

C O P

2013



indosat

I. INTRODUCTION

Exciting challenges and changes took place in 2012 as Indosat gained momentum throughout the year to reach a record 58.5 million subscribers, supported by a strengthened balance sheet and an enhanced product line up and network. Sustainability continued to be a key concept in our business operations and Corporate Social Responsibility (CSR) activities in line with our commitment to give back to society and support the development of the Indonesian nation and people.

It is our intention that this report, which lays out and documents our approach and progress using the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines as a reference, should serve to improve transparency and stakeholder understanding of Indosat's efforts to achieve sustainability. We define 'sustainability' by the ability to create long term value for all stakeholders with minimal impact on our environment.

Over the year, in step with our expanding capabilities and value creation, our contributions to stakeholders and the Indonesian people have similarly increased. Apart from our CSR activities, which directly give back to the community, Indosat also contributed to developing the national infrastructure, creating employment, generating tax revenue for the government, supporting local economy and developing the knowledge and skills of the Indonesian people. In addition, fuel saving initiatives in our network tower solutions have helped to decrease our impact on the environment. Reflecting these achievements, in total we won a total of five CSR awards during the year for our work, which are listed on page XXX of this publication.

In closing, we thank all stakeholders for their generous support. It is our great hope this report further serves as an invitation to our shareholders, customers, employees, business partners, communities and the government to discuss and provide feedback on our efforts and where we could improve. May we continue to grow together in future years.

II. PROFILE & BACKGROUND

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 126000: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, social development.

Five focus areas: Of the seven ISO 126000 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 the following areas of our corporate business strategy:

- 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.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT (HSE)

During 2012, Indosat heightened its commitment to implementing a culture that promotes Occupational Health, Safety and Environment (HSE), in line with the government program of establishing a national HSE culture by 2015.

Indosat took concrete steps with the formulation of an HSE policy signed by the President Director and CEO, which outline the company's commitment to reducing workplace accidents, reducing and prevent environmental pollution, saving energy, obeying laws and making continuous improvements to HSE management systems.

The involvement of management and employees at all levels have yielded good results, and in November 2012, Indosat received OHSAS 18001 international certification related to Occupational Health and Safety management systems, as well as ISO 14001 Certification related to Environmental Management Systems, issued by independent auditing agency Worldwide Quality Assurance (WQA), a member of the United Kingdom Accreditation Service (UKAS).

CSR FRAMEWORK

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

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*), fundraising for social charities (*Berbagi Bersama*), disaster relief (*Indosat Peduli*), and environment preservation (*Indonesia Hijau*). 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.

In 2012, we focused our efforts in education as detailed in Chapter 6: Community Contributions, where we felt our support would have maximum impact.

CSR Awards in 2012

- SOCIAL BUSINESS INNOVATION AND GREEN CEO AWARD 2012
Green CEO
- TECHLIFE AWARD 2012
Best Innovative CSR Program
- INDONESIA CELLULAR AWARD (ICA) 2012
The Best CSR Program
- INDONESIA GREEN AWARDS 2012
Green Telecommunication Company

III. GOOD GOVERNANCE

Indosat is committed to implementing the highest standards of good corporate governance based on the five principles of transparency, accountability, responsibility, independence and fairness. This approach extends to all our business operations as well as our CSR programs. Clear reporting structures and strong internal procedures and controls have been established, refined and enhanced over the years related to our dual listed status on the New York Stock Exchange (NYSE) and the Indonesia Stock Exchange (IDX). Furthermore, external assurance is also sought through an independent external auditor.

For more information on Indosat's corporate governance procedures, please refer to the 2012 Annual Report.

CSR 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 and its structure was subsequently revised at the May 10, 2011 BoD meeting. Comprising members of the Directors and Group Head personnel, the CSR Committee is responsible for guiding, leading and assessing our CSR activities. The CSR Committee is comprised of the Chief Executive Officer, Chief Financial Officer, Chief Corporate Services Officer, and various Group Heads.

Scope of Work:

- Defining the objectives, strategy and policies for CSR
- Monitoring system implementation
- Approve annual budget and main programs
- Review regular reports

Activities:

- Regular meetings once every 6 months
- Regular reports at BoD meeting

IV. ECONOMIC IMPACT

Indosat turned in a solid year of performance in 2012, delivering increased economic value for Indonesia through both direct means such as employment and tax revenue, and indirect means such as enhancing subscribers' productivity.

Accelerating value creation:

	2011	2012
Revenues (billion rupiah)	20,529.3	22,418.8
EBITDA (billion rupiah)	9,664.0	10,540.0
Total Assets (billion rupiah)	53,233.0	55,225.1
Subscribers (million)	51.7	58.5
BTS	19,253	21,930

Contribution to National Infrastructure Development

As a national telecommunications company, Indosat makes major contributions to developing national telecommunications infrastructure, including helping to connect people in isolated or rural areas to the network. Indosat maintains an extensive telecommunications infrastructure and network comprising cellular networks as well as fixed voice and fixed data networks that include international gateways, submarine cable systems, satellite circuits and microwave transmission stations, which are continuously expanded and upgraded. At the end of 2012, our nationwide network comprised 17,344 2G BTS (Base Transceiver Stations) and 4,596 Node-B or 3G BTS for a total of 21,930 BTS, an increase of 2,677 BTS or 14% over the previous year.

In 2012 Indosat became the first operator in Indonesia to implement commercial 3G broadband services Indosat (Super3G) on the 900 MHz frequency, using cutting edge UMTS (Universal Mobile Telecommunications System) technology. In parallel, the first phase was rolled out of a modernization project which will comprehensively overhaul the Indosat network in readiness for Long Term Evolution (LTE) using the 900MHz spectrum, a first in Indonesia; and approximately 2,500 SuperWiFi hotspots were built out in major urban areas which will enable subscribers to log on seamlessly to the Indosat network without keying in their password.

We also contributed to the development of e-commerce in Indonesia through our e-commerce platform Toko-On, which was enhanced over the year. The relaunch of the Dompetku e-wallet service with additional features enabling iPhone, Android and BlackBerry users to conduct payments, purchases and transfer money through the cellular handsets and withdraw cash also provided subscribers with payment solutions that could boost productivity.

We further supported the second phase of the government's e-KTP electronic identification card project, connecting 7,000 regencies and sub-regencies with more to come in 2013.

Employment and Knowledge Transfer

As of the end of 2012, the company directly employed 2,933 employees, directly supporting the economy and enabling these employees to earn a decent livelihood. In addition, Indosat committed considerable time and resources in the amount of Rp19.2 billion to hold 256 training sessions during the year in order to develop their capacity and knowledge further.

As part of being a good employer, Indosat strives to provide a good work environment with non-discriminatory hiring policies, good career development, health care, and low rates of injuries. Related to our efforts, in November 2012, Indosat received OHSAS 18001 international certification related to the Occupational Health and Safety management systems that we have successfully established.

Sourcing from Local Suppliers

Indosat has moved to source components where possible from local suppliers rather than importing these components. One example is the implementation of fluidic batteries, which are manufactured locally in Indonesia. By expanding use of these batteries, we are further supporting local suppliers and the Indonesian economy.

Connecting Rural Areas

Indosat's products and services enable millions of customers and businesses to be more productive and create value. This is especially important in isolated areas. For example, in 2012 Indosat installed a Base Transceiver Station (BTS) in the village of Mambi, Sulawesi. Residents of Mambi, who previously had to trek five hours to the nearest town can now phone doctors in the regional capital, Makassar, check market prices for goods they produce, and order supplies by phone, thus enhancing their economic productivity.

Boosting SME Productivity

In September 2012, Indosat officially launched Indosat Solusi UKM (SME Solutions) for Small and Medium Size Businesses (SME) together with the State Ministry of Co-operatives and Small/Medium Enterprises to support SMEs in increasing their productivity through IT and telecommunications solutions. Growth was particularly good in SME Solution, which was created to meet the needs of SME businesses. SME Solution offers SME businesses broadband Internet access, voice and SMS communications facilities, comprehensive web hosting services including an online payment system, and a range of optional applications and services, all in one easy package.

Supporting Enterprise in Indonesia

We continued to develop innovative solutions to support largest enterprise customers. As part of that, in order to meet enterprise market demand for virtual storage, in October 2012 Indosat launched Indosat Cloud, which provides Infrastructure as a Service (IaaS). Indosat Cloud supports on-demand provisioning and management of computing, storage and networking and is targeted primarily at enterprise customers.

I-ERP, our newest product offering, was developed to facilitate the business processes of companies in the manufacturing and Food & Beverage (F&B) sectors as well as wholesaler and distributor companies with integrated applications such as sales canvassing, sales order, logistics and warehouse management, and others. It enables better management of real-time data communications using wireless mobile technology that can be accessed from GPRS or HSDPA networks.

Lastly, existing enterprise services such as our Disaster Recovery Center were rolled out and/or enhanced, supporting enterprise customers to boost their productivity and mitigate risk. The Disaster Recovery Center received ISO 27000 certification in confirmation of compliance with disaster data recovery best practices.

Empowering Women Entrepreneurs

Thousands of women entrepreneurs in Indonesia are now able to access a variety of information about business freely through their mobile phones thanks to a collaboration between Indosat with Qtel Group, the Cherie Blair Foundation, and Nokia. In December 2012, Indosat rolled out a mobile application called "Usaha Wanita" (Women's Business) for Indosat subscribers which is available bundled through Nokia handsets. This service makes information to women on a variety of business topics such as management, banking, market development characteristics, financial management, human resources and more, with the aim of supporting female entrepreneurs.

Agricultural Revitalization of West Sumatra

Indosat as a leading telecommunications provider in Indonesia supported efforts to improve the national economy by helping agricultural sector through Information and Communication Technology (ICT) programs that supported the national revitalization of agriculture. Through the use of ICT, farmers can easily obtain the latest information about a variety of agriculture topics, not only local agricultural information in but also national and international, which can help them to be more economically productive for the good of the nation.

V. ENVIRONMENTAL IMPACT

As a socially responsible company and bearing in mind that the communications industry is a growing contributor to global energy consumption, Indosat does its best to mitigate the impact of its business activities on the environment, in line with the principles of the UN Global Compact. We do this in a number of ways, including through the following initiatives which will help save fuel and decrease the greenhouse effect for a reduced carbon footprint. In 2012, our efforts earned ISO 14001 Certification related to Environmental Management Systems, issued by independent auditing agency Worldwide Quality Assurance (WQA), a member of the United Kingdom Accreditation Service (UKAS).

Energy Saving Initiatives

A three-year network modernization project kicked off in 2012 whose benefits include overall increased efficiency including reduced power consumption as a proportion of output. Energy efficient power solutions were also implemented in the form of CDC (Charge Discharger Controller) switches at a number of Base Transceiver Stations (BTS). CDC work to optimize batteries as an alternative power source in the case of a State Electricity (PLN) blackout, extending battery life while saving fuel by decreasing the need to run the diesel generators.

Alternative Energy

Using innovative new technologies, Indosat has installed more than 100 solar-powered BTS to date in places like Mambi, Sulawesi, which is 5 hours from town. More of these solar-powered BTS will be deployed down the road. These base stations are particularly suited to rural and isolated areas where it is difficult to bring in shipments of diesel for power.

Decreasing Hazardous Waste

By replacing traditional lead-acid batteries in the BTS backup generators with environmentally friendly fluidic batteries, Indosat measurably lowers the amount of hazardous waste generated and decreases potential risk to the environment and human populations of leached chemicals and lead contamination/poisoning, Indosat is the first telecommunications operator in the world to use fluidic batteries in operation, which we successfully piloted in 2011 and continued to roll out in 2012.



VI. SOCIAL & COMMUNITY IMPACT

Indosat supports society in a number of ways through our dedicated CSR programs and other operational activities, as follows.

Improved Customer Service

Indosat proved its products and services in 2013. Customers enjoyed better customer service through initiatives such as Indosat self service, an initiative giving customers automated access to manage their accounts, and better network quality and reliability overall as shown by indicators like Call Success Setup Rate (CSSR), which improved from 89.78% in 2011 to 91.26% in 2012.

a. Ramadhan and Lebaran Mudik programs

- *Mudik Makin Penuh Berkah bersama Indosat* ("A Blessed Homecoming with Indosat")

Indosat held a free homecoming program for subscribers, the Indosat frontliner service community and Indosat school community in appreciation of their loyalty in supporting and using Indosat service. The *Mudik Bareng* ("Joint Homecoming") kicked off on Thursday, August 16, 2012 at the Purna Bhakti Pertiwi Museum, Taman Mini Indonesia Indah, with 1,010 people.

- Indosat Network Command Center

Monitoring the condition of the national telecommunications network during Lebaran Homecoming 2012, the Indosat Network Command Center operated from 3 days before Lebaran to 2 days after, operating 24 hours a day. The Command Center quickly detected any network disturbances and dealt with it quickly in an integrated manner. Facing the 2012 Lebaran Homecoming, Indosat also increased voice traffic capacity to 924 million minutes / day, SMS capacity to 1.4 billion SMS / day, and increased data capacity to 120 terabytes / day.

b. Consumer Protection

Indosat is very concerned about the safety of all our customers, both corporate and retail customers. The protections that we provide include various physical and non-physical safety measures, among others protection of the confidentiality of data and customer profiles and use of radio telecommunications equipment that is not hazardous to customer health.

In implementing the above, in addition to implementing various policies in accordance with the standards set by the regulator, Indosat has received numerous certificates to date including ISO 27001 which is an information security management system (ISMS) certification. It covers information technology, security techniques, and information security management systems and requirements.

c. Supporting Education

In 2012, Indosat supported *Indonesia Mengajar* ("Teach for Indonesia"), a movement that recruits and places some of Indonesia's best young graduates to remote areas to as elementary school teachers. The objective of this program is to resolve education issues in remote areas of Indonesia which stem from a lack of qualified teachers. These teachers help to educate, inspire and connect isolated villages and to centers of progress. Indosat facilitated the program by giving the teachers accommodations and providing training facilities at Wisma Indosat, Jatiluhur, West Java.

d. Batik for Indonesia

On National Batik Day, October 2, 2012, Indosat donated funds collected from subscribers in the amount of Rp263,410,650 to the Indonesia Batik Foundation in support of various activities for the conservation and development of Indonesian batik. This reflects Indosat's commitment to preserve batik as a cultural heritage of Indonesia. An working agreement was also signed between Indosat and the Indonesia Batik Foundation to support the Gelar Batik Nusantara event which will be held in mid 2013.

As part of the launch of Indosat's Super3G+ services in West Sumatera, Indosat also donated telecommunication equipment to 100 schools and 25 Small and Medium Enterprises (SMEs) in Padang and Bukittinggi, enabling them to try Indosat Super3G+ services. This was done as Indosat recognizes the growing need of schools and SMEs for data services.

e. Indonesia's Indosat awarded Inspiring Youth and Women 2012

Indosat created an Indonesia's Inspiring Youth and Women award in support of the younger generation and women who have inspired the nation through outstanding achievements and contributions in areas such as ICT (Information and Communication Technology), Entrepreneurship, Art, Education, and Social Commitment. It is hoped that this award will encourage more young people and women Indonesia to work for the progress of the nation.

g. Donations to Orphanages

In the month of Ramadhan 1433 H (2012), Indosat carried out a program of assistance to 20 orphanages located in Jakarta and the surrounding area. This program aimed to enable the children in these orphanages to carry out their religious fasting obligations properly and celebrate the Eid el Fitr holiday joyfully.



Indosat support telecommunication for Indonesian Red Cross



Indosat support Pemda DKI Jakarta for flood disaster



Indosat launched Indonesia womenpreneur



Indosat support Indonesia Mengajar for training facility and equipment



Indosat support Mobile Clinics for rural area in Indonesia



Indosat gave donation to orphanage in bulan Ramadhan