



Sustainability Commitment

To Create
Environmentally Friendly
Innovations





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PT SMI continues to contribute and participates in the achievement of Sustainable Development Goals through the provision of different supports for the construction of basic infrastructure in the renewable energy, clean water, mass transportation as well as other basic facilities sectors, taking into account the benefits and risks of social and environmental issues. The support is provided through PT SMI's 3 business pillars: Financing & Investments, Project Development, and Advisory Services.

To optimize its contributions, PT SMI is constantly developing innovations that are in line with the sustainability principles. This is aligned with PT SMI's commitment to implement the principles of Environmental, Social and Governance (ESG) in the Company's activities.

Through the implementation of various innovations in the Company's services, collaborations, funding schemes, benefit measurements and corporate governance, PT SMI continuously improves its supports to the Government of the Republic of Indonesia in the effort to achieve sustainable development.

Theme Continuity



2017

Greener, Responsible &
Sustainable

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Sustainability Performance Highlights

Economy


Total Assets

2018: Rp62,493.2 
2017: Rp55,385.9
billion


Total Economic Value Earnings - Net

2018: Rp3,820.3 
2017: Rp3,027.1
billion

Net Profit

2018: Rp1,531.1 
2017: Rp1,262.0
billion

Total Economic Value Distribution

2018: 2,289.2 
2017: 1,765.1
billion

Cost of Funds Distribution


2018: 1,551.1 
2017: 1,115.0
billion




Total Liabilities

2018: Rp26,917.3
2017: Rp21,064.7 
billion


Total Equity

2018: Rp35,575.9 
2017: Rp34,321.2
billion


Total Retained Economic Value

2018: Rp1,531.1 
2017: Rp1,262.0 billion


Business Development Distribution

2018: Rp164.7 
2017: Rp128.8 billion

Distribution to the State (Tax)

2018: Rp284.2 
2017: Rp272.7 billion

General and Administrative Distribution

2018: Rp261.5 
2017: Rp229.1 billion



Sustainability Performance Highlights

Operational Aspects

Total Project
Cost
Rp553.6 trillion

Multiplier effect to total
financing commitment:
6.03 times

Multiplier effect to total
paid up capital: **18.14**
times


Launched **3** financing
innovations: **Take
Out financing,**
IMFZ, and **Step Up
MMQ**

Completed
13 Advisory
Mandates


SDG Indonesia One
raised USD**2,46** billion
of funding from **23**
SDG Partners

2 MoU with
universities in relation
to the support in the
development of the
education sector

Financing
Commitments

2018: Rp77,187 
2017: Rp52,205 billion

Regional Financing
Commitments

2018: Rp4,356 
2017: Rp2,612 billion

Carried out 4 (four) new PPP
assignment projects



Sustainability Performance Highlights

SOCIO-ECONOMIC BENEFITS OF FUNDED PROJECTS

Better Access

Electricity to
3.2 million
homes or12 million
peopleContribution of
clean water to 2
million homes or8.1 million
peopleNatural gas
networks for21,000
house-
holds

Infrastructure and Rolling Stock Improvement

Road and Toll
road, as much
as

2,181 km

Addition of 80
electric trains and
revitalization of438 train
carsTelecommunication
tower projects as
many as

52 thousands

Fiber optic network in Central
Indonesia as much as

2,700 km

Climate Change Mitigation Support

Emission
reduction, as
much as920 ton CO₂e/year

Production Increase

Additional
electric power
capacity2,884
MWAdditional clear
water production

14,140 L/s

Additional fuel
production31,000
bpdIncreased gas supply
capacity by

10,000 MT

Job Creation

labor during the
construction period

1.97 million

Community Service Improvement

Serving 7.6
millions
users of tele-
communications
services
throughout
IndonesiaHealth facility
for
720
new patient/yearAddition
facility
1,031
new bedsIncreased
passenger
transportation
capacity of urban
transportation to7.3 million
per yearIncreased capacity
to
37.5 million
airport passengers
per yearIncreased flow
of port goods to2.26
million
TEUs per year

Irrigation to

185 thousands
hectares of rice fields

Assumptions:

a) 1 House powered by 900 Watt
d) 1 Km = 862 Tconstruction labor

b) 1 House inhabited by 4 people

c) Clean water basic needs per person in Metropolitan Cities 150 liter/day

Sustainability Performance Highlights

Environment

Company Business

Green Bond
issuance at
Rp500
billion



Providing financing to projects related to climate change mitigation efforts that has the potential to prevent the release of GHG emissions up to as many as

245,000
ton CO₂e/year

The Company has held **10** external workshops related to the implementation of environmental and social management attended by

11 Financial Services Institutions
and **7** Regional Governments.

Company Operational

Total energy
consumption

2018: 5,219.6 GJ
2017: 6,160.0 GJ



CO₂ emission from the consumptions of:



Fuel

2018: 105.10 ton CO₂e
2017: 174.40 ton CO₂e



Electricity

2018: 3.25 ton CO₂e
2017: 3.20 ton CO₂e

Emission Intensity

2018: 0.38 ton CO₂e/employee
2017: 0.68 ton CO₂e/employee



SOCIAL

Average hours of employee training:

Male: 44 hours/year

Female: 50 hours/year

100%

employees obtained performance
assessment

Training costs:

2018: Rp 9.59 billion ↑

2017: Rp 9.17 billion

Total Scholarship Recipient Employees:

2018: 4 employees

Total Beneficiaries of CSR Programs:

2018: > 150,000 people ↑

2017: > 38,000 people

CSR budget:

2018: Rp 14.20 billion ↑

2017: Rp. 9.14 billion

Sustainability Key Events

January



16

Green Bond Workshop

February



7

Signing of PPP Project Assignment Agreement for RSUD dr. Pirngadi in Medan.



March



23

Inauguration of the *Desa Bakti untuk Negeri (DBuN) I* program.

26

The signing of the Syndicated Credit Agreement between PT SMI and BNI to PTPN XI for the PG Asembagoes Biomass Power Plant (PLTBm) project with a capacity of 30 MW in Situbondo.

This project has the potential to prevent the release of Greenhouse Gas (GHG) emissions up to 75,000 tons of CO₂e/year.



Sustainability Key Events

April



5

The signing of the Syndicated Loan Agreement between PT SMI and BNI to PTPN XI for the PG Djatiroto Biomass Power Plant (PLTBm) project with a capacity of 30 MW in Lumajang.

This project has the potential to prevent the release of Greenhouse Gas (GHG) emissions up to 75,000 tons of CO₂e/year.



12

Workshop on the Environmental and Social Management Framework (ESMF) for Indonesia Geothermal Resources Risk Mitigation (GREM) project.



26

Workshop on the Benchmarking of Risk Management and Sustainable Business with Development Bank of Japan.

May



16

The signing of the Green Bond and Sukuk OJK Registration documents

June



12-15

Regional Workshop on "Enhancing the Capacity of Financial Intermediaries (FIs) in the Management of Environmental and Social Risks as well as the Compliance Supervision and the Accountability in Beijing dan Xiamen, PRC.

Sustainability Key Events

July



5

The signing of the Financing Agreement with PT Mega Hydro Energi to invest in a 10 MW mini-hydro power plant (PLTM) project.

This project has the potential to prevent the release of GHG emissions up to 59,000 tons of CO₂e/year.



10



The listing of the environmentally sound debt securities - Green Bond.

12



Received the Karlsruhe Sustainable Finance Award 2018 in Germany.

August



13

Handover of Lombok Earthquake Assistance to ACT.



14

Focus Group Discussion (FGD) Indonesian Infrastructure Decade Landscape.



16

The signing of a cooperation agreement between PT SMI and Padjadjaran University (UNPAD) which the scope includes activities related to Academic, Non-Academic, and Community Empowerment.

Sustainability Key Events

August



29

Inauguration of the Konawe Regional General Hospital (RSUD), Konawe Regency, Southeast Sulawesi Province.

3 GOOD HEALTH
AND WELL-BEING



September



6

MoU signing between PT SMI and PT Geodipa in the development of a 10 MW Geothermal Power Plant in Dieng.



26

SDG Indonesia One Workshop

7 AFFORDABLE AND
CLEAN ENERGY



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



11 SUSTAINABLE CITIES
AND COMMUNITIES



13 CLIMATE
ACTION



Sustainability Key Events

October



3

The signing of USD100 million Conventional and Sharia Loan Facility Agreement and Sharia Hedging Facility Agreement between PT SMI and Maybank Indonesia.



3

In house training on Renewable Energy carried out by PT SMI collaborating with the Climate Policy Initiative (CPI).



5

The Inauguration of SDG Indonesia One



12

MoU signing between PT SMI & AFD (Agence Française de Développement) to realize the collaboration to support the achievement of SDGs in Indonesia.



13

PT SMI received the Asia Corporate Excellence & Sustainability (ACES) Award as one of Asia's Most Influential Companies.



14

IMF WBG Annual Meeting

The signing of this MoU is a follow-up to the synergy between the two parties in utilizing the SDG Indonesia One platform.



31

The signing of the Memorandum of Understanding on the framework of the Indonesian Sustainable Urban Transport Program with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

Sustainability Key Events

November



7

Workshop on "Realizing Sustainable Financing in Indonesia: Potential and Challenges".



11

Signing of investment financing at U\$10,824,000 for PLTM Sako project of 2x3 MW capacity in West Sumatra owned by PT Brantas Cakrawala Energi.

This project has the potential to prevent the release of GHG emissions up to 36,000 ton CO₂e/year.



15

CSR assistance to Strengthening the Economy and Empowerment for Alor Weaving Craftsmen.



December



7

MoU signing with the Bandung Institute of Technology (ITB) regarding the support of the education sector development in Indonesia.



12

Preparation of finalization of the Public & Business Entity Cooperation (PPP) project for the West Semarang Drinking Water Supply System (SPAM) supported by PT SMI.



20

Knowledge Sharing on Gender Justice and Social Inclusion.



Awards and Certification

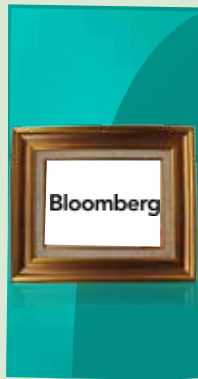
Performance & Financial



"2017 Financial Performance of 'Very Excellent' SOE Category, 9th Infobank BUMN Awards, 2018.



"Golden Trophy for 'Very Excellent' Financial Performance during 5 Consecutive Years for the Period of 2013-2017", 9th Infobank BUMN Awards, 2018.



Top 10 in Bloomberg League 2018 for Mandated Lead Arranger.



Best Inaugural Green Bond In South East Asia by Alpha Magazine.

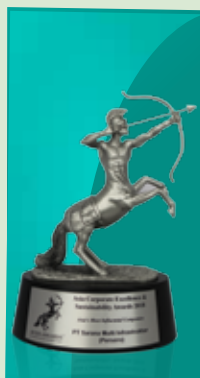


Winner of "Innovative Product in Financing Bakauheni Terbanggi Besar Toll Road Project", Category of 4 Infrastructure Development, ADFIAP Awards 2019.

Marketing, Branding & Innovation



Best Innovation in Sustainable Financial Products and Services, The Karlsruhe Sustainable Finance Awards, 2018.



"Asia's Most Influential Companies" from MORS Group, Singapore.



"The Best Brand Communication", BUMN Branding and Marketing Award 2018.



"The Best CEO BUMN Corporate Reputation Development" for Emma Sri Martini, BUMN Branding and Marketing Award 2018.



"Infrastructure Financing Figure Innovative" Award for Emma Sri Martini, at the The Best Indonesian Financial and SOE Figures 2018 held by Investor Magazine, 19 December 2018.

Award & Certifications

Governance, Risk and Compliance



Merit Award, Category 9: Unit Risk and Compliance Manager (URCM), ADFIAP Awards 2019.



"Bronze Rank", Asia Sustainability Reporting Rating 2018, National Center for Sustainability Reporting.



Special Award "Best Sustainability Report", ADFIAP Awards 2019.

Corporate Social Responsibility



"Top CSR 2018 in Infrastructure Financing Sector", Top CSR Awards 2018, BusinessNews Indonesia Magazine.



"Top CSR 2018 in Educational Program-Library Boat", Top CSR Awards 2018, BusinessNews Indonesia Magazine.



"Top Leader on CSR Commitment 2018 for Emma Sri Martini", Top CSR Awards 2018, BusinessNews Indonesia Magazine.

President Director's Report



The Company continues to contribute and actively participate in efforts to achieve SDGs through providing various types of support for the development of basic infrastructure in the renewable energy sector, clean water, mass transportation and other basic facilities infrastructure, while taking into account its social and environmental benefits and risks as well as the principle of Environmental, Social and Governance (ESG).

Dear Stakeholders,

Through this 2018 Sustainability Report, PT SMI delivers its commitment and achievement of the Company's performance on economic, social and environmental aspects as a realization of the Company's role in realizing sustainable national development in line with the sustainability principles in the Sustainable Development Goals (SDGs).

As an infrastructure financing institution that implements the mandate as a catalyst for the acceleration of infrastructure development in Indonesia, achieving SDGs goals has important meaning for the Company as well as the focus of PT SMI's long-term achievements.

The Company continues to contribute and actively participate in efforts to achieve SDGs through providing various types of support for the development of basic infrastructure in the renewable energy sector, clean water, mass transportation and other basic facilities infrastructure, while taking into account its social and environmental benefits and risks as well as the principle of Environmental, Social and Governance (ESG).

Committed to optimizing its contributions, the Company continuously creates new innovations in its services, funding scheme, cooperation arrangement, and governance in line with the sustainability principles.

INNOVATION FOR SUSTAINABILITY

Funding Innovations

PT SMI is the first company in Indonesia to issue a Green Bond. The funds raised from the Green Bond will be used to finance development projects in various sectors, such as energy efficiency, renewable energy, water resource management, waste management, green transportation, and clean water management. This issuance is part of the Green Bond Shelf Public Offering worths Rp3 trillion, with total emission value of Rp500 billion in Phase I 2018.

The Company is also mandated by the Ministry of Finance as the implementing agency of SDG Indonesia One platform, an integrated platform that supports SDG-oriented infrastructure development in Indonesia. Through SDG Indonesia One, the Company is able to obtain funding from various parties, such as philanthropists, donor agencies, multilateral and bilateral financial institutions, banks, insurance companies, and

President Director's Report



President Director's Report

investors. Today, 25 SDGs partners have joined the platform, with a total pledged funding of US\$2.56 billion. This platform provides a number of facilities, including project development facilities, de-risking facilities, financing facilities and investment facilities that reflect the spirit of the green movement in each business.

Aside from the above, the Company also has Sukuk Shelf Bond with a total value of Rp3 trillion, with First Tranche offer of Rp1 trillion in 2018.

Product Innovations

PT SMI pursues innovations in the financing schemes and structure as part of realizing its mandate as a catalyst for the acceleration of infrastructure development in Indonesia. In 2018, the Company launched Take Out Financing, Step Up Musyarakah Mutanaqisah (MMQ), and Ijarah Mausufah Fiz Zimmah (IMFZ).

Moreover, the Company launched sharia hedging facility to mitigate market fluctuation risk that might affect sharia activities. The facility was launched together with Maybank and is the first sharia hedging plan in Indonesia.

Partnership Innovations

In support of SDGs achievements, PT SMI partners with various parties, including universities. In 2018, the Company signed Memorandums of Understanding with Bandung Institute of Technology (ITB), Pattimura University (UNPATTI), and Padjajaran University (Unpad) to deliver its support to education and community empowerment sectors. PT SMI also plays a part in the establishment of ITB-SDGs Center that provides a forum for the government, academia, and the private sector to synergize and cooperate to accomplish sustainable development.

Governance Innovations

PT SMI continually drives improvement in its internal governance in order to better support SDGs attainment. One of PT SMI's innovations in this area in 2018 was the decision to measure social and economic impacts of projects supported by the Company. The initiative began with a few select projects – Konawe Regional Hospital development, for instance. Impact assessment result shows that the project generates 30 to 300% income growth for nearby food businesses and potentially increases the region's Human Development Index (HDI) by 12.18%.

The Company has also structured Risk Appetite Statement (RAS) to measure and manage its risks, including environmental and social risks.

STRATEGIES TO OPTIMIZE SUSTAINABLE BUSINESS GROWTH [102-14]

Business Conditions and Opportunities

The year 2018 was marked by widespread uncertainty in global economic conditions due to the continued monetary normalization policy by the Fed and the occurrence of trade relations tensions between the United States and its trading partners resulting in fluctuations in the global currency exchange rate accompanied by declining global economic growth rates as well as the leading countries. This condition has caused the national economy depressed.

However, the macro prudential policies that were implemented and the relatively strong macro and microeconomic foundations of the country made Indonesia recorded a relatively good rate of economic growth, which grew 5.17% from 5.07% in the previous year. The growth was followed by positive macroeconomic indicators, namely low inflation at around 3.40% from 3.61% in the previous period, Bank Indonesia 7-day repo rate that moved moderately at around 6.00%, and depreciation level of rupiah that was withheld at around 10%.

President Director's Report

Apart from household consumption, private sector investment and government spending for infrastructure development also contributed to the national economic growth. Infrastructure development in particular, which took place at the same time when deregulation policies to improve business climate were launched, drove the improvement of Indonesia's qualitative growth indicators. The World Economic Forum in its October 2018 report, for example, cited Indonesia's rise in the Global Competitiveness Index from 47 to 45. The country also received investment grade credit rating from three global rating agencies Fitch Ratings, Moody's, and Standard & Poor's (S&P).

Considering the progress achieved by other countries in the region, the government is committed to continuing basic infrastructure development agenda and enhanced the competencies of Indonesia's human resource. For 2019, the government has raised infrastructure budget appropriation to Rp415 trillion and targeted to complete 2,007 km of road reconstruction, 4 new airports, irrigation network that covers 162 thousand hectares of agricultural land, 27,067 meters of new and rehabilitated bridges, 415.2 km railway, and 48 dams. The government also plans to encourage greater participation from the private sector through PPP and non-PPP schemes to accelerate the process. For PT SMI, this plan is certainly an opportunity to augment its business scale.

Strategies for Sustainable Business Development

Operating throughout Indonesia, PT SMI is always prepared with detailed strategies to address potential challenges. At the same time, the Company endeavors to capture new opportunities arising from the dynamic economic situation whilst maintaining a balanced performance across economic, social, and environmental indicators in line with the principle of sustainability and the ultimate end of realizing SDGs.

The Company also contributes in handling the climate change by supporting the climate change adaptation and mitigation projects. These projects can contribute to the achievement of SDG 13, namely the action of climate change.

Responding to the dynamic 2018, the Company applied the following strategies and initiatives:

- Enhance its partnership with project developers, financing institutions, multilateral financial institutions, the Committee for the Acceleration of Priority Infrastructure Provisioning (KPIP), and other government agencies, with focus of financing and support for projects in the Central and Eastern regions.
- Enhance its leverage by utilizing multilateral and donor funds for regional financing.
- Apply cross-selling to support the development of sharia financing.
- Improve transnational cooperation to explore different fund-raising forms and sources, reduce the gap of costs of fund, and to maintain a healthy balance between assets and liabilities.
- Improve risk management and mitigation quality as well as audit activities
- Cost and experience-sharing with government agencies and donor organizations in project development programs, at the same time synergized with Regional Financing Division to carry out Project Development Fund - Regional Infrastructure Development Fund (PDF-RIDF).
- Adjust the organizational structure to accommodate current business needs and improved human resource management quality.

PT SMI has continued to advance the implementation of its role as the government's fiscal tool that supports infrastructure development in PPP and non-PPP schemes whether in terms of financing or project development support. The Company has consistently developed its supporting system: risk management quality, IT system and IT skills and capabilities, performance monitoring, and intensely applies Environmental and Social Safeguards (ESS).

President Director's Report

Welcoming the Implementation of Sustainable Finance Policy

The year 2018 was the beginning of the implementation of the preparation for the enforcement of the Financial Services Authority (OJK) Regulation No. 51/POJK.03/2017 on the Implementation of Sustainable Finance by Financial Services Institutions, Issuers, and Listed Companies, which aims to ensuring that social and environmental risk mitigation measures are in place, reducing disparities, reducing and preventing environmental degradation, preserving biological diversity, and driving a more efficient use of energy and natural resources. With the regulation in effect, fund raising initiatives exercised by national financial services institutions in 2019 will need to consider the provisions of the regulation.

Considering some of the main objectives covered by the POJK rules are in line with the formulation of the SDGs objectives, PT SMI is optimistic that it can fulfill the aforementioned requirements, considering that the Company has implemented strategies and sustainability targets that are in line with these rules since its establishment. The Company's strong commitment to sustainability is emphasized in one of its missions articulated in the Corporate Long-Term Plan (RJPP) 2019-2023 document, namely to ensure that its activities contribute positively to sustainable development.

To support the achievement of this mission, the Company has established several main strategies where one of them is to develop business with a focus on increasing social and economic benefits. This key strategy has been translated into several strategic initiatives and main programs, e.g. de-risking products for climate change mitigation and adaptation, execution of business pillars that support SDG-related government programs, and execution of two geothermal exploration projects. In line with these initiatives, the 2019-2023 RJPP outlines that business processes will begin with socio-economic impact assessment as a basis for decision-making.

Another initiative that is also related to the sustainability strategy would be the commencement of the Company's Risk Appetites monitoring. From the total of 37 Risk Appetites to be monitored, 3 risks are environmental and social risks. It is expected that by carrying out such monitoring, the Company can mitigate the environmental and social risks that may arise due to the Company's business activities.

SUSTAINABILITY PERFORMANCE

Economic Performance

Overall, the Company has successfully supported the infrastructure projects in 2018 with a total value of Rp466.8 trillion. The Company posted financing commitment for the year amounting to Rp77.1 trillion and recorded Rp46.7 trillion of loan outstanding at the end of the reporting year. Through its achievement, the Company generated 5.3 times of multiplier effect to the total commitment and 15.30 times to the paid-up capital. The Company was successful in supporting other financial services institutions to be involved in infrastructure financing.

On economic value generated, the Company recorded 26.1% growth to Rp3.82 trillion (up from Rp3.02 trillion in 2017). Similarly, growth can be seen in the distributed economic value by 29.6% to Rp2.28 trillion.

PT SMI's funding performance in 2018 was exceptional and the Company was able to disburse infrastructure financing due to the support of national and international infrastructure financing institutions. The Company made a historical mark as Indonesia's first financial services institution to successfully issue Rp500 billion Green Bond that adheres to the global standards and certified by CICERO. The Company also issued Tranche I-2018 Sukuk Mudharabah for a total value of Rp1 trillion. The successful fund raising indicated the outstanding trust from the investors to the Company in particular and Indonesia's economy in general.

President Director's Report

The infrastructure financing disbursed through PT SMI's three business pillars contributed to overall social-economic impacts, namely growth of Gross Domestic Product (GDP), creation of permanent jobs, and reduced income/welfare disparity indicated by GINI ratio. Other social-economic impacts include:

Activities include under PKBL Program:

- Disaster relief efforts in Lombok, West Nusa Tenggara; Palu-Donggala, Central Sulawesi, dan Situbondo, East Java with beneficiaries totaling to 3,300 people;

Power Sector	<ul style="list-style-type: none"> • 2,884 MW additional power plant capacity • Electrification of 3.2 million homes or 12 million people 	<ul style="list-style-type: none"> • 80 additional electric locomotives and revitalization of 438 coaches • Increase in passenger capacity of urban transportation to 7.3 million per year 	Urban Transport
Clean Water and Irrigation	<ul style="list-style-type: none"> • Additional clean water production of 14,140 l/s • Clean water contribution to 2 million homes or 8.1 million people 	<ul style="list-style-type: none"> • Natural gas network for 21,000 households • Additional 31,000 bpd of fuel production • 10,000 MT additional gas availability capacity 	Oil & Gas
Toll Road	<ul style="list-style-type: none"> • 2,181 km of road and toll road • 1.97 million of workers hired during construction period 	<ul style="list-style-type: none"> • Health facilities for 720 new patients/year • Additional facility of 1,031 new beds 	Social Infrastructure
Airports and Seaports	<ul style="list-style-type: none"> • Capacity increase of 37.5 million airport passengers per year • Increase of seaport flow of goods to 2.26 million TEUs per year 	<ul style="list-style-type: none"> • Project of 52 thousand telecommunication towers • 2.700 km fiber optic network in Central Indonesia • Serve 76 million of telecommunication service users across Indonesia 	Telecommunication

Performance in Social and Community Development

In social and community development, PT SMI's corporate social responsibility activities are realized as Community Partnership and Development (PKBL) and non-PKBL projects, the latter managed under SMI Berbagi (SMI Shares) program. All CSR activities are aimed to improve competency and economic independency of the society, enhance the quality of societal life, and preserve the environment.

- Training and education as well as capital assistance for native weavers in Flores, Alor, East Nusa Tenggara;
- Health improvement efforts of ambulance donation, health clinic renovation, and pediatric dental check-up for a total of 54,000 beneficiaries;

President Director's Report

- Nature conservation/preservation program for environmental activists in Surabaya's Ecological Observation and Wetlands Conservation (Ecoton) as part of Brantas river conservation program;
- Seven programs of public facility and infrastructure development in various locations for a total of 100,000 beneficiaries;
- Renovation and construction of 6 worship facilities in different regions, benefitting a total of 10,000 members of the local communities.

Apart from PKBL activities, the Company also carries out non-PKBL activities under SMI Berbagi, which focuses on welfare improvement. PT SMI has disbursed Rp200 million of non-PKBL funds.

Environmental and Social Performance

PT SMI intends to optimize its contribution to environmental preservation through three approaches: expansion of sustainable finance policy, implementation of green operations, and environmental preservation through PKBL.

With respect to the first approach, the Company applies three green financing policies: Environmental and Social Management System (ESMS) Guideline for Corporations, ESMS for Projects, and Environmental and Social Safeguards (ESS) for Multilateral Projects. In addition, the Company continues to implement Sustainable Financing program that focuses on projects with environmental benefits.

The short-term objectives of the green financing policies are to increase the awareness, buy-in, and greater social environmental risk management in financing activities. The objectives are in line with Financial Services Authority (OJK) Regulation POJK/51/2017 concerning sustainable financing that promotes further acknowledgement of environmental and social risks in development projects.

In the medium and long-term basis, one of the challenges that this approach will need to address is the awareness on the importance of managing environmental and social risks in a financing ecosystem that involves debtors and other Financial Services Institutions.

Moreover, through Sustainable Financing Division, the Company will continue to realize various projects that optimize the potentials of renewable energy and energy conservation resources.

In 2018, PT SMI successfully realized financing for geothermal energy and biomass sub-sector projects in potential regions. The Company participated in the financing of Mini-Hydro Power Plant in Bengkulu, committing a total of Rp248.7 billion and financing of biomass processing optimization of sugarcane waste conversion in East Java, committing Rp470.2 billion. The Company believes the projects can contribute to the local social and economic improvement and to the CO2 emission reduction target.

President Director's Report

In the second approach, namely green business operations, PT SMI is fully committed to realizing Green Office through paperless policy and by utilizing the latest IT system to support its operations. The target to achieve from this approach is the increase in energy consumption efficiency, CO2 emission reduction, and water consumption reduction.

In the third approach, PT SMI carries out various environmental preservation activities and reforestation programs in road development projects as well as other infrastructure projects in different locations.

Challenges and Objectives

As stated in the corporate RJPP, the Company has identified quantitative and qualitative objectives on sustainability that we will pursue for the next five years. One of our quantitative targets is Rp1-4 trillion/year of third-party gross disbursement/loan outstanding unlocked for SDG-related projects. In terms of qualitative targets, we identify social and economic impacts generated by the Company's activities (among others number of jobs created and level of disparity reduced) as well as increased involvement in renewable energy projects.

Performance on Human Resource Aspect

Consistent with the commitment to creating a work environment that is conducive to our employee's productivity growth, PT SMI has a Human Resource Master Plan (HRMP) that guides its competency management and development programs. We have four high-level policies on HR management in place: Suitable Competency Standard; Transparent, Effective, and Efficient Employee Selection System; Conducive Environment to Learning Culture and Productivity; and Retention Program Implementation.

Based on HRMP, in 2018 the Company realized various training and development programs and achieved an average of 44 training hours per one male employee and 50 hours per one female employee.

PT SMI carries out periodic performance assessment of all employees based on the agreed Key Performance Indicators and reward employees with outstanding performance with job promotions. In 2018, the Company promoted a total of 141 employees.

The Company also offers attractive remuneration package designed based on the results of regular market survey and Employee Engagement Survey (EES) that measures the level of employees' engagement with the Company. The survey provides the Company feedback on HR management and what to improve.

President Director's Report

Governance Performance

In 2018, the Company improved its corporate governance practice through several programs that addressed specific issues, which are:

- Refinement of corporate manuals, including: Corporate Governance Manual, Business Ethics and Code of Conduct, CSR Manual, Internal Audit Charter, and several other operational manuals
- Renewal of Compliance Statement or Employee Integrity Pact as mandated in the Business Ethics and Code of Conduct
- Risk Appetite Statement formulation
- Information dissemination on gratification prevention by inviting speakers from the Corruption Erradication Commission
- GCQ eQuiz to assess the level of employees' understanding on Corporate Governance Manual, Business Ethics and Code of Conduct, and Gratification Control Manual. The result shows that 98% of PT SMI's employees have good understanding of the surveyed manuals.

PT SMI also focuses on enhancing the quality of risk management. Following Enterprise Risk Management (ERM) initiative in 2017, in 2018 the Company took a step further by formulating and adopting Risk Appetite Statement to make risk management even more effective and measurable.

In addition, the Company remains strongly committed to preventing and handling corruption and fraud. Monitoring quality and the effectiveness of whistleblowing system have been enhanced to that end.

Through the various corporate governance quality improvement efforts, the Company attained at least nine awards, recognizing the different dimensions of the Company's activities, from various independent and credible institutions.



President Director's Report

CONCLUSION

We believe that all of our endeavors in 2018 clearly show our stakeholders of the commitment PT SMI has to meeting all of their expectations and the attainment of sustainable development goals by optimizing the use of its available resources.

Finally, on behalf of the Board of Directors we express our appreciation and thanks to all employees and stakeholders for supporting PT SMI's achievements in 2018. The commitment, dedication, innovation, and hardwork of all employees and support of all stakeholders enabled the Company to surmount all difficulties in a challenging and dynamic year and ensure quality, sustainable growth whilst attaining goals of sustainability.

We will continue to safeguard the trust of our shareholders and maintain the loyalty of our stakeholders, including our customers, in all our efforts to meet their expectations hence PT SMI can improve its performance and contribute significantly to Indonesia's economic development and the betterment of all of our stakeholders' welfare.

Jakarta, March 2019



Emma Sri Martini

President Director



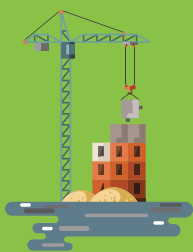
Community Building



AS PART OF ITS COMMITMENT TO SUPPORT THE TARGET ACHIEVEMENT FORMULATED IN THE SUSTAINABLE DEVELOPMENT GOALS (SDGs), THE COMPANY LAUNCHED SDG INDONESIA ONE, A PLATFORM THAT INTEGRATES ALL OF THE COMPANY'S RESOURCES.



Highlights



The Company holds the mandate as a catalyst for the acceleration of the national infrastructure development, operates in almost all parts of Indonesia and has a diverse financing portfolio, both in terms of the project structure and financing structure.

The Company was also assigned as a facilitator of the development of a project showcase for the Public-Private Partnership (PPP).



The Company has started to prioritize the development of sustainable infrastructure by initiating the implementation of environmental social safeguard (ESS) aspect in the Company's activities.



Providing a Takeout Financing Facility where PT SMI has a commitment to take over the remaining financing value from a project previously funded by other creditors.



The Company became the first issuer in Indonesia to issue Green Bond through the Green Bond Sustainable Public Offering (PUB) at Rp3 trillion with an emission value of Rp500 billion in Phase I 2018.

The Company's total assets at the end of 2018 continue growing to

Rp**62.49** trillion,
with
286 employees



In 2018, PT SMI launched SDG Indonesia One, an initiative of the Company on a platform that integrates funding sources, technology and knowledge, and risk management to encourage the acceleration of development in Indonesia targeting the 17 Sustainable Development Goals (with 2 SDGs through CSR activities).



Company Identity



COMPANY NAME^[102-1]

PT Sarana Multi Infrastruktur (Persero)



DATE OF ESTABLISHMENT^[102-1]

26 February 2009



LINE OF BUSINESS^[102-2]

Infrastructure Financing
Based on 3 Business Pillars:

PRODUCTS & SERVICES

1. Financing & Investment
2. Advisory Services
3. Project Development



HEAD OFFICE ADDRESS^{[[102-3]}

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MARKET COVERAGE/AREA OF
OPERATION^[102-6]

All regions of Indonesia



NUMBER AND COUNTRY OF OPERATION^[102-4]

Indonesia



BUSINESS LICENSE

Minister of Finance Decree No.
396/KMK.010/2009, October 12,
2009.



AUTHORIZED CAPITAL

Rp50,000,000,000,000 (fifty trillion
Rupiah) which consist of 50,000,000
(fifty million) shares, each with a
nominal value of Rp1,000,000 (one
million Rupiah).



MEMBERSHIP IN ASSOCIATION^[102-13]

- Indonesia Issuers Association (AEI)
- Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI)
- Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)



TYPE / CORPORATE LEGAL ENTITY^[102-5]

Limited Liability Company



SUBSCRIBED AND PAID UP CAPITAL

Rp30.516.600.000.000 (Thirty trillion five hundred and sixteen billion six hundred million Rupiah).



Meaning of the Logo



Blue

Represents high integrity in maintaining professionalism in performing duties.

Green

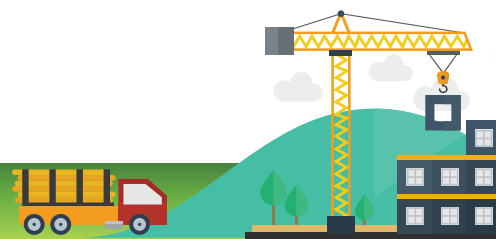
Represents growth and the ability to increase the capacity of the Company to meet the need of financing infrastructure projects in Indonesia.

Red


Represents the spirit, courage and decisiveness to perform its tasks honestly, in the best and way possible for the people of Indonesia, while respecting the principles of law.

PT SMI's basic logo shape reflects the highway connecting every direction, propelling the connectivity development and better access. The symbols feature the expanding reversed apex with 3 colors combination, which represent growth dynamics, spirits and strong forces complemented by integrity and professionalism to carry out duties, in order to boost the acceleration of infrastructure development in Indonesia.

Since its inception, PT SMI applies this logo from February 2009 up to present time.



The Company at a Glance



PT Sarana Multi Infrastruktur (Persero) (hereinafter referred to as PT SMI or the Company) is a company engaged in infrastructure financing. Established on February 26, 2009, the Company is a State-Owned Enterprise (SOE) with its total capital shares, i.e. 100% owned by the Republic of Indonesia through the Ministry of Finance.



The Company at a Glance

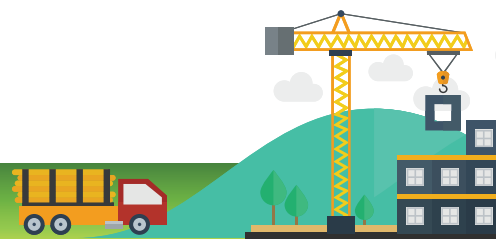
PT Sarana Multi Infrastruktur (Persero) (hereinafter referred to as PT SMI or the Company) is a company engaged in the field of infrastructure financing. Established on February 26, 2009, the Company is a State-Owned Enterprise (SOE) with its total capital shares, i.e., 100% owned by the Republic of Indonesia through the Ministry of Finance. The Company was established pursuant to Presidential Decree No. 9 of 2009, in conjunction with the Regulation of the Finance Minister No. 100/PMK.010/2009 regarding infrastructure financing company. Since its establishment until the end of 2018, the Company has never changed the name of the entity. [102-5]

The Company was established with a mandate to be a catalyst for the acceleration of infrastructure development in Indonesia, and to support the implementation of Public Private Partnership (PPP) schemes. In accordance with the Regulation of the Ministry of Finance No.100/PMK.010/2009, there are 8 sectors that may be financed by the Company, namely roads and bridges, transportation, oil and gas, telecommunications, waste management, electricity, irrigation and water supply, as well as the provision of potable drinking water. In 2015, the Government transferred the assets and functions of the Government Investment Center (PIP) to PT SMI, with one of its functions to provide financing to local governments and geothermal projects. As such, through the Financial Services Authority (OJK) Letter No. S-48/D.05/2015, the Company obtained a sector expansion permit from the OJK, covering social infrastructure (hospitals, markets, terminals, etc.), tourism infrastructure, and rolling stock. With 12 sectoral focus that can now be financed, PT SMI can increasingly provide innovative solutions for Indonesian development that contribute to poverty alleviation, the availability of health access, education and the achievement of other SDGs throughout the country.

The Company has defined 6 points of mandate implementation in carrying out its functions to realize the Company's vision and mission. The implementation of this mandate is to create innovative financing products, implement regional infrastructure acceleration programs, optimize strategic cooperation, optimize fundraising, become an enabler for accelerating infrastructure and measurable risk management. The points for implementing the Company's mandate are aimed at supporting the Sustainable Development Goals (SDGs), efforts to respond to climate change (adaptation and mitigation) and optimizing social and economic benefits.

To increase its role in national infrastructure development, the Company together with the Asian Development Bank (ADB), International Finance Corporation (IFC) and Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG), established a joint venture in infrastructure financing, called PT Indonesia Infrastructure Finance (PT IIF).

The Company has continuously carried out business diversification by expanding the Operations Directorate into Financing and Investment Directorate, and Project Development and Advisory Directorate. The Company, through this business expansion, may offer comprehensive solution to augment its role in the future development of Indonesia through infrastructure.



The Company at a Glance

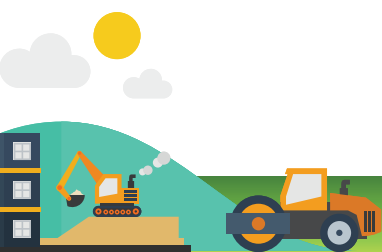
The Company also encourages the development of inclusive infrastructure in all regions of Indonesia. The regional government funding is carried out prioritizing development in the Eastern region of Indonesia. The company also puts forward the development of sustainability-based infrastructure, one of which is the initiation of the application of the Environmental Social Safeguard (ESS).

The Company continues to develop its business by establishing a Sharia Business Unit in 2017 to accommodate the sharia financing and investment needs as well as sharia advisory services. At the end of 2017, the Sharia Business Unit was changed to Sharia Business Division which was in line with the Company's organizational restructuring in 2017. The Company also launched sustainable financing products and established Sustainable Financing Division to provide infrastructure financing particularly to renewable energy and energy conservation sectors. At the end of 2017, the Company changed its organizational structure through the Board of Directors' Decree No. PD-25/SMI/1217 dated 29 December 2017 on the Core Duties & Division Functions.

The Company issued the first corporate bond amounting to Rp1 trillion in 2014. Then in 2016, the Company conducted a Due Diligence Meeting & Public Expose for the Public Offering of Sarana Multi Infrastruktur I Bonds Phase I 2016. The Sustainable Bond has a total value of Rp30 trillion with Phase I 2016 emission value of Rp5 trillion. The Company then issued Sarana Multi Infrastruktur I Phase II Year 2017 Sustainable Bond with an emission value of Rp7 trillion. The bond issuance is a continuation of the Phase I Sustainable Public Offering ("PUB") in 2016.

In 2018 PT SMI began the move as the first issuer in Indonesia to issue environmentally friendly bond or Green Bond. This Green Bond issuance is part of the Green Bond Sustainable Public Offering (PUB) worth Rp3 trillion with an emission value of Rp500 billion in Phase I 2018. PT SMI also conducts Sukuk Sustainable Public Offering (PUB) worth Rp3 trillion, with total issuance of Rp1 trillion in Phase I 2018.

PT SMI also launched SDG Indonesia One, a platform initiated by the Company together with the Ministry of Finance that integrates both funding sources, technology and knowledge, and risk management to encourage the acceleration of development in Indonesia targeting the 17 Sustainable Development Goals.



Line of Business [102-2]

In general, the Company implements the mandate as the catalyst in fostering infrastructure financing in Indonesia. The mandate focuses on two main objectives, which are optimizing the economic and social benefits for the communities and supporting the achievement of Sustainable Development Goals (SDGs) as well as mitigating the climate changes.

To support the achievement of these objectives, the Company represents the mandate's elements by:

- Creating innovative financing products
- Becoming the enabler of infrastructure development acceleration
- Optimizing fund acquisition
- Optimizing strategic cooperation, and
- Accelerating regional infrastructure

All mandate's elements are conducted with the measured risk management.

In its business processes, the Company conducts main businesses, which includes:

FINANCING AND INVESTMENT

The infrastructure financing activity including financing of sharia-based principles rendered to private sectors, State-Owned Enterprises, Regional-Owned Enterprises, and Local Governments as stipulated in the prevailing laws and regulations including:

- a. Equity investment of direct or in loan conversion into equity investment; and
- b. Loan or credit facility for infrastructure financing.

The Company also carries out financing recovery activity, which include:

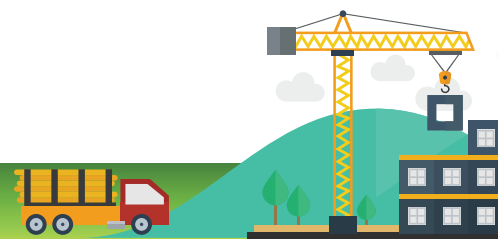
- a. Transfer of ownership on collaterals, in full or in part, in the event that the borrowers are not fulfilling its liabilities to the companies, by immediately settle the collaterals according to the laws; and/or
- b. Conducting temporary investment from the conversion of debt into shares to debtors or other related parties to overcome the consequences of credit failure, provided that they must withdraw their investments later in accordance with statutory provisions.

ADVISORY SERVICES

The facilitation of advisory and supporting services to both domestic and foreign investors, such as financing consultation, strategies, projects or investments and other activities to realize investment improvement in infrastructure.

PROJECT DEVELOPMENT

- Project development activity including preparation facilitation and development of PPP and Non-PPP projects in infrastructure facilitation.
- Capacity socialization, trainings, and developments.



Line of Business

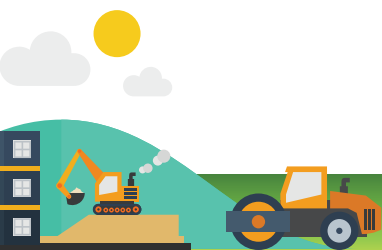
The Company also carries out the following activities:

COOPERATION, RESEARCH, AND DEVELOPMENT

- Cooperation with private sectors, State-Owned Enterprises, Regional-Owned Enterprises, Local Governments, and multilateral financial agencies, for the establishment of companies in particular engaging in infrastructure financing.
- Development of partnership and/or cooperation with third parties to fostering infrastructure development acceleration.
- Research and development as well as socialization on infrastructure activities.

FUND MANAGEMENT

- Fund management to optimize infrastructure financing, including grants and sponsor fund management.
- Issuance of securities for infrastructure development financing.



Products and Services^[102-2]



FINANCING AND INVESTMENT PRODUCTS

The following are the Company's financing and investment products:

1. Senior Financing

A financing facility with senior re-payment priority by the debtors compared with other debtors' junior financing/lending.

The Company's senior financing products consists of:

- Investment Financing/Term Loan
- Working Capital Financing
- Bridge Financing
- Take Out Financing
- Promoter Financing
- Non-Cash Financing

2. Subordinated Financing

A junior loan facility (lower priorities) in terms of financing re-payment compared with the debtors'/creditors' senior financing/lending.

3. Mezzanine Financing

A junior loan facility (lower priorities) in terms of financing re-payment compared with other debtors' senior financing/lending, and has a repayment plan with debt to equity conversion option, a combination of cash flows and debt to equity conversion or combination of cash flows and stock purchase options.

4. Equity Investment

An investment activity in direct share ownerships in infrastructure sectors/projects of companies, where the share ownerships are not permanent. The

product consists of:

- Equity investment
- Shareholder Loan, Bridging Loan

5. Financing Services

Services that potentially able to deliver income out of the financing interest income. This financing services are:

- Arranger service
- Underwriter service

In terms of financing functions, the Company also has in place two types of unique infrastructure financing, namely:

1. Municipal Financing

Financing facilities for the Regional Governments to support the acceleration of basic and social infrastructure with middle and long-term financing. This facility is beneficial to accelerate the regional infrastructure development

2. Sustainable Financing

Financing facilities for infrastructure development projects that contribute in the environmental issues management, environmental quality improvement, reduction of global warming threat, anticipation of the climate change impacts, and support in low-carbon development. This facility indicates the Company's commitment to address the climate change issues.



Products and Services



SHARIA FINANCING

1. **Financing Based on Lease-Tenancy Principle****Ijarah Muntahiyyah Bit Tamlik (IMBT) Financing**

Funding for the transfer of utility or benefit rights from goods or services based on lease transaction with the option to transfer the goods ownership at the end or completion of financing term. This financing can be in a form of senior and junior financing.

2. **Financing Based on Buy and Sell Principle****Murabahah Financing**

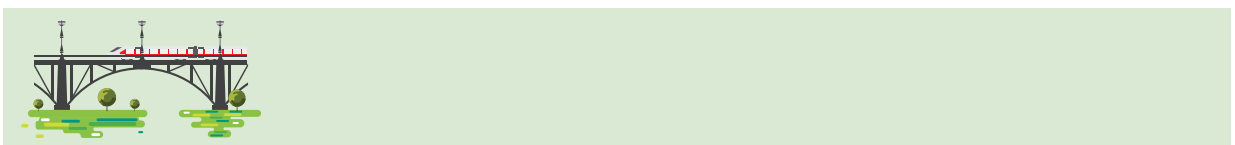
Funding or receivables equalized for buying and selling transaction of goods in the amount of principal cost plus margin based on the agreement between the Company and counterparty, which requires the counterparty to settle its obligations. This financing can be in a form of senior and junior financing.

3. **Financing Based on Profit Sharing Principle****Musarakah Mutanaqisah (MMQ) Financing**

Financing based on musarakah principle, namely syirkatul 'inan (every party to submit the capital), which portion (hishshah) of the capital of one of syarik (the Company) is deducted by the gradual transferring (naqlul hishshah bil 'iwadh mutanaqisah) to the other syarik (Counterparty). This financing can be in a form of senior and junior financing.

4. **Musarakah Financing**

Funding or receivables for certain business cooperation with a portion of fund from each party, based on the agreement to divide the profit by the agreed nisbah, whereas each party shall take the losses by the portion of each fund.



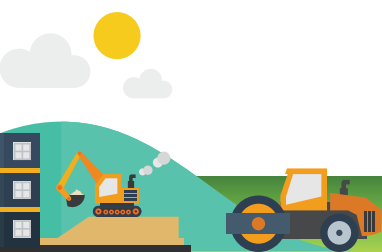
FINANCIAL ADVISORY

Advisory products are developed in accordance with the characteristics and needs of each infrastructure project, which includes:

- (1) Investment Advisory,
- (2) Financial Advisory, and
- (3) Financing Arranger

Investment Advisory

1. Financial feasibility
Financial due diligence and investment decision support.
2. Business planning
Corporate strategic planning development, with various horizons: short term as well as long term.
3. Transaction Advisory
Client supports in project bidding process, which can be from buy side or from sell side.



Products and Services

Financial Advisory

1. Financial modeling
Financial model for tender, investment, and other transaction schemes
2. Capital structuring
Financial structure analysis for investment decision-making
3. Financial restructuring
Financial restructuring model, creditor/investor negotiation support
4. Merger and acquisition
Client support for corporate action through merger and acquisition

Financing Arranger

1. Equity fund raising
Fund raising using equity instruments, both directly and indirectly
2. Loan fund raising
Fund raising using debt/loan instruments can be from bilateral, club deal, or syndication.

In relation to activities for financing arranger, in addition to its role as Mandated Lead Arranger (MLA) for bank loans, the Company also develops project finance structure in terms of equity fulfillment through direct and indirect equity investment.



PROJECT DEVELOPMENT

1. Project Development Facility for PPP through Assignment Mechanism

The Project Development Facility (PDF) is aimed for Private-Public Partnership (PPP) projects through assignment from the Ministry of Finance. The recipient of the PDF is the project owner or the Government Contracting Agency (PJPk) from the Central Government or Local Government body.

This facility is a solution to create project pipelines that are ready to be financed. By strengthening the project preparation, specifically in the credibility of the study, project structure, administration system, and transparency in its processes, projects will become more attractive to the private sector.

Output produced by the Company through this facility is assistance for: pre-feasibility study, supporting documents and bid document. Other facilities include assistance in the transaction phase until the project obtains funding.

2. Project Development Facility and Donor Fund Management

This type of Project Development Facility (PDF) is aimed for sustainable projects such as development of new energy, renewable energy and energy conservation (EBTKE). The recipients of this facility are project owners, which may include the Central Government, Local Government, or private institution.



Products and Services

The purpose for this facility is to promote and develop EBTKE projects from the project preparation side as well as the financing side, hence producing projects that are feasible and bankable.

Outputs produced by the Company through this facility are assistance for: technical assistance for study and supporting documents, bid documents, and sustainable financing products. In practice, the Company optimizes the use of the facility through both internal funds and donor/international funds.

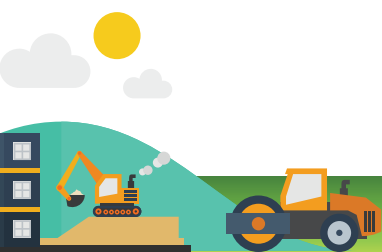
3. Technical Assistance and Donor Fund Management

The Company can provide technical assistance in the form of project assistance, pre-feasibility studies, feasibility studies, project supporting documents, detailed designs preparation, transaction advisory, and not limited to projects with particular schemes. The recipients of this PDF are Government bodies, which may include both Central and Local Government as project owners or Government Contracting Agency.

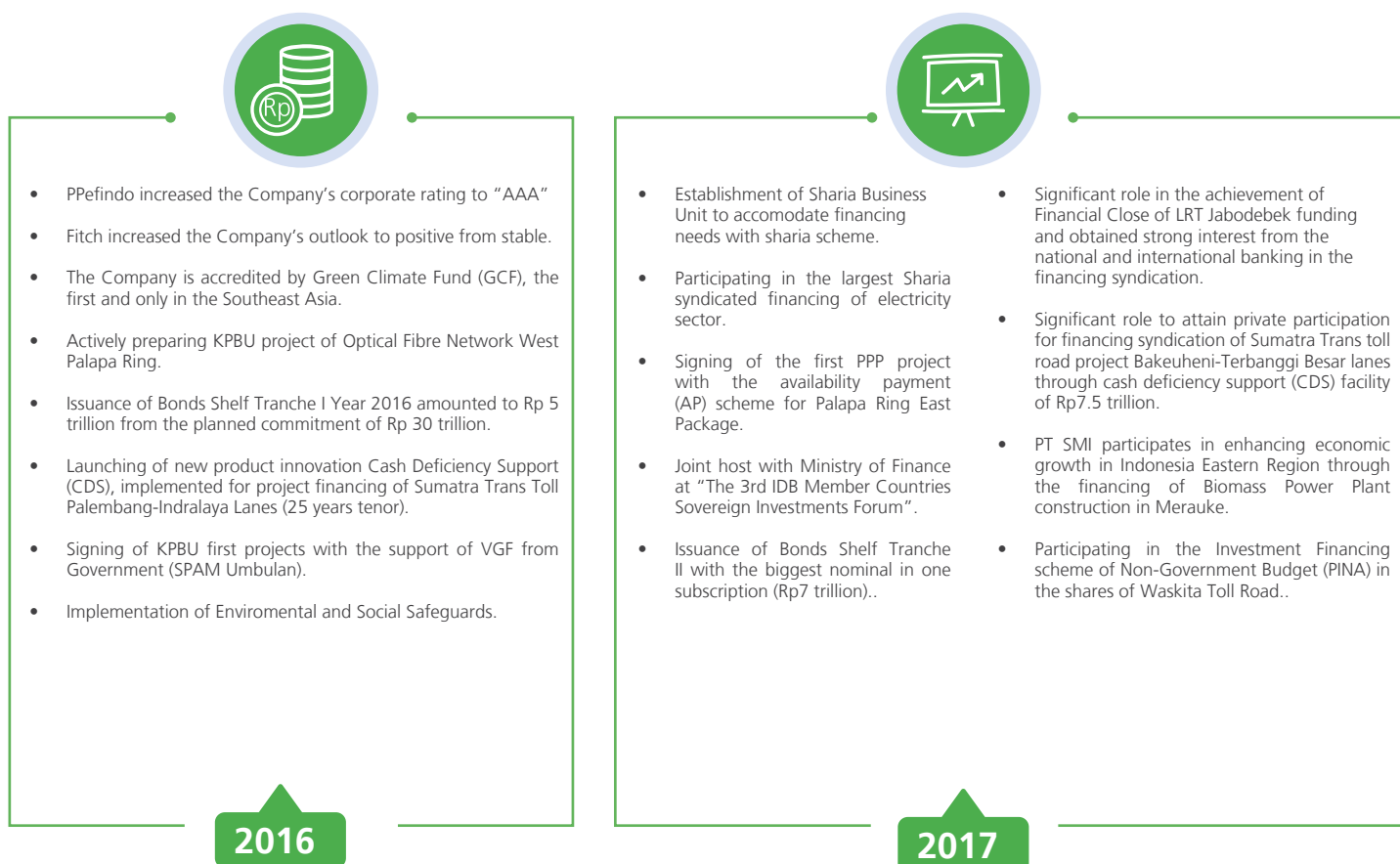
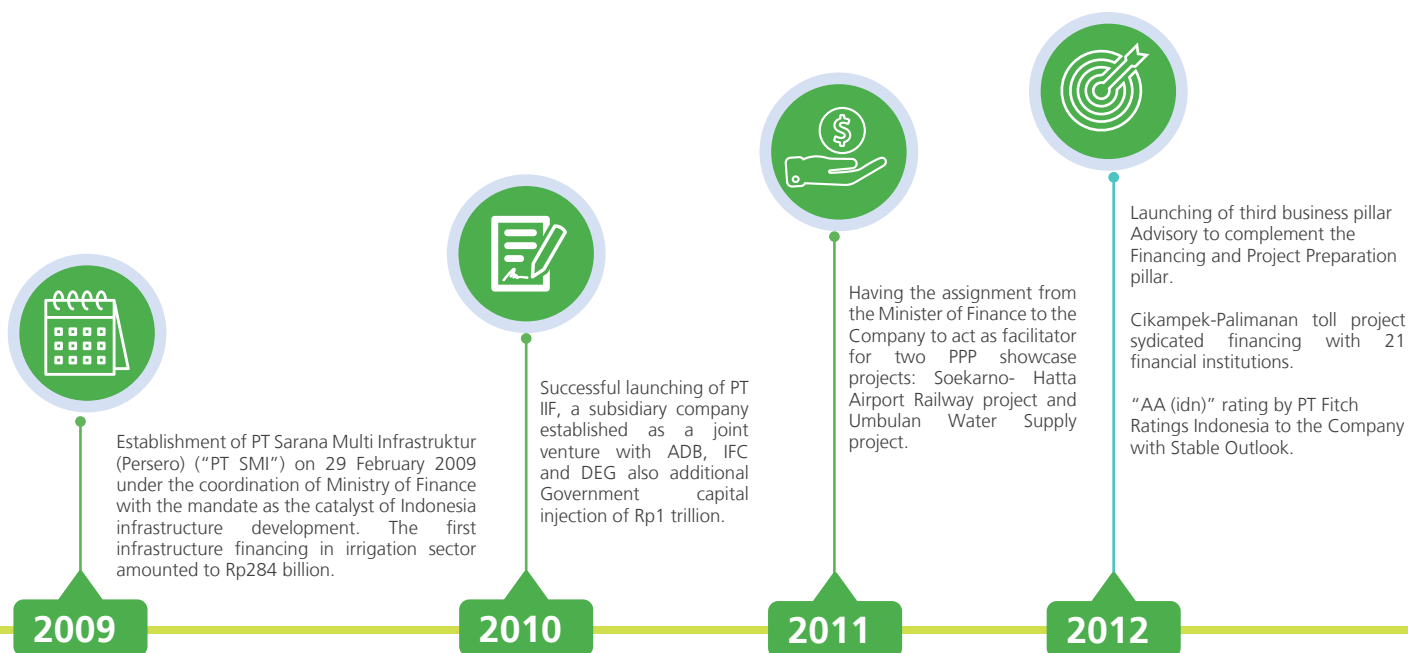
The purpose of this product development is to complete the necessary documentation or study of projects conducted by the government to obtain funding from financial institutions. The Company may use facilities provided by Multilateral Organisations and donors that it works with, such as funds or experts.

4. Training and Capacity Building

The Company has a regular capacity building and training programs with several modules, such as Alternative Financing Schemes for Local Governments and PPP Training Programs with Basic, Intermediate and Advanced Level. Moreover, the Company can also conduct capacity building and training programs tailored to the specific needs of the audience such as: Potential Investment in the Water Supply Sector, Investments in the Hospital Sector, Project Finance, Alternative Financing in Infrastructure, and others. Participants range from both the public and private sector.



Milestones





Official inauguration of SMinfra18 infrastructure index with Indonesia Stock Exchange. Fitch Ratings also upgraded the Company's National Long Term Rating to 'AA+(idn)' with Stable outlook and issues (BBB-/Stable) international ratings.

2013



The "Finance Project of The Year" Award for the Umbulan Project at the 7th Global Infrastructure Leadership Forum in New York, USA.

2014



Obtained financing sector expansion permit from OJK, namely Social Infrastructure.

PIP's assets transferred amounted to Rp18.3 trillion to strengthen the Company's capital.

Credit Facility and Quasi Equity Facility Cooperation with French Development Bank (AFD) for the development of renewable energy sector and climate change

Financing of Sumatra Trans Toll Road Medan – Binjai Lanes with the extensive tenor (25 years) and grace period of 15 years.

2015



2018

- Issued a Green Bond, which was part of the Green Bond Shelf Public Offering amounted to Rp3 trillion of Tranche I in 2018.
- Executed Sukuk Shelf Public Offering amounted to Rp3 trillion, with issuance value of Rp1 trillion of Tranche I in 2018.
- Launched Stepup MMQ Musyarakah Mutanaqisah, a financing scheme of profit sharing basis with tiered pricing according to the cashflow capacity of the customers.
- Sharia Hedging Facility. To mitigate risk of market fluctuation on sharia business activities, PT SMI in cooperation with Maybank offered a Sharia Hedging facility, the first in Indonesia.
- Takeout Financing Facility, a financing scheme where PT SMI has the commitment to take over the balance of financing value from a project that previously funded by other creditors.
- SDG One Indonesia

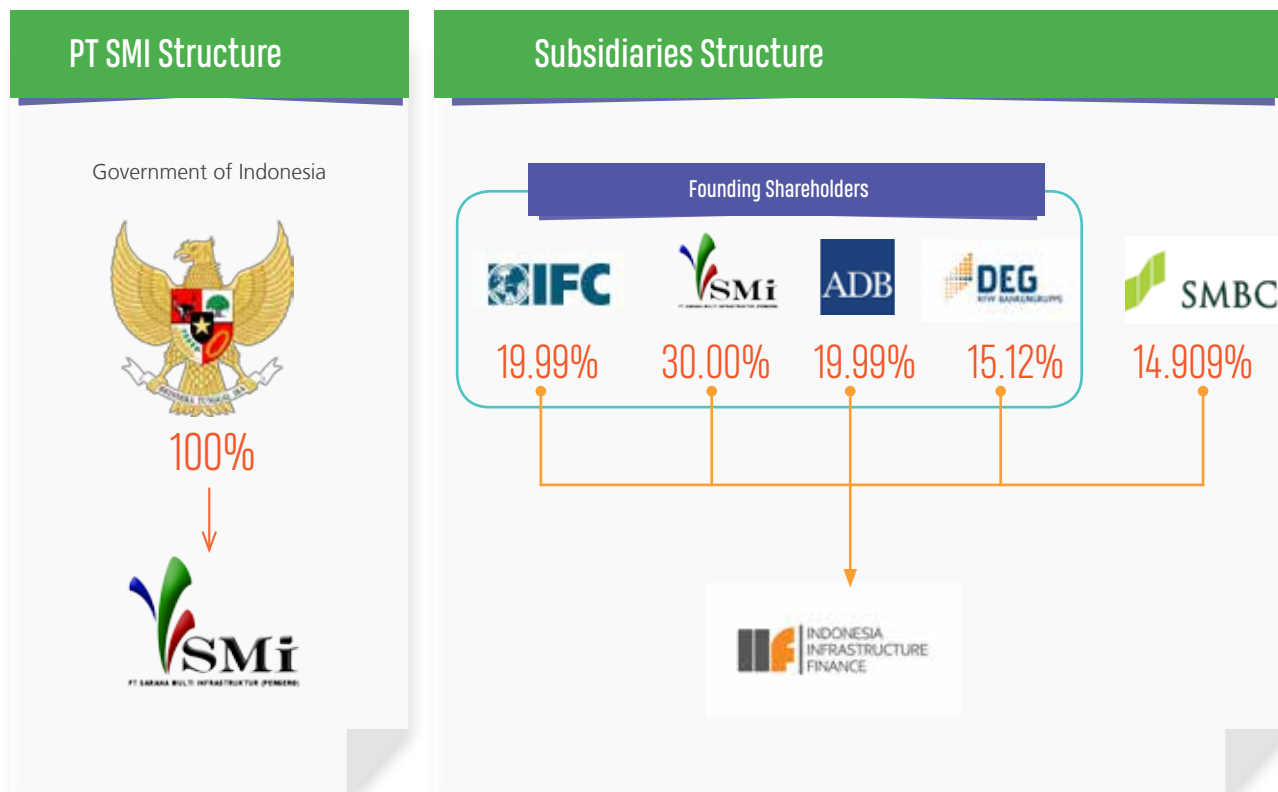


Corporate Group Structure

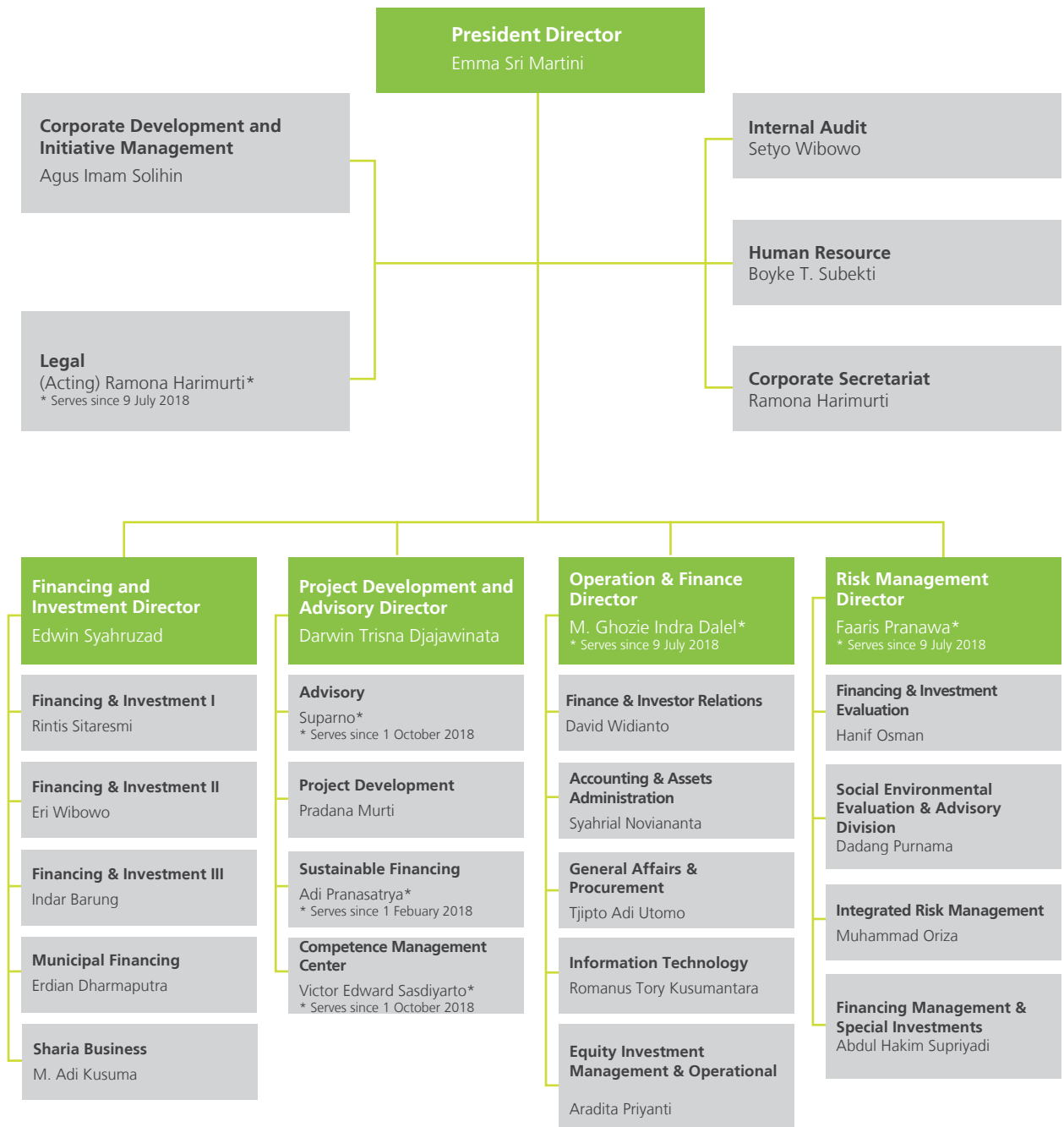
[102-45]

The Company is a State-Owned Enterprise where 100% (one hundred percent) of shares are owned by the Government of the Republic of Indonesia, in this case, represented by the Ministry of Finance of the Republic of Indonesia.

Until the end of 2018, the Company has one subsidiary in the infrastructure sector, as shown in the following chart.



Organization Structure ^[102-18]





Vision, Mission & Corporate Culture

Vision

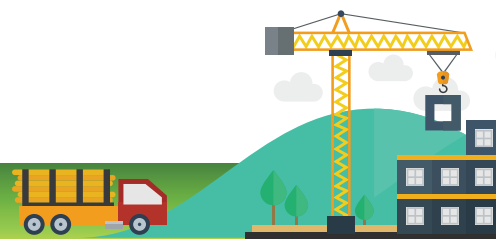
A leading catalyst in the acceleration on the national infrastructure development.

Mission

- To become a strategic partner with value added in developing infrastructure in Indonesia.
- To establish flexible financing products.
- To provide quality services which comply with good corporate governance.

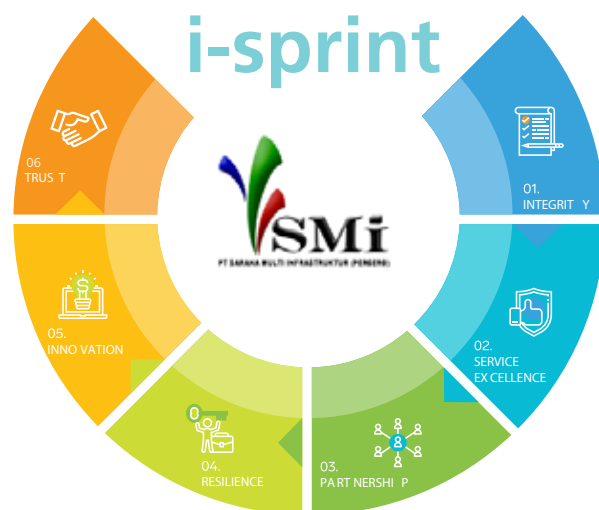
Approval of Vision and Mission

The Company's Vision and Mission have been submitted and approved by the Board of Commissioners and Board of Directors since 2014 as stated in the 2014-2018 Corporate Long Term Plan.



Corporate Values

To achieve its Vision and Mission, the Company continuously develops its corporate culture through the socialization on its corporate values to all employees. The corporate values includes:



- **Integrity**

A Company with character, which conducts business ethically and always promotes good governance.

- **Service Excellence**

Services that consistently meet customer expectations

- **Partnership**

Partnership to achieve the vision and mission of the Company

- **Resilience**

Resilient and persistent in carrying out its tasks & responsibilities

- **Innovation**

Provides solutions in the development of infrastructure projects

- **Trust**

A Company that consistently builds customer and stakeholder trust

Infrastructure Project Distribution Map

- 1 Medan - Binjai Toll Road (Trans Sumatera Toll Road)
- 2 Biogas Power Plant Rakan Hulu Riau
- 3 Palembang - Indragaya Toll Road (Trans Sumatera)
- 4 Bakaheuni - Terbanggi Besar (Trans Sumatera)
- 5 Hydro Power Plant Asahan North Sumatera
- 6 Coal - Fired Power Plant Sumsel 600 MW
- 7 Hydro Power Plant, Humbahas North Sumatera
- 8 Financial Services Port Concession Period Pekanbaru
- 9 Power Plant, Musi Banyuasin South Sumatera
- 10 Mini Hydro Power Plant South Solok, West Sumatera
- 11 Panaran Gas - Fired Power Plant Batam
- 12 Gas - Fired Power Plant Tanjung Lincang Batam
- 13 Singkawang Water Treatment Project
- 14 Water Treatment & Supply Cipasauran, Banten
- 15 Coal-Fired Power Plant Lobam Bintan
- 16 Mini Hydro Power Plant Lebong, Bengkulu
- 17 Jabung Irrigation Project East Lampung
- LRT Jabodetabek
- Water Supply Project Jakarta



80 **Projects**
Commercial
Financing

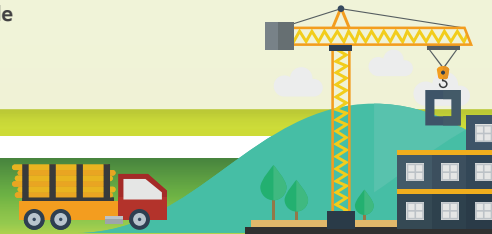
29 **Projects**
Project
Development

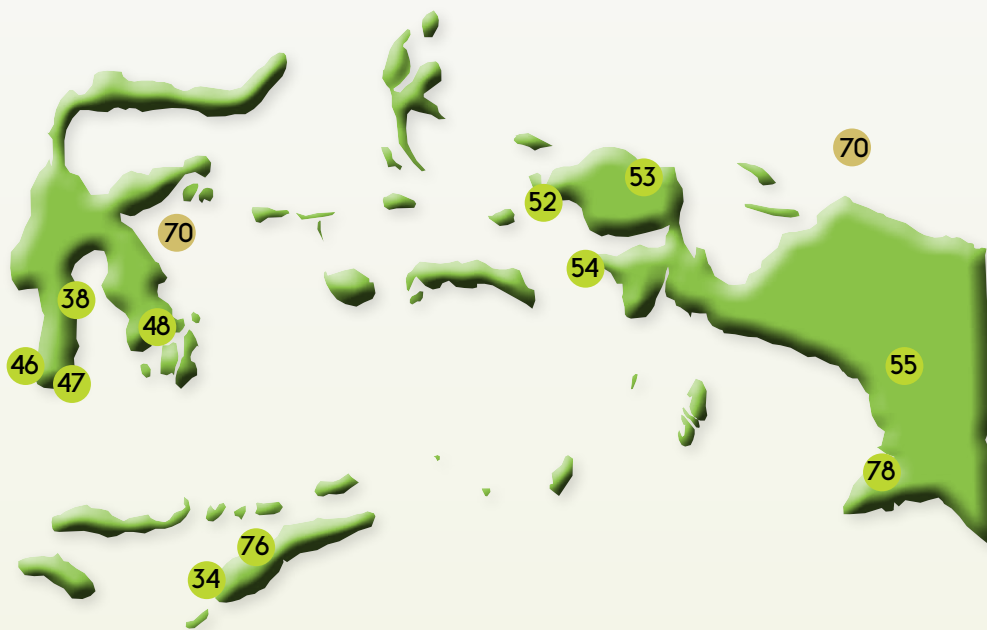
2 **Projects**
Equity Investment

10 **Projects**
Project
Development

18 **Projects**
Advisory

2 **Projects**
Sustainable
Financing





- 39 Coal Gasification Power Plant, West Kutai
- 40 Coal - Fired Power Plant Tanah Grogot, East Kalimantan
- 41 Financial Services for Coal Fired Power Plant Sumsel
- Central Palapa Ring Project
- 42 River Kujang Drainase Project, Samarinda
- 43 Container Port Project Development and Supporting Facilities at Palaran Port, East Kalimantan
- 44 Investment Planning Project at Lombok Airport (Development)
- Mandalika Special Economic Zones, Lombok, West Nusa Tenggara
- Wind Energy Power Plant Sumba and Lebak

- 45 Electric Train Rolling Stock Project for INKA
- 46 Garrongkong Port Sout Sulawesi
- 47 Jeneponto-Bantaeng Road, South Sulawesi
- Wunduloko Irrigation Kotaka, Southeast Sulawesi
- 48 Power Plant, Kendari Southeast Sulawesi
- Coal-Fired Power Plant Project, Gorontalo
- 49 Marisa Port, Gorontalo
- 50 Manado-Bitung Toll Road
- 51 Lolak Dam, Bolaang Mongondow, North Sulawesi
- 52 Arar Port Project Sorong

- 53 Bridge Project Kali Api, Manokwari
- Bridge Wariki Project Manokwari
- 54 Logistic Murphy Semai Oil, Fakfak
- 55 Dekai-Oksibil Road Project, Papua
- 56 Passenger Terminal Project, Supadio Airport, Pontianak, West Kalimantan
- 57 Expansion Project of Tanjung Priok Port, Jakarta
- Soekarno-Hatta Airport Development
- 58 Gas Pipeline Construction, Batam
- Bhaldi Timah Hospital, Pangkal Pinang

- 59 Financial Advisor Port of Kuala Tanjung
- 60 Leasing Rolling Stock Schemein Corporation with PT KAI, Jakarta
- 61 Activity Based Costing Tanjung Perak, Surabaya, East Java
- 63 Titab Reservoir Project, Buleleng, Bali
- 63 Financial Advisor for Kertajati Airport Development West Java
- Waste to Energy Project Namba, West Java
- 64 Case Study of Integrated Railway and Kualanamu Airport, North Sumatera
- 65 Mini Hydro Power Plant, Lau Gunung, North Sumatera
- 66 Coal-Fired Power Plant, Tenayan, Riau
- 67 Entikong Borderline Road, West Kalimantan
- Sosok-Tayan & Tanjung Sanggau Road, West Kalimantan
- 68 Lavelette Hospital Malang, East Java
- 69 PPP Transportation Project Medan
- 70 PPP Palapa Ring Project
- 71 West Semarang Water Treatment Project
- 72 Penajam Port Project, East Kalimantan
- 73 Lampung City Water Treatment PPP Project
- 74 Jasamarga Pandaan Malang Toll Road
- Waskita Toll Road
- 75 Gas-Fired Power Plant Megang, South Sumatera
- Coal-Fired Power Plant Sumsel 300 MW South Sumatera
- 76 Ratiklot Dam, Belu NTT
- 77 Coal-Fired Power Plant Kalteng 1

1

Project
Sharia Financing

COMMERCIAL FINANCING

- A. Jakarta Cikampek Elevated II Toll road.
- B. Salatiga Kartasura Toll road.
- C. Lumajang & Situbondo Biomass Power plant.
- D. Sorong Offshore Supply Base Improvement.
- E. Construction of Cigading-Cilegon Port Pier.
- F. Rungan Gunung Mas Kalimantan Tengah Steam Power Plant.
- G. Senipah 117 MW Kukar – Kaltim Steam and Gas Power Plant.

MUNICIPAL FINANCING

- AA. Road & Bridge, Kab. Muba
- BB. Road & Bridge, Kab. PALI
- CC. Road, Kab. Pakpak Bharat
- DD. Road, Kab. Simalungun
- EE. Road, Kab. Tulang Bawang Barat
- FF. Market & Road, Kab. Halmahera Selatan
- GG. Road & Bridge, Kab. Mamuju Tengah
- HH. Regional Hospital, Tabanan
- II. Road & Bridge, Kab. Way Kanan
- JJ. Market, Kab. Lombok Tengah

Economic Scale

[102-7]

The company operates in almost all parts of Indonesia, with the support of 286 employees (2017: 261). To support infrastructure financing activities, the Company has capital at the end of 2018 of Rp 35,575.9 billion (2017: Rp 34,321.2 billion) and liabilities amounting to Rp26,917.3 billion (2017: Rp21,064.7 billion).

PT SMI Economic Scale

Description	Period	
	2017	2018
Number of Employees	261	286
Total Revenue (Rp billion):	3,154.9	3,810.4
Total Capitalization (Rp billion):		
- Liabilities (Rp billion)	21,064.7	26,917.3
- Equity (Rp billion)	34,321.2	35,575.9
- Total Assets (Rp billion)	55,385.9	62,493.2
Total Office	1	1



Supply Chain

[102-8]

The Company's business activity covers financing and advisory in infrastructure development. As such, the supply chain involved in supporting the Company's operation consists of three essential major groups. The first group is suppliers to support the operations, which include stationery, service suppliers and information technology equipment, operational vehicle rental, and other supporting operational needs.

The second group is the financial, legal, environmental and social advisory consultants, as well as other technical matters that are reputable at the national and international level.

The third and main group are bilateral and multilateral financial institutions that have the capability to provide special funds, as well as funds to support financing activities, advisory and project development in accordance

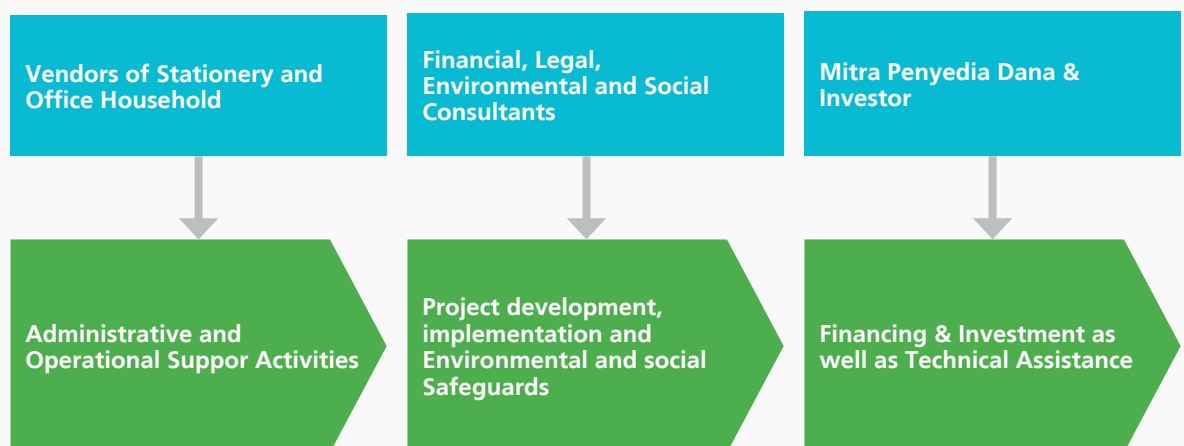
with the structure of the products offered and in line with the Company's vision.

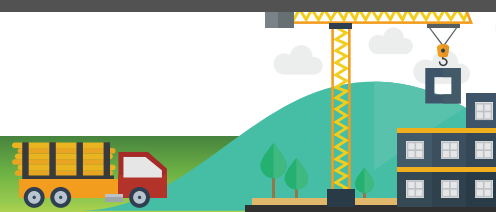
Until the end of 2018, PT SMI cooperated with 214 (2017: 116) vendors of supporting goods product.

There were 13 (2017: 11) bilateral and multilateral development financial Institutions were recorded to provide funding support to foster the implementation of the Company's mandate and vision. The Company has a list of 271 (2017: 205) financial, legal, environmental, and social services consultants, and other technical matters recommended or assessed capable of managing projects approved by the Company and/or Government, after undertaking the periodic evaluation stage.

The brief description of the Company's supply chain operations can be seen in the following diagram.

SUPPLY CHAIN DIAGRAM – PT SARANA MULTI INFRASTRUKTUR (PERSERO)





Supply Chain

SUPPLIER'S SOCIAL IMPACTS [414-1], [414-2]

Given the types of business processes carried out by the Company, generally PT SMI's suppliers are not expected to have a significant social impact. However, as part of implementing the Goods/Services Procurement Guidelines, the Company requires all goods/services providers for the Company to meet several criteria such as:

- Fulfill the statutory provisions in running a business/ activity as a Provider
- Having expertise, experience, technical and managerial capabilities to provide the goods/services
- Not under court supervision, is not bankrupt, its business activities not being suspended and/or the directors acting for and on behalf of the company not under criminal sanctions, as evidenced by a statement signed by the Provider
- Has a good track record
- Do not engage in Corruption, Collusion, and Nepotism, Fraud, Forgery in the process of Procurement of Goods/ Services
- Submit a declaration on the Integrity Pacts

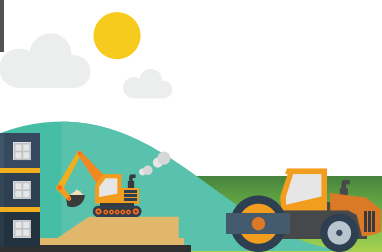
In addition, the Company will also conduct Provider evaluations periodically at least once every 1 (one) year and report the results of evaluation of Capable Partner List ("DRM") including black lists and changes (if any) to the Board of Directors (every March).

In addition, as the Company's mandate continues to grow, there are also a number of works to be carried out by providers of goods/services that might have environmental and social impacts. For these works, the Company will use its own approach where the environmental and social aspects becomes one aspect of the assessment.

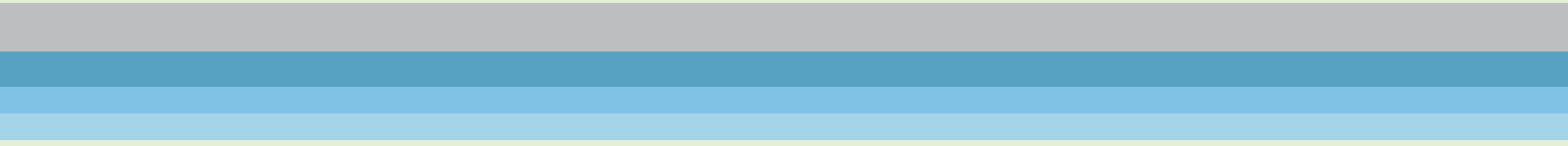
One type of activity in which providers of goods/services are assessed from environmental and social aspects is Infrastructure Construction and Support activities as part of the Geothermal Energy Upstream Development Program (GEUDP).

The Company has included several requirements in relation to the environmental and social aspects that must be implemented and/or fulfilled by prospective suppliers of goods/services. Some of these requirements include:

- Owns and implements an Environmental and Social Management System
- Complies with all applicable environmental laws and regulations that currently exist or may be announced during the Contract period, which has jurisdictions relating to the control and prevention of environmental damage
- Never experienced a suspension or termination of the contract for reasons relating to the Environment, Social, Health, or Safety.



Sustainability Framework and Strategy



TO SUPPORT THE ACHIEVEMENT OF THE INDONESIAN GOVERNMENT TARGET IN FULFILLING THE GLOBAL SCALES SUSTAINABLE DEVELOPMENT AS FORMULATED IN THE SUSTAINABLE DEVELOPMENT GOALS (SDGs), THE COMPANY WITH ALL STAKEHOLDERS ARE FULLY COMMITTED TO UNDERTAKE THE BASIC INFRASTRUCTURE DEVELOPMENT PROGRAMS.





Highlights



The Company is prepared to carry out its role as an implementing agency for SDG Indonesia One concept application, a sustainable infrastructure development framework aligned with SDGs achievement objectives.

SDG Indonesia One raised total funding of USD2.46 billion.



Through SDG Indonesia One framework implementation, the Company can support the achievement of 17 SDGs objectives (with the support of CSR activities in 2 SDGs).



The Company's business development strategy rests on the formulation of the main strategy and the application of various strategic initiatives at the operational level.



GLOBAL SUSTAINABLE DEVELOPMENT GOALS

Since the beginning of 2016 until the end of 2030, all countries in the world have agreed to begin implementing the concept of global scale sustainable development as formulated in the Sustainable Development Goals (SDGs), a substitute for the formulation of the Millennium Development Goals (MDGs) implemented from 2000-2015. The formulation of global scale sustainable development goals in the SDGs is discussed and determined by almost all United Nations member countries.

To ensure the achievement of all the SDG objectives, all the countries that have indicated their commitment hold regular meetings called Cooperation of Parties (COP).

In 2018, it's called COP-24 and were held in Katowice, Poland. COP-24 was organized by the United Nations Framework Convention on Climate Change (UNFCCC), a world body that concentrates on the efforts to mitigate environmental impacts on the world's climate.

Indonesia is one of many countries that have expressed their commitment together with other world citizens, working to achieve all the global scale sustainable development goals in the SDGs. The formulation of these development goals includes five basic aspects in the principle of sustainability, namely People, Planet, Prosperity, Peace, and Partnership, which are then translated into 17 objectives, as follows.

 <p>NO POVERTY</p>	<p>End poverty in all its forms everywhere</p>	 <p>NO HUNGER</p>	<p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>
 <p>GOOD HEALTH AND WELL-BEING</p>	<p>Ensure healthy lives and promote well-being for all at all ages</p>	 <p>QUALITY EDUCATION</p>	<p>Ensure inclusive and quality education for all and promote lifelong learning</p>



Sustainability Framework and Strategy

 <p>5 GENDER EQUALITY</p> <p>Achieve gender equality and empower women and girls</p>	 <p>6 CLEAN WATER AND SANITATION</p> <p>Ensure access to water and sanitation for all</p>
 <p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	 <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Promote inclusive and sustainable economic growth, employment and decent work for all</p>
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p>Build resilient infrastructure, promote sustainable industrialization and foster innovation</p>	 <p>10 REDUCED INEQUALITIES</p> <p>Reduce inequality within and among countries</p>
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>Make cities inclusive, safe, resilient and sustainable</p>	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p>Ensure sustainable consumption and production patterns</p>
 <p>13 CLIMATE ACTION</p> <p>Take urgent action to combat climate change and its impacts</p>	 <p>14 LIFE BELOW WATER</p> <p>Conserve and sustainably use the oceans, seas and marine resources</p>



Sustainability Framework and Strategy



SDG (SUSTAINABLE DEVELOPMENT GOAL) INDONESIA ONE

Indonesia has demonstrated a high commitment to implementing the sustainable development agenda by designing programs and work plans to achieve the various objectives of SDGs. The Indonesian government has issued Presidential Regulation No. 59 of 2017 concerning "The Achievement of Sustainable Development Goals". Through Presidential Regulation 59, all levels of the Government, both Central and Regional are expected to synergize and optimize the management of all available resources to support the achievement of various development goals of the SDGs efficiently.

The Presidential Regulation 59 also affirmed the need to formulate a National Action Plan for Sustainable Development Goals, as well as Regional Action Plan for Sustainable Development Goals, a document that contains 5 (five) yearly programs and work plan for activities that directly and indirectly support the achievement of SDGs

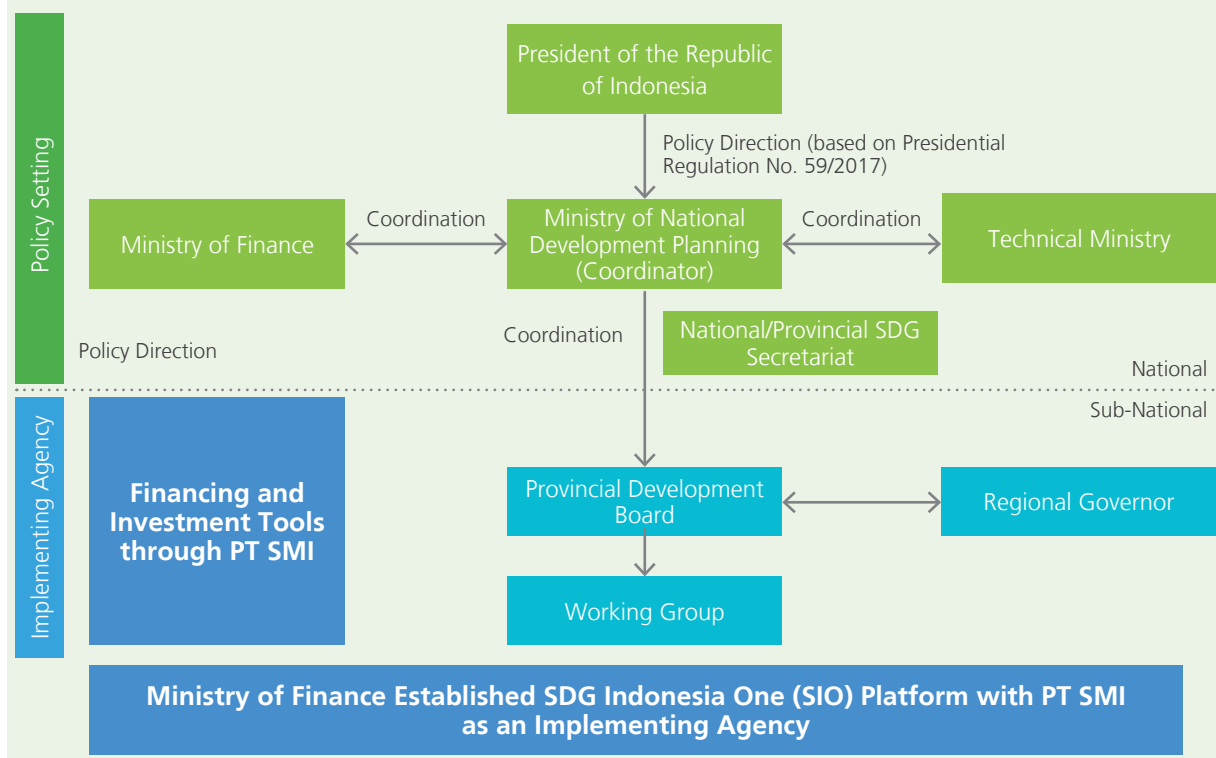
that is in line with the national and regional targets, and in accordance with each region's potential. Additionally, Presidential Regulation 59 also affirmed the quantitative and qualitative scale targets of the national development goals in accordance with various objectives in the SDGs.

As part of the National Action Plan and Regional Action Plan programs implementation, at the beginning of quarter IV-2018, the Ministry of Finance declared SDG Indonesia One, a work plan platform as the implementation of various efforts to achieve the SDGs objectives, through access to funding with PT Sarana Multi Infrastruktur acting as the executing agent.

The following is an overview of the framework to achieve the SDGs formula in Indonesia:

Sustainability Framework and Strategy

SDG Frame Content in Indonesia



As part of this framework, PT SMI has been appointed by the Ministry of Finance to act as the implementing agency of SDG Indonesia One Platform, an integrated platform to be channeled to infrastructure projects with its main functions:

- To integrate the support platforms for project implementation (development, risk management, and construction).
- To link the projects with the appropriate investors.
- To provide funding sources for project development in the form of integrated funding facilities.

In accordance with the efforts to achieve long-term sustainable development goals, the priority sectors to be supported are: health, education, renewable energy and urban infrastructure (transportation, clean water, and water treatment). While the financing products provided include: Grants, Loans and Equity Investment, Technical Assistance, Capacity Development, and Research.

From the financial support and other related activities, the Company, together with the Ministry of Finance, are committed to support the achievement of SDGs' 17 formulations, as shown in the symbols below:



Sustainability Framework and Strategy



SUSTAINABILITY APPROACH

The basis for achieving sustainability objectives is by fulfilling the stakeholders' expectations. As such, the Company identifies the presence of the stakeholders and analyzes the importance of sustainability topics to be developed. The identification of stakeholders through Focus Group Discussion (FGD) is conducted by considering several aspects, including potential impacts that might be experienced and generated by the financed project activities, and the impact of the Company's operations. Another aspect for consideration is the ability of stakeholders to influence the Company's ability to achieve its targets.

From the identification results, the Company classifies the stakeholders into several groups. Further analysis is conducted to determine the stakeholders' expectations related to the business activities. The objective is that the Company can understand, accommodate, and strive to meet the stakeholders' expectations, according to available resources. There are 10 stakeholders groups in the Company's business activities, i.e.: Debtors/Project Owners, Regional Government, Shareholders/Investors, Employees, Working Partners (Vendors/Suppliers), Central Government, Observers (Media, NGOs, Academicians), Local Societies, Multilateral Institutions and Co-financiers.

Sustainability Framework and Strategy

WELCOMING THE IMPLEMENTATION OF
SUSTAINABLE FINANCE ACTIONS

The Government of Indonesia, through the Financial Services Authority, has issued OJK Regulation No. 51/POJK.03.2017 on the "Implementation of Sustainable Finance for Financial Service Institutions, Issuers and Public Companies", complete with implementation deadlines for all companies in the financial sector, and for companies that are listed on the Indonesia capital market, IDX.

There are 5 main objectives of the implementation of POJK51:

- The creation of a financial and non-financial business environment in the capital/financial market that harmonizes economic, social and environmental interests
- To support the creation of sustainable economic growth
- To encourage the capital market/financial players to conduct business based on the 5 P principles (People, Planet, Prosperity, Peace, and Partnership)
- To encourage the decision-making process by considering economic, environmental and social aspects
- To encourage business people in the capital/financial markets to develop and publish Sustainability Reports

These objectives are in line with the objectives of the SDGs and the implementation of SDG Indonesia One. As such, the Company fully supports and is ready to implement the stipulations, including conducting adjustments to the management of operational activities and its reporting preparation.

The Company is certain that the conformity of POJK51 and SDG Indonesia One implementations will foster PT SMI in realizing various financial support programs that also support the intended sustainability goal achievements.

SUSTAINABILITY BUSINESS DEVELOPMENT
STRATEGY

To ensure the achievement of various development goals in SDG Indonesia One, the Company developed a business development strategy as a reference in ensuring the quality business growth in the long term. The framework for a sustainable business development plan aims to bring together the interests of business development, nature conservation, and community social development. The performance balance is pursued by fulfilling the stakeholders' expectations in accordance with available resources. To that end, the Company also takes care the stakeholders' expectations by managing quality relationships with them.

The strategy formulation is in line with the description of infrastructure development funding support in SDGs Indonesia One, as follows.



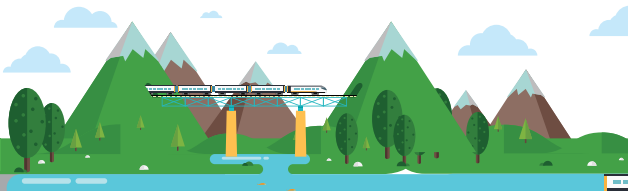
Sustainability Framework and Strategy



Supports to SDGs

SDG Indonesia One Provides End-to-End Financing Support to Project Development

Investor	DONOR (PHILANTHROPIST) AND IMPACT/CLIMATE FUNDS	DONOR, IMPACT/ CLIMATE FUNDS AND DEVELOPMENT BANKS	COMMERCIAL BANKS AND INSTITUTIONAL INVESTORS	INSTITUTIONAL INVESTOR AND DEVELOPER
Contributions	Contributions: Grant, Technical Assistance Objective: Pre-construction project development support	Contributions: Concessional Loan, Grant Objective: Project de-risking (improving bankability)	Contributions: Loan, Bond, Sukuk Objective: Construction / post- construction finance	Contributions: Equity Objective: Investment in high impact / new frontier SDG sector
Product	SDG INDONESIA ONE (MANAGED BY PT SMI)			
	SDG Development Fund Grant (Project Preparation, Technical Assistance, Research)	SDG De-Risking Fund Concessional Loan, First- Loss Facility, Interest Subsidy, Guarantee Premium Subsidy, VGF etc	SDG Financing Fund Senior Loan, Subordinated Loan	SDG Equity Fund Equity, Equity-Linked Investment
	SDG PROJECTS			



Sustainability Framework and Strategy

The Company's business development strategy, today and several years ahead, is founded upon the Main Strategy and several Operational, as described in the table below:

Main Strategies		
1.	Performing the government infrastructure development program	
2.	Developing the Company's business model to become the Indonesian Development Financing Agency (LPPI)	
Strategic Initiatives		
Investment & Financing	<ul style="list-style-type: none">• Establishment of the Sharia Business Unit• Equity investment in strategic infrastructure projects• Establishment initiation of the Joint Investment Company	
Advisory	<ul style="list-style-type: none">• Credentials strengthening• Assessor - Direct Lending Program• Internal capability development	
Project Development	<ul style="list-style-type: none">• Preparation of priority infrastructure projects• Local Government Project Development• Management of Renewable Energy Funds	
Project Management System Development, Procurement and Pool of Expert's System Strengthening		
Main Focus Areas		
RPJMN 2015-2019	Local Development	Renewable Energy
<ul style="list-style-type: none">• Increasing the financing portion in electricity, transportation, and reservoirs• Preparation of priority and national strategic projects	<ul style="list-style-type: none">• Financing and capacity building to Local Government• Increasing the financing portion to Eastern Indonesia	<ul style="list-style-type: none">• Cooperation with donor agencies in Renewable Energy and Energy Efficiency projects• Accreditation Process of Green Climate Fund (GCF)• AFD: Loan of USD100 million and QEF of USD5 million
Enabling Support		
Implementing transformation of risk management, including the establishment of the Risk Management Directorate	Developing Information Technology System and skill & capabilities.	Monitoring the Company's performance and implementation of guidance related to environmental and social management.

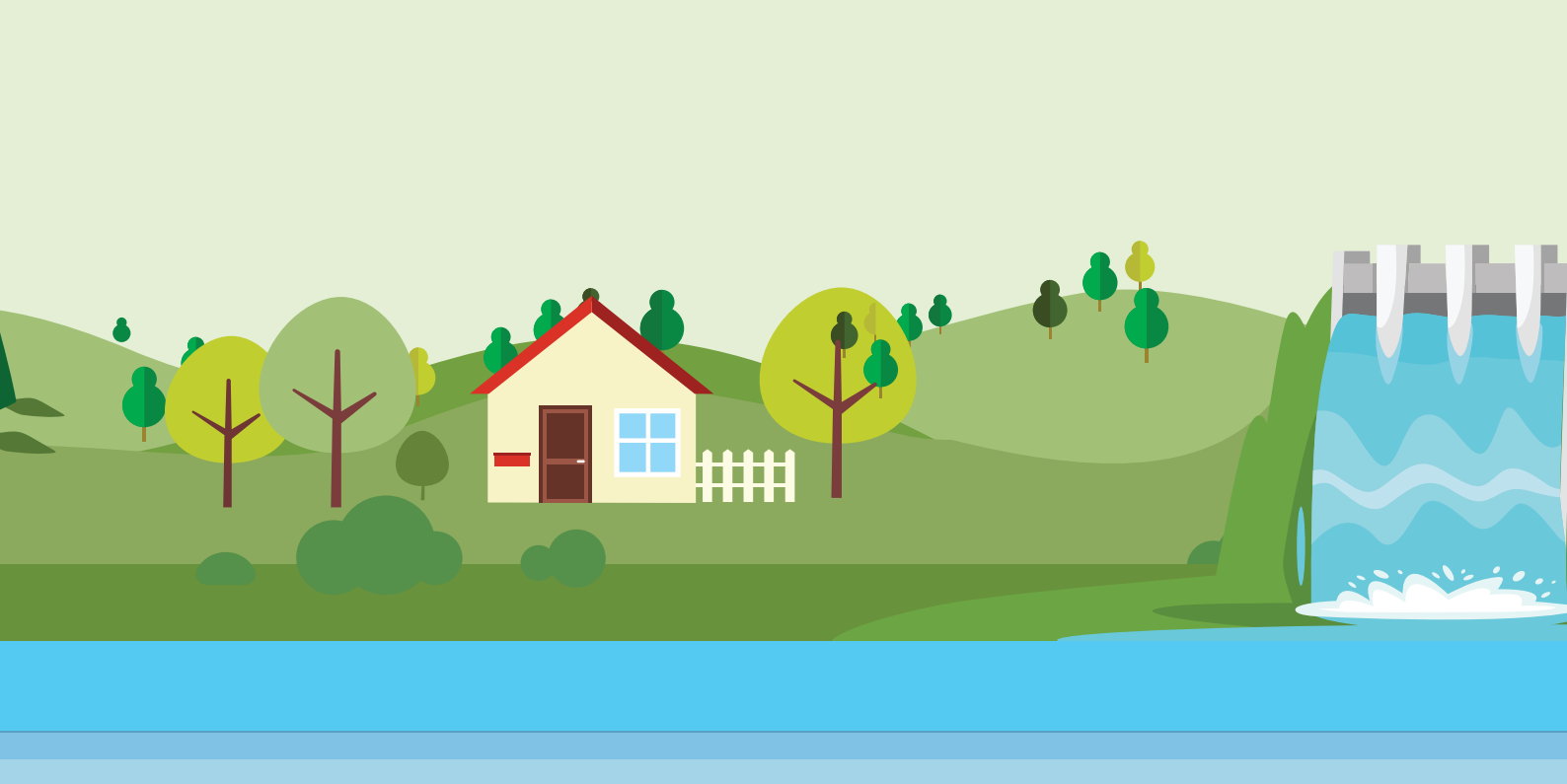
The Company is determined to improve the competence in all ranks, to improve operational and financial performance in order to optimally achieve all the objectives.



Sustainability Governance



WE HAVE DEMONSTRATED A STRONG COMMITMENT TO IMPROVE THE IMPLEMENTATION OF SUSTAINABLE GOVERNANCE THROUGH PERIODIC REFINEMENT OF INTERNAL RULES, FULFILLMENT OF ALL REGULATORY PROVISIONS, IMPROVEMENT OF RISK MANAGEMENT QUALITY, AND STAKEHOLDERS' ENGAGEMENT IN DESIGNING AND ENSURING THE ACHIEVEMENT OF GLOBAL SCALE SUSTAINABLE DEVELOPMENT GOALS IN THE SUSTAINABLE DEVELOPMENT GOALS (SDGs) CONCEPT, WHICH HAS BECOME A REFERENCE FOR THE NATION DEVELOPMENT ACROSS THE WORLD.



Highlights



The Company continues to provide anti-corruption trainings for all employees.

The Company has completed 43 risk management improvement initiatives.



PT SMI has completed the refinement of corporate guidelines, which includes GCG Manual, Code of Conduct, CSR Guidelines, Internal Audit Charter, and various corporate operational Guidelines as part of GCG practices quality improvement program.

The Company updates its Compliance Statement or Employee Integrity Pact as mandated by the Code of Conduct.



The Company has conducted risk management benchmarking on Financial Institution Development.

The Company continues to improve the application of environmental and social risk mitigation.



Improving the implementation and risk management framework quality based on the concept of Enterprise Risk Management equipped with Risk Appetite Statement to successfully mitigate all potential risks, including social and environmental risks in every aspect of development project financing in accordance with the Environmental, Social and Governance (ESG) approach.

Focused and fully committed to fulfilling and implementing the recommendations for Areas of Improvement from Independent Assessor in the GCG Assessment program.



Sustainable Approach

COMMITMENT AND OBJECTIVES OF GOOD CORPORATE GOVERNANCE IMPLEMENTATION

PT SMI believes that maintaining the stakeholders' trust, especially Shareholders and Financiers/Investors and project owners, is the main capital for the Company's business continuity and the success of the Company in carrying out its roles and responsibilities. The achievement of various sustainable development goals, as well as the fulfillment of all Stakeholders' expectations, will not take place if the Company was not trusted by the Stakeholders.

As such, in order to maintain and strengthen the trust of all Stakeholders, the Company is fully committed to implementing best practices in Good Corporate Governance (GCG), by applying the basic principles of GCG in every aspect of the Company's operations.

The following are goals and objectives of implementing GCG best practices in the entire operations of PT SMI:

- To achieve maximum growth and returns that will increase the value of the Company in the long term while taking into account the interests of other stakeholders;
- To control and direct the good relations between Shareholders, Board of Commissioners, Board of Directors, and all Company's Stakeholders;
- To provide guidelines to ensure the achievement of Vision and Mission; and
- To ensure sustainable enhancement of the Company's value for the improvement of welfare of all Company's employees and to provide optimum benefits to all Company's stakeholders.

“The focus of the Company's GCG in 2018 evolves around maintaining and improving the quality of its implementation in accordance with prevailing laws and regulations. This includes the refinement of several Corporate Guidelines, in particular on GCG, such as the GCG Manual, Code of Conduct, Internal Audit Charter and other guidelines.



Sustainability Governance

QUALITY IMPROVEMENT IN GCG BEST PRACTICES

To ensure the achievement of these goals and objectives, PT SMI continuously conducts periodic reviews of the organizational management rules and performs various programs to improve the quality of GCG practices. In 2018, the Company undertook various programs to improve the quality of GCG practices, including:

- Improvement of the Company's guidelines such as: GCG Manual, Code of Conduct Manual, CSR Guidelines, Internal Audit Charter, and other operational guidelines.
- Renewal of Compliance Statement or Employee Integrity Pact as mandated by the Code of Conduct.
- Preparation of a Risk Appetite Statement in order to improve the quality of Risk Management.
- Socialization of gratification prevention by inviting speakers from the Corruption Eradication Commission.
- The implementation of eQuiz GCG to indicate the level of understanding of all Company's employees on GCG Manual, Code of Conduct, and Gratification Control Guidelines, with the result that around 98% of employees have an excellent understanding on these guidelines.

In addition to improving the rules and risk management tools, the Company strives to fulfill and implement the recommendations for the area of improvement from Independent Assessors on GCG Assessment in the previous year.

GOVERNANCE STRUCTURE, MECHANISM, AND GUIDELINES [102-18]

The governance structure and organization of PT SMI consists of Shareholders, Board of Commissioners and Board of Directors as the main organs of the Company. The Board of Directors acts as the management in carrying out the Company's operational activities on a daily basis. The mechanism for making operational decisions is

undertaken by the Board of Directors, supported by the Company's organs under the coordination of the Board of Directors, such as the Committees of the Board of Directors, Division Heads and Corporate Secretary.

The Board of Commissioners acts as the supervisor of the implementation of General Meeting of Shareholders (GMS) decisions, advisors, and evaluates various management policies implemented by the Board of Directors. The duties of the Board of Commissioners are supported by the Organs of the Board of Commissioners, which are the Secretary of the Board of Commissioners and the Committees of the Board of Commissioners. To enforce the rules and oversee the operational activities which are in line with the policies and direction of the Company's development, the Board of Commissioners and Board of Directors established an Internal Audit Unit.

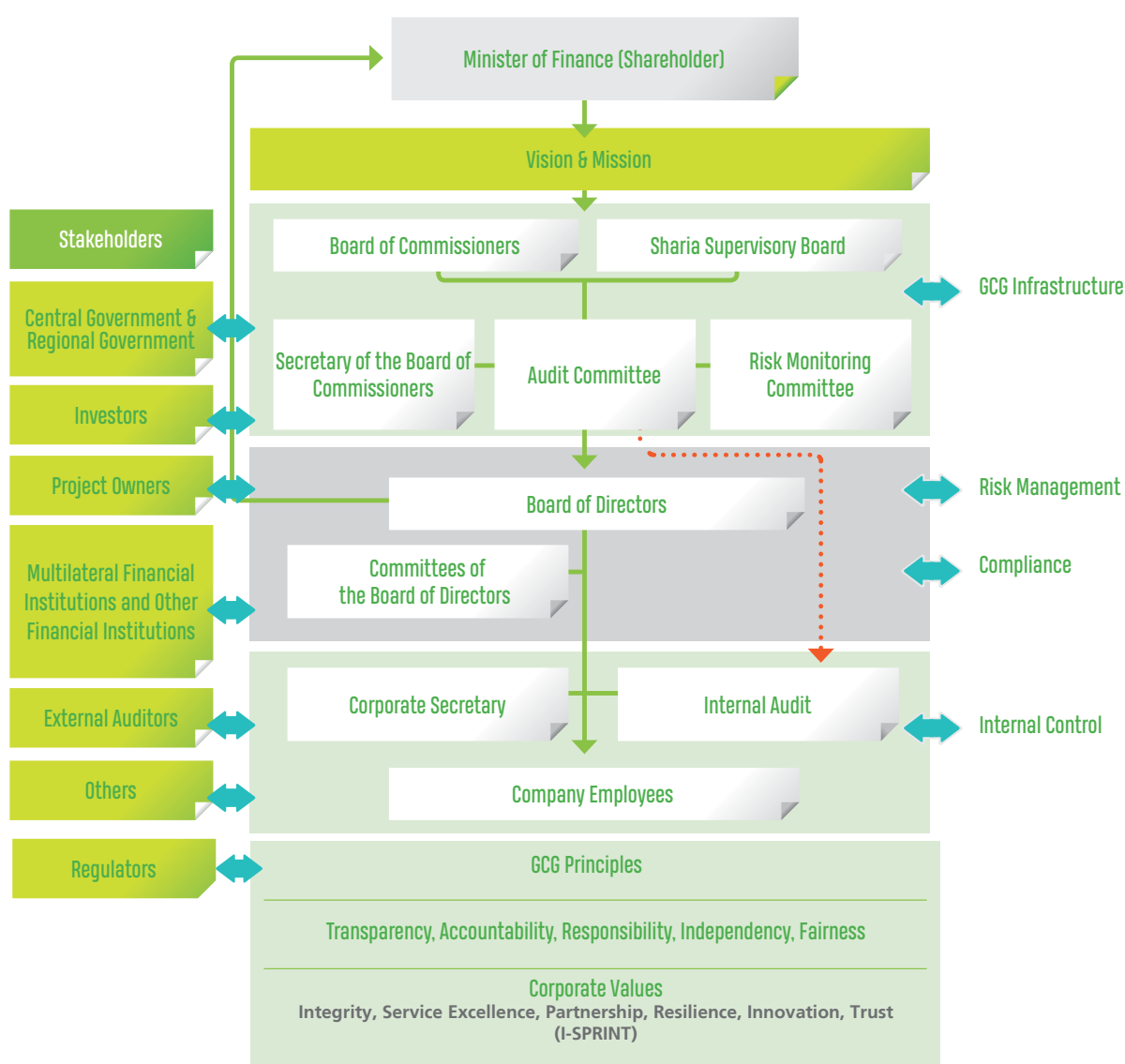
The Company's organs with the highest authority are held by the General Meeting of Shareholders (GMS). To determine the direction of business development and evaluate the performance of the Company's management, namely the Board of Commissioners and the Board of Directors, the Shareholders hold an annual Annual General Meeting of Shareholders (AGMS) and Extraordinary General Meeting of Shareholders (EGMS) if required. The management performance is measured according to qualitative and quantitative achievements, including the aspects of organizational management, human resources, business development, economic, social and environmental performance.

To regulate the interaction between the Company's organs, in order to meet the target set in the KPI and in supporting the Government's programs to build and to provide the infrastructure, we have the GCG manual in place. In the GCG Manual, the rights and obligations of each organ of the Company are regulated, as well as the functions and objectives of the duties of each organ.



Sustainability Governance

PT SMI GOVERNANCE STRUCTURE [102-18]



Sustainability Governance

**The Committee Responsible for Making
Decisions related to Environmental and Social
Aspects [102-18]**

The Division of Environmental Evaluation and Advisory, which is the division responsible for the risk evaluation function related to environmental and social aspects, is a permanent member in the Risk & Capital Committee (one of the committees chaired by the President Director). In accordance with its scope of work, the Risk & Capital Committee has conducted 4 (four) meetings to discuss the principle of prudence in carrying out the duties, ensuring that the strategic alignment of the Company's business and risk management is in accordance with the capital and risk appetite of the Company. In the meeting, there was also a discussion on environmental and social risks, as one of the eleven risks managed by the Company.

Another committee where the Environmental Evaluation and Advisory Division is a permanent member:

- Project & Advisory Development Committee.

Another committee where the Environmental Evaluation and Advisory Division is a non-permanent member:

- Financing Committee
- Sustainable Financing Committee
- Capital Participation Committee

GENERAL MEETING OF SHAREHOLDERS (GMS)

The GMS is a forum for Shareholders convened by the Board of Directors and based on the request of the Board of Commissioners, it can stipulate important decisions in the Company and/or decisions on matters which authority is not delegated to the Board of Directors or the Board of Commissioners.

In accordance with the Company's Articles of Association, there are 2 (two) types of GMS, the Annual GMS, which are held annually, and the Extraordinary GMS, which are held any time according to the needs of the Company. In 2018, the GMS was held 7 times.

Sustainability Governance

The GMS has the authority to: (1) Appoint and terminate members of the Board of Commissioners and Board of Directors, (2) Evaluate the performance of the Board of Commissioners and Board of Directors, (3) Approve the amendment of Articles of Association, approved the annual reports, (4) Stipulate the allocation for the use of profits, (5) Appoint the public accountant and set the formulation and amount of remuneration for members of the Board of Commissioners and Board of Directors.

BOARD OF COMMISSIONERS [102-23]

The Board of Commissioners is a Company Organ collectively responsible in carrying out supervisory function and providing advisory to the Board of Directors on the management of the Company in accordance with the Articles of Association, as well as to ensure that the Company has properly applies the GCG principles. The legal basis on the Company's Board of Commissioners activities refers to the Regulation of Minister of Finance No. 88/PMK.06/2015 regarding the Implementation of Good Corporate Governance by the Company under the guidance and supervision of the Minister of Finance.

The duties and responsibilities of the Board of Commissioners include: (1) As supervisors and advisors to the Board of Directors in managing the Company; and (2) In carrying out supervisory function, the Board of Commissioners submits the supervisory accountability reports on the Board of Directors' management of the Company to the GMS in order to obtain release and discharge of duties (acquitt et decharge) from the GMS.

The Board of Commissioners has the right to request all necessary information from the Board of Directors with the provision of special authority in order to carry out their duties properly. The Board of Commissioners is elected, appointed and responsible for carrying out its duties through the GMS. The duties of the Board of Commissioners are carried out by referring to the Board of Commissioners' Board Manual.

The composition of the Board of Commissioners is determined by considering the elements of experience, availability, and specific expertise, in economics, law, and social, as well as environmental aspects. To ensure the effectiveness, professionalism, objectivity, and transparency of supervision, the Company has several Independent Commissioners who must fulfill certain criteria.

The composition of the Company's Board of Commissioners until the end of 2018 is as follows. [102-22]

President Commissioner/ Independent: Mahendra Siregar
Independent Commissioner: Sukatmo Padmosukarso
Commissioner: Wahyu Utomo
Commissioner: Kunta Wibawa Dasa Nugraha
Commissioner Dini Kusumawati

SHARIA SUPERVISORY BOARD [102-23]

Since 2016, PT SMI also implements sharia principles based business activities as set out in the Articles of Association and therefore has in place the Sharia Supervisory Board organ.

The duties and responsibilities of the Sharia Supervisory Board include: (1) As a representative of the National Sharia Council - Indonesian Ulema Council placed at the Company; (2) Serving as supervisor of the Company's sharia business activities hence is in accordance with the Sharia Principles; (3) Functioning as the advisors to the Board of Directors concerning matters relating to the Sharia Principles; and (4) Functioning as a mediator between the Company and the National Sharia Council - the Indonesian Ulema Council in communicating the proposals and suggestions concerning the development of the Company's products and services that require review and fatwa of the National Sharia Council - Indonesian Ulema Council.



Sustainability Governance

The members of the Company's Sharia Supervisory Board is as follows:

- Chairman of Sharia Supervisory Board: Adiwarman Azwar Karim
- Member of Sharia Supervisory Board: Munifah Syanwani

BOARD OF DIRECTORS [102-23]

The Board of Directors is in charge and responsible for managing the Company based on the Articles of Association and prevailing laws and regulations. The Company's management function by the Board of Directors includes 5 (five) main duties: Management, Risk Management, Internal Control, Communication, and Social Responsibility.

In carrying out the duties of managing the Company, the Board of Directors adheres to the guidelines and rules of conduct which are regulated in the Board of Directors' Decree No. PD-26/SMI/1217 dated 29 December 2017 on the Allocation of Duties and Work Guidelines of PT SMI as amended by the Decree of the Board of Directors No. PD-004/SMI/0718 regarding the Board of Directors Regulations Amendment No. PD-26/SMI/1217 and Joint Decree of PT SMI's Board of Commissioners and Board of Directors No: PER-04/SMI/DK/1218 PD-010/SMI/1218 PER-01/SMI/DPS/1218 on the Board Manual of Board of Commissioners, Sharia Supervisory Board, and Board of Directors (Board Manual), as the Board of Directors' duties and responsibilities implementation guidelines.

The Board of Directors is in charge and responsible for: business development strategies, work plans, operational activities and performance assessment on the achievements. The Board of Directors also has the duty in preparing and implementing risk management that covers all aspects of the Company's operations. In addition, the Board of Directors forms an internal control unit, ensures efficient internal (inter-part) and external (with stakeholders) communication and prepares and implements the Company's social responsibility activities.

The composition of the Board of Directors is always sought to consist of a combination of members with abilities, educational backgrounds and specific experiences that is relevant to the Company's business fields, including information technology, telecommunications, economics, law and social and environment.

The Board of Directors is elected and appointed through the GMS, with a 5 year term of office for each member and can be reappointed according to the GMS decision. All members of the Board of Directors reside in Indonesia. The composition of the Company's Board of Directors until the end of 2018 is as follows. [102-22]

- President Director:
Emma Sri Martini
- Financing and Investment Director:
Edwin Syahrudat
- Project Development and Advisory Director:
Darwin Trisna Djajawinata
- Operations & Finance Director:
Mohammad Ghosie Indra Dalel
- Risk Management Director:
Faaris Pranawa

GCG MANUAL

PT SMI implements clear regulatory hierarchies at every level, starting from regulatory, organizational policies, and operational technical rules to ensure the organizational management implementation in accordance with global standards governance best practices. Every Company's principal rule shall always refer to the Government's prevailing laws and Regulations. Meanwhile, the organization's policy refers to the Company's Articles of Association, and on various governance policies, including the GCG Manual and Internal Audit Charter, which further regulated by the Board of Directors' Decree for its implementation.

BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS COMPETENCY DEVELOPMENT [102-27]

Knowing the importance for the Management to obtain the latest strategic knowledge useful in determining business development strategies, the Company facilitates the competencies improvement and development programs for members of the Board of Commissioners and Board of Directors through relevant training programs.



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The Board of Commissioners competency development is generally carried out by involving the members to take part in specific topic training held by credible international/national institutions both at home and abroad.

The Board of Directors' competency development is carried out through two approaches. For newly appointed members of the Board of Directors, there is an Orientation Program, with material covering: (1) Corporate GCG Implementation and Principles; (2) The duties, responsibilities and authorities of the Board of Directors based on the Articles of Association and the prevailing laws and regulations in Indonesia; (3) Policies related to Corporate Governance and (4) Corporate Functions and General Business Development Strategies.

For other members of the Board of Directors, there is a competency improvement program which engages them in special training programs organized by independent institutions or trainers who are experts in specific fields relevant to the Company's activity. Training can be in the form of seminars, workshops, executive trainings and others, with material related to improving strategic and managerial capabilities that are relevant to the Company's management duty.

BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS PERFORMANCE ASSESSMENT [102-28]

The performance assessment of the Board of Commissioners is carried out collegially in the Annual General Meeting of Shareholders where the results of the Board of Commissioners performance are presented through the duties implementation reports of the Board of Commissioners' to the Shareholders.

Points of the Board of Commissioners' goals and achievements are delivered through the Board of Commissioners' Key Performance Indicators (KPI). The General Meeting of Shareholders then provides full discharge and release of responsibilities (acquit et discharge) to the Board of Commissioners and Board of Directors of PT SMI for the management and supervision during the Fiscal Year.

The Board of Directors Performance Assessment is carried out based on the Key Performance Indicators (KPI) of the Board of Directors prepared at the beginning of the operational year. The Board of Directors' performance is then assessed by the Nomination and Remuneration Committee and the Board of Commissioners at the end of the year through KPI achievements assessment. The KPI indicators cover various aspects of performance, including: operational performance, financial performance, management of social and environmental aspects, HR management, management of the Company's assets and resources, realization of business development, compliance with regulations, and other relevant indicators.

The results of the performance assessment in accordance with the KPI were eventually applied for decision making on the continuation of the tenure in addition to establishing a remuneration package for the Board of Commissioners and Board of Directors.

VALUE SYSTEM AND CODE OF CONDUCTS [102-16]

The Corporate Values and Code of Conduct are set forth as a reference for every level in carrying out their conduct and behavior while performing their duties. The formulation of Corporate Principles and Culture is explained by the I-Sprint abbreviation, i.e.: Integrity, Service Excellence, Partnership, Resilience, Innovation, Trust.

The Corporate Principles and Values become the soul of PT SMI Code of Conduct contents. The Corporate Values together and Code of Conduct are basic guidelines for every employee to ensure the implementation of sustainable governance. As such, the Company seeks to ensure the application on every aspect of the Company's operations through on-going socialization.

The Company regularly requires every employee to sign an integrity pact, consisting of a comprehensive code to be complied with, and to implement the rules in the Code of Conduct and uphold the Corporate Values. At the beginning of 2018, all levels of the Company's employees again signed the Integrity Pact agreement.



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EXTERNAL INITIATIVES [102-12]

In order to improve the quality of its duties as a catalyst for infrastructure development, through infrastructure financing and investment, advisory, project development, and sharia units, PT SMI implements an international standard work system. Even though it has not yet carried out a certification, the Company has adopted work standards such as ISO 9001:2008 Quality Management in all operational elements. The Company plans to certify the work standards in the future as an effort to improve the quality of governance best practices.

RISK MANAGEMENT SYSTEM [102-11]

The Company implements a risk management function that is in line with the risk management framework with the objective to ensure that the business activities do not incur any losses that may disrupt the Company's business continuity. The Company uses an Enterprise

Risk Management approach, i.e. a comprehensive and integrative framework for managing credit risk, capital risk, operational risk, market risk, liquidity risk, legal risk, strategic risk, compliance risk, reputation risk, sharia risk, and environmental and social risks, to balance the risk and returns of the Company.

The Company's risk management aims to create adequate resilience, for 2 (two) of the following:

1. PT SMI's maintained risk capacity to ensure the Company can prevent the risk of organizational failure or even bankruptcy.
2. PT SMI's risk response improvement to ensure the Company can prevent the failure to achieve the business objectives expected by the Stakeholders.

RISK MANAGEMENT IMPLEMENTATION FRAMEWORK

Sustainability Governance

The Company applies Risk Management Framework (pictured above) which consists of 4 (four) pillars as follows:

1. Risk Management Organization and Human Resources Pillar, which supports good risk governance.
2. Adequate Risk Management Guidelines, Procedures, and Thresholds Pillar.
3. Precise and accurate Risk Management Process and Management Information System Pillar
4. Comprehensive Internal Control System Pillar.

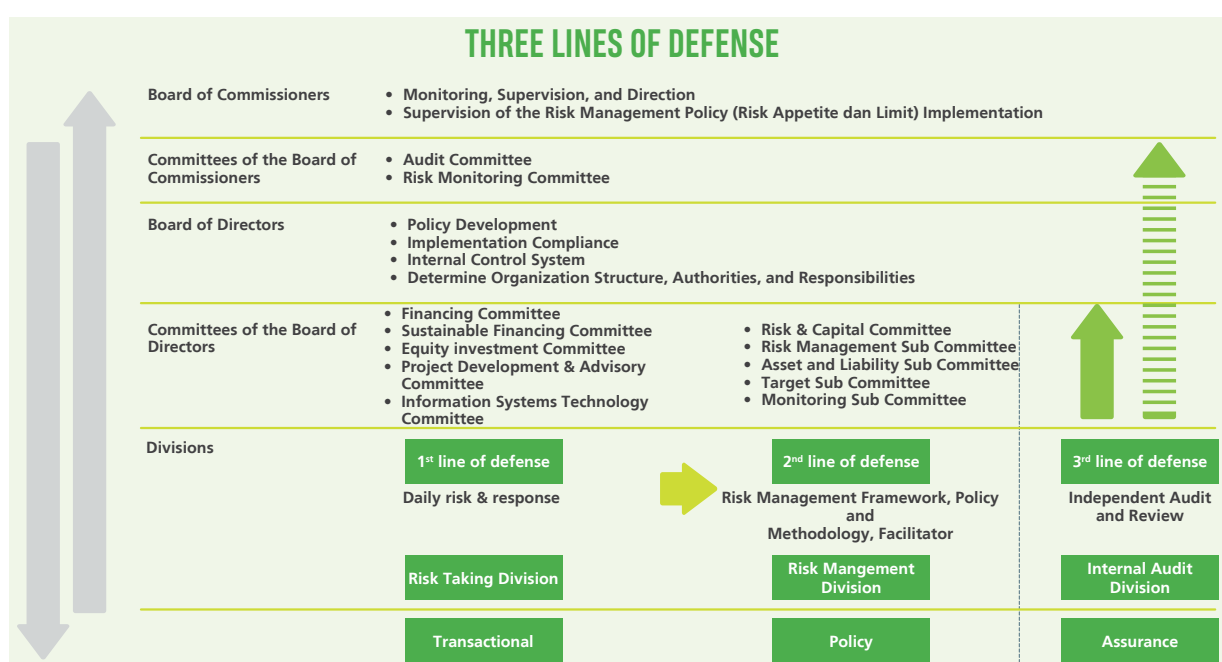
The Company's risk management framework and governance are implemented with the Three Lines of Defense principles, applied at all levels of the Company with the following brief descriptions:

1. First Line of Defense
The Risk Taking Division (RTD) serves as the first line of defense and is responsible for identifying, evaluating, controlling, mitigating risks, and

ensuring the adequacy of internal controls in Risk Taking Division products or activities by appointing a Unit Risk & Compliance Manager (URCM).

2. Second Line of Defense
A Risk Management and Compliance Unit is expected to enhance the role of the main work unit in providing second line of defense through an independent monitoring function.
3. Third Line of Defense
The Internal Audit continuously enhances its role as the third line of defense in the risk management and control framework through independent testing and auditing.

Based on the core value of risk management, the risk management process is a shared responsibility of all employees, and risk awareness is an integral part of the Company's culture. By utilizing the Three Lines of Defense approach, the risk management function is comprehensively carried out by all Company's levels.



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The Board of Commissioners conducts monitoring, oversight, and directive on risk mitigation for the organization assisted by the Risk Management Committee. While for the formulation of policy, implementation compliance, internal control system and determination of organization structure, authority and responsibility are conducted by the Board of Directors assisted by the Committees under the Board of Directors.

One of the implementation of risk management framework is through the implementation of Unit Risk and Compliance Manager (URCM). The URCM is a key person in every Division tasked as single point of contact in Risk Management, fulfillment of Compliance aspect, Governance and Audit follow up. The presence of URCM in every Division is expected to improve internal control particularly in addressing the Company's increasing business complexities. Since 2017, regular URCM forum is conducted in which the results are reported to the Board of Directors.

The risk management process is based on 5 (five) main values which are accountable, structured, accurate, responsive, and continuous improvement, which become the responsibility of all employees and risk awareness and as an inseparable parts of the corporate culture.

The Company manages 11 (eleven) types of risks that are consistent with the character and complexity of the Company's business, consisting of:

1. Credit Risk

Is a Risk due to the failure of others to fulfill the obligation to the Company, including Financing Risk due to Counterparty's failure or other parties in fulfilling obligations to the Company in accordance with the agreement, concentration risk, counterparty financing risk, and settlement risk.

2. Equity Investment Risk

Is a risk arising from the Company's investment in the form of shares in other companies.

3. Operational Risk

Is the loss risk due to insufficient internal processes, failure of internal processes, human error, system failure, and/or external events affecting the operations of the Company.

4. Market Risk

Is a risk that occurs on the balance sheet and off-balance sheet positions, including derivative transactions, due to overall changes in market conditions, including the risk of changes in the option price. The risk may occur because of market price changes, such as risk of changes in the assets' value that is being traded or rented.

5. Liquidity Risk

Occurs due to the inability of the Company to meet its maturing obligations from cash flows funding sources and/or from high-quality liquid assets that can be pledged, without disrupting the activities and financial condition of the Company.

6. Legal Risk

Is a risk due to lawsuits and/or weakness of juridical aspect.

7. Strategic Risk

Is a risk due to inaccuracies in the decision making and/or implementation of strategic decisions and the failure to anticipate changes in the business environment.

8. Compliance Risk

Is a risk due to the failure of the Company in complying with and/or implementing the prevailing laws and regulations, including Sharia Principles.

9. Reputation Risk

Is a risk due to a declining level of stakeholders' trust that is a result of negative perceptions of the Company.



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10. Sharia Risk
Is a risk of losses arising from all of the Company's sharia business activities, including financing and sharia funding.

11. Environmental and Social Risk
Is a risk arising from the Company's failure to comply with and/or not enforcing Indonesia's legislation or the relevant international environmental and social standards, on the projects financed by the Company.

Risk Management Quality Improvement

The Company's increasing complexity of activities transactions and maturity level demanded that the Risk Management Directorate enhances the risk management methodology and/or process. The Risk Management Directorate improves the risk management with the following efforts:

1. Risk management improvement through the Adjustment of Committees under the Board of Directors in line with the Company's business development and effectiveness of the Committees implementation.
2. Fundamental review on the risk management organization structure, the Company's committees, existing risk management framework, risk appetite, risk tolerance, risk management supervision process, adequacy of policies and limits, risk management processes, methodologies and systems, and internal control systems in accordance with the characteristics and complexity of the Company's business in response to PT SMI's transformation.
3. Conducting an ongoing, gradual management initiatives and continuous basis to improve the Company's risk governance aligned with the Company's risk requirements and priorities. Throughout 2018, the Risk Management Directorate has completed 43 (forty-three) risk management improvement initiatives, including the following:
 - a. Developing a Risk Appetite Statement (RAS), which aims to provide guidance for the Company in maintaining a balance between the role of a catalyst and business continuity in order to carry out the mandate given to the Company. RAS is the level and type of risk that can be taken by the Company in order to achieve the stated vision and mission.
 - b. Alignment of the Risk Appetite Statement (RAS) with the Corporate Long Term Plan 2019-2023 as a reference and provide clarity in carrying out its main strategy which focuses on its role to become the Indonesian Development Financing Agency (LPPI). The RAS is expected to assist the LPPI in managing the issues encountered by the Company in the acceleration of national infrastructure development in the present and in the future.
 - c. The study of financial stress due to the weakening of the exchange rate.
 - d. Benchmarking of risk management for the Development Financial Institutions, Banking, and finance companies with business characteristics in accordance with the Company, as well as several other sources that can support the Company's business characteristics.
 - e. Implement the operational risk management methodology through the General Operating and Control Environment Questionnaire (GOCEQ) which aims to identify operational risk exposures in the current month to further enhance the effectiveness of the Company's URCM.
 - f. Carry out Disaster Recovery Plan (DRP) testing which is part of the Business Continuity Plan (BCP).
 - g. Support the acceleration of regional infrastructure development through the improvement of Municipal Financing policies via the establishment of Municipal Financing Risk Management Protocol (RMP) with relevant Ministry stakeholders.



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- h. Adjustment of Guidelines and Procedures with changes to the Company's organizational structure in accordance with the Company's business development.
- i. Strengthening Financial Management Activities, Managing Market Risk and Liquidity Risk.
- j. Risk Appetite Statement and Company Risk Framework.
- k. Implementation of Early Warning System of financing activity.
- 4. Communicating with Risk Taking Division (RTD) to continuously develop risk culture and improving risk awareness and RTD compliance to the Company's policy approved by the Board of Directors, as risk management shall be implemented by every personnel of the Company, from the lowest level up to the highest level.
- 5. Developing and implementing Guidelines/Procedures, whether initiated by the Risk Management Directorate, DAI, and/or RTD to improve risk management, including identification of policy changes to existing activities and new activities undertaken by the Company. The output of this activity is reflected, in strengthening the financing business process, including the making of the Special Financing Management Guidelines and the refinement of the Financing Guidelines.
- 6. Some efforts have been carried out to improve the implementation of the Company's environmental and social protection (ESS), including:
 - Developing the Good Practice Notes for ESS implementation on roads, bridges, and traditional markets projects.
 - Implementation of capacity building and/or coaching clinic related to ESS implementation.
- Workshop on the application of sustainable financial principles that aims to increase awareness of financial service institutions related to the implementation of sustainable finance.
- Development of the Corrective Action Plan (CAP) database as a follow-up to the ESS process in financing activities.
- Development of Service Level Agreement (SLA) related to the implementation of the ESS review process in financing activities.
- Optimization of the Geographical Information System (GIS) function in the ESS review process related to financing activities.
- The implementation of the *Desa Bakti Untuk Negeri* Program (DBUN) II, which is aimed at mitigating the environmental and social impacts in the areas around infrastructure development projects. This DBUN program can serve as a pilot project for the Company's ESS.
- Development of ESS cartoon books containing the ten elements of environmental and social safeguards implemented by the Company in the environmental and social management in the Company's activities. The Company considers that the ESS application that best fits the conditions in Indonesia today is the one based on propriety, rational, supported by relevant parties and adjusted to the real conditions in the field.

Risk Monitoring

Risk monitoring is carried out as an integral part of risk management in managing and reviewing the progress and risk changes, strategy effectiveness, and implementation of risk treatment and control. Monitoring is conducted continuously by RTD as the risk owner and regularly by the Risk Management Directorate.

Monitoring results are documented in the periodic Risk Management Reports to the Board of Directors, including:



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- Risk Management Report, a report describing the risk management based on the Company's risk management framework with an Enterprise Risk Management (ERM) approach that manages the 11 (eleven) risks faced by the Company in an effort to balance the Company's risks and returns.
- Reports of the Company's Financing Portfolio, Investment, Treasury, Project Development and Advisory, a report that explains the portfolio & risk concern information on financing activities, investments, treasury, project development & advisory and sustainable financing in an updated, efficient and consistent manner.
- Market & Liquidity Report, a report that explains the compliance check on treasury activities and market & liquidity risk management toward treasury activities.

Internal Control and Monitoring

An effective Internal Control System is an important component and is the basis for the Company's sound and secure operational activities. The Internal Control System will help control the increasingly complex risks and increase the need for good governance practices such as GCG principles in achieving the Company's goals.

The Company implements comprehensive internal control, including processes, structures, or systems designed to provide reasonable assurance after considering costs, time and or other relevant considerations, to ensure that:

- a. The Company's operations are carried out effectively, efficiently and economically.
- b. In compliance with applicable rules and regulations.
- c. Company information systems, including financial reporting systems are reliable

The Internal Audit Division has the duties, responsibilities, and authority to evaluate and plays an active role in increasing the effectiveness of the internal control system in relation to the Company's operations which can

potentially harm the achievement of targets set by the Company's Management. This is as stated in the Internal Audit Charter which guides the Internal Audit personnel. The Company has carried out the renewal of the Internal Audit Charter signed by the President Commissioner and President Director on October 1st, 2018.

The internal control system implemented by the Company refers to the 2013 COSO Internal Control framework which consists of 5 components/parts as follows:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Activity Monitoring

CODE OF CONDUCT REVIEW AND IMPLEMENTATION [102-16]

PT SMI owns and implements the Code of Ethics and Code of Conduct, which has been approved on 23 February 2018, by the Joint Decree of the Board of Commissioners and Board of Directors PER-02/SMI/DK/0218 PD-003/SMI/0218. The Company implements the Code of Conduct as a form of commitment to improving the quality of GCG best practices and to maintaining the trust and long-term business relationships.

Implementation of Code of Conduct demonstrates the commitment of all levels of the Company to always uphold and apply the business ethics prevalent in the national and international order. All levels of the Company are required to comply with and apply all the provisions contained in the Code of Conduct through a "Statement of Commitment", regularly signed, and coordinated by the Corporate Secretary Division (DSP).

Any violation of the provisions of the Code of Conduct which is proven, shall be subject to sanctions in accordance with the Company's rules and regulations. There are 11 basic rules set forth in the PT SMI Code of Conduct, i.e.:



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1. Work Interaction of Employees;
2. Compliance with Laws, Provisions, and Other Regulations;
3. Maintaining Occupational, Health, Safety, Security, and Environmental Protection (OHSSE);
4. Maintaining Confidentiality of the Company's Data and Information;
5. Proper Protection and Use of Assets;
6. Avoiding Conflict of Interest;
7. Anti-Gratification Policies;
8. Not Performing Collusion-Corruption-Nepotism and Prohibition of Receiving Bribes;
9. Sound Business;
10. Financial Information Disclosure; and
11. Political Contributions and Activities.

The explanation of some key ethical rules contained in the Code of Conduct is as follows:

- **Prohibition on Giving, Receiving Gifts, and Donations**

The Company consistently applies the prohibition of granting and receiving gifts and gratuities of any kind, either by parties inside or outside the Company's environment. This prohibition is applied to uphold the independence of decision-making that can improve the Stakeholders' confidence in the Company's integrity. The Company has established various rules relating to the awarding and receiving of gifts.

- **Conflict of Interest Policy on the Investment and Goods and/or Service Procurement Process**

The Company implements a transparent and accountable procurement policy, fulfilling the principles of effective and efficient, open, fair, and non-discriminatory. The Company strive to process the procurement of goods and services through fair competition in accordance with prevailing laws and regulations as a form of corporate commitment and business principles that uphold business practices that are honest and free of conditions or potential conflict of interest.

A conflict of interest is a dilemma in which there is a conflict between the interests of an individual employee or an officer of the Company with the interest of the Company that directly or indirectly may harm the Company. In any decisions indicated to have a potential conflict of interest, the relevant employee or officer of the Company shall not be involved in the decision-making process.

- **Not Engaging in Collusion-Corruption-Nepotism and Bribery**

In order to realize the Company's commitment to becoming a good corporate citizen, the Company supports the efforts made by all parties in creating a business climate, which is free of Corruption, Collusion, and Nepotism. The Company prohibits any form of granting, requesting, receiving, or attempting to obtain bribes. As such, if an employee finds this type of condition, the Company's employees may consult with the Ethics Officer and DHPP in order to understand and ensure the compliance and conformity with the applicable Company regulations.

- **Political and Public Policy Involvement**

The Company strictly prohibits the use of funds or assets of the Company for the benefit of any political party or candidate of any political party, either directly or indirectly. However, the Company respects the human rights of the Company's personnel in freely determining their political aspirations, as long as it does not interfere with the Company's operational processes, and in accordance with applicable laws and regulations.

The Company has also never been involved in the preparation or development of public policy. If involved, it would be limited to the proposal of change in investment regulations in the field of basic infrastructure investment to support the improvement of the investment climate.



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PREVENTION AND ERADICATION OF COLLUSION-CORRUPTION-NEPOTISM AND FRAUD [205-1]

The Company shall overcome one of the most substantial challenges in carrying out the mandate as a catalyst for the development of basic infrastructure, i.e. to gain the public trust and the Stakeholders' trust. The inefficient licensing pattern in designing and realizing basic infrastructure projects that cost big funds has had little significant impact on improving the communities welfare that the project has targeted. The inefficient process of licensing is very vulnerable to Collusion-Corruption-Nepotism. Hence, the quality of the built infrastructure may not meet the standard and may not provide optimal impact on the regional development or on the community welfare.[103-2]

As such, since its establishment, the Company is fully committed to deterring any crime of corruption and fraud by implementing three sustainable approaches to obtain the Stakeholders' trust, especially the financial institutions, Local Governments, and the partner contractors, to stimulate basic infrastructure development basic, i.e.:

- Development and implementation of Code of Conduct, GCG Manual, and Gratification Control Guidelines.
- Preparing and implementing strict, clear, and accountable internal controls.
- Development and implementation of Whistleblowing System.

The approach to prevent the corruption and fraud crimes has included the work procedures and the implementation of internal controls.

Whistleblowing System

As the efforts to improve the quality of GCG implementation, including participating in the eradication of corruption, bribes, and other fraudulent practices, the Company has consistently been and will continue to implement the guidelines for Violation Reporting System or Whistleblowing System. The implementation of this supervisory system is a follow-up to the demands of transparency, accountability, and fairness of business relationships. In the management guidelines, the Company also establishes a mechanism enabling the development of audacity of the reporting witness by establishing procedures capable of ensuring the confidentiality of the whistleblowers' identity and its investigative officers.

All reports that have a valid initial evidence of the occurrence of Collusion-Corruption-Nepotism and Fraud violations will be followed-up with a thorough investment, involving the Internal Audit Division, to be given strict sanctions ranging from termination of employment to legal process.

Operational Risk Management Guidelines [103-2]

Operational Risk Management regulated in this Guideline is the management of Operational Risk for the Company's products and activities as a whole. The Operational Risk Management is the responsibility of each RTD because the operational risk is basically a risk inherent in all of the Company's business/operational activities. A Good Operational Risk Management should be able to identify and minimize the potential loss for the Company (financial and non-financial) that derives from the Operational Risk.

Organizations in the Company's Operational Risk management consist of:

- Risk Management Committee (KMR)
- Integrated Risk Management Division (DMRT)



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- Risk Taking Division (RTD)
- Risk & Compliance Manager (URCM)
- Unit Legal Division (DH)
- Internal Audit Division (DAI)

In Operational Risk management, RTD has the following duties and responsibilities:

- Report each risk event included in the Operational Risk category to:
 - ◊ DMRT no later than 5 (five) working days after the fraud and non-fraud events are known.
 - ◊ DAI no later than 2 (two) working days after the fraud incident is known, with a copy to DMRT.

In addition to the dissemination, the Company also provides training related to the efforts to prevent and eradicate Collusion-Corruption-Nepotism actions for members of the Company's governance and employees.

The relevant training given to members of the governance include: [205-2].

- Technical guidance for filling in the State Operator Assets Report (LHKPN)
 - Date: February 21st, 2018
 - Trainer: Director of Registration & Examination LHKPN, Corruption Eradication Committee.
 - Number of participants: 4 members of the Board of Directors, 13 Division Heads

Target

The goal of supervision and internal control is to achieve the Company's objectives through operational effectiveness and efficiency, the implementation of all operating standards, the compliance with prevailing laws and regulations, including agreements with third parties, the safeguarding of state assets managed by the Company, and the reliability of financial reporting.

Implementation of Prevention and Eradication of Collusion-Corruption-Nepotism and Fraud Actions

The efforts to prevent and eradicate acts of Collusion-Corruption-Nepotism and fraud are carried out by the Internal Audit Division (DAI), DMRT and related divisions.

Performance

To support the efforts to prevent Collusion-Corruption-Nepotism and fraud, the Company has disseminated related policies. 100% or all employees at the Jakarta office have been informed of anti-corruption policies and procedures through the GCG Manual, Code of Conduct, and Guidelines for Gratification Control. PT SMI does not have offices in other areas. In addition, all business partners have been informed on the anti-corruption policies and procedures through the GCG Manual, Code of Conduct, and Guidelines for Gratification Control that can be accessed on the PT SMI website. [205-2].

While the relevant trainings given to employees include: [205-2]

- Socialization concerning gratification
- Date: September 28th 2018
- Trainer: Corruption Eradication Committee
- Number of participants: 99 PT SMI employees (± 35%) who represent various divisions.



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- In-house training on Anti-Money Laundering and Prevention of Terrorism Funding (APUPPT)
 - Date: September 25th, 2018
 - Trainer: Institute for Financial Transaction Reports and Analysis Center (PPATK)
 - Number of participants: 26 PT SMI employees ($\pm 10\%$) who represent various divisions.
- National Anti Fraud Conference 2018 - Call For Paper
 - Number of participants: 2 PT SMI employees

As a result of the related policy implementation, throughout 2018 there was no violation of the code of conduct within the Company. This indicates that all Company's organs have implemented a code of conduct that is continuously socialized and monitored. [205-3]

MEMBERSHIP OF SIMILAR ASSOCIATIONS AND COMMITMENTS TO EXTERNAL INITIATIVES

[102-13]

The Company actively adopts several external initiatives to response to the latest developments, such as actively supporting the achievement of various objectives of the concept of global scale sustainable development in the Sustainable Development Goals (SDGs).

The Company is actively involved in collaborating with various related global institutions and associations, both as members and as partners, such as:

- Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)
- Association of Indonesian Issuers (AEI)
- Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI)
- Agence Francaise de Developpement (AFD)
- Islamic Development Bank (IDB)
- Asian Development Bank (ADB)
- Korea Development Bank (KDB)
- Cities Development Initiative for Asia (CDIA)
- World Bank Group & Asian Infrastructure Investment Bank (AIIB)
- World Bank Group
- Asian Development Bank (ADB) & German Development Bank (KfW)
- Green Climate Fund (GCF)
- Korea Development Bank (KDB) China Development Bank (CDB) Development Bank of Japan (DBJ)
- Gesellschaft für Internationale Zusammenarbeit (GIZ)

STAKEHOLDERS MANAGEMENT

Long-term business continuity implies success in fostering harmonious relations with all stakeholders. The Company's operational activities are spread throughout the Indonesian region with variations in stakeholders' expectations according to the conditions and potential in each region. To ensure the success of harmonious relationship building, the Company always manages quality relationship management.

Sustainability Governance

To that end, the Company carefully identifies the main stakeholders groups that have a dominant influence on business continuity, and on the contrary have a major influence on the course of operational activities. The Company then conducts stakeholders groupings consisting of: Debtors/project owners, local governments, shareholders/investors, employees, partners (vendors/suppliers), central government, observers (media, NGOs, academics), local communities, multilateral institutions, and co-financiers. PT SMI then analyzes and identifies the strengths, issues and influences and interests of stakeholders on the Company's existence and operations through group discussion methods, library observation and study. The results are used as a reference in developing the method of engagement/participation of each stakeholder in determining the direction of the company's development.

The Company fosters relationships with stakeholders, both internal and external in a sustainable manner. Through the management of reciprocal relationships, the Company strives to understand and fulfill the expectations of stakeholders to the fullest, according to available resources. The aim is to ensure that the Company understands the current needs of stakeholders and strive to harmonize its work programs according to the conditions faced. On the other hand, through fostering these relationships stakeholders can find out which programs have been and are being carried out in order to meet the expectations including understanding the limitations being faced.

The following is a table of stakeholders relationship management practiced by the Company.



Sustainability Governance

Summary of Stakeholders Management

[102-40, 102-42, 102-43, 102-44]

Stakeholders & Stakeholders Determination Bases [102-40, 102-42]	Approach Method & Meeting Frequency [102-43]	Focus of Attention [102-44]	Follow Up [102-44]
Debtors / Project Owner			
<ul style="list-style-type: none"> • Influence • Dependency 	Site visit to the project location (as needed)	<ul style="list-style-type: none"> • Project progress • Constraints faced by the project 	Monitoring implementation
	Stakeholder satisfaction survey (1x a year)	<ul style="list-style-type: none"> • Procedure for procurement and disbursement of loans • Availability of the Company's Human Resources (HR) • Interest rates and loan ceilings 	<ul style="list-style-type: none"> • Improving the quality of financing implementation includes strengthening the related guidelines • Training implementation
	Dissemination regarding aspects of implementing the Environmental & Social Safeguard (ESS) as needed (at least 1x a year)	<ul style="list-style-type: none"> • ESS implementation procedures in financing feasibility study • Benefits of ESS in financing activity 	Providing support in implementing ESS
Local government			
<ul style="list-style-type: none"> • Influence • Dependency 	Site visit to the project location (as needed)	<ul style="list-style-type: none"> • Project progress • Constraints faced by the project 	Monitoring implementation
	Stakeholder satisfaction survey (1x a year)	<ul style="list-style-type: none"> • Ease of financing requirements • Information about other services from the Company such as Project Development and Advisory • Expansion of the infrastructure sector that can be financed by the Company • Speed in making financial decisions • Availability of Company HR 	<ul style="list-style-type: none"> • Improving the quality of financing implementation includes strengthening the related guidelines • Implementation of training programs • An explanation of other services from the Company, including through the Annual Report (AR) and Sustainability Report (SR) report.
	Meeting (as needed)	Synchronization of infrastructure development programs with Corporate Social Responsibility - Community Development activities	<ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) Program • <i>Desa Bakti untuk Negeri</i> Program
	Coaching clinic (as needed)	<ul style="list-style-type: none"> • Company financing procedures • Procedure for implementing ESS in evaluating financing feasibility • Benefits of implementing ESS in financing activities 	Providing support in implementing ESS

Sustainability Governance

Stakeholders & Stakeholders Determination Bases [102-40, 102-42]	Approach Method & Meeting Frequency [102-43]	Focus of Attention [102-44]	Follow Up [102-44]
Shareholders / Investors			
<ul style="list-style-type: none">• Influence• Dependency	Annual GMS (1x a year)	Annual report to shareholders	Approval of financial statements and activities of the Board of Directors in managing the company.
	Extraordinary GMS (as needed)	Approval of strategic plans outside the GMS	Approval of strategic corporate actions, including payment of dividends
Employees			
<ul style="list-style-type: none">• Influence• Dependency• Obligations	Town hall meeting (4x a year)	<ul style="list-style-type: none">• Improvement of the Company's performance• The rights and obligations of the Company and employees	<ul style="list-style-type: none">• Employee competency development programs• Remuneration based on the results of the assessment• Improved operational performance of the Company
	Outing (1x a year)	<ul style="list-style-type: none">• Company Work Plan• The rights and obligations of the Company	
	"Curcol" box (the box through which all employees can submit input and/or complaints to the Company)	<ul style="list-style-type: none">• The rights and obligations of the Company and employees• Complaints related to office operations	<ul style="list-style-type: none">• Strengthening related guidelines• The implementation of the idea box competition
	Employee engagement survey (1x a year)	<ul style="list-style-type: none">• The rights and obligations of the Company and employees• Level of employee engagement or enablement	
Partners (Vendors / Suppliers)			
Dependency	Meeting (as needed)	<ul style="list-style-type: none">• The process of procuring goods is reasonable and transparent• Selection and evaluation of objective business partner candidates• Accurate but simple administrative procedure• Payment of products and services on time• Mutually beneficial relationship	Evaluate the implementation of procurement and strengthening of relevant guidelines
Central Government			
<ul style="list-style-type: none">• Influence• Dependency• Obligations	Meeting (as needed)	Synchronization of basic infrastructure development programs	Preparation of the Company's Work Plan that accommodates input from stakeholders
	Participation in government programs that are in line with company programs	PT SMI's support in the construction of basic infrastructure	
	Inter-agency meetings and/or forums FGD (Focus Group Discussion)		
	Stakeholders satisfaction survey, represented by the Person in Charge of the Cooperation Project (1x a year)	<ul style="list-style-type: none">• Competence of the Company's HR• Availability of the Company's HR, especially in large projects• Communication and coordination intensity	Implementation of training programs



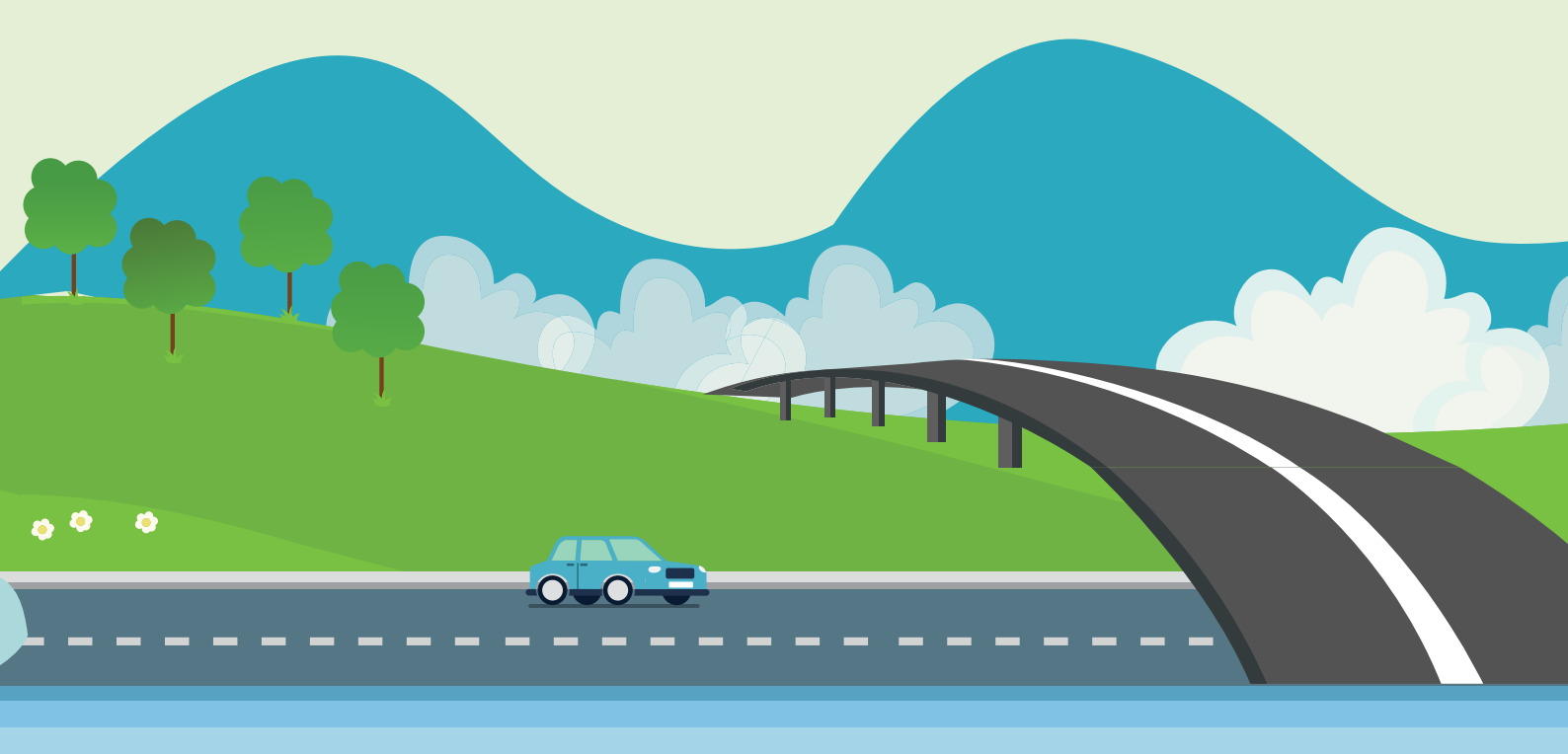
Sustainability Governance

Stakeholders & Stakeholders Determination Bases [102-40, 102-42]	Approach Method & Meeting Frequency [102-43]	Focus of Attention [102-44]	Follow Up [102-44]
Observer (Media, NGOs, Academics)			
Influence	Press release (as needed)	<ul style="list-style-type: none"> Company Performance Information relating to the activities carried out by the Company 	Explanation of the Company's performance including through AR and SR reports
	Media meeting (as needed)		
	Press conference (as needed)		
	University visit (as needed)	Cooperation in infrastructure development Education, research and community service	MoUs compilation in cooperation with universities
Local Community			
<ul style="list-style-type: none"> Influence Proximity 	Meeting (as needed)	<ul style="list-style-type: none"> Community-based development programs (economy, education, health) Environmental conservation program The impact of the project/ activities to be carried out by the Company/the Company's debtors 	<ul style="list-style-type: none"> Corporate Social Responsibility (CSR) Program <i>Desa Bakti untuk Negeri</i> Program
Multilateral Institution			
<ul style="list-style-type: none"> Influence Dependency 	Stakeholder satisfaction survey (1x a year)	<ul style="list-style-type: none"> Increased competence of the Company's HR Application of ESS Increased knowledge in other fields such as geothermal 	<ul style="list-style-type: none"> Strengthening related guidelines Implementation of training programs
	Meeting (as needed)	Implementation of ESS in the Company's activities	Strengthening the application of ESS
Co-financier			
<ul style="list-style-type: none"> Influence Dependency 	Stakeholder satisfaction survey (1x a year)	<ul style="list-style-type: none"> Increased competence of the Company's HR Information about other services from the Company such as Project Development and Advisory Expansion of the infrastructure sector that can be financed by the Company 	<ul style="list-style-type: none"> Implementation of training programs A description of other services from the Company, including through AR and SR reports

Economy

A stylized illustration of a landscape on the right side of the page. It features a green hill, a small green plant, and a blue body of water. The background is a light green gradient.

THE COMPANY DEMONSTRATES ITS COMMITMENT TO ACCELERATE THE NATIONAL ECONOMIC GROWTH BY REALIZING VARIOUS INFRASTRUCTURE PROJECTS, BOTH THROUGH SELF-FINANCING, JOINT FINANCING, AND ADVISORY. THE COMPANY ALSO INNOVATES TO PROVIDE THE BEST INFRASTRUCTURE FINANCING SCHEMES GIVEN THE MANY BENEFITS OF THE PROJECT TO IMPROVE THE WELFARE OF THE LOCAL COMMUNITY AS WELL AS ALL THE PEOPLE OF INDONESIA.

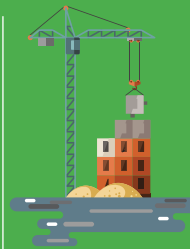


Highlights



In 2018, the Company recorded a total economic value of **Rp3.82** trillion, up **26.9%**, and distributed the earnings of **Rp2.28** trillion, up **29.68%**.

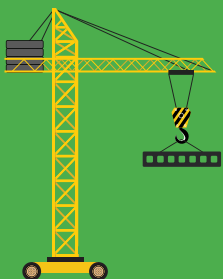
The Company successfully recorded positive developments in the 3 Pillars of business, in addition to successfully mobilizing multilateral cooperation to support the financing of environmentally friendly projects with substantial social and environmental impacts according to the SDGs.



Until 2018, the Company managed to record a total financial close of infrastructure financing projects with a total project value of Rp553.6 trillion, with a total commitment of Rp77.19 trillion

In 2018, the Company has financed several projects that have environmental and social benefits such as:

- 1 Hospital project
- 2 Market projects
- 9 Road and bridge projects in the area
- 2 PLTM projects
- 2 PLTBm projects



The Company has successfully realized the infrastructures capacities development programs, conducted by owned initiatives or in cooperation with other stakeholders.



Together We are Building the Nation

Amidst the increasing uncertainty in the global economy resulted from the “trade war” between the United States and China and the increasing trend of Fed’s reference interest rate, in 2018 the Indonesian economy continues to grow moderately, at 5.17% from 5.07% in 2017, mainly supported by the growth in domestic consumption, realization of investment and government infrastructure spending. The economic growth is also supported by relatively well-maintained macroeconomic conditions, such as the inflation rate of 3.13% (lower than 2017 of 3.62%) and the latest reference rate, namely 7-day Repo Rate, at 6.00% from 4.5% in 2017.

I. ECONOMIC PERFORMANCE [201]

PT SMI has an important role in the development of the current infrastructure sector. Its ability to provide financing with a much longer duration than national banking has made the Company the first choice for basic infrastructure development financing with a relatively long return time and has a limited internal rate of return (IRR).

Other conditions that shall be taken into account is the existence of social and political risks since the basic infrastructure is usually the domain of the Central Government and Regional Government. Changes in the leadership of the Regional and/or Central Government can affect multi-year infrastructure projects.

Having qualified capabilities in designing a package of long-term project financing and supported by adequate equity, PT SMI exists to overcome various obstacles in the development of basic infrastructure.

Through various forms of project financing packages that are in accordance with each financed project’s payment source character, the Company bridges the creditors, both banks and other financing institutions to participate in the development of basic infrastructure in various regions. There are three schemes developed, which are Public Private Partnership (PPP), Investment Financing scheme of Non-Government Budget (PINA), and a combination of funding from Multilateral, Government, or Philanthropy (blended finance). [103-2]

“ Since its founding in 2009, PT SMI (Persero) or “The Company” has a main mandate as a catalyst for the acceleration of national infrastructure development. Since its inception, the Company has continued to develop the capabilities and competencies and continues creating various financing innovations to support its role, both as a fiscal tool for the government, catalysts, and enablers for the acceleration of infrastructure development in Indonesia. [103-2]

As part of this innovative effort, four new financing alternatives have been developed in 2018, they are: Take Out Financing, Step up Musyarakah Mutanaqisah (MMQ), Ijarah Mausufah Fiz Zimmah (IMFZ), and Cash Deficiency Support (CDS). The Company is also set to take a role as the implementing agency for SDG Indonesia One, an integrated financial framework for Indonesia’s sustainable development to reach 17 objectives in the SDGs through infrastructure development.



Economy

Targets [103-2]

- Income: Rp4,186 billion
- Financing: Rp50,534 billion

Responsible Agency [103-2]

Business divisions with support from all supporting divisions.

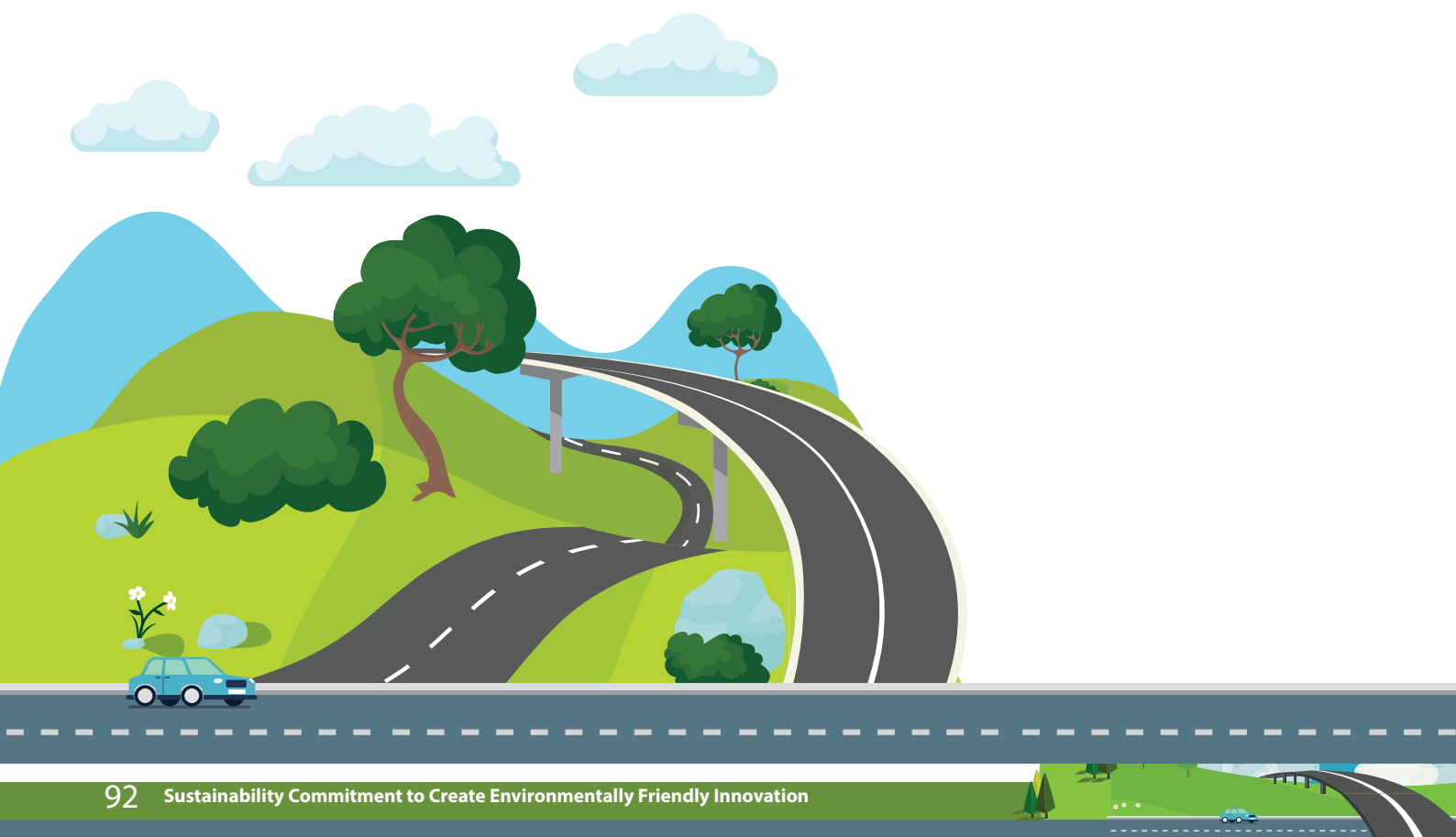
Evaluation [103-3]

Evaluations are carried out by:

- **Target Sub Committee**
The Target Sub Committee's duty is formulating annual strategies related to the allocation of company resources, evaluating strategies, performance, and product suitability to the market.
- **Monitoring Sub Committee**
The Monitoring Sub-Committee duties and activities are to make decisions related to asset quality, restructuring, financing, financing monitoring and efforts to recover non performing financing.

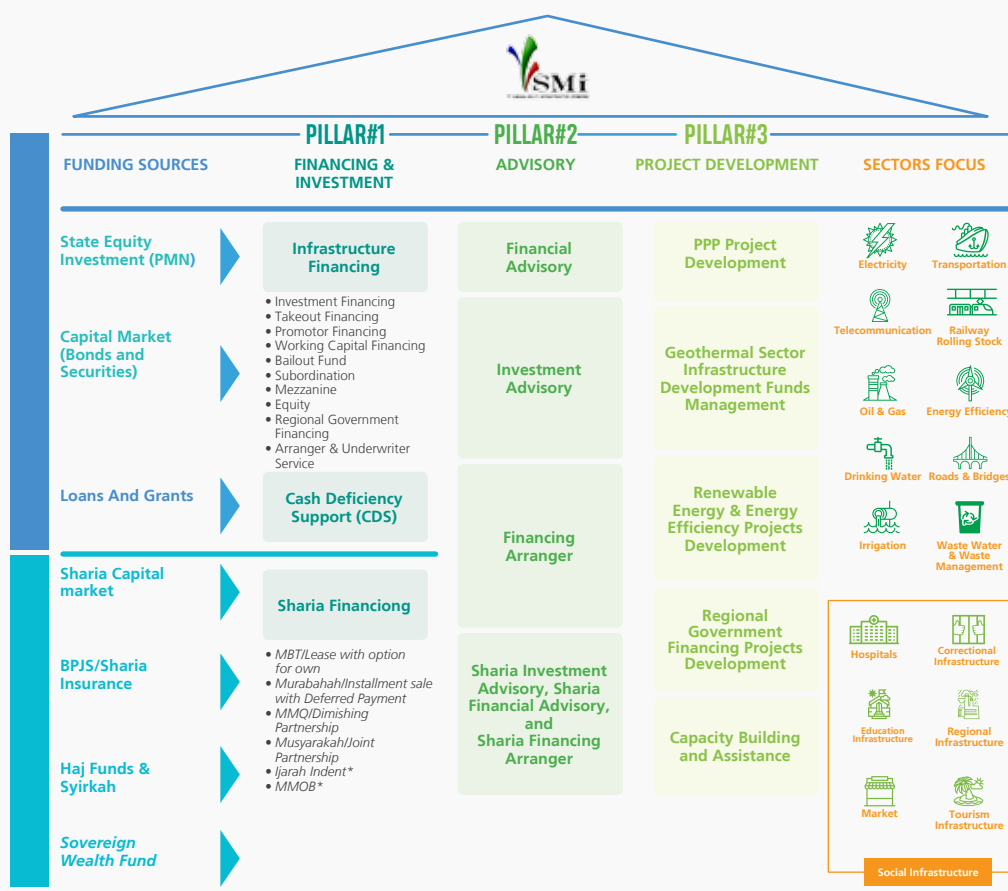
PT SMI Business Pillars [103-2]

In carrying out its role and developing its business, PT SMI has three business pillars, namely: Financing and Investment; Advisory; and Project Development, PT SMI also has strong funding sources which is an Equity Investment (PMN), Loans and Grants, and is supported by a good capability in raising funds from the Capital Market (Bonds, Securities and Securitization). In addition, PT SMI also established a Sharia Business Division, complete with sharia-based financing and fund-raising products. The Company's business pillars and their expansion are illustrated in the following chart.



Economy

PT SMI'S 3 BUSINESS PILLARS AND BUSINESS SECTORS EXPANSION



MBT : Ijarah Muntahia Bittamlik
 MMQ : Musyarakah Mutanaqisah
 MMOB : Mudharabah Muqayyadah on Balance Sheet
 *In Development

Economy

Through Business Pillar I, PT SMI also supports project development through direct financing. The financing duration is very sufficient, with interest rates that are more attractive compared to bank funding. The Company targets the takeover scheme by other parties, where the directly supported project has been completed and shows good financial performance. Until the end of 2018, the Company provided direct financing amounting to Rp46.706 trillion, up from Rp34.1 trillion in the previous year.

The various infrastructure projects that can be directly supported by the Company include financing for transportation, roads, irrigation, drinking water, waste water, telecommunications, electricity, oil & gas, and other infrastructure, with the approval of the Minister of Finance. Other financing objects that may be supported by the Company are:

- Social infrastructure includes urban infrastructure, educational facility infrastructure, regional infrastructure, tourism infrastructure, health infrastructure and correctional infrastructure.
- Expansion of electricity infrastructure to include energy efficiency.
- Financing for railway rolling stock (locomotives, carriages and bogey, and other supports).

In addition to directly contributing through infrastructure financing, which is carried out through the implementation of its three business pillars, the Company also contributes indirectly to the nation building through various activities in the Corporate Social Responsibility (CSR) program, including the realization of the Partnership and Community Development Program.

One important development of the Company's role in 2018 is the assignment of PT SMI as the implementing agent of the SDG Indonesia One platform. SDG Indonesia One is an integrated funding cooperation platform to support infrastructure development that is oriented towards achieving the Sustainable Development Goals (SDGs) in Indonesia. This integrated funding from various sources, including private, philanthropic, donor agencies, multilateral and bilateral financial institutions, banking, insurance, and investors.

This platform provides a number of facilities, including project development facilities, risk mitigation facilities, financing facilities, and investment facilities. These facilities enable the creation of wider benefits for Indonesia, such as mobilizing and coordinating the role of Government partners; increased access to funding sources; and reduce the government's fiscal burden in financing various projects that are oriented towards achieving the SDGs.

“The Company also support Indonesia's economic growth through direct financing of basic infrastructure projects that will be able to create new jobs once the projects are operating, such as electricity, drinking water, irrigation, telecommunications, and others.



Economy

The Company partners will also attain a portion of the profits; mitigate and accelerate project implementation with a strategic partnership with PT SMI; benefit from the risk of mixed financial assistance; and increase leverage from the investments made while also obtaining socio-economic benefits.

ECONOMIC VALUE DISTRIBUTION [201-1]

In 2018, PT SMI recorded economic growth of 26.19% to Rp3.82 trillion (annualized) from Rp3.02 trillion in the previous year. In 2018, the Company also recorded a total distribution of economic value at Rp2.28 trillion, an increase of 29.68% from Rp1.76 trillion in the previous year.

The Company distributes operating income to the owners of rented property, employee salaries, vehicle leasing service providers, fees for the IT system being used and

various other operating expenses, totaling Rp261.5 billion (2017: Rp229.1 billion).

The Company also distributed interest and sharia expenses to the stakeholders, which are the financiers that placed funding on bonds and other deposits instruments amounted to Rp1,551.1 billion for 2018, increased by 39.12% from Rp1,115.0 billion in 2017.

The Company rendered tax payables and other levies to the state amounted to Rp284.1 billion (2017: Rp272.7 billion) and realized funds for social responsibility activities through PKBL and non-PKBL at Rp14.2 billion (2017: Rp9.1 billion).

In general, the Company retained the economic value of Rp1.531 trillion in 2018 to support the business development in the future.

Distributed Economic Value [201-1]

ECONOMIC PERFORMANCE	2017	2018	Changes
Economic Value Generated	(Rp million)	(Rp million)	%
Revenues	3,032,699	3,810,445	25.65%
Other Income (Expenses) - Net	(5,554)	9,263	273.25%
Total Economic Value Generated	3,027,145	3,820,068	26.19%
Economic Value Distribution			
Financing Expenses	1,114,966	1,551,149	39.12%
General & Administrative Expenses (including Salary Expenses)	229,132	261,749	14.13%
Business Development Expenses (including Salary Expenses)	128,782	132,332	2.8%
Tax and Levy Expenses	272,686	284,185	4.22%
Corporate Social Responsibility (CSR) Expenses	9,141	14,200	55.34%
Other Operating Expenses	10,429	13,175	26.33%
Total Economic Value distributed	1,765,137	2,288,985	29.68%
Economic Value Retained	1,262,007	1,531,110	21.32%



Economy

BUILDING THE NATION WITH OUR BUSINESS

PARTNERS [FS5]

The financing of infrastructure development requires the support from partners, namely the government and regulators, and other financial institutions, as well as contractors. The Company cooperates closely with stakeholders and takes the partners as part of efforts to achieve the Company's vision and mission, through periodic assessments of its performance in supporting the projects.

The Company is prudently considering the participation of partners/vendors from the projects' surrounding areas during selection process of goods vendors partners required by the project owners. To this end, the procurement process is carried out by the developer and/or Regional Government as the project owner. PT SMI provides limitations on the contractors/vendors procurement.

The aim is to ensure the goods and services supply quality that can be accounted for by the project owner, namely the Central Government/Regional Government, and other project owners financed by the Company, in which the project owner shall ultimately be responsible for the quality of products they used to the Company as a creditor.

The guaranteed quality of goods and services will ensure the quality of projects. As such, the Company strives to ensure the selection process implementation and the supplier partners performance assessment periodically, transparently and accountably by the project owner. The

Company provides suggestions for periodic evaluations of financial capability and employment aspects, and the quality of goods and services provided. For this reason, the Company has a list of contractors and suppliers of construction goods that can be trusted as a reference for project owners in selecting the contractors.

However, for financial institution partners, some of whom are financial institutions with a well-maintained reputation in infrastructure financing, the Company does not carry out routine evaluations.

As for the vendors of administration goods and IT equipment, business development and other consulting services, the Company applies periodic assessments and vendor selection policies based on e-procurement mechanisms that are regularly reviewed. The e-procurement process and procedures of the Company are designed using a benchmark of global scale financial institutions, to ensure transparency, efficiency, and effectiveness of the procurement process.

CONTRIBUTION TO THE COUNTRY

The Company's business activities produce 2 types of contributions to the country, financial and non-financial contributions. The direct financial contribution is given in the payments of taxes and levies, which for 2018 was Rp284.1 billion (2017: Rp272.2 billion). The non-financial contributions are the availability of various infrastructures resulting from the Company's direct and indirect financing support, which is designed to be carried out by engaging other business entities and investors.



Economy

“The realization of infrastructure development with the financial support from the Company and other business entities has provided various benefits. At the macro level, the benefits include increasing domestic income, providing employment and reducing inequality and poverty in the community. At the micro level, it increases business entity income potential as well as diversifications of business and investment placement risks.

In 2018, the Company successfully recorded a total financial close of infrastructure financing projects with a total project value of Rp466.8 trillion (2017: Rp197.9 trillion). Of the total financial close, 73% of them are realized from the Business Pillar I “Financing and Investment” with total financing commitments of Rp77.2 trillion. In addition, the Company has approved 24 Regional Government loan facilities amounted to Rp4.4 trillion.

For Sharia Financing, through the Sharia Business Division (DUS), in 2018 the Company distributes Sharia financing under the Step up Musharaka Mutanaqisah (MMQ) scheme, which is applied to the Pasuruan - Probolinggo Toll Road Project with an investment of Rp2.29 trillion. The Sharia Business Division also created another innovation by launching a new financing scheme, namely Ijarah Mausufah Fiz Zimmah (IMFZ), which is a derivative of Ijarah with indent specificity. Financing product innovation is also supported by strengthening of funding by making sharia hedging of USD128 million and issuance of mudharabah sukuk, with an issuance value of Rp1 trillion in stage I-2018.

The Sustainable Financing Division, as part of the Business Pillar I, also began to show its results. This division focuses on infrastructure development efforts that support the handling of environmental issues, improving environmental quality, reducing the impact of global warming, anticipating the impact of climate change, and

the realization of low-carbon development. In addition, other efforts that will be carried out are the development of partnerships with multilateral and bilateral international institutions, especially in the distribution of grants and other incentives for environmentally friendly infrastructure projects. In 2018, the Company through the Sustainable Financing Division financed the Minihydro Power Plants in Bengkulu with a total commitment value of Rp248.7 billion and a total outstanding value of Rp122 billion.

In addition to direct loans, the Company is the only financial institution in Indonesia that has been accredited by the Green Climate Fund (GCF) and can access GCF funds. This accomplishment was in addition to the success of the Company in collaborating with the Climate Policy Initiative (CPI), the World Bank in the Geothermal Energy Upstream Development Project (GEUDP), the French Development Bank (AFD) and the United Nation for Development Program (UNDP). All access to finance through these institutions is managed by the Special Division for Sustainable Financing.

INDIRECT ECONOMIC IMPACTS [203]

As stated in its vision “**Being a catalyst in accelerating the national infrastructure development**” and with missions including “**Being a strategic partner that provides added value in infrastructure development in Indonesia**” and “**Creating flexible financing products**”, the Company has defined 6 catalyst mandates

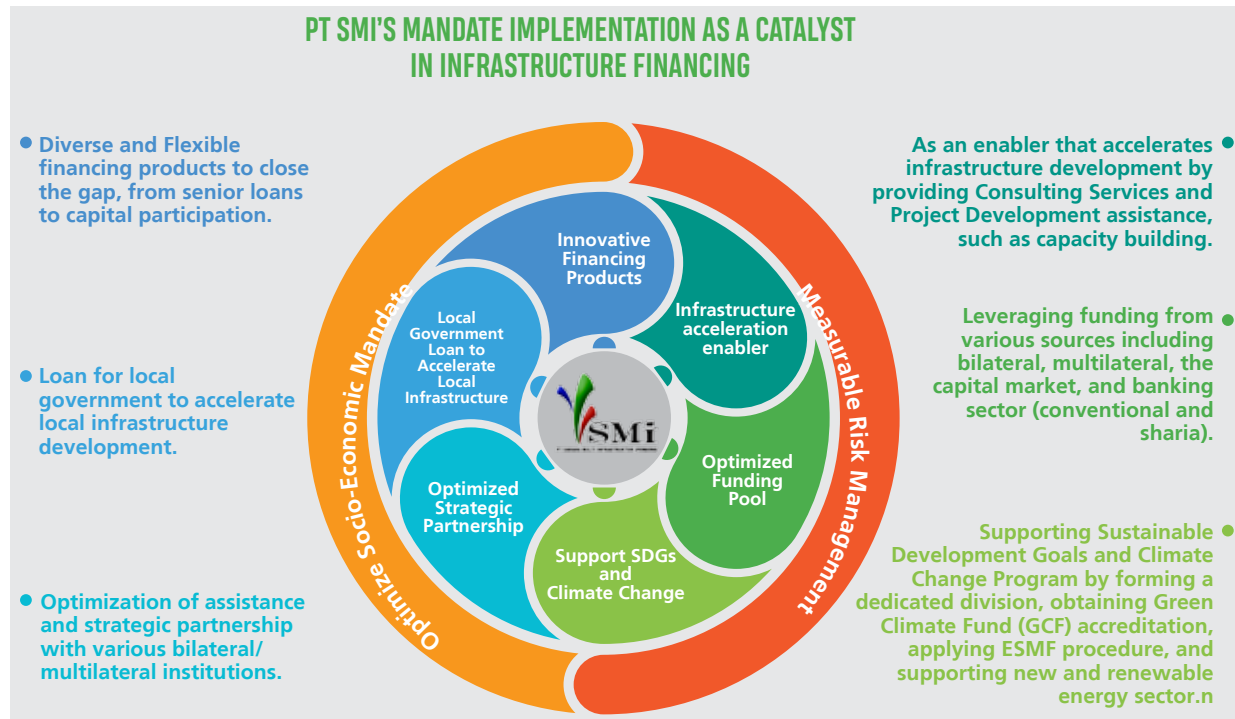


Economy

in realizing the vision and carry out its mission to manage the resources and carry out its operational activities in order to support the achievement of optimum socio-economic benefits and the achievement of sustainable and environmentally friendly development. [103-2]

Division in Charge [103-2]

Business divisions with the support from all other supporting divisions.



Target [103-2]

Some of the Company's qualitative objectives related to sustainability performance include the achievement of socio-economic benefits from the Company's activities (job creation, decreasing inequality, etc.) and increasing projects related to climate change mitigation.

Economy

Evaluations [103-3]

Evaluations are carried out by:

- **Target Sub Committee**

The duties and activities of the Target Sub Committee are: formulating annual strategies related to the allocation of company resources, evaluating strategies, performance, and product suitability to the market.

- **Monitoring Sub Committee**

The duties and activities of the Monitoring Sub-Committee are: providing decisions related to asset quality, restructuring, financing, financing monitoring and efforts to recover non performing financing.

According to the studies conducted, projects financed by the Company have the potential to render macro impacts as follows: [203-1, 203-2]

- Increased productivity and cost efficiency due to reduced barriers in the logistics sector and the fulfillment of electricity supply.
- Increased National and Regional GDP.
Using the World Bank's assumptions in the World Bank Development Research Group's Infrastructure Elasticity Report, a Rp165.9 trillion project will have an impact on the GDP increase of 0.041% - 0.059%.
- Employment provision
Infrastructure development investment will have a direct impact on labor absorption because

infrastructure development is an activity in the real sector which is generally labor intensive. Referring to Elasticity for Indonesia Employment (study of the International Labor Organization), the elasticity of Indonesian labor against the increase in GDP is 0.49%-0.66%.

- Reducing the Income and Poverty Gap
Infrastructure development can reduce economic inequality in Indonesia and gradually reduce the ratio of the economy. Project financing totaling Rp165.9 trillion will contribute to reducing the gini ratio by 0.01% to the national target of 39.63% set by the Government in the 2018 State Budget assumption. The construction of infrastructure financed by the Company will also contribute to reducing the poverty rate by 0.04% of the national target of 9% - 10% set by the Government. Likewise the effect on the decrease in the gini ratio will be greater than that calculated.
- Increasing National Competitiveness
The availability of basic infrastructure, especially electricity, is one of the factors assessed by the World Bank in determining the rating of a country's Ease of Doing Business/EODB. The smaller the ranking, the higher the competitiveness.
- Providing socio-economic benefits to the community life around the project location, as illustrated in the following chart.



Socio-Economic Benefits From Infrastructure Portfolios

A Better Access



Lighting for 3,2 million households or

12 million people



Clean water contribution to 2 million households or

8.1 million people



Natural gas network for 21,000 households

80,000 people

Climate Change Mitigation Support



Reduction of CO₂ emission equivalent to

920 ton CO₂e/year

Production Improvement



Power plant capacity addition to

2,884 MW



Clean water production addition to

14,140 L/s



Addition of Fuel production to

31,000 bpd



Gas inventory capacity increase to

10,000 MT

Job Creations



Manpower during construction period

1,97 million

Infrastructure and Rolling Stock Improvement



Roads and Toll roads

2,181 km



Addition of 80 electric cars and revitalization of

438 train wagon



52 thousands telecommunication tower projects



2,700 km fibre optics network in the Central Indonesia

Community Services Improvement



Serving **7.6** million telecommunication subscribers across Indonesia.



Healthcare facility for **720** new patients/year



1,031 new beds addition



Improvement of passengers capacity in city transportation by around

7.3 millions per year



Addition of the airport capacity by

37.5 million passengers per year



Improvement of goods flow at the port to

2.26 million TEUs per year



Water irrigation for **185,000** ha of paddy field

Economy

Through Business Pillar II “Advisory”, in 2018 the Company completed 13 advisory mandates. Through the Advisory, the Company supports the acceleration of national infrastructure development both conventionally and sharia-based, without providing funding support.

Advisory provided by PT SMI consist of:

- Investment Advisory
- Financial Advisory
- Fund Advisory
- Sharia Investment Advisory & Sharia Financial Advisory

Through Business Pillar III, in 2018 the Company carried out the development of 4 (four) new assignment projects in the PPP scheme including the National Integrated Social Welfare System (SKSTN) project with a value of Rp1.36 trillion which remain under the pre-feasibility study phase. In terms of supporting the assignment of geothermal data and information for the Government’s proposed exploration location, the Company has received a grant from the World Bank sourced from the Clean Technology Fund (CTF) fund of USD49 million and the Global Environment Facility (GEF) of USD6.25 million managed by the World Bank. In addition, the Company received 2 assignments to support the development of new renewable energy sources, the Waesano geothermal project with a capacity of 30 megawatts (MW) worth USD30.04 million and the Jailolo 35 MW geothermal project.

In order to develop the Business III pillar, the Company provides technical assistance to the Ministries/ Agencies and Regions in formulating policies related to the implementation of PPP schemes as well as the preparation of project feasibility studies. The Company also organizes capacity building and mentoring activities with the aim of increasing understanding and insight into other stakeholders such as the Regional Government, business entities regarding the intricacies of financing infrastructure projects.

FOSTERING THE REGIONAL DEVELOPMENT AND INCOME IMPROVEMENT [203-1]

As part of the support in accelerating the development in the region, together with other stakeholders, infrastructure projects executor and vendor partners, PT SMI seeks to optimize 3 (three) types of support in order to increase regional revenues from the infrastructure sector.

The first support, through the regional income from the direct interaction of activities of the project contractor and the Company, which includes the provision of goods and services, and the use of local labor in the area.

The second support is a business mechanism between infrastructure development projects executor and contracting vendor partners, including: the provision of local goods and services, local labor; and Corporate Social Responsibility (CSR).

The third support is the direct benefits from the realization of infrastructure development activities following the completion of the development phase.



Economy

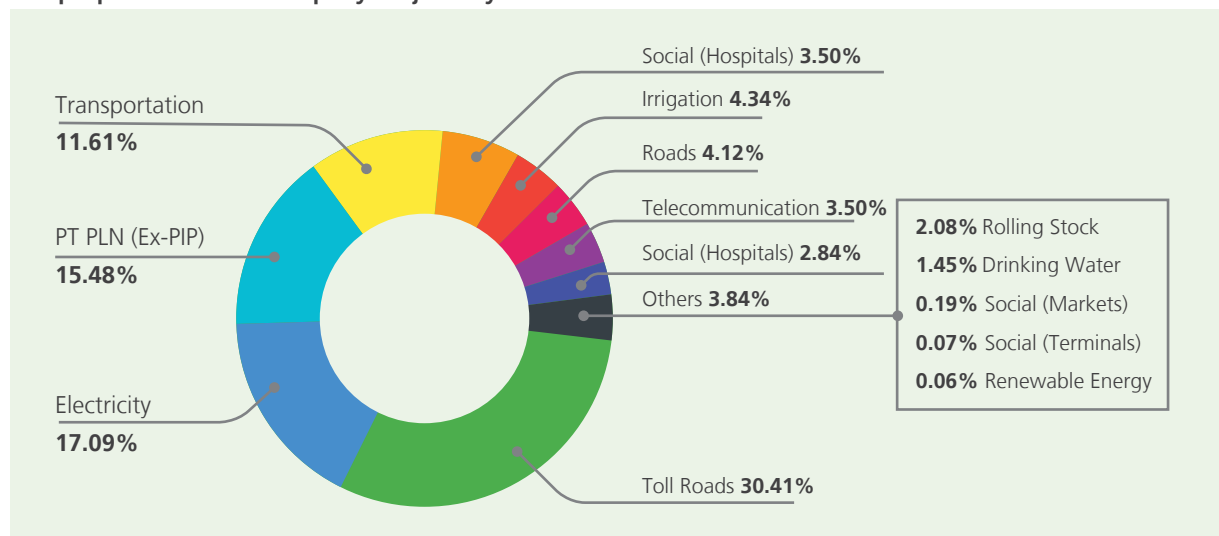
Direct Benefits of Infrastructure Development To the Regional Development

Sectors	Benefits
Clean Water	<ul style="list-style-type: none"> An additional capacity of 750 liters/second to serve 60,000 house connections in the Bandar Lampung City area An additional capacity of 1,000 liters/second to serve 40,000 houses in the city of Pekanbaru An additional capacity of 500 liters/second to serve 40,000 houses in the city of Balikpapan An additional capacity of 120 liters/second to serve 9,600 house connections in the Singkawang City area
Transportation	Transport capacity of up to 464 thousand people/day over a period of five years (Jabodebek LRT Project)
Social	Class upgrade of several regional hospitals and hospital pilot projects with the scheme of Public Private Partnership (PPP)
Roads and Bridges	<ul style="list-style-type: none"> Structure improvement of 47 road sections with ± 53.14 km in several regions in Indonesia. Increased connectivity between regions so that it will grow economic activities and reduce logistics costs.

FINANCING PORTFOLIO AND CAPACITY BUILDING [FS6, FS7, FS8]

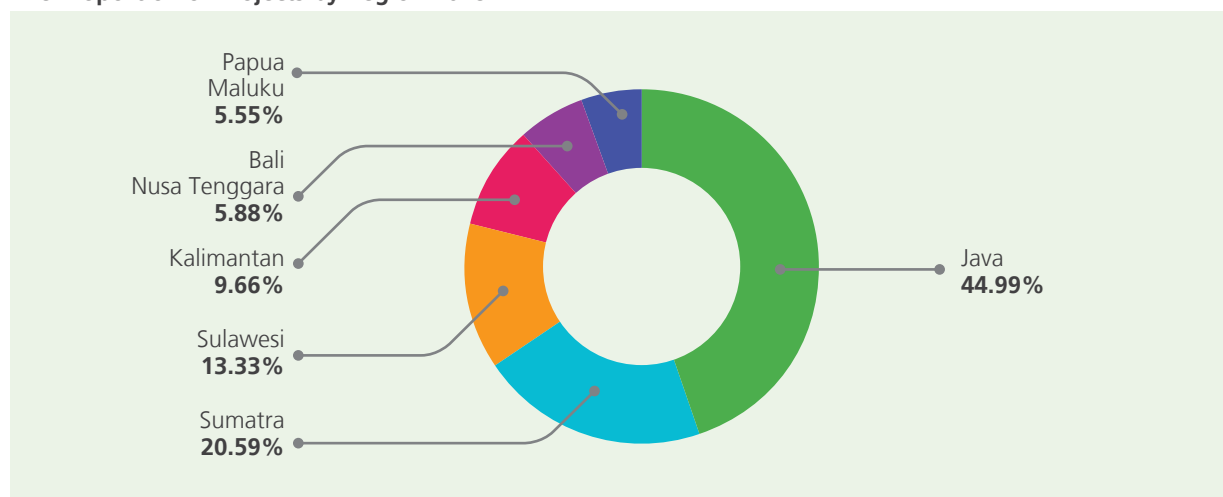
In accordance with the Company's vision and mission, PT SMI supports infrastructure financing in all economic sectors, with the ultimate goal to accelerate the economic growth in all regions of Indonesia. As such, the proportion of the Company's financing is divided almost evenly across all economic sectors and spread throughout the territory of Indonesia, as illustrated in the following graphs.

The proportion of the Company Projects by Sector - 2018



Economy

The Proportion of Projects by Region-2018



In addition to paying attention to the distribution of sectors and regions, the Company adheres to a commitment to participate in building infrastructure that provides special benefits in the social sector, such as hospitals, markets, roads and bridges (non-commercial). Projects with social benefits in 2018 are: [F57]

1. Hospitals : 1
2. Markets : 2
3. Roads & bridges (non-commercial): 9

The total number of projects is 12 with a total commitment of Rp2.4 trillion and total outstanding of Rp1.1 trillion. The outstanding amount as of December 31, 2018, is Rp1.1 trillion.

The Company also adheres to a commitment to contribute in building infrastructure that provides special benefits in the environmental field, such as: electricity centers using renewable energy and waste treatment. Existing data shows that all financed projects, the number of projects with environmental benefits in 2018 is: [F58]

Number of projects in the environmental field during 2018

1. Minihydro Power plant : 2
2. Biomass Power Plant : 2

The total number of projects is 4 with a total commitment of Rp875 billion and a total outstanding of Rp595 billion.

SUSTAINING SDGS GOALS ACHIEVEMENT

The various infrastructure projects supported and financed by the Company also provide other tangible benefits, namely supporting the achievement of various formulas for sustainable development goals on a global scale. The benefits of these infrastructure projects are not limited to economic aspects, but on aspects of local community welfare improvement, both in terms of health and social, as illustrated in the following illustration.



Economy

1
NO
POVERTY

Development of Special Economic Zone Projects (KEK) in accordance with the SDGs goals No. 1, End poverty in all its forms everywhere, also in accordance with the SDGs goals No. 8 and No. 9.

3
GOOD HEALTH
AND WELL-BEING

Financing hospital infrastructure in accordance with the SDGs goals No. 3, Ensure healthy lives and promote well-being for all at all ages.

6
CLEAN WATER
AND SANITATION

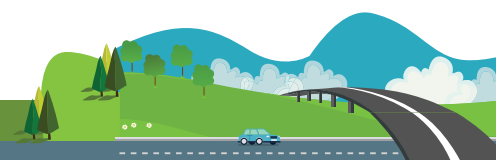
Water Supply Infrastructure Development in accordance with the SDGs goals No. 6, Ensure access to water and sanitation for all.

7
AFFORDABLE AND
CLEAN ENERGY

Environmentally friendly electricity infrastructure financing in accordance with the SDGs goals No. 7, Ensure access to affordable, reliable, sustainable and modern energy for all.

8
DECENT WORK AND
ECONOMIC GROWTH

Construction of toll road infrastructure based on the SDGs goals No. 8, Promote inclusive and sustainable economic growth, employment and decent work for all.



Economy



Goals No. 9, Build resilient infrastructure, promote sustainable industrialization and foster innovation



Construction of toll road infrastructure in accordance with the SDGs Goals No. 10, Reduce inequality within and among countries. Besides being in accordance with the goals 8 and 9.



Road and Bridge sector infrastructure development in accordance with the SDGs goals No. 11, Make cities inclusive, safe, resilient and sustainable, besides being in accordance with the goals 3, 8 and 9.



Development of market sector infrastructure in accordance with the SDGs goals No. 12, Ensure sustainable consumption and production patterns.



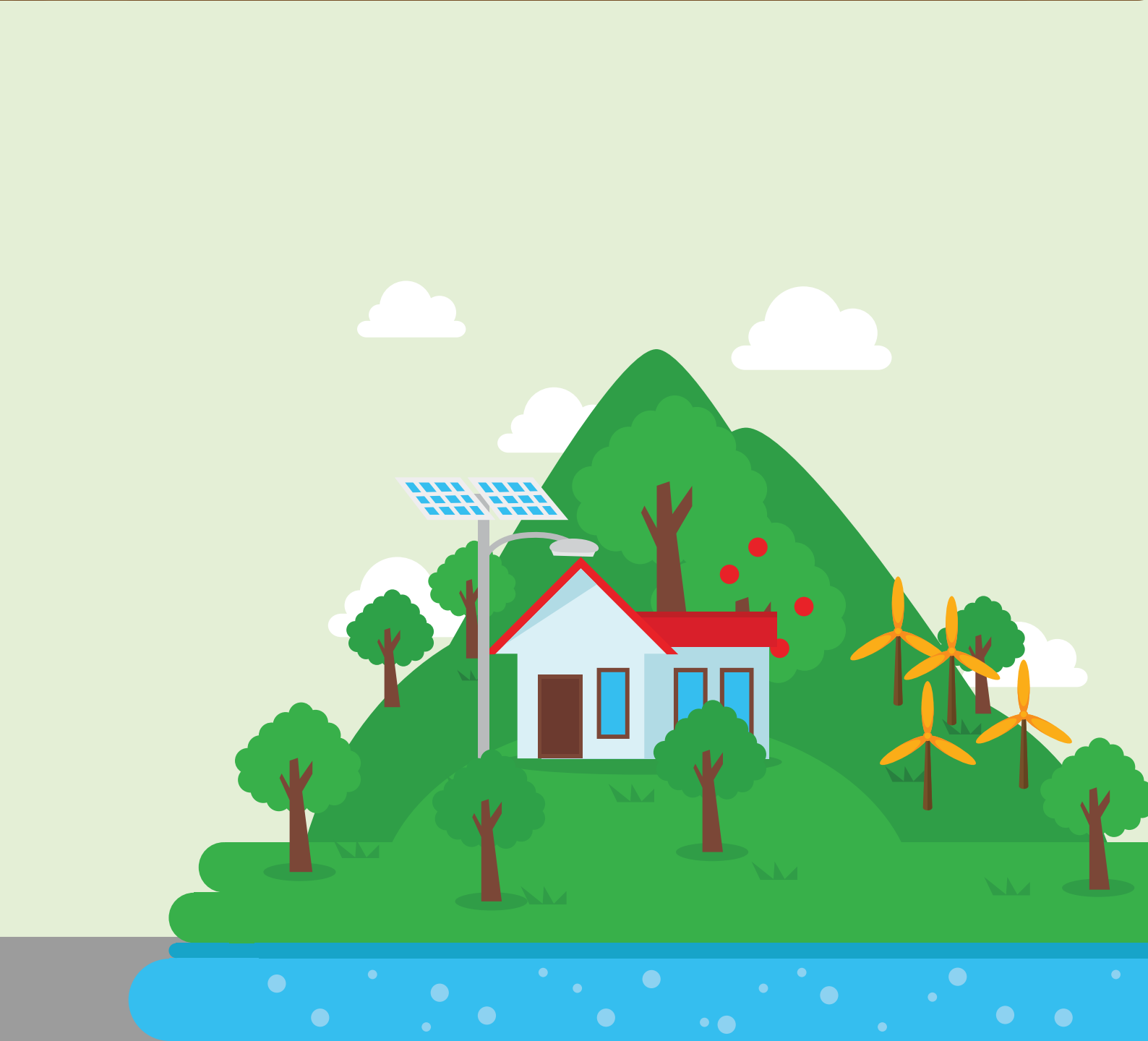
Funding for Sumba PLTS infrastructure and PLTMH is in accordance with the SDGs goals No. 13, Take urgent action to combat climate change and its impacts.



Product Responsibility



THE COMPANY IS FULLY COMMITTED TO DEVELOPING LONG-TERM FINANCING PRODUCTS TO SUPPORT VARIOUS INFRASTRUCTURE PROJECTS, THROUGH SELF-FINANCING, JOINT FINANCING, DISTRIBUTION OF GRANTS AND ADVISORY. THE COMPANY CONDUCTS PERIODIC SURVEYS TO OBTAIN FEEDBACK FOR THE IMPROVEMENT OF VARIOUS PRODUCTS AND SERVICES TO CUSTOMERS.



Highlights

Adhering to the results of internal evaluations, input from stakeholders and the Government's commitment to increase the intensity of infrastructure development as part of efforts to achieve the formulation of development goals in the SDGs, the Company is ready to carry out the initiative of SDG Indonesia One as the implementing agent.



The establishment of the Infralib (Indonesia Infrastructure Library) as the Company's platform of Knowledge Management System.



The Company organizes a variety of socialization programs, which are carried out on their own as well as in collaboration with third parties, as part of products and services marketing specifically for infrastructure financing that is still not widely known in the financial markets.



SOP-Link development to accelerate the Regional Government financing.

Co-financier satisfaction and local government have increased in 2018.

The Company provides complaint services to customers, completes all complaints and carries out customer satisfaction surveys to obtain feedback on improving service quality and developing other products and services.



Quality Products and Services Development

The long-term basic infrastructure financing facility with an internal return value, or a relatively low Internal Rate of Return (IRR) is a relatively new financial product that is not yet widely known in the financial market and has been awaited for sometime. As such, the Company is presenting the facility by designing and providing long-term financing products oriented toward product comprehensiveness and provides equal protection to all parties' long-term interests. This is in accordance with the Company's mission of "Providing quality services".

ENSURE QUALITY PRODUCTS

The Company seeks to design specific financing products in the basic infrastructure sector by paying attention to the best risk mitigation principles, ensuring compliance with the regulations and requirements related to regulator financing products and providing customer complaints services that are able to quickly respond and resolve problems.

The Company implements series of tiered stages to ensure the acceptance of products and services by the customers, and importantly, adheres to the funding needs of the existing multiyears development projects, thereby is able to meet the customers' expectations. The Company conducts proper internal evaluation to every new products launching prior to requesting the approval from the regulators.

Product assessment criteria that shall be met include:

- Clarity of the benefits of products offered to customers;
- Certainty on the administrative fees for the use of products or services;
- Clarity of risk profile and risk mitigation for each stage of infrastructure development funding;
- Inclusion of clear telephone numbers/email addresses of customer service staff hence the customers can submit complaints or questions if needed, and
- Approval of financial sector authorities and related stakeholders.

To ensure product conformity with the customer needs, the Company conducts direct surveys to the customers by using a questionnaire involving competent third parties. The survey is conducted regularly to measure the urgency of product launches and the level of customer needs and the urgency of financing infrastructure projects in accordance with the Government stipulations.

If the financing product to be launched is a financing cooperation program with a private party or a multinational financing institution, the Company will also require various conditions from the partner institution, after adjusting to situations in Indonesia. The products and services provided by the Company include 3 major groups, namely:



Product Responsibility

A. Financing and Investment Products

1. Investment/Term Financing
2. Working Capital Financing
3. Bridging Loan
4. Take Out Financing
5. Promoter Financing
6. Subordinated Loan (Junior Loan)
7. Mezzanine Loan
8. Equity Investment
9. Municipal Financing
10. Sharia Financing

B. Financial Advisory Products

1. Investment Advisory
2. Financial Advisory
3. Financing Arranger

C. Project Development Products

1. Public Private Partnership (PPP)
2. Project Development and Donor Fund Management Facilities
3. Technical Assistance and Donor Fund Management
4. Capacity Building and Training
5. Sustainable Financing

The following are summary of several activities:

1. Participation in the largest infrastructure event in Indonesia, The Indonesia Infrastructure Conference and Exhibition 2018 in Jakarta.
2. Socialization and capacity building program initiatives for stakeholders such as Local Governments, Ministries/Agencies, Investors, Private Business Entities, and other parties regarding infrastructure development. Some examples of the activities are:
 - Workshop on the application of sustainable financial principles
 - Total participants: 55 people from various Financial Services Institutions, observer groups, academics, and related Ministries.
 - Description
With the enactment of POJK 51/2017, it is expected that the financial service institutions have common awareness regarding sustainable finance hence there are no more gaps in the implementation of sustainability management. However, the incentives given by the OJK still have ample rooms for development, while the sanctions are considered less sufficient to enforce these regulations. This then prompted PT SMI to carry out a workshop to jointly review further the concept and application of sustainable financing, to formulate what incentives can be obtained, and to provide mutual input hence the implementation of sustainability management in the financial sector can be realized.

PRODUCTS AND SERVICES SOCIALIZATION ^[FS16]

The Company organizes a variety of socialization programs as part of the marketing and product services and financing services that are still not widely known in the financial market. This is intended to educate customers and prospective customers on infrastructure in general and financing products provided by the Company.



Product Responsibility

- Coaching clinic in Batam
 - A coaching clinic where one of the topics discussed is the financing aspect.
 - Coaching clinic in Bali
 - A coaching clinic where one of the topics discussed is the financing aspect.
 - Coaching clinic in Bandar Lampung
 - A coaching clinic where one of the topics discussed is the financing aspect.
 - Participant: Palembang Government
3. Knowledge Management
- As part of efforts to disseminate the existence of infrastructure financing programs for all stakeholders, the Company organizes knowledge sharing activities through knowledge management. Some of the activities carried out during 2018 includes:
- PSOP-Link compilation to accelerate the LG financing process;
 - Establishment of the Knowledge Management System - Indonesia Infrastructure Library platform;
 - Collaboration with Universities, Academics, Economists, International Donor Institutions, (The MoUs have been signed with UGM, Unpad, Unpatti and ITB);
 - Database integration - MIS.

PRODUCT INFORMATION [FS16]

To inform the whole range of the products and services, the Company carried out, among others:

1. Development of the Company's website, www.ptsmi.co.id, where all products and services information is regularly updated;
2. Product publications in print and electronic media;
3. Direct visits to consumers to share information on the Company and its services and products; and
4. Participation in exhibitions on various occasions.

ACCESSIBILITY

The Company opens a special communication channel to facilitate access to communication and cooperation with all parties, whether they are partners of financial institutions, local government partners, corporate customers, and other prospective customers.

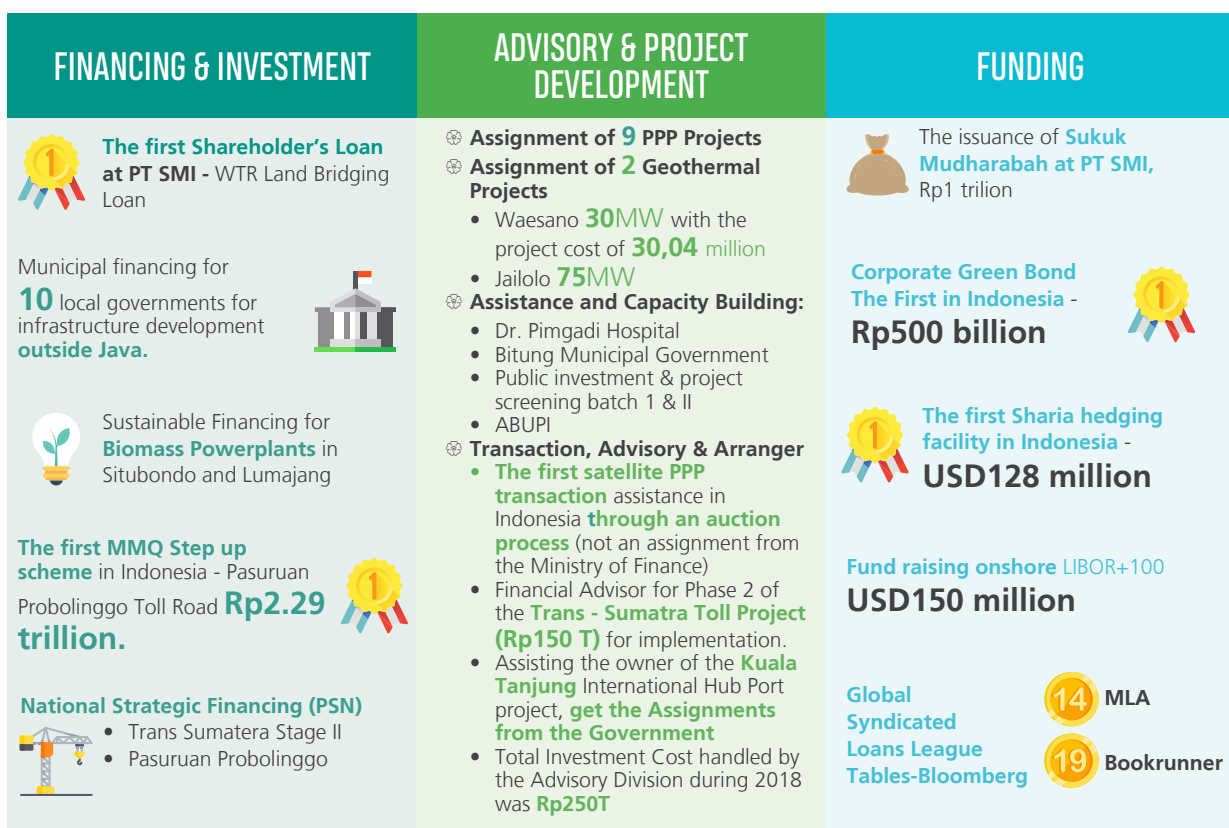
As part of the efforts to provide convenience to customers and prospective customers, the Company continues adding and developing the network. The network focuses on enhancing communication and intensive cooperation efforts with the Regional Government, affiliates of the Regional Government and large-scale companies in the financial sector as well as in the real sector that are concerned with infrastructure development, including the cooperation with domestic and foreign financing institutions.



Product Responsibility

INNOVATIONS AND PRODUCT DEVELOPMENT

Various innovations and product development carried out throughout 2018 are illustrated in the following chart.



Formation of Platform Blended Finance "SDG Indonesia One"

*) Estimation up to December 2018

CUSTOMER COMPLAINT MANAGEMENT ⁽¹⁰³⁻²⁾

As part of the Consumer Protection effort, the Company has provided a channel for complaints submission that can be addressed to the Corporate Secretary, through the following address:

PT Sarana Multi Infrastruktur (Persero)
 Sahid Sudirman Center, Lantai 48
 Jl. Jenderal Sudirman No. 86
 Jakarta 10220, Indonesia
 Phone: (+62-21) 8082 5288
 Fax: (+62-21) 8082 5258
 Email: corporatesecretary@ptsmi.co.id



Product Responsibility

In addition, the Company also provides an online complaints service called the Whistle Blowing System. Through this website-based application, the public, including customers, can submit complaints, especially for violations committed by PT SMI's employees and management. This complaint application can be accessed through the Company's website: www.ptsmi.co.id.

During 2018 there are zero (0) complaints (2017: zero complaints) received by the Company.

CUSTOMER SATISFACTION SURVEY

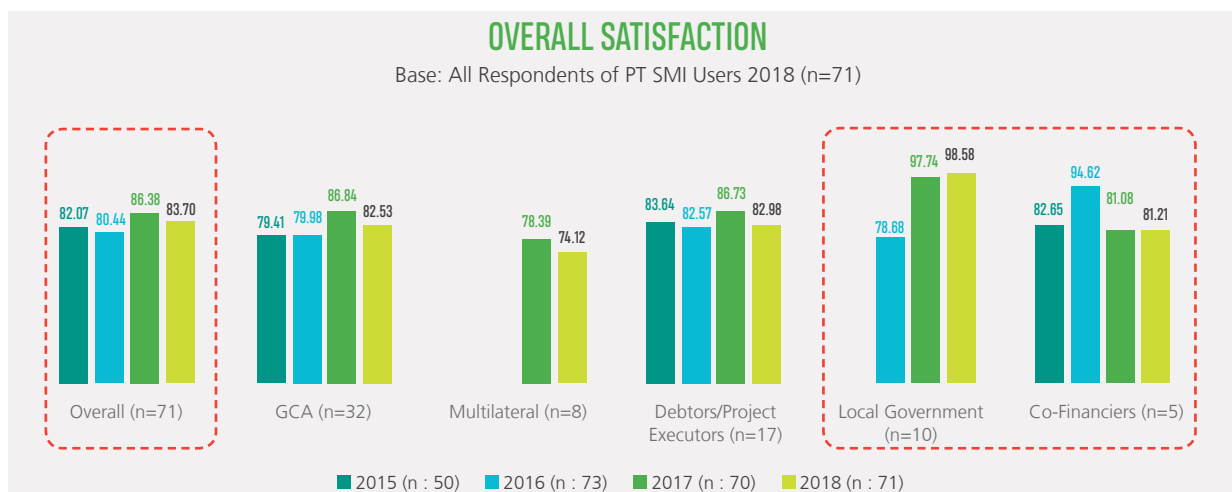
To obtain feedback on improvement of service quality and ensuring the fulfillment of customers expectations or infrastructure projects financing customers and its advisory, the Company periodically conducts customer satisfaction surveys.

The survey results are then used as a reference for the improvement of the Company's services quality as well as products and services development that are increasingly in line with the demands of basic infrastructure projects financing in Indonesia. The last survey was carried out in 2018 with the following four objectives:

1. Measuring the level of stakeholder satisfaction both in general and for each aspect/dimension,
2. Knowing service quality experienced by stakeholders (perceptions and expectations),
3. Knowing the factors that influence the level of satisfaction,
4. Knowing the priority steps for improvement.

I. General Stakeholder Satisfaction Level






In general, the satisfaction level to PT SMI decreased from 2017. However, co-financier and local government satisfaction in 2018 has slightly increased.



Product Responsibility

Customer Satisfaction Supporting Factors

Customer satisfaction supporting factors for each type of respondent vary depending on their primary needs, including:


 CLIENT/ GCA	 MULTILATERAL	 DEBTOR	 CO-FINANCIER	 LOCAL GOVERNMENT
Base: Respondent Users Client / GCA (n = 33)	Base: Respondent Multilateral (n = 6)	Base: Respondent Debtors (n = 17)	Base: Respondents Co-Financiers (n = 5)	Base: Respondent User Regional Govt. (n = 10)
<ol style="list-style-type: none"> 1. Mastery and compliance with applicable regulations. 2. Responsive in making decisions. 3. PT SMI's ability to assist clients in the PPP auction process. 4. Adequacy of PT SMI personnel for assistance. 5. Communicative. 	<ol style="list-style-type: none"> 1. Mastery and compliance with applicable regulations. 2. PT SMI's ability to carry out duties and responsibilities in accordance with deals and agreements. 3. Communicative. 4. Good coordination between agencies (with consultants and project owners). 5. Adequacy of PT SMI personnel for assistance. 	<ol style="list-style-type: none"> 1. Communicative, informative, friendly. 2. Good coordination between debtor agencies and PT SMI. 3. Good and correct explanation. 4. Trustworthiness. 5. Number of personnels involved in a project. 	<ol style="list-style-type: none"> 1. Number of personnels involved in a project. 2. Selection/type of project. 3. Coordination regarding financed projects. 4. PT SMI's capability in financing infrastructure projects. 5. The cooperation scheme offered by PT SMI to Co-Financier. 	<ol style="list-style-type: none"> 1. Mastery and compliance with applicable regulations. 2. PT SMI's ability to carry out duties and responsibilities in accordance with deals and agreements. 3. Communicative. 4. Good coordination between agencies (with consultants and project owners). 5. Adequacy of PT SMI personnel for assistance.



Product Responsibility




II. Perception and Expectations experienced by Stakeholders on PT SMI services

PT SMI is considered satisfactory because it is innovative, communicative, has credible HR, is responsive and has practical procedures.

SERVICE	PROCEDURE	FACILITY	
Communicative	Good coordination with all parties involved	Long loan tenor	<p>“ As a funding-based agency, PT SMI has been very helpful in the planning process until the end of the project. (PDAM Tirta Moedal)</p> <p>“ We need a higher ceiling. Sometimes our needs are higher than the limit. (Dian Swastika Sentosa)</p> 
Friendly	Mastery and compliance with regulations	Varying financing type	
Innovative	Project technical mastery	PT SMI's capability in project financing	
Credible	Selection of the right consultant	Transactions in USD	
Integrity/Trustworthy	Flexible procedure	Limited ceiling	
Fast in servicing and responding to complaints	Limited to large projects	High interest rate	
There are still many steps in carrying out the procedure	Selection of experts who are not specific to the certain fields		

III. Other factors influencing the level of satisfaction

In general, PT SMI is considered to have been sufficiently good by respondents in terms of the process, HR, and financing facilities

PROCESS	HR	PAYMENT FACILITY
 <p>Fast process with procedures that have been well followed by PT SMI personnel, such as billing and assistance reminder.</p> <p>“ Procedurally, PT SMI has been sufficiently good, everything planned has been successfully implemented. (Krakatau Bandar Samudera)</p>	 <p>Proactive HR towards client needs, such as information update, especially in project assistance</p> <p>“ The staffs are young, smart and fast. In the process we were greatly helped by the existence of PT SMI who always accompanied to complete the project. (PDAM Tirta Moedal)</p>	 <p>The Company offers competitive interest rates to be considered in establishing a working relationship.</p> <p>“ PT SMI's interest rate is still competitive compared to Bank Mandiri, Bank Mega, and others. (Dian Swastatika Sentosa)</p>

Product Responsibility

IV. The priority of improvement measures.

There are several recommendations for improvement that need to be considered by PT SMI in terms of interest rates, currency, loan ceiling, process, HR, and independence.

**INTEREST RATE**

Steps are taken to lower the interest rate. In addition, PT SMI must prioritize services and ease of procedure.

**SIMPLIFYING PROCESS**

The existing process is considered too long, for example in the price quotation formulation. Too many steps in the process.

**LOAN CEILING**

PT SMI's loan ceiling is considered to be limited, it would be more helpful if raised.

**HR CAPACITY**

Besides the room for improvement in HR capabilities, what needs to be improved is HR's knowledge related to the project being handled.

**INTER-INSTITUTION SYNERGY**

There is a complaint that PT SMI has not done enough communication with institutions that have already involved, such as PPP stakeholders.

**KNOWLEDGE SHARING**

PT SMI is expected to provide knowledge sharing sessions and networking to increase the potential users' knowledge on PT SMI's services.

**REGIONAL DEVELOPMENT**

PT SMI needs to actively communicate their services to participate in small infrastructure development, such as development for areas that are remained under-developed.

**POSITIONING**

The positioning needs to be improved, not only as a financial service but also as a consultant in infrastructure preparation.



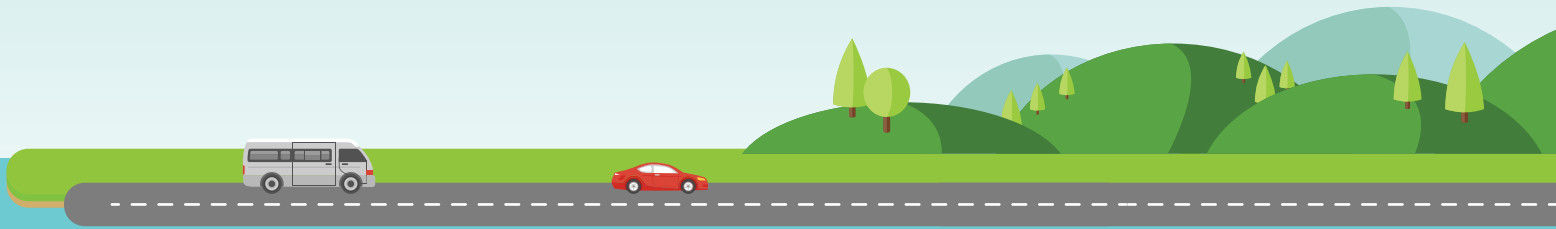
Product Responsibility

RECOMMENDATION

Some recommendations and suggestions for improvements from the customers are as follows:

 CLIENT/ GCA	 MULTILATERAL	 DEBTOR	 CO-FINANCIER	 LOCAL GOVERNMENT
<ul style="list-style-type: none"> • Selection of personnels who are experts in their fields. • The speed of work on the project can still be improved. • More intensive or frequent communication. • Selection of consultants who have good qualities. • HR additions. • Coordination with relevant government. 	<ul style="list-style-type: none"> • Increased expertise and knowledge in providing advisory services. • Time efficiency that is imposed for environmental and social procedures. • Determination of PT SMI's strategies and provisions that are different from competitors. • Increased knowledge in other fields, such as geothermal projects, etc. 	<ul style="list-style-type: none"> • Ease of loan procurement procedures. • Competitive interest rates compared to banks. • HR additions. • More flexible funding approval bureaucracy. • More attractive financing program. • Speed of funds disbursement process. 	<ul style="list-style-type: none"> • Increased competence and service innovation. • More diverse service offerings. • Additional direct loan variations. • Increased knowledge of each project carried out. 	<ul style="list-style-type: none"> • Ease of requirements. • Dissemination of information on PT SMI to all cities and regencies. • Expansion of infrastructure scope that can be financed. • Service improvements. • Speed in decision making. • Clear and detailed procedures development.

Community



AS A MANIFESTATION OF THE COMPANY'S COMMITMENT TO SUPPORTING EFFORTS TO IMPROVE THE WELFARE OF THE COMMUNITY, WHICH IS ONE OF PT SMI'S STAKEHOLDERS, THE COMPANY HAS REALIZED VARIOUS PROGRAMS AIMED AT ENCOURAGING THE GROWTH AND DEVELOPMENT OF COMMUNITY LIFE AROUND THE COMPANY'S BUSINESS ACTIVITIES, IN LINE WITH THE SUSTAINABLE DEVELOPMENT GOALS.



Highlights



Of the total realization of CSR programs in 2018 equalling to

Rp **14** billion

71% is realized in infrastructure projects and 29% in non-infrastructure activities.

In addition to the CSR program, PT SMI also realized a non-PKBL CSR program with a total fund of Rp200 million that was realized in the "SMI Berbagi" activity.

CSR budget increase:
2018: Rp14.20 billion
2017: Rp 9.14 billion



The total beneficiaries of the Company's CSR programs in 2018 are more than 150,000 (2017: 38,100) people.



To improve the quality of program implementation, all Company's CSR programs are developed, implemented and evaluated based on five basic principles, namely: Participatory, Accountability, Partnerships with other stakeholders, Community-based and Sustainability.

- Natural disaster relief beneficiaries: 3,300 people.
- Beneficiaries of community health improvement through the provision of ambulances in 18 regions in Western Indonesia: 54,000 people.
- Beneficiaries of public facilities and infrastructure development: >100,000 people.
- Implementation of the second *Desa Bakti untuk Negeri* program (DBuN II).



Improving Community Life

I. CSR IMPLEMENTATION [413-1]

PT SMI is committed to bringing a positive and sustainable impact on the Indonesian people, directly or indirectly. To this end, the Company has developed Corporate Social Responsibility (CSR) programs and prudently implemented the programs to provide the best benefits for the community.

As one of the State-Owned Enterprises (SOEs), PT SMI has an obligation to implement CSR program through the Partnership and Community Development Program (PKBL). Fulfillment of these responsibilities is carried out through various activities and work programs in accordance with the prevailing regulations. [103-2]

LEGAL REFERENCES [103-2]

The legal basis of PKBL are:

- Law No. 40 of 2007 concerning the Limited Liability Companies;
- Law No. 19 of 2003 concerning the State-Owned Enterprises;
- Circular of the State Ministry of State-Owned Enterprises No. SE-07/MBU/2008 dated May 5, 2008 concerning the Implementation of PKBL and Application of Article 74 of Law No. 40 of 2007 concerning the Limited Liability Companies;
- Circular of the State Ministry of State-Owned Enterprises No. SE-14/MBU/2008 dated June 30, 2008 concerning the Optimization of Partnership Program Funds through Distribution Cooperation;
- Letter from the Ministry of BUMN No. S-92/D5.MBU/2013 concerning the Management of Partnership and Community Development Programs; and

- Regulation of the State Minister of State-Owned Enterprises No. PER-09/MBU/07/2015 dated July 3, 2015 concerning the State-Owned Enterprise Partnership Program and Community Development Program.

For the directed implementation and solid foundation of the Company's CSR activities, the Company refined the Implementation Guidelines for CSR Activities based on the recommendations of the Internal Audit Division. The refinement includes three major elements: [103-2]

- Update the duty, principal, and function (Tupoksi) and CSR Unit Decrees according to the New Organizational Structure;
- Improvement of Guidelines for Policies that Are Irrelevant and Control Strengthening in the Implementation of CSR; and
- Improvement of PKBL Guidelines in Compliance with OJK Regulations and ISO 26000 Best Practice, as well as SOEs Ministry Regulations.

MANAGEMENT PRINCIPLES (CSR/PKBL) [413-1]

The program (CSR/PKBL) is carried out based on the following principles:

- Participatory: Actively involve the role of the mentoring partners. The approach by and for the community means that the program being implemented must be in accordance with the needs of the community;
- Accountability: Having a work program that can be accounted for in terms of quality and quantity including the realization of distribution;
- Partnership: Increasing distribution to communities that have the need directly or collaboratively through partnerships with competent third parties;



Community

- Community-based: An effective program (CSR / PKBL) to improve community welfare and independence so as to improve the quality of communities' lives; and
- Sustainable: Conducted continuously in accordance with the planned work program activities that have been approved by the Board of Directors with reference to ISO 26000 on the Guidelines for Social Responsibility.

To support the Government programs, the Company has realized various programs aimed at encouraging the growth and development of communities' life around the Company's business activities, in line with the Sustainable Development Goals (SDGs). To this end, PT SMI established CSR program through basic infrastructure procurement assistance in various sectors, including energy, water, sanitation, and new and renewable energy sectors. Indonesia's commitment to implement the SDG agenda is based on experience on the implementation of the past Millennium Development Goals (MDGs).

SOCIAL & COMMUNITY DEVELOPMENT PROGRAM TARGET

The targets and positive benefits expected from the implementation of CSR programs in the reporting year, include:

- Increased parameters of the local area of Human Development Index.
- Availability of adequate basic infrastructure.
- Increased competence of local people in the field of entrepreneurship.
- Increased public health index.
- Increased economic and social life of the community.

EXECUTING ORGANIZATION [103-2]

The CSR team is led by the Head of the Corporate Secretariat Division/Corporate Secretary and is directly responsible to the President Director. If required, for proper implementation, the CSR Team can be supported by other departments.

In implementing CSR programs, the Corporate Secretariat Division (DSP) develops work plans and strategies. Especially for Community Development CSR assistance, the CSR Team verifies the data and/or conducts surveys directly at the beneficiaries' location. For the assistance of victims of natural disasters, the CSR Team can submit proposals without having to conduct a survey to the location. This is carried out as the proposed natural disaster assistance is always aligned with the Government's national natural disaster assistance program.

CSR BUDGET [103-2]

In accordance with the 2017 GMS resolution, the Company allocated Rp14.20 billion of funds for CSR activities for the 2018 operational year. The focus of the activities are as follows:

- Provide micro scale infrastructure that opens connectivity;
- Maintain water resistance;
- Support the improvement of education quality;
- Improve public health levels; and
- Provide environmentally friendly energy sources (green energy).

Based on the details of focused activities, the funds allocation is dominated by the Community Development program. As stipulated in the SOEs stipulations, the Community Development activities will include:

- Assistance to Natural Disaster Victims;
- Education/Training;
- Health Improvement;
- Development of Public Facilities;
- Support for Rehabilitation/Construction of Worship Facilities;
- Nature Conservation; and
- Community Social Assistance in the context of Poverty Eradication.

The scope of social assistance in the context of poverty eradication is an additional scope that was implemented in 2018. The basis of this addition is the updating of one legal basis namely "Minister of State-Owned



Community

Enterprises Regulation No.: PER - 03/MBU/12/2016" on the Partnership Program and the State Owned Enterprise Community Development Program".

CSR BUDGET REALIZATION [413-1]

Prior to realizing the CSR budgets, the Company develops the CSR programs by involving the participation of the surrounding community through community representatives, representatives from the local Muspida, and other stakeholders. This engagement is carried out for the Company to obtain a direct information on the impact of the projects development to the surrounding communities. The engagement is also carried out for the Company to obtain a complete picture of the programs needed by the community. On the other hand, the engagement is also aimed for the beneficiaries to have the sense of participation and belonging toward the programs.

The following is the budget realization of PT SMI community development funds in 2018:

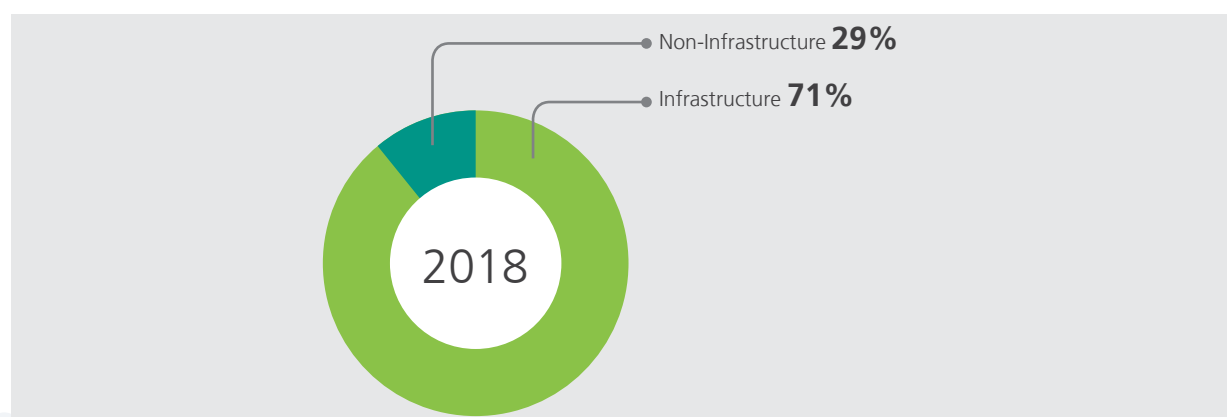
ACTIVITIES IMPLEMENTATION [413-1]

PT SMI's CSR activities are always based on efforts to empower communities in Indonesia in various sectors such as health, education, infrastructure, and environment, with reference to the Sustainable Development Goals or SDGs. Through this activity, PT SMI hopes to contribute in the community empowerment as part of the Community Service as well as creating sustainable development.

Moreover, PT SMI realizes its Non-PKBL CSR activities through "SMI Berbagi" by providing assistance and/or social activities implementation. This program also serves as a forum for PT SMI's employees that are aimed to actively participating in social works.

The engagement to ease the burden of the victims impacted by the disasters in 2018 in Lombok, Palu-Donggala, Banten, dan Lampung was carried out through the cooperation with the SOEs under the coordination of the Ministry of Finance that are efficiently responding in granting the emergency respond assistance. This synergy is expected to be able to assist the victims.

Types of Program		2017	2018
Total Funds (Rp000)			
1	CSR-PKBL	9,000,000.00	14,000,000,000
2	CSR Non-PKBL – SMI Berbagi	140,962.92	200,000,000
Total		9,140,962.92	14,200,000,000

Percentage of 2018 Infrastructure and Non-Infrastructure CSR Assistance

Community

PT SMI continues developing the CSR activities, including by establishing cooperation with leading universities in Indonesia through cooperation in CSR activities. With this collaboration, PT SMI hopes to contribute and takes the role in the advancement of the Indonesian academic.

Furthermore, we also initiated a project that integrates the implementation of the Environment and Social Safeguards (ESS) in the CSR program that is realized in the *Desa Bakti untuk Negeri* project located in Sukoharjo Village, Semarang Regency, Central Java and has been implemented since 2017 ("First DBuN"). At present, the Second DBuN project is being carried out in Waesano, East Nusa Tenggara, through physical infrastructure activities that support clean water availability and school revitalization. This physical activity is also integrated with efforts to preserve the environment and empower the community to be able to be economically independent by paying attention to local wisdom.

Natural Disaster Victim Assistance

The Company provides assistance to ease the burden of the people who are directly or indirectly affected by natural disasters in various regions. For 2017-2018 the assistance was provided to those affected by the earthquake in Lombok, West Nusa Tenggara, Central Sulawesi, and Situbondo, East Java, with 3,300 beneficiaries.

Education and Training Assistance

The Company provides educational assistance packages, including training and capital to increase the capacity of Flores original weaving crafts-women in Alor, East Nusa Tenggara. The results of this training are expected to provide opportunities for the crafts-women to obtain additional income to support their families.

Community Health Improvement Assistance

The Company carries out health activities, which include:

- Assistance in providing free ambulances to serve underprivileged citizens, spread over 18 (eighteen) regions in the Western and Eastern Indonesia with beneficiaries of 54,000 residents.
- Free Medical Check-Up for the War Veterans in Bogor area with beneficiaries of 150 people.

Nature Conservation/Environmental Preservation Program

Support is provided to environmental activists in Surabaya, Ecoton (Ecological Observation and Wetlands Conservation). This institution strives for the rights of citizens to enjoy good quality river water given the presence of very high mercury pollution content in the Surabaya River and causes various diseases for residents. Ecoton conducts research to reveal the potential of biodiversity and the threat of damage and sources of pollution in Brantas and Surabaya Rivers.

Ecoton invites citizens to be actively involved in preserving and restoring river ecosystems through activities such as scientific studies with participatory methods, education of teenagers and schools to become part of environmental solutions, creating the communities that become the protectors and conservationists of rivers and water sources and encourage policy changes to be in favor of equitable river ecosystems management between generations.

Development of Public Facilities and Infrastructure [203-1, 203-2]

The Company implements 39 public facilities and infrastructure development programs, including:

- Development, renovation and educational equipment assistance for 10 educational institutions (PAUD, SD, SMP, SMA and equivalent and Universities) across Indonesia with 11,000 beneficiaries.
- Construction of 19 infrastructure facilities with 38,000 beneficiaries.



Community

- Construction of bridges for people and small vehicles in 3 locations, in Pekanbaru and Banten, with 7,800 beneficiaries.
- Concrete village roads in Bogor Regency, Semarang Regency, Dharmasraya Regency, and East Lampung Regency with 7,200 beneficiaries.
- Assistance in developing and restoring public facilities in the *Desa Bakti Untuk Negeri* Program in Waesano, East Nusa Tenggara for 10,000 beneficiaries.
- Road construction assistance for residents that opens up public access to educational facilities in Dharmasraya, West Sumatra, with 1,100 beneficiaries.
- Assistance to disaster response vehicle units in Palembang, South Sumatra and Tulungagung, East Java to support the mobility of 26,000 residents.

Worship Facilities Assistance

The Company also assisted for the repairment and construction of 6 worship facilities across various regions in Indonesia, for the beneficiaries of around 10,800 residents.

II. IMPLEMENTATION OF THE *DESA BAKTI UNTUK NEGERI* PROGRAM [413]**Policy [103-2, 103-3]**

Through the Guidelines for the Environmental and Social Management System (ESMS) of the Multilateral Project and Environmental and Social Safeguards (ESS), the Company is committed to mitigate the impact of the projects financed by the Company and activities carried out directly by the Company on the community.

Target [103-2]

Through the implementation of relevant guidelines, the Company aims to mitigate the impact of the project on local communities.

Division In Charge [103-2]

The related business division, DSP and DELJ.

Beyond the set standard activities, the CSR Team also initiates various activities that have been carried out in 2018 (thematic). These activities include:

- The renovation of the Palembang city park to become a park equipped with sports facilities. The renovation of the park is also a manifestation of PT SMI's participation in the successful implementation of the 2018 Asian Games since Palembang is one of the host cities.
- Assistance in building an art stage in Mandalika Tourism Area, West Nusa Tenggara. With this assistance, the Company seeks to support tourism development programs to become one of the country's revenues sectors.
- House renovation assistance for war veteran in Bogor as part of Heroes' Day commemoration.

Performance

In addition to ensuring that the project being financed has carried out social environmental impact assessments, stakeholder engagement, and others, the Company also on several occasions conducted direct impact mitigation activities. They were carried out in two activities:



Community

1. Geothermal exploration in Waesano, East Nusa Tenggara [413-1]

In carrying out this exploration, the Company implemented several activities related to the community involvement and impact studies such as:

- Preparation of the Environmental and Social Impact Assessment (ESIA) documents
- Stakeholder engagement activities including:
 - Socialization and hearing of UKL-UPL documents (public disclosure).
 - Socialization of public disclosure activities.
 - Preparation of the physical cultural resources management plan that aims to protect cultural resources that exist in and around the project location from project activities and encourage the achievement of equality of benefits from the project.
 - Cross-checking on the existence of cultural sites at the project location.
 - Preparation of Grievance Redress Mechanism (GRM) documents that will be used by the Company to manage opinions, input, and/or complaints from stakeholders (especially the affected communities).
 - Preparation of a Stakeholder Engagement Plan (SEP) document that is preceded by the implementation of stakeholders' mapping. This document is structured hence the Project can meet the stakeholders' expectations.
 - Preparation of document plans and communication strategies.

2. DBuN Program [413-1]

As a concrete form of PT SMI's commitment in implementing Environmental and Social Protection, the second *Desa Bakti Untuk Negeri* ("DBuN II") will be implemented in geothermal exploration location in Wae Sano Village, Sano Nggoang District, West Mangarai Regency, Flores Island - East Nusa Tenggara Province. This DBuN II activity is part of the Company's Partnership and Community Development Program (PKBL) and aspirations to become part of international stakeholders.

This activity aims to implement the ESS aspects on the project and ensure more benefits for the community around the project and the surrounding environment through the PKBL Program. It is aimed to build the trust of the local, national, and international stakeholders that PT SMI in its operations pays attention to the principle of sustainability as well as to the community and the environment along with the achievement of development targets.

In the assessment, there are four approaches carried out to obtain data and absorb the community ideas/aspirations/needs. The approaches are:

1. **Collect and analyze data - reports**
2. **Early Interaction with the community leaders and key personnel**
3. **Observation - Measurement - Field Visit**
4. **Interaction (discussion) with related stakeholders.**

The FGD activity was conducted on July 20, 2018 at Wae Sano Village Hall and was attended by 33 people, representing 7 villages in Wae Sano Village.



Community

The objectives of the FGD were:

- Explanation of the purpose of the pre-assessment.
- Brief description of pre-assessment findings.
- In this explanation, the community was given the opportunity to submit a 'correction' to the findings. To verify whether the findings are correct or not or what information can complement the findings
- Provide opportunities to stakeholders who attended to present ideas or activities that are in accordance with the needs of the community.

The assessment results are program plans based on several considerations, including:

- The community needs to be expressed through interaction and FGD.
- Themes related to PT SMI's Environment & Social Safeguard and the availability of funding sources.
- Regional development in West Manggarai regency, especially related to tourism development which lately has experienced rapid progress.

- Resources, both those in the villages of Wae Sano and Flores in general.

1. CATEGORY A: is a proposed activity to be carried out in the first year consisting of:
 - Rehabilitation of clean water infrastructure; and
 - Rehabilitation of school classrooms.
2. CATEGORY B: is a proposal (recommendation) for activities to be carried out in the following stages:
 - Capacity building and support for the production of candlenut waste carbonization activities;
 - Capacity building and support for the production of cashew nut production activities;
 - Capacity building and support for the production of honey processing activities; and
 - Capacity building and production support for fabric and weaving activities.

Costs 103-2

For the DBuN program, the Company has allocated a total budget of Rp2,849,871,102.



FGD

SHIBORI WEAVING
TRAININGWATER INFRASTRUCTURE
REHABILITATIONCLASS ROOMS
REHABILITATION

Performance Improvement of Occupational Health and Safety Aspects & Environmental Preservation



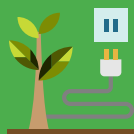
PT SMI IS COMMITTED TO CONTINUALLY IMPROVING OCCUPATIONAL HEALTH AND SAFETY (OHS) PERFORMANCE IN THE COMPANY AND CONTRIBUTES TO THE EFFORTS OF ENVIRONMENTAL PRESERVATION IN BOTH BUSINESS ACTIVITIES AND OPERATIONAL ACTIVITIES OF THE COMPANY'S OFFICES.



Highlights

Environmental Preservation in the Company's Office Operational Activities

Some of PT SMI's activities that are directly contributing to climate change mitigation efforts are: energy consumption management, CO₂ Emission Reduction, and Environmentally Friendly Office Operations.



Total energy consumption has decreased
2018: 5,219.6 GJ
2017: 6,160.0 GJ

Emission intensity has decreased:
2018: 3.52 tonCO₂e/employee
2017: 4.07 tonCO₂e/employee

OHS in the Company's office operations

The Company's commitment to OHS is realized, through emergency response training, safety induction and vaccinations for employees.

Environmental Preservation in the Company's Business Activities

The Company is ready to support the Sustainable Development Financing in infrastructure in the SDG Indonesia One Framework through four integrated financing schemes: SDG Development Facilities, SDG De-Risking Facilities, SDG Financing Facilities and SDG Equity Fund.

The Company applies the Environmental and Social Safeguard (ESS) research in financing activities.

Through the Sustainable Financing Division, the Company actively supports the development of infrastructure projects related to new renewable energy and environmentally friendly.

2 Biomass Power Plant projects and 2 Microhydro Power Plant projects financed by the Company have the potential to prevent GHG emissions up to 245,000 tons CO₂e/year.

The Company held 10 external workshops related to the implementation of the environment and social management which is attended by 11 Financial Services Institutions and 7 Regional Governments.



Occupational Health, Safety & Environmental Preservation

The climate change that has swept the entire world with the characteristics of extreme weather resulted by the disrupted environmental balance has made almost all countries in the world to place environmental preservation into one of the main topics formulated through 17 global-scale sustainable development goals (SDGs). Indonesia, as one of the countries in the tropics, has become one of the countries that have ratified the agreements of countries around the world in Paris Cop 21 which was carried out in 2015 and confirmed in various subsequent implementation of the Cooperation of Parties, including the implementation of CoP 24 -2018 in Poland.

During the meeting, the Indonesian Government elaborated the determination to reduce CO2 emissions by 29% by its own efforts, or up to 40% by 2030 if received the international assistance, using the basis of the 2016 measurement as a standard. As the handling of environmental issues and extreme weather requires the involvement of all components of the community, the Company as one of the SOEs is determined to participate in preserving the environment.

“As part of the implementation of the SDGs Indonesia One framework, the Company is fully committed to significantly contribute to the environmental conservation, both directly and indirectly.

The Company has carried out various environmental and social related programs to support the creation of a better life in the future. The activities in the environmental and social fields are partly carried out as part of the implementation of financing and services that pay attention to environmental and social aspects, Corporate Social Responsibility (CSR) programs and partly through the implementation of a green office.

Under the Occupational Health and Safety (OHS) the Company has also carried out several initiatives including through the implementation of Corporate Environmental and Social Management System (ESMS) guidelines and OHS performance improvement programs.

OCCUPATIONAL HEALTH AND SAFETY [403]

Guidelines for Corporate Environmental and Social Management Systems (ESMS) [103-2]

The Corporate ESMS Guidelines contain the guidance for the Company in managing and fulfilling the environmental, health and safety, as well as social conditions and requirements applicable in Indonesia that are tailored to the business activities and business complexity of the Company.

This guideline includes explaining the steps to be taken in an emergency, including: the type of emergency anticipated, facilities/infrastructure needed, and planned training. The guidelines also include an explanation of the evacuation route that can be used in an emergency.

Commitment [103-2]

The ESMS Corporation Policy Statement confirms that the Company is committed to managing the Corporation by:

1. Ensuring the occupational health and safety of employees and visitors in the Company's offices;
2. Ensure control of the environmental impact of the Company's operations;
3. Ensure control of social issues in the Company's operations;
4. Comply with the laws and regulations and other applicable requirements related to the environment, health and safety, as well as social matters; and
5. Continuous improvement for the creation of occupational health and safety, as well as good social environment in the Company's office.

Activities Target related to OHS aspect [103-2]

The Company has not set specific targets regarding the OHS aspect. However, as written in the Corporate ESMS Guidelines, the Company is committed to ensuring the safety and health of employees and visitors at the Company's offices.

Division in charge [103-2, 403-1]

Most of the program implementation related to OHS aspects is carried out by the General and Procurement Division (DUP).

Occupational Health, Safety & Environmental Preservation

The Company has not yet established the special committee related to OHS. However, in order to support business continuity, the Company established a Risk and Compliance Manager (URCM) Unit. This unit has an internal control function in each Division tasked with carrying out the implementation of risk management and compliance aspects. URCM members consist of at least one member and the relevant division leader.

One of the URCM duties is to carry out an analysis of the inherent risks of each Division's operations which include risk identification, measurement, monitoring, and control, as well as ensuring the application of work devices and risk management methodology parameters. One of the risks analyzed is the environmental and social risks which also include the OHS aspects.

Evaluation [103-3]

The Company continuously evaluates the implementation of OHS management aspects by evaluating its program and related guidelines.

OHS Performance Improvement Programs

- The medical check-up was attended by 218 participants
- The vaccination was attended by 209 participants
- The slim down challenge program was attended by 61 participants
- Indoor air quality measurement activities will be carried out in December 2018
- Implementation of emergency and safety response training in February 2018
- Emergency evacuation training in December 2018
- OHS dissemination is conducted by using:
 - o Infographics on each IPTV
 - o Wall signage
 - o Safety induction prior to conducting meetings with external parties
 - o Evacuation plan instructions
 - o Installation of Fire Extinguisher (APAR) and hydrant
- Development of emergency handling guidelines

OHS Performance [403-2]

In 2018 there was one accident experienced by employees when heading to the office.



Occupational Health, Safety & Environmental Preservation



Evacuation
route maps

OHS
socialization

Provision of hand
sanitizers and masks
at the entrance



Waste separation

Provision of fire
extinguishers
infrastructure

K3
socialization



Occupational Health, Safety & Environmental Preservation

ENVIRONMENTAL PRESERVATION

Environmental Preservation in the Company's Business Activities

Environmental and social management as a Financial Services Institution (LJK)

Infrastructure development is mostly carried out in open areas, and occasionally intersects directly with public areas which are also the community activities areas. Contact with these communities can impact the environment, the executor and the surrounding community. To that end, the Company establishes several policies related to the aspects of Health, Safety and Environmental Preservation, while considering the social impacts on the surrounding community. These policies are:

- Board of Directors Regulation No. PD-7/SMI/0615 dated June 23, 2015 on the Corporate Environmental and Social Management System (ESMS) Guidelines.
- Board of Directors Directors Regulation No. PD-4/SMI/0115 dated January 5, 2015 on the Project Environmental and Social Management System (ESMS) Guidelines.
- Board of Directors Directors Regulation No. PD-19/SMI/0916 dated September 1, 2016 on the Multilateral Project Environmental and Social Safeguards (ESS) Guidelines.
- Board of Directors Directors Regulation No. PD-20/SMI/1017 dated October 11, 2016 on the Guidelines and Procedures for Complaint Management of Affected Communities and Observer Groups.

Guidelines for the Environmental and Social Management System (ESMS) and Environmental and Social Safeguards (ESS) Multilateral Projects [FS1, FS2, FS3, FS5]

These guidelines are used as a reference in carrying out financing and investment activities, project development, as well as advisory, with the following objectives: **FS1**

- a. Applying prudent principles in order for the environmental, health and safety and social and safety risks to be adequately assessed, measured, monitored, controlled and mitigated;

- b. Provide clarity of authority and responsibility, as well as the roles and functions of each relevant work unit;
- c. Maintain consistency and level of performance in implementing and managing environmental, health and safety and social risks as part of financing and investment activities, project development, as well as advisory, hence creating effective and efficient work processes;
- d. Ensure that the management and stakeholders from the companies that have been financed understand the guideline commitments made by the Company;
- e. Ensure that all financing and investment, project development, and advisory carried out by the Company have complied with all regulations related to the environment, health and safety, and social; and
- f. Ensure that the review process related to environmental and social risks is carried out regularly and meets the environmental, health and safety, and social audit standards.

The environmental and social management guidelines are prepared based on ten Environmental and Social Standards (ESS): **[FS2]**

i	ESS-1	Assessment and Risk Management and Environmental and Social Impacts;
ii	ESS-2	Employment and Working Conditions;
iii	ESS-3	Pollution Prevention and Reduction;
iv	ESS-4	Occupational Health and Safety;
v	ESS-5	Land Clearing and Involuntary Resettlement;
vi	ESS-6	Biodiversity Conservation and Natural Resources Management;
vii	ESS-7	Indigenous People and Local Communities;
viii	ESS-8	Cultural Heritage;
ix	ESS-9	Energy Conservation and Use of Environmentally Friendly Energy; and
x	ESS-10	Consultation and Grievance Mechanism.



Occupational Health, Safety & Environmental Preservation

The two guidelines serve as manuals for conducting research on each financing activity carried out by the Company, through the Environmental and Social Due Diligence (ESDD). The research was conducted to identify existing gaps that need to be followed up hence the debtor is expected to operate and perform the business in line with PT SMI's principles, which are: environmentally and socially friendly, and complies with the laws and regulations of the Republic of Indonesia. [FS2]

The follow-up is outlined with a Corrective Action Plan (CAP) and routine reporting that must be carried out by the debtor and becomes part of the Credit Agreement. To monitor the corrective actions by the debtor, DELJ has developed a CAP database equipped with timeline calculations and due dates to inform the business division or other related divisions on incomplete CAP items. In addition, as a form of Financing Guidelines implementation, the business division can also conduct a site visit monitoring involving DELJ to verify the progress of the project and, if relevant, the progress of the CAP implementation on the project. [FS3]

Through the implementation of ESDD, CAP and routine reporting that must be carried out by the debtor, the Company has indirectly assisted to ensure that the debtor/project has carried out several activities including:

- a. Implementation of environmental and social impact studies is in accordance with the project's magnitude impact which is regulated by the Republic of Indonesia's laws and regulations
- b. Community involvement in the discussion of environmental documents in accordance with the Republic of Indonesia's laws and regulations
- c. Monitoring of environmental and social impacts in accordance with the Republic of Indonesia's laws and regulations
- d. Disclosure of information regarding the results of environmental and social impact studies in accordance with the Republic of Indonesia's laws and regulations
- e. Development of complaint handling mechanisms from project stakeholders

Guidelines and Procedures for Complaint Management of Affected Communities and Observer Groups

Guidelines and Procedures for Complaint Management of Affected Communities and Observer Groups regulate the management of complaints, responses, and opinions related to the environment and social aspects of the Affected Communities and Observer Groups that are submitted to the Company and resolved without going through legal channels.

This procedure outlines the mechanism for receiving, recording and managing complaints from environmental and social related stakeholders. It is regulated through the Guidelines and Procedures for Complaint Management of Affected Communities and Observer Groups.

Complaint resolution will be guided by the Grievance Panel Team which consists of external parties formed through a procurement mechanism to assist the Company in resolving environmental and social grievance issues.

During 2018 there were no reports received on the environmental and social related complaints. In addition, there were no complaints in the previous period which were not resolved in the reporting year.

The target of Activities Regarding Environmental Aspects

As a manifestation of the environmental policy, the Company realizes various environmental management programs and environmentally friendly operating programs by implementing various operational procedures. These programs lead to several main objectives:

- Preventing environmental pollution, preventing damage to assets to ensure business continuity.
- Demonstrate participation in energy conservation efforts, water conservation and reduction of greenhouse gas emissions.
- Reduction and utilization of Hazardous and Toxic and Non-B3 Waste and biodiversity protection.
- Increased operational efficiency as a positive result of implementing a green office program.



Occupational Health, Safety & Environmental Preservation

Performance [FS2]

During 2018, the Company has carried out several initiatives to strengthen the implementation of ESS, including:

- To support the implementation of environmental and social risk management, the Company has also developed several sectoral manuals related to ESS which include:
 - ESS manual for the Port sector
 - ESS Manual for the Airport sector
 - ESS Manual for the Market sector
 - ESS Manual for Water Supply Facilities (SPAM) sector
- To support the ESS related to financing projects for geothermal exploration, the Company in collaboration with the WB has developed a special Environmental and Social Management Framework.
- To support the implementation of environmental and social risk management, the Company has also developed several Good practices ESS sectoral applications covering the following sectors:
 - Roads and Bridges
 - Market
- To assist the environmental and social risk assessments in financing activities, the Company has started using spatial analysis with ArcGIS software.
- To assist the operational risk monitoring, including those related to environmental and social aspects, the Company has established a URCM unit, one of which is at DELJ. Through the URCM representative at DELJ, it is expected that the environmental and social related operational risks can be systematically monitored and the follow-up and/or improvement of risk events can be carried out properly.

- During 2018, the Company conducted a discussion on the Risk Profile where the Company determined several risk parameters that will be monitored continuously. One aspect used is the environmental and social aspects. It is hoped that through this monitoring, the Company will learn the magnitude of the risks encountered by the Company, including those related to environmental and social risks, as well as taking the necessary mitigations.

Interaction with clients/investors/partners on the risks and environmental and social opportunities [FS5]

The Company is committed to support the implementation of sustainable finance and contribute to achieving the SDGs. One important aspect of implementing sustainable finance is the management of environmental and social risks. As explained earlier, the Company strives to manage its business activities to always be environmentally sound and have a social responsibility that is realized through the implementation of several guidelines related to social and environmental preservation.

To support the environmental and social management as part of the sustainable financing principles, the Company has carried out several activities aimed at increasing the understanding on the principles of environmental and social management. Activities involving debtors, prospective debtors, investors and/or partners include:



Occupational Health, Safety & Environmental Preservation



- DBuN book production**
 DBuN's book explains the background, objectives, implementation, and results of the DBuN program that was carried out during 2017-2018. The book has been distributed to various stakeholders of the Company as part of the Company's efforts to share the experiences related to environmental and social management. It is also hoped that through the distribution of books, the Company can participate in enhancing the awareness on the importance of social environment management particularly in relation to the sustainable finance implementation.
- ECC cartoon book development**
 The ESS cartoon book contains the ten elements of environmental and social safeguards implemented by the Company in environmental and social management. In the book, the ten ESS elements are explained through pictures in the hope that the explanation can be more easily understood. The Company has distributed the ESS cartoon books on various occasions to the Company's stakeholders. It is expected that through the distribution of books, the Company can participate in improving the implementation of the social environment management particularly in relation to the sustainable finance implementation.

Activities	Participant
<ul style="list-style-type: none"> Workshop on the application of sustainable finance principles <ul style="list-style-type: none"> With the enactment of POJK 51/2017, it is expected that financial service institutions have the same awareness on the implementation of sustainable finance hence there will be no more gaps in the implementation of sustainability management. However, the incentives by the OJK still have ample rooms for development, while the sanctions are considered insufficient. This then prompted PT SMI to carry out a workshop as a forum for discussion to jointly review the concept and application of sustainable financing, formulate the incentives, and provide mutual input hence to realizing the sustainability management in the financial sector. 	55 participants from various Financial Services Institutions, observer groups, academics and related ministries

Occupational Health, Safety & Environmental Preservation

Activities	Participant
<ul style="list-style-type: none"> Coaching clinic in Batam city <ul style="list-style-type: none"> A coaching clinic where one of the aspects discussed was the application of the Environmental & Social Safeguard (ESS) in financing activities 	
<ul style="list-style-type: none"> Coaching clinic in Bali <ul style="list-style-type: none"> A coaching clinic where one of the aspects discussed was the application of the Environmental & Social Safeguard (ESS) in financing activities 	
<ul style="list-style-type: none"> Coaching clinic in Bandar Lampung <ul style="list-style-type: none"> A coaching clinic where one of the aspects discussed was the application of the Environmental & Social Safeguard (ESS) in financing activities 	Palembang Government
<ul style="list-style-type: none"> World Bank Mission in South Halmahera Regency <ul style="list-style-type: none"> A joint assessment with the World Bank regarding the implementation of ESS on road and market projects financed by the Company. 	South Halmahera Regency Government
<ul style="list-style-type: none"> Coaching clinic in South Halmahera Regency (Markets and Roads) <ul style="list-style-type: none"> A coaching clinic together with the World Bank related to the implementation of ESS on road and market projects financed by the Company, mainly related to the activity of relocating the vendors. 	South Halmahera Regency Government
<ul style="list-style-type: none"> Coaching clinic in North Sulawesi Province <ul style="list-style-type: none"> A coaching clinic together with the World Bank related to the implementation of ESS on road and market projects financed by the Company, mainly related to the activity of relocating the vendors. 	North Sulawesi Provincial Government
<ul style="list-style-type: none"> Coaching clinic Coaching clinic in Ogan Komering Ulu Regency (OKU) <ul style="list-style-type: none"> A coaching clinic together with the World Bank related to the implementation of ESS on Hospital projects financed by the Company 	Ogan Komering Ulu Regency Government
<ul style="list-style-type: none"> Coaching clinic in Banjarbaru <ul style="list-style-type: none"> A coaching clinic together with the World Bank related to the implementation of ESS on Market projects financed by the Company 	Banjarbaru Government
<ul style="list-style-type: none"> Coaching clinic in Central Lombok Regency <ul style="list-style-type: none"> A coaching clinic together with the World Bank where one of the aspects discussed was the application of ESS to market projects funded by the Company 	Central Lombok Regency Government
<ul style="list-style-type: none"> Coaching clinic terkait proyek Jalan Tol Balikpapan-Samarinda <ul style="list-style-type: none"> A coaching clinic where one of the aspects discussed was the application of ESS to toll road projects financed by the Company 	PT Jalan Tol Balikpapan-Samarinda
<ul style="list-style-type: none"> Support for debtors in implementing a Corrective Action Plan (CAP) to mitigate environmental and social risks. One form of support is providing templates and/or examples of documents and/or procedures related to environmental and social management for debtors. 	
<ul style="list-style-type: none"> DbuN video compilation 	




Occupational Health, Safety & Environmental Preservation

Sustainable Financing Program [FS7, FS8]

The Company supports the development of the Sustainable Financing Program through four schemes, which are summarized in the framework of SDG Indonesia One: SDG Development Facilities, SDG De-Risking Facilities, SD Financing Facilities and SDG Equity Fund. The Company is able to use the four scheme due to its cooperation with various bilateral and multilateral development financial institutions that are concerned

with environmental conservation efforts, including: United Nations Development Program (UNDP), JICA, Climate Policy Initiative (CPI), Agence Franchise de Developpement (AFD), World Bank Group, New Zealand Aid (NZ Aid), Green Climate Fund (GCF). The collaboration was carried out in disbursing Clean Technology Fund and Global Environment Facility grants, etc., with a total available fund of US\$64.7 million, as shown in the following scheme:

STRATEGIC PARTNERSHIP OF PT SMI IN THE AREA OF BLENDED FINANCE (SECURING GRANTS OF USD64.7 MILLION)				
SDG DEVELOPMENT FUND	 CDIA "Linking Cities' Infrastructure Investment Projects to Finance" Capacity Building	 CTF Grant USD49 million for geothermal projects	 KFW Grant EUR200.000 for Municipal Finance	 ADB PT SMI has implemented 10 principles in Environmental and Social Safeguards
	 JICA	 GEF Grant USD6.25 million for geothermal projects	 Climate Policy Initiative (CPI) Technical Assistance USD200.000	 CICERO PT SMI is the First Corporate Green Bond di Indonesia, reviewed by CICERO
	 NZ Aid Programme TA - NZD2, 13 million	 SECO - State Secretariat for Economic Affairs (SECO) Grant USD3 million	 UNDP Technical Assistance Wind Power - USD 300 ,000	 GREEN CLIMATE FUND PT SMI as the first Accredited Entity in South East Asia
SDG FINANCING FUND	 AFD Loan USD100 million, Grant USD6 million, & TA EUR400,000 for RE & EE	 AIIB RIDF Loan - USD100 million	 ADB Subordinated loan to IIF - USD100 million	 WORLD BANK GROUP RIDF Loan - USD100 Million Subordinated loan to IIF - USD300 million
SDG DE-RISKING FUND	 AFD Grant USD5 million, & TA EUR400,000 for RE & EE			

Geothermal Financing

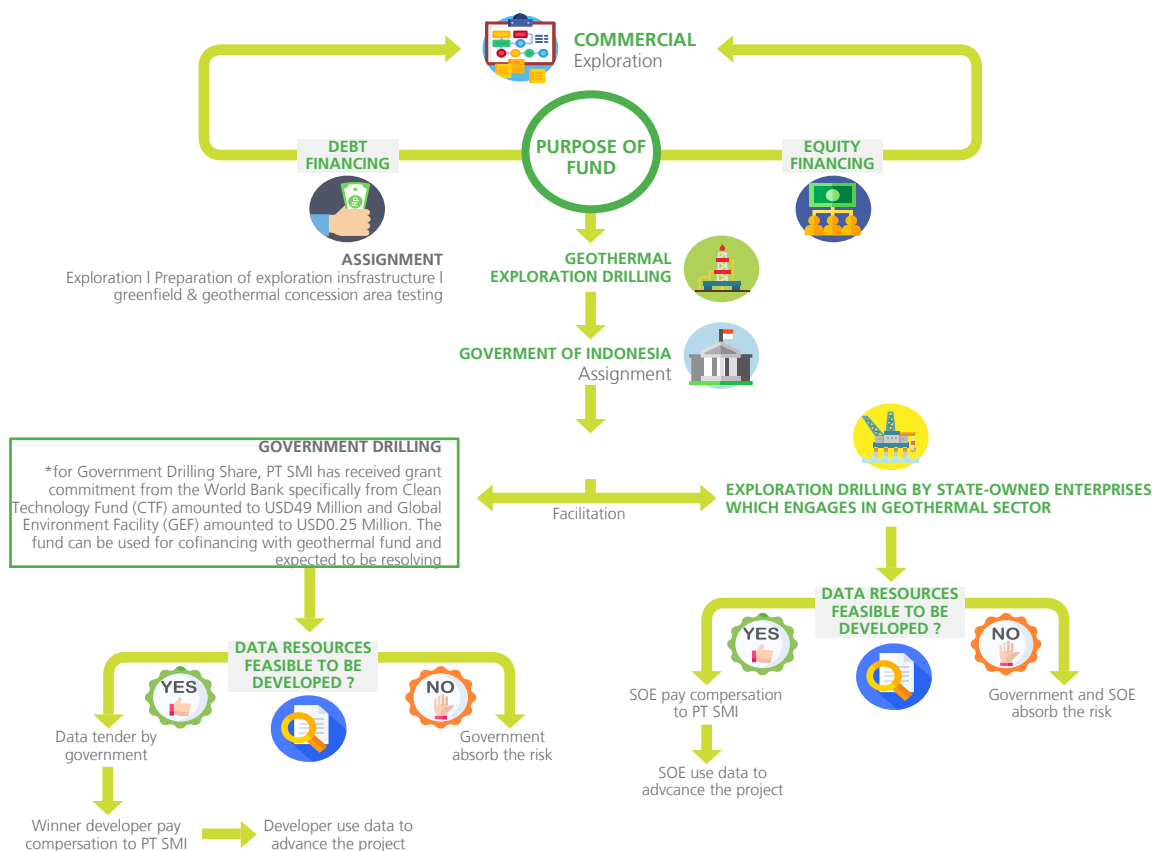
The Company has also developed the "Geothermal Sector Infrastructure Financing (PISP Fund)" scheme. This is a financing scheme dedicated by the Company to developing geothermal potential as an abundant new renewable energy source in Indonesia. As an archipelago surrounded by volcanoes, nicknamed Ring of Fire,

Indonesia has the potential of geothermal electricity equivalent to 28,000 MW or 40% of the world's geothermal energy reserves. However, only 1,189 MW has been utilized or only 4%. The high cost and high risk, especially during the exploration phase, has caused the banks to be reluctant to finance its development.

Occupational Health, Safety & Environmental Preservation

“The Company has successfully cooperated with the World Bank in financing activities to provide geothermal data and information with the Clean Technology Grants at **USD49 million and Global Environmental Facility at **USD6.25 million**.”**

The Geothermal Financing scheme is as follows:



Environmental Preservation in the Company's Office Operational Activities

In office operations, the Company also strives to carry out environmental preservation activities, including through the operation of environmentally friendly offices.

Environmentally Friendly Office Operations

As a commitment to participate in the environmental conservation efforts, the Company has implemented environmentally friendly operational policies. Some of the initiatives include:

- Print documents as required.
- Use both sides of the paper if possible.



Occupational Health, Safety & Environmental Preservation

- Use electronic media for circulation/communication to minimize paper use.
- Not use unnecessary cover pages (eg fax, front cover).
- Record and document the amount of paper usage (reams per week or per month).
- Manage internal print and photocopy activities in an integrated manner, using identification cards.
- Water use efficiency.
- Reduce the use of plastic bottles.
- Sort waste (organic-inorganic).
- Regulate the use of AC to reduce electricity consumption.

To support the paper saving initiatives, the Company has developed an integrated system, including:

- Development of web portals.
- The use of gadget-based communication media for coordinating work, such as the Whatsapp application (chat project group, chat group department), in addition to e-mail.

Energy Consumption Management [302]

Policy 103-2, 102-3

The Company believes that financing and the provision of project financing advisory in infrastructure area can still contribute to environmental conservation and preservation efforts which are being actively pursued by other world citizens, hence the symptoms of global climate change and extreme weather can be overcome.

Through the Corporate ESS Guidelines, the Company strives to manage the impact of the Company's operational activities and states its commitment to making continuous improvements for the creation of a good environment, health and safety, as well as social in the Company's offices.

Target 103-2

The Company has not set specific targets regarding energy consumption. However, the Company is committed to implementing the Green Office Operational Program.

Division In Charge 103-2

General and Procurement Division (DUP).

Performance

There are 2 types of energy used by the Company to support its operational activities, namely: the use of electricity in the office and consumption of fuel for transportation. Both of these energies come from non-renewable sources.

To reduce consumption of these two types of energy, the Company implemented the austerity policy by enacting:

- Lighting time management.
- Optimal room arrangement.
- AC settings.
- PC replacement into a laptop.

To manage the use of transportation fuel, the Company implements the use of vehicles known to be fuel-efficient, in addition to implementing control of official vehicle use. This policy is relatively successful in controlling the consumption of the two types of energy, as illustrated in the following energy consumption table.

Reducing Energy Consumption [302-1, 302-3]

Types of Energy	Units	2016	2017	2018
Fuel	liter	75,891	74,289	44,783
	GJ	2,571.2	2,516.2	1,517.2
Electricity	KWH	n.a	1,012,181	1,028,457
	GJ		3,643.8	3,702.4
Total	GJ		6,160.0	5,219.6
Number of employee	people		261	286
Energy consumption intensity	GJ/people		23.6	18.2

Occupational Health, Safety & Environmental Preservation

The conversion used in energy calculations is the conversion value of the International Energy Agency (IEA) and the IPCC Guidelines for National Greenhouse Gas Inventories (2006). The base year used is 2017 because since then the two types of energy consumption were recorded completely.

Evaluation [103-3]

Routinely, the DUP will deliver the Monthly Report of the General Division and Procurement to the Board of Directors which includes data and evaluation regarding energy consumption. Based on this report, the Board of Directors conducts further evaluations as well as provides direction regarding the necessary improvement actions.

CO₂ Emission Reduction [305]

Policy 103-2, 102-3

The Company believes that financing and advisory for infrastructure project financing can still contribute to the environmental conservation and preservation efforts which are being actively pursued by other world citizens hence the symptoms of global climate change and extreme weather can be overcome. Through the Corporate ESS Guidelines, the Company strives to manage the impact of the Company's operational activities and states its commitment to making continuous improvements for the creation of a good environment, health, and safety, as well as social in the Company's offices.

Target 103-2

The Company has not set specific targets regarding GHG emissions. However, the Company agreed to implement the Green Office Operational Program, which can contribute to reducing GHG emissions.

Division In Charge 103-2

General and Procurement Division (DUP)

Performance

There are two approaches taken in supporting CO₂ reduction programs. The first approach is managing the use of energy sources, both electricity, and fuel.

Electricity is generated from power plants that use fuel, both in the form of diesel oil, coal, and gas. In Indonesia, there are still few electrical components produced from plants using new renewable energy (EBT). Reducing electricity consumption means that the Company also contributes to reducing CO₂ emissions.

The second approach is to actively participate in the reforestation movement hence CO₂ emissions in the air are reabsorbed by plants through photosynthesis. The Company is actively involved in various reforestation programs, as explained in the description of "Community Development Program".

Based on the realization of energy consumption mentioned above, the estimates of CO₂ emissions issued by the Company are as follows:

GHG Emission Reduction [305-1, 305-4]

Energy Types	Units	2016	2017	2018
Fuel	liter	75,891	74,289	44,783
	GJ	2,571.2	2,516.2	1,517.2
	ton CO ₂ e		174.40	105.10
Electricity	KWH	n,a	1,012,181	1,028,457
	GJ		3,643.8	3,702.4
	ton CO ₂ e		887.68	901.96
Total	ton CO ₂ e		1,062.1	1,007.1
Number of Employees	people		261	286
Emission Intensity	ton CO ₂ e /people		4.07	3.52



Occupational Health, Safety & Environmental Preservation

The conversion used in energy calculation is from the IPCC Guidelines for National Greenhouse Gas Inventories (2006) and Emission Factor from the Joint Crediting Mechanism (JSM) Indonesia Secretariat (jcm.ekon.go.id). The base year used is 2017 when the two types of energy consumption were recorded completely.

In addition to the above activities, the Company also contributes to efforts to reduce CO₂ emissions through sustainable financing. In collaboration with Agence Francaise de Developpement (AFD), the Company has financed and currently still financing several EBT projects that have the potential to reduce CO₂ emissions.

In addition to the direct contributions described above, the Company also contributes indirectly in efforts to reduce emissions through funding to projects related to climate change mitigation efforts. 2 PLTBm and 2 MHP projects financed by the Company have the potential to prevent the release of GHG emissions up to 245,000 tons CO₂e/year

Evaluation [103-3]

DUP will deliver the Monthly Report of the General and Procurement Division to the Board of Directors which includes data and evaluation on energy consumption (which is used as the basis for calculating emissions). Based on this report, the Board of Directors conducts further evaluations as well as provides direction regarding the necessary improvement actions.

The utilization of Biomass for Power Plants

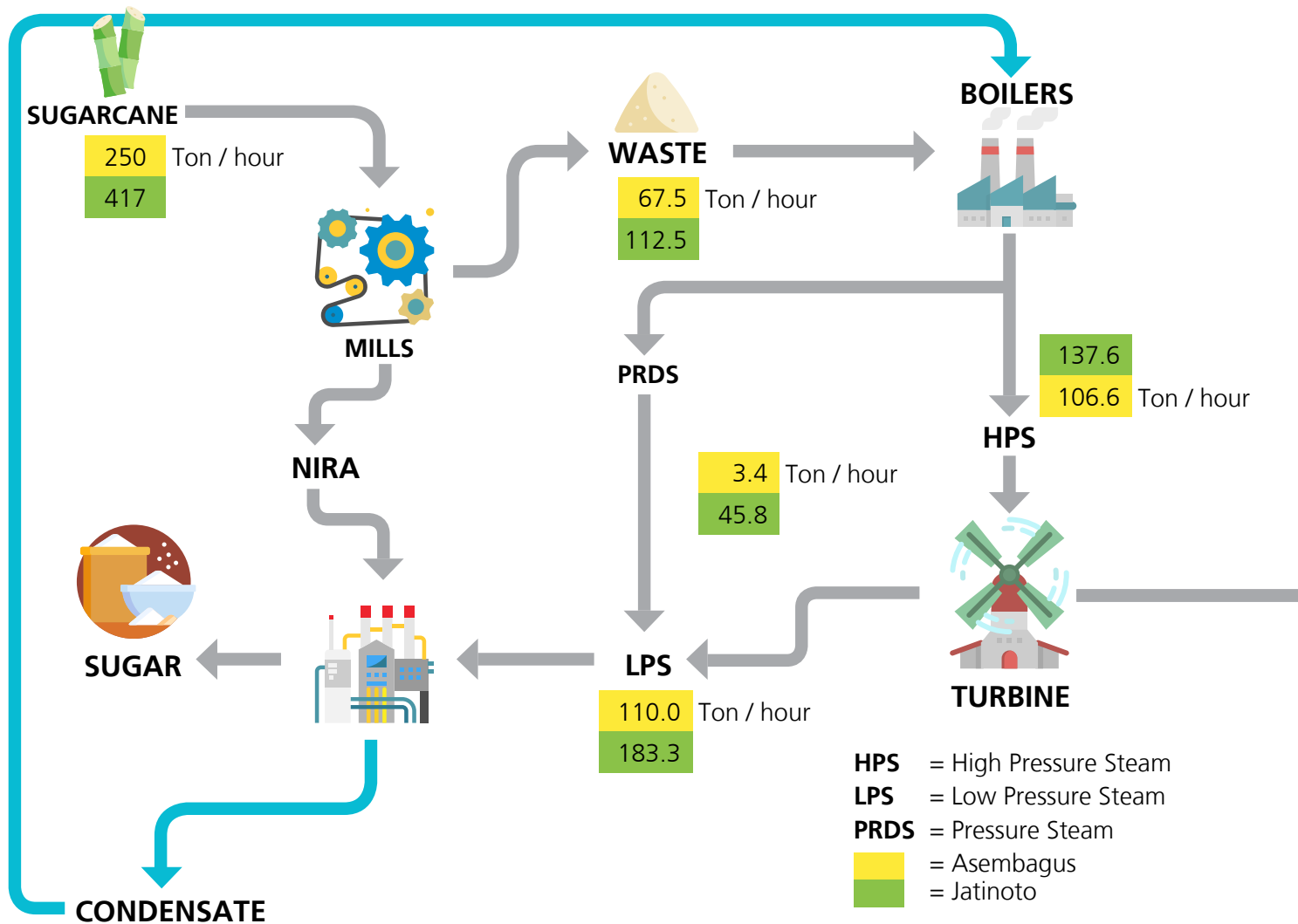
In the operational year 2018, the Company succeeded in signing a financing project for the capacity modernization or optimization of 2 sugar factories: PG DJatiroto and PG Asembagoes.

The remarkable note on the scheme is that the two sugar factories under the coordination of PTPN XI will have better power generation capabilities, through the use of bagasse/biomass as fuel for plant installations with a total capacity of 30MW. The use of bagasse is called the co-generation of bagasse.

With the ability to produce electricity, the two sugar mills will be able to meet their own electricity needs, and can even sell excess electricity to PLN. The following is a description of the scheme for generating electricity from biomass.

Occupational Health, Safety & Environmental Preservation


BIOMASS POWER PLANT SCHEME



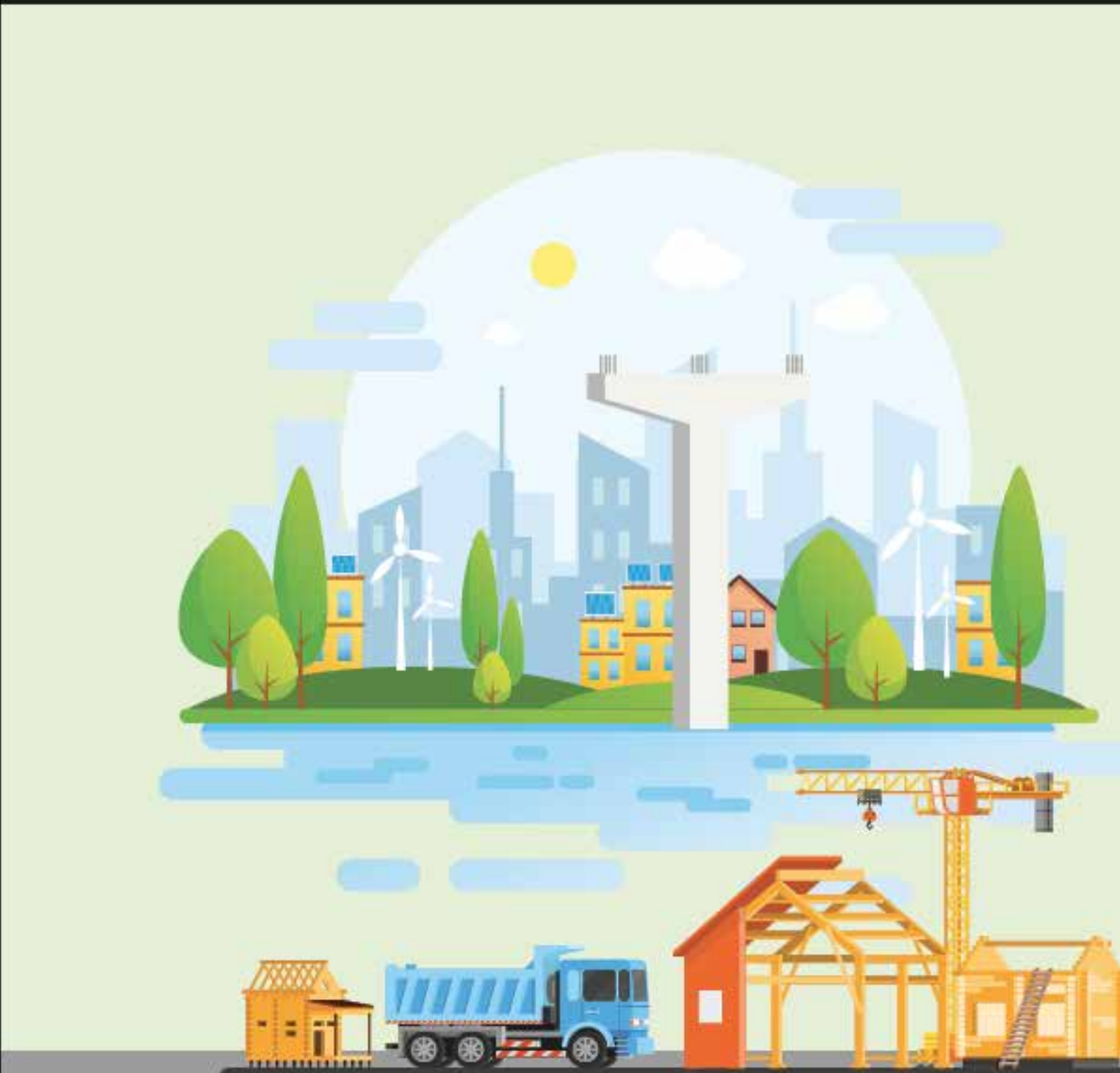
Occupational Health, Safety & Environmental Preservation



Building and Enhancing Human Resources Competencies



THE COMPANY FOCUSES ON HR DEVELOPMENT IN ITS EFFORTS TO IMPROVE EMPLOYEE COMPETENCIES AND ENGAGEMENT. THIS IS PARTLY CARRIED OUT BY LAUNCHING THE SCHOLARSHIP PROGRAMS FOR EMPLOYEES AND THE IDEA BOX PROGRAM AS A MEANS TO CHANNEL CREATIVE THINKING AND THE IDEAS OF CHANGE FOR PT SMI BOTH AS AN ORGANIZATION AND AS A BUSINESS PROCESS. THE PROGRAMS WERE FIRST LAUNCHED IN 2018.



Highlights

As part of the Human Resources Master Plan, in 2018 PT SMI developed the recruitment scheme adjustment to attain the best talent.



In 2018, the number of PT SMI employees was 286, up from 261, in line with business development. The employee turnover was 6%.



PT SMI organized training programs, with a total duration of 13.102 hours, followed by 283 participants, with an average of:
50 hours/female employee
44 hours/male employee



PPT SMI invested in employee upgrade amounted to Rp9.59 billion in 2018 or increased by 4.68% from Rp9.17 billion in 2017.



Building and Enhancing Human Resources Competencies

EMPLOYMENT [401]

The Company believes that to realize its vision to become a catalyst in accelerating the development of national infrastructure requires the support of productive, loyal and competent Human Resources (HR). [302-3]

Productivity, among others, is influenced by the remuneration system, internalization of corporate values and culture, and technology. Employee engagement or loyalty, among others, is influenced by pay & benefit factors, leadership, opportunities to develop, management performance, and existing business processes. Whereas competency, in general, is strongly influenced by the education and training programs conducted by the company.

As such, PT SMI designs employee management and development in accordance with the Human Resources Master Plan (HRMP) which includes 6 (six) pillars, namely Organization Design & Manpower Plan; Recruitment & Placement; Performance Management & Talent Classification; People Development & Talent Management; Reward Management; and Retain & Engage. [103-2]

HR Management Policy [103-2, 103-3]

The general policies of management and development of the Company's resources are outlined in four basic rules:

- Appropriate Competency Standards
- Transparent, Effective and Efficient Employee Selection System

- Learning Culture and Conducive Work Environment
- Retention Program Application

In 2018, the Company prepared a number of policies related to the management and development of competency-based HR. Among others, the Company has developed a dictionary of core competencies, roles, and functionalities, as well as developed an Individual Development Plan program that contains plans for employee capacity and capabilities development as well as employee career planning. The entire program is based on and refers to competencies at each position level, as well as induction programs & basic training.

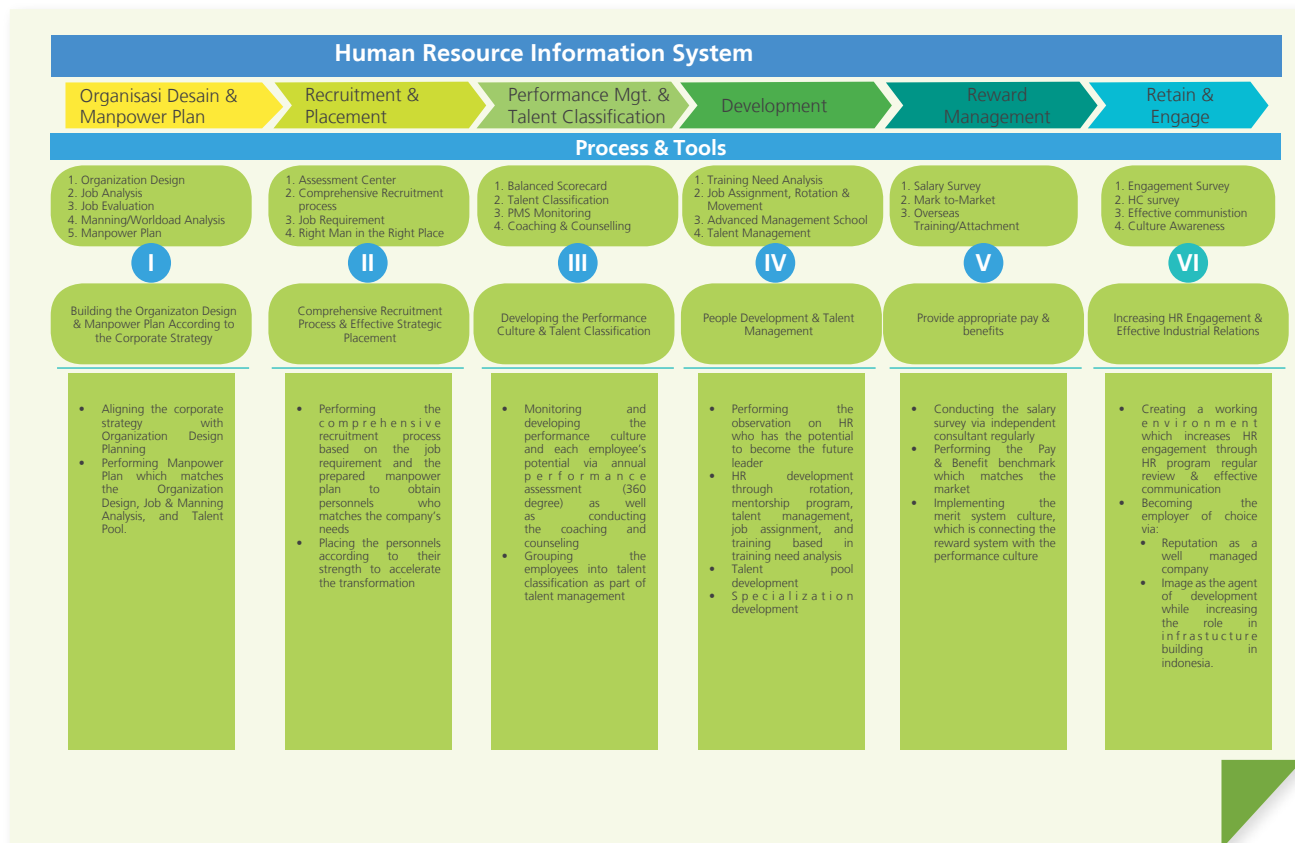
The Company does not only focus on developing competency-based employee capacity and capabilities. It also conducts employee promotion, transfer and rotation processes to optimize the capabilities and competencies of employees. This was implemented in order to achieve the Company's performance targets and achieve the Company's vision and mission.

HR Supporting Infrastructure

The Company applies the Human Capital Information System (HCIS) as an HR supporting infrastructure. Currently in the process of preparing the HCIS development Master Plan in collaboration with the IT Division.



Human Resources

**Comitment [103-2]**

The Company's target is to become the largest and the foremost finance company in accelerating the development of basic infrastructure and social infrastructure throughout the country. To support it, the Company is committed to continuously improve HR competencies.

Target [103-2]

Increasing the competence of the Company's HR hence it can realize its vision of being a catalyst in accelerating the national infrastructure development.

Division In Charge [103-2]

Human Resources Division (DSDM).

Performance [103-2]**Focus 2018**

Within the framework of the HRMP implementation, in 2018 the Company focuses on HR development in an effort to improve employee competence and engagement. It is carried out by providing scholarship programs to outstanding employees. This scholarship program is a form of employee development program academically besides the employee development program through training, seminars, and workshops.

The Company also strives to improve employee engagement through the provision of facilities, compensation, and benefits that are in accordance with the market, training, and development in accordance with needs and positions, and the implementation of promotions, transfers, and rotations as an expansion of the career path of employees.



Human Resources

In 2018, the Company launched the idea box program as a means to channel creative thinking and providing ideas for change for PT SMI both in the organization and business processes. PT SMI also regularly conducts town hall meetings as a means of communication between Board of Directors and employees.

Efforts to improve employee engagement are also carried out by creating work-life balance through several activities like routine employee sports activities, routine religious activities, slimdown challenges, and other internal activities involving the participation of the Company's employees. Some sports activities include outdoor futsal, badminton, table tennis, diving and indoor activities such as muay thai, strong by zumba (SBZ) and pound fit.

All activities are intended to support the improvement of employee health. In addition, the slim down challenge was also carried out as an effort to bring employees towards better health. In the end, these activities can increase employee productivity.

The Company also continues to campaign i-Sprint, which consists of Integrity, Service Excellence, Partnerships, Resilience, Innovation, and Trust, as a corporate value through various activities including SMI Day, Outing, TV displays, e-mail, and posters. The Company also conducts morning briefings every Tuesday and Thursday morning to encourage employees to be on time and wear PT SMI uniforms to enhance the pride of the Company.

2019 Strategic Initiative

In order to encourage the implementation of strategic initiatives and the achievement of the Company's business targets, the Human Capital Division has developed a strategy and roadmap for HR development. The focus of HR development is to improve employee competencies, skills and capabilities. In addition, HR development was also carried out in order to prepare the transformation process of the Company to become the Indonesian Development Financing Agency (LPPI).

Evaluation [103-3]

The Company continuously evaluates the implementation of HR management by evaluating the implementation of the program and related guidelines.

Employee Recruitment & Turnover [401-1]

The Company conducts a recruitment process to meet the needs to support the achievement of business targets in accordance with the Company's Work & Budget Plan. The Company conducted recruitment of new employees based on the Acceptance Procedure of PT SMI Employees in 2009 dated September 11, 2009.

Recruitment information is disseminated through various communication channels such as the Company's website, job search sites, social media, and professional networking media. Only applicants who fit the qualifications are then selected to be accepted as new employees in accordance with the applicable mechanism.

“Efforts to improve employee engagement are also carried out by creating work-life balance through several activities including regular employee sports activities, routine religious activities, slimdown challenges, and other internal activities involving the participation of the Company's employees.”



Human Resources

From the recruitment process carried out transparently, the Company hired 48 new employees in various positions, consisting of 30 males and 18 females. On the other hand, until the end of 2018, there were 23 employees, 16 males, and 7 females who ended employment relations, with various reasons such as moving to work in another company, personal reasons, and 1 (one) person passed away. As such reaching the turnover rate of 6% which remains under a normal level.

With the employees movement, until the end of 2018, the Company recorded 286 employees, an increase of 25 employees compared to 2017 of 261 employees. The increased number of employees is in accordance with the needs of the Company to support the acceleration of financing for infrastructure development.

Remuneration [201-3, 401-2]

To obtain the best HR from the manpower market, maintain employee engagement, maintain high-performance and potential employees and increase employee value proposition, the Company has implemented a remuneration strategy through the provision of pay and benefits in accordance with prevailing laws and regulations. In addition, to adjust to the market and maintain competitiveness, the Company sets a remuneration policy based on the level of rank, grade, and salary structure. The remuneration component consists of basic salary, transportation allowance, position allowance, a holiday allowance (THR), leave allowance, employment BPJS, health BPJS, inpatient insurance, outpatient insurance, and life insurance and accident.

New employees

Position Levels	2018	
	Male	Female
< 30 years	10	7
30-50 years	19	11
>50 years	1	0
	48	

Resigning employees

Position Levels	2018	
	Male	Female
< 30 years	6	0
30-50 years	10	7
>50 years	0	0
	23	



Human Resources

Inpatient and outpatient insurance benefits are provided according to the level of employee rank. For other benefits provided such as Employment BPJS, Health BPJS, is given following the applicable policies. At present, the Company has not yet provided a pension plan scheme. However, the Company also contributed to the collection of the Pension BPJS Insurance (JHT) program (given after reaching retirement age, passed away, and/or permanent disability, 3.7% Company's contribution) and Pension Guarantee (given gradually until the death dies), Company contribution 2%).

PT SMI does not distinguish welfare facilities for permanent and non-permanent employees (contract employees). The facilities are given the same according to the applicable rules. The Company also provides compensation in the form of money for overtime meals to employees who undergo excess normal working time.

Effective Industrial Relations [102-41]

PT SMI initiates a variety of activities to ensure that there is dignified and sustainable communication, which includes:

- Dissemination of relevant policies and regulations that continue to be implemented for all employees;
- Implementation of e-Birthday Card program via email to improve employee engagement;
- Facilitate the implementation of sports programs and work life balance in collaboration with the Corporate Secretariat Division;
- Carry out annual employee outing activities that include i-Sprint elements in their activities;
- The implementation of SMI Day which aims to increase the sense of kinship within PT SMI; and
- Communicate Company policies and regulations to all employees through e-mail, TV / monitor and meeting with employees.

In addition to intensive communication, the Company fosters effective industrial relations through mutual understanding and commitment to the implementation of various agreements that underly cooperative relationships with employees. The relationship foundation is summarized in Company Regulations, which are reviewed regularly at least every 2 years.

The Company always ensures that the various rules contained in the Company Regulations are the result of discussions and mutual agreements with employee representatives. As such, all (100%) of the Company's employees are guaranteed their rights and obligations in the said Company Regulations. [102-41]

PT SMI has yet to have a Workers Union. However, the Company continues to strengthen the quality of communication through various activities and actively establishes bipartite forums as a forum for communication and consultation around employment involving management and employee representatives.

Maternity Leave [401-3]

During 2018, the data related to maternity leave are as follows:

- 100% of employees who take maternity leave return to the office after completing maternity leave
- 100% of employees who re-enter after taking maternity leave remain working for a minimum of 12 months

The data above reflects on the Company's performance in creating workplaces that support employees who have given birth. Another effort by the Company is to provide breastfeeding area on each floor of the Company's office.

TRAININGS AND COMPETENCE DEVELOPMENTS

[404]

Policy 103-2

Policies on education and training are outlined in the Education and Training Guidelines. The guidelines emphasized that every employee has the right to receive training in order to improve and develop competencies.

The training is carried out by observing the needs of the Company and based on the Training Need Analysis (TNA). However, each Division can submit training proposals according to the needs and Work & Budget Plan of the Company.



Human Resources

Commitment 103-2

The Company's target is to become the largest and the foremost finance company to accelerate the development of basic infrastructure and social infrastructure throughout the country. To support it, the Company is committed to continuously improving HR competencies..

Target 103-2

Increasing the competence of the Company's HR hence it can realize the vision of being a catalyst in accelerating the national infrastructure development.

Division In Charge 103-2

Human Resources Division (DSDM)

Training Haours [404-1]

The recapitulation of the Training Program in the last 2 years is as follows

Description	2018		2017
	Male	Female	
Total Training Hours	7.721	5.381	13.104
Average hours of training (hours/employees)	44	50	50

	Total employees receiving training		Total Training Hours		Average Training Hours	
	Male	Female	Male	Female	Male	Female
Executive Managerial	17	2	1,053.5	95	62	48
Junior Managerial	40	48	1,864.5	2,592	47	54
Middle Managerial	74	44	2,850	2,289.5	39	52
Senior Managerial	37	7	1,615.5	242	44	35
Executor	8	6	337.5	162.5	42	27
Total	176	107	7,721	5,381	44	50

In accordance with the workload and responsibilities, training at the management level emphasizes managerial aspects with a shorter duration, while training for implementing employees focused on operational aspects with a longer duration. In addition, in 2018 the Company has also provided scholarships to 4 employees to continue their studies to a higher level.

Training on mitigating social and environmental aspects of infrastructure financing (FS4)

In addition to the general training, to improve the employee competency in social and environmental impact mitigation policy from the construction of infrastructure projects financed by PT SMI, in 2018 the Company realized several programs, including:



Human Resources

Activities	Participation
<ul style="list-style-type: none"> AFD Study tour, July 2018 The main objective of the study tour is to promote peer-to-peer exchange between PT SMI and French institutions that share the same mandate of financing infrastructure and sustainable development in France (Caisse des Dépôts) and around the world (AFD). 	2 employees from DELJ, 2 employees from DPKM, 1 employee from DPI 1
<ul style="list-style-type: none"> Due diligence for Renewable Energy Projects training, April 16-20 2018 The training aims to increase the Company's capability in conducting due diligence for Renewable Energy projects, especially hydropower projects. 	1 employee from DELJ
<ul style="list-style-type: none"> Regional Workshop on Enhancing the Capacity of Financial Intermediaries (FIs) in the Management of Environmental and Social Risks as well as Compliance Supervision and Accountability, 12-15 June 2018 The workshops held in two cities in the People's Republic of China (PRC) aim to increase the attention of Financial Institutions in managing environmental and social risks and compliance and accountability through information exchange, discussion and learning from international best practices. In this workshop, a mechanism was also reviewed to develop a compliance and accountability test framework in each Financial Institution. It is expected that by participating in this workshop PT SMI can get more knowledge about the Environmental and Social Safeguards (ESS) for a Financial Institution and at the same time share experiences on environmental and social safeguards that have been implemented by the Company. 	1 Director, 1 employee from DELJ, 1 employee from DH
<ul style="list-style-type: none"> Geothermal project management training, 16 days, 4 April-26 May 2018 The training aims to improve the capability of the Company in managing projects related to geothermal exploration and exploitation, including environmental and social aspects. 	1 employee from DELJ, 1 employee from DMRT
<ul style="list-style-type: none"> Sustainable Finance, 25-28 September 2018, OJK The training aims to enhance the Company's understanding regarding the sustainable finance. 	1 employee from DELJ
<ul style="list-style-type: none"> Workshop on redress mechanism and problem solving for executing and implementing agencies of ADB-supported projects in Indonesia, 28-30 November 2018 The workshop aims to improve the understanding of complaints handling mechanisms at the project level. 	2 employees from DELJ
<ul style="list-style-type: none"> Land acquisition training, 17-21 December 2018 The workshop aims to improve understanding of land acquisition. 	2 employees from DELJ
<ul style="list-style-type: none"> Disability inclusive development training, 18-19 October 2018 The workshop aims to improve understanding of development which also takes into account people with disabilities. 	1 employee from DELJ
<ul style="list-style-type: none"> Workshop with the theme "creating infrastructure for all for women and girls", 22 November 2018 The workshop aims to improve understanding of development which also takes into account the needs of women and girls so that they can participate in obtaining the same benefits from the infrastructure built. 	1 employee from DELJ
<ul style="list-style-type: none"> Knowledge sharing about geothermal projects, 22 May 2018 Knowledge sharing aims to improve understanding of the implementation of geothermal projects in terms of aspects of managing environmental and social impacts. 	35 employees from various divisions in the Company
<ul style="list-style-type: none"> Workshop on the World Bank Environmental and Social Management Framework (ESMF), 29-30 August 2018 Workshop mengenai ESMF World Bank terbaru yang meliputi diskusi mendalam pada tiap elemen ESS World Bank 	5 employees from DELJ



Human Resources

Training Cost

The implementation of various training and competency development programs that include in-house, public training, assignments, knowledge sharing and employee scholarships is budgeted at Rp9.59 billion for 2018.. [103-2]

Performance Assessment and Career Development [404-3]

Performance Assessment [404-3]

Performance assessment is carried out to measuring the performance results or achievements of each employee. Each employee will receive a final assessment regarding the potential review and performance review. From this result, the Company will obtain talent groups. These results will then continue with the IDP program as a form of employee development, consideration of career path increases and determination of the amount of remuneration for the employee concerned.

In every operational period, all employees (100%) obtain performance assessment based on individual KPIs and group KPIs.

EQUALITY AND DIVERSITY [405]

Policy 103-2

The Company always applies the principle of equality in treating each employee regardless of gender, religion, ethnicity, and race.

Target 103-2

At present the Company has not set specific any targets related to aspects of equality and diversity.

Division In Charge 103-2

Human Resources Division (DSDM)

Performance

The Company's implementation of policy on equality and diversity can be seen more or less from the comparison of remuneration received between male and female employees.

Remuneration ratio [405-2]

SR 2017	Remuneration ratio	
	Male	Female
Staff/Executor	1.06	1.00
Junior Management	1.00	1.02
Middle Management	1.10	1.00
Senior Management	1.02	1.00
Executive Management & Technical Advisor	1.16	1.00

BOD Composition [405-1]

Level	2018		2017	2016
	Male	Female		
Board of Directors	4	1	5	5
	5		5	5



Human Resources

Career development

In accordance with the Guidelines for Employee Promotion, every outstanding employee who will be promoted to a higher level of office, and will undergo the stages of promotion.

At the promotion stage, the entire process of competency testing is carried out by collaborating and coordinating with the designated Assessment Center. The competency test is carried out in the process of employee structural promotion by paying attention to the results of performance evaluations and Job Evaluation. The number of participants for each level is adjusted to the needs of the Company. In addition to promotions, the Company also has transfer, rotation and demotion policies. Following is the recapitulation of employee career development programs.

In order to prepare successors who will occupy important and critical positions, the Company begins to develop an implementation program for the Individual Development Plan, which contains employee development plans for both capacity building and competency planning for potential employees as future leaders.

EMPLOYEE DEMOGRAPHY [102-8]

At the end of 2018, there were 286 employees in the Company. This number has increased by 25 personnel (10%) from 261 personnel in 2017. The following are the demographics of the Company's employees:

Career Development	2018			
	Total Male	Total Female	Percentage of Male	Percentage of Female
Structural Promotion	10	3	3,34%	1,00%
Functional Promotion	0	1	0%	0,33%
Employee Transfer	9	9	3,01%	3,01%
Employee Rotation	1	3	0,33%	1,00%

Number of Employee by Business Unit

Directorate	Division	2018	2017	2016
Main Directorate	DAI	10	10	8
	DH	17	17	15
	DPKMI	10	11	9
	DSP	21	21	21
	DUS	0	0	3
	DSDM	14	12	0
Total Main Directorate		75	71	56
Directorate of Financing & Investment	DPI-1	9	8	7
	DPI-2	11	10	10
	DPI-3	10	10	9
	DPD	15	13	14
	DPPMO	0	0	13
	UUS	6	4	0



Human Resources

Directorate	Division	2018	2017	2016
Total Financing & Investment Directorate		51	45	53
Project Development & Advisory Directorate	DJK	8	10	8
	DPP	16	14	12
	DPB	10	8	6
	DPKK	12	7	15
Total Project Development & Advisory Directorate		44	39	41
Directorate of Operations and Finance	DAAA	17	15	12
	DUP	23	23	20
	DTI	13	12	13
	DKHI	9	9	7
	DSDM	0	0	12
	DPPMO	17	16	0
Total Directorate of Operations and Finance		79	75	64
Directorate of Risk Management	DEPI	9	9	7
	DELSJK	9	6	4
	DMRT	17	14	12
	DPPIK	3	2	0
Total Directorate of Risk Management		38	31	23
Grand Total Employees		286	261	237

Employee by Education

Education	2018			2017			2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
High School	8	1	9	8	1	9	8	1	9
3-year diploma	1	9	10	1	9	10	1	9	10
Bachelor	116	74	190	111	69	180	101	63	164
Post Graduate	52	25	77	43	19	62	40	14	54
Total	177	109	286	163	98	261	150	87	237

Employee by Age

Age	2018			2017			2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
18 - 25	4	7	11	6	5	11	5	4	9
26 - 35	82	72	158	69	62	131	63	52	115
36 - 45	55	23	78	60	24	84	55	24	79
46 - 55	32	7	39	28	7	35	27	7	34
>55	0	0	0	0	0	0	0	0	0
Total	177	109	286	163	98	261	150	87	237



Human Resources

Employee by Rank / Employment Group [405-1]

Level	2018		2017	2016
	Male	Female		
Staff/Executor	12 (4%)	7 (2%)	17	16
Junior Management	39 (14%)	51 (18%)	83	87
Middle Management	73 (26%)	42 (15%)	98	112
Senior Management	36 (13%)	7 (2%)	45	19
Executives & Technical Advisors	17 (6%)	2 (1%)	18	3
Total	177	109	261	237
	286			

Employee by Gender

Gender	2018	2017	2016
Male	177 (62%)	163 (62%)	150 (63%)
Female	109 (38%)	98 (38%)	87 (37%)
Total	286 (100%)	261 (100%)	237 (100%)

Employee by Employment status
(Contract or Non-Organic or Permanent Employee)


Employment Status	2018		2017	2016
	Male	Female		
Permanent	177	109	258	232
Contract	0	0	3	5
Total	177 (62%)	109 (38%)	261	237
	286			



About Sustainability Report of PT SMI



THIS SECOND SUSTAINABILITY REPORT IS PREPARED BASED ON THE STANDARD VERSION OF THE GRI SUSTAINABILITY REPORTING GUIDELINES ISSUED BY THE GLOBAL REPORTING INITIATIVE [GRI], WITH A CHOICE OF CORE OPTIONS FROM THE TWO CORE OR COMPREHENSIVE OPTIONS AVAILABLE. THIS REPORT PRESENTS PT SMI'S COMMITMENT IN SUPPORTING THE ACCELERATION OF NATIONAL ECONOMIC GROWTH THROUGH THE BEST ADVISORY AND FINANCING SERVICES THAT ARE ALIGNED WITH EFFORTS TO ACHIEVE A VARIETY OF SUSTAINABLE DEVELOPMENT GOALS IN THE SDGs.





About Sustainability Report of PT SMI



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This second Sustainability Report is prepared based on the Standard version of the GRI Sustainability Reporting Guidelines issued by the Global Reporting Initiative [GRI], with a choice of Core options from the two Core or Comprehensive options available. This report presents PT SMI's commitment in supporting the acceleration of national economic growth through the best advisory and financing services that are aligned with the efforts to achieve a variety of sustainable development goals in the SDGs.





Welcome to the PT Sarana Multi Infrastruktur (PT SMI) Sustainability Report, or "Report". Through the issuance of this second Report since the first publication in 2017, the Company has again provided an overview of the challenges and efforts made by PT SMI in managing its business continuity in 2018 as well as efforts to meet the stakeholders' expectations while bringing together business development interests, commitment to the practice of development activities that put forward the aspects of work safety, nature conservation, and social development.

Through this report, the Company also provides an overview of the measures made in an effort to realize various formulations of global scale sustainable development goals in the Sustainable Development Goals (SDGs) and together with other corporate citizens to ensure the creation of a better, today and future life.

REPORTS GUIDELINES, STANDARDS AND ASSURANCE [102-10, 102-54, 102-48, 102-49]

Starting this 2018 report, the Company will continue to use the "CORE" Standard Global Reporting Initiatives (GRI) Sustainability Report, while in the previous year, the GRI-G4 reporting standard was applied. In addition to the changes to the intended GRI standard edition, there were no significant changes in the comparison of data with the previous year's report, nor was there a restatement as a result of changes in the provisions of the PSAK. The Company continues to use the materiality principle in writing sustainability issues that are considered important for stakeholders and in carrying out business activities.

PT SMI presents indicators of GRI Standard Core disclosure that are applied with indexes in special colored brackets on each relevant page. The list of Standard Core Indexes applied in this Report is presented on page 168. [102-55]

As in the previous period, in writing the 2018 Sustainability Report, the Company still did not use the assurance service, however, to ensure the credibility and quality of the information contained in this report, all contents and data had gone through the internal verification stage. Until the completion of the preparation of the report, there is still no fixed schedule regarding the conduct of the assurance process by third parties who are competent in their fields. [102-56]

REPORT PERIOD AND CYCLE [102-50, 102-51, 102-52]

This report contains various programs and activities carried out by the Company as a continuation of similar programs that have been submitted in the previous reports. Reporting on the realization of the program is complemented by data relevant to the choice of material topics over the past two years, in the period 1 January 2018 to 31 December 2018 and the comparison for the same period in the previous year, 2017. The Company plans to publish Reports on a yearly basis.

There is no restatement of past annual data, considering that there were no significant changes to the company's operations during the reporting year. Likewise there is no significant change in scope and boundary in the reporting period.



REPORT SCOPE (BOUNDARY) AND LIMITATIONS

[102-45]

Associated entities and equity investments included in the PT SMI Consolidated Audited Report are PT Indonesia Infrastructure Finance (associate), PT Waskita Toll Road (equity participation) and PT Jasamarga Pandaan Malang (equity participation). However, activities of this entity are not included in this report. In reporting financial data, the Company applies techniques based on the Indonesian Financial Accounting Standards Statement ("PSAK"). As for sustainability data, the Company uses data measurement techniques applicable internationally. The quantitative data in this report are presented using the principle of comparability in two years.

DETERMINATION OF REPORT CONTENTS [102-46, 103-1, 103-2, 103-3]

The report presents topics that are important for PT SMI stakeholders, especially in the context of providing basic infrastructure financing in Indonesia. The report also briefly discusses the financial performance and efforts to manage social and environmental risks, considering that infrastructure development activities will always be in contact with efforts to mitigate these risks. The management of social and environmental risks is also a

manifestation of the implementation of the rules in POJK 51 which will apply and cover the activities of PT SMI in the near future.

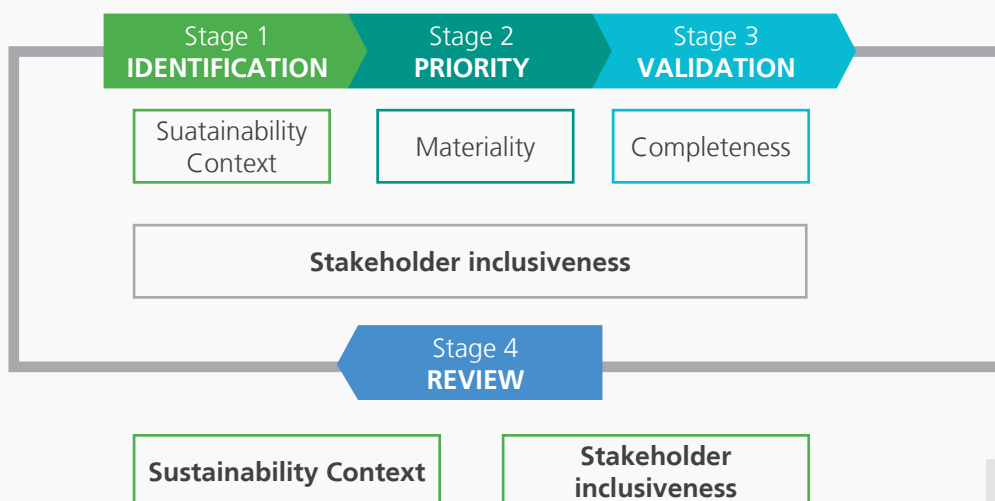
The Company carries out the process of determining the contents of the Report by implementing 4 (four) steps required by the GRI Standard:

1. Identifying the material and boundary aspects (Identification);
2. Prioritizing the aspects identified in the previous step (Priority).
3. Validating the material aspects (Validation).
4. Reviewing the Reports after publication to improve the quality of the following year's Report (Review).

The process of determining the Report contents shall be made in accordance with the principles required by the GRI Standard, i.e.: stakeholders inclusiveness; Materiality; Sustainability context, and Completeness.

The Company also analyzed stakeholders' responses in various activities involving specific stakeholder groups, such as meetings with stakeholders, in the GMS forums, analyst meetings, media gatherings, and so forth.

REPORT CONTENT DETERMINATION PROCESS



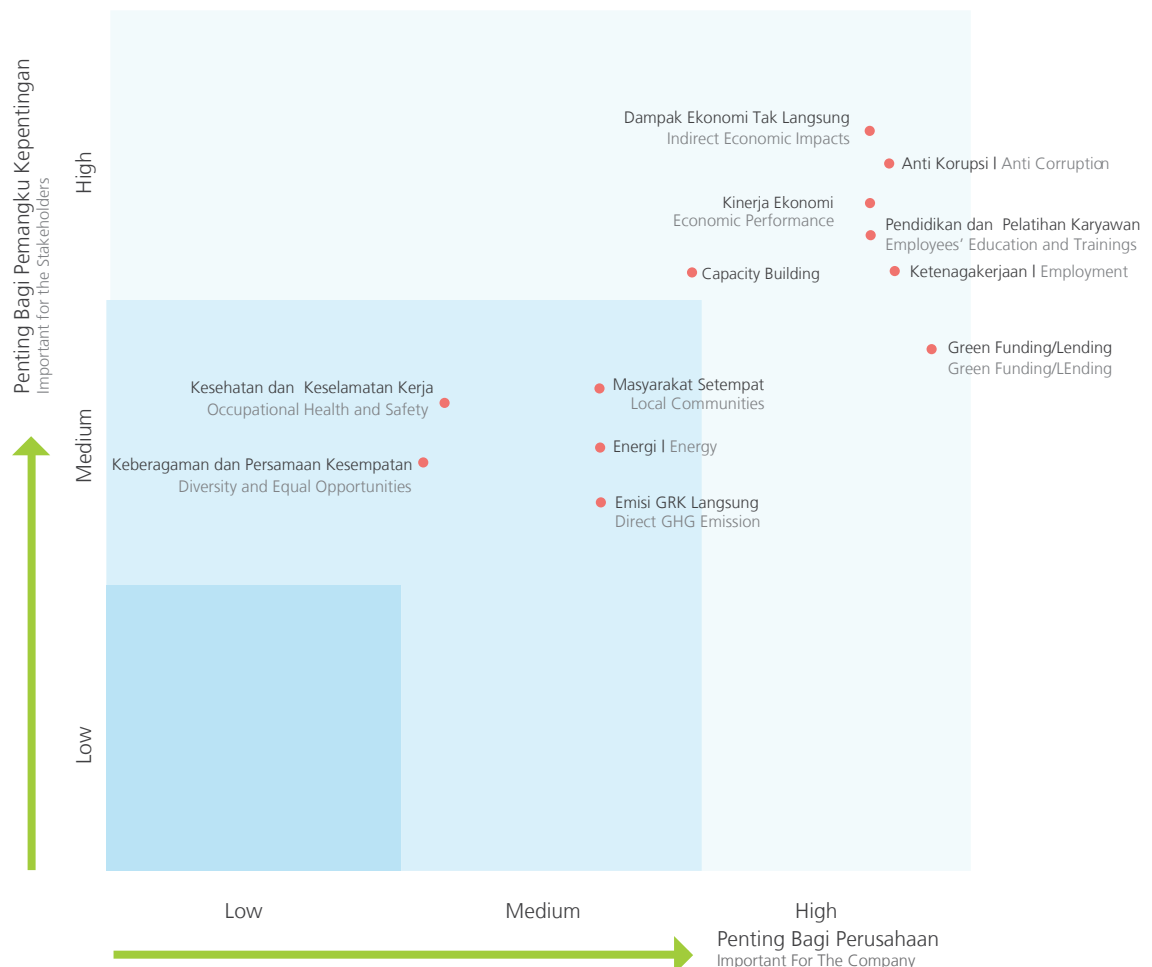
SIGNIFICANT IMPACTS AND MATERIALITY

TESTS^[102-46, 102-47, 103-1]

In determining the topics reported, the Company conducted a material impact study by forming an internal discussion group to discuss the operational impact of key stakeholders, and to consider input from several external parties through meeting with investors and interacting with the surrounding community.

Through the discussion, PT SMI tested the materiality on a number of material topics that were expected to be valuable of being submitted in the report.

Furthermore, from the internal FGD, the Company determined the priority of relevant topics to be submitted based on the significance of the topics to the stakeholders, and the significance of the topics on PT SMI business continuity and sustainability. The analysis is presented in the following matrix.



About Sustainability Report of PT SMI

12 material aspects have fulfilled the most material impact criteria toward PT SMI sustainability performance. The material aspects and main stakeholders group that are impacted and engaged in the effort to maintain the sustainability and boundary in the report is indicated in the following Material Aspects and Boundary table.

Material Aspects and Boundary [103-1]

Material Aspects and Boundary [100%]				Boundary	
No	Material Aspects	Alasan Materialitas	Index Disclosure	Internal of PT SMI	External of PT SMI
ECONOMY					
1	Economic Performance	Significant impact to stakeholders	201-1, 201-3	√	
2	Indirect economic impact	Significant impact to stakeholders	203-1, 203-2	√	
3	Anti-Corruption	Significant impact to stakeholders	205-1, 205-2, 205-3	√	
ENVIRONMENT					
4	Energy	Impact to sustainability	302-1	√	
5	Direct GHG Emission	Impact to sustainability	305-1	√	
SOCIAL					
6	Employment	Significant impact to stakeholders and business continuity	401-1, 401-2	√	
7	Occupational Health & Safety	Significant impact to stakeholders and business continuity	403-1, 13	√	
8	Training & Education	Significant impact to stakeholders and business continuity	404-1, 404-3	√	
9	Diversity & Equal Opportunity	Significant impact to stakeholders	405-1	√	
10	Local Community	Significant impact to stakeholders	413-1	√	
FINANCIAL SERVICE SECTOR					
11	Green Funding / Green Lending	Significant impact to business continuity and sustainability	FS1, FS2, FS3, FS4, FS5, FS6, FS7, FS8	√	
12	Capacity Building	Significant impact to stakeholders and business continuity	FS16	√	



VALIDATION AND REVIEW

PT SMI carries out validation and review processes with the aim of ensuring that the reports has the balanced content, which in addition to informing positive performance, the reports also contain negative information or performance. To improve the reports quality in the future, the Company will also pay attention to inputs, suggestions and considerations from the stakeholders.

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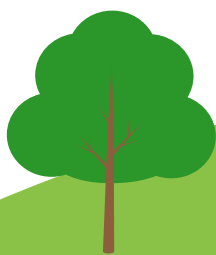
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