

2018  
Sustainability  
Report



Together,  
We Synergize & Care



**KALBE**

**Caution regarding Forward-looking Statements**

This document may contain plans, projections, strategies and objectives of the company that are not statements of historical fact and would be treated as forward-looking statements.

Forward-looking statements are subject to risks and uncertainties that may cause actual events or results to be different than expected.



# Together, We Synergize & Care

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Kalbe establishes a business ecosystem involving our supply chains and stakeholders.

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Kalbe operates, synergizes, and cares to improve health for a better life.

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Kalbe actualizes the commitment to protect the environment, one of which is by achieving Green PROPER rating for the Kalbe Farma Cikarang Factory.

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Kalbe continues to create value through the empowerment of red ginger farmers.

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# Sustainability Performance Highlights

## ECONOMIC PERFORMANCE

**4.4%**  
net sales growth

**85%** of suppliers were categorized as 'Extraordinary' in performance assessment and evaluation

**RP244 BILLION**  
investment in research and development

**60 SUPPLIERS**  
have participated in Kalbe vendor training related to sustainability report

## ENVIRONMENTAL PERFORMANCE

**5%** energy consumption reduction compared to previous year

**14.6%** hazardous and toxic waste reduction compared to previous year

**7.2%** CO<sub>2</sub> demissions reduction compared to previous year

**GREEN PROPER RATING**  
Achieved by Kalbe Farma Cikarang Factory

**SESA** (Supplier Environmental & Social Assessment)  
Alignment program of supplier commitments on environmental and social aspects

## SOCIAL PERFORMANCE

**4.8** (out of scale 5)  
The results of the satisfaction survey on customer service

**541** farmers involved in the empowerment program of Red Ginger Ecosystem

**427,763**  
customer grievances were solved

**258 TON** covering 100% raw material of our ginger for herbal medicine were supplied by Kalbe assisted farmers



## Greetings from President Director

[102-14] [POJK51]



Kalbe continues to play a role in providing health care total solutions for the community. "





Dear Stakeholders,

Praise the Almighty God that we have made an outstanding performance in the past year of 2018. In line with our commitment to build a sustainability operation, we were developing a sustainability policy as a basis in responding to the importance of economic, social and environmental aspects. We also continue to support the third goal of Sustainable Development Goals (SDGs) in ensuring healthy lives and promoting well-being for all at all ages.

### Synergy of One Kalbe

Commitment in ensuring healthy lives is in line with our vision and mission to improve the well-being and quality of life of a better community through our products and services. Throughout 2018, Kalbe invested Rp244 billion in the field of research and development (R&D) to support health. We decided to allocate the R&D to mainly focus on Cell Therapy, biological products and digital health applications.

This R&D was also one of the manifestations of our spirit of “One Kalbe” to support the creation of health care total solutions. “One Kalbe” embedded our workplace culture in facing challenges to ensure the internalization of sustainability aspects can be carried out strategically by every organizational function. Kalbe will continue to enliven the spirit of synergy in building innovation and caring for public health.

### Together, We Build Synergy in Supply Chain

Our best achievement in generating a sales growth of 4.4% in 2018 was mainly contributed through our joint efforts in supply chain. So far, we had partnerships with more than 300 suppliers. They have passed through our partner development programs that provided continuous improvement program facilities (CONIM) and ensured cooperation with cost transparency. In addition, we also held several supporting programs on a scheduled basis, such as Vendor Forums, Vendor Training, and Vendor Awards. These programs aimed to keep us engaged with our supplier and to improve efficiency, product quality, and innovation.

Moreover, we ensured that Kalbe's supply chain can continue to be integrated and posed the quality of the industry standards required, such as current Good Manufacturing Practices (GMP) related to medical products and drugs ingredients as well as Good Distribution Practices (GDP). Based on our supplier appraisal, 85% of Kalbe's suppliers have the qualification to be classified in the Excellent category.

We also continue to raise awareness of environmental and social welfare. Since August 2018, through the Corporate Health, Safety, Security & Environment (CHSSE) Team, Kalbe took the initiative to launch Supplier Environmental and Social Assessment (SESA). This initial SESA screening was applied for several strategic toll manufacturers in Kalbe divisions of Prescription Pharmaceuticals, Nutritionals, and Consumer Health. Thus, we began to involve our supply chain suppliers to address the environmental and social concerns.

Furthermore, Kalbe promotes sustainability reporting among suppliers. We held training involving 60 companies to realize the importance of sustainability report that communicate the overall performance of economy, social and environment. Through sustainability reports, we hope our supplier can evaluate their sustainability initiatives. The better their business, the better for us.

We are also strengthening the synergy in supply chain through the inauguration of biotechnology-based drug ingredients factory of PT Kalbio Global Medika, a subsidiary of Kalbe. The inauguration was held on February 28, 2018 by the President of the Republic of Indonesia, accompanied by the Minister of Health, Minister of Industry, and Chairman of National Agency of Drug and Food Control (NADFC). We hope that with the provision of ingredients for biotechnology-based product, the dependence on drug ingredients can be reduced.

### Together, We Preserved the Earth

We are aware that the global warming is already having significant effects on our communities and our health. The consequences of climate change will only continue to intensify unless we take an active

role to reduce the emissions. We put our best effort in preserving the earth through energy efficiency and emissions reduction from our manufacturing business activities. We signed pledge as member of Indonesia Global Compact Network (IGCN) to align our business strategies with the Ten Principles of The UN Global Compact and accelerate SDGs implementation in Indonesia. [102-12]

Throughout 2018, Kalbe reduced its CO2 emission by 7.24% and energy consumption by 4.96% compared to the previous year. The CO2 Emission reduction was mainly contributed from one of our subsidiary, Kalbe Morinaga Indonesia, through the improvement of the boiler emission quality by re-adjusting oxygen supply levels. Moreover, we reduced energy consumption through various programs of energy efficiency and optimized the share of renewable energy in energy mix. We believe that all improvements to the production process contributed to reduce the negative impact of climate change.

For the first time, in 2018, the Kalbe Farma Cikarang factory was assessed with “Green” rating for the Corporate Environmental Performance Rating Program (PROPER) by the Ministry of Environment and Forestry. The “Green” rating indicated that our business have performed environmental management beyond compliance. We highly appreciate this achievement and encourage all the business entity’s efforts in preserving the Earth.

Our efforts in preserving the earth also include waste management. We reduced hazardous and toxic waste by 14.6% compared to the previous year. This improvement was mainly contributed from the modification on milk powder production machines to reduce the sludge waste generated by Kalbe Morinaga Indonesia.







Furthermore, Kalbe's concern for biodiversity was also realized by Bintang Toedjoe, Kalbe's subsidiary through planting activities in green lane and developing Herbal Garden which known as Herbal Bejo Garden.

### Together, We Care

In 2018, Kalbe intensified its digital-based services through the development of Kalbe Home Delivery, Kalbe e-Store, Klikdokter, Hallobumil, and Enseval Mobile Order System (EMOS). These services provide convenience for people to get health access either for online purchases or online medical consultation.

In the social aspect, we have improved the mechanism of Ristekdikti-Kalbe Science Award (RKSA) by funding research that have commercial value and may benefit the community. In addition, we developed a culture of love for science for children from an early age through the Kalbe Junior Scientist Award (KJSA). In addition, Kalbe continues to promote health education through the establishment of a community supported by Kalbe Ethical Customer Care (KECC). All these education

programs were dedicated by Kalbe to promote quality of life in the community.

On the other hand, we strive to increase added value for CSR activities. From the empowerment of red ginger farmers, we will calculated the added value that is beneficial to the community. In returns, the farmers will help us in ensuring the availability of the raw materials required for Bintang Toedjoe products. For shared value to be created, we make sure that the Kalbe's business growth will always resulted in better welfare for red ginger farmers.

### Together, We Build the Future

Kalbe continues to play a role in providing health care total solutions for the community. Together with stakeholders, we optimized synergy and care to achieved a better performance in economic, social and environmental aspects.

We express our gratitude to the stakeholders who have supported Kalbe's sustainability performance throughout 2018. We believe that joint support from stakeholders was the main reason for Kalbe to provide a better life.

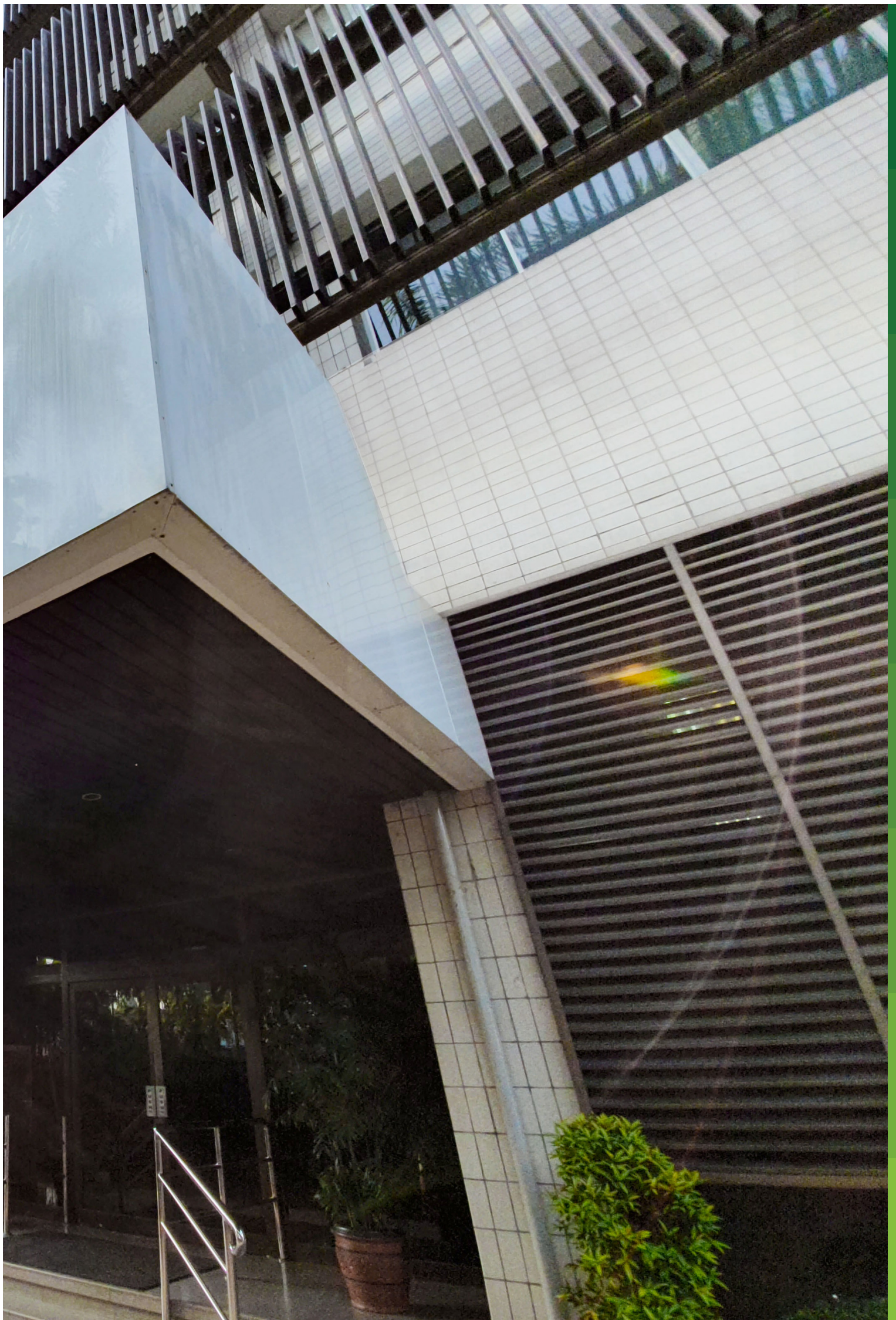
Jakarta, May 2019

**VIDJONGTIUS**  
President Director



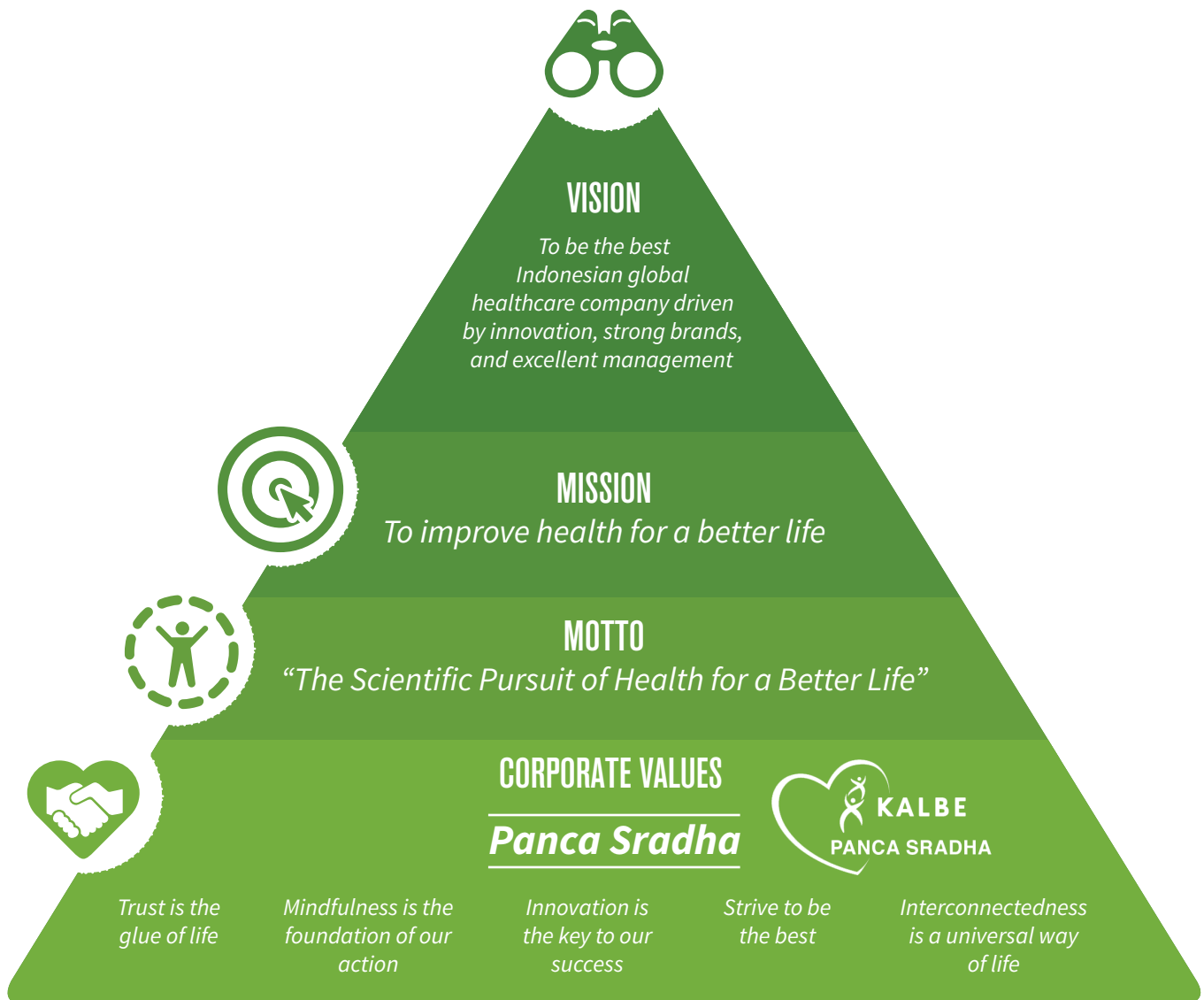
## Company in Brief





Kalbe was founded in 1966, and has grown and transformed to become the largest provider of health care total solutions in Indonesia and in Southeast Asia. Kalbe has also expanded through its four business divisions of prescription pharmaceuticals, consumer health, nutritionals, and distribution & logistics covering 38 business entities supported by 17,000 employees.

Kalbe has become a pharmaceutical company with a competitive edge in the export markets with 11 marketing offices in 11 countries. The products have been on international market in 30 countries, including ASEAN countries, Sri Lanka, United Arab Emirates, China, Nigeria, and South Africa. [102-4]





## Quick Overview of Kalbe

[102-1, 102-2, 102-3, 102-4, 102-5]

### Company Name

**PT Kalbe Farma Tbk.**

### Date of Establishment

**10 September 1966**

### Legal Basis of Establishment

**Deed No. 3, dated September 10, 1966, drawn up before Raden Imam Soesatyo Prawirokoesoemo, a Deputy Notary in Jakarta**

### Line of Business

**Pharmaceuticals, Trading, and Agency**

### Business Division

**Prescription Pharmaceuticals Division, Consumer Health Division, Nutritionals Division, Distribution And Logistics Division**

### Shareholdings

Public

**43.03%**

### Head Office

**KALBE Building  
Jl. Let. Jend. Suprpto Kav. 4  
Cempaka Putih, Jakarta 10510  
Indonesia**

### Phone:

**(62-21) 4287 3888**

**(62-21) 4287 388**

**Fax: (62-21) 4287 3678**

**Website: [www.kalbe.co.id](http://www.kalbe.co.id)**

### Branch Offices

**Malaysia, Singapura,  
Nigeria, Filipina, Myanmar,  
Cambodia, Sri Lanka,  
Afrika Selatan, Vietnam**

### Ticker Code

**KLBF**

### PT Gira Sole Prima

**10.19%**

### PT Santa Seha Sanadi

**9.66%**

### PT Diptanala Bahana

**9.50%**

### PT Lucasta Murni Cemerlang

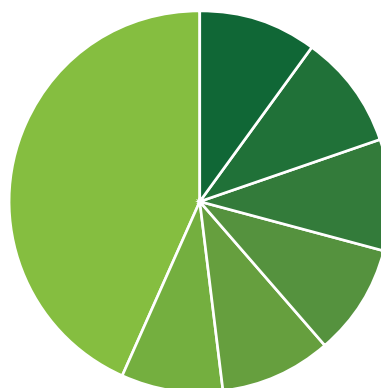
**9.47%**

### PT Bina Arta Charisma

**8.65%**

### PT Ladang Ira Panen

**9.50%**



## Kalbe Business Divisions [102-2]

Kalbe manages business activities through four business divisions consist of Prescription Pharmaceuticals Division, Consumer Health Division, Nutritionals Division, and Distribution and Logistics Division. Throughout the reporting year, there were no products/services on market were prohibited or banned from use.

## 1. PRESCRIPTION PHARMACEUTICALS DIVISION

Prescription Pharmaceuticals Division features a complete range of products for all segments, ranging from unbranded generic drugs for lower middle market, up to branded generics and licensed drugs for the upper middle market. This division is supported by a dedicated marketing team and integrated distribution network to distribute the products to hospitals, pharmacies and drug stores across Indonesia.

## 4. DISTRIBUTION AND LOGISTICS DIVISION

Distribution and Logistics Division is responsible for delivering Kalbe products and third-party principal products to ensure the product availability to over one million outlets in Indonesia. This division is supported by 2 Regional Distribution Centers (RDC), 76 branches, and cooperates local sub-distributors directly and indirectly. The business portfolio of the division covers raw material trading, medical device trading, and retail health service business.

Kalbe admits that technology has elevate customer engagement and digitize the supply chain for its convenient and various benefits. Since 2016, Distribution and Logistics Division has been equipped with online order option through android-based application, Enseval Mobile Order System (EMOS). EMOS manages online sales order from customer outlets and enables them to quickly locate their product with order tracking system.





## 2. CONSUMER HEALTH DIVISION

The Consumer Health Division manages several product categories, ranging from over-the-counter or OTC drugs and energy drinks, to ready-to-drink healthy beverage products.



## 3. NUTRITIONALS DIVISION

The Nutritionals Division manages comprehensive range nutritional products, comprising largely of powdered milk products for all age segments: infants, toddlers, children, pre-teenagers, teenagers, adults, pregnant and lactating women, up to the elderly, as well as consumers with special medical needs.



**Certification** [102-12]

Division	Certification
<b>Prescription Pharmaceuticals Division</b>	
Kalbe Farma	ISO 9001, ISO 14001, OHSAS 18001, GMP Standard
Dankos Farma	ISO 9001, ISO 14001, OHSAS 18001, GMP Standard, TPM Excellent Award
Hexpharm Jaya	ISO 9001, ISO 14001, OHSAS18001, GMP Standard, TPM Excellent Award
Finusolprima Farma	ISO 9001, ISO 14001, OHSAS 18001, GMP Standard
<b>Nutritionals Division</b>	
Sanghiang Perkasa	ISO 9001, ISO 14001, OHSAS 18001, ISO 22000, FSSC 22000, HACCP, Safety Management System (SMK3), NKV, Halal Assurance System (HAS), Organic Processed Foods for babies, SNI: 2973:2011, Building Inspection Facilities (NADFC)
Kalbe Morinaga Indonesia	ISO 9001, OHSAS 18001, FSSC 22000, SMK3, NKV, HAS, CPPOB, PMR (NADFC), TPM Excellent Award, TPM Consistency Award
Kalbe Milko	FSSC 22000, HAS, Risk Management (NADFC), Building Inspection Facilities (NADFC)
<b>Consumer Health Division</b>	
Bintang Toedjoe	ISO 9001, ISO 14001, OHSAS 18001, HACCP, SMK3, GMP standard, HAS
Hale International	Halal Assurance System (HAS)
<b>Distribution and Logistics Division</b>	
Orange Kalbe Ltd.	GMP (NAFDAC)
Enseval Putera Megatrading, Tbk	ISO 9001, GDP, COAKB, GDP Standard
<b>Biopharmaceuticals</b>	
Bifarma Adiluhung	GMP Standard
Kalbio Global Medika	GMP Standard






**Scale of Organization [102-7]**

Description	Unit	Reporting Period		
		2018	2017	2016
Employees	Unit	17,005	17,326	17,553
Factories	Unit	12	12	10
Net Sales	Rp billion	21,074	20,182	19,374
Income For The Year	Rp billion	2,497	2,453	2,350
Total Assets	Rp billion	18,146	16,616	15,226
Total Capitalization	Rp billion	18,146	16,616	15,226
Total Liabilities	Rp billion	2,851	2,722	2,762
Total Equity	Rp billion	15,294	13,894	12,464
<b>Sales Volume*</b>				
Kalbe Nutritionals	Ton of milk	55,476	56,385	48,878
	Million bottle	N/A	N/A	1.62
Bintang Toedjoe	Million sachet	2,435,74	2,532,53	2,471,51
	Million tablet	N/A	N/A	177,85
	Million tube	15.17	25.11	14.64
	Million bottle	18.95	29.07	29.07
Kalbe	Million ampoule	11.42	12.73	12.48
	Million capsule	71.81	60.68	98.90
	Suppo**	2,299,790	2,510,010	1,914,480
	Million Tablet	2,645.58	2,969.42	3,335.84
	Million Tube	24.29	22.10	23.63

\*Restatement

\*\* Suppo: units of product

Served Market [102-6]

No.	Country	Product/Service	Sector	Trading Channel
1	Cambodia	Ethical and OTC Product, Nutritional, Consumer Health	Pharmaceuticals, Nutritional, Consumer Health	Pharmacy Trade, Modern Trade, General Trade
2	Malaysia	Ethical and OTC Product, Nutritional, Consumer Health	Pharmaceuticals, Consumer Goods	Pharmacy Trade, Modern Trade, General Trade
3	Myanmar	Ethical and OTC Product, Nutritional, Consumer Health	Pharmaceuticals, Consumer Goods	Pharmacy Trade, Modern Trade, General Trade
4	Nigeria	Ethical and OTC Product, Consumer Health	Pharmaceuticals, Consumer Goods	Pharmacy Trade, Modern Trade, General Trade
5	Philippines	Ethical and OTC Product, Nutritional, Consumer Health	Pharmaceuticals, Consumer Goods	Pharmacy Trade, Modern Trade, General Trade
6	Singapore	Ethical and OTC Product, Nutritional	Pharmaceuticals, Consumer Goods	Pharmacy Trade, General Trade
7	South Africa	OTC Product, Consumer Health	Pharmaceuticals, Consumer Goods	Pharmacy Trade, Modern Trade, General Trade
8	Sri Lanka	Ethical Product, Nutritional	Pharmaceuticals, Consumer Goods	Pharmacy Trade, Modern Trade, General Trade
9	Vietnam	Ethical Product, Nutritional, Consumer Health (Beverage)	Pharmaceuticals, Consumer Goods	Pharmacy Trade, Modern Trade
10	Thailand	Ethical and OTC Product	Pharmaceuticals, Consumer Goods	Pharmacy Trade, Modern Trade, General Trade
11	UAE	Nutritional (Sweetener), Consumer Health (Beverage)	Consumer Goods	Modern Trade, General Trade
12	Afganistan	Consumer Health	Trading	
13	Bangladesh	Nutritional	Trading	
14	Brunei Darussalam	OTC Product, Nutritional, Consumer Health (Beverage)	Trading	
15	Burkina Faso	OTC Product	Trading	
16	China	Consumer Health (Beverage)	Trading	
17	Hong Kong	Ethical Product, Nutritional, Consumer Health (Beverage)	Trading	Marketing management was handled by local distributors in each destination country.
18	Madagascar	Consumer Health	Trading	
19	Maldives	Ethical Product	Trading	
20	Mongolia	Ethical and OTC Product, Nutritional	Trading	
21	Netherlands	Consumer Health	Trading	
22	New Zealand	Consumer Health	Trading	





No.	Country	Product/Service	Sector	Trading Channel
23	Somalia	Nutritionals	Trading	Marketing management was handled by local distributors in each destination country.
24	Timor Leste	Consumer Health	Trading	
25	Yemen	Nutritionals	Trading	
26	Zambia	OTC Product	Trading	
27	Zimbabwe	OTC Product	Trading	
28	Namibia	OTC Product	Trading	
29	Bostwana	OTC Product	Trading	
30	Swaziland	OTC Product	Trading	

**Notes:**

## Type of pharmaceutical products:

- Ethical product: prescription medication
- OTC product: over the counter product

## Type of customer based on trading channel:

- General Trade: Wholesalers, Retailers, Provision Stores, Convenience Stores (Food & Beverage), Store – Fruit Shops, Cosmetics Stores, Others
- Modern Trade: Hypermarkets, Supermarkets, Mini Markets, Department Stores, Others
- Pharmacy trade: Pharmacies, Drugstores, Hospitals, Laboratories, Clinics, Other institutions

## Employees as Valuable Resources

For Kalbe, employees are valuable resources in maintaining the company's sustainability. Kalbe provides equal opportunities to employee in recruitment process and career development. Kalbe ensures there were no forced labor or

child labor. All Kalbe employees are protected by collective labor agreement (CLA) . [102-41]

There were 17,005 Kalbe employees, slightly lower than in 2017 due to process improvement and automation. The number of employees were recorded through data consolidation from all Kalbe Group entities as of December 31, 2018.

*The composition of employees based on employment status, gender, work area, age group, education level, and position level were disclosed in Appendix 1.*

Kalbe provides adequate facilities to ensure a conducive, safe and healthy workplace for employees. These facilities include prayer room, nursing room, and sports room. In addition, there is also a clinic with doctors and paramedics who are prepared to handle emergency situations at workplace.

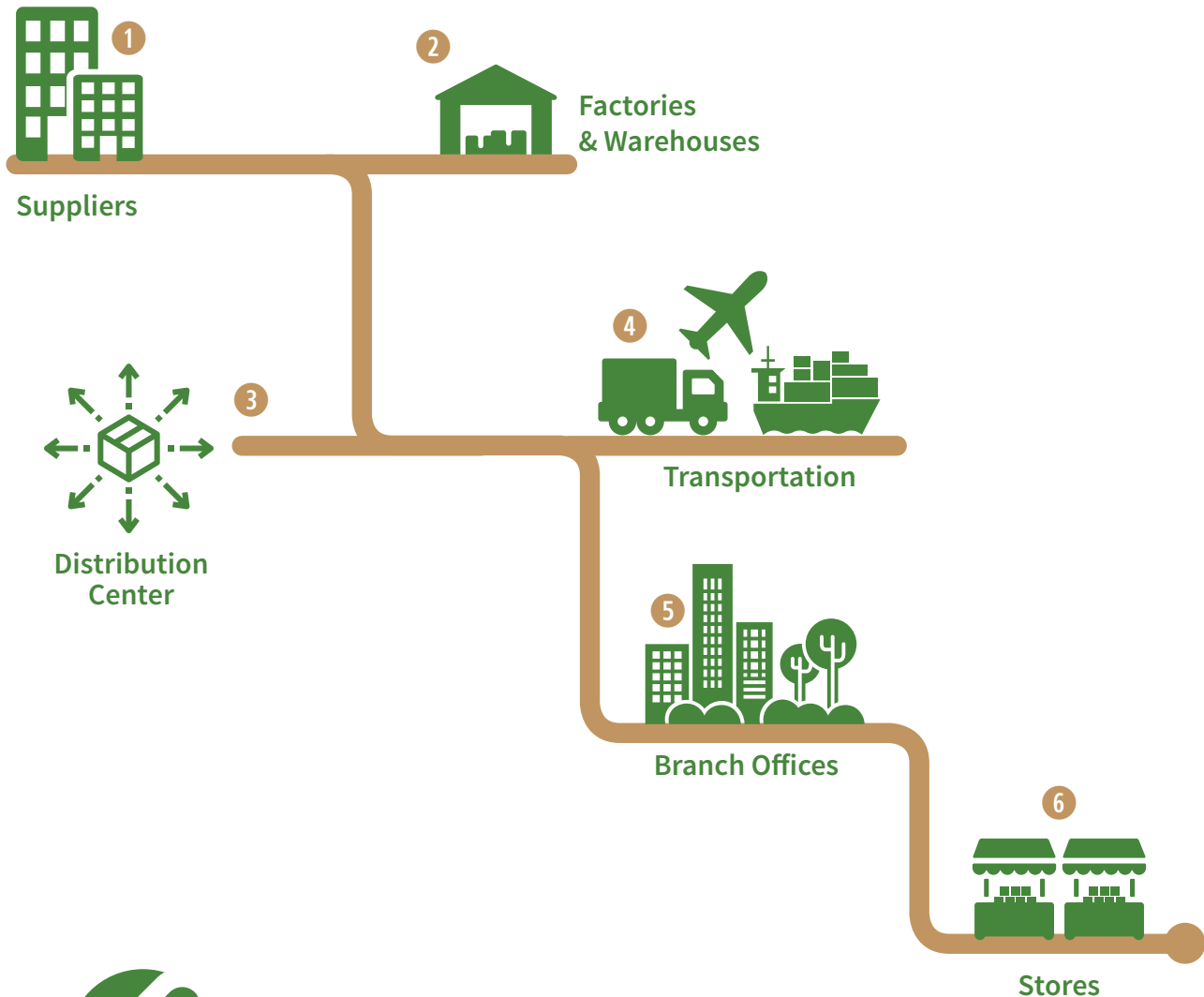
## Supply Chain [102-9]

Kalbe implements an integrated supply chain to ensure product availability and safety. Kalbe supply chain mechanism consist of a series of processes, starting from material and supplier

mapping, supplier selection, storage and material management, up to finished products and distribution to outlets. Integrated supply chain was evaluated through strict procedures to meet the standard of local and international markets.

In 2018, there were 2,000 type of products produced from factories and delivered through Regional Distribution Centers (RDC) which responsible to transport the goods to branches and outlets. The supply chain management process was benchmarked with prevailing standards, such as Supply Chain Rate (SCR) and Supplier Environment and Social Assessment (SESA).

### Kalbe's Supply Chain



Logistic Processes Based on Location Distance

- .....
- 1. SUPPLIERS → MANUFACTURING/TOLL MANUFACTURING → CENTRAL WAREHOUSE (RDC)  
→ BRANCH → OUTLET/SUBDISTRIBUTOR
- .....
- 2. SUPPLIERS → MANUFACTURING/TOLL MANUFACTURING → BRANCH → OUTLET/SUBDISTRIBUTOR
- .....
- 3. SUPPLIERS → MANUFACTURING/TOLL MANUFACTURING → CENTRAL WAREHOUSE (RDC) → SUBDISTRIBUTOR
- .....
- 4. SUPPLIERS → MANUFACTURING → SUBDISTRIBUTOR
- .....





## Precautionary Principle or Approach <sup>[102-11]</sup>

Precautionary principle was applied to manage the uncertainties from business operation impacts including the negative environmental and social impacts that may cause adverse effect on corporate reputation. Kalbe has implemented its Supplier Environment and Social Assessment (SESA) to ensure that the implementation of the toll manufacturers' governance does not have negative environmental and social impacts. Furthermore, each entity in the Kalbe Group has complied with environmental and social management policies and prevailing regulations.



## Awards Related to Sustainability 2018

No.	Award	Issuers
1.	SWA Magazine Award: The Indonesian Living Legend Companies	SWA Magazine
2.	Wonderful Indonesia Energy Event: • Wonderful Indonesia Co-Branding Champions for Hydro Coco • The Best Education Program for Young Traveler for Mixagrip	Ministry of Culture and Tourism
3.	SPEX2 Award: • The Best in Pharmaceuticals Industry • The Best of The Best in Across All Industries	Tempo Media Group
4.	ASEAN Business Award: ASEAN Winner for the Priority Integration Sector Healthcare - Singapore	ASEAN Business Advisory Council
5.	Karya Anak Bangsa Award: Contribution to the Development of the Health Sector for PT Kalbio Global Medika	Ministry of Health

## Membership in Association <sup>[102-13]</sup>

No.	Association	Position
1.	Pharmacy Business Association (GP Farmasi)	Deputy Treasurer
2.	Indonesia Employers Association (APINDO)	Extraordinary Member
3.	Indonesia Global Compact Network (IGCN)	Member
4.	Indonesian Chamber of Commerce and Industry	Member
5.	Indonesian Food and Beverage Entrepreneurs Association (GAPMMI)	Member
6.	Indonesia Corporate Secretary Association (ICSA)	Member
7.	Indonesian Limited Companies Association (KADIN)	Member
8.	Scaling Up Business Network (SBN)	Member
9.	Indonesian Institute of Audit Committee (IKAI)	Member
10.	Indonesia Risk Management Professional Association (IRMAPA)	Member
11.	Indonesian Priority Line Association (APJP)	Member
12.	Indonesian Association of Child-Friendly Companies (IACFC)	Member
13.	Association of Indonesian Infant Food Manufacturers (APPNIA)	Member
14.	Indonesian Health Supplement Association (APSKI)	Member
15.	Public Relations Association of Indonesia (PERHUMAS)	Member



# Report Profile



one  
**KALBE**  
Kalbe Erat. Semua Sehat



Kalbe is committed to publish sustainability report annually along with the Annual Report. These two reports complement each other to help stakeholders make decisions. The sustainability report 2018 disclosed strategies, implementation and achievements, as well as challenges in maintaining a sustainable business for the period of January 1 to December 31, 2018. The previous sustainability report was published on June 5, 2018. [102-50] [102-51] [102-52]

This report was prepared in accordance with the Financial Services Authority Regulation of POJK 51/POJK.03/2017 and Global Reporting Initiative (GRI) standard with 'Core' option. There is a change

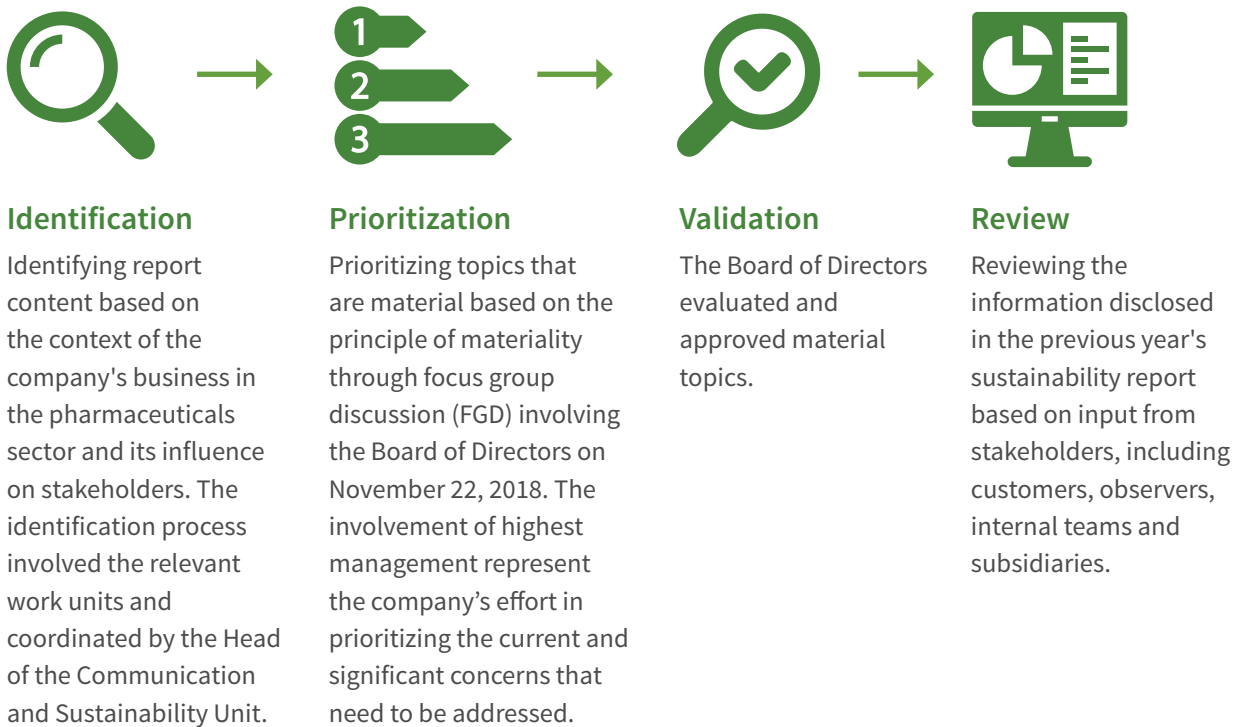
in material topics from the 2017 Sustainability Report with the addition of Energy as a material topic. [102-49] [102-54]

There were restatements regarding the sales volume, the economic value generated and distributed, and the number of farmers involved in the red ginger program. The restatements were made to address the accuracy of calculation method and scope of reporting. Kalbe has not appointed an independent party to provide assurance for the sustainability report. However, Kalbe has dedicated team to ensure this report has sufficient quality and reliability. [102-48] [102-56]

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## Stages of Defining Report Content

Kalbe determined the topic and content of reporting through four stages:







## Reporting Principles

This report is based on four content principles and six quality principles, which include:

### Reporting Principles For Defining Report Content



**1. Stakeholder Inclusiveness,** The report shall disclosed the identified stakeholders, and how Kalbe responded to their reasonable expectations and interests.



**2. Sustainability Context,** The report shall present the Kalbe's performance in the wider context of sustainability.



**3. Materiality,** The report shall cover topics that reflect Kalbe's significant economic, environmental, and social impacts.



**4. Completeness,** The report shall include coverage of material topics and their Boundaries, sufficient to reflect significant economic, environmental, and social impacts, and to enable stakeholders to assess the reporting organization's performance in the reporting period.

### Reporting Principles For Defining Report Quality



**1. Accuracy,** Information shall be sufficiently accurate and detailed for stakeholders to assess the Kalbe's performance.



**2. Balance,** Information available in a manner that is understandable and accessible to stakeholders using that information.



**3. Clarity,** Information shall reflect positive and negative aspects of the Kalbe's performance to enable a reasoned assessment of overall performance.



**4. Comparability,** Information shall be presented in a manner that enables stakeholders to analyse changes in the organization's performance over time, and that could support analysis relative to other organizations.



**5. Reliability,** Information shall be recorded and analysed in a way that they can be subject to examination, and that establishes the quality and materiality of the information.



**6. Timeliness,** Information is available in time for stakeholders to make informed decisions.

## The Scope of Reporting

The reporting scope address the sustainability practices of four division of Kalbe. Prescription Drug Division included Kalbe Farma Cikarang Factory, Consumer Health Division included Bintang Toedjoe, Nutritionals Division included Sanghiang Perkasa (SHP) and Kalbe Morinaga Indonesia (KMI), and the Distribution and Logistics Division included Enseval Putera Megatrading (EPM). On the other hand, information of finance, human resources, and governance were disclosed in a consolidated information as Kalbe Group. [102-45]



## Boundary For Each Material Topic [102-47]

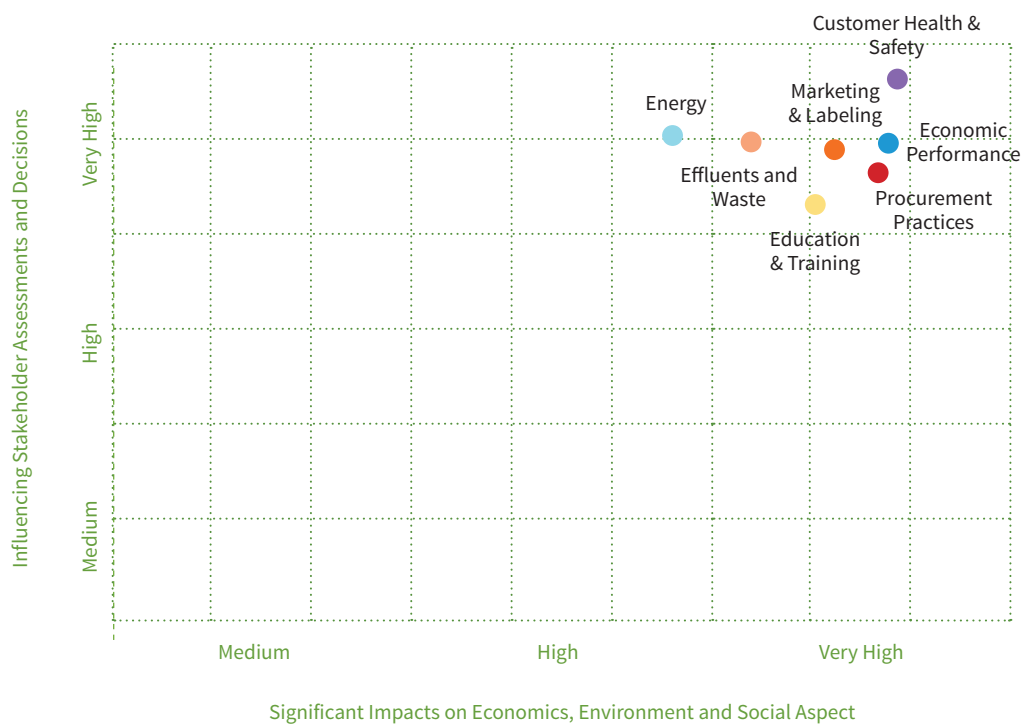
	Sustainability Topic	Impact on Stakeholders			The organization's involvement with impacts
		External	Manufaktur	Eksternal	
	<b>Customer Health &amp; Safety</b>	Employee, Shareholders	Employee, Partners	Community, Customer, Government	Maintaining and improving customer trust on Kalbe products and services as health solution.
	<b>Economic Performance</b>	Employee, Shareholders	Employee, Partners	Community, Customer, Government, Media	Ensuring the growth of economic performance through market creation, operational efficiency and effectivity, and corporate social responsibility.
	<b>Procurement Practices</b>	Employee	Employee, Partners	Community, Customer, Government, Partners	Managing integrated supply chain to guarantee the sustainability of supply.
	<b>Marketing and Labeling</b>	Employee, Shareholders	Employee, Partners	Community, Customer, Government, Association	Strengthening the quality management system, customer protection and product labeling for all products and services to ensure customer health and safety.





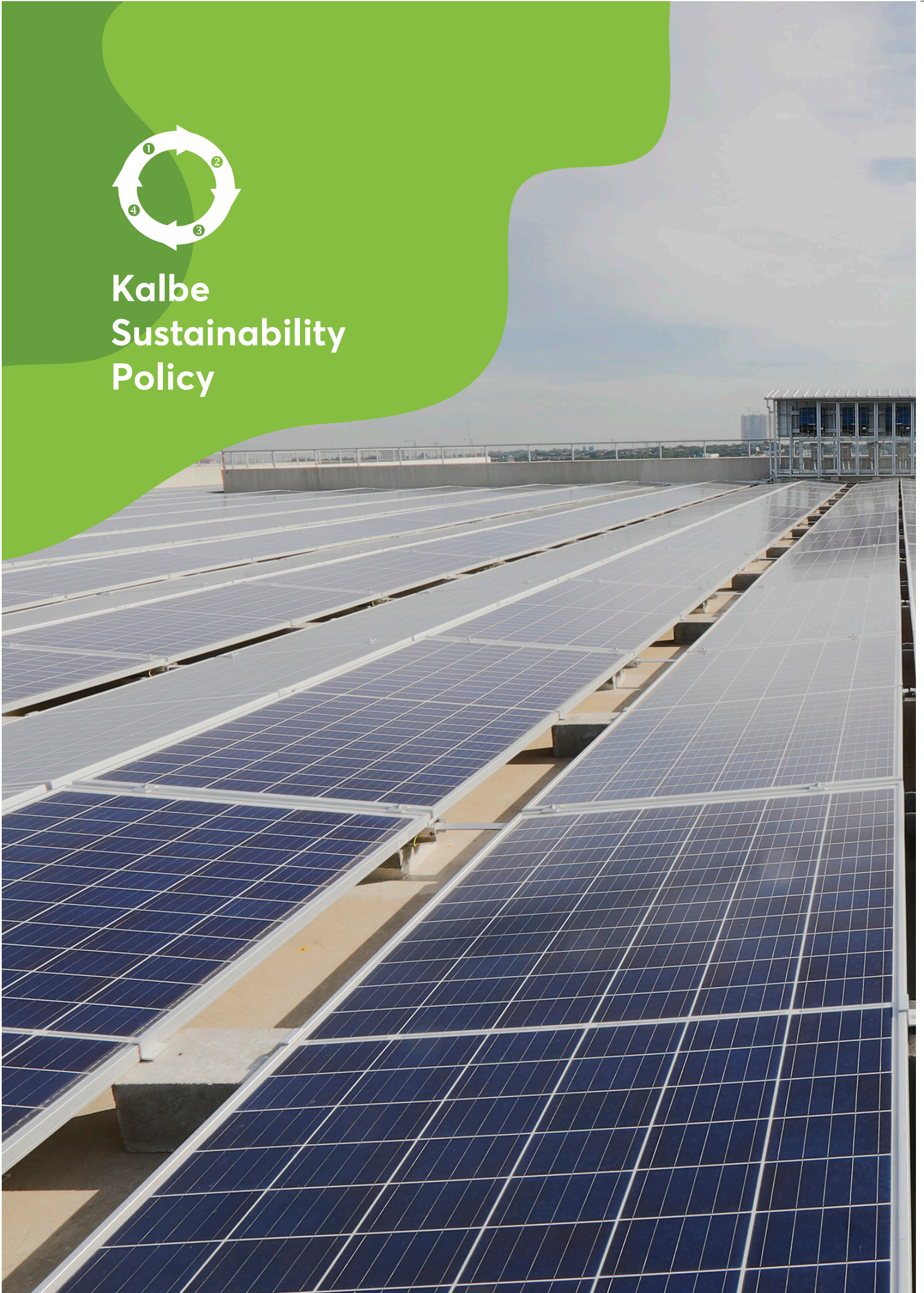
	Sustainability Topic	Impact on Stakeholders			The organization's involvement with impacts
		External	Manufaktur	Eksternal	
	<b>Effluents and Waste</b>	Employee	Employee, Partners	Community, Government, Media	Managing waste in a responsible and measurable manner in compliance with the regulations.
	<b>Energy</b>	Employee	Employee, Partners	Community, Government, Media	Improving efficiency through energy conservation.
	<b>Education and Training</b>	Employee	Employee, Partners	Community, Customer, Government, Association, Media, Partners	Building human resources based on the corporate values of Panca Sradha and 'One Kalbe' spirit.

### Matrix of Material Topics





# Kalbe Sustainability Policy





Kalbe understands that the business operation has the potential to cause social and environmental impacts. We are committed to manage the impacts by implementing sustainable policy. Sustainable policy includes several management policies of

human resources, environment, customer, and community. Kalbe's Sustainability Policy was developed based on corporate values and business ethics.

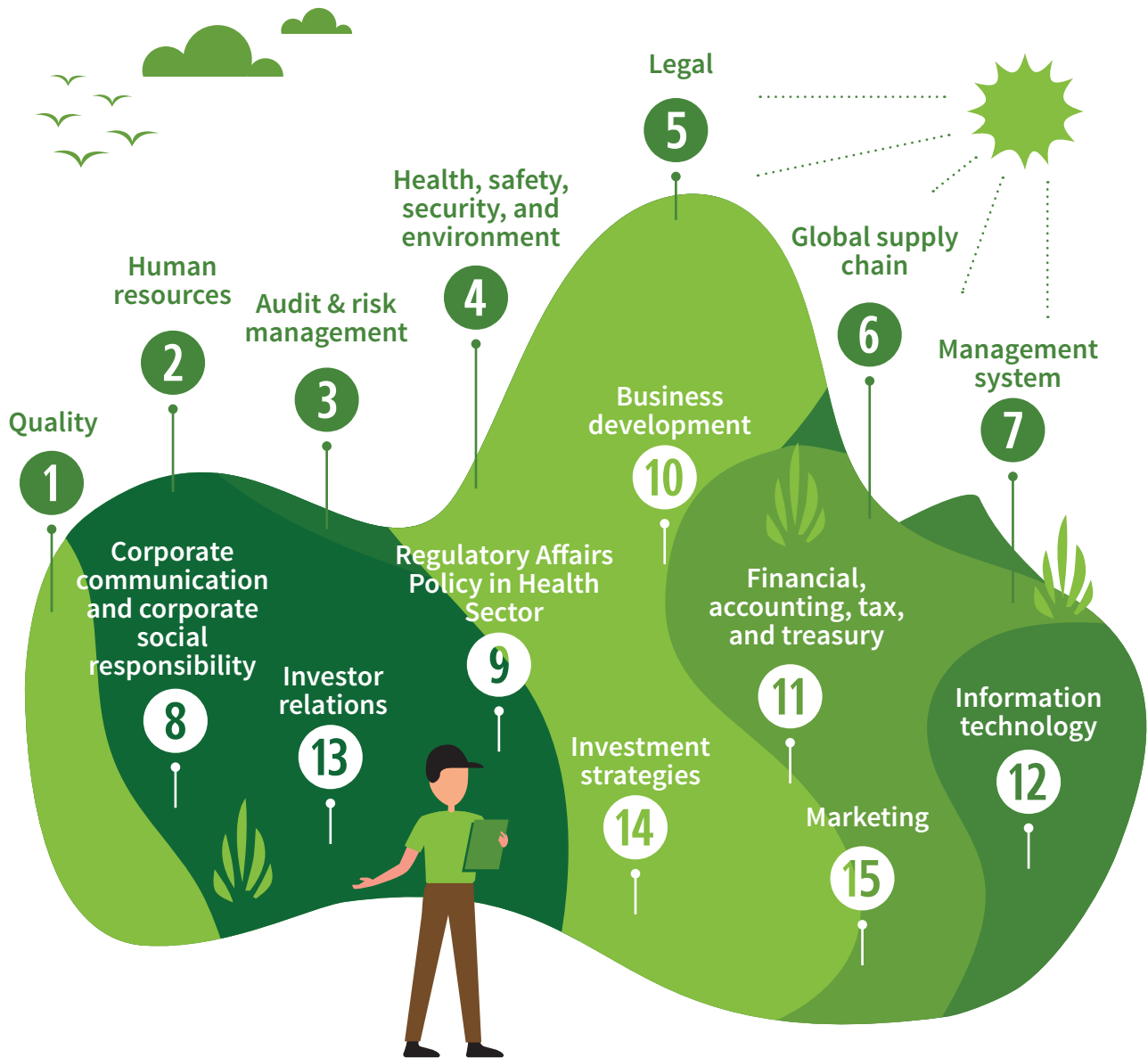
### Basis for Developing Sustainability Policy

	<p><b>Panca Sradha</b></p>	<p>“Pancha Sradha” as corporate value that define attitude and behavior of all employees in order to provide the best health solution in line with sustainable development goals.</p>
	<p><b>One Kalbe</b></p>	<p>The Spirit of One Kalbe encourages the mindset of each individuals in taking roles and decision making for not only considering economic objective, but also for social and environmental objectives.</p>
	<p><b>Good Corporate Governance and Business Ethics</b></p>	<p>Business Ethics serve as a standard of behavior to maintain relationship with stakeholders, uphold integrity, avoid conflicts of interest, and ensuring compliance.</p>
	<p><b>Innovation</b></p>	<p>Through R&amp;D, Innovation has become the key of success for Kalbe to provides sustainable health product and services.</p>
	<p><b>Leadership</b></p>	<p>Top-level managers’ ability to make strategic decisions by taking into account on economic, social and environment aspect have significant influence to the implementation of sustainability principles.</p>
	<p><b>Good Health and Wellbeing</b></p>	<p>Improving health and wellbeing as the main objective of Kalbe sustainability initiative program</p>
	<p><b>Sustainable Development Goals (SDGs)</b></p>	<p>Kalbe supports the Goal 3 of SDGs which is to ensure a healthy life and support wellbeing for all ages.</p>
	<p><b>ISO 26000 Social Responsibility Guidance</b></p>	<p>ISO 26000 is defined as the international standard developed to help organizations effectively assess and address social responsibilities</p>
	<p><b>United Nations Global Compact</b></p>	<p>Commitment to align company operations and strategies with 10 principles of UNGC that are elaborated into 4 pillars of human rights, labor, environment and anti-corruption.</p>





Kalbe enhances the implementation of Sustainability Policies in all company functions by establishing related policies:



## Implementation of Sustainability Policy

Kalbe implements a sustainability policy under the supervision of an Independent Director who indirectly has the authority over the management of economic, social and environmental

performance. The Independent Director reports on the implementation of sustainability performance to the Board of Commissioners and Directors to seek advices for improvements.



# Sustainability Governance and Stakeholders







In order to realize the commitment in implementing sustainable operations, Kalbe established a dedicated structure of governance for sustainability.

Under Corporate Sustainability, Kalbe manages the effectiveness of the company's sustainable development strategy in relation to CSR & community development.

**GOVERNANCE STRUCTURE THAT SUPPORT SUSTAINABILITY**



**Risk Management related to Sustainability**

Kalbe implements an enterprise risk management (ERM) to increase the certainty in attaining stakeholders' objectives. Furthermore, Kalbe has established a Corporate Audit and Risk Advisory (CARA) for facilitating the improvement on the company's risk identification and the effectivity of ERM mitigation implementation. Following are major risks with considerable impact to Kalbe's business activities: 1. Business competency risk, 2. Financial risk, 3. Legal and regulatory risk, 4. Reputation risk, 5. Human resources risk, 6. Business interruption risk, 7. Company information risk.

The management of business competency risk as the top risk in economic aspect can be mitigated by enhancing sensitivity to market changes and ability to adapt and seize new opportunities. Kalbe also build

strategic alliances with, but not limited to, parties possessing competitive advantages that the Company needs to increase its competitive edge.

On the other hand, risk related to environment and social aspect can be addressed in the mitigation of several risks of legal and regulatory, reputation, human resources, and business interruption. In general, the management of environmental risk have been in place through the implementation of Environmental Impact Analysis & Management (EIA & EIM), Manual and Guidelines of Health, Safety, Security, and Environment (HSSE).

Management of risks related to social aspect is mitigated by ensuring consumer protection and the availability of labeling for all products to ensure the health and safety of the community/customer. Kalbe also build a conducive work environment with the community through sustainable business practice in line with principles of UN Global Compact and implementation of community development program that support SDGs.

Detailed information of corporate governance and risk management can be found in the 2018 Annual Report





## Stakeholders

Kalbe's stakeholders are all parties who have an important role in influencing the assessment and decision-making of the Company. Stakeholder

engagement was performed in accordance to inclusiveness principle by considering relevant expectation and interest for both parties. [102-42]



## Stakeholder Involvement [102-40] [102-43] [102-44]

Stakeholder	Method and Frequency of engagement	Key Topics and Stakeholder Needs	Respond and Company's Follow-up
Shareholders	<p>At least once a year:</p> <ul style="list-style-type: none"> <li>Annual GMS, Extraordinary GMS</li> <li>Public Expose</li> <li>Site visit</li> <li>Correspondent</li> <li>Financial analysis gathering</li> <li>Meeting with investors</li> </ul>	<ul style="list-style-type: none"> <li>Annual performance and projections</li> <li>Sustainability performance</li> <li>Succession planning of management</li> <li>Corporate action</li> </ul>	<ul style="list-style-type: none"> <li>Publishing annual report</li> <li>Publishing sustainability report</li> <li>Developing adaptive company strategies</li> <li>Reporting regular company performance report</li> <li>Responding to capital market provision by aligning company's operations.</li> <li>Providing solutions to investor inquiries</li> </ul>
Communities	<p>Scheduled and continuous:</p> <ul style="list-style-type: none"> <li>Community development activities</li> </ul>	<ul style="list-style-type: none"> <li>Company involvement in developing the community</li> <li>Local labor recruitment according to company requirements</li> </ul>	<ul style="list-style-type: none"> <li>Implementing corporate social responsibility activities</li> <li>Providing access to information through various media</li> </ul>
Customers	<p>At least once a year:</p> <ul style="list-style-type: none"> <li>Community and forum</li> <li>Visitation</li> <li>Satisfaction survey</li> <li>Product and service communication through various media</li> <li>Health education</li> </ul>	<ul style="list-style-type: none"> <li>Product and service quality</li> <li>Product availability</li> <li>Customer service</li> <li>Health information</li> </ul>	<ul style="list-style-type: none"> <li>Providing information center</li> <li>Visiting customers</li> <li>Conducting customer survey</li> <li>Improving product and service quality</li> <li>Providing education and training</li> </ul>

Stakeholder	Method and Frequency of engagement	Key Topics and Stakeholder Needs	Respond and Company's Follow-up
Employees	<p>At least once a year:</p> <ul style="list-style-type: none"> <li>• Forum and community</li> <li>• Socialization on company's policies and regulations</li> <li>• Team building activities</li> <li>• Employee Appreciation</li> <li>• Education and training</li> <li>• Engagement survey</li> </ul>	<ul style="list-style-type: none"> <li>• Employees wellbeing</li> <li>• Updated Employment regulations</li> <li>• Occupational health, safety and security</li> <li>• Conducive work environment</li> <li>• Equality</li> <li>• Transparent communication</li> <li>• Education and training</li> </ul>	<ul style="list-style-type: none"> <li>• Holding scheduled meetings</li> <li>• Providing guidance and counseling</li> <li>• Providing training and education in accordance with employee career development plans</li> <li>• Managing employee grievances</li> <li>• Disseminating regulations based on schedule</li> <li>• Providing social and health benefit in accordance with the applicable regulations</li> <li>• Providing program of team building and appreciation</li> </ul>
Association	<p>At least once a year:</p> <ul style="list-style-type: none"> <li>• Forum and community</li> <li>• Sharing information</li> <li>• Support and initiate improvement in industry practices</li> <li>• Study exchange between industries and institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Compilation of related industry regulations</li> <li>• Synchronize regulation across the institutions</li> <li>• Forum for sharing information between industries and institution</li> </ul>	<ul style="list-style-type: none"> <li>• Providing resources for association activities</li> <li>• Providing input in association activities</li> <li>• Receiving accountability report from association activities</li> </ul>
Media	<p>At least once a year:</p> <ul style="list-style-type: none"> <li>• Forum and community</li> <li>• Press Conference</li> <li>• Press Release</li> <li>• Visitation</li> <li>• Media Briefing</li> </ul>	<ul style="list-style-type: none"> <li>• Company performance</li> <li>• Investment</li> <li>• New project</li> <li>• Product launching</li> <li>• Product education</li> </ul>	<ul style="list-style-type: none"> <li>• Providing education</li> <li>• Conducting direct communication</li> <li>• Providing actual and transparent information</li> </ul>
Partners	<p>Meeting forum at least once a year:</p> <ul style="list-style-type: none"> <li>• Forum and community</li> <li>• Partnership award</li> <li>• Partnership development</li> <li>• Education and training</li> <li>• Research partnership</li> </ul>	<ul style="list-style-type: none"> <li>• Quality of product and services</li> <li>• Partners selection based on regulation</li> <li>• Compliance on regulation</li> <li>• Performance evaluation</li> <li>• Information exchange</li> </ul>	<ul style="list-style-type: none"> <li>• Providing education and socialization</li> <li>• Evaluating annual performance</li> <li>• Reviewing production and research performances report regularly</li> </ul>
Government	<p>At least once a year:</p> <ul style="list-style-type: none"> <li>• Communication forum between entrepreneur and government</li> <li>• Reports on company performance</li> <li>• Providing latest information related to the industry</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with the prevailing law and regulations</li> <li>• Corporate social responsibility and its report</li> <li>• Report audit or assurance</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with the prevailing law and regulations</li> <li>• Supporting accountable government practices</li> <li>• Implementing corporate social responsibility program and providing its report</li> <li>• Cooperating with government institution related to the health sector</li> </ul>





Constructive feedback to this report can be submitted through the feedback form provided at the end of this Report or by contacting:

**Contact** [102-53]

PT Kalbe Farma Tbk

**Bernadus Karmin Winata**

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## Synergy for Innovation





# Sustainability for Economic Performance



## Management Approach

[103-1] [103-2] [103-3]

Strong economic performance is one of the pillars of Kalbe's business in building sustainable operations. It is important to be disclosed in the Sustainability Report as a form of corporate communication to stakeholders.

The economic performance in this report covers the consolidated information of Kalbe Group. The monitoring of Kalbe's economic performance is under the responsibility of the Finance Director. The financial report was prepared based on the Indonesia Financial Accounting Standards (PSAK) and the International Financial Reporting Standard

(IFRS). Financial performance reports are submitted quarterly and audited annually according to Financial Services Authority Regulation and other prevailing regulations.

In 2018, Kalbe managed to achieve net sales of Rp21.07 trillion lower than sales target of Rp23.2 trillion. In order to achieve economic growth, Kalbe implement initiatives of innovation, Go Global strategy, business development, supply chain management, leadership development, digital development, and operational excellence. Kalbe accomplished a net sales growth of 4.4% in 2018.

The higher net sales that Kalbe can generated, the greater economic value can be distributed for stakeholders. Economic value for employees was distributed through remuneration and benefits

based on position level, years of service, and performance in accordance with the regulation. Economic values also distributed to other stakeholders as follow:





### Economic Value Generated and Distributed\* (in billion Rupiah) [201-1]

Description	2018	2017	2016
<b>Economic Value Generated</b>			
• Net Sales	21,074	20,182	19,374
<b>Economic Value Distributed</b>			
Operating Expenses:			
• Operating expenses	(6,532)	(6,597)	(6,430)
• Other operating expenses	(176)	(97)	(112)
Salaries, Wage, and Other Benefits for Employees	(1,939)	(1,842)	(1,763)
Payment to Providers of Capital			
• Cash Dividend	(1,171)	(1,031)	(890)
• Payment of Interest Expenses and Other Finance Expenses	(30)	(36)	(33)
Payment to Government	(809)	(788)	(740)
Payment in Community Development Program	(92)	(100)	(90)
<b>Total economic value distributed</b>	<b>10,749</b>	<b>10,491</b>	<b>10,058</b>
<b>Economic Value Retained</b>	<b>10,325</b>	<b>9,691</b>	<b>9,316</b>

\* restatement

Notes: Economic performance was disclosed on a consolidated basis in accordance with audited consolidated financial statements.

Kalbe also allocated investment for research and development (R&D) to improve well-being and quality of life of a better community through our products and services. In 2018, Kalbe invested Rp244 billion in R&D with main researches on drugs for cancer, stem cells, and biotechnology-based medicine.

Kalbe developed the business by commissioning a biotechnology-based drug ingredients factory of PT Kalbio Global Medika, a subsidiary of Kalbe. The factory was built with the latest technology facilities to implement the technical international standard and improve the availability of drug ingredients.



“Kalbe has commissioned the biotechnology-based drug ingredients factory of PT Kalbio Global Medika as initiative to create an integrated pharmaceutical industry that excel with the availability of drug ingredients, technology mastery and may lead to higher exports.”

The production of this factory was ensured with Good Manufacturing Practice (GMP) certification from National Agency of Drug and Food Control. Therefore, the quality of Drug ingredients and biotechnology-based products are consistently produced to meet the domestic market as well as the international market.

In 2018, Kalbe also began the construction (groundbreaking) of the new factory of PT Bintang Toedjoe in the Delta Mas area, Cikarang. The factory will commence the operation in 2020. 7 out of total 10 hectares were allocated for factories, with the remaining 3 hectares for Herbal Garden.

## Sustainability for Supply Chain



### Management Approach

[103-1] [103-2] [103-3]

Kalbe implements Supplier Relationship Management (SRM) that aim towards vendor capability improvement to ensure on time delivery and health safety based on standard set by Quality Department. SRM was implemented in the form of training, vendor award, and vendor forum and targeted to suppliers who responsible for procurement of indirect material, raw material and packaging materials, as well as storage and distribution of finished goods.

Supply chain management was evaluated through a business review at least every three months and supplier evaluation at least once a year. The supplier appraisal in 2018 showed that procurement of goods and service have met the required level of specifications. However, there are several materials that can only be procured by a specific vendor that may lead to overly dependent on a single supplier. Kalbe will seek alternative vendors, optimizes the control process, and develops e-procurement.

### Sustainable Procurement Practices

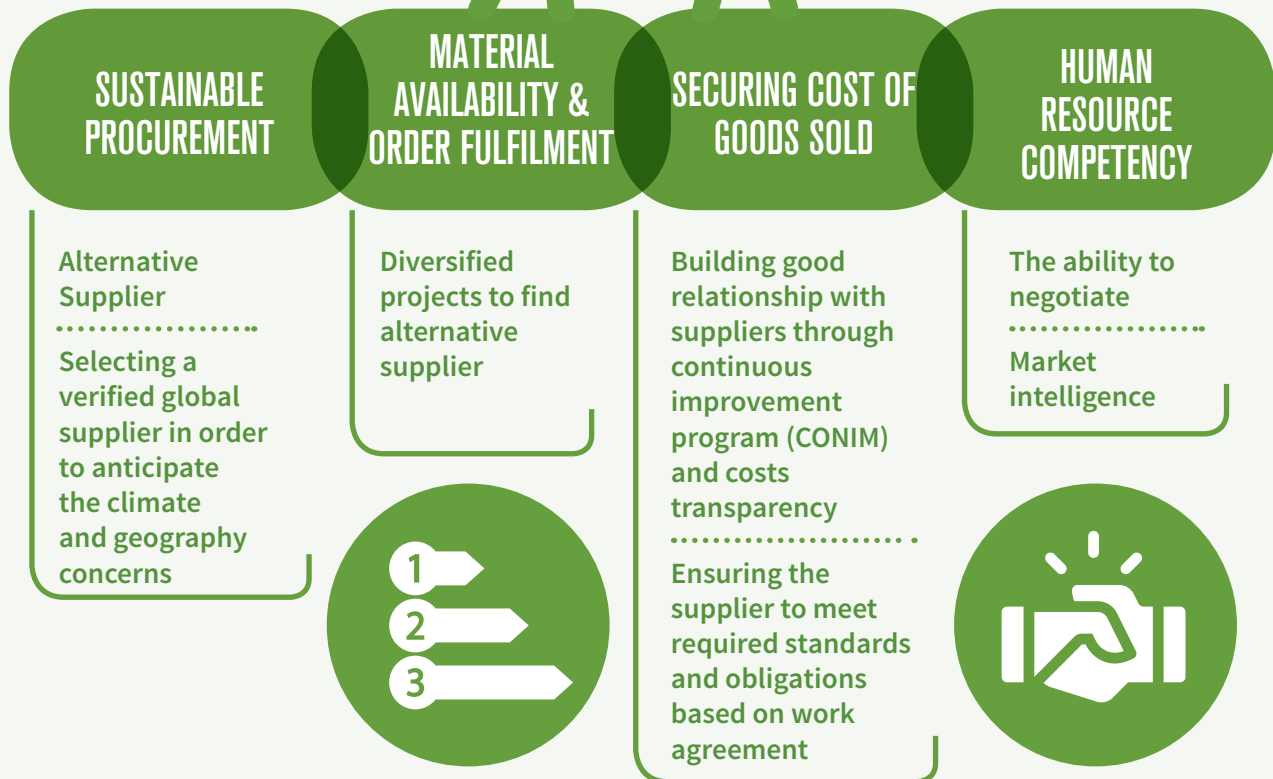
Based on the Procurement Goals, Kalbe is committed to maintain sustainable procurement practices through several initiatives, such as:

- Maintaining material availability through cooperation with suppliers through inventory management system
- Maintaining purchase contracts with suppliers, especially for pareto product in order to ensure the availability of material for production and prevent supply shortages for seasonal materials.
- Ensuring the validity of quality and quantity, as well as on time delivery in supplier production process.
- Reducing dependency on single supplier through diversified projects to find alternative suppliers
- Evaluating supplier performance occasionally through forum for evaluation.





Procurement Objectives  
Based on Guidelines



### Supplier Quality

Kalbe supports the implementation of Responsible Sourcing and ensures that there is no violation on the principles of responsible procurement. Kalbe also improves supplier performance through a continuous improvement program (CONIM) by facilitating the process of improvement and evaluating results. CONIM program encourages suppliers to innovate and minimize non-value added activities.

Through CONIM program, Kalbe develop its supplier to meet higher standard of goods and services. Supplier performance evaluation in 2018 for Kalbe Farma, Saka Farma Lab, and Bintang Toedjoe, showed that 85% of suppliers have met the standard of quality, quantity, on time delivery, and responsiveness in managing customer grievance.

### KALBE VENDOR TRAINING



*Vendor training is one of Kalbe's initiative to develop sustainable suppliers. Vendor training was held on November 19, 2018 and participated by 60 vendors with training topic of sustainability reporting, CHSSE policy, improvement and innovation conventions to improve supplier performance. This activity will become an annual routine.*

## Business Conduct and Suppliers Relations

For Kalbe, suppliers are partners to build a sustainable business. Therefore, Kalbe builds mutual relationships with suppliers through the principle of mutual respect, honesty, fairness and enthusiasm to grow together. Kalbe took part on developing its suppliers through Supplier Relationship Management which manages several programs of Vendor Forums, Vendor Training, CONIM, and Vendor Awards.

Kalbe also ensures that there was no incident indicated as violation to business ethics related to corruption, collusion and nepotism in the supply chain. Business ethics is disseminated to suppliers through written communication and meetings.



## Supplier Environmental and Social Assessment (SESA)

With the implementation of toll/contract manufacturing scheme, Kalbe uses suppliers to produce goods, supplying manufacturing process, as well as sourcing raw materials. Kalbe is obliged to ensure that the supplier does have management or mitigation over environmental and social impacts. Kalbe has implemented its Supplier Environment and Social Assessment (SESA) program based on the Global Reporting Initiatives (GRI) format.

SESA was launched by CHSSE since August 2018. It serves as self-assessment for strategic supplier of toll/contract manufacturers in Pharmaceutical, Nutritionals, and Consumer Health Divisions. Based on the SESA self-assessments compiled by CHSSE, the management of environmental and social impacts was at the level of “adequate”. This indicated that supplier had commitment to initiate environment and social program at beyond compliance level. However the overall actuals have not yet achieved the set target.

## Support for Local Suppliers

Kalbe held its procurement of goods and services based on the principle of being fair, accountable, and free from conflicts of interest. This treatment applied either to local and international suppliers.

Kalbe defines local suppliers as vendor who have production facilities or warehouse in Indonesia. Until the end of 2018, there were 338 suppliers that

supported the Kalbe business process with 62% of them were local suppliers.

Local suppliers have an important role to play in ensuring material availability and on time delivery. From the environmental perspective, using local suppliers also leads to contribute lower GHG emission sourced from the transportation process.





### Percentage of Contract Value [204-1]

Company, Subsidiaries and Association Company	Local (%)	Import (%)
Kalbe Farma	86%	14%
Dankos Farma	85%	15%
Hexpharm Jaya	67%	13%
Finusolprima	55%	45%
Bintang Toedjoe	62%	38%
SHP	76%	24%



## Challenges in 2018

In 2018, Kalbe set out solutions and resolved several challenges related to supply chain, as well as prevented similar risk to happen again in the future.

1. **CHALLENGE:** Limited raw material from the factory.



**FOLLOW-UP AND PREVENTION:** Implemented Project on alternative supplier and material purchases in long-term contract in diversified project.

2. **CHALLENGE:** There are raw material were are no longer available.



**FOLLOW-UP AND PREVENTION:** Researched and developed alternative material.

3. **CHALLENGE:** Seasonal raw materials were occasionally not available.



**FOLLOW-UP AND PREVENTION:** Purchased material in long-term contract .

4. **CHALLENGE:** Global market influenced supply and demand.



**FOLLOW-UP AND PREVENTION:** Monitored the market situation and global commodity prices.

5. **CHALLENGE:** Change of local regulation that influenced manufacture supplier operation.



**FOLLOW-UP AND PREVENTION:** Developed alternative suppliers.

6. **CHALLENGE:** Change of regulations.



**FOLLOW-UP AND PREVENTION:** Built relations with institution to keep up with regulatory changes.

## Care for Product Quality



### Management Approach

[103-1] [103-2] [103-3]

Product labeling and marketing communications provide customer access to accurate and adequate information of the product and service they consume. Marketing and labeling serve as a form of accountability for Kalbe to ensure the quality of its products.

Kalbe held Kalbe Group Regulatory Forum and support partners in regulatory compliance to ensure there was no incidents of non-compliance concerning product labeling and marketing communication. Furthermore, Kalbe also has consumer insight program which serves as mechanism to collect information of consumer behavior.

Processes related to marketing and labeling practices are under the responsibility of Marketing, Regulatory Affairs, R&D and QA of each entity. Management of marketing and labeling also supported by Business Development Division who responsible for verifying the packaging and Customer Service Department who responsible to manage customer grievances.





## Marketing

Kalbe manages solid marketing network for prescription pharmaceuticals, nutrition, and consumer health products, as well as extensive distribution channel in 30 countries. Marketing activities covers direct marketing media, customer service, product delivery services, online store, outlet networks, health consulting applications, and customer loyalty programs. Most of the activities are synergized under the coordination of e-health units to build the competitive advantage and customer loyalty.



## Labeling

To help consumers make more informed decision about the products, Kalbe display relevant information on label of products in accordance with regulations set by National Agency of Drug and Food Control and Ministry of Health.

Information attached in all products labels includes information of direction to use, expiry date, the ingredients used in product, Halal Label from Indonesian Ulema Council, and registration number. In addition, Kalbe also includes a recycled logo and an appeal logo to dispose used package as a guide for environmentally friendly post-packaging treatment. [417-1]

The trusted quality of products has averted Kalbe from facing any legal charge or incident during 2018. Kalbe ensures that circulating product on market with old MD/NIE package and not in compliance with regulations will be withdrawn. [417-2] [417-3]





## Synergy with The Environment

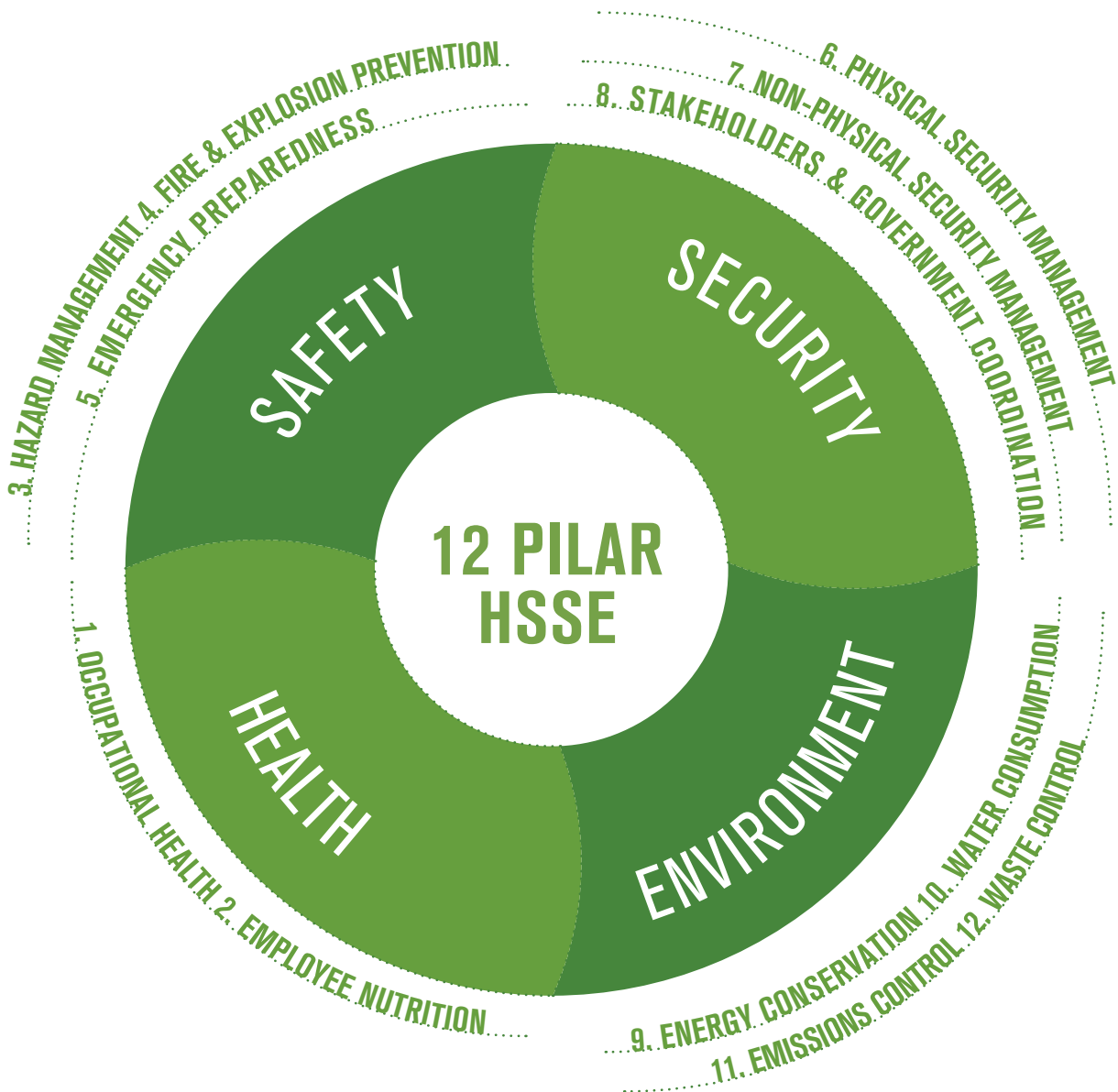






Environmental management is one of Kalbe's priorities to contribute to natural preservation and climate change mitigation. For Kalbe, commitment to the environment is also part of Corporate Mission to create a better life.

Environmental impacts was managed in compliance with prevailing regulation as stipulated in Health, Safety, Security and Environment (HSSE) Policy and HSSE Manual. Furthermore, environmental management aims to create value added through the 12 HSSE Pillars, consist of:





As a result of the joint efforts in managing waste, energy efficiency and reducing emissions, Kalbe succeeded in achieving a Green rating of environmental performance assessment (PROPER) for the Kalbe Farma Cikarang Factory. This achievement shows that the environmental management in Kalbe Farma Cikarang Factory has exceeded the regulatory requirement and has demonstrated our best efforts to implement a good corporate social responsibility.

Moreover by earning the certification of ISO 14001: 2015 Environmental Management System, Kalbe is committed to ensure each policy on most factories to be set in place. In 2018, the realization of environmental management and monitoring costs reached IDR 7 billion.

### Environmental Cost in 2018 (in Rupiah)

Description	Kalbe Farma Cikarang	Kalbe Morinaga Indonesia	Sangiang Perkasa	Bintang Toedjoe*	Total
Air Emission Control	169,897,275	45,650,000	5,600,000	173,620,000	394,749,275
Waste Management	893,606,845	546,451,050	31,329.700	1,649,030,200	3,120,417,795
Effluent Management	450,964,541	1,674,972,411	N/A	672,165,000	2,798,101,952
Planting and Conservation	603,481,705	48,980,000	95,728,484	149,599,260	897,789,449
<b>Total</b>	<b>2,117,932,366</b>	<b>2,316,053,461</b>	<b>132,658,184</b>	<b>2,644,414,460</b>	<b>7,211,058,471</b>

\*Covering B7 Pulomas and B7 Pulogadung factories

Kalbe takes steps in environmental management through various initiatives and support the government program, which include waste management, energy efficiency, emissions management, and utilization of renewable energy. In addition, Kalbe also seeks to contribute to the conservation of biodiversity.



## Together, Managing Waste



### Management Approach

[103-1] [103-2] [103-3]

It has been Kalbe Policy to ensure sustainability in the company's operations. Therefore, Kalbe continuously make efforts to reduce the impacts of our operation and manage waste so that it will not impact the environment. All Kalbe factories in industrial estates have waste treatment facilities in place.

Kalbe has a Corporate Health, Safety, Security and Environment (CHSSE) unit as an internal regulator of environmental protection initiatives, including waste management. CHSSE has established and distributed Waste Management Manual as a basic guideline for each business unit.

Kalbe carried out the management of hazardous and toxic waste by transporting to licensed third party according to the prevailing regulations. The hazardous waste management report was submitted to the Ministry of Environment and Forestry (MoEF) and forwarded to Provincial Environmental Office and Provincial Environmental Agency. Whereas for business unit who participated

in PROPER rating assessment, reporting of hazardous waste management uses electronic-based reports for better traceability. Throughout 2018, Kalbe produced 603.38 tons of hazardous and toxic wastes. While solid wastes was used for own utilization and some of them were transported to third parties. [306-2]





### Hazardous and Toxic Waste (Tons)

Description	2018	2017
Hazardous and Toxic Waste Produced	603.38	706.49
Used internally	N/A	N/A
Transported to Third Party	603.38	706.49

### Solid Waste (Tons)

Description	2018	2017
Solid Waste Produced	1,319.73	1,283.28
Used internally	492.41	531.44
Transported to Third Party	827.32	751.84

Notes: wastes were calculated based on is operational data record and environmental performance evaluation.

## Waste Management

Throughout 2018, Kalbe made strategic efforts in waste management through activities, such as:



The Kalbe Farma Cikarang Factory reduces the incidence of contaminated waste from pharmaceutical ingredients by replacing disposable stainless-steel containers. The initiative can mitigate the emergence of plastic waste by 37.4 tons year.



Composting of garden waste in Kalbe Farma Cikarang Factory. Compost produced from this program is reused for garden fertilization.



Kalbe Farma's head office in Cempaka Putih has been able to self-process the canteen waste by utilizing Black Soldier Flies larvae.



### WASTE MANAGEMENT IMPROVEMENT

Kalbe Morinaga Indonesia made modifications to the milk powder production machine by adding water discharge pipeline for used water sourced from automatic cleaning machines (Cleaning in Place). This serves as a separation to prevent a mixed-up chemicals of rinsing wastes sourced from automatic cleaning and from manual cleaning machine. This modification helped to lower the processing load of waste water treatment plant (WWTP) and reduced the volume of sludge arises from the WWTP by 14 tons/month.

## Together, Improving Energy Efficiency



### Management Approach

[103-1] [103-2] [103-3]

As a provider of health care total solution, Kalbe consume significant amounts of energy, both for the production process and for supporting business operations. Kalbe understands the impact of using this energy on the environment and seeks to use energy more efficiently. Therefore, the topic of Energy Efficiency is important to disclosed as a form of Kalbe's commitment for participating in energy conservation.

In implementing energy efficiency, Kalbe has Energy Management System Implementation Guidelines that refers to the ISO 50001: 2011 Energy Management System as a guide to operate more efficient and environmentally friendly.

Each Kalbe Group entity has formed an Energy Task Force team with cross-functional members made of several functions of Engineering, Production, Accounting, Procurement, Environment, Quality, and Human Resources.

Kalbe strives to increase energy efficiency in the production process and indirectly reduce emissions that may affect global warming. This energy efficiency includes controlling the electricity consumption, utilization of natural gas and diesel fuel as the main energy sources, and utilization of solar cell.

Electricity sourced from PLN is used to run machinery and equipment related to production activities, and some are used for air conditioning and ventilation system. While Compressed Natural

Gas and diesel fuel are used to operate boilers. Lastly, Kalbe uses renewable energy sources of solar cell for lighting and blower in the Waste Water Treatment Plant (WWTP) unit in the Kalbe Farma Cikarang Factory.

Kalbe's total energy consumption in 2018 reached 10,643 Tonnes of Oil Equivalent (TOE) decreased by 5% compared to previous year of 11,199 TOE. This reduction was mainly contributed by energy efficiency programs and an increase share of renewable energy in energy mix.





Energy consumption was calculated internally in Tonnes of Oil Equivalent (TOE) unit based on Government Regulation No.70 of 2009 concerning Energy Conservation. The calculation scope covers

consumption within organization for operation in Kalbe Farma Cikarang, KMI, SHP and Bintang Toedjoe (B7 Pulomas and Pulogadung) factories.

#### Energy Consumption Based on Energy Sources (TOE) [302-1]

Energy Sources	2018	2017
Electricity	5,911.44	5,944.51
Compressed Natural Gas	4,538.89	4,759.72
Diesel Fuel	186.76	493.46
Renewable Energy of Solar Cell	6.66	1.96
<b>Total</b>	<b>10,643.75</b>	<b>11,199.65</b>

#### Percentage of Renewable Energy Mix

Energy Sources	2018	2017
Electricity	55.54%	53.08%
Compressed Natural Gas	42.64%	42.50%
Diesel Fuel	1.75%	4.41%
Renewable Energy of Solar Cell	0.06%	0.02%



Kalbe implement energy efficiency program through optimization and selection of equipment as well as utilization of solar cells. At present, we still need the support of various parties to implement a comprehensive energy management system. Initiatives to improve energy efficiency were carried out by all entities of the Kalbe Group, such as: [302-4]



**OPTIMIZATION AND SELECTION OF EFFICIENT EQUIPMENT**

• **Kalbe Farma Cikarang Factory**

Optimizing the use of Air Handling Units (AHU) in the Small Batch Production Facility (SBPF) area by adjusting AHU activation schedule to the production schedule while paying attention to the requirements of room quality set by the Quality Assurance. This activity reduced electricity consumption in SBPF Facility by 76% or 652,620 KWh/year.

• **Bintang Toedjoe**

- Setting the activation of dehumidifier equipment in production room based on production of Extra Joss. This activity reduced electricity consumption by 4,020 KWh/year.
- Adjusting boiler network operations with the actual steam needs. This activity can reduce gas and diesel fuel consumption by 63 TOE/year.

• **Sanghiang Perkasa**

Setting the working mechanism of the compressor network into a master & slave system to adjust the performance of compressors with the required load. This setting reduced electricity consumption of 1,373 KWh/month.

• **Kalbe Morinaga Indonesia**

- Installing an inverter on a blower pump to adjust the performance of the blower motor with the required aeration in the Waste Water Treatment Plant (WWTP). This effort reduced electricity consumption by 2,535 KWh/month.
- Optimizing boiler combustion process through readjustment of oxygen level demand. This optimization reduced natural gas consumption of 6,410 m<sup>3</sup>/month.







**INCREASING THE SHARE OF RENEWABLE ENERGY  
IN ENERGY MIX**

• **Kalbe Farma Cikarang**

- Installing light reflector tube (solar tube) to utilize sunlight as a source of lighting in the utility room during the day. This initiative reduced the use of lights by 10 hours/day and save electricity by 525.6 KWh/year.
- Installing solar panels for perimeter lighting in work environment.
- Installing solar panels in the WWTP directly connected (on-grid) with the existing electricity network to operate the aeration blower unit.



**CAMPAIGN FOR BEHAVIOR CHANGE IN ENERGY  
SAVING**

Kalbe also builds employee behavior to participate in energy conservation programs. These efforts are carried out through standardizing the use of Air Conditioning (AC) cassettes, as well as campaigns to save electricity by using equipment as needed.

In the future, Kalbe will further encourage the adoption of an Energy Management System in several production facilities, starting with increasing the competence and awareness of key personnel in the Energy Management System.

## Together Managing Emissions



Kalbe is aware that the operational activities emitted emissions that affect the environment. Monitoring and controlling the quality of emissions were implemented at each factory as stipulated in Environmental Impact Assessment and Management (EIA&EIM) approved by the local environmental agency. Every six months, each factory submits a EIA&EIM report to the District Environmental Agency and Provincial Environmental Management Agency.

In terms of emissions, the Kalbe Group monitors the amount of CO<sub>2</sub> emissions emitted from its energy consumption. CO<sub>2</sub> emissions emitted by operation reached 58,426 tons CO<sub>2</sub>eq, lower by 7.2% than previous year of 62,987 tons CO<sub>2</sub>eq. This reduction was achieved by improving operational control of utilities and equipment categorized as significant energy user, such as boilers, air handling units, and dehumidifiers.

Through Kalbe Morinaga Indonesia, Kalbe managed to improve the quality of boiler emissions

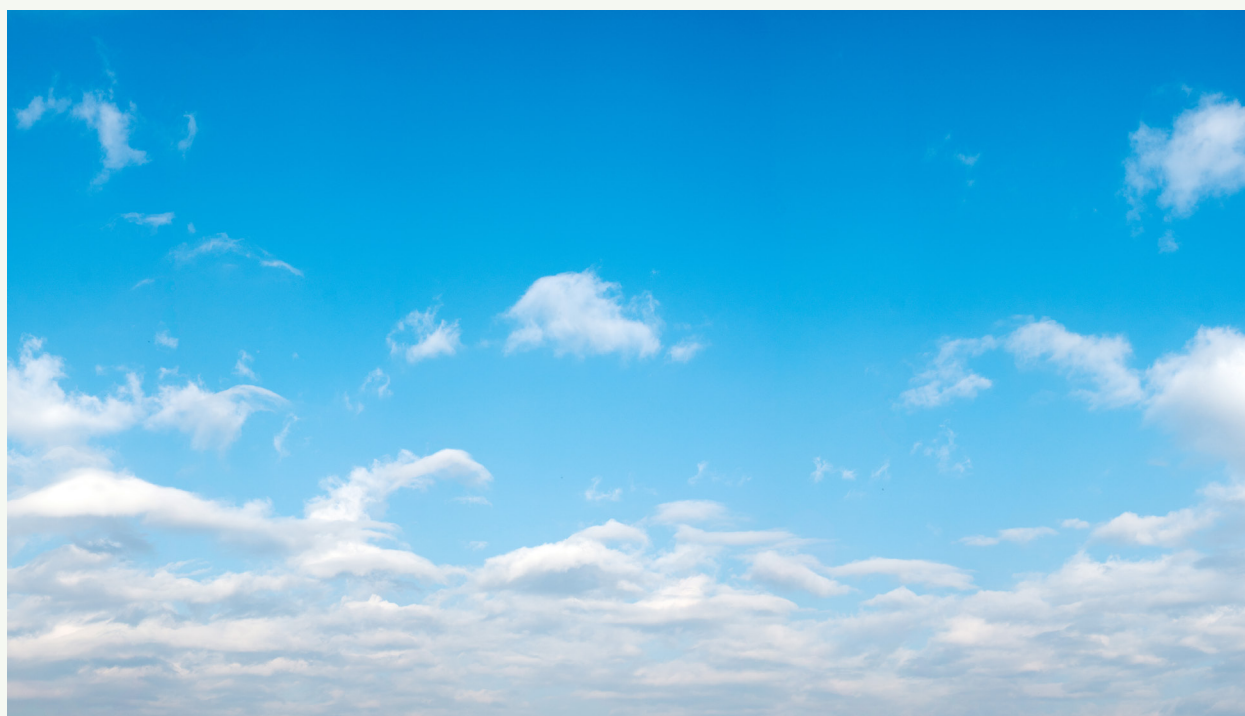
by readjusting the oxygen level for the combustion chamber of the boiler. This effective combustion also helps to lower SO<sub>2</sub> emissions from 96.71 mg/m<sup>3</sup> to 91.71 mg/m<sup>3</sup>.

A collaborative approach was also carried out by the Kalbe Farma Cikarang Factory together with Enseval Putera Megatrading (Enseval) and Global Supply Chain to improve the product delivery system for several branches. Previously, product was sent to the regional distribution center of Enseval located in Jakarta to distribute to branches. Now, the product may be sent directly to the branch. The efficiency in delivery system has managed to reduced 30 tons CO<sub>2</sub>eq/year.

The CO<sub>2</sub> emissions from sources that are controlled by Kalbe were calculated with a reference from Indonesian Ministry of National Development Planning regarding the Technical Guidelines for Calculation of Greenhouse Gas Emissions Baseline in Energy-Based Sector.


**GHG Emissions Based on Energy Sources (Ton CO<sub>2</sub>eq) [305-1] [305 - 2]**

GHG Emission 2018						
	KF Cikarang	KMI	SHP	B7 PG	B7 PM	Total 2018
Indirect Emission						
Electricity	21,462.04	7,460.15	6,139.57	5,821.08	6,170.86	47,053.70
Direct Emission						
Gas	2,680.38	7,235.57	N/A	473.42	364.95	10,754.32
Diesel Fuel	429.30	122.85	N/A	12.42	53.39	617.96
<b>Total</b>	<b>24,571.72</b>	<b>14,818.57</b>	<b>6,139.57</b>	<b>6,306.92</b>	<b>6,589.20</b>	<b>58,425.98</b>
GHG Emission 2017						
	KF Cikarang	KMI	SHP	B7 PG	B7 PM	Total 2017
Indirect Emission						
Electricity	23,621.13	7,549.39	4,557.06	8,316.09	6,170.86	50,214.52
Direct Emission						
Gas	2,683.79	7,607.14	N/A	473.42	364.95	11,129.31
Diesel Fuel	1,345.41	232.20	N/A	12.42	53.39	1,643.42
<b>Total</b>	<b>27,650.32</b>	<b>15,388.73</b>	<b>4,557.06</b>	<b>8,801.93</b>	<b>6,589.20</b>	<b>62,987.25</b>



## Together Using Eco-Friendly Packaging

Product health and safety was ensured through the implementation of Good Manufacturing Practices and selecting reliable packaging material to ensure product quality during its shelf life.

The product packaging consisted of primary and secondary packaging. Primary packaging is in

direct contact with the product, while secondary packaging is intended to protect the primary packaging and its product. The use of eco-friendly materials for primary packaging is still limited, while most materials for secondary packaging could be categorized as environmentally friendly, which means biodegradable or recyclable.

## Together Protecting Biodiversity



Kalbe's production and warehousing facilities are located in industrial estates and not in adjacent with the protected area. Nonetheless, Kalbe remains committed to biodiversity preservation by allocating a part of the factory area for reforestation and habitat for endangered species. The internal assessment in Kalbe Farma Cikarang factory based on Shannon-Wiener Index shows a biodiversity index value of 3.44.

Bintang Toedjoe also contributes in biodiversity preservation through planting activities in various public areas such as green lane and developing Herbal Garden which known as Herbal Bejo Garden. Until now, the Herbal Bejo Garden Program has been developed at six location with a total of 417 plants. In the future, Kalbe will measure the biodiversity index of this program.

At the corporate level, Kalbe will build Kalbe Signature Garden. This garden will align the planting programs from each operating unit. So later on each unit will have allocated areas for reforestation based on Government recommendation.

Notes: Shannon-Wiener Index is a method of measuring the level of species diversity in a location







## Synergy with Employees, Customers and Communities





## Synergy to Maintain Customer Satisfaction



### Management Approach

[103-1] [103-2] [103-3]

Customer health and safety are always a priority for Kalbe to ensure product quality and generate value added in increasing customer trust. Kalbe upholds the compliance with food safety standards and prevailing regulations through an integrated quality management system and quality improvement program.

Kalbe evaluates the results of the quality improvement program starting from the pre-market to post-market stages and optimizes the communication with customers. Complaint handling mechanism as grievance mechanism also takes the role on improving customer satisfaction and communication.

### Customer Health and Safety

Kalbe ensures that products that reach customers have met established safety and quality standards. Stages to ensure product safety and quality are applied since pre-market, product launch to post-market. For the Prescription Pharmaceuticals

Division, product evaluation is carried out by Pharmaco Vigilance (PV) for prescription drugs and Marketing Vigilance (MV) for over-the-counter drugs.







**Post Market Evaluation** is a form of Quality Control (QC) carried out by re-testing the products that have been circulating on public market through the sampling method.

### PRE MARKET EVALUATION

### POST MARKET EVALUATION

**Pre Market Evaluation** is a monthly product evaluation by Quality Assurance Team (QA) in internal work environment. The evaluation report is submitted to National Agency of Drug and Food Control periodically.



Throughout 2018, there was no regulatory violation regarding product health and safety. Nevertheless, National Agency of Drug and Food Control reported that there several brands in pharmaceutical industry being found for using non-halal ingredients in drugs. As a precaution approach to this issue, Kalbe and other pharmaceutical companies

voluntary withdrawn products that indicated to have the same active content. Kalbe ensures that the product is no longer circulating. At present, Kalbe has been reformulating products through development of safer enzymes from microbes and plants. [416-1] [416-2]

## Excellent Service for Customers

Kalbe provides the excellent service for customers according to their needs and characteristics. This quality of this service was achieved by maximizing the use of information technology and developing an e-health business unit of PT Karsa Lintas Buwana. PT Karsa Lintas Buwana is responsible for supporting Kalbe's digital service and supported by three business units and have been managed by doctors and verified health experts.

### Technology Business Unit under Kalbe E-Health

Medika Komunika Technology (MKT), manages Klikdokter (klikdokter.com), which is a trusted health application and website, where visitors can do live chat with doctors and health professionals to get health tips and recommendations. Klikdokter was supported by 2,500 doctors and 150 pharmacies and have been visited by 96 million visitors with more than 300 thousand application downloads.

Karya Hasta Dinamika (KHD), manages Kalbe Kalbe Home Delivery and Kalbe e-Store (www.kalbestore.com), which is a telephone and internet-based service with online shopping site for health products in Indonesia. Until 2018, there were 8 million registered users.

Cakra Radha Mustika (CRM), manages Kalbe Customer Care, KALCare, Hallobumil and membership card of Kalbe Family Rewards.

- Kalbe Customer Care serves as a customer grievance mechanism to manages complaints and provide information related to products and promotion.
- KALCare is a network of outlets that provide health services and facilities for providing information, education, consultation, medical check-up, health seminars, and activities related to public health. Until 2018, Kalbe has six KALCare outlets with 13,321 active member who purchased at least two times.

- Hallobumil is an application that provide information for mothers related to maternal health in prenatal period, during pregnancy period until postnatal period. Until 2018, Hallobumil has been downloaded for more than 500,000 times.

### KALCARE PERFORMANCE 2018

- **25.945 Members**  
(>IDR150,000 transaction)
- **13.321 Active members**  
(> 2 times purchases a year)
- **135.027 Walk-in customers**
- **4,78 out of 5 customer satisfaction index**

In addition to e-health, Kalbe's products and services are also supported by retail health service of Mitrasana Clinic. Mitrasana clinic is a one-stop service with 4-in-1 concept, including doctor, pharmacies, laboratories and healthmart. Mitrasana aims to provide quality and affordable health services for the community. In 2018, Kalbe has established 14 Mitrasana Clinics throughout Indonesia and 6 of them have been integrated with BPJS services.





## Customer Grievance Mechanism

Kalbe believes that providing prompt and efficient service is essential not only, to attract new customers, but also for retention. In order to achieve the highest level of customer satisfaction, we are aimed to put in place an effective Customer Complaint and Grievance handling mechanism.

**Kalbe Customer Care: 0800-140-2000**  
**Website Kalbe: [www.kalbe.co.id](http://www.kalbe.co.id)**

On a corporate level, customer complaint and grievance are handled by Kalbe Customer Care and Kalbe official website. While on division level, customer grievance mechanism are managed through various communication channels.

### Prescription Pharmaceuticals Division

Communication channel for physician or doctor:  
**Call center: 0822-9900-0145**

### Consumer Health Division

- Call Center: 0852-8111-2343
- Whatsapp: 0818-0690-8040

### Nutrition Division

- Call center: 0800-140-2000
- Whatsapp : 0821-1417-8404
- Line : @KALBECare
- Twitter : @KALBECare
- Email: [customer@kalbenutritionals.com](mailto:customer@kalbenutritionals.com)



Kalbe implemented an integrated and toll-free customer complaint/grievance handling mechanism. Throughout 2018, the Nutrition Division answered 410,175 information inquiries and solved 17,588 complaints/grievances related to products and services.

### Customer Grievances Solved 2018

Description	Toll-Free Channel	Social Media	Total from All Channel
Information Inquiries	107,677	302,498	410,175
Complaints/ Grievances	14,635	2,953	17,588
<b>Total</b>	<b>122,312</b>	<b>305,451</b>	<b>427,763</b>

## Customer Health Division Satisfaction Survey

The Consumer Health Division conducts surveys for each product in an effort to determine the level of customer satisfaction. Especially for Bintang Toedjoe, the surveys were conducted for the three variants of energy drinks of Extra Joss Active, Extra Joss Blend, and Extra Joss Anggur (Grape Flavor).

### Customer Satisfaction Index for Bintang Toedjoe Product (Scale of 6)

Extra Joss Active	Extra Joss Blend	Extra Joss Anggur (Grape Flavor)
5,01	4,97	5,00

\*Nilai dari total maksimal 6

## Nutrition Division Customer Satisfaction Survey

On the other hand, Nutrition Division's customer satisfaction survey on the overall performance managed to achieve 4.8 out of 5, higher than previous year of 4.7 index score.

## Synergy to Improve Competence



### Management Approach

[103-1] [103-2] [103-3]

Every day, Kalbe's employees help the company to gain and build consumers' and other stakeholders' trust to the company. Through training and career development based on the principle of "Leader create

leaders", Kalbe provide employees with opportunities to improve their knowledge and skills to adapt with the rapidly changing world. Therefore, they can help the company in building its competitive advantage.

Since recruitment process, training and education are provided to be in line with the Company's business strategy and individual development plans. Each individual has the same equal opportunity to achieve a better career path along

with the growth of the Company. Kalbe has carried out internal training and education as well as cooperating with several educational institutions in Indonesia.

### Training and Education Activities 2018 [404-1]

Training Material	Number of Participant		Total Participants	Training Hours	Average Training Hour/Participating employees
	Male	Female			
Leadership	344	390	734	1,404	1.9
Functional	654	513	1,167	4,028	3.5
Quality	1,360	1,816	3,176	1,632	0.5



Some of training programs are:

**FINANCE OFFICER DEVELOPMENT PROGRAM,**  
for financial management candidates

**KALBE FIRST-LINE  
MANAGEMENT  
PROGRAM,** for senior  
officers



**BUSINESS DEVELOPMENT  
OFFICER DEVELOPMENT  
PROGRAM,** for business  
development and  
innovation management  
candidates

**KALBE MIDDLE  
MANAGEMENT  
PROGRAM,** for  
managers

**GLOBAL TALENT  
MANAGEMENT PROGRAM,**  
for global managers  
candidates

'Leader Creates Leaders' serves as Kalbe's principle in developing human resources (HR). The Company involves business unit leaders and functional units as mentors who responsible for the development of cross-functional human resources to build the synergy of One Kalbe.

The effectiveness of training and education was measured by based on performance. At the beginning of each year, Kalbe sets out the Company and individual work plans for further being evaluated according to Company's plans. During 2018, all Kalbe employees have received performance evaluations. [404-3]

## Kalbe Learning Center (KLC)

In 2012, Kalbe established the Kalbe Learning Center (KLC) to recruit excellent human resource with technical competencies to meet the Prescription Pharmaceuticals Division needs. KLC provides training and education related to expertise for operator, technicians for utilities and maintenance, analysts and logistics, as well as non-technical for manufacturing support.

Throughout 2018, KLC has held training and education for 1,452 participants with 1,376 graduated participants consisting of 923 production operators, 65 technicians and 388 manufacturing support. Graduated participants have been employed based on human resource plan.

## Synergy in Building Independent Communities

Kalbe implements corporate social responsibility (CSR) activities with reference to ISO 26000 and Sustainable Development Goals (SDGs). Through four pillars of 'Kalbe Cares' or 'Kalbe Berbagi', we

continue to implement activities that bring positive impact to the livelihoods of communities in all business entities.

### 4 PILLARS OF KALBE CARES



#### **KALBE CARES - HEALTH**

Focusing on public health development activities, in line with the Company's main business activities as well as belief that access to healthcare is the right of every individual

#### **KALBE CARES - EDUCATION**

Focusing in education development initiatives, especially in the field of life science education;

#### **KALBE CARES - ENVIRONMENT**

To help communities build and maintain a sound environment that support improvements in the quality of life

#### **KALBE CARES - INFRASTRUCTURE**

To help basic infrastructure development, particularly those related to improvements in health and education infrastructure

The realization of CSR budget in 2018 reached Rp92 billion, lower than 8% compared to the realization in 2017 of Rp100 billion. This decline was due to the change on budget allocation which have excluded

marketing activities from CSR activities. Therefore, CSR budgets were adjusted to fully represent the performance of 4 Pillars of Kalbe Cares.





## Integrated Solution for Curing Cancer



The CSR for health sector is one of our four pillars of 'Kalbe Cares'. Kalbe has dedicated research centers and production factories for cancer drugs, which include the first production factory for cancer drugs in Indonesia.

Since 1988, Kalbe has marketed cancer drugs. Then in 1996, Kalbe acquired one of Indonesia's oncology drug companies. Kalbe believes that intensive research can give solutions for cancer treatment. Therefore, in 2006, Kalbe established the Stem Cells and Cancer Institute, which was followed by the development of Kalbe Genomics (KalGen) as the first molecular laboratory in Indonesia in 2009. The research went further with the establishment of Innogene Kalbiotech units that specifically conduct research on the development of cancer drugs.

The development for cancer treatment continues with the commencement of a cancer drug factory (oncology) in the Pulogadung area in 2015. Through this factory, Kalbe manage to provide a higher supply of high-quality cancer drugs at relatively more affordable prices. Until now, Kalbe has been able to provide 23 type of cancer drugs.

Through the Biopharmaceutical Division, Kalbe continues to develop diagnostic methods and collaborates with several global biopharmaceutical companies with the aim of providing effective solution for cancer treatment.

Furthermore, Kalbe developed Kalbe Ethical Customer Care (KECC) as a forum to provide information and education to the public about health with a focus on serious diseases such as cancer, kidney disease, and on consumers with special needs, such as nutrition for pregnancy and the health of the elderly.



.....  
*Thanks to the commitment and contribution in supplying cancer drugs, Innogene received an award from Frost & Sulliven as a 2010 Asia Pacific Frost & Sullivan Emerging Company of the Year in Oncology.*  
 .....

## Ristekdikti-Kalbe Science Award (RKSA) and Kalbe Junior Scientist Award (KJSA)

In CSR for education sector, Kalbe contributes to the development of research and innovation particularly through Ristekdikti-Kalbe Science Award (RKSA) and Kalbe Junior Scientist Award (KJSA). RKSA is a research development program related to health, pharmacy, functional food, information technology and life science.

In 2018, Kalbe improved RKSA program from previously providing awards to research that had been completed into providing funds for studies that are feasible to be commercialized, even though it had not yet been completed. The RKSA involves participants from universities or research institutions throughout Indonesia with a research period of 12 up to 18 months.

From 445 research proposals, 5 research projects from universities have been selected for funding and commercialization support. To ensure quality and reliable results, Kalbe involved the Molecular Biology

Institute of Eijkman, Ristekdikti, Indonesia FDA (BPOM), BPPT, and the National Research Council as jury members who conduct regular monitoring.

**SELECTED PROJECT OF RKSA 2018**

- MICROPATTERNING APPLICATION TO ENHANCE PROLIFERATION AND DIFFERENTIATION OF HUMAN WHARTON'S JELLY MESENCHYMAL STEM CELLS
- EFFECT ON PROBIOTICS INDIGENOUS POWDER CONSUMPTION IN OVERCOMING OBESITY
- EFFECTIVITY AND SAFETY OF MESENCHYMAL STEM CELL THERAPY ON PATIENTS WITH INTERVERTEBRAL DISC DEGENERATION
- IMPROVEMENT OF QUICK TEST TOOL PERFORMANCE FOR DENGUE FEVER DETECTION THROUGH VARIATION OF ANTIGEN DENGUE COMPONENTS
- UTILIZATION OF FRESH, SMOKY AND SPOILED TEMPEH FROM GERMINATED SOYBEAN AS FOOD FUNCTIONAL OF HYPOGLYCAEMICS

On the other hand, the Kalbe Junior Scientist Award (KJSA) is an elementary school science competition for children in Indonesia. This program has been held annually since 2011 and has involved 6,153 students from 2,023 schools. KJSA encourages

children to think critically and find solutions through scientific work. So, it can support the emergence of superior researchers in the future. In 2018, from 383 participating schools, 9 best scientific reports and 1 favorite scientific report were selected.

## Red Ginger Ecosystem Program

The Red Ginger Ecosystem Program was developed by Bintang Toedjoe since 2017. Red ginger is the main raw material for product of Bejo Bintang Toedjoe Masuk Angin. The program creates value added for farmers by engaging them as Kalbe's partners in our supply chain. On the other side, Bintang Toedjoe acquired a supply of red ginger in high quality.

Until the end of 2018, the red ginger farmers' empowerment program has been carried out in five regions of Indonesia and partnered with more than 500 farmers to supply 258 tons red ginger each year. Coaching and mentoring have successfully increased the quality of red ginger by 75% and increased the income of farmers by 248%.





### Red Ginger Program Performance

	2018	2017*
Number of Farmers Involved (people)	541	164
Red ginger received by the company (kg)	258,300	74,200
Yield of red ginger extract (kg)	138,32	33,7
Farmers' income (million Rupiah)	2,066	593.6

\*restatement due to change on coverage of data measurement

In the following year, Bintang Toedjoe will expand the area of red ginger empowerment program to Malang, Karawang, Magetan, Prabumulih, and Aceh Besar. The red ginger farmer partnership was targeted to reach 757 farmers.





## Appendix

### Total Employees based on Employee Status and Gender\* [102-8]

Description	Gender	2018		2017		2016	
		Total	%	Total	%	Total	%
Permanent Employee	Female	8,504	67.63	8,473	66.66	8,820	70.17
	Male	4,071	32.37	4,238	33.34	3,750	29.83
	Total	12,575	100	12,711	100	12,570	100
Non-Permanent Employee	Female	2,739	61.83	2,766	59.93	2,658	53.43
	Male	1,691	38.17	1,849	40.07	2,317	46.57
	Total	4,430	100	4,615	100	4,975	100

\* Obtained through consolidation of data from each subsidiary in the Kalbe Group per December 31, 2018

### Total Employees based on Working Area and Gender [102-8]

Company, Subsidiaries & Association Company	Gender	2018		2017		2016	
		Total	%	Total	%	Total	%
Kalbe Farma	Male	2,307	58.48	2,397	58.14	2,467	56.31
	Female	1,638	41.52	1,726	41.86	1,914	43.69
	Total	3,945	100	4,123	100	4,381	100
Dankos Farma	Male	553	48.59	559	47.41	579	48.05
	Female	585	51.41	620	52.59	626	51.95
	Total	1,138	100	1,179	100	1,205	100
Hexpharm Jaya	Male	615	71.10	559	47.41	579	48.05
	Female	250	28.90	620	52.59	625	51.95
	Total	865	100	1,179	100	1,205	100
Finusolprima	Male	275	71.10	619	71.31	629	74.00
	Female	200	28.90	249	28.69	221	26.00
	Total	475	100	868	100	850	100
Bintang Toedjoe	Male	804	62.13	539	39.14	1,004	64.11
	Female	490	37.87	838	60.89	562	35.89
	Total	1,294	100	1,377	100	1,566	100
Saka Farma Lab	Male	148	65.20	347	66.60	373	67.21
	Female	79	34.80	174	33.40	182	32.79
	Total	227	100	521	100	1,566	100
Hale International	Male	123	82.00	73	73.74	95	73.08
	Female	27	18.00	26	26.26	35	32.79
	Total	150	100	99	100	130	100

Company, Subsidiaries & Assosiation Company	Gender	2018		2017		2016	
		Total	%	Total	%	Total	%
Sanghiang Perkasa	Male	1,013	62.30	1,074	63.59	764	48.14
	Female	613	37.70	615	36.41	823	51.86
	Total	1,626	100	1,689	100	1,587	100
Kalbe Morinaga Indonesia	Male	333	90.49	352	90.03	312	89.40
	Female	35	9.51	39	9.97	37	10.60
	Total	368	100	391	100	349	100
Kalbe Milko	Male	244	89.38	N/A	N/A	N/A	N/A
	Female	29	10.62	N/A	N/A	N/A	N/A
	Total	273	100	N/A	N/A	N/A	N/A
Karsa Lintas Buana (konsolidasi*)	Male	59	42.45	N/A	N/A	N/A	N/A
	Female	80	57.55	N/A	N/A	N/A	N/A
	Total	139	100	N/A	N/A	N/A	N/A
Kalbe International Pte. Ltd	Male	66	51.56	94	N/A	N/A	N/A
	Female	62	48.44	79	N/A	N/A	N/A
	Total	128	100	173	N/A	N/A	N/A
Asiawide Kalbe Philippines	Male	1	25.00	N/A	N/A	N/A	N/A
	Female	3	75.00	N/A	N/A	N/A	N/A
	Total	4	100	N/A	N/A	N/A	N/A
Kalbe Malaysia Sdn., Bhd.	Male	12	44.44	11	40.74	N/A	N/A
	Female	15	55.56	16	59.26	N/A	N/A
	Total	27	100	27	100	N/A	N/A
PT. Enseval Putra Megatrading (konsolidasi**)	Male	4,480	75.23	4,673	78.09	4,812	78.19
	Female	1,475	24.77	1,311	21.91	1,342	21.81
	Total	5,955	100	5,984	100	6,154	100
Biopharma (konsolidasi***)	Male	210	53.71	177	47.84	153	49.51
	Female	181	46.29	193	52.16	156	50.49
	Total	391	100	370	100	309	100
<b>Total Overall</b>		<b>17,005</b>	<b>100</b>	<b>17,326</b>	<b>100</b>	<b>17,553</b>	<b>100</b>

\* **PT Karsa Linta Buana (consolidated)**

(PT Karsa Lintas Buana, PT Medika Komunika Teknologi, PT Karya Hasta Dinamika, PT Cakra Radha Mustika)

\*\* **PT Enseval Putra Megatrading (consolidated)**

2016 – 2017: PT Enseval Putra Megatrading Tbk., PT Tri Sapta Jaya, PT Millenia Dharma Insani, PT Enseval Medika Prima, PT Global Chemindo Megatrading, PT Renalmed Tiara Utama  
2018: PT Enseval Putra Megatrading Tbk., PT Tri Sapta Jaya, PT Millenia Dharma Insani, PT Enseval Medika Prima, PT Global Chemindo Megatrading, PT Renalmed Tiara Utama, PT Medika Renal Citraprima

\*\*\* **Biopharma (consolidated)**

2016 : Innogene Kalbiotech Pte. Ltd, PT Bifarma Adiluhung, PT Kalgen DNA, PT Pharma Metric Labs, PT Kalbio Global Medika, PT Innolab Sains International)

2017 - 2018 : Innogene Kalbiotech Pte. Ltd, PT Bifarma Adiluhung, PT Kalgen DNA, PT Pharma Metric Labs, PT Kalbio Global Medika, PT Innolab Sains International, PT Kalbe Genexine Biologics)

### Total Employees based on Age

Age Group	2018				2017				2016			
	Perma- nent	Non- Perma- nent	Total	%	Perma- nent	Non- Perma- nent	Total	%	Perma- nent	Non- Perma- nent	Total	%
<18	0	1	1	0.01	N/A	1	1	0.01	N/A	1	1	0.01
18 – 25	1,920	3,096	5,016	29.50	2,221	3,249	5,470	31.57	2,217	3,530	5,747	32.47
26 – 35	6,023	1,079	7,102	41.76	6,018	1,105	7,123	41.11	6,124	1,173	7,297	41.57
36 – 45	3,363	145	3,508	20.63	3,292	172	3,464	19.99	3,130	196	3,325	18.94
46 – 55	1,259	62	1,321	7.77	1,174	49	1,223	7.06	1,099	49	1,148	6.54
>55	10	47	57	0.34	6	39	45	0.26	8	27	35	0.20
<b>Total</b>	<b>12,575</b>	<b>4,430</b>	<b>17,005</b>	<b>100</b>	<b>12,711</b>	<b>4,615</b>	<b>17,326</b>	<b>100</b>	<b>12,578</b>	<b>4,975</b>	<b>17,553</b>	<b>100</b>

### Total Employees based on Educational Level

Education Level	2018		2017		2016	
	Total	%	Total	%	Total	%
Elementary School	27	0.16	32	0.19	36	0.29
Middle School	87	0.51	95	0.55	74	0.59
High School	8,109	47.69	8,202	47.34	5,177	41.16
Diploma I-III	2,257	13.27	3,409	19.68	1,977	15.72
Bachelor D	5,281	31.06	4,617	26.65	4,457	35.43
Master Degree	405	2.38	237	1.37	220	1.75
Pharmacist	554	3.26	581	3.35	521	4.14
Profession	268	1.58	140	0.81	107	0.85
Doctoral Degree	17	0.10	12	0.07	9	0.07
<b>Total</b>	<b>17,005</b>	<b>100</b>	<b>17,326</b>	<b>100</b>	<b>12,578</b>	<b>100</b>

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# Feedback Form

We are looking forward to receive any constructive feedback from you after reading this Sustainability Report by sending email or this form by mail.

## Your Profile

Name (if you please): .....

Institution/Company: .....

Email: .....

Phone/Mobile: .....

Stakeholder Group:

- Shareholders and Investors
- Customer       Media
- Employees       Business Partners
- Governance       Society and Community
- Other, please state: .....

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

- Disagree       Neutral       Agree

2 This report increases your trust to the Company's sustainability.

- Disagree       Neutral       Agree

3 This report is comprehensible

- Disagree       Neutral       Agree

4 Give assessment level to material aspects which you deemed as important:

(Score 1=Least Important up to 5=Most Important)

- Consumer Health and Safety      [   ]
- Economic Performance      [   ]
- Procurement Practice      [   ]
- Marketing and Labelling      [   ]
- Training and Education      [   ]
- Solid Waste and Effluents      [   ]
- Energy      [   ]

5 Please give your advice/suggestion/comments on this report:

.....

.....



Kindly send this feedback form to address follows:

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