacts
- ecosystem and biodiversity that exist in the operational area, as well as people's dependence on the ecosystem and biodiversity
- existence of rare and unique species
- potential land use after mining

## DISCLOSURE OF MANAGEMENT APPROACH FOR EMISSIONS

As a coal mining company in Indonesia, emission is one of the significant aspects that are regulated in numerous laws and regulations. Some of them are related to energy management, renewable energy development, and quality standards. These laws and regulations are our reference in handling emissions.

## // EMISSIONS

The largest emission source in our operational areas is the use of diesel fuel in motor vehicles, heavy mining equipment, power generators and other activities in Kelanis. Our management approach for emissions includes emission monitoring and energy efficiency to control the amount of emissions. We regularly conduct emission testing on heavy mining equipment and power generators using parameters that include Total Particulate, SOx, COx, NOx. Emission testing is also carried out on power generators with a capacity of > 570 kVA and >75-≤570 kVA. To maintain the objectivity, we ask an independent examiner to conduct the measurement every semester.

We practice energy efficiency to control the emissions. This includes saving electricity by adjusting room temperature to be and arranging the lights to establish a prevalent lighting in the room. We also do diesel fuel saving by utilizing solar power as an energy source for mining support equipment. In addition, we also regularly maintain our vehicles, heavy equipment, support equipment, and other facilities so that they can be used effectively and efficiently.

### DESCRIPTION OF SIGNIFICANT REGULATIONS RELATED TO EMISSIONS:

- The Minister of Energy and Mineral Resources' Decree No. 02 year 2004 on the Renewable Energy Development & Energy Conservation Policies (Green Energy Development)
- The Minister of Energy and Mineral Resources' Regulation No. 31 of 2005 on the Procedures for Energy Conservation
- The Minister of Energy and Mineral Resources' Regulation No. 25 year 2013 on the Amendment to the Minister of Energy and Mineral Resources' Regulation No. 32 year 2008 on the Provision, Utilization, and Trading of Biofuel as Alternative Fuel.
- The Minister of Energy and Mineral Resources' Regulation No. 14 year 2012 on Energy Management
- Government Regulation No. 70 year 2009 on the Energy Conservation
- Law No. 30 year 2007 on the Energy
- The Minister of Environment's Regulation No. 13 year 2009 on the Emission Quality Standards of Immobile Sources for Oil and Natural Gas Businesses and/or Activities (BA PROPER Reference)

## GREENHOUSE GASES AND GREENHOUSE GAS INTENSITY [G4-EN15, G4-EN16, G4-EN17, G4-EN18]

During 2012 and 2013, we did not conduct a comprehensive inventory of both direct and indirect greenhouse gas (GHG) emissions. We also did not identify other GHG emissions from activities outside our organization that are related to our business, such as transportation related to purchasing and goods and services delivery, coal delivery, the burning or processing of our coal products by users, and our employees' business trips land, sea or air.

Currently we calculate GHG based on conversion factors only for direct energy consumption, i.e. diesel fuel as the largest energy source. The GHG emission calculation is based on our diesel fuel consumption

volume in our operational areas of Wara, Tutupan, Paringin, Kelanis, Dahai and surrounding locations.

Based on the results of GHG calculation using conversion factors, we are able to determine the GHG intensity for each metric ton of coal we send to buyers or users. While our production in the last two years increased, our GHG intensity dropped. In 2012, the GHG intensity of our coal products was 0.04 metric tons of CO<sub>2</sub> equivalent per metric ton of coal, while the following year, GHG intensity decreased by 7.84% to 0.03 metric tons of CO<sub>2</sub> equivalent per metric ton of coal.

The following table presents data about the amount of diesel fuel consumption and related GHG emissions.

### Table of Amount of Greenhouse Gases from the Use of Diesel Fuel

	Amount		
	2012	2013	Up (Down)
Diesel Fuel consumption (Liter)	622.340.002	635.255.444	2,08%
Greenhouse Gases from the Use of Diesel Fuel (metric tons CO <sub>2</sub> e)	1.667.871	1.702.485	2,08%

Note:

- Assumption for calculating CO<sub>2</sub> emissions: 1 liter of diesel fuel = 2.68 kg of CO<sub>2</sub>, as suggested by the United States Environmental Agency (EPA)

### Table of Greenhouse Gas Intensity Related to the Use of Diesel Fuel

Total GHG (in metric tons of CO <sub>2</sub> e)			
Greenhouse Gas (GHG)	2012	2013	
GHG from direct diesel fuel consumption	1.667.871	1.702.485	
Amount Produced and Delivered			
Production	2012	2013	Up (Down)
Envirocoal 4000 (in metric tons)	7.633.549	7.869.854	3,10%
Envirocoal 5000 (in metric tons)	39.553.279	44.396.330	12,24%
<b>Total Production (in metric tons)</b>	<b>47.186.828</b>	<b>52.266.184</b>	<b>10,76%</b>
GHG intensity (in metric tons CO <sub>2</sub> e/metric ton)	0,04	0,03	-7,84%

We realize the importance of GHG inventory as part of our commitment to the environment. Therefore, we are conducting a study and GHG calculation together with PT LAPI ITB in 2014. The scope of the study and GHG calculations is the GHG sources in our operational areas, which comprise:

1. Stationary sources, such as a power generator.
2. Mobile sources:
  - Heavy equipment, such as excavators and dozers.
  - Motor vehicles used in mining activities, such as double cab cars, haul trucks, and speedboats.
3. Fugitive sources, such as the emissions from the process of stripping topsoil, blasting, excavation, crushing, and coal stockpiling.

#### REDUCTION OF GREENHOUSE GASES [G4-EN19]

We have identified that there were at least three sources for direct GHG reduction in 2012 and 2013:

1. The use of solar energy to replace diesel fuel in mining equipment lowered GHG emission by approximately 333 metric tons of CO<sub>2</sub> equivalent and 637 metric tons of CO<sub>2</sub> equivalent in 2012 and 2013 respectively.
2. The use of biodiesel to replace diesel fuel in heavy equipment lowered GHG emissions by approximately 581,968 metric tons of CO<sub>2</sub> equivalent in 2012 and 69,474,128 metric tons of CO<sub>2</sub> equivalent in 2013. This is consistent with the provision of the Minister of Energy and Mineral Resources' Regulation No. 25 year 2013, which requires the use of 10% biofuel for transportation related to PSO (Public Service Obligation) or subsidies.
3. Plants in our reclaimed area were able to absorb GHG emissions as much as 8,539 metric tons of CO<sub>2</sub> equivalent in 2012 and 8,497 metric tons of CO<sub>2</sub> equivalent in 2013.

Throughout 2012 and 2013, we did not identify the reduction of indirect GHG and other indirect emissions. We also did not follow the CDM mechanism to reduce GHG.

#### Table of Greenhouse Gas Reduction Initiatives

Direct Source of GHG Reduction	Initiative	GHG Reduction Achieved (in metric ton CO <sub>2</sub> e)	
		2012	2013
Emissions from the use of diesel fuel for power generators	Solar cell usage	332,90	637,04
Emissions from the use of diesel fuel for heavy equipment	B20 biodiesel usage	581.967,70	
	B10 biodiesel usage		69.474.128,36
Emissions from fuel consumption in mining operations	Terrestrial sequestration of CO <sub>2</sub> using reclamation plants	8.538,58	8.497,22
<b>Total reduction of GHG emissions</b>		<b>590.839,18</b>	<b>69.483.262,62</b>

Notes:

\* US EPA, 2013, <http://www.eia.gov/tools/faqs/faq.cfm?id=307&t=1>; 1 liter B:20 = 2,15 Kg CO<sub>2</sub>/liter, 1 liter B:5 = 2,55 Kg CO<sub>2</sub>/liter

\*\* Investigation and Mitigation of "GHG in Mining Activities", year 2011, by PT Nakarya Sembada that the emission absorption factor in reclamation area; 1 ha of reclamation area: 37.6 metric tons of CO<sub>2</sub>e/ha

**OZONE-DEPLETING SUBSTANCES (ODS) AND OTHER HAZARDOUS EMISSIONS [G4-EN20, G4-EN21]**

As a coal mining company, our main business processes do not require the use ozone-depleting substances, such as CFCs (chlorofluorocarbons), HCFCs (hydrochlorofluorocarbons), halon, methyl bromide, CTC (carbon tetrachloride) and TCA (methyl chloroform). In addition, the circulation of these substances has been banned or restricted by the government. Therefore, we do not conduct any specific controlling of these ozone-depleting substances.

Other hazardous emissions are monitored by regularly testing our heavy equipment and power generators, particularly those with a capacity of >570 kVA and >75-≤570 kVA. This complies with the Minister of Environment's Regulation No. 13 year 2009. Measurements are carried out by a competent, certified third party. Parameters measured include total particulate, SO<sub>2</sub>, and NO<sub>2</sub>.

**Cooperating with external parties, we collect and process organic waste into compost.**

**// SOLID WASTE**

**DISCLOSURE OF MANAGEMENT APPROACH FOR SOLID WASTE**

As a socially responsible mining company, we understand the importance of solid waste management to reduce the negative impacts of our operations on the environment. Generally there are three types of solid waste generated from our activities, i.e. organic, non-organic, and hazardous. We have a different approach for each category of solid waste.

Cooperating with external parties, we collect and process organic waste into compost. As for hazardous waste, we collect and temporarily store it to prevent contamination before we ship it to a third party. In accordance with government policy, we can only appoint a third party that is authorized to treat hazardous materials.

We have not had a comprehensive approach to handle non-organic solid waste that is not hazardous. However, this does not mean we allow pollution caused by this type of waste. Therefore, we are planning apply a waste management in our operational areas. In 2014, we will work closely with practitioners who will identify, conduct an inventory, and provide recommendations on the future implementation of non-organic solid waste management.

### DIAGRAM OF SOLID WASTE MANAGEMENT BY TYPES OF WASTE



Waste segregation is conducted in Adaro Indonesia’s office area and employee guest-house in Dahai. By working closely with external parties, we collect and process organic solid waste.



**MANAGEMENT OF ORGANIC, NON-ORGANIC AND HAZARDOUS SOLID WASTE [G4-EN23, G4-EN25]**

The composting of organic solid waste is not a new practice for us. Organic solid waste includes food waste and plant matters. We processed 27,843 kilograms and 18,753 kilograms of organic waste in 2012 and 2013 respectively.

The reduced volume of organic waste processed in 2013 was due to the relocation of our composting facility from hauling road km 71, Tutupan, to a new area in Paringin. During relocation, the composting activities were stopped for a few months.

The following chart presents data on the amount of organic waste composted.

**Graph of the Amount of Organic Waste Composted (Kg)**



We handle hazardous waste in accordance with prevailing regulations. As in previous years, we did not specifically bring in, process and export hazardous waste. In 2012, our operations resulted in no less than 845 metric tons of hazardous waste. Of this amount, 742 metric tons were transferred to a third party for further processing, while we temporarily stored the remaining 103 metric tons to prevent contamination. That year, over 50% of our hazardous waste was the used filters from heavy equipment and vehicles maintenance activities.

The amount of hazardous waste increased in 2013 to 1,129 metric tons. Of this amount, we transferred as much as 742 metric tons to a third party, while the remaining 233 metric tons were stored in temporary storage. Significant hazardous materials in 2013 included the used filters, sludge, and contaminated rags.

Data on hazardous waste in 2012 and 2013 are shown in the following two tables.

The amount of hazardous waste increased in 2013 to 1,129 metric tons. Of this amount, we transferred as much as 742 metric tons to a third party, while the remaining 233 metric tons were stored in temporary storage.



Table of Hazardous Waste in 2012

No	Type	Amount in 2012 (in metric tons)		
		Produced	Treated	Temporarily Stored
1	Used batteries	59,53	56,80	2,73
2	Used filters	612,27	522,39	89,88
3	Residual grease	22,45	21,49	0,96
4	Paint, thinner, and solvent containers	23,71	23,30	0,42
5	Contaminated rags	54,00	47,35	6,66
6	Sawdust	2,06	1,59	0,47
7	Used printer cartridges / ribbons	1,47	1,46	0,01
8	Fluorescent lamps	0,59	0,53	0,05
9	Fuel drums	0,01	0,01	-
10	Used diesel	2,76	2,41	0,35
11	Grease drums	3,67	3,57	0,10
12	Used toner cartirdges	0,67	0,67	-
13	Used hoses	25,20	25,13	0,07
14	Used TV monitors and computers	0,15	0,13	0,02
15	Used welding rods	15,53	15,53	-
16	Chemical drums	3,01	2,40	0,61
17	Used gloves	15,11	14,14	0,98
18	Residual soda ash	-	-	-
19	Residual PAC (Polyaluminum Chloride)	-	-	-
20	Sludges	2,75	2,75	-
21	Hydrocarbon-contaminated plastic	0,27	0,27	-
22	Medical waste	0,07	0,07	-
<b>Total</b>		<b>845,27</b>	<b>741,97</b>	<b>103,30</b>

A mining truck is crossing the mining site in Adaro Indonesia. The use of mining trucks and other heavy equipment generates hazardous waste that is usually stored temporary by Adaro Indonesia before being handed over to a third party.



## Table of Hazardous Waste in 2013

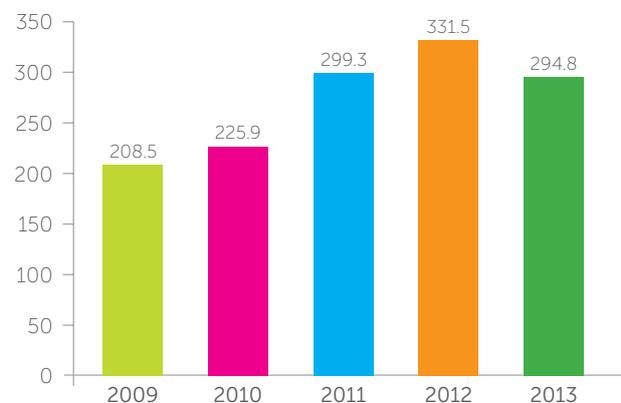
		Amount in 2013 (in metric tons)		
No	Type	Produced	Treated	Temporarily Stored
1	Used batteries	79,34	68,38	10,95
2	Used filters	498,62	381,42	117,20
3	Residual grease	40,40	38,13	2,27
4	Paint, thinner, solvent containers	6,25	6,15	0,10
5	Contaminated rags	135,39	125,79	9,61
6	Sawdust	4,60	3,06	1,54
7	Printer cartridges / ribbons	3,37	3,30	0,07
8	Fluorescent lamps	0,68	0,28	0,40
9	Fuel drums	-	-	-
10	Grease drums	9,49	9,20	0,29
11	Used toner cartridges	1,67	1,66	0,01
12	Used hoses	49,40	40,64	8,76
13	Used TV monitors and computers	0,43	0,09	0,34
14	Used welding rods	8,18	7,93	0,25
15	Chemical drums	3,83	2,76	1,07
16	Used gloves	63,06	65,49	(2,43)
17	Residual soda ash	-	-	-
18	Residual PAC (Polyaluminum Chloride)	-	-	-
19	Sludges	224,25	142,23	82,02
20	Medical waste	0,31	0,13	0,18
<b>Total</b>		<b>1.129,26</b>	<b>896,64</b>	<b>232,62</b>

## TOTAL OVERBURDEN [MM3]

The open-pit mining method that we use requires us to remove the surface layers before excavating the coal. Thus our operations result the overburden, which is the top soil excavated from the mining areas.

The following graph displays the amount of overburden that we removed in the last five years.

Graph of the Amount of overburden (Mbcm)



## // SPILLS

### DISCLOSURE OF MANAGEMENT APPROACH FOR SPILLS

Mining operations that use diesel fuel, lubricants and other liquid chemicals have the risk of spills. In relation to this, we make efforts to prevent spills, and in the event of spillage, we will work quickly to manage the impacts of the spills and conduct an investigation to determine the cause so we can take appropriate precautions in the future.

### TOTAL NUMBER AND VOLUME OF SPILLS [G4-EN24]

During 2012, there was no spills occurred in our operational areas. However, in the following year, we recorded four spill incidents as follows:

#### 1. Diesel fuel spill flowing toward SP (Sump Pit) North 1.

We found a diesel fuel spill that flowed into the sediment pond SP North 1. We immediately cleaned up the spill on the water surface by placing absorbents downstream to prevent it from spreading to safety pond SP North 1.

The absorbed diesel fuel was then contained in a hazardous waste drum. To prevent recurrence, our contractor PT Saptaindra Sejati (SIS) conducted an investigation and reported the results to QHSE (Quality, Health, Safety, and Environment) Department of Adaro Indonesia for follow ups.

#### 2. Engine lubricant spill flowing toward the Mangkusip River

Heavy equipment leak in SP 3 development area in Wara resulted in lubricant spill onto the soil that flowed along a cleared land toward the Mangkusip River. We placed absorbents at the downriver side of the Mangkusip River to contain the spill before it escaped into the river. Afterwards the spill was stored in a hazardous waste drum. As a follow up, we conducted an investigation and reported the results to QSHE Department of Adaro Indonesia.

#### 3. Diesel fuel spill in Wara

Our contractor, PT Rahman Abdijaya (PT RA), cleaned up diesel fuel spill found in the sump pit area in Wara by using absorbents. The timely response prevented the spill from spreading over a larger area. Afterwards, PT RA conducted an investigation and submitted the results to QSHE Department of Adaro Indonesia for follow ups.

#### 4. Diesel fuel spill in the diesel fuel unloading facility in Kelanis

Approximately 51.25 liters of diesel fuel spilled and pooled on the floor of the pump house due to leakage. We drained the spill, placed oil spill booms and sprayed dispersant. We also carried out an investigation to find the cause and reported the results to QHSE Department of Adaro Indonesia.

**We will work quickly to manage the impacts of the spills and conduct an investigation to determine the cause so we can take appropriate precautions in the future.**

## // GRIEVANCE, OVERALL MANAGEMENT, AND COMPLIANCE WITH REGULATIONS

### DISCLOSURE OF MANAGEMENT APPROACH FOR ENVIRONMENTAL GRIEVANCE

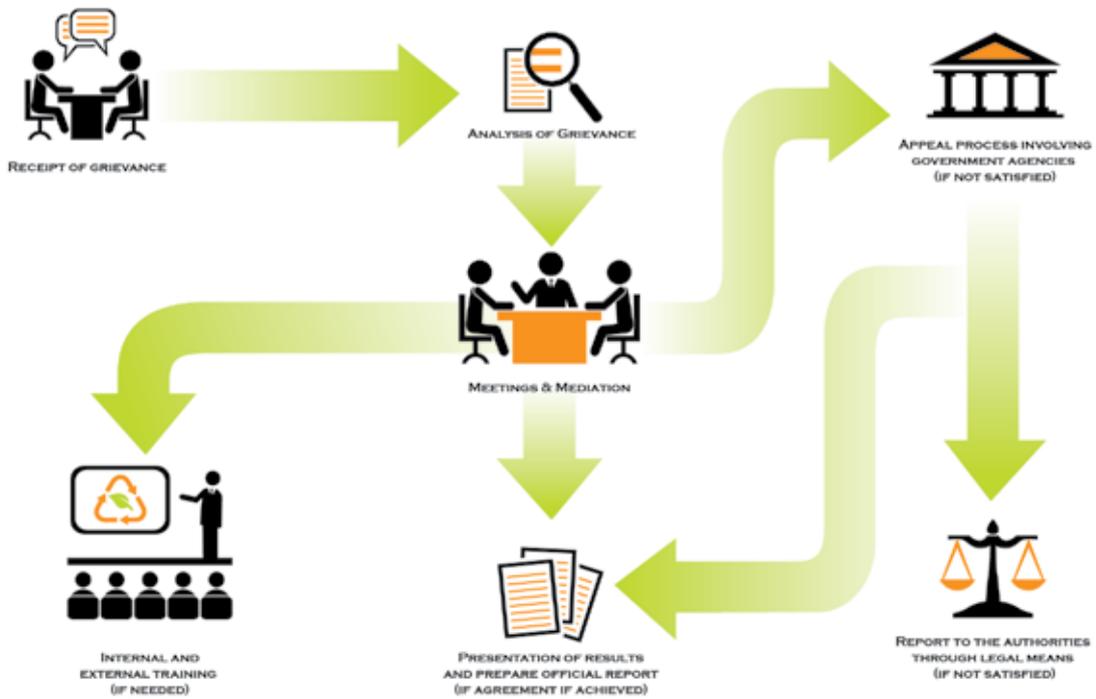
The public grievance management is one of our ways to minimize the negative impacts of our operations. It is also an initiative to maintain a harmonious relationship with the local communities and to inform the concerning parties that we are committed to handling environmental incidents in our mining area. Therefore, we have Standard Operating Procedure No. SOP:AI-SD-07-DHI as our reference for handling public grievance about environmental aspects.

Public grievance mechanism applies in all our mining and operational areas. To ensure its effectiveness, we regularly conduct internal evaluations and commission an external party to review the performance of our public grievance mechanism. In addition, we documented all the proceedings and intensively coordinate with related departments for the implementation. The executors of this grievance mechanism are Security Department, our contractor that handles security, PT Demitra Karsa Perdana (PT DKP), Land Management Department, Legal Department, and QHSE Department.

Public grievance management process is as follows:

1. Incoming reports, related to the environment, land acquisition, labor, CSR programs or other issues, are received and documented. Afterwards, we conduct verification, interviews and collect data or evidence. This process is carried out by the Security Department and PT DKP.
2. After the data and information are processed, we conduct field inspections and collect further data. We also coordinate with internal departments related to the grievance and arrange mediations and meetings. Subsequently we conduct analysis of data, information, findings and the results of coordination with relevant parties. The results of the analysis will be conclusions and recommendations to address the grievances.
3. Next, we conduct meetings and mediation to present the results of our analysis. Meetings and mediation can take place several times depending on the response of the complainant. If necessary, we can accept and process additional data that are important for the resolution of grievances. If an agreement is achieved, we and the complainant will prepare an official report.
4. If the complainant does not accept the results of our analysis, they may appeal by contacting the relevant government agency. We will involve the government and ask a competent party, or a competent party appointed together, to conduct further investigations. If agreement is still not achieved after four mediation meetings, the issue may proceed to court to be resolved through litigation.
5. To follow up the result of a public grievance handling, we educate our employees through internal dissemination of the existing cases. QHSE Department is responsible for this task by conducting orientations and other information sessions. If needed, we can hold trainings by inviting external speakers who are experts in the subjects and cases.

### DIAGRAM OF THE ENVIRONMENTAL GRIEVANCE MECHANISM



#### GRIEVANCES FILED AND RESOLVED [G4-EN34]

Throughout 2012 and 2013, we received 25 and 79 grievances respectively. In general, grievances were about environmental incidents. Of the grievances filed, we managed to resolve 23 cases in 2012 and 49 cases in 2013.

In addition, we also resolved as many as 72 grievances filed before 2012 throughout the reporting period.

However, we also recorded that there were 32 grievances filed before 2012 that were still unresolved until 31 December 2013. The delay was mainly due to the lack of consensus between parties. Therefore, we seek to find the best solution for the common interest.

The following table presents data on the number of grievances filed and resolved.

Table of Environmental Grievances Filed and Resolved

Reporting party	Total grievances in 2012		Total grievances in 2013		Total grievances filed before 2012 that have not been resolved as of 31 Dec 2013	Total grievances before 2012 resolved in the period of 2012 and 2013
	Filed	Resolved	Filed	Resolved		
Community	25	23	79	49	32	72

**OVERALL ENVIRONMENTAL MANAGEMENT [G4-EN31]**

Conforming to our environmental management system, i.e. ASEP, we invested some amount for environmental management and monitoring. To us, it is important and is part of our commitment to the sustainability of all Adaro Indonesia's stakeholders.

In 2012 and 2013, we invested no less than Rp 148 billion and Rp 98 billion respectively for environmental

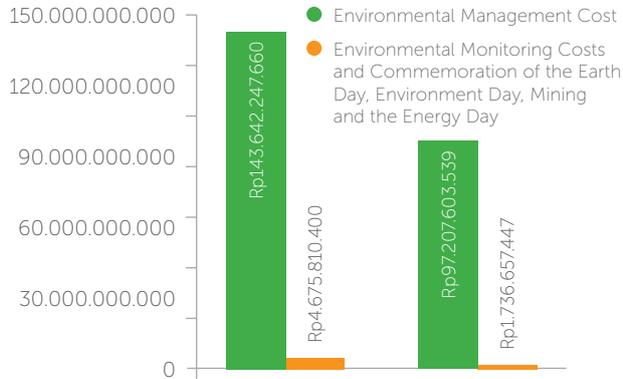
management and monitoring. Most of the investment was aimed at environmental management activities. Among these were the technical work of sedimentation pond construction, dewatering sludge in settling ponds, the arrangement of land and surface water quality management.

The following table and a graph display data on the amount of our investment in managing and monitoring the environmental aspects.

**Table of Details of Investment for Environmental Management and Monitoring (Rp)**

No	Environmental Management & Monitoring Cost	2012	2013
<b>1</b>	<b>Environmental Management Costs</b>		
	• Land arrangement	16.923.876.119	11.384.310.346
	• Forestation, including:		
	a. Seeding	443.849.132	202.045.613
	b. Planting	8.944.876.423	3.824.682.940
	c. Tending	1.536.379.078	1.397.334.576
	d. Purchase of cover crops	205.467.006	134.914.364
	• Management of Environmental Quality		
	a. Surface water	8.535.474.280	12.994.117.512
	b. Prevention and treatment of acid mine drainage	1.995.480.000	2.067.416.039
	c. Biodiversity	-	379.620
	d. Environmental research and development activities	2.147.136.100	727.217.875
	• Dredging of sludge from settling ponds	12.106.255.084	7.647.040.088
	• Maintenance of settling ponds	1.919.862.333	4.836.527.946
	• Civil works, such as construction of dams / settling ponds	88.883.592.105	51.991.616.620
<b>2</b>	<b>Environmental Monitoring Costs</b>		
	• Procurement of monitoring equipment / laboratory equipment & materials	191.338.400	336.356.407
	• Laboratory analysis (environmental monitoring)	4.157.472.000	1.206.219.590
<b>3</b>	<b>Commemoration of Earth Day, Environment Day and Mining &amp; Energy Day</b>	327.000.000	194.081.450
	<b>Total</b>	<b>148.318.058.060</b>	<b>98.944.260.985</b>

### Graph of the Investment for Environmental Management and Monitoring



### COMPLIANCE WITH ENVIRONMENTAL REGULATIONS [G4-EN29]

Throughout 2012 and 2013 and until the publication of the Sustainability Report, we generally comply with the environmental laws and regulations. Through ASEP environmental management system, we take all necessary precautions and address environmental incidents as early as possible. We believe that our environmental performance is satisfactory for all the concerning parties. One indication is the absence of fines and penalties associated with environmental regulation violations in 2012 and 2013.

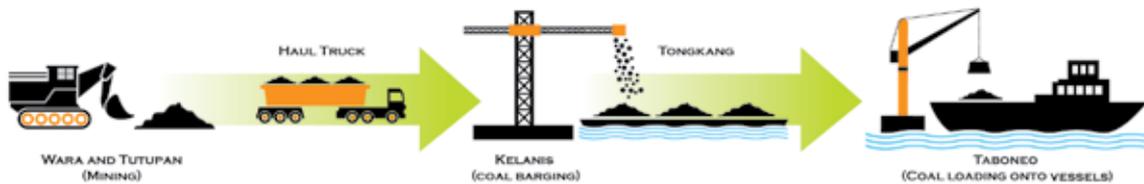
### // TRANSPORTATION

#### DISCLOSURE OF MANAGEMENT APPROACH FOR TRANSPORTATION

The significant transportation aspect in our operation is the transportation of coal from mining sites in Wara and Tutupan to the floating loading-facilities in Taboneo. The locations of our mine sites, which are far from rivers and seas, require us to build an 80-km-long haul road to the river port in Kelanis. The haul road crosses several settlement areas and village roads.

We move the coal from mining sites to the port area via the haul road in haul trucks. To minimize incidents during the trip, the public are forbidden to pass this road. In addition, we also install road signs and require drivers to drive haul trucks within a safe speed limit. In the event of an accident, we have a rescue team that can respond quickly to provide first aid.

### DIAGRAM OF COAL TRANSPORTATION



After passing the port area in Kelanis, the next coal trip is from the port to Taboneo. The coal is carefully barged along the Barito River. The river trip is carried out prudently and it meets health and safety standards because we understand that there are people living along the Barito River. Arriving in Taboneo open sea anchorage, the coal is loaded to vessels using a floating crane.

### IMPACTS OF TRANSPORTING COAL AND MANAGEMENT OF THOSE IMPACTS [G4-EN30]

With reference to the Ministry of Environment's Decree No. 175 year 2012 on the Environmental Permits for Entire Production Activities of PT Adaro Indonesia's Coal Mines up to 80 Million Metric Tons, we have identified at least four impacts of our coal transportation on the environment. Our efforts to manage those impacts are as follows:

1. Our coal transportation has an impact on the decreasing air quality. This is mainly due to road and coal dust in mining sites, port area and haul road. What we do to suppress dust are as follows:
  - watering the haul road 3-4 times per day, especially during the dry season and in areas close to settlement areas.
  - regularly sweeping road dust along the haul road using a mobile power broom after watering
  - planting perennials and shrubs that can absorb dust along demarcation area and also maintaining the distance from 25 to 50 meters between the haul road or conveyor area and residential areas.
  - establishing procedures and installing speed limit signs for large vehicles and haul trucks.
2. The use of haul trucks can create noise that can disturb the fauna and the communities living around mining sites and along the haul road. To reduce noise, we do:
  - Regular maintenance of haul trucks to prevent loud engine noise
  - Planting various species of trees and shrubs that are dense, tall, broad-leaved, leafy, hairy, and have rough or grooved surfaces as noise barriers along the demarcation area.
3. The massive weight of haul trucks carrying coal can cause vibration to the surrounding area. Our efforts to minimize vibration include:
  - setting the speed limit of 60 km/hour for haul trucks, especially when crossing settlement areas.
  - immediately repairing damage to roads and caused by haul truck's mechanical vibration.
  - adjusting the amount of load with haul truck's capacity. We do not tolerate overloaded haul trucks.
4. Transportation of coal may have an impact on river pollution. Coal may spill from haul trucks onto the haul road and flow to the river during heavy rain, contaminating the river. Coal spillage can also occur at the time of coal loading and unloading at the port or open sea. We take precautions by:
  - limiting the amount of coal load according to vehicle's capacity;
  - installing gutters to minimize coal spillage;
  - building ponds to contain rainwater runoff at lower areas along the haul road and conveyor area.

## // SUPPLIER ENVIRONMENTAL ASPECTS

### DISCLOSURE OF MANAGEMENT APPROACH FOR SUPPLIER ENVIRONMENTAL ASPECTS

Our main suppliers are technical contractors that conduct the mining operations. This is why we should engage the contractors in our environmental management. We manage the environmental aspects of our contractors since the beginning in accordance with prevailing regulations. The environmental aspects are also regulated in a written agreement.

We select and assess each contractor based on CSMS (Contractor Safety Management System) or contractor's management system for occupational health & safety and the environment. Aspects evaluated include:

a. Scope and location of work, and persons in charge of the work and area;

- b. Identification of environmental hazards and impacts at worksites and its management;
- c. Implementation and monitoring of contractor environmental aspects;
- d. Trainings related environmental aspects;
- e. Emergency response system in the event of environmental incidents;
- f. Contractor assessment system for all environmental aspects.

All contractors that undertake mining operations must pass pre-qualification and meet the CSMS requirements. Through CSMS, we can learn about the initiatives launched by the contractors and help them make improvements and increase their performance. In addition, we can align our needs with the contractors' in terms of environmental management aspects.

The following table describes our initiatives to manage contractor's environmental aspects in accordance with the CSMS.

Table of Management of Contractors' Environmental Aspects

Criteria	Included in the work contract?	Awards for those who meet the criteria
Preventive	Yes	letter of Appreciation
Corrective, if an incident occurs	Yes	letter of Appreciation
Management through procurement practices & policies	Yes	letter of Appreciation
Environmental aspects become criteria of work	Yes	letter of Appreciation
Transfer of knowledge and capacity improvement in the management of environmental impacts	Yes	letter of Appreciation
Termination of work contract with supplier, in the event of environmental incident	No	not relevant

Note: The criteria for implementation refers to CSMS

Watering is carried out 3-4 times a day, especially in the dry season, to reduce the dust on the road that can disturb the surrounding community.



**NEW CONTRACTORS AND CONTRACTOR'S IMPACTS ON ENVIRONMENT [G4-EN32, G4-EN33]**

In 2012 and 2013, we did not have an evaluation system to assess the environmental impacts of new and old contractors, but all new contractors were required to comply with environmental regulations. All contractors were also evaluated based on CSMS (Contractor Safety Management System) criteria, which include occupational health and safety, and environmental aspects. No less than 12 contractors were evaluated using CSMS in 2013.

By implementing CSMS, we believe that the environmental impacts of contractor's activities can be managed. Furthermore, through our environmental grievance mechanism, we can also immediately find out about problem contractors that cause environmental incidents.

We engage the contractors in our environmental management. We manage the environmental aspects of our contractors since the beginning in accordance with prevailing regulations and the environmental aspects are also regulated in a written agreement.

Empty haul truck is moving from Kelanis to the mining site. the contractors is obliged to operate the haul truck for transporting coal in accordance with the environmental regulations.



# / Developing Social Quality

We understand that the social and communal aspects have an important role in supporting the success of our mining activities. As a company that pays attention to sustainability aspects, Adaro Indonesia has a strategic approach to develop social and communal qualities. This is carried out especially to the people living in 1st and 2nd ring of our mining sites and on the other relevant and significant issues related to our operations.

Even though we do not comprehensively refer to the UN Global Compact and the OECD Guidelines for Multinational Corporations, we share the same spirit of social sustainability with both international norms. Several significant aspects that are in line with those international norms are related to corruption handling, fair competition, industrial relations, and community development. Those are in line with OECD Guidelines for Multinational Corporations on anti-corruption and competition, as well as the UN Global Compact, especially the Principle number 10 about the anti-corruption.

Furthermore, we also have a corporate policy to maintain our social capital by respecting community's social rights and launching social and environmental responsibility (Corporate Social Responsibility) initiatives. In carrying out our social and environmental responsibility, we refer to several international norms and regulations, such as the Millennium Development Goals (MDGs), Human Development Index (HDI), Rio de Janeiro Declaration in 1992, Johannesburg Earth Summit 2002, ISO 26000 Guidance for Social Responsibility, and the principles of Good Corporate Governance (GCG).

In addition, our mining operations also refer to the laws that regulate the social aspects of mining companies in general, as shown below.

## SIGNIFICANT REGULATIONS RELATED TO SOCIAL ASPECTS

- Laws and regulations in Indonesia, including Law No. 40 year 2007 on the Limited Liability Company
- Law No. 4 year 2009 on the Mineral and Coal Mining
- Government's Regulation No. 23 year 2010 on the Mining and Coal Business Activities
- Government's Regulation No. 47 year 2012 on the Social and Environmental Responsibilities of the Limited Liability Company

In implementing our social and environmental responsibility programs, we communicate and cooperate with all related parties regardless of gender. Two examples of this non-discrimination is our village development programs, which engage women in the initial planning and activity prioritization process, and female farmer development, which aims to make them independent farmers who can generate income for their families. As for the health aspect, we have "Pregnancy-conscious Mothers" (Darlan) and "Mother and Toddler" (Darta) classes, which aim to improve maternal and child health. All these initiatives are dedicated to women and actively involve women.

What is more, we also realize that our approach to develop social qualities is still not perfect. We still lack the engagement of labor union, occupational health and safety committee, and employees in the development of social capital. This is why employee volunteerism is an issue we have to think about in the future.

## // LOCAL COMMUNITIES

### DISCLOSURE OF MANAGEMENT APPROACH FOR LOCAL COMMUNITIES

Our operational areas include mining sites in Wara, Tutupan, and Paringin; crushing facility and port in Kelanis; and other general and administrative areas in and around Dahai. We believe that meeting our social and environmental responsibilities to the local communities, especially those living in 1<sup>st</sup> and 2<sup>nd</sup> ring of our operational areas as well as the relevant and significant stakeholders, is very important to show our commitment to sustainability aspects. We also need to engage actively with the other stakeholders in addressing a variety of social issues.

We work together with several parties in carrying out our social and environmental programs. We collaborate with Yayasan Adaro Bangun Negeri (YABN) in conducting activities in the areas of education, sanitation and health, economic development, as well as social and cultural development. Similarly, we also work with

our contractors and other partners in carrying out social investment activities, such as repairs and constructions of public facilities, social facilities and infrastructure. The implementation of social investment can be categorized as either planned or unplanned (ad-hoc programs).

Dealing with many aspects of social and environmental responsibilities is not easy. Therefore, we need to prioritize issues and target areas. We also need to involve various groups in the society since the beginning in order to gain strong support.

In relation to that, we approach and create dialogues with stakeholders. Every year we involve various groups in the society as well as the local government in the planning of our future CSR programs. All the inputs are discussed and the resulting agreement will be valid for the next one year. This agreement is then legalized in a Regent's Decree.

The following diagram describes the process of a dialogue with various groups in the society and local government in planning activities.

### DIAGRAM OF THE PROCESS IN PRIORITIZING THE CSR ACTIVITIES





Modern Market in Balangan is newly built with Adaro Indonesia's support (photo was taken early March 2014). Adaro Indonesia's assistance in infrastructure development is carried out collectively with its contractors based on community involvement and stakeholder dialogue.

#### COMMUNITY ENGAGEMENT, DEVELOPMENT PROGRAMS, AND IMPACT ASSESSMENT [G4-SO1]

As explained earlier, our programs are prioritized for communities living in 1<sup>st</sup> and 2<sup>nd</sup> ring, as well as surrounding areas of Wara, Tutupan, Paringin, Kelanis, and Dahai. Programs include various aspects of education, health and sanitation, economic development, social and cultural improvement. In 2012 and 2013, we evaluated several significant programs to find out about the implementation status and the impacts on the communities.

We need to prioritize issues and target areas. We also need to involve various groups in the society since the beginning in order to gain strong support.

**Table of Programs, Evaluation, Engagement and Impacts**

Area	Program, Evaluation, Involvement, and Impact
Binjai Punggal	<p><b>2013 - Development of Superior Rubber Plantations (Kebun Karet Unggulan) Continued</b></p> <p>To support the sustainability of Nurul Muhibin Islamic boarding school in Binjai Punggal village, Halong, we carried out Superior Rubber Plantation development program. Besides a place for religious studies, this islamic boarding school is also an orphanage. There were 85 students, 60 of whom were orphans. Local residents also do weekly quran reading at the boarding school.</p> <p>The boarding school has 75 hectares of rubber plantations in three locations. We helped providing them with rubber seeds and fertilizer. In 2013, a total of 12 hectares of superior rubber were tapped by six families. With production of 2,000 kg / week and the average price of rubber Rp 9,000 / kg, each family earns Rp 4,000,000 / month.</p> <p>The impacts of this program are massive because the profits from the rubber tapping are used to pay teacher salaries, building construction and maintenance, and meet daily needs. Previously the boarding schools relied on donations; however, since March 2013 it no longer accepted donations because the rubber plantation provided enough revenues.</p> <p>We engaged the community in many stages of this program, such as the seeding and the tending of rubber, the providing of additional seeds and fertilizers, the donation of additional superior rubber seeds and fertilizers. Through this program, the community also improved cooperation, teamwork and volunteering among members of the community.</p>
Tawahan, Panggung, Pamurus, Murung Jambu, Mungkur Uyam, Maradap, Mamantang, Inan, Hujan Mas, Harapan Baru, Halong, Binjai Punggal, Baruh Panyambaran	<p><b>In 2012 &amp; 2013-Development of Community's Superior Rubber Plantations</b></p> <p>In 2012, we helped the development of superior rubber plantations in Tabalong and Balangan regencies by donating rubber seeds and fertilizers, measuring land, and conducting trainings on superior rubber cultivation. The community was engaged in the seeding and tending.</p> <p>In 2013, we conducted monitoring and the results showed that 2 of the 222 farmers in Balangan did not utilize the superior rubber plantation because it was released to someone else and hit by flood. We also conduct an evaluation and found that the seedling mortality was only 0-10%. Usually the farmers directly replaced the dead seedlings.</p>
Harus, Banyu Tajun, Barimbun, Manurai, Masingai II, Padang Panjang, Padangin, Tamiyang, Warukin	<p><b>In 2012- Improving community access to clean water facilities</b></p> <p>We had started a program to provide clean water to communities in Tabalong since years ago. In 2012, we conducted an evaluation and the results showed that the clean water distribution through WTP T-300 and the installations of bore wells and dug wells have met 41.17% of the water need of residents in the 1st ring.</p>

Area	Program, Evaluation, Involvement, and Impact
Muara Ninian, Marias, Buntu Karau, Sirap, Lamida Bawah, Mangkayahu, Lok Batu, Sungai Ketapi, Dahai	<p><b>In 2012- Improving community access to clean water facilities</b></p> <p>In Balangan regency, we also had started a program to provide clean water to communities in Tabalong since years ago. We conducted an evaluation in 2012 and found that we had met 96% of the local communities' need of clean water.</p> <p>This program succeeded because we involved the regional water company (PDAM). We assisted the installation of pipes to households, especially those of extremely low-income. Afterwards, PDAM and the community as responsible for the payments and maintenance.</p> <p>We see that this program has positive impacts on sanitation and public health. This is due to the change in the behavior of people who previously consumed river water and now are able to utilize water from PDAM.</p>
Tanta	<p><b>2013- Pastries Program "Bunga Tanjung" for Micro, Small and Medium Businesses (UMKM)</b></p> <p>We trained three businessmen, each of whom employed two employees to produce traditional snacks, such as peyek, dumplings, and akar pinang. We provided financial assistance totaling Rp 50,000,000 through Micro Finance Institutions for the purchase of ingredients and equipment. Products are subsequently marketed in our contractor's (PT SIS) canteen, Tanjung Hospitals, taxation office etc.</p> <p>Based on the results of our evaluation in 2013, the current marketing resulted in a monthly sales turnover of Rp 9,360,000. Fund awarded was used properly; however, health quality assurance training that we held together with the local health department was not utilized. Business owners have not had health assurance certificate nor created health quality assurance labels.</p>
Balangan	<p><b>2012 and 2013-Quality Improvement of Rubber Processing Materials</b></p> <p>Together with the local government, we improved the competitiveness of superior rubber plantation by educating rubber farmers to use specific coagulant, namely deurob K. The use of deurob K helps the process of coagulation of rubber with low water content and reduces contamination of the rubber mix ingredients. We supplied as much as 4,000 liters of deurob K per year to the community. We hope that in the future people will be accustomed to using deurob K and avoid the use of fertilizers to coagulate the rubber and not mix rubber with other ingredients before selling.</p>

**NEGATIVE IMPACTS ON THE COMMUNITY [G4-SO2]**

We realize our operations may have negative impacts on the local communities. The degree of potential disturbance varies according to the types of impact.

Therefore, we ensure our operations are measured, planned, and equipped with plans to prevent and

anticipate incidents, as well as plans for improvements. We also regularly measure our activities so as not to exceed the limits of specified parameters.

The following table lists the potential negative impacts of our operational activities on the local communities during 2012 and 2013.

**Table of Potential Negative Impacts**

No	Potential Negative Impacts	Area				
		Wara	Tutupan	Paringin	Kelanis	Dahai
1	Vibration	Yes	Yes	Yes	No	No
2	Wall cracks	Yes	Yes	Yes	No	No
3	Noise and dust due to the use of vehicles and heavy equipment	Yes	Yes	Yes	Yes	No
4	Dust caused by blasting	Yes	Yes	Yes	No	No
5	Disturbance to the source of clean water due to land clearing activities and mining water management	Yes	Yes	Yes	No	No
6	Water pollution due to the coal stockpiling	No	No	No	Yes	No
7	Traffic disruption or congestion as a result of operational vehicles using public roads	No	No	No	No	Yes



Construction of the community health center in one of the villages around the Adaro Indonesia's operational areas. Adaro Indonesia's support and donation to the community does not reduce the company's efforts to prevent and anticipate the negative impacts of the operations on the community.



## // ANTI-CORRUPTION

### MANAGEMENT APPROACH TO ANTI-CORRUPTION

In line with national efforts to eradicate corruption in Indonesia, we commit to anti-corruption in our organization. We have an internal audit and internal control unit that can identify the incidence of corruption in our organization.

If someone is suspected of corruption, we will first identify and facilitate the case. If he/she is found guilty of corruption, we will impose sanctions in accordance with the agreements set forth in the Collective Bargaining Agreement (CBA) or report the incident to the authorities. One of the critical issues related to corruption is employee's act to provide information to the public regarding land acquisition plan with a commission agreement between the employee and landowners.

Even though we do not conduct anti-corruption trainings for our management and employees, regulations regarding anti-corruption are set out in the gratification policy, Collective Bargaining Agreement, and corporate values. This issue also includes the company policy on the giving of donation and sponsorship, which has to be made clear that it is not for bribes or gratifications.

**All the cases ended with the dismissal of employees who engaged in corruption.**

### EVALUATION, DISSEMINATION AND INCIDENTS OF CORRUPTION [G4-SO3, G4-SO4, G4-SO5]

Like the previous years, in 2012 and 2013, we did not use any media or conduct specific trainings for the dissemination of anti-corruption regulations. However, we have corporate values called "I LOVE MORE ADARO" which emphasize on integrity, meritocracy, openness, respect, and excellence. All employees are obliged to understand and implement these values, which are expected to discourage employees from committing reprehensible actions, including corruption.

In 2012 and 2013, we also did not commission any independent parties to conduct evaluation and assessment of corruption risk in our operational areas. To identify the risks or incidents of corruption, our internal audit team goes directly to our operational areas in Wara, Tutupan, Paringin, Kelanis and Dahai. In addition, we are also open for any reports from outside parties regarding allegations of employee corruption.

Over the last two years, our internal audit team identified three incidents of employee corruption in Dahai. Of those three incidents, two occurred in 2012 and one in 2013. All the three cases ended with the dismissal of employees who engaged in corruption.

Besides incidents of employee corruption, we also found one incident of corruption involving a contractor, which ended in the termination of contract.

The following table contains data on the incidents of corruption and actions taken.

Table of Incidents of Corruption Involving Employees and Contractors

Description, status of incidents of corruption	Total Cases	
	2012	2013
Corruption incidents resulting in the dismissal of or sanctions / penalties against employees	2	1
Corruption incidents resulting in termination of contract or cancellation of contract extension	-	1
Corruption incidents being processed or have been resolved through legal means	-	-
<b>Total Number of Cases</b>	<b>2</b>	<b>2</b>

## // PUBLIC POLICY, POLITICS, BUSINESS COMPETITION, AND VIOLATIONS OF THE LAWS

### DICLOSURE OF MANAGEMENT APPROACH FOR PUBLIC POLICY

Considering our position as a national vital object and our involvement in associations, we put high importance

on public policy. In 2012 and 2013, there were some significant public policies that directly and indirectly affected the sustainability of our business.

The following table lists significant public policies, our views toward them and our involvement in response to those policies.

Table of Public Policies, Views and Involvement in Public Policies

Public Policy	Views or actions	Involvement or activity
The Minister of Manpower and Transmigration's Regulation No 19 year 2012 on Conditions for Outsourcing Part of Work Execution to Other Company.	Adaro Indonesia amended work agreements to comply with these regulations.	Adaro Indonesia follows the direction of IMA (Indonesian Mining Association) in addressing these changes.
Constitutional Court Decision on Termination of Employment due to Severe Wrongdoing, the Law no.13 of 2003 on Employment, Article 58	Adaro Indonesia changed the Collective Bargaining Agreement 2011 and 2013 Article 27 Paragraph 4 to comply with the decision.	none
East Barito Regency Policy on Third-party Contribution to Regency Government	Adaro Indonesia contributes to government revenue through the payment of taxes in accordance with the Coal Contract of Work (PKP2B). Views on the policy's demand of third party contributions: <ol style="list-style-type: none"> <li>Adaro Indonesia as a government contractor is committed to contributing to local revenue.</li> <li>Adaro Indonesia assists local development through community development programs, i.e. CSR programs, grants etc, in which we engage the local government and communities.</li> <li>Adaro Indonesia and partners lower unemployment rate in the region by recruiting and training productive workforce.</li> <li>Adaro Indonesia, in cooperation with various foundations and partners, engage in long-term strategic development plans and improve the welfare of East Barito communities through various activities, the number and value of which increase from year to year.</li> </ol>	<ol style="list-style-type: none"> <li>Energy and Mineral Resources Circular Letter no.03.E /30/DJB /2012 dated 14 February 2012 on Third Party Contribution, that the Governor / Regent / Mayor does not collect contribution from thir parties that have IUP, KK and PKP2B (Coal Contract of Work)</li> <li>The Minister of Internal Affairs' Decree No. 188.34/17/SJ on structuring local regulations on Local Taxes and Retributions, stating in point 2 that the third party's contribution and the local regulation that sets out third party's contribution are essentially the same as the local tax. Therefore, the implementation has to be stopped and the regulation removed to prevent high-cost economy and hinder the improvement of the investment climate in the region.</li> <li>Governor / Regent convey people's aspiration about the prohibition of SP3 levy to the legislative officials.</li> </ol>

**POLITICAL CONTRIBUTIONS BUSINESS COMPETITION ON AND COMPLIANCE WITH LAWS [G4-SO6, G4-SO7, G4-SO8]**

During the period of 2012 and 2013, we did not make any contributions to political parties. It is our policy not to be associated with any political parties in order to minimize impacts to the company when there is political power shift or unstable political situation. In running our business, we always consider business ethics, compliance with laws and fair competition. Therefore, we did not have any issues related to anti-competitive behavior or other legal violations during 2012 and 2013.

Did not have any issues related to anti-competitive behavior or other legal violations during 2012 and 2013.

Loading activities of Adaro Indonesia's coal onto a barge in Kelanis. In conducting its business, Adaro Indonesia pays attention to business ethics, compliance and fair competitive behavior.



## // SOCIAL ASPECTS OF SUPPLIERS

### DISCLOSURE OF MANAGEMENT APPROACH TO SOCIAL ASPECTS OF SUPPLIERS

As part of our commitment to social issues, we conduct selection and assessment of the contractors that will work in our operational areas. The selection process for new contractors are as follows:

1. Adaro Indonesia requests company documents, including but not limited to legal documents.
2. Adaro Indonesia evaluates company legal documents
3. If necessary, the prospective contractor may be asked to show the original documents,
4. If necessary, Adaro Indonesia may conduct a survey to the business location.

5. Adaro Indonesia issues an approval for the qualified contractor

6. New Contractors are included in the Vendor Approval List.

Evaluation and assessment criteria include, but are not limited to, legality, financial capabilities, technical capabilities, product quality, social and environmental responsibility, management system, and ownership of business premises, offices, shops or warehouses. Each contractor is also required to meet no less than 38 CSMS requirements regarding QHSE (Quality, Health, Safety and Environment). During the implementation phase, our QHSE Department will conduct an internal CSMS audit to ensure that contractors address all the social aspects.

The following table displays data about the management of supplier social aspects in our operational areas.

Table of Management of Suppliers' Social Aspects

Criteria	Implementation in Adaro Indonesia	Included in the work contract?	Awards for those who meet the criteria
Preventive	Circular letter regarding Gratification	None	None
Corrective, if an incident occurs	Investigations will be conducted for every incident	None	None
Management through procurement practices & policies	Standard Operating Procedures (SOP) Procurement Section	None	None
Social aspects become criteria of work	Occupational Health and Safety, and Environmental policies	Yes	None
Transfer of knowledge and capacity improvement in the management of social impacts	None	None	None
Termination of work contract with supplier, in the event of social incident	Suppliers with significant cases will be put in the vendor blacklist.	Yes	None



Vehicles of Adaro Indonesia's employees and contractors are entering the mining site. Based on the Adaro Indonesia's policies, the social aspects of the contractors were evaluated in 2013 and 12 contractors had significant social issues that required special treatment.



So far, we have never terminated contract due to significant social issues. However, if an incident occurs and we have to consider a contract termination, the procedure will be as follows:

1. Procurement Section discusses the social incident with the user or relevant departments, such as Legal Department, and if it is of larger impact, Security Department.
2. If the decision is to end cooperation with the contractor, contract termination letter will be issued and sent to the contractor.
3. Monitoring will be conducted after the letter is given to ensure that there are no issues related to the contract termination.

Even though we prioritize local contractors, we also have to take into account the capability and advantage factors. In relation to this, our Procurement Department

will request inputs from Community Relations Department, CSR Department, and Government & Media Relations Department. Moreover, the identification, evaluation and assessment of contractors are also conducted together with the users or related departments.

**SUPPLIER ASSESSMENT FOR IMPACTS TO SOCIETY [G4-SO9, G4-SO10]**

In accordance with company policy, we do conduct selection and assessment of all new contractors based on CSMS criteria, which also includes social aspects. This means all of our contractors have gone through an evaluation and assessment of social aspects in 2012 and 2013. In 2013, we audited 12 existing contractors against CSMS criteria. The results showed no significant social issues that required special treatment.

The following table presents the audit data on the supplier social aspects.

**Table of Social Audit on Suppliers**

Year	Type of audit	Audit method or system	Audited aspect	Number of suppliers audited	Auditor
2013	CSMS Audit	Verification of documents and on-site implementation	Occupational health & safety and environmental management system	12 Suppliers	Internal, QHSE Department

## // SOCIAL GRIEVANCE

### DISCLOSURE OF MANAGEMENT APPROACH FOR SOCIAL INCIDENTS

We have a grievance mechanism to accommodate public grievance in the event of social incident. The mechanism is set out in Standard Operating Procedure no. SOP:AI-SD-07-DHI, integrated with environmental grievance mechanism. This grievance mechanism is periodically evaluated by internal and external parties. All the proceedings in the grievance mechanism are also well documented and involve several social-aspect-related departments. The executors of this grievance mechanism are Security Department, our contractor that handles security, PT Demitra Karsa Perdana (PT DKP), Land Management Department, Legal Department, and QHSE Department.

In general, the handling of social grievances is the same with that of environmental grievances. First, the incoming reports received are documented. Afterwards we conduct verification, interviews and collect data or evidence.

The data and information are then processed and we conduct field inspections and collect further data. We also coordinate with other departments related to the grievance, arrange mediation and meetings. Next, we will draw conclusions and make recommendations to address the grievances.

Subsequently, we conduct meetings and mediation to present the results of our analysis. If necessary, we can accept and process additional data that are important for the resolution of grievances. The official report will be prepared if there is an agreement between the parties. However, if the complainant does not accept the result, the case can be reported to the relevant government agency, or even escalated to the court to be resolved in accordance with the laws.

There is no special training for employees regarding the grievance mechanism, but the material for social grievance mechanism is given to the Security Department and becomes a part of orientation and information session about occupational health and safety and the environment.

### SOCIAL GRIEVANCES FILED AND RESOLVED [G4-SO11]

In 2012 and 2013, we received a number of public grievances about social incidents. Of 43 grievances filed in 2012, 39 were resolved. While in 2013, 33 out of 69 cases were resolved. In addition, we also resolved 72 cases reported before 2012 within the period of 2012 and 2013. As of 31 December 2013, we still had the responsibility to resolve 40 pending cases. In general, most public grievances were related to land management, which includes land acquisition, compensation, and land disputes.

The following table presents data on social grievances filed and resolved.

Table of Social Grievances Filed and Resolved

Reporting party	Total grievances in 2012		Total grievances in 2013		Total grievances filed before 2012 that have not been resolved as of 31 Dec 2013	Total grievances before 2012 resolved in the period of 2012 and 2013
	Filed	Resolved	Filed	Resolved		
Community	43	39	69	33	40	72

# / Improving Human Resources Quality

## // EMPLOYMENT

Quality and reliable workforce is critical to our sustainability. To that end, we launch various initiatives to continuously improve the quality of our employees. Our approach includes not only human resources management, but also other aspects, such as occupational health and safety; freedom of association; the elimination of child labor, forced labor, and discrimination in the workplace. All of those are in line with the OECD Guidelines for Multinational Enterprises and the UN Global Compact, specifically with principles 3, 4, 5, and 6 on labor.

Furthermore, our labor practices also comply with the prevailing laws and regulations in Indonesia. Among these is the Law No. 13 year 2003 on the Employment, and the Ministry of Manpower and Transmigration's Regulation No. 19 year 2012 on Conditions for Outsourcing Part of Work Execution to Other Company.

### DISCLOSURE OF MANAGEMENT APPROACH FOR EMPLOYMENT

Employment practices in our operational areas include not only the human resources management aspect of Adaro Indonesia. Our operations as a mining company cooperating with a number of mining contractors involve the contractors' employment practices that influence our sustainability. Therefore, we conduct monitoring and evaluation on contractors'

labor practices by using CSMS criteria. In addition, we also indirectly conduct regular verification at the time of invoicing and payment to contractors

Our contractors are obliged to provide protection to their employees. We understand that some contractors may not be able to meet the international occupational health and safety standard like OHSAS 18001; therefore, we evaluate contractors based on CSMS and urge them to protect the health and safety of their employees. In relation to that, we will issue a written warning to contractors that fail to meet this requirement. We may also penalize or reduce fee, or even terminate contract with the contractors that ignore our warning.

In terms of remuneration, we require contractors to pay wages in accordance with the government regulation regarding Provincial Minimum Wage (UMP). Written warnings will be given to non-compliant contractors. Up to this reporting period, we can ensure that the remuneration is in accordance with the minimum wage standard.

Each individual working with us must have a clear legal basis. We cannot allow contractors' workers who do not have employment contracts to work in our operational areas. In addition, we will evaluate or end or work relationship with contractors that employ individuals or utilize domestic industries without binding employment agreement.

Adaro Indonesia's employees are having a ceremony. Every employee who works for Adaro Indonesia and its contractors is required to have a work agreement as the basis for labor protection.



**EMPLOYEE TURNOVER [G4-LA1]**

We calculate our employee turnover based on the data of our employees stationed in Kalimantan (Wara, Kelanis, Dahai and representative office in Banjarmasin). The calculation does not include our contractors' employees who work in our operational areas.

We accepted as many as 164 new employees in 2012 and 135 in 2013. With these additions, our new employee ratios were 19% and 14% for the years 2012 and 2013 respectively. The lower number of new employees in 2013 is in line with our policy to practice efficiency.

The following table presents data on new employees in Kalimantan

**Table of New Employee Recruitment**

Area	Age	Number of Employees in 2012						Number of Employees in 2013					
		New		As of 31 December		New Employee Ratio 2012		New		As of 31 December		New Employee Ratio 2013	
		M	F	M	F	M	F	M	F	M	F	M	F
Wara	< 30	56	16	131	38	43%	42%	41	18	144	49	28%	37%
	30-50	42	2	223	12	19%	17%	42	2	278	16	15%	13%
	> 50	3	-	14	-	21%	n/a	-	-	13	-	0%	n/a
<b>Sub Total</b>		<b>101</b>	<b>18</b>	<b>368</b>	<b>50</b>	<b>27%</b>	<b>36%</b>	<b>83</b>	<b>20</b>	<b>435</b>	<b>65</b>	<b>19%</b>	<b>31%</b>
Banjarmasin	< 30	1	-	6	-	17%	n/a	-	-	-	-	n/a	n/a
	30-50	4	-	17	4	24%	0%	2	-	3	4	67%	0%
	> 50	-	-	2	-	0%	n/a	-	-	-	-	n/a	n/a
<b>Sub Total</b>		<b>5</b>	<b>-</b>	<b>25</b>	<b>4</b>	<b>20%</b>	<b>0%</b>	<b>2</b>	<b>-</b>	<b>3</b>	<b>4</b>	<b>67%</b>	<b>0%</b>
Kelanis	< 30	13	1	94	1	14%	100%	7	2	88	2	8%	100%
	30-50	9	1	210	1	4%	100%	5	-	225	2	2%	0%
	> 50	1	-	13	-	8%	n/a	-	-	16	-	0%	n/a
<b>Sub Total</b>		<b>23</b>	<b>2</b>	<b>317</b>	<b>2</b>	<b>7%</b>	<b>100%</b>	<b>12</b>	<b>2</b>	<b>329</b>	<b>4</b>	<b>4%</b>	<b>50%</b>
Dahai	< 30	6	3	18	8	33%	38%	7	1	18	6	39%	17%
	30-50	6	-	64	5	9%	0%	8	-	64	4	13%	0%
	> 50	-	-	2	-	0%	n/a	-	-	3	-	0%	n/a
<b>Sub Total</b>		<b>12</b>	<b>3</b>	<b>84</b>	<b>13</b>	<b>14%</b>	<b>23%</b>	<b>15</b>	<b>1</b>	<b>85</b>	<b>10</b>	<b>18%</b>	<b>10%</b>
<b>Total by Gender</b>		<b>141</b>	<b>23</b>	<b>794</b>	<b>69</b>	<b>18%</b>	<b>33%</b>	<b>112</b>	<b>23</b>	<b>852</b>	<b>83</b>	<b>13%</b>	<b>28%</b>
<b>Total</b>		<b>164</b>		<b>863</b>		<b>19%</b>		<b>135</b>		<b>935</b>		<b>14%</b>	

## Notes:

- There is a discrepancy between the number of employees at the end of the year and the number in the beginning of the following year because internal transfer is not taken into account.
- The above data do not include the number of employees in Jakarta, but include the number of employees in Banjarmasin.

Besides new employees, there were also a number of employees who left our company in 2012 and 2013. Reasons for leaving included resignation, dismissal, retirement, and death. We recorded that there were

38 employees who left the company in 2012 and 62 employees in 2013.

Next is the table showing the number of employees leaving our company in Kalimantan

Table of Employees Leaving the Company

Area	Age	Number of Employees in 2012						Number of Employees in 2013					
		Leaving		As of 31 December		New Employee Ratio 2012		Leaving		As of 31 December		New Employee Ratio 2013	
		M	F	M	F	M	F	M	F	M	F	M	F
Wara	< 30	6	1	131	38	5%	3%	9	7	144	49	6%	14%
	30-50	10	1	223	12	4%	8%	5	1	278	16	2%	6%
	> 50	1	-	14	-	7%	n/a	4	-	13	-	31%	n/a
<b>Sub Total</b>		<b>17</b>	<b>2</b>	<b>368</b>	<b>50</b>	<b>5%</b>	<b>4%</b>	<b>18</b>	<b>8</b>	<b>435</b>	<b>65</b>	<b>4%</b>	<b>12%</b>
Banjarmasin	< 30	-	-	6	-	0%	n/a	6	-	-	-	n/a	n/a
	30-50	3	-	17	4	18%	0%	13	-	3	4	433%	0%
	> 50	1	-	2	-	50%	n/a	3	-	-	-	n/a	n/a
<b>Sub Total</b>		<b>4</b>	<b>-</b>	<b>25</b>	<b>4</b>	<b>16%</b>	<b>0%</b>	<b>22</b>	<b>-</b>	<b>3</b>	<b>4</b>	<b>733%</b>	<b>0%</b>
Kelanis	< 30	-	-	94	1	0%	0%	1	-	88	2	1%	0%
	30-50	3	-	210	1	1%	0%	5	-	225	2	2%	0%
	> 50	4	-	13	-	31%	n/a	3	-	16	-	19%	n/a
<b>Sub Total</b>		<b>7</b>	<b>-</b>	<b>317</b>	<b>2</b>	<b>2%</b>	<b>0%</b>	<b>9</b>	<b>-</b>	<b>329</b>	<b>4</b>	<b>3%</b>	<b>0%</b>
Dahai	< 30	1	1	18	8	6%	13%	-	1	18	6	0%	17%
	30-50	5	1	64	5	8%	20%	3	-	64	4	5%	0%
	> 50	-	-	2	-	0%	n/a	1	-	3	-	33%	n/a
<b>Sub Total</b>		<b>6</b>	<b>2</b>	<b>84</b>	<b>13</b>	<b>7%</b>	<b>15%</b>	<b>4</b>	<b>1</b>	<b>85</b>	<b>10</b>	<b>5%</b>	<b>10%</b>
<b>Total by Gender</b>		<b>34</b>	<b>4</b>	<b>794</b>	<b>69</b>	<b>4%</b>	<b>6%</b>	<b>53</b>	<b>9</b>	<b>852</b>	<b>83</b>	<b>6%</b>	<b>11%</b>
<b>Total</b>		<b>38</b>		<b>863</b>		<b>4%</b>		<b>62</b>		<b>935</b>		<b>7%</b>	

Notes:

- Included in this calculation are the employees who stopped working due to resignation, dismissal, retirement, death etc.
- There is a discrepancy between the number of employees at the end of the year and the number in the beginning of the following year because internal transfer is not taken into account.
- The above data do not include the number of employees in Jakarta, but include the number of employees in Banjarmasin.

**EMPLOYEE REMUNERATION AND EMPLOYMENT CHANGE NOTIFICATION [G4-LA2, G4-LA4]**

Generally, we do not differentiate permanent employees from temporary employees in terms of remuneration and facilities provided. Besides base salary and monthly cash allowance, we also provide maternity leave, pension fund, as well as life, disability and health insurance for all of our employees. However, the amount and scheme offered for permanent employees are different from the ones offered to temporary employees. For employees who hold positions in our top level management, we also provide employee stock option.

In accordance with government regulation, if there are significant operational changes, we will provide notice to the employees no later than 30 (thirty) days before the implementation of that change. These changes may include area transfer, overall change of schedule, liquidation, structural changes, ownership changes and other things that can lead to termination of employment. This is done so that our employees can prepare themselves to anticipate the negative impacts.

**EMPLOYEE RETENTION AFTER PARENTAL LEAVE [G4-LA3]**

In line with the manpower regulation and as part of our commitment to upholding human rights in our workplace, we provide an opportunity for employees to take parental leave. In agreement with the generally accepted norm, employees who take maternal leave are expectant mothers, whereas male employees are only eligible for a special leave during the birth of the child.

Throughout 2012 and 2013, we recorded 100% retention rate of employees who took parental leave. This means all employees who took parental leave returned to work after the leave and still worked with us for the next 12 months. This is a good indication that Adaro Indonesia is still one of the best workplaces.

**Tabel of Benefits for Employees**

Remuneration, allowances and facilities	Permanent employees	Non-permanent employees	Exceptions
Life insurance	Yes	Yes	
Physical disability insurance	Yes	Yes	
Health insurance	Yes	Yes	Applicable in all areas
Health facilities	Yes	Yes	
Maternity leave	Yes	Yes	
Pension fund	Yes	Yes	
Stock option / ownership	Yes, limited to Top Management	No	Applicable only for top management

### Table of Employee Retention Rates after Parental Leave

Description	Number of Employees in 2012		Number of Employees in 2013	
	M	F	M	F
Number of employees who were entitled to maternity / birth leave	22	3	48	6
Number of employees who took maternity / birth leave	-	3	-	6
Number of employees who returned to work after taking maternity / birth leave	-	3	-	6
Number of employees who returned to work after taking maternity / birth leave and still worked for the next 12 months	-	3	-	6
Return to Work Rate	n/a	100%	n/a	100%
Retention Rate	n/a	100%	n/a	100%

### NUMBER OF DEMONSTRATIONS AND LOCKOUTS

[MM4]

We understand the many issues that need to be addressed in terms of economic, social and environmental aspects in our operational areas. In relation to this, we strive for establishing a good communication with our employees. With that, we found no grievance and disagreement that led to a week of demonstration in 2012 and 2013.

**No grievance and disagreement that led to a week of demonstration in 2012 and 2013.**

In addition, we also negotiate with relevant parties regarding disputes. In a number of negotiations where agreement is not achieved, a lockout may take place. In the last reporting period of 2012 and 2013, a number of lockout lasted for more than a week happened, as shown in the following table.

### Table of Number of Demonstrations and Lockouts

Description	Country of incident	Total Incidents	
		2012	2013
Demonstration that lasted more than 1 week	Indonesia	None	None
Lockouts that lasted more than 1 week	Indonesia	4	3
<b>Total</b>		<b>4</b>	<b>3</b>

## // HEALTH AND SAFETY

### DISCLOSURE OF MANAGEMENT APPROACH FOR OCCUPATIONAL HEALTH AND SAFETY

Occupational Health and Safety (OHS) is a very important aspect in all our operational areas. We realize that the scope of our occupational health and safety management needs to be expanded, not only for employees and partners, but also for families and the local communities. Therefore, we have launched a series of programs to implement occupational health and safety in a wider context.

The following table shows our occupational health and safety programs that we undertook in 2012 and 2013.

Table of Occupational Health and Safety Programs

Category	Program
Education and training	Basic Life Support training, Food Hygiene Training & Health Talk
Counseling, facilitating, consulting, mentoring	Medical consultation
Prevention and risk reduction	HepB vaccination, industrial hygiene and occupational health assessment
Healthcare and treatment	Primary care, emergency response & stabilization

Note:  
The beneficiaries can be employees, families of employees, and communities.

### OHS COMMITTEE [G4-LA5]

We have an occupational health and safety (OHS) committee that oversees occupational health and safety called the steering committee (SCM), whose members include representatives of employees and the management. The function of SCM is to ensure that the occupational health and safety aspects apply to all parties in our operational areas, including our contractors. Employee representatives who sit in the SCM represent all employees of Adaro Indonesia.

SCM works on business units in Kalimantan by involving many parties in various levels, namely:

- Level 1, consisting of 25 members and involving the General Manager, Division Heads and contractor operational managers.
- Level 2, consisting of 39 members and involving Department Heads, QHSE Department Heads, and Division Heads.
- Level 3, consisting of 124 members and involving Department Heads, Section Heads, as well as the contractors' Department Heads.
- Level 4, involving Section Heads and below, as well as Operational Managers of the subcontractors, whose number of members depends on the number of people in each section.

An employee Adaro Indonesia equipped with Personal Protective Equipment (PPE) is observing the crushing plant from a high-risk workplace. Throughout 2012 and 2013, Adaro Indonesia identified incidents in workplace to reduce the risks of work accidents.



## SPECIAL RISKS AND INCIDENTS IN THE WORKPLACE [G4-LA6, G4-LA7]

Like any other mining activities, our operation has a high risk of workplace incidents. Therefore, we need

to identify, prevent, manage and improve occupational health and safety. During 2012 and 2013, we identified several incidents that often occur in our area.

The incidents are categorized in the following table.

Table of Categories of Incidents in the Workplace

Incident / Potential Incident			
Category	Male Employees	Female Employees	Location of incident
Light accident (LTI Light)	<ul style="list-style-type: none"> <li>Unit mired</li> <li>Radiator water burns (2012)</li> <li>Hitting pipe (2012)</li> </ul>	Almost no female employees do the types of work with those risks.	Wara dan Kelanis
Serious accident (LTI weight)	<ul style="list-style-type: none"> <li>Hit by heavy objects</li> <li>Fingers stucked</li> </ul>	Almost no female employees do the types of work with those risks	Wara dan Tutupan
Death (Fatality)	<ul style="list-style-type: none"> <li>Fell off of motorcycle (2012)</li> <li>Stucked in a post-blasting pit (2012)</li> <li>Large vehicle run over by heavy duty truck (2012)</li> <li>Trailer collapsed and fell into a ditch (2013)</li> <li>Run over by dump truck (2013)</li> </ul>	Almost no female employees do the types of work with those risks	Sepanjang Haul Road dan Tutupan
Diseases in the workplace	<ul style="list-style-type: none"> <li>Flu, strep throat (<i>acute nasopharyngitis</i>)</li> <li>Headache</li> <li>Acute pharyngitis</li> <li>Heartburn, nausea, dyspepsia</li> <li>Muscle strain</li> <li>Functional diarrhea</li> <li>Toothache (<i>caries of dentine</i>)</li> </ul>	<ul style="list-style-type: none"> <li>Flu, strep throat (<i>acute nasopharyngitis</i>)</li> <li>Headache</li> <li>Acute pharyngitis</li> <li>Heartburn, nausea, dyspepsia</li> <li>Muscle strain</li> <li>Functional diarrhea</li> <li>Toothache (<i>caries of dentine</i>)</li> </ul>	Tutupan, Wara, Paringin, Kelanis, Dahai
Occupational Diseases	<ul style="list-style-type: none"> <li>potential hearing loss due to noise (NIHL)</li> <li>potential respiratory disorders (pneumoconiosis)</li> <li>potential back pain (LBP)</li> </ul>	<ul style="list-style-type: none"> <li>potential hearing loss due to noise (NIHL)</li> <li>potential respiratory disorders (pneumoconiosis)</li> <li>potential back pain (LBP)</li> </ul>	Tutupan dan Kelanis. Dahai (khusus LBP)

Besides categories of incident shown earlier, we also identify the types of work that fall under high-risk and medium-risk categories. Then we determine 10 types of work with highest risk and conduct Adaro Fatality Prevention Program to address these risks. Types of work that have the greatest risk are:

1. Works performed at heights, such as construction;
2. Works performed in a confined space, such as maintenance, work in the oil tank, and mechanical work;
3. Works performed on the slopes of the mine, such as survey and geological work;
4. Works performed near water, such as mooring crew, draft survey, and the mine pump operator;
5. Works related to or performed near heat, such as welding;
6. Works performed in the blasting area, such as works of blasting crew;
7. Works performed using moving equipment, such as works of operators and drivers;
8. Works related to hazardous energy isolation, such as works of insulation workers;
9. Works performed in hazardous environments, e.g. the edge of a cliff or high voltage areas;
10. Works performed manually without tools.

We have to admit that there were still work incidents in our workplace throughout 2012 and 2013, and therefore, we need to make improvements in the coming years. We recorded 438 incidents and 3 fatalities in 2012, while in 2013 we recorded 392 incidents and 2 fatalities. Even though occupational health and safety performance in 2013 is better than in 2012, we hope to improve it more in the future.

The following table presents data on work incidents in our operational areas, including injury rate and lost day rate

### Table of Work Incidents

Description	2012	2013
a. Total number of actual working hours of all employees within 1 year (Data Source: HSE statistics 2012 & 2013)	63.315.000	62.060.850
b. Total number of planned working days of all employees	-	-
c. Total number of planned working hours per employee (working hours per day x planned working days)	2.700	2.700
d. Total number of workplace accidents per year	438	392
e. Total number of deaths due to workplace accidents per year	3	2
f. Total number of occupational disease incidents per year	-	-
g. Total number of working days lost due to accidents and diseases	18.120	12.250
h. Total number of days absent of of all employees	261	125
Injury Rate (d/a)	0,00000692	0,00000632
Occupational Disease Rate (f/a)	0	0
Lost Day Rate (g/c)	6,71	4,54
Fatality Rate (e/a)	0,00000005	0,00000003

## SUPPLEMENTS FOR MINERALS AND MINING SECTOR (MM)

As with any other coal mining companies, Adaro Indonesia has a high risk of workplace accidents. Therefore, we always take every fatal accident very seriously. The following table presents data on fatal work incidents during 2012 and 2013.

**Table of Fatal Work Incidents in 2012 and 2013.**

Fatal incident	Actions taken to prevent similar incidents from happening again	Year of incident and Year of action / enactment of specific policy
Victim was thrown from motorcycle after riding over a hole in the hauling road, location: Haul KM 36	<ul style="list-style-type: none"> <li>Disseminated and reinforced a ban on motorcycle use at workplace</li> <li>Re-disseminated internal rules of PT.DKP about "safety when entering the hauling road and mining areas" to all employees of PT DKP and formed TSET (Traffic Enforcement Safety Team)</li> <li>Established written standards about road damage criteria for determining the priority of haul road repair, and improved systems for reporting and recording road repair requests.</li> </ul>	<ul style="list-style-type: none"> <li>The incident occurred on 11 February 2012</li> <li>Follow-up improvement on the incident conducted from February to April 2012</li> </ul>
Victim fell into an approximately 6-meter-deep pit formed after blasting, location: Tutupan mining area LW	<ul style="list-style-type: none"> <li>Created Work Instructions that set out safe checking position and a ban on crossing or standing on a blasting pit with heaping phenomenon</li> <li>Disseminated warnings about the danger of falling (into a post-blasting pit with heaping shape and cavity phenomenon) to the whole team blasting</li> </ul>	<ul style="list-style-type: none"> <li>Incident dated 11 November 2012</li> <li>Follow-up improvement in November 2012</li> </ul>
Victim was inside the LV crushed by HDT unit, location: North Pit BUMA	<ul style="list-style-type: none"> <li>Evaluated training system and materials in order to give KIMPER for vehicles and displays safety distance rule in mining areas</li> <li>Ensured training materials provided for KIMPER training of each contractor does not differ from one to another.</li> <li>Re-disseminated traffic regulations in mining areas to all drivers and operators.</li> <li>Created procedures / work instructions about food distribution to operators of OHT and heavy equipment.</li> </ul>	<ul style="list-style-type: none"> <li>Incident dated 27 December 2012</li> <li>Follow-up improvement for 1 month, from December 2012 to January 2013</li> </ul>
Victim was inside the trailer unit that collapsed and fell into a trench at Hauling Road Km 40	<ul style="list-style-type: none"> <li>Obligated all drivers to use seat belts when driving</li> <li>Ensured seatbelts in trailer unit was visible from outside the unit (equipped with reflector)</li> <li>Increased the frequency of the inspections of seatbelt use and operator fatigue conditions</li> <li>Disseminated the accident report to all employees of PT Adaro Indonesia</li> <li>Reviewed the emergency call procedure (conducted by ERT team)</li> </ul>	<ul style="list-style-type: none"> <li>Incident dated 4 September 2013</li> <li>Follow-up improvement for 1 month from September 2013 until October 2013</li> </ul>
Victim was run over by a dump truck, location: Settling Pond 2, Paringin	<ul style="list-style-type: none"> <li>Improved the knowledge and skills of supervisors and operators of dump trucks about the responsibilities and authorities of operators in the field</li> <li>Revised and disseminated JSA regarding dump truck operation to all operators</li> </ul>	<ul style="list-style-type: none"> <li>Incident dated 21 March 2013</li> <li>Follow-up improvement during March and April 2014</li> </ul>



One type of Personal Protective Equipment (PPE), safety helmets, must be available to employees, contractors and visitors in the operational areas of Adaro Indonesia. Availability of PPE (Personal Protective Equipment) is one of Adaro Indonesia's HSE policies.

### HEALTH AND SAFETY TOPICS IN THE COLLECTIVE BARGAINING AGREEMENT [G4-LA8]

The success of occupational health and safety (OHS) management cannot be separated from active participation of the employees. To that end, we encourage employee participation in our OHS efforts by including it in the Collective Bargaining Agreement (CBA). With the inclusion of OHS topics in the CBA, we officially encourage employees to take a leading role in OHS management.

Several important OHS issues covered in CBA include the obligation to provide and use Personal Protective Equipment (PPE), the representation of employees in the OHS committee, the right to refuse work that poses safety risks, and commitment to achieve the OHS targets.

Data on OHS topics discussed in the CBA can be found in the following table.

**Table of OHS Topics Covered in the Collective Bargaining Agreement**

OHS topic	Set out in the Collective Bargaining Agreement?	Notes
Provision and obligation to use Personal Protective Equipment (PPE)	Yes	Availability of PPE is set out in OHS policy
The formation and role of the joint OHS committee	Yes, PIC of OHS committee	OHS committee is called Steering Committee of Occupational Health & Safety
Participation of employee representatives in OHS audits and investigations	No	Employees are already represented in OHS committee
Training and education on HSE	Yes	PRE-RK3K, First Operational Supervisor (POP), investigation techniques, basic fire fighting
OHS grievance mechanism	Yes	Grievance mechanism is set out in a specific provision that regulates grievance process flow.
The right to refuse work deemed to be too risky and can cause accidents	Yes	n/a
Periodic OHS evaluation	Yes	Examination includes inspection of equipment, work environment, and OHS audit
Compliance with ILO conventions	Yes	Recruitment is conducted by considering the completeness of body and senses according to the needs and risks in the work
Commitment to ensure OHS standards and targets are met	Yes	Steering Committee Meeting (SCM)

## // EDUCATION, TRAINING AND RETIREMENT

### DISCLOSURE OF MANAGEMENT APPROACH FOR EDUCATION, TRAINING AND RETIREMENT

We realize that education and training is required to increase employee's ability, which is our advantage factor. Therefore, we provide education and training facilities, and allocate some time for employees to attend education and training programs.

Education and training programs can be carried out internally or by inviting expert instructors. Our parent company, PT Adaro Energy Tbk, also owns Adaro Institute, which has a role to provide education and training for subsidiaries, including Adaro Indonesia and its contractors. Alternatively, we can also send employee representatives to participate in external education and training programs as needed.

Similarly, we also pay attention to the welfare of our employees when they reach retirement age. We assist employees to prepare themselves financially and provide education and training to anticipate their retirement.

### AVERAGE HOURS OF EMPLOYEE TRAINING [G4-LA9]

In 2012 and 2013, no less than 55,000 hours and 43,000 hours of training were allocated for employees, both men and women. The largest amount of hours was dedicated to staff level. The average hours of training in 2013 were lower than that of previous year. This is because we limited external education and training that year to increase efficiency. However, we improved internal learning process through job enrichment, job enlargement, and on-the-job training.

The following table shows the time allocation for employee education and training.

Table of Time Allocation for Employee Education and Training

Employee Category (same with G4 - 10)	Number of Employees as of 31 December			
	2012		2013	
	Male	Female	Male	Female
Manajemen	3.240	376	3.504	240
Supervisor	8.928	384	7.080	264
Staf	21.616	5.016	15.032	3.592
Non Staf	14.760	792	13.144	512
<b>Total Number of Employees</b>	<b>48.544</b>	<b>6.568</b>	<b>38.760</b>	<b>4.608</b>

Employee Category (same with G4 - 10)	Average Hours of Training of All Employees as of 31 December			
	2012		2013	
	Male	Female	Male	Female
Manajemen	54	94	56	60
Supervisor	80	64	48	22
Staf	105	119	73	88
Non Staf	35	47	30	20
<b>Total Training Hours of All Employees</b>	<b>61</b>	<b>95</b>	<b>45</b>	<b>56</b>

**RETIREMENT PREPARATION [G4-LA10]**

To ensure employee welfare during retirement, our employees are enrolled in social security program, entire contribution of which is borne by the company. In addition, we also set up a pension scheme with Manulife. For this, each month Adaro Indonesia commits to contribute 4% of employee’s monthly salary, while additional 2% is deducted from employee’s salary.

To assist employees in their transition into retirement, we hold a series of programs as follows:

1. Internal Pre-retirement Training, which is conducted in three stages and started five years before the employee enters retirement
2. Preparing funds by the company for the training programs.
3. Adaro Indonesia grants long leave and guarantees a position as post-retirement employee. Three months prior to retirement, employees will also be entitled to more rest time. Furthermore, for non-staff employees’ overtime will be calculated using the last overtime rate.

The following table lists retirement preparation programs by type.

**Table of Retirement Preparation Programs**

Type of Assistance	Name of Program
Retirement planning	Consultation with UKM and direction to business / entrepreneurship
Re-training for those who want to work again	Opportunity to do benchmarking or a comparative study
Early retirement benefits package	Yes, minimum length of service is 20 years, or 10 years with a minimum age of 50 years.
Post-retirement work placement	Keep working and get more rest time in the last three months before retirement
Training and counseling for transitioning to retirement	Internal consultation with management and HR.

**PERFORMANCE EVALUATION AND CAREER DEVELOPMENT [G4-LA11]**

All (100%) of the 935 employees who work in Kalimantan have been given performance review and career development. We have a policy to evaluate employees who have worked more than three months in Adaro Indonesia.

Basically the evaluation emphasizes on the development of attitudes, skills and knowledge regardless of origin, religion, political views, and gender. However, in certain circumstances, we need to prioritize the needs of the company. For example, for jobs that directly deal with communities, we will prioritize local employees.

**Local employees accounted for 64% and 62% of total employees in 2012 and 2013.**

## // EQUALITY IN OPPORTUNITY AND REMUNERATION

### COMPOSITION OF THE BOARD OF DIRECTORS AND EMPLOYEES [G4-LA12]

Our corporate culture does not discriminate individuals based on gender, age, ethnicity, religion, political views and other irrelevant backgrounds. Even though currently all the members of our Board of Directors are male, we do not prohibit or hinder potential females to sit on our management as long as they have the integrity, ability and solid experience in coal mining.

In 2012, women accounted for 8% of our total employees in Kalimantan. The small percentage was because there are not many women who are interested to work in mining. In spite of that, the composition of

female employees increased to 9% in 2013, especially in the category of young employees less than 30 years of age.

As part of our contribution in employment and economic equality, we employ a lot of local people. Local people accounted for 64% and 62% of our total employees in Jakarta, South and Central Kalimantan in 2012 and 2013 respectively.

### REMUNERATION FOR MALE AND FEMALE EMPLOYEES [G4-LA13]

We do not discriminate between men and women in terms of remuneration standards. However, remuneration structure may vary according to employment status, i.e. permanent or non-permanent. To maintain confidentiality of data, we do not disclose details on our remuneration standards.

Table of Composition of Employees by Age and Gender

Age category	2012			2013		
	M	F	%	M	F	%
<30	249	47	5%	250	57	6%
30-50	514	22	3%	570	26	3%
>50	31	-	0%	32	-	0%
<b>Total by gender</b>	<b>794</b>	<b>69</b>	<b>8%</b>	<b>852</b>	<b>83</b>	<b>9%</b>
<b>Total</b>	<b>863</b>			<b>935</b>		

Note: Data on employees working in Kalimantan

Table of Composition of Local Employee

Area	Number of Employees In 2012			Number of Employees In 2013		
	Total	Local	Ratio	Total	Local	Ratio
Jakarta	78	5	6%	107	7	7%
South Kalimantan	544	339	62%	602	379	63%
Central Kalimantan	319	257	81%	333	265	80%
<b>Total</b>	<b>941</b>	<b>601</b>	<b>64%</b>	<b>1.042</b>	<b>651</b>	<b>62%</b>

## // SUPPLIER LABOR ASPECTS

### DISCLOSURE OF MANAGEMENT APPROACH FOR SUPPLIER LABOR ASPECTS

We understand that our contractors need to have good labor practices because it is directly related to the sustainability of the company. Contractors that are

problematic in terms of labor practices will disrupt our operations. Therefore, we have CSMS (Contractor Safety Management System), which is used to evaluate our contractors.

The following table lists criteria used for supplier assessment for labor practices.

Table of Supplier Assessment for Labor Practices

Evaluation criteria	Yes / No
Labor practices in general	Yes
Occupational health and safety	Yes
Accidents, diseases and other incidents, including harassment or psychological disorders	Yes
Industrial relations, for example, aspects of the employment agreement	Yes
Salaries, wages and other benefits	Yes
Working hours	Yes
Working conditions	Yes

An officer is checking the readiness of equipment in an ambulance at Adaro Indonesia's mining site. HSE is a very important aspect for Adaro Indonesia and it is applied not only to employees, but also the contractors' workers.



Technically CSMS is our main reference in dealing with contractor's labor practices. Important matters related to employment are also set out in the work agreement and indirectly become one factor in the evaluation of the success of the work. If necessary, we can terminate the work contract with contractors that have poor labor practices and cannot improve them. In the last reporting period, we terminated a work contract with one contractor due to their labor practices that were not up to our standards.

The following table displays data about the management of contractor's labor aspects

#### NEW SUPPLIER ASSESSMENT AND SUPPLIER'S IMPACTS FOR LABOR PRACTICES [G4-LA14, G4-LA15]

Every new contractor that wants to establish cooperation with Adaro Indonesia will be assessed for its labor practices. All of our new contractors in 2012 and 2013 were evaluated using CSMS criteria.

In 2012 and 2013, we did not conduct comprehensive evaluation and assessment of supplier's impacts for labor practices, except the occupational health and safety and environmental aspects. However, we believe that our contractors do not have bad labor practices because we have grievance mechanism that allow any parties to report negative issues.

Table of the Management of Contractor's Labor Aspects

Criteria	Implementation in Adaro Indonesia	Included in the employment contract?	Awards for who meet the criterias
Preventive	Through CSMS and Employment Agreements	Yes	Yes (Best Manager award in OHS month)
Corrective, if an incident occurs	Following up the results of investigation and requesting repairs	Yes	Yes
Management through procurement practices & policies	Referring to the CSMS, conduct an assessment of prospective contractors	Yes	No
Labor aspects become criteria of work	Yes, it is a part of job evaluation.	Yes, must have collective agreement	None
Transfer of knowledge and capacity improvement in the management of labor practices	Yes, capacity building for skills needed and prioritized.	None	None
Termination of work contract with supplier, in the event of labor practices incident	There are several levels of penalty applicable for a certain period, mentoring, coaching, and termination of contract if there are no improvements.	Yes	not relevant

## // LABOR PRACTICE GRIEVANCE MECHANISM

### DISCLOSURE OF MANAGEMENT APPROACH FOR LABOR PRACTICE GRIEVANCES

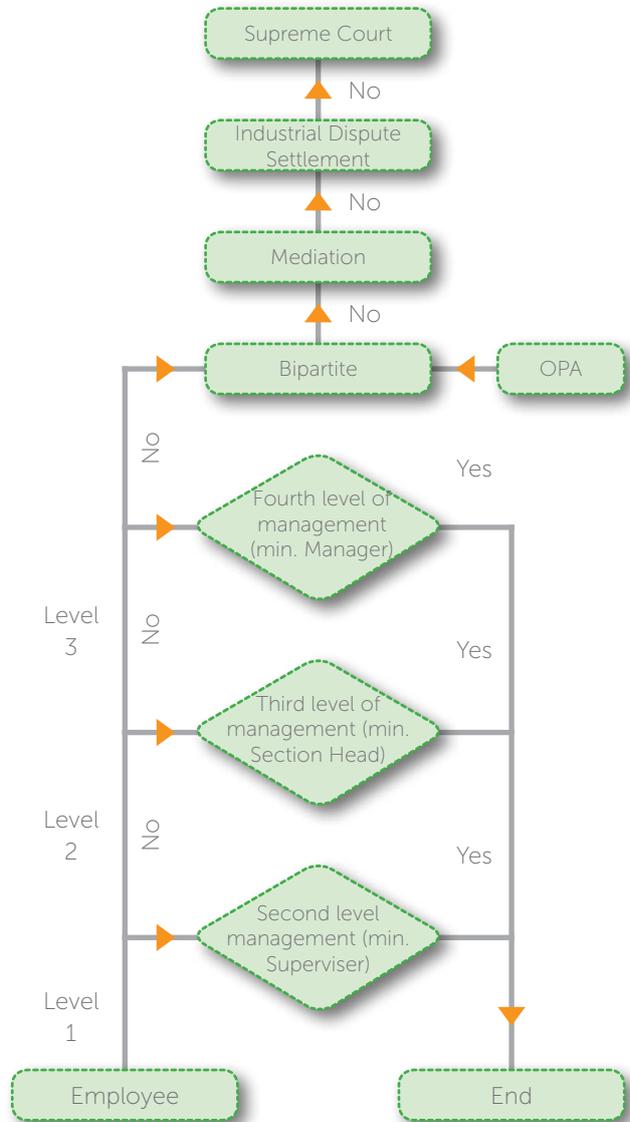
We have an internal labor practice grievance mechanism that can be utilized by our employees to express their dissatisfaction. This mechanism suggests an employee to initially discuss the problem with direct supervisor. If the problem is not resolved, the employee can escalate it up to the hierarchy for resolution.

If deemed necessary, a problem can be escalated to the next level and become a subject of bipartite negotiation involving Adaro Labor Organization (OPA). Mediation will be arranged to resolve the problem. If it is still not resolved, it can be escalated to the level of industrial dispute or Supreme Court.

### LABOR PRACTICES GRIEVANCES FILED AND RESOLVED [G4-LA16]

In 2012 and 2013, no grievances were filed to the level of industrial dispute. All labor practices grievances were resolved internally or through bipartite negotiation facilitated by Adaro Labor Organization (OPA).

Diagram of the Grievance Process Flow



Do not have bad labor practices because we have grievance mechanism that allow any parties to report negative issues.

## / Respect for Human Rights

We understand that, as a socially responsible company, our business practices need to take into account human rights aspect. As a mining company operating in Indonesia, we comply with all the laws and regulations regarding human rights. Our business practices respect human rights in accordance with the Law No. 39 year 1999 on the Human Rights, the Law No. 13 year 2003 on the Manpower, the Minister of Manpower and Transmigration's Regulation No. 19 of 2012, and other regulations related to human rights.

In general, our business practices are in line with the international norms on human rights, even though we do not specifically refer to certain international guidelines, have not fully documented or been strategic in several human rights aspects. Respect for human rights is also reflected in our corporate values and

management as well as business and operational policies, which emphasize on the precautionary principle and prevention of negative impacts, including violations to stakeholders' human rights.

Throughout 2012 and 2013, we strived to prevent any human rights incidents that were either directly or indirectly related to our operations. Moreover, we were also cautious about the possibility of our contractor being involved in a human rights incident. We provide a grievance mechanism for any violations of human rights in our operational areas, and will conduct an investigation on them. This is in line with human rights provision of OECD Guidelines for Multinational Enterprises as well as the UN Global Compact's Principle Number 1 and 2 on human rights.

An employee of Adaro Indonesia is having a visit and walk with the community. Having a good communication with the community is one way to find out and prevent the potential negative impacts on community in the aspect of human rights.



## // INVESTMENT AND HUMAN RIGHTS

In accordance with the laws and regulations in Indonesia, human rights aspects are also considered in agreements with contractors. One example is the adjustment of work agreements with contractors related to the release of the Minister of Manpower and Transmigration's Regulation No. 19 year 2012 on the Conditions for Outsourcing Part of Work Execution to Other Company. In addition, we also informally encourage our contractors to pay attention human rights aspects in their operations.

Furthermore, in 2013, we followed a socialization seminar of the Minister of Manpower and Transmigration Regulation no. 19 of 2012 which was held for all business entities under PT Adaro Energy, Tbk. Conforming to the regulation, we have made some changes to our Collective Bargaining Agreement (CBA). Several aspects related to human rights set out in the CBA include:

- the rights to make political choices and engage in certain political groups;
- the rights to rest from work for 6 days per year;
- the rights not to be discriminated based on gender;
- the rights not to be discriminated in work, rights and duties,
- the right to have a job based on ability and expertise without discrimination of race, ethnicity and religion;
- not to employ children and to require that every employee has Citizen Identity Card (KTP);
- the rights to file a complaint, and
- the rights to unite and assemble through Adaro Labor Organization (OPA).

A Collective Bargaining Agreement (CBA) that reflects respect to human rights can ensure good industrial relations between the company and the employees. By guaranteeing employee's rights and obligations and preventing human rights violations in our operational areas, productivity will increase and employees will be motivated to improve themselves.

### INVESTMENT AGREEMENTS THAT INCLUDE HUMAN RIGHTS CLAUSES AND UNDERWENT HUMAN RIGHTS SCREENING [G4-HR1]

Even though human rights are not specifically set out in a special section of investment agreement, our investment policies typically consider human rights aspects. We understand that any investments with human rights violation potentials can have negative impacts for stakeholders and business continuity in the long run.

### TRAINING ON HUMAN RIGHTS POLICIES FOR EMPLOYEES [G4-HR2]

Even though we do not have a specific human rights policy, our business policies always value human rights. We also do not provide special training on human rights policies or the introduction of human rights aspects in the workplace. However, human rights aspects are reflected in our corporate values, which are introduced to all employees at the time of joining.

## // NON-DISCRIMINATION, FREEDOM OF ASSOCIATION AND COLLECTIVE AGREEMENT

### DISCRIMINATION INCIDENT [G4-HR3]

Throughout 2012 and 2013, there were no incidents related to discrimination in the workplace. Non-discrimination aspect is set in the CBA article 5, paragraph 2 and 3. This becomes a strong legal basis to prevent discriminatory practices in the workplace.

**OPERATIONS OR CONTRACTORS THAT HINDERS THE FORMATION OF LABOR UNION [G4-HR4]**

We guarantee employee’s right to organize and create a collective agreement in the industrial relations context. Every employee can register to become a member of OPA and join in its activities with the permission of their supervisor and as long as it does not interfere with their job responsibilities.

It is set out in the Collective Bargaining Agreement in Preamble, in Article 1, paragraph 15 and 21, as well as in Article 3, paragraph 14 and 15. Generally there are no operations or contractors that prevent employees from organizing and creating collective agreements, especially in industrial relations.

**// SECURITY**

**HUMAN RIGHTS TRAINING FOR SECURITY PERSONNEL [G4-HR7]**

We employ trained security personnel who understand humanity aspects. Thus, we believe that security practices in our place uphold human rights. We do not provide special training about human rights incidents in the workplace for security personnel.

Throughout 2012 and 2013, we strived to prevent any human rights incidents that were either directly or indirectly related to our operations.

**// RIGHTS OF INDIGENOUS PEOPLES AND HUMAN RIGHTS EVALUATION**

**INCIDENTS OF HUMAN RIGHTS, LAND DISPUTE, AND THE RIGHTS OF INDIGENOUS PEOPLES [G4-HR8, MM6, MM7]**

The indigenous peoples in our operational areas include the people of Dayak and Banjar Tribe. Until this report is published, we have no records about incidents of human rights related to those indigenous peoples. Instead, we actually establish a good relationship with several indigenous communities and jointly implement community development programs.

**OPERATIONAL LOCATIONS THAT ARE ADJACENT TO INDIGENOUS PEOPLE, FORMAL AGREEMENTS WITH INDIGENOUS PEOPLE, AND THE RELOCATION OF RESIDENTS [MM5, MM9]**

Throughout 2012 and 2013, we did not undertake any relocation of residents. Our operational areas in Wara, Tutupan, Paringin, Kelanis and Dahai are within a safe distance from the settlements of Dayak and Banjar peoples. This is to minimize negative impacts on the communities. So far we do not have a special agreement with the indigenous peoples; however, we engage them in our Environmental Impact Assessment (AMDAL).

The following table lists our operational areas in Kalimantan and the indigenous communities living nearby

Table of Operational Areas in Kalimantan and the Indigenous Communities Living Nearby

Operational Area	Indigenous peoples living nearby	
	Banjar people	Dayak people
Wara	✓	✓
Tutupan	✓	✓
Paringin	✓	✗
Kelanis	✓	✓
Dahai	✓	✗



An employee bus of Adaro Indonesia's contractor is passing the haul road. In Adaro Indonesia, each contractor must comply with regulations in Indonesia, including the human rights aspects.

#### HUMAN RIGHTS ASSESSMENT ON OPERATIONS AND SUPPLIERS, AND SUPPLIER'S HUMAN RIGHTS IMPACTS [G4-HR9, G4-HR10, G4-HR11]

In 2012 and 2013, we did not conduct internal assessment nor appointed an independent party to conduct an official human rights assessment of our operational areas and contractors. Based on our direct observation, we can ensure that contractors fulfill all human rights aspects in accordance with the prevailing laws and regulations in Indonesia. Furthermore, we work with licensed contractors that are required to comply with the laws and regulations in Indonesia, including those on human rights. Thus, the risk of human rights violations by contractors can be suppressed.

Some aspects that concern us are child labor and forced labor. However, based on our observation, there are no forced workers or child workers in our operational area. With the strict occupational health and safety procedures we apply in all operational areas, we maintain our workers to meet the age requirement in accordance to the manpower regulation. There were no reports or grievances about human rights violations by our suppliers throughout 2012 and 2013.

#### // HUMAN RIGHTS GRIEVANCE MECHANISM

The mechanism for human rights grievances related to our labor practices is set out in Collective Bargaining Agreement Article 36. The implementation is supervised by the Adaro Labor Organization and the local Department of Labor. We have not specifically established human rights grievance mechanism; however, concerning parties can utilize the available grievance mechanism, i.e. environmental grievance mechanism, to file their complaints about human rights aspects.

#### NUMBER OF HUMAN RIGHTS GRIEVANCES [G4-HR12]

In 2012 and 2013, we did not receive any grievances about human rights incidents or violations.

Any parties can utilize the available grievance mechanism, i.e. environmental grievance mechanism, to file their complaints about human rights aspects.

# / Delivering Economic Benefits

The presence of Adaro Indonesia and its partners directly and indirectly provides economic benefits for stakeholders in several ways. For the stakeholders in Kalimantan, our main economic contributions take the forms of local employee wages and contracts with local partners. In addition, community development programs that we carry out also provide economic benefits for the community.

On a larger scope, our economic contribution is paid as tax and royalty payments to the government. We believe that the local and central governments use our contribution to benefit the peoples. Our operation also stimulates the local economy as our employees' needs of foods, clothing and housing are catered by the local communities.

We realize that, as a coal mining company, our existence depends on the availability of coal in our areas. Therefore, we believe that we have the social responsibility to make economic contributions that can support community development and independence in the long run. This is reflected in a wide range of our corporate social responsibility activities and certainly becomes part of our social responsibility vision.

## SUPPLEMENTS FOR MINERALS AND MINING SECTOR (MM)

In 2012 we made a total economic contribution of Rp 45,000,000 to several stakeholders as ex gratia payments for the negative impacts that we caused. The payments were made after several investigations and joint discussions about dust problems, mining water that flowed to farmland, widening mudflows, and other social aspects. Besides the payments, we also conducted repair and made improvements to prevent similar stakeholder's losses in the future.

## ECONOMIC PERFORMANCE

Adaro Indonesia is a private company that does not have an obligation to disclose comprehensive financial information. Therefore some information regarding economic values is not presented in this report.

Generally, business activities and our economic performance are influenced by domestic and international coal markets. Price fluctuation, supply and market demand are factors that affect the rise and fall of our economic performance. We recorded the average selling price of coal of over USD 120 in 2012 and below USD 80 in 2013. This significantly affected our revenue that year.

After a decline in 2010, our financial position, including assets and equity, has continued to grow until 2013. In 2012, our assets and equity reached USD 2,927.40 million and USD 419.10 million respectively. The following year our equity increased to USD 511 million. In terms of financing, our interest-bearing debt in 2012 amounted to USD 1,806.90 and in 2013 USD 1,688.20 million. In line with the declining amount of interest-bearing debt, liabilities also decreased from USD 2,508.30 million in 2012 to USD 2,401.30 million in 2013.

In maintaining efficiency, we did not sacrifice the quality of our sustainability, especially the aspects of occupational health and safety and environmental management.

**Table of Financial Position  
(In USD 000,000.)**

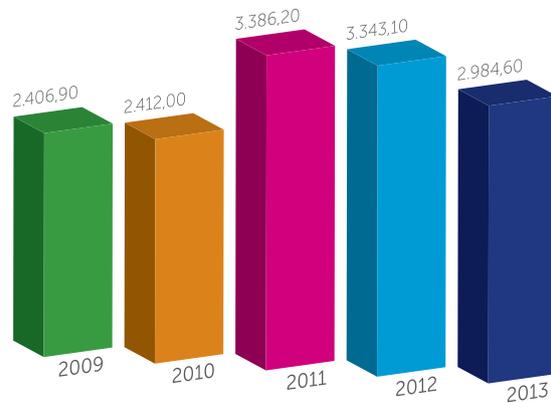
	2009	2010	2011	2012	2013
Total Asset	2.303,40	1.885,00	2.699,60	2.927,40	2.912,30
Total Liabilities	1.844,10	1.648,60	2.312,10	2.508,30	2.401,30
Total Interest-bearing Debt	1.204,30	1.141,30	1.629,70	1.806,90	1.688,20
Total Equity	459,30	236,40	387,50	419,10	511,00

**ECONOMIC VALUES [G4-EC1]**

Economic value that we generated from coal business was USD 3,343.10 million in 2012 and USD 2,984.60 million in 2013. The decline was influenced by the plummeting coal price over the last two years

To deal with the coal price drop, we made various internal improvements to achieve economic efficiency. However, even though we aimed at efficiency, we did not sacrifice the quality of our sustainability, especially the aspects of occupational health and safety and environmental management.

**Graph of the Economic Value Generated in the Form of Revenue (In USD 000,000)**



**Table of Economic Value Generated in the Form of Revenue  
(In USD 000,000)**

	2009	2010	2011	2012	2013
Revenues	2.406,90	2.412,00	3.386,20	3.343,10	2.984,60



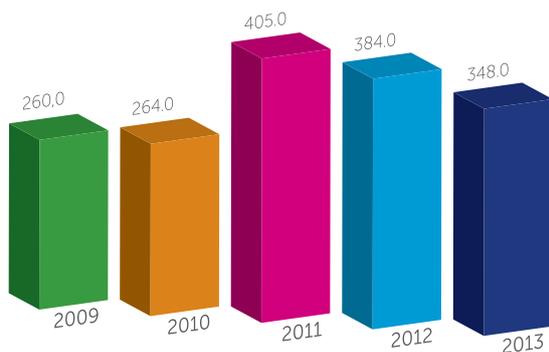
Coal loading activities onto haul trucks in the mining site in Adaro Indonesia. One of the benefits of Adaro Indonesia's mining activities is the payment of taxes and royalties to the government.



We periodically fulfill our obligation to provide economic benefits to the community in the forms of taxes and royalties to the government. In 2012, we paid no less than USD 383,669,867 of royalty to the government. The following year, our royalty payment amounted to USD 348,013,508. The amount of royalties in the last two years dropped compared to the amount in 2011. This was due to our reduced economic performance as a result of the declining coal price.

The following graph shows the economic value distributed in the form of royalties to the government.

**Graph of the Economic Value Distributed in the Form of Royalties (In USD 000,000)**



Economic benefits were also distributed through CSR program and social investment mechanisms. The CSR program mechanism channels economic benefits through a variety of programs, such as economic empowerment, education, healthcare services, and sociocultural programs carried out by Yayasan Adaro Bangun Negeri (YABN) with the support of Adaro Indonesia, Adaro Energy as the parent company, and other subsidiaries of Adaro Energy.

The largest-scale program carried out by YABN in 2012 was Superior Rubber Plantation (Kebun Karet Unggulan) Development Program in Tabalong and Balangan regencies. The program funding reached Rp 2,139 billion. Another large-scale program was School Improvement Program and Social Solidarity between

Adaro and the Society Program, the funding of which amounted to Rp 1,243 billion and Rp 1,137 billion respectively. In 2013, the plantation program was still YABN's largest-scale program with the funding of Rp 951 million, followed by primary and secondary school programs amounting to Rp 832 million.

Besides YABN CSR programs, Adaro Indonesia also distributes its economic value through social investments, i.e. infrastructure development and other non-regular, ad-hoc programs. Non-regular programs can take the forms of infrastructure development or social responsibility activities. Adaro Indonesia's social investment covers Tabalong, Balangan, South Barito, East Barito River and Hulu Sungai Utara regencies.

Our largest social investment in 2012, which amounted to Rp 5,809 billion, was dedicated to the second phase of construction of Balangan Stadium. The next largest investment was solar cells supply for street lighting in Balangan, amounting to USD 1,487 billion. In 2013, the construction of Balangan Stadium continued to be our largest social investment with funding amounting to Rp 2,835 billion. The second largest social investment in 2013 amounting to Rp 520 million was dedicated to clean water supply in the villages of Paran, Marias and Babayau.

One of our featured programs, which started in 2013, is village development program, through which we engage the villagers in the designing of economic activities according to their needs and encourage them to take advantage of the village development fund. The fund allocation for village development varies, i.e. Rp 75 million, Rp 50 million and Rp 25 million, and it is determined based on the proximity of the village to our operational area and the impacts it will have.

As explained earlier, we also carry out non-regular programs in the form of infrastructure development and social responsibility activities. Our biggest non-regular program of 2012 was the construction of Tabalong Islamic Center (TIC), which a total funding of Rp 58,150 billion, while the second biggest, amounting to Rp 8.335

billion, was for the construction of the Central Surgical Installation room at dr. Doris Sylvanus Local Government Hospital (RSUD Doris Sylvanus), Palangkaraya, Central Kalimantan. In the following year, the largest funding amounting to Rp 16 billion was dedicated to the construction of Balangan Modern Traditional Market. The second largest non-regular program funding that year was Rp 5.2 billion for the continuation of the surgical installation room construction at RSUD Doris Sylvanus.

The following table shows data about our direct and indirect economic benefits for the local communities through CSR and social investment mechanisms.

in our mining sites slippery and increase the risk of incidents.

Obviously this potentially increases our costs in incident handling. Therefore, we make efforts to conduct weather monitoring and do not compel our workers to perform risky work in the mining areas during heavy rain. In the event of heavy rain we usually increase the intensity of other work, such as coal hauling to the crushing facility in Kelanis.

The issue of climate change also triggers the release of various regulations as follows.

**Table of Economic Value Distributed through CSR Programs and Social Investments (in Rp 000)**

Description	2012	2013
Economic benefits distributed through YABN		
- YABN's program activities	10.079.796,68	6.539.414,12
- Adaro Indonesia's program activities	-	276.974,66
Economic benefits distributed through Adaro Indonesia's CSR programs		
- Infrastructure development	16.207.626,60	9.936.824,00
- Non-regular programs (infrastructure development and activities)	73.491.132,00	41.558.984,00
<b>Total</b>	<b>99.778.555,28</b>	<b>58.312.196,78</b>

**FINANCIAL IMPLICATIONS AND CLIMATE CHANGE [G4-EC2]**

Climate change directly and indirectly impacts Adaro Indonesia's business. There are several financial implications and opportunities for Adaro Indonesia related to climate change.

The first is the changing weather patterns, particularly the rainfall, which is caused by climate change. We recorded increasing trends in daily and monthly rainfall in South Kalimantan in the last 13 years, ranging between 200-500 mm. On some days, rainfall reached 100 mm. Unpredictable high rainfall make the roads

**SIGNIFICANT REGULATIONS RELATED TO CLIMATE CHANGE**

- The Law No. 17 year 2004 on the Ratification of Kyoto Protocol to the United Nations Framework Convention on Climate Change
- The Presidential Regulation No. 61 year 2011 on the National Action Plan for Greenhouse Gases Reduction
- The Government's Regulation No. 70 year 2009 on the Conservation of Energy
- The Minister of Energy and Mineral Resources' Regulation No. 13 year 2012 on the Electricity Saving
- The Minister of Energy and Mineral Resources' Regulation No. 14 year 2012 on the Energy Management
- The Minister of Energy and Mineral Resources' Regulation No. 25 year 2013 on the Obligation to Use 10% Biofuel (B10)

At national level, the Government of Indonesia has planned to reduce Greenhouse Gas (GHG) emissions by 26% either by its own efforts or with international support. The initiative is set out in the National Action Plan for Greenhouse Gas Reduction, which includes various sectors of agriculture, forestry and peat land, energy and transportation, industry, waste management, as well as other support activities.

In response to the government's initiative, we implement energy efficiency and replace the use of diesel fuel with the use of biodiesel or solar cells. We have also been exploring opportunities to improve biodiesel to replace diesel fuel in the long run. We plan to allocate Rp 4.91 billion to develop Jatropha plantation and biodiesel plant in 2014.

The use of B10 biodiesel that is currently being tested can reduce CO<sub>2</sub> equivalent emissions by 10.6%. Furthermore, we will also develop B20, which is a mixture of 20% biodiesel and 80% diesel fuel, to be tested on three units for Heavy Dump Truck (HD) with fuel consumption up to 1.2 million liters per year.

The obligation of post-mining reclamation is also part of the management's efforts to address climate change risks. Revegetation on reclaimed land area of 227.09 ha in 2012 and 225.99 ha in 2013 was able to absorb 37.6 tons of CO<sub>2</sub> equivalent per hectare and collectively can slow down the climate change. To support the reclamation activities, Adaro Indonesia has a nursery facility with a capacity of 200,000 seedlings per year and allocates as much as Rp 18.64 billion of funding for the next one year.

#### RETIREMENT BENEFITS [G4-EC3]

We set a pension fund scheme with the economic value of which can be utilized by retired employees. Pension plan applies to all employees in all operational areas. Each employee contributes 2% of their base salary to the pension fund scheme, while company contributes additional 4%. Each employee is also free to register to the pension fund scheme managed by our partner insurance company.

#### FINANCIAL ASSISTANCE FROM GOVERNMENT [G4-EC4]

During the reporting period of 2012 and 2013, we did not receive any financial assistance from the Indonesian government, either in the form of funding, subsidies, tax breaks, debt relief, or other facilities. For the mining industry, the government imposes specific value-added taxes that differ from what are generally imposed. As a private company with no government ownership or business interest in it, Adaro Indonesia adheres to the same regulations applied to other coal mining companies.

Adaro Indonesia is one of the biggest corporate taxpayers in Indonesia and nation's second largest coal mining company. Therefore, the government has a vested interest to make sure we fulfill our tax and royalty obligation to the government and comply with the prevailing regulations in Indonesia.

Adaro Indonesia's nursery facility has a capacity of 200,000 seedlings per year plant to support post-mining reclamation. It has also become one of Adaro Indonesia's contributions to addressing climate change.





Adaro Indonesia's employees are working in the office in the mining site. Adaro Indonesia set the salaries above the minimum salary provision in order to maintain the employees' wealth.

## // MARKET EXISTENCE

### LOCAL MINIMUM WAGE RATIO [G4-EC5]

Our remuneration standards in Jakarta and Kalimantan comply with the local minimum wage regulation set by the government. This is part of our social responsibility to ensure the welfare of employees.

The following table shows the ratios of local minimum wage compared to the standard entry level wage.

It is part of our social responsibility to ensure the welfare of employees.

Table of Ratios of Lowest Wage Compared to Local Minimum Wage

As of 31 December (Rp)						
Location	Lowest wage	2012		2013		
		Local Minimum Wage	Ratio	Lowest wage	Local Minimum Wage	Ratio
South Kalimantan	2.000.000	1.225.000	1,63	2.000.000	1.337.500	1,50
Central Kalimantan	2.000.000	1.327.459	1,51	2.000.000	1.553.127	1,29

Appointing local people to hold Senior Manager position primarily based on the knowledge and skills with no discrimination on someone's background.

#### PLACEMENT OF LOCAL RESIDENTS IN SENIOR MANAGEMENT AND LOCAL EMPLOYEES [G4-EC6]

In Adaro Indonesia, the term "local resident" is used to mean someone who was born or is domiciled in a particular region, while "senior management" includes positions of section heads, assistant managers, department heads, managers, division heads, general managers, or chiefs. The placement of local residents in our senior management is part of our commitment to social responsibilities. However, it will also be based on expertise and not discriminatory based on one's backgrounds.

The following table shows the number of local residents in our senior management.

Table of Appointment of Senior Management from the Local Community

Location	Number of Senior Managers as of 31 December (Rp)					
	2012			2013		
	Total Senior Manager	Local Senior Manager	Ratio	Total Senior Manager	Local Senior Manager	Ratio
Jakarta	-	-	0%	-	-	0%
South Kalimantan	59	21	36%	57	19	33%
Central Kalimantan	9	3	33%	10	3	30%
<b>Total</b>	<b>68</b>	<b>24</b>	<b>35%</b>	<b>67</b>	<b>22</b>	<b>33%</b>

#### SUPPLEMENTS FOR MINERALS AND MINING SECTOR (MM)

We understand that one of the most important contributions from our company to the communities is the provision of employment opportunities for local residents. In 2012, local workers from South Kalimantan accounted for 62% of our total workforce, while workers from Central Kalimantan accounted for 81% of the total workforce. In 2013, the percentages of local workers from South and Central Kalimantan were 63% and 80% respectively. Detailed information is available in the table "Local Worker Ratios".

### INDIRECT ECONOMIC IMPACTS

The last assessments of our economic impacts were in 2008 and 2009. In collaboration with the Research and Development of Accounting, Faculty of Economics and Business of Gadjah Mada University, in 2008 we conducted an evaluation of (1) Adaro Indonesia's contributions to fiscal impacts in Tabalong regency and to Indonesia in general, (2) our direct and indirect impacts to community's economic development, and (3) our direct and indirect impacts on job creation. The results indicated that we contributed positively to the national policies and the achievement of the Millennium Development Goals.

Later in 2009, in collaboration with the Team of Demographic Research Center of Lambung Mangkurat University, we conducted a research in Wonorejo Village and Trans Laburan residential in Padang Panjang Village. Based on the results, we found that the communities needed road repair, access to electricity and capital, medical personnel, and clean water facilities. This finding became our consideration in designing community and infrastructure development programs in 2012 and 2013.

In 2014 we plan to conduct research on the Human Development Index. With the HDI research, we can monitor the direct and indirect impacts of our presence on people's lives, which will later become our consideration in meeting our social responsibilities.

### DEVELOPMENT AND IMPACTS OF INFRASTRUCTURE INVESTMENTS [G4-EC7]

Throughout 2012 and 2103, we undertook infrastructure development in various fields, including education, religion, healthcare, environment, and socio-cultural. We always engage the community in the annual infrastructure development planning. In addition, we also undertake non-regular infrastructure development that are tailored to the demands and needs of the communities by taking into account our organization's abilities.

Although generally the infrastructure we built have positive impacts on people's lives, there are related aspects that we need to pay our attention to. One example is the maintenance of the infrastructure, which has to involve various parties, including the community and the government. Other aspects include energy and water consumption, as well as the waste resulting from the use of the infrastructure, which has to be managed carefully.



Tabalong Islamic Center (TIC) at night. With the existence of TIC, people can organize religious activities and other events positively.



### Table of Development of Infrastructure Investments with Significant Impacts

Status as of 31 December 2012 and 2013					
Infrastructure or Service	Cost (Rp billion)	Duration	Status	Impacts	Status / Purpose of Contribution
Second phase construction of Balangan Stadium (2012)	5,809	11 months	Under construction	Sports facilities are expected to contribute positively to local sports achievement and the social life of the community. Sports facilities need to be maintained.	Donation
Balangan Stadium Infrastructure Development (2013)	2,835	7 months	Planning		
Solar Cells for public road lighting in Balangan (2012)	1,487	180 days	Finished	With electricity, it is expected that economic and social activities in the community, including opportunities to learn, can improve. However, lifestyle changes due to electricity need to be kept positive.	Donation
Construction of Tabalong Islamic Center / TIC (2012)	58,150	11 months	Finished	TIC facility helps improve community's social and religious activities. Various positive activities can be held in TIC. However, energy and water consumption, as well as waste resulting from activities need to be managed properly.	Donation
Construction of Central Surgical Installation at RSUD dr. Doris Sylvanus, Palangkaraya (2012)	8,335	12 months	Finished	Good healthcare facilities will improve people's lives. With good facilities, people do not hesitate to go the hospital.	Donation
Development of Central Surgical Installation at RSUD dr. Doris Sylvanus, Palangkaraya (2013)	5,200	12 months	Commissioning		
Clean water facilities in Paran village, Marias, Babayau (2013)	0,520	2 months	Contract process	Clean water supply is expected to improve public health and sanitation.	Donation
Construction of Balangan Traditional Market (2013)	16,000	9 months	Finished	Construction of a traditional market is expected to improve community's economy. However, water and energy consumption, as well as waste resulting from activities need to be managed properly so as not to negatively impact the environment.	Donation

## INDIRECT ECONOMIC IMPACTS [G4-EC8]

Adaro Indonesia's mining activities as well as the activities of our partners and other mining companies help boost the trade and services sector. Currently Adaro Indonesia has no less than 53 business partners of various legal forms, including limited liability companies (PT), limited partnership (CV) and trading businesses (UD). These partners employ approximately 5,342 local workers and 2,787 non-local workers. Assuming employment absorption rate of 7.8% per year, Adaro Indonesia is estimated to absorb about 417 local workers and 217 non-local workers through its partners.

Furthermore, the fact that Adaro Indonesia and its partners employ a lot of local and non-local employees has a multiplier effect in regional revenue. By working in Adaro Indonesia, people earn income and increase purchasing power. Consumption patterns are also likely to increase and evolve. It stimulates the growth and development of new businesses in services, trade, industrial processing of non-oil and gas, and other types of businesses.

Types of businesses that exist today and provide products and services for the community include hotels, inns, lodging houses, salons, motorcycle parking services, food stalls, car wash services, dynamo workshops, variations and car accessories workshops, car workshop, children game arena, electronic stores, mine safety appliances stores, drug stores, technical tools stores, small grocery shops, building material stores, housewares store, stationery and office equipment stores, optical stores, tailors, bakeries, motorcycle dealers, furniture stores, shoe stores, prepaid credit merchants, accessories stores, and fish cultivation. Based on the studies we conducted in 2008 in Tabalong, the trade sector grew rapidly around our operational areas. This sector is estimated to generate average profit of Rp 9,401,041 per week and revenue of Rp 59,24,833 per week, while services sector is estimated to have average profit of Rp 9,073,947 per week and revenue of Rp 13,803,810 per week.

Based on a study conducted in Tanjung, the capital of Tabalong Regency, every new business can absorb an average of two workers. There are thousands of business licenses that have been issued by local government, consisting of small, medium and large businesses. With so many new businesses, it is expected that hundreds of workers will be employed per year. The types of business that are labor intensive include motorcycle dealers and electronics stores.

## // PROCUREMENT PRACTICES

In terms of procurement, Adaro Indonesia builds a harmonious relationship with partners or suppliers through direct and indirect dialogues, such as by phone or e-mails. Through dialogues, we share information and discuss the positive and negative impacts of our activities and cooperation on the economy, society and environment.

Selection of partners or suppliers is based on certain criteria, such as the ability to meet required quality standard, the ability to work well and meet expectations, and the fulfilment of legalities. To provide economic benefits for the communities, we make efforts to find local partners or suppliers that are domiciled in Indonesia. To that end, we use a variety of sources in the selection process, such as the yellow pages, the list of industries and companies from other sources, internet, industrial exhibitions, visits to industrial centers, references from other parties, as well as other reliable sources of information.

Some of the owners of our partner / supplier companies are women. We also find one or two disabled people being employed by our partner / supplier. We highly appreciate our partners that provide equal employment opportunities and economic access for their employees according to their expertise and ability.



An egg seller is displaying the products sold in the market in Tanjung. The existence of Adaro and partners stimulate the growth and development of various businesses in Tanjung and surrounding areas

### THE PROPORTION OF SPENDING ON LOCAL PARTNERS / SUPPLIERS [G4-EC9]

Throughout 2012 and 2013, approximately 80% to 85% of the total transaction value of the procurement of goods and services was spent on domestic partners or suppliers; while 12% was spent on local (Tabalong and Tanjung) and regional (Kalimantan) partners or suppliers. Transactions with international partners or suppliers

account for only 6.7% of the total transaction in 2012 and further dropped to 3.5% in 2013. With this decline, we give more opportunities to local, regional and national partners or suppliers.

The following table shows the percentage of the transaction value of goods and services with local, regional, national and international partners or suppliers.

Table of Percentage of the Transaction Value of Goods and Services and Percentage of Suppliers

No	Category	Location	% Transaction Value		% Supplier	
			2012	2013	2012	2013
1	Local	Tabalong and Balangan regencies	3,34%	4,01%	15,99%	16,01%
2	Regional	Kalimantan	9,42%	7,88%	24,16%	20,92%
3	National	Indonesia	80,54%	84,59%	47,58%	52,94%
4	International	Overseas	6,70%	3,52%	12,27%	10,13%
Total			100,00%	100,00%	100,00%	100,00%



# OUR STAKEHOLDERS





**Ir. H. Sefek Effendie, M.E.**  
*Regent of Balangan*

Balangan is new regency that needs a lot of improvements and development of infrastructures and human resources. Improving human resources quality is performed in terms of education, health, and economy, especially in agribusiness. Those need a lot of funds. Unfortunately, local revenues is not sufficient yet to support local development.

The existence of Adaro Indonesia has brought the positive rather than the negative impacts on the development in our areas. It can be seen from its contributions to development activities in Balangan Regency, in terms of economy, infrastructure improvement and environmental sustainability. In addition, Adaro Indonesia has supported the reforestation and nurseries as a concrete action in maintaining natural environment. Usually, all is carried out within the 1<sup>st</sup> and 2<sup>nd</sup> ring of Adaro Indonesia's operations.

The process of planning the Adaro Indonesia's starts from gathering ideas from community directly or through local government. Regent, as the local head, also provides inputs about program planning. In overall, the ideas and inputs were responded appropriately by Adaro Indonesia. This is also part of local government's efforts to provide the best services based on the needs of people in Balangan Regency.

The economic progress and Adaro Indonesia's support on the houses of worship for all religion followers show the company's efforts to develop Balangan community. In agricultural sector, Adaro Indonesia has contributed to the implementation of Demplot (Demonstration Plot) for the plantation of palm oil, sugar palm, coconut, snake skin fruit, and rubber. Those are intended for economic community development and preserving land and local commodities.

Futhermore, Adaro Indonesia has supported micro or household business development. Citizens, particularly housewives who join the Family Welfare Education (PKK) in villages, carry out household businesses, such as producing Walu Crackers. That is organized well with no discrimination on personal interests or particular groups.

Regardless of the successfulness of programs, obstacles were occurred and resulted delays on 2012 and 2013 programs implementation. We recognized that the situation was related to the downturn of coal industry. Decreasing coal prices, unfavorable government policies and other factors influenced Adaro Indonesia's revenues negatively.

We hope that all will be running well in the future, in harmony and the plans can be executed. This is only for the progress and prosperity of community living in Balangan Regency and its surrounding areas.

**Hery Mustofa**

*Human Resources and  
General Affairs Division Head*



In order to maintain its competitiveness, Adaro Indonesia must take actions to increase and maintain efficiency. One of which is optimizing the use of vehicles. We provide mini buses for employees, thus, we can reduce number of vehicles while maintaining transporting capacity.

Furthermore, we also optimize the human resources to increase efficiency without employee lay-off because we realize that coal and workers are our two main assets. One of initiatives to optimize human resources is by encouraging multi-skilled individual capability. We encourage the employees to not only rely on basic knowledge but also learning a lot of things through job enlargement and enrichment. Therefore, their knowledge and skills enable the employees to perform different types of work.

Furthermore, we develop multi-skilled individuals in order to prepare internal human resources taking higher responsibilities. In addition, we also optimize the training programs. Previously, 3 people were assigned to join training at once. Later on, we only assign 1 person for joining a training program. The purpose is to make the employees more focus in the trainings and can clearly understand the material because they have an obligation to share the learnings to other employees. Moreover, we organize employee development through On the Job Training, improving cross functional capability, and teamwork. To prepare leaders in the future, we require senior manager to train and mentor candidates from current potential employees.

Adaro Indonesia is also planning to develop internal trainers who can conduct internal education on a number of subjects, especially about project management and PDCA (Plan, Do, Control, Action). By doing that, we will develop a group of employees with training and education capabilities. However, this is still a voluntary initiative. In the future, we will set the plan as one of our next year's priorities in human resources development.

Likewise, more initiatives to increase efficiency will be made on employee recruitment mechanism. The psychological tests for recruitment in subsidiaries will be performed under one management of Adaro Energy as the holding company. Therefore, the cost of psychological test can be reduced. In the future, Adaro Indonesia and other Adaro Energy subsidiaries will use one similar testing tool based on the approval of the internal assessor and recruiter of Adaro Energy. This initiative will save recruitment costs significantly.

In term of industrial relationships in Indonesia, Adaro Indonesia maintains a good communication with the Adaro Labour Union (OPA). More than that, Adaro Indonesia sees OPA as an independent partner in doing business. Such a dispute occurs between the company and employees, OPA will facilitate the parties to find a solution. OPA also becomes the motivator of employee relations activities, such as mass praying and sports.

In overall, retaining potential manpower and performing Individual Development Plan (IDP) consistently is a challenge for Adaro Indonesia. We hope that Adaro Indonesia will keep developing human resources in the long run.

PT Saptaindra Sejati or SIS is the youngest contractor cooperating with Adaro Indonesia. Even so, SIS always maintains its employees' discipline firmly. This is very important for our scope of our work, which is closely related to the core operations of minning, such as overburden (OB) removal, coal transport from mining site to ROM (Run-of Mine), and from ROM to Kelanis.

In order to achive performance targets, SIS has been conducting efficiency in a number of areas. Initiatives for efficiency are performed in labor recruitment, the use of heavy equipments, reduction of outsource workers, and minimizing employees' disciplinary infringement. On site, we improve working conditions in minning areas, thus employees can be more productive. We also reduce the number of vehicles and provide mini buses for employees.

To support Adaro Indonesia's operations, we have also contributed to corporate social responsibility or CSR. In fact, we have been doing CSR activities a long time ago before the current enforcement of CSR regulations. Implementation of our CSR aims to improve human resources quality and support development in the operational areas of Adaro Indonesia.

Moreover, as part of our social responsibility and caring for the community, almost 100% of the employees were recruited from locals. That was carried out through our own nationally-standardize training programs. Initially, we opened registration for public only few responded. Finally, we actively visited the schools and recruited potential students.

About 70-75% of the candidates came from 1st and 2nd ring of the operational areas. Futhermore, we organized training programs by using simulators for the candidates. Therefor, we created the ready-to-work graduates. SIS has a continuous target in manpower recruitment from locals. In addition to hat initiative, we also support local companies' development, such as cooperate with a local catering business.

In the future, we are optimistic in increasing production and developing equipments and technologies. We have a plan to provide 200 tons sized HD and 400 tons sized Excavator. We will also install real time monitoring digital system in the control room based on the international standard. Certainly, we need adequate human resources supporting achievement of the goals.

Futhermore, SIS also works closely with local government. We recognize that sometimes it is difficult to make priorities in cooperating with others. We obviously have our own agendas that should be initiated in harmony with those of government's programs or policies. Once it is approved, the implementation will be easier.

We hope in the future Adaro Indonesia will be more advance and reaching the community even though obstacles will exist, such as a community group that is provoked by certain issues. Usually we approach, monitor and coach that community. With an appropriate approach, the community can understand more the existence of Adaro Indonesia and partners in developing and improving the quality of life of community living around the operational areas.



**M. Thamrin**

*General Manager of  
PT Saptaindra Sejati*

**Prof. Dr. Ir. H. M. Arief Soendjoto, M.Sc.**  
*Senior Lecturer of Forestry Undergraduate Program and Biology Education Graduate Program, University of Lambungmangkurat*

Adaro Indonesia and University of Lambungmangkurat (Unlam) began their partnership in the preservation of fauna, especially proboscis monkeys and birds, in a rehabilitated land area in 2011. However, due to mining operations, the proboscis monkeys migrated not far from their original habitat.

We see that reclamation activities in Paringin area, which is our research site, have been well implemented and met the expectation. We found that the proboscis monkey group is gradually returning to their original habitat in the area. We also assessed that Adaro Indonesia's reclamation activities can become a potential model for post-mining land conservation. However, that needs follow up actions and good planning in cooperation with other parties.

Futhermore, we found that most likely there were two proboscis monkey groups living in the rehabilitated land area, with each group was consisted of approximately 30 members. Proboscis monkeys usually live in rubber plantations and mangrove forests as the rubber leaves and mangroves are their food. Animal hunts by local people also become our challenge. For us, proboscis monkeys must be protected and only become a research object. In connection with that, we urge special monitoring on the rehabilitated land area and surroundings.

In addition to the proboscis monkeys, we have found at least 69 bird species living in the rehabilitated land area with 16 of them were protected. One of which was the Eagle and the other two, Mauk Bidadari and Bango Tong Tong, were very rare. In the rehabilitated land area, we also found at least 107 plant species.

Based on the monitoring results on site, we conclude that sustainable mining is applicable. That can be performed by opening a land area partly and then it can be rehabilitated while opening other areas. Providing approximately a 400 hectares area with sufficient food and water is enough for the survival of fauna.

In general, the successfulness of Adaro Indonesia in post-mining land rehabilitation is encouraging and delightful. We hope that there is no more mining activities in the rehabilitated land area in Paringin because many proboscis monkeys, birds species, and plants are populated there now. We also expect a futher monitoring and research on plants, especially observing the plants for medication.



Adaro Indonesia has a place in the heart of community in Tanjung City due to its existence supporting the economic, social and community development. Adaro Indonesia's employees live in mess and rent houses that it becomes additional income for local people. We understand that Adaro Indonesia's employees are busy at work but we hope they can keep blending in the local community. We also see that the employees coming from other the regions bring in their respective cultures. This indirectly can influence the culture of local community, such as in term of interpersonal relations in society and how to dress up.

Futhermore, Adaro Indonesia has good relations with Ulama and Da'i. It can be indicated from the Adaro Indonesia's initiative to embrace them as Khatib at company's mosques located in Tabalong Regency. We also highly appreciate Adaro Indonesia in supporting to the construction of Tanjung Islamic Center (TIC). We had planned to build TIC in 2000 but the construction was running in the last 2 years through Corporate Social Responsibility (CSR) program. TIC's facilities such as the auditorium and hall is surely useful for community's activities. Regular weekly recitation, Al-quran Kindergarten activities for children, Quran tafsir, and hadith reading can be carried out in TIC.

What is more, we see that restlessness occurs when a community is influenced by other parties from other areas. Rallies to the company often do not originally come from the people of Tanjung. Suspected individuals with particular interests may provoke local people. To that end, Adaro Indonesia needs to properly response the issues and problems.

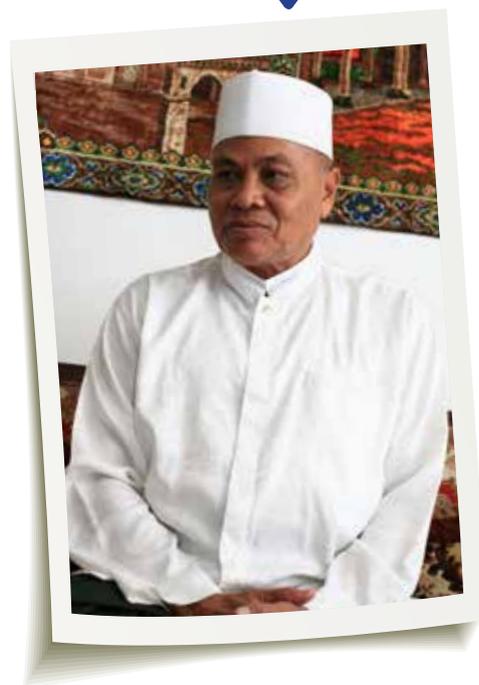
We hope Adaro Indonesia, especially its Public Relations, can be more sensitive to recognize development of the community. Working together with NGOs or community organizations is a good alternative way to understand community's needs and wants. Socialization about CSR funds should also be carried out because a lot of people still do not know the information.

In addition, we hope the company can remind the employees not to have luxurious and excessive lifestyle in community. That behavior is vulnerable and sensitively provoke public disaffection. However, we know that not all employees behave that way. The company also needs to consider establishing a new subsection for religious affairs in its operations. The subsection will be responsible for handling religious social activities and managing relationships with Ulama, Da'i and community leaders.

In term of the TIC management, we are still expecting Adaro Indonesia's involvement and support. Adaro Indonesia has appointed Dr. Fathurin Zain and Kyai H. Asad Saleemi to guide and coach us.

Our last expectation is that any company's activities should involve public figures. Those prominent individuals can represent the community and become the public messenger to the company. Besides, Ulama and Da'i also have a significant role for the existence and development of Adaro Indonesia in Tabalong areas.

**Kyai Haji Ahmad Rasyidi Amin**  
*Chair of Indonesian Ulama  
Council in Tabalong*





**Emi Sulasmi**

*Chair of Mekarsari Waste Bank*

Vision and mission of our Women Farmers Group (KWT) are to make a Model for Sustainable Food Estate (MPKL). Our group members organize planting, curing plant diseases, and cultivating crops. Afterwards, we redesigned our activities and established Environmental Education Center (PPLH) in 2013.

PPLH attracted the officials of Adaro Indonesia and then the company documented its activities and observed directly on-site. We took that as an opportunity to disclose our desire for community development. In the next visit, Ms. Yuri and Mr. Fajri from CSR Division as the representatives from Adaro Indonesia responded our dream and offered to run the waste bank program.

In short, we then accepted the offering by establishing Mekar Sari Waste Bank. Then, our next step was to convene regular meetings, dissemination of information and coordination.

Adaro Indonesia facilitated Smart Short Training that provided learning about administration and book keeping as well as reporting.

As of now, 46 citizens from 46 families have registered and participated in waste bank activities. To make it successful, Adaro Indonesia appointed waste collectors to whom we could sell the waste, such as plastic bottles, mineral water bottles, iron, used milk cans, and broken goods. Our waste bank accepts used fans, pans, stoves, drums, white and opaque paper, and other damaged stuffs.

Those kinds of waste and the used goods are valued differently. For example, the price of iron is IDR 2,500 per kilogram. In running the waste bank, we strive to provide mutually benefits between the waste sellers and the waste collectors, thus the activities can be performed continuously. Initially, the weighing was carried out once every three weeks. Now, due to the increasing number of waste and used goods, we are doing it every Saturday and Sunday at 16.00 to 18.00 at local time.

However, currently we are having a problem in collecting waste because we are still using land area of a local citizen. We will stop collecting if the owner wants to use the land area for other purposes. We hope there will be a follow up action by Adaro Indonesia to solve the problem of our waste bank.

On the other hand, Adaro Indonesia has also promised to provide the waste processing machine for the community. We hope the plan can be executed, thus, it can be used to support our waste bank and increase the income of people who are concerned about the environment. Finally, we would like to give the highest appreciation to Adaro Indonesia for caring and supporting our activities in the community.

Indonesia White Ribbon Alliance (APPI) - South Kalimantan Province was established on 4 May, 2006. APPI aims to reduce infant and maternal mortality in South Kalimantan areas. APPI Members are the Indonesian Midwives Association (IBI), a Coordinating Body for Women's Organizations (BKOW) as well as volunteers from community.

APPI so far has a good relationship and cooperation with Adaro Indonesia. Adaro Indonesia has been supporting a number of APPI activities, such as the Maternal Health Village and the Newborn Babies and Toddlers (KIBBLA) program in Dahai and Warukin Village since 2007. The cooperation develops over time. In example, the health services were initially carried out twice in a weekend. Now, the services are organized every day by involving senior and junior midwives as well as the medical doctor assistants from the central government.

To improve public services, APPI proposed Adaro Indonesia to establish a Village Health Center (Puskesmas) in Dahai in 2008. In practical, the Regency Officials appreciated the idea. The Local Authorities encouraged Puskesmas to be supported by senior and junior midwives and health equipments in order to provide 24 hours services and regular health examination. Puskesmas serves not only pregnant women but also provides medical treatment for all community members.

Recognizing the high needs for public health service personnel, we cooperate with the Abdi Persada Midwife Academy to educate and generate new midwives who serve people in urban and rural areas. To that end, we look forward for potential students who want to go to midwife school in Banjarmasin, such as Meta Hayati from Warukin Village and Siti Mariam from Dahai Village. Currently, a number of midwives have graduated from APPI program and they are now serving community in health and birth services in remote villages. In 2013, the APPI recognized at least 8 (eight) students graduated and went back to their respective regions. Some of which are Ida Royani from Tabalong Village and Norbaya and Zairatun from Paminggir Village.

In addition to education program for midwives, APPI and Adaro Indonesia have been organizing community development in Dahai and Warukin Village since 2008. We also organized Training for APPI Volunteers in Amarin Hotel in 2011. Up to now, our members – who are the working mothers, are committed to provide time and energy to serve community and reduce infant and mother mortality rate.

At present, we are expecting Adaro Indonesia to continuously support the programs that we both agreed. We are executing and developing a number of programs, one of which is provision of Speed Boat Ambulance with full health amenities. It is just like an ordinary ambulance vehicle that serves mothers in delivering babies on the road.

**Hj. Noorhayati Ardiansyah**  
*Chair of White Ribbon Alliance Indonesia*





**Mandan**

*Chair of the Dayak Deah Tribe Council of the Balangan Regency*

The existence of Adaro Indonesia in Balangan, particularly in Dayak communal land area, has a significant role in improving the quality of human resources, economy, social and development. Adaro programs are in line with local government's role in supporting facilities and infrastructures for people development. Some of which were the programs to support school and hospital constructions that were not covered by the State Budget and Local Budget of Balangan Regency.

Adaro Programs addressing the welfare and sustainability of our community have been improved after the Board of Dayak Deah Tribe (DAD) was established about two years ago. That was because Adaro discussed, presented and asked for common approval prior to implementing the programs. Some of their good programs were cataract surgeries for rural communities and donation of the ambulance vehicle that supported the health facilities and operations at national and regional level.

Through Adaro Bangun Negeri Foundation (YABN), Adaro Indonesia provided training programs for tribe and community leaders in Tanjung. Based on that, YABN set up a plan to develop Dayak Halong Dictionary in order to introduce our language to general public. It will be published by the local government. Moreover, YABN also organized a comparative study in Melak District, Kutai Barat Regency, East Kalimantan, for the Board to learn about tourism management and preparation of the book.

In term of education, Adaro Indonesia provided scholarships for Dayak children to study health, education, social, politics, and legal. In addition, the company also built a Guest House in Urin Village. It helps the students, who live far from the schools, to reduce rental fees. By staying in the Guest House, the students can avoid taking a 17 kilometers walk to reach and study at the nearest Junior High School. In addition to that, the Local government already recommended constructing a new Guest House in Kapul Village for tourism, but it has not been carried out yet. We also need a Cultural Center that can be used for children exercising dance and art performance, so they can take part in guest reception events. However, this can not be made real yet.

In addition to education and health, Adaro Indonesia supported the economy of community by distributing seeds to the people. Moreover, Adaro Indonesia also donated 1,000 local bamboo trees to the community. Reforestation of non-productive areas was also organized by Adaro Indonesia through replanting of rubber seeds.

After all, we encourage other companies, especially those operating in mining, to learn from the active role of Adaro Indonesia. We should remember that the purpose of natural resource management is community prosperity, especially the wealth of people living around the companies' operations. At last, we also hope that investors can employ local people according to their competencies. In case local people do not have yet the capabilities, there should be an open access to trainings and education for local people's development.

Adaro Indonesia operations contribute positively to development in Tabalong Regency. The mining company up to now has developed community development programs in a number of issues, such as education and health, in line with the 5 years government strategic plan (renstra). Some of development areas are the education and health quality improvement, such as the trainings for developing teachers' capabilities and scholarships for 23 students for studying in Bogor Agricultural Institute (IPB).

Considering that Adaro Indonesia has a good relation with IPB, we propose to develop a new program aiming to increase the Gross Enrolment Ratio (APK) at university level. This idea came up from the APK data at university level in Tabalong Regency that; the score was only 20% (percent).

In addition, we also hope Adaro Indonesia can cooperate with IPB to establish Community Academy in Tabalong Regency. IPB has a legal permit from the Minister of Education and Culture to open the Academy Community in Indonesia regions in cooperation with the regencies or cities.

The Community Academy is a collage-level equivalent to 1st and 2nd diploma degree. Its education orientation is vocation or skills development. Prospective students are the graduates from high schools, vocational schools, and Islamic schools (Madrasah Aliyah and TPQ). Therefore, they no longer need to study outside the Tabalong Regency. If we can implement the idea, we have an acceleration mechanism on education in term of increasing APK at university level.

Through education, Adaro Indonesia encouraged the students to have a healthy lifestyle and hygiene-conscious behavior in schools. Sanitation and hand-washing program were also initiated in order to improve the quality of health at the early stage of life. Adaro Indonesia also contributes in improving the economy of society by providing capital for micro sector and SMEs, as well as interventions on community development programs in rural areas.

In order to achieve the Millenium Development Goals (MDGs) next year, we hope Adaro Indonesia will always support human resources improvement programs, for example the science competition initiated by Adaro Bangun Negeri Foundation (YABN). In addition, Adaro Indonesia is expected to support the schools that need clean water and toilet facilities. Please take a note that many schools have limited availability or access to clean water.

Finally, as part of Tabalong community, we would like to thank Adaro Indonesia for its abundant assistance for development, in terms of physical construction, economy, and social development that brings added values for us, especially in improving the welfare of society. All is intended to make true the smart, healthy, prosperous and religious Tabalong.

**Drs. H. Erwan Madani, SH**

*Head of the Regional Development Body of Tabalong Regency*



Adaro Indonesia has the Coal Contract of Work (PKP2B) and operates at both national and international scale. Adaro Indonesia shows its commitment to meet the requirements as stipulated by the Ministry of Environment (KLH), one of which is the establishment and use of Water Treatment Plant (WTP). In term of waste management of coal operations, Adaro Indonesia has met the quality standard of Ministry of Environment's Regulation and that of Governor's Regulation.

Furthermoe, the Environment and Hygiene Agency (BLHK) views that the waste management of Adaro Indonesia has met the quality standard. Surely, sometimes the people showed grievances on waste disposal violating the regulations, but after an investigation was carried out, it turned good and indicated no significant problems. On the other hand, the incident was a signal from community for getting attention from the company. Therefore, the company must not ignore the community because later on it will cause problems for the company. All this time, Adaro Indonesia has met social and technical requirements of BLHK even though they are not obliged and regulated.

Futhermore, BLHK is responsible for monitoring the environment but not including the flora and fauna in Balangan area. However, BLHK views that Adaro Indonesia land rehabilitation program is supported by an appropriate nurseries mechanim. Also, Adaro Indonesia has carried out water management. The water was tested in the laboratory and it could be consumed by the community and Regional Clean Water Company (PDAM). In term of air monitoring, Adaro Indonesia has complied with quality standard and indicated no significant problems. However, the domestic waste is still managed by the company itself.

Referring to the Law No. 18 Year 2008 on waste management, Adaro Indonesia is expected to support the government and community on waste management. There is an unfinished problem on waste, which is the lack of dump site (TPA) area in the 10-years old Balangan Regency. Up to now, the dump site serves only 2 (two) subdistricts while Balangan is consisted of 8 subdistricts. The waste management is currently still funded by the National and Local Budget.

In connection with that, Adaro Indonesia is expected to take part in the effort to manage waste and produce methane gas from waste. Methane gas can be used by the surrounding communities. We hope Adaro Indonesia would like to provide operational facilities at the dump site (TPA) in Batu Merah Village, Lampihong Subdistrict, Balangan Regency.

At last, we look forward for more community-friendly and pro-government programs of Adaro Indonesia. Some of which are consistently maintaining waste management according to quality standard. And also, to maintain clean water quality from the minning water processing, thus it can be consumed and used by the community and PDAM.

### **Ir. Karim Suadi**

*Head of the Regional Environmental Body of Balangan Regency*





**Alastair Grant**  
*Senior Advisor*

When we first came to South Kalimantan at the beginning of 1990, we saw that our coal mining operations must be integrated with the environment and local community. We hold to this philosophy up to now and we are supported by all our shareholders. We realize that we work at Tanjung, where its population is majority Moslems, and we want to be part of the local population. This is implemented daily by not only our employees but also Adaro Indonesia leaders, such as Mr. Chia (President Director PT Adaro Indonesia) who lived in the community. In principle, we intend to develop society without destroying the social system that already works appropriately.

Furthermore, starting the coal business in the past, we had to build a haul road to Kelanis that was full of swamp and reeds. We had no other choice. At that time, there were only few settlements. The local people dominated by Malay and Banjar tribe. People still caught fish in the swamp area. After we operated for decades, there are now many developments covering wide areas and an increasing number of residents.

Currently, the majority of our employees are locals. We also have a number of work agreements with local companies. We strive to build trust and enhance the welfare of society; some of which through good management practices on HSE at workplace, managing the impact of environment and implementing community development programs. A number of programs that have been conducted, among others, are entrepreneurship, agriculture, rubber plantation, fisheries, education, and health. We see that the local government role and support, such as the Regents (Bupati), so far is good in term of community building and supporting the sustainability of the Company.

Now, after decades of operation, we hope the community will be able to maintain sustainability of their own life without depending on our presence. We are expecting to have another 20 years operation considering the deposits we have now. Along that time, we still have an opportunity to grow because coal still plays an important role in the energy sector as a low-cost and efficient energy source. Our products also have low sulphur content and less dust, which contribute less carbon to climate than those of other coal products.

To maintain our business growth, we currently have long-term contracts with the Government and export our products to the United States, Europe, and Asia. There are also big needs for electricity in Indonesia in order to provide economic benefits to the community and the coal still becomes the most low-cost energy source option at this moment. The most important is that our performance must be keep maintained and supported by the world-class human resources while at the same time we maintain the safety at workplace and control the environmental and social impacts.

Finally, I am proud of the performance of Adaro Indonesia. We keep growing and at the same time maintaining the social and environmental aspects in our operational areas.

## GRI G4 Index

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INDICATORS	DESCRIPTION	PAGE(S)	EXTERNAL ASSURANCE
<b>STRATEGY AND ANALYSIS</b>			
G4-1	Statement from President Director	4	
G4-2	Description of sustainability key impacts, risks, and opportunities	31	Not implemented
<b>ORGANIZATIONAL PROFILE</b>			
G4-3	Name of the organization	10	
G4-4	Primary brands, products and services	10	
G4-5	Location of headquarter	10	
G4-6	Number of countries of operation	11	
G4-7	Ownership and legal form	11	
G4-8	Market that is served	11	
G4-9	Scale of organization	18	Not implemented
G4-10	Number and composition of employees	18	
G4-11	Employees covered by collective bargaining agreements	18	
G4-12	Supply chain of organization	12	
G4-13	Significant change of organization	29	
<b>COMMITMENT TO EXTERNAL INITIATIVES</b>			
G4-14	Precautionary principles approach	25	
G4-15	Externally charters, principles, or other initiatives to which the organization subscribes or endorses	42	Not implemented
G4-16	Memberships in associations	42	
<b>MATERIAL ASPECTS AND BOUNDARIES</b>			
G4-17	List of entities that are included in the organization's consolidated financial statement	35	
G4-18	Process for defining the report content and boundaries	35	
G4-19	List of material aspects that are identified	35	
G4-20	Material aspect boundary within organization	35	Not implemented
G4-21	Material aspect boundary outside organization	35	
G4-22	Restatement from previous report	1	
G4-23	Significant changes from previous report	1	

GENERAL STANDARD DISCLOSURES			
INDICATORS	DESCRIPTION	PAGE(S)	EXTERNAL ASSURANCE
<b>STAKEHOLDERS ENGAGEMENT</b>			
G4-24	List of stakeholders	32	
G4-25	Basis for identification and selection of stakeholders	32	
G4-26	Approach to stakeholders engagement	32	Not implemented
G4-27	Key topics and response of organization to stakeholders	35	
<b>REPORT PROFILE</b>			
G4-28	Reporting period	1	
G4-29	Date of most recent previous report	1	
G4-30	Reporting cycle	1	
G4-31	Contact point for questions regarding the report or its contents	2	Not implemented
G4-32	GRI Content Index	2	
G4-33	Assurance	2	
<b>GOVERNANCE</b>			
G4-34	Governance structure	28	
G4-35	Delegating authority for sustainability topics	-	
G4-36	Appointment of executives for CSR implementation	-	
G4-37	Consultation with stakeholders	32	
G4-38	Composition of the highest governance body and its committees	28	Not implemented
G4-39	Indicate whether the Chair of the highest governance body is also an executive officer	-	
G4-40	Nomination and selection for the highest governance body	-	
G4-41	Ensure conflicts of interest are avoided and managed	-	
<b>HIGHEST GOVERNANCE BODY'S ROLE IN SETTING PURPOSE, VALUES, AND STRATEGY</b>			
G4-42	Roles in formulating mission statements, values and objectives of organization	-	Not implemented

GENERAL STANDARD DISCLOSURES			
INDICATORS	DESCRIPTION	PAGE(S)	EXTERNAL ASSURANCE
<b>HIGHEST GOVERNANCE BODY'S COMPETENCIES AND PERFORMANCE EVALUATION</b>			
G4-43	Development highest governance body's knowledge in sustainability	-	Not implemented
G4-44	Evaluation for competencies and performance of the highest governance body	-	
<b>HIGHEST GOVERNANCE BODY'S ROLE IN RISK MANAGEMENT</b>			
G4-45	Sustainability risks/opportunities identification and management	-	Not implemented
G4-46	Reviewing sustainability risks/opportunities management	-	
G4-47	Frequency of sustainability risks/opportunities management review	-	
<b>HIGHEST GOVERNANCE BODY'S ROLE IN SUSTAINABILITY REPORTING</b>			
G4-48	Review and approval of sustainability report	2	Not implemented
<b>HIGHEST GOVERNANCE BODY'S ROLE IN EVALUATING ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE</b>			
G4-49	Communication and delivery of critical concerns	-	Not implemented
G4-50	Critical concerns that are communicated to highest governance body	-	
<b>REMUNERATION AND INCENTIVES</b>			
G4-51	Remuneration policies	-	Not implemented
G4-52	Remuneration determining process	-	
G4-53	Stakeholder's views regarding remuneration	-	
G4-54	Ratio of payment of compensation	-	
G4-55	Ratio of percentage increase in annual compensation	-	
<b>ETHICS AND INTEGRITY</b>			
G4-56	Organization's values, principles and norms of behavior	22	Not implemented
G4-57	Seeking advice on ethical and lawful behavior	24	
G4-58	Report unethical/unlawful behavior	24	

SPECIFIC STANDARD DISCLOSURES					
MATERIAL ASPECTS	DMA AND INDICATORS	DESCRIPTION	PAGE(S)	OMMISSIONS	EXTERNAL ASSURANCE
<b>ECONOMIC</b>					
Economic performance	G4-EC1	Direct economic value generated and distributed	110	Some information is not presented due to its status of non publicly-listed company	Not implemented
	G4-EC2	Financial implications, risks, and opportunities due to climatechange	112	-	
	G4-EC3	Organization's defined benefit plan obligations	113	Detailed information is not presented due to its status of non publicly-listed company	
	G4-EC4	Financial assistance received from government	113	-	
Market presence	G4-EC5	Ratio of entry level wage to local minimum wage	114	-	Not implemented
	G4-EC6	Proportion of Senior management hired from local community	115	Data is not presented completely due to technical reason in data collection	
Indirect economic impact	G4-EC7	Infrastructure and services development and impact	116	-	Not implemented
	G4-EC8	Significant indirect economic impacts	118	-	
Procurement practices	G4-EC9	Proportion of spending on local suppliers	119	-	Not implemented
<b>ENVIRONMENTAL</b>					
Material	G4-EN1	Used materials	47	-	Not implemented
	G4-EN2	Percentage of recycled materials	47	-	
Energy	G4-EN3	Energy consumption in the organization	48	-	Not implemented
	G4-EN4	Energy consumption outside the organization	48	-	
	G4-EN5	Energy intensity	48	-	
	G4-EN6	Reduction of energy consumption	49	-	
	G4-EN7	Reduction in energy requirement of products and services	N/A	Not relevan with the coal produced by the organization	

SPECIFIC STANDARD DISCLOSURES					
MATERIAL ASPECTS	DMA AND INDICATORS	DECRPTION	PAGE(S)	OMMISSIONS	EXTERNAL ASSURANCE
Water	G4-EN8	Total water withdrawal by source	51	-	Not implemented
	G4-EN9	Water sources affected by withdrawal of water	51	-	
	G4-EN10	Volume of water recycled or reused	51	-	
Biodiversity	G4-EN11	Location and size of land in or near to protected areas	54	-	Not implemented
	G4-EN12	Significant impacts on biodiversity	55	-	
	MM1	Rehabilitated land	56	-	
	G4-EN13	Habitats protected or restored	56	-	
	G4-EN14	Number of IUCN Red List species	56	-	
	MM2	Protection of biodiversity	61	-	
Emission	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	62	-	Not implemented
	G4-EN16	Energy indirect GHG emissions (Scope 2)	62	-	
	G4-EN17	Other indirect GHG emissions (Scope 3)	62	-	
	G4-EN18	GHG Intensity	62	-	
	G4-EN19	Reduction of GHG emissions	63	-	
	G4-EN20	Emissions of ozone-depleting substances	64	-	
	G4-EN21	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions	64	-	

SPECIFIC STANDARD DISCLOSURES					
MATERIAL ASPECTS	DMA AND INDICATORS	DESCRIPTION	PAGE(S)	OMMISSIONS	EXTERNAL ASSURANCE
Effluent and waste	G4-EN22	Total water discharge	52	-	Not implemented
	MM3	Total solid waste	68	-	
	G4-EN23	Waste disposal method	66	-	
	G4-EN24	Total number and volume of spills	69	-	
	G4-EN25	Weight of transported, imported, exported, or treated hazardous waste	66	-	
	G4-EN26	Water body biodiversity	52	-	
Products and services	G4-EN27	Initiatives to mitigate environmental impacts of products and services	N/A	Not relevant because current coal production is not resulted from manufacturing processes.	Not implemented
	G4-EN28	Percentage of sold products and reclaimed packaging	N/A	Not relevant with the coal product sold in bulk	
	G4-EN29	Sanctions for non-compliance with environmental laws	73	-	
Transport	G4-EN30	Environmental impacts of transporting materials, products and workforce	74	-	Not implemented
Overall	G4-EN31	Environmental protection expenditures	72	-	Not implemented
Supplier environmental assessment	G4-EN32	Percentage of suppliers screened for environmental criteria	76	-	Not implemented
	G4-EN33	Potential negative environmental impacts in the supply chain	76	-	
Environmental grievance mechanisms	G4-EN34	Grievances about environmental impacts addressed and resolved	71	-	Not implemented

SPECIFIC STANDARD DISCLOSURES					
MATERIAL ASPECTS	DMA AND INDICATORS	DESCRIPTION	PAGE(S)	OMMISSIONS	EXTERNAL ASSURANCE
<b>LABOR</b>					
Employment	G4-LA1	Total number and rates of new employee hired and rates of new employment turnover	90	-	Not implemented
	G4-LA2	Compensation for permanent and non-permanent employee	92	-	
	G4-LA3	Return to work guarantee	92	-	
Labor / management relations	G4-LA4	Minimum notice period	92	-	Not implemented
	MM4	Number of strikes and lock-outs	93	-	
Occupational Health and Safety (OHS)	G4-LA5	Workforce representation in OHS committees	94	-	Not implemented
	G4-LA6	Rate of work accident	95	-	
	G4-LA7	Workers with high risk of diseases in work place	95	-	
	G4-LA8	OHS topics in formal agreement with trade union	98	-	
Training and education	G4-LA9	Average training hours	99	-	Not implemented
	G4-LA10	Post-retirement career preparation programs	100	-	
	G4-LA11	Percentage of employee receiving performance appraisal	100	-	
Diversity and equal opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category	18, 101	A number of data is not presented due to technical reason in data collection	Not implemented
Equal remuneration for women and men	G4-LA13	Ratio of remuneration of women to that of men	101	-	Not implemented
Supplier assessment for labor practices	G4-LA14	Percentage of suppliers screened for labor criteria	103	-	Not implemented
	G4-LA15	Potential negative labor impacts by the supply chain	103	-	

SPECIFIC STANDARD DISCLOSURES					
MATERIAL ASPECTS	DMA AND INDICATORS	DESCRIPTION	PAGE(S)	OMMISSIONS	EXTERNAL ASSURANCE
Labor Practices Grievance Mechanisms	G4-LA16	Grievances about labor practices addressed and resolved	104	-	Not implemented
<b>HUMAN RIGHTS</b>					
Investment	G4-HR1	Percentage and total number of investment agreement that include human rights clauses	106	-	Not implemented
	G4-HR2	Training on human rights for employee	106	-	
Non-discrimination	G4-HR3	Number of discriminatory incidents	106	-	Not implemented
Freedom of association and collective bargaining	G4-HR4	Right of association	107	-	Not implemented
Child labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor	N/A	Not relevant with strict employment system to comply with regulations	Not implemented
Forced or compulsory labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor	N/A	Not relevant with strict employment system to comply with regulations	Not implemented
Security Practices	G4-HR7	Security personnel who have undergone training on human rights	107	-	Not implemented
Indigenous rights	G4-HR8	Violations of indigenous people's rights	107	-	
	MM5	Total number of operations taking place in or adjacent to Indigenous Peoples' territories	107	-	Not implemented
Assessment	G4-HR9	Human rights policy evaluation	108	-	Not implemented
Supplier human rights assessment	G4-HR10	Percentage of suppliers screened for human rights criteria	108	-	
	G4-HR11	Potential negative human rights impacts in the supply chain	108	-	Not implemented
Human rights grievance mechanisms	G4-HR12	Grievances about human rights addressed and resolved	108	-	Not implemented

SPECIFIC STANDARD DISCLOSURES					
MATERIAL ASPECTS	DMA AND INDICATORS	DESCRIPTION	PAGE(S)	OMMISSIONS	EXTERNAL ASSURANCE
<b>SOCIETY</b>					
Local community	G4-SO1	Operations with local community engagement, impact assessment and development programs	79	-	
	MM6	Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples	107	-	
	MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes	107	-	Not implemented
	G4-SO2	Operation with significant social impacts	82	-	
Anti-corruption	G4-SO3	Risks evaluation related to corruption	83	-	
	G4-SO4	Training related to anti-corruption	83	-	Not implemented
	G4-SO5	Confirmed incidents of corruption and actions taken	83	-	
Public policy	G4-SO6	Total value of political contributions by country and recipient/beneficiary	85	-	Not implemented
Anti-competitive behavior	G4-SO7	Number of legal actions against anticompetitive behavior, anti-trust and monopoly practices	85	-	Not implemented
Compliance	G4-SO8	Fine and other sanctions for non-compliance with laws and regulations	85	-	Not implemented
Supplier assessment for impacts on society	G4-SO9	Percentage of suppliers screened for society criteria	87	-	
	G4-SO10	Potential negative society impacts in the supply chain	87	-	Not implemented
Grievance mechanisms for impacts on society	G4-SO11	Grievances about impacts on society addressed and resolved	88	-	Not implemented

SPECIFIC STANDARD DISCLOSURES					
MATERIAL ASPECTS	DMA AND INDICATORS	DECRPTION	PAGE(S)	OMMISSIONS	EXTERNAL ASSURANCE
Artisanal and small-scale mining	MM8	Number (and percentage) of company operating sites where artisanal and small-scale mining (asm) takes place	N/A	Not relevan with strict mining system to comply with regulations	Not implemented
Resettlement	MM9	Sites where resettlements took place affected in the process	107	-	Not implemented
Closure planning	MM10	Mine closure plan	56	-	Not implemented
PRODUCT RESPONSIBILITY					
Customer health and safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	N/A	Not discussion on this because it is not relevant or material within the scope of the Sustainability Report	Not implemented
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	N/A	Not discussion on this because it is not relevant or material within the scope of the Sustainability Report	
Product and Service Labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	N/A	Not discussion on this because it is not relevant or material within the scope of the Sustainability Report	Not implemented
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	N/A	Not discussion on this because it is not relevant or material within the scope of the Sustainability Report	
	G4-PR5	Results of surveys measuring customer satisfaction	N/A	Not discussion on this because it is not relevant or material within the scope of the Sustainability Report	

SPECIFIC STANDARD DISCLOSURES					
MATERIAL ASPECTS	DMA AND INDICATORS	DESCRIPTION	PAGE(S)	OMMISSIONS	EXTERNAL ASSURANCE
Marketing Communications	G4-PR6	Sale of banned or disputed products	N/A	Not discussion on this because it is not relevant or material within the scope of the Sustainability Report	Not implemented
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	N/A	Not discussion on this because it is not relevant or material within the scope of the Sustainability Report	
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	N/A	Not discussion on this because it is not relevant or material within the scope of the Sustainability Report	Not implemented
Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	11	-	Not implemented
Materials Stewardship	MM11	Programs and progress relating to materials stewardship	N/A	Not discussion on this because it is not relevant or material within the scope of the Sustainability Report	Not implemented

## Reader Survey

As one of our initiatives to improve sustainability performance and increase the quality of Sustainability Report, PT Adaro Indonesia provides Reader Survey Form that can be filled out in hardcopy (printed into a document) and sent by post or facsimile to our office. Else, it can be sent also in softcopy (recorded in a computer file format) to our e-mail.

We invite the stakeholders to read Sustainability Report 2012-2013 of PT Adaro Indonesia, fill the attached Reader Survey Form at the end of Report, and send it to:

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## Reader Survey Form

Dear PT Adaro Indonesia,

As a reader of Sustainability Report 2012-2013 PT Adaro Indonesia, I would like to respond to this Report by filling out this Reader Survey Form.

1. **Interesting** section(s) in this Report is (are): (fill in the box with ✓, may choose more than one)

- |   |   |
|---|---|
| <input type="checkbox"/> About This Report                      | <input type="checkbox"/> Sustainability Strategy              |
| <input type="checkbox"/> Foreword                               | <input type="checkbox"/> Taking Care of Environmental Quality |
| <input type="checkbox"/> Company History and Profile            | <input type="checkbox"/> Developing Social Quality            |
| <input type="checkbox"/> Values and Governance                  | <input type="checkbox"/> Improving Human Resources Quality    |
| <input type="checkbox"/> Changes and Achievements               | <input type="checkbox"/> Respect for Human Rights             |
| <input type="checkbox"/> Sustainability Context and Limitations | <input type="checkbox"/> Delivering Economic Benefits         |
| <input type="checkbox"/> Material Issues                        | <input type="checkbox"/> Our Stakeholders                     |
| <input type="checkbox"/> Stakeholders                           | <input type="checkbox"/> Other .....                          |

2. The section(s) as stated above (at no. 1) is (are) **interesting** because:

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3. My opinion, the following section(s) **should be improved**: (fill in the box with ✓, may choose more than one)

- |   |   |
|---|---|
| <input type="checkbox"/> About This Report                      | <input type="checkbox"/> Sustainability strategy              |
| <input type="checkbox"/> Foreword                               | <input type="checkbox"/> Taking Care of Environmental Quality |
| <input type="checkbox"/> Company History and Profile            | <input type="checkbox"/> Developing Social Quality            |
| <input type="checkbox"/> Values and Governance                  | <input type="checkbox"/> Improving Human Resources Quality    |
| <input type="checkbox"/> Changes and Achievements               | <input type="checkbox"/> Respect for Human Rights             |
| <input type="checkbox"/> Sustainability Context and Limitations | <input type="checkbox"/> Delivering Economic Benefits         |
| <input type="checkbox"/> Material Issues                        | <input type="checkbox"/> Our Stakeholders                     |
| <input type="checkbox"/> Stakeholders                           | <input type="checkbox"/> Other .....                          |

4. The section(s) as stated above (at no. 3) **needs (need) improvement** because:

.....

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.....

.....

5. In general, my opinion on this Report: (for each statement, fill in the box with ✓)

Statement	Strongly Agree	Agree	Not Agree	Strongly Not Agree
.....				
Uses appropriate language and easy to understand	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provides adequate information to describe sustainability aspects of the company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has attractive design and good print quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. My response, critic, and advice to PT Adaro Indonesia in general:

.....

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7. I am from the following group: (fill in the box with ✓, choose the most correct one)

- |  |   |
|--|---|
| <input type="checkbox"/> Investor, Shareholder       | <input type="checkbox"/> Business Association or Industry     |
| <input type="checkbox"/> Bank, Financial Institution | <input type="checkbox"/> Non-Government Organization          |
| <input type="checkbox"/> Media                       | <input type="checkbox"/> Surrounding Community, Public        |
| <input type="checkbox"/> Academic, Researcher        | <input type="checkbox"/> Central Government, Local Government |
| <input type="checkbox"/> Contractor, Supplier        | <input type="checkbox"/> House of Representative, Parliament  |
| <input type="checkbox"/> Buyer or Coal User          | <input type="checkbox"/> Other .....                          |

-- Halaman ini sengaja dikosongkan --