

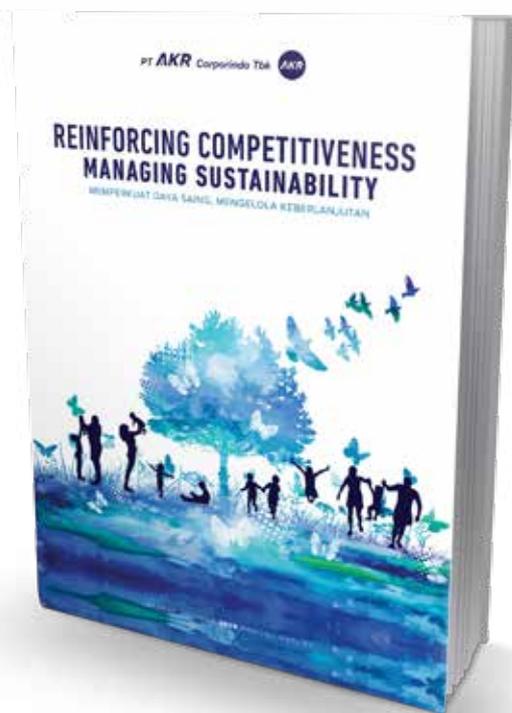
# REINFORCING COMPETITIVENESS MANAGING SUSTAINABILITY



SUMMARY REPORT  
**2019**



# REINFORCING COMPETITIVENESS MANAGING SUSTAINABILITY



Welcome to Annual Report 2019 of PT AKR Corporindo Tbk. The theme of this years report is “Reinforce Competitiveness, Managing Sustainability”. The Competitiveness encompasses Physical Infrastructure of storage and distribution spread throughout Indonesia, Management experience and expertise, strong relationships with Customers, Suppliers and Regulators, a well-trained and motivated Work Force and healthy Balance Sheet with low leverage and assets with potential to generate long term sustainable cashflow. This has been reinforced in recent years by divesting assets outside Indonesia and redeploying resources into businesses that are better fit with our core operations.

Our Annual Report 2019 demonstrates how this Competitiveness has translated into value creation for the Shareholders. Our robust financial performance has been achieved while supporting government initiatives to provide petroleum products efficiently, to introduce biodiesel and to develop downstream sector in Indonesian economy.

Simultaneously, Management has prioritized implementing best practices under ESG initiatives. Monitoring and reducing our energy consumption, focusing on renewables and clean energy to reduce greenhouse gas emissions, and Environment rehabilitation are integral part of long term growth strategy.

The objective of this report is to assist all stakeholders in better understanding of Company operations, financial performance, ESG initiatives and future strategic direction.

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## INFORMATION PROVIDED IN THE ANNUAL REPORT

The preparation of the Annual Report of PT AKR Corporindo Tbk in 2019 is using the applicable reference and standard in Indonesia, the place where the Company is located and is developing its operations and business activities. The standard parameters and criteria referring to the Financial Services Authority Regulation No. 29/POJK.04/2016 regarding Annual Report of Issuers or Public Companies and Circular Letter of Financial Services Authority No. 30/SEOJK.04/2016 regarding the Format and Content of the Annual Report of Issuers or Public Companies. In addition, this annual report has also adopted the applicable standard in the Annual Report Award (ARA) criteria.

## DISCLAIMERS AND LIMITATIONS OF LIABILITY

This Annual Report contains various statements related to the financial condition, operations, policies, projections, plans, strategies and objectives of the Company, which are classified as forward-looking statements in the implementation of applicable laws. Those statements have a prospect of risk and uncertainty, to the possibility of differences with actual developments. Prospective statements in this Annual Report are prepared based on assumptions about the current conditions, as well as projections for future situations related to the Company's business environment. PT AKR Corporindo Tbk cannot guarantee that the confirmed documents with valid data will bring definitive results.

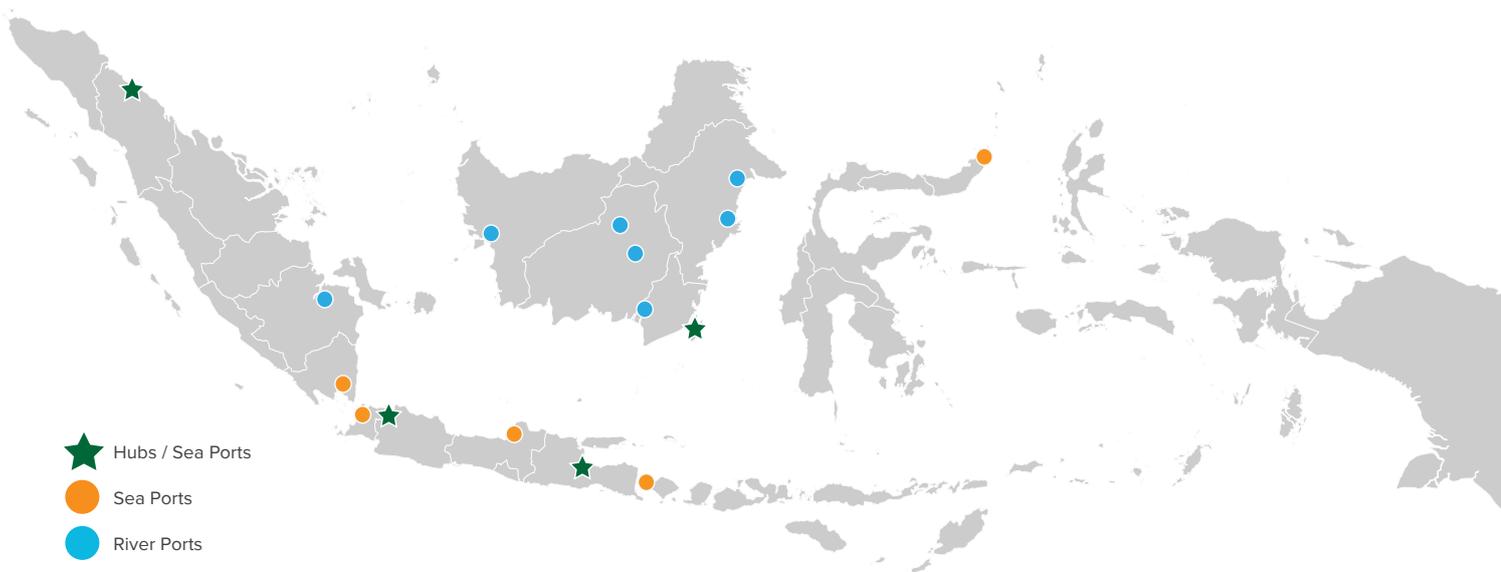
This Annual Report contains the words "Company" or "AKR", which refers to PT AKR Corporindo Tbk. In addition, the word "We" is also used on several occasions with the same function, due to the ease of mentioning AKR Corporindo Tbk.

# ABOUT AKR

” **AKR HAS TRANSFORMED, FROM A BASIC CHEMICAL TRADING BUSINESS IN 1960S, TO BECOME ONE OF THE MAJOR PETROLEUM DISTRIBUTORS IN INDONESIA. AKR CONTINUES TO STRENGTHEN ITS COMPETITIVENESS BY MANAGING ITS COMPETITIVE ADVANTAGE.**

With more than 6 decades of experiences in the trading business – distribution of petroleum and basic chemicals, AKR has built a competitive advantage in the distribution field from upstream to downstream by utilizing the logistics infrastructure. AKR’s logistics network is spread throughout the Indonesian archipelago including 15 sea and river ports, storage tanks at 20 points, and a strong logistics fleet. This widespread infrastructure enables AKR to reach more than 2,000 industrial customers in Indonesia.

## LOCATION OF TANK TERMINAL



In Kilolitre			
SUMATERA	JAWA-BALI	KALIMANTAN	SULAWESI
<b>43,814</b>	<b>491,864</b>	<b>152,600</b>	<b>30,500</b>
Medan Anggada Medan Gabion Palembang Andahanesa Lampung	Tj Priok Banten Ciwandan Semarang Tj Emas Surabaya Nilam Timur Surabaya Nilam Utara Terminal Nilam Utara (TNU) Bandung Bali Jakarta Tank Terminal (JTT)	Stagen – Kalsel Pontianak Banjarmasin Palaran Tanjung Selor Buntok Muara Teweh	Bitung

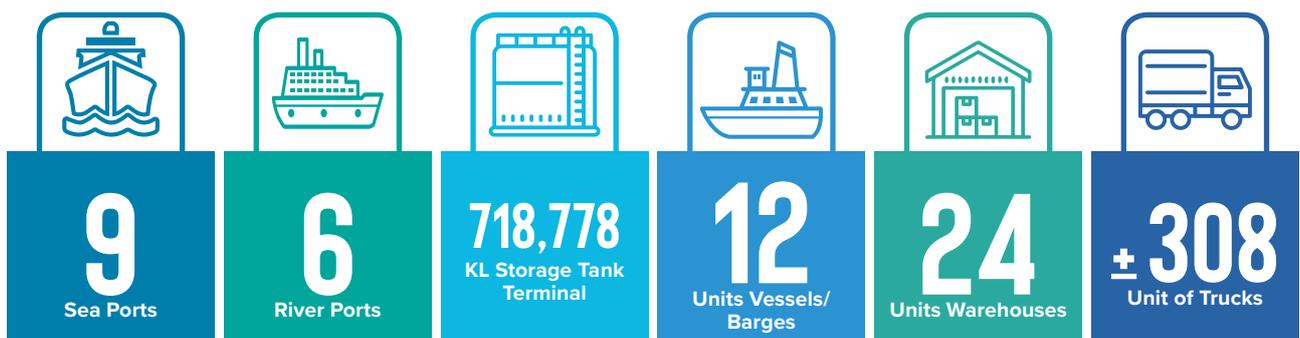


In addition to investing in logistics infrastructure assets, AKR is also developing the technology that provide a more efficient supply chain and operational control throughout Indonesia. AKR has introduced an innovative technology system to monitor and control the movement of cargo, supplies, and distribution of industrial and subsidized petroleum.

Risk management is a major part of AKR business model. In which the Company operates a pass through price mechanism to customers, and always protects its buying and selling transactions against the exchange rate by hedging. AKR is distributing petroleum commodities and products that are needed by the daily goods industry, such as rayon, glass, chemicals, medicines,

soap, detergents, etc. The business model and product range that are distributed make AKR a company with a stable business growth in the future.

AKR is committed to continue growing with various innovations in order to generate new sources of income in the future. Through this commitment, AKR has built a number of strategic partnerships with the aim of product diversification, market penetration and widening customer base. Currently, beside strengthening its main business segment in trading distribution and logistics, AKR is also developing a new logistics-based business with partners in the areas of integrated industrial estate, retail petroleum and aviation fuel.



### Petroleum Trading and Distribution



### Logistic Infrastructure



### Basic Chemicals Trading and Distributions



### Manufacturing



Industrial Estate



Power Plant and Other Utilities



Port Estate



# COMMITMENT IN MANAGING SUSTAINABILITY



” **AKR’S COMMITMENT TO CONTINUE GROWING CANNOT BE SEPARATED FROM ITS EFFORTS TO ENHANCE THE RELATIONSHIP WITH ALL STAKEHOLDERS.**

As the Company is expanding its business coverage, AKR is now strengthening its Environmental, Social and Corporate Governance (ESG) in every aspect of operations and business management. The enhancement of these three aspects will result in the relationship between the Company and its stakeholders for sustainable growth.

## SUSTAINABILITY GOVERNANCE

AKR has charted on the impacts of its operations and business, and strives to formulate the appropriate policies on each impact.

## FAIR OPERATION

AKR follows the practices of Corporate Governance that are primarily reflected in its anti-corruption principles, avoidance of unfair business competition, and transparent mechanism on procurement of goods and services

## HUMAN RIGHTS FULFILLMENT

In managing its operations and business, AKR is always enforcing Human Rights as a fundamental right of living of all stakeholders

## ENVIRONMENT

AKR is always evaluating and charting an environmental-risk map, and seeks to quickly mitigate and overcome any impacts that occur

## EMPLOYMENT, OCCUPATIONAL HEALTH AND SAFETY

As one of its closest stakeholders, employee is part of AKR to focus on growing together

## PRODUCT QUALITY AND CUSTOMER SERVICE

Customers are valuable for AKR. The quality of products and services always comes first and will always have a direct proportion to customer satisfaction.

## SOCIAL COMMUNITY DEVELOPMENT

AKR realizes that the Company is part of the community and therefore continue to build its existence to have a positive contribution to the community, especially those around the business area



## STRATEGY 2019

### DIVERSIFY PRODUCT PORTFOLIO

Petroleum + Chemical  
+ Liquefied Natural Gas + Power + Electric Vehicles

### DIVERSIFY CLIENTS

Industrial + Retail +  
JIPE Tenants + Aviation

### STRENGTHEN ALLIANCES AND PARTNERSHIP

Joint Ventures and  
Principals

### DELIVER CONSISTENT RETURNS

Improving Return  
on Equity, Net Profit  
Growth, Healthy  
Dividend Payout Ratio

### MANAGE RISK

Low Balance Sheet  
Gearing, Active  
Working Capital  
Management, Minimize  
Trading Positions



## 2019 ACHIEVEMENT

**1.89**

TRILLION RUPIAH

Gross profit in 2019 increased by 21.7% from Rp1.6 billion 2018.

**1.09**

TRILLION RUPIAH

Operating profit in 2019 increased by 17.0% from Rp936 billion 2018.

**0.27X**

NET GEARING

The balance sheet remained strong after paying its matured bonds which amounted to Rp877 billion and dividends. Cash from operating activities was Positive Rp688 billion.

**idAA<sup>-</sup>**

Rating for AKR Bond

Pefindo affirmed ratings for PT AKR Corporindo Tbk and its Bond with stable outlook

**263.18**

BILLION RUPIAH

Revenue from the Industrial Estate segment in 2019 has increased by 1,384.04% from the revenue in 2018 which amounted to Rp17.73 billion. Sales of industrial land in 2019 has pushed a significant increase in revenue from the industrial estate segment. This year's revenue that came from industrial land sales was Rp166 Billion, Industrial Land Lease from Freeport Smelter Project was Rp71 Billion, and utilities amounted to Rp26 Billion.

### TOP 50 BIG CAPITALIZATION PUBLIC LISTED COMPANY 2019

Accepting the awards at the The 10th CG Conference & Award 2019 which was held by the Institute for Corporate Directorship (IICD)

AKR has obtained a

### BLUE PROPER

for 2018-2019 from the Ministry of Environment and Forestry (KLHK) awarded to AKR Lampung.

**13**

GAS STATIONS

AKR and BP has made a strategic partnership in the petroleum trading and distribution. In 2019, AKR-BP has launched 13 new gas stations across several cities in Jabodetabek, Surabaya and Tolls road to Bandung.



## ZERO ACCIDENT AWARD

AWARD FOR WORKING HOURS WITHOUT ACCIDENTS BY THE MINISTRY OF MANPOWER OF THE REPUBLIC OF INDONESIA

**486,070**

HOURS  
(2016-2018)

to AKR branch in Bitung, North Sulawesi

**420,733**

HOURS  
(2015-2018)

to AKR branch in Samarinda, East Kalimantan

**1,144,996**

HOURS  
(2011-2018)

to AKR Site in Stagen, Kotabaru Regency, South Kalimantan

**553,714**

HOURS  
(2016-2018)

to AKR branch in Cilegon, Banten

**294,987**

HOURS  
(2016-2019)

to AKR branch in Lampung

# GENERAL INFORMATION AND CORPORATE IDENTITY

**Company Name**

PT AKR Corporindo Tbk

**Short Name**

AKR

**Establishment Date**

November 28, 1977

**Legal Basis of Establishment**

Deed No. 46 dated November 28, 1977, made before Sastra Kosasih, notary in Surabaya, and approved as a legal entity based on Republic of Indonesia Minister of Justice decree Number Y.A.5/161/7 dated June 14, 1978, and was published in the Official Gazette of the Republic of Indonesia No. 101 dated December 19, 1978, Supplement No. 741/1978.

**Legal Entity**

Limited Liability Companies (PT)/Public Company (Tbk)

**Business Segment**

- Trading and Distribution
- Logistic Services
- Manufacturing
- Industrial Estate

**Shareholders**

- 59.01% PT Arthakencana Rayatama
- 0.68% Management
- 40.31% Public

**Authorized Capital**

Rp750,000,000,000, divided into 7,500,000,000 shares, each share has a nominal value of Rp100.

**Paid Up Capital**

Rp401,469,942,000 comprising 4,014,694,920 shares with a nominal value of Rp100 per share of the nominal value of any shares issued by the Company.

**Listing Date on Stock Exchange**

Indonesia Stock Exchange, 3 October 1994

**Stock Code**

AKRA

**Bond Code and Rank**

- AKR Corporindo Bond I in 2012 With Fixed Rate Series B
- AKR Corporindo Sustainable Bond Phase I 2017 With Fixed Rate Series A
- AKR Corporindo Sustainable Bond Phase I 2017 With Fixed Rate Series B
- AKR Corporindo Sustainable Bond Phase I 2017 With Fixed Rate Series C

**Business Network**

The Company has 13 branch offices located in Kalimantan, Java-Bali, Sumatra and Sulawesi. The Company's storage tank is located at 20 points throughout the archipelago.

**Total Employees**

1,899 people

**Address**

AKR Tower lantai 26  
Jl. Panjang No. 5 Kebon Jeruk  
Jakarta Barat 11530, Indonesia

**Phone**

+62 21 5311110

**Facsimile**

+62 21 5311388, 5311185

**Email**

corporate.secretary@akr.co.id

**Website**

www.akr.co.id

**Corporate Contact**

Corporate Secretary  
Tel.: +62 21 5311110  
Fax.: +62 21 5311185  
Email: corporate.secretary@akr.co.id

# BRIEF HISTORY OF THE COMPANY



” THE COMPANY HAS 13 BRANCH OFFICES LOCATED IN KALIMANTAN, JAVA-BALI, SUMATRA AND SULAWESI. THE COMPANY’S STORAGE TANK IS LOCATED AT 20 POINTS THROUGHOUT THE ARCHIPELAGO.

## AKR AT A GLANCE

PT AKR Corporindo Tbk, hereinafter referred to as “AKR” or “Company”, has undergone a very long journey in the Indonesian and international business world. Established in Surabaya on November 28, 1977 under the name PT Aneka Kimia Raya, by virtue of Deed No. 46 dated November 28, 1977 made before Notary Sastra Kosasih, AKR initially engaged in the trading of basic chemicals. The Company built a number of storage tanks and warehouses of basic chemicals in several major ports in Indonesia, hence making the Company as the largest chemical distributor company in Indonesia in the 1970s.

In 1985, the Company relocated its head office to Jakarta and entered a new chapter in its business development.

In 1994 the Company became a public company listed on the Indonesia Stock Exchange. The Company’s Initial Public Offering (IPO) was held on October 3, 1994 with AKRA stock code.

In 2004, the Company changed the name of the company to PT AKR Corporindo Tbk. in line the addition of the Company’s business lines which no longer only focuses on the basic chemicals business. In the Company’s articles of association, other than chemicals, petroleum, and gas; the Company activities also includes logistics business, transportation services, warehouse and tank rental, workshops, expeditions and packaging, building contractors and services (except legal services). The activities also include conducting business and acting as representatives and/or agencies of other companies both inside and outside the country.

## A Glance of Company’s Name Changes



In 2005, the Company commenced distribution of non subsidized petroleum business, thus becoming the first national private company to enter distribution of petroleum products. Since 2010, the Company has been entrusted by of the Downstream Oil and Gas Regulatory Agency (BPH Migas) to distribute subsidized petroleum to several regions in Indonesia. The Company has implemented an integrated technological system that is innovative in monitoring and controlling the distribution of subsidized petroleum. During 2018, the Company was re-appointed by the as the corporation tasked for P3JBT (Agency tasked for executing the Supply and Distribution of Specific Petroleum types) for 5 years.

The Company since 2013 started joint collaboration with Pelindo III for the development of JIPE project in East Java. The Company also signed the Heads of Agreement between AKR and BP for retail fuel cooperation in 2016. The Company also signed Lubricant Distribution Agreement with CASTROL in 2017. With extensive logistics network, the Company has become one of the largest private distributors in logistics services and solution providers for the procurement of petroleum and basic chemicals in Indonesia.

The Company has 137 SPKB and SPBN outlets, spread across various regions of Indonesia included the 3T regions (Outermost, Frontier, Disadvantaged). AKR further strengthened its positioning as a petroleum distribution company by opening BP AKR gas stations. By the ended of 2019, there are 13 (thirteen) BP AKR gas stations located in Jakarta Greater Area such as De Latinos - Serpong, Jababeka Holywood - Cikarang, Cibubur Transyogi – East Jakarta, Bintaro Emerald - South Tangerang, Mendrisio Paramount - Gading Serpong, Telukjambe – West Karawang,

Harapan Indah Boulevard – Bekasi, and Metland Cyber City – Tangerang; in Surabaya located on Gubeng Raya, Kertajaya Indah, Pemuda, dan Margorejo Indah and Rest Area KM 72A – Cipularang Toll Road.

## CHRONOLOGY OF NAME CHANGES AND LEGAL STATUS

The company was established as PT Aneka Kimia Raya, based on Deed No. 46 dated November 28, 1977, passed before the Notary, Sastra Kosasih. The chronology of changes on the Company's name is as follows:

- The Company has changed its legal status to a public company since the Initial Public Offering and was officially listed on the Indonesia Stock Exchange on October 3, 1994, under the name PT Aneka Kimia Raya Tbk. The approval from the Company's shareholders of this change was recorded in the Deed No. 163 dated May 16, 1994, passed before Poerbaningsih Adi Warsito, SH, a Notary in Jakarta, that had received the approval of the Minister of Justice of the Republic of Indonesia in accordance with the Decree dated August 23, 1994, Number C2-12686.HT.01.04.Th.94.
- The Company changed its name to PT AKR Corporindo Tbk on September 23, 2004, in line with the addition of its business lines. This change has been recorded in Deed No. 36 dated September 23, 2004, passed before Doctor Amrul Partomuan Pohan, SH, LLM, a Notary in Jakarta, that was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in accordance with the Decree dated September 29, 2004, Number C -24263 HT.01.04.TH 2004.

# LIST OF ADDRESS OF OFFICES, SUBSIDIARIES AND ASSOCIATES

## HEAD OFFICE

### PT AKR Corporindo Tbk

AKR Tower Lt 26  
Jl. Panjang No.5, Kebon Jeruk  
Jakarta Barat 11530, Indonesia  
Telp: +62 21 531 1110  
Fax: +62 21 531 1388, 531 1185

## BRANCH / REPRESENTATIVE OFFICES

### BALIKPAPAN

Gedung BRI Lt.5,  
Jl. Jend. Sudirman No.37, Balikpapan,  
Kalimantan Timur 76112, Indonesia  
Telp: +62 542 736771

### BALI

Jl. Ikan Tuna 1, Pelabuhan Benoa  
Denpasar Selatan, Bali, Indonesia  
Telp: +62 361 720743  
Fax: +62 361 720563

## BANDUNG

Kawasan Industri Cimareme V No. 5,  
Ngamprah, Bandung Barat 40553,  
Indonesia  
Telp: +62 22 686 5000  
Fax: +62 22 686 4649

## BANJARMASIN

Pelabuhan Martapura Baru Trisakti,  
Kawasan Pelindo III, Banjarmasin,  
Kalimantan Selatan 70119, Indonesia  
Telp: +62 511 442 3279  
Fax: +62 511 442 3289

**CIWANDAN**

Jl. Pelindo II Ciwandan Cilegon Banten  
Telp: +62 254 602088/87/131  
Fax: +62 251 602130, 602132

**LAMPUNG**

Jl. Sumatera, Komplek Pelindo II - Panjang  
Bandar Lampung 35241, Indonesia  
Telp: +62 721 343100, 341650  
Fax: +62 721 343333

**MANADO dan Sekitarnya**

Grand Kawanua Novotel Manado Lt III  
Jl. AA Maramis - Kayuwatu / Kairagi II  
Manado 95254 - Sulawesi Utara  
Telp: +62 431 818 911-12  
Fax: +62 431 818 910

**MEDAN**

Jl. Anggada 1, Pelabuhan Ujung Baru  
Belawan, Medan 20411, Indonesia  
Telp: +62 61 694 4091  
Fax: +62 61 649 4268

**SEMARANG**

Gedung Bank Panin Lt. 4,  
Jl. Pandanaran No. 6-8 Semarang 50134,  
Indonesia  
Telp: +62 24 351 2132  
Fax: +62 24 351 4010

**SURABAYA**

Jl. Sumatera No. 51-53 Surabaya 60281,  
Indonesia  
Telp: +62 31 503 4871/72  
Fax: +62 31 328 4726

**PALEMBANG**

Jl. Belabak 36A/ 3 Ilir Palembang 30116,  
Indonesia  
Telp: +62 711 717636, 717644, 717645  
Fax: +62 711 710072

**TERMINAL / TRANSPORTATION  
/ WAREHOUSE**

**TANJUNG PRIOK**

Jl. Aceh, Pelabuhan Tanjung Priok,  
Pos E Samping PT. Bimoli, Jakarta Utara,  
Indonesia  
Telp: +62 21 4372318  
Fax: +62 21 43930017

**MARUNDA 1**

Jl. Ambon Blok A1 No. 5,6,7  
KBN Marunda Jakarta Utara, Indonesia  
Telp: +62 21 440 6569, 440 6570  
Fax: +62 21 440 6571

**MARUNDA 2**

Jl Semarang Blok A6 No. 2  
KBN Marunda, Jakarta Utara, Indonesia  
Telp: +62 21 441 5979, 441 5977

**NILAM TIMUR**

Terminal AKR I  
Jl. Nilam Timur, Surabaya, Indonesia  
Telp: +62 31 328 2965, 329 1979  
Fax: +62 31 329 1977

**NILAM UTARA**

Terminal AKR II  
Jl. Nilam Utara, Surabaya, Indonesia  
Telp: +62 31 329 5008, 3292 252  
Fax: +62 31 329 2252

**PALARAN**

Jl Trikora RT 25, Jembatan Kuning,  
Kelurahan Handil Bakti, Palaran,  
Samarinda, Kalimantan Timur, Indonesia  
Telp : +62 541 6522 204, 6522 544

**STAGEN**

Jl Raya Stagen Komplek PELINDO III  
-Stagen, Pulau Laut Utara - Kab. Kota Baru  
Kalimantan Selatan - 72151, Indonesia  
Telp: +62 518 607 2372

**SURABAYA**

Jl. Margomulyo 44, Pergudangan Suri  
Mulia Kav. A6-8, Surabaya, Indonesia  
Telp: +62 31 749 1041  
Fax: +62 31 749 1045, 748 2241

**BITUNG**

Jl. Wolter Monginsidi KM 4 Kelurahan  
Paceda, Kecamatan Bitung Tengah,  
Kota Bitung, Sulawesi Utara, Indonesia  
Telp: +62 438 2230734, 2230733

**SEMARANG**

Jl. Coaster No. 16 Pelabuhan, Tanjung Mas  
Semarang 50174, Indonesia  
Telp: +62 24 354 6066  
Fax: +62 24 351 4010

**SUBSIDIARIES**

**PT AKR NIAGA INDONESIA**

AKR Tower Lt .26  
Jl. Panjang No.5, Kebon Jeruk,  
Jakarta Barat 11530, Indonesia  
Telp: +62 21 531 1110  
Fax: +62 21 531 1388, 531 1185

**PT AKR SEA TRANSPORT**

AKR Tower Lt .26, Jl. Panjang No. 5  
Jakarta Barat 11530, Indonesia  
Telp: +62 21 531 1110  
Fax: +62 21 5366 2225

**PT AKR TRANSPORTASI  
INDONESIA**

AKR Tower Lt .26, Jl. Panjang No. 5  
Jakarta Barat 11530, Indonesia  
Telp: +62 21 531 1110  
Fax: +62 21 5366 2225

**PT ANDAHANESA ABADI**

AKR Tower LT.26  
Jl Panjang No. 5 Jakarta Barat 11530,  
Indonesia  
Telp: +62 21 531 1110

**PT ANUGRAH KARYA RAYA**

Wisma AKR Lt.3, Jl. Panjang No. 5  
Jakarta Barat 11530, Indonesia  
Telp: +62 21 531 1145  
Fax: +62 21 5366 2225

**PT ARJUNA UTAMA KIMIA**

Jl. Rungkut Industri 1 No. 18/23,  
Surabaya 60292, Indonesia  
Telp: +62 31 843 1646 / 878  
Fax: +62 31 843 2672

**PT JAKARTA TANK TERMINAL**

Jalan Timur Raya No. 2, Tanjung Priok,  
Jakarta Utara 14310, Indonesia  
Telp: +62 21 4390 4002  
Fax: +62 21 4390 4017, 4393 4473

**PT USAHA ERA PRATAMA  
NUSANTARA**

JL Perak Timur No 298B  
Kelurahan Perak Utara  
Kecamatan Pabean Cantikan  
Surabaya 60165, Indonesia  
Telp: +62 31 3284727, 3284729  
Fax: +62 31 3284726

**PT BERKAH KAWASAN MANYAR  
SEJAHTERA**

Jl. Raya Manyar Km 11,  
Desa Manyarejo, Kecamatan Manyar  
Kabupaten Gresik Jawa Timur 61151,  
Indonesia  
Telp: +62 31 985 40999  
Fax: +62 31 985 40998

**PT BERLIAN MANYAR  
SEJAHTERA**

Gapura Surya Nusantara Lt.2,  
Jl. Perak Timur No.620,  
Surabaya 60164  
Telp: +62 31 99097788

**PT TERMINAL NILAM UTARA**

Jl. Nilam Utara, Pabean Cantikan,  
Tanjung Perak, Surabaya, Indonesia  
Telp: +62 31 99094737

**PT ANUGERAH KRIDA  
RETAILINDO**

AKR Tower Lt 26  
Jl. Panjang No.5, Kebon Jeruk  
Jakarta Barat 11530, Indonesia  
Telp: +62 21 531 1110

# BUSINESS SEGMENT, PRODUCTS AND SERVICES



## INDUSTRIAL PETROLEUM - TRADING & DISTRIBUTION

The company distributes petroleum to its customers such as the mining industry, commercial, bunkers, etc. AKR possesses extensive logistics network across Indonesia which allows it to ensure consistency in terms of quality, quantity, and timing.

### Products/Services

1. Biodiesel (B30)
2. Fuel Oil (FO)
3. Industrial Diesel Oil (IDO)
4. Gasoline



## BASIC CHEMICALS - TRADING AND DISTRIBUTION

The company is engaged in trading and distribution of basic chemicals which are bulky in nature and primarily used as raw materials in various industries. The company's strategic advantages are, it is the market leader, it has long-term relationships with business partners, and has an integrated supply chain network.

### Products/Services

- |                        |                                       |
|------------------------|---------------------------------------|
| 1. Caustic Soda Flake  | 6. PVC resins                         |
| 2. Caustic Soda Liquid | 7. Hydrogen Peroxide                  |
| 3. Hydrochloric Acid   | 8. Methanol                           |
| 4. Soda Ash Dense      | 9. Sulphuric Acid Sodium hypochlorite |
| 5. Sodium Sulphate     |                                       |



## RETAIL PETROLEUM DISTRIBUTION

The company started distributing subsidized fuel in 2009. The company operates 137 petrol stations which use the "AKR" brand. From 2016, due to the subsidy removal on gasoline, the company now sells unsubsidized gasoline. And since April 2017, the Company announced the signing of a retail joint venture in Indonesia with BP, to develop BP-AKR Petrol stations. 13 Petrol stations of BP-AKR opened in 2019 and plan to open more petrol station in Indonesia going forward.

### Products/Services

- |           |                        |
|-----------|------------------------|
| 1. RON 90 | 3. RON 95              |
| 2. RON 92 | 4. High Quality Diesel |



## AVIATION FUEL

The Company established JV company to distribute aviation fuel in Indonesian airports. In November 2016, the Company announced the signing of a joint venture with Air BP. The Joint Venture formed a company called PT Dirgantara Petroindo Raya (DPR). In August 2019 PT Dirgantara Petroindo Raya officially opened the first Aviation Fuel depot (Aircraft Filling Depot) at IMIP special airport in Morowali, Central Sulawesi. The Company became the first private company to distribute aviation fuel in Indonesia.



**LUBRICANTS**

The Company conducts business in the field of trading and distribution of lubricants for the industrial, marine, mining and commercial vehicles sectors with the Castrol brand.

**Products/Services**

Commercial Lubricants



**MANUFACTURING**

The Company's manufacturing segment is currently an adhesive product manufactured by the Company's subsidiary, PT Arjuna utama Kimia (Aruki) in Surabaya, East Java. Aruki supplies adhesive to various companies in the wood and paper industry in Indonesia

**Products/Services**

Wood Adhesives



**INTEGRATED INDUSTRIAL & PORT ESTATE**

The company is developing Java Integrated Industrial and Port Estate (JIPE), which will provide a one stop integrated solution to industries in the form of a port, power, water, multimodal transport, bonded zones, etc. The total area development is 3,000 ha.

**Products/Services**

- |                                |                  |
|--------------------------------|------------------|
| 1. Industrial Land             | 5. Gas           |
| 2. Power Plant                 | 6. Fiber optic   |
| 3. Water Treatment Plant       | 7. Port Services |
| 4. Waste Water Treatment Plant |                  |

**LOGISTIC SERVICES**

The company provides logistics services to third parties. The company possesses an extensive network in the form of tank terminals, trucks, barges, port operations, warehouses across Indonesia to support this business segment.

**Products/Services**

1. Bulk handling Services
2. Container handling Services
3. Land and Sea Transportation
4. Tank Storage
5. Vendor Managed Inventory
6. Warehousing

# VISION, MISSION, VALUES AND PARADIGMS



## VISION

To be the leading provider of logistic services and supply chain solutions for bulk chemicals and energy distribution in Indonesia.

Optimizing our potential to build sustainable stakeholders value.



## MISSION

### REVIEW AND APPROVAL FROM THE BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS ON CORPORATE VISION AND MISSION

The Board of Commissioners and Board of Directors have reviewed the Company's Vision and Mission and stated that the Vision and Mission remain in line with the Company's long-term goals. The review and approval on Corporate Vision and Mission is set forth in the management contract that been reviewed and approved every year.



## CORPORATE VALUES

Be Entrepreneurial  
Collaborate  
Reward for Performance  
Be Agile  
Empower Your Team  
Zero Tolerance

# MEANING BEHIND COMPANY LOGO



The Company's logo was formed based on the Company's vision to be the leading provider of logistic services and supply chain solutions for bulk chemicals and energy distribution in Indonesia. This vision has been leading the Company to achieve a superior performance of global standard through asset and resource management, partnerships and business strategies that drive a massive scale of growth.

**1**

The Company's logo is formed by making the letters the Company's acronym, "AKR", as the epicentrum.

**2**

The acronym "AKR" is placed in a blue circle to indicate that AKR is a business entity with a worldwide reputation.

**3**

The red color in the letter "A" in the acronym "AKR" shows a ray of light that symbolizes the Company's sincerity and honesty in ensuring that its business activity is done responsibly.

**4**

The white color in the acronym "AKR" symbolizes a professional attitude and compliance to the applicable business authorities and always put forward the spirit to compete fairly and equally.

# MILESTONES

## 1960-an

Basic chemicals trading business was founded in Surabaya.

## 1980

The Company commenced building storage tanks for basic chemicals and warehouses in several major ports in Indonesia.

## 1977

The business was incorporated as PT Aneka Kimia Raya on November 28, 1977.

## 2004

- PT Aneka Kimia Raya Tbk changed its name to PT AKR Corporindo Tbk on September 23, 2004.
- The Company made its first Right Issue I.
- The Company acquired the stock ownership of Sorini's and Khalista's Sorbitol Plant.

## 1994

The Company conducted an IPO and its shares were listed on the Indonesian Stock Exchange on October 3, 1994, with "AKRA" as its stock code.

## 2005

The Company became the first national private company to distribute non-subsidized petroleum in Indonesia.

## 2006

The Company acquired and commenced operations in river ports in China.

## 2010

- The Company became the first national private company to distribute subsidized petroleum in Indonesia through the operation of the petrol stations for motorists (SPBKB) and for fisheries (SPBN).
- First Phase of PT Jakarta Tank Terminal, the Company's subsidiary engaging in petroleum tank terminal business at Tanjung Priok, was inaugurated in April 2010.
- The company made its second right issue II.

## 2012

The Company started implementing IT system in subsidized petroleum distribution.

1960

1977

1980

1994

2004

2005

2006

2008

2010

2012

**2013**

The Company and Pelindo III started to jointly develop Java Integrated Industrial and Ports Estate (JIPE) which integrates an industrial estate and deep sea port located in Gresik, East Java.

**2015**

- Increased its total tank storage capacity to 656,000 KL.
- Received allocation of 300,000 KL to distribute subsidized fuel for 2016.
- Handed over first part of Industrial Estate land.

**2017**

- Opening of Clariant Chemical Speciality Company at JIPE.
- BP and AKR Signed Retail Joint Venture Agreement in Indonesia.
- Issuance of AKR Corporindo Sustainable Bond I Phase I Year 2017.
- Castrol & AKR Signed Lubricant Distribution Agreement.
- AKR divested its Guigang Port in China.
- Inauguration of SPBKB One Price Petroleum Distributors at SPBKB AKR
- Ledo and Batang Tarang, Kabupaten Bengkayang, West Kalimantan.
- PT Berlian Manyar Sejahtera acquired a 76 year Concession.
- AKR established Partnerships with Islamic boarding school.

**2019**

- Inauguration of 4 SPBKB and total AKR's One Price Petroleum outlet: 10 stations
- Commissioned 13 new BP AKR Gas Stations
- Handover of Land for the 103 Ha Smelter project to Freeport
- BKMS and Waskita Bumi Wira signed a Memorandum of Understanding on the Development of JIPE Toll Road Access
- Opening of Plane Aviation Terminal of JV Air BP-AKR in Morowali, Central Sulawesi
- AKR was reappointed to Distribute Subsidized Fuel in 2020
- JIPE Industrial Estate, through PT Berkah Kawasan Manyar Sejahtera, obtained Integrated ISO Certification

2013

2014

2015

2016

2017

2018

2019

**2014**

The Company was reassigned by BPH Migas to distribute subsidized diesel during 2015.

**2016**

- JIPE has been selected for government's KLIK program.
- First Petrol Station inaugurated in the Greater Jakarta area; Kapuk.
- Signed JV for aviation business.
- Signed of Heads of Agreement between AKR and BP for cooperation in retail business.
- Commissioned JIPE port.

**2018**

- AKR was appointed as a P3JBT Executing Agency for 5 years.
- The Company handed over the land of Khalista for auction in China and completed the process of divestment.
- JIPE was inaugurated as one of the national strategic projects.
- The Company divests its Coal Business (PT Bumi Karunia Pertiwi).
- AKR started to distribute B20.
- The Company adds 2 SPOB fleets; AKRA 101 and AKRA 102.
- JTT Phase 2A Project additional capacity of 100,000 KL officially began.
- Terminal Nilam Utara, Surabaya with a capacity of 70,000 KL started operation.
- First AKR BP gas station opened in De Latinos, Serpong.

# ORGANIZATION STRUCTURE

The organization structure as of December 31, 2019, has been ratified through Board of Directors Decree dated October 16, 2019. Below is the Company's organization structure as of December 31, 2019:

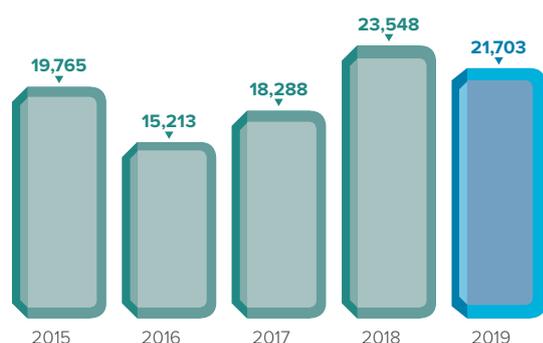


# FINANCIAL HIGHLIGHTS

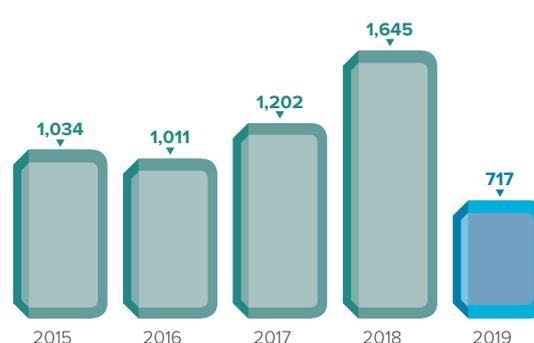
## Consolidated Statement of Profit or Loss and Other Comprehensive Income

(In billion Rupiah, unless stated otherwise)	2019	2018	2017	2016	2015
Sales and Revenues	21,703	23,548	18,288	15,213	19,765
Gross Profit	1,892	1,555	1,867	1,875	2,216
Operating Profit	1,095	936	1,137	1,175	1,349
Profit for the Year	703	1,597	1,305	1,047	1,059
Profit for the Year Attributable to Equity Holders of Parent Entity	717	1,645	1,202	1,011	1,034
Profit for the Year Attributable to Non-controlling Interests	(14)	(48)	103	36	25
Total Comprehensive Income for the Year	656	1,613	1,341	901	1,085
Total Comprehensive Income for the Year Attributable to Equity Holders of Parent Entity	688	1,644	1,235	878	1,047
Total Comprehensive Income for the Year Attributable to Non-Controlling Interests	(32)	(31)	106	23	38
Earnings per Share (full amount in Rupiah)	180	413	303	255	263

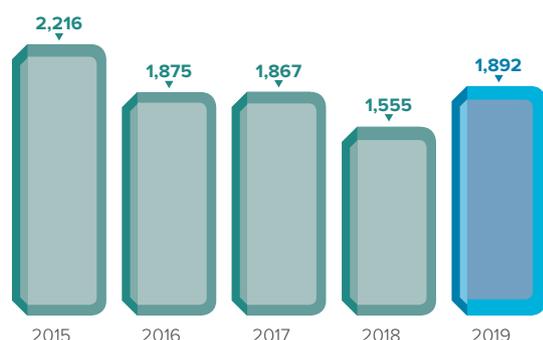
### Sales and Revenues (Rp billion)



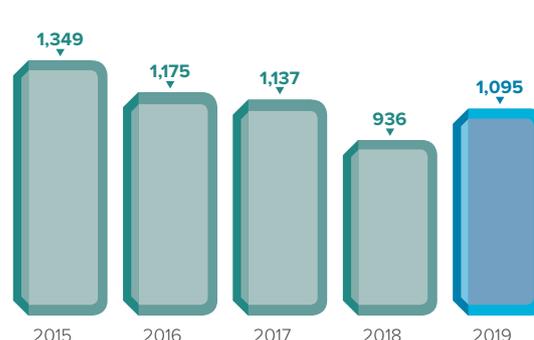
### Profit for The Year Attributable to Equity Holders of The Parent Entity (Rp billion)



### Gross Profit (Rp billion)



### Operating Profit (Rp billion)



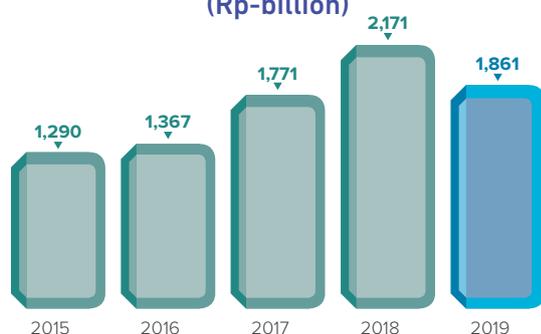
### Earning per Share From Continuing Operations (Rp)



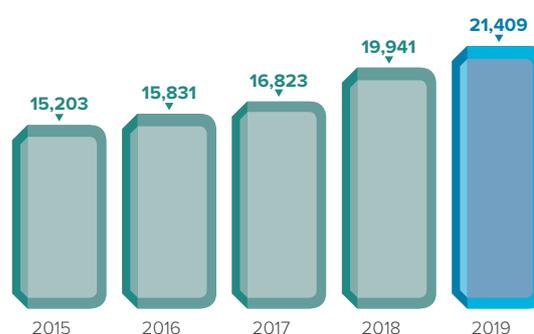
### Consolidated Statement of Financial Position

(In Billion Rupiah)	2019	2018	2017	2016	2015
Net Working Capital	2,065	3,206	3,387	1,576	2,414
Investments in associates	419	412	410	456	424
Current Assets	10,778	11,269	8,816	7,391	7,286
Non-Current Assets	10,631	8,672	8,007	8,439	7,917
Total Assets	21,409	19,941	16,823	15,831	15,203
Current Liabilities	8,713	8,063	5,429	5,816	4,871
Non-Current Liabilities	2,630	1,951	2,364	1,941	3,046
Total Liabilities	11,342	10,014	7,794	7,756	7,917
Equity Attributable to the Equity Holders of the Parent Entity	8,336	8,371	7,558	6,821	6,090
Non-Controlling Interests	1,731	1,556	1,472	1,253	1,196
Total Equity	10,067	9,927	9,030	8,074	7,286

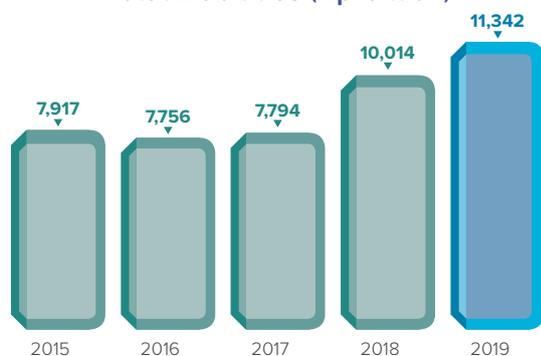
Balance of Cash and Cash Equivalents (Rp-billion)



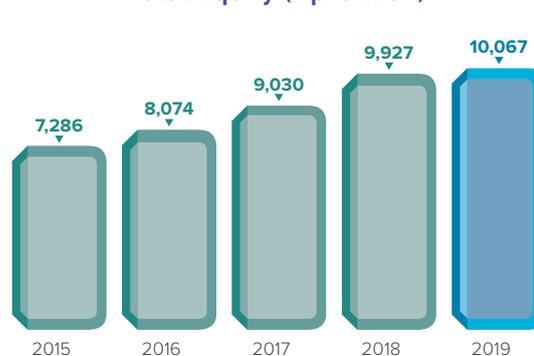
Total Assets (Rp-billion)



Total Liabilities (Rp-billion)



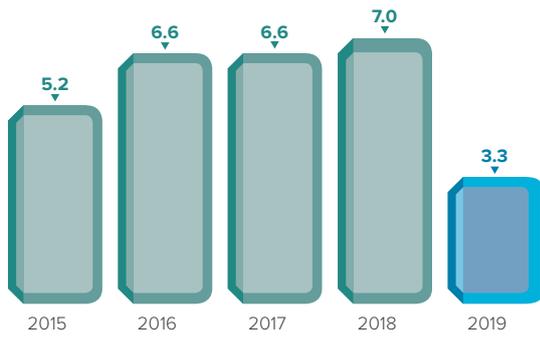
Total Equity (Rp-billion)



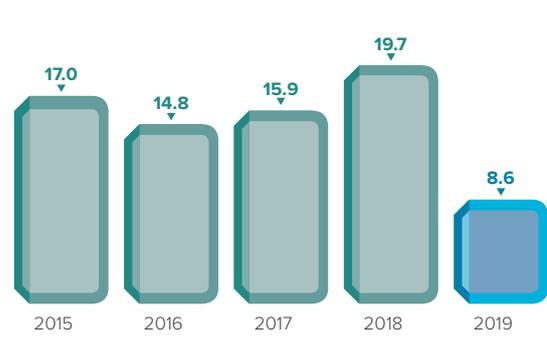
### Financial Ratio

	2019	2018	2017	2016	2015
Return on Assets (%)	3.4	8.2	7.1	6.4	6.8
Return on Equity (%)	8.6	19.6	15.9	14.8	17.0
Net Profit Margin (%)	3.3	7.0	6.6	6.6	5.2
Current Ratio (times)	1.2	1.4	1.6	1.3	1.5
Total Liability to Equity (times)	1.1	1.0	0.9	1.0	1.1
Total Liability to Asset (times)	0.5	0.5	0.5	0.5	0.5
Gross Profit Margin (%)	8.7	6.6	10.2	12.3	11.2
Operating Profit Margin (%)	5.0	4.0	6.2	7.7	6.8
Total Assets Turnover (times)	1.0	1.2	1.1	1.0	1.3
Net Gearing Ratio (times)	0.27	0.21	0.16	0.33	0.35
Price Earning Ratio (times)	23.9	11.4	21.8	26.5	21.1

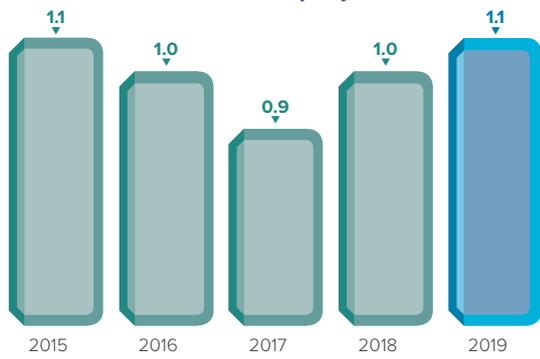
Net Profit Margin (%)



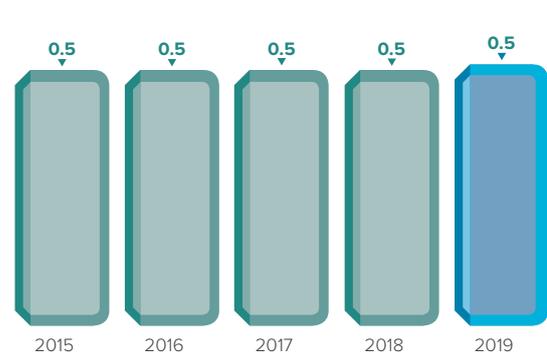
Return on Equity (%)



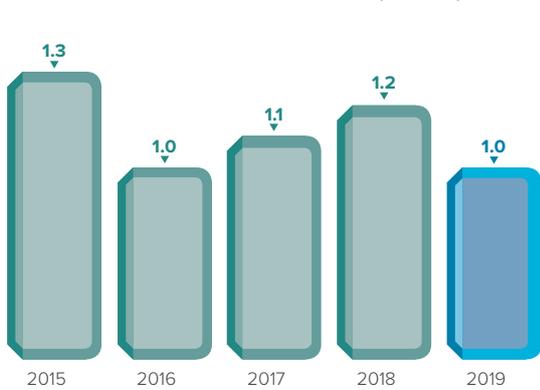
Liabilities to Equity (times)



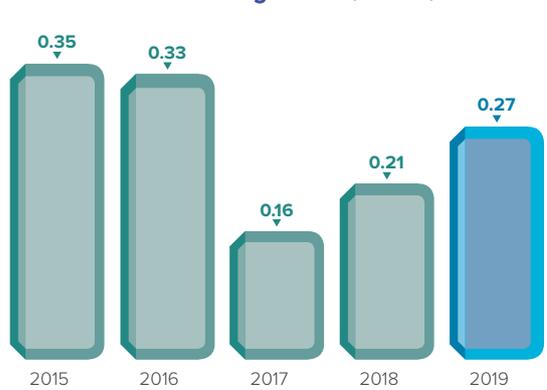
Liabilities to asset (times)



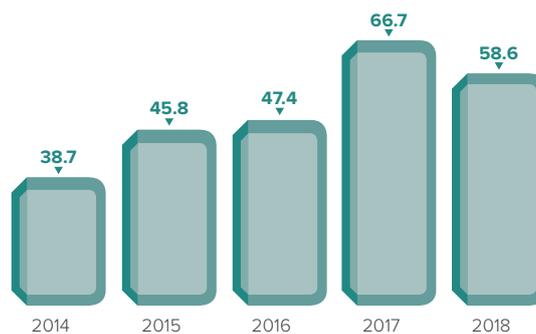
Total Assets Turnover (times)



Net Gearing Ratio (times)



Dividend Payout Ratio (%)



# SHARE HIGHLIGHTS



PT AKR CORPORINDO TBK HAS LISTED AND TRADED ITS SHARES ON THE INDONESIA STOCK EXCHANGE SINCE OCTOBER 3, 1994.

STOCK CODE:  
**AKRA.IJ**

## Information of AKRA's Shares 2015-2019

	2019	2018	2017	2016	2015
Stock Exchange	Indonesia Stock Exchange				
Market Capitalization (Rp Billion)	15,858	17,223	25,440	23,951	28,334
Highest Price (Rp)	5,875	6,575	8,025	8,450	7,300
Lowest Price (Rp)	3,220	3,220	5,650	5,675	4,110
Closing Price (Rp)	3,950	4,290	6,350	6,000	7,175
Trading Volume (Shares)	590,741,000	536,669,800	316,539,000	229,995,500	646,946,700
Outstanding Shares (Shares)	4,014,694,920	4,014,694,920	4,006,329,420	3,991,781,170	3,949,030,235

## Information on Movement of AKR Shares 2018-2019

Period	Start Date	End Date	Shares Outstanding	Market Capitalization (Rp Billion)	Highest Share Price (Rp)	Lowest Share Price (Rp)	Closing Share Price (Rp)	Trading Volume
2018								
Quarter I	1-Jan-18	31-Mar-18	4,006,329,420	22,736	6,575	5,400	5,675	422,720,300
Quarter II	1-Apr-18	30-Jun-18	4,014,694,920	17,263	5,875	3,960	4,300	514,875,600
Quarter III	1-Jul-18	30-Sep-18	4,014,694,920	14,734	4,780	3,220	3,670	779,141,900
Quarter IV	1-Oct-18	31-Dec-18	4,014,694,920	17,223	4,430	3,290	4,290	536,669,800
2019								
Quarter I	1-Jan-19	31-Mar-19	4,014,694,920	18,990	5,875	4,160	4,730	436,794,700
Quarter II	1-Apr-19	30-Jun-19	4,014,694,920	16,420	4,950	3,810	4,090	365,177,000
Quarter III	1-Jul-19	30-Sep-19	4,014,694,920	15,256	4,440	3,670	3,800	461,815,900
Quarter IV	1-Oct-19	31-Dec-19	4,014,694,920	15,858	4,350	3,220	3,950	590,741,000

## Graphic of Closing Price and Trading Volume of AKRA 2018-2019



### INFORMATION ON CORPORATE ACTION ON SHARES

In 2019, the Company did not conduct any corporate action related to shares. The Company did not conduct any action regarding stock split, reverse stock, bonus shares and changes in the nominal value of shares in 2019.

Detail description of the Company's corporate actions can be seen in the section on chronology of issuance and listing of shares in the Company Profile chapter in this annual report.

### INFORMATION ON TEMPORARY SUSPENSION AND/OR SANCTION ON AKRA'S SHARE TRADING AND ELIMINATION OF SHARES REGISTRATION

In 2019, AKRA shares have never received any sanction that might affect the share trading activities on the listed and traded Stock Exchange in any form including suspension of temporary stock trading (suspension). The Company had never deleted its shares (delisting).

### DIVIDEND INFORMATION

Share Dividend	2019 (for Share Dividend of 2018 Fiscal Year)	2018 (for Share Dividend of 2017 Fiscal Year)
Cash Dividend Paid Out	Rp963.53 billion	Rp801.48 billion
Dividend per Share	Rp240	Rp200
Dividend Payout Ratio	58.6%	66.7%
Decision of AGM and company's directors date	July 4, 2018: Rp120 per share April 30, 2019: Rp120 per share	July 25, 2017: Rp100 per share May 3, 2018: Rp100 per share
Payment Date	August 3, 2018: Rp120 per share May 17, 2019: Rp120 per share	August 15, 2017: Rp100 per share May 25, 2018: Rp100 per share

## CONSTITUENT OF INDEX MSCI WORLD SMALL CAP LQ45, KOMPAS 100, BISNIS-27, MNC-36





**I NYOMAN MASTRA**  
Independent Commissioner

**AGUS MARTOWARDOJO**  
Commissioner

**SOEGIARTO ADIKOESOEMO**  
President Commissioner





THE COMPANY RECORDED AN EXCELLENT GROSS PROFIT AND OPERATIONAL PROFIT GROWTH OF 22% AND 17% RESPECTIVELY DURING THE YEAR 2019 COMPARED TO THE YEAR 2018, WHILE PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT ENTITY IN 2019 AMOUNTED TO RP717.2 BILLION WITH A NET PROFIT MARGIN OF 3.3%.

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**SOEGIARTO ADIKOESOEMO**  
*President Commissioner*

# BOARD OF COMMISSIONERS' REPORT

Dear Respected Shareholders and Stakeholders,

Our gratitude goes to the presence of God Almighty who has bestowed His grace and gifts upon us all, and helped PT AKR Corporindo Tbk. come through 2019 with good performance. It is an honor for me, on behalf of the Board of Commissioners, to present our supervisory report on the Company's performance for Fiscal Year 2019.

During the year the Board of Commissioners conducted its supervisory duties and provided advice to the Board of Directors in good faith, with responsibility and prudence in the interest of the Company. When carrying out its duties and functions, the Board of Commissioners does so independently, in accordance with the Company's Articles of Association provisions and prevailing laws and regulations, and implementing good corporate governance principles.

## BOARD OF DIRECTORS' PERFORMANCE ASSESSMENT

The economic conditions in 2019 were challenging as world trade slowed triggered by the trade war between the United States and China. This also led to commodity price fluctuations on the world market, including crude oil and coal prices that came under pressure.

Facing with these conditions, the Board of Directors took the strategic steps to focus on optimizing the Company's excellence. AKR continued to strengthen the business lines that have been its main driving force, and continued to innovate and diversify its product portfolios as a step to create new income sources. The steps taken by the Board of Directors were in line with the Company's medium and long-term strategies.

There were however a number of constraints and challenges faced by the Company during 2019. Declining demand for petroleum products and depressed chemical prices had an impact on the Company's revenue and margins. In 2019 there were also regulatory changes related to the distribution of subsidized diesel fuel that reduced the volume of fuel distributed.

In 2019, the Company recorded revenue of Rp21,703 billion, 8% lower than the previous year. However, the Company recorded an excellent Gross Profit and Operational Profit growth of 22% and 17% respectively during the year 2019 compared to the year 2018, while profit for the year attributable to owners of the parent entity in 2019 amounted to Rp717.2 billion with a net profit margin of 3.3%.

The Board of Commissioners used this operational and financial performance as criteria for its Board of Directors' performance assessment. For the Company's achievements, the Board of Commissioners' view is that the Board of Directors has carried out its management of the Company well.

## SUPERVISION OF STRATEGIC POLICY APPLICATION

The Company established a number of strategic plans and policies following on the transformation process that has been in place since 2017. The Board of Commissioners pays great attention on how these strategies are applied by the Board of Directors, and their compliance with the Company's medium and long-term plans. In addition, the Board of Commissioners specifically assigns the Audit Committee to keep track of the policies and strategic steps carried out by the Board of Directors.

The Board of Commissioners also periodically reviews the Company's performance progress through reports submitted by the Board of Directors. If deemed necessary, the Board of Commissioners can request clarification from the Board of Directors and hold meetings with the relevant Divisions.

## MECHANISM AND FREQUENCY OF ADVICE

The working relationship between the Board of Commissioners and the Board of Directors is well established and promotes the principle of mutual respect for each party's authority. The Board of Commissioners regularly holds joint meetings with the Directors to discuss matters related to the Company's management by the Board of Directors.

Through this forum, the Board of Commissioners can request explanations from the Board of Directors regarding the Company's performance achievement and any obstacles faced. The Board of Commissioners can express their views and provide advice to the Board of Directors on any of these matters. During 2019, the Board of Commissioners held 5 joint meetings with the Board of Directors.

Besides the joint meeting forum, the Board of Commissioners' supporting bodies, namely the Audit Committee and the Nomination and Remuneration Committee, conduct meetings and invite relevant Divisions to discuss the areas that are the responsibility of each Committee.

## VIEW ON THE BUSINESS PROSPECTS PREPARED BY THE BOARD OF DIRECTORS

2020 will again be a very challenging year for the Company. The Board of Directors has presented the Company's business prospects with the targets to be achieved. Unfortunately, Indonesia and almost all countries in the world are under attack from the Covid 19 pandemic. This means that economic and business predictions will need to undergo enormous changes.

In such condition, the Board of Commissioners considers that the Company has to improve its risk management in addition to focus on pursuing growth targets. The Board of Commissioners recommends close monitoring of macroeconomic factors, commodity prices, the working capital cycle, and the risks related to the Company's Trade Receivables and liquidity system.

The Board of Commissioners will encourage the Board of Directors to increase industrial land sales and infrastructure development in JIPE. The Board of Commissioners sees an opportunity for JIPE to become a large industrial area as it has the support facilities for the tenants' business activities. Based on this, the Board of Commissioners asks the Board of Directors to be more active in approaching potential investors to invest in JIPE. BP-AKR's strategic partnership scheme in both non-subsidized retail petroleum and aviation fuel now has a strong foothold and must start contributing materially in 2020 and in the years to come.

## COMMITTEE UNDER THE BOARD OF COMMISSIONERS' PERFORMANCE ASSESSMENT

In carrying out its duties and responsibilities, the Board of Commissioners is assisted by the Audit Committee and the Nomination and Remuneration Committee. The Board of Commissioners assesses the performance of these committees individually and collectively as a basis for determining the extension or termination of committee members.

The aspects that form the basis for the Board of Commissioners assessments include: the level of attendance and activity in meetings, as well as the reports provided to the Board of Commissioners for their consideration when carrying out their supervisory function.

For 2019, the Board of Commissioners' view is that the two committees have worked effectively and have contributed by providing recommendations and support to the Board of Commissioners so that we could provide direction to the Board of Directors.

The Audit Committee carried out its oversight function on the internal control system and risk management effectiveness, as well as coordinated with independent auditors during the Company's performance audit. The Nomination and Remuneration Committee assisted the Board of Commissioners in executing its functions and duties related to the Nomination and Remuneration for the Board of Directors and Board of Commissioners members, and for recommending new members to the Board of Commissioners.

The Board of Commissioners expresses its deepest appreciation and gratitude for all the work and recommendations made by the two committees.

## VIEW ON THE BOARD OF COMMISSIONERS' ROLE IN IMPLEMENTING THE WHISTLEBLOWING SYSTEM (WBS)

The Company has a whistleblowing system (WBS) as one step in preventing fraud in the Company. The Board of Commissioners appreciates and supports the Company's development of the WBS for detecting any potential fraud committed by internal and external parties.

Through the Audit Committee, the Board of Commissioners monitors the whistleblowing system in the Company. The Board of Commissioners is committed to being the supervisor in its application. The Board of Commissioners supports the WBS, however it notes the need to evaluate the system to ensure its effectiveness in achieving the expected goals.

## BOARD OF COMMISSIONERS COMPOSITION CHANGES

In 2019, the Company's Board of Commissioners composition has changed. Mahendra Siregar submitted his resignation on his appointment as the Republic of Indonesia Ambassador to the United States. The resignation was approved at the Annual General Meeting of Shareholders (AGMS) held on April 30, 2019. At the same time, the AGMS appointed Agus D.W. Martowardojo as a Commissioner. Following these changes, the Company's Board of Commissioners composition as at 31 December 2019 was as follows:

President Commissioner : Soegiarto Adikoesoemo  
 Commissioner : Agus Dermawan Wintarto Martowardojo  
 Independent Commissioner : I Nyoman Mastra

## APPRECIATION

To all shareholders and investors, the Board of Commissioners expresses its gratitude for the trust you have given. Also, to the regulator and all stakeholders, the Board of Commissioners expresses its deepest gratitude for the support given. For its business partners who have jointly built businesses that contribute to the Indonesian economy, the Board of Commissioners expresses its respect.

The Board of Commissioners is proud for the hard work demonstrated by the Board of Directors and employees in the midst of this challenging situation. Hopefully these intertwining relationships will form the base for the Company to grow sustainably, and to continue to provide added value to all shareholders and stakeholders.

Jakarta, April 8, 2020

**Soegiarto Adikoesoemo**  
President Commissioner

**ARIEF BUDIMAN UTOMO**  
Director



**TERMURTI TIBAN**  
Director



**MERY SOFI**  
Director



**JIMMY TANDYO**  
Director



**BAMBANG SOETIONO SOEDIJANTO**

Director

**SURESH VEMBU**

Director

**NERY POLIM**

Director

**HARYANTO ADIKOESOEMO**

President Director





DURING 2019, THE COMPANY'S STRATEGIC POLICY DIRECTION WAS FOCUSED ON STRENGTHENING THE COMPETITIVENESS AND SUSTAINABILITY OF THE COMPANY. THE KEY STRATEGIES WERE DIVIDED INTO 5 STRATEGIC POLICIES: PRODUCT PORTFOLIO EXPANSION AND DIVERSIFICATION; CUSTOMER BASE EXPANSION; ENTERING INTO NEW ALLIANCES AND STRENGTHENING PARTNERSHIP; INCREASING SHAREHOLDER VALUE; AND PROACTIVE RISK MANAGEMENT.

**HARYANTO ADIKOESOEMO**  
*President Director*

# BOARD OF DIRECTORS' REPORT

Dear Respected Shareholders and Stakeholders,

On behalf of the Board of Directors, it is an honor for me to present the Company's performance report for the financial year 2019 which reflects two major themes: Reinforcing Competitiveness and Managing Sustainability.

PT AKR Corporindo Tbk delivered healthy performance growth in 2019 despite challenging operating environment.

## ECONOMIC CONDITIONS IN 2019

The pace of global economic growth in 2019 faced considerable challenges from the deteriorating trade relations between the United States (US) and China that had a huge impact on the flow of world trade. Geopolitical conflicts also occurred in several regions, and included the exit of the UK from the European Union (Brexit) that also influenced the pace of global economic growth.

The slow US economic growth forced the Federal Reserve to implement monetary stimulus in the form of Federal Fund Rate (FFR) cuts from 2.50% to 1.75%. This impacted the flow of foreign capital into several developing countries' financial markets, and led to the developing countries also taking the opportunity to reduce interest rates and implement other accommodative policies.

These shocks to the global economy also had a considerable influence on the Indonesian economy. In addition, due to the Presidential Elections in April 2019, businesses became more cautious in determining their strategic steps and policies.

In response to the global and national economic developments, Bank Indonesia (BI) implemented a number of monetary and macroprudential policies, such as reducing the BI 7 Days Repo Rate from 6.00% to 5.00%. The policy measures contained inflation, kept exchange rate stable while maintaining relatively stable GDP growth and encouraging investments.

As a result of the Government and BI policies, Indonesia was able to maintain a stable economic growth of 5.02%, with inflation at 2.72%. Although lower than the previous year, Indonesia's economic growth was the second highest economic growth among the G20 countries.

## PERFORMANCE OF AKR DURING 2019

In 2019, the Company's strategic policies were focused on strengthening the competitiveness and sustainability of the Company. The key strategies were divided into 5 strategic policies: product portfolio expansion and diversification; customer base expansion; alliances and partnership strengthening; increasing shareholder value; and proactive risk management.

## PRODUCT PORTFOLIO EXPANSION AND DIVERSIFICATION

AKR is expanding and diversifying its product portfolio to increase the Company's revenue base, and to support sustainable growth in the future and environmental sustainability. The Company not only delivers products and services that meet the requirement of customers, but also conduct its operations in a environmentally friendly manner .

During 2019, the Company implemented various measures such as:

1. Supporting Indonesian Government policy to blend B30 Biofuel;
2. Introducing higher quality fuels with that meet Euro 4 standards with more environmentally friendly emissions;
3. Increasing the number of customers in the Java Integrated Industrial Port Estate (JIPE) such as the addition of Freeport smelter project;
4. Entering the aviation fuel business selectively;
5. Expanding its storage tank capacity to cater for increased demand for Petroleum and biofuels.

In addition, the Company also anticipates the Government plan to grow the industry and transform the logistics services to be more efficient with lower cost for a more competitive Indonesia.

## CUSTOMER BASE EXPANSION

AKR continues to improve its competitiveness in logistics infrastructure and JIPE which is in line with Government programs, including:

1. Delivering fuel products efficiently throughout Indonesia;
2. Increasing value addition and broadening investor base and;
3. Reducing costs of doing business.

During 2019, the Company's project JIPE sold land to 3 new customers and also secured anchor customer, PT Freeport Indonesia (PTFI) which has entered into long-term lease of 103 hectares of land to build Copper smelter project at JIPE. The construction of the proposed smelter is expected to further increase the attractiveness for customers to invest in JIPE.

In 2019, AKR's collaboration with BP also progressed well with the opening of 11 new retail outlets, bringing the total number of retail outlets to 13, located in major cities of Jakarta and Surabaya. In addition, during August 2019, the cooperation with BP in the aviation fuel business also commenced with the opening of the first Aviation fuel operations in IMIP Morowali airport.

Throughout 2019, by strengthening customer relationships, the fuel and distribution business showed excellent volume growth.

### ALLIANCES AND PARTNERSHIPS STRENGTHENING

One of the Company's business development strategies is to create alliances and partnerships, so that the Company can combine the expertise it has in the Indonesian market with the strength of its strategic partners. The joint venture with PELINDO III at JIPE has helped the Company develop an industrial estate integrated with a port, and by so doing has created a competitive advantage not offered by other industrial estates.

The Company has also partnered with BP, who possesses global expertise in supplying high quality and environmentally friendly fuels in line with the global environmental sustainability initiatives. At each gas station outlet, AKR also collaborates with local partners such as Alfa Mart, Kopi Tuku and Kopi Kenangan, Castrol bikepoint to offer a customer experience through non-fuel services.

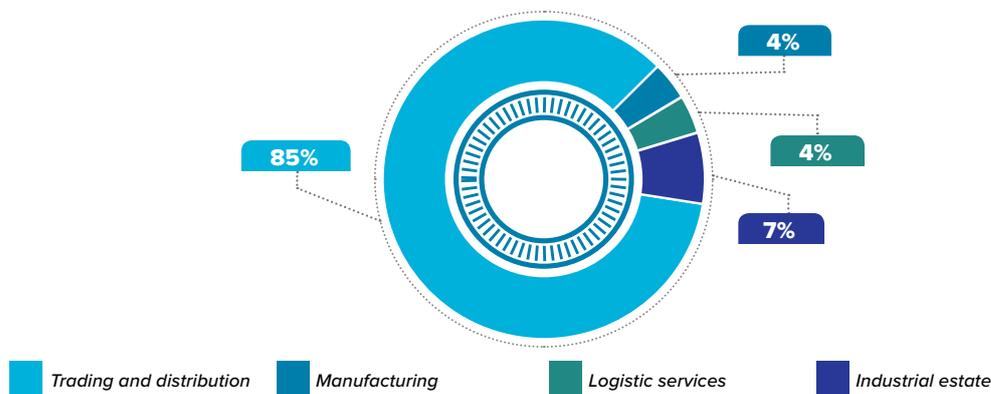
The Company also maintains a very close relationship with PT Asahimas Chemicals for Chlor Alkali chemicals.

### INCREASING SHAREHOLDER VALUE

The Company aim to improve the ROE, ROA, profit growth and try to maximize the payment of dividend with a minimum payment of at least 30% of its net profit.

By implementing the above three strategies, in 2019 the Company succeeded in increasing its performance and shareholder value. In 2019, the Company's Gross Profit and Operating Profit grew by 22% and 17% respectively, compared to 2018. The rate of return on capital over the last two years has been maintained at around 8.5%, excluding net revenue from discontinued operations.

In addition, the Company also recorded asset growth of 7% to Rp21.4 trillion, comprising 26% in land inventory, and 25% in Net Fixed Assets. Ongoing expansion in capacity by 100,000 cbm in Jakarta Tank Terminal Jakarta Tank Terminal will support the Trading Distribution and Logistics business growth for the coming years.

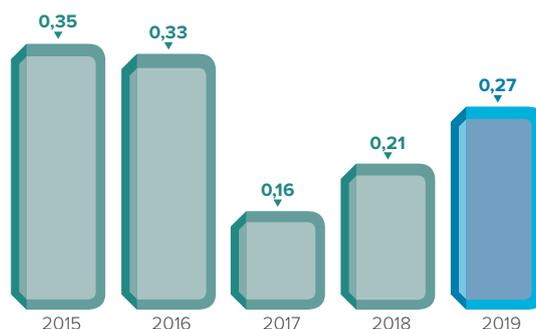


### PROACTIVE RISK MANAGEMENT

Responding to the economic and financial conditions where the risk of uncertainty is increasing, during 2019 the Company enhanced its risk management measures, particularly related to operational and financial risks. To reduce operational risk, the Company invested in Human Resources and Information Technology capability improvements. In order, to mitigate financial

risk, the Company continued to maintain a low leverage, with a Net Gearing of 27% at the end of the Financial year, and secure funding for financing the bond repayments due December 2019 and in July 2020, while effectively managing the working capital cycle. The Company also effectively managed the changes in oil prices and exchange rates by monitoring the Net Open positions and passing the price changes to customers.

Net Gearing Ratio (times)



## COMPARISON OF 2019 PERFORMANCE AGAINST BUDGET

The Company's consolidated sales revenue during the year 2019 amounted to Rp21,703 billion, lower by 8% compared to 2018, and lower than the budget target of 10-15% growth. While the Company improved its sales of Petroleum products to core industrial segments, the non-achievement of the revenue target was influenced by several factors, including lower average selling prices for Petroleum products and chemicals, suspension of subsidized diesel supply from May 2019 to December 2019, and lower demand from key customers in the electricity and temporary slow down in demand from Copper mining segment.

As AKR's business model is focused on the optimizing the margin despite the lower revenue the Company was able to book a strong increase in Gross Profit and Operating Profit, of 22% and 17% respectively, and increased Gross Margin to 8.7% higher than the 6.6% in 2018.

The Company's Core Net Profit from continuing operations during 2019 amounted to Rp717 billion, slightly higher than Rp 711 billion booked during 2018. However, the Company's Net profit attributable to shareholders was lower by 56% as the Company booked a profit of Rp933 billion during 2018 from the divestment of non-core operations. The Net Profit for the year 2019 was impacted by higher spending on marketing and brand building costs to establish the new businesses and one-time write offs for receivables.

## CHALLENGES AND CONSTRAINTS FACED

Slower growth in demand for Basic Chemicals and lower commodity prices impacted the demand for fuel products and chemicals from the industrial sector. There was also increasing competition, putting pressure on the Company's margins. Declining demand from the power generation sector also affected fuel products demand. In addition, one of the Company's main chemical customers is in the process of a business transformation which reduced demand temporarily.

Facing such conditions, the Company actively managed its inventory and costs, so as to continue maintaining a stable gross profit growth.

Also during the year 2019 Basic chemical selling prices continued to decline which impacted the Company's absolute margins in the basic chemicals business. To address this, the Company focused on adding new customers, especially in the Alumina Smelters and Biodiesel business to maintain margins and increase sales volume. In the JIPE project, land sales were slow in first half due to the Presidential elections. In its first year of operation, BP-AKR joint venture started to establish its network by identifying suitable locations and also setting up its strategies to introduce the new product offer for Non fuel retail in partnership with local partners and obtain necessary permits and licenses to commence operations for Fuel retail and Aviation business;

Despite a slow start during the first half of the year, the Company delivered a strong performance during the Second semester with increased volumes of Petroleum and basic chemicals sold to Industrial customers with sustained margins; JIPE was able to record land sales to customers who intend to start operations and expand their land banks; BP AKR also secured strategic sites and its fuel and non fuel offers were well received by the Customers;

## AKR BUSINESS PROSPECTS

The pickup in the business environment and proactive policies put in by the Indonesian Government indicated that year 2020 would be a positive year overall for the Indonesian economy and for the Company. However, since the beginning of 2020, the World is facing the threat posed by the spread of Covid 19 which has now become a pandemic affecting almost all countries across the world. Although the impact of Covid 19 on the economy and business is still being assessed, it is believed that this major pandemic will have a significant impact on major World economies. Global oil prices and energy prices have experienced significant drop due to supply and demand imbalances and geo-political issues.

The Company believes, with its sound business model and competitive advantage will enable it to overcome these challenges. The time tested business model and effective risk management policies will enable the Company which has experienced situation like these over the various economic cycles before should enable the Company to ride through these challenging times and continue to grow.

Revenue growth opportunities is likely to be relatively limited. However, most of the Company's customers produce goods that are important for the community, so the Company expects a relatively stable demand. To address oil price fluctuations and exchange rates, strategies have been implemented where there are no significant challenges for the Company.

The Company will optimize its potential in the Biofuel business, in line with the Government's policy for Biofuel B30 in 2020. The Company has received sufficient allocation for Fatty Acid Methyl Ester (FAME) to support the Petroleum volume targets.

The implementation of bio fuel policies is also expected to have a positive impact on increasing the basic chemicals sales volumes. In addition, basic chemical business growth will benefit from increase in smelter capacity for Alumina, Bauxite, Nickel etc as part of the government's initiative to grow domestic added value.

## DIVIDEND POLICY

AKR is committed to continuously increasing shareholder value, by its commitment to pay dividends to shareholders. Based on an Annual General Meeting of Shareholders (AGMS) decision on April 30, 2019, the Shareholders decided to distribute cash dividends amounting to Rp963,526,780,800, or 58.6% of net profit attributable to owners of the parent entity for the 2018 fiscal year, after reducing the previously distributed interim dividends. The Company also distributed interim dividends of Rp60/share during the year 2019.

## ENVIRONMENT, GOVERNANCE AND SOCIAL AFFAIRS

In addition to the financial aspect, the environment, governance and social aspects are also main concerns for the Company. The Company endeavors to perform its operations and distribute products in a more environmentally friendly manner, in accordance with prevailing laws and regulations, and by doing so, contribute positive impact for the community.

On the environmental side, the Company considers the direct and indirect impact of each of its operational and business activities and decisions. The Company also considers the stakeholders' expectations to see the environmental ecosystems are maintained. One of the most important issues is the management of hazardous and toxic (B3) waste in several operating locations such as the Tank Terminals in Lampung, Pontianak, Bitung, Tanjung Priok, Marunda II and Stagen. This was seen in the results of direct and indirect supervision and monitoring by the Ministry of the Environment and Forestry.

For the environmental aspect, the Company is now prioritizing 1) reduction in use of energy for its own operations, 2) reduce green house gas emissions by handling more environment friendly products and 3) support environment rehabilitation and bio diversity. The Company is participating in the use of environmentally friendly materials through its support of the Government policies by distributing B30 diesel containing 30% FAME, a derivative of palm oil products, to almost all industrial customers. This participation continued throughout 2019. By using vegetable oils, the Company believes that blended Bio Diesel will be more environmentally friendly and reduce dependency on fossil-based fuels.

From the Governance aspect, the Company continues to improve its application of good corporate governance principles. The corporate governance bodies conduct their activities in compliance with the 2007 Law No. 40 concerning Limited Liability Companies.

In its policies, the Board of Directors with the Board of Commissioners has established guidelines and policies that place limits on the responsibilities of each Company body. This limitation is important so that the relationships between the bodies can work in harmony, and supports the achievement of a predetermined vision and mission. Management periodically reviews and updates its policy instruments, so they remain relevant for the development of the Company, the development of applicable regulations, and the growth of the industries involved with the Company.

Risk management is also an important factor in managing the Company. Operational and financial risks are the key considerations ensuring that the Company's business growth builds a solid foundation, which is reflected in a healthy balance sheet, low gearing ratios and strong Working Capital Cycle management.

From the social aspect, the Company pays great attention to employees and the community. The Company has developed good industrial relations with employees by fulfilling the employees' rights as stipulated in the 2003 Manpower Law No. 13. In addition, Occupational Safety and Health (OSH) has become a focus and great concern for the Company. With its core business being in trading and distribution of fuel and basic chemicals, the Company encourages the application of OSH in every aspect, both for employees who support the Head Office operations, and especially for employees who are directly related to operational activities in the field. The Company actively builds safety awareness in all AKR employees on the importance of safety while working.

In addition, the Company runs a structured and sustainable Corporate Social Responsibility (CSR) program, and this has become an inseparable part of the Company's operational activities. The Company's CSR activities followed a customer and government approach concept. Company spent Rp8.2bn in CSR activities in 2019.

## BOARD OF DIRECTORS' COMPOSITION CHANGES

During 2019 the Company's Board of Directors composition remained unchanged, and remained as follows:

President Director	: Haryanto Adikoesoemo
Director	: Jimmy Tandyo
Director	: Bambang Soetiono Soedijanto
Director	: Arief Budiman Utomo
Director	: Mery Sofi
Director	: Suresh Vembu
Director	: Nery Polim
Director	: Termurti Tiban

## APPRECIATION

The Company managed to record a good performance in the midst of many challenges faced throughout 2019. Please allow the Board of Directors to give thanks to the Almighty God for the smooth running of the Company's operations and business. The Board of Directors would like to thank all shareholders and investors for the trust they have given. The Board of Directors would also like to express its respect and thanks to the Board of Commissioners for their direction and strategic partnership in managing the Company's operations and business. To business partners, the Board of Directors would like to express its respect for the excellent cooperation that has been established. Similarly to regulators, customers and suppliers, the Board of Directors would like to express its gratitude for all the established collaboration.

To all AKR personnel, the Board of Directors expresses its highest appreciation for the dedication and hard work given throughout 2019, a year full of challenges. All the hard and smart work will build on the foundation for the Company and help it optimize its potential and achieve its best performances in the future.

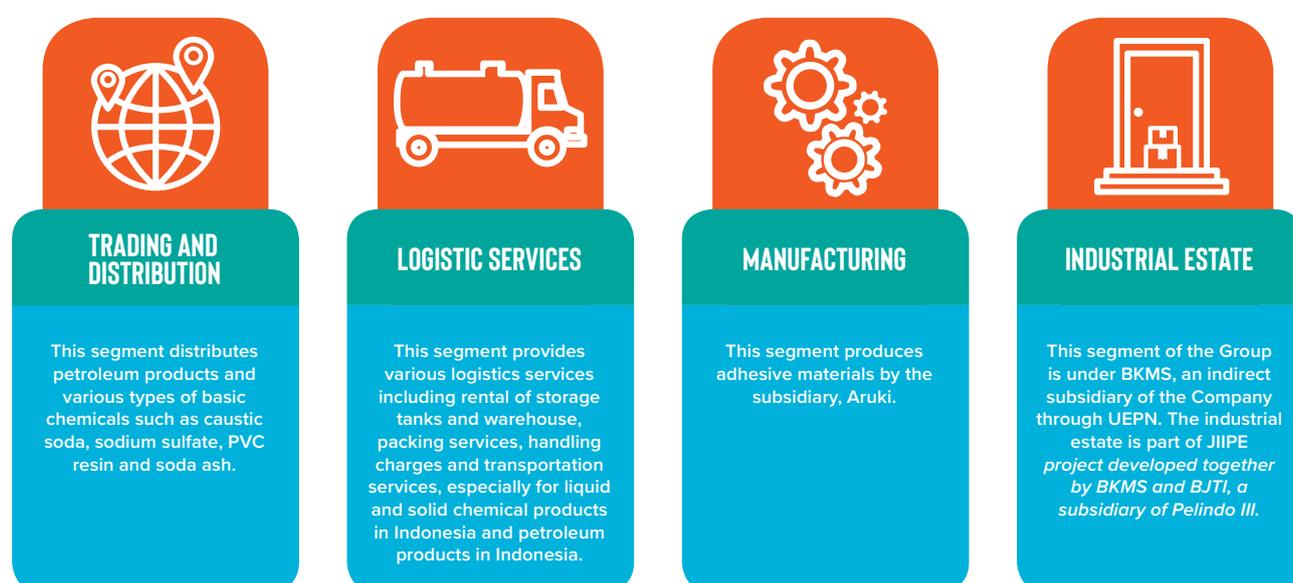
Jakarta, April 8, 2020

**Haryanto Adikoesoemo**  
*President Director*



# OPERATION SEGMENT: SEGMENTATION BASED ON BUSINESS ACTIVITIES

The Company's operating segment is divided into 4 (four) operating segments to describe the Company's and Subsidiaries' business activities



There is 1 (one) segment in the Company's Audited Financial Statements that only has an impact on financial records, the coal mining and trading. It is not covered in the explanation of the Company's operations and business activities. This segment of a business group is under Anugrah and its subsidiary, which has a coal mining license in the area of Kalimantan through its subsidiary, BKP, which started the production of coal in August 2011. BKP was sold on March 23, 2018.

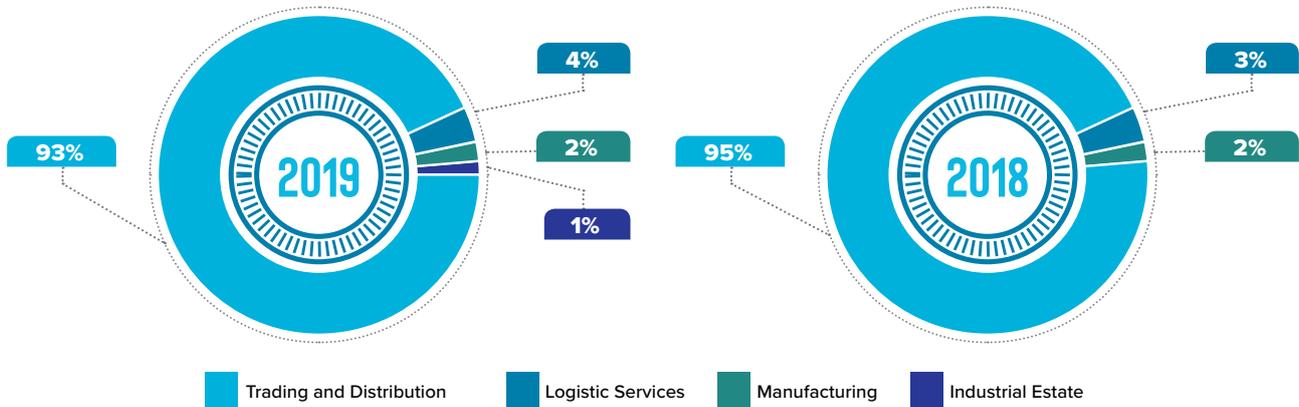
The contribution of each Operating Segment to the overall sales revenue is:

## Amount and Contribution of Operating Segments to Consolidated Sales and Revenues

Operating Segment	2019		2018		Increase (Decrease)	
	Total (Rp-billion)	Contribution (%)	Total (Rp-billion)	Contribution (%)	Nominal (Rp-billion)	Percentage (%)
	(1)	(2)	(3)	(4)	(5=1-3)	(6=5/3)
Trading and Distribution	20,200	93%	22,428	95%	(2,228)	-10%
Logistic Services	796	4%	595	3%	202	34%
Manufacturing	443	2%	507	2%	(65)	-13%
Industrial Estate	263	1%	18	0%	245	1,384%
Total Consolidated Sales and Revenue	21,703	100%	23,548	100%	(1,846)	-8%



Revenues Composition of Operating Segments on Consolidated Sales and Revenue



Trading and Distribution segment is the largest contributor to the revenue, with 93.1% in 2019 (95.2% in 2018). The Logistics Services and the Industrial Estate segments increased their contribution in 2019 due to management initiatives to grow these segments. Industrial Estate segment in particular experienced a significant increase as it is attracting increasing interest from investors. This is supported by its designation as a National Strategic Project by the Indonesian Government.

TRADING AND DISTRIBUTION

Trading and Distribution Segment Sales (Rp billion)



## PETROLEUM SALES

The Company's business activities is limited to distribution only. Therefore, there is no data to report on production process and capacity.

The distribution is broadly segmented into: 1) Non-subsidized petroleum to industrial customers, 2) Subsidized petroleum (diesel) with quota allocated by the Oil and Gas Downstream Regulatory Agency (BPH Migas) and 3) Non subsidized petroleum and non-fuel services to retail customers. Industrial non-subsidized petroleum is distributed to meet the demand from customers in industrial, commercial, mining, power, fishery, bunkers sectors etc. Subsidized petroleum is distributed to motorists and fisheries.

The Company's petroleum sales in 2019 of Rp15,741 billion were 8% lower from Rp17,140 billion in 2018. There was a 6% decrease in sales price and a 2% decrease in sales volume to 2.1 million KL. Industrial petroleum sales in 2019 grew by 5%. This was achieved despite lower offtake by 1) power sector and 2) one fee based customer undergoing transformation in its mining operations. Stronger growth to sectors like rest of the mining (52% share), general market (44% share) and retail 4% (share) supported industrial sales growth.

The Company's temporarily suspend subsidized fuel distribution in 2019. This was due to the unfavourable change in price formula by the Ministry. The contribution of petroleum distribution to the Company's consolidated sales and revenues was 73% in 2019.

The Company has been entrusted by the Government for 9 consecutive years to distribute certain type of subsidized fuel. In November 2017, BPH Migas assigned AKRA as a P3JBT agent for 5 years to distribute subsidized diesel for the period of 2018- 2022. BPH Migas has allocated 234,000 KL solar to AKR to be distributed through AKRA's network of gas station in 2020 throughout Indonesia. For this purposes, AKR has set up 137 operating outlets. These are equipped with technology system to monitor the products distribution from storage tanks or from dispenser nozzles to customers. This ensures it reaches the target customer.

Indonesia customers are gradually shifting from us the subsidized low- octane gasoline to the nonsubsidized-high-octane-gasoline. This is resulting in much higher growth is use of latter and decline in the use of former. To capture this shift in market trend, AKR in 2016 introduced AKRA 92 gasoline products for its own outlets. The joint venture with BP is also part of this strategy.



AKR Gas Station for Vehicle



AKR Gas Station for Fishermen



AKR Gas Station for Petroleum Distribution under One Price Policy

Towards the end of 2018, the Ministry of Energy and Mineral Resources announced the mandatory use of Biodiesel B20 for all industrial and transportation users, with few exceptions. The stated objective is to improve Trade Balance and support the domestic CPO industry. AKR has been supporting this Biofuel policy since its inception. In 2020, the Company has been reappointed to distribute B30 and allocated the largest FAME quota among other private sector companies.

As a distributor of petroleum products across the Indonesian archipelago, the Company has developed a robust business model whereby the company has efficient mechanisms to overcome economic fluctuations, where changes in world oil prices and currency exchange rate are passed through to customers. The Company has a prudent risk management system and manages the net open position effectively.



## BASIC CHEMICALS

The Company's basic chemicals business is only trading and distribution activity. Therefore, there is no data to report on production or capacity. The Company serves as a distributor in Indonesia for domestic and international basic chemical manufacturers. Basic chemical products are the raw materials needed by a large number of industries, such as chemicals, textiles, pulp and paper, consumer goods, fertilizers, plywood and refined wood products, food, pharmaceuticals, alumina etc.

### BASIC CHEMICAL SALES\*

Basic chemical sales were Rp4,459 billion in 2019, lower by 16% from Rp5,288 billion in 2018. Chemical volume was up 3% yoy (1.4 million MT) but was offset by 18% decline in selling prices. These low prices are mainly due to slowdown in Chinese economy during the year. Basic chemical sales contributed 21% to the Company's consolidated sales and revenue in 2019.

### Trading and Distribution Segment Profitability

In billions of Rupiah

Trading and Distribution Segment	2019	2018	Growth
Sales and revenues	20,200	22,428	(10%)
Cost of sales and revenues	18,598	20,937	(11%)
Gross profit	1,603	1,491	7%
Gross profit margin	8%	7%	

Despite lower revenue in trading and distribution segment, the gross profit from this segment grew by 8% and gross margin was up 1%, yoy. In 2019, the Company strived to improve the

efficiency and effectiveness of operation and risk management, to grow the profit and increase competitiveness.

## PETROLEUM BUSINESS DEVELOPMENT

In 2017, the Company and BP Global established a Joint Venture (JV) company to develop and grow non-subsidized retail petroleum in Indonesia. The first BP-AKR gas station at De Latinos-Serpong was opened in November 2018, followed by the 2nd gas station at Jababeka-Cikarang, and then at Cibubur, Bintaro.

A total of 13 gas stations were in operations by the end of 2019, with 11 set up in 2019. These stations are located in Jakarta, Surabaya and the Toll rest areas. The Company has targeted to open more retail outlets in Indonesia in the future, with an initial focus on big cities such as Jabodetabek, Bandung and Surabaya. BP-AKR has aimed to open 350 gas stations within the next 10 years of which 80% will be dealer ownership.



# 13 GAS STATIONS HAS BEEN OPENED IN A YEAR

2 Gas Stations in Jabodetabek

5 Gas Stations in Jabodetabek  
1 in Surabaya

1 Gas Station in Surabaya  
1 at Rest Area

2 Gas Stations in Surabaya  
1 Gas Station in Jabodetabek



## JABODETABEK



De Latinos, Serpong



Jababeka, Cikarang



Cibubur, Jakarta Timur



Bintaro



Mendrisio Paramount  
Gading Serpong



Teluk Jambe, Karawang

## SURABAYA



Gubeng, Surabaya



Kertajaya, Surabaya



Pemuda, Surabaya



Margorejo, Surabaya



Kota Harapan Indah, Bekasi



Metland Cyber City

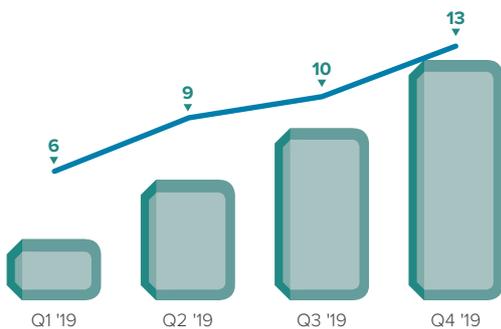


Rest Area Tol Cipularang

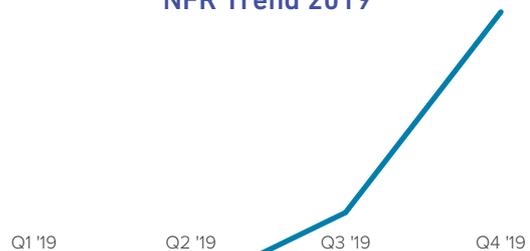
In 2019 BP-AKR Retail has grown as expected. This business offers quality petroleum combined with comprehensive services (non-petroleum) to provide the best experience for customers. The daily sales of each of BP-AKR outlet has shown an increase in which Non-Petrol Revenues was also positive throughout 2019. The marketing activities in 2019 were made to increase public knowledge of BP-AKR retail through various channels:

1. Loyalty Points (PONTA);
2. Promotion of NFR/Non Fuel Revenue (Non Petrol);
3. Activation on malls & community events;
4. Advertisement Board;
5. Media investment in theaters;
6. Grab-Car Branding;
7. Targeted digital media marketing through mobile advertisements,
8. Free petrol during the opening of new outlets.

## Quarter Volume and Total APR Outlets



## NFR Trend 2019

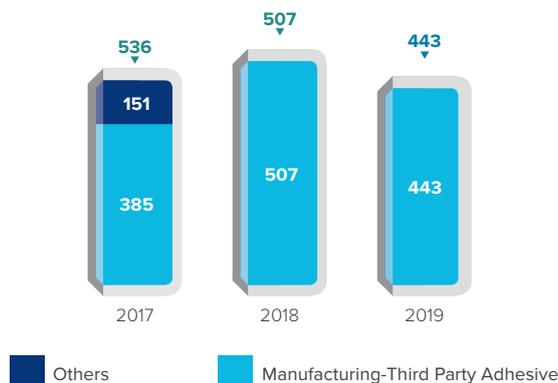


The joint venture of Air BP-AKR has received a permanent INU license in July 2019, and the first aviation fuel Depot (DPPU – Aircraft Fuel Depot) at Morowali IMIP airport had a formal opening in August 2019. As the first private sector company to enter the aviation market, Air BP AKR will serve the potential eastern Indonesian market.



# MANUFACTURING

Manufacturing Segment Sales (Rp billion)



In 2019, the Company only has 1 subsidiary engaged in the manufacturing business segment, PT Arjuna Utama Kimia (Aruki), which manufactures wood adhesives in Surabaya.

## ADHESIVES

### Adhesives Production

Aruki produces high-quality wood adhesives for the wood and paper industries. Aruki always ensures high quality products and is committed to conducting environmentally friendly business activities by applying the ISO 9001-2015 Quality Management System and ISO 14001-2004 Environment Management System. In 2019, Aruki has produced 98,000 MT of wood adhesive products.

### Adhesives Production Capacity

Total production capacity in 2019 was equal to 2018 reaching 100,000 MT. There was no additional production capacity during 2019.

### Adhesives Sales

Aruki's sales decreased from Rp507 billion in 2018 to Rp443 billion in 2019, down by 13%. This was mainly due to the decrease in ASP. The total exports of Indonesia's processed wood in 2019 was USD11.64 billion, down by 4% from USD12.13 billion in 2018. The decline occurred as the impact of global economic conditions, such as trade war between the United States and China which decreased the trade volume in the forestry business sector in 2019. The largest export destination countries for Indonesian processed wood products were China followed by Japan, the United States, the European Union and Korea.

## Manufacturing Segment Profitability

In billions of Rupiah

Manufacturing Segment	2019	2018	Growth
Sales and revenues	443	507	(13%)
Cost of sales and revenues	358	462	(23%)
Gross profit	85	46	86%
Gross profit margin	19%	9%	

Lower revenue was more than offset by Improved efficiencies and strict control over costs. The 2019 gross profit was up 86% with 10% increase in gross profit margin.





## LOGISTIC SERVICES

The Company provides an integrated logistics service to third party customers in major ports across Indonesia. This covers port operations, transportation, rental of storage tank and warehouse and others.

The Company provides storage tank rental services for liquid bulk products, such as liquid chemicals and Crude Palm Oil (CPO), as well as warehouse rental for storage of dry bulk products, such as dry chemicals, sugar, fertilizer, and animal feed. This rental activity is based on long-term contracts with major customers and suppliers.

The Company also provides Port handling services, customs clearance services, loading/unloading of goods/containers from vessels using Mobile Harbor Cranes, storage (warehousing)

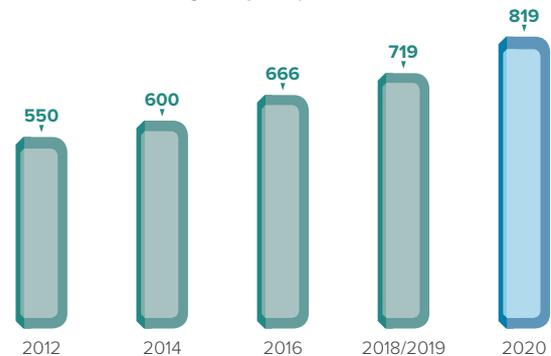
and bagging at ports in Medan, Surabaya, Semarang, Jakarta (Ciwandan and Priok), and transportation services using trucks.

The Company's subsidiary, PT Jakarta Tank Terminal (JTT), provides rental services for fuel storage tank terminals, with a total capacity of 250,000 cbm in Tanjung Priok, Jakarta. JTT is one of the leading private tank terminals in Indonesia, equipped with jetties and underwater pipelines. The Company together with Vopak started the capacity expansion project which is scheduled to complete in 2020. The project is targeting additional of 100,000 cbm storage for gasoline, ethanol and biofuel, so that capacity of JTT will be 350,000 cbm after completion. This new infrastructure is a continuous investment in the logistics network and to support petroleum distribution.

Expansion of Jakarta Tank Terminal Vopak



AKR Storage Capacity (in thousand KL)

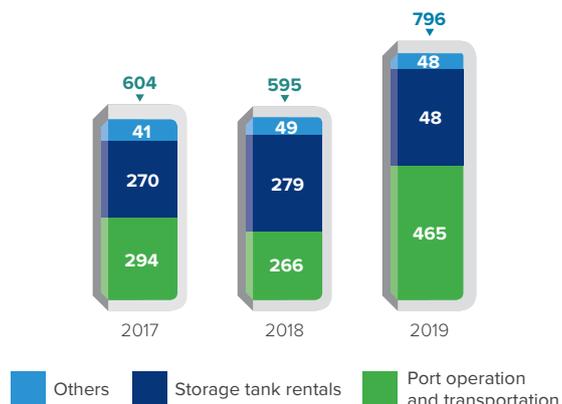


## LOGISTICS INFRASTRUCTURE CAPACITY

The logistics infrastructure capacity in Indonesia is presented in detail in the Logistics Infrastructure Network section at the beginning of this annual report.

## LOGISTICS SERVICES SEGMENT REVENUE

### Logistics Services Segment Sales (Rp billion)



Revenue from the logistics segment in 2019 increased by 34% to Rp796 billion from Rp595 billion in 2018. The increase is mainly due to the revenue from the port operations and transportation segment which increased by 75% to Rp465 billion in 2019 from Rp266 billion along with 1% increase in the revenue from the rental of storage tank to Rp283 billion in 2019 from Rp279 billion. Therefore the gross profit has also increased by 29% to Rp69 billion.

PT Jakarta Tank Terminal, a joint venture of the Company with Royal Vopak handling the storage of liquid bulk materials, has reached utilization rate of 98% in November 2019. The overall

volume of liquid bulk storage in 2019 also increased by 5% to 3.7 million KL from 3.6 million KL.

The Company is focusing on its port at JIPE, an integrated industrial and port estate. Port in Industrial Estate JIPE, recorded that a 23% growth in the movement of goods to 1.3 million tons in 2019 from 1.1 million tons in 2018. In this case, the movement of goods was dominated by dry cargo, including wheat, salt, clinker, and fertilizer. The movement of goods entering JIPE Industrial Estate was both raw and construction material to be processed or directly used by tenants at JIPE.

### Logistics Services Segment Profitability

In billions of Rupiah

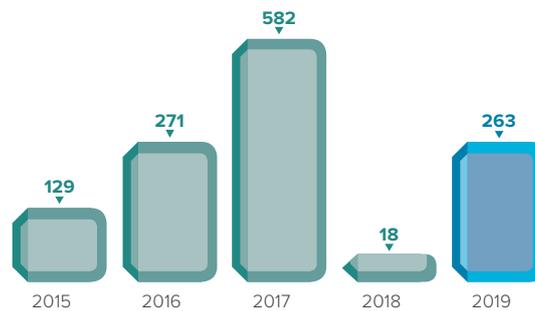
Logistic Services Segment	2019	2018	Growth
Sales and revenues	796	595	34%
Cost of sales and revenues	727	541	34%
Gross profit	69	54	29%
Gross profit margin	9%	9%	-





**INDUSTRIAL ESTATE SEGMENT REVENUE**

**Industrial Estate Revenue (Rp billion)**



In 2019, the Industrial Estate has posted a revenue of Rp263 billion which consisted of 1) sales of industrial land of Rp166 billion, 2) rental income of industrial land of Rp71 billion from PT Freeport Indonesia (PTFI) for smelter project and 3) utility and maintenance services (recurring income) of Rp26 billion. In 2018 the revenue had only come from utility services. With the sales of industrial land and income from rental of industrial land from Freeport in 2019, this segment has managed to record a positive gross profit of Rp135 billion in 2019.

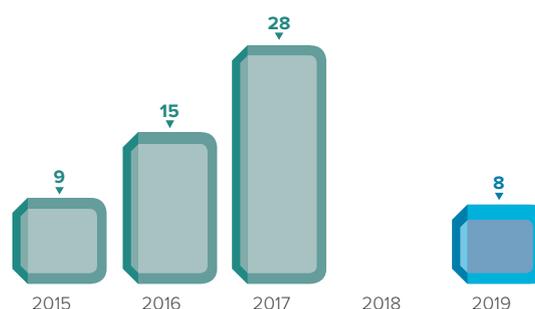
**Industrial Estate Segment Profitability**

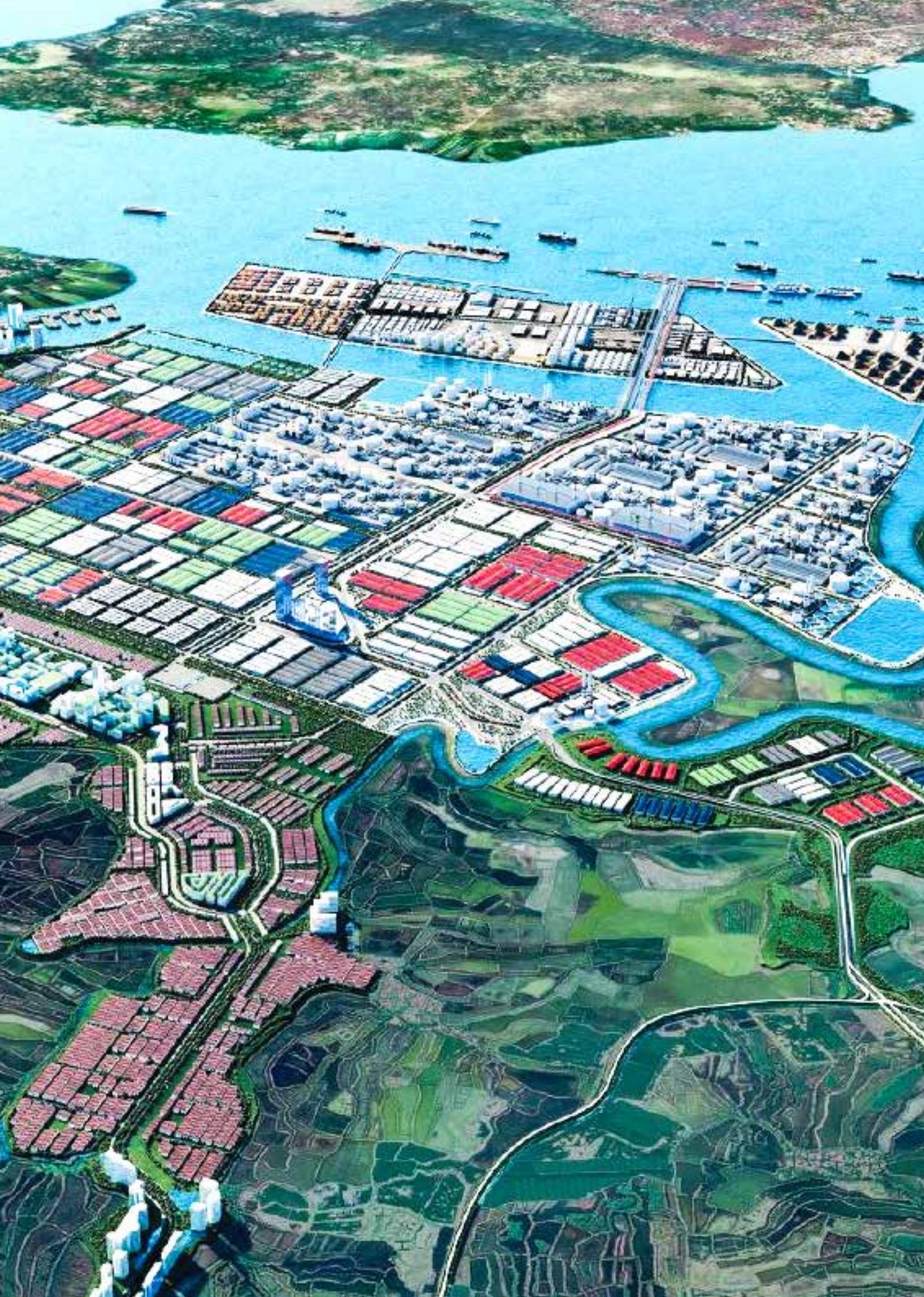
In billions of Rupiah

Industrial Estate Segment	2019	2018	Growth
Sales and revenues	263	18	1,384%
Cost of sales and revenues	128	54	138%
Gross profit	135	(36)	477%
Gross profit margin	51%	-202%	

The Industrial Estates in Indonesia has seen increased interest from new investors since mid- 2019. This is expected to be intensify under the new cabinet that prioritizes Industrialization. Three new tenants were recorded in 2019 that purchased cumulative 8 hectares. Total sales of industrial area up to end 2019 is 60 hectares.

**Sales of Industrial Land (Ha)**





# JIIPE DEVELOPMENT UPDATE

## DEVELOPMENT OF INDUSTRIAL ESTATES IN 2019

Java Integrated Industrial and Ports Estate (JIIPE), the first and largest integrated industrial estate in Indonesia, is located in Gresik-East Java. It integrates ports, industries and residential areas, and is connected to toll roads and railways. After being inaugurated and established as a national strategic project by the President of the Republic of Indonesia, Mr. Joko Widodo, on March 9, 2018, the government continues to support the JIIPE via improved road/rail connectivity and following measures:

1. Exceptions in using Rupiah  
As a Strategic infrastructure project, JIIPE is permitted to use foreign currencies in payment or settlement of obligations (SE BI 17/2015 Part III A & B1).
2. Direct Support and prioritized for acceleration from the central government  
President Jokowi has included JIIPE in its acceleration Economic Development (Attachment PP No.58/2017 on point "T")
3. Get the Ease of direct investment in construction  
One of the industrial estates that is allowed to continue construction while in parallel also dealing with permits (List of attachments of SK BKPM No 17/2017 number 4)

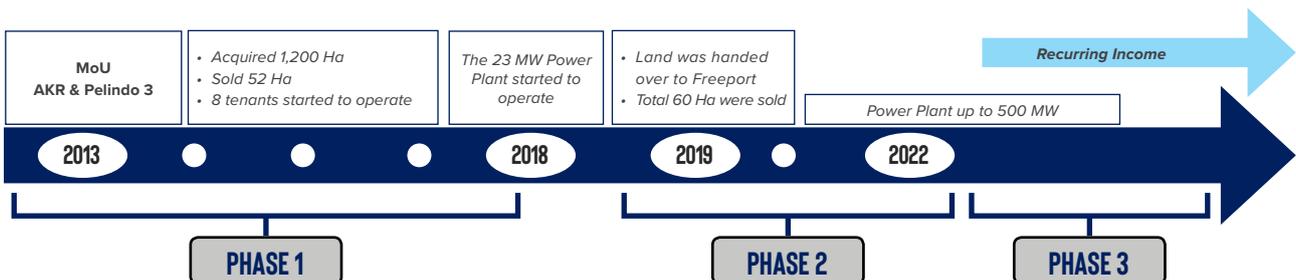
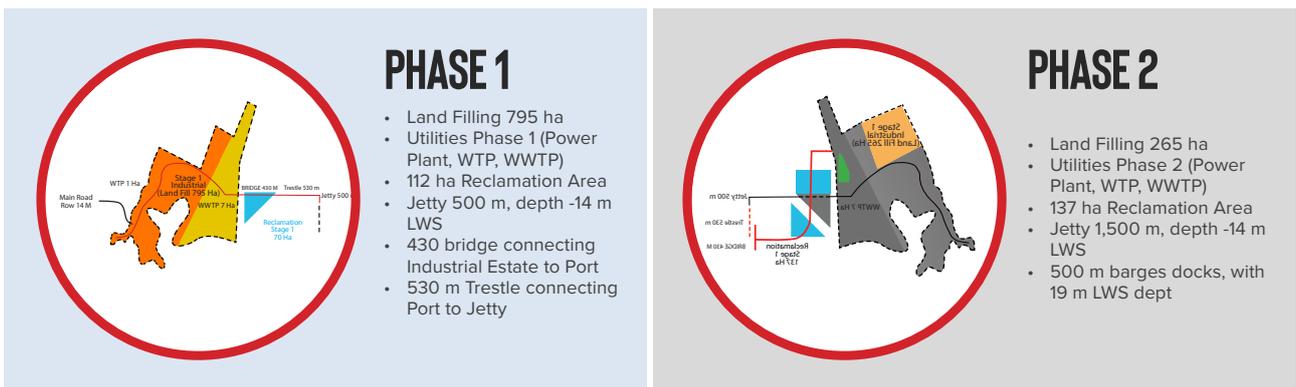
JIIPE has geoeconomic advantages and can accommodate industrial activities, exports, imports, and other economic activities that have high economic value and are internationally competitive. JIIPE is located in Gresik, only 24 km from Surabaya, the center of economy and investment of East Java. JIIPE has been selected for efficient logistics costs via connectivity between domestic and foreign markets by making available international standard facilities and infrastructures. JIIPE is being considered to be a Special Economic Zone by Investment Coordinating Board (BKPM)

JIIPE is the first leading integrated industrial estate and port in Indonesia with total area of 3,000 hectares. This comprises industrial estate with logistics center, bonded facilities and multipurpose port for international and inter-islands connectivity. This is supported by commercial and residential township. Located in Gresik, East Java Province, JIIPE will be a leading strategic industrial hub in Indonesia and Asia Pasific.

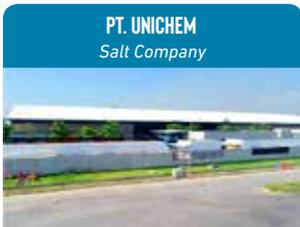
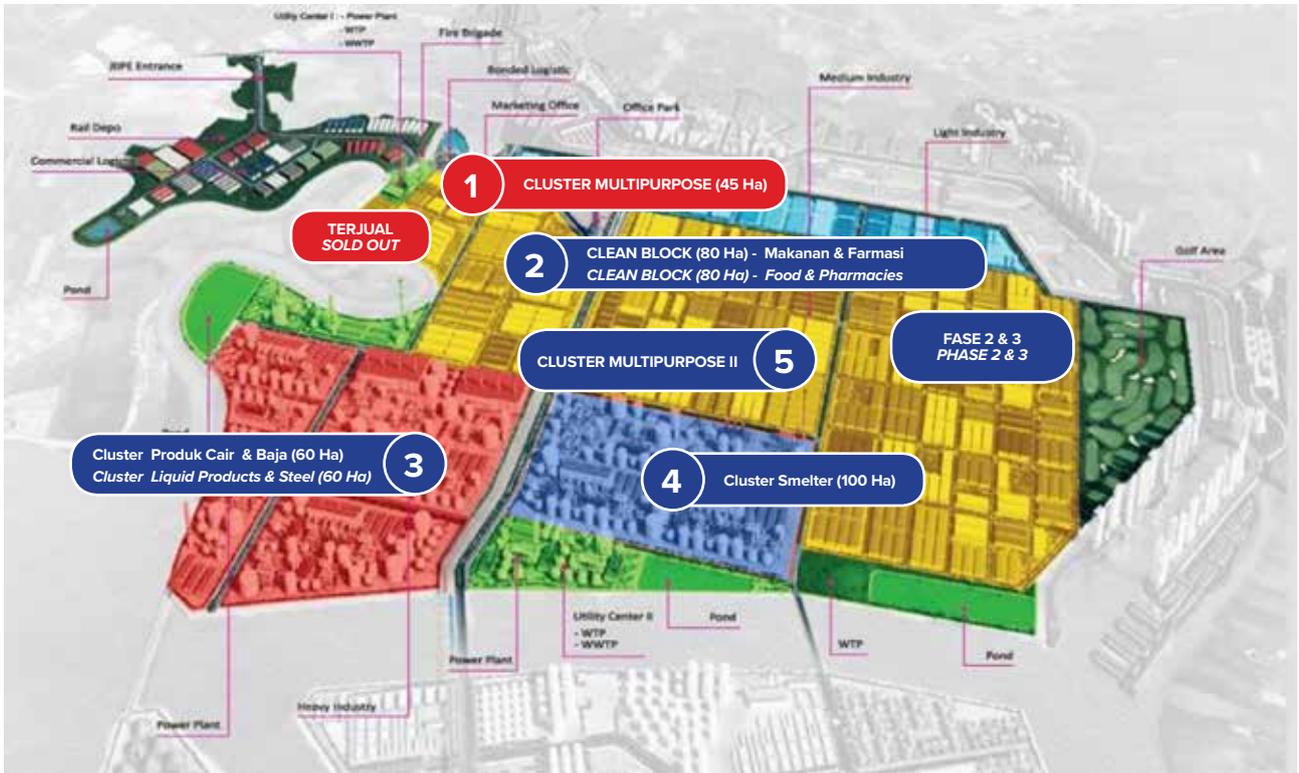
Since the JIIPE construction commenced in November 2013, the Company has continued to accelerate the process of providing land and supporting infrastructure, to bolster the investment development in East Java, and Gresik in particular.

Phase I development has been completed and will now enter Phase II.

## ENTER TO DEVELOPMENT PHASE 2



**A. Tenant**



JIPE offers clustering system to ensure business continuity and synergy in the Industrial Estate. Investors are screened and clustered together based on similarity of operations. There are 7 companies that have filled 1 Multipurpose Cluster, and 4 companies that have occupied the Clean Block Cluster which intended for the food, pharmaceutical and manufacturing industries needing other clean areas.

In May 2019, JIPE has officially handed over 103 ha for Freeport Smelter project.

Freeport Smelter is expected to encourage the growth of other new downstream industries at JIPE as part of government initiatives for more value addition within Indonesia's industry.

JIPE has prepared the opening of a Liquid Cluster equipped with pipe rack to the pier, to accommodate the needs of the liquid-based industrial sector. This cluster will also be prepared for the steel processing industry. Meanwhile the Phase 2 Multipurpose Cluster will be an ideal destination for various manufacturers that required a complete utility supply.

**B. Utilities**

The focus of JIPE in the second phase from 2019 to 2022 is the construction of independent utility facilities to support tenant operations, which consist of power plant, water supply, waste treatment plant, gas pipeline connections, and telecommunication systems using fiber optic network.

**1. Power Plants**

The 23 MW power plant in the first phase has supplied industrial tenants since November 2017. The power plant uses a ring loop distribution system and a double feeder to minimize interruption of electricity supply to the areas of tenant.

JIPE has license to Generate and Distribute 515MW of electricity to tenants on Industrial Estate. The estimated demand is 1,233MW once fully operational.

**2. Water Treatment Plant**

The first phase of water treatment plant facility has been operating using a "Sea Water Reverse Osmosis" desalination system, with a capacity of 2,400 m<sup>3</sup>/day. To accommodate industries that need clean water supply in the production process, JIPE will get clean water supplies from Gerak Sembayat Dam with a 1,000 liter/second discharge, which will begin to work in 2020.

**3. Wastewater Management**

The Wastewater Treatment Plant began its construction in August 2018 and has started to operate in 2019 with a capacity of 2,500 m<sup>3</sup>/day. The Wastewater Treatment Plant is using Bio Reactor Membrane technology that can ensure that liquid waste has meet the quality standards of Government regulations with minimal utilization of land use time. Waste is also reprocessed in the Ultra Filtration and Reserve Osmosis units to produce clean water for tenants and minimize natural extraction from natural water resources.

**4. Gas Distribution**

In 2017, JIPE has also completed the phase 1 of gas pipeline construction from the regional gates to the Multipurpose Cluster, in which Perusahaan Gas Negara (Own-State Gas Company) was one of the first gas supplier of that has distributed natural gas into the estate in 2018.

**5. Internet & Communication**

In addition, two leading telecommunication service providers in Indonesia have collaborated with JIPE in providing fiber optic-based broadband internet and telecommunications networks. JIPE has a firefighting team that is always on standby 24 hours a day, 7 days a week, for the convenience and security of every tenant at the JIPE industrial estate.



### C. Infrastructure

In 2019, JIPE was prioritized by the regulation of the acceleration of economic development, which was implemented through the following development plans;

- a. Additional lane on Daendels National Road, which is the main arterial road to JIPE.
- b. The Government approved the feasibility study for 11 km double track rail connection from Duduk Sampeyan Train Station to JIPE.

In addition, in 2019, JIPE and Waskita Bumi Wira, have signed a Memorandum of Understanding on the Construction of 2 km Access to Krian-Legundi-Bunder-Manyar (KLBM) that will provide direct toll access to JIPE, scheduled to be completed in 2020. Thus, JIPE can be accessed through several transportation routes.

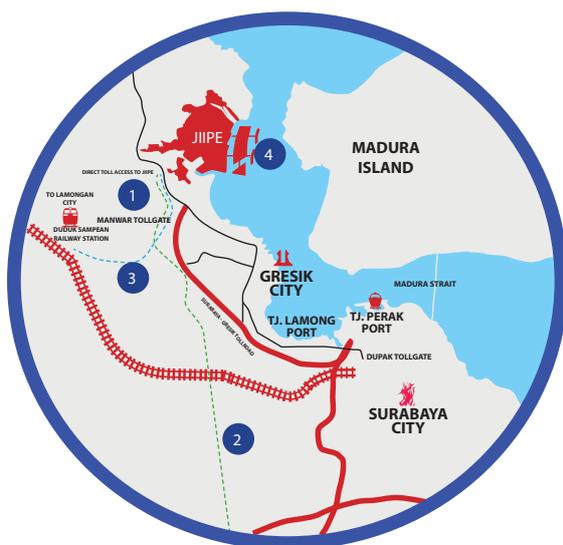
JIPE Port has been serving vessels and cargo since 2015 after the permit was issued. The port is completed with its first jetty of 500 meter. On December 2017, BMS has received a 76 years concession (expired in 2094) from the Ministry of Transportation

to provide services at Terminal Manyar, Gresik Port, East Java. JIPE Port has handled more than 1.1 million tons of mass products in 2019 from wheat, fertilizer, rock salt, bentonite and soda ash.

In 2018, the 250 m x 30 m jetty that has been operating its two side of functions for loading and unloading dry bulk and general cargo. This jetty has a natural draft of -14 LWS and can accommodate vessel with a capacity of 60,000 DWT. In the second semester of 2019, the Company held a tender to extend the jetty (250 m x 50 m). This jetty will be equipped with Harbor Mobile Cranes. The next expansion project will be a special jetty for Freeport.

The integrated deep sea port of 400 hectares is strategically located in the Madura Strait. It is part of the Surabaya Port Area, with a total 6,200 m length of jetty, -16m LWS sea water depth, and can serve capesize vessels up to 100,000 DWT.

Multi-port Services & Logistics for Freight, Containers, Cars/ Vehicles, General Cargo, Container Yard, Multipurpose, Fishing Industry, Liquid and Bulk Cargo, Bonded Logistics Center, Offshore Maintenance.



### JIPE'S UNIQUE MODES OF TRANSPORTATION – CONNECTED WITH SEA PORT, TOLL ROAD, AND RAILWAY ACCESS

#### TRANSPORTATION MODE

- 1 Daendels National Road
- 2 39 Km Toll Road Access connecting JIPE to East Java from KRIAN - LEGUNDI - BUNDER - MANYAR/JIPE (in 2020)
- 3 11 Km Railway Access connecting JIPE to main lane of Java Train, Train Depot (in 2023)
- 4 Strategic port location and will be the deepest in East Java (-16 LWS), currently -14 LWS and can handle large vessel up to 100,000 DWT



# HUMAN RESOURCE

THE INITIATIVES OF OUR HUMAN RESOURCES AND INFORMATION TECHNOLOGY MANAGEMENT WERE FOCUSED TO ENCOURAGE A RAPID BUSINESS ACCELERATION IN MASSIVE SCALE.



## HR MANAGEMENT POLICY

The Company believes that reliable and capable Human Resource (HR) is integral for sustainable financial performance and to deliver on its vision and mission as well as continuous working plan.

The Company pays great attention to the management and development of HR competencies. This starts with the recruitment process and is backed by continuous emphasis on management and development.

To complement this, the Company has introduced a number of initiatives to ensure that every employee is able to uphold the Company's values, fully implement the Good Corporate Governance and work in line with the overall strategy and business activities of the Company.

The Human Resource Division has been working on organizational and business transformation since 2017. A customized working

program has been implemented to improve the expertise and hard and soft skills of the employees. The Company provides hard skill and soft skill training with emphasis on building leadership and managerial skills, problem analysis and solving, occupational health and safety measures (K3).

The Company provides equal opportunities for all employees to receive education and training programs. These are based on individual development need in order to improve performance and achieve career ambitions. The training is updated continuously, in line with latest available technology and Company's operating standards.

The Human Resources Division maintains the focus to improve its service to all employees and evaluate performance by sending evaluation survey to respective departments. Human Resource Division also initiated program to build new habit via lunch together session for Top Management. This is expected to increase engagement and working effectiveness, and internalize corporate values starting from the top.



## TALENT MANAGEMENT AND EMPLOYEE DEVELOPMENT

In 2017, AKR established Macan Leadership Institute (MLI) as a talent management and leadership development program. MLI is one of AKR's transformation with five leading MLI programs namely; New Employee Orientation Program (onboarding – NEOP), Leadership Development Program, Head of Branch Academy, Sales Academy and Top Talent Program. MLI is expected to produce talented employees and have a good leadership spirit.

July 11, 2018, was an important milestone for MLI. It officially launched the first program of a series of development curriculum, called The Practical Coach. This program continued to run throughout 2019.

For future business growth, AKR keeps investing in human resource. In 2019, AKR enhanced MLI through the Sales Development Program (SDP), part of the Sales Academy. The program aims to support the improvement of the Company's performance by providing competent salespeople as well as career acceleration opportunities for selected candidates.

## CAREER MANAGEMENT

In 2019, as a continuation of the transformation program, the Company continued to evaluate employee development and career path by using work assessments. For participating employees, the PDC helps determine career paths and whether employee can be promoted (vertical move), transferred to other parts (horizontal move) or remain in position with role development (stay in position with expansion role). In addition, employees will receive guidance from the panelists about their individual development plan to achieve higher career. In addition, employees will receive direction from panelists regarding their individual development plans to achieve higher career paths or common goal along with method to meet the required competencies for the desired position.

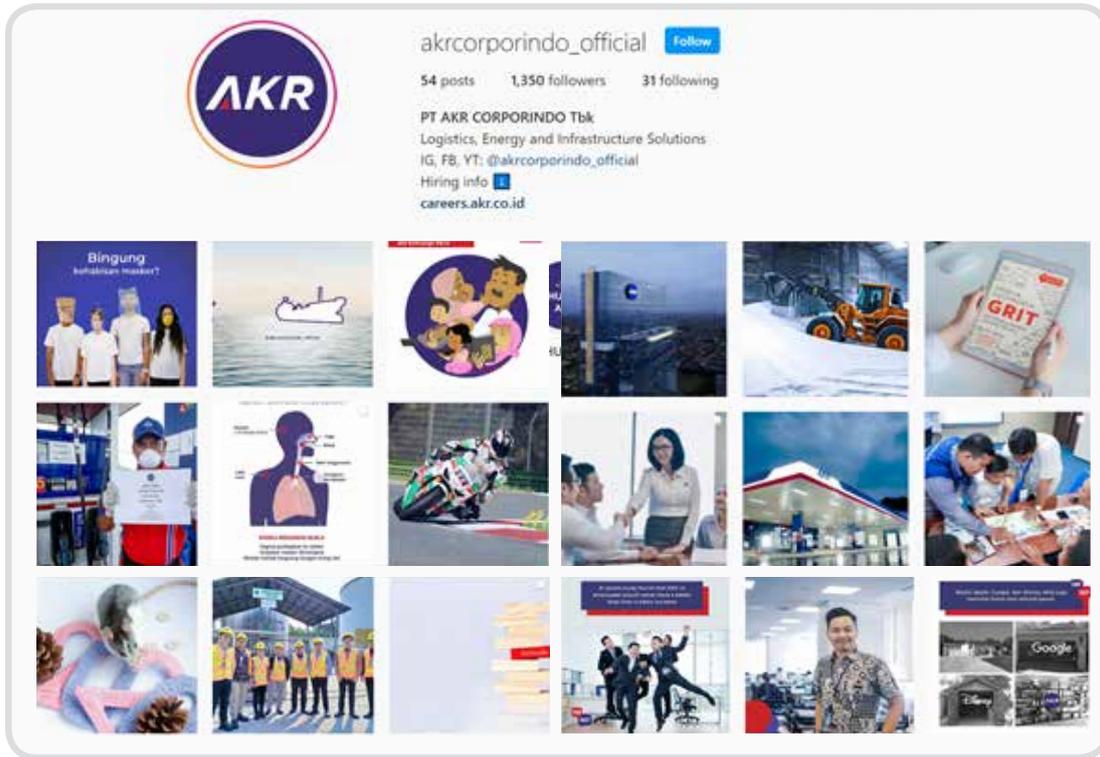
## RECRUITMENT

Recruitment is important in identifying, and attracting future employees to meet organizational needs based on the staffing planning process. In order to support business development, the Company requires qualified employees who have good competence. To fulfill these needs, the Company conducts regular and pro-hire recruitment processes to meet its employment needs on various levels on organization structure.

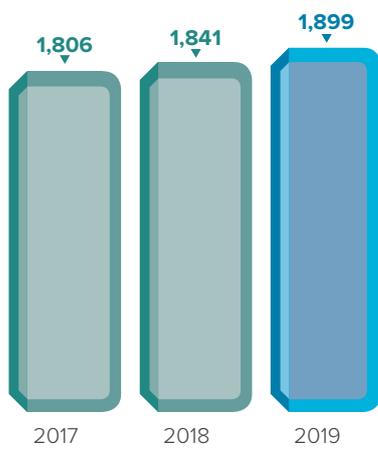
The Recruitment Department is increasingly using digital media (e-sourcing) to search for candidates. This is similar to the program of Digital Branding & Communication Department that targets to reach young and professional talents through social media. To entice more interest from the candidates in applying to AKR, the e-recruitment process is done and information on job offerings have also been activated in various channels and related social media. This method has successfully improved the speed in filling vacant positions from past years.

One of the channels that AKR has used is through AKR Website where candidates can see directly any available job vacancy and can directly apply via web. The data from such applicants is directly connected to the Human Resources Information System (HRIS). In addition to AKR web, professional channels (for example LinkedIn) are also used to update on any vacant positions. Dealing with millennials who are always active in social media to find information, the recruitment team has made some adjustment to also use social media including Instagram to spread the information on job vacancies.

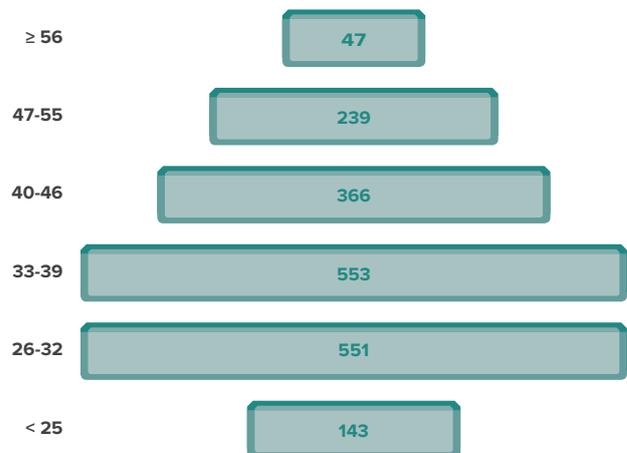
All Departments in the Human Resources Division continue to work hand in hand to build a collaboration spirit in developing the capabilities, the potential and talents of all existing employees based on agreed values and Company goals.



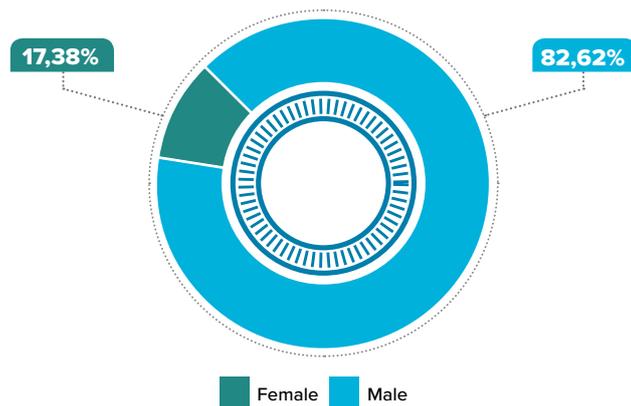
Total Employees



Employee Demography Based on Age (people)



Employee Demography Based on Gender (people)



# INFORMATION TECHNOLOGY



In 2019, as the Company continued on its path of business transformation, Information Technology (IT) was further seen as a core enabler for business transformation to happen. As the organization looked at increasing productivity and efficiency, IT was called upon to deliver across the business function to create a platform for the business to take advantage of emerging technology opportunities for operational improvement. In general, the strategy is for Information Technology department to adopt relevant technology advancements.

IT continues to focus on the visibility and automation aspects of applications to allow for business to shorten process cycle times across business function, improve customer trust and satisfaction. In conjunction IT further evaluated its infrastructure

and applications to allow for non-office based operation to allow the business to create flexibility in its processes and look for innovative ways to engage and interact with its customers and improve the overall customer experience.

IT 5 year master plan will set the scene on how IT will further enable the business and what will be the technologies that will be added to the IT portfolio during the coming 5 years. The core drivers of Automation, Collaboration Simplification, Assurance will remain and IT will be looking at how emerging technology innovations from both the hardware, device, sensor and application can be incorporated to further enable the business without compromising security.

# CORPORATE GOVERNANCE



## PLATFORM FOR IMPLEMENTATION OF CORPORATE GOVERNANCE

The Corporate Governance principles applied by the Company are based on:

1. Law No. 40 Year 2007 of Republic of Indonesia on Limited Liability Companies;
2. Law No. 8 Year 1995 of Republic of Indonesia on Capital Market.
3. Financial Services Authority Regulation No. 21/POJK.04/2015 on Corporate Governance Implementation Guidelines;
4. Financial Services Authority Regulation No. 32/POJK.04/2014 on Planning and Organization of General Meeting of Shareholders for Public Company;
5. Financial Services Authority Regulation No. 33/POJK.04/2014 on the Board of Directors and Board of Commissioners of Issuers and Public Companies;
6. Indonesia's GCG Guidelines issued by the National Committee of Governance Policy;
7. Indonesian Corporate Governance Roadmap issued by Financial Services Authority.

## CORPORATE GOVERNANCE PRINCIPLES

The Company's GCG framework is based on the principles of transparency, accountability, responsibility, independency as well as fairness and equality.

### TRANSPARENCY

The Company continues to provide material and relevant information that is easily accessible and understood by stakeholders. The Company also continues to disclose relevant information as required by the laws, regulations and other important information for the stakeholders.

### ACCOUNTABILITY

The Company is accountable for its performance in a transparent and fair manner through proper Company management, in accordance with the interests of the Company, Shareholders and other Stakeholders.

### RESPONSIBILITY

The Company complies with laws and regulations and fulfills its responsibility towards society and the environment so that the business sustainability can be maintained in the long term, as well as gaining recognition as a good corporate citizen.

### INDEPENDENCY

The Company is managed independently, with no unit dominating another, and free of intervention from other parties.

### FAIRNESS AND EQUALITY

The Company provides open access to information and gives Stakeholders the opportunity to provide input and opinions to the Company. The Company provides a fair and equitable treatment to all Stakeholders in accordance with the benefits and contributions made to the Company. In addition, the Company also provides equal opportunities in recruitment and career regardless of race, religion, gender and physical condition.

## GOVERNANCE STRUCTURE

Based on Law No. 40 of 2007 on Limited Liability Companies, the Company's Organs consist of General Meeting of Shareholders (GMS), Board of Commissioners and Board of Directors. The Board of Commissioners and Board of Directors have clear authority and responsibilities in accordance with their respective functions as mandated in the Articles of Association and Regulations.

A close and harmonious relationship between the Company's Organs is important in determining the success in managing the Company as stipulated in the principles of GCG. Each organ will only run in harmony when each organ clearly understands their functions and duties. The Company has set a guideline that clearly separates the functions and duties of each organ through the General Meeting of Shareholders (GMS), Board of Commissioners and Board of Directors.

No.	Main Organs	Supporting Organ	Description
1.	GMS	-	GMS is the Company organ with authorities that cannot be passed on to the Board of Directors or the Board of Commissioners within the limits specified in the Law and/or Articles of Association.
2.	Board of Commissioners	a. Audit Committee b. Nomination and Remuneration Committee	The Board of Commissioners is the Company organ in charge of general and/or special supervision in accordance with the Articles of Association as well as gives advice to the Board of Directors.
3.	Board of Directors	a. Corporate Secretary b. Internal Audit c. Investor Relation	The Board of Directors is the Company organ with the authority, and full responsible for the Company's management for the benefit of the Company, in accordance with the Company's purposes and objectives and represents the Company, in accordance with the Articles of Association.

### Governance Structure





## GOVERNANCE PROCESS

In order to implement GCG in the Company in accordance with the laws and best practices, the Company has implemented several policies (Soft Structure) related to GCG as follows:

1. The Company's Articles of Association;
2. Board of Directors and Board of Commissioners guidelines;
3. Audit Committee Charter;
4. Internal Audit Charter;
5. Nomination and Remuneration Committee Charter;
6. Risk Management policy;
7. Whistleblowing System & Anti-Corruption Policy;
8. Code of Conduct.

## GOVERNANCE MECHANISM

The Company has a governance mechanism which is based on the principle of equality to regulate each of the Company's Organs in accordance with their respective functions and roles. The Board of Commissioners performs its supervisory function assisted by the Audit Committee and the Nomination and Remuneration Committee, while the Board of Directors perform its management function with the help of the Internal Audit Unit, Company Secretary and Investor Relations.

Continuous introduction and understanding of the Company's GCG commitment to all management levels is done on each business activity. There are three main focus areas in implementing GCG, namely Compliance, Confidence, Transparency.



**COMPLIANCE**

The principle of Compliance shows how the Company complies with Good Corporate Governance which is seen on all aspects, including the Company policies.



**CONFIDENCE**

Confidence is an internalization of optimism and confidence that the Company will always provide the best for all Stakeholders.



**TRANSPARENCY**

Transparency shows that the Company always puts forward the principle of openness and always provides the information needed by investors.

In upholding the principles of GCG, the Company conducts GCG internalization for all employees in all business processes and also perform external exposure through information dissemination activities.

Internalization	External Exposure
<ol style="list-style-type: none"> <li>1. Procurement Procedures</li> <li>2. Employee Selection Procedure</li> <li>3. Admission Procedure</li> <li>4. Reporting Procedure</li> <li>5. Marketing Procedures</li> </ol>	<ol style="list-style-type: none"> <li>1. Investor relations activities (analyst meetings and roadshows to various investment institutions).</li> <li>2. Annual public exposure.</li> <li>3. Regularly update the Company's website (www.akr.co.id).</li> <li>4. Regularly disseminate information through news releases to stakeholders.</li> </ol>

### HIGHLIGHT OF GCG ACTIVITIES IN 2019

The implementation of GCG in the Company's business environment is a continuous process, including in 2019. In addition to the general activities that have been conducted every year, the Company has also improved its GCG implementation as a commitment to always follow the best practices of GCG standards. The following is the highlight of the Company's GCG activities that have been done throughout 2019:

- **February 2019 - Revamp Website**

In the beginning of 2019, the Company has renewed its website. The Company has always been promoting the principle of transparency and ease of information for shareholders and other stakeholders. Changes to this website are also adjusted to be mobile friendly to make it easier for readers who wanted to access Company information via mobile phones or other devices. The Company has also created microsites on retail and career to make it easier for users to go to the desired information segment.

- **April 2019 - Digital Annual Report**

In addition to physical Annual Reports (hardcopy), in 2019, the Company has began to create a digital Annual Report. As part of updating the Company with technological development and easy access to obtain information digitally, the Company also pays attention to environmental issues. With this digital Annual Report, the Company has reduced 50% paper use for printing the Annual Report compared to the previous year.

- **April 2019 - GMS Barcode System**

The Company has implemented a barcode scan system to calculate the attendance and voting quorums during the Annual and Extraordinary General Meeting of Shareholders on April 30, 2019. It is important for the Company to have the

implementation of the General Meeting of Shareholders run smoothly. This method can minimize human error during the calculation process on attendance and voting quorums. This has proven to be effective and efficient and the Company has considered to continue the program in the next GMS in the following years.

### GOVERNANCE OUTCOME

The implementation of Company's GCG in the Company is regularly evaluated and based on the best updated best standards. This is shown to assure that the implementation of Company's GCG is far not a formality but a real commitment to guarantee responsible business practices in accordance with applicable laws and regulations.

The benefits of implementing GCG in 2019 are reflected in:

1. Operating profit increased 17.0% to Rp1,095.3 billion from the previous year;
2. Total assets increased 7.4% to Rp21,409 billion from the previous year;
3. Equity increased 1.4% to Rp10,066.9 billion from the previous year.
4. Maintained low leverage of 27% Net Gearing and arranged in advance refinancing of bond due in December 2019 and June 2020 with bank term loans at competitive rates;
5. Monitored the working capital to minimize net open positions and to pass-through fluctuations in oil price and exchange rates to customers;
6. The Company and members of the Company's Board of Commissioners and Board of Directors were not subjected to administrative sanctions by relevant authorities (capital market, banking and others).

In addition, in 2019 AKR also received a number of awards from various independent institutions, including:

1. Top 50 Award of the Largest Market Capitalization Issuer with Best Corporate Governance Practices in The 10th CG Conference & Award 2019 held by the Institute for Corporate Directorship (IICD) and Kontan Media Group.
2. The 1st reward of The Best Indonesia GCG Implementation 2019 conducted by Economic Review.
3. One of the best 42 issuers at CSA Award 2019 organized by Securities Analysts Association of Indonesia and CSA Research.
4. The 1st reward of The Best Risk Management 2019 which organized by Economic Review.

# AWARDS AND CERTIFICATION



Economic Review, The Best Indonesia Public Company 2019 Industry: Large Trade In Production Goods, Ranking #1



Indonesia Best Issuer Award 2019 in Trade, Services and Investment Sector (Asset Between 10-20T)



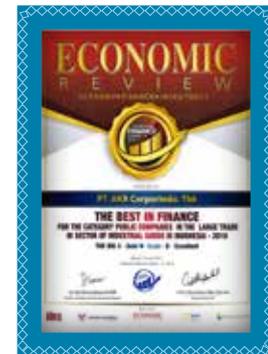
Economic Review - 1st The Best Indonesia GCG Implementation - 2019



Economic Review, 1st - the Best Risk Management 2019



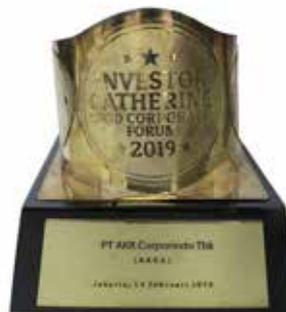
CSA Award, One of 42 The Best Public Company Chosen by Analyst 2019



Economic Review, The Best in Finance for Trade Sector - Public Company



The Most Valuable Brands 2019 by Brand Finance PLC



Investor Gathering and Corporate Forum 2019



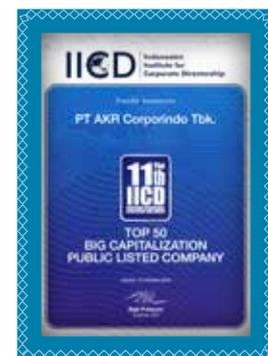
Economic Review, The Best Human Capital For Trading - Public Company



The Best Public Company - 2019 Industry: Large Trade in Production Goods Economic Review and IPMI



Sahabat UGM Universitas Gadjah Mada



Top 50 Big Capitalization Public Listed Company 2019 The 10th CG Conference & Award 2019 Institute for Corporate Directorship (IICD) and Kontan Media Group

# SUSTAINABILITY COMMITMENT

**AKR IS STRONGLY COMMITTED TO ENVIRONMENT SUSTAINABILITY, SOCIAL RESPONSIBILITY AND GOOD CORPORATE GOVERNANCE TO ACHIEVE LONG TERM, SUSTAINABLE SUCCESS IN MEETING THE OBJECTIVES OF ALL OF OUR STAKEHOLDERS.**

The social commitment to sustainable development is applied by AKR by conducting the Corporate Social Responsibility (CSR) program that is based on applicable standards or criteria, both nationally and internationally.

The legal basis in Indonesia that the Company has considered in implementing CSR, are as follows:

1. Law Number 40 in 2007 regarding Limited Liability Companies;
2. Government Regulation Number 47 in 2012 regarding Corporate Social and Environmental Responsibility of a Limited Liability Company;
3. Law Number 25 in 2007 regarding Investment;
4. Law Number 13 in 2011 regarding the Caring for the Poor;

5. Regulation of the Minister of Social Affairs of the Republic of Indonesia Number 13 in 2012 regarding the responsibility of business world in the implementation of Social Welfare.

There are several initiatives that have been observed by the Company based on internal studies:

1. ISO 26000 standard with 7 (seven) pillars, including responsibilities related to Human Rights (HAM), labor practices, environmental preservation, fair operating standards, consumer issues, engagement and community development.
2. The Resolutions of 205 United Nations (UN) on Sustainable Development Goals (SDGs) as the global development agenda for the benefit of humans and planet earth.

## SUSTAINABLE DEVELOPMENT GOALS



The Company views Corporate Social Responsibility (CSR) as a manifestation of concern for the environment, respect for human rights, an obligation to provide a comfortable place and good working relationships with employees, prioritizing the maintenance of occupational health and safety, and participating in developing economy and local community.

As an empowerment of local communities, the Company undertakes a policy to prioritize the use of local labor from communities surrounding the Company's operational area. For example, the recruitment of operator personnel at the Company's gas stations and terminals.

AKR seeks to adjust CSR programs that are inline with the UN SDGs. The Company believes that positive changes made in the

community will have a sustainable impact on future generations. The Company is committed to achieving good business growth and contribute positively to the environment and society.

The Company realizes that good relations with the environment, community and other stakeholders are needed in supporting operational smoothness. AKR Corporindo understands and appreciates its responsibilities to its Customers, Shareholders, Employees, other Stakeholders as well as to people and communities in which we operate. Therefore, the Company is consistently improving the quality and quantity of the implementation of CSR programs. This is for mutually beneficial relationships between the Community and the Company. Our Medium Term strategy aims to incorporate best practices to ensure we meet these responsibilities.

Topic	Important ESG Items	Program	Sustainable Development Goal Items
Environment	<ul style="list-style-type: none"> <li>Energy Efficiency</li> <li>Reduction of Greenhouse Gas Emissions</li> <li>Environmental Conservation</li> </ul>	<ul style="list-style-type: none"> <li>Reduce in-house Consumption</li> <li>Support Government Biofuel initiatives</li> <li>Introduce higher grade Gasoline Products</li> <li>Use Natural Gas in Power Generation for JIPE</li> <li>Stringent Controls in handling products</li> <li>Introduce LNG and Support Electric Cars in Future</li> <li>Tree plantation and Mangrove restorations</li> </ul>	
Social	<ul style="list-style-type: none"> <li>Human Capital</li> <li>Product &amp; Occupational Safety</li> <li>Customer engagement</li> </ul>	<ul style="list-style-type: none"> <li>Equality in recruitment, competency development, and promotion, regardless of gender, ethnicity, race and religion</li> <li>Comply with the Labor Wage &amp; Rights provisions in Indonesia</li> <li>Implement good Occupational Safety and Health Management System</li> <li>Safety awareness through training, to achieve target six zeroes</li> <li>Empowerment for community around, in field of education, health, and wealth improvement</li> <li>Close engagement with customers by accommodating customer complaint through a technology system</li> </ul>	
Governance	<ul style="list-style-type: none"> <li>Corporate Governance</li> <li>Internal Controls</li> <li>Corporate Act</li> <li>Responsibility to Stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Engagement between Top Management and shareholders/investors</li> <li>Good risk management system</li> <li>Have complete compliance system, including Corporate Secretary, Audit Committee, Internal Audit, Quality Assurance, Nomination &amp; Remuneration Committee</li> <li>Anti corruption</li> <li>Fair Business competition</li> </ul>	

## CORPORATE SOCIAL RESPONSIBILITY GOVERNANCE

### PILLARS OF CSR PROGRAM

The focus of the implementation of CSR programs remains centered on 4 (four) main stakeholders but with the enhancement of the quality of implementation in accordance with the latest international standards.

#### 1. Environment

The Company strives to minimize the impact of the its operations against the environment and preserve the environment.

#### 2. Employee

The Company pays great attention to the Employment and Occupational Health & Safety by creating a safe, healthy and environmentally friendly working environment, as well as providing guidance for employees to give maximum contribution.

#### 3. Public & Community

The Company is committed to enhance the social aspect and its surrounding communities.

#### 4. Customer

The Company is committed to produce high quality products and services for consumers.

### CSR COMMITMENT

The Company is committed to apply the principles of transparency and accountability in its business activity, including the implementation of CSR. This was shown through the various policies that the Company has prepared to realize sustainable development. These policies are discussed in the Board of Directors meetings, including the Company's strategy and work program in dealing with economic, social and environmental issues.

Furthermore, the Board of Directors will request the direction and approval from the Board of Commissioners, including budget. The CSR strategies and programs from the management will be socialized to all business units and become the commitment of all employees.

## METHODS AND SCOPE OF DUE DILIGENCE ON SOCIAL, ECONOMIC AND ENVIRONMENTAL IMPACTS ON THE COMPANY'S ACTIVITIES

The Company has a due diligence method to ensure the values of sustainability commitments which include:

1. Applicable employee, customer or partner satisfaction survey at AKR.
2. Focus Group Discussion.
3. Corporate Work Plan and Budget (RKAP).
4. Quarterly Management Report.

The Company has provided various facilities to submit complaints for customers, authorities and wider community against all impacts resulting from business activities. The Company continues to monitor and evaluate the products and services based on feedback from customer and working partner satisfaction surveys.

The Company also engages stakeholders in regular discussion forums include the community around the operating environment and also the decision making authority.

## STAKEHOLDERS AFFECTED OR HAVE INFLUENCE ON THE SOCIAL, ECONOMIC, AND ENVIRONMENTAL IMPACT OF THE COMPANY'S ACTIVITIES

AKR has charted its stakeholders, including those who are affected or have an impact on the Company, both directly and indirectly from the Company's operational activities. In addition, the Company has also charted important issues that are of concern to stakeholders or the impact of the Company's operations on stakeholders as reflected in the following table:

No.	Stakeholders	Important Issues	Method of Involvement	Frequencies
1.	Consumer	Get service and satisfactory service quality.	Customer meeting in every branch and satisfaction survey	Regularly, as needed
2.	Shareholders	The company runs effectively in providing protection to the workforce.	General Meeting of Shareholders	Once every year
3.	Employee	Getting a comfortable workplace, adequate employee benefits, opportunities to develop.	Sharing session, corporate events, email, newsletter to build employee engagement	Regularly, as needed
4.	Partners	<ul style="list-style-type: none"> <li>• An objective procurement process.</li> <li>• Obtain mutually beneficial cooperation.</li> </ul>	Explanation regarding the policy of goods and services procurement, particularly for new supplier	Regularly, as needed
5.	Media	<ul style="list-style-type: none"> <li>• Reliable news source.</li> <li>• Accurate reporting.</li> </ul>	News release, website information, press conference	Regularly, as needed



**ISO 9001:2015**  
JIPE Quality Management System



**ISO 9001 & 14001**  
Quality Management System Supervision from The principal: PT ASC

## IMPORTANT ISSUES ON SOCIAL, ECONOMY AND ENVIRONMENT REGARDING THE IMPACT OF COMPANY'S ACTIVITIES

In presenting the relevant and updated issues, data and information according to the rights of stakeholders, the Company has conducted

an analysis based on internal and external studies. The internal analysis comes from the management and employees, while the external analysis is treated as a ballast factor from an independent party. The Company also considers input from its own stakeholders based on collected data and information. The important social, economic and environmental issues are as follows:

Important Issues	Description
Economic Performance	Describe the Company's achievements and performance during the reporting year.
Anti Corruption	Describe the Company's commitment to create a working place that is clean from violations and money laundering.
Environmental Compliance	Describe the Company's commitment to realize and perform environmentally friendly operations, preventing pollution, and improve the sustainable environmental management system.
Occupational Health and Safety	Describe the Company's commitment to control the accident at work that can affect business productivity.
Education and Training	Describe the Company's commitment in providing training opportunities and equality as well as increasing competencies for all employees, for personal development related to welfare as well as developing the Company's performance and business.
Local Community	Describe the Company's commitment to sustain the local community through social activities that are incidental or planned in a sustainable manner.
Social and Economy	Describe the Company's commitment to participate in an integrated development of the social and economic welfare of the society through quality products and services to support overall community activities.

## POLICIES AND STRATEGIES IN DEALING WITH SOCIAL, ECONOMIC, AND ENVIRONMENTAL ISSUES

The Company has properly managed the issues on social, economic and environmental aspects due to the prepared work plan and relevant budget. CSR strategy is emphasized on handling issues and problems that occur within the environment of the stakeholders. Handling of issues and problems is focused on prevention and improvement efforts. Prevention efforts are more focused on internal control of the Company's operations so that every business activity can run without causing negative impacts on social, economic, and environmental aspects. Improvement efforts are more focused on direct monitoring of the real conditions that occur around the community such as poverty alleviation, improving economic welfare, health (healing diseases), and various other activities.

The Company's social activities are prioritized to the surrounding communities of the Company's operational areas. These aim at maintaining harmonious relations and creating business conditions that are conducive to support the continuous business activities and safeguarding the Company's assets. The CSR activities are targeted at wider community in general due to our commitment to contribute to society and the country.

The distribution of CSR activities which the Company has done in social, economic and environmental aspects generally covers the following matters:

1. Emission Management;
2. Energy Efficiency;
3. Environmental Conservation;
4. Environmentally Friendly Operations;
5. Education Scholarship;
6. Donation on Community Activities;
7. Natural Disaster Donations;
8. Religious.

## SOCIAL RESPONSIBILITY BEYOND OBLIGATION

The basis for implementing CSR activities are based on generally accepted regulations that were presented in the previous discussion. In this section, the Company evaluates the regulations related to important issues of social responsibility that are more specific regarding various activities. Regulations that have been complied by the Company include the following:

### 1 OCCUPATION SAFETY

1. Law No. 1 in 1970 regarding Occupational Safety;
2. Government Regulation of the Republic of Indonesia No. 50 in 2012 regarding the Implementation of Occupational Safety and Health Management Systems;
3. Government Regulation No. 50 in 2012 regarding the Implementation of Occupational Safety and Health Management Systems (SMK3).

### 2 EMPLOYMENT

Law No. 13 in 2003 regarding Manpower which has also adopted the resolutions of International Labor Organization (ILO) regarding the fulfillment of human rights for workers.

### 3 ENVIRONMENT

1. Law No. 40 in 2007 regarding Limited Liability Companies;
2. Law No. 32 in 2009 regarding Environmental Protection and Management.

### 4 SOCIAL RESPONSIBILITY

Government Regulation No. 47 in 2012 regarding Social and Environmental Responsibility of a Limited Liability Company.

### 5 CUSTOMER PROTECTION

Law No. 8 in 1999 regarding Customer Protection.

Based on the consideration above, the following are the activities of Company's CSR in 2019 which considered beyond obligation:

Location	Description	Category	Objectives
UGM Yogyakarta	PT AKR Corporindo Tbk donated Big Data Center to Gadjah Mada University (UGM), Yogyakarta. Berita/News: <a href="https://ugm.ac.id/id/berita/18843-ugm-terima-hibah-infrastruktur-big-data-dari-akr-corporindo">https://ugm.ac.id/id/berita/18843-ugm-terima-hibah-infrastruktur-big-data-dari-akr-corporindo</a>	Education	Encouraged research development in artificial intelligence, media and civil analysis as well as other analysis in terms of behaviour and web conversation in social media.
UGM Yogyakarta	Financial support for advance clinical research on Ina Stent for Gadjah Mada University (UGM), Yogyakarta. Berita/News: <a href="https://ugm.ac.id/id/berita/18105-ugm-dan-akr-corporindo-kerja-sama-uji-klinis-ina-stent">https://ugm.ac.id/id/berita/18105-ugm-dan-akr-corporindo-kerja-sama-uji-klinis-ina-stent</a>	Health	Advance research and development of Ina Stent to help curing the cardiovascular disease.
Kodim Gresik	Planted 200 trees together with KODIM Gresik.	Social/Environment	Made the area around our operational activities greener.

### FINANCING AND COST OF SOCIAL RESPONSIBILITIES

In 2019, the Company has conducted the CSR activities with a total cost of Rp8,163,053,225. This figure was 13% higher than the targeted CSR budget and 33% higher than the cost of CSR in previous year which amounted to Rp6,139,034,470.

The significant CSR cost in 2019 was due to the donation of data center facilities and support on ina stent clinical research to Gadjah Mada University.

## CORPORATE SOCIAL RESPONSIBILITY RELATED TO FAIR OPERATIONS

### COMMITMENT AND POLICIES

The Company is committed to implementing business development by prioritizing the principle of fair operation. The Company complies and adheres to all applicable laws and regulations.

This commitment is also built by referring to the same rationale as the values of Good Corporate Governance, namely; transparency, accountability, responsibility, independence and fairness & equality.

### CONDUCTED ACTIVITIES

The activities in corporate social responsibilities related to fair operation cover:

#### Anti Corruption

In line with the spirit of the Indonesian government to eradicate corruption, AKR has a similar commitment to ensure that the Company's working environment is free from any corruption. This commitment is inseparable from the implementation of the principles of Good Corporate Governance (GCG), whose objectives include increasing the confidence of consumers, investors and shareholders.

For this reason, the Company has been trying to close the doors that open opportunities for abuse of office, including the possibility of the practice of gratification and bribery. The commitment to close the opportunity for corruption will apply to all AKR employees without exception. This commitment has been successfully implemented in 2019. Based on the audit results of every aspect of the Company's operations and finance, there was no evidence of material incidents of corruption and any issues that might disturb business stability and therefore there were no actions taken.

AKR's policy on anti corruption requires all employees to sign integrity pact which prohibits the practice of corruption, collusion and nepotism in the AKR Group. The pact also requires all employees to avoid giving and receiving gifts or bribery and act honestly

#### Fair Competition

In conducting the business, AKR is always ready to compete in a fair manner, against monopoly and antitrust. To win the competition, the Company strives as much as possible by formulating specific strategies, which are adjusted according to the program and targets to be achieved. In 2019, there were no reports on the Company's actions that could be categorized as anti-competitive actions related to AKR business practices.

**Transparent Process to Procure Goods and Services**

AKR provides equal opportunities to all parties to become partners in the process of procurement of goods and services. However, the Company sets certain requirements to become partners.

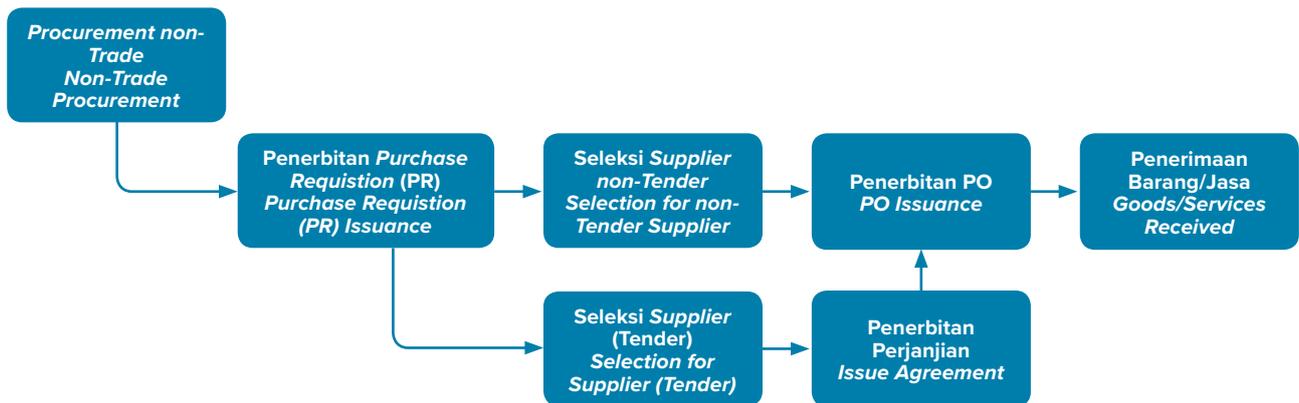
Every potential partner of AKR must first register as a partner. This is to ensure the existence and legality of the partner’s administrative requirements in accordance with the applicable laws and regulations.

The Company has a policy regarding supplier selection as a reference for the procurement of goods and services. This policy covers the process of goods and services procurement including the supplier registration, supplier selection, purchase contracts and issuance of purchase order. This policy is made to ensure that the Company will obtain qualified suppliers that can guarantee continuous supply of goods and services in accordance with the

Company’s standards. The policy will also ensure that the Company will receive the goods and services in competitive prices and according with principles of governance for the Company’s interests and comply with applicable laws and regulations in Indonesia.

AKR is committed to fulfill the creditors’ rights in accordance with the Company policy and applicable laws and regulations. The commitment is also based on agreements that determines the rights and obligations of the Company and creditors.

AKR provides the suppliers with the latest information on the Company’s goods and services procurement policies, especially for new candidates. Suppliers are required to have occupational safety and health standards. Suppliers are obliged to comply with applicable standards and regulations, both at AKR or in accordance with applicable laws and regulations. AKR has a Non-Trade Procurement Standard Operating Procedure (SOP) (for non-trading goods/services), which is carried out by the following mechanism:



The Company guarantees that all processes in the procurement of goods and services are carried out transparently by upholding the Company’s code of conduct. Suppliers are required to sign an integrity pact. This will ensure all suppliers to act honestly and avoid bribery to prevent corruption, collusion and nepotism in procurement process.

**Impacts and Achievements**

During the reporting period, there were no reports of violations regarding fair operations that were related

to corruption, unfair competition and non-transparent procurement processes, both from the Company’s internal and external environment.

On the one hand, the Company has also realized that the implementation of fair operations has had an indirect impact in increasing the trust from third parties for the Company to do its business activities during 2019. This is reflected in repeat orders from our customers resulting in volume of business conducted in 2019.

# CORPORATE SOCIAL RESPONSIBILITY FOR EMPLOYMENT, HEALTH AND SAFETY



## COMMITMENT AND POLICIES

As a responsible corporation, the Company support and is committed to preserve the earth through various policies and concrete actions on the ground. It prioritized measures aimed at reducing the environmental damage for humans, while helping future generations to enjoy a better life on earth.

The Company has established an environmental management system policy that has been agreed on the Director's Meeting. As a leading corporation engaged in various business activities with vast scope, the environmental policies in the Company include:

1. Compliance with laws and other certifications that apply both nationally and internationally related to environmental protection and preservation;
2. Applying the concept of Green Operational in every business activity;
3. Ensure to always set the latest environmental management standards;
4. Make continuous improvements.

## COVERAGE AND FORMULATION

The scope of environmental protection and preservation activities includes the risk management against the environment which caused by the Company's operational activities.

## PLANNED ACTIVITIES

In 2019, the Company has prepared several working plans related to the environment which include:

1. Energy management for operational activities
2. Efficient use of energy
3. Control of emissions by monitoring and managing emissions caused by the Company's business activities;

4. Water & waste management
5. Submission on Certification of ISO 14001:2015 – for JIPE Industrial Estate Environmental Management System

The planning of environmental CSR activities has considered both direct and indirect impacts of each of the Company's activities and decisions. The Company also considers the expectations of stakeholders to see that their living environment and ecosystem are maintained and always sustainable.

## Energy Efficiency

The company is now closely monitoring total Energy Consumption to target gradual reduction without compromising operational efficiencies. Electricity and Petroleum are the two main energy consumed to conduct operations.

In AKR, total electricity consumption in 2019 was 5,178 MWH. In JTT, total electricity consumption in 2019 was 1,466 MWH. In BP-AKR joint venture, total electricity consumption in 2019 was 1,037MWH. In JIPE, have conserved energy consumption by using sensors and timers, BKMS.

The total petroleum usage in 2019 was 6.7Mn L, which was 5% lower than 2018.

In our Storage and Logistic business, we use In-line blending system for blending B30 (2H 2020) when loading trucks and ship. This reduces pumping energy requirement by 25% vs tank blending method (2x pumping scheme).

The pressure fueling line system in our SPBKB is known to be -10% lower in terms of energy consumption compared to suction-type fuelling system

Our IT Department always analyzes GPS tracking result and video analytics for fleet and driver management. This is for the driver fatigue management as well as route optimizations. IT also identifies abnormal operation of tank pressure relief valves and tank leakage. We will also continue to evaluate enhances in IoT sensor technology and messaging protocols such as MQTT to further look for improving our predative monitoring capability. We have also installed low cost, low power, connected sensors capturing spatial and environment information.

The Company has implemented use of LED lights in new Corporate Head office in AKR Tower, including BP-AKR joint venture. The AKR Tower uses energy-friendly technology, including smart elevators.

**Reduce Greenhouse Gas Emissions**

Emission management is carried out through measurement of air emissions (see: emissions of generators, forklifts) in accordance with The Minister of Environment Regulation No. 13 Year 2009. If air emission parameters are found exceeding quality standards, then maintenance of gensets / forklifts is immediately conducted in order to meet the required quality standards.

The Company also routinely conducts emission on all modes of land transportation owned by the Company. By only operating emission test-passed trucks, the Company is participating in emission reduction and plays a role in environmental preservation.

AKR has been actively participating in Indonesia government initiatives to implement Biodiesel. Since September 1, 2018, in accordance with government policy, AKR fully supports the distribution of Biodiesel under government initiative. In 2019, AKR distributed 1.9 million KL of solar containing 20% FAME derived from palm oil products, to almost all industrial customers. In 2020, we are participating in government B30 program and have in-house blending facility to accomplish the targets.

JIPE is an industrial estate in Indonesia that is using natural gas to meet the energy needs of tenant factories. In addition, natural has is used for its in-house Power Plant (currently 23MW). The objective is to provide clean fuel to reduce emission, at competitive cost.

The BP-AKR retail outlets (15 in March 2020) sell high-octane fuel products that meet Euro 4 standards and have better eco-friendly emissions compared to typical fuels sold in Indonesia of Euro 2 standards in general.

**Environmental Conservation**

JIPE, is building a fresh water processing facility and a waste water treatment facility with the aim of recycling most of waste and natural water to produce fresh water for its industrial customers. In addition, to conserve the environment, AKR collects rain water and builds seven water reservoir totaling 42 ha area with depth of 6 meters as part of our water conservation program. In December 2019, JIPE obtained ISO 14001: 2015 – for the Environmental Management System. The environmental management system leads to a standard of corporate responsibility to the environment in order to grow sustainably. The assessment includes the documentation-

communication principle of an environmental policy within the organization, management planning, implementation, inspection and corrective actions, as well as management review.

In 2019, JIPE participated in tree plantation with KODIM Gresik: 200 Tress. In 2020 planning to participate tree plantation with POLAIRUD : Mangrove conservation 10.000 trees.

In AKRM total water consumption in 2019 was 15,578 cubic meter In JTT, total water consumption in 2019 was 5,064 cubic meter In BP-AKR joint venture, total water consumption in 2019 was 11,436 cubic meter

AKR has implemented the management of hazardous and toxic waste (Compliance to PP 101 of 2014) in several areas such as Lampung, Pontianak, Bitung, Tanjung Priok, Marunda II and Stagen Tank Terminals. This has been proven by the results of direct and indirect supervision and monitoring by the Ministry of Environment and Forestry. The Company is investing in improving quality of the personnel who run the program to acquire competency certification for B3 waste management.



**REPORTING MECHANISM OF ENVIRONMENT ISSUES**

The Company is committed to be open and promote transparency in managing environmental issues. This includes the Company’s openness in receiving complaints related to environmental issues.

The community complaints were usually reported through the relevant agencies (Environmental Agency) or directly to AKR. The Company follows up on every incoming report and coordinates it with the relevant team to verify and resolve the problem immediately.



### IMPACTS AND ACHIEVEMENTS

During the reporting period, there were no reports on environmental damage caused by the Company’s operations, from the complaints which directed to the Company or through related agencies (Environmental Agency).

AKR has obtained a BLUE PROPER for 2018-2019 from the Ministry of Environment and Forestry (KLHK) awarded to AKR Lampung. This was determined by the Ministry of Environment and Forestry through Decree of the Minister of Environment and Forestry of the Republic of Indonesia Number SK.1049/MENLHK/SETJEN/PKL.4/12/2019 regarding Assessment Results of Company Performance in Environmental Management 2018-2019.

## CORPORATE SOCIAL RESPONSIBILITY RELATED TO HUMAN RIGHTS

### COMMITMENT AND POLICIES

AKR upholds Human Rights (HAM) as a basic guideline in the Company’s operations. This applies in (to employees) and also outside (to parties outside the company).

### CONDUCTED ACTIVITIES

Activities in corporate social responsibility related to human rights include:

#### Fair Remuneration

The Company always pays attention to the welfare of its employees, one of which is through a remuneration strategy that is always reviewed in accordance with the needs of the Company and maintains competitiveness with the industry, which in turn can support superior performance in achieving the Company’s targets.

The Company implements a remuneration system that aims to support the company’s strategic objectives. So that it is

expected that a good remuneration system will support the competitiveness of the Company.

#### Practices to Not Employ Underage Workers

In daily operations, the Company does not employ child labor, and all employees work according to their respective working hours without coercion. Commitment to the absence of exploitation of child labor and forced labor is also a prerequisite for the Company to establish cooperation with supplier companies, such as non-permanent labor service providers. During the reporting period, there were no negative and potential impacts on labor practices in the supply chain. Also, there are no complaints related to the employment practices.

#### Forced Labor

The applicable working time in the Company is in accordance with Article 77 of Law No. 13 of 2003 concerning Labor, which is 40 hours in 1 week. The working hours of AKR employees can be explained in the following table:

Description	Non Shift Employee	Shift Employee
Working days	5	5
Working hours	08.00-17.00	Adjusted according to role and location
Leave rights	Starting from 12 days	Starting from 12 days

In accordance with Company Regulation, for shift employees, operational working hours depend on the branch, place and type of work with a reference to 40 working hours per week. Work with shift system include operators in terminal tanks, technicians, ship crews and others.

With the above provisions, AKR ensures that there are no forced labor practices that occur in the Company because workers have adequate rest periods. Since the Company was first established

until the reporting of the Annual Report as of December 31, 2019, there have been no reports regarding forced labor cases in the Company’s working environment.

### IMPACTS AND ACHIEVEMENTS

Throughout 2019, there were no reports of human rights violations related to labor practices or from the community around the operational area.

# CORPORATE SOCIAL RESPONSIBILITY FOR EMPLOYMENT, HEALTH AND SAFETY

## COMMITMENT AND POLICIES

Organizational planning and Competence Development of Human Resources (HR), is one of management's responsibilities in order to foster a sense of caring for employees towards the pace of the Company's business growth. HR is a major asset for the Company, therefore the interests of employees are a top priority that must be met. AKR has a policy to provide equal treatment for all employees both in employment opportunities, remuneration and training and development. AKR also has a policy to provide a safe and comfortable working environment for all employees in all business locations.

## CONDUCTED ACTIVITIES

Activities in corporate social responsibility related to employment include:

### Equality and Equity of Rights

AKR always maintains work comfort for employees by creating equality, equal opportunities and employee work comfort. The Company gives the same rights to everyone to participate in the recruitment process carried out by the Company as long as it meets specified administrative requirements, regardless of gender, ethnicity, and religion. The recruitment process is carried out openly for the purpose of equity and openness.

The Company also provides equal opportunities to every employee who has been recruited to develop competencies and careers according to the needs of the Company. One manifestation of the principle of equality implemented by the Company can be seen from the composition of the Board of Directors of the Company which currently has three female Directors from a total of eight Directors.

### Employee Remuneration and Welfare

The Company always complies with applicable laws and government regulations relating to compensation and benefits received by employees. The Company has complied with the applicable Labor Wage provisions in Indonesia, namely the Provincial Minimum Wages stipulated in each region.

In addition to wages, the Company also provides various allowances for permanent employees, as follows:

1. Health benefits, given based on the level and length of work of each employee.
2. Pension benefits, given to employees who have worked for 15 years or more and have reached retirement age (55 years).
3. Vehicle ownership programs, based on the policies of each division and depending on the length of work.
4. House allowances, given to employees placed outside the city and foreign workers.
5. Food allowance and transport allowances, given up to the supervisor level.
6. Communication equipment and credit card benefits, for certain divisions.
7. Twelve days work leave allowance (will increase in line with

the length of work, with a maximum of 20 working days).

8. Maternity Leave allowance for 3 months.
9. Leave benefits for special events such as death, circumcision, baptism, graduation, birth, etc. for employees.

In addition to the facilities and benefits mentioned above, the Company also registered all employees at the BPJS Employment (formerly Jamsostek), to anticipate unexpected events experienced by the Company's employees when carrying out their work.

### Competency Development

The Company provides equal opportunities to all employees to participate in competency development programs that are carried out in accordance with the needs of the Company. In addition to supporting the Company's performance, this competency development program is carried out to increase employee productivity, skills and career development.

In 2019, the Company organized 79 training programmes with 1,095 participants. These were conducted both in-house and by third parties. To support the competency development program, the Company is now equipped with Learning Center and learning with e-Learning methods.

### Freedom to Associate

The Company guarantees the rights of employees to associate and gather as stipulated in the Law of Manpower. However, until the end of 2019 there were no trade union organizations established by AKR employees. Nevertheless, the Company always involves representatives of employees in determining company policies, especially those relating to employees in general. In the absence of trade union organizations, the Company strives to optimize HR management while taking into account the interests of employees. The Company implements good industrial relations coaching with employees because it realizes that the success of the HR field always begins with the successful development of harmonious Industrial Relations between companies and workers.

### Mechanism to Settle Differences in Industrial Relations

If there is a problem with industrial relations, Bipartite negotiations will be conducted (between employees and companies) with the following stages:

1. In the event of an agreement, the employee will make a resignation and the company will provide compensation in accordance with the agreement of both parties or a Joint Agreement (PB).
2. If no agreement is reached, the Bipartite minutes will be made and submitted to the Manpower Office for mediation.
3. If In the mediation an agreement is reached, a peace deed is made.
4. If there is no agreement, there will be a recommendation from Manpower Office.
5. If unable to accept advice, then proceed to Industrial Relations Court (PHI).

6. After the decision of the industrial relations court, and still no agreement, proceed to the Supreme Court.
7. The Supreme Court's decision is binding and must be fulfilled.

### Employee Turnover Rate

The Company strives to properly manage the employee turnover rates. One way of managing the turnover rate is by reviewing the existing policies related to remuneration and benefit packages for employees. In addition to financial issues, improvements are aimed to create a conducive and pleasant working environment for employees. Proper working environment tend to lower employee turnover.

During 2019, the Company recruited 307 new employees. Outgoing employees were 386 people, 11 people retired, 3 people deceased, 215 people resigned at their own request, and 157 people left because of other reasons.

In relation to the rights of female employees on maternity leave, the leave of absence is set for 3 (three) months. In 2019, there were 12 people took the maternity leave. Out of that number, 10 people decided to return to work.

The employees' turnover rate in 2019 was 3.03%.

### Occupational Health and Safety

To create a safe, healthy and environmentally friendly work environment, the Company established the Safety, Health and Environment (K3L/SHE) Department. All workers must understand, support, implement and help implement SHE policies. All workers are required to keep the working environment clean, safe and comfortable to not interfere other workers. In addition, workers must work together to create a working environment that is free from pollution of water, noise, and others that can interfere with performance. The related parties in SHE application are the community, government agencies, fire brigades, and local government.

Regarding occupational health and safety, the Company is fully committed, as indicated on "Six Zeroes" targets of SHE implementation including:

1. Zero Fatality (prevent accidents that result in loss of life);
2. Zero Lost Time Injury (prevent working accidents that result in lost working time);

3. Zero Cross Over (prevents the exchange or mixing of products);
4. Zero Product Quality Problems (prevent incidents that cause problems on product quality);
5. Zero Spillage (prevents product spillage during discharge);
6. Zero Potential Fatality Accident (prevent working accidents that have the potential loss of life).

### Health

The Company also provides other health facilities to employees, including:

1. Medical check-up for employees;
2. First aid kits and medicines for mild illness on every floor of the building or in every branch/terminal;
3. First aid training and appointment of first aider on every floor of the building or in every site;
4. BPJS Health membership with employee participation as of December 31, 2019 reached 100%.

AKR has also implemented the Occupational Safety and Health Management System in accordance with PP 50 in 2012 at AKR Ciwandan. In 2018, the application of K3 Management System received a Gold Flag with a Score of 90.36 out of 100. As part of the implementation of K3, in 2019, the Company also carried out the following activities:

1. SHE Internal Audit every 6 months;
2. Implementation of MCU (Medical Check Up)/Health Check on operational employees at the Terminal, Transport and Warehouse & Health Campaign;
3. Blood donations in Marunda, Bitung, Banjarmasin and Lampung Branches;
4. Eradication of mosquitoes in the working environment;
5. Medical First Aid Training at SPBK Kapuk.

### K3 Training

The Company continues to strive to improve employee safety awareness with reference to applicable regulations regarding SMK3. In addition, the Company also runs Safety, Health and Environment (SHE) Standard Operating Procedures (SOPs) to achieve the zero accident target.

To support the achievement of the target, one of the steps taken by the Company is to carry out a number of trainings related to Occupational Health and Safety. In 2019, training related to K3 is as follows:

Training	Participants
Ahli K3 Umum	12
Axle & Suspension	9
Basic First Aid	70
Basic Training for Driver	10
Fire Fighting B	16
Fire Fighting kelas D & C	70
Gada Utama	1
HIRADC	25
ICAM ( Incident Cause Analysis Method)	7
Loading Master 2	16
LOTO & Confined Space	27
Marine Superintendent Professional	1

Training	Participants
Pelatihan Gada Pratama	1
Pelatihan Gada Utama	1
Pelatihan Satpam	206
Petugas K3 Kimia	8
Quality Management System	3
Safety & Operational SPBKB	6
Safety & Operational Tank Terminal	19
SIO Forklift	9
Sosialisasi SMK3	3
Training Operations for HOB	3

**OCCUPATIONAL HEALTH AND SAFETY FACILITY**

In addition to conducting training, the Company also strives to create a healthy, safe and comfortable work environment by providing facilities and equipment to prevent workplace accidents, such as:

1. APAR;
2. Hydrant System and Foam System in each terminal;
3. Anual drill with the composition of 3 Small Drills and 1 Big Drill (Involving third parties, such as: Fire Extinguisher, Ambulance, Police, Pelindo, etc.).
4. Working environment in each measured space (Lighting, Noise, Temperature and Humidity) in accordance with Permenaker No. 05 Tahun 2018.
5. All terminal activities have gone through Risk Assessment of HIDARD (Hazard Identification Risk Assessment and Determination Control) and JSA (Job Safety Analysis) for contractors;
6. Implementation of AKR Golden Rules for 8 working aspects including Risk Assessment, Permit To Work, Energy Isolation (LOTO), Confined Space Entry, Traffic Management, Working at Height, Lifting Operation, and Management of Change;
7. P&ID data, SCE (Safety Critical Equipment) and HAZOPs (Hazard Operability Studies) are provided in each tank to ensure the maintenance of working equipment and avoiding the dangers hidden in piping, tanks and all

working equipment;

8. First aid kits in areas that are easily accessible, as a form of early assistance if something unexpected happens in the event of a work accident.

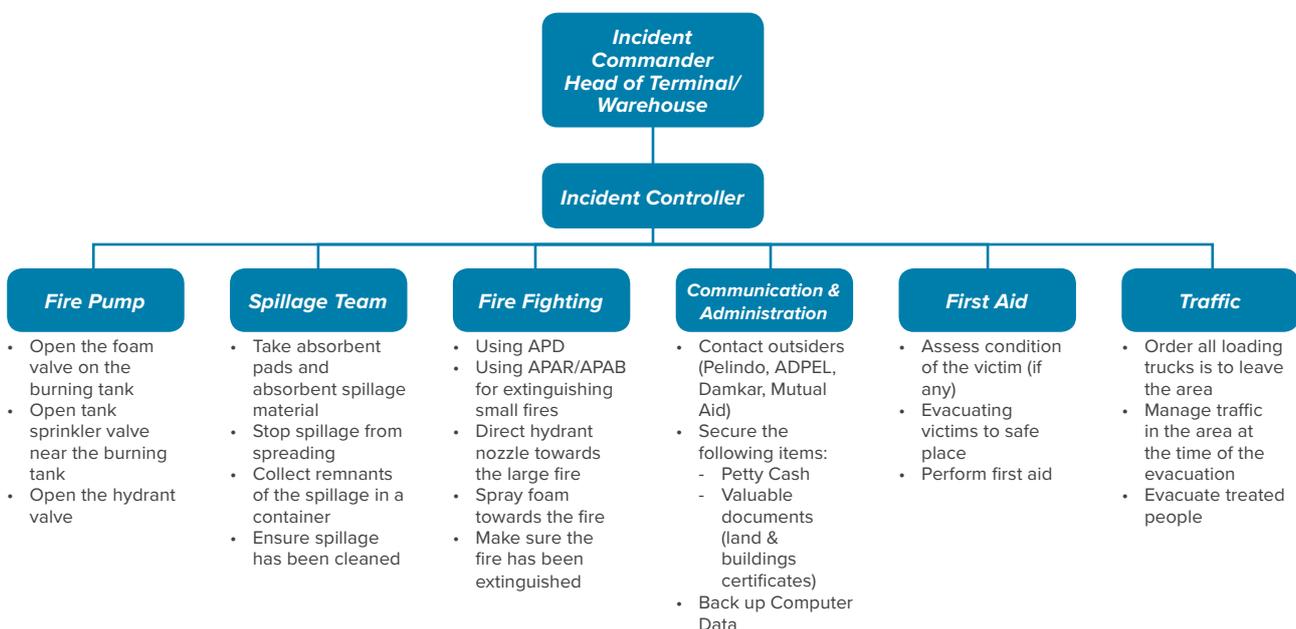
**OCCUPATIONAL ACCIDENT MANAGEMENT**

The Company strives to create an appropriate working environment and SOP to avoid occupational accidents. However, if there are cases of work accidents, the Company has also prepared its own SOP. The Company also prepares an Emergency Reponse Team for each Terminal/Warehouse owned by the Company.

The organizational structure of the Emergency Reponse Team is as follows

**MECHANISM TO REPORT K3 ISSUES**

The Company provides opportunity to every employee who feels to have received unfair treatment, not in accordance with Company Regulations or the provisions in the labor laws and regulations, to report directly to the Company. At first, AKR emphasizes settlement based on principles of kinship through communication for reaching an agreement. However, if an agreement is still not reached, then the employee can report the relevant issue to Human Resource Development Division to get the best solution in accordance with the applicable regulations in the Company and labor laws.



**IMPACTS AND ACHIEVEMENTS**

The Company considers that the implementation of social activities that pay attention to employment to meet the welfare and safety of employees has had a positive impact in supporting business activities and achieving business performance.

**Turnover Rate Table for 2018-2019**

Description	2019	2018
Number of incoming employees	307	321
Number of employees who left:	386	389
Deceased	3	7
Retired	11	12
Resigned at his own request	215	222
Resigned due to other reasons/contract ended	157	148
Total employees at the beginning of the year*	2,125	2,198
Total employees at the end of the year*	2,172	2,125
Turnover rate	3,03%	2,27%

\* comprise of permanent and non-permanent/contract employees

In terms of occupational accidents, there were 10 incidents in 2019 that occurred due to human error and other factors outside the Company's control. This is lower than 14 in 2018. The working accidents in 2019 are as follows:

Indicator	2019	2018
Fatality	0	0
Cases in Closed Environment	0	1
Restricted Work Case	1	0
Medical Treatment Case	0	1
First Aid Case	0	0
Environmental Damage	1	5
Property Damage	8	7
Man hours	2,043,068	2,122,444
Lost Day Incident (days)	0	12
LTI FR (12 months rolling)	0	5.65
TRIFR (12 months rolling)	0.49	2.83

AKR's performance in SHE was positive. There was no LTI during 2019 at the Tank Terminal and Warehouse. The significant decrease in the number of accidents such as environmental accidents is seen as the LTIFR and TRIFR in 2019 was lower compared to 2018. AKR continues to mitigate the risks and involve the employees to reduce the number and fatality of incidents.



No.	Date	Safety Award	Category
1	2019	Best performance Land Transport Jakarta Marunda & Ciwandan	Target Achievement: - Zero Fatality - Zero Lost Time Injury - Zero Spillage - Zero Cross over - Zero Product Quality Problem - Zero Potential Fatality Accident
2	2019	Achievement on APR project (AKR-BP)	Achievement of Six Zero Safety 2019
3	8-Jan-20	Land Transport Ciwandan Jakarta gets the highest score from Principle Asahimas Chemical on Annual Assessment (July-December 2019)	Achievement of the highest score from Principle Asahimas Chemical for Annual Assessment includes: A. Safety B. Quality Delivery C. Emergency & Improvement
4	1-Jan-19	Award from West Kalimantan Governor for Zero Accident Award to PT AKR Corporindo	Achievement in implementing occupational safety and health (K3) programs
5	12-Feb-19	Award from East Kalimantan Provincial Governor for Zero Accident Award to PT AKR Corporindo of Samarinda	Achievements in implementing occupational safety and health (K3) programs to reach 420,733 working hours of people without work accidents starting from January 1, 2015-31 December 2018
6	29-Mar-19	Award from the Manpower Ministry of the Republic of Indonesia for Zero Accident Award to PT AKR Corporindo of Banjarmasin, South Kalimantan	Achievements in implementing occupational safety and health (K3) programs to reach 1,393,817 working hours of people without work accidents starting from January 1, 2009-31 December 2018
7	29-Mar-19	Award from the Manpower Ministry of the Republic of Indonesia for Zero Accident Award to PT AKR Corporindo of Bitung, North Sulawesi	Achievements in implementing occupational safety and health (K3) programs to reach 486,970 working hours of people without work accidents starting from January 1, 2016 to December 31, 2018
8	29-Mar-19	Award from the Manpower Ministry of the Republic of Indonesia for Zero Accident Award to PT AKR Corporindo of Samarinda, East Kalimantan	Achievements in implementing occupational safety and health (K3) programs to reach 420,733 working hours of people without work accidents starting from January 1, 2015-31 December 2018
9	29-Mar-19	Award from the Manpower Ministry of the Republic of Indonesia for Zero Accident Award to PT AKR Corporindo of Site Stagen, Kotabaru, South Kalimantan	Achievements in implementing occupational safety and health (K3) programs to reach 1,144,996 working hours of people without work accidents starting from January 1, 2011-31 December 2018
10	29-Mar-19	Award from the Manpower Ministry of the Republic of Indonesia for Zero Accident Award to PT AKR Corporindo of Cilegon, Banten	Achievements in implementing occupational safety and health (K3) programs to reach 553,714 working hours of people without work accidents from 31 October 2016-31 December 2018
11	29-Mar-19	Award from the Manpower Ministry of the Republic of Indonesia for Zero Accident Award to PT AKR Corporindo of Lampung	Achievements in implementing occupational safety and health (K3) programs to reach 294,987 working hours of people without work accidents as from 1 January 2016-31 January 2019
12	3-Feb-20	Penghargaan Gubernur Sulawesi Utara atas kecelakaan nihil (Zero Accident Award) kepada PT AKR Corporindo Kota Bitung Award from North Sulawesi Governor for Zero Accident Award to PT AKR Corporindo of Bitung	Achievements in implementing occupational safety and health (K3) programs to reach 900,650 working hours of people without work accidents as from 1 January 2017-31 December 2019
13	12-Feb-20	Award from South Kalimantan Governor for Zero Accident Award to PT AKR Corporindo of Banjarmasin	Achievements in implementing occupational safety and health (K3) programs to reach 1,536,570 working hours of people without work accidents as from 1 January 2009-31 December 2019
14	12-Feb-20	Award from South Kalimantan Governor for Zero Accident Award to PT AKR Corporindo of Kotabaru, South Kalimantan	Achievements in implementing occupational safety and health (K3) programs to reach 1,302,222 working hours of people without work accidents as from 1 January 2011-31 December 2019
15	27-Sep-19	Subroto Award 2019 Patra Nirbhaya Adinugraha II	Award for Its Commitment in Oil & Gas Safety, for No Working Hours Loss due to Accidents
16	December 2019	ISO 45001: 2018 – for the Health Management System and Work Safety at JIPE Industrial Estate	Certificate on occupational health & safety management system focusing on safe and healthy business operating environment standards for workers, contractors, suppliers, tenants, and visitors to allow organizations to be proactive in improving occupational safety and health performance in a sustainable manner.

# CORPORATE SOCIAL RESPONSIBILITY OF SOCIAL AFFAIRS

## COMMITMENT AND POLICIES

The Company is committed and actively organizes a number of activities to realize corporate social responsibility (CSR). The Company realizes that corporate social responsibility is an obligation, as stipulated in Law Number 40 of 2007

concerning Limited Liability Companies.

## ACTIVITIES IN 2019

In 2019, the Company has conducted several CSR activities related to social community as follows:

No.	Program (The Company/ Subsidiaries/Branch/Joint Venture)	Description	Category	Objectives
1.	AKR HO	Scholarships for the children of the three ESDM employees who fell victim to the Lion AIR JT610 aircraft.	Education	Humanitarian aid to the unfortunate tragedy that befell the Company's stakeholders.
2.	AKR HO	Donated cash to build a library and computer laboratory for Insan Cendekia Madani Pesantren in Mandalle, Pangkep, South Sulawesi.	Pendidikan Education	Help improve the quality of education to the country's children.
3.	AKR HO	Donate Big Data Center facilities to the Gadjah Mada University (UGM), Yogyakarta.	Education	Encourage the development of research in the field of artificial intelligence technology, media analysis and population analysis as well as behavior analysis and conversation of netizen on social media
4.	AKR HO	Financial support for advance clinical research of Ina Stent with Gadjah Mada University.	Education/ Health	Advance research and development on Ina Stent to help dealing with cardiovascular disease.
5.	AKR HO and branches	Providing scholarships to children of AKR employees with good grades.	Education	Help improve the quality of education to the country's children and tighten the relationship with employees.
6.	JIIPE	Providing scholarships (tuition fees and school supplies for a year) to 50 students of elementary, junior high, and high school/vocational high school.	Education	Help improve the quality of education to the country's children.
7.	AKR HO	Providing 1 (one) Minibus to be used as a Health Car in Pekanbaru, Riau.	Health	Humanitarian aid for those in need.
8.	AKR Marunda	Routine blood donor agenda on Jakarta site with a total 120 participants.	Health	Humanitarian aid for those in need.
9.	JTT	Donate food and drinks for Toddler in Posyandu and test kits for blood sugar and cholesterol for Seniors in Posyandu.	Health	Having an active role in making the community healthy.
10.	AKR Manado	Purchasing qurban in cooperation with Bitung Municipal Government to celebrate Eid al-Adha.	Religious	Happy to celebrate religious holidays and form unity among people.
11.	AKR Banjarmasin	Purchasing qurban for the settlements in Ring 1 Area around AKR Banjarmasin Tank Terminal.	Religious	Happy to celebrate religious holidays and form unity among people.
12.	JTT	Donating qurban to residents around the operational area to celebrate Eid al-Adha.	Religious	Happy to celebrate religious holidays and form unity among people.
13.	JIIPE	Donating to qurban to residents around the operational area to celebrate Eid al-Adha in Manyar, Gresik.	Religious	Happy to celebrate religious holidays and form unity among people.
14.	AKR West Kalimantan	Assisted to generate 450 watts electricity to 57 households in 4 districts in West Kalimantan.	Social	A form of social responsibility to the people where AKR operates.
15.	SPBKB Widang	Break fasting together at the Orphanage.	Social	Increase the sense of caring for others.
16.	JTT	Donated food, medicine and basic needs for toddlers to tsunami victims in Banten and Lampung.	Social	Helps to lessen the burden of victims of natural disasters.
17.	JTT	Donated food, medicine, blankets and basic needs for toddlers to earthquake victims in Palu.	Social	Helps to lessen the burden of victims of natural disasters.
18.	JIIPE	Donated 2 (two) operational car units to the National Land Agency (BPN) in Gresik.	Social	Supporting the government program to accelerate the creation of land certificates in Gresik.
19.	JIIPE	Planted 200 trees together with KODIM Gresik.	Social/ Environment	Supports to green the area around operations.
20.	JIIPE	Provide training to utilize cooking oil waste into washing soap for housewives in Manyar area, Gresik.	Social	Support the improvement of the welfare of the family of the community around the operating area.



Bantuan sambungan instalasi listrik 450watt ke 57 KK di 4 kabupaten di Kalimantan Barat. Assisted to generate 450 watts electricity to 57 households in 4 districts in West Kalimantan.



Providing 1 (one) Minibus to be used as a Health Car in Pekanbaru, Riau.



Financial support for advance clinical research of Ina Stent with Gadjah Mada University.



The inauguration of one petroleum price agency for area 3T (The most Underdeveloped, The Frontest, and The Outermost) in Lampung



Giving Scholarships for the children of the three ESDM employees who fell victim to the Lion AIR JT610 aircraft.



Donating Big Data Center facilities to the Gadjah Mada University (UGM), Yogyakarta.

**IMPACTS AND ACHIEVEMENTS**

The social activities have given considerable benefits for the community in improving their welfare. Donation and assistance in educational, religious and health aspects have been adjusted to cater the arising issues and problems around the community. These social activities were all planned and conducted sustainably because the Company is aware of the increased benefits that the community has felt.

Other CSR activities that were carried out by branches and operational areas have generated positive impact on business continuity. The presence of the Company which provides social and economic benefits for the surrounding community has also certainly made a positive influence on business continuity.

Community social activities conducted by AKR provide substantial benefits for the communities in improving their welfare.

# CORPORATE SOCIAL RESPONSIBILITY TO CUSTOMERS

## COMMITMENT AND POLICIES

Customers are important for the Company. In regard with the social responsibility related to customers, AKR has always strived to provide the best products and services and conveys clear product information through various channels and activities. The Company has the policies and SOPs to maintain quality and as a form of responsibility to consumers.

## CONDUCTED ACTIVITIES

Activities in corporate social responsibility related to customers include:

### Availability of Product Information

AKR provides various channels to customers to obtain information related to the products, so that customers can easily obtain that information, through websites, call centers, leaflets, brochures, advertisements in print media and also social media.

The product information presented includes:

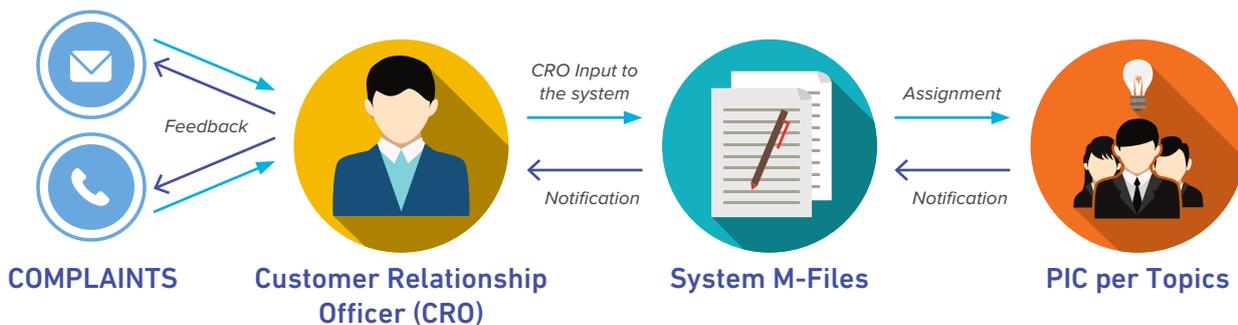
1. Product specifications
2. Instructions for use
3. Safety procedures

### Customer service

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 JL. Panjang No. 5 Kebon Jeruk Jakarta Barat 11530, Indonesia  
 +62 21 5311110

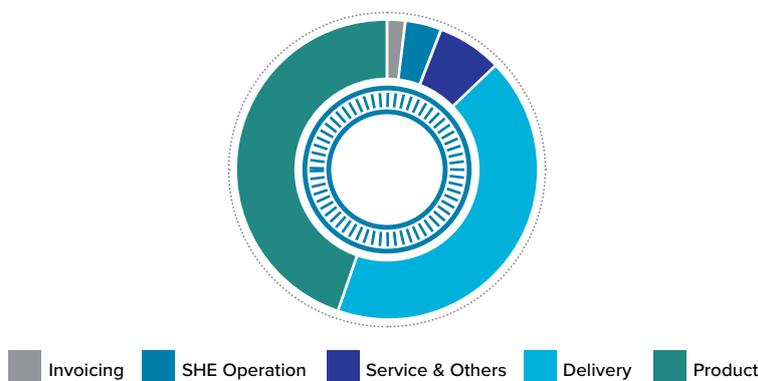
### Customer Complaint

Customer service and satisfaction is the key due to the nature of the business. We prioritize this and have developed a comprehensive, online system to record and resolve customer complaints. The company has a media to accommodate customer complaints through the M-Files technology system. This system is designed according to customer requirements so that complaints can be facilitated easily in a simple and informative way. The system workflow is as follows:



Customer complaints via e-mail, telephone, or direct communication with customers are input into this system by the Customer Relationship Officer (CRO) according to the respective branches. The complaint is then followed up with an assignment to each PIC related to the complaint. The PIC will follow up and update the assignment. On complaint resolution, The CRO receives a notification.

Most of customer complaints during 2019 related to Delivery and Product. These were escalated to the concerned department and were resolved immediately. These are complaint categories that had been solved immediately during 2019:



## Impacts and Achievements

Social activities related to customers to guarantee the satisfaction and management of other issues have brought positive impact in improving the Company's overall revenues. Our business continuity can be realized with the loyalty level of a satisfied customer with our products and services.



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