

## INDOSAT CSR PROGRAM OVERVIEW: Creating a Better Indonesia

Indosat's stated CSR goal is to grow, to comply with laws and regulations and to care for the community

### Responsible Corporate Citizenship

Indosat continued to strive toward being a responsible and ethical corporate citizenship. This was expressed through a number of initiatives, notably in good corporate governance (GCG) and Corporate Social Responsibility (CSR). Our corporate governance practices have been refined over the years and, in accordance with current regulations on the New York Stock Exchange, have undergone various internal control tests with good results. In recognition of our GCG standards, we received a number of awards in 2011 including the Institutional Investor Corporate Awards 2011 for The Strongest Adherence to Corporate Governance.

In line with our aims of sustainable business and contribution to the nation, our CSR programs focused on the areas of education and healthcare, where we have traditionally felt that we can make the most impact. The Indosat Mobile Clinic program, which has brought medical care to over 500,000 beneficiaries, celebrated its fifth anniversary this year while the Indosat Wireless Innovation Application Contest (IWIC), a well-known annual event that recognized outstanding wireless innovations, ran smoothly for the sixth time. An Innovation Lab as the second lab sponsored by Indosat opened on the Bandung Institute of Technology campus, encouraging technical innovation among the young generation. On related note, we successfully tested fluidic batteries as an efficient and environmentally-friendly power source for our Base Transceiver Station (BTS), an initiative that will be scaled up in 2012 to reduce our carbon footprint. Finally, Indosat was honored to be chosen as the support as the official telecommunications partner for the SEA Games XXVI as well as the two ASEAN summits held in Indonesia over the year.

In line with our position as a leading telecommunications provider in Indonesia, Indosat takes its corporate social responsibility (CSR) commitments seriously. Our CSR goals is 'to grow in compliance with laws and regulations and to care for the community.' As such, we strive to set an example and create real value for all stakeholders by upholding the highest standards of good corporate governance (GCG), as well as giving back to the community and conserving the environment. Our CSR activities focus on five program areas, namely education, healthcare, disaster relief, charity and environmental conservation. These CSR activities are integrated where possible into Indosat's operations activities, for example by using Indosat facilities or through the voluntary participation of Indosat employees, thus increasing the value that Indosat delivers to society. Notably, our long running Mobile Health Clinic program reached its 5th anniversary, while the Indosat Wireless Innovation Application Contest (IWIC) was held for the 6<sup>th</sup> time to record interest. These and other achievements were recognized by a total of 6 CSR awards in 2011. In total, Indosat spent 1.46% of 2010 net income of CSR programs.

Since being established in 1967, PT Indosat Tbk (Indosat) has been a leading telecommunications provider in Indonesia in both technological innovation and social responsibility. Our commitment to sustainable operations and social responsibility is reflected by our Vision & Mission and Corporate Values and Code of Conduct which are outlined in the appended Annual Report.

Since then, we have striven to increase our contribution to all stakeholders and shareholders with tangible results. Among others, Indosat was one of the first signatories of the UN Global Compact in Indonesia, and Indosat is also one of the few companies in Indonesia that has achieved Sarbanes-Oxley (SOX) 404 compliance.

### UN Global Compact Signatory

Since 2006, we have supported the United Nations (UN) initiative called the UN Global Compact, including committing to implement its 10 Principles of ethical behavior in the areas of human rights, labor, the environment, and anti-corruption. As part of this commitment, we routinely submit a 'communication

on progress' each May to the UN Global Compact, to coincide with the publication of our Sustainability Report. In 2009, Indosat subsequently joined the Indonesian Global Compact Network (IGCN). The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values as follows:

### **Human Rights**

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

### **Labor**

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

### **Environment**

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

### **Anti-Corruption**

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

### **SUSTAINABILITY FRAMEWORK**

Indosat's comprehensive approach to sustainability is based on the 3P triple bottom line, in which "3P" stands for Profit, People, Planet. This 3P bottom line represents a comprehensive spectrum of values and criteria for measuring economic, social and ecological impacts, and are further broken down into ten principles, seven pillars and five focus areas.

#### **10 Principles, 7 pillars, 5 Focus Areas**

Specifically, Indosat implements its sustainability initiatives comprehensively based on the ten principles of social responsibilities as outlined in the UN Global Compact, and on the seven pillars of the ISP 26000 Social Responsibility Guidelines.

**Ten principles of social responsibility:** legal compliance, respect for internationally recognized instruments, recognition of stakeholders and their concerns, accountability, transparency, sustainable development, ethical conduct, precautionary approach, respect for fundamental human rights, respect of diversity.

**Seven pillars of ISO 26000:** organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, social development.

**Five focus areas:** Of the seven ISO 26000 pillars, five have been selected by the Indosat CSR Committee to be pillars of Indosat's Social Responsibility programs, namely: Consumer Issues, Community Involvement, Organizational Governance, Labor Practices, and Environment.

These initiatives are further carried out with reference to the Good Corporate Governance principles of transparency, accountability, responsibility, interdependence and fairness, and through our CSR program.

#### **Implementation through CSR and Corporate Strategy**

At Indosat, 3P concerns are holistically addressed through longstanding corporate social responsibility (CSR) programs and embedded in our corporate business strategy, in the following areas for

- financial performance and long term value
- Good Corporate Governance (GCG)
- Corporate Social Responsibility (CSR)
- workplace talent & culture
- delivering on promises to customers
- regulatory compliance
- commercial management.

### **PERFORMANCE & ACHIEVEMENTS 2011**

Driven by a commitment to long term sustainability and social responsibility, starting in 2009 a company-wide transformation began that aimed to make Indosat more competitive in the market and deepen the Company's ability to deliver greater value to all stakeholders. The changes made under this

transformation improved and strengthened Indosat's financial position while supporting continued growth in a responsible manner. At the end of 2011, Indosat showed the following achievements among others

- **Increased shareholder value:** Indosat existed the year with improved profitability, more efficient asset utilization, and better free cash flow for a fundamentally stronger portfolio.

- **Delivered value to customers:** Our QoS (Quality of Service) report for 2011 demonstrated that Indosat's delivery of services for voice, SMS and data was above the averages established by the regulator. Among others, Indosat achieving a 99.64% score for handled customer complaints compared with the 85% minimum, and scored 99.11% for short messages that were successfully sent compared with the 75% minimum requirement. In response, subscriber numbers increased by 16.8% over 2010 to reach 51.7 million.

- **Developed our human resources:** Besides providing a supportive work atmosphere, ongoing training initiatives were provided for employees to develop their skills and motivation. For more information, please refer to the Human Resources section of the appended Annual Report.

- **Stimulated local economy:** Indosat stimulated job creation and assisted knowledge transfer in a number of ways, including through Corporate Social Responsibility education programs but also by sourcing a high percentage of manufacturing components locally. Our Domestic Component Rate (*Tingkat Komponen Dalam Negeri, TKDN*) reached 39.6% in 2011.

- **Engaged with partners:** Relationships with partners were nurtured among others through streamlining of procurement procedures in the case of suppliers, more appropriate KPI (Key Performance Indicators) for dealers, and embedding Indosat products with various device makers.

- **Decreased fossil fuel consumption:** Green initiatives such as use of eco-friendly fluidic batteries helped to decrease our carbon footprint.

- **Gave back to the community:** Our CSR initiatives assisted more beneficiaries than ever, particularly our longrunning education and medical assistance programs.

Facing the enormity of education, health, and environmental problems as well as the challenges faced by Indonesian people in general, Indosat's actions are a significant step towards a better future. The programs that we have implemented will continue to be run and their quality improved. All CSR programs undertaken by Indosat will be evaluated periodically to verify that such programs are truly providing value to communities and to the Indonesian people in keeping with Indosat's CSR goals.

### **Programs**

As part of becoming a sustainable business, Indosat has developed comprehensive Corporate Social Responsibility (CSR) programs, reflecting our commitment towards helping to realize Indonesia's potential. Our commitment is implemented through a number of activity programs in the area of education (Indonesia Belajar), healthcare (Indonesia Sehat), channeling funds for social charities (Berbagi Bersama), disaster relief (Indosat Peduli), and environment preservation (Indonesia Hijau).

### **Oversight**

To ensure proper implementation of our CSR initiatives in a responsible, ethical and effective manner, a CSR Committee was established by the Board of Directors (BOD) in 2009. Comprising members of the Directors and Group Head personnel, the CSR Committee is responsible for guiding, leading and assessing our CSR activities.

### **Funding**

Indosat committed Rp 10.6 billion specifically for CSR programs during 2011, or equivalent to 1.6% of net 2010 income. This represented a percentage increase over 2010, in which 0.86% of net income was allocated for CSR activities.