



TOGETHERNESS TOWARDS BETTER SUSTAINABILITY

adaro
envirocoal

Sustainability
Report

2011

PROFILE OF THE REPORT



Publishing a Sustainability Report, hereinafter referred to as the “Report”, is a way for us to become more transparent and informative to all stakeholders on our sustainability performance and achievements. Every year, we consistently issue the Report. This is the fourth time that PT Adaro Indonesia (hereinafter referred to as Adaro Indonesia in this Report) has published its annual Sustainability Report and the third time using the Sustainability Reporting Guidelines from the Global Reporting Initiative (GRI). The 2012 Report documents the performance and commitment of Adaro Indonesia for the 2011 calendar year and is a continuation of the 2010 Sustainability Report which was published in November 2011. In addition to the printed format, this report can also be accessed online by all stakeholders through www.adaro.com. **[3.1] [3.2] [3.3]**

All information is presented as accurately and comprehensively as possible, and includes the economic, social and environmental performance of the Company. All information presented in this report is based on its relevance, which is the information that might affect the decision making of the stakeholders, such as public policy makers, investors, community and the media. We trust that the information in this report will meet reader’s expectations in understanding the sustainability aspects of Adaro Indonesia. **[3.5]**

Aspects of the geographic range in the business process of Adaro Indonesia, the limitations of media for reporting, and the relationships with various stakeholders have challenged us to take care in showing a complete picture of corporate sustainability. This Report is limited to all of our activities in Indonesia as a business entity and also the activities of the contractors in our operational areas. An example is fuel consumption that is calculated from Adaro Indonesia’s and its contractors in our mining site. **[3.6] [3.7]**

Data and information was obtained from the head office in Jakarta, production units in various regions, contractors and technical working partners in the specific locations in rural areas where we have social activities for the local community. There is no data and similar information presented in this Report from areas where we do not have a contracted areas, subsidiaries or joint ventures. Data calculation was carried out entirely using generally applicable methods and in accordance with Indonesian as well as international regulations. In some aspects, the measurement and calculation of data involved third parties. This report is a continuation of previous editions so there is consistency of content with these. **[3.8] [3.9]**

In general, we do not perform any restatement (representation) in this Report and there are no significant differences from previous reports except for the use of the

GRI Sustainability Reporting Guidelines version 3.1 as a reference in preparing the Report. Additionally, the Mining and Metal Sector Supplement (MMSS) which was used in previous reports is retained. In this 2011 Sustainability Report, there is some refinement of data from previous reports that became a focus of attention, such as the presentation on the calculation of the use of biodiesel energy, the level of risks on the companies' operational phase, and the impact of the coal hauling road improvement on water usage. [3.10] [3.11]

Given the characteristics of our company operations in the coal mining industry, some indicators required by the Sustainability Reporting Guidelines version 3.1 are not relevant. In terms of products, for example, the initiative to create energy-efficient products is irrelevant because our coal products come directly from nature. Furthermore, coal is not a product that will be consumed directly, so direct impact initiative reduction to human is not relevant. The initiative on the reuse of product packaging is also irrelevant because the coal is delivered as a bulk commodity. Another example is in the use of recycled materials in the blasting process. We use ex-diesel in ANFO as an explosive, but after being used for blasting ANFO will totally burn out. Thus, the recycling initiative at this stage is not relevant either. [EN2] [EN6] [EN26] [EN27]

Although no third party was requested to provide quality assurance for this report, we have made every effort to present accurate and real data and information. In relation to the fulfilment of indicator criteria required by the Sustainability Reporting Guidelines version 3.1, we have carried out an internal verification on this report and we hereby state that this report uses application level A. [3.13]

Table of Application Level and the Application Position of Sustainability Report of PT Adaro Indonesia

Report Application Level	C	C+	B	B+	A	A+
G3 Profile Disclosures	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.11, 2 4.1 - 4.4, 4.14 - 4.15		Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.1		Same as requirement for Level B	
G3 Management Approach Disclosures	Not Required		Management Approach Disclosures for each indicator Category		Management Approach Disclosures for each indicator Category	
G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labour, society, product responsibility.		Respond on each core G3 and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

* Sector supplement in final version

Our expectation is that all stakeholders will gain a full picture on the business performance and social and environmental responsibilities of Adaro Indonesia through this Report. The entire feedback from readers is important to us in contributing to building our sustainability strategy in the future.

Feedback can be submitted to us via: [3.4]



PT. Adaro Indonesia [2.1]

Head Office [2.4]

Gedung Menara Karya, Lantai 22-23
Jl. HR Rasuna Said, Blok X-5 Kav. 1-2
Jakarta 12950, Indonesia
Phone : (62) (21) 2553 3000
Facsimile : (62) (21) 5211 266

Operational Office

PO Box TTB 110
Hauling Road KM. 73, Wara
Tanjung 71500, Kalimantan selatan
Phone : (62) (526) 2121 997/98
Facsimile : (62) (526) 2021 996

Photographs in this Report were provided by the Photographers of Adaro Indonesia



MESSAGE FROM THE PRESIDENT DIRECTOR [1.1]



**Assalamu'alaikum warahmatullahi wabarakatuh,
Best wishes to everyone.**

Dear honoured Stakeholders,

Time goes so fast and before we realize it, the time has come again for us to meet in Adaro Indonesia's Sustainability Report 2011. It is for sure that in the span of a year many important events have taken place and need to be reported as the economic, social and environmental forms of responsibility to all stakeholders. We are pleased to say that 2011 was an exceptional year because in addition to providing maximum value for our stakeholders, there were also greater contributions to the community and the state.

We are always being creative in order to maximize the value of sustainability, to build winning team for Adaro Indonesia to become better and bigger. By being better and bigger, Adaro Indonesia is expected to be able to give greater contributions to community and state developments. The company does not only contribute to economic growth but also assist in solving problem related to the risks and threats of social and environmental sustainability.

Our existence is aimed at becoming a trusted company that can share prides because of the following reasons:

1. Contribute to the development in provinces and the state.
2. Absorb labor and create businesses.
3. Commit to environmental preservation.
4. Prioritize a safe and healthy working environment.
5. Pay attention to the economic development of the community.
6. Pay attention to the improvement of the quality of public educations.
7. Pay attention to the improvement of public health.
8. Pay attention to the social and cultural enhancement.
9. Respect and involve the stakeholders.

The year of 2011 can be said as the year that was filled with honours and awards for the company, especially for its Corporate Social Responsibility / CSR and environmental programs, both at national and international levels. The awards have not necessarily made the company complacent, but rather they have increased our passion to provide the best and more beneficial service to the environment and community. Seven awards were given to the Company by the Ministry of Social Affairs of the Republic of Indonesia in collaboration with the Corporate Forum for Community Development (CFCD) at event 'The Indonesian CSR Award' 2011 they are 2 Platinum, 2 Gold and 3 Silver. The program to eradicate cataract blindness through free cataract surgeries around the operational areas and the

creation of access to clean water based community independence together with village-owned enterprises (BUMDes) were the ones that received the highest appreciation, namely Platinum. Previously, Adaro also won 3 awards in GKPM or Exhibition of Community Work Empowerment from the Coordination Ministry of People's Welfare of the Republic of Indonesia. From the Ministry of Environment of the Republic of Indonesia, we won the category of Green Proper for the fourth time.

International recognition for a CSR targeted program was also achieved through the Health Program for Mothers, Infants, and Toddlers (KIBBLA) from the non profit organization Enterprise Asia located in Malaysia and listed in Hongkong. This program also won one award in the Asia Responsible Entrepreneurship Award – Southeast Asia (AREA-SEA) 2011.

Aware of the very broad target coverage, in order to accelerate the objectives achievement and to make sure the sustainability programs run well, we created empowerment strategies through modeling, which are integrated with the mine closure plan, Adaro Bangun Negeri (Adaro Building the Nation) Foundation, and also with the local government's development programs.

For implementation in the field, we refer to Act 40 of 2007, Act 4 of 2009 of Government Regulation No. 23 year 2010, and also to ISO 26000. On the other hand, for the reporting we refer to the Sustainability Reporting Guidelines published by Global Reporting Initiative (GRI).

We will continue to create sustainable values in the coal industry in Indonesia by building up PT Adaro Indonesia to be bigger and better, and maximize the high long-term growth in energy markets.

Lastly, allow me to express our appreciation to all stakeholders on their participation in maintaining a sustainable business.

Thank you.

Wassalamualaikum warahmatullahi wabarakatuh.

Jakarta, May 2012

Garibaldi Thohir
Director





From Past to Present

Adaro Indonesia is a limited liability company which is fully controlled by PT Adaro Energy, Tbk through several companies. The operations of Adaro Indonesia started from the signing of Agreement of Coal Mining Concession (PKP2B) No.J2/JIDU/52/82 on 16 November 1982, with exploration activities starting a year later. The existence of Adaro Indonesia sprang from the cooperation between Enadimisa, a company owned by the Government of Spain, and Perum Tambang Batu Bara (the State-owned Coal Mining Company) in an exploration project in Tanjung District of South Kalimantan. The name "Adaro" was from the name of a family of miners from Spain who were well known for their contributions to the mining industry there. **[2.6]**

With the change from Perum Tambang Batu Bara to the Ministry of Energy and Mineral Resources, Adaro Indonesia signed the work agreement and earned the rights to explore, mine and sell coal commodities until 2022. In 2007, the strategic values of the coal we produce was recognised by the Government and, Adaro Indonesia was named one of the National Vital Objects (*OBVITNAS*). This has been confirmed by the Decree of the Minister of Energy and Mineral Resources No 1762 K/07/MEM on the Protection of National Vital Objects Sector Energy and Mineral Resources on Adaro Indonesia. By the end of 2010 the management rights on exploration land covered 35,800 hectares. Then at the end of 2011 additional land of 1,807 hectares was made available which increased the total area of management coverage to 37,607 hectares. **[MM1]**

The mining technical business units and business operations of Adaro Indonesia are entirely located in Indonesia. Our head office is located in Jakarta and our mining activities are in Kalimantan: **[2.5] [2.8]**

1. Wara mining site in Tabalong district, South Kalimantan, which is the source of coal production for "Envirocoal 4000".
2. Tutupan mining site at Balangan district, South Kalimantan, which is the source for coal production of "Envirocoal 5000".
3. Paringin in South Barito district, Central Kalimantan.
4. The production process and loading in Kelanis, South Barito district, Central Kalimantan.

**WE MANAGED
TO ACHIEVE REVENUES
OF APPROXIMATELY
USD 3.4 BILLION**

With a focus on three main mining sites, Adaro Indonesia grew within the last three years. In 2011, our revenue was about USD 3.4 billion, which was an increase of 41.6% over 2010's revenue of USD 2.4 billion. At the end of 2011 the value of total assets of Adaro Indonesia also rose to USD 2.7 billion, an increase of approximately 42.1% on the value of assets of USD 1.9 billion on the previous year. However, the increase in assets was influenced also by the increase of liabilities of USD 1.6 billion in 2010 to USD 2.3 billion in 2011. In terms of equity, there was a recorded increase in equity value of USD 236 million in 2010 to USD 387 million in 2011.

Table Organization Scale of Adaro Indonesia [2.8]
[EC1] (In million U.S Dollars)

Description	2009	2010	2011
Total Asset	2,303	1,885	2,699
Total Liability	1,844	1,649	2,312
Loan with Interests Applied	1,204	1,141	1,630
Total Equity	459	236	387
Revenues	2,407	2,412	3,386

During the reporting period, there was no significant change in the ownership and management of the mining site in accordance with the Coal Mining Exploitation Work Agreement (PKP2PB). In the organization, some adjustments were made based on the results of the internal audit analysis; for example, the Paringin Project and Mine Infrastructure Department was dissolved and replaced by 3 departments, namely Production Support, CSR Project (CSRP), and Land Asset. Meanwhile, the Business Improvement Department was renamed as the Operation Improvement Department. There are 19 departments at the moment whereas there were only 18 departments previously. **[2.9]**

Along with its growth and development, Adaro Indonesia continues to realize its vision to actively develop the mining industry. We do this through the involvement in various associations and societies. At the time of publication of this report, Adaro Indonesia was a member of the Indonesian Mining Association (IMA), Chamber of Commerce and Industry (KADIN), Indonesian Coal



Adaro employees are having a morning ceremony. After 30 years of existence, Adaro Indonesia continues to develop as one of the National Vital Object (OBVITNAS).

Producers Association (APBI), and also the Post Mining Land Rehabilitation Forum (FRHLBT). In addition, Adaro held the position as the chief of working group on Occupational Health, Safety, and Environment (K3LH) in the Association of Indonesian Mining Experts (Perhapi), whose role is to provide input to various stakeholders, particularly the government, on matters such as the policies or decisions on Occupational Health, Safety, and Environment (K3LH). At the provincial level, with the social responsibility initiatives, we were also selected as the chairman of CSR Forum and Chairman of the Corporate Forum for Community Development (CFCD) in South Kalimantan. [4.12] [4.13]

Values and Governance

Vision, Mission, and Company Values [4.8]

Our vision of social responsibility is **“To be a company that can grow together with the community”**. This

vision leads us to continue making efforts in sustainability for the community and environment. To realize this vision, we have formulated a variety of missions in the business and socio-cultural aspects of society, the quality of human resources, and sustainability in education and health. We have also seriously developed corporate values that guide the behaviour of the business process in implementing the mission towards the achievement of the sustainable vision of the company.

The CSR vision and mission as well as corporate values cultivate expectations and belief in developing a conducive corporate culture that supports business enhancement and improving social responsibility and environmental concerns in a positive direction. Documentation about vision, mission and values has been compiled and presented in a handbook entitled 'The Family' which has been distributed in our company through internal training sessions and special session of cross-departmental meeting.

MISSION

1. Fostering community enterprises that can serve as the foundation of the family.
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 in the field of religion, sport, art and culture.
5. Providing infrastructure and means to accelerate the development of the economy, education, health and socio-religion.
6. Institutionalizing the CSR program in community life to ensure its sustainability.

CORPORATE VALUES

1. Focus on Consumers
2. Quality, Cost, Delivery, Safety (QCDS)
3. Characteristics of **ADARO**
 - A*ttitude
 - D*etermined
 - A*daptive
 - R*esponsive
 - O*pen minded
 - I*ntegrity
 - B*alanced
 - T*eam spirit
4. Plan, Do, Action, Check (PDCA)
5. Keep It Simple Spirit (KISS)
6. Management by Love (Mbl)



Corporate Governance Body

As a law-abiding company, we operate with reference to the provisions of laws and regulations in Indonesia. One of those regulations is Act no. 40 of 2007 on Limited Liability Companies. In accordance with the law, we have top-level organization bodies that contribute completely to maintaining the performance of corporate governance; they are Shareholders Annual Meeting (RUPS), Board of Commissioners, and Board of Directors.

Our Board of Commissioners and Board of Directors have full responsibilities for the company's economic, social and environmental performance. Through regular meetings of directors and meetings with other executives, all aspects of the company are being managed, monitored and evaluated in compliance with the standards, code of conducts and regulations. In order to maintain professionalism and accountability and also to avoid any conflict of interest, there are no members and/or leaders of our Board of Commissioners with dual executive positions and involvement in the operational management. **[4.2] [4.6] [4.9]**

The election mechanism of commissioners and directors in Adaro Indonesia is held through a number of procedures. Competencies, knowledge, experiences and concern for the business aspects, economic, social, and environmental issues in the energy and mining industry become major considerations, especially in the areas of our operations. There is no gender restriction in the selection of members of the governance body. All candidates for the Board of Commissioners and Directors will be first proposed by the members and directly elected by shareholders at the general meeting. **[4.7]**

THERE IS NO GENDER RESTRICTION IN THE SELECTION OF MEMBERS OF THE GOVERNANCE BODY

In Adaro Indonesia, the Annual General Meeting of the Shareholders (AGMS) is the highest body of the organization. Through the AGMS, the shareholders discuss and approve the strategic proposals submitted by the Board of Commissioners and Board of Directors. The AGMS also becomes a mechanism for shareholders to discuss the performance of the Board of Commissioners and Board of Directors in the aspects of economic, social and environment which later will be basic consideration factors for rewards and remuneration. Results and decisions taken in the AGMS will determine the nature and extent of compensation for the Board of Commissioners and Board of Directors on the performance achieved in a each working period. **[4.4] [4.5] [4.10]**

In the structure of the Board of Commissioners, there are Independent Commissioners to ensure that the company's operational activities are undertaken objectively and are appropriate to the indicators of achievement. The Board of Commissioners of Adaro Indonesia consists of 6 (six) members with 4 (four) representatives of Shareholders and 2 (two) Independent Commissioners, one of who serves as the Chairman of the Audit Committee. Adaro Indonesia is currently headed by Commissioners and Directors who are all male and who are all professionals with a variety of experiences and diverse background. **[4.3] [LA13]**

Highest Organizational Governance Board **[4.1] [LA13]**

Board of Commissioners

Chairman	: Edwin Soerjadjaja
Vice Chairman	: Theodore Permadi Rachmat
Commissioner	: Ir. Subianto
Commissioner	: Lim Soon Huat
Independent	: Ir. Palgunadi Tatit Setyawan
Commissioner	
Independent	: Dr. Ir. Raden Pardede
Commissioner	

Board of Directors

Chairman	: Garibaldi Thohir
Vice Chairman	: Christian Arioano Rachmat
Director, Corporate Affairs	: Andre J Mamuaya
Director, General Affairs	: Sandiaga S Uno
Director & Chief Financial Officer	: David Tendian
Director & Chief Operations Officer	: Chia Ah Hoo
Director & Chief Legal Officer	: M. Syah Indra Aman

We also have an Audit Committee and Committee of Disclosure that were formed in 2010 to assist the Board of Commissioners. Both Committees support the plan and work of the Board of Directors in accordance with the results of the AGMS and are responsible directly to the Board of Commissioners. The Audit Committee assists the Board of Commissioners in performing supervisory

functions while the Disclosure Committee undertakes the most appropriate information selection that can be presented to public and stakeholders through the spokes person of the company one of which is to convey the results and decisions of the AGMS to all relevant stakeholders. **[4.1]**

Organizational Structure of Adaro Indonesia [2.3]



THERE ARE INDEPENDENT COMMISSIONERS TO ENSURE THAT THE COMPANY'S OPERATIONAL ACTIVITIES WERE HELD OBJECTIVELY AND APPROPRIATE TO THE INDICATORS OF ACHIEVEMENT

Legal Compliance Officer

Legal Representative Officer

Deputy GM HSE & CSR

Land & Asset Manager

HSE Manager

CSR Manager

CSR Project Manager

Land Acquisition Manager

Deputy GM Coal Processing & Barge Loading

Sr. Operation

HRGA-IT Manager

CSR Manager

Land Acquisition Manager

External Relations Manager

Biyn. Rep. Office Manager

Fin. & Acc Manager

Shipping Manager

Deputy GM \ Coal Admin & External Affairs

Conflict of Interest and Fraud

Holding more than one position in Adaro Indonesia is prohibited to avoid potential conflicts of interest and fraud. In addition, we have an internal mechanism where all members of the Board of Directors must disclose their conflict of interest as a consequence of their positions on the Board. The commitment to prevent conflicts of interest and fraud is stated in the Charter of Directors (Directors' Charter), which until the end of 2011 was still in the process of final drafting. [4.6]

At lower operational levels, Adaro Indonesia imposes an Employee Code of Conduct as an effort to prevent conflicts of interest and fraud. One of the important governance aspects established in the Employee Code of Conduct is corruption. Since 2011, the policy has been applied to the process of purchasing which is integrated in the information and technology system of Adaro Indonesia.

Regulatory Compliance and Anti-Corruption Laws

Adaro Indonesia conducts all its business processes professionally within the territory of Indonesia. According to the vision and mission of the company, we do business following general rules and regulations and those specific to the mining sector. We apply the prevailing regulations to all sections and work sites, from the head office in Jakarta to production areas in Kalimantan. Our efforts have been successful in 2011 where there were no sanctions for violations of the rules in reporting. [S08]

WHERE AN INCIDENT OF CORRUPTION OCCURS, WE ACT FIRMLY AND REASONABLY TOWARDS THE OFFENDER. THIS MAY RESULT IN DISMISSAL, OR THE SETTLEMENT THROUGH THE LEGAL SYSTEM

In addressing the risk of corruption, in practice we have a standard security system through a Standard Operating Procedure (SOP) and the Company's Code of Conduct that we must disseminate to all employees from the time they first join Adaro Indonesia. Establishment of the Disciplinary Committee is also carried out on an adhoc basis in case of corruption, with members comprising managers of each working unit. We also increase mental coaching for employees and labours through ESQ Training and Excellent Leader Camp as one of the efforts for anti-corruption moral integrity

development. Where an incident of corruption occurs, we act firmly and reasonably towards the offender. This may result in dismissal, or the settlement through the legal system. [S03] [S04]

Specifically on procurement and purchasing activities, we have implemented the Axapta System to prevent potential incidents of corruption. This system can be directly accessed by the Department of Internal Control and Audit to oversee procurement and purchasing activities in Adaro Indonesia. We conduct risk analysis of corruption incidents in our operating areas and with a variety of initiatives and systems, during the year 2011 there was no negative practices that led to corruptions in our workplace. [S02] [S04]

Political Involvement and Healthy Competition

The substantial role of Adaro Indonesia in the national energy industry makes the political aspect worth noting. In this regard, Adaro Indonesia has a commitment to always promote professionalism and political independence. Both these attitudes separate us from political activities held by any politic parties or politicians. Therefore we did not provide or distribute any financial aids to politicians, political parties and its political activities during the year 2011. [S06]

We also reject all forms of activities that lead to monopolistic practice and unhealthy competition behaviour. As the largest coal producer in Indonesia, we always give priority to product excellence and performance of our company that other mining companies may not aspire to documentation during the reporting period showed that there was no indication of sanctions due to unhealthy competition practices in our workplace [S07]

World Wide Coal

Our products "Envirocoal 4000" and "Envirocoal 5000" are, as their brand names indicate, categorised as sub-bituminous environmental-friendly coal because of its sulphur content as low as 0.1% and 1% of ashes. This is verified in a "Coal Quality Report" issued by Sucofindo using standard ASTM (American Standard Testing Material) and ISO certification for moisture, ash, particles, carbon, sulphur and calorific contents. During the reporting period we did not have any case or incident where there were sanctions or penalties applied in sales of our products or through any use of our products by buyers. [2.2] [PR9]

COAL SALES OF ADARO INDONESIA IN 2011 ROSE TO 47.2 MILLION TONS OR INCREASED 11% FROM THE TOTAL SALES OF THE PREVIOUS YEAR

In addition to emphasizing a consistent coal quality and maintaining reliability, Adaro Indonesia is also trying to meet the expectations of the buyers in terms of timely delivery services. Indication of buyer satisfaction for our coal products can be seen in the repeated requests (repeat order) that we receive. Furthermore, there were no complaints against the use of our coal products during 2011 in any of our long-term contractual agreements .

In relation to its product characteristics and business organizational structure, Adaro Indonesia does not undertake promotional activities to introduce these products to public. Marketing activities are undertaken by PT Adaro Energi, Tbk as the main company. In the mining industry, there are also no specific regulations, standards and code of conducts for marketing that we must obey. **[PR6] [PR7]**

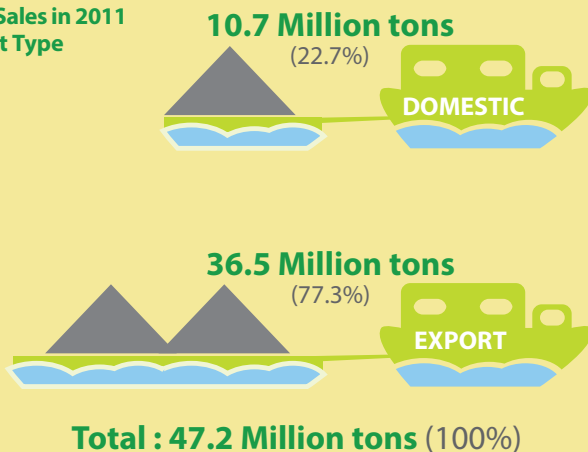
No packing is used for coal shipment as it is shipped in bulk form. Product information is being held by giving more emphasis on products characteristic of Envirocoal 4000 and Envirocoal 5000 related to its content of sulphur and dust. Thus there is no standard for code of conducts

and specific procedure on the presentation of product information or labelling. Moreover, dissemination of product information is very general. It only covers the specification, delivery, storage and how to use the coal. To date there were no complaints about the delivery of product information during the reporting period. **[PR3] [PR4]**

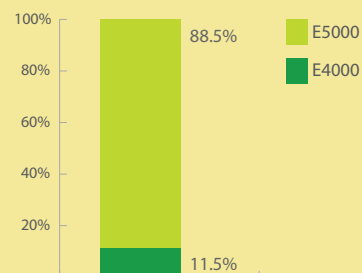
Even though we do not undertake any promotion, the demand for our high quality coal at both the national and international level is very high. We produced no less than 47.2 million tons of coal which was shipped to buyers during 2011. Coal sales of Adaro Indonesia in 2011 rose to 47.2 million tons or increased 11% from the total sales of the previous year amounted 42.4 million tons. Most of the total coal production, amounting to 36.5 million tons or 77.3%, was sold to international markets while the balance was used to meet domestic demands. During the reporting period, 88.5 percent of our total coal production was "Envirocoal 5000" which has a higher calorific value and the remaining 11.5 percent was "Envirocoal 4000". **[2.8]**

Adaro Indonesia meets coal demand from consumers in 17 countries throughout the world, most of which are power plants. Other than Indonesia, our target markets are mainly spread across Asia, Europe and America. Our three biggest export destination countries are Japan (11%), followed by India (10%) and China (9%). Other countries that complete our top ten countries markets including Indonesia are United States, Spain, Hong Kong, Taiwan, Korea and the neighbouring country Malaysia. **[2.7]**

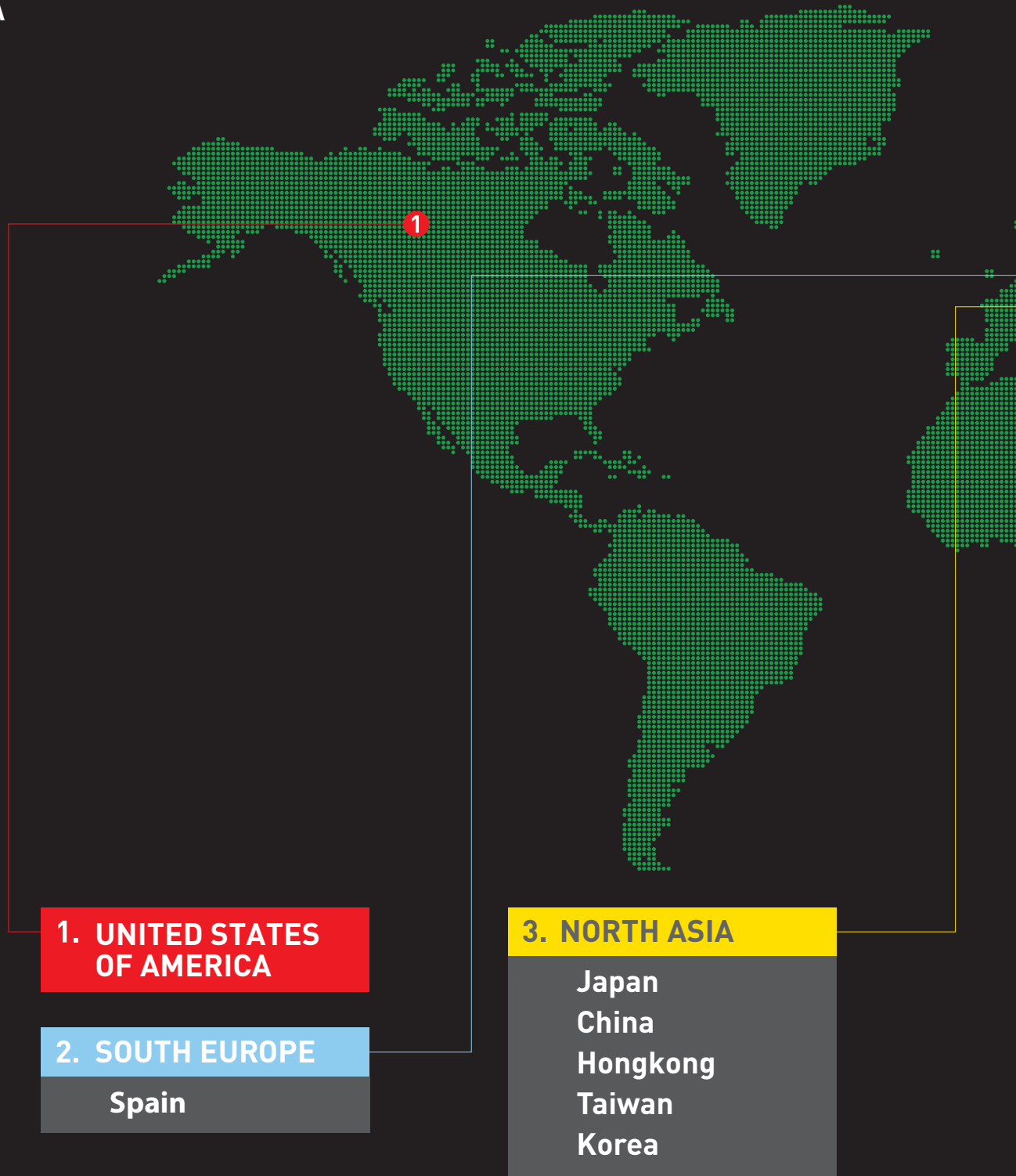
Graph of Sales in 2011 by Market Type

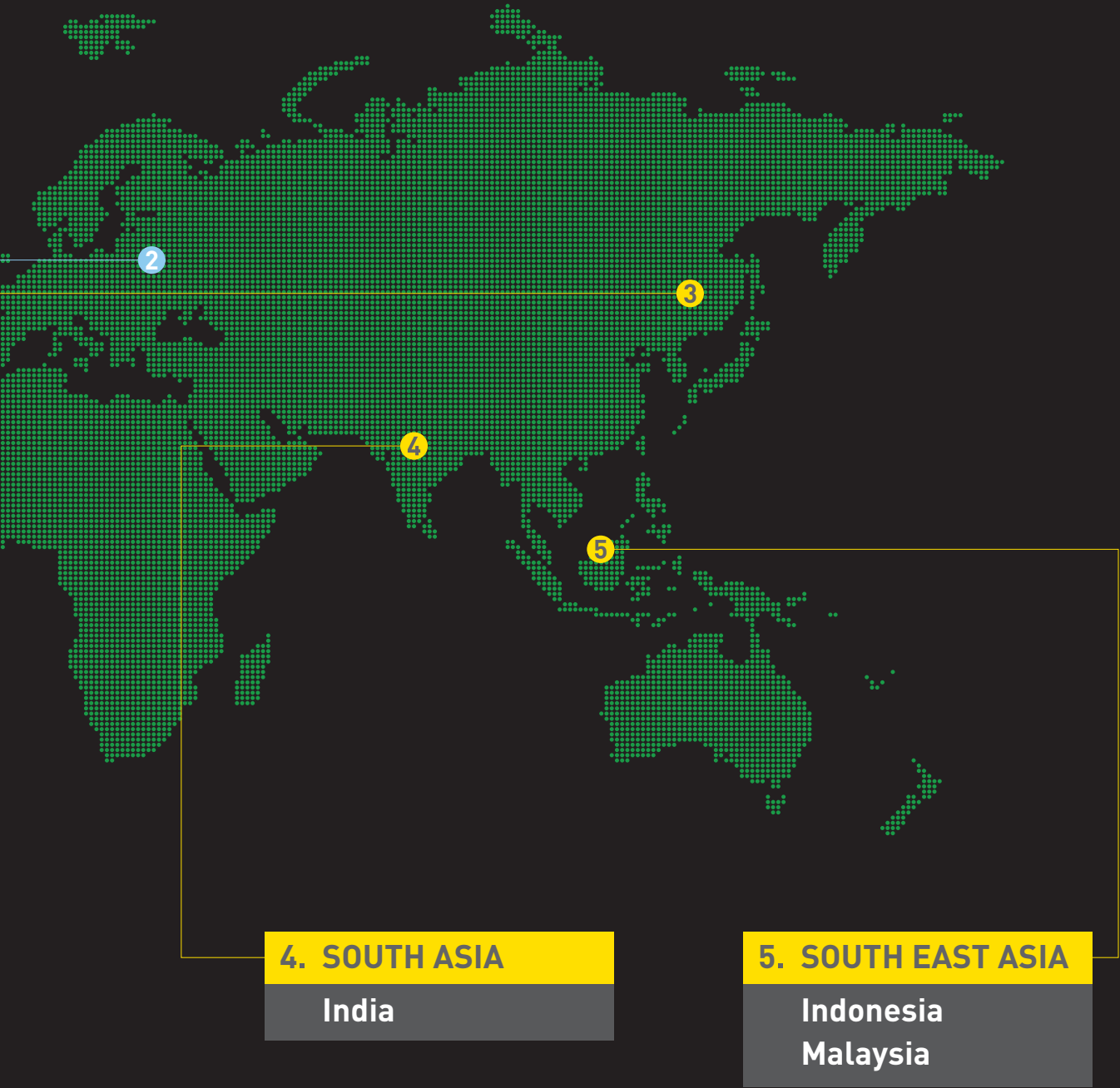


Graph of Coal Sales in 2011 by Coal Type

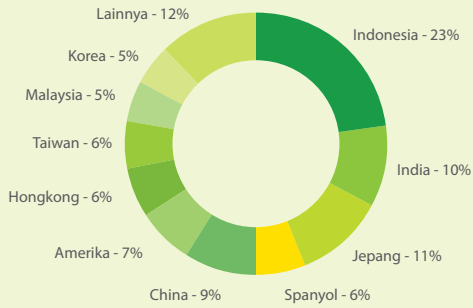


**MAP OF TEN DESTINATION COUNTRIES
WITH THE HIGHEST COAL SALES OF ADARO
INDONESIA**

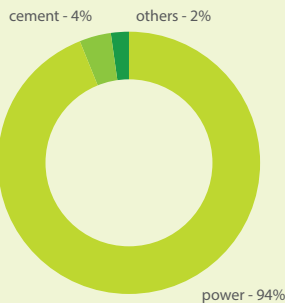




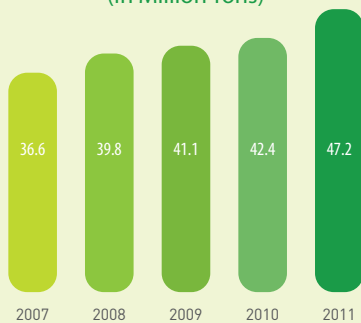
Graph of Coal Sales in 2011 by Destination Country



Graph of Coal Sales in 2011 by Consumer Type



Graph of Coal Sales in the Last 5 Years (In Million Tons)



Specifically in Indonesian domestic markets, Adaro Indonesia's coal has become the major fuel to PT. PLN's Steam Power Plants (*PLTU*) in Java – Bali, namely *PLTU* Paiton Energy Unit 7/8 and Paiton Energy Unit 3, *PLTU* Java Bali (*PJB*), *PLTU* Java Power, *PLTU* Cilacap, and *PLTU* Suralaya and several leading cement, such as Indocement, Holcim Indonesia, Semen Gresik, Semen Tonasa, and Semen Bosowa. **[2.7]**

During reporting period, there were no public health complaints in the use of our Envirocoal 4000 and 5000 products. **[PR2]**

We recognize that the increasing production in the last 5 years shows our performance achievement that need to be maintained. For that reason, we must maintain good relations with buyers through intensive and regular visits and communication. We are of course opening the door for dialogue to obtain feedback and other information to improve the company's services even though we did not undertake special surveys on Buyer satisfaction. **[PR5]**

Adaro Indonesia also provides marketing technical services by providing field technicians with coal combustion experience. Our engineers visit all consumers to provide advice on the operation and optimization of consumers' boilers who use "Envirocoal" products of Adaro Indonesia as the main fuel. this service is provided to ensure the satisfaction of our coal buyers. **[PR5]**

Another important thing for us is the role of our buyers as one of the key stakeholders for the company. We carefully and confidentially manage data of all our buyers in order to avoid any misuse of this. There were no complaints or objections received from the buyers of our products during 2011 due to the earnestness effort and commitment of the company in preserving that confidentiality. **[PR8]**

Achievement Awards

For us, a good business performance, sooner or later, will reap the appreciation of stakeholders. The year of 2011 became a learning year as well as an important achievement year for Adaro Indonesia with a number of awards being given for our economic, social and

environmental performance of. Those appreciations were from a variety of categories, starting from the environment, occupational health and safety (K3), trade, to various corporate social responsibility programs. The Green Proper award from the Ministry of Environment was special because we were the only company from the national coal mining sector to receive this.

Table of Awards Received by Adaro Indonesia in 2011 [2.10]

TYPE OF APPRECIATION	CATEGORY	TIME OF DELIVERY	AGENCY
Asia Responsible Enterprenuership Award – South East Asia (AREA SEA) on the category of Health Promotion for KIBBLA program	CSR	June 2011	Enterprise Asia Malaysia
Rank of ADITAMA (EMAS) for Environmental Management for Mining, Mineral, Coal and Geothermal	Mining Environmental Management	September 2011	Ministry of Energy and Mineral Resources RI
Rank of PRATAMA on the category of Mining Safety from the Ministry of Energy and Mineral Resources	K3	September 2011	Ministry of Energy and Mineral Resources RI
GKPM Appreciation Award rank GOLD on the category of Access Creation for Drinking Water and Environmental Sanitation Program (Processing and Distribution of Clean Water to Rim Mining Community Program)	CSR	September 2011	Ministry of People's Welfare RI
GKPM Appreciation Award rank GOLD on the category of Reducing Infant Mortality and Toddler Health Service (Program: Integrated Health Centre)	CSR	September 2011	Ministry of People's Welfare RI
GKPM Appreciation Award rank SILVER on the category of Participation of Maternal Health and Delivery Services (Program: Darlan Mother Class)	CSR	September 2011	Ministry of People's Welfare RI
GREEN Performance Rating for Solid Waste Management (PROPER)	Environment	November 2011	Ministry of Environment RI
Appreciation of PRIMANIYARTA 2011 on the category of High Performance Exporters	Trade	October 2011	Ministry of Trade RI
Appreciation for Active Initiator in Planting 1 Billion Trees	Environment	November 2011	Ministry of Forestry RI
Appreciation of CSR Award rank PLATINUM for Community Social Empowerment (Program: Cataract Eradication and Free Cataract Surgery)	CSR	December 2011	Ministry of Social Affairs RI
Appreciation of CSR Award rank PLATINUM for Community Social Empowerment (Program: Access to Clean Water Based on Community Self-Reliance and Village-owned Enterprises /BUMDes)	CSR	December 2011	Ministry of Social Affairs RI
Appreciation of CSR Award rank GOLD for Community Social Empowerment (Program: Learning House Saraba Kawa)	CSR	December 2011	Ministry of Social Affairs RI
Appreciation of CSR Award rank GOLD for Community Social Empowerment (Programme: Rural Development Movement of Independent Village Adaro – Gerbang Aman)	CSR	December 2011	Ministry of Social Affairs RI
Appreciation of CSR Award rank SILVER for Community Social Empowerment (Program: Development and Improvement of Honey Small-size Producer 'Tiga Wanyi')	CSR	December 2011	Ministry of Social Affairs RI
Appreciation of CSR Award rank SILVER for Community Social Empowerment (Program: Development and Improvement of Fisheries 'Makmur Jaya')	CSR	December 2011	Ministry of Social Affairs RI
Appreciation of CSR Award rank SILVER for Environment (Programme: School of Adiwiyata with Environmental Culture)	CSR	December 2011	Ministry of Social Affairs RI



**SUSTAINABILITY FOR
ADARO INDONESIA [1.2]**





**HOW DOES ADARO INDONESIA
FORMULATE ECONOMIC, SOCIAL,
AND ENVIRONMENTAL
SUSTAINABILITY**



“ Economic, social and environmental sustainability for us is established through the creation of an independent community in the future. This has to be done by understanding and involving all stakeholders and also by anticipating the existing challenges. Mining activities will finish, but the dream of sustainability must be continued to roll until the community stands firm without relying on a particular company or the government ”

Create Independent Community

For us, sustainability aspects have the goal of creating an independent community, especially in the operational areas of Adaro Indonesia. This is our dream for the community as Adaro Indonesia realizes that its future in the mining operation area in the future is limited by various factors, such as decreasing reserves of coal at the mining sites and the limited duration of working contracts.

We are aspiring to build an independent community that can earn sufficient income and have the intellectual ability to organize them selves without being dependent on the company or the government in economic, education, health or socio-cultural areas. In order to achieve that condition in the mid-term, we perform a variety of work, such as increasing business units and educational and health services, and also undertaking socio-cultural programmes. These programmes, of course, continue to be implemented as much as possible on an ongoing basis. Therefore, we involve the community and various related stakeholders on the activities.

One example is the Village Community Economic Movement (GEMA DESA) in the village of Dahai and Padang Panjang, Tanta District, Tabalong Regency, South Kalimantan, which became the starting point for the creation of independent villages. This program is expected to be a benchmark that can be duplicated in other villages. Related to that initiative, we engaged a team of experts from Bogor Institute of Agriculture (IPB) who provide technical and managerial assistance to the program. Furthermore, we also initiated and implemented Adaro Rural Development Movement of Independent Village (GERBANG AMAN) which is heading to the realization of independent communities.

Our efforts with stakeholders require substantial financial resources. More than IDR 35 billion was provided by Adaro Indonesia as its commitment in creating independent communities. Of that amount, more than IDR 27 billion funds was disbursed which covered economic, education, health, social cultural, specific programs and operational costs of the project activities.

AS MUCH AS IDR 27 BILLION FUNDS WAS ABSORBED WHICH COVERED ECONOMIC, EDUCATION, HEALTH, SOCIAL CULTURAL, SPECIFIC PROGRAMS AND OPERATIONAL COSTS OF THE PROJECT ACTIVITIES

Table of Funds Absorption Allocation



Program	Allocation	Real
Economic Development	5,770,000,000	3,127,769,000
Education	4,622,000,000	2,855,820,315
Health	4,811,000,000	3,113,734,128
Socio-Cultural	10,064,000,000	7,933,092,499
Operational Cost	758,000,000	667,693,025
Special Project	9,500,000,000	10,120,931,352
Total	35,525,000,000	27,819,041,219



People are having karate exercise in Tanjung city park. For Adaro, sustainability is to create an independent community in economic, socio cultural, educational, and as well as the health aspect.

Charts of Sustainability Strategy Towards Independent Community



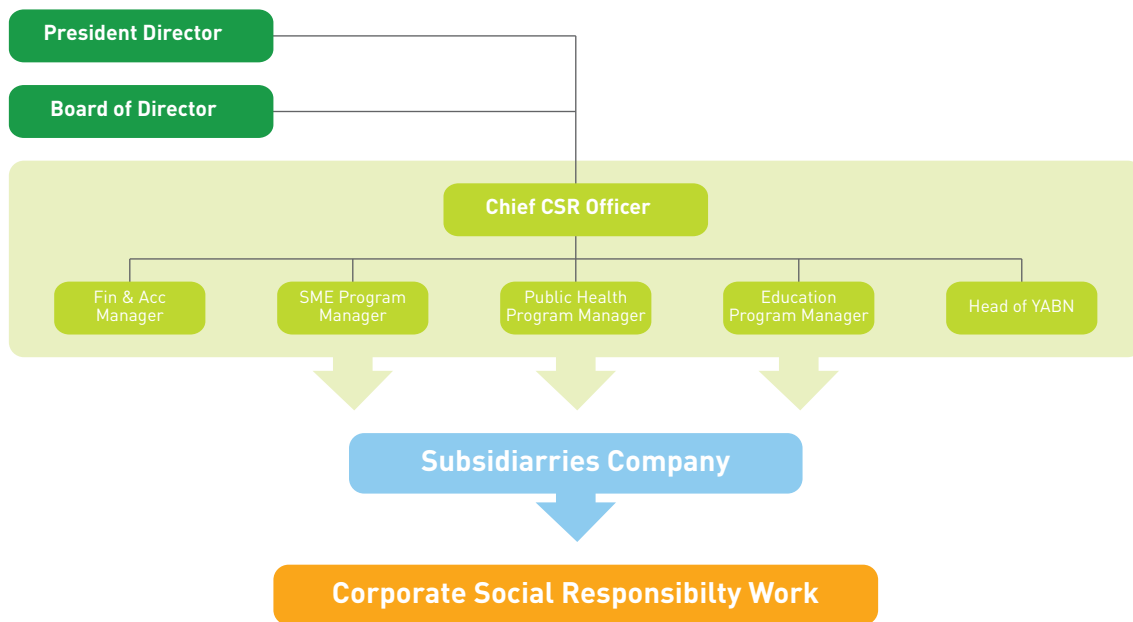
The criterias of independent communities:

- Having a regular income that can support their family living 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.

In 2011, we took a major step forward by appointing a Chief Executive Officer Corporate Social Responsibility (CEO CSR) who has been integrated into the organizational structure of Adaro Indonesia. The CEO CSR is responsible to the Board of Directors and President Director in the implementation of the mission and achievement of the vision of Adaro Indonesia's CSR. Functionally, the CEO CSR is assisted by program managers in leading the programme management in the sector of Small and Medium Enterprises

(UKM).TheCEO CSR also regulates the implementation of public health and education and also Adaro Bangun Negeri Foundation (YABN) independently with the support from the Financial & Accounting Management. In addition, the CEO CSR is also responsible for managing CSR programs in the existing subsidiaries. This is a direct display of the company's commitment on social responsibility and business sustainability for all stakeholders and the environment. **[2.9] [4.9]**

Table of Organizational Structure



Furthermore, in order to improve the performance of social investment management and as a form of commitment of Adaro Indonesia in realizing its CSR mission and vision and also its sustainability strategy, all investment programmes such as construction of schools and public facilities are no longer carried out by the CSR Department but specifically becomes the responsibility of CSRP Department (CSR Project). In addition, Adaro Bangun Negeri Foundation (YABN) has improved its performance in carrying out social responsibility programmes of Adaro Indonesia through a number of smaller business units.

Consider the Stakeholders

We build relationships with our stakeholders by maintaining an effective long-term communication. We are proud of being able to maintain communication for over 20 years since the founding of Adaro Indonesia. This has been possible because we consider the presence of the mining company stakeholders as the main key for business sustainability.

We are intensively involved in discussions for area development plans. We provide professionalism in the management of work and programs through the forums that discuss general and specific aspects of area development. We have discussions with the stakeholders, particularly local government, about various issues and public policies that provide benefits to the community such as strategic plans for education, poverty reduction

and economic commodity development for local government. This is our commitment to contribute towards the local area development. **[S05]**

In order to support the establishment of superior relationships with stakeholders, we create stakeholders mapping in some particular periods in collaboration with the University of Lambung Mangkurat. This mapping helps us identify stakeholders and determines the appropriate strategic approach. Based on that result, we divided all stakeholders into 6 groups that we think are significant: the shareholders, community, employees, government, media and NGOs. We recognize the existence of other stakeholders outside of those groups but we think that they have lower significance level related to the business process of Adaro Indonesia. The Buyer group, for example, usually have direct relations with our main company, PT. Adaro Energi, Tbk. **[4.15]**

GROUP THAT WE CONSIDER AS SIGNIFICANT ARE SHAREHOLDERS, COMMUNITY, EMPLOYEES, GOVERNMENT, MEDIA, AND NGOS



One of the schools in Kalimantan is visiting Adaro Indonesia. We open our hands and build relationships with our stakeholders as one of the main keys to business sustainability.

**Table of Stakeholders of Adaro Indonesia
Based on Mapping in 2009 [4.14] [4.16] [4.17]**

STAKEHOLDERS	METHODS OF APPROACH
Shareholders	<ol style="list-style-type: none"> 1. Shareholders Annual Meeting. 2. Shareholders Extraordinary Meeting. 3. Submission of Management Reports periodically.
Community	<ol style="list-style-type: none"> 1. Empowerment and improving the welfare and quality of life through social community program by CSR Department with the support from Adaro Bangun Negeri Foundation. 2. Doing activities with the community, such as Safari Ramadhan and leisure exercises on a regular basis. 3. Giving awards through Adaro CSR Award for CSR best practice programs. 4. Prioritizing the recruitment of local employees and partners. 5. Involving the community in the planning proseses, implementation and monitoring of CSR programs. 6. Creating public discussion.
Employee	<ol style="list-style-type: none"> 1. Provision of decent employment compensation by taking into account the level of needs and competencies. 2. Fulfillment of basic rights in accordance to the applicable legislation and the Collective Labour Agreement (PKB). 3. Conduct an appropriate performance review in accordance to job description and job goals. 4. Regular meeting with employees and management through bipartite forum once every 3 months. 5. Team bulding activities through general morning talk, safety talk, out bound and family day on a regular basis. 6. Knowledge and skills enhancement for employees based on the required competencies. 7. Comparative studies to broaden employees knowledge and welfare about business process and policies related to employees well being.
Government	<ol style="list-style-type: none"> 1. Involving the government in programme policies building. 2. Submissive and obey the laws/ regulations. 3. Regular meetings and correspondence with national and local government officials.
Media	<ol style="list-style-type: none"> 1. Providing information regularly about the achievement and performance of the company. 2. Regularly hold a press tour for the media to share information about the company's actual program activities, in order to broaden knowledge and subsequently to ensure the released news in line with the facts.
NGO	<ol style="list-style-type: none"> 1. Carry out dialogues based on information disclosure. 2. Involving NGOs to formulate a CSR programa as stipulated in the local decree. 3. Developing communities through programs of NGO Gema Desa.

ISSUE	OUTPUT	STRATEGY
<ol style="list-style-type: none"> 1. Company performance, including economic, social and environmental performance. 2. The use of profits and corporate resources to implement the strategic plans of the company. 3. Appointment of the Independent Auditor to organize the audit of current accounting year. 4. Remuneration of the Board of Commissioners and Board of Directors. 	<ol style="list-style-type: none"> 1. Performance approval and corporate financial reports. 2. Approval of the allocations of resources, capital, funding and strategic plans. 3. Audit approval and appointment of the Public Accountant Office (<i>KAP</i>) who will do the audit. 4. Dividend and remuneration schemes. 	<ol style="list-style-type: none"> 1. Submission of accurate and transparent information to all shareholders in order to be able to make good and proper decisions. 2. Submission of performance report and corporate activities per 3 months.
<ol style="list-style-type: none"> 1. The increase in production. 2. Community expectations on the CSR of Adaro Indonesia are too high. 	<ol style="list-style-type: none"> 1. Prioritized programs were validated through local decree from the head of regency each year. 2. Commitment to support activity programs of Adaro Indonesia. 3. Harmonic relationships between Adaro Indonesia and the community around its operational areas. 	<ol style="list-style-type: none"> 1. Establish vision, mission, targets and objectives of CSR programs that are in line with vision, mission and values of Adaro Indonesia. 2. Making CSR milestone as the elaboration of vision, mission, targets and objectives of Adaro Indonesia's CSR programs. 3. Involving the government in the preparation and implementation of CSR programs as stipulated in the local decree. 4. Maintaining a harmonic relationship with the community around the operational areas through the good neighbourhood concept.
<ol style="list-style-type: none"> 1. Local and non local employees. 2. Expiration of 2009 – 2011 Collective Labour Agreement (<i>PKB</i>). 3. Gap between the competencies of incumbent and the responsibilities of the held position. 4. Succession planning. 5. Retaining good quality employees (employees retention). 	<ol style="list-style-type: none"> 1. Corporate and government's commitment in providing appropriate human with competencies required by the company. 2. Community development programs in accordance to the competencies required by the company. 3. Renewal of <i>PKB</i> for the period of 2011 – 2013. 4. Training curriculum. 5. Training and development plan. 6. Individual development plan. 7. Talent mapping. 8. Job grading. 9. Salary and benefit survey. 	<ol style="list-style-type: none"> 1. Recruitment of employee candidates is preferred from the local labours, but in order to ensure the good quality, the company has the rights to use labours from outside of the area in accordance to the procedures of Regional Interagency Working Permit/local authorities. 2. Develop job competencies, training curriculum and career development program. 3. Assessment, mapping and replacement table chart (RTC). 4. Ensuring a fair and competitive remuneration.
<ol style="list-style-type: none"> 1. Corporate's roles in development. 	<ol style="list-style-type: none"> 1. Good policies for all parties. 2. Multi-parties cooperation. 3. Harmonious relationship between the company and the government. 	<ol style="list-style-type: none"> 1. Planning any policies with the government.
<ol style="list-style-type: none"> 1. Environmental Management. 	<ol style="list-style-type: none"> 1. Understand and provide a balanced reporting, especially about the positive values of Adaro Indonesia mining industry and its environmental management. 	<ol style="list-style-type: none"> 1. Creating equal perspective about the impacts and operations of the company.
<ol style="list-style-type: none"> 1. Corporate's operational impacts on the surrounding environment. 	<ol style="list-style-type: none"> 1. Cooperation with NGOs to organize and implement CSR programs around the operational areas of the company. 2. Harmonic relationships between the company and NGOs. 	<ol style="list-style-type: none"> 1. Program of NGO Gema Desa.

Anticipate Risks [4.11]

Risk management is a must for us at every stage of the business process, starting from land clearing, mining, land transport, the process of loading coal to ships, to its shipping by sea to the buyers. As much as possible, we perform appropriate and strict management practices from the early stage of planning in order to anticipate a wide range of economic, social and environmental risks. By doing this, we ensure the sustainability of Adaro Indonesia and its stakeholders.

Changes in Weather Patterns

Unpredictable weather conditions negatively impact on the operations along the coal supply chain. From the aspect of planning and business operations in the mining industry, changing weather patterns are definitely a strong influence. Even though we have not carried out the complete calculation, at the end, economically, this factor will affect the operational costs and revenues.

[EC2]

Wet and muddy soil conditions and slippery roads increase the risks that we have to deal with. We run a number of initiatives to anticipate the inclement weather, such as prioritizing pumping from drainage sumps with additional dredging systems to clear mud and also by boosting water pump engine performance to pump out water. Another way is through the use of crushed stone and aggregate to surface mine ramps so that the maximum production output can be safely maintained.

Based on the assessment of Occupational Health and Safety (K3) Team, the installation of proper surfacing on mine ramps is able to guarantee the production working processes, despite the rainy weather condition. By this technique, the potential loss of 78.6 working days due to rain may be reduced to 63.3 days. This strategy is being implemented seriously through an effective working coordination. However, whenever the weather becomes too extreme and dangerous, we do not hesitate in stopping the mining activities and coal transportation for the safety of our employees.



THE POTENTIAL LOSS OF 78.6
WORKING DAYS DUE TO RAIN
COULD BE REDUCED TO
63.3 DAYS



The Availability of Energy

As an energy-producing company, we are aware of the limited availability of fuel we use for our corporate activities. Fuel is a significant cost component (about 25%) in the mining process. Changes in fuel price is a risk we have to face as we deal with our own fuel costs for all mining contractors. Therefore, we advise all parties, including the contractors, to minimise the fuel usage. In addition, an initiative to produce our own biodiesel is underway to reduce the dependence on fossil fuels as an energy source.

Equipment Supply and Human Resources

Our technical operation relies largely on the ability of Adaro Indonesia and its contractors to mobilise the heavy equipment, machines, and other mining equipments. Among this equipment are excavators, dump trucks, bulldozers, graders, hauling trucks, coal crushing facilities, material handling systems and other mechanized equipments to maintain all tools and facilities. To ensure the supply of equipment, in 2011 we officially made long-term supply agreements with a number of leading

manufacturers for heavy equipment delivery until 2014. all site machinery, heavy equipment, vehicles, facilities and our existing infrastructures is also covered under comprehensive insurance policies

Our operations obviously also rely on the quality of human resources. From the operators of machinery, heavy equipment, and vehicles, to the skilled labour working on repair and maintenance activities in the field all require reliable human resources. To ensure this availability, we conduct various training through the Adaro Institute and focus on recruitment of human resources from the local communities. This is consistent with our sustainability strategy to provide a positive impact to the surrounding communities as well as to maintain harmonious relationships with stakeholders.

Left:

Yohanes, one of the employees of Adaro Indonesia is behind the steering wheel of heavy equipment. Operational performance of Adaro Indonesia depends on the quality of human resources and reliable heavy equipment.

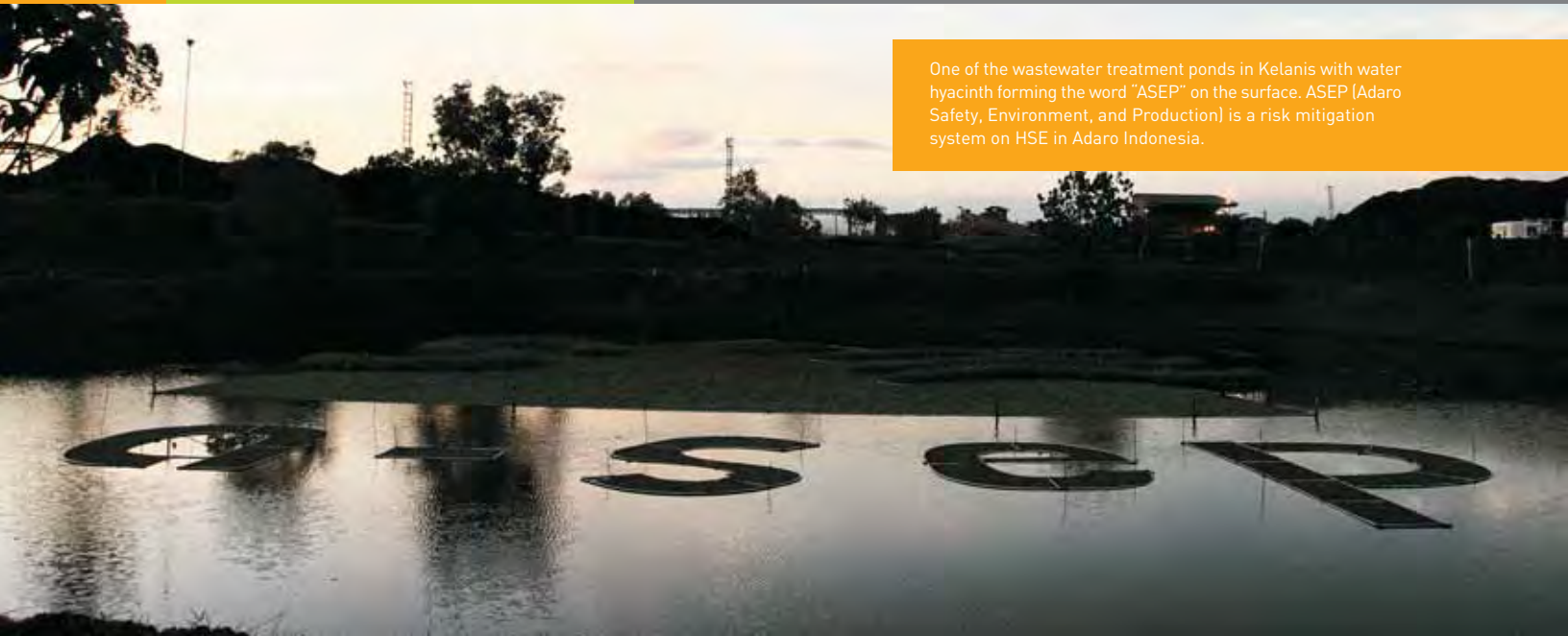
Right:

An employee of Adaro Indonesia is working in the biodiesel laboratory. The initiative to use biodiesel has been started as a way of avoiding dependency on fossil fuels.

Below:

Coal trucks are in the mining site of Adaro Indonesia. With the extreme changes of weather and very slippery road condition, Adaro Indonesia needs to manage mining and hauling strategies.





One of the wastewater treatment ponds in Kelanis with water hyacinth forming the word "ASEP" on the surface. ASEP (Adaro Safety, Environment, and Production) is a risk mitigation system on HSE in Adaro Indonesia.

Relationships with the Local Community

Our track record of annual production growth for over twenty years could not have been achieved without the support of the local community. Lack of support and mistakes in solving the problems with community may adversely affect the company's operations. By partnering and growing together, we identify the needs and concerns of communities affected by the company's operational impacts through various community development programs that will continue growing with the spirit of cooperation throughout the projects until later in the future.

Change of Regulations

Mining is an industry that is ruled by strict regulations. The implementation of any new regulation may give positive or negative impact to all operational activities. We strive to comply with all applicable regulations and reviewing new regulations that may affect the company's operations. We expect that the initiative to establish communication and discussion with the government may support and be in line with the vision of our social responsibility to the future.

Health, Safety and Environment

Risks to health, safety and the environment need to be considered by the companies operating in the mining industry. Our activities are carried out with reference to the various laws concerning health, safety and the environment in Indonesia. In the environmental aspect, we fully comply with the provisions of the Environmental

Impact Analysis (AMDAL) as a prerequisite before starting our activities and also before increasing production at the existing mining sites.

We recognize that all incidents related to health, work-safety and environment may disrupt our operational activities and damage our reputation. Therefore, we do not hesitate to financially invest in management of environmental risks. For us, spending in this sector is one of the obligations that will provide benefits, including economic, for Adaro Indonesia.

BY THE END OF 2011 ADARO INDONESIA HAD MET ITS TARGETED EXPENDITURE OF UP TO IDR 61.7 BILLION

By the end of 2011 Adaro Indonesia had outlaid IDR 61,730,664,602 for environmental costs. Most of that fund which was IDR 35,172,696,812 or 57.3% of the total was used for waste management. The second largest amount we spent, which was IDR 23,378,600,938, was for the purpose of reclamation. We used the the rest of funds for monitoring and compliance, especially with regard to changes of legislation. Due to its compliance with all environmental regulation, Adaro was not penalized or sanctioned for violations of environmental regulations during the reporting period. **[EN28] [EN30]**

**Table of Adaro Indonesia
Environmental Costs in 2011
[EN30]**



In addition to disbursement of environmental investment costs, the company has created a management system called Adaro Safety, Environmental, and Production (ASEP). ASEP is a risk mitigation system that aims to always meet the health and safety performance standards in production activities and to minimize the environmental impacts from the operational actions. The application of ASEP is not only carried out by all employees of Adaro Indonesia but contractors as well.

The risk mitigation at our operations through ASEP is being undertaken with reference to the provisions of regulations, standards, procedures and work instructions of our product cycle. It starts from the mining process, hauling, quality control, until the processing and coal loading in Kelanis – all have risks that need to be controlled. The levels of risks would obviously be different at each stage and thus requires different handling. The mining process (production) and coal processing in Kelanis for example, we consider it has higher critical risk than the other stages because it involves a wide range of high risk production machines.

Table of Risk Management in Production Process [PR1]

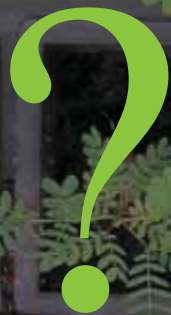
Product Life Cycle	Existing Controls for Adherence to Laws, Regulations, Standards, Procedures, Rules & SOPs	Impact on Health and Safety is Treated on This Process	Percent Of Risk Level			
			Critical Risk	High Risk	Medium Risk	Low Risk
Production	✓	✓	8.51%	2.13%	0%	89.36%
Hauling	✓	✓	0%	3.45%	44.83%	51.71%
Quality Control	✓	✓	0%	0%	0%	100%
Coal Processing & Barge Loading	✓	✓	5.26%	0%	26.32%	68.42%



TAKING CARE OF THE ENVIRONMENT



**HOW DOES ADARO INDONESIA
HANDLE VARIOUS
ENVIRONMENTAL
IMPACTS**



“ Compliance to applicable regulations, concerns for biodiversity, and the opportunity for collective and maximum utilization have become the basis for Adaro Indonesia to undertake environmentally friendly initiatives in collaboration with relevant stakeholders. The achievements are still far from perfect but most importantly are the efforts to continuously improve toward sustainability ”

Utilization of Natural Resources and Waste Management

Material

The mining activities of Adaro Indonesia with its 5 contractors are using open pit methods that relies on stripping techniques where overburden is removed layer after layer until coal is exposed for extraction. During 2011 our overburden stripping activities amounted to 299.27 million of bank cubic meter (bcm), while the amount of overburden stockpiles in the former mining areas (backfilling) has now reached 29.10 Ha and around 989.03 Ha outside the mining lands. **[MM3]**

REDUCTION BY 50% IN THE USE OF DIESEL OIL (FUEL OIL) FOR EXPLOSIVES

At our mining sites of Paringan, Tutupan and Wara, we conduct blasting activities to more easily excavate the overburden. This blasting uses materials that cannot be recycled, such as detonators, explosives, ammonium nitrate and Ammonium Nitrate-Fuel Oil (ANFO). In order to reduce the use of materials, particularly diesel oil (Fuel Oil), we firstly mix used oil into blasting materials. In the last three years, we have increased the use of the mixed composition and have decreased the amount of diesel

oil. In 2011 this initiative has reduced the amount of diesel oil (Fuel Oil) to 50% of the total of diesel fuel that is needed for detonation. **[EN2]**

Energy

We use diesel oil as the direct energy source for most of our work processes, such as the process of extracting and transporting coal using heavy equipment and vehicles. In addition, we also use diesel oil as an indirect energy to create electrical energy that we manage through generators. Additionally, we use the power from State Electricity Company (PLN) only for the operational of Adaro Indonesia office in Dahai, South Kalimantan. **[EN3] [EN4]**

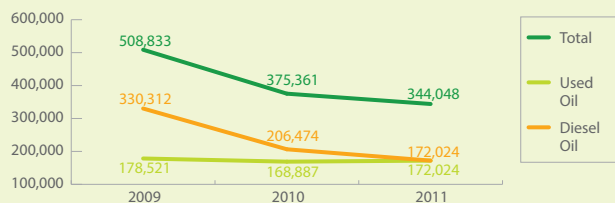
We used approximately 543 million litres of diesel in 2011. That is equal to 19.8 million Giga Joules or 1.5 million tonnes of CO₂ emission equivalent. That number has increased along with the rise in our production for 2011.

BY USING SOLAR PANELS, IN 2011 WE WERE ABLE TO SAVE UP TO 256 LITRES OF 67 U.S GALLON PER DAY OF DIESEL FUEL WHICH IS AN INCREASE FROM THAT PREVIOUS YEARS

Table of the Use of Materials for Blasting Activities [EN1]

No	Type of Material	Unit	2009	2010	2011
1	Explosives	Kg	147,830	115,348	128,768
2	Ammonium Nitrate	Kg	33,332,850	28,850,498	31,436,161
3	Detonators	Unit	678,504	535,507	642,088
4	Emulsions	Kg	21,675,957	18,991,256	19,522,847
5	ANFO	Kg	15,338,511	11,766,383	12,451,290

Graph of the Use of Diesel Oil and Used Oil for Blasting in 2009, 2010 dan 2011





Above:
The use of solar panels for our equipments in the field is one of our initiatives to save solar. Solar savings is approximately reducing 250 tons equivalent of CO₂ emission per year.



Below:
Heavy equipments that we use in the mining site. The use of diesel oil as an energy source in our site mostly for the operation of heavy equipments.



Table of the Use of Direct and Indirect Energy [EN3] [EN4] [EN16]

Period	Diesel Oil (Litre)	Diesel Oil (*U.S Gallon)	Energy (**GJ)	Emission (***)Ton CO ₂ Equivalent)
2009	446,021,178	117,826,329	16,260,033.4	1,204,868
2010	423,992,574	112,007,000	15,456,966	1,145,361
2011	542,581,487	143,335,000	19,780,230	1,465,715

* Conversion based on www.metric-conversions.org
 ** Conversion based on Sustainability Reporting Guidelines version 3.1 GRI
 *** Conversion based on standard IPCC 2006 Guidelines for national Greenhouse Gas Inventories

In 2010, PT Makmur Wisesa Sejahtera (PT MSW), which is a subsidiary of Adaro Energy in the field of power generation, began the construction of a coal fired mine mouth power plant with a capacity of 2 x 30 Mega Watt (MW) which is being constructed within Adaro Indonesia's concession area and which will use Envirocoal E4000 as the fuel. By working together with PT MSW on this project we will be able to save energy while carrying out our mining operation more efficiently. The installed power generation is estimated at 52.5 MW of which approximately 47.5 MW will be used to meet the electricity needs of our operations while 5 MW will be provided to the local government for public facilities and street lighting around the sites.

The plant operation are designed to be environmental friendly. As the boiler design utilises Circulating Fluidized Bedtechnology which minimises the exhaust emissions of Sulphur Oxide (SOx) The production of Nitrogen Oxide (NOx) will also be extremely low as the reduced combustion temperatures of this type of boiler minimises these emissions. [EN20]

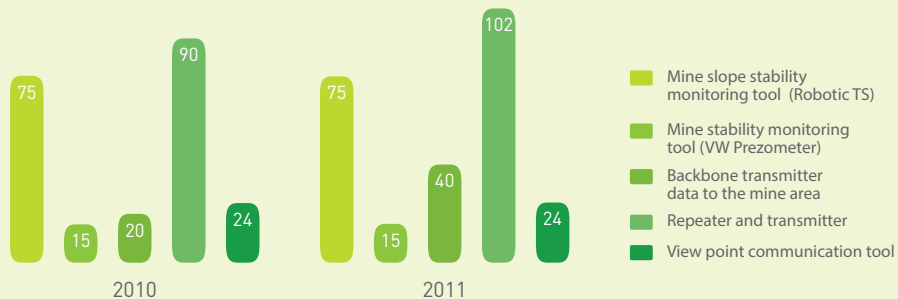
Our other initiative to use alternative energy sources include use of solar energy and biodiesel which have been implemented in our business process flow. Solar panels are used for external and internal lighting areas while biodiesel will be used by coal trucks in hauling

operations. By using the solar panels, in 2011 we were able to save diesel fuel up to 256 litres or 67 U.S Gallon per day which is an increase over 2010. With this saving prediction, it is estimated that we would be able to reduce greenhouse gas emissions as much as 685 Kg CO₂ equivalent per day or 250 ton CO₂ equivalent per year. [EN18]

In this reporting period, the use of biodiesel has been tested on 3 units of haul trucks. Our biodiesel production in 2011 reached 319,646 litres of total consumption 137,299 Litres or 36,270 U.S Gallon. The volume of this biomass that we were using was equivalent to 5,005 Giga Joules of energy equivalent to greenhouse gas emissions of 354 tons of CO₂. [EN3] [EN16]

Another initiative we carry out to conserve indirect energy usage is the provision of transportation for employees. Even though we have not yet made a specific calculation regarding the use of energy and the production of greenhouse gas emissions as well as the amount of energy saving, we believe that this move is quite effective in energy reduction as we provide high capacity transport. In addition, we also have policies in determining business trips based on priority which indirectly reduce the use of energy. [EN7] [EN17]

Graph of Volume of Diesel Saving from the Use of Solar Panels [EN5]



Clean Water and Waste Water

Water in our mining business processes is critical; it is needed for domestic supply, in the production of coal, for industrial purposes in workshops and other support facilities, for watering roads and plants for dust control as well as other needs. We use surface water that comes from, local rivers, rainwater runoff, and surface water from the coal mining process which is collected and pumped from drainage sumps. The use of water from rivers, which is primarily the Barito River, is used at Kelanis in coal processing and for domestic needs. There were no reports of water uptake disruptions from water sources during 2011. [EN9]

During the year it was recorded that a total of 316 million cubic metres of water was handled from drainage sump and rainwater runoff. A total of 221 thousands cubic metres was used as raw feed for clean water treatment in the Water Treatment Plant (WTP). In addition we used about 1.5 million cubic metres for watering the roads while the balance was channelled into settling ponds to be processed in accordance to quality standards and distributed to the community.

We have a Clean Water Treatment facility that has a capability of producing 20 litres of clean water per second or 72 cubic metres per hour. This capacity is sufficient to provide 120 m³ per day clean drinking water for

internal consumption with as much as 105 m³ per day being supplied to surrounding communities. [EN8]

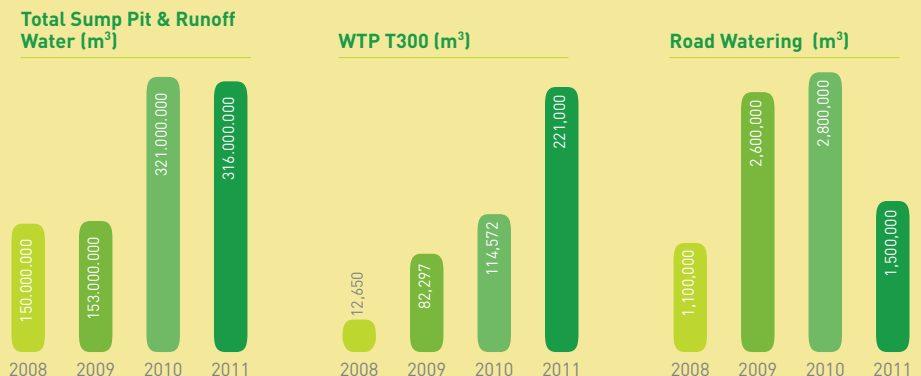
We monitor the water treatment in T300 WTP on continually to maintain the consistency of the produced water quality. Monitoring activities are carried out by measuring the water supply based on colour, odor, taste, turbidity and dissolved solids. Based on this regular monitoring, the quality of clean water produced during the year was higher than the minimum standards for safe drinking water.

WE HAVE A CLEAN WATER TREATMENT FACILITY THAT HAS THE CAPABILITY OF PRODUCING 20 LITRES OF CLEAN WATER PER SECOND OR 72 CUBIC METRES PER HOUR. THIS CAPACITY IS SUFFICIENT TO PROVIDE 120M³ PER DAY OF CLEAN WATER FOR INTERNAL CONSUMPTION WITH AS MUCH AS 105 M³ PER DAY BEING SUPPLIED TO SURROUNDING COMMUNITIES

Table of Water Quality Measurement at T300 WTP in 2011

Parameter	Unit	Method	Measurement Result	Limit
Colour	TCU	Spec-Ptco	30	50
Odor	-	Organoleptic	No Odor	No Odor
Taste	-	Organoleptic	No Taste	No Taste
Dissolved Solids	mg/l	SNI-06-6989.(1).27-2005	104,4	1500
Turbidity	NTU	SNI-06-2413-1991	7,17	25

Graph of Water Availability, Distribution to WTP and its Use of Road Watering



In anticipation of the dust nuisance caused by road usage, we regularly water the main roads that we use exclusively for transporting coal (haul road). The amount of water used depends on the type and condition of the roads. For mining roads that have not been paved, the watering requirements to reduce dust and particles are relatively high although with the improvement of mining road quality, this water consumption has gradually decreased. In addition the paving of the 76 km haul road has also greatly assisted in reduced water consumption and by, we reduced water consumption for road watering by up to 0.01 m³ per ton of coal production. **[SO10]**

As an expression of our concern for the environment and in order to comply with the regulations, we have waste water treatment facilities installed at each of our operational area. In overall, the waste water treatment units are located in Paringin, Tutupan, Wara and Kelanis. During the reporting period, all waste water treatment units were running in a good condition.

We also monitor the results of our waste water treatment to ensure that the quality of processing meet the threshold of quality standards. Measurement of waste water in 2011 did not show any excess on the upper threshold of quality standards, both for colour parameters, odor, taste, content of solids, turbidity and concentration of pH, TSS, Fe, Mn, and Cd in accordance to all regulations. Measurements were performed by an external accredited party who has laboratory facilities. These results are reported monthly to relevant agencies, such as the Ministry of Environment, the Ministry of Energy and Natural Resources, the Governor, the Head of Regency, the Environmental Agencies (*BLH*) at Provincial and Local level, as well as the Centre of Environmental Management (*PPLH*) at Regional level.

MEASUREMENT OF WASTE WATER IN 2011 DID NOT SHOW ANY EXCESS ON THE UPPER THRESHOLD OF QUALITY STANDARDS

Graph of the Water Usage Ratio for Haul Road Watering

Haul Road Watering on a 76 kms paved road along

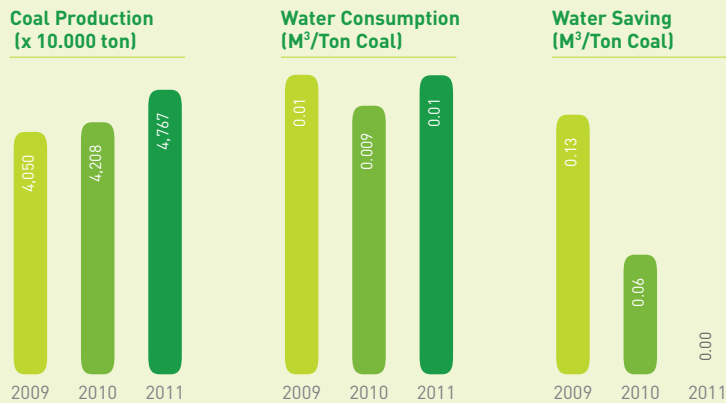


Table of Waste Water Quality Measurement at 30 Locations

* Environmental Decree No 113 in 2003
 ** Governor Regulation of South Kalimantan No 36 in 2008

No	Parameter	Threshold of Quality Standards	Result of Analysis
1	pH	6 - 9* **	6.00 - 7.51
2	TSS	400* dan 200** mg/L	1 - 174
3	Fe	7 mg/L* **	< 0.001-6.564
4	Mn	4 mg/L* **	ttd - 1.776
5	Cd	0.05 mg/L**	ttd - 0.0349

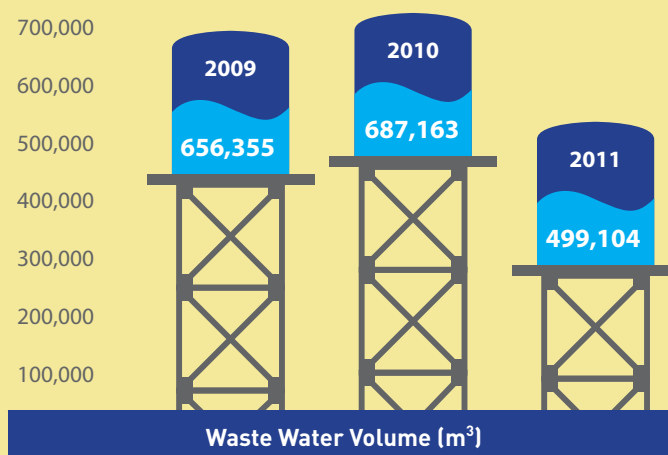
Since 2008, Adaro Indonesia has started a recycling process for waste water which helps prevent the negative impacts on the ecosystem caused by waste water. This recycled water fulfills the needs of our internal production.

From our production activities at Kelanis in 2011, we have recycled 499,104 m³ of waste water. The total waste water volume that we processed has decreased 27% from 2010, which was 687,163 m³. The decrease in the

volume of recycled waste water was due to an upgrading project on the recycling pump system at Kelanis which will more than double this capacity to 150 litres/seconds. The initiative was started in July 2011 and was scheduled to be completed by June 2012. It was expected that the use of higher capacity pumps will increase the recycled water for many years into the future. **[EN10] [EN21] [EN25]**

SINCE 2008, ADARO INDONESIA HAS STARTED A RECYCLING PROCESS FOR WASTE WATER

Graph of Volume of the Recycled Waste Water in Kelanis
[EN10] [EN21]





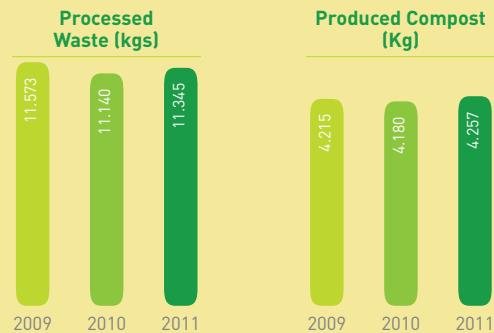
The process of water filling in the mining site. Adaro Indonesia uses water for various purposes, including watering the road, coal crushing process, and domestic needs.

Hazardous (B3) and Non-Hazardous (Non-B3) Waste

In Adaro Indonesia, we process organic waste from domestic garbage into compost, while hazardous (B3) waste is specifically treated to avoid any impacts on the environment. In 2011, we were able to process 11.3 tons of organic waste into compost which was a slight increase over 2010 which was 11.1 tons. From these 11.3 tons of organic waste, we were able to produce 4.3 tons of compost throughout the year 2011. [EN22]

**WE ARE ABLE TO
PRODUCE AS MUCH AS
4.3 TONS OF COMPOST
THROUGHOUT 2011**

**Graph of Compost
Production from Organic
Waste [EN22]**



A waste treatment sub-contractor licensed by the Ministry of Environment has the authority to manage B3 waste treatment. They are responsible for collecting, transporting and processing B3 waste outside of the company's land areas. Treatment of B3 liquid waste is handled differently. The contractor stores it in special tanks or drums at a Temporary Disposal Area (TPS) before it is being handed over to another specialist contractor for re-processing or being destroyed in accordance with existing regulations. Waste oil, even though it is classed as a hazardous category it can still be recycled for use

by the company, especially for mixing with explosives. This policy is in line with the Decree of the Minister of Environment No.20 of 2010. [EN22]

We strictly control the procedures for the handling and storage of oil and other liquid chemicals to ensure that any potential threat to the environment through leakage from storage facilities is eliminated. During 2011 there were no reported incidents of environmental pollution caused through leakage of liquid wastes. [EN23]

Table of the Type of Toxic Waste (B3) in 2011 [EN22] [EN24]

NO	TYPE OF WASTE	UNIT	SOURCE	TOTAL (TON)		
				PRODUCED	SENT TO THIRD PARTY	STORED
1	Used Oil	Ton	Workshop	5,847.97	1,391.49	4,456.47
2	Used Batteries	Ton	Workshop	22.11	12.33	9.78
3	Used Filters	Ton	Workshop	152.84	88.06	64.79
4	Used Grease	Ton	Workshop	20.75	17.99	2.77
5	Cans of paint, thinners, solvents	Ton	Workshop	3.08	1.19	1.89
6	Used Dust Cloth	Ton	Workshop	110.79	59.37	51.42
7	Used Diesel	Ton	Workshop	4.88	4.40	0.48
8	Used Welding Wires	Ton	Workshop	5.23	0.22	5.01
9	Used Chemical Drums	Ton	Workshop	5.25	0.01	5.24
10	Used Gloves	Ton	Workshop	42.27	40.92	1.34
TOTAL OF HAZARDOUS WASTE				6,215.17	1,615.98	4,599.19

Gas Emission

The greatest source of greenhouse gas emission within Adaro Indonesia’s concession area comes from exhaust gases emitted by the heavy equipment used in the mining operation for overburden stripping and hauling and coal extraction. The coal haul trucks used to transport coal from the mining sites to and the port at Kelanis 24 hours per day are also a significant source of emissions. Similarly, the use of diesel generators to meet our electricity demands contribute to these emissions. We use various types of generator plants with capacities to meet the needs of each department. The largest is a diesel power plant at Kelanis with multiple generators up to 1,825 KVA capacity, while the smallest one is 125 KVA which is used by the contractors at the base camp on KM 7.

In addition to regular maintenance on all heavy equipment, we also undertake a special maintenance program on the 50 units of generators in use including

the additional 5 new units added in 2011. We believe that these maintenance programs carried out on a regular basis will not only extend the life of engines, but will also maintain the emission levels from exhaust gases of the diesel engines at below the upper threshold of quality standard in accordance with applicable regulations. This program is important because it ensures preservation of environmental quality in the working areas.

We did not specifically perform the calculation of total gas emission such as SO₂ and NO₂ and ozone-depleting substances in our working areas. But we do emission testing on generators in cooperation with the Institute of Technology Bandung (ITB). Results show that the existing exhaust gases are still below the upper threshold of the quality standard. In addition we also use air conditioners which do not using ozone-depleting substances such as CFCs and HCFCs which is in line with government regulations. **[EN19] [EN 20]**

Table of Emissions Testing on Small, Medium and Large Generators in 2011

Type	Capacity	SO ₂ (mg/m ³)		NO ₂ (mg/m ³)		Partikel (mg/m ³)	
		Pick Testing Result	Upper Threshold of Quality Standard	Pick Testing Result	Upper Threshold of Quality Standard	Pick Testing Result	Upper Threshold of Quality Standard
GEP 150-01	125 KVA	290.16	800	122.45	1.000	114.0	350
CAT 3412-02	625 KVA	0.3482	800	245.12	1.000	342.89	350
CAT 3516-04	1825 KVA	0.1821	800	519.52	1.000	100.79	350



Left: Operator is observing generators through control panel in Kelanis

Right: A former mining site that has been reclaimed in Parangin. In this area, various flora and fauna live, and the area can be used also as a camping ground.

Below: Some generators are used by Adaro Indonesia in Kelanis. Regular maintenance of generators is carried out to reduce emissions and keep it follow the environmental quality standard.



Reclamation and Concerns for Biodiversity

In accordance with our open pit operational characteristics, we strip the layers of soil before extracting the coal. This will obviously change the pattern of flora and fauna in the mining sites. However we are determined to restore the ecosystem in our mining sites through reclamation. This policy is in line with government regulations and our own commitment to sustainability. **[EN12]**

Up to now, there are still active operations underway at our mining sites and so the post-mining reclamation activities have not yet been fully implemented. However, the post-mining closure plan has been prepared, such as the planting of Meranti tree, ironwood, rubber, and palm oil in some areas at Paringin, Tutupan and Wara. In 2011 we reforested a total area of 218.11 hectares, comprising 22.45 hectares of former mining areas and 195.66 hectares of land used as overburden dumps, by planting 339,073 trees. This reclamation activity was a significant increase from 2010 which succeeded in only reforesting an area of 150.91 hectares. We envisage that the post-mining activities will restore, maintain as well as develop the presence of local flora and fauna in our former mining land. **[MM1] [MM10] [MM11]**

**IN 2011
WE HAVE REALIZED
REFORESTATION WITH A
TOTAL AREA OF
218.11 HA**

From the beginning, Adaro Indonesia has created an inventory system for the endemic type of flora and fauna that are found in our three mining areas and at our operation areas in Kelanis as part of a biodiversity management plan. Based on the result of this inventory, we will seriously initiate a number of habitat restoration activities at the former mining sites in accordance with applicable regulations. At least 4 types of endangered animals have been found in our operational areas and the overall rehabilitation plans for these animals are included in Environmental Monitoring Plan (RPL) and Environmental Management Plan (RKL). **[EN13] [EN14] [MM2]**

**Table of
Reclamation
Realization in
2011 **[MM1]****

DESCRIPTION OF RECLAMATION	REALIZATION IN 2011 (Ha)			TOTAL (Ha)
	PARINGIN	TUTUPAN	WARA	
Reforestation				
a. Former Mining Sites	0	22.45	0	22.45
b. Land Piles/Cover Stones	11.94	180.11	3.61	195.66



Our preparations for post-mining reclamation and maintaining biodiversity are organized in cooperation with relevant stakeholders. Among those are the University of Lambung Mangkurat, The Indonesian Institute of Sciences (LIPI), Banjarbaru Forestry Research Institute and The University of Gajah Mada. We have conducted a variety of research and case studies related to ecosystems and biodiversity, starting from the use of water in former mining sites, the potential of honey bees and endemic plants, the pattern of food chain, to study of the proboscis monkey (bekantan) which is a native primate in Kalimantan. **[EN14]**

In relation to the maintenance of the environment in the surrounding working areas, Adaro Indonesia is involved in the implementation of reforestation movement by planting 1 billion trees and assists in the creation of urban forests. In order to ensure the success of the program, tree planting and establishment of the urban forests are carried out in collaboration with local governments, communities and other relevant agencies. These efforts are relatively successful, marked by the award given by the Ministry of Environment to Adaro Indonesia as the initiator of the 1 billion tree planting program in South Kalimantan.

Table of Identification List of the Endangered Endemic Fauna **[EN15]**

Local Name	Scientific Name
EScally-breasted Eagle (<i>Elang Bondol</i>)	<i>Haliastur indus</i>
Hornbill (<i>Rangkong</i>)	<i>Buceros minoceros</i>
Pangolin (<i>Trenggiling</i>)	<i>Manit javanica</i>
Lizard (<i>Biawak</i>)	<i>Varanus salvator / Varanus borneensis</i>

Below:
A pilot project on freshwater aquaculture is conducted by Adaro Indonesia in the former mining site in Paringin.

Right:
Announcement board in the coal processing area of Adaro Indonesia in Kelanis shows care for Bondol Eagles that live in the area.



Table of Post-mining Research Activities and Biodiversity

NO	THEME	ACTIVITY	RESULT	PARTNER
1	Research & Development on the Farming of Endemic Fauna	Examine the potential of honey bees farming in the Paringin mining site reclamation (since September 2011)	The economic potential of honey bees farming	University of Lambung Mangkurat
2	Research on the Benefits of Post-mining Water	Research the use of economic opportunities from the post-mining water treatment in Paringin (since 2010)	Post-mining water can be used for fish farming which its results are safe to be consumed (analysis results by the laboratory of Agro Industry Centre (Bogor) and has been accredited by the National Accreditation Committee (KAN)	Indonesian Institute of Sciences
3	Research on the Testing Result of Forestry Plants	Scientifically research a number of forest crops in order to find its economic potential of endemic plants. Conducted since 2010.	Types of plants suitable to be grown and developed economically are meranti, belangeran, durian, pulai and eboni.	Research Institute of Forestry, Banjarbaru
4	Research of Ecosystem and Food Chain	Examine the development of ecosystems in the reclamation areas to ensure its preservation. (Conducted since 2008)	The pattern of food chain has been formed, especially insects, to the local ecosystem	University of Gajah Mada
5	Monitoring Flora	See the extent of endemic flora development within the area of reclamation and mining. Conducted annually since 2008.	Species of birds (aves) and mammals are dominant group. Dominant plant is the reclamation plants, and there are other types that grow naturally (pioneer plants) and continue to increase annually.	PPLH University of Lambung Mangkurat
6	Research on Endemic Fauna	Intensively examine the existence of proboscis monkey (<i>Nasalis larvatus</i>) which is a native species of primate by the aspect of adaptation to a changing environment. The study was conducted in the mine reclamation at Paringin since 2011	The found of proboscis monkey groups indicates the available source of food and suitable location for their life. Reclamation area is a suitable habitat for proboscis monkeys, and for that there will be specific collaboration with Natural Resources Conservation Agency (BKSDA) and Local Government of Balangan.	Faculty of Forestry University of Lambung Mangkurat



Left:
Albazia Falcataria in the nursery area of Adaro Indonesia. Albazia Falcataria, among others, is a kind of trees developed for post-mining reclamation program.

Below:
An employee of Adaro Indonesia is working in the nursery area.



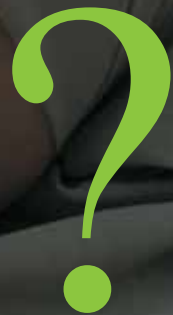


MAINTAIN SOCIAL RELATIONSHIPS



A woman wearing a white hijab and a white hard hat with the Adaro Envirocoal logo. She is wearing an orange safety vest with the Adaro Envirocoal logo. Her hands are clasped in a prayer gesture. A large green question mark is overlaid on the image.

HOW DOES ADARO INDONESIA MAINTAIN SOCIAL RELATIONSHIPS WITH STAKEHOLDERS



“ Equality and dialogue become the foundation of our social relationships with stakeholders. A wide range of initiatives are developed not merely for our own interests but for mutual benefits. Potential development of local stakeholders in various fields is the path travel together to achieve independent communities ”

Development and Wellbeing of Human Resources

Labours and Local Potential

For us, human resources are the key to the company’s success. Fostering good relations with labour groups is an aspect that needs to be maintained. A proactive approach and prioritizing dialogue in resolving disputes are the basis of our behavior in managing industrial relationships. Good relationship are reflected in the absence of incidents or employees strike throughout 2011. **[MM4]**

At the end of 2011, we had 1,423 employees, which was an increase of 89 staff over total number of employees in 2010. 952 out of the total 1,423 employees are at the work sites of Adaro Indonesia in South Kalimantan and Central Kalimantan, with the rest placed throughout various departments in the head office in Jakarta. **[LA1]**

Of the total number of 1,423 employees, 645 are permanent employees, 92 are fixed-term contract employees and the rest, a total of 686 are outsourced employees. This number of outsourcing employees has decreased from 697 employees in 2010. With this reduction, the composition percentage of outsourcing employees at our place has decreased from 52% in 2010 to 48% in 2011. **[2.8] [LA1]**

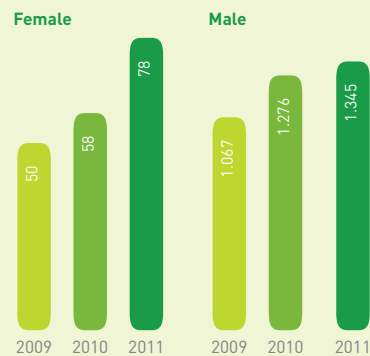
Currently there are only 78 female employees out of a total of 1423 in the work force. In general, the small number of female employees is primarily due to the characteristics of our business where female employees with the necessary qualifications are extremely limited. Moreover, most prospective females have shown little interest in working at the mining areas.

UP TO THE PRESENT TIME WE HAVE 1,154 STAFF OR 81% OF THE TOTAL NUMBER OF EMPLOYEES WHO ARE NATIVE PEOPLE FROM THE REGION

Graph of Work Force by Employment Status [LA1]



Table Work Force by Gender [LA13]





A male employee is working in the loading activities monitoring room in Kelanis. Number of female employees working in Adaro Indonesia is low because females relatively do not have big interest to work in the mining site.

The composition of the work force is structured from the General Manager, Deputy General Manager, Manager, Superintendent, and Staff to Non-Staff as the biggest group with 877 people and in the age range between 30-50 years old. A total of 507 people working in Adaro Indonesia are less than 30 years old. With the current staffing composition, we believe that we have the work force that is able to regenerate accordingly. **[LA13]**

Adaro Indonesia, as a national company, provides employment opportunities to the local communities where our working units are located. This is reflected through our recruitment patterns that makes

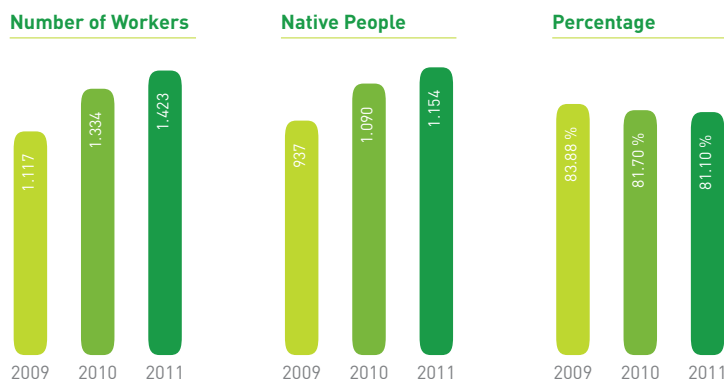
employment of the local work force a priority. For Adaro Indonesia, local labour are those who were born on the island of Kalimantan.

Up to the present time we have 1,154 staff or 81% of the total number of employees who are the native people of the region. Local employment opportunities to reach managerial positions are wide open in our company. However, we strictly adhere to the professionalism that those who hold the managerial positions must meet the required level of competence. By the end of 2011, there were 26 local employees or 48% that has reached a mid-managerial level out of 54 people in total. **[EC7]**

Table of Management Composition [LA1] [LA13]

EMPLOYMENT STATUS	UNIT	GENDER		AGE		
		L	P	<30	30-50	50>
Directors of Subsidiaries	-	-	-	-	-	-
GM Operations	1	1	-	-	1	-
Deputy GM	4	4	-	-	1	3
Manager	18	18	-	-	16	2
Superintendent	31	29	2	2	28	1
Staff	287	253	34	124	153	10
Non Staff	396	382	14	119	269	8
Outsourcing	686	658	28	262	409	15
TOTAL	1,423	1,345	78	507	877	39

Table of Composition of Local Work Force [LA13]



Competence and Performance Review

The corporate's target to grow and develop requires the preparation of a competent and highly dedicated work force. We uphold these principles and are committed to continuing individual development initiatives in the company. That commitment is undertaken through the Adaro Institute, an internal non-formal educational institution which is integrated with all programs of PT Adaro Energi, Tbk as the main corporation. The initial setup of Adaro Institute began in the third quarter of 2010 and began effectively implementing its program in 2011 with the mission of developing talented individuals to become professional leaders. [LA11]

There are wide open opportunities to participate in education and training to improve the competence of the employees in Adaro Indonesia and this is provided to all employees at managerial level, staff, and non-staff. In 2011, the average time allocated for education and training was 21.2 hours per person for non-staff employees, while for the managerial staff and employees it was 17.6 hours and 14.3 hours respectively per person. [LA10]

The aspect of career development has also become our concern, and for that reason, Adaro Indonesia carries

out an employees performance review every year. Performance reviews are held for all permanent employees by looking at the job description and required competencies. The results of the review may be in form of a promotions, rotation or other employment based on the needs of the management. [LA12]

By the end of 2011, 605 out of 645 permanent employees or 93.7% had received their performance reviews through the People Development System. By using this method, 62 employees had been promoted from their previous positions while 52 employees sustained a rotation. In addition we also require all employees who will hold the position of Superintendent to follow Individual Development Programs IDP which will be held for a minimum of 6 months during the notification period of the promoted employees. [LA11] [LA12]

Our competencies valuation and development method is carried out objectively and disregards irrelevant employees' background factors such as gender, origin, religion, ethnicity and political affiliation. Until the end of reporting report, we did not receive any reports or complaints concerning allegations of discrimination at work and in career development opportunities to develop competencies. [LA12] [HR4]

IN 2011, THE AVERAGE OF TIME ALLOCATED FOR EDUCATION AND TRAINING WAS 21.2 HOURS PER PERSON FOR NON-STAFF EMPLOYEES, WHILE FOR THE MANAGERIAL STAFF AND EMPLOYEES WAS 17.6 HOURS AND 14.3 HOURS PER PERSON

Bottom left:

An employee of Adaro Indonesia is scanning his fingerprint attendance. The attendance rate is one of performance indicators in addition to other competency indicators.

Bottom right:

Ambience of a meeting in Adaro Indonesia. Every employee in Adaro Indonesia has the rights to maximize their potential at work without discrimination.



Welfare and Retirement Fund

Adaro has a remuneration system and mechanism which fulfils the corporate obligation of the employee’s rights. Our remuneration system is based on Provincial Minimum Wages (UMP) regardless of gender although in practice, the remuneration provided by Adaro Indonesia is always higher than the prevailing minimum wage in the province of South and Central Kalimantan.

For proportional wage adjustment, we refer to aspects of provincial inflation, employees’ performance review, employment service period, and the job position of each employee. The facilities provided are also based on the status of employee, regardless the religion, origin, ethnicity, sex, or political affiliation. **[LA14]**

We only distinguish between the remuneration and facilities provided to employees based on their employment status, which is classed as either permanent or temporary status. Health allowances, pregnancy and

pension are provided only to permanent employees as is the housing facility and annual leave. **[LA3]**

Employees’ wellbeing in the retirement period is also one of Adaro Indonesia’s concerns. With reference to the government regulations on Labours’ Social Security (Jamsostek), all of our employees are registered in that program. Some of Jamsostek contributions are paid by the employees and some others paid by the company: **[EC3]**

- Allowance for Accident at Work (JKK) : 1.74 % of wages
- Retirement Allowance (JHT) : 5.70% of wages
- Death Allowance (JKT) : 0.30% of wages

In addition to the Jamsostek program, we have a collaboration with the private sector through the program of Manulife Employees Welfare (MKS) in order to prepare Adaro Indonesia’s employees for retirement.

Table of Facilities and Employee Benefits [LA3]

Type of Facility	Employment Status	
	Permanent	Temporary
Salary	✓	✓
Health Allowance	✓	✗
Life Insurance	✓	✓
Accident at Work Allowance	✓	✓
Pregnancy Allowance	✓	✗
Retirement Allowance	✓	✗
Stock Ownership	✗	✗
Housing Allowance	✓	✗
Leave Allowance	✓	✗

Graph of Remuneration Comparison with Provincial Minimum Wage [EC5]





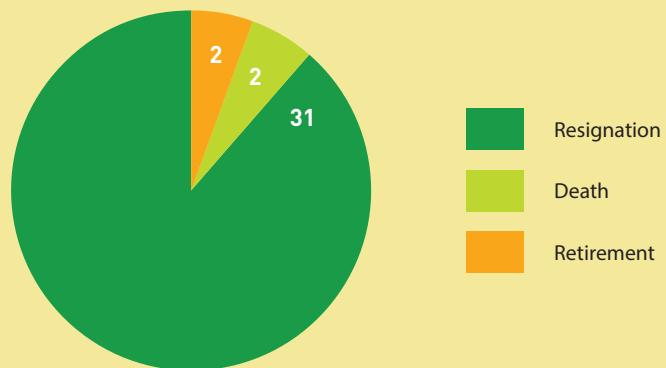
Rescue team is ready to move if an incident occurs in the working area of Adaro Indonesia. It is an Adaro Indonesia's effort to fulfill the rights of employees in the workplace in addition to providing various facilities and supporting employees' welfare.

In this program, the obligation to pay contributions is shared between the employees and employer the amount of which is determined in a specific contract. **[EC3]**

As the company's commitment and appreciation for employees' dedication, special services- are provided by the company prior to retirement. Specific training is

carried out by the company for employees 2 years period prior to their retirement which focusses on making the employees independent or able to run their own business based on their interests, talents and abilities. Although no data is presented on the number of employees who participated in retirement preparation training, this program involves many employees and is continuing up until the present. **[LA11]**

Graph of the Exodus of Permanent Employees in 2011 **[LA2]**



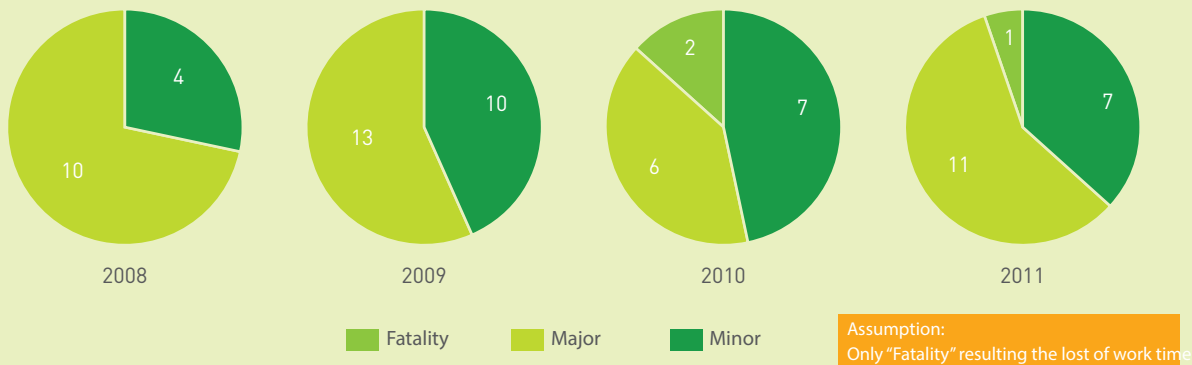
Health and Safety

Mining is an industry with potential risks to the safety and health of the workforce. Therefore the safety and health of employees has always been a top priority for Adaro Indonesia. With regard to health, we conduct regular medical. In addition, the existence and availability of sport centres in Dahai, Kelanis and Tanjung is also a form of corporate support for aspects of employees' health.

Implementation of Occupational Health and Safety (K3) at our workplace is held through good mining practice, starting from safety inductions, safety talks, sturdy sanctions, disciplinary training, provision of security equipment (APD), and strict supervision. Each employee signs an Employee Disciplinary Statement Letter (SPDK) while everyone who gets permission to enter the production areas must sign a letter of Occupational Health and Safety (K3) induction.

SINCE NOVEMBER 2011 THE NUMBER OF MEMBERS OF THE JOINT OCCUPATIONAL HEALTH AND SAFETY COMMITTEE (P2K3) HAS REACHED 36. WITH THAT COMPOSITION, THE COMMITTEE (P2K3) REPRESENTS AND MUST PROTECT ALL INDIVIDUALS WHO WORK UNDER THE AUSPICES OF ADARO INDONESIA

Table of the Number of Accidents at Work [LA7]



Adaro Safety, Environment, Production (ASEP), which we have developed under the provisions of ISO 14001 and OHSAS 18000, has become the spearhead of K3 implementation in Adaro Indonesia. Since the beginning, Adaro Indonesia has given a guidebook of the K3LH ASEP Management System issued in 2010 to all employees. We also require employees to comply with all Occupational Health and Safety (K3) procedures without any exception, and this is confirmed in the Collective Labour Agreement Chapter VIII article 19. [LA9]

Inside that document, it is stated that Occupational Health and Safety (K3) is a shared responsibility between the employees and the company. Adaro Indonesia as the employer must provide Safety Equipment (APD) for their employees. Moreover, all employees of Adaro Indonesia are also protected by the Labour Social Security

(Jamsostek) from any risks that might be caused by work incidents (K3 incidents). [LA9]

In addition to our daily operating Occupational Health and Safety (K3) system, Adaro Indonesia has a Joint Occupational Health and Safety Committee (P2K3). Members of this committee are selected from employees who are appointed by the head of each department with the number of people representing 10% of the total number of people in each department. Previously, there were 18 representatives of the entire departments, but since November 2011 the committee adapted to the changes in the organizational structure so that the total members of the Committee (P2K3) became 36 people. With that composition, the Committee (P2K3) represents and must protect all individuals who work under the auspices of Adaro Indonesia. [LA6]

Even though we have a Occupational Health and Safety (K3) system, there are still K3-related accidents occurred in the company's vicinity. No less than 18 Occupational Health and Safety (K3) incidents that caused light and medium injuries and 1 fatality. We investigated each incident and further improvements have become our focus for the future. **[LA7]**

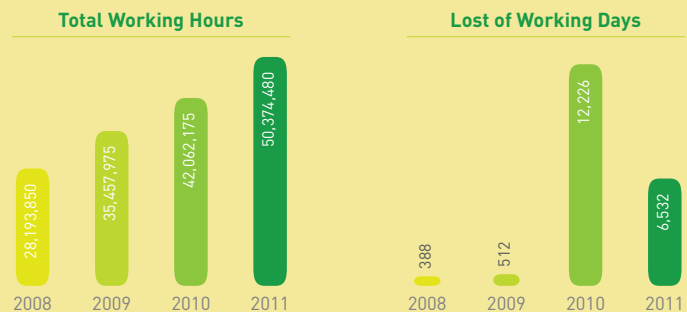
Occupational Health and Safety (K3) incidents obviously affect our operational performance especially if the incident causes lost work time. In 2011 the total lost

assist the creation of a healthy working environment. In line with this, we work closely with a number of competent health agencies. **[LA8]**

Training of employees' families in cancer education in collaboration with the Indonesian Cancer Care Foundation (Yayasan Peduli Kanker Indonesia) is one of the activities that we perform. There is also training on 'Nutrition for Healthier Life' (Nutrisi Untuk Hidup Lebih Sehat), in collaboration with the University of Lambung Mangkurat. In addition, we conduct anti-drugs

Lost Time Injury Frequency Rate (LTIFR) = (Number of Incidents Resulting in Lost Work Time / Total Working Hours) * 1,000,000

Graph of Number of Working Hours and the Lost of Working Days Due to Accidents at Work **[LA7]**



work time was 6,532 hours of the total work time of 50,374,480 hours. By measuring the Lost Time Injury Frequency Rate (LTIFR), Adaro Indonesia had a number of incidents or potential incidents of 0.02 for each 1,000,000 working hours in 2011. This number has decreased from the Lost Time Injury Frequency Rate of 0.05 in 2010 with the same method of calculation. This was due to the decreased of total number of fatality in 2011 while the total of work time increased in the same year. **[LA7]**

In addition to the application of Occupational Health and Safety (K3), the aspect of the health for our employees and their families around the work sites is also our concern. In 2011, a number of activities such as counselling, disease prevention, health promotion, and medical services have been implemented in order to

campaigns for our employees, contractors and partners and once every three months, employees and their family can donate blood in the blood donation activities that Adaro Indonesia arranges regularly. We also deal specially with our employees who suffer from TB and Hepatitis to ensure that the working environment is still safe for other employees. **[LA8]**

Even though we have been doing our best in terms of health and safety, we realize that there are still weaknesses in its implementation. With these limitations, various initiatives can obviously still work with the proactive participation of employees and the surrounding environment. Therefore, while continuing to consider the health and safety in the work sites, another important effort to do is raising awareness to the environment of Adaro Indonesia itself.



Mia Magdalena, an employee of Adaro Indonesia, is leading the people singing the song Indonesia Raya in a ceremony. As a concern for human rights, female employees in Adaro Indonesia have rights to take maternity or miscarriage leave.

IN 2011, THE AVERAGE ALLOCATION OF EDUCATION AND TRAINING HOURS FOR NON-STAFF EMPLOYEES IS 21.2 HOURS PER PERSON, WHILE ALLOCATION FOR THE STAFF AND EMPLOYEES AT MANAGEMENT LEVEL IS 17.6 HOURS AND 14.3 HOURS PER PERSON

Human Rights

We recognize that the concern for human rights in Adaro Indonesia is the responsibility of all employees and stakeholders. Therefore it requires a mechanism to thoroughly enhance the understanding about human rights. While there is no specific training on human rights for employees of Adaro Indonesia everyone has signed the corporate code of conduct in which human rights are included and must be well understood. **[HR3]**

Particularly, Adaro Indonesia has not held an evaluation on human rights implementation in its work sites in 2011. Furthermore, even though the ranks of security guards in Adaro Indonesia have been specifically trained by the police force, we have not evaluated the understanding of human rights among them and we do not yet have an official training on the implementation of human rights for their work in the field. However, the concern for human rights in Adaro Indonesia is reflected

in various policies and our behaviour in doing business and investments. Although there were no significant new investments during the reporting period, the aspect of human rights remains as of the considerations in any investment agreement. **[HR1] [HR8] [HR10]**

With respect to employment, we show our support of human rights by providing leave days for employees to take menstruation leave, maternity leave or miscarriage, as well as sick leave We have not presented data on total number of employees who took maternity leave but we can report that there were no prohibition of maternity leave rights by the company management. In addition, from the beginning of our operation we have not been practicing forced labour or child labour for any reason and In accordance with the provisions of laws and regulations, the minimum allowable working age at our operations is 18 years. **[HR6] [HR7] [LA15]**



An employee is observing production activities in Kelanis from height. In Adaro Indonesia, the employees are protected by a collective agreement (PKB) between the management and labor union (OPA).

The rights to association and assembly are one of the human rights implementation at our work sites that we strictly respect. Both in our mining sites and the port, there is no restriction in executing the right of association and assembly as long as it is in line with the laws and regulations. We strongly propose the same policy to our contractors and partners. to date, we have not received any reports of action that threatens the freedom of association and assembly at our work sites, whether conducted by the management of Adaro Indonesia or by contractors and partners. **[HR5]**

Adaro Indonesia gives special attention to human rights by supporting the existence of an Adaro Employees Organization (OPA). This organization is independent and has become the representative of the employees in the framework of the employees – company management relationships. Inputs from the employees to company's management and to company's governance agency may be delivered through OPA or via their line managers. **[4.4]**

The commitment to support the OPA is accomplished by providing the opportunities to grow and partner with the management through technical assistance and cooperation. The company facilitates all the OPA's needs, starting from providing work space, work facilities, and infrastructure including transportation and accommodation to support organizational activities. We also give approval to the board and members of the OPA to attend external activities by leaving the work areas

for a few days after permission from superiors and management.

The protection of employees' rights is embodied in the Collective Labour Agreement (PKB) which results from negotiation between the OPA and the management. All employees of Adaro are covered within the Collective Labour Agreement (PKB) which was agreed on November 18, 2011 by the OPA and the management. This Collective Labour Agreement (PKB) has been registered at the Directorate General of Employment Relations for Social Protection of Manpower under the Ministry of Manpower and Transmigration. The latest Collective Labour Agreement (PKB) is valid for 2 years and then will be renegotiated. Based on the agreement, all rights and obligations are agreed between parties although there is no specific clause on the mechanism and minimum period for notification of any critical changes on the corporation's business operations. **[LA4] [LA5]**

Our working time in Adaro Indonesia is in line to the Act no. 13 of 2007 on Manpower, which is 5 working days a week with 8 effective working hours per day or 40 working hours per week. The leave period in 2011 was changed from 12 leave days per year in the previous years to 20 days per year. This provision is intended for staff and higher positions. As for the position of superintendent to manager, the leave days is 22 per year, while for the position of deputy and above, it is 24 leave days annually. This is a management decision following the request of employees to make their time for returning home during holidays longer.

At our operational sites, any work needed to be done that exceeds the normal working hours will be counted as overtime and there will be compensation for that based on the Decree of the Minister of Manpower and Transmigration No.10/MEN/VI/2004 (Kepmen No.10/MEN/VI/2004) on overtime and the overtime payment. Overtime is essentially voluntary, except at the request from line manager or under conditions that requires work to be completed immediately.

In connection with cooperations with our contractors and partners, Adaro Indonesia strongly encourages the compliance to universal values such as human rights and prohibition of child and forced labour. That clause is explicitly stated in the contract agreements and covers aspects of the corporation's labour policy. For example, all contractors involved in any project should pass the medical examination and meet the valid regulations. Similarly, the provision of satisfactory compensation regarding minimum wages, good working environment, and adequate health and safety services for all workers are also applied. Of all contracts, approximately 75% have agreed to the clause on human rights. [HR2] [HR6] [HR7]

Development and Wellbeing of the Community

Relationship with Community

In building up good relationships with the community living nearby our mining sites, there are a few number of fundamental aspects that we seriously consider. One is the involvement of the community and government in developing and implementing community development programs. Another aspect is the need for periodic impact evaluation. And then the transparency in delivering performance through various communication channels, including this Sustainability Report. [SO1]

Technically and legally, as at the end of the reporting period, there were no mining concession areas of Adaro Indonesia that were located inside customary lands or protected forests. Some of our mining concession areas are located within production forests and we have official permits from the government to operate in those areas. We also ensure that there are no mining activities managed by the local community in the company's operational areas. Concerning the technical working activities, we did not relocate local residents to other areas during the reporting period. Our various activities in all work sites did not impact on local indigenous people except for the aspect of dusty coal transportation and potential Occupational Health and Safety (K3) incident risks. [EN11][MM8] [MM9] [MM5]

In the event of any case or incident, we are have been open to receive complaints from local communities, particularly in terms of land use disputes, violations of social cultural rights and the customs of local communities, as well as other incidents that occurred at our work sites. Local communities and the public may submit their complaints to our operational office in Dahai. In general, we are aware of the complaints of local communities through our local employees in the field. [MM7]

We have received at least three complaints and significant demands from the community concerning the right to use local land. In order to resolve the dispute, we use specific approaches for each case. A dispute regarding land ownership that occurred was related to the rights of leasehold (*HGU*). A resident of Haruai District claimed to be the owner of the land, while the company had evidence that the land was within the Coal Mining Exploitation Work Agreement (PKP2B) and its ownership was under a leasehold contract of 63 hectares. This case will be resolved through legal methods in the court and has now entered the high court on appeal. [HR9] [HR11] [MM6]

WE HAVE RECEIVED AT LEAST THREE COMPLAINTS AND SIGNIFICANT DEMANDS FROM THE COMMUNITY CONCERNING THE RIGHTS TO USE LAND. IN ORDER TO RESOLVE THE DISPUTE, WE USE SPECIFIC APPROACHES FOR EACH CASE



Transporting activities of trucks and heavy equipments on the Haul Road. This has been becoming one of our concerns due to direct and indirect impacts of the activities on the environment and surrounding communities.

The second case is the complaint from indigenous people at the location of the Coal Mining Exploitation Work Agreement (PKP2B) covering an area of 706 hectares. Mediation has been undertaken by the community leaders, police and government. Even though it has been verbally stated that the land is not a communal land, they still demand compensation for some amount of money. Currently this case has been under mediation process since December 2011 and is expected to be promptly resolved. This condition disrupts Adaro operations on km 82 hauling road even though it does not completely stop the production transport process. **[HR9][MM6][HR11]**

In addition to those two cases, we have adopted a policy of maintaining good relationships with local communities regarding the claims. We have donated an

ex-gratia amount of IDR 10 billion to the residents in Kasiau Village, Lokbatu, Maburai, based on the recommendation of regional supervisory and controlling body (WASDAL) to resolve the claims that were filed by them. **[MM6]**

We also give special notice to our transporting activities mainly in the haul road. We have mentioned this activity in the Environmental Impact Assessment (*Amdal*) because it brings direct and indirect impacts on the environment and surrounding communities. Dust from vehicles, sound from the trucks, and the usage of haul road by the community are the impacts and risks that should be addressed. As one of the efforts to solve the impacts, we have provided the haul road with specific signs in accordance with provisions including speed reduction for some trucks on some particular sections

to prevent accidents. The road condition also has become our concerns for increasing the road quality paving and road watering to reduce the dust. **[EN29] [SO9] [SO10]**

Our approach in maintaining good relationship with local community obviously prioritizes the human rights aspect. We monitor our employees as far as possible for human rights violations, such as acts of violence and discrimination to ethnicity, religion, race, and gender. During 2011, there were no complaints from the community to the management of Adaro Indonesia about any incidents of human rights violation committed by its employees. **[HR4]**

The Education and Health of the Community

We consistently support the efforts to increase the existing education capacity around the company sites. The program to improve quality of teachers and school management is one of the focuses to equalize the quality of education in a rural area with those of other advanced areas. Completion and provision of educational facilities were undertaken in phases and focused on the support of enhancement in the quality of education. Our consideration for the communities' education will concentrate on several following programs:

- Program to improve the quality of teachers and school management
- Program to provide mobile libraries
- Scholarship program for grants to students from poor family and students who excel
- Program to improve education facilities

The program to improve the quality of teachers and school management is implemented through registering the teachers and principals from Tabalong, Balangan and East Barito to participate in a variety of management and technical training. We have been continuously conducting the school development program since 2009. At the end of 2011 we assisted with the construction and development of school libraries and science laboratories. We also performed other activity such as tutoring for students facing National Exams in cooperation with the Primagama Study Tutoring Institute.

Adaro Indonesia has also begun to develop the Integrated Learning Lodge (PBT) as a continuation of the House of Learning (*Rumah Belajar*) which was established in 2010. By utilizing the building of the Integrated Health Centre (Posyandu) in Banyu Tajun Village, Tanjung District, Tabalong Regency, this *Lodge*

is projected as the first *PBT* and will be followed by the establishment of other *PBTs* in the coming years. This lodge will be equipped with 4 units of computers, LCD projector, library, internet access, and a space for learning as an education centre for local community. As at the time of writing this report, the construction work for this first *Lodge* was still underway.

The short-term targets of this Integrated Learning Lodge (PBT) are adolescence groups, youth clubs, and cadre of the Integrated Health Centre (Posyandu). However, it is also open to students and teachers from the schools around the area. In the future, this Integrated Learning Lodge (PBT) is expected to be able to facilitate information flow to the community about the activities or business opportunities in rural areas through the available internet facility.

BY THE END OF THE YEAR, WE HAVE OPERATED ON NO LESS THAN 288 CATARACT PATIENTS IN 7 REGENCIES, WHILE ANOTHER 394 PATIENTS HAVE ENTERED THE SECOND PHASE VERIFICATION BEFORE PERFORMING SURGERY

Through various programs in the education sector, Adaro Indonesia is committed to improving the quality of human resources by rigorously following moral and religious values while at the same time also considering local wisdom and traditions. One of our initiatives is facilitating the field activities and the internship program in the operational area of Adaro Indonesia for vocational and college students. By having this program, Adaro Indonesia provides an opportunity for students to understand the mining industry as well as the values of our company at the early stage.

In addition, Adaro Indonesia organizes an advanced-level scholarship program which is tailored to the government's policy of ensuring primary and secondary

Table of Several Types of Public Health Activities in 2011 [LA8]

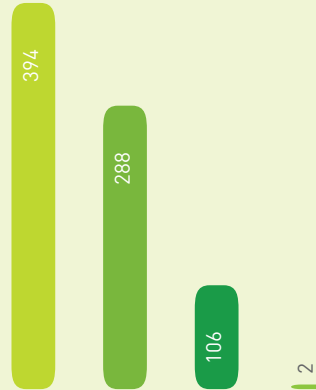
*PROMOTION ACTIVITIES	
Activity	Number of Participants
Counseling on exclusive breastfeeding and immunization for infants	631
Counseling on toddlers growth	330
Socialization and counseling on healthy and hygienic life behaviour	317
Counseling on cataract and eyes health	666
Counseling on nutrition for pregnant women	451
Socialization on malaria, sexual transmitted infections, HIV/AIDS, dengue	571
Socialization of the Health Program for Mothers, Infants, and Toddlers (KIBBLA) YABN	215
Training on health for pregnant and lactating mothers (health workers)	119
Counseling on healthy reproduction and Family Planning (KB)	103
Training/refreshing for integrated health centre (Posyandu) cadres about 5 table systems	247
Training on food supplement for recovery of the malnutrition toddlers	182
Training for the little doctors and school health cadres	178
Youth Red Cross assistance at schools	192
Socialization on the danger of drugs at the early stage	821
Procurement of health study books for mother and children	750
Anti-drugs poster contest	574
Production of anti-drugs pins	2000
Production of anti-drugs t-shirts	200
Propagation of anti-drugs movie, South Kalimantan version	500
*PREVENTION ACTIVITIES	
Activity	Number of Participants
Food supplement program for students	58.580
Pipe connection to households from the state-owned water company (PDAM)	734
Malaria Indoor Restying Spraying (IRS)	150
*TREATMENT ACTIVITIES	
Activity	Number of Participants
Cataract Surgery	288
Medical mission for public (on the top 10 diseases in the community)	879
Mass circumcision	411

level of education. Because of this, the previous scholarship program for primary and secondary students was switched to the Foster Parents National Movement (GNOTA). In 2011 the number of scholarship awardees of Adaro Indonesia reached 323 students and the beneficiaries of GNOTA were 1,941 people. We are expecting that this program can motivate and encourage people to achieve more, and also assist local communities in terms of the fulfilment of high-quality human resources.

In the health sector, we formulate initiatives to improve the health of people through programs that are integrated to the health programs of local government around our operational areas. Thus, our activities become more strategic and in line with the government policies. One of our activities is to provide free health services to the low-income community.

Table of the Cataract Surgery Beneficiaries Based on Stages

- Patient Verification Stage 2
- Surgery Stage Patients until Medical and Pathology Actions
- Patients that cannot be Proceeded to Surgery Stage until Medical and Pathology
- Immature Cataract Patient aged 5 – 30 years old



The fact that mother and child mortality rate during childbirth is high has led us to organize health care services to local communities through the Health Program for Mothers, Infants, and Toddlers (KIBBLA) program, especially the Pregnancy-Conscious Class (Darlan Class). Our targets are pregnant women, new mothers, and infants. In order to support the government policies to improve public health, the Health Program for Mothers, Infants, and Toddlers (KIBBLA) has now become a joint program between Adaro Indonesia and local authorities.

Adaro Indonesia continued organizing free cataract surgery during 2011. This activity is one of the favourite activities that the community is looking forward to, especially those who have limited economic ability. By the end of year, we have operated on no less than 288 cataract patients in 7 districts, while another 394 patients have entered the second phase of verification before performing surgery.

Apart from the variety of activities that we have been doing, another important health aspect that needs to be addressed is the lack of understanding of the community on healthy sanitation. One of factors is the poor access to clean water. In 2011, the company initiated a program to provide clean water that aimsto provide access for the community to water that meets healthy life standards.

We provide clean water to communities through our WTP facility. Distribution of clean water for the local communities is carried out through a pipeline project from Dahai to Padang Panjang. We also assisted with the construction of the main pipeline with a length of

2,100 metres in Ketapi River Village as well as providing clean water access to the houses of low-income communities in Sirap, Marias, Buntu Karau, Muara Ninian and Lamida Bawah Villages in Balangan Regency.

Clean water is distributed by using the water trucks to many villages. Considering the water delivery efficiency, Adaro Indonesia has built artesian wells in 3 areas in Tamiyang Tanta Village and other wells in 2 areas in Rintis Village. Adaro also participated in building 2 water settling ponds with latrine facilities (MCK) in Warukin, artesian wells and its installation in Kelua Senior High School and Bagok Elementary School, as well as in several other villages, namely Pulau Patai, Banyu Landas, Taniran, Babirik, Ambahai, Paminggir and Wonorejo.



Rajudi Noor, is having eye examination due to cataract he suffered. In addition to performing free of charge cataract surgery, Adaro Indonesia also helps surrounding communities to have an access to clean water.

FOR THE INFRASTRUCTURES, THERE WERE AT LEAST 24 MOSQUES, 36 SMALL MOSQUES AND 2 CHURCHES THAT WE ASSISTED IN 2011. IN THE FIELD OF SPORT, WE PROVIDE ASSISTANCE IN THE FORM OF SPORTS INFRASTRUCTURE FACILITIES AND TRAINING FOR 11 SPORTS THAT ARE POPULAR IN 6 DISTRICTS



Suluh Banua Art and Culture Studio who received contributions from Adaro Indonesia is organizing music exercise with traditional instrument.

Social Culture and Public Facilities

During the reporting period, we supported the activities of three types of social and cultural activities, which were the development of religion, sports, and arts/culture. These three activities were carried out in accordance with the socio-economic background and other community governance in Kalimantan. In general, there are two dominant cultures in South Kalimantan, which are Banjar and Dayak. Most of the Banjar community is Moslems, while the Dayak community is Christian. In practice, we give assistance to the development of both cultures without any discrimination. Other support and cooperation are also carried out in an objective way.

In 2011, the company has disbursed funds for religious grants, such as construction of places of worship and some religious activities. Including one of which is the support for educational institutions managed by both Christian and Moslem communities. For the infrastructures, there were at least 24 mosques, 36 small mosques and 2 churches that we assisted in 2011. In the field of sport, we provide assistance in the form of sports infrastructure facilities and training for 11 sports that are popular in 6 districts.

The cultural development that we sustain is in the form of provision of infrastructure facilities which aim to support the enrichment of local arts and traditions. We helped a number of existing dance studies at East Barito area, Tabalong, and Barito Kuala. The types of local arts that we support vary in terms of their shape and performance. Our records at the end of 2011 shows that the fund for the sector of socio-cultural development has reached 28.5% of the total allocated CSR funds.

Adaro Indonesia has also assisted with the construction of a House of Learning (Rumah Belajar), in cooperation with local governments and the local NGO Perkumpulan Pusaka who have specific concerns with the enhancement of local arts and cultures, especially to the youth. This House of Learning facilitates a number of activities such as dancing, music, reading, multimedia,

knitting, and art performance once every 2 weeks as well as regular official performances once every 2 months. This initiative is moderately significant in improving the arts and cultural activities in Tabalong and its surrounding villages. In 2011, members of the House of Learning (Rumah Belajar) have reached 765 people from 20 art communities.

Several Public Facilities Provided in 2011 [EC1] [EC8]

INITIATIVE PROPOSED BY THE LOCAL GOVERNMENTS

Facility	Cost
Construction of <i>Deskranada</i> building in Balangan Regency phase II	IDR 306,800,000
Construction of integrated posts and pillars at the border of the City of Tanjung	IDR 473,543,000
Completion of building <i>Cendana</i> room in Buntok general hospital, South Barito	IDR 1,545,750,000
Improvement of sport rides infrastructure and environment in the City of Paringin, Balangan Regency	IDR 115,702,000

INITIATIVE FROM ADARO INDONESIA BASED ON OBSERVATION AND INPUTS FROM COMMUNITY

Facility	Cost
Construction of fences of the Head of Padang Panjang Village's Office	IDR 79,537,000
Completion of Siraturrahim Mosque in Dahai Village, Balangan regency	IDR 798,929,000
Completion of hall in Hidayatullah Maburai Islamic Boarding School, Tabalong Regency	IDR 212,482,000
Construction of watering system for the rice field in Tamiyang Village, Tanta District	IDR 138,030,000
Construction of cowshed in Pulau Ku'u Village, Tanta District	IDR 117,346,000
Construction of integrated health centre (<i>Posyandu</i>) in Banyu Tajun Village, Kelua District	IDR 135,231,000
Connection of the main pipes of state-owned water company (<i>PDAM</i>) in the Sei Ketapi Village, Balangan Regency	IDR 775,123,000
Construction of integrated health center (<i>Posyandu</i>) in Sei Rukam Village, Tabalong Regency	IDR 161,757,000
House improvement (Bedah rumah) in Haur Batu Village, Balangan Regency	IDR 28,390,000
Rehabilitation of basketball field in Pembataan Stadion, Tanjung, Tabalong Regency	IDR 72,657,000
Construction of kindergarten in the Mantuil Village, Muara Harus Distric, Tabalong Regency	IDR 127,612,000
Construction of integrated health center (<i>Posyandu</i>) Village Model in Puain Kanan Village, Tabalong Regency	IDR 220,900,000




Students of Hidayatullah Maburai Islamic Boarding School are studying with teachers. Adaro Indonesia helped the school establishing its hall building in 2011.

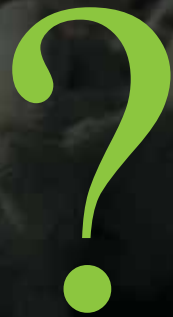


PROVIDE ECONOMIC BENEFITS 



A photograph of a chicken coop filled with numerous white chicks. The coop has a slatted floor and walls. A large, semi-transparent question mark is overlaid in the center of the image. In the foreground, a large white egg is visible, featuring a logo and the text 'vac AI'.

**HOW DOES ADARO INDONESIA
PROVIDE THE ECONOMIC
BENEFITS TO THE
STAKEHOLDERS**



“ The growth of the mining industry provides an opportunity for us to generate economic benefits, not only for ourselves but also for our stakeholders. We do this based on a strategic utilization of the economy for the establishment of independent communities in the future ”

With the existence of 20 billion tons of coal deposit in Indonesia, based on the estimation of the Ministry of Energy and Mineral Resources in 2010, the potential of the coal industry is still promising. Our business process is well-planned and arranged prudently, which has allowed us to grow independently. In 2011, the independency was reflected from the absence of special facilities or financial assistance from the government. **[EC4]**

We believe our business is still growing well. Certainly, it is expected that not only ourselves but also the suppliers, contractors, partners, employees and their families can have economic benefits, that also contributes to the development of community's social welfare and the environment. Our existence, in reality must bring positive economic impacts, in terms of providing jobs as well as payment for local revenue through state taxation. In addition, the amount of USD 132,429,000 was allocated to the state through the mechanism of royalty Adaro Indonesia in 2011. **[EC1]**

Even though we do not carry out a specific research and calculation, we believe that the existence of Adaro Indonesia influences the economy at large. An example is the arrival of foreign buyers to Kalimantan which led to the construction of a five-star hotel in Tanjung area. The regular spending of the employees is also a form of

economic impact that can be spread at large. Not to mention the contribution for tax that can be enjoyed by the central and local government, in which its realization is in a form of infrastructure development. All these things certainly boost the economy of the community. **[EC9]**

At the level of the local economy, the company is committed to providing business development opportunities to local suppliers. The Report of the year 2011 recorded a total number of 586 suppliers who supply to Adaro Indonesia, of which, a total of 228 were local companies headquartered in Tabalong and Balangan. Another 169 suppliers were spread throughout various other regions of Kalimantan. Suppliers at the national level from outside Kalimantan totalled 181 suppliers while there were only 8 suppliers of Adaro Indonesia that were classed as international. **[EC6]**

Economic mobility of our suppliers is fairly large. The biggest number of business transactions is with the national supplier group followed by those of regional and local suppliers. The large amount of economic values and number of local suppliers indicates fairly equitable economic benefits from the presence of Adaro Indonesia. **(EC6)**

Table of Procurement of Goods and Services by Supplier Type in 2011 [EC1] [EC6]

NO	CATEGORY	LOCATION	PERCENTAGE OF TRANSACTION VALUES	PERCENTAGE OF NUMBER OF VENDOR
1	Local	Tabalong Regency & Balangan Regency	3.43 %	14,02 %
2	Regional	Kalimantan	8.97 %	23.99 %
3	National	Indonesia	80.40 %	53.51 %
4	International	Overseas	7.20 %	8.49 %
TOTAL			100.00 %	100.00 %

- Local** : Domicile in Tabalong and Balangan area
- Regional** : Company that has identification tax number from Kalimantan area
- National** : Domicile in the legal area of Indonesia (reference from the Ministry of Energy and Natural Resources)
- International** : Outside Indonesia, subject to international regulations



Souvenirs of Banua Baunting Micro Finance are neatly arranged in a show cabinet in the living room of the micro finance. With Adaro Indonesia's support, Banua Baunting successfully distributes funds to micro entrepreneurs in the communities and continues to grow every year until now.

In accordance with the principles of sustainability, we ensure that all suppliers follow the regulations of Adaro Indonesia. Openness becomes the main factor that ensures the realization of aspects of justice (fairness) based on particular provisions imposed by Adaro Indonesia. Provisions or requirements set by the government, such as the price, quality, time, and test-related qualifications of legality, social, environmental, health, and safety, are also considered in the selection of suppliers. These particular criteria are also applied for selection of local suppliers, which must be carried out in accordance with the requirements of Adaro Indonesia and, if applicable, the provisions of laws and regulations.

Broadening the economic benefits certainly becomes a part of tax responsibility that must be met. As a part of good corporate governance, we strive to comply with the provisions of taxation. From the beginning, we have respected the lex specialist agreement with the Ministry of Energy and Mineral Resources through the work contract that runs until 2022. Adherence to the agreement includes the clause of tax payments by 45% of the net profit. Although the existing provision is 20%, we continue to follow the appropriate payment clause.

[EC4]

Strengthening the economy of the community becomes one of the priorities of corporate social responsibility. The economic sectors that we develop are those with competitiveness and excellence in their respective regions. An inclusive approach is used, covering the whole process from upstream to downstream with the ultimate goal being the independency of the economy. Rubber, for example, is a popular economic sector being developed by increasing acreage, quality, and product diversification to increase the added value of the product.

Seeing the demographic and real condition of the local community, the development of SMEs and the establishment of Micro Financing Institution (LKM) has become important for implementation. Through SMEs development and the existence of Micro Financing Institutions (LKM), the economic growth can be more robust, and therefore, income inequality and poverty can be overcome. A target to be achieved is the development of a number of Micro Financing Institutions (LKM) as the institutions supporting economic activities through a variety of growing SMEs.

Micro Finance Institution (LKM) Banua Bauntung Adaro Indonesia is a success story from the aspect of local economic development. In collaboration with a number of partners, the institution became a potential funding alternative for residents in Tabaliong and surrounding areas. By using the concept of a revolving fund, a number of SMES in Tabalong, Balangan, Barito Timur, and Hulu Sungai Utara became productive, which eventually was able to drive the real sector of the economy. The benefits of LKM are not only to the SMEs but also to other communities, because every form of SME activity creates employment opportunities for local residents in the surrounding areas.

In the agricultural sector, the most economic potential has been the development of rubber plantations. Since 1997 until today, the activities for the development of the rubber farmers has been increasing in terms of quality. Every year, aid in the form of training and technical support has been continually provided. Technical assistance is also given in the provision of seeds and fertilizers (both organic and non-organic), as well as farming equipment. Our local Agriculture Department is also engaged in providing technical planting counseling.

Table of the Eminent Rubber Plantation as of December 2011

Description	Year 2011	From Program Commencement to Year 2011
Number of Participants	666 people	7,271 people
Number of Developed Groups	35	331
Number of Beneficiary Villages	29	252
Number of Rubber Plantations	470.46 Ha	6,203.86 Ha

BY THE YEAR 2011, THE ACCUMULATIVE NUMBER OF RUBBER FARMERS THAT WE HAD DEVELOPED SINCE THE BEGINNING OF THE PROGRAM REACHED 7,271 PEOPLE, DIVIDED INTO 331 GROUPS FROM 252 VILLAGES IN THE TABALONG, BALANGAN AND BARITO TIMUR

By the year 2011, the accumulative number of rubber farmers that we had been developed since the beginning of the program reached 7,271 people, divided into 331 groups from 252 villages Tabalong, Balangan and Barito Timur. Total number of planting areas since the commencement of the program has reached 6,203.86 hectares. During the year 2011 alone, the increase in the area of rubber plantations was 470.46 acres. In addition to its success from the aspect of local economic empowerment, the development of rubber farmers is beneficial for transforming previously-abandoned land rehabilitation into potential land areas for the community. **[MM1]**

Other economic sectors that we have developed are animal husbandry and fishery. During the reporting period, we developed several new chicken farmers. We also develop fish breeding together with the community, such as a fish nursery carried out by our stakeholders at the Islamic Boarding School Hidayatullah in Maburai Village, Murung Pudak District, Tabalong Regency. The boarding school received assistance to develop freshwater fish cages. The harvest from the fishery can provide economic income that can be used to improve the quality of students in the boarding school independently. Various economic initiatives, which are beneficial, will be certainly continued in the years to come.

Table of the Initiatives on the Local Economy and Their Guidance and Achievement in 2011

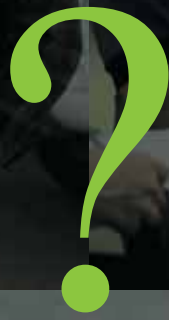
SUB-AREA	LONG TERM GUIDANCE	INDICATOR OF ACHIEVEMENT IN 2011
Rubber Plantation	Optimization of rubber Plantation sector towards an industry	Open 500 hectares of new rubber plantations
Stockbreeding	Transform livestock businesses into having capacities to sustain food security as well as the well being of community	Livestock village is established
Fishery	Transform fisheries into having capacities to sustain food security as well as the well being of community	Establishment of 5 fishery owner groups.
Agriculture	Transform agribusinesses into having capacities to sustain food security as well as the well being of community	Optimization of rice fields in the villages under 1 CSR target area, fix the infrastructures of agriculture
SMEs Development	Establishment of new enterprises	Development of a synergic distinctive enterprise in a village to the available potentials (water hyacinth, organic fertilizer)







**WHAT DO THE
STAKEHOLDERS SAY ABOUT
ADARO INDONESIA**



“ Our commitment to economic, social, and environmental responsibilities brings real impacts to people's lives. The various efforts that we undertake are designed toward the establishment of an independent society in line with our mission to make true the vision of sustainability. Instead of doing it alone, we do it together with our stakeholders ”

THE EXISTENCE OF ADARO INDONESIA WITH ITS BUSINESS ACTIVITIES MAKES TABALONG AREA DYNAMIC

Drs. H. Rahman Ramsyi, M.Si
Regent of Tabalong, period of 2010-2014

H. RACHMAN RAMSYI

The presence of Adaro Indonesia can give a positive impact to Tabalong Regency in terms of the economy, social, and environment. Adaro Indonesia's business activities make the area Tabalong area dynamically progressive. The most obvious thing is the changes and improvements in the local economy. Adaro is able to absorb thousands of workers locally and provide them with a steady income. The impacts on infrastructure are also apparent; the widening of the roads, the establishment of private banks as well as the construction of luxury hotels in Tabalong Regency.

In the social aspect, Adaro is much involved through CSR activities as well as special support beyond its CSR programs. We feel that the funds donated by Adaro are sufficient to help us achieve the vision of Tabalong in creating an intelligent community. Adaro provides an opportunity for outstanding students to continue their education into colleges and assists with organizing the training for educators. We experience many benefits not only in education but also in religious aspect, such as the construction of mosques and places of worship in Tabalong.

From the perspective of the environment, Adaro Indonesia has been awarded several times for its greening [environmental rehabilitation] programs. Compared with other companies, the environmental performance of Adaro Indonesia is considerably better. In the past there was pollution due to heavy rain, caused by the water in higher areas running down to the housing. By the good sustainability performance of Adaro, over the past two years there were no longer such complaints.

Land disputes are an issue that should be a concern for Adaro Indonesia. At the end, this issue must be addressed properly, as long as the problem is clearly identified. My message to Adaro Indonesia is to always meet its obligations. Not only taxes, royalties, but also the other obligations. In addition, it is good to build facilities that have been promised for the residents as soon as possible. One of the most important things to be considered and maintained is the willingness to embrace all stakeholders in its activities, either from the government, security forces, community, and other stakeholders.

ADARO INDONESIA IS NO LONGER A COMPANY BUT A PARTNER

H. Erwan Mardani

Head of Department of Education, Tabalong Regency

The presence of Adaro Indonesia in Tabalong provides many positive things for the development of the education sector in particular through its CSR programs. The award given by the Regent of Tabalong to Adaro Indonesia on National Education Day is a real testament of the appreciation for the commitment of the company in for the development program for education

Support from Adaro Indonesia, through its CSR programs is acknowledged by the officers of the Education department of Tabalong Regency and it brings positive impacts on educational development in our area. There is a scholarship program for achievers and a scholarship program for regional representatives where the best high school graduates study in Bogor Agricultural University (IPB). Students are getting more motivated to learn by having the scholarship. Competency enhancement programs for teachers organized by Yayasan Adaro Bangun Negeri (YABN) also has positive impacts. This is reflected by the increasing results of national testing of students because of the guidance of the trained teachers.

Success indicators of education in Tabalong Regency are determined by three things: the quality of educators, quality of students, and the availability of facilities and infrastructure

for study. Starting with the quality of teachers, I hope Adaro will continue its training package program for them. The good quality and competence of teachers will have good impacts on the quality of students. In Tabalong, the percentage of teachers with bachelor qualifications (S1) is very low; therefore it needs support in terms of academic equivalency. Furthermore, competency enhancement programs in both personality and professionalism are needed. Talking about the quality of education, facilities and infrastructure are also the influencing factors. For example, classroom facilities, restrooms, and a limited water supply will significantly interrupt the learning activities. This should also be noted by Adaro Indonesia.

I note a positive step, which is the involvement of the schools. During the planning stage of an education aid program, Adaro Indonesia always involves and coordinates with the Education Department through the coordination meeting forum with the CSR coordination team of Tabalong Regency. Through a series of meetings, we can mutually discuss and agree together the issues that are in priority and need to be addressed. I hope the cooperation of Adaro Indonesia with the Education Department will always be continued. As for us, Adaro Indonesia is no longer a company but a partner.



THE COMPANY SHOWS A GREAT CONCERN TO OUR VILLAGE

Rabaniah
Head of Maduin Village

Initially, we did not know the extent to which we could work together with Adaro Indonesia. We submitted a proposal to Adaro Indonesia that described the condition of Maduin villagers with a number of poor families having some problems. The feedback was beyond the expectation. Adaro Indonesia helps us greatly in the aspect of health, not only with an integrated health center (Posyandu) for toddlers but also calisthenics for pregnant women. In the integrated health center (Posyandu) for toddlers, we are given supplementary food for children under the red line. While in the calisthenics for pregnant women, we are assisted in the provision of equipment and infrastructure.

In addition to supporting the health, Adaro Indonesia is also concerned about the education at our village. The company rebuilt the Maduin Elementary School in Muara District which previously was unsuitable for study. Routinely, Adaro Indonesia also contributes books and bags to students. Since its development in 2010, the six-class building of the elementary school has been growing quite well and now has as many as 162 students.

Besides supporting those two aspects, health and education, Adaro Indonesia also help us in a form of 75 million Rupiah grant under the Bina Desa initiative. Only half of it is being disbursed and some of it is used for a drainage business, a rubber nursery, and a women group's farm. The decision on using the funds is determined through our own discussions.

The ideas usually emerge because of the existence of unused village land areas.

To run the culverts business, we have been managing a return of Rp1.060.000 distributed for 12 people. Although the result is not too big, people feel happy because of their satisfaction running their own work that can turn into economic values. Through this collective effort, we learn to work together. It is the same thing that we feel when we carry out farming initiatives involving the women of Maduin Village. Nine women jointly undertake land clearance and work together to do the planting. Types of plantations are tomato, pepper, and garden morning glory (*ipomoea reptans*). The harvest is sold to the vegetable-retailers who travel around the villages. It is obvious that the revenue can improve the economy of women in our village.

In carrying out the activities, we often meet with obstacles. The most common is the lack of people's awareness of the needs of the integrated health center (Posyandu). We finally had to make visitations from house to house until the weighing is done 100%.

Support from Adaro Indonesia makes us feel happy because the company shows great concern to our village. In the future, we expect that Adaro Indonesia can help us to have access to water and bathrooms that are clean and healthy in Maduin Village.

SUPPORT FROM ADARO INDONESIA, WE ARE CONFUSED ABOUT WHERE ELSE TO TURN TO

Pakjan S, S.Pd

Principal of Murung Pudak Junior High School

Adaro Indonesia has helped us build the necessary school facilities. From year 2010 to 2011, Adaro Indonesia established physics and biology laboratories for us. The existence of Adaro Indonesia provides a positive impact on the school because of the facilities provided for us that can support our teaching and learning activities. In the previous two years, we could not have a laboratory because it was changed into a classroom to anticipate the growing number of students.

We often mentioned the laboratory as a function room. The laboratory room that was built is not only used for laboratory practices, but also is used for meetings with parents where the meetings were held to communicate the facilities construction planning. To instill a sense of ownership to the available facilities, every Friday, the students regularly undertake collaborative activities and also they develop duty schedule for each class to guard the laboratory. We are also assisted in terms of training activities for teachers in accordance with the priorities that we need. For both facilities and activities.

Without support from Adaro Indonesia, we are confused about where else to turn to. If we wait for aids from the relevant official department, it will take quite a long time and will certainly hinder teaching and learning activities. We expect support for the school will be continued in order to improve learning facilities for the students and certainly improve school achievement. Before, our school won the rank of number 3 for the South Kalimantan area, and now, with the improvements of quality of our facilities it slowly rises again. But our success needs continued support from various parties, including Adaro Indonesia.

In terms of health aspect in school, we need sanitation facilities for the students because the capacity of the existing sanitary infrastructure is insufficient to serve to larger number of students. To improve the facilities and infrastructures, we not only carry out the construction of facilities but also prepare educators and students to be ready to take care and properly use the facilities.

WHILE WORKING TOGETHER WITH ADARO, WE ARE FEELING HAPPY AND RELAX BECAUSE WE, AS NGOS, ARE RESPECTED MORE

Juliade

Deputy Director of the NGO Consortium of Green Borneo (Borneo Hijau)

There were a lot of pros and cons to be considered before we worked with Adaro Indonesia. However, we still persevered and started to work together with Adaro Indonesia because we acknowledge that CSR funds are needed to be optimized for the benefits of indigenous people.

In 2011, we cooperated on scholarships for the indigenous people. Through this scholarship, we hope that indigenous people do not see CSR funds as something that is easily obtained and spent. We want the knowledge they get to be used for developing their daily life. It is our dream as activists.

Scholarships were given to 34 people, 7 of whom are activists of the Regency of Balangan, Tabalong, Barito Kuala, and Hulu Sungai Tengah. They are students who have studied for more than three semesters with each of them receiving 5 million rupiah. The funds are used to pay tuition and other college needs. Supervision is carried out by monitoring the achievement index of each student who is awarded a scholarship. In addition to direct funding to the students, Adaro Indonesia also provides funding support to the institutions as the coaches to the students.

In addition to supporting educational programs, Adaro Indonesia also helps us to implement a social program in form

of tree planting and medical examination. Also through this activity, it is the opportunity to establish a communication between the scholarships beneficiaries and citizens so that they can demonstrate its commitment helping the environment.

Internal and external barriers sometimes interrupt the implementation of programs. For example, cadres of Indigenous people are shy when acting as facilitator. However, up to now, these obstacles have been solved. Going forward, we expect the programs to be continued with the studies of the previous programs providing the materials for improvement.

While working together with Adaro, we are happy and relaxed because we, as NGOs, are respected more. It does not mean that we become uncritical because of the cooperation, the opposite, we expect that indigenous people as well as the activists can become more critical.

We understand that it is not good to leave funds idle. However, we also need to use it in an appropriate way. A message for Adaro is that it is important to keep local wisdom and ecosystem as well as the established values. Provide sufficient information to the community about the activities of the company and its benefits.

THE COMPANY AND COMMUNITY CAN LIVE SIDE BY SIDE, GROW AND DEVELOP IN HARMONY

Lalu Nofa Setiawan Putra, S KPM

Center for Conflict Resolution and Empowerment
Community Development and Research Institute (LPPM)
Faculty of Human Ecology, Bogor Agricultural University (IPB)

Adaro is seen as being totally helpful in developing the independent economy of community. We can feel this activities based on the needs of people - not just of their wants.

We have been cooperating with Adaro for 3 years in aiming to understand and map the needs of people in Dahai Village, Balangan Regency, and Padang Panjang Village, Tabalong Regency, by using the participative methodology. The activities in the two villages are the pilot projects under the program "Gerbang Aman" (Adaro Rural Development Movement of Independent Village) that will be duplicated for development of other villages.

We have 3 activities that we have accomplished and are currently on going, they are:

- Formulate the indicators of the independent community in a guide book as a technical manual of the empowerment of independent village.
- A three-year consistent community coaching period, in which 2 persons live together with the community in order to understand the life of people.

- Conduct training, especially in order to give understanding about the independent economy that should be embedded in the community, therefore people will not depend their life on the existence of companies, in example by having a productive economic enterprises.

The activities that have been carried out since 2010 shows results. At this time, the economic enterprises of community have been established in the two villages. We estimate it counts as 75% of the total growth of the economic sector. This is quite encouraging because the community dependency is decreasing and welfare of the community is increasing along with their economic enterprises operating in their areas of interests. Henceforth, this assistance will need to be implemented on a sustainable basis, until finally there will be a common view of the public on the existence of the company. Company and community can live side by side, grow and develop in harmony.

AS A COMPANY THAT EMPLOYS PEOPLE WITH VARIOUS ETHNIC GROUPS, ADARO INDONESIA IS ABLE TO MAINTAIN A LOCAL WISDOM IN A VERY PRUDENT WAY

Dedy Rahnoni, S.Pi

Instructor of the Art Studio Suluh Banua

Dance Studio Suluh Banua was founded in 2008, which was initiated from a private home activity. Many obstacles came when it was run at home privately. The house for exercises was located close to those of neighbors who complained about the noise from the group. Triggered by the growing number of students, the house became too small to accommodate them and eventually they were forced to do the exercises in a small alley and whenever there was a motorcycle or a car passing by, they had to stop the activities first.

In 2010, the government lent a place in a hall that was not used. Once cleaned and repaired slightly, it could be used as an art studio so the exercises became more manageable. Many children and adults came to join, and even they considered the studio that this became a second home for them.

Our cooperation began in 2011. Starting from our involvement in the family gathering of Adaro Indonesia and seeing an opportunity to get aids for developing our studio, we did not hesitate to introduce the Art Studio Suluh Banua to Adaro Indonesia by presenting our achievements and capabilities. The response came up, Adaro Indonesia supported us through a grant of as much as 20 million Rupiahs that we spent on buying music equipments and the dancers' uniforms used for art performance and exercises.

Up to now, our art studio continues to grow in terms of facilities and community involvement. Previously there were only 4 musician and now there are 20. Similarly, with adult dancers, before there were 6 people and now become 28 persons in addition to the number of children dancers who increased from 6 to 40. Now we

also have an art committees who are willing to exchange ideas with us. One of our proudest accomplishments in 2011 was being a winner in the category of best dance studio at the Tabalong Ethnic Festival 2011.

Art studio activities here include traditional dance, traditional music, and personality exercises that are usually intended for those who will follow the selection of "utuh" and "diang". We also organize discussions for school works and English language training to support their education in the schools. However, barriers exist including one being the time constraints of children who mostly go to school and therefore they can not do the exercises completely. While in terms of funding, up to now we have not had enough to meet the needs. The plan being that we do not just want to be a dance studio but more than that, we want to become a vocational school or an art institute.

So far, our relationship with Adaro Indonesia is quite well established. The company does not just give financial assistance but we also maintain communication with each other. Adaro Indonesia often provides support for us when we organize the events. As a form of appreciation, we gave awards at the Suluh Banua event to four parties; two for the artists, one for government, and one for the private sector Adaro Indonesia.

We really appreciate Adaro's concern with traditional culture and local wisdom. Adaro Indonesia plays a role in developing the community in terms of arts and culture. As a company that employs people with various ethnic groups, Adaro Indonesia is able to maintain a local wisdom wisely.

ADARO INDONESIA CAN HELP EDUCATING PEOPLE SO THAT THEY CAN CHANGE THEIR POINT OF VIEW AND BUILD BETTER CHARACTER FOR THE COMMUNITY

Zuraida Murdia Hamdie

Development Unit Coordinator Yayasan Adaro Bangun Negeri

Adaro Bangun Negeri Foundation (YABN) is a supporting foundation on social activities of Adaro Indonesia that are not under its CSR programs. Particularly in education, we emphasize on the Teacher's Competency Development Program, Early Childhood Education (PAUD), and Science Empowerment. The competency development of the teachers is carried out through action research in classes and schools in order to help the evaluation on action learning in the classes. The program begins with workshops, followed by mentoring with the instructors travelling directly from other areas to Tabalong. Afterwards, we facilitate a seminar on the results as well as publishing a journal.

We have been running the program since 2011 in Tabalong and we are planning to expand it into Balangan and Balangan Timur in 2012. In 2011, the results were beyond our expectation. Some teachers had great achievements by bringing their researches into a competition for the teaching profession at national level, joining as participants representing South Kalimantan.

Then in 2011, there were 10 Early Child Education (PAUD) institutions developed and whose teachers were being trained. We also have a role model PAUD which was established by YABN in Tabalong. Monitoring and evaluation are conducted routinely. After the development phase was carried out, the number of PAUD students increased in average because of the holistic education pattern we apply. The students love to study at the schools more than before because they feel happy. An example, PAUD in Upau District previously had 5 students but after it was facilitated now it has 25 students. This enthusiasm shows the increasing awareness of the community on the needs of education. Support also come from

parents in a form of willingness to pay for PAUD costs thus it is expected PAUD will become stronger because of the independent support from teachers and parents.

Through the Science Empowerment Program, we help students and teachers to make the education aids from simple materials. In 2010 until 2011, we facilitated science clubs at elementary school level. The results were satisfactory, the club members were able to make props and could present them very well.

Over all, the main obstacle in running programs is the different orientation of the beneficiaries. In the Teacher's Competency Development Program, the participants usually have a lack of motivation. therefore, we need to undertake screening with a competition-based system to seek out the potential teachers who have a strong motivation as well as a never ending spirit to accomplish the program.

So far, we see that Adaro Indonesia has a strong commitment to support the community living around the mining sites through its CSR and YABN programs is. Let us hope that Adaro Indonesia can spread these initiatives to other companies and also give bring more benefits to the community. Adaro Indonesia can help educate people thus they can shift their points of view and become better characters for the community, especially in managing income in a better way. At this time, community consumption is relatively high because people do not know how to manage money. It is expected that in the future when they already understand about this, they will be ready to live without the mining industry.

IN DETERMINING THE AID ELIGIBILITY, WE ARE ALSO IN DIRECT CONTACT WITH THE PUBLIC

Hikmatul Amin
CSR Program Manager

CSR Project supports Adaro Indonesia in conducting the construction of internal and external facilities. External facilities for the public include schools, mosques, meeting halls, and other public facilities. While for internal purposes, it is involved in the construction of necessary office facilities. Development is carried out in line with the four pillars (economic, social/cultural, environmental, and education) in a balanced manner by taking into account these needs.

Now, CSRP is underlining development of public facilities for the community. Construction of the facilities are proposed by the people directly but its mechanism is through local government. The process begins from the identification of the needs of community and village, and then the result is submitted to the district for assessment. After having the assessment, the result is then brought up to the drafting team at the regency. Once approved, Adaro will provide support for development.

After handing over the keys, we leave the maintenance and operational responsibilities to local government officials and the community. After all, the company must participate in monitoring and evaluation to view the use and maintenance of the facilities. In terms of the extension of activities, partners from other departments will continue the activities in the facilities. It can be people from YABN or the CSR Program. This process does not end opportunities to organize direct aid from Adaro Indonesia for the people in critical needs.

Working closely with the government does not necessarily make us provide help without knowing the actual needs of the community. In determining aid eligibility, we are also in direct contact with the public. This is intended to determine how big their needs are for the facilities we build. Sometimes, when a field survey is conducted, the community thinks we have already approved the proposal. In fact, we only carry out a field survey prior to determining the aids, needs, and available funds. This is our challenge that we need to explain the intention and purpose to the community. Good communication with the public and government are needed.

Frequently, another challenge is the irresponsible individuals that claim to be part of the community and ask for aids. To handle this, we do not solve it alone, but we do it with the involvement of other departments in the company or the local authorities. Working with people with different characters and backgrounds make us, who work in CSR field, learn many new things.

We expect, the facilities that have been built can be sustainable and more people can use them. Hopefully Adaro Indonesia and its programs can reach the grass root community so that the public can have the sense of ownership and be a part of Adaro Indonesia.

HAVING A GROWING BUSINESS, WORKING IN ADARO INDONESIA IS CHALLENGING BECAUSE IT ENCOURAGES GREATER CAREER OPPORTUNITIES

Mis Nandani

Employee of the Department of Geographic Information System
Treasurer of the Adaro Employees Organization (OPA)

We feel the excitement and challenge when working in Adaro Indonesia. Being a growing business, working in Adaro Indonesia is challenging because it encourages greater career opportunities. Along with its development, the number of employees Adaro Indonesia continues to increase and which has also been accompanied by an increase of benefits for employees. Every employee also feels the support of the company in term of skills improvement. If we want to learn a new skill or knowledge, then the company will facilitate a variety of the training needed. As the output, we also have to contribute to the company based on the results from the training and it is expected that, these contributions can improve the operations of the company.

The Adaro Employees Organization (OPA) is also fully supported by the company, through the provision of opportunities and facilities for sports and religious activities. Badminton, futsal, or activities of the Prophet's Birthday, Christmas, and other religious events are always supported by the company. From the organizational aspect, OPA officials are also facilitated to

undertake study visits to other companies, particularly companies operating in the same industry. Comparative studies are on the issues of remuneration and employee management systems. The results of comparative studies are presented to the company and reviewed by all parties together in order to determine whether it can be adapted in the company's environment. To this point, communication between OPA and the company is good even though not all OPA aspirations can be fulfilled by the company. The challenges for OPA come from its members, that we must embrace them to have bigger sense of ownership to the organization.

As a company that grows bigger and develops, we expect Adaro Indonesia will increasingly empower local people in its operational areas. Adaro Indonesia can provide more opportunities for local residents to demonstrate their abilities so that both company and local residents can grow together. Empowering local residents will benefit the company than training and recruiting outsiders who will definitely require higher spending.



**ADARO INDONESIA IS QUITE RESPONSIVE
TO FOLLOW UP EVERY ISSUE**

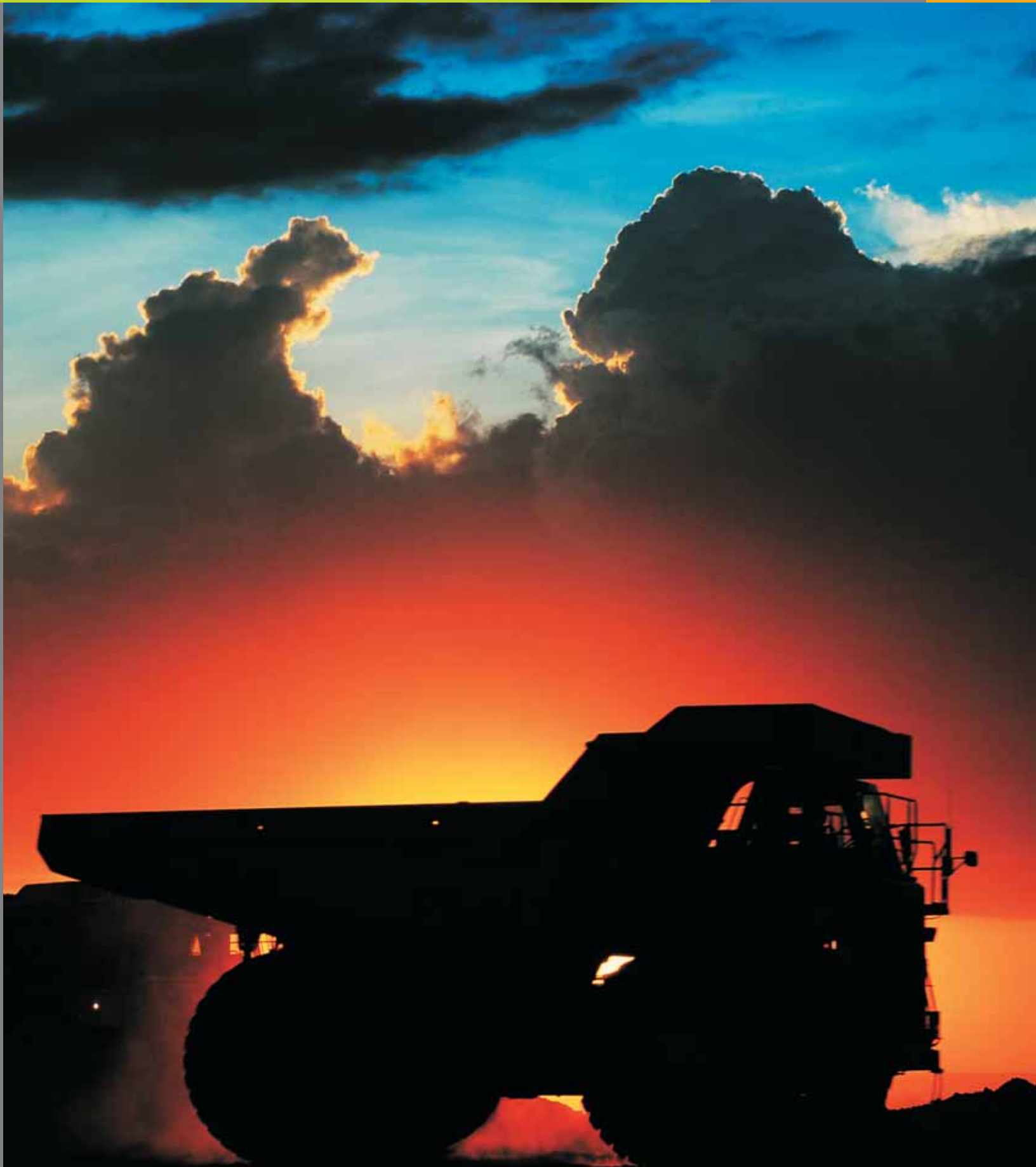
Rudy Smith

Vice President, Compliance and Business Support
PT. Paiton Energy

Since 1999, approximately 70% of the coal that we have been needed to generate electricity has been being supplied by Adaro Indonesia. In general, there are no significant problems in maintaining our relationship as a consumer with Adaro Indonesia as a producer. However, we are very concerned about the performance of Adaro Indonesia as a whole, including its performance of social responsibility to the local community and environment. This is also clearly our interest that the performance of social and environmental responsibility will affect the quantity and quality of production we significantly need.

The coals produced by Adaro Indonesia meet our coal requirements, which should be environmentally friendly with low-levels of ash content, nitrogen, and sulfur. Coal with environmental-friendly qualities play a big role in maintaining the efficiency of processing costs in Paiton. We feel that Adaro Indonesia is quite responsive in following up on any issue that occurs, so it will not interfere with the performance of both companies. We expect that our currently well-maintained business relationships can be sustained or even enhanced.





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www.adaro.com

PT ADARO INDONESIA

Head Office

Menara Karya, 22nd - 23rd Floor
Jl. HR Rasuna Said, Blok X-5 Kav. 1-2
Jakarta 12950 - Indonesia
Phone: (62-21) 2553 3000
Facsimile: (62-21) 5211 266

Operational Office

Wara KM. 73, Hauling Road
PO Box TTB 110 Tanjung 71500
Kalimantan Selatan
Phone: (62-526) 2121 997/98
Facsimile: (62-526) 2021 996