Managing Performance, Strengthening Sustainability

Sustainability Report PT Semen Tonasa

2016

Managing Performance, Strengthening Sustainability

The holding position as market leader in eastern of Indonesia particularly, will be always prevailed. Therefore, it focuses on the economic, social and environmental base of cost transformation strategy.

The holding believes that business sustainability is strongly correlated with green operation practices and social friendly.

The holding always scales up its performance to support business sustainability and sustainability development that in line with vision and mission of the holding to be highly efficient and environmental friendly.

The meaning of strengthening sustainability is that PT Semen Tonasa committed and implementing initiative to maintain sustainability performance at the same time toughen its reputation before stakeholders. The holding constantly maintaining interest among three pillars of stakeholders, profit, and People & Planet (P3) in balance to always obtaining trust from the market, winning competition and sustaining growth.

ACHIEVMENT OF SUSTAINABILITY PERFORMANCE 2016

PROFIT

Cement Production
5.965.929 Ton

Tax
904 Bill

Supplier Partners
2.412 Milyar

Efficiency Performance
142 %

PEOPLE

Public Satisfaction Index
75.13 %

Total SMEs Partners
10.902 business unit

GCG Index
90,32 (Excellence)

Total Workplace Accident
Zero Accident

PLANET

Width of Biodiversity Area
84,75 ha

Intensity of Energy Heat
3.311 Mjoule/ton cement

PROPER Category
Green Proper

Waste volume/Intensity of Hazardous waste
10,41 Kg/ton cement

AWARDS	REMARK
Proper Award 2016 - Green Category	Ministry of Environment and Forestry
Performance Excellence Growth - Bronze Award	Indonesia Quality Award (IQAF)
Malcolm Baldrige Award 2016 Emerging Industry Leader (Total Point 601)	Indonesia Quality Award (IQAF)
Green Industry Award - Level 5	Ministry of Industry
SNI Award 2016 - Gold	Indonesian Standards Body
Social Bussiness Innovation Company 2016 Category Cement Industry	Warta Ekonomi Magazine
Best Green CEO 2016 Special Mention In Cement Industry (CEO Ir. Andi Unggul Attas, MBA)	Warta Ekonomi Magazine
Indonesian Red Cross Award 2016 For the General Director PT Semen Tonasa Ir. Andi Unggul Attas, MBA	Indonesian Red Cross
CSR Cultural Category at CSR Award 2016	Koran Sindo Newspaper
Community Empowerment Sector SMEs & Environment 2016	Koran Sindo Newspaper
Journalist Competence Promote Company Award 2016	PWI South Sulawesi
Recognition on supporting education voluntarily 2016	Sampoerna Academy Boarding School
Recognition on participation in international convention 2016	On Quality Control Circle 2016 di Bangkok, Thailand

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Foreword President Director

Andi Unggul Attas
President Director

FOREWORD PRESIDENT DIRECTOR (G4-1)

Our stakeholders' values,

Here we are presenting sustainability report in complying with Global Reporting Initiative (GRI) G4 and ISO 26000 Social Responsibility. Through this report, our holding wants to demonstrate our commitment in participation on sustainable development measures.

It's definitely meaningful for us since years of coloring Indonesia development with our operationalize works. As part of this nation, we contributed in business performance by producing products demanded by all sectors. Not only that, we also strive to provide benefit more than just being a business entity, henceforth all our measures are to help with our strong commitment consistently in real actions in coping with various challenges faced by our nation.

Through 2016 was the hard period for us by business. Indonesian economic growth was not yet conducive to observe our products. By national, demand on cement products decreased down to -0.3 percent, though there was slightly increasing in eastern Indonesia up to 1.2 percent.

Cement business recently shows a quite fierce of competition in the local market due to emerging of new players. Cement production by national scale was 90 million ton but the market absorption is only 62 million ton. This situation caused over capacity amounted to 25%. With relatively stagnant market and slightly intense competition forced us to make breakthrough to be the winner in the tight competitive of cement business.

Keeping Position as Market Leader,

Having experience in cement business for many years, it made holding adaptive. Though challenged by many pressures. The holding still able to demonstrate better performance compared to the last year. This is because of aptly strategic we applied to cope with challenges and grabbing benefit from opportunities. In 2006, our market share in eastern of Indonesia was the biggest though decreased down to 0.2%. The company still as market leader. There are two primary strategy we applied to maintain the market share and market leader. First, strengthening distribution management. Second, maintaining price disparity.

To survive in current economic trend competitiveness is highly demanded for strong business.

Strengthening in distribution management undertaken by constructing packing plant across region. Hitherto we already have packing plant network across nine location in Sulawesi. Kalimantan, Bali and Maluku. The packing plan construction still continue in 2016 in North Maluku.

The challenge of the seaport in eastern of Indonesia is the capacity relatively too small that effective and efficient loading and unloading is not yet possible that have to conducted by manual. Having the packing plants we don't have problem because the holding has private port and does not need labors for loading and unloading the cement. It work by using pipes from the silo to the packing site that man labor almost no longer needed. To conclude that packing plant is suitable for supplying product continuously to market, and reducing production cost.

Besides, packing plant enable us to present clean product because normally distributional distance and time prone to reduce product quality and product physical performance, dirty even many broken. Henceforth by having packing plant it is also reducing logistical cost efficiently as well as trust from consumers.

Transformation Strategy

To survive in current economic trend competitiveness is highly demanded for strong business. We continuously enhancing the competitiveness internally and externally. One of the way to strengthen the competitiveness is by having cost transformation strategy to increase revenue and reducing operational cost. This strategy basis is sustainability business that emphasizing on balancing among commitment, performance against People, Planet and Profit (3P).

The cost transformation application is conducted by striving to have competitive production cost, namely by looking at structural aspects. There are two issues of concern, first, strengthening performance process. Second, upgrading equipment from upstream down to downstream. Therefore, we conducted total evaluation, looking at progress of process, identifying any area and gaps to be fill out and improved.

By applying cost transformation strategy, we obtained profits and benefits. By economy, by conducting review in procurement process and bidding. Including decision to use low calorie coal as energy source. Having those improvement, the holding achieved efficiency amounted to IDR 295,975 billion.

Heath and Safety at Work (K3) is part of cost transformation strategy. Gradually we have been improving operational system and equipment to increase K3 performance. Identified high risks base of working process, introduction of automatic system that minimized human engagement. Such as installment of gas analyzer for high level risk of fire spot.

Environmental Management

By environment, newly equipment installation such as Bag Filter to replace Electronic Precipitator (EP) is able to control more environmental impacts. Dust control induced by production process consistently minimized. Improving on the processing is part of our commitment such as switching off main equipment at the plant once problem is indicated that reducing further impact against pollution and as well work safety.

The result on dust control have been better from year to year. In 2015, it level was at 1.16 mg/m3, it decreased to 0.89 mg/ m3.

As for low calorie coal consumption change, the holding adjusted equipment to be complied with environmental requirement. We can use low sulfur coal <0.8% that reduced SO2 pollution.

The result on dust control have been better from year to year. In 2015, it level was at 1.16 mg/m3, it decreased to 0.89 mg/ m3. Likewise with measuring NOx emission amounted to 4.38 Mg/Nm3, and SOx amounted to 5.88 Mg/Nm3. It is all beyond the standard government regulations.

In 2016 was our proud year because our holding awarded as Proper Green by Ministry of Environmental and Forestry. We considered the award as parameter for our performance improvement in socio-economic and environment. It is not easy to achieve Beyond Compliance required by Proper. Highly commitment and consistency of performance is demanded to reach the achievement and improve it.

We realized that Proper is not our goal, but we considered it as benchmark toward the achievement of sustainability performance we applied. Such as energy consumption, our performance is in line with Proper requirement. This is demonstrated by our achievement in consuming Alternative Fuel and Raw material (AFR). Of the regulation stipulated 3% of AFR consumption, the holding succeed consumed the AFR up to 5% at plant 3 and 4.

The holding commitment on AFR, by using husk (paddy husk) positively impacted on economy of the community. Before using AFR, husk has no economic value. By using AFR, company procured husk amounted to ID 200,000 per ton. By consuming the husk, it automatically it leveraged the community economy.

Towards Corporate Citizenship

The emerging holding by consistently improving is company that getting closer to public. This what we believed in policy and activity of our operation. What we have been doing to be closer to public by conducting various activities that made public trust us, being aware of presence of the company helped to increase their life quality.

What we have been giving to our stakeholders, is measurable from was our contribution toward our employees amounted to 572 billion in form of salary and benefit. Yet not included what we have been giving to our supplier and contractor amouned 2.412 trillion. It brought about domino effect toward economy growth of the region. As for toward government, we consistently contributed in form of yearly tax. In 2016, our tax contributed amounted to 904 billion. 16.9% higher than last year.

The most pivotal contribution is toward society. We have community development programme called Tonasa Bersaudara or Tonasa Brotherhood with five pillars of holistic development toward self-reliance and empowered community, namely Tonasa Mandiri (independency), Tonasa Cerdas (Smart Tonasa), Tonasa Sehat (Health Tonasa), Tonasa Bersahaja (Humble Tonasa) and Tonasa Hijau (Green Tonasa).

Our stakeholders' values,

Business challenge in the future is remain tough. Competition will be getting fierce. The future will not easier than today. Market turbulence still high and more competitors. In those situation, being able to survive is a satisfactory thing.

Not with standing we strive will never fade up. With all sources we have at this moment, we strive to be the winner.

Notwithstanding we strive will never fade-up. With all sources we have at this moment, we strive to be the winner.

Therefore the cost transformation strategy based on economic, social and environmental balance is what we are focusing on. There is the addition of packing plant, the rejuvenation of environmentally friendly equipment and the improvement of consumer services. We believe, business sustainability is closely related to increasingly cleaner (green) and social-friendly operating practices.

The company consistently improving performance to have enabling environment for business sustainability and sustainable development that in line with vision and mission of the holding to be highly efficient and environmental friendly company.

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Andi Unggul Attas

President Director

Company Profile

- Corporate Profile
- Human Resources Development
- Product Info & Capacity
- Company Scale
- Corporate Governance
- Supply Chain
- Stakeholders Management
- Management Certification

We have become cement industry that support development activities especially in eastern Indonesia. Our main raw materials sourced from our own mine site and is managed efficiently as well as always considers the environmental aspects and the existence of the stakeholders.

CORPORATE PROFILE (G4-3) (G4-7)

Semen Tonasa was established by the state and mandated to escalate Eastern Indonesia. It is reflected in the establishment of the company based on the provision of the Parliament Assembly (MPRS) No.II / MPRS / 1960. Henceforth, in 1968, after eight years of appointment, the company so called PT Semen Tonasa began to operate. (G4-3)

The government's policy to consolidate similar state-owned enterprises, led the company to join PT Semen Gresik (Persero) - now PT Semen Indonesia (Persero) Ltd - in 1995 as a holding company.

Currently, the largest share composition is owned by PT Semen Indonesia (Persero) Ltd of 99.9998% (304 million shares). The rest is owned by Employees' Cooperative of 0.0002% (500 shares) (G4-7).

The company's growth and various expansion are supported by policies to improve efficiency in various aspects and alignment of operations with the environment and stakeholders.

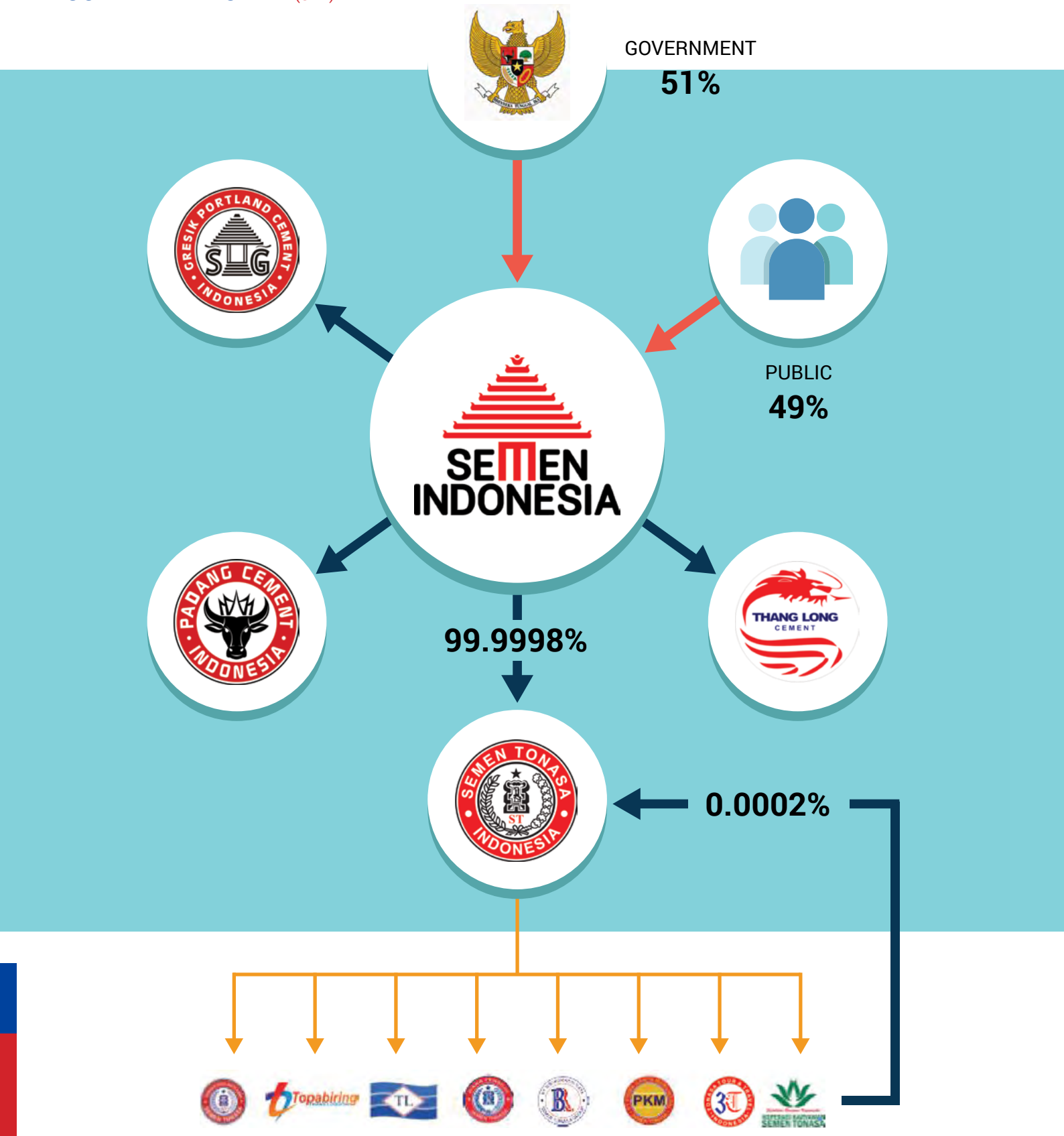
VISION (G4-56)

To be a prominent cement company with high efficiency and environmentally friendly in Indonesia

MISSION

- Increase the value of the company according to the stakeholders' mandate.
- Producing cement to meet the needs of consumers with quality and competitive prices and timely delivery.
- Using the most efficient technology, safe and environmentally friendly.
- Creating enabling environment to generate employee's motivation to work professionally

COMPANY PROFILE (G4-7)



Stakeholder *Subsidiary Company* *Affiliated Relation*

HUMAN RESOURCES DEVELOPMENT (G4-10) (G4-11)

Human Resource Development Commitment (HR) is an integral part in the progress of the Company. Therefore HR management is manifested in the implementation of the Human Capital Master Plan (HCMP) program and the Human Resource Information System (HRIS).

By Employment Status & Gender

EMPLOYMENT STATUS	2014		2015		2016	
	Total		Total		Total	
	Male	Female	Male	Female	Male	Female
Permanent Employees	1663	118	1608	116	1532	109
Non Permanent Employees	2	1	2	1	2	-
Outsourcing Employees	650	9	628	9	739	12
Total	**2315**	**128**	**2238**	**126**	**2273**	**121**

By Employment & Gender Year 2016

EMPLOYMENT	MALE	FEMALE	TOTAL
ESELON I	26	2	28
ESELON II	61	8	69
ESELON III	158	26	184
ESELON IV	480	39	519
ESELON V	807	34	841
Total	**1532**	**109**	**1641**

By Region & Gender Year 2016

EMPLOYEE	MALE	FEMALE	TOTAL
Local Workers	1532	109	1641
Foreign Workers	-	-	-
Total	**1532**	**109**	**1641**

By Time & Gender Tahun 2016

EMPLOYEE	MALE	FEMALE	TOTAL
Full time	1532	109	1641
Part Time	-	-	-
Total	**1532**	**109**	**1641**

CULTURAL & VALUES INTERNALIZATION (G4-56)

Corporate culture is a consistent solution in form of values, norms and habits that affect the thinking, conversation, behavior, and how the employees work everyday, hencefort it will lead to the quality of corporate performance.

Therefore, the Company sets out the attitude and behavior guidelines known as **CHAMPS**.

C

Compete with a clear and Synergized Vision
Mobilize resources and capabilities to be able to compete fairly with anyone to achieve the objectives of the Company.

H

Have a High Spirit for Continuous Learning
Always nurture the spirit of never being content to gain new knowledge and skills in order to increase the capability and be able to adapt to change.

A

Act with High Accountability
Able to deliver assignment in accordance with the functions and roles professionally and be accountable for words, decisions and actions in comply with the Company's procedures.

M

Meet Customer Expectation
Maximize service to customers in a focused, responsive manner to achieve customer satisfaction comply with valid procedures.

P

Perform Ethically with High Integrity
Being able to apply elegant ways, respect and appreciate all stakeholders without losing integrity, instead be a role model in honesty and trustworthy.

S

Strengthening Teamwork
Able to build cooperation with fellow colleagues either in the same units or from cross-units in order to achieve the best targets and plans of the Company.

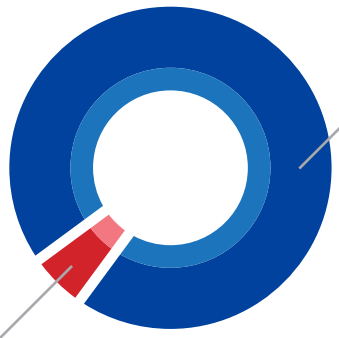
Operation Location (G4-5) (G4-6)

The company initially has a factory called Tonasa I Plant located in Balocci, Pangkep. Since 1980 the Tonasa I plant is no longer operated. The company then occupied a land area of 715 hectares in Biringere Village, Bungoro sub-district, Pangkep District, about 68 kilometers from the city of Makassar. At this location, the Company has four factories called Tonasa II, III, IV and V plants.

In addition to its factory location, the company also has representative offices in Jakarta and packing plants in several areas in Sulawesi, Kalimantan, Bali and Maluku.

DESKRIPSI	LOKASI
Headquarters	Biring Ere, Pangkep, Sulawesi Selatan, Indonesia Telp. +62 410 312345, Fax. +62 410 310113
Jakarta Representative Office	Graha Irama, Lantai 11, Blok X-1 Jl. H.R. Rasuna Said, Kav 1-2, Jakarta
Factory 1 (out of operation)	Balocci, Pangkep, Sulawesi Selatan
Factories 2, 3, 4 and 5	Biring Ere, Pangkep, Sulawesi Selatan
Special Port of Bureau of PT Semen Tonasa	Jl. Poros Biringkassi, Pangkep, Sulawesi Selatan
Cement Packaging Unit (UPS) :	
1. Cement Packaging Unit (UPS) Makassar	Pelabuhan Soekarno Hatta, Makassar, Sulawesi Selatan
2. Cement Packaging Unit (UPS) Mamuju	Desa Bakengkeng, Belang Belang, Kalukku, Mamuju, Sulawesi Barat
3. Cement Packaging Unit (UPS) Palu	Desa Labuan Lelea, Taweli, Donggala, Sulawesi Tengah
4. Cement Packaging Unit (UPS) Lapuko	Kecamatan Lapuko, Konawe Selatan, Sulawesi Tenggara
5. Cement Packaging Unit (UPS) Bitung	Pelabuhan Nusantara, Jl. Ir. Samuel Languyu, Pateten, Bitung Timur, Sulawesi Utara
6. Cement Packaging Unit (UPS) Samarinda	Palaran, Tengkurejo, Rawa Makmur, Kalimantan Timur
7. Cement Packaging Unit (UPS) Banjarmasin	Pelabuhan Trisakti, Jl. Barito Hilir No.9, Kalimantan Selatan
8. Cement Packaging Unit (UPS) Celukan Bawang	Jl. Pelabuhan, Celukan Bawang, Bali
9. Cement Packaging Unit (UPS) Ambon	Jl. Dr. Siwabessy, Pelabuhan Gudang Arang, Ambon, Maluku

Sales Volume and Market Served 2016 (G4-8)



5.467.217 Ton
97,70%
Domestic

Overseas (Philippines & Timor Leste)
130.369 Ton
2,30%

Total: **5.597.586 Ton**

PRODUCT (G4-4) (G4-8)

The Company's main product is cement, which is an adhesive material that can binding solid materials into a single, compact and powerful unit. Cement is produced from materials such as limestone, silica sand, clay and iron sand.

There are three types of cement produced and marketed by the company; Portland Composite Cement (PCC), Portland Pozzolan Cement (PPC), and Portland Cement Type I (OPC).

Composite Portland Cement Products (PCC), this cement is suitable for general concrete construction, plastering, acian, brick installation, wall fence, special construction materials such as precast concrete, prestressed concrete, concrete panels, and so on. This type of cement is the result of grinding portland and gypsum cement with one or more organic materials.

Portland Pozzolan Cement Products (PPC), this cement is suitable for multi-storey building (2-3 floors), general concrete construction, mass concrete constructions such as full plate foundation and dam, building construction in coastal areas, aquatic lands (swamps) and buildings In aggressive sulphate salt environments, as well as construction of buildings requires high impermeable, such as sanitation buildings, aquatic buildings, and water reservoirs. PPC cement is made from a homogeneous mixture of Portland cement and fine pozzolan where the pozzolan content is mixed by 15-40%.

Portland Cement Type I (OPC), this cement is ideally used as a material for public buildings with high pressure but does not need special requirements, such as high-rise buildings, highways, bridges, aquifer platforms, dams and others. This type of cement is made from a mixture of slag (semen finished) and gypsum only.

PRODUCTS	BRAND NAME	SNI STANDARD
Composite Portland Cement Products (PCC)	Semen Tonasa	SNI 15-7064-2004
Portland Pozzolan Cement Products (PPC)	Semen Tonasa	SNI 15-0302-2004
Portland Cement Type I (OPC)	Semen Tonasa	SNI 15-2049-2004

Production Capacity

The Company currently operates four factories, namely Tonasa II Factory, Tonasa III Factory, Tonasa IV Plant and Tonasa V Plant. With these four factories, the installed capacity achieved 5,980,000 tons of cement. The four units of the plant use dry process with a capacity of 590,000 tons of cement per year for Units II and III, 2,300,000 tons of cement per year for Unit IV and 2,500,000 tons of cement for Unit V.

To support the need for electrical energy, the Company constructed a 2x25 MW Steam Power Plant (BTG) at Birelangsi Village, Pangkep District, about 17 km from the factory site. The Company also has a high coal unloader facility that can dismantle 1000 tons / hour.

FACTORY UNIT	CAPACITY
Factory Unit II	590.000 ton/year
Factory Unit III	590.000 ton/year
Factory Unit IV	2.300.000 ton/year
Factory Unit V	2.500.000 ton/year
Electric steam power plant (PLTU)	2 x 25 MW
Coal Unloader	1.000 ton/hrs

ENTERPRISE SCALE (G4-9)

In the last three years by utilizing the four active factories, the Company maintained its production scale at an average range of 5.6 million tons for clinker production and 6 million tons for finished cement production. This has placed the Company as the largest cement company in eastern Indonesia.

The Company has 1,638 employees in 2016. This figure is reduced compared to 2015 with 1,724 people. This decline is inseparable from the Company's policy to obtain an ideal ratio between the number of employees against productivity. (G4-10)

Along with the success of seizing market share, with revenues of Rp 5,350 billion in 2016, the Company succeeded in increasing its net profit by Rp 603,207 billion, an increase of 8.4 percent of the previous year.

DESCRIPTION	UNIT	2014	2015	2016
Number of employees	Person	1.784	1.724	1.641
Cement production	Ton	6.122.011	6.067.038	5.836.884
Production of Slag (Clinker)	Ton	5.726.904	5.305.182	5.965.929
Income	Rp (juta)	5.492.515	5.256.964	5.350.128
Liabilities	Rp (juta)	4.706.737	4.559.169	4.547.362
Equity	Rp (juta)	3.534.441	3.807.961	4.183.092
Total Asset	Rp (juta)	8.241.180	8.367.130	8.730.454
Net profit	Rp (juta)	713.523	556.347	603.207

Affiliated Company

The Company is supported by a number of affiliates to run the business. Affiliates play a role in a variety of activities, both to perform core processes and that are supportive.

There were eight affiliated companies with various business activities ranging from construction, distribution, outsourcing, travel accommodation and facilities management. So far, the existing affiliated companies focus on support to the Company's business.

AFFILIATION	BUSINESS ACTIVITIES
PT Prima Karya Manunggal	Construction, distributor, land transport
PT Topabiring Trans Logistik	Material transport, land cement transport
PT Biringkassi Raya	Packaging operation, requires port
PT Tonasa Line	Sea transport of bulk cement and agency
Dana Pensiun Semen Tonasa	THT Fund Management
Yayasan Kesejahteraan Semen Tonasa	Educational management, swimming pools, sports facilities
Koperasi Karyawan Semen Tonasa	Revolving fund, suplier, bag factory
PT Tonasa Tour & Travel	Travel accommodation services, hotels and airline ticket

MEMBERSHIP IN ASSOCIATION [G4-16]

NO	NAME OF ASSOCIATION	MEMBER STATUS
1	Chamber of Commerce and Industry for South & Central of Sulawesi (KADIN)	Member
2	Indonesia's Cement Association (ASI)	Member
3	Real Estate Association for South Sulawesi (REI)	Member
4	Indonesian Employe's Association (APINDO)	Outstanding Member

CORPORATE GOVERNANCE

Management System (G4-34, G4-14)

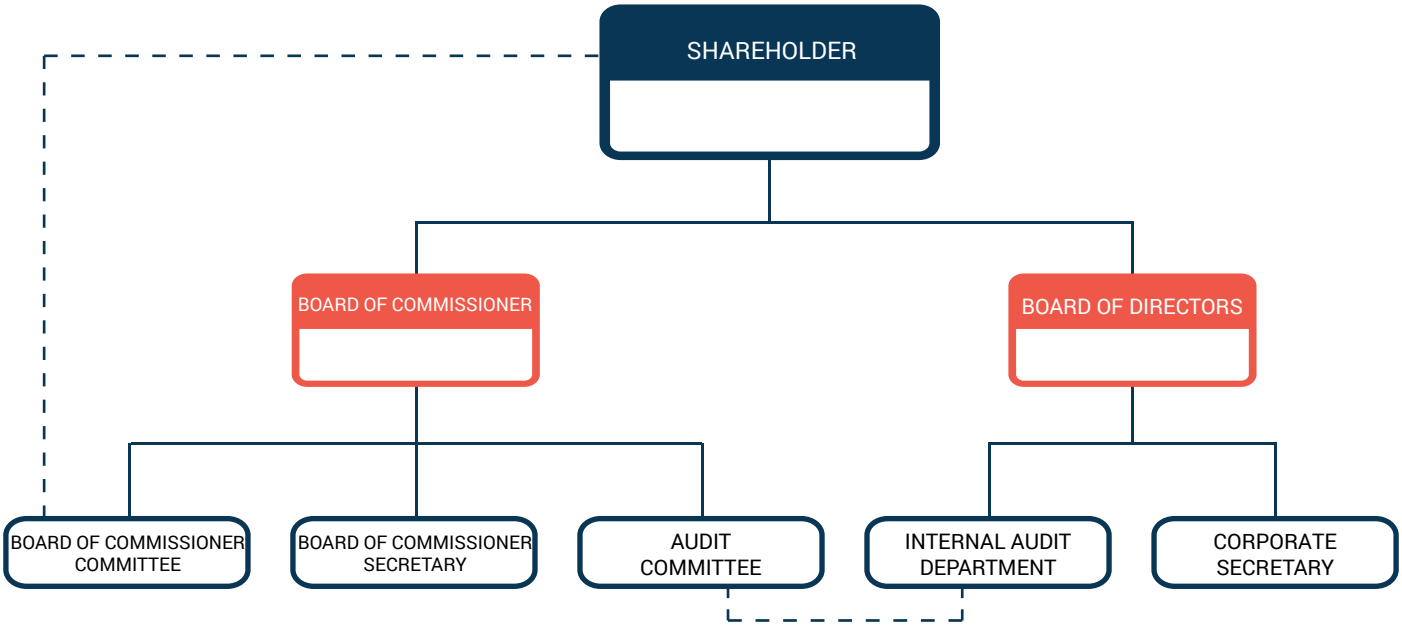
The implementation of corporate governance is implemented based on the prevailing rules. This can not be separated from the Company's position as part of the operating company (opco) of State-Owned Enterprises, PT Semen Indonesia (Persero) Tbk.

Several guiding rules are as follows :

- Regulation of the Minister of State Owned Enterprises (BUMN) No. PER-01 / MBU / 2011 on the Implementation of Good Corporate Governance (Good Corpoprate Governance) on BUMN.
- Secretary Decree of the Ministry of BUMN. SK-16/S.MBU/2012 dated June 6, 2012 on the Indicators/ Parameters of Evaluation and Evaluation on the Implementation of Good Corporate Governance in BUMN.

Internally, the Company's governance policy is adopted based on the Decree of the Board of Directors of PT Semen Tonasa no. 018 / Kpts / HK.00.02 / 12.00 / 02-2013 regarding the Implementation and Monitoring Team of Good Corporate Governance PT Semen Tonasa.

Good governance, implemented through the Company's governance structure includes Annual General Meetings (AGM), Board of Commissioners, Board of Directors and Supporting Committees of the Board of Commissioners: Audit Committee, Nomination Committee, Remuneration Committee, Risk Policy Committee and Secretary of the Board of Commissioners. Decision-making related to economic, social and environmental impacts is the responsibility of the Board of Directors, with due regard to the consideration of the Board of Commissioners where appropriate.



To enhance competitiveness and stakeholder confidence, the GCG principles are applied consistently through the integrated management system of Semen Tonasa Management System (SMST). SMST contains policies, procedures and work instructions that form the main pillar of GCG principles implementation to create a good corporate culture in the implementation of all business processes. Implementation of SMST is a reflection of GCG principles which includes openness, accountability, responsibility, independence and fairness and equality.

Ethic & Integrity (G4-56)

All elements within the Company are encouraged and conditioned to maintain the ethics and integrity of work, both internally and externally. This effort is clearly intended to enhance the professionalism of each individual within the scope and range of corporate influence. Good governance system is expected to increase productivity, fairness and growth for the Company.

Efforts to maintain ethics and integrity can not be separated from efforts to apply GCG principles, whereby it is expected to be achieved :

- **Optimizing company value to enhance competitiveness and achieving vision and mission.**
- **Management of resources in a professional, efficient, and effective manner.**
- **Management systems based on moral values and compliance to regulations and policies, including social responsibility to stakeholders and the environment.**
- **Trust from shareholders.**
- **Create added value for all parties and the company's reputation.**

As an effort to implement the ethics and integrity, the Company conducted various activities :

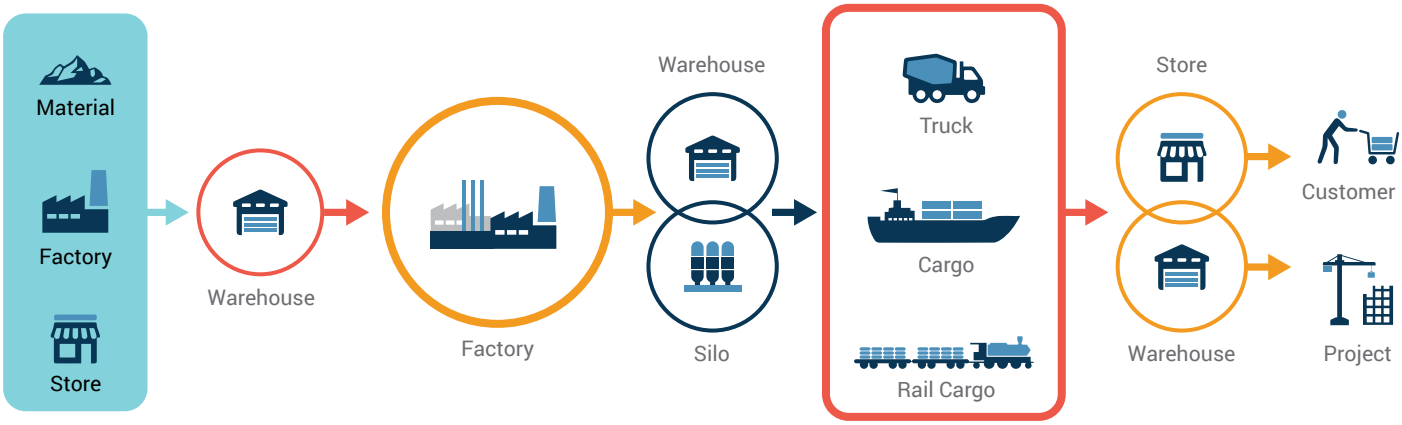
- **Implementation of Exelence Malcolm Baldrige's Performance Assessment by IQA**
- **Completion of complaints against Wistle Blowing System (WBS) complaints against PT Semen Tonasa**
- **Signing of compliance statement to Code of Conduct**
- **Board Manual Enhancement**
- **Implementation and refinement of the Company's Corporate Asset Management Reports within PT Semen Tonasa and the dissemination of the Report on Wealth by the Corruption Eradication Commission (KPK).**
- **Implementation of GCG implementation survey and corporate culture socialization to all employees of PT Semen Tonasa**
- **Risk Management Monitoring every month.**
- **Attend training and seminars, including Training of Trainers (TOT), evaluation of GCG assessment results, risk management, gratification control and WBS, and others.**
- **Socialization of the GCG soft structure to employees and Stakeholders on Gratification Policy and Wistle Blowing System (WBS)**
- **The ePI-CoC Program is the signing of an electronic-based Integrity Pact on compliance with the Code of Conduct.**
- **eGRCA's e-GRCA (governance risk and compliance) program - brings together online risk management, GCG and compliance systems. Reporting, assessment, risk lists are incorporated into the online system. What used to be done manually is done online.**

SUPPLY CHAIN (G4-12)

Supply chain management is a mechanism that the Company makes to manage all parties involved in processing raw materials into cement and distributing to consumers.

The management of the parties in the supply chain is essential to create a good and mutually beneficial relationship. Equally important is to produce cement products responsibly, efficiently, in harmony with the needs of stakeholders and always minimize the environmental impact.

Various parties are invited to cooperate by the Company consisting of suppliers, transporters, distributors, stores or retailers, as well as subsidiaries and other supporting affiliates for the availability of raw materials, production processes and cement delivery to consumers. They are the Company's partners for the procurement of goods and services.



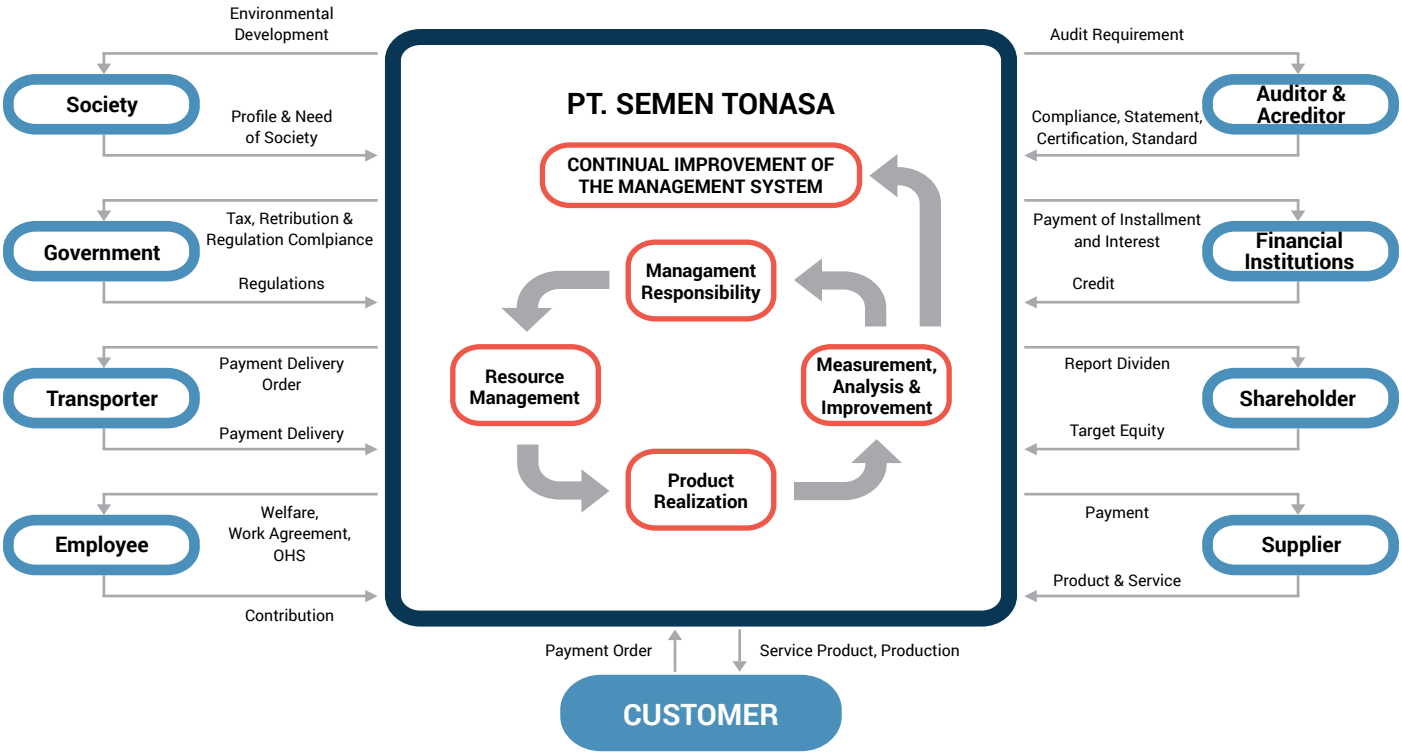
STAKEHOLDER MANAGEMENT (G4-24) (G4-25) (G4-26)

Stakeholder relationships greatly influence the growth and development of the Company. Because, as a corporation, the Company is connected with stakeholders both economically, socially and environmentally with various parties, both internal and external.

Furthermore, the Company continuously maintains relationships and builds communication with stakeholders. It is necessary to know the expectations and interests of stakeholders so that they can be considered in order to formulate the strategic planning of the company so that the expectation of the stakeholders is expected.

To establish a good and effective communication, conducted activities that are meetings with frequencies that are regular or incidental. Different stakeholders have different communications with different designed meetings. It is intended that, it can accommodate the expectations of different stakeholders in a focused and in-depth manner. In addition, different approaches are expected to enable stakeholders to feel closer to the Company.

Using stakeholder identification methods in accordance with the AA1000 Stakeholder Engagement Standard 2011 version of the standard, the Company identifies ten key stakeholders: the Government, Shareholders, Customers, Partners, Communities, Financial Institutions, Transporters, Auditors and Employees.



List of Stakeholders, Consultation, and Key Issues (G4-24, G4-25, G4-26, G4-27)

STAKEHOLDER	CONSULTATION & FREQUENCY	KEY ISSUE
Shareholders	AGM, EGMS and Board Meeting Board of Directors and Board of Commissioners	Information and accountability of the Company's operational, financial and social performance for one year.
Customer	Excellent services, meet customer, call centers, education and other promotional activities.	• Inputs related to product quality, continuity of supply and delivery accuracy & service of the Company • Customer satisfaction survey • Customer education
Partners	Exhibition events, supplier presentations, tender processes, and seminars on the latest technology.	Procurement process of goods and services as the Company's needs
Financial Institutions	Meeting between management, business cooperation and correspondence.	Cooperation of funding and capital facilitation.
Society	Meetings with community representatives, opinions / letters of public complaints both formal and informal.	• Environmental management and monitoring • Planning and implementation of CSR / PKBL activities • Disbursement & dissemination of Partnership Program funds • Disbursement of fund and socialization of Community Development programs • Community Assistance
Employee	Coordination and performance meetings, LKS Bipartite meetings, trade union meetings, email, intranet and company newsletters	• Working agreements • Occupational Health and Safety • Resolution of employment issues
Government	Regular meetings between the board of directors or staff of the work unit related to the relevant agencies, work visits	Ensure the company complies with the laws, regulations and business regulations. Consultation on regulations and license.
Transporter	Policy socialization and regular meetings at least once a year.	Strengthening relationships and working agreements in performanceimprovement
Auditor & Accreditors	Conducting of the audit at least once a year.	Strengthening relationships in assessment or audit activities

MANAGEMENT CERTIFICATION (G4-15)

NO	CERTIFICATE NAME	REMARKS
1	ISO 9001:2008	Quality management system
2	ISO 14001:2004	Environmental Management System
3	OHSAS 18001:2007	Occupational Safety and Health Management System
4	SMK3	OSH Management System
5	ISO /IEC 17025:2005	Laboratory Management System
6	ISPS Code	Security systems and port facilities

Report Profile

- Report Period
- Determining Content of the Report
- Materiality Aspects and Scope of Work

REPORT PROFILE

(G4-17), (G4-18), (G4-19), (G4-20), (G4-21), G4-23), (G4-28), (G4-29), (G4-30), (G4-32), (G4-33)

This report demonstrated the company (holding) commintment and sustainable performance in 2016. Various structural and planned measures to implement sustainable performance is the concern of holding. The achievement on the sustainable performance is imperative to make it well known in public, stakeholders in particular. It aimed to demonstrate responsibility, transparency and accountability on decision taken and activities undertaken. Besides, to inspire to share sustainability practices that can be inspiration for any one.

REPORT PERIOD

This report is second edition after the last report in October 2016. The company (holding) committed to provide yearly report.

This report is second edition after the last report in October 2016. The company (holding) committed to provide yearly report. The sustainability performance within this report is achievement obtained since January up to December 2016. Sustainability aspect as part of reporting is performance in economy, social, environment subject to relevance and imperative issues. (G4-28, G4-29, G4-30).

Semen Tonasa has not appointed an external agency to verify the contents of this report. However, Independent third party has conducted a GRI G4 Core in Accordance Check on the PT Semen Tonasa Sustainability Report 2016. (G4-33)

G4 Core Option and ISO 26000 Social Responsibility

The writing method of this report is standardized by G4 guideline published by Global Reporting Initiave (GRI). The G4 guideline provides two optional criterias on developing sustainable report; G4 Core and G4 comprehensive. Based on these options, the holding opted G4 Core or Core Option.

The development of this report is not only complying with GRI 4, but also in line with the guideline of ISO 26000 on social responsibility. Therefore, the index part will show crosses information on hodling's performance according to these guidelines. (G4-23, G4-32).

DETERMINING CONTENT OF THE REPORT

(G4-17, G4-18, G4-23)

The GRI 4 standard stipulated completely guided holding to develop sustainability report. To comply with GRI 4, there are four principles to be considered by the holding to determine content of the report namely stakeholders, sustainability context, materiality, and comprehensiveness.

1. Stakeholders Engagement

This report prepared through information collection by engaging stakeholders. Focus Group Discussion (FGD) and interview was conducted to engage stakeholders in deciding material and scouping the report.

2. Material

The data and information contained in this report have gone through a material test process. Where what is conveyed are those that have significant and wide-ranging impact on the stakeholders.

3. Sustainability Context

All of information provided in this report are complied with sustainability factors. For holding, the sustainability factors are embraced to consistently comply with standard of ISO 9001, ISO 14001, OHSAS 18001, SMK3 and PROPER. Under bigger umrella, the holding refers to bigger consideration on sustainability according to ISO 26000 SR.

4. Comprehensiveness

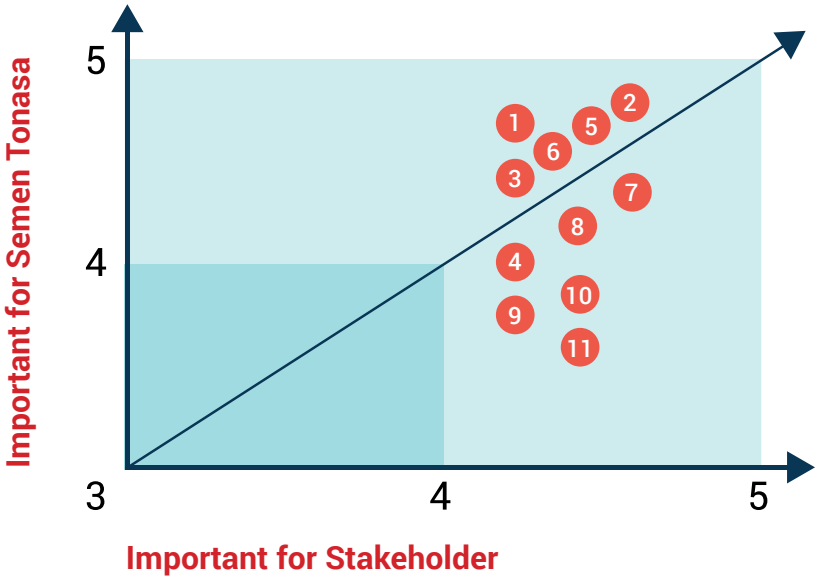
The information in this report has complied with the afored mentioned three principles and supported with valid data, represented with reasonable and proportional according to scope and report period.

The content of this report was determined through four stages. First, identifying material aspects or urgency. Second, prioritizing by assessing and determining priority issue to be reported of sustainability issues. Third, validation, looking at and considering supporting information and data. Fourth, reviewing on inputs provided by stakeholders for the next year report improvement.

Process of Defining Material Aspects and Boundaries

Materiality Aspects and Scope of Work

(G4-19, G4-20, G4-21, G4-23)



1. Alternative Raw Materials
2. Energy Eficiency
3. Water Eficiency
4. Biodiversity
5. Emissions Management
6. Waste Management
7. Reclamation
8. Environmental Complaints
9. Occupational Health and Safety
10. Local Community
11. Direct Economic Performance

The topics of this sustainability report are determined through engaged stakeholders by conducting Focus Grop Discussion (FGD). Through the FGD imperative topics and relevant context on sustainability were discussed and agreed upon to be included in this report. The FGD had conducted on April 2016, of the discussion was reviewing topics already covered by previous year report.

The material aspects of this report is determined by considering both sides, stakeholders side and holding management side.

The assessment on materials through the FGD by requesting participants to grade the listed topics on sustainability issues from 1 up to 5. By qualitative, the grade was representing low, moderate and high category on the level of each topic.

The 11-high category of material aspect (< 4) are listed below:

CATEGORY	MATERIAL ASPECT	INTERNAL	EXTERNAL
ENVIRONMENT	1. Alternative raw material	√	
	2. Energy	√	
	3. Water	√	
	4. Biodiversity	√	√
	5. Emission	√	√
	6. Waste	√	√
	8. Environmental Complains	√	√
ECONOMY	11. Direct Economic Performance	√	√
SOCIAL-EMPLOYMENT	9. Occupational Health and Safety	√	
SOCIAL-COMMUNITY	10. Local Community		√
SUPLEMENT-MINE	7. Reclamation		√

The FGD resulted 11 (eleven) topics of relevant sustainability issues considered important both by stakeholders and management. Of the eleven, ten items are topics already covered by previous report and added by two new topics.

The results from consultation with stakeholders are submitted to Sustainability Steering Committee for approval to be topics in sustainability report. The committee adopted all of submitted sustainability topics. The unchanged sustainability report are, alternative raw materials. Energy efficence, water efficience, biodiversity, emission reduction, waste management, environmental grievance system, Occupational Health and Safety (K3), and local community. As for the new topics are related to reclamation and dicrect economic performance.

Therefore, information referring to material aspects in 2015 still provided in 2016 report.

Besides, there is no new statement required, because there is no invalid information on the previous report. (G4-22) (G4-23)

This Sustainability Report presents all material aspects internally and externally that have a significant influence on the company's sustainability performance. The scope of reporting within the Company includes headquarters and factories (Tonasa II, III, IV and V). (G4-21)

Significant Change (G4-13)

During the reporting period, there were no significant changes on scale of the company, area of operations, the entity ownership, or the company's supply chain.

Strategy and Sustainability Initiatives

- Strategy and Sustainability Initiatives
- Tonasa Sustainability Road Map

STRATEGY & SUSTAINABILITY INITIATIVES

As the framework of the ISO 26000SR CSR based, the company designed an initiative for business sustainability called Tonasa Sustainable Business. The adoption of this term is to demonstrate that in decision making and activities, the company always identify and response on impacts, respect the stakeholders, act the ethical behavior and respect both local and national norms.

There are 7 (seven) pillars of sustainabilit believed by the company to achieve growth and excellent margin.

There are 7 (seven) pillars of sustainability believed by the company to achieve growth and excellent margin.

1. Environmental Protection.

To respond on pollution prevention, sustainability resources usage, climate change, mitigation and adaptation, environmental protection, biodiversity, and natural resources restoration.

2. Local Community Involvement and Development.

To respond on issues of community engagement, education and culture, creation of job opportunities and skill enhancement, development and access to technology, creation of wealth and income, health and social investment.

3. Human Rights Awareness.

To take into account Due Diligence issues, human right risks situation, human rights-violation prevention, complain resolution, discrimination and vulnerable groups, political and civil rights, economic and sociocultural rights, and basic rights at work place.

4. Costumer Expectations.

To respond on issues of market fairness, with right product information, health and safety protection for customers, sustainable product usage, customer services, support and reducing complaint, complaints and disputes, private customer data protection, access to important services, customer education and awareness.

5. Employment Management.

To respond on relation among employees, health and insurance, social dialogue, health and safety at workplace, and human resource development.

6. Fair Operating Practices.

To respond on anti-corruption, responsibility on political activities, just and fair competition, promoting social responsibility in business-value chain, recognition on copyright, access to essential services, education and awareness.

7. Corporate Governance.

To respond on good governance issues, considering on principal values of governance in decision making process and structure

We believed that business viability will prevail and the excellent margin and growth will be achievable based on the strong the 7 (seven) pillars implementation. The achievement is not independent as well, due to corporate business sustainability that induces corporate existence as part of significant contributor-party toward sustain able development.

TONASA SUSTAINABILITY ROAD MAP

Being one of cement factory in Asia, it has determined target for sustainability to be a CSR world class company. This target is logic because the company is part of Indonesia's Cement Group which is growing to be prominent cement industry in South East Asia toward Asia and worldwide.

To be a world class CSR begins with the following phases :

2011 – 2012
Foundation Base Period for CSR

- Internal and external workshop to align CSR understanding.
- Need assessment and gap analysis for each sustainable pillar.
- Providing CSR blue print, strategy, thematic programme, and standard operating procedure (SOP).
- Multi-stakeholders' forum is facilitated at the plant's operating ring area

2013 – 2014
Strengthening and Enhancing Period

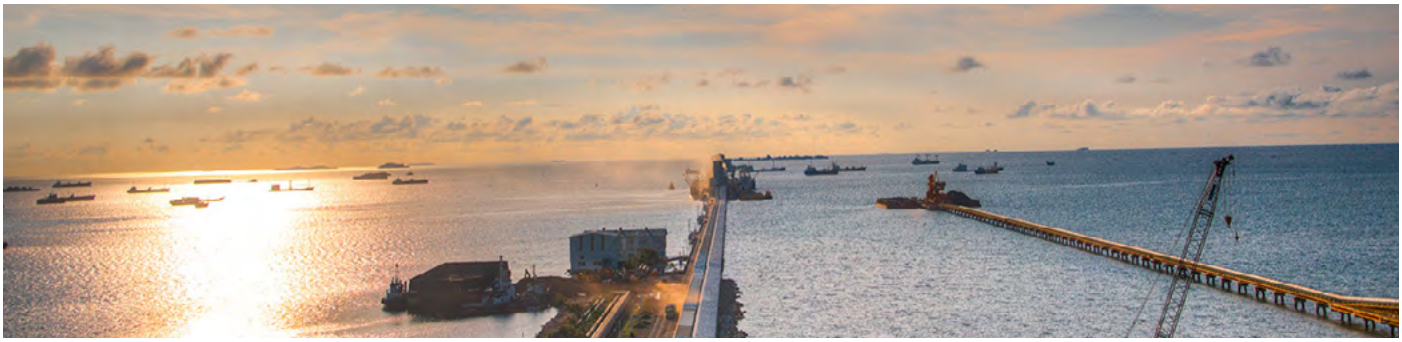
- CSR organigramme at corporate level (CSR committee).
- Strengthening CSR system.
- Strengthening multiparties management at the plant's operating ring area.
- Stakeholder's dialogue.
- Maintaining Proper Blue and achieving Proper Green

2015 – 2016
Excellence Performance Period

- CSR development is integrated into the corporate policies.
- Development of CSR information system management at each pillar.
- Internalization of social responsibility (SR)/ISO 26000 base corporate culture.
- Maintaining Proper Green, and Preparation toward Gold.
- Updating ISO 14000, ISO 90001, OHSAS etc.
- Winning CSR awards.
- Refinement on business performance through CSR and leading GCC.
- Drafting and developing sustainable report.

2017 – 2018
To be World Class Company Period

- International CSR mechanism standard.
- Establishment of CSR's Committee or Sustainability Committee.
- Excellence Performance of Human Resource Management enriched by CSR values.
- The best corporate in CSR practices with ISO 26000 based.
- Maintaining Proper Green and gaining Proper Gold



Strengthening Environmental Sustainability

- Environmental Management
- Utilization of Alterative Raw Materials
- Energy Beneficiaries
- Control & Decrease Emissions
- Waste management
- Decreased Water Pollution & Efficiency
- Land Used Mine Reclamation
- Protection of Biodiversity

ENVIRONMENTAL PERFORMANCE 2016

3.030 Ton
Alternative Raw Materials

3.079 mj/ton cement
Energy Consumption Index

706 Kg/ton
CO2 Emission Index

0,04 Kg/ton cement
SO2 Emission Index

0,05 Kg/ton cement
NO2 Emission Index

0,50 Kg/ton cement
Particulat/Dust Emission Index

74,75 Hectar
Meter Square of are of Former Mining

1.876.768 Kliter
Water Utility Intensity

84,75 Hectar
Meter Square of Biodiversity Area

10,41 Kg/ton cement
B3 Waste Intensity

ENVIRONMENTAL MANAGEMENT

The issue of sustainability in the context of an environmental management approach becomes an important part of making a profit for the company. The way through energy savings, reduction of fuel consumption, utilization of alternative raw materials, waste utilization and other environmental management practices.

The Company realizes that environmental issues in a global context can pose a threat to the earth. There are issues of atmosphere and ocean waters that are already overloaded with carbon (CO2).

In line with the above paragraph, the Company considers the consideration of environmental management, as an aspect that is closely related to the sustainability, both the sustainability of the earth and the sustainability of the business itself. Along with this, the environmental management will have an impact on the economic, social and environmental benefits and benefits themselves.

The Company realizes that environmental issues in a global context can pose a threat to the earth. There are issues of atmosphere and ocean waters that are already overloaded with carbon (CO2). When CO2 is absorbed in large amounts in the atmosphere it causes a reflection of infrared waves that return to earth and harm. This is the result of burning fossil fuels, deforestation, and industrial activity that propelled atmospheric CO2 concentrations from 280 parts per million (ppm) 200 years ago, to about 400 ppm today. Carbon overloading is one issue, the earth faces other contaminant threats due to carcinogens and other toxins in the polluted air.

Overgrazing, monoculture planting, erosion, soil compaction, excessive exposure to pollutants, land use conversion poses a threat to the land on the existing land. Including issues of pollution to water both in rivers and at sea.

Environmental Policies (G4-DMA)

Environmental management is stated in the highest policy of the Company. In that policy, environmental commitment is seen as a responsibility and concern for stakeholders through effective and efficient natural resource management to anticipate global warming including energy efficiency; Reduction and utilization of B3 & Non B3 wastes; Reduction of air pollutants; Water conservation; Protection of biodiversity; And to prevent the occurrence of pollution of environmental impact control. (G4-14)

The Company's environmental policy is always based on the prevailing laws and regulations. The main guideline is RI Law no. 32 of 2009 on the protection and management of the environment. Some other environmental rules as guidelines in accordance with the company's business practices are as follows :

- RI Law no. 37 of 2014 on Soil and Water Conservation
- RI Law no. 5 of 1990 on the Conservation of Biological Natural Resources and its Ecosystem
- RI Law no. 5 of 1994 on Ratification of the United Nations Convention on Biological Diversity (UN convention on biodiversity)
- PP NO. 82 of 2001 on the Management of Water Quality and Control of Water Pollution.
- PP. 19 of 1999 on the Control and Pollution or Damage of the Sea.
- Minister of Environment Regulation no. 33 of 2009 on the procedure of restoration of contaminated land of hazardous and toxic waste materials.
- SK MENLH No.277 of 2011 regarding the permit for the utilization of hazardous and toxic materials waste.
- GHG emission reduction (GHG) target of 26% by 2020 refers to Presidential Regulation No. 61 of 2011 on the National Action Plan for GHG Emission Reduction.

Environmental Management Programme

Environmental management is the control of a number of environmental parameters such as water, air, waste B3 and non B3 to comply with environmental quality standards. Implementation of environmental management is always accompanied by environmental monitoring of the Company's operations area. Management and monitoring policies are carried out with appropriate parameters with relevant rules.

Management policies are emphasized to minimize waste, reducing the use of pollutants without reducing quality. Pay attention to the process of handling the production carefully from start to finish. In a number of waste materials that still have high economic value, is returned to the production process or re-utilized.

Environmental monitoring activities are regularly conducted by an accredited third party. They conduct monitoring every three months.

The Company also develops a continuous and automatic emissions monitoring system. The name is Continuous Emission Monitoring Systems (CEMS), which is an emission monitoring system by recording and analyzing data at least once every 15 minutes. With this system, flue gases such as carbon monoxide and carbon dioxide can be monitored and controlled in a factory environment.

Proper Beyond Compliance

The environmental management performance undertaken by the company has complied with the prevailing regulations and has exceeded the existing targets. The assessment of the achievement of environmental management is attributed by the Ministry of Environment and Forestry (KLH) in the form of Proper Green by 2016. That is, the Company has successfully implemented environmental management practices in excess of compliance and sustainable use of resources.

Achieving Proper Green is actually not this time only. The Company has been awarded consecutively in 2013 and 2014. Unfortunately in 2015 the performance declined to only get the Blue Proper. As a result, the Company's chances of obtaining Gold Properties are gone in the next year.

With Proper Green by 2016, the Company is committed to maintaining and improving its performance so that it is expected to have Gold Proper Opportunity 2018.

Integration of International Standard on Environment Management

The Company's focus on environmental management is implemented through an international standard, by maintaining and continuing the certification of ISO 14001: 2004 environmental management system (SML). The goal is to create a consistent and sustainable environmental management system and deliver best practices.

The scope of application of ISO 14001: 2004 Environmental Management System covers all activities of the company starting from mining, production process, bagging, distribution and transportation, office administration and power plant unit.

The environmental management system does not stand alone, but is integrated with quality management performance in accordance with ISO 9001: 2008 and occupational safety and health systems based on OHSAS 18001: 2007, Laboratory Management System (ISO / IEC 17025), Risk Management, Cross-Functional

Management and system - other management systems through directors decisions.

USE OF ALTERNATIVE RAW MATERIALS (G4-EN1), (G4-EN2)

This year, the Company maintained its position as the largest producer in eastern Indonesia by producing 5,965,929 tons of cement and 5,836,884 tons of clinker (slag).

The production process not only uses conventional raw materials, but has been using alternative raw materials. Both used as fuel to produce energy and as a cement material.

As fuel produces energy, the Company utilizes biomass and sludge oil. Biomass comes from rice husk, sawdust and organic waste. While sludge oil comes from waste oil used.

Utilization of biomass in 2016 amounted to 3,030 tons. Decrease from last year which amounted to 12,550 tons. This decrease is caused by the difficulty of obtaining rice husks. Along with the discovery of the benefits of rice husk for other needs, the selling value of husk increased. Suplier has an alternative to sell to various places. So the target of 10% of the use of biomass as a substitute for coal is still not achieved.

Meanwhile, the use of sludge oil during 2016 is 139,840 tons. Such amount is derived from the Company's internal and external wastes. The Company is very open to receiving external waste. The waste can be utilized for the carrying capacity of kiln kilns. Helps reduce coal consumption.

DESCRIPTION	UNIT	2014	2015	2016
Production of Slag	Ton	5.726.903	5,305,183	5,836,884
Cement Production	Ton	6.122.011	6,067,038	5,965,929
Raw Materials for Energy Producers				
Coal	Ton	1029000	1,015,000	1,092,000
Fuel Oil	Litre	5,387,000	3,578,000	2,366,004
Biomass	Ton	35.860	12.550	3,030
Sludge Oil	Ton	0	0	139,840
Alternative Raw Materials of Cement Production				
Fly ash	Ton	18.549	29.125	32.388
Bottom ash	Ton	3.638	4.936	8.476
Copper Slag	Ton	19.439	19.646	21.209

To produce cement, alternative raw materials are used by the company to substitute conventional raw materials. As waste copper slag and sludge WWTP is used to replace the iron sand. Copper slag and sludge WWTP comes from external B3 waste. The Company cooperates with the company to bring this waste. Other waste is fly ash and bottom ash. Fly ash used in cement mill and bottom ash used in raw mill is done as substitution and addition to clinker so that it can reduce the clinker used. The benefit is a decrease in fuel consumption.

Table Number of Alternative Raw Materials (G4-EN2)

NO	DESCRIPTION	UNIT	2013	2014	2015	2016
1	Total raw materials	Ton	8.781.819	9.320.636	8.992.481	10.201.854
2	Alternative raw material	Ton	1.078.928	1.223.612	1.251.038	1.065.901
	Procentage	**%**	**12,3%**	**13,1%**	**13,9%**	**10,4%**

ENERGY UTILIZATION

(G4-EN3, EN4, EN5, EN6, EN7)

Any industry needs energy to make its products. Includes the cementing industry that the Company occupies. Energy consumption is needed to support production activities, namely the processing of various materials into cement. Energy is also required to support facilities in offices and other facilities owned by the Company.

The largest energy consumption in the Company's operation is in Kiln, an isolated thermal chamber, or oven, where a controlled temperature regime is produced. In this kiln where the combustion and material penggodakan like limestone, clay and other raw materials into clinker (slag).

There are two main types of energy used by the Company, namely heat energy and electrical energy. In the kiln burning process, the main energy is heat energy. While electric energy is used to turn on factory machines, equipment and lights in offices and housing.

The consumption of heat energy in the plant is calculated from the use of fuel (coal, fuel, rice husk, & BCO). For electrical energy, the method used to calculate its consumption within the plant is the total amount of KWh for all operating units including packers in the plant. While the consumption of energy outside the company (utility), calculated based on the total amount of kWh electricity for offices & housing, water treatment & powerstation.

Heat energy is generated from coal combustion and biomass. The use of heat energy in 2016 amounted to 19,324,093,498 Mjoules. This figure increased by 4.79% compared to last year. The increase in heat energy is due to a 110% increase in clinker production compared to 2015. Indeed, the consumption of heat energy is correlated with clinker production. The more clinker production, the greater the use of heat energy.

The Company's electrical energy sources come from two supplies. First, comes from Steam Power Plant (PLTU) owned by

the company with capacity of 2x25 MW and 2x35 MW located in the area of Biringkassi Port, Pangkep. The port is owned by the Company also used as loading and unloading materials and products. Second, comes from PLN electricity. The power source of the power plant dominates the volume of energy consumption, only a small proportion of the required supply of PLN.

The Company's electricity consumption reaches 1,323,538,249 Mjoules this year. In line with heat energy, electricity consumption also increases. The magnitude increased by 4.8%. The reason is the installation of a new Coal Mill that requires additional power.

The overall index of heat and electricity energy consumption has increased. The index of heat energy is estimated at 3,311 MJoule / ton of cement. While the electrical energy index is 398 Mjoule / ton of cement. The increase in energy consumption indices is still reasonable because as energy consumption increases, the Company also increases clinker production by 12.5% from last year.

DESCRIPTION	UNIT	2014	2015	2016
Production of Slag	Ton	5.726.903	5.305.183	5,836,884
Cement Production	Ton	6.122.011	6.067.038	5,965,929
Coal	(Juta) Ton	1.029	1,015	1.092
Fuel Oil	Klitre	5.387	3.578	2.506
Biomass	Ton	35.860	12.550	3.030
Use of Electricity for Production	MWh	611.040	628.078	645.427
Use of Heat Energy	Mjoule	18.695.702.267	18.439.818.457	19.324.093.498
Electrical energy usage	Mjoule	2.443.754.275	2.261.081.170	1.323.538.249
Total Energy	Mjoule	21,139,456,542	18,439,818,457	20,647,631,747
Heat Energy Consumption Index	MJ/ton cement	3.054	3.039	3.311
Electricity Consumption Index	MJ/ton cement	339	373	398
Total Energy Consumption Index	**MJ/ton cement**	**3.453**	**3.412**	**3.709**

Energy consumption also comes from outside the Company, from upstream and downstream activities. From upstream in the form of transportation activities of raw materials to the factory. While from the downstream in the form of activities of transporting products to consumers, using both land and navy transportation. Energy consumption from outside the Company in 2016 amounted to 29,382,150 Mjoules. Lower 4.09% from 2015..

CONTROL & EMISSION REDUCTION (G4-EN 15, EN16, EN17, EN18, EN21)

Emissions are pollutants such as dust, heat and radiation being dumped into the atmosphere. Talking about emissions can not be separated from the greenhouse effect, where the radiation from the earth's atmosphere can warm the earth's surface. It is dangerous, because it can change the pattern of rainfall and damage agriculture. Acute and chronic exposure to particulates can cause various diseases, such as chronic bronchitis, asthma, premature death from cardiopulmonary disease, lung cancer, and lower acute respiratory infections.

Recognizing the degree of emission hazard, control and emission reduction is the focus of the Company. The main source of emission potential comes from the plant. Control is done by installing the emission control tool especially dust, the bag filter replaces electronic precipitator (EP). Of the four factories currently owned by the Company, bag filters have been installed in two factories, namely Plant 3 and 4. The rest follow gradually.

The use of coal with low sulfur levels also affects the reduction of emissions, especially SO2 gas. The Company uses low sulfur coals <0.8%.

The next way to control is to turn off the production machine when a disturbance is found. Ensuring the damage has been successfully resolved the new machine is turned on again. It must be understood, the engine disturbance allowed to trigger emissions without control. Therefore, the Company does not want to be rash. Better to be fixed first rather than more severe damage.

Therefore, monitoring of greenhouse gas (GHG) emissions is done on an ongoing basis. The trick is to use a systematic monitoring system called CEMS (continuous emissios monitoring system).

Measurement and calculation using the WBCSD method, CSI Version 3 covers three scopes. Coverage 1, GHG emissions directly from operations owned or controlled by Direct GHG emission organizations. Coverage 2, indirect GHG emissions purchased from other organizations for consumption. Coverage 3, other indirect GHG emissions beyond coverage 2 that occur outside the organization, including upstream and downstream emissions eg, upstream transport and distribution.

	UNIT	2014	2015	2016
Direct GHG emissions (G4-EN15)	Ton Gg CO_2 eq	4.770.557	4.624.582	4.243.158
Indirect GHG emissions (G4-EN16)	Ton Gg CO_2 eq	240.775	477.484	509.284
Other Indirect GHG emissions (G4-EN17)	Ton Gg CO_2 eq	2.152	2.312	2.048

Total GHG Emission Reduction (G4-EN19)

INITIATIVE	UNIT	2014	2015	2016
Use of biomass as an alternative fuel	Ton CO_2 eq	46.074	15.979	1.588
Decrease of clinker index through improvement of pozzolanic substance replacement clinker	Ton CO_2 Eq	833	869	721

Control of dust from year to year shows the measurement in accordance with the quality standard (BM), even in 2016 better than in previous years. If by 2015 the result of measurement is 1.16 mg / m3, then this year 0.89 mg / m3 (BM 10 mg / m3). Noise levels in the work environment are still safe. Year 2016 for 72.66 Db (BM 85 Db).

ENVIRONMENTAL PARAMETER	UNIT	QUALITY STANDARD	MEASUREMENT RESULTS		
			2014	2015	2016
Dust at work environment	mg/m3	10	1,08	1,16	0,89
Noise at work environment	Db	85	72,35	71,93	72,66

Likewise, the measurement results for other emission elements show the figure above the quality standard. Measurements of Nitrogen Dioxide (NO_x) were 4.38 Mg / Nm^3, while Sulfur Dioxide (SO_x) was 5.88 Mg / Nm^3.

Highest Average Quality Measurement Result of 2016 Emissions (G4-EN21)

NOx			SOx			PARTIKULAT		
Quality Standard	ResultS		Quality Standard	Results		Quality Standard	Results	
	2015	2016		2015	2016		2015	2016
Mg/Nm3	Mg/Nm3	Mg/Nm3	Mg/Nm3	Mg/Nm3	Mg/Nm3	Mg/Nm3	Mg/Nm3	Mg/Nm3
1.000	17,73	4,38	800	20,29	5,88	80	30,6	60,88

WASTE MANAGEMENT

(G4-EN25)

The Company splits the waste into two types, namely B3 (Toxic and Hazardous) and non B3 waste. Waste management is carried out with zero waste or zero waste concept, ie waste management through reducing, reuse, and recycle. Popular with 3R (reduce, reuse and recycle).

Not only to manage its own waste, the Company also manages the waste from outside according to SK MENLH No.277 Year 2011 regarding the permit of Utilization of Hazardous and Toxic Waste. Waste managed from outside is copper slag, sludge WWTP, oil sludge, used lubricant, fly ash, and bottom ash.

A number of external B3 waste utilized by the company are copper slag, fly ash, bottom ash, sludge WWTP.

Copper Slag comes from the copper and steel refining industry, extracted from natural deposits found in the area of South Sulawesi in general. This material is used as raw material correction. Waste sludge WWTP is used in raw mill derived from external industries for the addition of Al3O3 and SiO2.

B3 waste is utilized by co-processing method by combustion at high temperature (1,400 °C) in kiln. The heavy metal content in B3 waste will decompose into oxide compounds, which can improve the quality of cement but not harmful to the environment. In this way B3 waste is used as an alternative raw material (G4-EN23)

In the framework of reduction and utilization of non-B3 waste, the company conducts a number of activities on an ongoing basis from year to year through efforts such as, improvement of maintenance of production facilities to suppress leakage of production process (recycle reject material, utilization of leaf garden waste as organic compost, household waste utilization (Food scraps and kitchen food scraps)

from the Company's homestead to solid compost and liquid fertilizer, reduction of kraft paper type for cement bags from 85 gsm - 2 ply to 75 gsm - 2 ply and sorting and utilizing garden waste (leaf & Tree branch) as an alternative fuel.

Total Waste B3 (G4-EN23)

UNIT	VOLUME OF WASTE			VOLUME OF REUSED			MANAGED BY THIRD PARTY		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Ton	55.021,80	71.399,65	69.916,09	41.651,59	62.353,53	62.089,02	1,0	2,20	0,95

3R Utilization of B3 Waste

JENIS LIMBAH B3	TAHUN			SATUAN
	2014	2015	2016	
Fly Ash	18,549.30	29,124.62	33.393,960	Ton
Bottom Ash	3,637.96	4,935.81	8,475.71	Ton
Copper Slag	19,438.53	28,273.12	21,208.68	Ton
Sludge IPAL	-	4.95	5.40	Ton
Used Oil	10.20	7.14	6.29	Ton
Used Grease	10.66	6.89	4.33	Ton
Cotton Waste	-	-	-	Ton
Used battery	1.00	0.73	-	Ton
Used TL Lights	-	0.07	-	Ton
Used Tonner	-	0.01	-	Ton
Used Oil Filter	-	1.30	-	Ton

Type and volume of B3 Wastes imported from outside (G4-EN25)

TYPE OF WASTE B3	UNIT	VOLUME IMPORTED			SOURCE
		2014	2015	2016	
Copper Slag	Ton	22.993,149	34.295,73	28.026,44	PT Smelting Gresik
Fly ash	Ton	283.54,760	32.137,660	33.393,960	PT Makassar Tene, PT Tanjung Sarana Lestari
Bottom Ash	Ton	3.637,960	4.935,810	8.475,710	PT Makassar Tene, PT Megah Putra Sejahtera
Sludge IPAL	Ton	0	4,95	5,40	PT KIMA
Total	**Ton**	**26.631,11**	**71.374,15**	**69.901,51**	

Absolute Results Waste Reduction and Utilization of B3

DESCRIPTION	YEAR					UNIT
	2012	2013	2014	2015	2016	
B3 waste is produced	43,09	44,715	55,021	67,14	69,195	Ton
Absolute 3R Waste B3 Result	27,702	39,465	43,661	64,363	62,083	Ton
Total Cement Production	4.065.303	5.979.214	6.122.011	6.067.038	5.965.929	Ton
Intensity of B3 waste generated **	10,60	7,48	8,99	11,07	10,41	Kg / ton cement
3R Ratios B3 Wastes ***	64	88	79	96	89	%

Total Non B3 Waste

DESCRIPTION	ABSOLUTE RESULT			UNIT
	2014	2015	2016	
Non B3 waste is produced	35,79	34,878	41,329	Ton
Absolute Result 3R Non B3 Waste	23,237	30,118	23,194	Ton
Total Cement Production	6.122.011	6.067.038	5.965.929	Ton
Intensity of Non B3 Waste Generated **	5,85	5,75	6,93	Kg / ton cement
3R Ratios Non B3 Waste ***	65	86	56,12	%

DECLINING POLLUTION & WATER EFFICIENCY (G4-EN8, EN10)

The cement making technology in the Company is already using dry process. In this way, certainly no longer use water in the manufacturing process. Water resources are used for factory refrigeration and other supporting activities.

Waste water management from the cooling process is done with closed circulation so that it can be recovered. The water source for the cooling process comes from a deliberately created pond. No waste water is discharged into water bodies. All reused. The reservoir pool utilizes a pool of reclaimed clay gumboates. In addition to collecting wastewater, pond storage also serves to accommodate rain water.

PLTU facility, using seawater as raw water in the production process of the plant. The Company builds sea water treatment plants into fresh water for this purpose. The technology used specifically, that is reverse osmosis technology.

The use of year-old seawater that has been processed into raw water in the production process of the steam power plant, gives an increase in the use of Condensor AB from 79,799,880 in 2015 to 97,800,922 in 2016. While Condensor CD, in the same year duration, decreased from 114,763,543 to 103.858.993.

Apart from shelters and seawater, the Company uses water from river water. To that end, the tank installed Raw Water tank as storage and deposition of water from the river in watertreatment II. The use of underground water is still there, but only 4.35% of usage in total.

Although only utilizing surface water, the Company is still campaigning for the use of water efficient. In many places a water-efficient campaign sticker is stamped for all parties to be aware of the importance of using enough water.

Water utilization for other needs of the Company in the form of watering activities to the road to reduce ambient air emissions around the plant and spraying water to coal in the conveyor belt at the time of loading. The goal is to suppress the flying coal particles that have the potential to disrupt the environment.

Total Water Withdrawal by Source (G4-EN8)

NO	DESCRIPTION	UNIT	2013	2014	2015	2016
1	Rain Water (Reservoir)	M^3	725.678	629.382	733.382	739.432
2	Ground Water	M^3	89.027	86.591	86.403	81.635
3	River water	M^3	1.232.258	1.123.109	1.103.569	1.055.719
	Total	**M^3**	**2.046.963**	**1.839.082**	**1.923.354**	**1.876.768**

Absolute 3R Water Result

DESCRIPTION	ABSOLUTE RESULT					SATUAN
	2012	2013	2014	2015	2016	
Total Cement Production	4.065.303	5.979.214	6.122.011	6.067.038	5.965.929	Ton
Water Usage	2.023.958	2.046.963	1.839.082	1.923.354	1.876.768	Kliter
a) Production Process	972,283	1.109.597	1.385.901	1.088.011	1.081.814	Kliter
b) Support facilities	1.051.675	937,366	453,181	835,343	602.114	Kliter
Absolute 3R water results	314,145	366,654	473,156	379,108	379.108	Kliter
Intensity of water use	0,50	0,34	0,30	0,32	0,31	Kliter/ ton semen
Water Efficiency Ratio	16	18	26	20	20	%

Wastewater in storage ponds is monitored periodically. The goal is to ensure that a number of parameters conform to the quality standard, so that it is safe for a time to be released into the water body.

PARAMETER	UNIT	QUALITY STANDARD	MEASURE RESULTS	
			2015	2016
Temperature	oC	25 – 31	-	-
BOD5	µg/m3	100	9	19.43
Ph		6.0 – 9.0	7.88	7.3
TSS	mg/m3	100	30.41	17.54
Grease	mg/m3	10	3.09	6.88

RECLAMATION & PROTECTION OF BIODIVERSITY

Land Used Mine Reclamation

The reclamation activities become part of the Company's responsibility for mining land. Reclamation is an effort to rehabilitate land after mining operations have been stopped. Any land that has been finished mined should not be left stranded, must be rehabilitated so as not to damage the environment.

The purpose of reclamation is to return land and water to productive use standards, ensuring that each landform and structure is stable, and every water source has acceptable water quality.

The material of cement consists of two main materials ie limestone and clay. This material must be mined to obtain it from nature. The Company has a concession land to mine the limestone and clay materials.

In several mining sites, mining activities have been completed. On the mine land the reclamation is running. Reclamation consists of several activities ie removing hazardous materials, reshaping the soil, restoring the top layer, planting the original grass, trees, or ground cover.

But there is also a former mining land that is not closed again. Surface land that has been shaped basin reclaimed into a pond, can be used as a pool of rain water reservoirs and fish farming.

The reclamation of the former limestone quarry has a difficult challenge. Land surface in the form of massive and critical rocks is not a fertile land at all. Through a series of trials and research, on the land of ex-limestone mine planted Sulawesi plant species endemic which has a high economic value of Bitti (Vitex Cofassus). How to plant it requires a special way. Until now, in the limestone reclamation field has become a living laboratory for the Forestry Center, students and forest experts

In conducting reclamation, the Company has cooperated with agencies of Makassar Forestry Research Institute (2010-2015) and Forest Service Office of Pangkep Regency (2013 until now).

The form and design of reclamation is proposed in advance to the Government for approval. All reclamation activities have received approval and monitoring in accordance with applicable regulations.

Total Land disrupted and Rehabilitated (MM1)

DESCRIPTION	HECTARE (Ha)		
	2014	2015	2016
Area opened Unreclaimed	129.10	158.40	160.60
The Area Area opened in the Current Year	6.69	35.30	4.50
Area that has been reclaimed in the current year	5.90	6.00	2.30
Total Land has been reclaimed	**66.45**	**72.45**	**74.75**

PROTECTION OF BIODIVERSITY (G4-EN11, EN13, EN14)

Biodiversity protection activities (Kehati) are the Company's participation to safeguard the earth. Therefore, the implementation of the focus does not focus on the company's area environment, but also on the environment and the areas that need to be preserved.

Biodiversity Area (G4-EN13)

NATIONAL CONSERVATION AREA AND BIODIVERSITY PROTECTION	METER SQUARE (Ha)	
	2015	2016
The ex-mining area of Batu Kapur Biring Ere	10,15 Ha	10,85 Ha
The area of the former Bontoa-Kalabirang Clay mine	62,30 Ha	63,90 Ha
Tonasa Forest Park area 1	5 Ha	5 Ha
Mangrove area around the port of Biringkassi	5 Ha	5 Ha
Total Area of Biodiversity	**82,45 Ha**	**84,75 Ha**

The Company recognizes that biodiversity is a key indicator of the health of an ecosystem. Different species in one region are better than the number of species confined to large populations. If certain species are affected by pollution, climate change or human activity, the ecosystem as a whole can adapt and survive. The Company understands, the extinction of a species may have an unexpected impact, sometimes snowballing into the destruction of the entire ecosystem.

Therefore, the management of green areas by the Company seeks to develop the diversity of species, both flora and fauna. Some areas require engineering intervention in advance, ie planting certain plant species for rehabilitated land.

Then after a long time, come a variety of fauna that make the area developed as a habitat. The fauna has the potential to introduce new plant species in line with the wind that carries the seeds of plants. They grow and develop with intensive care, in collaboration with relevant parties, such as government agencies and communities.

Regular monitoring is also conducted to determine the level of flora and fauna development from time to time. Calculated the type and number of flora and fauna that live in it.

Biodiversity Status of Bird Species at PLTU PT. Semen Tonasa location

N0	LOCAL NAME	SCIENTIFIC NAME	NUMBERS		STATUS OF PROTECTION
			2015	2016	
1	*Burung Gereja erasia*	*Passer montarus*	11	32	Non-protected
2	*Bondol Kepala Pucat*	*Lonchurs Palida*	22	6	Non-protected
3	*Bondol Taruk*	*Lonchura molucca*	32	4	Non-protected
4	*Bondol Rawa*	*Lonchura malacca*	20	10	Non-protected
5	*Kuntul Kecil*	*Egretta garzetta*	3	3	Protected
6	*Tekukur*	*Streptopelia chinensis*	6	0	Non-protected
7	*Walet*	*Callocalia esculenta*	1	12	Non-protected
8	*Cucak Kutilang*	*Pycnonotus aurigaster*	10	13	Non-protected
9	*Burung Madu hitam*	*Nectarinia aspasia*	3	0	Protected
10	*Kipasan*	*Rhipidura rufifrons*	3	1	Non-protected
11	*Layang-layang Batu*	*Hirundo tahitica*	2	0	Non-protected
12	*Kerakbasi Ramai*	*Acrocephalus stentoreus*	1	0	Non-protected
13	*Burung Brinji*		2	0	Non-protected
14	*Alap-Alap Elang*	*Accipiter Virgatus*	1	0	Protected
15	*Kekep*	*Artamus leucorrynchus*	3	6	Non-protected
16	*Serak Sulawesi*		5	0	Non-protected
17	*Belibis*	*Dendrocygna aecuata*	0	12	Non-protected
18	*Kapasan Sulawesi*	*Lalage leocophygialis*	0	4	Non-protected

Biodiversity Status Bird Type Location Mess and Wisma PT.Semen Tonasa

N0	LOCAL NAME	SCIENTIFIC NAME	NUMBERS		STATUS OF PROTECTION
			2015	2016	
1	*Burung Gereja erasia*	*Passer montarus*	19	29	Non-protected
2	*Bondol Kepala Pucat*	*Lonchurs Palida*	33	23	Non-protected
3	*Bondol Taruk*	*Lonchura molucca*	25	17	Non-protected
4	*Bondol Rawa*	*Lonchura malacca*	17	10	Non-protected
5	*Kuntul Kecil*	*Egretta garzetta*	1	1	Protected
6	*Tekukur*	*Streptopelia chinensis*	2	4	Non-protected
7	*Walet*	*Callocalia esculenta*	4	4	Non-protected
8	*Cucak Kutilang*	*Pycnonotus aurigaster*	35	34	Non-protected
9	*Burung Madu hitam*	*Nectarinia aspasia*	11	8	Protected
10	*Kipasan*	*Rhipidura rufifrons*	1	2	Non-protected
11	*Kacamata laut*	*Zosterops chloris*	19	3	Non-protected
12	*Raja Udang*	*Halcyopn chloris*	5	8	Protected

NO	LOCAL NAME	SCIENTIFIC NAME	NUMBERS		STATUS OF PROTECTION
			2015	2016	
13	*Kapasan Sulawesi*	*Lalage leucophyglalis*	6	7	Non-protected
14	*Puyuh*	*Cortunix chinensis*	1	4	Non-protected
15	*Cabai panggul kuning*	*Dicaeum aureolimbatum*	0	5	Non-protected
16	*Sriginting*	*Dicrurus hottentottus*	0	2	Non-protected
17	*Layang-layang batu*	*Hirundo tahitica*	0	3	Non-protected

Biodiversity Status Bird Species at Silo Nine location PT. Semen Tonasa

NO	LOCAL NAME	SCIENTIFIC NAME	NUMBERS		STATUS OF PROTECTION
			2015	2016	
1	*Bondol Kepala Pucat*	*Lonchurs Palida*	11	12	Non-protected
2	*Bondol Taruk*	*Lonchura molucca*	8	7	Non-protected
3	*Bondol Rawa*	*Lonchura malacca*	10	6	Non-protected
4	*Kuntul Kecil*	*Egretta garzetta*	42	24	Protected
5	*Tekukur*	*Streptopelia chinensis*	2	0	Non-protected
6	*Walet*	*Callocalia esculenta*	10	17	Non-protected
7	*Serak Sulawesi*		1	0	Non-protected
8	*Kacamata laut*	*Zosterops chloris*	1	5	Non-protected
9	*Raja Udang*	*Halcyopn chloris*	2	1	Protected
10	*Gajahan*		1	0	Protected
11	*Dara Laut Benggala*	*Stema bengalensis*	5	15	Protected
12	*Belibis*	*Dendrocygna aecuata*	8	26	Non-protected
13	*Cerek*		3	2	Protected
14	*Pecuk Ular*		4	0	Protected
15	*Srigunting*	*Dicrurus sp*	1	0	Non-protected
16	*Burung Gereja Erasia*	*Passer montanus*	0	18	Non-protected
17	*Cucak Kutilang*	*Pycnonotus aurigaster*	0	5	Non-protected
18	*Burung Madu Hitam*	*Nectania aspasia*	0	2	Protected
19	*Layang-layang batu*	*Hirundo tahitica*	0	8	Non-protected
20	*Kekep*	*Artamus leucorhynchus*	0	4	Non-protected
21	*Cabai panggul kuning*	*Dicaeum aureolimbatum*	0	1	Non-protected

Biodiversity Status of Bird Species in Clay Pit location PT. Semen Tonasa

NO	LOCAL NAME	SCIENTIFIC NAME	NUMBERS		STATUS OF PROTECTION
			2015	2016	
1	*Walet*	*Callocalia esculenta*	11	4	Non-protected
2	*Cucak Kutilang*	*Pycnonotus aurigaster*	5	7	Non-protected
3	*Burung Madu hitam*	*Nectarinia aspasia*	2	2	Protected
4	*Kacamata laut*	*Zosterops chloris*	1	5	Non-protected
5	*Kepodang Kuduk Hitam*	*Orilus chinensis*	5	0	Non-protected
6	*Burung Gereja erasia*	*Passer montarus*	0	5	Non-protected
7	*Bondol Kepala Pucat*	*Lonchurs Palida*	22	5	Non-protected
8	*Bondol Taruk*	*Lonchura molucca*	32	9	Non-protected
9	*Bondol Rawa*	*Lonchura malacca*	10	2	Non-protected
10	*Cucak Kutilang*	*Pycnonotus aurigaster*	0	5	Non-protected
11	*Cabai panggul kuning*	*Dicaeum aureolimbatum*	0	6	Non-protected

Reclamation of Limestone

NO	TYPE OF PLANTS (LOCAL NAME)	2014	2015	2016
1	*Tamate*	430	70	337
2	*Trembessi*	330	-	72
3	*Sengon*	175	407	1,551
4	*Tanaman Buah*	-	10	11
5	*Akasia*	100	-	20
6	*Palem*	56	-	-
7	*Tanjung*	-	350	5
8	*Pulai*	-	170	22
9	*Bitti*	-	-	177
10	*Flamboyan*	-	-	57
11	*Cover Crop (Centrosema)*	-	-	6,660
	Sub Total	**1,091**	**1,007**	**8,912**
	In collaboration with Forest Research Center of Makassar	2014	2015	2016
1	*Bitti*	245	-	0
2	*Jati Unggul*	298	-	0
3	*Pulai*	414	-	0
	Sub Total	957	-	
	Total	**2,048**	**1,007**	**8,912**

Clay Reclamation

NO	TYPE OF PLANTS (LOCAL NAME)	2014	2015	2016
1	*Asam Ranji*	9	-	-
2	*Jati Putih*	-	10	30
3	*Sengon*	90	125	1,039
4	*Angsana*	25	-	-
5	*Tamate*	1,701	1,358	1,005
6	*Trembessi*	630	365	271
7	*Tanjung*	-	40	-
8	*Bitti*	25	-	15
9	*Pulai*	-	70	160
10	*Flamboyan*	-	-	15
11	*Tanaman Buah*	32	120	60
	Total	**2,512**	**2,088**	**2,595**

CONTROL OF ACTIVITY IMPACT & ENVIRONMENTAL COMPLAINT

(G4-EN34)

The Company undertakes activities undertaken from the process of bringing raw materials, processing and transportation through a planned system, including in controlling the impacts of activities on the environment.

The handling of environmental impacts refers to the AMDAL document of the Company. In it already clearly states the form of control that must be done. The identification of the impact on the environment is also done by preparing the IADL (Identification & Environmental Impact Assessment), a document that contains the results of the identification and analysis of environmental risks on the activities undertaken. IADL is more specific in scale. Any activities that are at risk for the environment are made by IADL, whether they are listed in the AMDAL or not.

The environmental impact control is further developed within the framework of reducing the utilization of the main raw materials with alternatives, utilizing waste generated not only internally but also externally. The form of waste from external is B3 waste.

Environmental management by the Company on an ongoing basis has a positive impact. This is indicated by the absence of environmental complaints from communities that emerged in 2016.

Strengthening Social Sustainability

- The Tonasa Bersaudara Management
- The Tonasa Bersaudara Programme
- Handling Public Grievance
- Enhancing Occupational Safety & Health

Tonasa Brothers Fund	Numbers of SME partners	Number of Community Forum
28.59 Bill	10,902 SME	11 Forum

STRENGTHENING SOCIAL SUSTAINABILITY

Corporate Social Responsibility or CSR is an integral part of the company's business activities. Commitment to social responsibility is a social investment expressed in the highest corporate policy stating that the implementation of Corporate Social Responsibility (CSR) program as a form of commitment to the surrounding community.

The policy of CSR implementation in PT Semen Tonasa refers to Law No.19 of 2013 on State-Owned Enterprises, Law No.40 of 2007 on Limited Liability Companies with the explanation of Government Regulation No.47 of 2012 on Corporate Social and Environmental Responsibility of company, Minister of State-Owned Enterprises (BUMN) Regulation No.PER-08 / MBU / 2013 on Partnership Programme of BUMN with Small Business and Community Development Program.

The Company's CSR policy is further translated into corporate Blueprint on CSR, and Standard Operating Procedure (SOP). Therefore, the implementation of CSR / CSR has an operational reference frame that facilitates the related units in planning, implementing, monitoring and evaluating the program. (G4-DMA)

The Management of Tonasa Bersaudara Programme (G4-SO1)

The development strategy of the CSR program is framed in a sustainability program called Tonasa Bersaudara (Tonasa's brotherhood programme). This term contains the meaning of togetherness, harmony and hope for a harmonious relationship between the company and the stakeholders based on the principle of mutual reminding, helping and cooperating (*Sipakainge, Sipakatau, and Sipakalebbi*).

CSR is implemented by establishing a work unit under the CSR & General Department. This unit is headed by an official equal to Head of department directly responsible to the President Director. With the human resources of 14 people working in CSR units, the company is still assisted by a field facilitator of 10 people who specifically have the role and function of accompanying CSR programs in eleven villages and sub-districts belonging to the circle of the company or affected by directly.

The CSR & General Department manages the Tonasa Bersaudara programme program which has five pillars which are the focus or aspects of the company's concern in implementing the CSR program. The five pillars are Tonasa Mandiri, Tonasa Sehat, Tonasa Cerdas, Tonasa Bersahaja and Tonasa Hijau.

THE TONASA BERSAUDARA MANAGEMENT

The Tonasa Bersaudara programme program management begins from the social mapping phase, the preparation of a strategic plan, the implementation of activities through stakeholder forums and periodic activity evaluations and at the end of the year of the program.

In designing various CSR activities that have community empowerment, the company has conducted social mapping and stakeholders in 2013, then re-done social mapping and stakeholders for two new villages by 2014. With this social mapping database, the company then drafted a strategic plan for the year 2014 - 2018 outlined in the annual program plan. All planning processes are carried out in a participatory manner by involving multi-stakeholder forums established in each village / kelurahan of the ring area and synergized with local development plans. Forum at the village / *kelurahan* level becomes the company's strategic partner as a means of communication and coordination of community empowerment activities.

With the five pillars of Tonasa Bersaudara programme, a number of community empowerment programs. These programs can be seen in the picture below.

CSR 's VISION:
TO BE A PROMINENT CEMENT COMPANY WITH EXCELLENT PERFORMANCE TOGETHER WITH STAKEHOLDERS AND CONTRIBUTING ON SUSTAINABLE DEVELOPMENT

TONASA BERSAUDARA PROGRAMME

PILLARS of PROGRAMME

TONASA SELF-RELIANCE	TONASA SMART	TONASA HEALTH	TONASA MODESTY	TONASA GREEN
Mandiri Micro Small Enterprises	Scholarship	Procurement of Water & Sanitation Facilities	Indigenous Peoples Development	Group Facilitation & Waste Bank
Strengthening Multi-stakeholder Forums	Tonasa Teaching	Elderly & Toddler Nutrition Improvement	Mosque renovation	Sustainable clean water treatment
Procurement of Agricultural Facilities	Skills Training	House Rehabilitation	Construction of TPA	Bridge rehabilitation
Procurement of Water Pump Machine	Tonasa Championship	Healthy Living Campaign	Taking care of Dhuafa kids	Environment conservation
Road Construction for Agriculture	Dream school	Fogging		Clean water treatment

THE TONASA BERSAUDARA PROGRAMME

The program of Tonasa Bersaudara includes community empowerment activities carried out through charity / donation activities, community development and SME partnership programs. In the implementation of Tonasa bersaudara program, the company allocates IDR 29,000,000,000, - in 2016 to the surrounding community, especially 11 villages at ring 1.

In the implementation of the activity, the Company continues to provide community assistance and coordinate directly with the village Forum leaders who have been established in the community. The community made the village forum as a forum for aspiration to gather needs, planning and implementation activities. With the existence of the Forum, the company has encouraged proactive attitude of the community and the management of the activities in a good, clear and measurable way.

Measuring the success of the program through the Public Satisfaction Index (IKM) is done by the company once a year. IKM conducted to determine the level of success of the program in the eyes of the beneficiaries so that it becomes an evaluation in the improvement and improvement of program quality in the future. IKM assessment is conducted for each program implementation, so that each program is identifiable of which one has met expectations and which one needs improvement.

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Table of Performance Achievement of Tonasa Bersaudara Program 2016

NAME OF ACTIVITIES	BENEFICIARIES	COMMUNITY EXPENDITURE
SME Partnership Programme	559 UKM	12.709.000.000
Community Relation & Development Programme	11 Desa Lingkar	4.969.000.000
Corporate Social Responsibility Programme	Ring 1, Regional dan Nasional	10.912.000.000
	Total Cost	**28.590.000.000**

HANDLING PUBLIC GRIEVANCE (G4-SO11)

The Company has a mechanism to receive and follow up any complaints submitted by the community. Complaints submitted by citizens throughout the year 2016 was not disrupt the operation because it is followed up directly by Department of Corporate Secretariat (SEKPER) and subsequently submitted to directors.

List of Community Grievance 2016

NO	SOCIETY	LETTER	GRIEVANCE	FOLLOW-UP
1	Kelurahan Lapuko - PP Kendari Community	Joint Agreement Statement October 12, 2016	CSR Fund Management, Road Repair, Street Light and Labor Recruitment	Coordinate with the local government
2	NGO	Grievance through social media	Illegal mining	Clarification to the related Local Government (Close)

ENHANCING OCCUPATIONAL SAFETY AND HEALTH

(G4-LA5, LA6, LA7, LA8)

The Company apply the Occupational Health and Safety (OSH) issue as the policy of protecting employees from the risk of accidents and adaptation of the work environment according to the physiological and psychological needs of the workers.

In order to implement the OSH issues, the Company has developed, implemented and maintained health and safety policies based on the principle of sound safety and health standards. Therefore, the Company implements the OHSAS 18001: 2007 Management System which has been certified by a third party as a guarantee of operational implementation in accordance with OSH standards. The Company also apply K3 Management System (SMK3) as implementation of SMST (*Semen Tonasa Management System*). (G4-DMA)

To support the OSH application, a team was established under the Department of Quality & Environment (Jamuli), the Occupational Safety and Health Bureau. There are 34 people, consisting of 30 people and a health section of 4 people.

Implementation of OSH can not be implemented properly without the involvement of employees. Therefore, the Company also has a OSH Committee consisting of management representatives and employee representatives in order to succeed the OSH protection. The OSH Committee is an important part of the holistic OSH application. The OSH Committee plays a role in gathering information related to occasions related to OSH. They are also actively involved in developing and disseminating safety manuals and training programs, reporting, recording and investigating occupational accidents as well as reviewing and responding to issues reported by employees and management.

DESCRIPTION	2015	2016
Work Unit OSH Team (G4-LA5)		
Work Unit OSH Team *	42	34*
OSH/P2K3 Committee		
Employee Representative	54	54
Management Representative	1	1
Total OSH Committee	55	55

** Safety section are 30 people and Health section are 4 people*

In order to create awareness to all employees about the importance of OSH in the workplace, the Company continuously promotes OSH intensively. Various efforts were conducted such as safety talk regularly in each work unit, sticking posters OSH, commemorate the month of OSH and others.

OHS performance during 2016 recorded incidence of minor - moderate accidents five times. No serious accidents and fatality. This figure is in contrast to the previous year that once recorded a one-time fatality occurrence, major accidents four times and minor accidents six times.

This good performance can not be separated from the hard work of all parties to build safety in every work activity in various levels intensively.

Table Number of Occupational Accidents (G4-LA6)

DESCRIPTION	2014	2015	2016
Minor	1	6	5
Major	2	4	-
Fatality	0	1	-

Work Accident Rate Based on Gender

DESCRIPTION	2014		2015		2016	
	L	P	L	P	L	P
Minor	1	0	6	0	5	0
Major	2	0	4	0	0	0
Fatality	0	0	1	0	0	0

Work Accident Rate (G4-LA6)

DESCRIPTION	2014	2015	2016
Lost Working Hours	168	963	168
Lost Work Day	21	168	21
Severity Rate	6	9,5	1,81
Frequency Rate	0,96	9,5	0,84

Employeeshealth correlate with productivity. In order to achieve employee health condition, the Company manages the work environment both inside and outside of the office. Every employee is involved in maintaining cleanliness and neatness in each area.

In order to know the health of employees early on, the Company facilitates periodic medical check up once a year. For treatment, the Company has clinics that can be utilized by employees, family employees and the community for treatment. As an advanced facility, the Company provides medical benefits to employees and their families.

10 major diseases based on employee's medical check up

NAMOF DISEASES	AMOUNT
Conductive Deafness	95
Hypertensioni	86
Diabetes Mellitus	79
Cardiac	28
Hepatitis B	20
Deaf Nerve	13
Mixed Deafness	8
Thrombocytopenia	6
Koch Pneumonia	6
Bronchitis	5

The realization of the Company's OSH commitment for all employees is set forth in the Collective Labor Agreement (CLA) signed by the Management and Trade Union. Some aspects related to OSH management are clearly set out in CLA. So that the rights and obligations of the Company and Employees are clearly stated in order to create comfort in working.

OSH items in CLA (G4-LA8)

Occupational Safety and Health (OSH)	Description of OSH Section in CLA
Personal protective equipment	- The company must provide free of charge safety and health equipment to employees according to the place, nature and possible impact of the work. - Employees must use and maintain the safety and health equipment that has been provided by the company as well as possible
Education and Training OSH	The company will give employees the opportunity to get education or training in accordance with technological and business development, organizational development, as well as knowledge of position and skill improvement.
Right to Refuse Hazardous Works	Employees have the right to refuse to do work if the company does not / fail to provide tools, place / work environment that cause unsafe working conditions.

Strengthening Business Sustainability

- Creating Economic Benefits
- Enhancing Competitiveness

CREATING ECONOMIC BENEFITS (G4-EC1)

Cement industry can not be separated from economic development. It can grow in line with economic growth. The higher the growth, the more advanced the cement industry. However, economic growth is ideally driven by the construction-infrastructure sector. Because this sector definitely needs cement raw materials.

Globally, economic growth is showing a downward trend. The cause is the uncertainty mainly comes from the United States (US) and China. Although globally unfavorable, Indonesia's economic growth throughout 2016 reached 5.02%. This figure is slightly better than 2015 which is corrected by 4.88 percent. Unfortunately, Indonesia's economic growth is still from consumption, especially household consumption which in 2016 grew by 5.01%.

Fortunately, the eastern region of Indonesia shows of construction sector growth. The most promising areas are Sulawesi and Maluku-Papua. Construction sector growth in the area was 11.7 and 10.1 percent, respectively.

Economic Growth Impacts and Cost Transformation Strategies

Indonesia's economic growth, especially in eastern Indonesia, although not significant, can be utilized well by the Company. In the midst of coworkers' competition and the emergence of new players, the Company can still earn Rp 4.956 trillion in revenue. Higher than 2015 amounting to Rp 4.839 trillion, although still below the year 2014 of Rp 5.223 trillion.

From the above-mentioned revenue, the Company earned a net profit of Rp 603.2 billion, up 8.42 percent from last year's Rp 556.3 billion.

The Company's cost transformation strategy is also effective in supporting revenue and profits. In this regard, the Company seeks to design a more competitive production cost. Then look for activities that are structural, such as making improvements in terms of procurement process, bidding process, and selection of raw materials. Further repairing equipment, which is not feasible to be replaced, which is not suitably improved. This cost transformation strategy, the Company succeeded in the efficiency of Rp 280 billion.

Achievements Efficiency of the Cost Transformation Strategy

DESCRIPTION	TARGET	ACHIEVEMENT UNTIL DEC	INTERNAL TARGET
Cost of Goods Sold (COGS):			
Fuel	45,956	60,135	50,551
Electrical energy	(28,711)	(36,323)	(14,791)
Trading	40,215	153,050	74,368
Alternatve & Raw Material	54,937	57,931	51,415
Maintenance	6,964	29,893	25,027
Packaging	15,084	11,013	16,593
General & Administration	1,124	5,792	1,716
Tax & Assurance	933	6,600	3,112
Total COGS	136,503	288,092	207,991
Business Load:			
General & Administration	10,910	12,320	15,763
Trading & Marketing	5,464	(4,437)	6,010
Internal Target	152,877	295,975	229,764
Additional Target of Group	56,000		
Total	208,877	295,975	229,764
Achievement		142%	129%

Direct Economic Value

DESCRIPTION	UNIT	2014	2015	2016
Income	Rp Billion	5,223	4,839	4,956
Interest Income	Rp Billion	29	47	15
Other Income	Rp Billion	14	2	2
Total	**Rp Billion**	**5,267**	**4,889**	**4,973**

Direct Economic Contribution to the Parties

As one of the largest companies in eastern Indonesia, it can be seen from the amount of its contribution to the stakeholders, the public and the state.

By 2016, the Company has provided salaries and benefits to employees of Rp 572 billion, up slightly from the previous year of Rp 537 billion. The contribution to the Government in the form of tax increased significantly by Rp 904 billion, up by 16.68 percent from last year.

To the suppliers and contractors, the Company provides cooperation commitment on the basis of mutual benefit. A total of Rp 2.412 trillion has been issued by the Company to pay them. Compared to last year rose by Rp 104 billion.

Similarly, the contribution to the community through the corporate social responsibility program, the Company has participated in community empowerment of Rp 29 billion. Not directly in the form of cash, but in the form of programs.

Distributed Economic Value

DESCRIPTION	UNIT	2014	2015	2016
Operational Expenses	**Rp Billion**			
Employee Salaries and Other Benefits				
• Unit of Operation	Rp Billion	324	317	332
• Unit of Administration	Rp Billion	200	220	240
Total Employee Salaries and Other Benefits	Rp Billion	523	537	572
Payment to Investor				
• Dividend Payment	Rp Billion	50	-	15
• Interest Payment	Rp Billion	322	280	269
Total Payments To Investors	Rp Billion	372	280	285
Expenditures to the Government	Rp Billion	650	773	904
Expenditures to the Supplier	Rp Billion	2,627	2,308	2,412
Expenditure to the Community	Rp Billion	28	29	29
Total	Rp Billion	3,306	3,110	3,344
Economic Value Earned Before Dividend	Rp Billion	1,115	962	788
Economic Value Earned	Rp Billion	1,065	962	772

Contribution to The State

TYPE OF CONTRIBUTION	UNIT	2014	2015	2016
Taxes (Included Subsidiary)	Rp Billion	650	773	904
Dividends *	Rp Billion	50	-	15

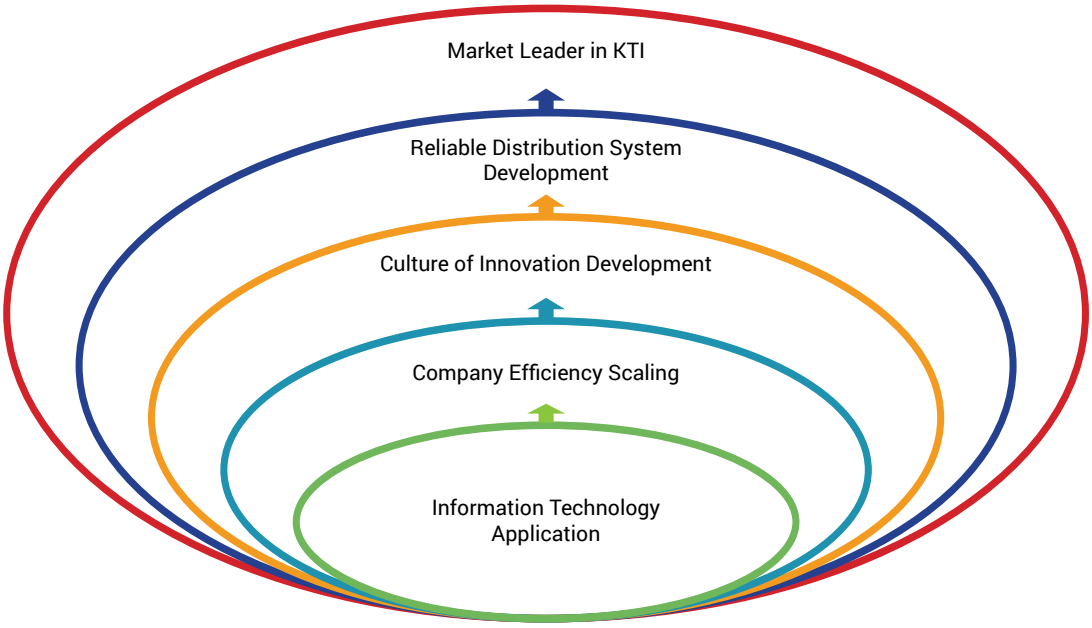
** Dividend payment through PT Semen Indonesia*

ENHANCING COMPETITIVENESS

Enhancing competitiveness is one of the strategic steps to maintain its position as market leader (market leader), especially in eastern Indonesia. The Company has positioned itself as a market leader and is in line with efforts to support the holding strategy in order to dominate the market in Eastern Indonesia and market share in Southeast Asia.

There are 4 factors that are done in achieving competitiveness so as to realize position as market leader :

1. **Application of information technology**
2. **Develop efficiency in every function of company**
3. **Build innovation culture**
4. **Reliable distribution system**



First, is the application of information technology, which is the demand of the external environment. The rapid development of information technology provides efficiency in reaching an increasingly competitive market. The emergence of various facilities with the application of information and communication technology, has brought the company closer to the market.

Thus, when a company wants to bring information and communication technology applications to its customers, it does not need to invest heavily in applying technology to society, but the application is done naturally by the market as well as by utility efforts.

Second, building efficiency in every corporate function. It is best to cease the reason that the desire for efficiency is linked to the value of money and time, but it is widely argued that a mental transformation which builds commitment to qualitative efficiency, is crystallized to the value of the individual members of the enterprise, thus in turn becoming the total value of corporation.

Third, encourage a culture of innovation. Like efficiency, innovation is a value that must be embedded in a company's overall value.

Enhacing Competitivness Initiative to Maintain Market Leader

INFLUENCING FACTORS	ACTIVITIES INITIATIVES
Application of Information Technology	Building a marketing information system that relies on information and communication technology
Efficiency	Structural cost transformation strategy, such as improving the procurement process, bidding process, and raw material selection
Culture of Innovation	Internalizing CHAMPS as an organizational culture
Develop Distribution System	Packing plants development at market distribution centers and making distribution models that can streamline overall distribution resources.

Innovation impacts on Competitiveness

DESCRIPTION	REMARKS
Awards on National Convention Working Meeting of National Quality & Productivity - XX	PT Wahana Kendali Mutu
PKM ABC	Platinum Medal
PKM Becek	Gold Medal
GKM Alchemy	Gold Medal
SS Cooling	Gold Medal
SS Drilling	Gold Medal
SS I Know	Gold Medal
Indonesia Convention National Convention Quality Convention 2016	Indonesian Quality Management Association
PKM Pejantan Tangguh	Gold Medal
PKM Akurat	Gold Medal
GKM HKDH 2	Gold Medal
SS Nasa	Gold Medal
SS Rocker Arm	Gold Medal
SS Jin & Jun	Gold Medal

NCSR NATIONAL CENTER FOR SUSTAINABILITY REPORTING

Statement GRI G4 Core In Accordance Check

The National Center for Sustainability Reporting (NCSR) has conducted a GRI G4 Core in Accordance Check on the sustainability data in PT Semen Tonasa Sustainability Report 2016 ("Report"). The check communicates the extent to which the GRI G4 Core criteria has been applied in the Report. The check does not provide an opinion on the sustainability performance of the reporter or the quality of the information provided in the report.

We conclude that this Report has presented disclosures, either fully or partially, in accordance with GRI G4 Core criteria.

Jakarta, 22 December 2017

National Center for Sustainability Reporting

Dewi Fitriasari, Ph.D., CSRA, CMA
Director

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We highly appreciate your inputs, critics and suggestions as our stakeholders to improve the sustainability performance of PT. Semen Tonasa. Kindly send it either by email, fax or post to the below address

FEEDBACK FORM

YOUR PROFILE

Name (if you please) : _____

Institution/Company : _____

Email : _____

Phone/Mobile : _____

STAKEHOLDERS CATEGORY

☐ Government ☐ Investor ☐ Agent/Distributor ☐ Educational Institution

☐ Community ☐ Company ☐ Media ☐ Customers

☐ NGO ☐ Employee ☐ Others, please mention .....

PLEASE CHOOSE THE MOST APPROPRIATE ANSWER

1. This report describes Company's performance in sustainability development

☐ Agree ☐ Neutral ☐ Disagree

2. This report is interesting and comprehensible

☐ Agree ☐ Neutral ☐ Disagree

3. This report increased your trust on the company's sustainability

☐ Agree ☐ Neutral ☐ Disagree

4. Please give rating which material aspect the most important to you

(score 1= most important up to 5= least important)

- Environmental Performance [...]
- Alternative raw material's usage [...]
- Emission reduction [...]
- Energy Management [...]
- Biodiversity [...]
- Occupational Health and Safety [...]
- Indigenous/local community [...]
- Economic Performance [...]

5. Please provide your suggestion or comment on this report :

Thank you for your participation. Please send this feedback sheet to :

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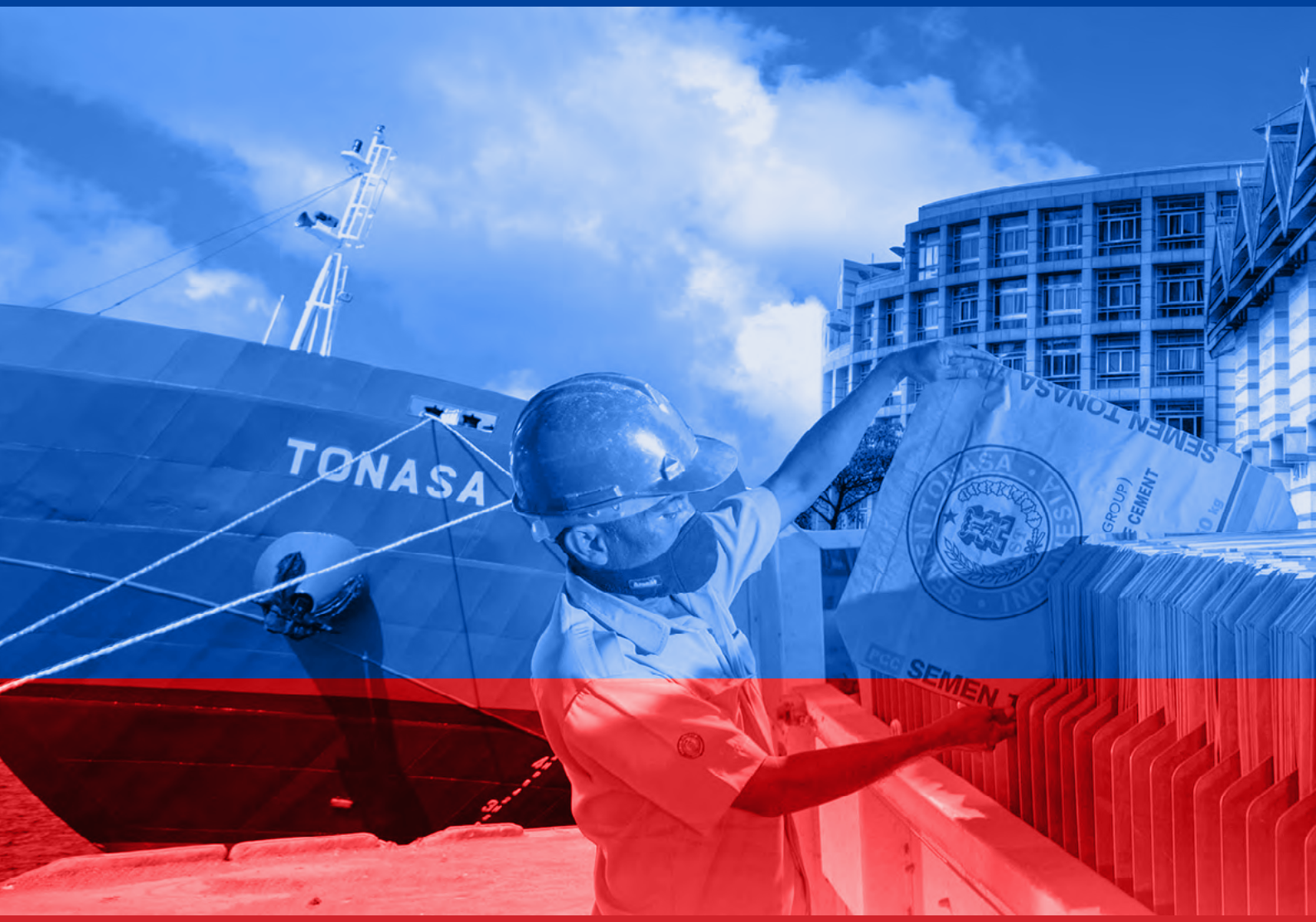
2016 Sustainability Report

PT Semen Tonasa



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