

COMMUNICATION On PROGRESS

CORPORATE

SUSTAINABILITY

REPORT

PT. MARTINA BERTO, Tbk

YEAR 2016



Management commitment in implementing Sustainable Business

Statement of support

Entering the year 2016, the business entities expected a lot to national economic. Slowdown in economic growth in year 2015 and beginning of 2016 triggered by commodities price and export falling due to downturn in global commodities and energy market. However, in the last 2-quarter Indonesia economic showing signs of recovery.

The Company strategy for CSR activities will still based on 4 (four) pillars which exercise our care against nature, education, culture, and women empowerment. But to give more positive impact to the community, environment, and that company own, so for pillars **beauty green** (green movement) and **women empowerment** to be 2 main pillar, while other 2 pillars which are **beauty education** and **beauty culture** (cultural preservation) to be supporting pillars who can get into and coloring the 2 main pillars. So in implementation activity of environment preservation and women empowerment will contain the material educations and preservation of the cultural.

As a national private Company we also actively involve in supporting global program especially initiated by UNGC. So, we try to do business in balance by involving all stakeholders role. Other than profit-making (profit), the company make effort in balancing 5P (people, planet, prosperity, peace, and partnership), which means making a profit together (prosperity for all) by building the relationship between stakeholders discussions to grow together harmoniously and equitable as well as protecting the environment where the world we stand.

PT. Martina Berto, Tbk with its sustainable strategy keep the sustainable efforts by doing good business while building relationship between stakeholders to grow together in harmony at green nature. Through the engagement on the UNGC activities, we express our intent to implement the ten principles of UNGC. We commit to make the Global Compact and its principles part of the company strategy, culture and day to day operations of our company. To give more impacts in implementing those principles, we do engaging in collaborative program with other parties, corporate and local government under the coordinator of local network. Advancing the broader development goals of the United Nations, particularly facing the new goals of SDGs in the year 2016 ahead, PT. Martina Berto, Tbk will make a clear statement of this commitment to our stakeholders and the general public.

We realize that a key success on achieving every target of program activities we have to make the annual submission of Communication on Progress (COP) describing our efforts in implementing the ten principles in our daily activities.

We do realize that doing business is not just pursuing profit and achieving higher margin, but also caring our people to make our business on and stay alive, while caring our planet can make our world save from any destructive situation due to over exploration done by human.

Sincerely yours,

Brian David Emil
President Director
Board of Commissioners
PT. Martina Berto, Tbk



Foreword from Chairwoman

Along the year 2015 was quite challenging moment for almost all private sectors. Commodities price was falling due to the global economic downturn such as the price decline of energy sector. The effect of the oil prices would pressing Indonesia foreign exchange revenue which many depends on commodity exports.

However, company has to be survived and run continuously as we are employing more than 500 people. By strong commitment and dedication company can still achieve small growth on sales. We are looking at the prospect of cosmetic business is still good. Beside the portion of women citizen of middle class and productive ages as well as the cosmetics and personal care which still growing, show a lot of opportunities to grow sustainably.

As a beauty company, we have blended business, social, and ecological principle by exploring the ancient wisdom of beauty care throughout the lifecycle. Thus, the Company CSR strategy has been derived from local wisdom: '*Trihita Kirana*' that means good relations between the people with their God, between the people with a fellow human being, and between people with their environment. Further, the local wisdom coloring the concept of the Company's business is '*Rupasampat Wahyabiantara*', that means perfect beauty is the combination of outer beauty and beauty reflected from inner. Hence with four main pillars CSR strategy are expected to support the Company's business into a sustained business. We have transformed and blended the richness of Eastern culture and Indonesian natural resources to be the soul of our brands and services to win the heart of consumers around the globe. While corporate social responsibility (CSR) is merged in the company mission that in-line to the business strategy and being highly committed by corporate management for the sustainable development.

We realize that doing such business is not just seeking for profit and reached higher margin only, but we care about making our business ongoing and sustainable, and we also make an effort to play role in treating our planet by creating a civilized world on beautiful earth by protecting it from destructive situation caused by high exploitation done by human.

We run our business not just Profit oriented, but we commit in considering People and Planet. The reputation of our company is more internationally recognized as a trend setter producing natural techno beauty products that continuously merged with the richness of our Eastern culture, where we transform the local wisdom that supported by scientific data to meet the urban lifestyle and go global.

To fight against poverty, better education program and better health should be supported by sustainable development program which provide growth and job opportunities in the midst of population-explosion, climate change, destroying of environment, limited of renewable resources. What are the private sectors role in securing sustainable development to take part to solve this humanity and environment problem is by joining "The UN Global Compact Networks".

The CSR's 4 pillars of company business strategy

- **Beauty Green (environment care)**, This pillar intended to undertake work which all activities are devoted to take care of nature and preserve our environment which included green production activities, greening the barren, various forms of preservation of our environment, the preservation of natural resources, and development strategy green company to the green nation.
- **Beauty Education (education to the nation)** , this pillar devoted to support non-formal education as well as formal education through beauty school of Martha Tilaar Group, namely activities in support of national education program both in formal and informal through various programs. Providing education and training to the community especially the people of the rims to survive and improve his life through the use of various resources around them. Provide training to the community in densely populated to maintain the environment cleanliness in order to improve the public health through clean and healthy lifestyle. Provide education and training to rural communities as well as farmers to produce quality of agricultural products with a system of organic cultivation. More than it we also teach the community in many areas based on their needs adapted to their locations houses and be able to be implemented directly in daily life to meet their needs
- **Beauty Culture (cultural preservation)**, through this pillar company is committed to support preservation of the Indonesia culture and explore potential local people to give benets for the people thru a promotion and utilization of wisdom of the local community into something we consider economic which will returned to the community as the owner. Lift up local culture of various tribe and culture, to be known by the public widely in terms of the excellence and distinctness, to find an acknowledgment from public and the world. This activity is an e-ort preserve local culture who is also an attempt to maintain local wisdom and environment as a media and form of interaction between the community and its environment.
- **Women empowerment (empowerment women)**. As a constituent of elements in households, women have and played an important role by support family welfare in life and the social life in Indonesia. However in a lot of local cultures fact that there are still meaning that the role of women not counted as strong support family life. Through this program, we want to reassure to the community that the role of women very is needed to achieve the success of family & social. The women are nation potential asset with their diligence and persistence in some areas can support family and regional economy.

Founder of Martha Tilaar Group

DR. (HC) Martha Tilaar



Indonesia Economic Overview

Economic growth of Indonesia in year 2016 booked 5.02% or rise from previous years was 4.88%, which consist of the growth from 1st quarter: 4.92%; 2nd quarter: 5.18% and 4th quarter: 4.94%. The growth of 5.02% is missed from the government target, which is expected as 5.1%. The growth is not achieved caused by the reduction of government expenditure in the 4th quarter compared to the same quarter in last year.

Inflationary rate in year 2016 by 3.1%, lower than year 2015 by 3.35%. One of the contributor of inflation decline in 2016 is the weakened of consumer purchasing power. Where the core inflation is noted as the lowest since year 2004. The core inflation is the inflation exclude the price that can be controlled by the government come from 665 commodities among 882 inflationary contributed commodities. Whereas industrial sector grow by 4.29% contributes 20.51%. Industrial sector which contribute highest growth is food & beverage, followed by agriculture industry.

Entering the year 2016, the business entities expected a lot to national economic. Slowdown in economic growth in year 2015 and beginning of 2016 triggered by commodities price and export falling due to downturn in global commodities and energy market. However, in last 2-quarter Indonesia economic showing signs of recovery.

Even though slowdown in Indonesia economic growth, overall not too scarp caused the strength of domestic consumption and investment growth which balancing the slowdown of export import trade. Indonesia economic fundamental consider tough enough to invite capital inflow.

The realization of Indonesia economic growth year 2016 by 5,02% higher than year 2015 by 4.88%, with lower inflation rate by 3.02% from 3.35%.

By implementing strategic policy, the Company can save the production cost by less products item, Give more precise promotion effect. During year 2016, there are active outlet addition by 12.274 outlet than 12.744 outlet by 2015. However, due to weakening in consumer purchasing power and tight competition, sales growth have not been able to reach.

The positive impact of entire Company strategy are saving, where the Company success to reduce the cost of good sold by 7.03% and operational cost by 5.84%. So as to accounting year 2016, the company posted a back business profit by rp.24,64 billion and net was Rp.8,814 billion following the year previously experienced losers business of rp.11,46 billion and reward clean of rp.14,06 billion Business prospect of cosmetics industry still pretty good, based on euro monitor data the compound average growth rate for last 2 years still grow about 11.09%.

During year 2016, functions of corporate governance have run well. General meeting of shareholders ("GMS") has run well. The board of directors with all efforts performing the resolution of the GMS. Supervisory function and implementation of always run simultaneously either through Audit Committee, Internal Audit Unit and the Board of Directors and Commissioners meeting. The Company also striving to implement the regulations set by capital market authority through compliance function run by Corporate Secretary.

Company Profile

PT. Martina Berto, Tbk

Domicile in Jakarta, Jl. Pulo Kambing II no.1, Jakarta Industrial Estate Pulogadung, East Jakarta 13930.

Phone :+62-21-460 3717

Facs :+62-21-4682 6316

Mail Address:corpsecretary@martinaberto.co.id

Website :www.martinaberto.co.id

Stock Exchange where the Company's Stock is listed Indonesia Stock Exchange

Capital Market Institution and Professional Share Registrar

PT. Adimitra Jasa Korpora

Rukan Kirana Boutique Office. Jl.Kirana Avenue III Blok F3 no.5, Kelapa Gading – Jakarta Utara 14250, Indonesia.

Public Accountant Office

Tanubrata, Sutanto, Fahmi, Bambang dan Rekan. Jl. Jend. Sudirman Kav.79, Prudential Tower Lt.16-17, Jakarta-12910, Indonesia

BUSINESS ACTIVITIES

The main business activities of the Company are:

1. Manufacturing of cosmetics and herbal medicines (jamu)
2. Marketing and trading of cosmetics, beauty care products and herbal medicines.
3. In addition, the Company has other business activities undertaken by subsidiary:
 - i. PT Cedendo who is engaged in contract manufacturing of private labels for dry cosmetics, semi solid cosmetics, liquid cosmetics and aerosol, including one-stop-services in formulation, registration, supplies of raw and packaging materials for Martha Tilaar Group as well as other companies outside the Group. Cedendo domiciled in Jakarta and based at Graha Cedendo, Jl, Kingdom Narogong km. 4, Bekasi Timur 17116.
 - ii. Eastern Beautypelago pte limited is a subsidiary based in Singapore which established to develop the company's export markets as well as manage and develop Martha Tilaar Shop (MTS) which is the company's proprietary retaid units abroad. EB is domiciled in Singapore and located at 1 Raffles Place # 44-02, Singapore 048616

BRIEF HISTORY

Dr. HC Martha Tilaar started her bussiness with a beauty salon in 1970. She continuously enhanced her knowledge about beauty and body care from American and European beauty centers. It motivated and gave her understanding that the raw materials from Indonesia, if professionally processed, will be able to produce natural cosmetics and traditional medicines that can beautify Indonesian women and those of the world in a holistic manner.

Being successful in the beauty salon business through opening many beauty salons in Jakarta, Mrs. Martha Tilaar established "Puspita Martha" School of Beauty to develop

beauty specialists, make up artists, hair specialists and therapists. The beauty salons and beauty school were operated under the flagship of PT Martha Beauty Gallery.

Being successful in beauty salon and school, Mrs. Martha Tilaar and her partners, the late Mr. Bernard Pranata and Mrs. Theresia Harsini Setiady founded PT Martina Berto on 1st June 1977. The first brand produced and marketed was “Sari Ayu Martha Tilaar” as natural cosmetics with a holistic approach, with the salons and beauty school as teaching laboratories. This has enhanced Sari Ayu Martha Tilaar as education-oriented, practical and easy-to-apply products.

Since the market response was very positive, the Company built the first modern factory on Jl. Pulo Ayang, Pulo Gadung Industrial Estate in 1981. Along the years, this factory was short of production capacity, until the second factory was built at Jl. Pulokambing II/1, Pulo Gadung Industrial Estate, which focused on dry, semi solid cosmetics and herbal medicines, while the first factory focused on liquid cosmetics.

During the period of 1998-1994 in order to meet the increasing market demand, the Company developed new brands of cosmetics such as Cempaka, Martina, Pesona, Biokos Martha Tilaar, Caring Colours Martha Tilaar and Belia Martha Tilaar. All these products have helped utilize the factory capacity. Further strategic action done by the Company after year 2000 was to restructure the brand ownership between Martha Tilaar-labeled-brands under license from Dr. (HC) Martha Tilaar and her family, and other brands such as “Cempaka” and “Pesona” remaining the Company’s intellectual property.

During the period of 1993 – 1995, the Company acquired various subsidiaries in cosmetics business, i.e. PT Cedefindo (CDF), PT Kurnia Harapan Raya (KHR) and PT Estrella Laboratories (Estrella).

To achieve efficiency in production, the Company conducted business restructuring process and factory relocation during 1995 – 1996 period. Further strategic development during 2001-2009 was among others remapping of brands in different market segments which will be discussed in a separate chapter.

In 2016, the Company acquired Rudy Hadisuwarno Cosmetics trade mark for cosmetics, beauty and personal care categories.

PRODUCTION

Product

The Company and its Subsidiaries own production facilities, which are grouped in 4 categories, such as:

a. Liquid Cosmetics

Liquid cosmetics including face cleansing liquids, moisturizers, toners, foundation, body splash cologne, hair spray, and others.

b. Dry Cosmetic

Dry cosmetics including eye shadow, blush on, loose & compact powder, and others.

c. Semi Solid Cosmetics

Semi solid cosmetics including lipstick, creamy and others.

d. Herbal

Herbal including traditional face masker, body scrubs and herbal tea

The Company groups its products not only based on the production process, but also based on product categories, namely colour cosmetics, skin care, body care, hair care, cologne & fragrance, herbal medicines, etc.

Raw Materials

The Company purchases its raw materials from internal and external supplies. Some of the natural materials are obtained from the plants cultivation in Kampong Djamoë Organik (KADO). The composition of raw materials supplied domestically and imported based on materials category as follows:

- a. Natural Materials : 100% purchased from domestic suppliers.
- b. Chemical based Materials : around 97% imported and 3% purchased from domestic suppliers.
- c. Packaging Materials : around 23% imported and 77% purchased from domestic suppliers. Some of the imported packaging materials are imported directly by the Company, and some imported through the local agents.

The Company is not highly depend on certain material suppliers.

Production Facilities

The Company and its subsidiary own 2 (two) production facilities in Indonesia. The Company machineries were purchased from internationally reputable suppliers such as Lodige from Germany and Kemwall from England. To secure the spare parts of the machineries, the Company purchased a safety stock of the spare parts together with the machineries, therefore imports of spare parts were carried out in a low frequency.

1. Pulo Kambing Factory

Pulo Kambing factory commenced operation in 1986 with a total land area of 1 ha consisting of factory and office building of +/- 15,000 sqm. This factory has a production capacity of 3,232 tons p.a, consisting of 115 tons of dry cosmetics, 48 tons of semi solid cosmetics, 3,069 tons of liquid cosmetics.

2. Bekasi Factory

Cedefindo factory commenced operation in 1988 with a total land area of 2.3 ha and factory building of 6,341 sqm. This factory has a production capacity of 2,813 ton p.a. consisting of 650 tons of dry cosmetics, 8 tons of semi solid cosmetics, 5,684 tons of liquid cosmetics.

3. Cikarang Factory

Cikarang factory is herbal factory with 5,811 tonnes per annum capacity, operated since 2015 and has land area about 6.5 hectare which consist of simplicia production process building (sorting, washing & drying) with area of 1,057 sqm, main production building where simplicia processed into form appropriate to the shape of desired specimen in area of 1,770 sqm, utilities building where is the production supporting equipment located in area of 300 sqm.

MARKETING

Cosmetics and traditional medicines markets are very dynamic. The Company has set up a marketing strategy of multi-brands in order to capture and increase the market share, mind share and heart share. Every brand has been designed in such a way with different brand positioning demographically as well as psychographically, including the sex (male and female), age from 15 years (teenager) until >50 years (middle age), and price segments from Premium (A socio economic class), Middle upper (B socio economic class), Middle (C socio economic class) until Middle Lower (D socio economic class).

Psychographic segmentation includes: natural nuance and eastern or western ambience. The vast market segmentation is expected to keep up with the social dynamics and Indonesian economy from time to time. The Company's experience in going through the economic crisis in 1997-1998 has proven that at the time of Rupiah depreciation, imported products became so expensive that the Company's premium and middle upper class cosmetics were able to penetrate the market through import-substitution, while products in the middle lower segment were able to serve the consumers impacted by the economic crisis and losing their purchasing power. In other words, the Company owns brands that build image and value (image & value builder) and brands that support quantitative growth to the Company (volume builder), all in support for the Company's long-term sustainable growth.

DISTRIBUTION

In its distribution strategy, the Company also controls the distribution channels to both modern and conventional markets through its Trade Marketing Department organized to complement the Consumer Marketing function. Year by year, the growth of the modern market has always exceeded that of the conventional market, so is sales contribution has been growing from last years around 47.4% to 49.6% in this year. This phenomenal growth should be treated with caution since the modern market has a different management style from the conventional market, besides posing a higher cost to the Company through its Trading Terms reviewed every year. Whereas the running outlet which repeat the order to the Company rise from 12,274 outlets in the last year to be 12,744 outlets.

Unlike Multinational Companies who usually focus on a limited number of SKU (Stock Keeping Unit) and promote with a large advertising (Above the Line) promotion fund, The Company has special skills in handling a large number of SKU of more than 1,000 with various brands with Below the Line promotion supports involving thousands of promoters (beauty consultants, beauty advisors, and sales promotion girls) all over Indonesia, so the long term educational benefits upon the consumers are relatively higher than those competitors relying on their Above the Line promotion supports.

The Company has a unit Trade Marketing as part of Marketing Division which focuses on trade channel management intended to develop harmonious relationships with the distributor and retail outlet and also plans the sales program in every channel with better focus and more cost effective ways.

Beside through independent outlet distribution, the Company also has own outlets i.e Martha Tilaar Shop ("MTS") formerly named Puri Ayu which was 1st opened in 1997 in Mall

Taman Anggrek. MTS is an outlet, which target the upper-middle class with more product variance than independent outlets.

Beside as outlets who sell the Company products. MTS also has the function as customer experience centre who offer the chance for the customers to try and get the experience on the other products of the Company that they never used before. Thereby MTS may also be an excitative for consumers to enhance the use of Company products. Currently, the Company has 29 outlets

RESEARCH AND DEVELOPMENT

The Company has the research and development that is known with Martha Tilaar Innovation Centre ("MTIC"). This division is research center, development, creation, the raw material innovation product and Martha Tilaar Group service. Based on 3C principle (Connect, Collaborate; Compete) and based on research, science and technology, this division combine the local wisdom, ancestor knowledge and Indonesian biodiversity So as to create innovative products to meet market demand very diverse and competitive .To support its activities, this division conduct cooperation with various education institutions both local and international, industry, government institutions and the community.

Product Development

MTIC committed to produce the quality products for its consumer. Products formula developed using qualified materials and standardized as well as safe for humans and environment. MTIC ensures the secure and accuracy of the benefits of an extract of new material, cosmetic products and herbal products which created by careful research in vitro and in-vivo to ensure that products marketed are safe and proven the benefits as promised in his claim.

Colaboration with Universities and Research Institution

In 2016, MTIC signed an MOU for cooperation with The Ministry of Research, Technology and Higher Education on strengthening the innovation in health and medicine, as well with Research and Industry Standardization Center in Padang and University of Padjadjaran. Seminar and Publication MTIC actively participate in seminars arranged by academics, such as on National Seminar Pharmacase 2016 by Health Polytechnic in Palembang, oral presentation on the International Conference on Advance of Pharmacy and Pharmaceutical Science by University of Indonesia, poster presentations in several seminars and published articles to promote MTIC activities such as in Media Indonesia on June 2016. Moreover, MTIC also support marketing event by presenting research result on products such as Moms Daily Lunch on October 2016.

Award and Achievement

In August 2016, PT. Martina Berto, Tbk became the only private company that has won Abyudaya Award which is an appreciation for the industrial sector that has played an active role in the utilization and production efforts on the research and development into product innovation, research and development capacity, human resources, budget and establish networks to strengthening innovation. The award was presented by the Minister of Research, Technology and Higher Education, Prof. H. Mohamad Nasir, Ph.D. at the ceremony of The National Technology Awakening Day in Solo

HUMAN RESOURCES

The Company continues to meet a commitment to enhanced human capital management sustainably to reach the organization and provide value added for the shareholders and stakeholders. In the challenges of economic situations, the Company has done various development and welfare improvement in accordance with human resources performance.

In 2016 the company close the year with implementation of management trainee as an effort to regenerate and invest the Company long-term human capital. This initiative in tune with corporate governance improvement, productivity improvement and human resources collaboration efficiently in various line. The following is a summary of the program performance and the human capital work plan as the reference.

Training and Employee Development

Training

The human resources quality development through training is the Company sustainable effort to reach the quality of human resources with the skillset integration following the needs of target achievement and the real productivity improvement. Evaluation and improvement of training program based on certification and competence has been followed by cooperation with the National Competence Certification Agency (BNSP) to anticipate the impact of Economic ASEAN Community towards the Company human capital aspects.

As sign of sustained of the 4 disciplines of execution program implementation in previous years, so in 2016 the company started doing the implementation in the manufacturing and sales & marketing division. Monitoring the program implementation continuously be done to consistency of the goals achieved improvement in accordance with the Coompany main objective. Expected the performance and productivity being improved better than before so that we can continue to enhance human capital contribution value against the Company. This time it can be said by identify the purpose more clear and measurable, so evaluation can be conducted in a purposeful manner to indicate sustainable improvement efforts. Board of Director and manager as well as their team can keep coordinating well

In line with the management trainee recruitment which is one of the organization development and refreshment, a training program has also given by involving Board of Director and senior managers to transfer the company operational knowledge and encourage involvement and expressed the expectation to reach organizational goals together.

Employee Activities

In line with one of the Company objective in terms of human capital which are reaching a harmonious industrial relations. There have been a number of programs and activities that was exercised along 2016 among these are the forming of a communication forum with the union (bipartite), Various activities for an employees (rohis, fellowship prayer, sports and employees cooperative), religious activities (homecoming together during eid, breakfasting, halal-bi-halal and christmas) and other supporting program: blood donor, the competition for Republic of Indonesia Anniversary, employees medical checkup every year is produced in big volume held in a mess hall collaborate with hospitals/clinics.

Employee Award

In 2016, the employees award given by the Company to the employee who has been dedicated and show loyalty in accordance with the length of work term. There are 14 people with term five years, 3 people to term 10 years, 40 people with term 15 years, 31 people with term 20 years, 15 people with term 25 years and 5 people with term 30 years. The award also followed by the provision of scholarships to employees children who consist of 30 elementary school students, 20 junior high school students and 10 high school students .

Insurance

Currently employees have been given BPJS employment protection with the benefit of work accident benefit (JKK), the death insurance (JKM), retirement benefits (JHT) and pension (JP). But there are also BPJS health which has inpatient benefit outpatient benefit, medical supporting and free papsmear examination per 3 years. In addition there are additional commercial insurance with the same benefits. In2016 the Company replaces commercial insurance providers with the aim to imlprove the employees health insurance benefit. The health insurance is the commitment from company to take care employees health consistently.

Cooperative Puspa Karya

The Cooperatives Puspa Karya attempt to improve its members welfare through various programs such as soft loans with 3rd party, motorbike credit, brand new vehicle rental wit special price for members, cooperation with OMI to improving mini mart services and improve the regular loan lending ceiling than the previous year. The performance of cooperatives Puspa Karya showed the well growth which booked the repayment of income (SHU) in 2016 up to 49 percent. This positive achievement is expected to encourage the participation of employees in cooperative for commonweal.

Glimpse on Milestone of PT. Martina Berto, Tbk.

PT. Martina Berto,Tbk is a manufacturing company, pioneering group of company under the flagship of Martha Tilaar Group (MTG) found by DR. Martha Tilaar in 1970 by launching her first beauty salon at her parents' house, at Jl. Kusuma Atmaja No. 47 Menteng, Central Jakarta. For the time being, this company grows up as we can see here now the milestone of the company.

- 1977 : Started operations with the launch of Sariayu brand in own salon
- 1981 : In year 1981 the Company built its 1st factory at Jl. Pulo AyangNo. 3, Pulo Gadung Industrial Estate, with Sariayu Martha Tilaar brand.
- 1986 : In year 1986 the Company built its second modern factory at Jl. Pulo Kambing II/1, Pulo Gadung Industrial Estate ("Pulo Kambing Factory").
- 1993 : In year the Company acquired PT Cedendo whose main business was in contract manufacturing for cosmetics products.
- 1995 : In year 1995, the company relocated herbal facility to Gunung Putri and transferred Pulo Ayang Factory to PT. Cempaka Belkosindo Indah ("CBI"/subsidiary) to produce Mirabella & Cempaka brands
- 1999 : This year, the Company had been fully owned by Martha Tilaar family after passed the monetary crisis.
- 2005 : This year the company merged with PT. CBI and transferred Mirabella & Cempaka producrtion to Pulo Kambing Factory.

- 2010 : This year we launched Martha Tilaar Shop (MTS), outside Indonesia to grab international market share.
- 2011 : This year we step to Initial Public Offering (IPO) of MBTO shares in IDX
- 2012 : Groundbreaking construction of new herbal/traditional medicine in Kampoeng Djamoë Organik (KaDO), Cikarang.
- 2013 : Establishing the packaging production facility in Pulo Ayang Factory
- 2016 : Acquired Rudy Hadisuwarno trade mark for cosmetics, Beauty and personal care categories.

Currently, Martha Tilaar Group consists of :

- PT Martina Berto, Tbk. (manufacture, marketing for Indonesia & International market),
- PT SAI Indonesia (distributor of Martha Tilaar Group cosmetic products),
- PT Martha Beauty Gallery (offering beauty counseling and educational services, i.e. Puspita Martha School of Beauty, Martha Tilaar Spa, Cipta Busana, Art & Beauty Martha Tilaar,
- PT Cantika Puspa Pesona (local and international franchise management for Martha Tilaar Spa, Dewi Sri Spa by Martha Tilaar, Eastern Garden Spa by Martha Tilaar),
- PT Creative Style (advertising agency company),
- PT Estrella Lab (a licensing of Germany Henkel Cosmetic), and
- PT Kreasi Boga Primatama (human resources agency).
- Eastern Beautypelago Pte.Ltd Singapore

Company strategy on Sustainable business

Since the beginning of this company, management committed to run business inclusively by involving all stakeholders in the company program and activities related to sustainable business. By implementing clean and green process, company will continue to expand its wings by releasing international quality products. In order to be able to enter global market and take the position beside multi-national companies, all of the companies under the Group have to comply the ten principles of the UN Global Compact:



In implementing the Ten Principles of UNGC, company has developed strategy to translate those principles into practical works and later become company attitude to gain every tied competition in the market. In some cases we do business processes from the beginning through the marketing communication and program activities by

involving other parties as our stakeholders such as government and non-government organizations.

Combining the ten principles into business strategies

Our business strategies, as reflected in company's vision, "To be one of leading companies in beauty and spa industries with eastern atmospheres and values through modern technology," are designed by combining UNGC principles. These strategies involve stakeholders along the supply chains. Labor, human rights, and environment issues altogether colorize company and become the model of company's strategy. This is the most valuable point in improving our product competitiveness.

Bringing along the ten principles in CSR activities

From the very first start, company has been running the business by involving all stakeholders along from the production chain to product distribution. CSR activities are embedded in business processes from upstream to downstream by empowering all people involved in the production processes. From farmers, the supplier of raw materials, to end users of our products, mainly women, have to be touched and involved in our program. While Principle 10, Anti-corruption, has played more important role and it is big challenges in building good performance in competing global market.

Above all, the application of GC principles through CSR activities has made the efforts to create high impacts to communities and to achieve our corporate targets more effective. We unite the values of our business and operations to meet the expectations of stakeholders, which include customers, employees, regulators, investors, suppliers, communities, and environments.

We combine our social, economic, and environmental responsibilities to the stakeholders by actions and in our corporate policies. We openly communicate our strategies, targets, performance and management to the stakeholders in a continuous commitment to company's sustainability development. Finally, we also measure the implementations and results of the CSR activities, and then continuously improve them to fulfill company's short-term and long-term goals.

The Ten Principles of UNGC and Sustainable Business strategy of the company

Implementation of the Ten Principles of UNGC in this company (PTMB) is a long story since DR. Martha Tilaar has been appointed as one of founder member of this initiative in year 2000 by the UNHC. The profile of Martha Tilaar is not only as a successful woman entrepreneur from Indonesia but also she run business with heart and put her cold hands in touching every process by caring its people, environment, and business processes. This sustainable business strategy applied in this company made it possible to fast growing company among local competitors in national market.

Enterprises incorporated in the UNGC are obliged to uphold human rights, labor rights as workers, to pay attention to the environment, and to implement anti-corruption policies. In 2010, Dr. Martha Tilaar was one of 20 leaders of leading global companies directly appointed as a Board of Global Compact by the UN Secretary General Ban Ki Moon, up to the year 2015. By the time, the company has contributed a lot to the Global

Compact activities especially in the local network of Indonesia. With high commitment and enlarging networking among other companies, we can increase membership of IGCN from time to time to join in. Various program activities have been developed by local network team and supported by all members. Furthermore, we do also involve in some discussion related to SDGs step by step achievement in Indonesia under coordination Ministry of National planning. We do actively involve in the IGCN program activities through some discussion and events in shaping step by step SDGs achievement together with other IGCN members.

HUMAN RIGHT

PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights;

Since the beginning, company has always been considering human right in employing people. There are policies in treating company members as all of us are stakeholders contributing the success of the company. Right to get job, right to get salary, right to get health insurance, right to get good meals and drinks, etc. The Company provides mechanisms for submitting complaints and opinions (if any) from all workers regardless of differences. This would be grievance mechanism in this company to improve working circumstances suitable for all employee. There are also boxes labelled with “Kotak Saran / Suggestion Box” in every department that easily grab ideas and inputs from employees. Moreover, company also give continuous support in proclaiming Human Rights in every line of its business.



Pic.1 Training on Implementing human right issue in working area for all company members held periodically as inhouse training

PRINCIPLE 2: Business should ensure that they are not complicit in human rights abuses.

Human asset has an important role in making possibility of business running smoothly and sustainably. Martha Tilaar Group (MTG) with its sub companies including PT. Martina Berto, Tbk (PTMB) has put human right policy in the first rank linked to a number of separate related policies including freedom of association, no child labor, nondiscrimination, and equal opportunity. Maintaining human asset well is more important in supporting business growth. PTMB facilitated all stakeholders to protect

fundamental human rights mention in the Universal Declaration of Human Rights, the UN Global Compact Principles, and other relevant Labor organization convention.

By joining to the Business & Human Rights Working Group (BHRWG) facilitated by IGCN (global Compact Network of Indonesia), we try to make good efforts to be able to implement UN Guiding principles in protecting the fundamental human rights of employee and stakeholders in communities where we operate around and cover area as expressed in the Universal Declaration of Human Rights and UNGC principles number 1 and 2 as well as International Labor organization convention.



Pic.2. Employee training and gathering to reduce any differences among them in term of belief, culture, and social to become one strong team in this company

Implementation of Human rights commitment in company

Health and safety system

Related to healthy and safety working condition for all employee, company provides working facilities to prevent and protect workers from any dangerous situation and work related disasters as mention in GMP certificates (ISO9000 and 14000). In case of accidents happened in working place as well as health and safety complaints from workers, it would be reported and investigated by using reliable procedures. Furthermore, company makes regular monitor and evaluation in the production processes including machinery and equipments to make sure they all in fit and proper condition.

Everyone, company members have been trained about how to respond to emergency in the work place. The flow of worker movement is also designed in such a way in the offices as well as in the factory to provide easy access in case of emergency and does not interfere with access to reach emergency equipment and fire extinguishers. Work place in this building is also designed to be clean and comfortable condition including right temperature, ventilations and lighting, clean and sanitation suitable for all workers.

Company also provides healthy foods and drinks for all workers and also healthy canteen where we take lunch and breakfast.



Pic.3. Certificate of ISO-9000 and 14000 expressing company's commitment in caring its people and environment from any destruction.

For all religions and ethnic groups

We treat our workers fairly as our respect to national and international-proclaimed human right protection. Due to various background of our employees who comes from different ethniques, beliefs, and cultures, then we must be fair to those differences by giving equal and balance treatment in terms of work rights and obligations, indiscriminately.

ETHNIC	2015		TOTAL	2016		TOTAL
	MGT	NON MGT		MGT	NON MGT	
Javaness	38	370	408	49	369	418
Sundaness	9	74	83	10	88	98
Sumatraness	28	52	80	13	43	56
Kalimantaness	3	4	7	0	1	1
Sulawesiness	6	12	18	7	7	14
Malukuness	3	3	6	0	3	3
Baliness	2	4	6	1	2	3
Nusa Tenggararess	4	4	8	0	3	3
Chinese	21	4	25	17	1	18
Total	114	527	641	97	517	614

Table.1. difference culture background of MTG employees

Effective monitoring and integration mechanisms of human rights

a. Performance targets for each supervisor and manager

Performance of employee is evaluated by implementing management objective method that career plans, salary, and other allowances are based on two evaluations, Performance Appraisal (PA) through 360 degree of feedback as a qualitative assesment and Performance Objective (PO) through real target achievement as a quantitative assesment. This method was designed to give more objective assessment and fair to all employees especially in level supervisor, manager above.

b. The process of handling incidents

Every person in this company is a member of *Jamsostek* (workers' social security program), based on Indonesian Law No.3/1992. This is social insurance system to give protection and welfare of our employees and their families. The program includes all security related to risks such as working accident, life insurance, health insurance, and pension plans.

c. Product control

Company takes steps to prevent risks to human rights resulting from product defects or improper use or misuse of the products. Product complaints from both our staff and customers, will be managed in accordance with the standard operating procedures to give correct solutions. Customer relationship manager will bring the case to the Department of Quality Assurance to make sure that the product control related to human rights meets the requirements. The threats are related to health, life, privacy and other impacts that may arise from the manufacturing, marketing, the use and disposal of certain products. Reports on product management and procedures are periodically evaluated and monitored to prevent improper use or abuse. We also give appreciation to customers who complain about our products or service.

Human rights standards implementation by suppliers

Company has been promoting international standards of human rights in establishing relationships with suppliers, vendors, and other business partners. Although human rights standards implementation by our partners is out of company's direct control, but consistent commitment has to be made and declared by our partners for not involving in any kind of human rights violations. Human rights standards implementation is one criteria in selecting and developing business relationships.

Performance indicators on human rights standards

a. Results of the increase of internal awareness and training efforts

Career paths and promotions are given to each employee through the Department of Human Resource Management. Career advancement is based on the achievement of overall performance goals, personal character, as well as the effectiveness of the training programs that have been given to each employee.

b. Human Resource Management (HRM) has six dimensions:

- **Work analysis;**

Every manager in the organization needs to understand and specify the duties and responsibilities of each job. This would be useful in finding the right person for the position required. Each job has different scales of responsibility, from simple tasks to the complex ones. Certain types of work require modest skills and the others need the higher ones.

- **Recruitment process;**

Recruitment process is the activity to select applicants for certain position which is carried out by referring to the process of identifying potential applicants. Applicants are identified by their education, skills, abilities and characteristics that suit the needs of the organization in achieving its goals.

- **Competence development;**

There are two interrelated activities: training and development process. Training refers to the efforts to facilitate the learning of proper specific knowledge and skills to create more professional staff, while development consists of efforts to improve education, skills and attitudes to challenge staffs in achieving specific targets.

- **Performance management;**

Performance management is used to ensure that the activities of the staff and managers produce results in accordance to organizational goals. It requires special activities and results as the guide to achieve the organization's goals.

- **Rewards and punishment system;**

Company applies reward and punishment system to encourage employees to do good things and working hard together achieving company goals. We treat all employees fairly based only on their performance and achievement without considering who he/she is and coming from where, and their background. As mention above that we evaluate employee based on the PA and PO achievement, then, we apply rewards to whom achieve or more their targets. While punishment will be apply to whom doing bad things and let the company reputation down. In term of salary increase or not in the following year is based on the percentage of achievement, so this is a kind of punishment we also apply.

Overall, in term of salary structure of this company is evaluated by comparing it to the similar business structure and segmentation. This evaluation is meant to avoid the good employees from being hijacked by other companies due to very large gap of salary structure.

- **Working relationship.**

Career path helps organizations find competent staff and helps staff to plan their future career as well. Thus organizations can promote staff to a higher level without having to consider their ages as specified in the regulations, and managers can also promote their potential staffs based on their achievements. Transparency is the key word to be understood by all company members as they can perform well by understanding the rights and the responsibilities to get rewards or punishment.

LABOUR

PRINCIPLE 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining

The company always creates a kinship atmosphere in treating its employees. A conducive working environment and sufficient facilities for each group to carry out their activities make the condition a comfortable working environment. Every employee is also entitled to convey his aspirations through the established mechanism in order to accommodate every aspiration of employees well and provide answers and solutions. Freedom of association and assembly of employees through formal associations is also facilitated by companies to keep employees free to express their aspirations and views both internally at the company and externally through official channels that do not violate the law.



Pic.4. Company facilitates employee under the labor union to actively communicate with management and setting up a working agreement together.

PRINCIPLE 4: The elimination of all forms of forced and compulsory labor

Company has policy in eliminating all forms of forced and written it in the *KKB* (*Kesepakatan Kerja Bersama*/working agreement) that was signed by employee representative and management. Employees are free to join to Employee association and their program activities especially out of their working hour.





Pic.4. There is no form of force labor but harmonious relationship between management and worker that labor union can conduct gathering, meeting, and consolidation among its member and facilitated by company.

PRINCIPLE 5: The effective abolition of child labor

In term of labor policy, there is no employee under 18 years of age in our company. Employees in a range of 31-50 years old, are considered as productive age and mature enough to be able to do work in supporting the development of company. The youngest worker we can see from the data is 24 years old, and they have to take some trainings related to company needs before holding position as mention in organization structure. We do also treat all employees fairly and no discrimination in the beliefs, culture, and gender. Employees are valuable asset of the company to be able to achieve high productivity of company. Company has committed to protect them as company’s assets and not just as workers because they contribute to the achievement of company’s sales and other performance targets.

AGES	2015		TOTAL	2016		TOTAL
	MGT	NON MGT		MGT	NON MGT	
Less than 18 years old	0	0	0	0	0	0
18 - 20 years old	0	0	0	0	0	0
21 - 30 years old	14	81	95	9	22	31
31 - 40 years old	36	161	197	31	174	205
41 - 50 years old	45	229	274	44	247	291
51 - 55 years old	11	56	67	9	70	79
above 55 years old	8	0	8	4	4	8
Total	114	527	738	97	517	614



Pic.5. We care children by supporting them to go to school and taking any skills education rather than working, through scholarship program facilitation.

PRINCIPLE 6 : The elimination of discrimination in respect of employment and occupation

Commitment, strategy, and policy in manpower

Company has maintained a system on manpower handling that has been applied for several years in this company. However, we have to make evaluation periodically to improve system suit to current situation. By considering government's rules and policies as our references, we try to keep workers stay in a conducive atmosphere in order to improve their welfare.



Pic.6. Employees have their own decision to join in labor union facilitated by management to conduct gathering and expressing their words related to working condition and environment.

a. Company gives freedom to employees to express their aspirations through activities, such as:

- **Koperasi Puspa Karya Karyawan**, is a legal cooperative body with its activities such as mini market, soft loan programs, and other financial or nonfinancial businesses.
- **Moslem community** “*Mambaul Barokah*” and “*Choirunnisa*” for women with its spiritual activities make employees’ faith stronger and deepen their spiritual values. Some interfaith celebrations are held to develop religious tolerance among employees.
- **Sport Activities** are conducted to build sportsmanship and develop a close relationship among departments.

b. **Company has written policy on labor** distributed to all employees to be learned and understood by employees about their rights and obligations as well as an understanding of the code of conduct applicable in this company

c. The Composition of Human Asset is not based on sex or religion or other specific discrimination, but all are based on the competencies of the candidate and our needs for specific office needs and factory needs.

RELIGION	2015		TOTAL	2016		TOTAL
	MGT	NON MGT		MGT	NON MGT	
Moslem	69	482	551	60	474	534
Christian & Catholic	44	40	84	34	41	75
Buddhist & Hindu	1	5	6	3	2	5
Total	114	527	641	97	517	614

DESCRIPTION	2015	2016
Average employee's turn over per year	0,96%	0,16%
Absenteism / month	1,42%	1,41%

SEX	2015		TOTAL	2016		TOTAL
	MGT	NON MGT		MGT	NON MGT	
Women	65	280	345	53	266	319
Men	49	247	296	44	251	295
Total	114	527	641	97	517	614

Company has a standard for No-discrimination in the beliefs, culture, and gender in all level, at all situation, and in all places. This means, all are treated equally as members of company, and we provide opportunity to all employees to develop or upgrade their skills through external trainings and courses.

We give scholarships to potential employees for higher levels of specialized subjects. Every year, other facilities and allowances are also granted to employees with good target achievement.





Pic.7. There is no discrimination in all form of employee here as a commitment of the company in facilitating its employee to be better and skillful.

ENVIRONMENT

The policies on environment responsibility that businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.

PRINCIPLE 7: Business should uphold a precautionary approach to environmental responsibility

Since the beginning, company has strong commitment in caring environment through uphold precautionary approach environmental responsibility. Along the production process, we always pay attention to reduce impacts on the environment by conducting regular monitor and evaluation. Selection of machinery and equipments used in the production process should not give negative impact to the environment such as its exhaust and engine leakage. We also believe that the impacts of production on environmental must be controlled from the beginning and throughout the production process because it will be more efficient, than having to handle it if something happens at the end of the process. We also monitor machine equipment periodically throughout the production process to ensure that the machine is working properly and has no environmental impact.

Promoting Green & Healthy action and movement program and eco-friendly activities among stakeholders through:

- **Media gathering**

Providing information on what we have done in relation with environmental activities through press releases, and providing the opportunity to the mass media to visit the company and witness our activities on the environment movement. With this event, we hope that we have things to learn and to share.

- **Suppliers meeting**

Rejection occurs when providing information and programs regarding environmental conservation activities implemented by company. We regularly inform suppliers about our policies in reducing emissions around the plant. They are asked to participate in this

program by having zero-emission vehicles; otherwise they are not allowed to enter the area.

- **Effective monitoring and evaluation of the company's internal green program**

Effective monitoring and evaluation has been conducted periodically for our entire environmental programs established since the beginning. Monitoring and evaluation document is reported to the stakeholders and management and is used as the basis to set policy in the next period. Internal environmental programs, target indicators, and achievement in 2015 shown as below.

Internal program, we focused on the field of the manufacturing process. The program will be monitored and evaluated regularly to fulfill the commitment in conserving energy and implementing green factory for green production.

The program of saving energy consumption in the production process in term of water and electricity consumption had been conducted since years ago as a sustainable program. The program includes water use reduction both for manufacturing and office such as water used for flushing toilets in the office. We do recycle wastewater for other purposes after being treated in wastewater treatment plant (WTP) such as for watering area, washing vehicle, etc.

Saving electricity use for production and offices has also done at anywhere around this company. We currently try to implement solar energy panel in producing electricity for offices by reduction any problem in installation the solar equipment. However, from time to time we do special effort in reducing electricity use for production as can be seen in the table below.



Pic.8. Inspection on machinery used in production process

The use of electric energy and water energy had been calculated per unit product resulted from the manufacturing process. The result was we can reduce electric and

water consumption per unit product. Compare to last year, we do currently saving more energy by reducing energy waste during production process.

Quite important to know how far the use of electrical and water energy in a production process, so that we can do the optimum savings as possible, not only matter on cost savings but also not to waste energy usage. Through this program, we can make efficient production process from time to time and also help the government in saving energy for the needs of society in general.

No	MONTH	TOTAL PLN (Kwh)	Non Production	Production	Production Output (in unit)	Production Output (in kg)	Output Ratio to Electric consumption			
		(electricity)	(25%)	(75%)	(Dry+Liq)	(Dry+Liq)	Unit/PLN	Unit/Prod	Kg/PLN	Kg/Prod.
1	Januari	130.66	32.67	98.00	2.786.151	217.514.63	21.324	28.432	1.665	2.220
2	Februari	113.25	28.31	84.94	3.301.565	245.226.48	29.153	38.871	2.165	2.887
3	Maret	117.17	29.29	87.88	3.371.881	296.504.52	28.778	38.370	2.531	3.374
4	April	123.55	30.89	92.66	2.656.157	215.368.48	21.499	28.665	1.743	2.324
5	Mei	102.37	25.59	76.78	2.020.973	152.162.66	19.742	26.322	1.486	1.982
6	Juni	118.10	29.53	88.58	2.165.022	185.997.04	18.332	24.443	1.575	2.100
7	Juli	93.43	23.36	70.07	1.469.559	141.566.23	15.729	20.972	1.515	2.020
8	Agustus	127.40	31.85	95.55	2.383.246	193.020.67	18.707	24.942	1.515	2.020
9	September	132.09	33.02	99.07	3.110.935	252.660.18	23.552	31.402	1.913	2.550
10	Oktober	127.42	31.86	95.57	3.342.945	215.580.02	26.236	34.981	1.692	2.256
11	Nopember	137.12	34.28	102.84	3.202.430	227.988.48	23.355	31.140	1.663	2.217
12	Desember	131.59	32.90	98.69	-	-	-	-	-	-
Average =		121.18	30.29	90.88	2.484.239	213.053.58	22.400,4	29.867,3	1.769,34	2.359,12

No	MONTH	WATER		Production (60% RO)	Non Production (Tot PAM-Prod)	Production Output (in unit)	Production Output (in kg)	Output Ratio to Water use *)			
		Soil +PAM	RO			(Dry+Liq)	(Dry + Liq)	Unit/PAM	Unit/Prod	Kg/PAM	Kg/Prod.
1	Januari	1.847,1	414,3	248,58	1.598,52	2.786.151	217.514.63	1.508	11.208	112,96	839
2	Februari	1.758,1	193,8	116,28	1.641,82	3.301.565	245.226.48	1.878	28.393	134,52	2.034
3	Maret	2.030,6	39	23,4	2.007,2	3.371.881	296.504.52	1.661	144.097	141,43	12.273
4	April	2.273,8	241	144,6	2.129,2	2.656.157	215.368.48	1.168	18.369	91,30	1.436
5	Mei	1.894,6	304	182,4	1.712,2	2.020.973	152.162.66	1.067	11.080	78,13	811
6	Juni	1.936,0	102	61,2	1.874,8	2.165.022	185.997.04	1.118	35.376	94,01	2.974
7	Juli	1.995,0	596	357,6	1.637,4	1.469.559	141.566.23	736,6	4.110	69,63	388
8	Agustus	3.187,0	393	235,8	2.951,2	2.383.246	193.020.67	747,8	10.107	58,98	797
9	September	2.702,0	543	325,8	2.376,2	3.110.935	252.660.18	1.151	9.549	90,39	750
10	Oktober	3.264,0	1.030	618	2.646	3.342.945	215.580.02	1.024	5.409	62,53	330
11	Nopember	3.247,0	1.086	652	2.595	3.202.430	227.988.48	986	4.915	68,39	341
12	Desember	3.091,0	891	535	2.556	-	-	-	-	-	-
AVERAGE =		2.435,52	486,09	291,66	2.143,86	2.710.079	213.054	1.186,0	25.692	75,48	2.088

Table. The use of energy (electricity and water) for resulting per unit product has been calculated and monitor monthly to reduce as much as possible.

We make bio-phore holes in several places around the plant to absorb more water in the soil. We also have changed damaging ozone of central air conditioner to be 100% safe by utilizing eco-friendly materials.

Together with all stakeholders, we create a clean environment around the plant to proceed with clean emissions program and make recycling or environmentally friendly logo in every plastic packaging we use. 100% of vehicles entering the plant area met the emission standards, and this was maintained until now. The standard applies to company's and visitors' vehicles and all vehicles entering the plant area as well.

PRINCIPLE 8: Undertake initiatives to promote greater environmental responsibility

Through green movement that is one of our four pillars, we do actively promote environmental friendly strategy and activities in doing business for not polluting environment. Sustainable program on environmental conservation is centered in the conservation area “*Kampoeng Djamoe Organik*”/KaDO in the area of Industrial park to implement our activity in greening the land and bluing the sky. There are over 700 species of plants and trees native to Indonesia (medicinal, aromatic and cosmetic/ MAC plants) are collected there. In this area we conduct some programs including training and extension to communities to improve awareness in preserving environment. By planting trees surrounding factory and building will help nature reduce carbondioxyde and other metal pollutant that might be danger to human life. We also actively involved in planting trees and reducing waste conducted by government or non government organization as collaborative program.



Pic.9. Planting trees activity at KaDO/ Kampoeng Djamoe Organik done by visitors

PRINCIPLE 9: Encourage the development and diffusion of environmentally friendly technologies

The company is committed to doing business by employing many people because Indonesia has a sizeable population, especially female workers who are more potential to work in this company producing cosmetics and herbal products. However, the company is also trying to apply the technology in its production process by using the latest equipment and machinery so that the products produced meet the local and global market standards.



Picture 10. Equip factory with advance technology to support implementation green and clean production in the process line to save energy significantly.



Picture 11. Waste Water Treatment Plant (WWTP) with high capacity has been very helpful facility in cleaning the sewage and waste water before being used for other purposes or thrown to environment.

Effective management systems to integrate the environmental principles

Since 2000 we have been implementing the ISO 14000 management systems related to environmental policy in running our production process. Thus, there is no doubt that our company conducts monitoring and evaluation of implementation of the ISO requirements. Company management, from the top down, give their full support. Some steps made in strengthening environmental awareness among company members can be described as follows:

- a. Continuing the environmental program on the waste water treatment arrangement by conducting, monitoring, and processing the evaluation. There are about 38 tons on average per month of recycled water from the WWTP used for garden irrigation and other uses such as washing vehicles, and flow directly into the drainage of the city.
- b. Continuing electricity-saving program by changing the current electrical equipment to new energy-efficient appliances, including light bulb and air conditioner. Trial in applying solar cell for office electricity.
- c. Reviewing the environmental program documents related to government regulations and communicating environmentally friendly activities so that we got the BLUE Label of PROPER policy from the Ministry of Environment. Blue label means that we have met the requirements in handling the environmental impacts of the production process in our plant. The next step is to get GREEN label next year, which means that our business activities undertake CSR programs involving community as the stakeholders.

REPORT STATUS - ENVIRONMENTAL PROGRAM

Issued by MR ISO 14001		Note Status :		
Date: Dec 2016		1) In planning; 2) In process; 3) Completed; 4) verified		
Objective, target, and & Program of environment				
Clausa 4.3.3				
Description, Objective, Goal, and Program	Time Estimation	2016		
		Jan s/d June	July s/d Dec	
I. To be the company saving natural resources	1. Reuse of WWTP output for daily needs through:	T = 40	T = 40	
	a. build sewage chamber	A =	A =	
	b. installing water pump for garden irrigation	Aug'15		
	c. activities on watering garden (continueing prog 2015)	Sep'15		
		Dec'16	1/June'16	1/Dec'16
	2. Saving natural resources through :	end of 2016		
	- recording & monitoring electric consumption:			
	a. Electric consumption (KwH / month)		118	121
	b. Ratio (product amount / KwH)		T = 27000	T = 27000
			A=18.332	A=23.355
- Recording & monitoring water consumption :				
a. water consumption (m3 / month)		1.956,70	2.914,33	
b. Ratio (lt / man / day)		T = 100	T = 100	
		A = 179	A = 165	

Objective, target, and & Program of environment				
Clausa 4.3.3				
Description, Objective, Goal, and Program	Time Estimation	2016		
		Jan s/d June	July s/d Dec	
II. Performing environment with controlable impacts	1. Implementation Program on domestic sewage as Per. Gub. No. 122/Year 2005 -->			
	a. Constructing STP komunal	Jun-13		
	b. Commissioning phase	Jul-13		
	c. Legalizing process STP	Dec'15	2/ April'15	2/ Dec'15
	d. Monitoring & evaluation result STP			
	- Quality of domestic waste water, based on quality standar	Des-16	4/ June'16	4/Dec'16
	2. Construction program of Bio-pore (absorbtion well) should meet the current regulation			
	a. Collecting information	Jan-15		
	b. planning	Jul-15		
	c. Constructing bio-pore	Sep'15	1/June'15	1/Dec'15
	d. Commissioning	Jan'16		
	3. Program on gradual replacement of ozone depleting substances through: 100% Central Aircondition by BPO replacement			
	a. Periodic replacement, phase I (2 AC)	Jul-10		
	b. Periodic replacement, phase II (2 AC)	Des-11		
	c. Periodic replacement, phase III (2 AC)	Des-12		
	d. Periodic replacement, phase IV (2 AC)	Jul-13		
	e. Periodic replacement, phase V (3 AC)	Des-13		
	100 % APAR has been replaced by BPO :			
a. periodic replacement phase I (40 pieces)	Des-12			
b. periodic replacement phase II (40 pieces)	Jul-13			
c. periodic replacement phase III (35 pieces)	Des-15	3/June'15	3/Dec'15	
Completed for all equipment	Jul'16	3/Jun'16	3/Dec'16	

Objective, target, and & Program of environment				
Clausua 4.3.3				
Description, Objective, Goal, and Program		Time Estimation	2016	
			Jan s/d June	July s/d Dec
III. Together with all stakeholders company performing green & clean company	1. Continuing program of Clean emission with the achievement reach 99% vehicles in PTMB factory area meets standard environment requirement, through the following action:	end of 2015		
	a. working together with General Affair Department to implement clean emmission program for cars	Nov'15		
	b. monitoring & evaluation	Dec'15	4/May'15	2/Dec'15
	c. program continuing	Dec'16	4/Jun'16	4/Dec'16
	2. Inclusion of recycle/environment friendly logo for plastic containers. This should be printed on own plastic containers while for free mould containers should use the green plastic materials by:	up to 2015	T = new PM A =	T = new PM A =
	a. giving new product information to the choosen suppliers			
	b. production trial of plastic container at supplier factory			
	c. approval from quality control and R&D department			
	d. delivery	Dec'15	4/June'15	4/Sep'15
	e. Continuing program	Dec'16	4/June'16	4/Sep'16
3. Periodic replacement packaging materials to environmental friendly materials	a. inventoring existing materials			
	b. surveying to supplier			
	c. approval			4/Dec'15
	d. delivery	Jun'16		

Table. Report status on environmental program in term of reducing emission and replacing unfriendly equipments with friendly ones.

Reviewing performance of environmental management program

We also conduct some programs touch down to the community area by joining with other partners (GO and NGO) or executing programs on our own initiative. Through collaborative activities under the coordination of the Global Compact Network of Indonesia, we do some programs under the program of Water Mandate Working Group. This year we celebrate World Water Day by involving community along the Ciliwung river by cleaning and strengthening awareness for not garbaging in the river. This event had also been supported by government and NGOs.

By parthnering with local government of Gombong, Kebumen-Middle of Java and also supported by NGOs (Pansela) and University, we planted mangrove along the beach of Pantai Ayah that is vulnerable for abration and tsunami. There were more than 10,000 mangrove planted there as the sustainable program for saving beach area and repairing water ecosystem for water organism.

We do also conduct collaborative program with government of DKI Jakarta for community in the island (thousand island) and in *rumah susun (rusun)*, housing like apartment for low income community in the city. By teaching them about culture of clean

and healthy living, we ask community participation to care their environment such as not garbaging everywhere but put it in the right places. By setting up Waste Bank, we work together with communtiy to solve community waste by handling it through the 3-R system (reduce, reuse, and recycle) starting in sorting activities in the level of house family. Then, we do also train community to be creative in handling non organic waste (pastics, papers, bottles, etc) by recycling it into other functional things. Moreover, we do also teaching community how to make clean and healthy environment for living area through implementation of 5-R Concept (*Ringkas, Rapi, Resik, Rawat, Rajin*). We also support community to build Communal Sewage handling installation (*instalasi pengelolaan air limbah/IPAL*) to reduce water and soil contamination due to human feces.

Some programs are improved by involving other partners in the form of collaborative action through local network GC. We have been involved in some Biotrade green movement programs such as:

- SIPPO (Swiss Import Promotion Program Organization) as local experts
- As local experts, we provide facilitations for SMEs from natural and organic product manufacturers in Indonesia to improve the quality of their products and also provide market access to Europe's natural and organic market.
- Facilitating IPD (International Promotion Desk) in connecting our local producers and overseas users, and also providing information of organic material or environmental friendly materials resources.
- Leader of board of several bodies in Indonesia, such as the Indonesian Spice Council, the Global Compact Network Indonesia, Cosmetic association, and Jamu/Herbal producers Association.



Pic,12. Agreement ceremonial between Martha Tilaar and Jakarta State University witnessed by Ministry of Women empowerment Indonesia to conduct collaborative program in empowering women in remote islands.





Pic.13. Program “Brand goes to Schools” is also collaborative action by involving education institution promoting environmental awareness and company activities.



Pic.14. Facilitating and guiding small enterpizes on “Jamu Gendong” to be goods home industry with standard products of health drinks (Jamu)



Picture.15. Planting 10,000 mangrove in the beach of Muara Angke – Jakarta and Pantai Ayah Gombong-Sukabumi together with local government and local NGO.



Pic.16. Love, Touch, and Learn our environment at Kampoeng Djamoe Organic visit program. Planting and caring our trees for nature.



Picture 17. Collecting about more than 700 plant species of medicinal, aromatic and cosmetical properties, and also endangered species native of Indonesia in the area of conservation, KaDO (*Kampoeng Djamoe Organik*)

ANTI-CORRUPTION

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

Our commitment in anti-corruption is stated by the management, supported and implemented by all levels of employees, suppliers, and stakeholders. This program is an ongoing action in our company, continuously monitored, and evaluated at all levels and all fields related to government policy and corporate policy. This are mentioned in company values called *DJITU* or accurate in English, but this word stands for *Disiplin* (discipline), *Jujur* (honesty), *Iman/Inovatif* (faith/innovative), *Tekun* (diligent), and *Ulet* (persevering). Honesty is one of value that have to be put deeply in everyone heart in order not doing bad things especially corruption and all forms including bribery.

We seriously identify potential areas prone to corruption, including bribery, and if any we also eliminate the potentials. We also apply this policy to all related stakeholders in the supply chain, including suppliers, partners, and government. Through Global Compact networking we also actively involve in some events regarding corruption issues, such as conducting dialogs with government, Commission on Anti-corruption, and other institution related to the potential arousen of corruption.

Internal audits in our business

There is department section of Internal audit in this company which has functioned to do auditing in all processes of production, management, and also financial matter. Regarding to the production process, quality control, GMP, and environmental systems, auditing would be conducted annually to evaluate our suppliers and the principle of materials. How the implementation of Internal audit has been stated in ISO-14000 and also in management strategy. We have run the ISO-9000 and ISO-14000 simultaneously since year 2000. So, regular audits are performed to meet the requirements by an independent regulatory body.

- **Internal audits in the financial matter**

The Board of Commissioners has appointed the Audit Committee Charter as a guide for the audit committee and its members in carrying out the task. Audit committee charter has been documented in the commissioner's decision no. 001/PKJ/HRM/IV/2013, dated 1 April 2013. Audit committee holds a meeting regularly.

According to the charter, the meeting is held at least once a month. In 2016, the committee has held more than 25 meetings. If necessary, the meeting will be attended by the commissioner, director, head of division, head of the internal audit unit or a representative of an independent auditor company. In 2016, the audit committee had carried out duties in accordance with the charter.

Consolidated financial statements had been reported based on the results of evaluations conducted that the independence of the public accountant in the audit of financial statements is in accordance with general auditing standards commonly accepted. Audit was held the accompanying consolidated financial statements of PT. Martina Berto, Tbk and its subsidiaries, which comprise the consolidated statement of financial position as of 31 December 2016, and the consolidated statement of profit or

loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In the opinion of auditor, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PT. Martina Berto, Tbk and its subsidiaries as of 31 December 2016, and their consolidated financial performance and cash flows for the year then ended, in accordance with Indonesia Financial Accounting Standard.

Monitoring and evaluation of planning, implementation, monitoring, follow-up of the audit in order to assess the adequacy of the financial reporting process, at least by monitoring and evaluating:

- **Implementation of internal audit units**

The evaluation makes it possible to conclude that the internal audit units planning has been conducted in accordance with the risk-based audit planning; and audit implementation and reporting has been conducted in accordance with the standard implementation of the internal audit function.

- **Suitability of the implementation of the audit by public accountant with the standards applied.**

From the results of the monitoring and evaluation by the audit committee, the public accountant has conducted an audit in accordance with auditing standards established by the Indonesian Institute of Accountants. According to the audit report by the public accountant, the financial statements have been prepared in accordance with the accepted standards.



Pic.18. Training and sharing on Anti-Corruption with education institution and connecting to IGCN members in some events of Anti-corruption dialogs.

Sustainable Business for Sustainable Development Goals

The principle of a successful business is the commitment of company management to integrate all stakeholders, including workers and society. Our labors have a good performance in the work area based on their specialization. Company produces good quality products because of the support of labors and suppliers. The same is true with the high product sales in the market with the support of distributors, media, and the facilities of government agencies. Thus, the success of company development lies on a good integration between us internally and also externally with other parties, including the government. This success can be seen through our supply chain which involves all stakeholders.

a. Loyal customers and Distributor Awards

There are loyal customer gathering events organized by each product brand to reward our loyal customers in various kinds of activities. There are also distributor gatherings to reward their good performance by achieving the target or even more, for both national and international distributors. The success of marketers is about how they can connect and integrate the products with their customers.

It is the policy of company's marketing department to reward our loyal customers. As mentioned above in the event of annual customer gathering.

b. Implementation of the Global Compact principles in the value chain

Description of raw materials and semi-finished products used by the country or region from which they originate. Our company uses natural materials and chemicals for cosmetics and herbal products from local and global suppliers.

c. Strong relationships of supply and distribution

The company maintains strong relationships with suppliers and distributors. Distributors' network enables wide-scale distribution and serves as a channel of promotional activities, consumer education and awareness programs. In addition, the Martha Tilaar's outlets support brand development initiatives, acting as the company's customer support center together with retail centers.

Company's spa products are separately promoted and distributed through the spa chain operated by *PT Cantika Puspa Pesona*. A different subsidiary company also provides outsourced manpower for manufacturing facilities, PT.Kreasi Boga Primatama (KBP).

d. Strategic location and facilities are supported by distribution network and marketing activities

The company operates three strategically located manufacturing facilities in Indonesia, close to the main ports, both sea and air. Seamless logistics support results in excellent

distribution system. Locations such as these become elements of important strategic advantages for the company.

The strategic locations make Company available across marketing channels with agents, branches and depots in Indonesia thus ensuring superior distribution. In addition, the company has strong relationships with suppliers and distributors that support it in various promotional activities.

e. Value chain policy, including policy for suppliers and subcontractors

We have standard operating procedures to evaluate and monitor the performance of suppliers. We have a principle based on the supplier assessment policy which is evaluated every year. This policy also includes the allocation of responsibility in the value chain and procedures. Through this policy, we fix the problem of non-compliance, compliance checks in the value chain and value chain risk assessment to identify potential issues with suppliers and other business partners.

Transparency and Verification

All information regarding to the company's profile and context of operation, the legal and organizational structure as well as countries where the organization operates and the market share can be found in the Company's Annual Report 2016 (<http://www.marthatilaar.com>).

Description of high standard of transparency and report disclosure

Detailed Description of the company's performance can be analyzed in company's annual report in 2016, consisting of several parameters, including data such as:

- a) Indonesian cosmetics industry: the Indonesian market size and growth, with the potency to maintain the momentum until 2016
- b) The main players in the Indonesian market
- c) Comparison of key performance indicators for the previous 2-3 years

The House of CSR in PT. Martina Berto, Tbk



Vision

Being a world leading cosmetics company with oriental and natural atmosphere, utilizing research, research and modern technology development to provide added value to the consumer.

The purpose of corporate responsibility

- Improving the well-being of rural and forest communities
- Working with various stakeholders in green programs
- Empowering women for better welfare
- Being a partner to government agencies and the United Nations

Output

- More and more companies and institutions willing to provide capacity to build rural and forest communities
- Involvement in some dialogs in entering Sustainable Development Goals (SDGs)
- Promotion of a formidable partnership or cooperation among the various stakeholders.
- The four formidable pillars of corporate social responsibility
- Good Corporate Governance

The pillars

- Beauty Green
- Beauty of Education
- Beauty of Culture
- Beauty in Women

Our Company's Values

- Discipline
- Integrity
- Innovation
- Persistence
- Perseverance
- Reliable Products
- Protection of Nature
- Culture Sustainability
- Focus on the customer

Pilar #1:

Formal Education for students on the environment

Regular event we conduct at our green holistic garden, KaDO, introducing students to nature and the environment, teaching them what is in our environment, then, guiding them to love, care, and to be responsible in preserving nature and the environment for our next generation. This program is a gradual learning process for kids and students.



Pic. 19. Learning about environment at KaDO will lead students and people to be aware in caring and preserving environment

Nature and the environment as a source and medium of learning

Martha Tilaar Group recognizes that environmental education in elementary and middle school level needs creativity in the teaching method. Company invites students to learn firsthand practice in Martha Tilaar's KaDO (*Kampoeng Djamoë Organik*) at Cikarang. Here nature becomes an endless source of learning, exploration, development, and can be used as an interesting learning medium for students. They can learn thousands of species of medicinal plants.



Pic.20. local and international students visited KaDO to learn more about MAC plants conservation and culture preservation.

To utilize a wide range of learning conditions and various approaches in the environmental learning, emphasizing on practical activities, will provide students with a first-hand experience. It is a first-hand experience.



Pic.21. Students are the potential Agents of Change in shaping the future. Knowing more about real condition in the field, will drive them to do action later in the future.

Outdoor activities for children and students

Education program we applied here is developing learning system by integrating students with natural environment. Outdoor learning activity makes students feel closer to nature and the environment. Playing in natural environment is a first-hand experience which will be internalized and make them love their environment.

One of the goals in establishing *Kampoeng Djamoe Organik* (KaDO) is to grow new attitudes of children and students to the nature elements, such as water, air, animals, and plants. Many aspects are integrated in the environmental education and, therefore, children are invited to learn from nature as the source of learning and media as well.

Environmental education is an education that teaches children and students the knowledge of nature and the environment. The creativity, strategy and methods of the learning are continuously developed based on the needs of child development as well as natural conditions and environment in which the student resides.

Students from various schools have utilized Martha Tilaar's KaDO as a learning resource. The number of visitors have increased significantly from time to time representing the enthusiasm of the students using KaDO as a learning resource.



Pic.22. Students from basic school to University conduct field study at KaDO. Learning directly with nature

Training for Organic Farming System

Education and training on organic farming systems for farmers have been introduced by Martha Tilaar Group since more than 17 years ago and now is still continued for farmers producing MAC plants for herbal products. The content of the training will be how to grow the plants in accordance with GAP (Good Agricultural Practices). All the methods of handling process would be delivered in term of eco-friendly technologies application.

Standardized production processes are based on proper farming techniques. This method would ensure stable quality production. This is the role of Martha Tilaar Group

in enhancing the value of commodities farmers. In addition, Martha Tilaar Group has a certain availability raw materials to ensure an ongoing supply chain.

Moreover, we provide on location training for farmers by visiting them as a development of training system that we held in our garden, KaDO. We deliver knowledge about herbs and herbal products. Identifying MAC (medicinal, cosmetics and aromatherapy) plants and how to implement organic farming systems. We also trained them to have a sense of high concern for environmental sustainability and ecological balance. Upon returning to their hometown, they can share their knowledge on good and environmentally friendly farming methods to each members.



Pic.23. Training and supervising farmers and communities in villages producing MAC plants as raw materias for our factory

Against Woman Trafficking program – Scholarship for Spa Therapist

Due to women trafficking cases afflicting girls in marginal rural areas, including fraud with the lure of becoming a Women Worker (TKW) abroad has made Martha Tilaar Group moved to provide educational support skills. Thus, since 1990, Martha Tilaar, founder and chairwoman of Martha Tilaar Group established a spa therapist training center at the Balisari Center, Kuta, Bali. But since 2015 the center had been moved to *Kampung Djamoe Organik* (KaDO) area at Cikarang-Bekasi, West Java.

The program of 4-6 month to-be-professional-spa-therapists education and training is intended to prevent young women from being caught up in scams. They are trained to have a competitive and qualified expertise so that they have enough resources to improve their family economic condition. Full scholarships cover the cost of education, housing, meals, and pocket money per month given to the students during their training period. After graduation, the students have a job contract for 5 years in the salon and choose to set up their own beauty salons or to pursue a career as a professional spa manager. There have been more than 4000 people as an alumni of our Training Center spreading out along Indonesia from Sabang to Merauke, even in overseas.

Pilar #2:

Beauty Green – Caring and preserving environment

We do some program related to green movement along *the* year 2015. The main green (Organic Herbal Kampong) as a place of conservation and the training center for environment conservation as well as indigenous knowledge preservation area especially related to medicinal plants and herbal gardens.

There are also number of green program we have done as a collaborative action with other parties, GO and NGOs, such as, sea water area conservation by planting more than 10,000 mangrove trees in the area of *pantai ayah*, central Java. We do also guiding and empowering communities to plant trees in their area and greening their environment with beneficial plants for foods and drinks. Educating communities to care their health by using plants and natural ingredients are also the other program related to caring environment and green movement.

Kampoeng Djamoe Organk (KaDO)

As described above, KaDO is a green area where we grow some species of MAC plants facilitated with lush, green trees, the sparkle of clear water from the pond and the green vegetables plants bring the atmosphere of a typical Indonesian village. Here visitors can find patches of medicinal plants around the house just like a family medicinal plants. With the presence of various traditional houses like Manado wooden house and *Joglo Jawa* on the left side of the pond, Sundanese bamboo house and Pendopo Bali/ Balinese gazebo on the other side, visitors will really feel at home village.

KaDO, located in the city center of Cikarang-West Java, is now being designed as integrated area with five elements. First, garden area with more than 600 species of MAC plants containing small, shrubs, and tree plants, make the environment green and the plants can produce materials for health drinks (Jamu). Second, factory building was set up there to process plant materials into health products and other materials such as plant extract and essential oils. Third, Klinik Jamu, was also set up there as place to serve people and community who need medical consultation using natural products and treatment, instead of chemical treatments. There is medical doctor as a practitioner in charge in this Klinik to serve patients for solving health problems by applying traditional and natural treatment. Fourth, Spa Training Center facility, the place where we train ladies for spa therapist with scholarship system program as mentioned before. Fifth, Organic Health Cafe, a place where we serve our customer with healthy foods and drinks. Here we can taste different foods and drinks with traditional recipes.

Those five elements are connected together as the integrated elements supporting KaDO, where people can get full services of knowledge about original Indonesia culture.

As an environmental education and training center, KaDO provides various training modules, from organic farming, postharvest processing, how to utilize materials for health foods and drinks, and also light spa training program. It also provides learning and playing program for children and empowerment program for everyone.

In the middle of KaDO area, there is a large pond for boating. Rows of organic vegetables grown around the pond look very nice view especially when picking season is coming, that people can pick their own veges.



Pic.24. Kampoeng Djamoek Organik (KaDO) is a place to give training farmers and communities for organic farming system.

World Water Day 2016 celebration

In 2016, World Water Day's theme is still in cleaning river along Ciliwung watershed from waste pollutant, by campaigning activities along the river communities for not littering along the river, and also ask them to clean the river from house waste regularly along the year.

Water and Energy are closely attached. Water is needed to produce virtually all forms of energy. Energy is required at all stages of water management, from the taking process from the source, the processing, to its distribution. This entanglement is used as a central message in the World Water Day 2016.

Pilar #3:

Beauty Culture - Activities in preserving indigenous Culture

Sariayu Color trends – annually

Sariayu is one brand that is owned by Martha Tilaar which carries the values of natural beauty recipes based on tradition and cultural heritage. Many of the beauty that can be raised and developed in different parts of the archipelago which inspired Martha Tilaar to popularize it through color trend products.

By cooperating with WWF and Biodiversity Foundation, Martha Tilaar Group continues to explore the biological wealth of the nation and to carry the mission of this culture consistently.

Gili Lombok is the very interesting place with local culture and community there in the island that is very typical culture representing East Indones. The world recognize well of this island including Comodo island and very beautiful beaches spread along the islands that make it very unique and interesting. Martha Tilaar was inspired to raise Gili Lombok widely by 2016 Color Trends.

Exploring indigenous culture related to natural cosmetics and herbal products

Medicinal plants have played an important role in many systems of traditional medicine and still do up to now in developed and developing countries in Asia, especially Indonesia. Communities derive their income through the sale of wild plants in the forest products or products that are cultivated. Cultivation of medicinal plants in Indonesia is characterized by subsistence cropping systems, scattered areas, poor quality, and less integrated.

Compared to other economic plants, medicinal plants still receive little attention in making genetic and culture improvement. Fairly primitive farming techniques have lead to poor results and quality. Due to the high demand on raw materials for the processing industry, plus the loss of natural habitat of most medicinal plants, large-scale cultivation of plant species need to be undertaken in Indonesia.

Martha Tilaar Group (MTG), which produces natural cosmetics and herbal products, has a close relationship with nature. The company explores local knowledge in the use of plant resources for health and beauty treatments. As a member of the UN Global Compact, MTG has been in the very beginning involved in helping people maintain a sustainable income. MTG supports community-based initiatives in the processing of medicinal plants by applying organic farming systems.

Farmer community groups provide an important contribution in the face of global environmental problems through local activities. Lessons they have learned are continually spread into larger farmer groups. Several community-based products include medicinal plants, organic fertilizers, fruits and vegetables, nuts, and vegetable oils.

In addition to conducting activities to preserve endangered species, these farmer groups - supported by MTG and the Ministry of Agriculture - also sell the premium quality herbal products nationwide. They produce herbal ingredients from preharvest to post-harvest seasons by applying Good Agricultural Practices (GAP). They add value to the products to increase the family income.

Many efforts have been made, but it is still a long journey. MTG continues to support farming communities by providing assistance and guidance to meet their needs. Lack of information and marketing, poor quality and packaging, and low entrepreneurial skills have made community-based organic products hard to enter the market. These situations can be addressed through creative initiatives and regular communication between the groups. There are customers who want to buy organic products. More and more companies are ready to support sustainable business practices that respect the environment and social standards as well as ensuring long-term profitability and sustainable supply of raw materials.

Training program for medicinal plant farmers

Training program for organic farming system is a regular event we conducted at KaDO (*kampoeng Djamoé Organik*) Since 2000 especially for farmers who will be suppliers of plant materials to our factory from villages in Indonesia. By working with the Ministry of Agriculture of Indonesia, we invite farmers from various provinces to take the course and practice of cultivation of medicinal plants in our gardens. About 20-30 people in each class come from different provinces to learn about exploring nature wisely and sustainably.

In year 2016 we conduct training on site means we our team come directly to the farmers in the villages. This year we trained farmer in Kediri and Ponorogo, East Java producing MAC plants especially rhizome plants. They learn to cultivate organic herbs in accordance with the GAP manual. They learn how to perform pre and post-harvest to produce the best quality of plant materials that are accepted by the industry as a user.

We build partnership with farmers in providing plant materials to enhance the added value of farmers' income.

Pilar #4: Beauty in Woman - *Women Empowerment*

Indonesian women as part of national economic strength

Martha Tilaar Group has a variety of programs to empower women through various supports and trainings. Jamu Gendong program, for example, includes training for women working as jamu gendong sellers. Skilled Independent Women program provides training for women in post-disaster areas. Miss Indonesia program searches a role model for young, beautiful, smart and having-high-social-concern generation. Supporting Miss Earth program to promote environmental care and awareness among youth. Spa Training Center program to promote young lady villagers to become professional spa therapists. This last program empowers young women to protect them from women trafficking much found in poor, impoverished area.



Pic.26. Introducing Indonesian richness of nature and culture to the world visitors by experiencing in many programs conducted in KaDO.

Women, smart and enterprise

Annual event of Miss Indonesia had been held in 2015 and our company still support in term of skill improvement especially in make-up and entrepreneurship. With their various backgrounds, the young Indonesian women demonstrated their skill and talent to become Miss Indonesia.

Sariayu Martha Tilaar was the official makeup and hair style brand for Miss Indonesia 2016. Makeup artists and hair stylists of Puspita Martha International Beauty School of Sariayu Martha Tilaar were deployed to enhance the appearance of all the finalists by using a collection of its latest color trends: Inspiration of Gili Lombok local culture.

Jakarta Fashion and Food Festival (JF3) 2016

JF3 2016 was held in April annually. Started with a fashion show of famous designers of Indonesia, on the road of Kelapa Gading Jakarta, visitor were then presented with many events, such as exhibitions, fashion shows, seminars, competitions, talks, and large stall of culinary shows presenting various kind of foods and drinks along the culture of Indonesia, from Aceh to Papua.

The opening ceremony was attended by Minister of Tourism and Governor of DKI Jakarta and other designers and private sectors supporting this event, as well as the event promoter such as DR. Martha Tilaar and Wulan Tilaar of Martha Tilaar Group.

This event is highly supported by government especially to promote Indonesia richness culture and talent. The presence of DR. Martha Tilaar has showed Martha Tilaar Sariayu's support to this largest fashion event in Indonesia since few years ago. Jakarta

Fashion and Food Festival (JF3) and Sariayu Martha Tilaar share the same mission: to promote local knowledge to worldwide.

Employing 70 % of women

This company is still committed in doing business inclusively by empowering more Indonesia women. Since beginning of this company, women are the most important asset in the line of manufacturing producing cosmetics and herbal products. Doing such business is a unique combination that we do economic activity while support women empowerment activities. Currently, we employ more than 5000 people which about 70% of those are women. As the most employees we do educate and empower them to be skilfull employees to be able to support their family welfare. Thousands of therapists and estheticians educated and channeled through Spa & Training Center and Puspita Martha Beauty School.

Collaborative program with other parties

Collaborative programs were more conducted with GC Network of Indonesia together with all members interested in the program. We do actively involve especially in national activities under IGCN umbrella and its working groups.

ORGANIZATION – IGCN Board Meeting

DR(HC) Martha Tilaar actively involves in supporting both UNGC and IGCN as local network in Indonesia. As a Founder of UNGC and pioneering IGCN in Indonesia, she is actively involved in some events and coordination meeting by giving general guidance and strategic input in running program activities. To comply with the organization's charter, IGCN annual board meeting was held in June 2016. Attended by the IGCN founder, Board of patron, Board of Supervisor, Board of Management and IGCN Secretariat, the meeting reviewed the 2015 activity report, 2016 workplans, and establishment of new Organisation Structure by involving more member to be active in developing IGCN strategy in Indonesia.

The agenda of the meeting presenting 2015 activated by IGCN Secretary General. While YW. Junardy, President of IGCN delivered his presentation "IGCN: The way forward 2016-2018" as the IGCN agenda for the next three years. The key point is to bring IGCN from established local network to advanced local network by following actions: raising awareness in national level, recruiting SMEs, strengthening partnership, conducting series of training, holding more frequent member gatherings, creating more collaborative actions, implementing collaborative funding, developing and promoting value preposition of global Compact, providing COP/COE support, supporting activities related to UN Goals with local priorities.

IMPORTANT EVENTS ALONG YEAR 2016

January 2016 :

- Biokos Seminar Entrepreneurship & Beauty Aesthetic
- Opening the initial Indonesia Stock Exchange Trading session by the Company CEO, Mr. Bryan David Emil
- Sales Purchase Agreement signation of Rudy Hadisuwarno Cosmetics brand

February 2016 :

- MBTO Outlet Gathering – making close relationship between Company and Outlet owners
- Miss Indonesia Beauty Avenger – promoting Indonesia cultures
- Miss Indonesia 2016 Grand Final -
- Signing Ceremony Orchid Preservation Donation – with KEHATI foundation, especially to preserve orchids species original Indonesia.
- Sariayu Trend Media Gathering
- Sariayu Beauty Blogger Gathering

April 2016

- Sariayu Sunny Adventour

May 2016

- CSR Environment Preservation in Tidung Island.
- Jakarta Fashion & Food Festival
- Campaigning “No Plastic Bag” for shopping

June 2016 :

- Public Expose
- Ramadhan Runway
- Annual General Meeting of Shareholders.

July 2016

- Ied Mubarak Homecoming Together

August 2016

- Jember Fashion Carnaval

November 2016

- Signing of MOU between PT. Martina Berto, Tbk with Health Planning & Development Agency Minister of Health

COVERING

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with the Ten universally accepted principles in the areas of Human rights, labour, environment, and anti-corruption. By doing so, business as a primary driver of globalization, can help ensure that markets, commerce, technology, and finance advance in ways that benefit economies and societies everywhere.

“The UN Global Compact Management Model” guides companies through the process of formally committing to, assessing, defining, implementing, measuring, and communicating a corporate sustainability strategy based on the Global Compact and its principles. It is a simple, yet broad and flexible, model to guide companies of all sizes through the process of organizational change to embrace corporate sustainability. This model is particularly helpful for those just entering the sustainability realm, but also offers guidance on Leadership Practices for more experienced companies.

Currently, the consumers expect that companies do more than just earn a profit, but only a few companies who believe that the effort will have a positive impact on the companies. Sariayu Martha Tilaar fought hard to close the gap between customer expectations with perceptions of CSR year after year. Sariayu Martha Tilaar recommends companies improve how they share their CSR efforts with the public and emphasizes that transparency and authenticity is the best approach.

“If they [companies] believe they are in business to serve people, to help solve problems, to use and employ the ingenuity of their workers to improve the lives of people around them by learning from the nature that gives us life, we have a chance.”
(Paul Hawken)

Jakarta, September 2017

Palupi C. Kusumaningrum
Head of Ccom and CSR

Heru D. Wardana
CSR Manager