

# THRIVE AND GROW WITH THE COMMUNITY

Sustainability Report

# 2016

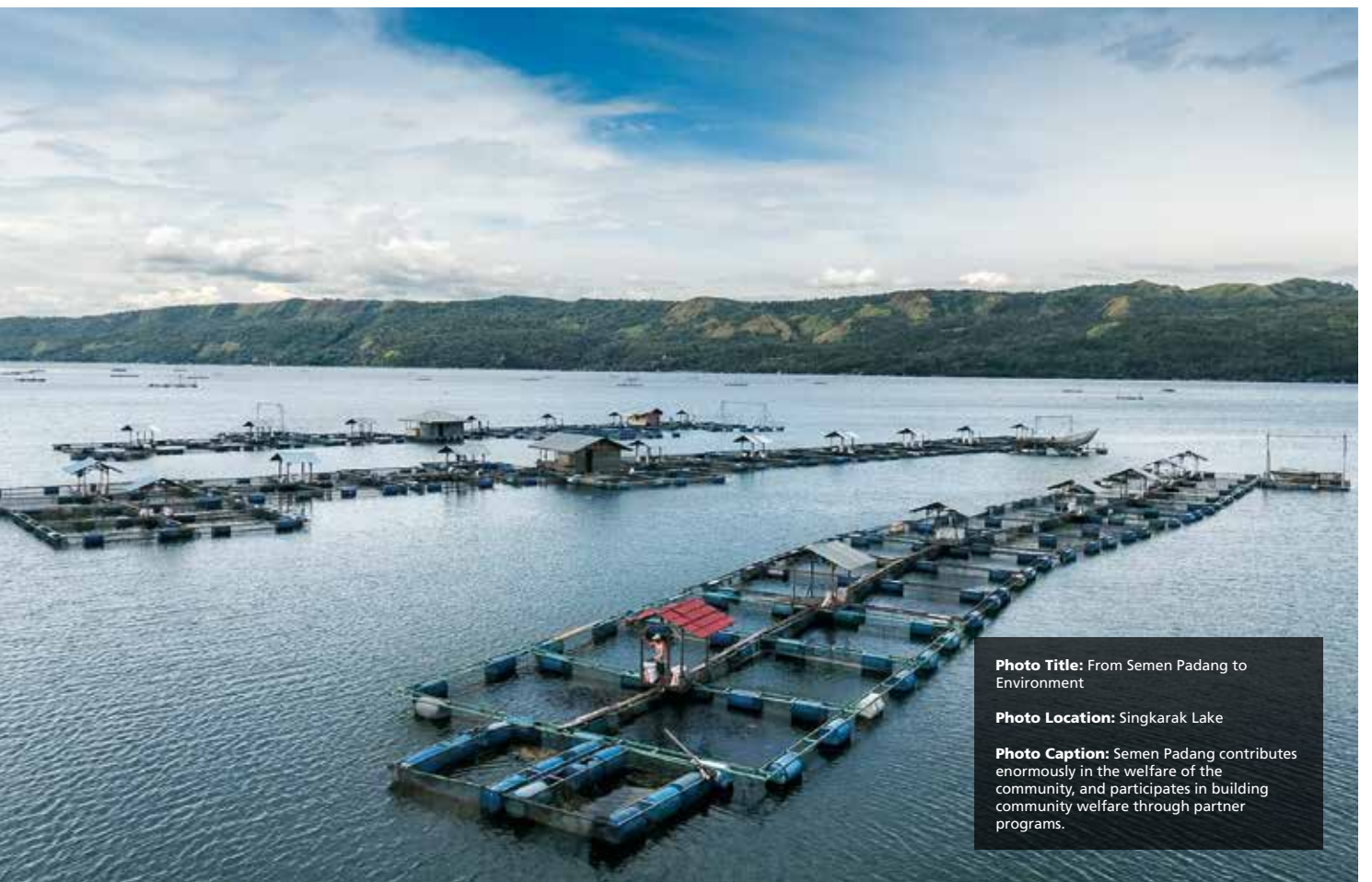


*Sejak 1910*



# SEMEN PADANG'S SUSTAINABILITY PROGRAMS IN 2016





**Photo Title:** From Semen Padang to Environment  
**Photo Location:** Singkarak Lake  
**Photo Caption:** Semen Padang contributes enormously in the welfare of the community, and participates in building community welfare through partner programs.





NATIONAL  
CENTER FOR  
SUSTAINABILITY  
REPORTING

## **Statement GRI G4 Core In Accordance Check**

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

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

Jakarta, 10 July 2017

**National Center for Sustainability Reporting**

**Dewi Fitriasaki, Ph.D., CSRA, CMA**  
**Director**

# CONTENTS

The preparation of 2016 Sustainability Report of PT Semen Padang refers to the applicable provisions on standards for the preparation and presentation of information disclosure to be submitted in the Sustainability Report. The presentation of the table of contents as a whole is found on the opening page of each chapter and the essence of the topics discussed in each chapter of this Sustainability Report are as follows.



**6**

**MANAGEMENT REPORT**

The Management Report contains the Company's Performance in 2016 and the Work Program for the following year.

- BOD Report 6
- BOC Report 10



**15**

**ABOUT SEMEN PADANG**

The Head Office of Semen Padang is located in Indarung Village, Lubuk Kilangan Subdistrict, City of Padang.

- About Semen Padang 16
- Bisnis Semen Padang 22
- Visi, Misi, dan Budaya Perusahaan 24
- Peristiwa Penting 30
- Struktur Kepemilikan Semen Padang 34



**41**

**SEMEN PADANG'S SUSTAINABLE STRATEGIES**

Semen Padang Golf Course is built on a former clay mine which was later reclaimed and turned into a golf course.

- Governance 42
- Management System And Company Policy 52



**57**

**SEMEN PADANG AND DEVELOPMENT**

BARELANG Bridge is built using cement from Semen Padang and is the main icon of the City of Batam.

- National and International Standard Products 60
- Best Sales and Services 63
- Sharing of Benefits 65



**69**

**IMPROVE THE QUALITY OF LIFE**

Semen Padang has many types of partnership and one of them is carving.

- CSR Policy "Basinerji Membangun Negeri" 74
- Partnership Programs 78
- Environmental Bina Programs 83
- Institutional Development 88



**91**

**MANAGING A BETTER ENVIRONMENT**

Always at the forefront of reforestation programs to become an environmentally responsible company.

- Emission Control 95
- Consumption of Energy 98
- Circular Economy 101
- Water Control 105
- Post Mining and Biodiversity 106



**111**

**WORKING SAFELY**

We ensure that the quality of products exceeds the standards in order to meet customers' expectations.

- Health and Safety Commitment 112
- K3 Performance 115



**117**

**WORK TO BREED INNOVATIONS**

Semen Padang Supports Full Sustainability for the Company as well as for the Society and Environment.

- Semen Padang Pandai Nagari 118
- Human Capital Master Plan (HCMP) 119
- Competence Development 122



**131**

**SUPPORTING INFORMATION AND DATA**


Semen Padang has a Foundation that manages educational institutions ranging from: kindergarten, elementary, junior high, high school and vocational school as one form of corporate responsibility to the environment.

- About the Sustainability Report 132
- Selection Of Topics In Report 135
- Stakeholder Engagement 136
- Materiality 137
- GRI-G4 Index 138

# SUSTAINABILITY OVERVIEW



**6.221** Billion rupiah  
Revenue



**552** Billion rupiah  
Contribution to the State in taxes



**6,46** Million tons  
Cement Production

**6,98** Million ton  
Cement Sales

**42,54** %  
Market Share in Sumatera

**724** Billion rupiah  
Current year profit



**1,719**  
Employees



**90.50**  
Customer Satisfaction Index



**86.48** (SCALE 100)  
GCG Score



**45.47** HOURS  
Average Hours Employee Training



**4.13** SCALE 5  
Working Climate Index (WCI)



**100** %  
Follow Up Gratification Report

# GREEN PROPER

2.4<sup>Ha</sup>  
Land Cultivation  
in 2016

2,407<sup>Trees</sup>

## GREEN INDUSTRY

43,117<sup>ton</sup>  
Reduced CO<sub>2</sub>e GHG  
emissions from WHRPG  
operations

0.82<sup>tonCO<sub>2</sub>e/ton  
cement</sup>  
Greenhouse Gas  
Emission Intensity



RP 3.2 BILLION

Community  
Empowerment Fund  
through Forum Nagari



RP 9.17 BILLION

Distribution of Loan  
Funds



872 PEOPLE  
Scholarship Grantee



391 PEOPLE  
Elementary Students



245 PEOPLE  
Junior High School Students



210 PEOPLE  
High School student



26 PEOPLE  
College Students



373 UKM  
Partners



RP 12.4 BILLION  
Distribution of  
Partnership Program

## BOD REPORT [G4-1]

IR. BENNY WENDRY, MM  
President Director





**IN 2016, SEMEN PADANG BECAME THE MARKET LEADER IN SUMATERA WITH TOTAL CEMENT SALES REACHING 6.98 MILLION TONS WITH 490 THOUSAND TONS OF WHICH WERE EXPORTED. WE OBTAINED THE GREEN RANKING IN THE CORPORATE PERFORMANCE RATING (PROPER) PROGRAM FROM THE MINISTRY OF ENVIRONMENT AND FORESTRY WHICH DEMONSTRATED THE HARMONY BETWEEN THE COMPANY'S COMMERCIAL GOALS WITH ENVIRONMENTAL AND SOCIAL ACHIEVEMENTS.**

## **DEAR STAKEHOLDERS,**

By praising God the Most Gracious, Semen Padang could hereby present again our Sustainability Report 2016 to stakeholders. The report is published as a supplement to the Annual Report, primarily to provide information concerning the social and environmental responsibilities that we have accomplished.

### **PROFIT**

As a company that has been operating for more than 106 years, Semen Padang has become a market leader in Sumatra, and in its entirety, it is capable of meeting the 10.2% of the demands in Indonesia. During 2016, we could produce 4.98 million tons of slag and 6.45 million tons of cement. Overall, cement sales reached 6.99 million tons and 490 thousand tons of which have been exported.

Semen Padang's long term sustainability strategy is based on Triple Bottom Line approach as outlined in the Company's Long Term Plan 2015-2019. The strategy includes our efforts to maintain and develop the market with the construction of Indarung-VI factory, to reproduce the Packaging Factory in marketing area and to upgrade the capacity of the cement plant. As a result, cement production capacity is expected to reach 10.5 million tons per year. Toward the end of the year, the progress of Indarung-VI plant has been more than 99% and the Dumai packaging plant has commenced operations in October 2016.

## PLANET

In terms of environment, Semen Padang is rated Green in the Corporate Performance Rating Program (PROPER) Program of the Ministry of Environment and Forestry. This is an important achievement after 13 years of receiving the Blue rating. In the future we aspire to achieve Gold ranking.

Such Green rating achievement represents an integral part of Semen Padang commitment which has been implemented consistently by all personnel in Semen Padang. The innovation to reduce the environmental waste is conducted by operating Waste Heat Recovery Power Generator (WHRPG) at Indarung-V plant which can reduce carbon emission up to 43,117 tons of CO<sub>2</sub> annually while also saving 10% of electricity consumption from PLN. We have also developed 90 hectares of land for Indarung Reclamation Park which is home to 225 species of plants, 6 of which are protected species, and 38 species of animals, 7 of which are also protected species.

Semen Padang has been creating innovations to reduce the consumption of natural resources by adopting the circular economic approach. Under this method, we make use of waste produced by internal processes and by external waste generators to convert them into alternative fuel and materials or Alternative Fuel and Raw Materials (AFR). The consumption of AFR in 2016 reached 1,230 tons.

## PEOPLE

With over 1,700 employees, we continue to make innovations. Being the oldest company does not guarantee its future sustainability. Therefore, we encourage employees to continue to innovate which could later improve the competitiveness of the Company. The culture of innovation that we cultivate has brought us Semen Indonesia Award on Innovation and also Indonesian Quality Award, both of which we have gained amidst the efforts to maintain core competence and to foster a culture of knowledge.

As a cement factory, Semen Padang contributes by providing products that are beneficial for physical development in Indonesia and by conducting CSR program namely Basinerigi Membangun Nagari. Through the pillar of Paduli Nagari we support the community through Partnership Program, Community Development and Other Programs.

To perform such commitment, we innovate by building the institutional capacity of the community through the establishment of Nagari Forum and Nagari Finance Lumbung (LKN) in certain areas around the Company's operating areas. Both are democratically established and managed by the community for the benefit of society and facilitated by the Company. The synergy of Semen Padang with the Nagari Forum and LKN is aimed at ensuring the implementation of a professional, trustworthy, transparent and accountable CSR programs with the main objective of encouraging community independence.

## GOVERNANCE

Semen Padang has been implementing the principles of Good Corporate Governance (GCG) consistently. Based on the assessment results, the implementation of GCG since the last four years has continued to increase. In 2014 the GCG Index reached the score of 84.17 and consistently improved to 86.48 (100 scale) in 2016. In this area, Semen Padang also received appreciation from Stakeholders in the form of Public Information Disclosure Award from the West Sumatra Information Commission.

## FORWARD LOOKING

Unlike the condition 5 years ago, in the coming years, the supply of cement in Indonesia is predicted to exceed its demand due to the entry of imported cement and national capacity increase. Nevertheless, opportunities for Semen Padang are still open in line with economic growth and the Government's commitment to accelerate infrastructure development including those in Sumatra.

As one of the subsidiaries of Semen Indonesia which is the holding entity, we could work in synergy to ensure supply chain. We also benefit from such advantage as a leverage to synergize with State-Owned Enterprises engaged in infrastructure and construction sectors that are now actively developing. Such approach has begun in the last few years along with the approaches made in export destination countries whose export volume is improving steadily.

With the operation of Indarung-VI factory in 2017, Semen Padang can maintain its competitiveness to meet the national demands of cement. This is accompanied by the strengthening of the supply chain so as to ensure the availability of cement in the right location and at the right time when people need it.

Production capability and increased competence will provide a competitive advantage for Semen Padang along with the growing need for cement for infrastructures. The Government, through the National Medium Term Development Plan (RPJMN) for the period 2015-2019, has determined acceleration of infrastructures development, Sumatra included, which is a great opportunity for Semen Padang.

The growth in demand, elevated by the need in infrastructure, is also boosted by Indonesia's economic growth in the future, since the Indonesian economy in 2017 is projected to grow above 5% in the State Budget, which is in line with the economic consensus of IMF, World Bank and Asian Development Bank. Economic growth in 2016 also increased people's purchasing power and poverty reduction, making the buying opportunity by society was also expected to improve, given that the demand in community housing was still very high, especially in big cities.

On the other hand, big challenges are also faced by Semen Padang. Indonesia Cement Association predicts national cement demand for 2017 is of 63.07 million tons, growing 2.4% compared to 2016 which reached 61.59 million tons. The potential for national cement demand is still 30% - a 40% below the current national cement capacity. This means that by 2017, the cement industry will still be faced with increasingly sharp competition. The emergence of new players makes the competition tighter in the national cement market.

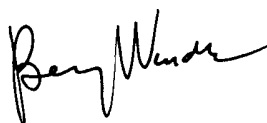
To respond the challenge, Semen Padang is required to be able to provide quality products, innovative services and to enhance dynamic distribution capabilities so that its existing market share can be improved.

All of these efforts should be balanced by positive contributions both to the environment and to the community. We fully understand that the sustainability of Semen Padang will be more secured if accompanied by the blessing from the community, with a good reputation in the eyes of the community, and with customers' trust. Increased production will create environmental and social impacts and those have been managed by the use of cleaner and more efficient cement production technology at the new Indarung-VI plant and by further efforts to reduce the emissions of cement plants, especially emissions to the air.

Semen Padang will continue to improve the social benefits of our existence through the availability of employment and the implementation of inclusive and integrated CSR programs. CSR programs need to be in synergy with Government's programs and to be in accordance with community needs, and also to support poverty alleviation even to the Outlying, Farthest and Remote areas. We believe that with this approach, the acceptance from the community will continue to improve and public confidence in Semen Padang will continue to increase, which ultimately benefits the Company.

In conclusion, the management of Semen Padang would like to thank all elements of Semen Padang, customers, marketers, government and community who have supported Semen Padang's operations. We also welcome suggestions and useful feedback to add benefits to all Stakeholders.

Padang, February 2017



**Ir. Benny Wendry, MM**  
President Director

# BOC REPORT



PROF. DR. SALDI ISRA, SH, MPA  
President Commissioner

**BALANCING CORPORATE GROWTH WITH EFFORTS TO MINIMIZE ENVIRONMENTAL IMPACT WHILE MAXIMIZING SOCIAL CONTRIBUTIONS IS A CRUCIAL ISSUE THAT SHOULD BE UNDERTAKEN IN AN INTEGRATED AND CONTINUOUS MANNER. SEMEN PADANG IS ON THE RIGHT TRACK, WITH SATISFACTORY FINANCIAL RESULTS AND IMPROVED ACHIEVEMENT IN TERMS OF SOCIAL, ENVIRONMENT AND CORPORATE GOVERNANCE PERFORMANCE, YEAR AFTER YEAR.**

## **ESTEEMED STAKEHOLDERS,**

Praise be to God the Almighty, that Semen Padang was able to present yet another edition of its Sustainability Report. The report will provide readers with information on various issues related to the Company's efforts in performing its commitment towards sustainable development.

At a time of serious intent by the Government of Indonesia for national development, the Company was able to make significant contributions in its capacity as a producer of cement. The Company provided quality products that are necessary for the construction of infrastructure and the development of physical buildings and facilities for communities all over the country. In addition, the Company was also able to provide other benefits for the communities through the development of its human capital as well as the implementation of corporate social responsibility programs, especially in Sumatera region.

### **SUSTAINABILITY PERFORMANCE 2106**

The Board of Commissioners held that balancing corporate growth with efforts to minimize environmental impact while maximizing social contributions is a crucial issue that should be undertaken in an integrated manner. This was true of Semen Padang throughout the year 2016, with the Company posting an increase in profits amidst increasing supply of cement in the national market. Through the provision of quality products and the maintaining of customer trust, Semen Padang was able to retain market leadership in Sumatera region.

## SAMBUTAN KOMISARIS UTAMA

Semen Padang has also done well in terms of social and environment management, as indicated by the appreciation from stakeholders related to our environment and governance performance. In 2016, after sustained efforts of more than 13 years, Semen Padang was awarded the Green Rank in the PROPER (Evaluation Ranking of Company Performance) program by the State Ministry of Environment and Forestry. The attainment of Green rank in PROPER means that Semen Padang has moved beyond just complying with the basic requirements in terms the protection and preservation of environment.

### IMPROVED GOVERNANCE

In terms of corporate governance, the Company has ensured that the implementation of Good Corporate Governance (GCG) principles and risk management have been performed properly. The process of identification, mitigation and evaluation of business risks that have the potential to disrupt our business activities and sustainability have been carried out so as to achieve our performance with proper governance.

As part of efforts in continuous improvement, Semen Padang conducted GCG internal assessment with the supervision of the West Sumatera BPKP, with steadily improving score within the last four years. Whereas the GCG Index score was 77.37 (from total score of 100) in 2013, the GCG Index score improved to 84.17 in 2014, and improved yet again to 85.81 for the year 2015.

In the assessment for 2016, the GCG Index score has improved to 86.48, indicating that the implementation of GCG within the Company has continued to improve and became even better. The Board of Commissioners would like to commend the Board of Directors for their efforts in continuous improvement in regards the implementation of GCG principles.

### PROVIDING BENEFITS THROUGH SOCIAL RESPONSIBILITY

The conduct of Corporate Social Responsibility (CSR) has become a tradition at Semen Padang since 1997. Through CSR activities, the Company strives to demonstrate its active participation in its commitment to implement the mandates of laws and regulations as well as its commitment to be beneficial to the country.

The Board of Commissioners has advised that CSR and PKBL programs should be properly aimed so as to bring optimum and appropriate benefits to communities. In 2016, the Company has distributed loan facilities in the Partnership Program in the amount of Rp9.17 billion, representing 102% of the target in the Budget & Work Plan (RKA), and an increase of 26.62% from the amount in 2015 of Rp7.28 billion. Meanwhile, funds for Community Development program amounted to Rp12 billion, 103.53% of the RKA and a sharp increase over the amount in 2015 of Rp30.07 million.

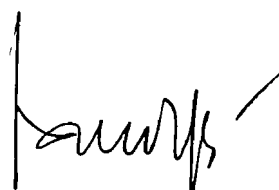
Fund disbursement for CSR programs have been audited along with the integrated annual audit of the Company's financial statements, thus maintaining accountability of CSR activities at Semen Padang.

### APPRECIATION

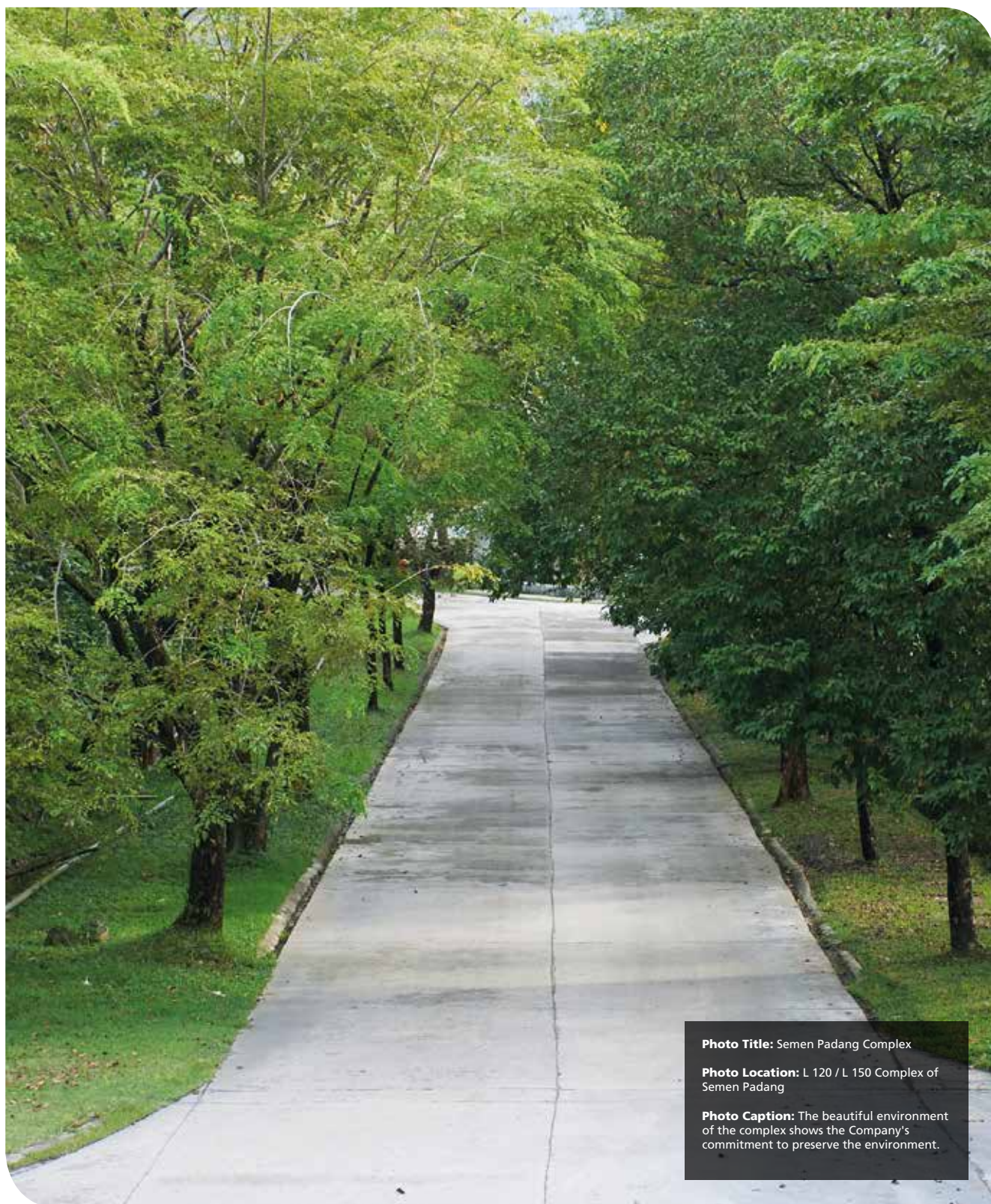
The Board of Commissioners would like to extend the highest appreciation to the Board of Directors and all employees of the Company that have worked hand-in-hand with a shared vision, steps and intent in the operations of the Company.

Going forward, we expect the continuing support from all stakeholders towards the achievement of further corporate objectives. Our aspiration is for Semen Padang to continue to grow and to develop, contributing more in the synergy to manifest a more robust and beneficial national development.

Padang, February 2017



**Prof. Dr. Saldi Isra, SH, MPA**  
President Commissioner



**Photo Title:** Semen Padang Complex

**Photo Location:** L 120 / L 150 Complex of Semen Padang

**Photo Caption:** The beautiful environment of the complex shows the Company's commitment to preserve the environment.



**Photo Title:** Standing Firm

**Photo Location:** Head Office

**Photo Caption:** The Head Office of Semen Padang is located in Indarung Village, Lubuk Kilangan Subdistrict, City of Padang.



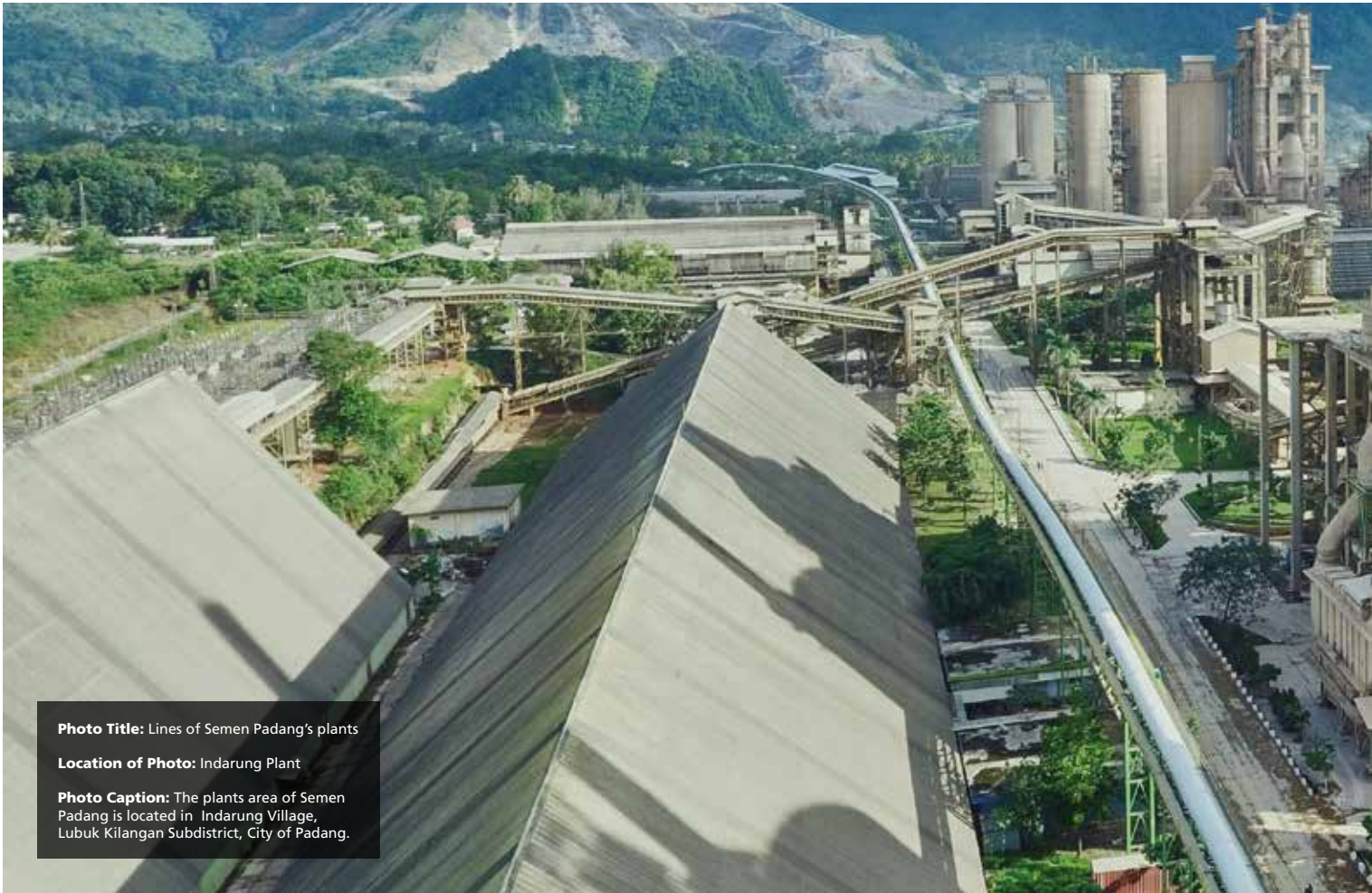
# ABOUT SEMEN PADANG

The three main criteria of Semen Padang that distinguish it from other companies are Green, Qualified and Most Indonesian.



About Semen Padang	16
Semen Padang Profile	18
History of Semen Padang	20
Semen Padang Business	22
Vision, Mission, and Company Culture	24
Semen Padang Masterpieces	28
Event Highlights	30
Address of Semen Padang Head Office and Representative Offices	32
Structure and Composition of Semen Padang Ownership	34
Semen Padang Group Structure	35
Subsidiary Performance at A Glance	36

# ABOUT SEMEN PADANG



**Photo Title:** Lines of Semen Padang's plants

**Location of Photo:** Indarung Plant

**Photo Caption:** The plants area of Semen Padang is located in Indarung Village, Lubuk Kilangan Subdistrict, City of Padang.

PT Semen Padang or Semen Padang is the oldest cement factory in Indonesia established by the Dutch government on March 18, 1910 under the name NV Nederlandsch Indische Portland Cement Maatschappij (NV NIPCM). At that time, Semen Padang was not only the first cement factory in Indonesia but also the first in Southeast Asia.

In its journey NV NIPCM was nationalized by the Government of Indonesia on July 5, 1958. Since 2012, Semen Padang has become a part of PT Semen Indonesia which is a state-owned holding company, together with PT Semen Gresik and PT Semen Tonasa.

Until 2016, Semen Padang operates 4 cement factories with a total capacity of more than 7.4 million ton which produces various types of cement used for various purposes both domestic and abroad. Our main market share is the whole region of Sumatra and certain parts of western Java.

With more than 106 years of experience, Semen Padang has supported physical development in Indonesia, further contributing to sustainable development through the implementation of the social and environmental responsibilities in which we operate.



# 106 YEARS

Semen Padang supports physical development in Indonesia through the implementation of social and environmental responsibility.

The three main criteria of Semen Padang that distinguish us from other companies are Green, Quality and Truly Indonesia. Green is achieved with eco-efficient production with Waste Heat Recovery Power Generation (WHPRPG), utilization of raw materials and alternative fuels, and environmental conservation programs.

Quality is achieved through products that meet national standards in the domestic market, with significant market share in Sumatra and Java, and the acceptance of Semen Padang's export products in foreign countries.

The Most Indonesian Cement is the fruit of the nation's work with historical wealth to support national development. Most Indonesian is also realized through a long-term commitment to support community development with the 'Basinergi Membangun Nagari' strategy.

# ABOUT SEMEN PADANG



**Photo Title:** For Earth, For Environment, For Indonesia

**Photo Location:** Semen Padang's Plant

**Photo Caption:** Semen Padang is committed to be a reliable, superior and environmentally sound cement company in western and Southeast Asia.

## SEMEN PADANG PROFILE

### Company Name [G4-3]

PT Semen Padang

### Line of Business [G4-4]

Cement Producer and Trade

### Company Status [G4-7]

Subsidiary of State Owned Enterprise (SOE)

### Legal Basis of Establishment [G4-7]

Deed of Establishment No. 5 dated 4 July 1972, made before Notary Julian Nimrod Siregar, S.H in Jakarta and was amended by the Amendment Deed No. 117 dated 28 December 2012, made before Notary Kharisma, S.H in Jakarta, which has been approved by the Minister of Justice of the Republic of Indonesia No. AHU-AH.01.10-10399 dated

21 March 2013 and was published in the State Gazette of the Republic of Indonesia No. 24 dated 25 March 2014.

### Shareholding [G4-7]

- PT Semen Indonesia (Persero) Tbk by 99.99%
- Koperasi Keluarga Besar Semen Padang by 0.01%

### Date of Establishment

- Plant Establishment on 18 March 1910
- Nationalization from the Netherlands Government on 5 July 1958
- Establishment of Legal Entity - Limited Liability Company 10 February 1973

### Authorized Capital

Rp500,000,000,000 (Five hundred billion Rupiah)



### Placed and Fully Paid-up Capital

Rp332,000,001,000 (Three hundred and thirty two billion and one thousand Rupiah)

### Production Capacity

7,400,000 ton/year

Pabrik Indarung II : 720,000 ton/year

Pabrik Indarung III : 860,000 ton/year

Pabrik Indarung IV : 1,920,000 ton/year

Pabrik Indarung V : 3,000,000 ton/year

Cement Mill Dumai : 900,000 ton/year

### Type of Production

- I. Ordinary Portland Cement (OPC), consist of: Portland Cement Type I, Portland Cement Type II, Portland Cement Type III, Portland Cement Type V, dan Oil Well Cement (OWC)
- II. Non Ordinary Portland Cement (Non OPC), consist of: Portland Pozzolan Cement (PPC) & Portland Composite Cement (PCC).

### Number of Employee

1,719 people

### Head Office

Jl. Raya Indarung, Padang 25237, West Sumatra

Tel. : (0751) 815 250

Fax. : (0751) 815 590

### Website

[www.semenpadang.co.id](http://www.semenpadang.co.id)

### Customer Service

Tel. 0 800 1888 222

### Social Media

Facebook : PT SEMEN PADANG

Instagram : @semenpadang

Twitter : @semenpadang1910

# HISTORY OF SEMEN PADANG



Semen Padang was 1910 established on 18 March 1910 under the name NV Nederlandsch Indische Portland Cement Maatschappij (NV NIPCM), which is the first cement factory in Indonesia and Southeast Asia..

1910



On 5 July 1958 The Company was nationalized by the Government of the Republic of Indonesia from the Dutch Government. During this period, the Company experienced a renaissance process through the process of rehabilitation and capacity development in Indarung I plant to 330,000 tons/year. Furthermore, the factory underwent the transformation of plant capacity expansion from wet process to dry process technology with the construction of the Indarung II, III, and IV plants.

1958



The Government transferred its shares in Semen Padang to PT Semen Gresik (Persero), Tbk at the same time with the development of Indarung V plant.

1973



On 10 February 1973 Establishment of Legal Entity -Limited Liability Company.

1995

2012



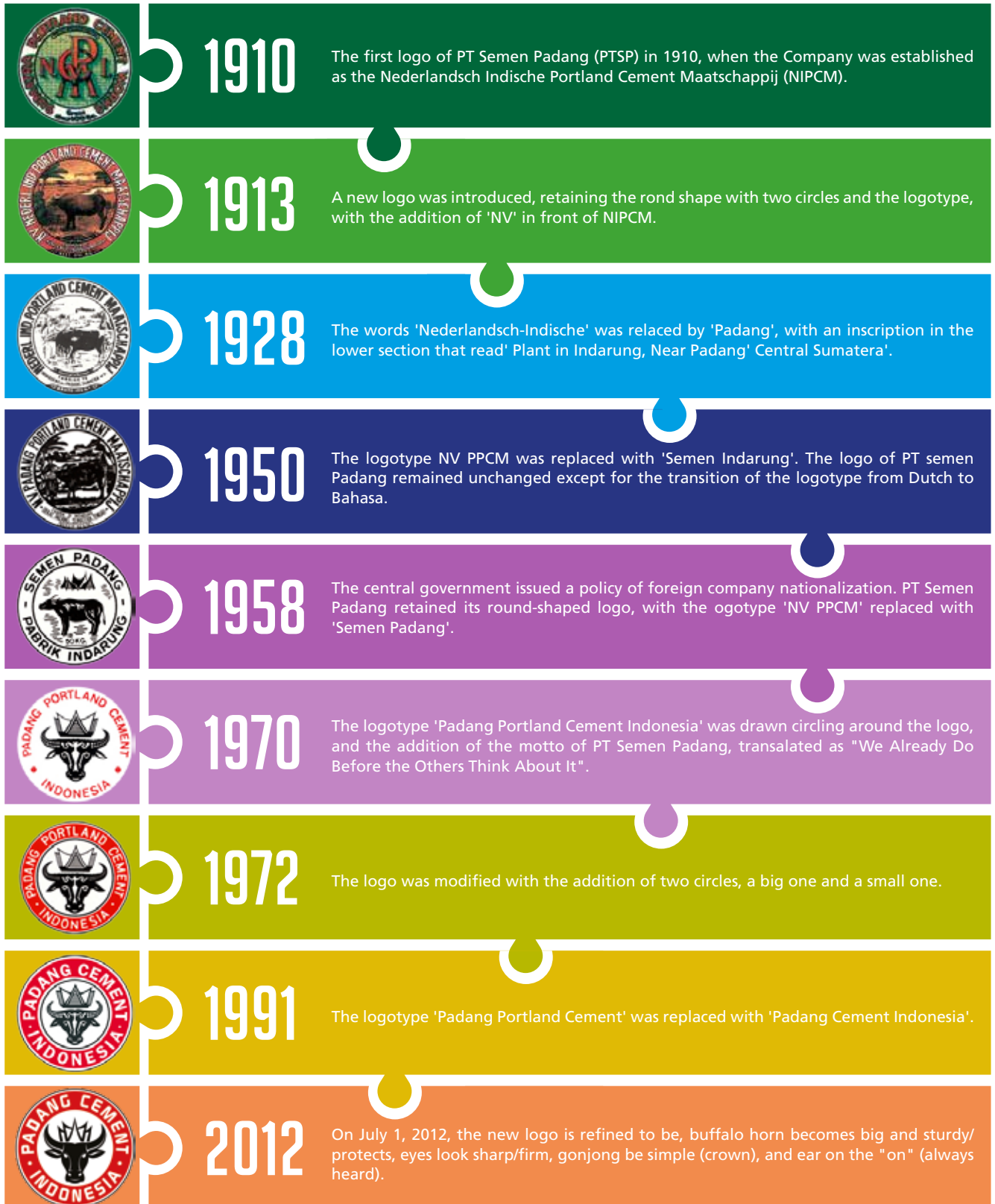
As of this period, PT Semen Gresik (Persero) Tbk, changed its name into PT Semen Indonesia (Persero) Tbk under the EGMS resolution on 20 December 2012 in Jakarta, with 99.99% of shareholding, and Cooperative of Semen Padang Family with 0.01% of shareholding. The majority of PT Semen Indonesia (Persero) Tbk share is held by the Government of the Republic of Indonesia by 51.01% and public shareholders by 48.09%.

2014



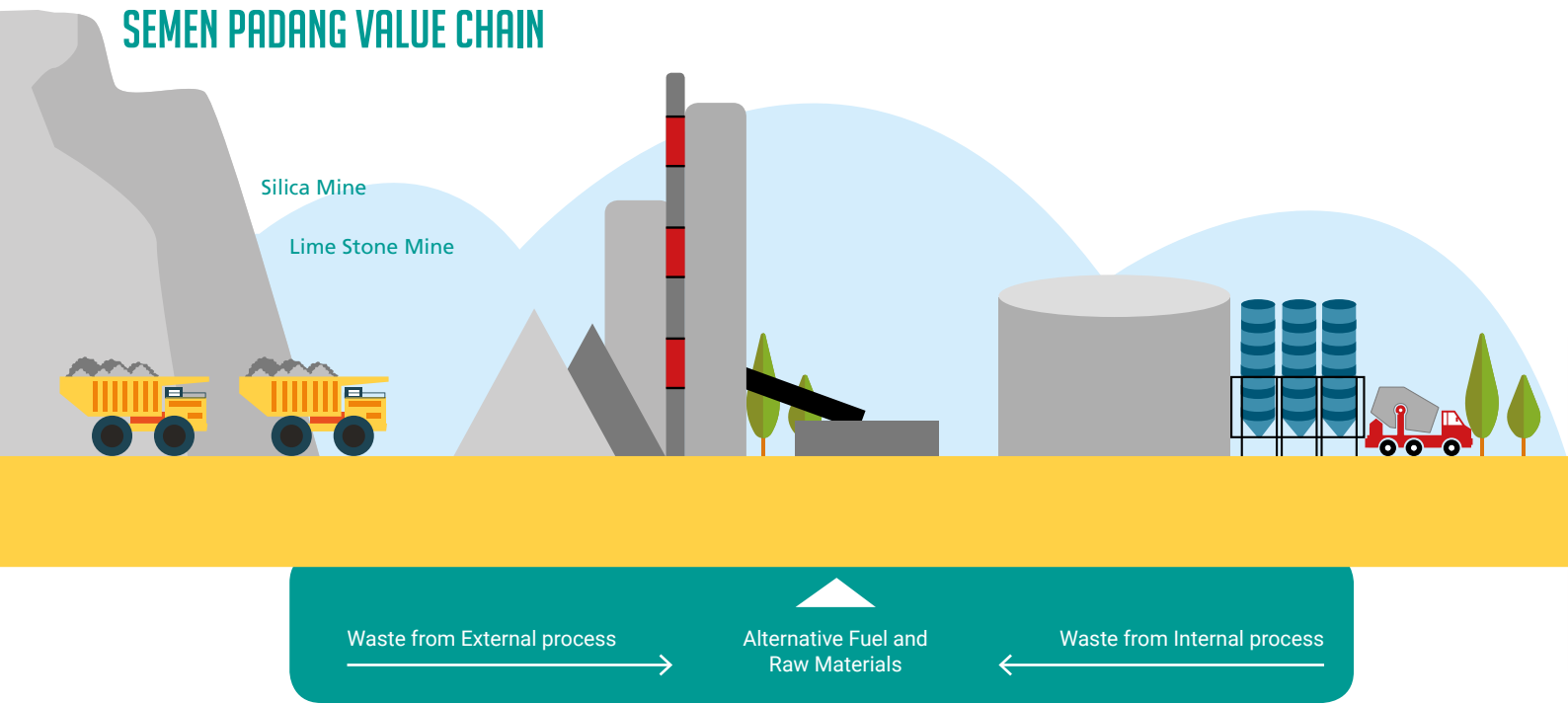
In 2014, Semen Padang began the construction of its new plant, namely Indarung VI.

# LOGO EVOLUTION OF SEMEN PADANG

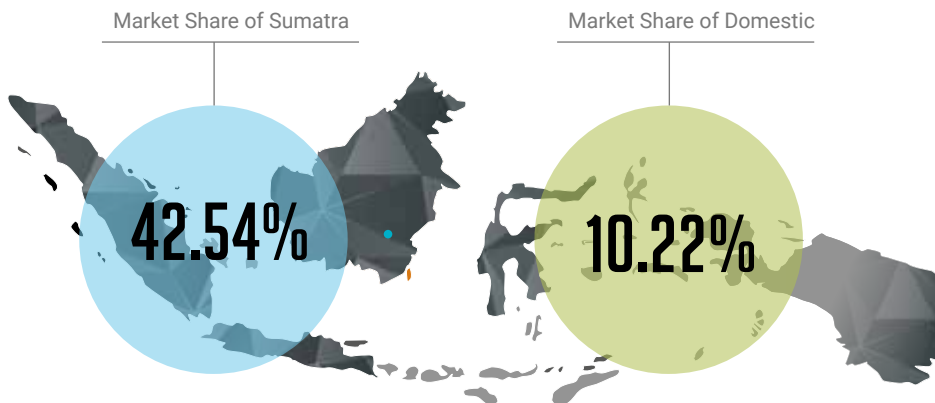


# SEMEN PADANG BUSINESS

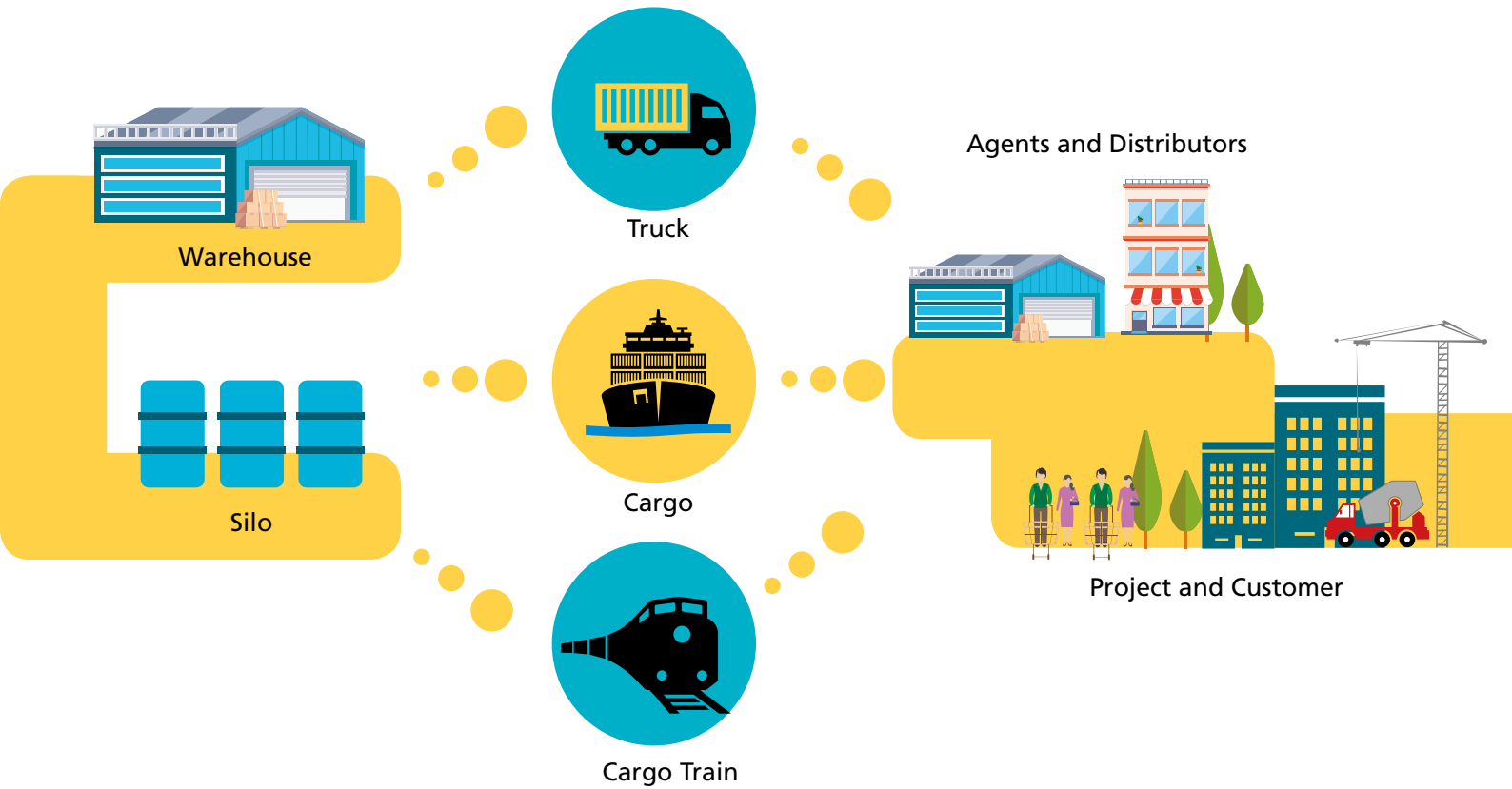
## SEMEN PADANG VALUE CHAIN



RAW MATERIALS AND SUPPORTING MATERIALS	CLINKER	CEMENT
<b>RAW MATERIALS</b>	<b>PLANT</b>	
<ul style="list-style-type: none"> <li>1 Mining</li> <li>Raw Materials through purchase</li> </ul>	<ul style="list-style-type: none"> <li>5 Cement Factory</li> <li>1 <i>Cement Mill Dumai</i> (operated October 2016)</li> </ul>	







PACKING/DISTRIBUTION

MARKETING

DISTRIBUTION AND MARKETING

- 14 Representative Office equipped with Distribution Facilities
- 2 Entity for Packing and Marketing
- 80 Distributor

TYPE OF PRODUCT

1. Semen Portland Tipe I (*Ordinary Portland Cement*)
2. Semen Portland Tipe II
3. Semen Portland Tipe V (*High Sulphate Resistance*)
4. Semen Pemboran OWC (Kelas G-HSR)
5. Semen Portland Komposit (PCC)
6. Semen Portland Pozzolan (PPC)



# VISION, MISSION, AND COMPANY CULTURE [G4-56]

## VISION

### CEMENT COMPANY

The company's scope of business covers the production and sale of cement and other products and services related to the cement industry, namely: Engineering, Cement Equipment, Cement Equipment Manufacturing, Cement's Raw Material, fuel, cement derivative products.

### RELIABLE

Being able to consistently meet customer's needs in terms of both quantity and quality.

### SUPERIOR

Dominating the main market in Sumatra Island.

### ENVIRONMENTAL FRIENDLY

Friendly to environment and society and meeting the applicable laws and regulations.

### IN WESTERN INDONESIA AND SOUTHEAST ASIA

Company's market and business development regions in the future.

# MISSION

- 1. Manufacturing cement and other relevant products as well as trading with emphasis on customer satisfaction.**  
Meeting the needs and providing satisfaction which exceeds customer expectation through cement and other relevant products and services manufacturing and trading.
- 2. Developing competent, professional, Human Capitals with high integrity.**  
Developing human capital capability of the Company to master high competency, act and conduct professionally, and have high integrity.
- 3. Improving engineering capability to develop national cement industry.**  
Developing engineering capability to actively participate in national cement industry development.
- 4. Empowering, developing, and synergizing human capitals with environmental insight.**  
Highly committed in preserving the environment and developing social environment by empowering and synergizing existing human capital.
- 5. To enhance corporate value in a sustainable manner and give the best to the stakeholders.**  
The Company constantly innovates to improve productivity and operational efficiency as well as to develop its business in order to contribute optimally to the stakeholders.

# CULTURE

- 1. Compete with a clear & synergized vision**  
Each Semen Padang individual understands and fully supports corporate vision, which is in line with Semen Indonesia Group (SMIG) vision to improve the company's competitiveness.
- 2. Having High Spirit for Continuous Learning**  
Each Semen Padang individual has high spirit to continually improve his competency, as the effort in adapting occurring changes.
- 3. Act with High Accountability**  
Each Semen Padang individual always implements the mandated duties properly and dares to be responsible for all the actions taken.
- 4. Meet Costumer Expectation**  
Each Semen Padang individual has the commitment to implement his duties with orientation to complying with requirements and exceeding customer expectation.
- 5. Implement Business Ethics with High Integrity**  
Each Semen Padang individual always ensures that the actions taken do not violate applicable ethics and norms and has high integrity.
- 6. Strengthen Teamwork**  
Each Semen Padang individual always strengthens teamwork with colleagues and other relevant parties in order to achieve the best result for the Company.

# MOTTO

## WE'VE DONE IT BEFORE OTHERS THINK ABOUT IT

It means that Semen Padang has a passion for innovate and to quickly seize opportunities to be the best

# MEANING

## GIVING THE BEST

Every individual in Semen Padang has always worked with the best ability and high motivation in accordance with each duties assigned by the Company.

## TO BUILD

Employees of Semen Padang collaboratively provide solutions exceeding the "customer" expectations and contribute to the development of civilization on earth

## A BETTER LIFE

For the sake of better human life from time to time.

# SEMEN PADANG MASTERPIECES

SIK-RIAU BRIDGE



KUALANAMU AIRPORT, NORTH SUMATRA



2002

2006

1992

2003

BARELANG BRIDGE - RIAU ISLAND



KELOK SEMBILAN - WEST SUMATRA



**GRAND MOSQUE - WEST SUMATRA**



**GENTALA ARASY BRIDGE-JAMBI**



**2007**

**2012**

**2009**

**2015**

**SEMEN PADANG HOSPITAL-WEST SUMATRA**



**MEDAN-BINJAI TOLL ROAD - NORTH SUMATRA**



# EVENT HIGHLIGHTS

01



## JANUARY

### Opening Ceremony of K3 Quality Month (12 January)

Semen Padang held a ceremony in commemoration of the National Quality Month with the theme of "Through the Consolidation of K3 Culture, We Increase Productivity and Competitiveness of Free Market."

## FEBRUARY

### K3 Quality Month Blood Drive at GSG (10 February)

Semen Padang carried out blood donation activities during National K3 month and Quality Month 2016. 214 bags of blood was collected from 248 participants donor blood to be submitted to PMI of West Sumatra.



02

03



## MARCH

### SPIE 2 GSG (3 March)

One of the means in improving the Company's operational effectiveness. The number of SPIE participants was 48 teams, more than the previous year.

## APRIL

### Plant Visit of Marketing Area I Customer (7-9 April)

In order to strengthen the relationship with customers (Bathing Plant and Building Stores). Semen Padang invites Plant Visit participants to review the mines and factories. Participants consist of customers of Aceh, Medan, Kepri and Lampung regions.



04

05



## MAY

### Scholarship Delivery (30 May)

Donating scholarship is Semen Padang's routine agenda every semester. The event was attended by thousands of students from elementary to senior high school and university students, principals, companion teachers, sub-district heads and heads of KAN from Padang city. Total funds disbursed amounting to Rp944 million provided to 1,324 people.

## JUNE

### SOE for the Nation Cheap Market (24 June)

Discount Market was held by Semen Padang in five location, spread around Padang. The basic staplefood package was sold for only Rp25,000, from a normal price of Rp150,000.



06



07



## JULY

### Idul Fitri & Directors Gathering to Padang Grand Mosque (6 July)

Eid prayers by thousands of people from Indarung and surrounding areas went smoothly. In addition to commemorating the Eid al-Fitr, Semen Padang also held a gathering for all levels in Semen Padang.

## AUGUST

### SOE for the Nation Healthy Walk (13 August)

Fun Walk began with flag-waving the Minister of SOE at 06.00 WIB at GOR H. Agus Salim Padang. Accompanied by Semen Padang marching band, participants walk along the 5 km route to the beach Muaro Lasak.



08

09



## SEPTEMBER

### Public Information Disclosure (KIP) Award (8 September)

Semen Padang was named as the Best Public Agency regarding Information Disclosure on the Category of BUMN/BUMD in West Sumatera. The award was given by the Deputy Governor of West Sumatra to the President Director of PT Semen Padang at Hotel Bumi Minang Padang.

## OCTOBER

### Dissemination of GRC Fraud and BPKP at WI (26 October)

As a manifestation of the implementation and evaluation of Good Corporate Governance, Semen Padang disseminates the implementation of WBS and FCP to employees, distributors, vendors and contractors. Speaker of this event was from BPKP West Sumatra.



10

11



## NOVEMBER

### Semen Indonesia Award Innovation of Semen Padang in Bali (6-11 November)

Semen Padang Innovation Team got 2 Platinum, 4 Gold and 2 Silver. The event was attended by 362 teams with 1,662 participants, companies participating was more than 180 companies from three countries, namely Indonesia, Malaysia, and Thailand.

## DECEMBER

### Green PROPER Award from the Minister of Environmental Affairs (7 December)

Green PROPER Certificate was submitted by the Minister of Environment and Forestry and received directly by the President Director of Semen Padang. This was an evidence that Semen Padang has performed good environmental management, efficient utilization of resources through 4R and taking appropriate responsibility effort.



12

# ADDRESS OF SEMEN PADANG HEAD OFFICE AND REPRESENTATIVE OFFICES



1. **Headquarters**  
Indarung, Padang 25237, Sumatera Barat  
T: (0751) 815 250  
F: (0751) 815 590 H: [www.semenpadang.co.id](http://www.semenpadang.co.id)
2. **Representative Office**  
Graha Irama Lt. 11  
Jl. HR Rasuna Said Blok X-1, Kav. 1 & 2 Jakarta 12950  
T: (021) 5261272 - 74  
F: (021) 526 1414 H: [www.semenpadang.co.id](http://www.semenpadang.co.id)
3. **West Sumatra Marketing Office**  
Jl. Raya Indarung, Padang 25237  
T: (0751) 202011  
F: (0751) 28973
4. **Aceh Representative Office**  
Jl. Teuku Hasan Dek Beurawa - Banda Aceh  
T/F: (0651) 635505
5. **Kantor Perwakilan Sumut Medan**  
Jl. Sultan Iskandar Muda No. 39 I, Medan  
T: (061) 4156760, 4155642  
F: (061) 4535516
6. **Medan North Sumatra Representative Office**  
Jl. Kapuas Raya No. 11  
Kelurahan Padang Harapan Baru Bengkulu  
T/F: (0736) 22797
7. **Jambi Representative Office**  
Jl. Kapten A. Bakarudin No. 19 Simpang IV Sipin Telanai Pura, Jambi  
T/F: (0741) 669865
8. **Riau Island Representative Office**  
Jl. Lumba-Lumba No.1 Batu Ampar, Pelita Batam  
T: (0778) 413121  
F: (0778) 413889
9. **Riau Representative Office**  
Kompleks Sudirman Raya Jl. Jend. Sudirman Blok C No. 8, Pekanbaru  
T: (0761) 21406  
F: (0761) 856054
10. **Sumatra Representative Office**  
Jl. ...
11. **Medan North Sumatra Representative Office**  
Jl. Kapuas Raya No. 11  
Kelurahan Padang Harapan Baru Bengkulu  
T/F: (0736) 22797
12. **Sumatra Representative Office**  
Jl. ...
13. **Sumatra Representative Office**  
Jl. ...
14. **Sumatra Representative Office**  
Jl. ...
15. **Sumatra Representative Office**  
Jl. ...



**10. South Sumatra Representative Office**

Jl.MP Mangkunegara Lr.Malaka II No.8 RT 12 RW 3, Bukit Sangkal , Kalidoni  
Palembang (30114) HP 081283879164

**11. Lampung Representative Office**

Jl.Lintas Bakauheni KM 18 Desa Rangai triunggal Kec. Katibung Lampung Selatan”

**12. Jakarta Marketing Representative Office**

Jl. Enggano Blok C 4 No. 15, Tanjung Priok, Jakarta Utara 14310  
T: (021) 43936112, 43904390  
F: (021) 43938770

**13. Banten Representative Office**

Komplek PT Pelindo II Cabang Banten Jl Raya Anyer Cilegon Ciwandan, Banten  
T/F: (0254) 4605476

**14. West Java Representative Office**

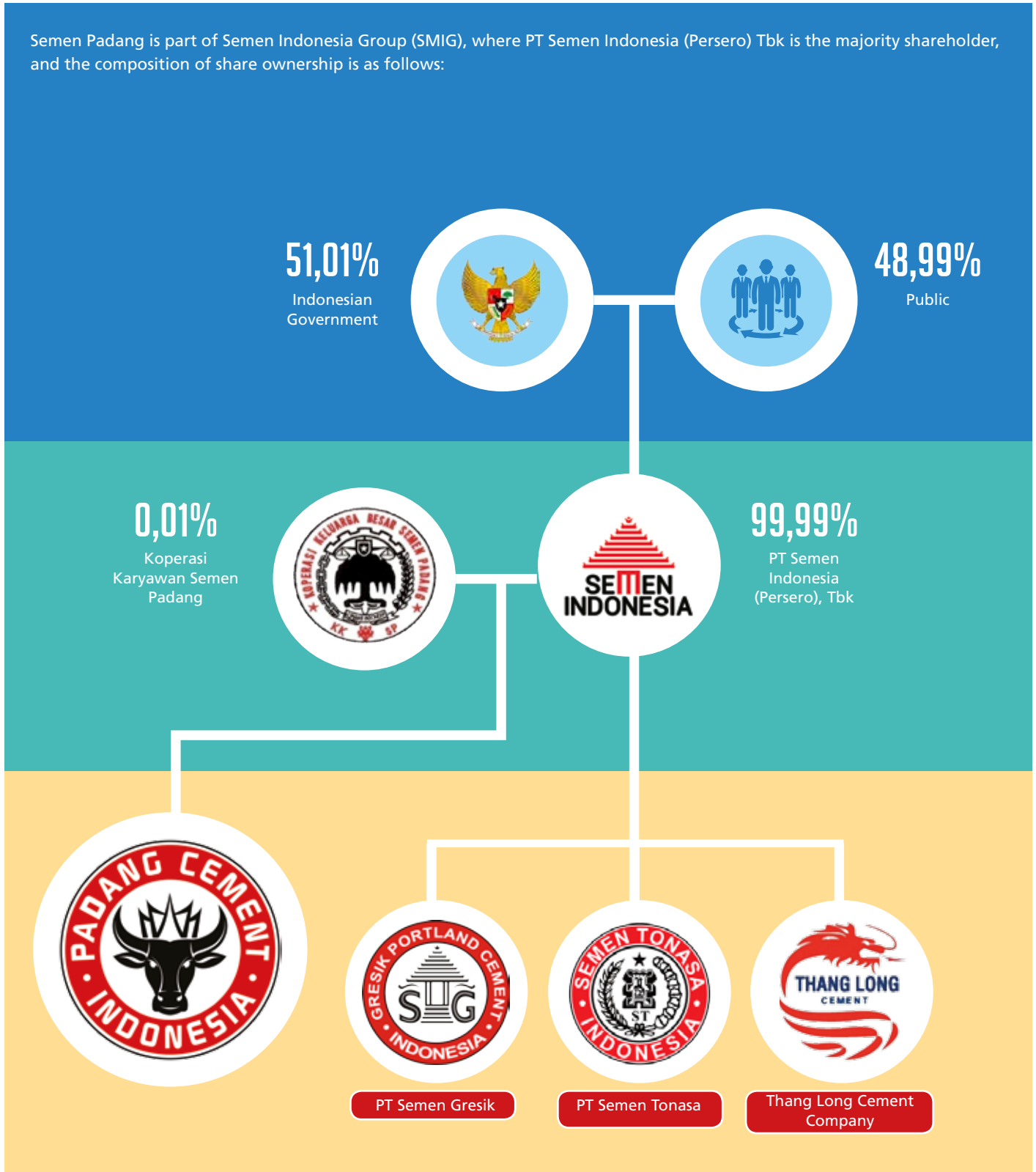
Jl. Cijagra No. 47, Bandung  
T/F: (022) 7331525

**15. Central Java Representative Office**

Kawasan Industri Candi Jl.Gatot Subroto Blok 5 No. 16 Purwoyoso  
Ngaliyan, Semarang  
T/F:024-7625149

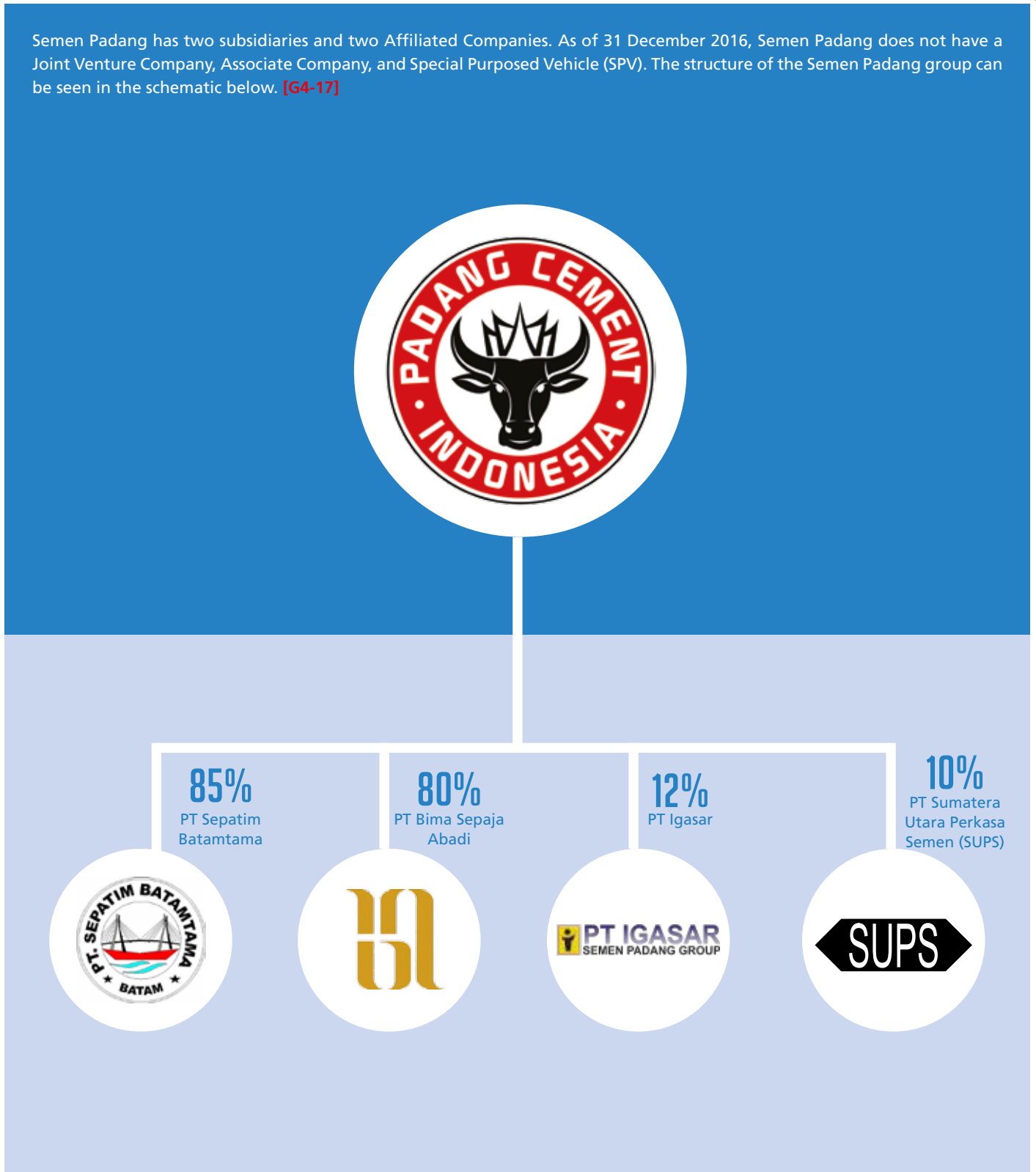
# STRUCTURE AND COMPOSITION OF SEMEN PADANG OWNERSHIP

Semen Padang is part of Semen Indonesia Group (SMIG), where PT Semen Indonesia (Persero) Tbk is the majority shareholder, and the composition of share ownership is as follows:



# SEMEN PADANG GROUP STRUCTURE

Semen Padang has two subsidiaries and two Affiliated Companies. As of 31 December 2016, Semen Padang does not have a Joint Venture Company, Associate Company, and Special Purposed Vehicle (SPV). The structure of the Semen Padang group can be seen in the schematic below. [\[G4-17\]](#)



# SUBSIDIARY PERFORMANCE AT A GLANCE

## PT Sepatim Batamtama



PT Sepatim Batamtama (here in after abbreviated Sepatim) was established on 2 November 1991 by Notarial Deed Ny. Siti Marjami Supangat SH domiciled in Jakarta. Sepatim is basically a joint venture between PT Semen Padang and PT Timsco Development Corporation (TDC) with a total capital investment of Rp7 billion, with the following proportion of ownership; PT Semen Padang by 85% (Rp5.95 billions) and the remaining (15%) PT TDC (Rp1.05 billions). The establishment of the Company has obtained approval from the Minister of Justice of the Republic of Indonesia through Decree No.C2-7377.HT.01.01 in 1992 dated 5 September 1992.

**// In 2016, total assets owned by PT Sepatim Batamtama stood at Rp33 billion, growing 12.4% or Rp4 billion compared to 2015 amounting to Rp29 billion //**

In a further development, on 31 October 2002, there was a transfer of ownership of TDC shares to the Pension Fund of PT Semen Padang (through a share purchase deed No.186) made before the Notary Arry Supratno SH. domiciled in Jakarta. Under an agreement between PT Semen Padang and PT TDC (as approved by notarial deed No. 28 dated 12 February 2002 by Notary Arry Supratno SH), it was agreed that there was an activity of release/ transfer of shares of the company amounted to 15% of the total shares issued by the Company (as much as 1,050,000 shares) owned by PT TDC to PT Semen Padang.

Furthermore, based on the Deed No. 189 dated 31 October 2002 (Notary Arry Supratno SH) it has been carried out changes in the company's authorized capital from Rp35.000.000.000 (thirty five billions rupiah) to Rp28.000.000.000 (twenty eight billions rupiah). Lastly, on 24 November 2012, Dana Pensiun Semen

Padang released 1,050,000 shares to PT Bima Sepaja Abadi (BSA) through the Decision of the Shareholders without going through the mechanism of General Meeting of Shareholders (GMS) of PT Sepatim Batamtama.

Semen Padang Shareholding becomes as follows:  
 PT Semen Padang : Rp5,950,000,000 (85%)  
 PT Bima Sepaja Abadi : Rp1,050,000,000 (15%)

### COMPANY ADDRESS

Jl. Lumba-lumba No. 1 Batam, Kepulauan Riau, Indonesia 29432

### LINE OF BUSINESS

- General Trading
- Cement Packing
- Cement Trading
- Contractor
- Service and General Transportation

### COMPOSITION OF THE BOARD OF COMMISSIONER AND DIRECTORS

#### Board of Commissioners

President Commissioner : Pudjo Suseno, SE.  
 Commissioner : Admartin, ST., MM.  
 Secretary of BOC : Ruky Hendra

#### Board of Directors

President Director : Ir. Tarlo Sembiring, M.T.  
 Director : Alexander Dirgantara, S.Kom., SE.

### PERFORMANCE 2015-2016

In 2016, total assets owned by PT Sepatim Batamtama stood at Rp33 billion, growing 12.4% or Rp4 billion compared to the year 2015 of Rp29 billion.

PT Sepatim Batamtama booked revenues in 2016 of Rp86 billion, down 7.0% or Rp 6 billion compared to 2015 Rp92 billion. Meanwhile, net profit obtained by PT Sepatim Batamtama amounting to Rp956 million fell 48% or Rp1.045 million compared to the year 2015 Rp2.001 million.

## PT Bima Sepaja Abadi



PT Bima Sepaja Abadi (PT BSA) was established on 17 September 1993. Previously, it was a joint venture of PT Bima Siti Wisesa (PT BSW) and PT Semen Padang. PT BSW had the majority of shares with 60%, while PT Semen Padang had a 40% share in PT BSA. In 1997, PT BSW transferred its ownership to PT Bima Intan Kencana (PT BIK), which is also a subsidiary of PT Bimantara.

Since 7 August 2006, PT Semen Padang increased the number of its ownership in PT BSA and PT BIK had 20% shares. Finally, on 8 October 2010, PT BIK performed a release of shares as much as 200 shares to Mr. Drs. H. Hikmayudi Mahmoed through the General Meeting of Shareholders (GMS) of PT BSA.

Initially, PT BSA was established as a company engaged in packing services of Semen Padang in Java Island, and started to operate commercially in 1996. PT BSA diversifies its business by engaging in the distribution business as an effort to expedite the distribution of PT Semen Padang to Jakarta and its surrounding areas. To support the cement distribution business, PT BSA also carries out transportation business by putting investment in vehicles carrying cement to the buyer or customers, both to distributors and retailers. To enhance the portfolio of business ability, PT BSA also implements expedition business (Forwarding)

The Company's share ownership becomes as follows:

PT Semen Padang	: Rp1,600,000,000 (80%)
PT Bima Intan Kencana	: Rp200,000,000 (10%)
Krisman Bahar	: Rp200,000,000 (10%)

### COMPANY ADDRESS

Komplek Perkantoran Enggano Megah Blok A No.5Q Jalan Enggano Raya Tanjung Priok Jakarta Utara 14310.

### LINE OF BUSINESS

1. Cement packing services
2. Cement trading
3. General freight (transportation)
4. Forwarding

**// In 2016, total assets owned by PT Bima Sepaja Abadi were recorded at Rp163 billion, down 10.6% or Rp19 billion compared to 2015 amounting to Rp183 billion**



### COMPOSITION OF THE BOARD OF COMMISSIONER AND DIRECTORS

The structure of the Board of Commissioners and the Board of Directors in 2016 is in line with the Notarial Deed by Varinia SH No. 01 dated 18 August 2016 and the change of the compositions is as follows:

#### Board of Commissioners

President Commissioner	: Ir. Benny Wendry, MM.
Commissioner	: Drs. H. Hikmayudi Mahmoed
Commissioner	: Krisman Bahar
Secretary of BOC	: Hasfi Rafiq, ST.

#### Board of Directors

President Director	: Slamet Suyanto, SE
Director	: Freddo Syukri, SE.

### PERFORMANCE 2015-2016

In 2016, total assets owned by PT Bima Sepaja Abadi stood at Rp163 billion, down 10.6% or Rp19 billion compared to 2015 amounting to Rp183 billion.

PT Bima Sepaja Abadi posted revenues in 2016 of Rp199 billion, down 36.1% or Rp112 billion compared to 2015 Rp311 billion. Net loss earned by PT Bima Sepaja Abadi amounting to Rp1 billion fell 124% or Rp3 billion compared to the year 2015 which earned a profit of Rp 4 billion.

## PT Igasar



PT Igasar existed from a Special Project established by PT Semen Padang in 1971 with the aim to collect, distribute, and develop the creativity of employees and contribute to find a way out of the difficulty of living together at the time. This particular project changed into Yayasan Igasar Semen Padang on 25 January 1972, which aimed at helping the tasks of PT Semen Padang, especially in the areas of social, cultural and economic, thus two commissions were established, the Socio-Cultural commission and the Economic Commission.

Viewing the prospects of Yayasan Igasar Semen Padang in the area of business which is irreconcilable with social activities anymore, the status of the Economic Commission was changed the into limited liability company and it was officially established on 12 September 1974, by deed No. 17 of Notary Abdul Kadir

**// In 2016, total assets owned by PT Igasar stood at Rp111 billion, down 10.6% or Rp13 billion compared to 2015 amounting to Rp124 billion //**

Usman, SH under the name PT IGASAR, and approved by the Minister of Justice on 25 November 1974, while the socio-cultural commission is still managed by Yayasan Igasar.

The Articles of Association has been amended several times and adapted to the Limited Liability Company Act No. 40 of 2007.

Based on the scope of business units owned by PT Igasar, its activities are not only engaged in the distributor and the transport of cement anymore since it has developed in accordance with national economic growth. PT Igasar begins to grow and diversifies its business, some businesses were managed with good performance including the downstream of cement products, construction services and general trading. Cement-based downstream products includes: ready mix concrete, pre-cast concrete, and other building materials, for example,

businesses that take advantage of its main raw materials of cement such as making hollow bricks, paving blocks, concrete panels, kanstein and others.

With the following ownership:

PT Semen Padang	: Rp300,000,000 (12%)
KKSP	: Rp1,700,000,000 (68%)
Yayasan Igasar Semen Padang	: Rp500,000,000 (20%)

### COMPANY ADDRESS

Jl. Raya Indarung Padang, Komplek Semen Padang, Sumatera Barat, Indonesia 25237

### LINE OF BUSINESS

1. Cement distribution for West Sumatra, Riau, Jambi, Jakarta, and Bandung
2. Transportation and heavy equipment
3. Building materials industry
4. Construction
5. General trading

### COMPOSITION OF THE BOARD OF COMMISSIONERS AND DIRECTORS

#### Board of Commissioners

President Commissioner	: Ir. Asri Mukhtar, MM.
Commissioner	: Amral Ahmad, ST., MM.

#### Board of Directors

President Director	: Ir. Dasrial, MM.
Director	: Edwin, SE., Akt.
Director	: Deddy Saptomo, ST.

### 2016 PERFORMANCE

In 2016, total assets owned by PT Igasar stood at Rp 111 billion, down 10.6% or Rp 13 billion compared to 2015 amounting to Rp 124 billion.

PT Igasar recorded revenues in 2016 of Rp414 billion, down 6.9% or Rp31 billion compared to 2015 Rp445 billion. Net profit obtained by PT Igasar of Rp 6 billion fell 856.8% or Rp5 billion compared to 2015 Rp580 million.



## Sumatera Utara Perkasa Semen



PT Sumatera Utara Perkasa Semen, formerly PT Deli Semen, located in Medan was established on 30 April 1982 by deed No. 91 made before Notary Sundari Siregar, SH, in Medan. The Company has undergone several amendments to the deed and the last deed is No. 30 dated 27 August 2008 made before Notary Aida Srifatriani, SH in Medan.

Share composition, in accordance with the deed No. 26 dated 23 June 2001 is as follows:

PT Semen Padang	: Rp402,000,000 (10%)
PT Perusahaan Perdagangan Indonesia	: Rp160,000,000 (4%)
Dana Pensiun Semen Padang	: Rp725,000,000 (18%)
Husman Painan	: Rp2,735,000,000 (68%)

### LINE OF BUSINESS

1. Cement packing services
2. Packing Services

### COMPOSITION OF THE BOARD OF COMMISSIONERS AND DIRECTORS

#### Board of Commissioner

Commissioner : Benas Azhari, SE, MM.

#### Board of Director

Director : Husman Painan

### 2016 PERFORMANCE

The performance achievement of PT Sumatera Utara Perkasa for the 2016 fiscal year is still being audited by public accountants.

**/// Achievement of performance of PT Sumatera Utara Perkasa Semen 2016 book year is still in the process of auditing by public accounting firm ///**



**Photo Title:** Environmentally Friendly Plants

**Photo Location:** Semen Padang Golf Course (Reclamation Park)

**Photo Caption:** Semen Padang Golf Course is built on a former clay mine which was later reclaimed and turned into a golf course.

# SEMEN PADANG'S SUSTAINABLE STRATEGIES

The Company's long term plan is always oriented towards the triple bottom line of 3P (profit, planet and people).



Governance	42
Governance Structure	43
Assessment of Corporate Governance	44
GCG Implementation in Subsidiaries	45
Risk Management	45
Anti Fraud	45
Company Code of Conduct	47
Commitment to Stakeholders	48
Management of Partners	51
Management System and Company Policy	52
Commitment for Superior Performance	52
Management System Standard Certification	54

# SEMEN PADANG'S SUSTAINABLE STRATEGIES



## GOVERNANCE

Semen Padang is fully aware that the implementation of good corporate governance (GCG - Good Corporate Governance) will create sustainable values in the long term which are necessary in facing global competition so that the Company could operate and grow in a sustainable manner.

Semen Padang is determined that effective implementation of GCG is a strategic challenge that requires commitment and is manifested in the form of a systematic and targeted work plan. Therefore, Semen Padang consistently and continuously optimizes the implementation of GCG through infrastructure strengthening, GCG assessment, adjustment of technical guidelines and supporting procedures for GCG implementation.

The Corporate Governance is managed by various policy instruments authorized by the Board of Directors and the Board of Commissioners, which includes the following:

- a. GCG Manual, which governs GCG mechanism, Code of Conduct, Risk Management, Corporate Social Responsibility and Semen Padang Management System (SMSP).
- b. Code of Conduct, which regulates the standards of employee behavior in Semen Padang in order to succeed in the implementation of GCG.
- c. Board Manual, which regulates the main duties and functions of the Board of Commissioners and the Board of Directors, as well as the relationship between the Board of Commissioners and the Board of Directors.



**Photo Title:** Top and Qualified HR

**Photo Location:** ICT Meeting Room 5<sup>th</sup> Floor

**Photo Caption:** On an ongoing basis, the Company continuously strives to form strong, professional human resources who are able to realize the Company's vision and mission. Perusahaan.

- d. Manual and Procedures, which are integrated under Semen Padang Management System (SMSP), which includes: Technical Guidance (level 1), Procedures (level 2), Work Instructions (Level 3), Record (level 4).
- e. Whistle Blowing System, which is a reporting mechanism that can be utilized by stakeholders should there be any alleged violation of the Code of Conduct made by personnel of Semen Padang.
- f. Charter
  - i. Audit Committee Charter
  - ii. Internal Audit Charter
- g. Corporate Culture Book, with a culture known as CHAMPS which is also the corporate culture of Cement Indonesia Group

## GOVERNANCE STRUCTURE [G4-34]

Corporate Governance Structure consists of Main Organs and Supporting Organs.

- a. Main Organs consist of General Meeting of Shareholders (GMS), Board of Commissioners and Board of Directors.
- b. Supporting Organs in the form of supporting committees of the Board of Commissioners established as required by the Company, consisting of the Audit Committee and the Legal and Environmental Committee. While the functions of the Nomination and Remuneration Committee, the Strategy, Risk and Investment Management Committee are centralized within the group. Other supporting organs are Corporate Secretary, Internal Audit, GCG Unit and Risk Management, Management Representative and External Auditor.

## SEMEN PADANG'S SUSTAINABLE STRATEGIES

A full description of the implementation of tasks, responsibilities and governance of the governance organs is available in the Company's 2016 Annual Report under Corporate Governance section.

In 2016, Semen Padang streamlined the Company's organizational structure. The purpose of the streamlining is to optimize the organization and as a part of the implementation of the Company's cost transformation program. Using this reorganization, the Company becomes more focused with changes as well as in expanding jobs in various fields. **[G4-13]**

### Number of Officials in Structure and Level at Semen Padang

Year	BOD	Dept	Bureau	Division
2013	5	17	62	129
2015	4	14	63	121
2016	4	14	63	120

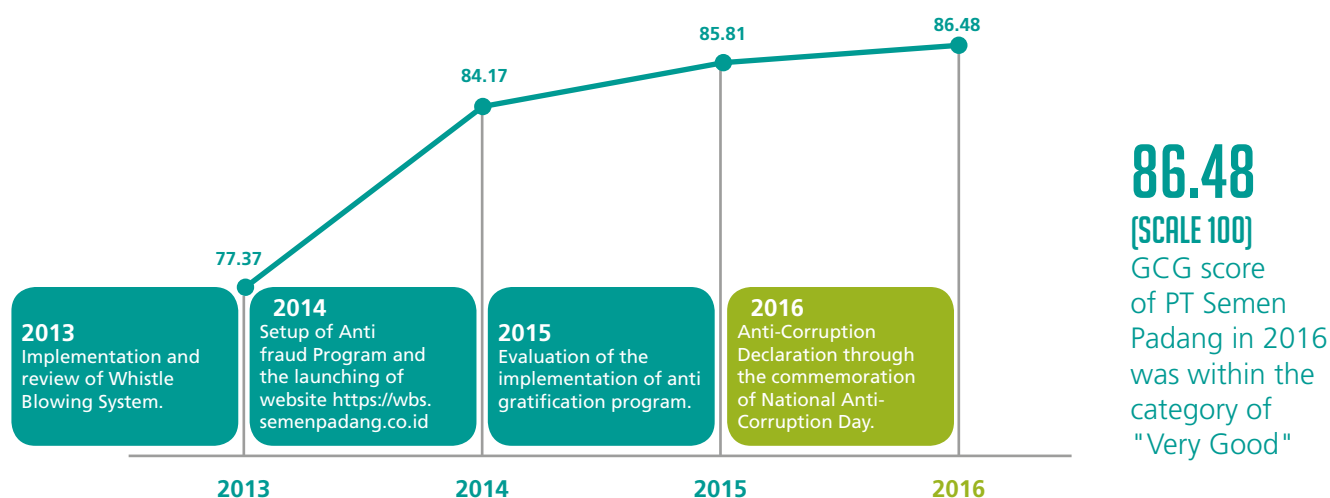
## ASSESSMENT OF CORPORATE GOVERNANCE

Semen Padang performs assessments of the implementation of GCG and reviews them on a regular basis. The assessment is conducted by both internal and external parties who are independent and competent.

Assessment by the internal party is conducted by the Internal Audit, while the evaluation is made by an independent external party. Based on the measurement and evaluation that have been completed, the score and the quality of GCG implementation display an increasing trend from year to year.

In 2016, GCG Assessment is conducted by Internal Audit of Semen Padang under their own criteria in accordance with the ideal structure and process as stated in the Regulation of the State-Owned Enterprises Ministry No. PER 01/MBU/2011 dated August 1, 2011 and Technical Guidance of the Secretary of SOE Ministry of SOE Number SK- 16/S.MBU/2012.

### Results of GCG Implementation Assessment



## GCG IMPLEMENTATION IN SUBSIDIARIES

In 2016, Semen Padang evaluated the implementation of principles and structure of GCG implementation in Subsidiaries and Supporting Entities (APLP). The process begins with monitoring and assistance for the completion of the improvement recommendations of GCG implementation assessment in 2014 to 3 (three) APLPs in Semen Padang namely PT Bima Sepaja Abadi, PT Sepatim Batamtama and PT Igarar.

Through the process of synergy with subsidiaries in the implementation of GCG, the strengthening and alignment of GCG implementation in subsidiaries could improve their performance and give optimal contribution.

## RISK MANAGEMENT

# 3.95

(SCALE 5)

The achievement of RML PT Semen Padang index in 2016 was within the category of "Managed"

GCG and Risk Management are units under the Main Directorate and directly report to the Corporate Risk Manager as part of Semen Padang's commitment to ensure that the implementation of GCG and Enterprise Risk Management (ERM) has been performed comprehensively, effectively and efficiently.

In managing and controlling risks, Semen Padang refers to Risk Management Technical Guidelines prepared in accordance with ISO 31000: 2009 and other provisions and supported by Standard Operating Procedures (SOPs) at the implementation level.

Socialization of risks to all personnel in Semen Padang management is made through Workshop and Risk Management socialization programs to all representatives of risk officer from each work unit. Accordingly, Semen Padang is protected against losses due to violation of rules and regulations applicable in the conduct of its operational activities.

## ARCHIVING STRENGTHENS GOVERNANCE

One of the real efforts to become a better company (good governance) is made by managing the archives. In the process of managing Semen Padang archives based on Archives Technical Guidelines and Archive Retention Schedule (JRA), Semen Padang also adopts the classification coding system.

Consistency in improving the procedures of managing, arranging, sorting, and maintaining the archives performed by Semen Padang has been appreciated by the BUMN Archive category from National Archives of Indonesia (ANRI).



## ANTI FRAUD [G4-58]

Fraud is one form of corrupt action that harms a high number of stakeholders. Fraud also contradicts with the efforts of Semen Padang to create efficiency in reducing costs in encountering the increasingly tightening market competition.

Semen Padang undertakes fraud prevention efforts as a part of the implementation of good corporate governance. Prevention initiatives are conducted through socialization and fraud reporting mechanisms. [G4-DMA]

## SEMEN PADANG'S SUSTAINABLE STRATEGIES

The Fraud Control Program (FCP) was inaugurated on 22 July 2014, which is the fraud prevention program that includes the Whistle Blowing System, gratuity control and the implementation of the State Property Wealth Report (LHKPN). FCP has been implemented in Semen Padang in cooperation with the West Sumatera Province's Finance and Development Supervisory Board.

To improve integrity, the work force, through the socialization and application of code of conduct, implement the cultural transformation and implementation of the Whistle Blowing System in a consequent manner. In addition, the work procedure is improved to be more transparent and accountable in accordance with the best practices of Good Corporate Governance.

**[G4-SO5]**

As part of Fraud Control Program implementation, Semen Padang conducted fraud risk assessment in 2014, involving all work units in the Company. Based on the assessment, the level of fraud risk was in the medium category.



In 2016, Semen Padang created a Memorandum of Understanding (MoU) with the Corruption Eradication Commission (KPK) for the implementation of the Gratification Control (PPG) Program. Semen Padang has also compiled and ratified the Gratification Handling Procedure no. PR / PGW / 375 which governs the reporting of acceptance of gratification as well as the Technical Guidelines of Fraud Control Program (FCP).

Then in December 2016, in conjunction with the National Anti Corruption Day, Semen Padang held a National Anti-Corruption Day Seminar which was attended by Directors, Commissioners, distributors, Semen Padang vendors, ninik mamak and employees of Semen Padang.

The presentations in the seminar were made by the Director of West Sumatera Police Department Drs. Margiyanta, SH, and Head of BPKP West Sumatra Representative Drs. Herman Hermawan. In addition to holding a seminar, GCG & Risk Management Bureau of PT Semen Padang also held a series of activities. They include among others the approval of the annual statement board of PT Semen Padang, and launching of Gratification Showcase.

Through a comprehensive anti-fraud prevention and socialization mechanism within Semen Padang, during 2016 there was no incident of corruption in the Company. **[G4-SO5]**

**Anti-corruption Socialization Activities**

Activities	Group of Participants	Total Participants	% of Population
Socialization of Anti fraud/Anti Corruption	BOD and BOC	8	100%
	Employees	400	30%
Declaration of Compliance - Integrity Pact	Employees	1,443	84%
	Distributor	72	100%
	Vendor		
Socialization of Code of Conduct	Employees	400	30%



**COMPANY CODE OF CONDUCT [G4-56]****400** EMPLOYEE

Participants of the Socialization of the Code of Ethics

**84** %

Statement of Compliance - Employee Integrity Pact

**100** %

The presence of Directors and Dekom in Socialization of Anti fraud / Anti Corruption

**100** %

Compliance Statement - Integrity Pact Distributor and Vendor

Implementation of the principles in GCG has become a part of the core corporate culture set forth in the Company's Code of Conduct. The Code of Conduct must be implemented by all personnel of Semen Padang, including Board of Commissioners, Board of Directors and Employees.

The Code of Conduct serves as the basis for establishing and managing consistent behavior based on ethical sensibility, ethical reasoning and ethical conduct as part of the efforts to foster high integrity. Code of conduct includes the obligation of all personnel of Semen Padang not to give donations to political parties and political activities.

Semen Padang is also fully committed to complying with all business ethics, conducting business by upholding fair and reasonable competition principles and abiding by the principles of anti-competitive practices and anti-monopoly practices.

**CODE OF CONDUCT**

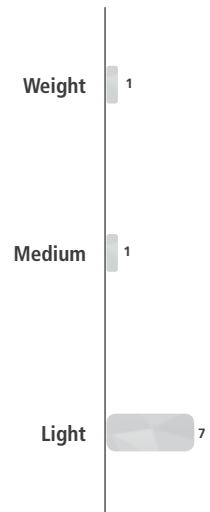
The Code of Ethics of Semen Padang regulates the following matters:

1. **Corporate Conduct Policy**  
It is a guideline on how to behave for Semen Padang personnel in terms of interacting, behaving and acting according to rules and ethics in accordance with applicable provisions.
2. **Socialization**  
It is a way to provide understanding and to explain the Company's Code of Conduct to Semen Padang personnel and other stakeholders.
3. **Code Violations**  
It is a violation against the Code of Conduct of Semen Padang.
4. **Violation Reporting Mechanism**  
It is a procedure for reporting violations of the Code of Conduct of Semen Padang.
5. **Arrangement of providing and receiving of gifts and donations**  
It is a rule concerning the acceptance and provision of gifts and donations that may cause conflicts of interest and or decrease public confidence in the integrity of Semen Padang.
6. **Declaration of Compliance with the Company's Code of Conduct**  
It is a statement concerning the understanding and willingness to comply with Semen Padang Code of Conduct.}

INTERNALIZATION METHOD OF CODE OF CONDUCT



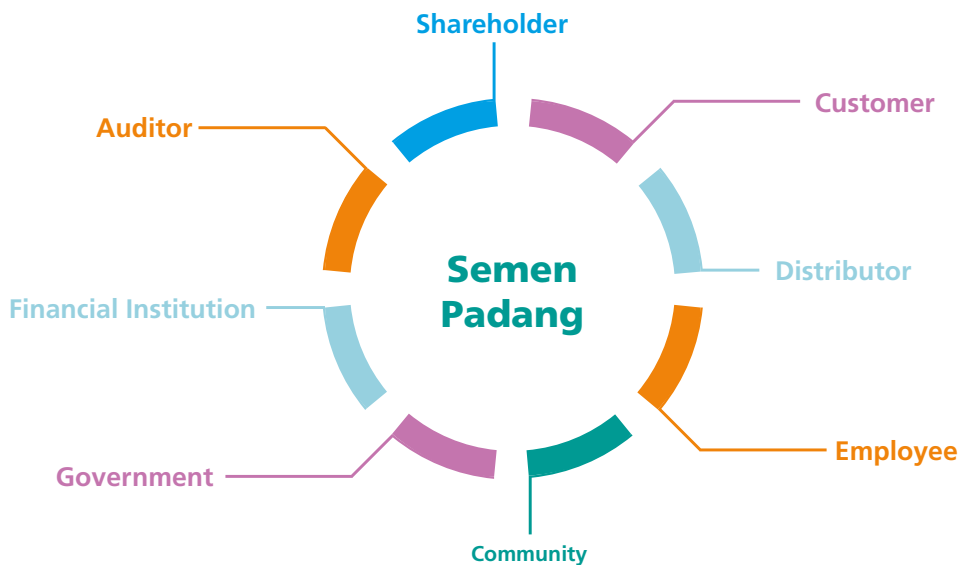
DISCIPLINARY ACTIONS AGAINST THE CODE



COMMITMENT TO STAKEHOLDERS

Semen Padang is fully aware that the Company and its stakeholders influence each other, and stakeholders' views and assessments of the Company's performance can have an economic, social and environmental impact.

Stakeholders of Semen Padang [G4-24]



In managing stakeholders, Semen Padang is committed to maintain mutually beneficial relationships to each party, so that relevant interests and needs can be fulfilled and contribute to the Company's long-term sustainability.

### Semen Padang's Commitment to Stakeholders.

Stakeholders	Stakeholders' Value
Shareholders	The Company protects the rights of Shareholders which are decided in a General Meeting of Shareholders (GSM), Shareholder's right to obtain timely and regular information materials including but not limited to full explanation and accurate information regarding the conduct of the GMS, as well as Shareholder's right to receive profit sharing under the Company's Articles of Association and applicable laws and regulations.
Customers	The Company strives to be the best choice for its customers. All business deals are done fairly based on professional equality and attitude and provide the best service to create mutually beneficial long-term relationships for both parties.
Suppliers	The Company maintains good relationships with suppliers, based on the principles of equality, trust, honesty, and mutual respect, and provides equal opportunities for suppliers.
Employees	In making decisions regarding the acceptance of Employees and hiring of Employees, the Company must have written rules or regulations that clearly govern the recruitment pattern and the rights and obligations of the Employees which, among others, include but not limited to matters concerning the determination of salaries, training, career, and other work requirements, regardless of ethnic, racial, religious, gender, or other special circumstances protected by applicable laws and regulations. The Company also strives for the safety of labor and freedom from every kind of pressure or intimidation that may arise as a result of differences in character, personal circumstances and cultural background.
Community	The Company is committed to promote and contribute to the development of surrounding communities in particular by conducting environmental conservation activities and other activities that can enhance benefits, as well as maintaining open communication with various elements of society.
Government	In establishing relationships with the Government, the Company pays attention to every provision of legislation and policies made at every level.
Financial institutions	The Company maintains relationships with creditors based on commitment, trust, honesty, mutual respect, and equal opportunity for creditors.
Auditor	The Company maintains good relations with the Auditor to conduct audit or assessment activities on the implementation of the company's activities.

To create mutually beneficial benefits, Semen Padang organizes stakeholder engagement activities through various media covering a variety of relevant topics. The forms of interaction of the Company with Stakeholders are as follows:

### Methods and Frequency of Stakeholders Engagement [G4-25][G4-27]

Stakeholders	Method of Engagement	Frequency of Meeting	Stakeholder Hope
Shareholders	Share ownership / capital of GMS	At least once a year	<ol style="list-style-type: none"> <li>1. Increasing the value of investment through improvement of company performance</li> <li>2. Acquisition of Dividend</li> <li>3. Respect and fulfilment of shareholders' rights</li> </ol>
Customers	Complaint management and customer service	Adjustable	<ol style="list-style-type: none"> <li>1. Product Quality is maintained</li> <li>2. Security of delivery and use of the product</li> <li>3. Timely Delivery</li> <li>4. Competitive price</li> </ol>
Suppliers	Regular meetings, Policy dissemination	At least once a year	<ol style="list-style-type: none"> <li>1. Procurement process is fair and transparent</li> <li>2. Objective selection and evaluation in partner selection</li> <li>3. Accurate procurement administration procedures</li> <li>4. Timely completion of payment of products and services</li> <li>5. A useful reciprocal relationship</li> </ol>
Financial Institutions	Intensive communication	As needed	<ol style="list-style-type: none"> <li>1. On time completed payment of credit Finance</li> <li>2. Increased investment value</li> </ol>

## SEMEN PADANG'S SUSTAINABLE STRATEGIES

## Methods and Frequency of Stakeholders Engagement [G4-25][G4-27]

Stakeholders	Method of Engagement	Frequency of Meeting	Stakeholder Hope
Employees	Through Semen Padang Workers Union (SPSP) and Employee Communication Forum	At least once a year or as needed	<ol style="list-style-type: none"> <li>1. Clarity on employees' rights</li> <li>2. Equality in career path and remuneration</li> <li>3. Ensuring the welfare of employees</li> <li>4. Maintaining the comfort of the working environment</li> </ol>
Community	<ul style="list-style-type: none"> <li>• Philanthropy and Empowerment</li> <li>• Monitoring and program evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Routine meeting at least bimonthly</li> <li>• Routinely at least once a month</li> </ul>	<ol style="list-style-type: none"> <li>1. Minimizing the company's operational impact on the community environment</li> <li>2. Positive contribution to economic life, social, culture, and environment.</li> <li>3. Community involvement in every activity</li> <li>4. The establishment of a harmonious relationship with the community</li> </ol>
Government	Meetings and working visits	Adjustable	<ol style="list-style-type: none"> <li>1. Compliance to the applicable laws and regulations</li> <li>2. Positive contribution to society</li> </ol>
Auditor	Audit implementation	At least once a year	Fulfilment of data and documentation needs in a timely manner

Semen Padang also contributes actively to organizations and associations relevant to the Company's sustainability. Contributions are provided in the form of engagement and sharing of knowledge and experience in forums organized by the organization, including obtaining input for the Company.

## Membership of Semen Padang in External Organizations [G4-16]

No	Name	Status
1	Indonesian Cement Association	Member
2	CFCO West Sumatera	Chairman
3	Social and Environmental Responsibility Forum of West Sumatera	Chairman



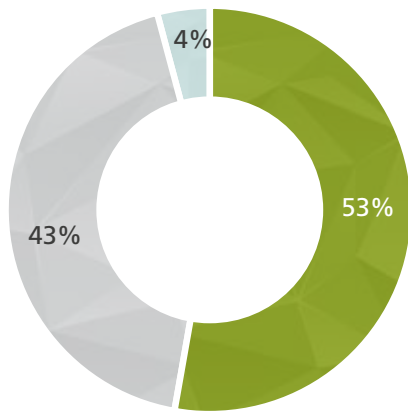
## MANAGEMENT OF PARTNERS [G4-12]

To develop the important role of local partners in absorbing workforce and improving local people welfare, Semen Padang adopts the principle of professionalism in cooperation with all partners, including compliance with quality standards, Occupational Health and Safety Management System (SMK3), commitment to environmental sustainability and compliance with the aspects of human rights (HAM) for the major vendor partners.

The human rights compliance provisions are applicable to major suppliers and or large project managers of Semen Padang with significant investment value. Several clauses related to human rights that must be met by key suppliers and partners include:

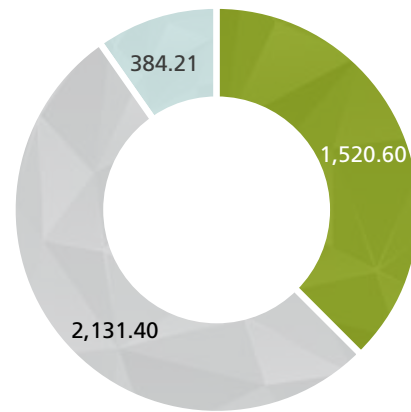
1. It is prohibited to employ under-aged children.
2. Work compensation shall be given in accordance with the minimum wage stipulated by the government.
3. Working hours and lunch breaks shall be made in accordance with the Labor Law. Semen Padang periodically evaluates the list of its partners on a routine basis, both during the employment period and at the end of the employment contract, as the basis for the assessment for the next selection process which is performed in a transparent and accountable manner. For such purpose, Semen Padang is currently socializing the Procedures of Procurement of Good and Services, which involve internal controls to avoid any conflicting interest. During the reporting year, all major partners have undertaken the screening process.

NUMBER OF PARTNERS BY DOMICILE



PURCHASE VALUE BASED ON DOMICILE

(Rp billion)



■ Local ■ National ■ International

## MANAGEMENT SYSTEM AND COMPANY POLICY

The Company's long-term plan is always oriented towards the triple bottom line of 3P (profit, planet and people), by seeking harmony between sustainable profit growth, environmental development and people welfare, especially for those near the vicinity of the Company, based on Good Corporate Governance.

### Company Policy is Oriented on the Principle of Triple Bottom Line



To implement the established policy, Semen Padang develops a management system that regulates the aspects of the Company's management. Semen Padang Management System (SMSP) includes the policy and implementation procedures for management and executives. SMSP is prepared in an integrated manner with reference to international standards and relevant best practices for implementation.

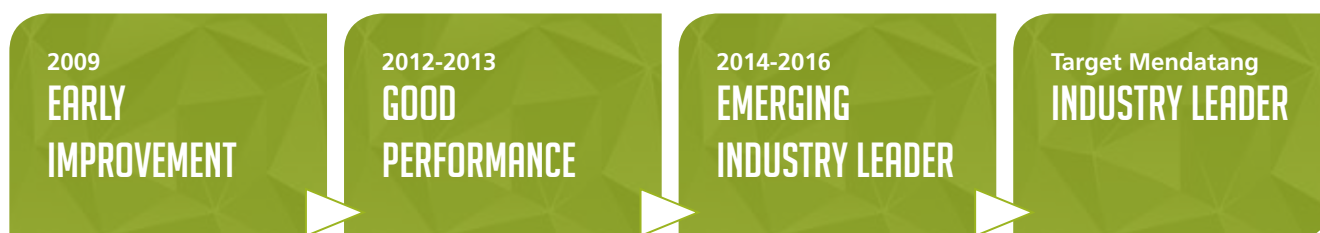
SMSP organizes 9 key aspects of Semen Padang business processes, namely Effectiveness and Efficiency, Sustainability and Innovation, Quality, Health and Safety, Environment, Security, Legal, Data Accuracy and Corporate Social Responsibility CSR.

### COMMITMENT FOR SUPERIOR PERFORMANCE

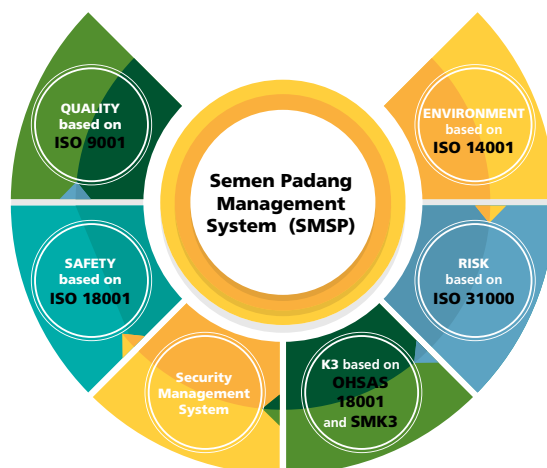
Since 2009 Semen Padang has implemented Baldrige Excellence Framework in order to complete the cycle of management system, business process and company performance. Through this approach, the adoption of various standards does not only cease at the stage of certification but also supports the achievement of the Company's targets.

The Baldrige Excellence Framework - formerly known as Malcolm Baldrige Criteria for Performance Excellence - is one of the most comprehensive practices that Semen Padang uses to compare, assess and improve management systems, business processes and performance to achieve excellent performance.

### Comparison of Assessment Results Baldrige Excellence Framework



### Aspects and Standards Adopted in SMSP [G4-15]



The consistency in applying management systems based on international standards is examined by independent parties through periodic certification audits. In its implementation, Semen Padang has always been able to demonstrate the compliance of management practices with relevant standards.

## COMPANY POLICY [G4-DMA GENERIK]

To manage cement business based on sound industrial and commercial principles by applying the principles of good corporate governance, PT Semen Padang as a Company in cement industry is committed to:

1. Aligning the Company's strategy map with the strategy map of Cement Indonesia (Holding Company), and still referring to the Company's Long Term Plan (RJPP) which is elaborated into Corporate Work Plan & Budget (RKAP) to improve the synergy of Semen Indonesia Group
2. Increasing the value and growth, as well as the competitiveness of enterprises through the strengthening of marketing which is oriented to core market, increasing operation productivity and efficiency in all areas and corporate business development.
3. Meeting customer expectations for all products being produced and marketed by meeting the quality requirements, providing best service, and having the valid test results supported by integrated management system.
4. Increasing the responsibility and awareness to stakeholders, including;
  - a. Environmental management which includes the prevention of air pollution and emission control, the management of B3 (Hazardous and Toxic Waste) and non B3 waste, water conservation, energy saving and biodiversity protection.
  - b. Effective and efficient management of resources.
  - c. Safety and health protection by maintaining safe and healthy working environment and preventing accidents.
  - d. Implementation of corporate social responsibility (Corporate Social Responsibility) in an effective and sustainable manner
  - e. Safeguarding of assets and smooth running of the Company's operations
  - f. Management of the archives in a proper and accurate manner
5. Implementing Good Corporate Governance (GCG) and risk management, as well as prevention of fraud in the Company's operations.
6. Administering the laws, prevailing regulations, and other requirements.
7. Developing competent and professional human resources to support the implementation of all corporate commitments.

## MANAGEMENT SYSTEM STANDARD CERTIFICATION



### Integrated Management System Certificate

- ISO 14001:2004/SNI 19 – 14001:2005 Certificate
- SNI ISO 9001:2008
- OHSAS 18001:2007

Scope	Integrated Management System
Issued by	Sucofindo International Certification Services
Effective Date	6 January 2015–24 January 2018

### SNI ISO 9001:2008 Certificate

Scope	Quality Management Systems – Requirements
Issued by	Sucofindo International Certification Services
Effective Date	11 August 2015–10 August 2018



### ISO 14001:2004/SNI 19 – 14001:2005 Certificate

Scope	Environmental Management Systems – Requirements with guidance for use
Issued by	Sucofindo International Certification Services
Effective Date	25 January 2015–24 January 2018

### OHSAS 18001:2007 Certificate

Scope	Occupational Health and Safety Management System - Requirements
Issued by	Sucofindo International Certification Services
Effective Date	11 August 2014–10 August 2017



### Occupational Health and Safety Management System Audit Certificate

Scope	Occupational Health and Safety Management System
Issued by	Minister of Manpower and Transmigration
Effective Date	14 May 2014–14 May 2017

### Security Management System Audit Certificate

Scope	Has implemented the Spontaneous Security system based on the regulation of the Chief of the Police Force of the Republic of Indonesia No. 24 of 2007 with Gold Reward achievement
Issued by	Chief of Police Force of the Republic of Indonesia
Effective Date	15 January 2013–15 January 2016



### ISO-IEC 17025-2005 Testing Laboratory Accreditation Certificate

Scope	
Issued by	Chairman of the National Accreditation Committee
Effective Date	17 September 2014–16 September 2018

### Certification of Authority to Use the Official API Monogram API Spec. Q1 and API Spec. 10A

Scope	API Well Cement Class G, Type HSR
Issued by	API (American Petroleum Institute)
Effective Date	4 May 2015–6 March 2017








**SNI Logo Branding Product Certificate**

Scope	Drilling Cement
Issued by	Product Certification Institution, Standardization Center, Department of Industry
Effective Date	12 November 2013–1 May 2017

**Statement of Port Facility Security Compliance Certificate**

Scope	International Code for The Security of Ships and Port Facilities (ISPS Code)
Issued by	Director of Marine and Coast Guard Unit, Deputy Director of Patrol & Security
Effective Date	22 December 2014–21 December 2019





**SNI Logo Branding Product Certificate**

Scope	Pozolan Portland Cement
Issued by	Product Certification Institution, Standardization Center, Department of Industry
Effective Date	10 October 2013–1 May 2017

**SNI Logo Branding Product Certificate**

Scope	Composite Portland Cement
Issued by	Product Certification Institution, Standardization Center, Department of Industry
Effective Date	10 October 2013–2 May 2017

**SNI Logo Branding Product Certificate**

Scope	Mixed Portland Cement
Issued by	Product Certification Institution, Standardization Center, Department of Industry
Effective Date	10 October 2013–2 May 2017

**SNI Logo Branding Product Certificate**

Scope	Portland Cement Type I, Type II, Type III, and Type IV
Issued by	Product Certification Institution, Standardization Center, Department of Industry
Effective Date	10 October 2013–2 May 2017




**Archiving Accreditation A Certificate**

Scope	Law No. 43 of 2009 on Archiving & Government Regulation No. 28 of 2012 on the Implementation of Law No. 43 of 2009 on Archiving
Issued by	National Archive of the Republic of Indonesia
Effective Date	17 June 2015–17 June 2020



**Photo Title:** Connecting Bridge of Batam Island, Rempang Island and Balang Island (BARELANG)

**Photo Location:** City of Batam

**Photo Caption:** BARELANG Bridge is built using cement from Semen Padang and is the main icon of the City of Batam.

# SEMEN PADANG AND DEVELOPMENT

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In 2016 the export of cement and slag was realized at 485,068 tons or an increase of 87,622 tons targeted to the Southern Asian countries



National and International Standard Products	60
Certification of Cement Products	61
Cement for Building	62
Best Sales and Services	63
Sharing of Benefits	65

# SEMEN PADANG AND DEVELOPMENT



The economic growth of a region is strongly influenced by the availability and quality of infrastructure in the region. When the infrastructure is made available and more complete, the economic growth will develop more rapidly.

Cement is one of important products for the physical development of infrastructure and buildings. With this product, Semen Padang supports development activities in Indonesia especially in the western part of Indonesia.

For over a century Semen Padang has been producing quality cement trusted by public. In addition, as a business entity, Semen Padang contributes significantly to the economic, social and environmental development for the surrounding areas through local revenue and social and environmental responsibility activities.

**7,4** MILLION TONS  
Production capacity

**6,45** MILLION TONS  
Cement Production

**10,2** %  
Market Share of Indonesia



**Photo Title:** Collaboration in achieving goals

**Photo Location:** Meeting Room in the Head Office

**Photo Caption:** Coordination between work units is carried out regularly to ensure the achievement of targets that have been set.

## OUR SUSTAINABILITY STRATEGIES

### Semen Padang Campin Nagari

To expand business contribution for the region, we set the pillar of the Campin Nagari CSR, which is linked to the core subjects of ISO 26000: fair operation, governance and customer voice. Pillar of Campin Nagari's main programs include:

1. **Marketing Program:** certification of construction workers / builders, affordable and sustainable housing programs, sustainable products and services.
2. **R & D and Quality Assurance Program:** Innovation of cement derived products for sustainable construction
3. **Implementation of Governance, Risk and Compliance in an integrated manner**

## NATIONAL AND INTERNATIONAL STANDARD PRODUCTS

Semen Padang products are all in compliance with Indonesian National Standard and they are manufactured in accordance with ISO 9001 international standards in our factories. The quality of our products has been trusted not only in the domestic market but also in the regional market.

Through 6 cement plants in Padang and 1 cement mill in Dumai, Semen Padang produces cement and slag to meet market needs. The entire plant's capacity is 7.4 million tons of cement per year and will increase by 3 million tons per year when the Indarung VI plant operates in 2017.

Semen Padang focuses on product sales in Sumatra by increasing the special type of cement production required by this market. Semen Padang maintains a distribution network all over Sumatra, Jakarta, West Java and Banten. The market areas of Semen Padang include Aceh, North Sumatra, West Sumatra, Riau Mainland, Riau Islands, Jambi, Bengkulu, South Sumatra, Bangka Belitung, Lampung, DKI Jakarta, Banten, West Java and Central Java.

In addition, Semen Padang has also increased its export portfolio with an average export volume of 40 thousand to 50 thousand tons per month. The current export destinations of Semen Padang include Sri Lanka, Bangladesh, and Africa.

### CEMENT PRODUCTION

(Million tons)



Cement is produced by Indarung I - V Padang and Cement Mill Dumai factories

### SLAG PRODUCTION

(Million tons)

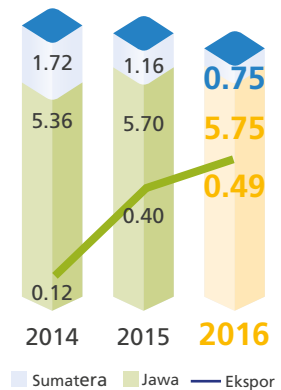


Slag is a semi-finished product that is a mixture for cement products.

Slag is produced in Indarung II-V plant using dry process.

### SALES

(Million tons)



**10.2%**

The market share of Semen Padang in the sales of cement in Indonesia.

**22%**

Increase in cement exports.

**CERTIFICATION OF CEMENT PRODUCTS**

**Certification of Authority to Use the Official API Monogram API Spec. Q1 and API Spec. 10A**

Scope	API Well Cement Class G, Type HSR
Issued by	API (American Petroleum Institute)
Effective Date	4 May 2015–6 March 2017



**SNI Logo Branding Product Certificate**

Scope	Drilling Cement
Issued by	Product Certification Institution, Standardization Center, Department of Industry
Effective Date	12 November 2013–1 May 2017



Semen Padang and Development

**SNI Logo Branding Product Certificate**

Scope	Pozolan Portland Cement
Issued by	Product Certification Institution, Standardization Center, Department of Industry
Effective Date	10 October 2013–1 May 2017



**SNI Logo Branding Product Certificate**

Scope	Composite Portland Cement
Issued by	Product Certification Institution, Standardization Center, Department of Industry
Effective Date	10 October 2013–2 May 2017



**SNI Logo Branding Product Certificate**

Scope	Mixed Portland Cement
Issued by	Product Certification Institution, Standardization Center, Department of Industry
Effective Date	10 October 2013–2 May 2017



**SNI Logo Branding Product Certificate**

Scope	Portland Cement Type I, Type II, Type III, and Type IV
Issued by	Product Certification Institution, Standardization Center, Department of Industry
Effective Date	10 October 2013–2 May 2017



## CEMENT FOR BUILDING [G4-EC7]

Semen Padang products have been widely used in major physical development projects, particularly in Sumatra. Our products are trusted to build high rise buildings, roads and bridges including the monumental works by our fellow Indonesians.

In 2016, Semen Padang products were consumed for Bareleng Bridge and the 15th floor of Best Western Premier Panbil Hotel in Batam, both of which utilized 100% of Semen Padang products. Previously Semen Padang products were also utilized to build the National Monument and Indonesia Stock Exchange in Jakarta, Tsunami Monument - Aceh, Kuala Namu Airport - North Sumatra, and Sembilan Kelok Flyover Bridge in West Sumatra which has now been known worldwide.



To support infrastructure development, Semen Padang has worked in cooperation with State-Owned Enterprises (SOEs). One of which that is currently ongoing is the construction of the Lintas Sumatera toll road which represents the government program to improve transportation infrastructure.

Throughout 2016, in addition to the construction of the Lintas Sumatera toll road, the joint cooperation contracts of Semen Padang and BUMN works have also been implemented in development projects in North Sumatra, Lampung and South Sumatra.

## SIGNIFICANCE OF INFRASTRUCTURE

Referring to the World Development Report (World Bank, 1994), infrastructure plays an important role in promoting economic growth where higher economic growth is found in areas with sufficiently available infrastructure.

The elasticity of GDP (Gross Domestic Product) to infrastructure in a country is between 0.07 and 0.44, which means that an increase in infrastructure availability of 1% will lead to GDP growth of 7% to 44%. Infrastructure is considered as a capital to trigger national economic growth, to create jobs and to create multiplier effects to national and regional economy.

As one of the largest cement producers in the country, Semen Padang has become a part of Indonesia's infrastructure particularly in the Western parts in the form of roads, bridges and various other buildings. In the future, we continue to support the development that has been declared by the Government in the National Development Nawacita which is the equal distribution of infrastructure.

Particularly in Sumatra, the demand for cement in 2016 rose by 6% higher than the national average of 3.3%. The increase in demand in Sumatra is triggered by the increasing level of infrastructure development in Sumatra, with the construction of the Trans Sumatera toll road. Such growth has become an opportunity for Semen Padang as well as the economic growth of Sumatra.



## BEST SALES AND SERVICES

Semen Padang maintains a major market in Sumatera area, in addition Semen Padang also markets its products in Java region and also in foreign countries in South Asia.

Semen Padang is committed to maintaining its national market share at 10.2%. Although the cement production from the factory itself is still limited to the market of Sumatra and parts of Java, Semen Padang seeks to meet the market demand by buying cement and slag from the entities within Semen Indonesia Group, from external entities outside the group and from imported products. In 2016, Semen Padang's market share in Sumatera reached 42.5%.

In providing community products, Semen Padang prioritizes the quality of products that conform to standards and services across the entire cement business chain. The Company always opens up opportunities to independent surveyors to conduct periodic inspection of commitment in the implementation of production system and consistency of product quality according to the required standards.

To maintain loyalty and improve customer satisfaction, Semen Padang conducts sales support and customer service processes, namely:

Provision of Product Information	Technical Services	Customer service	Handling of Complaints
<p>Each packing comes with cement specification information, that is:</p> <ol style="list-style-type: none"> <li>1. Symbol / logo of Semen Padang manufacturer</li> <li>2. Product name</li> <li>3. Indonesian National Standard Number (SNI)</li> <li>4. Product Registration Number (NRP).</li> <li>5. Weight in package (weight of contents).</li> <li>6. Type of cement / product.</li> <li>7. Description of the type, excellence and use of the product.</li> <li>8. Instructions for product protection and safety information.</li> <li>9. Measurement / composition of usage.</li> <li>10. Safe storage methods and product instructions.</li> <li>11. Customer service number in case of complaint / reports.</li> </ol>	<p>Technical service centers and Technical Service teams from various units conduct product socialization and provide technical support to prospective customers of Semen Padang.</p> <p>Technical information is provided on the use of products in a good, correct, and appropriate manner to achieve economical and high quality product utilization.</p>	<p>Information concerning Cement Indonesia products and services is available at all times to prospective customers. Semen Padang provides customer service facilities, through:</p> <ul style="list-style-type: none"> <li>- Phone number + 62-800-1-888-222 (toll free)</li> <li>- Email <a href="mailto:layanannya@semenindonesia.com">layanannya@semenindonesia.com</a></li> </ul>	<p>Each customer complaint is followed up based on standard procedures, which include:</p> <ol style="list-style-type: none"> <li>1. Coordination with technical service team to observe customers, including by using mobile bag to take samples in the field.</li> <li>2. Evaluation and solution of problems</li> </ol>

# 90.5 %

Customer Satisfaction Index  
Scale 100%

## 0800 1888 222

Hotline (tol free) customer service

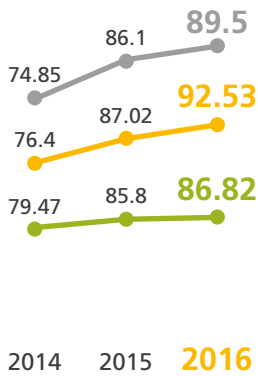
## [layanannya@semenindonesia.com](mailto:layanannya@semenindonesia.com)

Email customer service

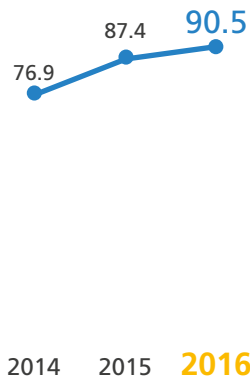
SEMEN PADANG AND DEVELOPMENT

Each year, Semen Padang measures the level of customer satisfaction to assess products and services, through the distribution of questionnaires. From the results of Customer Satisfaction Index (CSI), Semen Padang would take the corrective measures.

**CUSTOMER SATISFACTION INDEX BY SUBJECT [G4-PRS]**



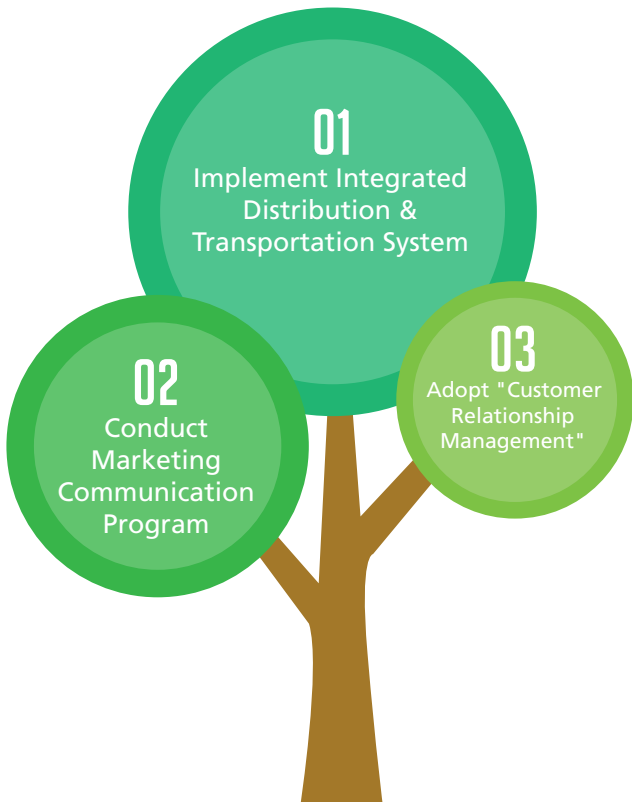
**CUSTOMER SATISFACTION INDEX (OVERALL) [G4-PRS]**



**↑ 13.6%**  
An increase in customer satisfaction rate compared to 2014

— Distribution Channel — End User — Influencer

To improve the performance of the distribution chain, Semen Padang has conducted various innovations involving customers and distributors. The forms of innovation are:



**CUSTOMER GATHERING**

Semen Padang held a meeting of customers in West Sumatra on November 13, 2016 by inviting 250 customers and distributors. Customer meeting activity aims to accommodate aspirations, services and requests from loyal customers of Semen Padang.

In the event titled # 1 Together with Semen Padang Customers, the Company provides rewards to customers who have excelled up to present, which include local and overseas travel tickets, umroh, and bonuses in other forms.

## SHARING OF BENEFITS [G4-EC7][G4-EC8]

In 2016, despite the increasingly tight competition and high demand growth, Semen Padang's production volume during 2016 was recorded at 6,456,059 tons, sales volume of 6,980,615 tons, market share in Sumatra region 42.5% and net profit of Rp724 billion.

The performance of Semen Padang provides direct benefits to shareholders and indirect benefits to other stakeholders. Economic benefits are derived from operational activities and ongoing projects in Semen Padang.

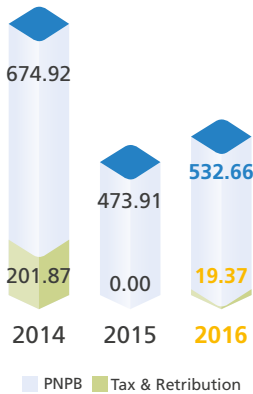
As one of the oldest and largest cement manufacturers in Sumatra, Semen Padang is an important contributor to the development in West Sumatra Province, particularly in Padang where the cement plant is located.

In 2016, Semen Padang received the Best Taxpayer award from Padang Government for the non-metallic mineral tax category. The amount of Semen Padang's contribution through taxes and retribution in 2016 reached Rp532.66 billion, increasing by more than Rp58 billion compared to the previous amount of Rp473.91 billion.

In addition to taxes, the economic contribution is also derived from purchasing activities, in line with the strategic development projects undertaken by Semen Padang, and the purchase of goods and services also increased. The purchases made by the Company in 2016 amounted to Rp4.04 trillion and 91.5% of which represented domestic purchases.

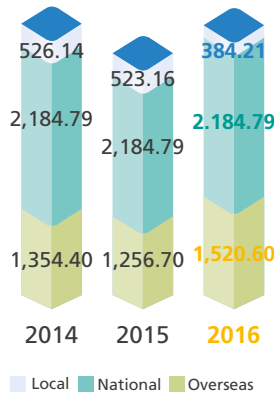
### PAYMENTS TO THE GOVERNMENT

(Rp billion)



### PURCHASE VALUE

(Rp billion)



**Rp58 BILLION**  
Increase in tax payments compared to 2015

## BENEFITS OF INDARUNG-VI DEVELOPMENT

The construction of the new factory Indarung VI PT Semen Padang will contribute indirectly to the increase of the Local Revenue (PAD) of West Sumatera. The indirect contribution can be realized through taxes and retribution that the state-owned companies shall remit as regulated by West Sumatera and Padang regencies, as stated by West Sumatera governor, Irwan Prayitno.

In addition, according to him, the construction of Indarung VI factory also correlates to other raw material needs, supporting equipment and transportation of products. Another positive effect is the increasing need for additional labor both from within the region and outside the region, thus opening job opportunities in West Sumatera.

In addition to Indarung-VI, there were two other strategic projects in 2016, namely Cement Mill Dumai and Packing Plant Bengkulu. Packing Plant / Cement Mill Dumai with total investment of Rp349.88 billion has produced 534,300 tons or reached 96% from RKAP of 554,000 tons.

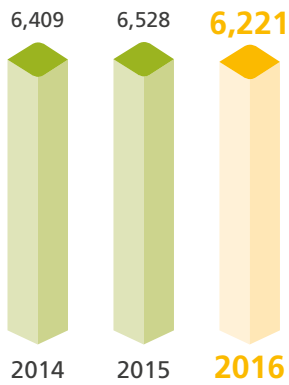
Bengkulu Packing Plant commenced with the topping off ceremony on December 28, 2016 with an investment plan of Rp75 billion for 11 months. Packing Plant Bengkulu with a capacity of 300 thousand tons per year, will provide cement products for the city of Bengkulu, North Bengkulu, South Bengkulu and Lebong.



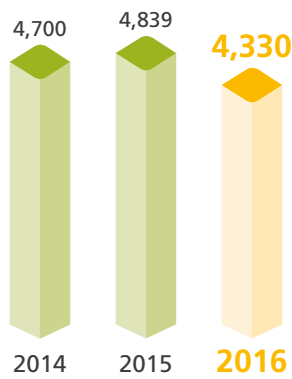
The final product of cement is bulky product which is bulk and heavy. The development of Packing Plant and Cement Mill will bring the manufacturer closer to its users, making it more economical, quickly available, and with less environmental waste.

**Distribution of Economic Benefits [G4-EC1]**  
(Rp billion)

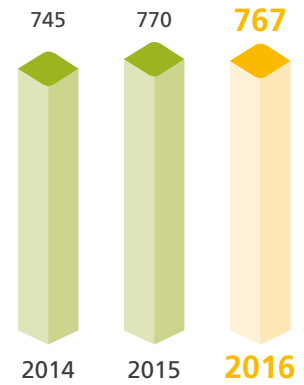
**REVENUE**



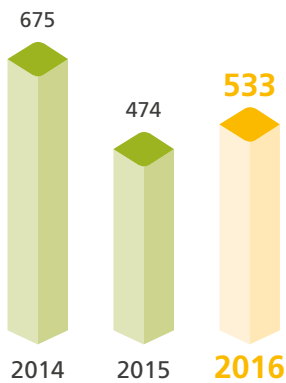
**OPERATING EXPENSE**



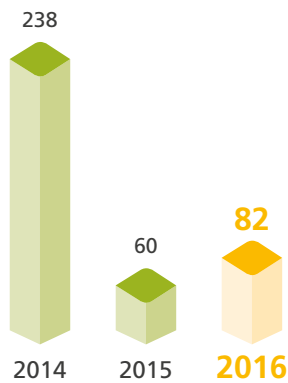
**EMPLOYEE EXPENSE**



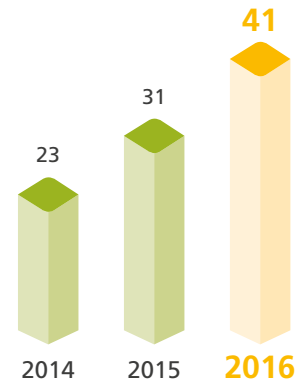
**PAYABLE TO GOVERNMENT**



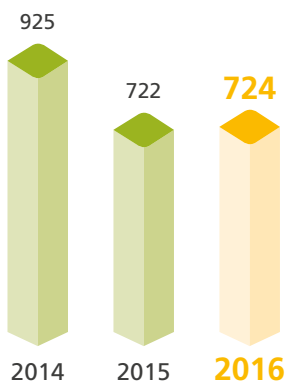
**PAYABLE TO INVESTORS**



**INVESTMENT FOR PUBLIC**



**RETAINED ECONOMIC VALUES**



**↑ Rp724 BILLION**  
Net Income 2016

Semen Padang and Development



**Photo Title:** Carving With Heart

**Photo Location:** Sijunjung District

**Photo Caption:** Semen Padang has many types of partnership and one of them is carving.

# IMPROVE THE QUALITY OF LIFE

Community empowerment program is conducted in the form of Partnership and Community Development Program (PKBL)



Triple Bottom Line Integrated with Core Subject Iso 26000 SR	72
CSR Policy "Basinergi Membangun Negeri"	74
Start from Social Mapping	76
Partnership Programs	78
Budget and Distribution of the Partnership Program	79
Recapitulation of the Partnership Program Implementation	81
Environmental development program	83
Recapitulation of Environmental Development Programs Implementation	84
Scholarship	85
Poverty Reduction	85
Health Improvement	86
Infrastructure Development	87
Institutional Development	88
Forum Nagari	88
Lumbung Keuangan Nagari	89

# IMPROVE THE QUALITY OF LIFE



**Photo Title:** Always Be Close with the Environment

**Photo Location:** Singkarak Lake

**Photo Caption:** CSR makes Semen Padang as one of the companies having responsibility to the environment.

In line with the Company's mission, Semen Padang has a strong commitment to promote social environment by empowering and synergizing the company's resources.

To implement this commitment, we perform our Corporate Social Responsibility (CSR) program to improve the Company's concerns for the environment, to empower surrounding communities and to enhance our corporate relationships with its stakeholders.

Semen Padang has formulated the vision and mission of CSR in line with the vision and mission of the Company and based on ISO 26000 international standard on Social Responsibility.

CSR Semen Padang's vision is

**"Empowering the community by optimizing resources in improving the image and value of the Company in an environmentally sustainable manner".**

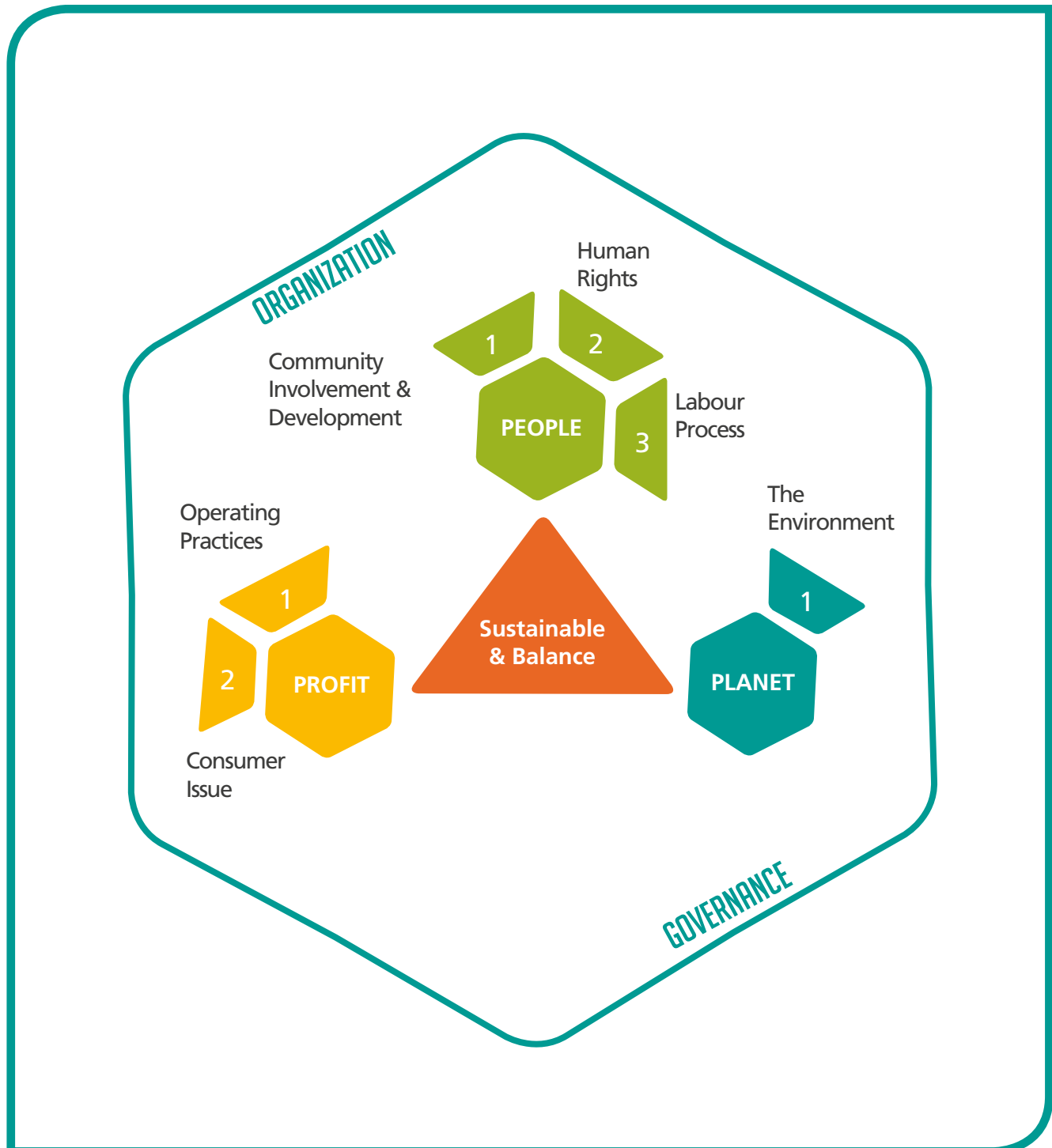




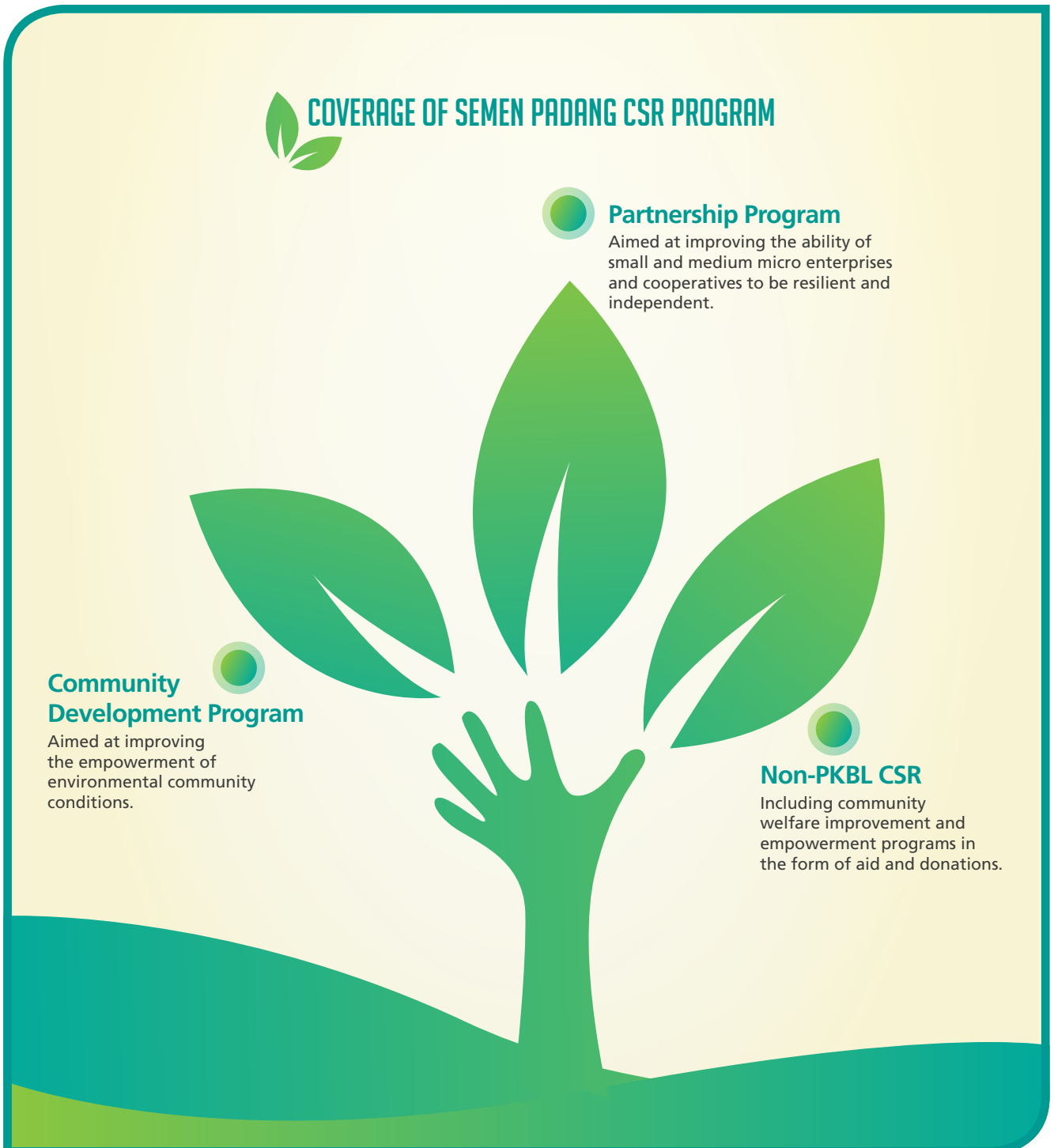
Semen Padang's CSR missions are to:

- Maintain the image of the Company by improving the quality of good relationships with stakeholders,
- Implement GCG and improve social responsibility in the corporate value chain,
- Improve community empowerment,
- Foster industrial relations,
- Develop human resources,
- Appreciate the culture and traditions of local wisdom and respect for human rights,
- Minimize the impact of plant operations,
- Increase the use of sustainable resources,
- Maintain environmental sustainability,
- And improve the quality of education services and community skills in a sustainable manner.

## TRIPLE BOTTOM LINE INTEGRATED WITH CORE SUBJECT ISO 26000 SR



CSR has been implemented by the Company since 1997, long before the issuance of regulation governing corporate social responsibility. CSR programs being implemented include Partnership Program, Community Development Program, and Non-PKBL CSR.



## CSR POLICY "BASINERGI MEMBANGUN NEGERI" [G4-DMA]

The implementation of CSR Semen Padang is based on Triple Bottom Line which is integrated with ISO 26000 SR, based on the prevailing Law and Regulation, Law no. 40 Year 2007 regarding Limited Liability Company, Law no. 19 of 2003 on SOEs, Government Regulation no. 47 Year 2012 on Corporate Social and Environmental Responsibility of Limited Liability Company, Regulation of the Ministry of State Owned Enterprises. PER-08 / MBU / 2013 on Partnership and Community Development Program of BUMN, and Technical Guidelines of CSR Semen Padang.

**Implementation of the CSR program is translated into CSR Semen Padang policy with the theme of "Basinergi Mambangun Nagari"**

**"Basinergi "** means: mutual trust and cooperation between partners (stakeholders) and PTSP to achieve outstanding results.

**"Mambangun Nagari"** means: together to empower all existing potentials in order to improve the quality of company, society and environment to be more prosperous, independent and sustainable.

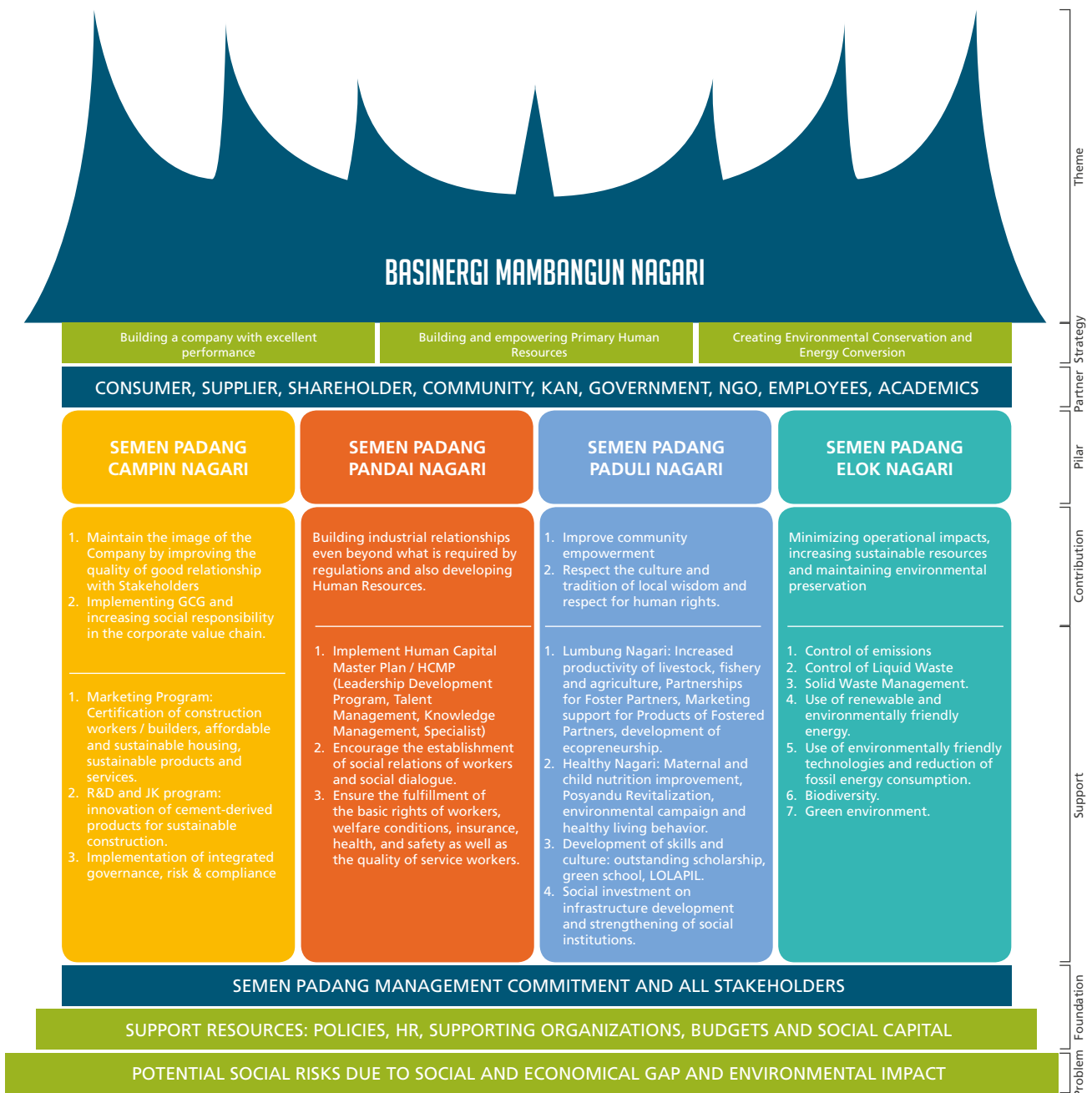
As for the implementation, three strategies have been devised in accordance with the direction of development as follows:

1. Building superior performing Company (Profit)
2. Building and empowering the leading human resources (People)
3. Creating Environmental Conservation and Energy Conversion (Planet)



The three strategies are derived into four pillars, namely Semen Padang Campin Nagari, Semen Padang Pandai Nagari, Semen Padang Paduli Nagari, and Semen Padang Elok Nagari.

## STRATEGIC FLAGSHIP OF CSR SEMEN PADANG



Improve the Quality of Life

## START FROM SOCIAL MAPPING

Every year, Semen Padang conducts a series of social mapping activities consisting of Review Activity, Perception Study, Social Re-mapping and Need Assessment. The purpose of this activity is:

- Exploring, mapping the target community, community expectations
- Classifying the perceptions of stakeholders particularly for the community located near the factory
- Designing "Semen Padang Community Development Program" for both short and medium term in accordance with the Company policy.



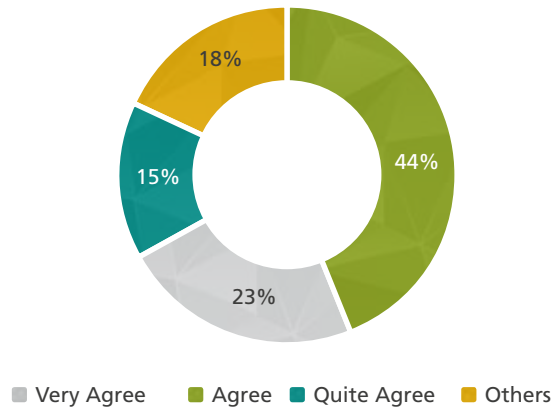
### 10 SUB-DISTRICT

The areas nearest to the operation of the cement factory are Indarung, Padang Besi, Baringin, Batu Gadang, Tarantang, Lalang, Bandar Buat, South Limau Manis, Limau Manis and Lambung Bukit.

The social mapping activity also aims to support the implementation of Corporate Performance Rating Program (PROPER) of the Ministry of Environment and Forestry, in which Semen Padang also participates. With social mapping, community development programs become appropriate, well targeted and measurable.



DOES SEMEN PADANG ALSO PARTICIPATE IN COMMUNITY WELFARE?



In 2016, based on community perception survey, more than 82% of respondents gave a positive assessment of the existence of Semen Padang and the Company's activities have contributed to participate in the welfare of surrounding communities.



**Photo Title:** Mass Circumcision

**Photo Location:** Semen Padang Hospital

**Photo Caption:** Mass Circumcision becomes a routine activity to make contribution to the surrounding community.

## PARTNERSHIP PROGRAMS [G4-EC8] [G4-S01]

Since its inception in 1987, until the end of 2016, the Company has helped to grow and develop SMEs to be strong and later develop into middle-class entrepreneurs.

The types of businesses developed also vary, ranging from snack foods, convection, small metal industries, workshops, wood and rattan furnishings, and various souvenir products, fisheries, agriculture, livestock and other services.

The Partnership Program is aimed at improving the ability of small and medium enterprises to become resilient and self-reliant. Partnership Program includes the revolving fund facility, monitoring, and mentoring as well as coaching through training, promotion, and marketing.

### EVENT

DUMAI EXPO 2016  
(27 APRIL - 2 MAY 2016)



### PARTICIPANT

- Family Studio
- Malta Kenanga
- Pusako Minang

PADANG FAIR 2016  
(28 APRIL - 8 MAY 2016)



- Tenun Songket Ailisna
- Naura Sulaman & Bordiran
- Keripik Azizah

PARIAMAN EXPO 2016  
(13 - 21 AUGUST 2016)



- Sulaman Rany House
- Randang Kacang Tiga Putri
- Batik Syarbaini

### EVENT

SAWAHLUNTO INTERNATIONAL SONGKET CARNAVAL 2016  
(25 - 27 AUGUST 2016)



### PARTICIPANT

- Tenun Songket Dona Pance
- Tenun Songket Ailisna

GEBYAR BATAM BAGUS EXPO 2016  
(20 - 23 OCTOBER 2016)



- Yonica Cakes & Cookies
- Amany
- Naura Sulaman & Bordiran

PAGARUYUNG EXPO 2016  
25 - 29 OCTOBER 2016



- Sulaman Bunda
- Rini Bordir
- Dapur Mas



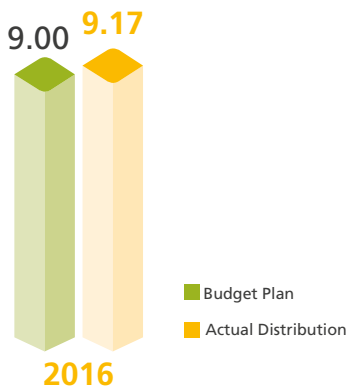
## BUDGET AND DISTRIBUTION OF THE PARTNERSHIP PROGRAM

The Partnership Program is prepared based on the availability of funds, the realization of the previous year's program based on the realization of the budget, and the results of the socialization and survey activities undertaken in collaboration with the relevant agencies/bodies.

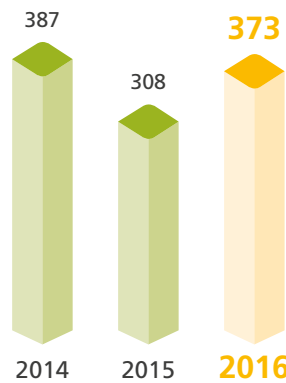
In 2016, the resolutions of the General Meeting of Shareholders did not allocate any new budget for the Partnership Program. Such program is funded by the remaining funds from the previous year, loan refunds and income received in the current year.

### BUDGET AND DISTRIBUTION OF PARTNERSHIP PROGRAM

(Rp billion)



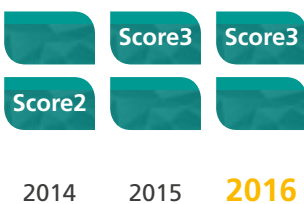
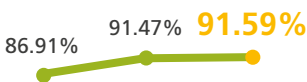
### ADDITION OF ESTABLISHED PARTNERS



**101%**  
Realization of distribution against 2016 target

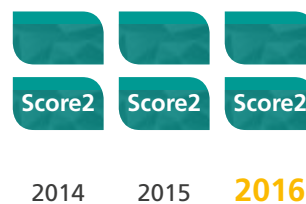
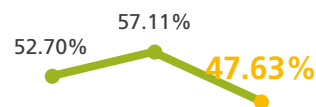
The success of the Partnership Program in general is evidenced by the performance of the distribution (effectiveness) and the performance of return (collectibility). The higher value indicates the improvement of program implementation.

### LEVEL OF EFFECTIVENESS



Level of Effectiveness (%)	>90	85 s/d 90	80 s/d 85	<80
Score	3	2	1	0

### LEVEL OF COLECTIBILITY



Level of Colectibility (%)	>70	40 s/d 70	10 s/d 40	<10
Score	3	2	1	0

## RAISING LOCAL WISDOM THROUGH WEAVING

Songket and woven cloth of Pandai Sikek or Silungkang are well known as handicrafts from Ranah Minang. But in the hands of Indra Yeni, Nagari Unggan in Sijunjung district created weaving that was named as Unggan weaving. Her work namely "Unggan a thousand hills" was inspired by nagari Unggan which is in fact surrounded by hills.

Yeni studied weaving in 1993 and gained support from Dekranasda of Sijunjung Regency and later new woven motives and styles appeared and were named in accordance with the origin of the weaving. Her business is referred to as Tenun Unggan Lansek Manih.

Starting in 2012, Tenun Unggan Lansek Manih has become a partner of Semen Padang Partnership Program. Up to present, Yeni's business has received 3 (three) revolving fund loans, the latest of which amounted to Rp70 million.

The revolving soft loan funds received are utilized for the addition of business equipment and raw material inventory. In addition, Yeni is also involved in several trainings on business management and finance and participates in several exhibitions, both locally and nationally.

In addition to actively improve his business, Yeni also builds and shares knowledge of weaving with many people, including residents of Class II B Sijunjung, some orphanages and also customary villages in Sijunjung District.

"Alhamdulillah, my business has grown since becoming a Partner of PT Semen Padang. At first I only had 15 craftsmen, now we have 75 craftsmen. My business turnover is also increasing. I hope Semen Padang is growing, so that the Company could help more people to grow their business and also to improve public economy,"

**Indra Yeni**  
Crafter of Unggan Lansek Manih  
Woven Fabric  
Sijunjung District



## CAKE FROM PURPLE YAM

Creating own business by selling a variety of cakes is commonly performed by women in Indonesia. What makes it different is the desire to innovate and refine their products with various health certificates.

This is what distinguishes Nadya Saiyo products led by Kasyanti in Solok District. Cake business has been cultivated since 2003. Yanti then made innovations to make a variety of cakes from purple yam other than using flour as the main ingredients. Later in 2010-2015 the cake business received a soft loan from Semen Padang and the business participated in two management trainings.

As the result, Nadya Saiyo cakes received creative awards at regional and national level. In addition, nine of her products have obtained Certificate of Homemade Food Production (P-IRT) from Solok District Health Office.

This innovative cake business has generated good results for the people by absorbing 10 workers using local raw materials of 300 kg of purple yams, 50 kg of regular yams, and 50 kg of taro every month. Sales reached Rp40 million per month.

**Kasyanti SP**  
Processed Cookie Maker of Nadya Saiyo  
Solok District

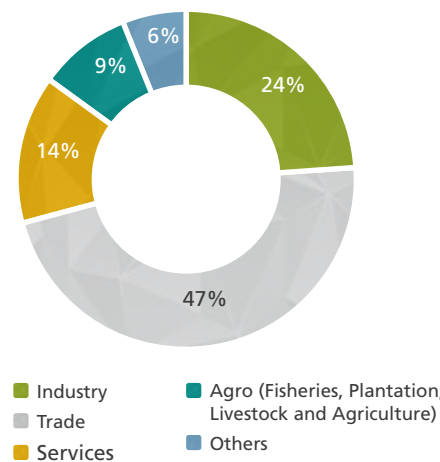


## RECAPITULATION OF THE PARTNERSHIP PROGRAM IMPLEMENTATION

Over the past 3 years, the industrial and commercial sectors have been the largest business activities utilizing revolving funds from the Partnership Program. Such matter is attributed to the proximity of the Company's location to the city of Padang which is the capital of the province whose most of economic activities also come from the trade and service sectors.

The city of Padang and its surroundings is also the origin of UMKM business players who received the fund of Partnership Program since they originate from the same region where Semen Padang factory is located. In addition to the city of Padang, the UMKM fund recipients are spread across 18 cities and other districts throughout West Sumatra.

## NUMBER OF FOSTER PARTNERS BY SECTOR 2016



**373**  
Foster Partners  
in 2016

**6,466**  
Foster Partners  
since 1987

**Recapitulation of Partners (unit)**

Description	2014	2015	2016	Until 2016
<b>Based on Business Sector</b>				
Industry	111	93	88	3.165
Trading	146	141	176	1.270
Fishery	15	6	16	392
Plantation	1	2	-	90
Farming	21	18	12	628
Agriculture	3	4	7	38
Service	89	44	53	773
Others	1	0	21	110
<b>Total</b>	<b>387</b>	<b>308</b>	<b>373</b>	<b>6.466</b>
<b>Based on Region</b>				
Agam	9	13	11	339
Bukittinggi	4	4	8	196
Dharmasraya	4	9	36	115
Solok	17	21	7	382
Lima Puluh Kota	5	0	5	167
Padang	302	172	184	3.258
Padang Panjang	1	2	4	45
Padang Pariaman	2	4	5	395
Pariaman	6	6	9	75
Pasaman	0	2	7	126
Pasaman Barat	0	1	7	16
Payakumbuh	0	2	1	143
Pesisir Selatan	13	19	25	442
Sawahlunto	5	0	5	105
Sijunjung	1	1	3	79
Solok	0	4	7	117
Solok Selatan	7	7	14	123
Tanah Datar	11	21	12	290
Kepulauan Mentawai	0	16	23	39
Lampung Selatan	0	4	0	4
Lainnya	0	0	0	-
<b>Total</b>	<b>387</b>	<b>308</b>	<b>373</b>	<b>6.466</b>

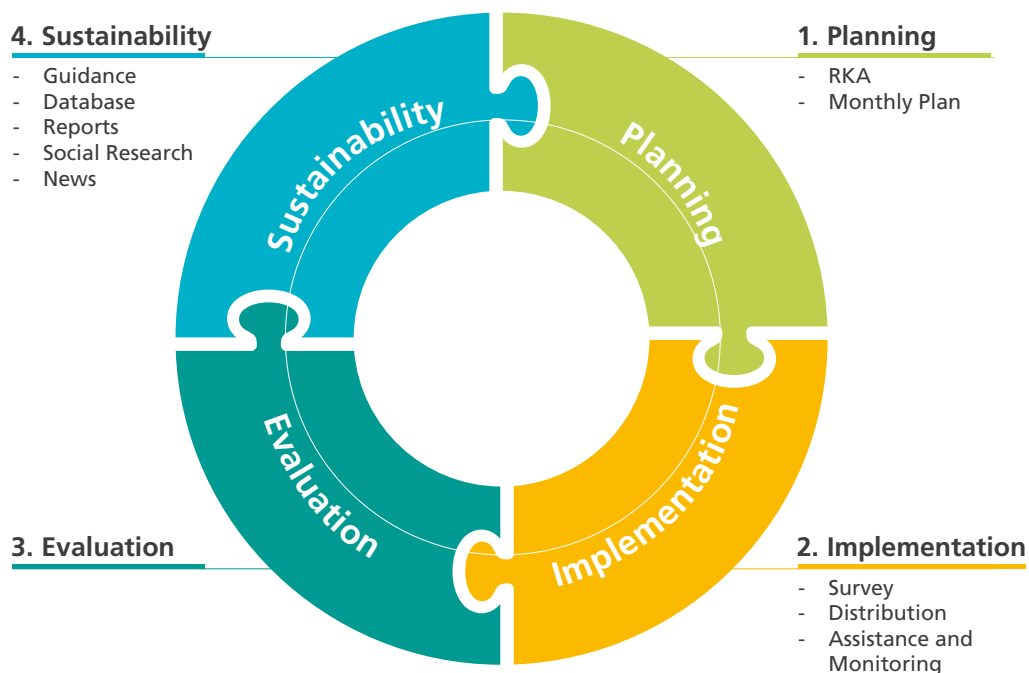
## ENVIRONMENTAL DEVELOPMENT PROGRAM [G4-EC7] [G4-S01]

The Community Development Program aims to improve the empowerment of community environmental conditions. The implementation of Environmental Development program by the Company is not merely complying with the obligations mandated by the Regulation of the Ministry of State Owned Enterprise. PER-09/MBU/07/2015, but the Company is also committed to empowering the surrounding community which represents corporate social responsibility.

The scope of the Community Development Program is education and/or training, assistance in the development of public facilities and/or infrastructure, religious facilities, nature conservation, social assistance for poverty alleviation, and disaster relief assistance.

The Company always strives to develop sustainable programs that can provide more benefits for beneficiaries.

### STAGE OF ENVIRONMENTAL PROGRAM ACTIVITY

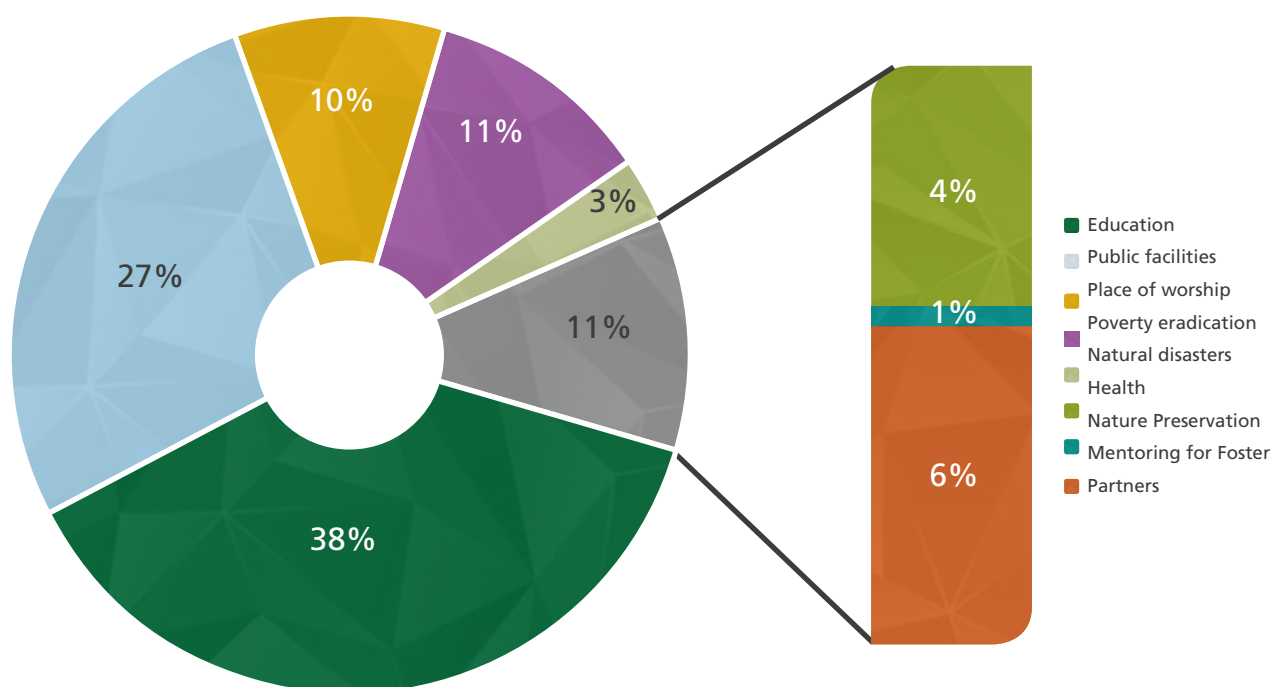


## RECAPITULATION OF ENVIRONMENTAL DEVELOPMENT PROGRAMS IMPLEMENTATION

In 2016 Semen Padang disbursed funds for the Community Development Program amounting to Rp12.43 billion or three times higher than 2014. Most of these funds are utilized to finance activities related to education and the construction of public facilities and religious houses followed by social program financing for the purpose of poverty eradication.

### COMPOSITION OF FUNDING OF COMMUNITY DEVELOPMENT PROGRAM

(million rupiah)



### Realization of Community Development Fund (Millions of Rupiah)

Category	2014	2015	2016	Sampai 2016
Natural disasters	0	30,06	349,86	2.415,33
Education	0	0	4.749,81	16.504,55
Health	0	0	557,19	3.785,76
Public facilities	115,10	0	3.396,58	13.702,76
Place of worship	0	0	1.298,34	9.197,43
Nature Conservation	0	0	67,22	1.526,35
Social in order to eradicate Poverty	286,75	0	1.317,69	1.665,14
Coaching Partner Partnership Program	0	0	686,56	686,56
BUMN Peduli	0	0	0	358,06
<b>Total</b>	<b>401,84</b>	<b>30,06</b>	<b>12.423,24</b>	<b>49.841,53</b>

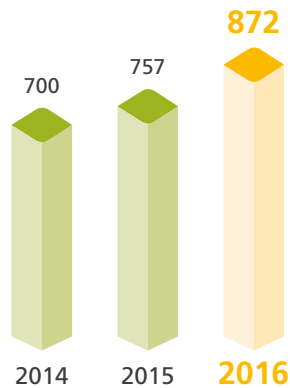
## SCHOLARSHIP

Semen Padang believes that access to education is a pre-requisite for improving the quality of life and community sustainability in the long run. To support community education, the Company provides scholarships for less fortunate students with outstanding achievements to create excellent human resources.

The scholarship is the implementation of CSR Basinergi Mambangun Nagari Program, as part of the pillars of 'Pandai Nagari' which is routinely implemented on annual basis. For 2016, the scholarship is budgeted at Rp1.3 billion for 2,200 recipients, including recipients in Lampung and Dumai.

Throughout 2016, Semen Padang and two subsidiaries distributed scholarships to 872 recipients. Scholarships are awarded twice a year or per semester. To obtain scholarship in the next semester, each student is required to maintain an average grade of at least 7 or a minimum GPA of 3.00 for the student.

NUMBER OF SCHOLARSHIP RECIPIENTS



Semen Padang Scholarship recipients are students starting from elementary to university level as well as outstanding athletes.

## POVERTY REDUCTION

Efforts to eradicate poverty can be conducted by providing access to working capital and mentoring to below-poverty-line communities which are productive to perform economic activities. Such approach is adopted by Semen Padang to support government programs in improving people's welfare.

Furthermore, the intervention made by Semen Padang is to create an institution in the community called the Nagari Group (KUN) which becomes the social capital that binds the recipients in community groups. So far, 7 KUNs have been established in Kecamatan Lubuk Kilangan, which are the recipients of the group's venture capital.

Each KUN receives initial working capital managed by the group with a saving and loan system. Group members also receive business management training facilitated by Lumbung Keuangan Nagari who become partners of Semen Padang.

<b>412</b>	<b>7</b>	<b>39</b>
Million rupiah of loan provided through KUN	Nagari Group	Business Groups

## FOR MENTAWAI

Mentawai Islands, located in the west of West Sumatra Province, is one of the areas identified by BAPENAS as one of the 43 underdeveloped, foremost and outer regions in Indonesia. One of the challenges which also represents an opportunity is education. Its separate location and low level of income of local people result in poor access and quality of education.

In 2016, Semen Padang provided 200 elementary school uniforms for students in Sikerei Island and 500 stationery packages for students handed over through West Sumatera Provincial Government.

We believe that fair and equal education is needed to improve people's welfare. With this help, students in the Mentawai Islands are motivated to learn and are able to shape their future.



## HEALTH IMPROVEMENT

To improve the public health services for surrounding community, the Company conducts community activities, such as Posyandu, supporting Puskesmas and hospitals and mobile clinics, which are continuously improved from time to time.

Health improvement programs undertaken during 2016 include:

### 1. Posyandu revitalization program in Kecamatan Lubuk Kilangan.

The program includes improving the function of Posyandu as a community health center for mothers and children in the form of health education and socialization, supplementary feeding, provision of play facilities and nutrition improvement.



### 2. Medical Service Program through mobile ambulance.

Semen Padang works together with Semen Padang Hospital (SPH) in providing free medical services or free medical treatment to the community through mobile ambulance to provide health services and medicines.

### 3. Mass circumcision.

Routine activities are carried out every year in cooperation with SPH for children from underprivileged families domiciled near the Company's location.

## INFRASTRUCTURE DEVELOPMENT

CSR Community Development is also manifested in the form of donation of infrastructure development, natural disaster relief, religious facilities and other social assistance aimed at improving people's social life. The following are some of the social investments that have been realized in 2016:

1. Empowerment of Nagari Group in the form of group management training and lending of capital managed by each group.

2. Development of irrigated rice fields for farmer groups.
3. Development of Early Childhood Education (PAUD).
4. Improvement / construction of roads and bridges for the community.
5. Qurban animal donation to the mosque / mushalla near the Company's location for every Eid al-Adha. The program aims to improve the relationship between Syari Islam and Syiar Islam. On Eid al-Adha 1436 H / 2016 the distribution of qurban reached 50 animals.
6. Operational support and the needs for foster children's home in Lubuk Kilangan.
7. Renovation of mosques and mushalla in the Company.
8. Volunteer and basic food donation for flood victims in Pesisir Selatan District, South Solok District and city of Padang.
9. Volunteer and basic food donation for Pidie earthquake victims of Aceh Province.



**Photo Title:** Presenting the Qurban Animals

**Photo Location:** Semen Padang

**Photo Caption:** Qurban animals are given every Idul Adha to the surrounding community.

## INSTITUTIONAL DEVELOPMENT

### FORUM NAGARI

Forum Nagari is a forum for socio-economic institution community. Nagari Meeting and stakeholders forum was initiated by Semen Padang through a declaration agreement in Bukittinggi on 31 January 2015.

The Nagari Forum is a forum of synergy between Semen Padang and the government in empowering communities to coordinate and synergize activities, optimize resources, expertise and nagari customs on an ongoing basis. Through this forum we consult community empowerment programs that could support the "Basinergi Membangun Nagari" program and communicate community empowerment activities at the sub-districts to all stakeholders.



**April 2016**

Training of application of SIM Social Data and Lumbung Keuangan Nagari (LKN) which was attended by representatives of Nagari Forum in three districts in Padang City, Lubuk Kilangan, Pauh and Lubeg districts.

**11**

Nagari Forum in West Sumatera  
8 Nagari Forum in Kecamatan Lubuk Kilangan, 2 Nagari Forums in Kecamatan Pauh, 1 Nagari Forum in Kecamatan Lubuk Begalung.



**September 2016**

Workshop of "Basinergi Membangun Nagari" under the theme of "Harmonization, Synergy of Independence, and Sustainability".

**3.2**

the funds distributed to community empowerment through the Nagari Forum.

## LUMBUNG KEUANGAN NAGARI

**7**  
Nagari Business Group

**39**  
Business Group

**412** MILLION RUPIAH

Loans distributed through  
Nagari Business Group

Lambung Keuangan Nagari (LKN) is an institution that manages PT Semen Padang empowerment program in a professional, trustworthy, transparent and accountable manner established by Forum Nagari in a democratic system.

In addition to managing funds for community empowerment programs, the agency also raised funds from other sources to accelerate community self-sufficiency. LKN serves as a financing institution and organizes community empowerment programs.



**Photo Title:** Dump Truck in Action

**Photo Location:** Limestone Mine - Bukit Karang Putih

**Photo Caption:** The process of limestone mining begins with blasting the limestone hills, then by using dump trucks, the limestone are brought into the crusher to be destroyed.



**Photo Title:** Planting 1000 Trees to preserve nature

**Photo Location:** Bung Hatta Forrest Park

**Photo Caption:** Always at the forefront of reforestation programs to become an environmentally responsible company.

# MANAGING A BETTER ENVIRONMENT

Semen Padang makes 'Green' as the company's competitive advantage, which means that the operational activities and products of Semen Padang are environmentally friendly.



Emission Control	95
Conventional Emissions	95
Greenhouse Gas Emission	97
Consumption of Energy	98
Roadmap Biomassa	99
Circular Economy	101
Water Control	105
Post Mining and Biodiversity	106
Indarung Reclamation Park	107
Tree Planting	108
Mining License and Post Mining	108
Post Mine Planning	109

# MANAGING A BETTER ENVIRONMENT



**Photo Title:** Environmentally Friendly Plant

**Photo Location:** Semen Padang Golf Course (Reclamation Park)

**Photo Caption:** Semen Padang as the first cement company in Southeast Asia has always been committed to support environmental sustainability.

## ENVIRONMENTAL IMPACT OF CEMENT INDUSTRY

In the cement industry, the production process cannot be separated from the utilization of natural resources as material and energy sources being used. This enables the Company to manage the natural resources to maintain its sustainability.

The Company's operational activities cover the activities of mining of raw materials, production processes and transportation of raw materials and final products that create different impacts to the surrounding environment.

The mining activities of clay and limestone as the main raw materials for cement production have an impact in changing the landscape, the loss of vegetation and the habitat for the animals. Production activities have major impact on gas emissions from the slag burning process, cement ash (fly ash) from the packing process and the transportation of cement.

## ENVIRONMENTAL MANAGEMENT STRATEGY [G4-DMA]

In environmental management, Semen Padang creates the term of 'Green' as the Company's competitive advantage, which shall mean that Semen Padang's operations and



products are environmentally friendly. This commitment is in line with the vision of becoming an environmentally sound company.

The whole process of planning, mining operations, production process, post-mining land management and realization of revegetation activities, together with the environmental impact as set forth in such document have become the Company's reference in conducting business activities.

Each operational activity in the field is always conducted with due observance to the items set forth in the Environmental Impact Analysis (AMDAL) documents, Environmental

Management Efforts (UKL) and Environmental Monitoring Efforts (UPL) prepared and presented to all stakeholders in accordance with the prevailing regulations. **[G4-14]**

In conducting environmental management, the Company implements the Environmental Management System based on ISO 14001 international standard since 1999 and was certified by PT SGS Indonesia for the first time.

In 2006 the integration of all management systems implemented by the Company into the Semen Padang Management System (SMSP) included the Environmental Management System. With this integration, the implementation of the management system in the Company becomes more effective and efficient.

## ENVIRONMENT PROTECTION APPRECIATION

Environmental management and conservation efforts made by Semen Padang have resulted in various environmental awards in 2016, including:

- December 7, 2016, the PROPER Green Rating from the Ministry of Environment and Forestry (KLHK)
- December 19, 2016, Green Industry Award from the Ministry of Industry with Rank 5 (highest)
- December 22, 2016, Appreciation of Environmental and Forestry Partnership from the Directorate General of Social Forestry and Environmental Partnership

The Green Rating in PROPER KLHK is the first to be obtained by Semen Padang after 13 consecutive years of receiving Blue rating.

The Green rating represents KLHK acknowledgment of the efforts of the Semen Padang plant to perform environmental management beyond compliance by implementing environmental management systems, efficient use of resources through 4R (Reduce, Reuse, Recycle, and Recovery) efforts, and good corporate social responsibility (CSR / Comdev) efforts.



**Photo Title:** Accepting Green PROPER Awards

**Photo Location:** Jakarta

**Photo Caption:** As evidence of Semen Padang's commitment to participate in supporting environmental conservation programs, Semen Padang is awarded a green proper from the Ministry of Environment and Forestry

## SEMEN PADANG ELOK NAGARI

Environmental management represents the strategic aspect of sustainability in the long term. Based on the strategy of Basinerji Membangun Nagari, the environment serves as the main pillar of 'Elok Nagari'.

Elok Nagari is a program that supports the mission of Semen Padang CSR related to the core subject of ISO 26000 SR-Environment, with main programs as follows:

1. Control of emissions
2. Control of liquid waste
3. Solid waste management
4. Use of renewable and environmentally friendly energy
5. Use of environmentally friendly technologies and reduction of fossil energy consumption
6. Biodiversity
7. Green environment

## 3R IN CEMENT PADANG

The Company adopts the 3R (Reduce, Reuse and Recycle) approach in the use of raw materials and energy sources to preserve the environment and to reduce operational impacts.

Reduce is the Company's effort to produce cement with high effectiveness and efficiency, ensuring that the slag burning process is always optimal and efficient and it provides a high level of success.

Reuse is an effort of the Company to utilize used materials wherever possible.

Recycle is applied in water management in support of production process, the use of waste paper and others.



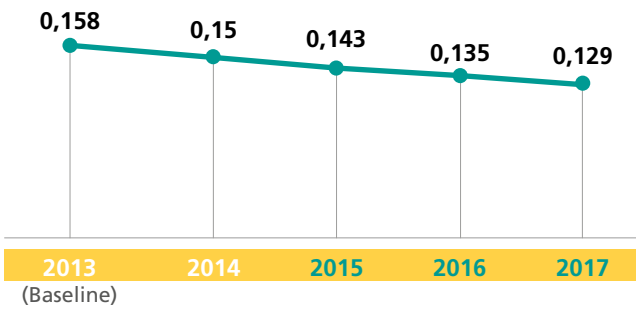
## EMISSION CONTROL

Emission control is the most significant issue in the operation of cement plants anywhere in the world. Semen Padang seeks to minimize the impact of air emissions it generates under technology approaches and emissions management.

Semen Padang has set a long-term goal to reduce air pollution by 2017.

### TARGET OF POLLUTION DECREASE

(Kg / ton of cement)



### CONVENTIONAL EMISSIONS

Emissions are generated both related to production processes and supporting facilities, which consist of greenhouse gas emissions and conventional gas emissions. Dust or particle emissions, are primarily derived from three activities, namely mining activities of raw materials, cement production activities, and transportation activities either for raw materials, cement products and employee activities.

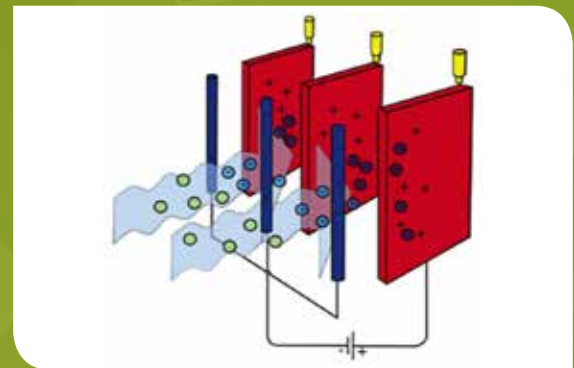
The efforts to reduce dust emissions include:

- The Company completes all production facilities with special tools of dust control, such as Electrostatic Precipitator (ESP), Cyclone, Conditioning Tower, Baghouse Filter and other equipment.
- At every point of transportation the production material is equipped with the dust catching equipment and the material is returned to the production system.
- Green belt is installed around Kecamatan Lubuk Kilangan and Kecamatan Pauh. Green belt is planted with buffer crops such as rain trees, bamboo and mahogany trees. Green belt is utilized as a natural filter to capture dust from lime mining and dust mining activities from factories that have escaped from the dust catcher.

- To reduce the dust produced by the transportation process both in the factory area and around the factory particularly in the distribution area, the Company sprays water periodically. At present, the Company has not measured the exact impact of emissions and energy consumption related to transportation.
- The Company repairs its air pollution prevention equipment.

To ensure the emissions still meet the quality standards, the Company is continuously measuring the emissions released from the chimney using the Continuous Emissions Monitoring System (CEMs). Measurement results are reported periodically to the Ministry of Environment and Forestry as well as related institutions. Routine emission measurements are also conducted on the operational cars.

### POLLUTION PREVENTION EQUIPMENT



The company devised a program to reduce dust emissions, with the addition of a dust filter. This filters the dust in two levels by adopting the new technology. The first step, the dust is filtered by the separator, and then filtered again by Electrostatic Precipitator (ESP). The working principle of ESP is based on electrically charged particles passed on an electrostatic field capable of capturing smaller particles.

In addition, the Company installed sensors for emissions measurements in realtime called Continuous Emissions Monitoring System (CEMs) that can generate emission quality charts. With the availability of CEMs, monitoring and precautions are faster and more accurate.

Until 2016, five chimney factories have been equipped with ESP and 5 chimneys have been equipped with CEMs.

**Results of CEMS Measurement (mg / Nm<sup>3</sup>)****Quality Standards based on Decree of the Minister of Environment and Forestry no. 13 of 2015**

Plant	Quality Standard	2013	2014	2015	2016
Indarung II	80	31.10	57.44	34.34	26.57
Indarung III	80	35.35	60.97	14.90	28.32
Indarung IV B	80	37.39	37.85	23.97	7.27
Indarung IV C	80	41.57	34.27	26.97	15.66
Indarung V	80	44.09	41.16	21.71	23.59

**Results of Ambient Air Quality Measurements in Region I Around the Factory (µg/Nm<sup>3</sup>)****Quality Standard based on PP. 41/1999**

Parameter	Quality Standard	Location			
		Bukit Ngalau	Karang Putih	Wisma Indarung	IGD RS Semen Padang
N02	400	20.33	18.54	16.68	20.95
S02	900	24.68	20.55	18.21	25.77
CO	30,000	3,496.86	3,044.72	2,922.03	3,522.47
O3	235	23.16	22.50	23.03	22.75
HC	160	105.83	95.25	95.92	110.75
Pb		0.03	0.03	0.02	0.04

**Results of Ambient Air Quality Measurements in Region II Around the Factory (µg/Nm<sup>3</sup>)****Quality Standard based on Permenakertrans No. 13/2011**

Parameter	Standard	Location		
		Hopper Crusher Lime Ind. II	Truck Road between Ind. III & IV	Packing Plant Indarung
N02	5,600	24.26	25.26	23.2
S02	5,200	29.93	31.80	31.2
CO	29,000	3,808.22	3,951.00	3,856.6
O3	200	25.30	23.28	20.8
HC	3,333.33	112.22	107.94	104.0
Pb	50	0.09	0.10	0.0
Total Dust Density	10,000	138.94	188.64	154.4

**Results of Ambient Air Quality Measurements in Region III Around the Factory (µg/Nm<sup>3</sup>)****Quality Standard based on PP No. 41/1999**

Parameter	Standard	Location						
		Atap Genteng	Balai Pemuda Parak gatah	HO/SDN 20 Indarung	Biologi Unand Ulu Gadut	Perum Unand blok D	Bukit Hilalang	Dangau Teduh Housing Complex
N02	400	17.36	17.93	21.03	16.33	18.15	18.18	15.97
S02	400	20.52	22.00	24.10	22.07	24.00	22.57	19.89
CO	400	3,085.69	3,072.39	3,181.17	2,998.47	3,274.75	3,307.67	2,989.45
O3	400	23.12	25.15	23.56	24.21	24.08	23.84	22.75
HC	400	98.06	101.47	108.42	98.64	102.42	103.39	96.96
Pb	400	0.03	0.03	0.04	0.03	0.03	0.03	0.02
Total Dust Density		59.11	55.81	100.72	64.17	71.33	61.89	64.53

### GREENHOUSE GAS EMISSION

Greenhouse Gas (GHG) reduction efforts are made by utilizing new and renewable energy as the substitute for conventional energy. By utilizing new and renewable energy, the resulting GHG emissions should become lower.

Significant reductions in GHG emissions are due to the utilization of heat dissipation to generate Waste Heat Recovery Power Generation (WHRPG) electricity at Indarung-V Plant. WHRPG Semen Padang with a capacity of 8.5 MW is the first for cement factories in Indonesia.

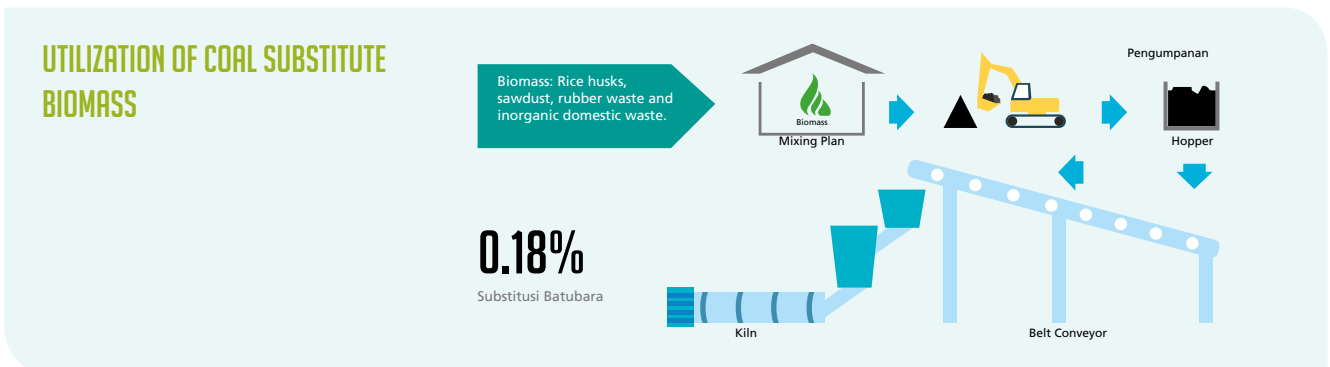
WHRPG was built in 2010 on the initiative of the Ministry of Industry in cooperation with New Energy and Technology Development (NEDO) - Japan under the Clean Development Mechanism (CDM) scheme. This results in reducing greenhouse gas emissions and substituting the electricity consumption of PLN.

# 43,117 TONS

Reduced GHG emissions from WHRPG operation

To reduce GHG emissions, the Company also utilizes biomass as a source of energy as a substitute for coal. GHG emissions from biomass are much lower than GHG emissions from coal as source of fossil energy.

Another effort made by Semen Padang to reduce emissions is to reduce the consumption of slag due to its manufacturing process that produces the highest GHG emissions. Semen Padang seeks to increase the production of Non Ordinary Portland Cement (Non OPC) type which has lower slag factor but has standard quality.

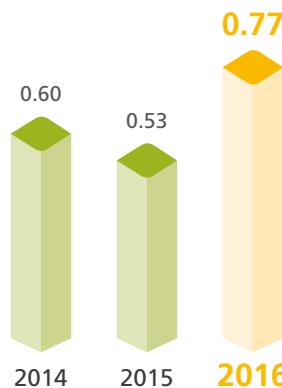


With the efforts to reduce GHG emissions, based on a comparative study conducted by the Indonesian Institute of Concrete Cement, Semen Padang is positioned at the 8th place in national scale, the 7th of Asia, and the 10th in the world for GHG emissions.

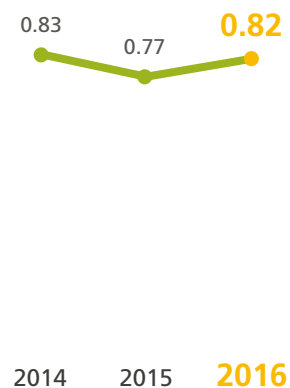
**DIRECT GREENHOUSE GAS EMISSIONS [SCOPE 1] [G4-EN15]**  
(Million ton CO2E)



**INDIRECT GREENHOUSE GAS EMISSIONS - ENERGY [SCOPE 2] [G4-EN16]**  
(Million ton CO2E)



**GREENHOUSE GAS EMISSION INTENSITY [G4-EN18]**  
(ton CO2E)/tons cement



## CONSUMPTION OF ENERGY

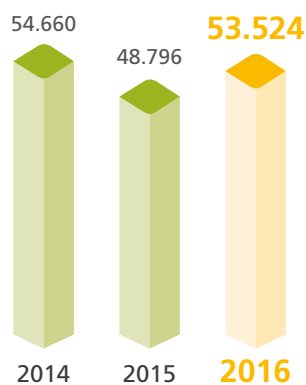
The cement industry is one of the industries with very high energy intensity. Significant thermal energy is required for the slag-making process and electrical energy is required for other processes.

In addition, in this industry, the consumption of energy is closely related to GHG emissions so that the efforts made to improve energy efficiency will have positive impact on GHG emission reduction. The innovation made by Semen Padang in managing energy is the utilization of WHRPG as the source of electricity supply, utilization of alternative energy sources in cement production and the reduction of slag by producing more Non OPC products.

WHRPG Semen Padang was opened in October 2011 with a capacity of 8.5 MW. Electricity generated from this plant could reduce the consumption of supply of electricity from PLN Semen Padang by 10% in 2016.

With the efforts made in managing energy, based on a comparative study conducted by the Indonesian Institute of Concrete Cement, Semen Padang is in the 3rd position at national scale, 3rd in Asia, and 4th in the world in terms of energy consumption.

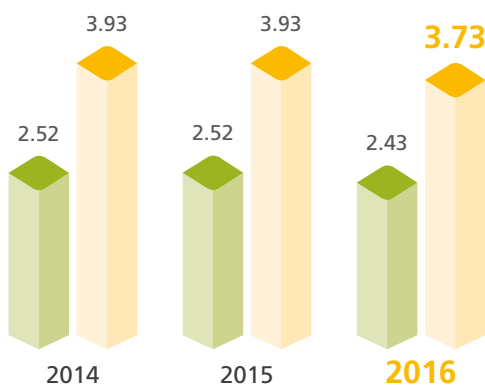
### ELECTRICITY PRODUCTION WHRPG (MWH)



**10%**  
PLN electricity consumption savings with WHRPG

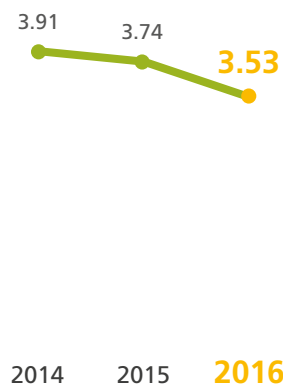
### MAIN ENERGY CONSUMPTION [G4-EN3]

(million GJoules)



### ENERGY INTENSITY [G4-EN5]

(GJ / ton of cement)



\* Electric Energy Consumption is included for domestic production activities  
1 Ton coal (5-10% moisture content) = 37 GJ  
1 Kilo Liter Solar = 40 GJ  
1 Kilo Liter Petrol = 34 GJ  
MWh = 3.6 GJ

## ROADMAP OF BIOMASS

Biomass is one of the alternative energy sources (AF-Alternative Fuel) to replace coal as the primary source of energy in the slag making process. Biomass is obtained from surrounding communities in the form of waste, so in addition to being economical, it also contributes to reduce waste in the environment.

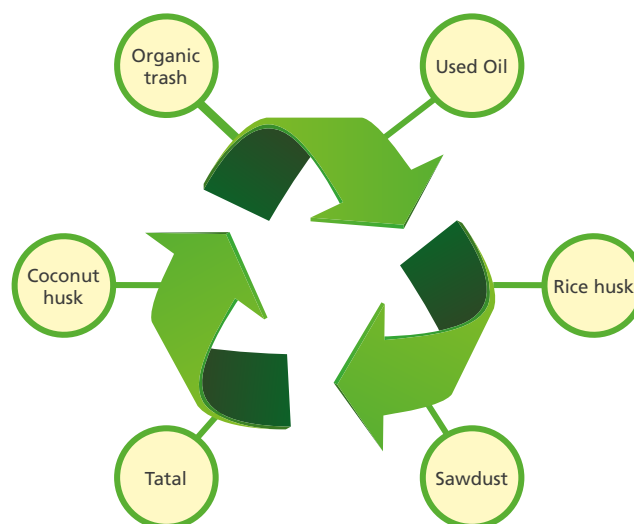
Semen Padang has established 2012-2015 Biomass Roadmap and it has been quite successfully implemented. In 2016, we continue the policy of using biomass and have also made improvements. In addition to biomass, the plant also utilizes the used oil waste from the internal process to substitute fuel in the kiln process.

### Utilization of Alternative Fuel for Coal (Ton)

Alternative Fuel	2012	2013	2014	2015	2016
Indarung II-III	Biomass 0% Used Oil 0.01% Total AF 0.01%	Biomass % Used Oil 1% Total AF 2%	Biomass 1% Used Oil 2% Total AF 3%	Biomass 1% Used Oil 3% Total AF 4%	<ul style="list-style-type: none"> <li>Consumption of Factory's Packaging Paper Waste, PPI and office waste in manual process (2 ton/ day)</li> <li>Consumption of Used Oil as alternative fuel in kiln</li> </ul>
Indarung-IV	Biomass 0.2% Sludge Oil 0% Total AF 0.2%	Biomass 15% Sludge Oil 1% Total AF 16%	Biomass 20% Sludge Oil 1% Total AF 16%	Biomass 25% Sludge Oil 7% Total AF 32%	Construction of facilities for processing waste paper and biomass
Indarung-V	Biomass 0% Sludge Oil 0% Total AF 0%	Biomass 1% Sludge Oil 0% Total AF 1%	Biomass 10% Used Oil 0% Total AF 10%	Biomass 15% Used Oil 0% Total AF 15%	Consumption and destruction of used oil in cooperation with other companies near Padang

### Utilization of Coal Alternative Fuel (Ton)

Alternative Fuel	2014	2015	2016
Used Oil	28.70	7.80	14.71
<b>Public Source</b>			
Rice husk	6,658.64	657.84	0
Sawdust	1,622.72	67.50	0
<b>Total</b>	<b>261.00</b>	<b>0</b>	<b>0</b>
Coconut husk	1,749.14	0	0
Organic trash	68.42	0	0
<b>Total</b>	<b>10,388.62</b>	<b>733.14</b>	<b>14.71</b>



## WASTE HEAT RECOVERY POWER GENERATION (WHRPG)



Cooling Tower is not a plural scene at the factory Cement, this WHRPG installation distinguishes Indarung -V factory with other factory.

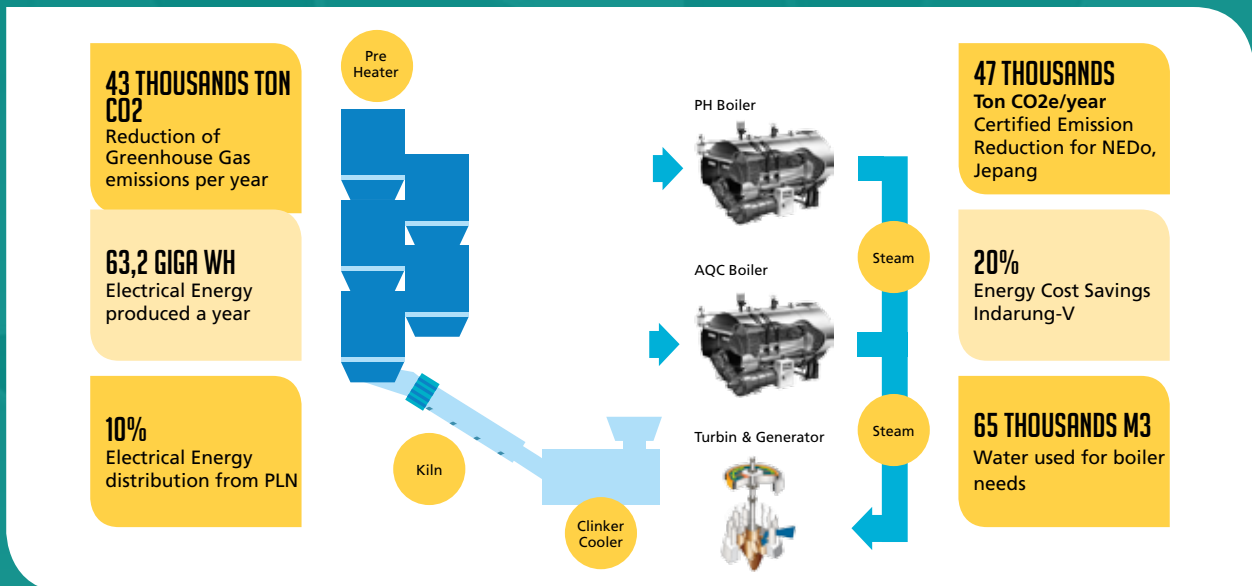
Waste Heat Recovery Power Generation (WHRPG), is a power plant which utilizes hot air waste from the Rotary Kiln process. WHRPG is a joint venture of Japanese Government through NEDO with Semen Padang and the Government of Indonesia through the Ministry of Industry. The objective of the project is to improve efficiency and competitiveness and to minimize greenhouse gas emissions through clean development mechanism (CDM).

The project was signed in 2009 and was built on January 15, 2009. In general the project is financed by Japanese assistance and also by own capital of Semen Padang. This project was completed and officially opened by Ministry of Industry MS Hidayat on October 26, 2011.

WHRPG adopts kiln process at Indarung V plant to produce 8.5 MW of electricity (equivalent to 63.2 GWh / annum) of waste heat produced during the production process. Electrical energy being generated worth of Rp 33 billion per year will save costs about 20 percent for Indarung V factory and reduce CO2 gas of 43,117 thousand tons per year.

WHRPG adopts kiln process at Indarung V plant to produce 8.5 MW of electricity (equivalent to 63.2 GWh

WHRPG Semen Padang serves as similar development model in Indonesian Cement environment, to be built in Tuban Plant through Joint Crediting Mechanism.



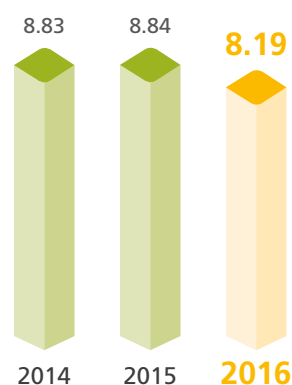
## CIRCULAR ECONOMY [G4-EN2][G4-EN23]

Since cement is produced by using the slag percentage that suits the needs, the consumption of slag becomes optimal. In general, the need for slag in the cement making process ranges from 78% to 89%. Overall, slag making is the most intense process using energy and materials.

Slag cement making process utilizes two main types of raw materials, namely limestone, silica, clay, and coal as fuel. The slag is then mixed with other ingredients in a certain ratio based on the type of cement produced. Mixing is conducted in an electrically driven ball mill.

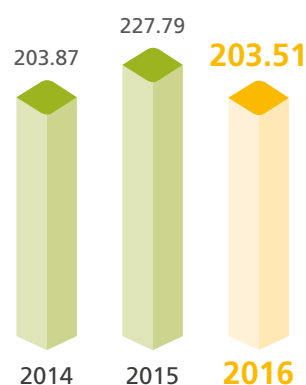
### RAW MATERIALS AT RAW MILL

(millions of ton)

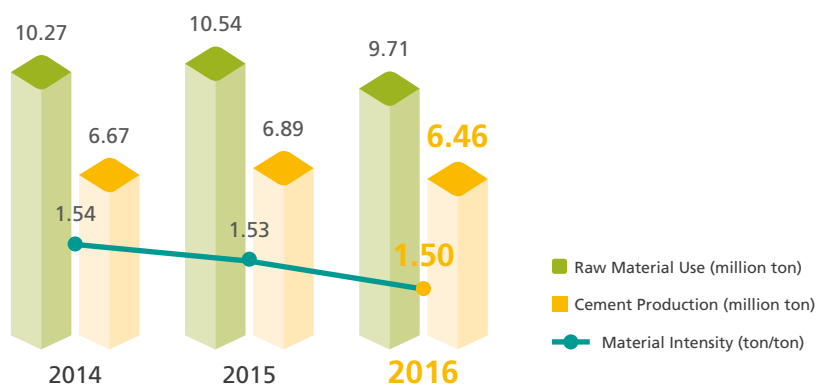


### RAW MATERIALS IN CEMENT MILL

(thousands of tons)



### MATERIAL EFFICIENCY



The less use of slag will require more mixture ingredients. To meet such needs, the cement plant utilizes renewable materials such as plant-derived biomass and recycled materials in the form of supporting materials for the production process and also other industrial process waste.

## MANAGING A BETTER ENVIRONMENT

By utilizing waste as an alternative feed and energy (AFR- Alternative Fuel and Raw Material), the cement plant has completed the life cycle of the material from previously only being a waste into now an input material or circular economy.

All waste generated from Semen Padang activities is sorted into B3 or Non-B3 waste. B3 waste such as oil, grease and majun are used as alternative fuels.

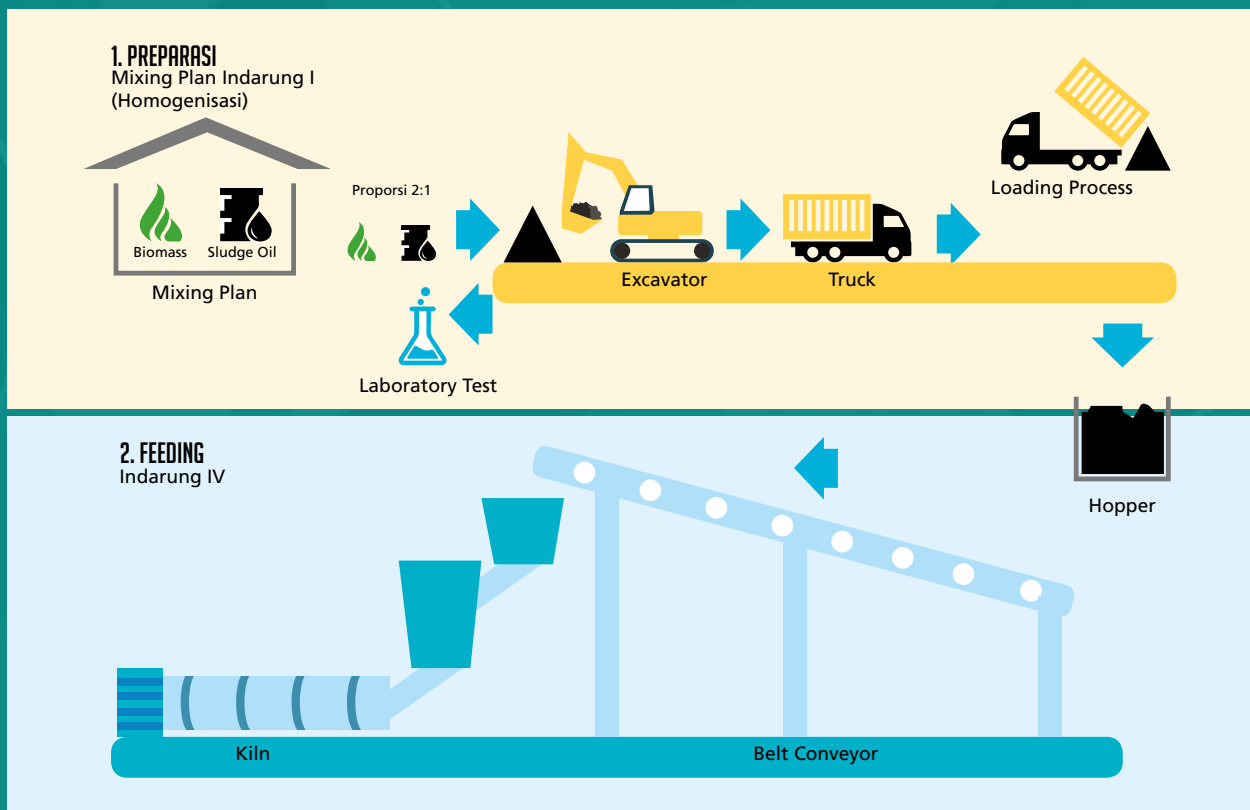
For further processing, other B3 wastes such as TL lamps, used batteries, used oil drums, cartridges and chemical bottles, are handed over to the licensed third parties. The supervision of solid and liquid waste is administered by the Bureau of Safety Health Environment (SHE) Department of Quality Assurance and Innovation. Semen Padang is one of

cement factories in Indonesia that has been granted with management license in the form of storage permit and B3 waste utilization permit by using kiln as incinerator.

External B3 waste is used for substituting the main raw materials, among others, by replacing iron sand with copper slag and concrete bins, clay substitution with Drilling Cutting Cement (DCC), purified gypsum and fly ash. The Company also utilizes biomass such as rice husk, palm fiber, sawdust, and waste paper as alternative fuel.

With AFR, Semen Padang can reduce the consumption of natural resources, save the use of raw materials and fuel by 1% of total consumption.

## SCHEMATIC USE OF RAW MATERIALS AND ALTERNATIVE ENERGY (AFR) IN SEMEN PADANG





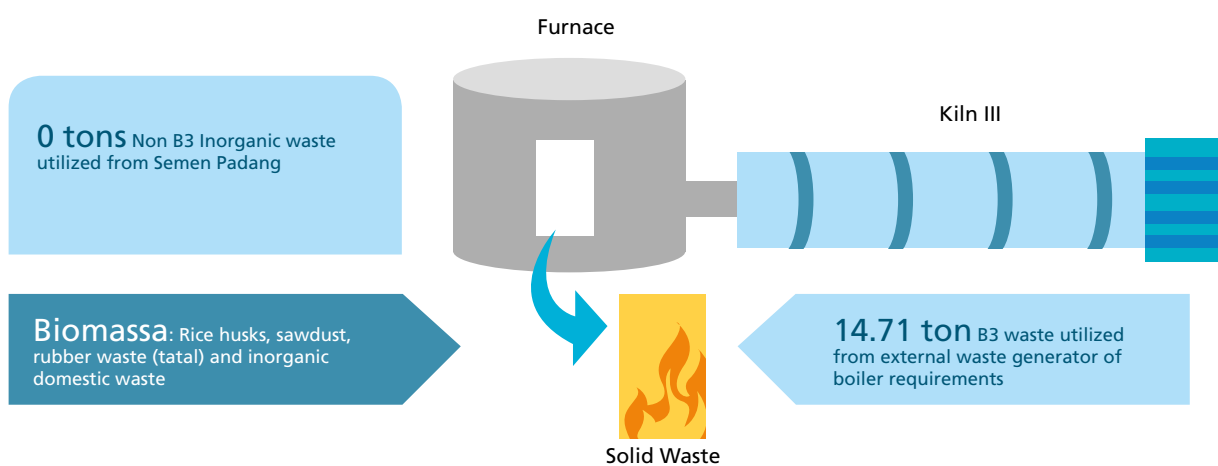
## HOW WASTE IS USED IN CEMENT FACTORY

There are several ingredients that may serve as a source of alternative materials, including those derived from biomass such as rice husk, sawdust and coconut husk. The Company targets the use of biomass as alternative feedstock that could be gradually increased. Another source of alternative raw materials is domestic waste generated from community activities.

Recycled materials in the form of industrial waste falling under the category of toxic and hazardous waste (B3) used in cement making process include copper slag, purified gypsum, Hydrocarbon Impacted Soil (HIS), Drilling Cement Cutting (DCC) and fly ash.

The combustion process at high temperature (1.300o C) in the furnace of cement slag maker turns the whole material into a non-hazardous oxide compound not harmful to the environment and could even improve the quality of the cement produced.

### UTILIZATION OF NON B3 WASTE AND B3 WASTE AS ALTERNATIVE RAW MATERIALS

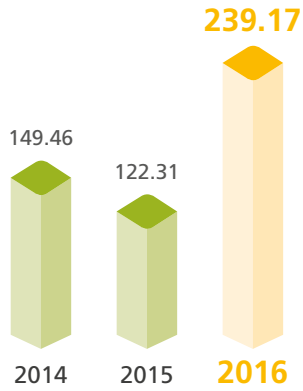


The Company has established cooperation with Subsidiaries and Supporting Institutions (APLP) as well as communities for the utilization of waste as an alternative fuel that enhances the empowerment of local communities, through their participation in providing biomass raw materials.

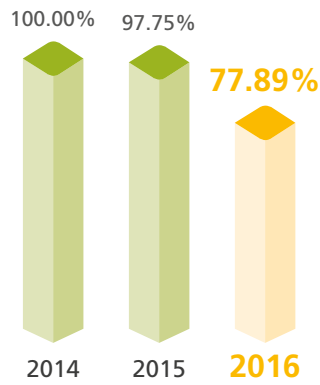
Rice husk is obtained from Padang, Solok and Padang Pariaman, while sawdust is obtained from Padang and coconut powder from Padang and Padang Pariaman. Supply of biomass raw materials has become source of additional income and the people have indirectly benefited from the Company's presence.

MANAGING A BETTER ENVIRONMENT

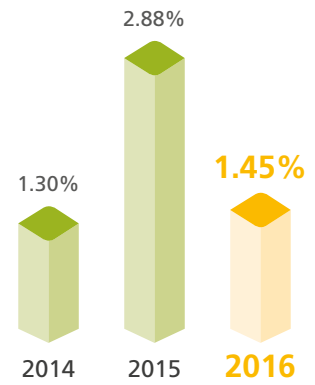
**USE OF ALTERNATIVE MATERIALS [G4-EN2]**  
(thousands of tons)



**COPPER SLAG AS SUBSTITUTE FOR IRON SAND [G4-EN2]**

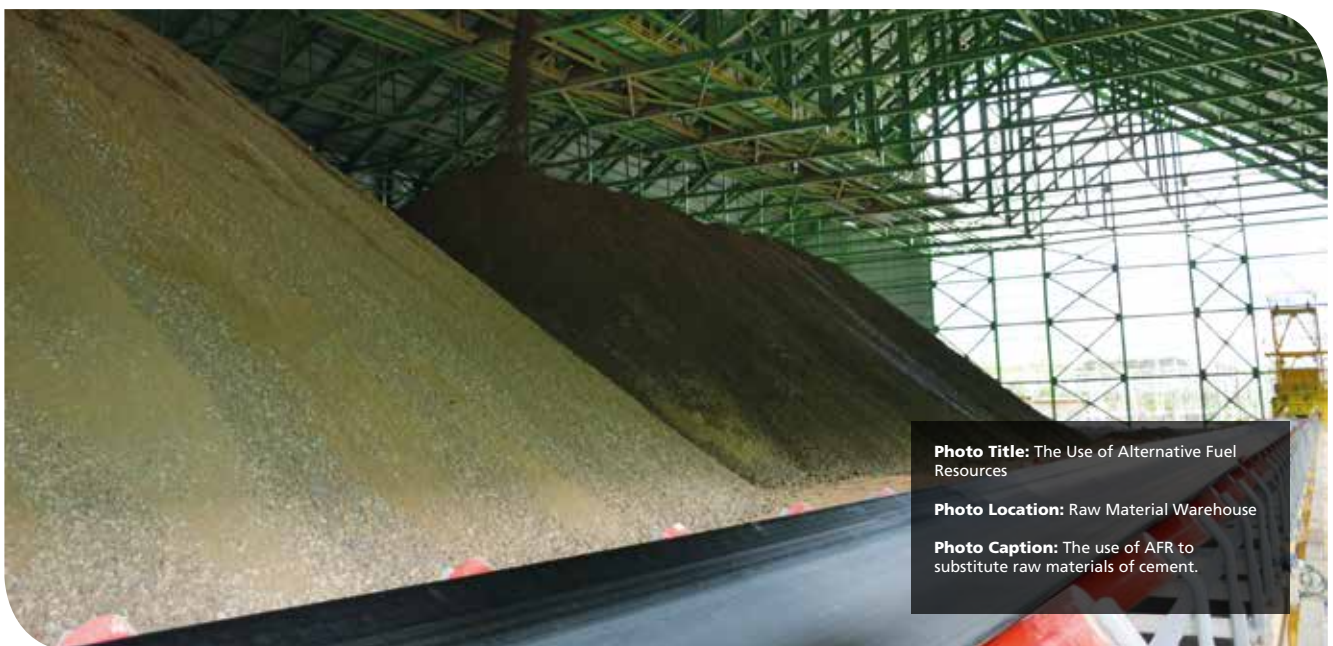


**DCC SUBSTITUTE FOR CLAY [G4-EN2]**



**Type and Volume of Incoming B3 Waste (ton) [G4-EN2]**

Type of B3 Waste	2014	2015	2016	Source
Copper Slag	112,766	86,491	84,212	PT Smelting Gresik
Fly ash	0	5,108	20,722	PLTU Teluk Siri, PLTU Sijantang
Bottom Ash	880	1,820	1,057	Indofood CBP
COCS (tanah terkontaminasi)	0	17,602	128,034	PT Chevron
Drilling Cutting Cement (DCC)	5,182	11,287	5,098	PT Petrochina International
<b>Total</b>	<b>149,457</b>	<b>122,309</b>	<b>239,174</b>	



**Photo Title:** The Use of Alternative Fuel Resources

**Photo Location:** Raw Material Warehouse

**Photo Caption:** The use of AFR to substitute raw materials of cement.

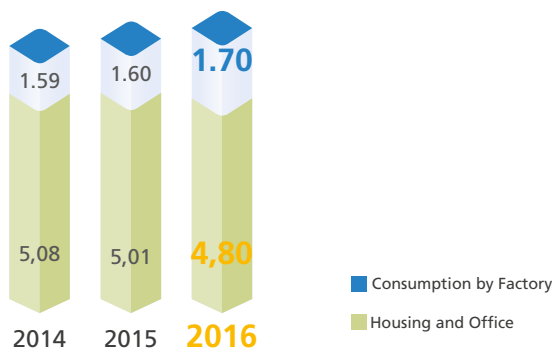
## WATER CONTROL

Semen Padang produces cement under a dry process that does not produce effluent from its production process, but the plant consumes high volume of water to support production processes and supporting facilities.

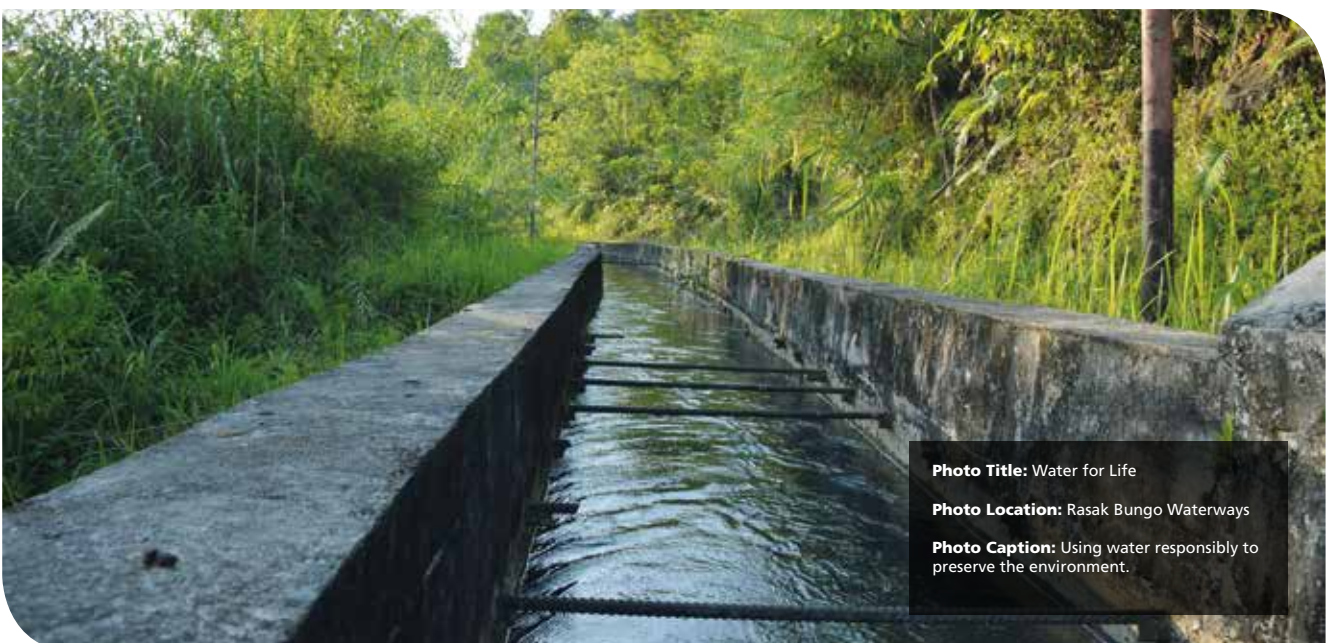
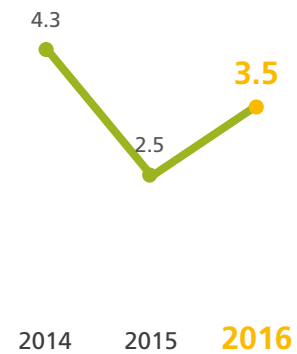
Since 2011, with the operation of WHRPG, waste water from generators has been used and recycled. Under this system, the water used to drive the turbine comes from the engine cooling water. Overall, Semen Padang has made 3R efforts in its water management where possible.

With 3R, Semen Padang could reduce the use of natural resources with water savings of 1.57% of the total use of cooling water. Overall, for the efforts undertaken in managing the water, based on a comparative study conducted by Indonesia Institute of Concrete Cement, Semen Padang is in the 10th position in Indonesia, the 7th in Asia, and the 13th in the world for water conservation.

**WATER CONSUMPTION [G4-EN8]**  
(Millions of m3)



**WATER CONSUMPTION INTENSITY**  
(m3 / ton of cement)



**Photo Title:** Water for Life  
**Photo Location:** Rasak Bungo Waterways  
**Photo Caption:** Using water responsibly to preserve the environment.

## POST MINING AND BIODIVERSITY [G4-DMA]

In Semen Padang, the efforts to conserve biodiversity have become an integral part of post mining implementation. Currently the flora and fauna conservation areas have been designated on the former clay mine land which is reclaimed after the completion of its mining period.

Reclamation is performed by promoting conservation and public benefit. Conservation efforts are also being undertaken with the attention to local biodiversity by planting endemic species particularly in Sumatra.

### ANDALAS AND INDARUNG

Andalas tree represents the characteristics of West Sumatra based on SK.Mendagri No. 48 in 1999, while the Indarung Tree is an icon of the name of a region in the city of Padang. The name continues to be used for the naming of factories of Semen Padang up to present.

Biodiversity Conservation Area of Semen Padang is the only conservation area that breeds Andalas and Indarung tree seedlings. In addition, by 2016 the number of species in the park has increased by 68 species to 293 species.



**Photo Title:** Maintaining ecosystem balance

**Photo Location:** Semen Padang's Reclamation Park

**Photo Caption:** Semen Padang also participates in preserving rare flora and fauna through forest reclamation area of 90 Ha.

The Andalas tree (*Morus Macroura*) is still closely related to the Murbei tree (*Morus Alba*) which is the identity of West Sumatra. The height can reach 40cm and the wood is widely used to build traditional houses of Minangkabau.

(Quoted from alamendah.org)

## INDARUNG RECLAMATION PARK [G4-MM1]

Semen Padang has been doing post-mining activities on the former clay land area of ± 90 hectares of land along with its reclamation since 1993. It was initially used for sport facilities but in its development the function of the reclamation park is not only as a sport facility but also as a conservation area.

Indarung Reclamation Park is the home to a variety of plants and animals. Based on the results of research of flora and fauna located in Indarung Reclamation Park area, there are 293 species of flora and 47 species of fauna. Out of the 293 species of flora, there are ± 6 types of plants classified as protected under the law.

293	47	6	90ha
Species of flora, increasing by 68 species compared to prior year	Species of fauna	Protected Flora	Width of Indarung Reclamation Park

### Flora and Fauna in Indarung Reclamation Park [G4-EN14]

Type	Number of Spesies	Protected
Unggas	32	7
Mamalia	2	0
Pisces	1	0
Reptil	2	0
Amphibi	3	0
<b>Total</b>	<b>38</b>	<b>7</b>
<b>Total</b>	<b>225</b>	<b>6</b>

### Biodiversity Protection [G4-EN14]

Type	Area	Protected	Function
<b>Protected Flora</b>			
Livistona rotundifolia Mart	Palem Kipas	PP No.7 Year 1999	Protection Trees
Cyrtostachys Lakka Becc	Palem Merah	PP No.7 Year 1999	Plants
Cyrtostachys Renda Bl	Palem	PP No.7 Year 1999	Protection Trees
Cyathea sp.	Paku Tiang	CITES red list	Shrubs
Cyeas Rumphii Miq.	Pakis Haji	CITES red list	Plants
Nepenthes mirabilis (Lour.) Druce	Kantong Barua	PP No.7 Year 1999	Shrubs
<b>Protected Fauna</b>			
Ictinaetus malayensis (Horsfeild, 1821)	Elang Hitam	LC	AB
Spilornis cheela (Lathaf1790)	Elang Ular Bido	LC	AB
Halcyon cholris Boddaert, 1783	Cekakak Sungai	LC	AB
Alcedo meninting Horsfield, 1821	Raja Udang Meninting	LC	AB
Collocalia esculenta (Linnaeus, 1758)	Walet Sapi	LC	AB
Egretta sacra (J.F Gmelin, 1789)	Kuntul Karang	LC	AB
Cinnyris jugularis (Linnaeus, 1766)	Burung Madu Sriganti	LC	AB

LC: Least Conc LC: Least Concern, A: Law No.5 1990, B: Presidential Regulation No.7/1997/1999

## MANAGING A BETTER ENVIRONMENT



**Photo Title:** Environmentally Friendly Technology

**Photo Location:** Semen Padang's Plants Area

**Photo Caption:** Semen Padang always has responsibility to maintain a pristine environment.

## TREE PLANTING

In the period of 2013-2015 Semen Padang has planted trees in an area of 575 hectares of land. Trees are planted in the area around the factory and Bung Hatta Forest Park in Padang. In addition, trees are planted in Bungus Teluk Kabung, Padang and Maninjau, Agam District.

The types of plants grown are gaharu, bayur, petai, jengkol and productive crops such as mangosteen and durian. In addition Semen Padang has attempted to conserve its local and almost-extinct plants. The plants are native to West Sumatra and are rarely found in other forests of Sumatra.

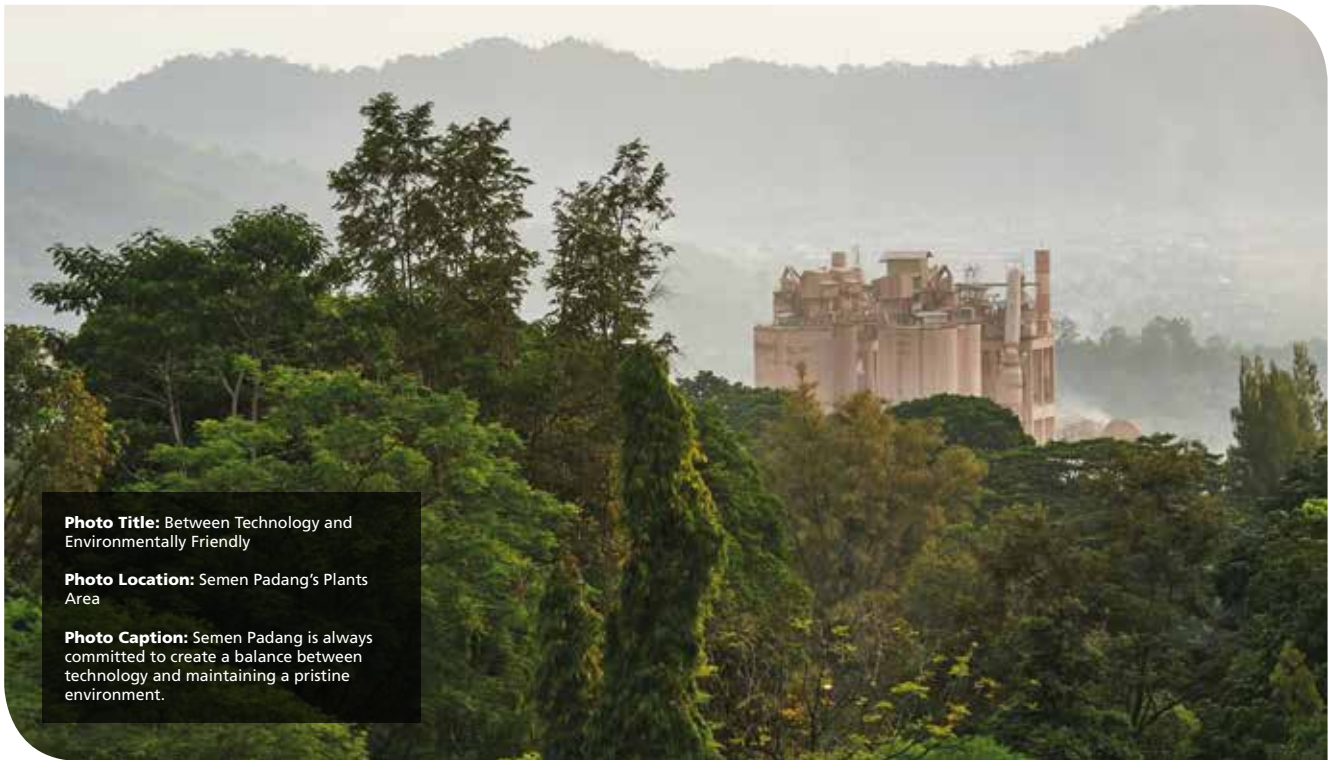
**575** ha  
Area planted with trees  
(since 2013)

## MINING LICENSE AND POST MINING

As a company that upholds good corporate governance, Semen Padang also needs to comply in terms of operations. In line with this, the limestone mining business activities for the requirement of raw materials have complied with the applicable licensing requirements, namely:

- Decree of the Minister of Forestry of the Republic of Indonesia No. 467 / Menhut-II / 2013 on 26 June 2013 for Forest Area License (IPPKH) covering an area of 242.3 hectares of land
- Mining Business License (IUP) of Limestone already obtained since 1996 for an area of 412 hectares of land.

Based on the license, the Company may undertake development and mining activities within the designated area. In conjunction with IPPKH, Semen Padang performs its obligation to rehabilitate the 275 hectares of land in Agam Kuantan River Basin, which has been planted with mahogany, bayur, meranti, petai, jengkol, mangosteen and durian.



**Photo Title:** Between Technology and Environmentally Friendly

**Photo Location:** Semen Padang's Plants Area

**Photo Caption:** Semen Padang is always committed to create a balance between technology and maintaining a pristine environment.

# 412<sub>ha</sub>

Owning Limestone Business License (IUP) since 1996

## POST MINE PLANNING [G4-MM10]

In addition to carrying out its obligations, Semen Padang has made plans to restore the functionality of limestone mining areas and to allocate budget. There are two stages to be undertaken to restore the mining area's function: land reclamation for unused area and mine closure.

For the closure of the mine, it is planned to be reforested and equipped with supporting facilities such as reservoirs and landscape to prevent erosion. Under this plan, all of the mining areas (100%) already have post-mining plans



**Photo Title:** We work appropriately, accurately and cautiously

**Photo Location:** Semen Padang's Laboratory

**Photo Caption:** We ensure that the quality of products exceeds the standards in order to meet customers' expectations.



# WORKING SAFELY

The implementation of the Human Capital Master Plan (HCMP) is aimed at improving the competence and performance of human resources into a great human capital



Health and Safety Commitment	112
K3 Organization	112
K3 Management System	113
K3 in The Joint Work Agreement	113
Work Safety Management	114
Work Health Management	114
K3 Performance	115

# WORKING SAFELY



## HEALTH AND SAFETY COMMITMENT [G4-DMA]

Safe, comfortable and healthy work environment is believed to result in motivated and productive employees. Therefore it is necessary to apply K3 Management System (SMK3) integrated with Semen Padang Management System (SMSP) in all aspects. All activities undertaken by the Company are intended to maintain employment relations, working conditions and social security Employment, Health and Safety (K3).

Semen Padang is committed to ensuring that safety and health is an integral part of the development of production systems and long-term strategies. All personnel in the Company continues to strive to meet Occupational Safety and Health (OSH) standards and strive to achieve zero accidents in each work unit.

## K3 ORGANIZATION

The Company has established an organizational structure of the Working Safety and Health Management Committee (P2K3) and conducted regular coordination meetings to gather and to process all K3 data and or issues, and to make resolutions in order to provide advice and consideration to management related to K3 issues.

P2K3 consists of work safety and health units comprising all employees appointed from each work unit and they jointly perform monitoring of K3 compliance. The Company currently maintains 25 teams.



**1.61%**

The portion of employees working in the Organization of K3 Semen Padang in 2016 (28 people)



**Photo Title:** Work Safely, Happily and Healthy

**Photo Location:** Indarung I

**Photo Caption:** In order to welcome the Nation's K3 Quality Month, Semen Padang organized a Fire Safety competition as a form of Company's K3.

## K3 MANAGEMENT SYSTEM

To ensure the Company's operational performance with high OHS standards, the Company adopts an OHSAS 18001: 2007 management system accredited by third parties. In addition, the Company also implements K3 (SMK3) management system that has been accredited by an independent party based on Government Regulation no. 50 of 2012.

The activities related to safety and health in the Company are as follows:

1. Counseling
2. Prevention
3. Treatment

Periodically the Company evaluates the implementation of the program to ensure the effectiveness or reduction of hazardous risks, which have been made in accordance with the plan according to the data input to determine further improvement measures.

## K3 IN THE JOINT WORK AGREEMENT [G4-LA8]

The implementation of K3 is also confirmed in the Collective Labor Agreement (PKB), which is a form of agreement between the Company and employees. The Company's commitment to comply with the OSH implementation is manifested by the inclusion of the OHS items in the Collective Labor Agreement (PKB), namely Chapter IX Article 42 of Collective Labor Agreement, which regulates the Company's obligations to:

1. Provide Personal Protection Tool (PPE).
2. Establish a joint Committee on K3 management.
3. Include worker representatives in inspection activities.
4. Conduct audit and work accident inspection.
5. Implement education and training, and complaint mechanism.
6. Ensure the right to refuse to work under unsafe conditions.
7. Perform periodic checks.

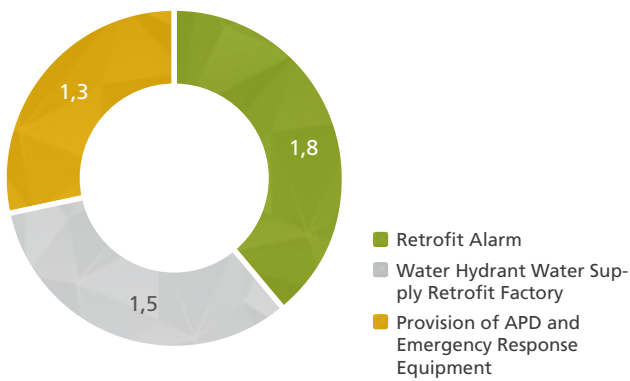
These items affirm the Company's obligation to create

WORKING SAFELY

working conditions that ensure the safety and health of employees, including providing Personal Protective Equipment (PPE). On the other hand, employees are also required to comply with all provisions that have been stipulated to ensure safety and health during work, but with the right to refuse to work when conditions are unsafe.

BIAYA PERALATAN K3 2016

(Rp billion)



WORK SAFETY MANAGEMENT

K3 program activities implemented by the Company during the year 2016 include among others:

1. Assurance on the reliability of emergency countermeasure facilities (Hydrant, APAR, Fire Truck, Fire Alarm, Fire Suppression System and Lightning Distribution Installation).
2. Assurance on the reliability of production facilities and other supporting facilities by implementing certification and equipment recertification.
3. Monitoring and measurement of physical factors of work environment, including noise, lighting, vibration, and working climate.
4. Microbiological measurements which include water, air, and psychological measurements of work.
5. Implementation of K3 training and socialization to all parties in Semen Padang area (employees, outsourcing, contractors, and all guests of Semen Padang) to raise awareness of K3.
6. Compliance with the application of K3 norms in the workplace, such as the use of Personal Protective Equipment (PPE).
7. Periodic checking of annual medical check ups for all employees, including new employees, and special health checks including spirometry and audiometry.
8. Prevention of disease outbreaks through fogging,

elimination of wild dogs, and rodent control.

9. Emergency readiness and emergency response at 10 work sites and human resources emergency response readiness through internal training.
10. Implementation of internal and external audits of SMK3 / OHSAS.

WORK HEALTH MANAGEMENT

In addition to preventing work accidents, the Company is fully committed to maintaining the health of its employees. Commitment to the health of employees is realized through the availability of health services to each employee, including the provision of health facilities and medical expenses. Periodically the Company performs comprehensive medical examination (medical check-up) to employees, to detect early symptoms of disease.

In addition there are also counseling activities for every employee, particularly those associated with serious diseases and occupational diseases. In view of the Company's integrated operational activities, including mining, production, power generation and transportation, the Company has observed and anticipated various occupational health-related illnesses as a target for prevention programs.

Diseases associated with respiration, vision and hearing are some of the most risky types of diseases, and they become the focus of periodic health checks on certain workers.

Activities	Descriptions
Health Talk	Conducted once a month at each K3LH team in work unit location
Health training related to noise, dust and ergonomics	Conducted during the socialization of health issues to work units and attended by all employees at such work units
Inspection together with work health department	Conducted 44 times a year in all operational areas and non-operational areas
Medical Check Up	Conducted every year and attended by all employees
Health instructions concerning work-related diseases, general illness, and certain illnesses	Conducted once a month and already attended by 650 employees
Morning exercise	Conducted every Wednesday and Sunday

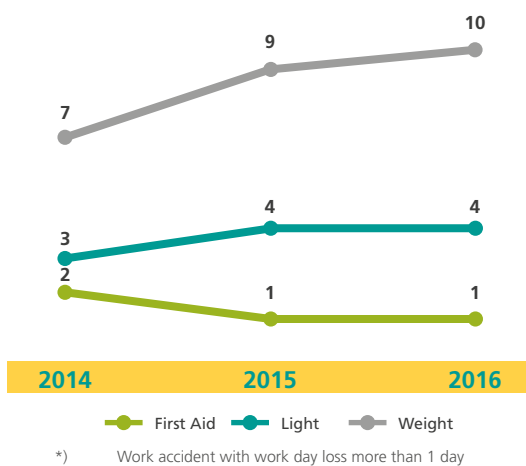
## K3 PERFORMANCE [G4-LA6]

In 2016, there were no fatal workplace accidents noted during the work process. Semen Padang has performed the planning, controlling, reviewing, and feedback, improvement and prevention in the efforts of achieving work safety and health.

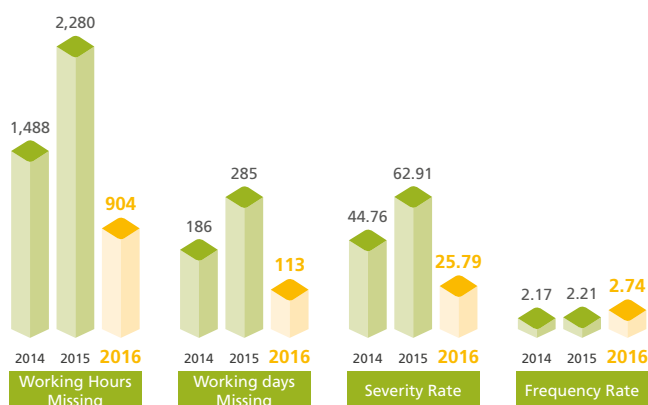
The result is an integral part of the consistency shown by all executors in implementing K3-based operational procedures according to the accredited standards. K3-based procedures are implemented in all aspects, including the reception of visiting guests, both in the factory and in the mining sites.

Based on the analysis, the main cause of accidents is due to inappropriate work procedures and lack of supervision. To prevent those from recurring, the Company re-socializes safety procedures at least once a month in each work unit, conducts monthly inspections and implements Behavior Based Safety.

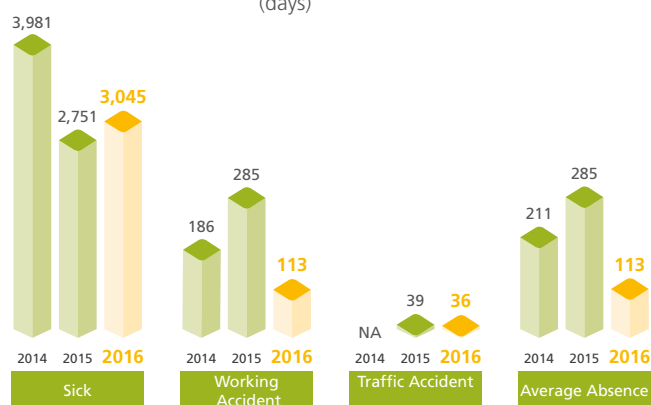
### NUMBER OF WORK ACCIDENT CASES



### SAFETY STATISTICS



### EMPLOYEE ABSENTEEISM (days)





**Photo Title:** Togetherness in supporting Sustainability

**Photo Location:** Indarung VI Plant

**Photo Caption:** Semen Padang Supports Full Sustainability for the Company as well as for the Society and Environment.

# WORK TO BREED INNOVATIONS

HR management is focused on various programs to increase capability, leadership, and quality of life and work.



Semen Padang Pandai Nagari	118
Human Capital Master Plan (HCMP)	119
Local Employees	121
Competence Development	122
Employee Training	122
Knowledge Management	123
Innovation Culture	124
Employees Social Relationship	125
Implementation of Equality Principle	125
Meeting The Rights of Workers	125
Protection of Rights in PKB	125
Freedom of Association	125
Remuneration	126
Pension Benefits	127
Employment Survey	127

# WORK TO BREED INNOVATIONS



**Photo Title:** Togetherness, one of them is through Semen Padang's Improvement Event

**Photo Location:** PT Semen Padang's Multifunction Hall

**Photo Caption:** Semen Padang provides means for every employee to always create new breakthroughs in order to progress together.

## SEMEN PADANG PANDAI NAGARI

Based on Semen Padang's CSR Mission, human resource management as discussed in this section, is one of the important pillars of Semen Padang sustainability called 'Pandai Nagari'. The pillar contains programs related to ISO 26000 core subjects namely Labor, among others:

1. Implement Human Capital Master Plan (HCMP) consisting of: Leadership Development Program (LDP), Talent Management (TM), Knowledge Management (KM), and Specialization.
2. Encourage the establishment of worker social relations and social dialogue.
3. Ensure the fulfillment of workers' basic rights; conditions of welfare, insurance, health and safety and the quality of service workers.





## HUMAN CAPITAL MASTER PLAN (HCMP) [G4-DMA]

Semen Padang believes that Human Resources (HR) is the key performance driver that the Company should focus on along with the developments of the company. With the commitment of management to strengthen work culture excellence, human resource management focuses on various programs to increase capability, leadership, and quality of life and work.

To prepare excellent and competitive human resources, Semen Padang has implemented Human Capital Master Plan (HCMP) to optimize Human Capital (HC) management in developing competence, character and integrity. The main objective of HCMP is the availability of highly competent HC with strong character and integrity to support the achievement of Semen Padang's vision and mission.

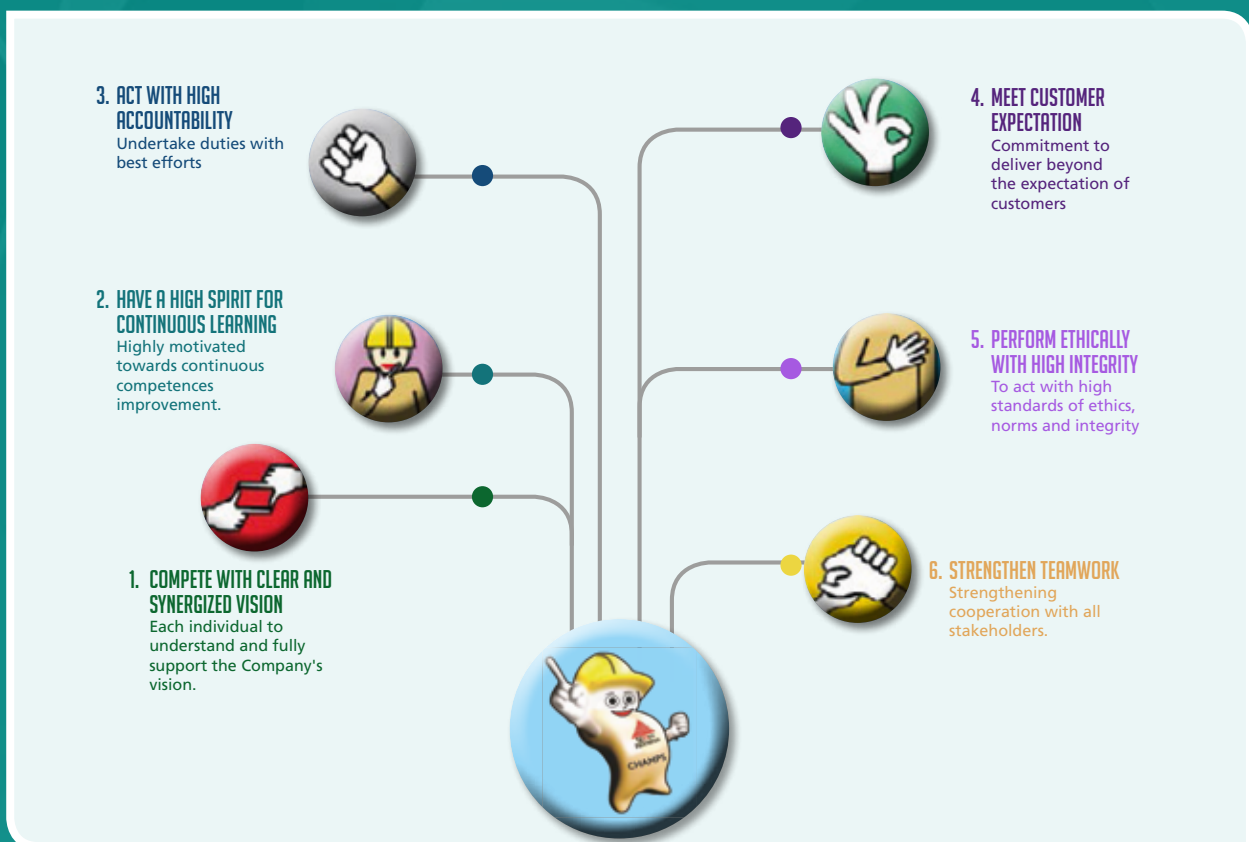
HCMP is implemented through a variety of interrelated systems to achieve the goals which are:

- Human Resource Information System (HRIS) which includes reward management (Payroll and Enterprise Compensation Management), Training Management (Learning Solution),
- Employee development and Talent Management,
- Performance management system (Employee Performance Management System and Corporate Performance Management System).

In its implementation, HCMP is synergized with the implementation of SICC (Semen Indonesia Center of the CHAMPS) from Semen Indonesia, Human Capital Readiness, High Performing Human Capital System, and Corporate Transformation project.

## CORPORATE CULTURE DEVELOPMENT (64-56)

CHAMPS is a corporate culture adopted in Semen Indonesia Group which is the crystallization of work culture values throughout Semen Padang's operational company (Semen Gresik, Semen Tonasa, and Thang Long Cement). CHAMPS is an acronym of Corporate Culture with the basic values described as follows:



The adoption of CHAMPS culture began in Semen Indonesia Group in 2011 and in 2015 the Company evaluated the extent to which the culture is embedded in the employee and then developed CHAMPS cultural strengthening programs accordingly.

CHAMPS cultural internalization process continues to be done by socializing the culture in all work units by the Community of Practice (CoP) CHAMPS Agents. CoP CHAMPS Agent is an Influencer who will actively develop internalization strategies and socialize the CHAMPS culture.

Cultural socialization is conducted through media of communication including signs, banners, and pocket book of "CHAMPS Book - Corporate Culture of Semen Padang" which is distributed to all employees. The book not only explains the corporate culture in details but also sets forth examples that should be done (DO) and that should not be done (DO NOT), so that all activities undertaken by employees could reflect the Company's desired culture.

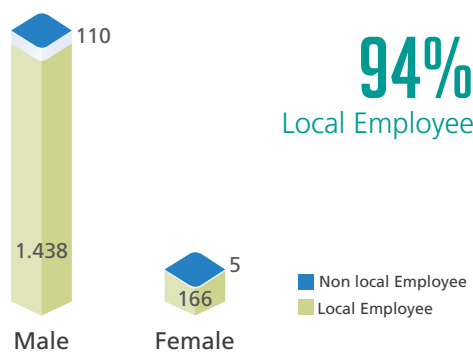
## LOCAL EMPLOYEES [G4-EC5]

Growing and developing with the environment entails the meaning that the Company will always progress along with its surrounding community. One of the benefits of the Company's existence is the creation of job opportunities, and the development of skills becomes an important factor in the strategy of community empowerment.

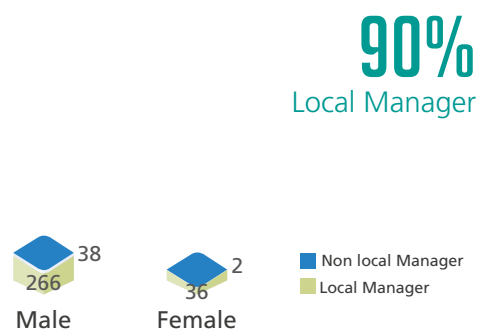
One of the examples in implementing such commitment is the policy to provide opportunities for local workers to develop themselves according to their potentials and competence. Local recruitment is an important issue particularly for the people living near the operation area. [G4-DMA]

The Company provides equal opportunities during the selection process of new employees and during the promotion of all employees, but if the results of performance appraisals and competencies generate similar scores, the local employees would have added values during such assessment. [G4-DMA]

### COMPOSITION OF PERMANENT EMPLOYEES



### MANAGERS IN THE COMPOSITION IN PERMANENT EMPLOYEE [G4-EC6]



\* Local Employees are residents living in the territory near the Company's operating area as evidenced by identity card (KTP).

## COMPETENCE DEVELOPMENT [G4-LA10]

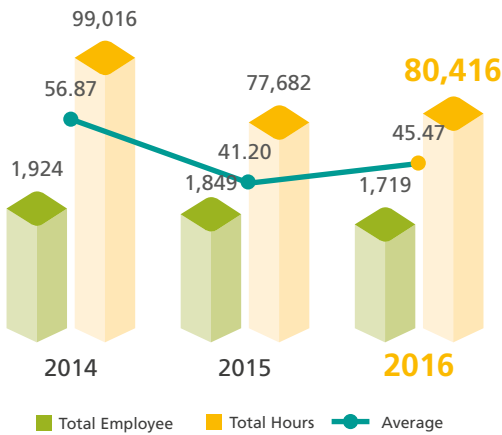
Semen Padang focuses on managing its employees to improve employee productivity and contribution for the achievement of established targets. Employee productivity improvements are performed by conducting labor efficiency and organizational effectiveness by improving employee capability through competency-based training program and special assignment in task force team and development projects, and optimizing the use of information system and development of Company's management system to improve business process effectiveness.

The development of employee competency is conducted by Dynamic Learning (Corporate University) approach. Under such concept, the learning process focuses on increasing the competence based on business issues or challenges faced by the Company.

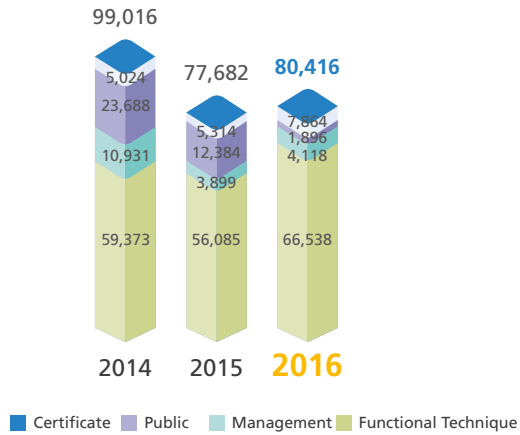
The development and training program aims to improve the technical (hard competency) and non-technical (soft competency) skills of the employees. In 2016, the training provided by the Company focused on improving technical competence, therefore the Company allocated Rp8,412 billion for the realized training budget.

### EMPLOYEE TRAINING [G4-LA9]

#### NUMBER OF EMPLOYEE TRAINING



#### NUMBER OF EMPLOYEE TRAINING HOURS PER TOPIC



In addition to implementing the learning program, Semen Padang provides professional certification for specialized skilled workers in factory operations through Lembaga Sertifikasi Profesi (LSP) of Cement Indonesia. In 2016, LSP Semen Indonesia already maintained 11 (eleven) assessors to conduct a competency test for a total of 22 (twenty two) employees.

In addition to improve skills in the Company's core competencies, Semen Padang conducts training to enhance leadership skills for certain employees and also as the Company's succession program.

### Leadership Training Program 2016

No.	Implementation Date	Program	Number of Participants
1	3 April-9 September 2016	Operational Leadership Development Program (OLDP)	24
2	3-5 August 2016	Change Management & Leadership (training)	22
3	21-29 September 2016	Manager as Coach (training)	18
4	27-29 October 2016	Leadership Forum (training)	1
5	27-28 October 2016	Education Emerging Leaders Becoming a Transformational (training)	1
6	5 December 2016	Wawasan Kebangsaan Lemhanas	4

**45.47** hour  
Average Employee training

Furthermore, to maximize employee competence and determine career path, the Company conducts periodic performance appraisals. Since 2014, the Company has started to implement employee performance appraisal system based on Key Performance Indicator (KPI).

Work performance is influenced by three factors, namely the ability / interest of a worker, the ability to comprehend the explanation of delegated tasks and roles, and the motivation level of the workers. In order to improve the competence of employees, the Company also conducts the coaching process by socializing those to human resources management, by way of monitoring and providing monthly feedback.

### KNOWLEDGE MANAGEMENT

In 2016, Semen Padang developed Knowledge Management (KM) strategies to share knowledge within the organization, by establishing organizations that specifically manage and encourage the flow of knowledge.

KM culture is implemented through various sharing methods that are packaged in various forms of activities. Reinforcement is awarded through award points that could be exchanged for rewards for employees who participate in all of these activities. In 2016, the Company targeted 720 points and reached 760 points (105%).

**760** points  
Target points Knowledge Management (KM)

### ACTIVATE KNOWLEDGE MANAGEMENT



## WORK TO BREED INNOVATIONS

### INNOVATION CULTURE

With experiences for more than 1 century in managing cement factory, Semen Padang has made innovation as a culture. Through innovation, we can conduct business processes effectively and efficiently to produce quality products and provide added value to stakeholders.

The culture of innovation is institutionalized by establishing improvement teams across various operations within the Company. Each team works under a Quality Control Unit approach to identify innovation and improvement opportunities in activities, products, or services. The goal is to be more efficient, environmentally friendly and more secure.

To test innovations, the Company participates in various internal and external innovation competitions. In 2016 Semen Padang received the Platinum Award in the Indonesian Quality Award (IQA) with the highest score compared to all participants, outperforming other big companies in Indonesia.

In addition, the innovation team of Semen Padang has registered 136 innovation works to participate in Semen Indonesia Award on Innovation (SMI AI) and Semen Padang Improvement Event (SPIE). Out of the 136 innovations, 46 teams of which participated in SMI-AI and 90 teams in SPIE participants.

# 621

Score of IQA Emerging Industry  
Leader level on a 1.000 scale.

**“The Platinum Award for The Highest Score Achievement”  
Achieving the highest score in the 2016 Indonesian Quality  
Award event**



**Photo Title:** Semen Padang's Innovator

**Photo Location:** Denpasar - Bali

**Photo Caption:** Achievement of Innovation Team of Semen Padang: 2 Platinum, 4 Golds and 2 Silvers.

## EMPLOYEES SOCIAL RELATIONSHIP **[G4-DMA]**

### IMPLEMENTATION OF EQUALITY PRINCIPLE

During all processes of human resource management, starting from recruitment, training, performance appraisal, career path and remuneration decision, the Company has never discriminated against gender, ethnic, religion, race and group.

The whole process is performed solely based on the results of the need analysis for recruitment, performance appraisal results based on balanced score card method completed with personal performance indicator (key performance indicator) for career path and similar industry survey in terms of remuneration.

### MEETING THE RIGHTS OF WORKERS

The Company meets the right of the workers starting from Collective Labor Agreement (PKB) which has been approved by the Ministry of Manpower and Transmigration of the Republic of Indonesia. The applicable PKB serves as a joint reference in settling any form of industrial relations disputes, while taking into account the applicable rules and regulations.

All permanent employees of Semen Padang are protected through the Collective Labor Agreement. PKB Semen Padang is approved by labor union and the Company management which is valid for 2 years. In 2016, PKB 2014-2016 was signed on March 6, 2014.

The applicable PKB serves as a joint reference in settling any form of industrial relations disputes, while taking into account the applicable rules and regulations. The PKB provides guarantee for every employee whether they are union members or non-union members.



# 100%

Semen Padang employees are covered by a Joint Working Agreement that protects the equal rights and obligations between employees and the Company. **[G4-11]**

### PROTECTION OF RIGHTS IN PKB

The points of agreement in the PKB guarantee the employee's rights in dealing with the Company since PKB covers various matters as follows:

1. The assurance of the rights and obligations of the Company and its employees, including employment relationship type, terms, working conditions and work discipline in the Company.
2. Procedures for settlement of employee complaints, submission of opinion to the Management and decision-making procedures.
3. Rules of dismissal of employment and retirement benefits.

### FREEDOM OF ASSOCIATION

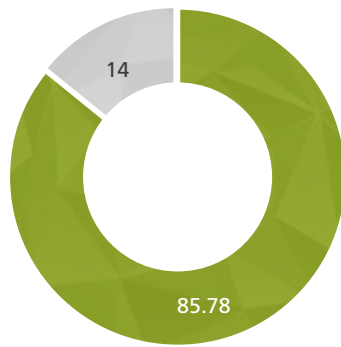
To support the implementation of industrial relations and the commitment to workers' basic rights, the Company facilitates the establishment of labor union. The mutually supportive two-way relationship is manifested in points of agreement and rules as set forth in the Collective Labor Agreement (PKB). However, freedom of association is not applicable yet to 3rd parties.

The type of support for the establishment of labor union includes lending of Company facilities for organizational activities, assistance in withdrawing membership fees through salary deductions and the granting of dispensation to employees who are union administrators to carry out organizational activities.

## FREEDOM OF ASSOCIATION IN SEMEN PADANG

**2** Labor Union was established in the Company:

1. Semen Padang Workers Union (SPSP)
2. Semen Padang Reform Workers Union (SPR)

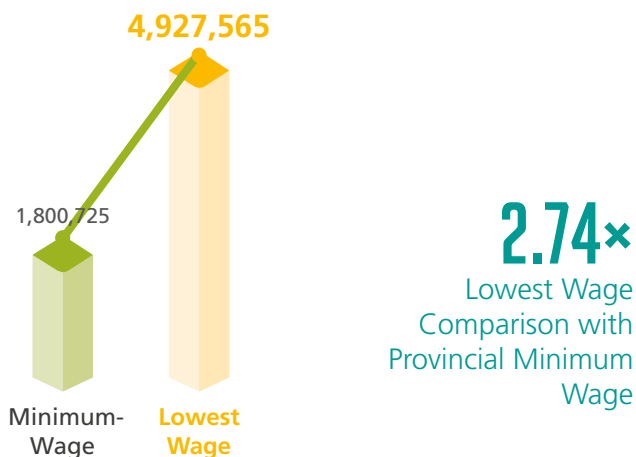


■ Permanent Employees of Trade Unions  
■ Permanent Employees of Trade Unions

## REMUNERATION

As affirmed above concerning the adoption of equality principle, the Company does not discriminate the remuneration system against genders. Factors affecting the amount of individual remuneration are the length of service, benefits and incentives earned and work performance.

The Company maintains a remuneration mechanism and system for determining employee benefits. Such mechanism also applies to employees assigned to subsidiaries of Supporting Entities & Affiliates (APLP & A); however, APLP & A maintains their own remuneration mechanism.



## Employees' Facilities Based on Status [G4-La2]

Type of Facilities	Employee Status		Facilities
	Permanent	Non-permanent	
Basic Salary	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Medical Benefits	<input checked="" type="checkbox"/>		
Insurance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Death Insurance, BPJS Ketenagakerjaan
Work Accidents Insurance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	BPJS Ketenagakerjaan
Maternity benefits	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Retirement benefits	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Employee Pension Fund, Insurance Program
Shares Ownership	<input checked="" type="checkbox"/>		

In addition to wages, the Company annually provides some types of special appreciation to employees who excel in assisting to achieve business targets, as well as employees who have been serving for a certain period of time.

Awards are provided on an individual and group basis in various types and forms in accordance with the Company's level of interest which includes appreciation of opportunities to go pilgrimage/Umrah and special incentives.

In recognition of employee loyalty and dedication as demonstrated by the years of service, the award is manifested in the form of loyal employment ring for the working period of 10, 20, 25 and 35 years. The following table is the number of employees who have received loyalty awards in the last two years.

## New Employee Salary Comparison Ratios Semen Padang with Regional Minimum Wage (UMR)

No	Representative	Salary	UMR 2016	Rasio
1	Aceh	4,927,565	2,118,500	2.33
2	Riau	4,927,565	2,095,000	2.35
3	Dumai	4,927,565	2,095,000	2.35
4	Jambi	4,927,565	1,906,650	2.58
5	Bengkulu	4,927,565	1,605,000	3.07
6	Sumatera Selatan	4,927,565	2,206,000	2.23
7	Bangka Belitung	4,927,565	2,341,500	2.10
8	Sumatera Utara	4,927,565	1,811,875	2.72
9	Kepulauan Riau	4,927,565	2,178,710	2.26
10	DKI Jakarta	4,927,565	3,100,000	1.59



### New Employee Salary Comparison Ratios Semen Padang with Regional Minimum Wage (UMR)

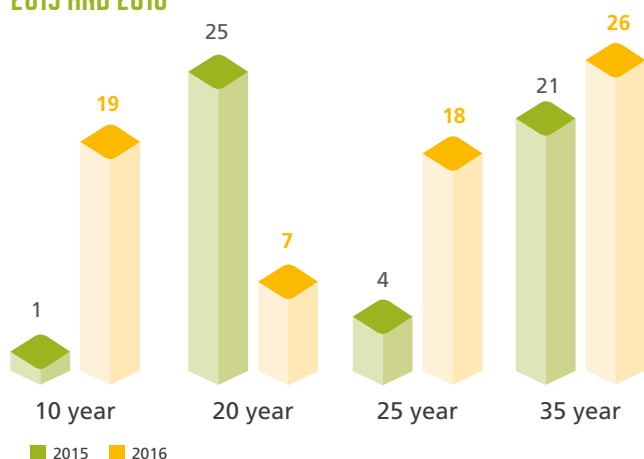
No	Representative	Salary	UMR 2016	Rasio
11	Jawa Barat	4,927,565	2,250,000	2.19
12	Banten	4,927,565	1,784,000	2.76
13	Jawa Tengah	4,927,565	910,000	5.41
14	Lampung	4,927,565	1,763,000	2.79
15	Sumatera Barat	4,927,565	1,800,725	2.74

**Note:**

- Different salaries between representatives are given a location allowance
- Regional Minimum Wage based on the Central Bureau of Statistics

<https://www.bps.go.id/linkTableDinamis/view/id/917>

### COMPOSITION OF EMPLOYEES OF EMPLOYEE LOYALTY AWARD 2015 AND 2016



### PENSION BENEFITS [G4-LA2]

For employees entering into retirement period, the Company prepares two pension plans, namely the Defined Contribution Benefit and Defined Pension Benefit. The Company also provides preparation for employees in entering retirement age.

The Company provides two types of pension plans, namely:

1. Defined Pension Benefit, pension plan managed by Dana Pensiun Semen Padang for all permanent employees (This pension program is only for permanent employees appointed before October 1, 2007) as stipulated in Company regulations. Total contributions consist of employees' contributions computed at 5% of the basic earnings of pension and the Company's contribution

which is calculated on actuarial basis.

2. Defined Contribution Benefit, under this program employees will receive defined contribution benefit for permanent employees and certain contract employees managed by DPLK Avrist Assurance upon retirement.

Retirement preparation activities are carried out three years prior to retirement (56 years), and during those years they were equipped with psychological preparation, financial management knowledge, pension socialization, and entrepreneurship training including visits to successful businesses. Through the implementation of the pension program, it is expected that employees could enter the retirement period in a prosperous and productive manner.

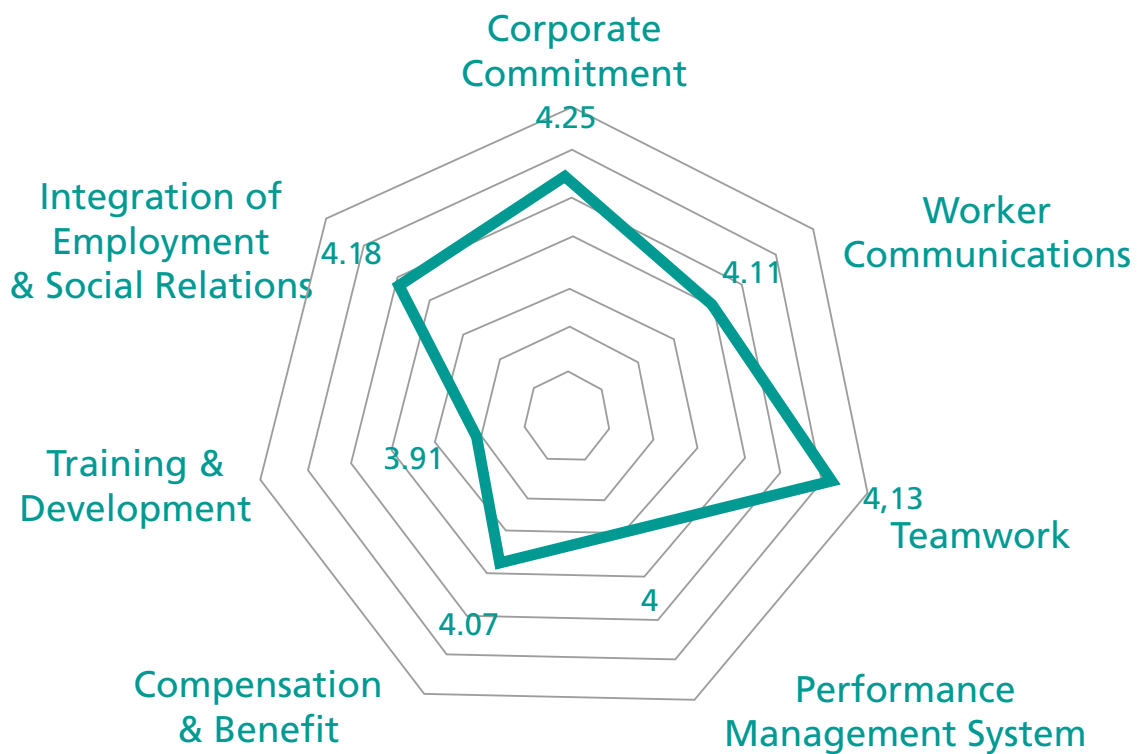
### EMPLOYMENT SURVEY

Semen Padang evaluates the effectiveness of human resource management by conducting an employment survey. This is conducted with the aim of improving the performance of Semen Padang, particularly for the employees.

In 2016, the surveys conducted by the Human Resources Department included the following:

1. Working Climate Index (WCI) which is the conversion of 2013 satisfaction survey adjusted to the needs in 2015 to assess the working climate of each work unit and it is conducted in conjunction with Semen Indonesia Group (SMIG).
2. Employee skill survey which displays the employee attachment level to Semen Padang and its work environment.
3. The cultural understanding survey of Semen Padang which assesses employees understanding of CHAMPS culture in conjunction with Semen Indonesia Group (SMIG) through the Value Measurement System (VMS).
4. Internal Customer Satisfaction Index which displays the employees satisfaction level to service of Human Resources department.

## RESULTS OF WCI 2016



# 137.6%

Realization of WCI 2016 targets  
The 2014 target of WCI is 3 of scale 5, we achieved a total score of 4.13.

Semen Padang has also conducted an Incompetent Employee and Human Capital Readiness (HCR) survey which is an indicator of KPI from Cement Indonesia with WCI. By 2016, the Incompetent Employee target is 15% and the realization of HCR is 8.83% or 141% of the established targets.



**Photo Title:** Quality Month Ceremony  
**Photo Location:** Head Office's Plaza  
**Photo Caption:** Quality Month Ceremony is routinely conducted in Semen Padang.

Work to Breed  
Innovations



**Photo Title:** Fun during the Dance Practice

**Photo Location:** Semen Padang's Elementary School

**Photo Caption:** Semen Padang has a Foundation that manages educational institutions ranging from: kindergarten, elementary, junior high, high school and vocational school as one form of corporate responsibility to the environment.

# SUPPORTING INFORMATION AND DATA

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● This report is focused on discussing aspects of Semen Padang's sustainability, especially in the field of environmental and social management



About the Sustainability Report	132
Scope of Reporting	133
References Used	133
Period of Report	134
Selection of Topics in Report	135
Stakeholder Engagement	136
Materiality	137
GRI-G4 Index	138

## SUPPORTING INFORMATION AND DATA

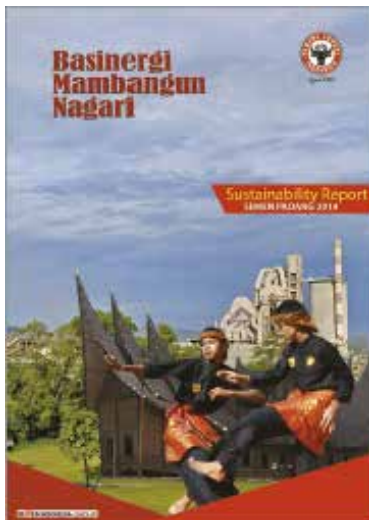


**Photo Title:** Educating Children of the Nation

**Photo Location:** Semen Padang's Elementary School

**Photo Caption:** Semen Padang established the Igarar Foundation as a manifestation of the commitment to educate the nation's children from Kindergarten to High School.

## ABOUT THE SUSTAINABILITY REPORT





Semen Padang 2016 Sustainability Report (Report) is a complementary report that we publish together with 2016 Semen Padang Annual Report. This report focuses on discussing the sustainability aspects, particularly in environmental and social management.

In this report readers could learn about the commitment, policies, strategies, efforts and achievements as well as the challenges encountered by Semen Padang in managing its sustainability aspects, in line with the principle of the triple bottom line, i.e. the harmony between profit-planet-people. Triple Bottom Line is integrated with ISO 26000 SR.

### SCOPE OF REPORTING [G4-17][G4-28]

The information contained in this report includes the activities, products and services of PT Semen Padang excluding subsidiaries, except for information on financial data (consolidated), which is conducted from 1 January to 31 December 2016.

### REFERENCES USED [G4-32]

Semen Padang publishes sustainability reports annually since 2012. In the presentation of data and information, we utilize the references from the 4th Generation Global Reporting Initiative Sustainability Report (GRI-G4) and Mining and Metal Sector Disclosure that are relevant to quarry activities.

## SUPPORTING INFORMATION AND DATA

In utilizing GRI-G4, we manage this report structure by following the 'in-accordance' rule with the 'key' option on material aspects.

To make it easier for readers to find the GRI G4 indicator applied in this Report, we list the GRI G4 index on each page related to the blue letters placed in brackets. The complete list of GRI indexes can be found on page 138.

### PERIOD OF REPORT [G4-30] [G4-31]

Semen Padang publishes a Sustainability Report annually in conjunction with the issuance of the Company's Annual Report. The Sustainability Report of Semen Padang in 2015 was published in March 2016.

The Sustainability Report and Annual Report of Semen Padang that have been published in the previous years can be downloaded from the company's website page at [www.semenpadang.co.id](http://www.semenpadang.co.id).

## CONTACTS RELATED TO SUSTAINABILITY REPORT [G4-31]

**Unit of Legal Department and GRC/MR**  
PT Semen Padang  
Kantor Pusat  
Indarung, Padang 25237, Sumatera Barat  
T : (0751) 815 250  
F : (0751) 815 590  
E : [gcgmr.sp@semenindonesia.com](mailto:gcgmr.sp@semenindonesia.com)

**Representative office**  
Graha Irama 11<sup>st</sup> Floor  
Jl. HR Rasuna Said Blok X-1  
Kav. 1 & 2 Jakarta 12950  
T : (021) 5261272 - 74  
F : (021) 526 1414



**Photo Title:** Information Disclosure

**Photo Location:** Bumi Minang Hotel

**Photo Caption:** As a manifestation and commitment of Semen Padang in implementing regulations on information disclosure to the public, Semen Padang has submitted the public information disclosure event between SOEs/ ROEs in Sumatera Barat and got the first winner.



## SELECTION OF TOPICS IN REPORT [G4-18]

The topics of discussion presented in this report include material sustainability for Semen Padang and our stakeholders, particularly customers, users and distributors, local communities, NGOs, suppliers, employees and shareholders, in accordance with the principles of transparency and accountability as a business entity in Indonesia.

In accordance with GRI-G4, the contents of this report are made based on 4 (four) principles: stakeholders engagement, materiality, sustainability context, and completeness with the following details:

### Stakeholder Engagement

- Reviewing 2016 CSR monthly reports and also taking into account the feedback / inputs received from stakeholders concerning prior year's reports (stakeholder engagement) to identify relevant sustainability aspects.

### Materiality

- Mapping relevant sustainability aspects based on a priority scale that considers its impact on the Company and its significance and requirements for stakeholders.

### Context of Sustainability

- Considering relevant sustainability issues in the Company's business processes that are grouped into pillars of the CSR program.

### Completeness

- Supported by complete data for the period and scope of reporting, and containing balanced content between positive and negative performance.



**Photo Title:** Socialization of Fraud Control Program

**Photo Location:** Semen Padang's Training Department

**Photo Caption:** As a commitment of Semen Padang in preventing Fraud and creating anti corruption cadres.

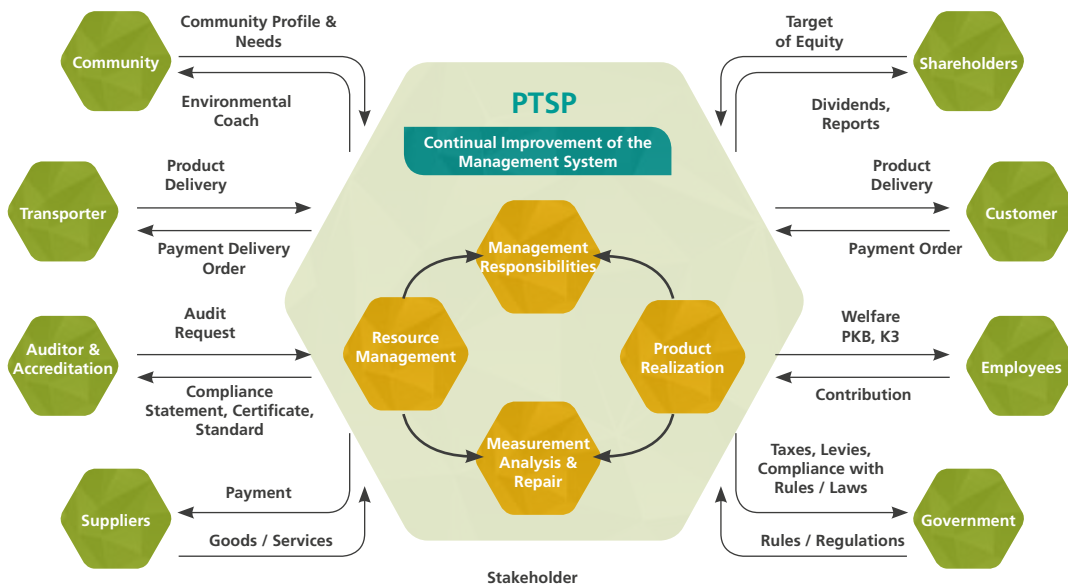
## STAKEHOLDER ENGAGEMENT [G4-24]

The selection of topics in this report is made in accordance with the materiality principles in GRI-G4 by taking into account the previously reported topics obtained through materiality surveys by involving stakeholders. Materiality level questionnaires are sent out to different stakeholder groups.

The identification of stakeholders is conducted internally, based on the relationships that have been built so far with various parties, and the mutually influential relationships being created. The Company has identified key Stakeholders who have dominant influence on business sustainability, i.e. shareholders, customers, employees, government, vendors, creditors, public and auditors. [G4-25]

The Company then approaches each Stakeholder, to identify and meet their needs. The approach is performed by considering the nature of each Stakeholder relationship to the Company.

A brief description of stakeholder interaction and involvement in maintaining the Company's sustainability is illustrated in the following diagram: [G4-24][G4-26][G4-27]



## MATERIALITY [G4-18]

Sustainability topics that have been identified from Stakeholder engagement and the topics presented in the previous sustainability report are reviewed by Semen Padang Internal Team on April 4, 2017.

The review is conducted by considering the dynamics Semen Padang faced in 2016 to ensure the relevance and significance of the topics discussed in the previous report.

Review of:

1. Impact on the sustainability of Semen Padang
2. Influence on perception and decision making by Stakeholders.

The material topics in this report are as follows:

### List of Material Aspects and Limitations [G4-19]

No.	Topic	Aspects Reported based on GRI-G4	Limits of Impact							
			Internal [G4-20]			External [G4-21]				
			Semen Padang	Employee	Shareholders	Customers	Suppliers	Government	Public	Auditor
1.	Emission	Emission	√						√	√
2.		Compliance	√					√		
3.	Local community	Local community	√						√	
4.		Market presence	√					√	√	
5.		Indirect economic benefits	√					√	√	
6.		Purchase practices	√				√			
7.	Economic Performance	Economic performance	√		√					√
8.		Label of Products and Services	√			√				
9.	Production	Materials	√	√						
10.	Work Health and Safety	Work health and safety	√							
11.	Energy	Energy	√							
12.	Effluent and Waste	Waste	√						√	
13.	Anti Fraud	Anti Corruption	√	√						
14.	Employee Competence	Training and education	√	√						
15.	Biodiversity	Biodiversity	√						√	
16.		Post mining								

Compared with material aspects reported in the 2015 report, there are additional aspects of biodiversity and post-mining, while the non-material aspects include marketing communications. [G4-23]

# GRI-G4 INDEX

## GENERAL STANDARD DISCLOSURES

Indicator	Description	Performance or Direct Answer			Page
		2014	2015	2016	
G4-1	Statement from President Director				6
<b>ORGANIZATIONAL PROFILE</b>					
G4-3	Name of The Organization	PT Semen Padang			18
G4-4	Primary Brands, Products and Services	<b>Line of Business</b> Cement Producer and Trade  <b>Production Type</b> <ul style="list-style-type: none"> <li>Ordinary Portland Cement (OPC), consist of: Portland Cement Type I, Portland Cement Type II, Portland Cement Type III, Portland Cement Type V, dan Oil Well Cement (OWC)</li> <li>Non Ordinary Portland Cement (Non OPC), consist of: Portland Pozzolan Cement (PPC) &amp; Portland Composite Cement (PCC).</li> </ul>			18
G4-5	Location of Headquarter	Indarung Padang, West Sumatra 25237 T : (0751) 815 250 F : (0751) 815 590			19
G4-6	Number of Countries Operation	1 (one) Indonesia			
G4-7	Ownership and Legal Form	<b>Company Status</b> Subsidiary of State Owned Enterprise (SOE)  <b>Legal Basis of Establishment</b> Deed of Establishment No. 5 dated 4 July 1972, made before Notary Julian Nimrod Siregar, S.H in Jakarta and was amended by the Amendment Deed No. 117 dated 28 December 2012, made before Notary Kharisma, S.H in Jakarta, which has been approved by the Minister of Justice of the Republic of Indonesia No. AHU-AH.01.10-10399 dated 21 March 2013 and was published in the State Gazette of the Republic of Indonesia No. 24 dated 25 March 2014  <b>Shareholding</b> PT Semen Indonesia (Persero) Tbk by 99.99% Koperasi Keluarga Besar Semen Padang by 0.01%			
G4-8	<b>Markets Served</b>				
	Domestic Sales (ton)	7,087,043	6,855,163	6,495,547	
	Export Sales (ton)	115,703	397,445	395,545	
	Export Clinker (ton)	-	-	89,523	
	Total Sales (ton)	6,671,107	6,888,513	6,980,615	
G4-9	Organizational Scale				
	Total Employee			1,719	
	Total Operation				
	Cement Factory	<b>Production Capacity</b> 7,400,000 ton/year Indarung II : 720,000 ton/year Indarung III : 860,000 ton/year Indarung IV : 1,920,000 ton/year Indarung V : 3,000,000 ton/year Cement Mill Dumai : 900,000 ton/year			
	<b>Packing Plant</b>				
	Representatives Office			14	
	Revenue (Rp billion)	6,409	6,528	6,221	

Indicator	Description	Performance or Direct Answer									Page
		2014			2015			2016			
	<b>Capitalization</b>										
	Assets (Rp billion)	5,908			7,393			9,211			
	Debt (Rp billion)										
	Equity (Rp billion)	4,154			4,448			4,877			
	<b>Production of Volume</b>										
	Cement (ton)	6,671,107			6,888,513			6,456,059			
	Clinker (ton)	5,356,750			5,276,750			4,980,895			
G4-10	<b>Number and Composition of Employees</b>	Male	Female	Total	Male	Female	Total	Male	Female	Total	
	<b>Based on Employment Status</b>										
	Permanent Employee	1,714	176	1,890	1,624	175	1,799	1,533	169	1,702	
	Non-permanent Employee	31	3	34	48	2	50	15	2	17	
	<b>Total</b>	<b>1745</b>	<b>179</b>	<b>1924</b>	<b>1672</b>	<b>177</b>	<b>1,849</b>	<b>1,548</b>	<b>171</b>	<b>1,719</b>	
	<b>Based on Work Location (Permanent Employee)</b>										
	Head & Representative Office	847	166	1,013	831	170	1,001	854	166	1,020	
	Indarung II/III	339	0	339	298	0	298	262	0	262	
	Indarung IV	247	0	247	232	0	232	200	1	201	
	Indarung V	253	0	253	235	0	235	193	0	193	
	Subsidiaries	29	9	38	29	4	33	24	2	26	
	<b>Total</b>	<b>1,715</b>	<b>175</b>	<b>1,890</b>	<b>1,625</b>	<b>174</b>	<b>1,799</b>	<b>1,533</b>	<b>169</b>	<b>1,702</b>	
	<b>Based on Career Path (Permanent Employee)</b>										
	Echelon I							25	1	26	
	Echelon II							89	10	99	
	Echelon III							176	25	201	
	Echelon IV							289	13	302	
	Echelon V							954	120	1,074	
	<b>Total</b>							<b>1,548</b>	<b>171</b>	<b>1,702</b>	
G4-11	Employees Covered by Collective Labour Agreements	100%			100%			100%			125
G4-12	<b>Organizational Supply Chain</b>										
	<b>Description</b>	<b>Number of Suppliers</b>	<b>Purchase Value (Rp billion)</b>	<b>Number of Suppliers</b>	<b>Purchase Value (Rp billion)</b>	<b>Number of Suppliers</b>	<b>Purchase Value (Rp billion)</b>	<b>Number of Suppliers</b>	<b>Purchase Value (Rp billion)</b>		51
	<b>Total</b>	<b>616</b>	<b>4,065.33</b>	<b>587</b>	<b>3,659.19</b>	<b>663</b>	<b>4,036.21</b>				
G4-13	Significant Changes of Organization										44
G4-14	Precautionary Approach										93
G4-15	Externally Charters, Principles, or Other Initiatives										53
G4-16	Memberships in Associations										50

## Material Aspects and Boundaries

Indicator	Description	Performance or Direct Answer			Page
		2014	2015	2016	
G4-17	List of Entities				35
G4-18	Process for Defining The Report Content and Boundaries				135,137
G4-19	List of Material Aspects				137
G4-20	Aspect Boundaries within Organization				137
G4-21	Aspect Boundaries Outside Organization				137
G4-22	Restatement				No Restatement
G4-23	Significant Changes from Previous Reports				137
<b>STAKEHOLDERS ENGAGEMENT</b>					
G4-24	Stakeholders List				136, 48
G4-25	Basis for Stakeholder Identification and Selection				136
G4-26	Approach to Stakeholders' Engagement				136, 49
G4-27	Key Topics and Organization Response				136, 49
<b>REPORT PROFILE</b>					
G4-28	Reporting Period				133
G4-29	Date of Most Recent Previous Report				Juni 2016
G4-30	Reporting Cycle				134
G4-31	Contact Point				134
G4-32	GRI Content Index				138
G4-33	External Assurance				2
<b>GOVERNANCE</b>					
G4-34	Governance Structure				43
<b>ETHICS AND INTEGRITY</b>					
G4-56	Organizational Values, Principles and Norms				24, 47
G4-58	Reporting About Unethical/Unlawful Behavior				45

## SPECIFIC STANDARD DISCLOSURES

### Category: Economy

Indicator	Description	Performance or Direct Answer			Page
		2014	2015	2016	
<b>ECONOMIC PERFORMANCE</b>					
G4-DMA					53,59
G4-EC1	<b>Direct Economic Value Generated and Distributed</b>				
	<b>Economic Value Generated (Rp million)</b>				
	Operating revenues	6,408,767	6,528,321	6,221,204	
	Other income	133,372	20,972	271,972	
	Total Economic Value Generated	6,542,139	6,549,293	6,493,177	
	<b>Economic Value Distributed (Rp million)</b>				
	Operating Expenses In the form of payment of material supply cost, employment contracts, improvement of production and distribution facilities	3,972,052	4,552,026	4,408,935	
	Employee Salaries and Other Benefits In the form of employee salary payments, education and training financing, health care, and other benefits	745,408	770,423	766,894	
	Payments to the Government In the form of other tax, royalty, retribution and non-tax state (PNBP) payment.	674,920	473,911	532,662	
	Payment to Funders In the form of dividend payments	201,869	-	19,371	
	Investments for Communities through social assistance include infrastructure development, health, economic empowerment and education	22,849	30,949	41,303	
	Number of Distributed Economic Values	5,674,099	5,827,309	5,769,164	
	Economic Value Detained (Rp million)	925,040	721,985	724,012	
G4-EC3	<b>Organization's Defined Benefit Plan Obligations</b>				
	Dana Pensiun Semen Padang (Rp million)	1,005	877	803	
	Program Jaminan Hari Tua (Jamsostek)	1,954	1,848	1,745	
	Program Pensiun Manfaat Pasti (AJB Bumi Putera)	1,010	1,130	1,060	
	Tabungan kesehatan hari tua	1,010	1,130	1,060	
	Asuransi Manfaat Pasti	0	0	0	
	Jaminan Sosial Tenaga Kerja	1,954	1,848	1,745	
	Education/entrepreneurship, psychology and health	89	0	0	
	Funds managed (Rp million)	56,753	62,005	70,256	

## SUPPORTING INFORMATION AND DATA

Indicator	Description	Performance or Direct Answer			Page	
		2014	2015	2016		
<b>MARKET PRESENCE</b>						
G4-DMA					53,121	
G4-EC5	<b>Ratios of Standard Entry Level Wage with Local Minimum Wage</b>				121, 126	
	Head & Representative Office			274%		
	Indarung II/III			274%		
	Indarung IV			274%		
	Indarung V			274%		
G4-EC6	<b>Proportion of Senior Managers from Local Communities</b>				121	
	<b>Proportion of Local Employees in Management</b>			Male	Female	
	<b>Head &amp; Representatives Office</b>					
	Local			223	34	
	Overall			202	32	
	<b>Indarung II/III</b>					
	Local			15	-	
	Overall			15	-	
	<b>Indarung IV</b>					
	Local			14	1	
	Overall			18	1	
	<b>Indarung V</b>					
	Local			14	-	
	Overall			14	-	
	<b>Subsidiaries</b>					
	Local			16	1	
	Overall			20	1	
	<b>Permanent Employee</b>					
	Local			261	34	
	Overall			290	36	
	<b>Proportion of Local Employees from Overall</b>					
	<b>Head &amp; Representatives Office</b>					
	Local			783	161	
	Overall			854	166	
	<b>Indarung II/III</b>					
	Local			262	0	
	Overall			262	0	
<b>Indarung IV</b>						
Local			175	1		
Overall			200	1		
<b>Indarung V</b>						
Local			193	0		
Overall			193	0		



Indicator	Description	Performance or Direct Answer									Page
		2014			2015			2016			
	<b>Subsidiaries</b>										
	Local							19	2		
	Overall							24	2		
	<b>Permanent Employee</b>										
	Local										
	Overall							1,533	169		
<b>INDIRECT ECONOMIC IMPACTS</b>											
G4-DMA											62
G4-EC7	Development and Impact of Infrastructure Investment										62, 83
G4-EC8	Indirect Economic Impacts										78
G4-EC9	<b>Proportion of Purchases from Local Suppliers</b>										
	<b>Origin of Supplier</b>	<b>Total</b>	<b>Contract value (Rp billion)</b>	<b>%</b>	<b>Total</b>	<b>Contract value (Rp billion)</b>	<b>%</b>	<b>Total</b>	<b>Contract value (Rp billion)</b>	<b>%</b>	
	Local	361	1,354.40	33.32	330	1,256.70	34.34	350	1,520.60	38.67	
	National	230	2,184.79	53.74	224	1,879.33	51.36	287	2,131.40	52.81	
	International	25	526.14	12.94	33	523.16	14.30	26	384.21	9.52	
	Total	616	4,065.33	100	587	3,659.19	100	663	4,036.21	100.00	

## Category: Environmental

Indicator	Description	Performance or Direct Answer									Page
		2014			2015			2016			
<b>MATERIAL</b>											
G4-DMA											53, 92
G4-EN1	<b>Use of Raw Materials</b>										
	<b>Raw Material in Raw Mill (ton)</b>										
	Limestone rock	7.234.814			7.285.719			6.848.388			
	Clay	443.733			391.53			331.692			
	Silica Sand/Silica Stone	1.037.465			1.106.430			902.337			
	Iron sand	28			8.052			18.621			
	Copper Slag/Waste	134.394			110.994			84.212			
	Driling Cement Cutting	5.182			11.287			5.098			
	Total	8.833.988			8.537.132			8.190.348			
	<b>Raw Materia in Cement Mill (ton)</b>										
	Gypsum	203.341			227.782			203.492			
	Fly Ash	525			3.867			17.481			
	Total	203.866			227.786			203.509			
	Total Use of Raw Materials	9.037.854			8.764.918			8.393.857			

## SUPPORTING INFORMATION AND DATA

Indicator	Description	Performance or Direct Answer			Page
		2014	2015	2016	
G4-EN2	<b>Percentage of Use of Recycled Materials</b>				101,104
	Copper Slag replacement Iron Sand	100%	92.75%	77.89%	
	Drilling Cement Cutting Clay replacement	1.3%	2.88%	1.45%	
	Cement Clinker Factor				
<b>ENERGY</b>					
G4-DMA					53, 98
G4-EN3	<b>Energy Consumption within The Organization</b>				98
	<b>Electricity PLN (GJoule)</b>				
	For Production Activities	2,512,274.40	2,512,274.40	2,421,898.20	
	For Domestic Activities	4,840.56	6,290.28	9,271.01	
	<b>Fuel Oil (GJoule)</b>				
	Production Activities	6,670.08	6,670.08	10,665.00	
	Transportation Activities	1,996.56	2,224.80	2,616.84	
	<b>Other Energy Sources (GJoule)</b>				
	Coal	3,931,920.00	3,931,920.00	3,708,720.00	
	Total Energy Consumption	6,457,701.60	6,459,379.56	6,153,171.05	
Note: 1 Ton coal (5-10% moisture content) = 37 GJ 1 KiloLiter Solar = 40 GJ 1 KiloLiter Fuel = 34 GJ 1 MWh = 3,6 GJ					
G4-EN5	<b>Energy Intensity</b>	3,268	3,178	2,785	98
	<b>Alternative Energy Utilization of Coal Substitute (ton)</b>				
	Used Oil	28.70	7.80	14.71	
	<b>Sourced from the Community (ton)</b>				
	Sekam Padi	6,658.64	657.84	0	
	Sawdust	1,622.72	67.50	0	
	Total	261.00	0	0	
	Coir Coconut	1,749.14	0	0	
	Organic Waste	68.42	0	0	
	<b>Utilization of Electricity Substitute Electricity PLN (kWH)</b>				
WHRPG	54,660	48,796	53,524		
<b>WATER</b>					
G4-DMA					53, 105
G4-EN8	<b>Total Water Fetching</b>				105
	Total Surface Water Capture	6,670,021.00	6,612,164.00	6,497,813.00	
	Total Water Usage for Production Activities	5,077,969.00	5,008,858.00	4,796,843.00	

Indicator	Description	Performance or Direct Answer			Page
		2014	2015	2016	
<b>BIODIVERSITY</b>					
G4-DMA					53, 106
G4-EN14	Number of Protected Species				107
MM1	Amount of Land Disturbed or Rehabilitated				107
<b>EMISSION</b>					
G4-DMA					53, 95
G4-EN15	<b>Direct Greenhouse Gas (GHG) Emissions (Scope 1)</b>				97
	<b>CO2 from Raw Material</b>				
	CO2 from calcination of raw materials consumed for klinker production	2,860,505	2,817,985	2,659,846	
	CO2 from organic carbon content of raw meal	60,844	59,940	56,576	
	<b>CO2 from Kiln Fuels</b>				
	CO2 from conventional fossil fuels	1,999,952	1,896,665	1,657,066	
	CO2 from alternative fossil fuels	85	14	132,930	
	<b>CO2 from Non-Kiln Fuels</b>				
	CO2 from equipment and on site vehicles	13,773	13,316	12,987	
	Total Greenhouse Gas Emissions	4,935,159	4,787,920	4,519,405	
G4-EN16	<b>Energy Indirect Greenhouse Gas (GHG) Emissions (Scope 2)</b>				97
	CO2 from external power generation	460,646	453,498	442,998	
	CO2 from net inbound (+)/ outbound (-) klinker	138,284	71,795	331,355	
	Total Greenhouse Gas Emissions	598,930	525,293	774,353	
G4-EN17	<b>Other Greenhouse Gas (GHG) Emissions (Scope 3)</b>				
	CO2 from combustion of biomass	15,334	1,740	2	
	Total Emisi Gas Rumah Kaca	15,334	1,740	2	
G4-EN18	<b>Greenhouse Gas (GHG) Intensity</b>				97
	GHG emissions per ton of cement production (ton CO2e/ton semen)	0.83	0.77	0.82	

## SUPPORTING INFORMATION AND DATA

Indicator	Description	Performance or Direct Answer			Page
		2014	2015	2016	
<b>EFFLUENT AND WASTE</b>					
G4-DMA					53, 101
G4-EN23	<b>Type of Waste and Disposal Method</b>				
	<b>Reused B3 Waste (ton)</b>				
	Used oil	27.21	36	15.72	
	Grease Used	5.0	0.6	3.2	
	Gloves and Major Clothes are contaminated	2.57	0.62	0.91	
	Drum Used Oil	2.71	3.44	0.36	
	Toner or Cartridge	0.19	0.04	0	
	Chemical Bottles	0.44	0.57	0	
	Copper Slag	230,520.32	132,763.37	64,986.58	
	Drilling Cutting Cement	5,478.57	7,463.72	945.42	
	Fly Ash	286.27	591.22	15,316.88	
	Soil contaminated	0	18,000.51	93,180.92	
	Bottom Ash	0	600.60	792.43	
	<b>B3 Waste Submitted to Third Parties (ton)</b>				
	Used Accu	0	0	2.16	
	TL lamp	0.79	0	0.93	
	<b>Non B3 waste (ton)</b>				
	Organic for Composting	60.42	46.14	48.3	
	Non Organic Submitted to third parties	1.53	42.8	42.5	
	Non-Organic Recycling	0.5	0	0	
	Other Non-B3 Waste (ex: glass, Beverage cans) Submitted to third parties	17.33	16.94	14.52	
	<b>Type and volume of B3 Waste Imports (ton)</b>				
	Copper Slag	50,886	138,723	157,219	
	Fly ash	1,999	591	3,201	
	Bottom Ash	679	601	0	
	COCS (Contaminated soil)	105,850	18,001	0	
	Drilling Cutting Cement (DCC)	726	7,464	1,243	
	Number of Total	160,140	165,380	161,663	
<b>COMPLIANCE</b>					
G4-DMA					
G4-EN29	Sanctions for Non-compliance with Environmental Laws	No sanction on violation of environmental regulations during reporting period			

## Category: Social

### Sub-Category: Human Resources

Indicator	Description	Performance or Direct Answer			Page
		2014	2015	2016	
<b>EMPLOYMENT</b>					
G4-DMA					53, 118
G4-LA1	<b>Number of New Employee and Turnover</b>				
	Employees Out	122	111	90	
	Pension	112	107	84	
	Passed Away	8	2	5	
	Resign	2	2	1	
	New Employees	34	39	13	
	Apprentice	0	0	0	
	Technical & Operator Trainee	0	0	0	
	Management Trainee	0	0	0	
	Experts *)	34	39	12	
Turnover Rate					
G4-LA2	Benefit for Employee				126, 127
<b>OCCUPATIONAL HEALTH AND SAFETY</b>					
G4-DMA					53, 112
G4-LA6	<b>Types and Rates of Injury</b>				115
	Lost Working Hours (hour)	1.488	2.280	904	
	Lost Work Day (day)	186	285	113	
	Surface Level	44,76	62,91	25,79	
	Level of Occurrence	2,17	2,21	2,74	
	<b>Employee Absence (day)</b>				
	Sick	3.891	2.751	3.045	
	Working Accident	186	285	113	
Traffic Accident		39	36		
G4-LA8	OHS Topics in Formal Agreement with Trade Unions				113
<b>TRAINING AND EDUCATION</b>					
G4-DMA					53, 122
G4-LA9	<b>Average of Training Hours per Year per Employee</b>			Male	Female
	Functional Technique	1.488	2.280	25,31	4,42
	Management	186	285	1,83	0,22
	Public	44,76	62,91	5,92	0,72
	Certificate	2,17	2,21	2,33	0,46
	Total	2,17	2,21	35,38	5,82
G4-LA10	Program for skill management and lifelong learning				122, 123

## SUPPORTING INFORMATION AND DATA

**Sub-Category: Society**

Indicator	Description	Performance or Direct Answer			Page
		2014	2015	2016	
<b>LOCAL COMMUNITIES</b>					
G4-DMA					53, 74
G4-S01	Company Operation and Local Community Development Program				78, 83
MM6	Disputes Related to Land, Rights of Local Communities and Indigenous People		No disputes on land and indigenous rights during reporting period		
<b>ANTI-CORRUPTION</b>					
G4-DMA					45, 53
G4-S05	Incidents of corruption and actions taken				46
G4-S05	Sosialisasi Anti-Korupsi				
<b>CLOSURE PLANNING</b>					
G4-DMA					53, 109
MM10	Number and Percentage of Operations with Closure Plans				109

**Sub-Category: Product Responsibility**

Indicator	Description	Performance or Direct Answer			Page
		2014	2015	2016	
<b>PRODUCT AND SERVICE LABELLING</b>					
G4-DMA					53, 63
G4-PR5	Customer Satisfaction Survei result				64
	Distribution Channel	79.47	85.8	86.82	
	End User	76.40	87.02	92.53	
	Influencer	74.85	86.1	89.50	
	CSI Overall	76.90	87.4	90.50	

# FEEDBACK FORM

Thank you for reading Indonesia Infrastructure Guarantee Fund 2016 Sustainability Report. To improve the sustainable performance of Company, we ask the willingness of stakeholders to provide feedback after reading this Sustainability Report by sending this form via email or fax.

## Personal Data

**Name (Optional):**

**Institution/Company:**

**Telephone:**

## Stakeholder Category

- Government
- Society
- NGO
- Media
- Company
- Academic
- Others, please indicated

## Please choose the most appropriate answer

### 1. This report is useful for you.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

### 2. This report describes the Company's performance in sustainable development.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

### 3. This report is easy to understand.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

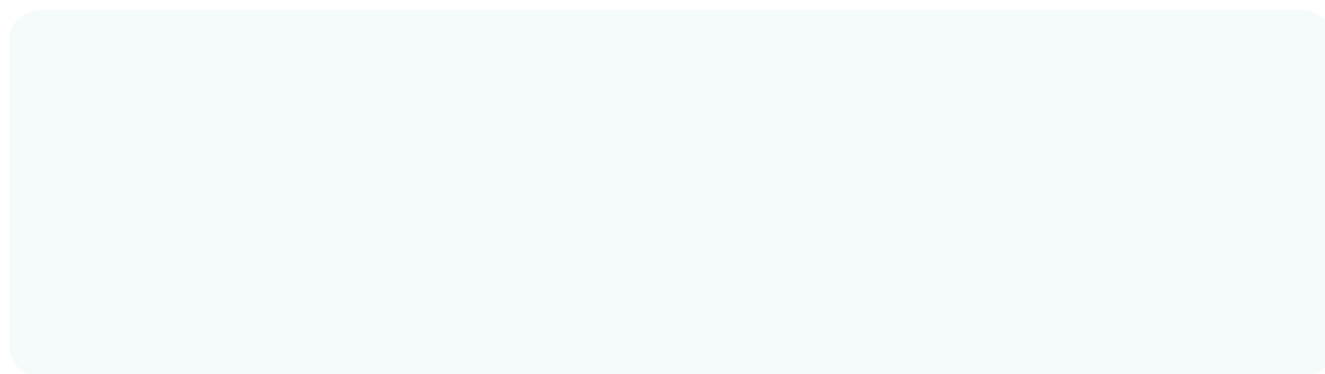
### 4. This report is interesting.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

**5. This report develop your trust toward the Company's.**

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

**Please provide your advice/suggestions/comments for this report:**



Thank you for your participation. We kindly request to send back this form to:

**Corporate Secretary****PT Semen Padang**

Indarung, Padang 25237, Sumatera Barat

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F : (0751) 815 590

E : gcgmr.sp@semenindonesia.com





*Sejak 1910*

## COMPILATION TEAM OF SEMEN PADANG 2016 ANNUAL REPORT

Position	Name	
Patron	Benny Wendry	President Director
	Tri Hartono Rianto	Financial Director
	Pudjo Suseno	Commercial Director
	Indrieffouny Indra	Production Director
Person in Charge	Asri Mukhtar	Legal GRC & MR Dept.
	Dedi Zaherdi	Accounting & Finance Dept.
Chairman	Iskandar Z Lubis	Communication & Public Facilities Dept.
	Ghufron Vebrianto G	GCG & Risk Management Bureau
Vice Chairman	Ruky Hendra	Accounting Management Bureau
Secretary 1	Masri	Bidang GCG
Secretary 2	Pradiptya Wibawa	Bidang Akuntansi Umum & Pelaporan
Members	Musri Nizar	Sekdekom
	Nur Anita Rahmawati	Biro Humas
	Zulfahmi	Biro Audit Komersial
	Mareza Herlan	Biro Audit Akuntansi & Keuangan
	Hasmeru Hasler	Biro CAPEX
	Aprita indriati	Biro Renbang SDM
	Sari Ramadhani	Biro Analisa & Promosi Pasar
	Musytaqim Nasra	Biro SHE
	Refcan Afivi	Biro ICT
	Hanny K Lukito	Biro Rendal Pengadaan
	Dasril	Biro CSR
	Ratnawati	Biro Rendal Produksi & Manajemen Energi
	Flora Mince	Biro Perwakilan Jakarta
	Satrio Rian Bhakti	Bidang Manajemen resiko
	Reni Sari Rahmadhani	Staf PSM
	M.Ilham Mirza	Staf Hukum
	Elisa Maris	Staf Biro
	Rausyan Fikri	Staf Capex

Position	Name	
Consultant	Dhea Novanda	Staf Renbang
	Siska Ayu Soraya	Staf Diklat
	Arie Ronaldo	Staf Analisa Pasar
	Meli Agustini	Bidang Promosi
	Rika Putri W	Staf Perencanaan & Pengendalian Pengadaan
	Delfiandri	Bidang Keuangan & Administrasi
	Agrian Peby	Bidang Perencanaan & Pengendalian Produksi
	Deby Saputra	Staf Biro APK
	Febri Maulana	Bidang Kualitas Produk
	John Raflus	Bidang Rumah Tangga
	Yulisan B Putra	Staf APK
	Fredi Jonafri	Staf GCG
	Yoza Reno Hastuti	Staf GCG
	Eva Fitriani	Staf GCG
	Ria Kusumawati	Staf APLP
	Hendra Kusuma	Staf PSM
	Indra	Staf Akt.Umum & Pelaporan
	Welly Gusril	Staf Akt.Umum & Pelaporan
	Raviko Maar	Staf Humas
	Febrizon	Staf Humas
	Bahrain B	Staf Renbang SDM
	Alif Yuza	Staf SHE
	Fauzan	Staf Hukum
	Mentari	Staf Penjualan Luar Negeri
	Dewi Yulia Sari	Staf Kas dan Bank
	Nila Puspa Reni	Staf CSR
	Fitria Intan Purwanti	Staf GCG
Stevani Sitorus	Staf APLP	
Rebi Yanto	Staf GCG	
Marganty	Staf GCG	
Maksimedia		

# THRIVE AND GROW WITH THE COMMUNITY

Sustainability Report

# 2016

PT Semen Padang

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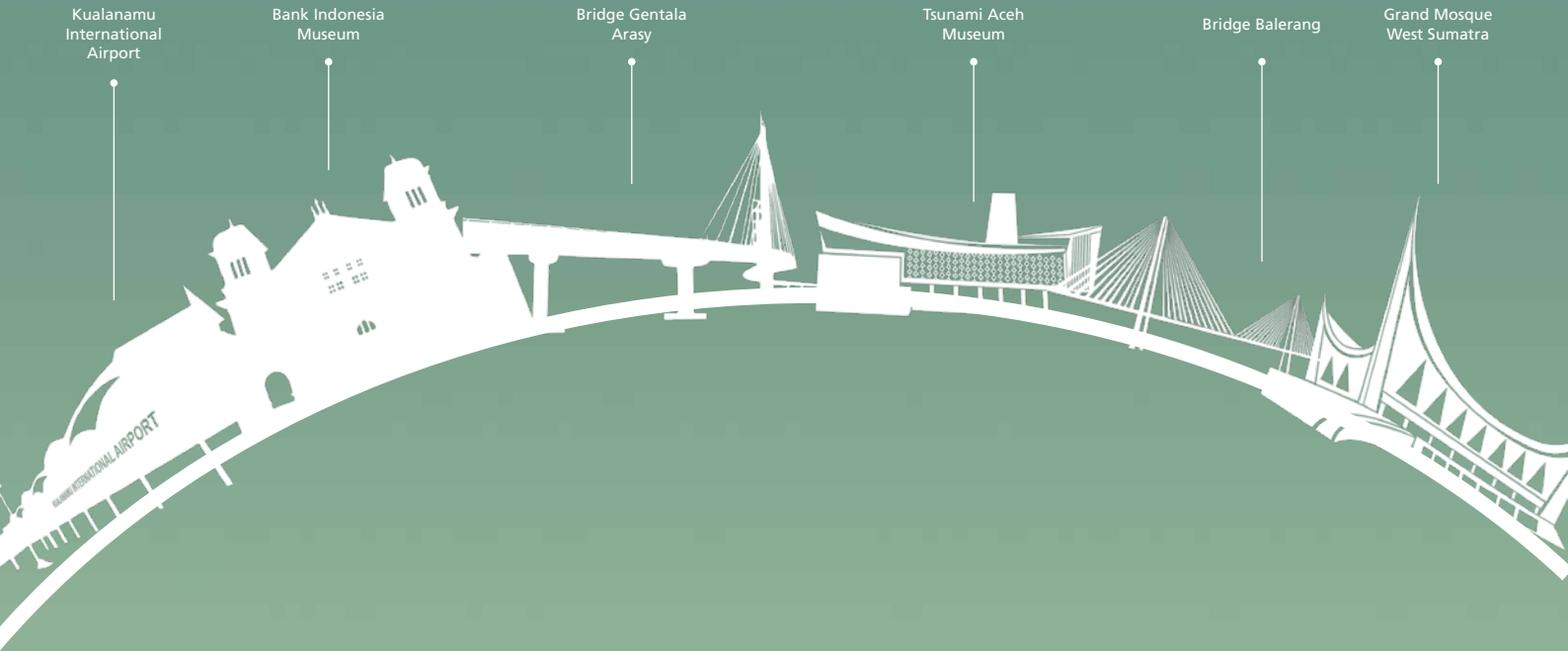
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