



POWERCHINA

**INDONESIA
SUSTAINABILITY REPORT**

About This Report

This is the first sustainability report on Indonesia released by Power Construction Corporation of China (or “POWERCHINA”, “Company”, “We”), and also the second report by country following that on Zambia. Themed on “Building a Sustainable Future”, the report systematically reviews the practice and performance of POWERCHINA in fulfilling economic, environmental and social responsibilities in its investment and operations in Indonesia, which reflects the sustainable concepts of Sino-Indonesia joint development.

Report References

- *Guiding Opinions for Central Enterprises on Fulfilling Corporate Social Responsibility*
- *United Nations Sustainable Development Goals (SDGs)*
- *Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI)*
- *Guidelines for Social Responsibility: ISO26000 issued by the International Organization for Standardization*

Report Scope

The report includes the main achievements of POWERCHINA in fulfilling economic, social and environmental responsibilities and in pursuing sustainable development in Indonesia. The time period covered is from 1995 to 2016.

Data Sources

The data used in this report are from official documents and statistical reports of the Company. Financial data in this report are denominated in RMB, unless otherwise specified.

Explanation of Some References

For easy expression and reading, in the report, “POWERCHINA” and “Group” refer to “Power Construction Corporation of China”, and “SINOHYDRO” refers to “SINOHYDRO Corporation Limited” (POWERCHINA’s leading subsidiary in the international business).

Access to the Report

The report is published in both Chinese and English. If there is any discrepancy in the content, the Chinese version shall prevail. The report can be downloaded at <http://www.powerchina.cn>.

Your valuable comments will greatly help POWERCHINA to improve our social responsibility performance, and we look forward to hearing from you. If you have any feedback or questions regarding the report, please complete the “Feedback and Suggestions” form on the last page of the report, or email us at csr@powerchina.cn.

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Message from Executives

Chairman's Message



In 2013, during his visit to Central Asia and Southeastern Asia, President Xi Jinping proposed the strategic concepts of jointly building the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road” (hereinafter referred to as the “Belt and Road”), attracting high level attention from the international community. The “Belt and Road” initiative is a systematic project. Focusing on Asian countries, and developing the land and maritime economic cooperation corridor as the support, it aims to build on the transportation infrastructure and the construction financing platform as the impetus, promote Asia’s connectivity that will be jointly built through consultation to meet the

interests of all in an equal and mutually beneficial way by utilizing people-to-people exchange as the link, and creates a highly integrated connectivity network. The “Belt and Road” initiative encourages Chinese companies to go global and integrate themselves into local communities of countries along the “Belt and Road”, improve their infrastructure construction, facilitate cultural exchange and cooperation, and boost regional economic, social and cultural development and prosperity. The launch of the “Belt and Road” initiative will undoubtedly provide more advantageous conditions and opportunities for POWERCHINA to execute the strategy of “going global” and jointly build the “Belt and Road”.

POWERCHINA started to develop business overseas in as early as the 1980’s, undertaking overseas projects and helping the infrastructure construction in the countries we operate. After over 30 years of development, POWERCHINA has developed a diversified overseas project contracting and investment market network centering on Asia and Africa and covering America, Oceania and Eastern Europe. Asia is a traditional market for POWERCHINA – POWERCHINA’s first overseas office, first overseas project, first overseas BOT project and first overseas EPC project are all in Asia. It can be said that POWERCHINA’s internationalization journey started with Asia and is based in Asia.

Compared with the markets in other countries, Southeastern Asian countries enjoy stable political environment, rapid economic development, and rich water resources. They also have higher demand for hydropower, roads and bridges, house building and municipal engineering, presenting more opportunities. However, there are also many challenges: first of all, companies from Japan and Korea entered the Southeastern Asia many years ago, and industrial competition is very fierce; secondly, there are also many Chinese companies engaged in the infrastructure industry in Southeastern Asian countries, intensifying market competition.

In our operations and investment in Indonesia, POWERCHINA fully utilizes the advantages of our complete industry chain in technical know-how, planning and design, construction, and investment and operations, adheres to the concept of “scientific and green development”, and persists in execut-

ing localized development strategy. We strictly abide by the laws and regulations of the country and region where we operate, strictly comply with international trade and business ethics as well as industrial rules, conduct operations and production according to the law, fulfill social responsibility, and make sure that every project we build benefits the local community!

Indonesia Sustainability Report of Power Construction Corporation of China is our second sustainability report by country following that on Zambia. Through this report, we hope to summarize in all respects our social responsibility fulfillment practices and achievements in Indonesia, build a communication bridge with stakeholders, and write a new chapter on the cooperation and mutual development with Indonesia.

Moving forward, POWERCHINA will continue to leverage its international brand and integrated industrial chain advantages, serve the country’s strategy, share our technologies and experiences with our peers across the globe, deliver premium projects to Indonesia and other areas in the world, and make more contributions to promoting economic growth and improving people’s lives.

Yan Zhiyong
Chairman
POWER CONSTRUCTION CORPORATION OF CHINA



Message from President for POWERCHINA Asia Pacific



Against the backdrop of integrated global economic development, international competition is getting increasingly acute, sustainability is getting more and more attention from the international community, and a country's soft power and corporate social responsibility fulfillment have gradually become a determining factor in getting a voice in the market. POWERCHINA's development in Indonesia has provided a wonderful illustration for this.

With the launch of our country's "Belt and Road" strategy, Indonesia, located at the starting point of the Maritime Silk Road, is an integral part in the "going global" strategy and international business development of Chinese companies. As early as in 1995, POWERCHINA landed in the Indonesian construction market, winning the business in the project of repairing the Jatiluhur Dam. Since our entrance into the

Indonesian market, with our world leading industrial advantages and top-notch engineering technologies, POWERCHINA has constructed a large number of outstanding projects in key areas including power, road and rail transit, and construction. By the end of 2016, projects completed and under construction in Indonesia amounted to 38, making significant contributions to the local economic development of Indonesia.

POWERCHINA realizes that while developing business in Indonesia, we must actively fulfill our social responsibility, assume responsibility for stakeholders and the environments, strive to achieve the harmonious balance between company development and the society and environment, and facilitate the comprehensive and coordinated sustainable development for the company, local economy, society and environment.

Firstly, in terms of business, POWERCHINA has undertaken projects including Jatigede Dam and Hydropower Station, Nagan Raya NAD CFPP and the Friendship Village of Indonesia-China. In the course of project construction, POWERCHINA has always adhered to the concept of "Quality First", conducted scientific planning and precise construction, and resolved issues among stakeholders. We have delivered our contractual promise with our actions, delivered satisfying

projects to property owners, and won the "Best Project Performance Award" granted by the State Electricity Company of Indonesia.

Secondly, with regards to environmental protection, in order to preserve the beautiful scenery and environment as well as the reputation of Indonesia, the "country of thousand islands", POWERCHINA strictly abides by laws and regulations of the local government and implements a stringent safety and environmental protection standard, develops and improves the HSE management system, strives to minimize the impact of production and operations on the environment, and protects the local ecological environment together with employees, contractors and communities.

Thirdly, with respect to social responsibility, POWERCHINA strictly complies with local laws and regulations, pays taxes on time, ensures legal operations, and was named by the local tax service office as "Top 10 Model Taxpayers". We actively promote localized operations, provide employment opportunities for local residents, conduct systematic professional skills training and appraisal, provide competitive job levels and positions for local employees, respect the religious beliefs and ethic customs of local employees, and provide aid in building mosques; we improve and implement HSE management, striving to achieve production safety and

occupational health; we actively integrate into the local community, drive the public welfare development and benefit local residents by providing disaster relief, making donations to building mosques, sponsoring various activities organized by local governments, and supporting local educational activities.

In the future, POWERCHINA will continue to uphold the responsibility concept of "what we do is for improving people's livelihood and promoting social progress" and the international cooperation concept of "mutually beneficial cooperation and mutual development", devote ourselves to local infrastructure construction and social development, continue to deepen and expand business cooperation areas, contribute wholeheartedly to the local community, promote the sustainable development of the company and the local community, economy and environment, and build the image of a highly responsible Chinese company.

Ji Xiaoyong
President for POWERCHINA Asia Pacific

About US

Company Profile

Approved by the State Council, Power Construction Corporation of China is a state wholly-owned company established at the end of 2011, incorporating SINOHYDRO Corporation, HYDROCHINA Corporation and 14 provincial (municipal and regional) enterprises engaged in power designing, engineering and equipment manufacturing under State Grid Corporation and China Southern Power Grid Company Limited.

The Company is a comprehensive construction group covering investment and financing, planning and design, engineering construction, equipment manufacturing and operations management in hydropower projects and infrastructure. Its primary business includes construction projects (including planning, designing and project contracting); development and operation of power, water conservancy (water works) and other resources; and development and operation of real estate, and manufacturing and leasing of relevant equipment. In addition, entrusted by the state’s relevant ministries and commissions, the Company undertakes the planning and examination functions for the state’s clean energy and new energy such as hydropower, wind power and solar energy. The Company’s power construction (planning, design and construction) capability and performance ranks No.1 in the industry globally.

- In 2016, the Group ranked **200**th in the “Fortune Global 500”, **43**th among the Top 500 Chinese Enterprises
- 6**th in the ‘Engineering News-Record’s Top 250 Global Engineering Contractors
- 2**nd in the Top 150 Global Engineering Design Firms, **1**st in the Chinese Companies
- 27**th in the Top 225 International Design Firms

Corporate Mission	Construct Clean Energy, Create a Green Environment and Serve Smart Cities
Corporate Vision	Build a World-class Company, Create a World-famous Brand
Core Values	Responsibility, Innovation, Integrity, Mutual Benefit
Corporate Spirit	Achieve Continuous Self-improvement, Have the Courage to Go Beyond
Business Concepts	Honesty and Reliability, Change and Innovation, Leading Technology, Mutually Beneficial Cooperation

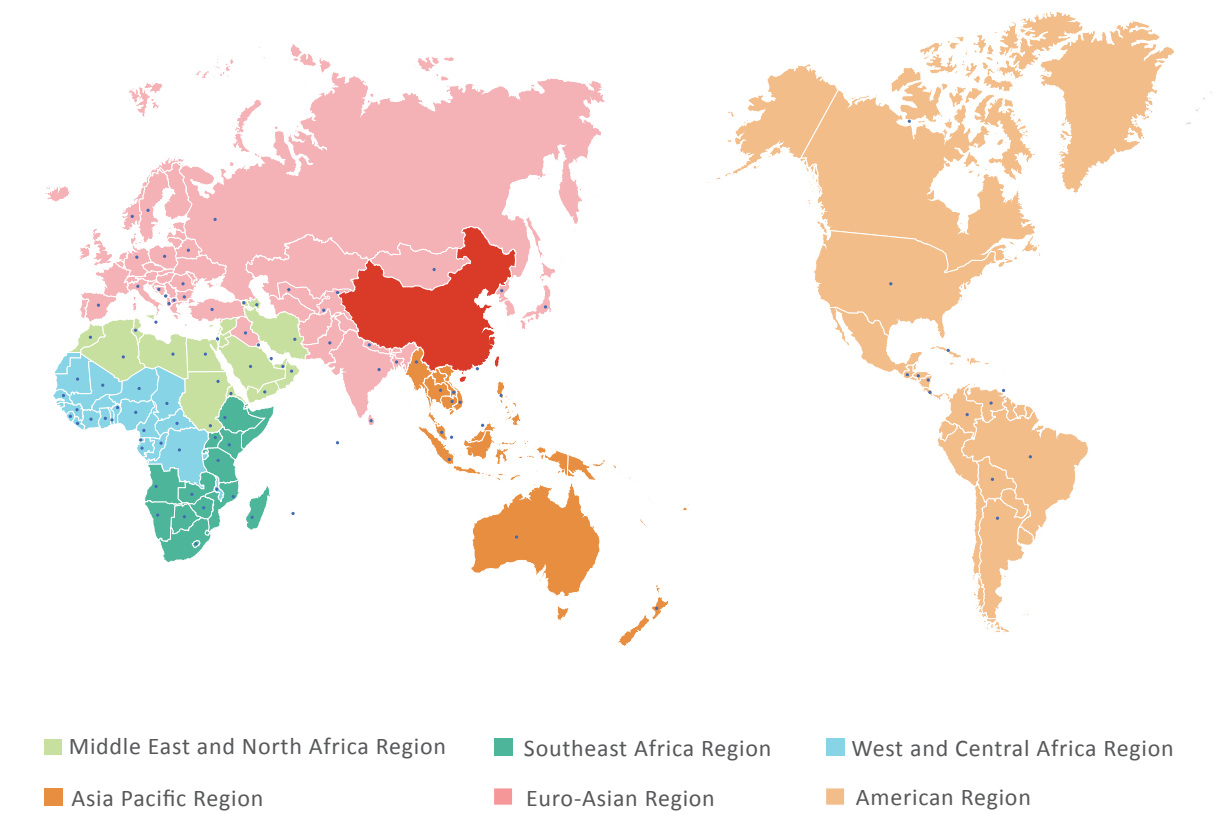
Business Areas and Distribution

As of **Nov. 30,2016**

214 overseas offices
in **99** countries

1,989 contracts
in **115** countries

After several decades of overseas development, POWERCHINA has gradually built a diversified market structures of “large civil engineering and large construction” with water conservancy and power construction at the core and involving comprehensive development of house building, municipal engineering, roads and bridges, and mining. Our overseas business focuses on Asia and Africa, and covers America, Oceania and Eastern Europe. As of Nov.30,2016, POWERCHINA had **214** overseas offices in **99** countries across the world, and were executing **1,989** contracts in **115** countries covering survey and design consulting, project contracting, and equipment supply and trade.



POWERCHINA in Indonesia

Indonesia is a “promised land” for POWERCHINA’s overseas business development. In 1995, POWERCHINA set our feet on Indonesia’s construction market, winning the bid to repair Jatiluhur Dam. Over the past 20 years, POWERCHINA has dedicated to helping the Indonesian government in areas including energy, road and rail transit, and construction. By the end of 2016, 38 projects have been completed or are under construction in Indonesia – 14 of them have been completed, with a contract amount of USD410 million, and 24 are under construction, with a contract amount of USD3.5 billion. POWERCHINA has constructed a large number of energy and livelihood projects including Jatigede Dam, Nagan Raya NAD CFPP 2x110MW and Lontar CFPP 3x115MW , covering business areas of dams, hydropower stations, thermal power stations, power transmission lines, house buildings, roads and bridges, and high speed railways, and providing strong support for Indonesia’s economic development.

Completed Projects	Under Construction	Participating in Construction
14	24	8,560 MW
Contract Amount	Contract Amount	EPC
USD410 million	USD3.5 billion	2,090 MW

Business Areas

Thermal energy	construction of coal power station, gas power station, garbage power station, biomass power station, geothermal power generation and thermal power plant
Water conservancy and hydropower	water-related engineering like water conservancy, water supply and water treatment, as well as hydropower, (non-thermal) new energy, and power transmission and distribution
Infrastructure	rail transit, mine construction, smelting plants, industrial parks, harbor engineering, airports, real estate, civil engineering, and petrochemical utilities

Project Distribution

Sumatera

2006, The Friendship Village of Indonesia-China
2007, Asahan I Hydro, 2x90MW, General Con
2009, Nagan Raya NAD CFPP, 2x110MW, EPC
2012, Air Putih Hydro, 3x7MW, General Con
2013, Pangkalan Susu CFPP, 2x200MW, EPC
2014, Perawang MB26, 1x670T, EPC
2015, Bengkulu, 2x100MW CFPP, IPP+EPC

Sulawesi

2014, Ferronickel Industry Zone CFPP,6x65MW
2015, Jetty Works for Mamuju CFPP, Sub Con
2015, Sulawesi Hydro, Pre-study+EPC



Jawa

1995, Jatiluhur Dam, Sub Con
2007, Jatigede Dam, EPC
2007, Lontar CFPP, 3x315MW, General Con
2012, Tjiwi Kimia CFPP, 100MW, EPC
2013, Cilacap CFPP, Sub Con
2015, Jatigede Hydro, 2x55MW, EPC
2015, Jakarta-Bandung HSR, BOT+EPC

Bali

2012, Huadian Bali CFPP, 3x142MW, General Con

Kalimantan

2011, Kaltim CFPP, 2x110MW, EPC
2013. WHW CFPP, 2x30+4x25MW, EPC
2014, WHW Stockpile Dam, General Con
2015, Muara Jawa, 2x27.5MW, EPC



01 Building Premium Projects, Promoting Economic Growth

Since entering the Indonesian market in 1995, POWERCHINA has based our survival and development on quality and credibility. Our project teams conduct close-loop management of the entire process of the projects, pay attention to every key process, and deliver premium projects that project owners are satisfied with, driving local economic development.

Our challenge: Indonesia is a key regional country with a large population and rich resources. Japanese and Korean companies have been developing in the country for decades, and local Indonesian companies are showing their advantages through learning and capability building. In such a quasi high end investment market, Chinese companies are faced with bigger difficulties in market development.

Our actions: POWERCHINA leverages our investment and financing advantages, actively develops market, ensures project quality, and strives to win the trust of property owners; we provide many job opportunities for local people, support community industrial development, improve local sustainability capability, and drive local economic development.

Key Topics



CLEAN WATER
AND SANITA-
TION

- Resolve water shortage and alleviate the irrigation problem during the dry season
- Help local people to carry out water-related activities
- Attach importance to protecting the water resources ecological system



AFFORDABLE
AND CLEAN
ENERGY

- Improve energy utilization efficiency
- Provide modern and sustainable energy
- Enhance access to the clean energy technology



DECENT
WORK AND
ECONOMIC
GROWTH

- Create employment opportunities
- Help the local community to achieve technological upgrade and innovation
- Boost per capita income increase



INDUSTRY,
INNOVATION AND
INFRASTRUCTURE

- Help local people to improve infrastructure construction
- Improve resources utilization efficiency



Guaranteeing Project Quality

In order to ensure project quality, POWERCHINA reinforces project quality management, and establishes a quality assurance system led by the chief engineer. By setting up process accountability system, quality incident responsibility system and quality management department accountability system, we have improved the accountability management mechanism, enhanced quality responsibility awareness, and strengthened responsibility management.

As of **August 31, 2016**, the quality of the entire Jatigede construction was well managed with a construction quality pass rate of **100%** without any major quality incidents.

Before project implementation	<ul style="list-style-type: none"> ▶ Purchase raw materials and mechanical equipment that meet international standards, and strengthen spot inspection and testing of raw materials and semi-finished products ▶ Properly implement onsite process control and inspection, and strictly execute the principle of “three no-go” to eliminate hidden quality issues
During project implementation	<ul style="list-style-type: none"> ▶ Strictly execute the Company’s Quality Management Standardization Documents, taking into account the contract document requirements and consulting requirements, prepare and district relevant quality management systems and quality assessment methods to improvement management with systems ▶ Carry out construction strictly according to the project process and quality standard to ensure that every process meets the standard ▶ Regularly hold special quality meetings with the property owner and the consulting agency, and timely integrate the quality management requirements of the property owner and the consulting agency into the construction site management ▶ The project team holds a monthly quality management meeting and irregular special quality meetings to timely prevent and solve quality defects occurring in the construction site
After project implementation	<ul style="list-style-type: none"> ▶ Organize the property owner and the third-party engineering quality inspection agency to inspect the project’s quality and various indicators.

Case

Brighten up thousands of families, pass on the light of the thousand islands

Aceh, an Islamic city with a long history at the northwest end of the Sumatra island in Indonesia, is the main coal production area of the world’s largest coal exporting country, and is also a stop on the ancient Silk Road along which Zheng He took his voyages to the western seas. However, it was poor and backward. Due to power shortage, residents often relied on their own electric generators for their electricity needs, which caused severe pollution and damage to the local environment. In April 2008, POWERCHINA’s SINOHYDRO Corporation Limited and Indonesia State Electricity Company (PLN) entered into the EPC master contraction agreement for Nagan Raya NAD CFPP 2x110MW. This is a key project in the 10,000 MW program of Indonesia to resolve power shortage, and it’s also the first EPC thermal power project undertaken by POWERCHINA in Indonesia. POWERCHINA enhanced communication with various parties to ensure the project’s progress and quality, and constantly conducted the wharf breakwater hydraulic model tests to revise design parameters. Meanwhile, we worked closely with local contractors to try every possible means to accelerate the wharf construction. On December 13, 2012, the first ignition of the first coal-fired



The power plant’s mail building



generator set of the Power Plant was successful.

Mr. Nur Pamuji, President Director of PLN attended the ignition ceremony of the first coal-fired generator set, and he spoke highly of the contract performance capability of the project team. Before dawn on November 10, 2013, the first coal-fired generator set was connected to the grid and put into commercial operation. When knowing about the successful grid-connection and power generation, the property owner's project manager repeatedly said, "SINOHYDRO, great!" On August 17, 2014, on Indonesia's national independence day (National Day), the second generator set of Aceh Power Plant was successfully handed over to the property owner. By now, the two generator sets were used to simultaneously generate electricity, supplying strong power to the Sumatra grid.

By conducting scientific planning and precise construction, and resolving issues among various stakeholders, POWERCHINA completed the construction with high quality within the specified time limit, delivered a satisfying project to the project owner, and won the "Best Engineering Contract Performance Award" granted by PLN.



The 150KV substation of the Power Plant



The 110MW generator set of the Power Plant



The conveyor belt for coal of the Power Plant



This project has significantly improved PLN's power generation capacity and increased local economic income, so it is very conducive to local economic and social development.

---- Andi, Indonesia State Electricity Company (PLN)



Since the official delivery, the project has supplied 300 million kilowatt/hour of power accumulatively for the Sumatra grid, accounting for about 10% of Sumatra's total power generation, greatly alleviating the power supply situation of the local area, and making an important contribution to local economic development.

— Yang Hailin, Vice General Manager and Chief Economist of NAGAN RAYA NAD PROJECT



Promoting Economic Development

Creating economic benefits

The direct benefit brought by the completion of the project is economic results for the local area. Take Jatigede Dam as an example. After the dam is completed, it will bring comprehensive benefits in agricultural irrigation, flood control, tourism, cultivation and power generation, benefiting directly the 4.8 million people living in the lower reaches.

Economic benefits created by Jatigede Dam:

- ◆ Add 89,000 hectares of crop (such as vegetable) planting
- ◆ The power station (phase II of the construction) is a power generation project that will provide hydropower to neighboring areas. The power station's installed capacity is 110MW, generating about 450 million KW/h of power each year. Calculated using the electricity price of 800 rupiah per KW/h of the surrounding area of the project, the annual economic income will reach 360 billion rupiah, which is about USD27 million converted at the current foreign exchange rate
- ◆ Each year increase agricultural income by USD37.50 million; increase income from comprehensive agricultural products by USD12.20 million; increase income from poultry and fish farming by USD4.60 million
- ◆ Ensure irrigation for the existing 109,000 hectares of land, and add 14,000 hectares of paddy land and 4,600 hectares of agricultural land, which will add 310,000 tons of rice yield every year
- ◆ Close to USD1 million loss caused by floods can be reduced each year



Jatigede Dam

"The irrigation area of Jatigede Dam that will be completed soon reaches 90,000 hectares, which will bring significant convenience for the production and life of local people."

---- Xi Jinping, General Secretary and President of China

Creating employment opportunities for local people

During the project construction, POWERCHINA hires a great number of local Indonesian employees, and tremendously helps to boost local employment, especially at the peak period of the project, not only generating handsome economic income for local residents, but also bringing advanced engineering technologies.

During the peak period of the Jatigede Dam project, 880 local employees were recruited, who were all semi-skilled workers with little experience when they were first hired. After they joined POWERCHINA's project construction, the Company systematically provided some in-depth training for them, helping local employees to improve multiple skills in driving, maintenance, electrical engineering and project construction. Currently, many electricians are quite skillful, and they are close to or even have reached the skill level of Chinese technicians.



Localized purchase

POWERCHINA utilizes the local social resources as much as possible, vigorously promotes localized purchase, conducts technological cooperation with local companies. In addition, POWERCHINA works with local small and medium companies in other areas like life services, food and beverage, and logistics. Multiple companies that provide services for the construction site are increasing in size, and their visibility has also improved.



Stakeholder snapshot: BenBen ----the all-rounder

My name is BenBen. I started to work with POWERCHINA since 2009 as an independent subcontractor of the Jatigede Dam project. Now I have my own company with 45 employees. In working with POWERCHINA on the Jatigede Dam project, my employees and I have increased our income, and we can work not far away from home. We have also learned a lot from interacting with POWERCHINA's employees.

In 2015, there was a village head election in our village, and villagers elected me to be the village head. I am appreciative of their trust. It is because that I am a successful independent subcontractor and have brought real benefits to the villagers that everybody voted for me to continue to be the village head to serve them. I thank our villagers for their trust, and thank POWERCHINA for the help they have been giving us.



Benben (The fourth one on the left side of the first row) with stakeholders

The Jatigede Dam project team is based in the Jatigede village, and the scope of the project also covers a dozen villages in the surrounding area. Materials needed for the project like sand, building stones, concrete and steel are supplied by local suppliers as long as their quality can meet our requirements.

---- Wu Jianjun, Commercial Manager of the Jatigede Dam project and the hydropower station project

Focus: Building Premium Projects – Jatigede Dam

Background

Indonesia is in the tropical monsoon climate zone and has only two seasons, dry season and rainy season, in a year. In the dry season, over 90,000 hectares of farmland in the upstream and downstream of Cimanuk River cannot be effectively irrigated, and local residents suffer from domestic water shortage; while in the rainy season, natural disasters such as floods are easy to occur. For this reason, starting from 1963, the Indonesian government started the planning and feasibility study for building the Jatigede Dam, and started to transfer and settle people in the area in 1985.



The 1,715-meter long dam is joined by two small hills, forming a beautiful view on the two sides of the reservoir: one side is the lake and the other side is the virgin forest



Things you don't know about the Jatigede Dam project

- It is the first cooperative water conservancy project between China and Indonesia
- It is one of the benchmark projects in the infrastructure cooperation between the two countries
- It is a national project that the Indonesian people have longed for over half a century
- It is the largest water conservancy project under construction in Indonesia at the moment
- It is a dam built with China's technologies, capital and equipments



Chronicle of the Jatigede Dam Project:

2008

July 25, 2008: the Former Indonesian Minister of Public Works and Housing inspected the project



2013

October 3, 2013: China's President Xi Jinping was addressing in the Indonesian parliament



China's President Xi Jinping highly praised the Jatigede Dam project

2014

July 8, 2014: the filling construction of the dam's main body was completed



2015

December 17, 2015: the governor of West Java put fry into the dam's reservoir



Excavation of the dam's left and right slopes started

November 15, 2007: construction of the main project started

2007



The Former Indonesian Minister of Public Works and Housing attended the river closure ceremony

August 3, 2011: river closure was completed successfully

2011



August 31, 2015: the dam's diversion tunnel gate was closed successfully, and the Jatigede reservoir started to store water

2015



March 22, 2016: Indonesian President Joko Widodo inspected the project.

2016



Jatigede Dam is located at the Sumedang area of Java, 230 kilometers from Jakarta the capital. It is a clay core dam of 105 meters high and 1.7 kilometers long on the top, with a primary function of irrigation and power generation as a secondary function. The project was started on November 15, 2007, and sluice storage was started on August 31, 2015 on schedule. The main project has been completed. Currently, the hydropower station (phase II of the project) is under construction.

A premium “China-made” project comparable with the Three Gorges

During the construction of the project, the project team overcame various difficulties, repeatedly tested and searched for a construction method that best suited the local sandy soil properties, continuously carried out technological improvement, and kept exploring suitable construction technologies based on the local situation. Indonesia’s clay is drastically affected by the weather and has a large soil expansion coefficient; it is easy to expand when in contact with water, and is prone to landslide or collapse. But even in the rainy season, the project team still managed to overcome difficulties and started the construction, completed 50% of the construction work in 2012, and eventually completed the project two months ahead of schedule, successfully making delivery to the project owner and winning the recognition and acclaim from the project owner. Consequently, before the dam’s construction was completely finished, the project owner gave the construction key of the Jatigede phase II project, the hydropower station project, to the dam’s construction contractor, POWERCHINA’s SINOHYDRO BUREAU 10 CO.,LTD.

Integrating into the local community and tackling the land expropriation problem

As the Indonesian government shelved the project in the 1990’s, the resettlement issue that was solved in the 1980’s appeared again. Local villagers returned to their original place of residence after they moved out earlier, seriously affecting the implementation of the project. The resistance to expropriation and the misunderstanding caused by different cultural habits imposed huge challenges to POWERCHINA at the beginning of the construction. POWERCHINA on the one hand actively coordinated with the local government and the project owner to obtain their support, and on the other hand put great emphasis on building community relationship. Through starting localized purchase and hiring local construction teams, we implemented localized operations, promoted community communication by carrying out community public welfare activities and supporting local festive celebrations, enhanced relationship with the villagers, continuously strengthened mutual understanding and activities, and resolved misunderstanding resulted from cultural practices.

Teaching people “how to fish” to realize technological transfer

The project department has not only brought equipment, capital and senior technicians from China; more importantly, it has brought technologies. Slip forming is a conventional construction method in China, but it was rare in Indonesia. After the project team adopted slip forming in the stilling pool, the construction speed and the smooth and nice wall surface attracted local experts and construction teams to the project team to learn the technology. After making sure that no state patents or technological were involved, the project team taught them the slip forming method without any reservation. Later the Indonesian partners used the technology in the overflow prevention construction with fast and good results.



“The Jatigede Dam project can be regarded as the model project of Indonesia’s water conservancy construction.”

---- International Commission on Large Dams

“The dam is solid. It looks great. We saw it on TV and in newspapers. Chinese people are very capable. I will come and have a look when the reservoir is full of water.”

---- Mahmoud Tiral, resident in the suburb of Jakarta



02/ Conducting Compliant Operations, Actively Integrating into the Local Community

POWERCHINA strictly complies with Indonesia's laws and regulations and ensures compliant operations. We actively integrate into the local community to achieve internationalization and localization; we respect local employees and Chinese employees, emphasize their growth, and leverage advantageous human resources in our work.

Our challenge: We are faced with difficulties in adapting different national conditions and social culture in Indonesia. The Indonesian government's localization policy requires that we must hire local employees at a ratio of 1:10, adding to the difficulty of Chinese companies in recruiting and training employees. Indonesia is a country with large Muslim population and its different religion and culture present another major challenge. Furthermore, as Japanese and Korean companies entered Indonesia long ago and have strong soft power, they have extensive social influence in Indonesia.

Our actions: We respect the right to religious belief of Indonesian employees and their other customs and habits; hire local employees according to the laws of Indonesia, provide them with training and guidance, continuously improve employee working environment , and improve their life quality; we guarantee the benefits including leave of Chinese employees, and create a sound career development environment for all the employees to enable them to grow with the company; and we carry out internationalized and localized operations, and integrate the company fully into the local community.

Key Topics



QUALITY EDUCATION

- Train local employees, and improve the technical and professional skills of local employees



DECENT WORK AND ECONOMIC GROWTH

- Protect labor rights, and provide a secure and safe working environment
- Refuse forced labor, and forbid and eliminate child labor



REDUCED INEQUALITIES

- Facilitate income increase of ordinary villagers
- Treat Indonesian employees equally, and protect their various rights and interests
- Ensure that Chinese employees have valid visa



PEACE,JUSTICE AND STRONG INSTITUTIONS

- Fully protect the basic freedom of the public
- Promote and implement non-discriminating laws and policies



Complying with Laws and Regulations

POWERCHINA has always adhered to the business ethics of keeping promises. We put “honesty and reliability” first in running our business, and consider “credibility” one of our core values. During project implementation, our project teams strictly abide by various local laws and policies of Indonesia, pay taxes on time, and ensure legal and complaint operations. The Nagan Raya NAD CFPP 2x110MW was named the “Top 10 Model Taxpayers” by local taxation authorities during the construction period. And, Chinese employees in Indonesia have all obtained relevant work permits and pay local individual income taxes strictly according to Indonesia’s labor law and the provisions of the immigration bureau.

Keeping promises is not only reflected in completing construction on time with agreed quality and quantity and delivering premium projects to the property owner; it is also demonstrated in the fact that the Company will be responsible for the operations of the projects in the following 20-40 years, providing follow-up services and ensuring the sustainable operation of the projects. Therefore, POWERCHINA earnestly performs the contract, assists and guides property owners in carrying out professional training, helps to solve issues occurring in operations, effectively ensures the sound operation of the projects, and wins acclaim among property owners.



POWERCHINA does a good job in tax payment. They always abide by relevant provisions and rules, and pay taxes on time.

——Indra Priyadi , Head of Meulaboh Tax Service Office

Localization

Localization is an indispensable part of the internationalization process of POWERCHINA, also a prerequisite for integrating into and taking root in the local community. POWERCHINA strives to achieve comprehensive localization in corporate culture, organizational structure, staffing, management model and business processes, and continuously summarizes the successful experiences in Indonesia and applies them in other markets in Southeastern Asia.

In active response to the Indonesian government’s employee localization policy, POWERCHINA continuously improves management systems, policies and procedures with regards to local employees. By facilitating diverse cultural integration, employees of different cultural backgrounds get to understand and trust each other, and the cohesion and creativity among employees keep improving.

Boosting technical exchange

When recruiting employees, POWERCHINA pays attention to absorbing the advantages of local Indonesian employees. In addition to recruiting construction workers, we also hire local administrative and personnel staff, who collaborate with Chinese employees and utilize their complementary advantages in tracking and driving project implementation: Chinese employees have a better understanding of the headquarters’ strategic intent and the working processes, while Indonesian employees know better about Indonesia’s procedures and rules of conduct, so their working together can ensure smoother resolution of problems. Moreover, Chinese employees and Indonesian employees can learn from each other and gradually form an internationalized marketing team.

Indicator	Unit	Data
Number of local employees	Person	2,941
Employee localization rate	%	78.01

Remarks: Data are as of December 31,2016



POWERCHINA’s investment in Indonesia is helpful and conducive to social stability and power construction. It helps to solve the employment problem; in particular, Indonesians can work in those power projects.

---- Ian F. Markos, Head of Meulaboh Immigration Office



Respecting local customs

POWERCHINA advocates within project teams a corporate culture of honesty, sunshine, openness and inclusiveness, and actively passes on the management concept of “respecting differences; everyone is equal” among employees. The Company and various project teams fully respect the religious belief and habits of local employees, and provide convenience for their religious activities by providing aid in building mosques and providing venues for religious activities.



The mosque inside Nagan Raya NAD CFPP 2x100MW can accommodate praying activities of close to 100 people



Employees at the plant's basketball court

“The company does not restrict our Muslim praying. The company has a special policy during Ramadan, allowing Muslim employees to come to and leave work earlier, and giving extra leave for Muslim employees. The best thing is, the company gives bonus during Ramadan, which is a month's salary.”

---- Sunaryo, HR&GA Administration Division SINOHYDRO INDONESIA

By the end of August 2016, the phase II hydropower project of Jatigede Dam had 118 Chinese employees and 385 local employees, with the employee localization rate reaching 77%.

118 Chinese employees

385 local employees

August 2016 Employee localization rate **77%**



Local employees of POWERCHINA Representative Office in Jakarta, Indonesia

Respecting Employees

The construction of every project is not possible without the hard work, intelligence and collaboration of local employees. POWERCHINA attaches great importance to the rights and interests of local employees. By continuously expanding employment opportunities, we actively promote employee localization; through skill training and management training, we train various types of local talent; and we provide regular medical examination as well as health consultation and service for employees all year long, and take out insurance for employees to ensure their occupational health.

Basic rights and interests

POWERCHINA always sticks to the concept of people-orientation, and puts great emphasis on employees' basic rights and interests. We strictly abide by local Indonesian labor laws and regulations, uphold equal employment principles, sign labor contracts with employees according to the law, forbid gender discrimination and child labor, and reject all kinds of forced labor; we respect the culture, ethnic belief, customs and habits of local employees, build mosques, and provide convenient venues for employees' praying; we formulate compensation and benefits systems that comply with local salary standards, and ensure that every employee has the equal right and opportunity to leave according to the law. The project team of Jatigede Dam provides local employees with social securities and medial insurance according to the regulations of the Indonesian government, recognizes the employee union established by employees, and builds an exchange platform for local employees and the project team.



I would communicate with the company regarding employees' demands through the normal channel, and reach a consensus with the company through consultation, settling issues peacefully in a “family way”. Where there are issues in the site, I would report to the site manager on duty, and resolve the issues on the spot.

---- Moh. Ali Umar, chairman of the union, project team of Jatigede Dam

Indicator	Unit	Data
Labor contract signing rate	%	100
Number of days of employee annual leave	Days	40
Employee satisfaction	%	100



Employee Growth

“Teaching a man to fish is better than giving him fish”. POWERCHINA regards training local Indonesian talent a long-term development strategy and responsibility, and stresses employees’ skill training and professional quality improvement. Since entering the Indonesian market in 1995, POWERCHINA has trained a great number of local professional talent in mechanical and electrical maintenance as well as engineering operation.



Indicator	Unit	Data
Investment in skill training	RMB10,000	1,173.32
Skill training coverage	%	100

By conducting skill training by work type and adopting a “one on one” approach, we improve the technical operation level of local employees; and by providing competitive career development path, we promote talented local employees to management positions, and carry out systematic training and appraisal to improve the percentage of local employees in the management team.



“The supervisor gives us time to learn. For example, we are given three months to start as an ordinary mechanic and to accumulate skills and experience before we are assigned to repair heavy equipment with major failures. The supervisor would assess the skills and experience we have gained, and help us to further improve.”

---- Suhenda, mechanic of the project team of Jatigede Dam



“If I make a mistake or need improvement in some areas, my master would give me feedback, and he would provide constructive suggestions to help me get better at work.”

---- Asep Tatang Rukmana, engineering measureman of the project team

Employee Life

In order to take good care of employees, project teams set up employee canteens and hire cooks from China to prepare Chinese food. We regularly check the hygiene condition of the canteens to ensure food safety. We celebrate employees’ birthdays, and organize celebrations for festivals like the Spring Festival and the Mid-Autumn Festival. We also provide donation, loan or salary advance payment for employees who are in need. The Company keeps improving the home leave policy, increasing the number of home leave from one to two in a year to alleviate the homesickness of employees.



The Project Dept of Jatigede Dam organized employee basketball games



Employees from the Project Dept of Nagan Raya NAD CFPP 2x110MW celebrated the Spring Festival

We try to take good care of our employees. We provide table tennis rooms, basketball courts and tennis courts for employees so that they can exercise and relax after work.



Focus: My Days in Indonesia

They are POWERCHINA employees holding fast to their work in a foreign land

They spend their young years in ordinary posts

They create extraordinary stories with responsibility and perseverance

.....

Yang Kemin is an employee of the POWERCHINA's SINOHYDRO BUREAU 8 CO.,LTD and was assigned to work at the East Kalimantan project in Indonesia in 2011. During the days in Indonesia, he met an Indonesian girl and fell in love with her. Then they married. His wife Sartika once studied in China and now teaches Chinese at a high school in Jakarta.

The Company's leaders show their care and support for this Sino-Indonesian couple, which eliminates Yang Kemin's concerns. And POWERCHINA's rich corporate culture featuring humanistic care also makes his wife feel at home and comfortable. Indonesians are not used to working overtime, but Sartika understands that sometimes Yang Kemin has to work overtime. The couple has a detailed plan for their future life. The story of Yang Kemin symbolizes POWERCHINA's gradual internationalization and localization, and he also has his own perspective regarding localization.



We have to go global and achieve internationalization, but we should not stop there. We also need to realize localization, and try to integrate ourselves into the local life so that our company can develop sustainable business locally. Internationalization tests a company's courage, while the level of localization tests a company's capability. Only through localization can our company thrive here.

---- Yang Kemin, employee of SINOHYDRO BUREAU 8 CO.,LTD

Voice of stakeholders

I have been working on the Jatigede Dam project for more than seven years, so I have lived on the construction site for over 2,000 days and nights. With my passion for the testing and inspection work ,I am still working on the Jatigede Dam project everyday on the site . This is my job, more importantly, this is our responsibility.

----Ma Le, Chinese employee of the Jatigede Dam project



Working abroad for a long time brings pressure to our family life, but we have gradually come to terms with it. This is our job, and our family understands that. Our company is making improvement. If our family needs any help, our company would give support. We are doing quite well in employee benefits, and have made big progress.

---- He Minghui, Chief Mechanic of the Jatigede Dam project and the hydropower project

We believe the biggest issue faced by POWERCHINA in Indonesia is localized operations. The Indonesian market is of a high-end nature; we need to put in intensive and meticulous efforts in Indonesia, and build POWERCHINA's subsidiary companies in Indonesia into indispensable players in Indonesia's engineering contracting and investment market. Only in this way can POWERCHINA Group and other Chinese companies gain a foothold in this country and have better development.

---- Deng Xi, Chief Representative of POWERCHINA in Indonesia





03 Enhancing HSE Management, Constructing Ecological Civilization

POWERCHINA has practiced its concept of “development in a scientific and environmental-friendly way” in its business operations around the world, and strictly complied with the provisions of contracts on environmental protection to minimize the impact of construction on the local environment.

Our challenge: Due to the business features of our operations in Indonesia, safety and health are of high concern to the society. Since our projects may have potential impacts on the local air, water, soil, plants and animals, we are required by governments, environmental protection organizations and local communities to meet higher standards on safety and environmental protection.

Our action: POWERCHINA attaches great importance to the safety and health management, and endeavors to ensure safety throughout production and operation and employees’ occupational health by such means as establishment of systems, risk prevention, safety and health training and improvement of the operating environment. In Indonesia, POWERCHINA achieved no safety accident. We have fully complied with contracts in construction, keeping the environmental protection requirements in step with the international standards to reduce our impacts on the environment.

Key Topics



GOOD HEALTH
AND WELL-BEING

- Employee education on disease prevention



RESPONSIBLE
CONSUMPTION
AND PRODUCTION

- Energy saving and emission reduction; environmental protection
- Increase of productivity



CLIMATE ACTION

- Reduction of greenhouse gas emissions from production
- Improvement of our capacity to resist natural disasters



LIFE ON LAND

- Protection and sustainable use of terrestrial ecosystems
- Protection of biological diversity
- Protection of forests and plants



LIFE BELOW
WATER

- Reduction of sea pollution, especially from land-based activities
- Promotion of sustainable fisheries, aquaculture and tourism



Principles and Commitments

POWERCHINA has fully observed Indonesian laws and regulations on environmental protection, followed international standards and norms in its production and operation, and emphasized environmental protection in construction and operation. Meanwhile, the Company has taken measures to ensure work safety and health, with a view to achieving the objectives of “0 injuries, 0 accidents and 0 occupational diseases” in the safety and health management.

POWERCHINA keeps on improving its HSE manage-

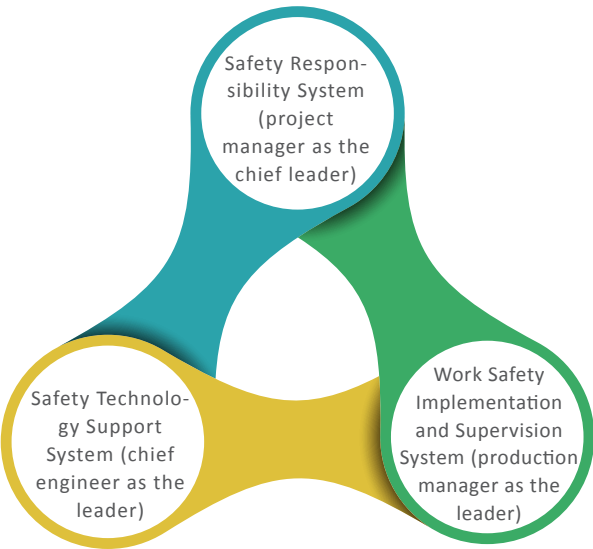
ment regulations and operation standards and fully integrates HSE concepts into daily operations to respond to challenges from construction, natural disasters and social events, ensure work safety, protect ecological environment and keep abreast of international standards with respect to work safety and health and environmental protection so as to satisfy the requirements on international projects in high-end markets.

Safety and Health

Work Safety

Safety Management System

A three-level safety management system for project construction has been designed to ensure the management and implementation of work safety from three aspects: implementation and monitoring, safety technologies and accountabilities. At the same time, a work safety leadership team consisting of the project manager, the business manager, the production manager, the chief engineer, the quality safety director, the dedicated safety officer and heads of different departments has been set up to ensure the smooth implementation of safety work.



- **Target management:** The project team signs the Letter of Accountability for Work Safety with operation teams and support teams to clarify the responsibilities of every position, which is useful for carrying out our basic policy of “safety first, prevention and comprehensive governance” and our safety management concepts of “One post, two responsibilities” and “people first”.
- **Institutional improvement:** Technical and safety departments create and implement more than ten systems and operating procedures on safety management based on actual conditions of projects.
- **Emergency plan:** When a project is implemented, we enhance efforts on safety publicity and training, improve safety facilities in relation to fire protection and safe use of power, provide safety appliances to employees, establish warning signs and drill contingency plans.
- **Accountability:** We carry out safety inspection and hold meetings of the project safety committee on a regular basis to supervise the implementation of safety systems and measures to detect potential risks and make a rectification.



Indicators	Unit	Data
Investment in work safety training	RMB10,000	3,802.91
Number of production safety accidents	Case	0



Case

Improve the contingency plan to prevent risks

Indonesia, known as the “Thousand Island Country”, is a country frequently hit by earthquake, tsunami, typhoon and other natural disasters. Since most POWERCHINA projects are located in coastal areas, the staff and workers engaged may be in high danger in case of a natural disaster. To avoid such risks, POWERCHINA worked with local meteorological and disaster prevention departments to get relevant information as soon as possible. In addition, a long-term internal early warning mechanism was established and disaster prevention drills were taken to ensure that the early warning mechanism could be triggered upon occurrence of a disaster, staff and workers evacuated in an orderly way, and effective measures taken to resettle affected employees to protect their safety.

Ensuring personnel safety

When implementing power station projects, we were sometimes obstructed by local armed forces, and even faced personal threats, which was a great potential risk to project progress and safety of employees concerned, far more dangerous than natural disasters. In order to protect the safety of employees, officers from



Project Department enhanced communication with local subcontractors and communities, and meanwhile taken measures in a timely manner to address violent resistance to project construction and strengthen protection of employees to assure their personal safety.

Occupational health

POWERCHINA has laid emphasis on occupational health of its employees and therefore taken various actions in this regard. Specifically, a sound work-related disease prevention system and a healthcare system have been created to provide a medical examination program and training on occupational health to employees on a regular basis, distribute knowledge about infectious diseases including malaria and Dengue fever, and raise employees’ awareness of occupational health. Employees have been provided with a complete set of protective appliances and supplies necessary to meet their working conditions and protect them from hazards. During construction, occupational health-related practices, including regular safety inspections and monthly safety checks, have been under monitoring, so as to ensure the achievement of the objectives of occupational health management.



The Sprinkler Operations



The Project Dept provide regular medical training

“The company will provide some medical insurance benefits, such as health insurance and social security. They care about employees’ health, so they provide us with helmets, insurance ropes, safety shoes and so on, and require us to wear such things at work.

----Suhenda, a maintenance worker in the Jatigede Dam Project

Indicators	Unit	Data
Employee medical examination coverage	%	100
New occupational disease by year	case	0



Environmental Protection

Energy saving, emission reduction and carbon decrease

Since the Government of Indonesia has high requirements on environmental protection, while coal-fired power station projects are featured by high-energy consumption, high-emission and high-pollution, POWERCHINA, strictly complying with the Indonesian laws and regulations on environmental protection, has endeavored to reduce emission in construction and achieve clean production through sound planning and design and application of environmental protection equipment. In addition, POWERCHINA has designed and built desalination systems, industrial wastewater treatment systems and exhaust emission filtration systems, which significantly reduced the negative impact of power stations on the local environment and protected local ecosystem balance. As of 2016, no major environmental pollution event occurred in relation to the coal-fired power plant project in Aceh.



Boiler ESP System Equipment

Indicators	Unit	Data
Total investment in environmental protection	RMB10,000	2,227.03
Percentage of projects with environmental impact assessment	%	100
New project EIA pass rate	%	100



Sewage treatment station in the chemical water area



“The consulting company makes an environmental pollution assessment report every six months, focusing on how to monitor and manage the environment. POWERCHINA is in compliance with its contract, and all things are done according to the contract. As trucks may cause dust when passing by, for example, POWERCHINA will sprinkle water along the road to suppress dust as required by contracts.”

----Ir. Tulus Hery Basuki, Ministry of Public Works and Housing Indonesia

Ecological governance and protection

Project Department have spent many efforts in dust control, waste disposal, vibration and noise control, soil and water conservation, vegetation restoration and water source protection in strict accordance with the requirements of environmental impact assessment. By strengthening our efforts in control of noises, dusts, blasting shock waves and flying stones from construction, we strove to protect villagers near the construction site from disturbance and impacts beyond the permitted scope under regulations.



Focus: Development in a clean and green way

By practicing the concepts of “Clean Development, Green Environment”, POWERCHINA has fully discharged its social responsibilities in relation to environment protection when undertaking overseas construction projects. The Company has given priority to the efforts in protection of the environment of areas where its projects are located and treated environmental protection as important as its projects.

The reservoir of Jatigede Dam began to store water on August 31, 2015. To respond to the call of the governor of West Java, many local government agencies as well as villagers nearby participated in the activity of release of fry in the reservoir for the first time in December. The governor also spoke highly of POWERCHINA for its cooperation in improvement of the ecosystem in the reservoir area.



In December 2015, the governor of West Java put fry into the dam's reservoir

The local government encourages local villagers to develop aquaculture in the dam's reservoir, which can directly increase the local revenues. Poultry and fish farming will bring an income of USD 4.6 million annually.

Based on the specific conditions of the project, the Project Department took proper environmental protection measures after entering the construction site. It set up an Environment-Friendly Construction Team led by the head of the Team, required employees to be familiar with applicable laws and regulations on environment protection and initiated the “Environmental Volunteers” Program among young workers to encourage them to remove waste along the construction site. As there was a long distance between the spoil disposal area and the construction operation site, the roads along which pick-ups passed were scattered with many spoils. To remove such spoils, the Project Team employed dedicated cleaners and also organized other volunteers to work with cleaners from time to time, hence effectively maintaining clean environment.

When there was a need to relocate a road, they communicated with land owners and the local government and community first. Excavation work did not start until a careful investigation of the site affected was made to ensure there was no rare wildlife living or depending on the area. Then, they followed the construction plan strictly during operation, fulfilling their obligation of “no damage, no disturbance and no pollution” to plants beyond the excavation area.

As the large number of construction workers generated a considerable volume of household waste every day, to minimize the impact of such garbage to the environment, they adopted the method of concentrated landfill, while such waste as paper, beverage bottles, wine bottles were recycled.



A sprinkler is spraying water for dust suppression



04 Sharing Growth, Achieving mutual development with partners

It is critical for the Company to have a harmonious relationship with the local government and community to achieve its business growth and operational stability. POWERCHINA respects local customs and the interests of community residents, taking initiative to support community development for the benefit of local residents and integrating into the local community.

Our challenges: Our projects in Indonesia are usually located in less developed areas plagued with backward educational facilities and low employment of local residents. Moreover, due to the special national conditions and the social and cultural factors of the country, POWERCHINA as a foreign-funded enterprise is facing severe challenges from communication and relation with local communities. The religious factors in some regions further complicate the situation and frustrate us.

Our actions: POWERCHINA has given its support to local economic development, assisting in improvement of local infrastructure and education and promoting technical exchange and cooperation with local stakeholders to achieve mutual growth. The Company undertook the housing project --- The Friendship Village of Indonesia - China --- under the financial support of China in 2007 to contribute to the efforts on resettlement of local residents after the Indian Ocean tsunami.

Key Topics



NO POVERTY

- Disaster relief and help local residents rebuild their houses



SUSTAINABLE CITIES AND COMMUNITIES

- Assistance in improving local infrastructure and roads



PARTNERSHIPS FOR THE GOALS

- Promotion of technical exchanges and cooperation as well as technology transfer
- Support for local education and economic development of communities

Enhancing Community Communication

Due to the special social and cultural factors of Indonesia, the biggest challenge POWERCHINA faced when entering the local market was its relationship with local communities. For years, the Company spared no effort in communicating with the local government and community in the hope to build a harmonious relationship with them. Through the construction of each project, the Company has maintained good interaction and regular communication with the local government, community, NGOs and trade unions, taking full account of the local stakeholders' demands to achieve economic, environmental and social benefits.

Before the commencement of construction of a project, we visited the local community to get their opinions, inform them of relevant common sense and other important things and explain the benefits of the project after completion to them. During the construction, we kept communicating with the community on a regular basis, discussing and settling problems arising from our operation with them. After the completion of construction, we restored the operation area to its original status as soon as possible in accordance with the provisions of relevant contracts, so as to minimize the impact of construction on local community.



Project Dept of Jatigede Dam took part in the community activity



The representative of Project Dept took part in the wedding ceremony of local villagers

Providing Aid in Infrastructure Construction

Since most of our projects were located in remote villages where the transportation was relatively poor, we built or improved bridges and roads during construction, which not only met our needs, but also benefited local residents. We also bought and built water tanks for local villagers, effectively solving their problem in the dry season.



A temporary bridge built for the convenience of the local villagers

"POWERCHINA has built nearly 20km of rural roads for villages and held basketball games with local people on a regular basis, which not only furthers the local residents to better understand Chinese enterprises, but also enhances the friendship between Indonesian and Chinese people.

---- International Daily, an Indonesian newspaper in Chinese

Supporting Community Development

POWERCHINA has given its support to local communities, donated livestock for Eid al-Adha (feast of the sacrifice); we launched educational and cultural program to improve the educational facilities in local communities; we respect the religious beliefs of community residents, which help them to build a mosque.



The Project Dept donated furniture and toys to a local kindergarten



The Project Dept of Lontar CFPP 3x315MW donated money to mosque nearby

For four years since it settled in the village, POWERCHINA has donated things and visited local children in holidays, which manifests the friendship between POWERCHINA and local residents. I hope POWERCHINA will participate more in the construction of our country in the future.

-- Suak Puntong, the village head

Focus: Supporting the Construction of the Friendship Village of Indonesia-China

Background

A magnitude 8.7 earthquake struck near the coastline of northern Sumatra on December 26, 2004, the most grievous disaster Indonesia suffered in nearly forty years. The subsequent tsunami caused waves as high as 30 meters, many coastal cities, towns and tourist resorts in Sumatra were razed to the ground, 230,000 people were killed and 500,000 people homeless. After the disaster, help came from all sides. POWERCHINA joined the efforts in extensive post-disaster reconstruction to help the victims to rebuild their home.

“The Friendship Village of Indonesia - China”, funded by the China Charity Federation and the Red Cross Society of China and undertaken by POWERCHINA, was China’s largest non-governmental aid project in Indonesia. The project broke ground in May 2006 and completed and delivered in July 2007, lasting fourteen months. The successful delivery of the high-quality project in such efficiently way enabled local residents to resume their normal life as quickly as possible.



The Friendship Village, sitting against mountains and facing the sea, is a very pleasant place. Covering an area of 22.9 hectares, it has 606 TYPE42 standard brick-concrete residential houses, and a school, a nursery, a clinic, a playground, a shopping mall, a mosque, a small park, a man-made lake and two large underground wells. A high-quality cement road built by Chinese technicians connects the Village with the outside world, enabling residents to enjoy a convenient transportation and life.

22.9 hectares

606 houses



Superior building quality

The reinforced concrete structure was applied to all buildings in order to improve the building quality to the maximum extent in terms of security, earthquake resistance and thermal insulation.

The design of houses followed the local customs, reaching the standards higher than required by the Aceh Reconstruction Commission in terms of housing security, earthquake resistance and heat insulation.

Considerable environmental benefits

As to domestic sewage treatment, the volume of septic tanks was increased and a filter tank added. There were separate treatment systems for rainwater and sewage, which would prevent sewage overflow.

To protect the local soil resources, all buildings are built with cement bricks, without use of a piece of red brick made of soil.

The paint used for buildings and structures met international environmental protection standards, without any bad smell.





Case

Small changes reflect considerateness

In order to help local residents to build livable and comfortable new home, POWERCHINA workers spared no effort to improve the design and construction details based on local conditions. Given there were lots of termites, all the wood used in buildings was painted with termite repellent and asphalt to prevent termites destroying buildings. Moreover, considering heavy rainfalls in a year locally, workers widened the roofs to keep rain out of houses even in rainstorms. Since the widening roof would, however, affect the lighting of buildings, they increased the height of houses and adopted shutters, which would also increase ventilation of buildings. In addition, POWERCHINA workers took into consideration of many small living details. For example, they made the pond for mop wash lower than the ground, changed the corners of steps access to houses from right angle to a circular arc, and changed the middle of such access to a slope for the convenient of locals who used motorbikes as the main traffic tool. Thanks to such considerate details, village residents could enjoy a better living.



China-aided the Friendship Village of Indonesia - China is excellent, in planning, design and engineering quality. We appreciate the China Charity Federation and the Red Cross Society of China's donation and assistance, especially the efforts of POWERCHINA employees who travel long ways to come to Aceh to help us rebuild our homes.

---- Buchali, Banda Aceh, Aceh Province, Indonesia

In Banda Aceh, there are many residential projects under support by other countries, some of them are plank buildings, which are leaking or collapsed, causing many complaints. Only China-aided projects never have any such complaints, as all new buildings are built with reinforced concrete structure, sound and durable. Chinese workers built the Village as if it was their homes.

---- The former head of the Friendship Village of Indonesia - China

I have been concerned about the reconstruction projects in Aceh, and in my view, the buildings China built are the most beautiful.

---- Thomas, a member of Indonesian Focus on the Family

The Friendship Village offers the full functions necessary to meet residents' daily needs, including residence, schooling, medical care and prayer, hence becoming a symbol of the friendship and cooperation between the two countries and their people. As a result, the village project was awarded the "Special Contribution to Aceh Reconstruction" by the Agency for the Rehabilitation and Reconstruction of Aceh and Nias, and the Friendship Village was also been praised by local media as a "garden-style residential area".



The Mosque in the Village



Village residents

Sustainability Management

With the development of global economic integration, increasing attentions of the world, especially local stakeholders, are paid to the performance by multinational corporations of their social responsibilities in their overseas operation and localization, which has become a required question when a company pursues market influence and sustainable development. Over the past three decades, POWERCHINA has gradually developed its sustainability concepts in its overseas investment and operation.

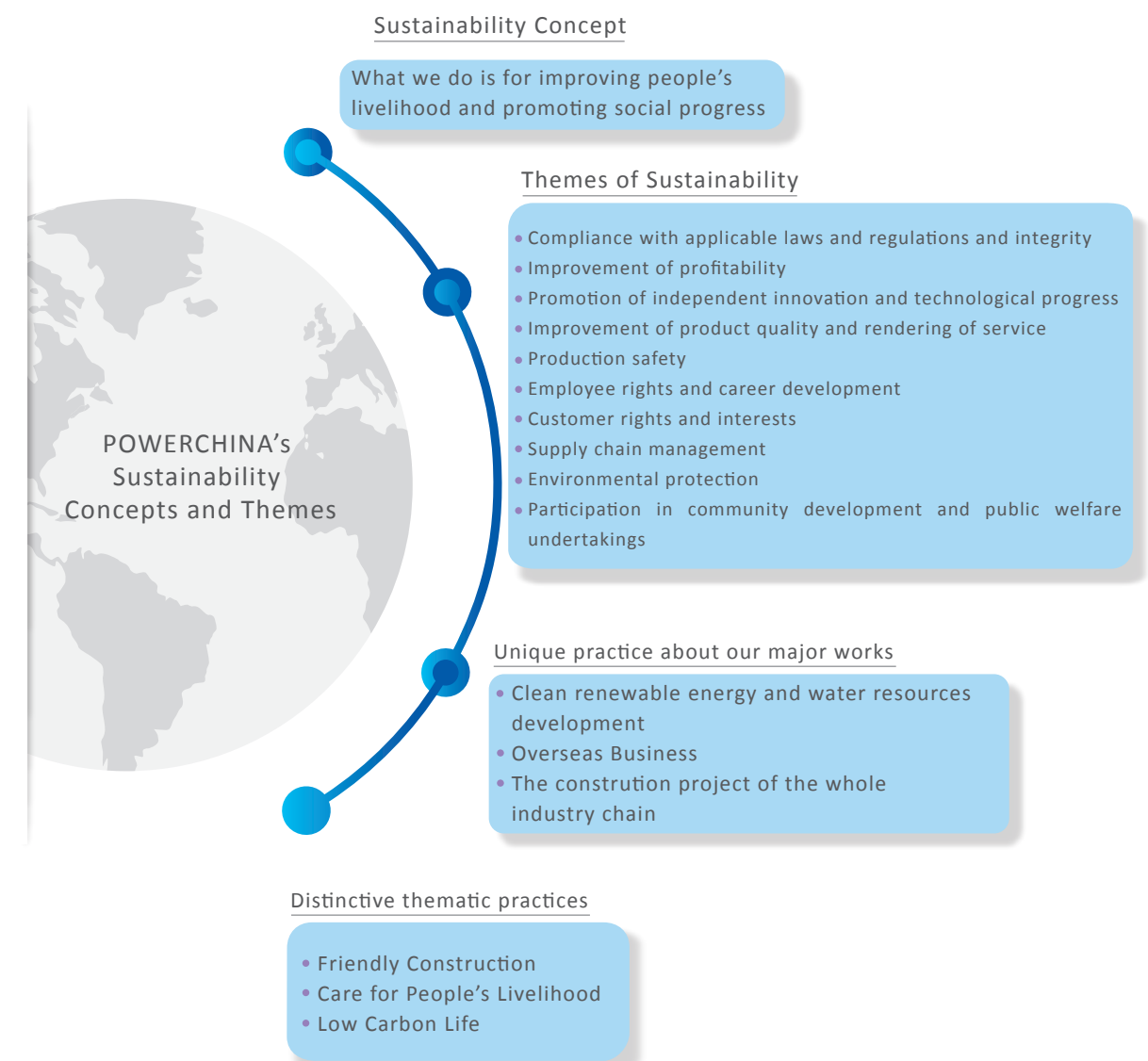
Sustainability Concepts

POWERCHINA adheres to its sustainability concept of “what we do is for improving people’s livelihood and promoting social progress” and insists on its ten themes of sustainable development in its day-to-day operation. As China has, when implementing the national strategy of “B&R Initiative”, encouraged Chinese enterprises to go out to do business in a responsible way, POWERCHINA, following its mission of “rendering services to global power and infrastructure construction and leading green industrial development”, practices its cooperation concept of “mutual benefit, win-win and cooperation for mutual development” in overseas expansion. The Company aims at “facilitating local economic development to benefit local people, making friends and creating a good image through undertaking of a project”, and is dedicated to “becoming a world-class enterprise and building a world-renowned brand”. POWERCHINA will continue to undertake green projects for a better life of local residents and pursue the sustainable development of its business and local community in economic, social and environmental aspects.

Sustainability Organization and Governance





In order to effectively propel the Company’s sustainability and social responsibility work, POWERCHINA has established a Social Responsibility Leadership Team with the General Manager of the Group and the Vice General Manager in charge of social responsibility as the team leaders, responsible for the leadership, decision-making and overall arrangement of the Group’s social responsibility fulfillment.

The General Office of the Group is responsible for the overall planning, coordination and day-to-day management of social responsibility, including formulating the social responsibility plan and the annual development plan, conducting social responsibility study, training and exchange, and preparing and releasing the Company’s annual responsibility report.



Communication with Stakeholders

We believe that proper handling of the relationship between enterprises and stakeholders is an important basis for enterprises to achieve sustainable development overseas. Based on our actual operation status, we have created a comprehensive communication mechanism with stakeholders. We also fully studies issues that stakeholders are concerned with and transfers relevant appeals to corporate social responsibility action targets and plans. Meanwhile, we inform stakeholders of our corporate responsibility concepts and performance through various channels and by different means. All of our efforts are aimed at obtaining their understanding and support and improving their satisfaction.

Stakeholders	Expectations for the Company	Communication Channel and Method
 The Chinese Government	<ul style="list-style-type: none">• Participation in the “B&R Initiative” to enhance connection and cooperation• Compliance with laws amd regulations• Work safety• Enhancement of friendship between the two countries	<ul style="list-style-type: none">• Improvement of relevant policies and regulations• Regular and special reporting• Presidential visit• Participation in relevant conferences and forums
 The Indonesian Government	<ul style="list-style-type: none">• Integrity and compliance with laws• Payment of tax under laws• Improvement of local infrastructure and promotion of economic development• Creation of jobs for local people• Protection of local environment	<ul style="list-style-type: none">• Compliance with international conventions and local laws and regulations• Invitation for government officials to visit and inspect projects• Payment of tax under laws• Implementation of localization strategy and creation of jobs• Regular visit and reporting• Participation in key conferences and events• Acceptance of supervision and evaluation
 Shareholders	<ul style="list-style-type: none">• Asset preservation and appreciation• Risk management• Improvement of the corporate governance structure• Information	<ul style="list-style-type: none">• Annual general meeting of shareholders• Annual Report• Regular written communication• Company’s official website
 Project Owners	<ul style="list-style-type: none">• Assurance of project quality• Provision of operation and maintenance services• Performance of contracts in good faith• Technology transfer	<ul style="list-style-type: none">• Improvement of project quality management• Quick response to owners’ feedback• Fully performance of contracts and delivery of projects• Technology transfer

 Local Employees	<ul style="list-style-type: none">• Respect for religious beliefs and national culture• Protection of employees’ rights and interests• Employee career development• Assistance to employees with difficulties in living• Employee care• Support for trade union activities	<ul style="list-style-type: none">• Respect for religious beliefs and activities of employees• Provision of medical and social insurance• Provision of physical examination• Occupational development training and assessment• Provision of a proper career development path• Assistance to employees with difficulties in living• Settlement of problems trade union raised and support for trade union activities
 Chinese Employees	<ul style="list-style-type: none">• Protection of employees’ rights and interests• Better wages and benefits• Personal safety• Employee career development• Employee care	<ul style="list-style-type: none">• More paid leaves• Occupational development training and assessment• provision of a proper career development path• Organization of celebrations for major festivals• Assistance to employees with difficulties in living
 Community	<ul style="list-style-type: none">• Support for the educational and cultural development of local community• Respect for local customs and habits• Provision of employment opportunities• Support for post-disaster reconstruction• Good communication	<ul style="list-style-type: none">• A sound community communication mechanism• Participation in community infrastructure development• Organization of community public welfare activities• Sponsor for major local festivals and events• Implementation of employee localization strategy• Assistance to build the Friendship Village of Indonesia - China
 Suppliers and Contractors	<ul style="list-style-type: none">• Observance of business ethics• Transparent, fair and equitable procurement• Mutual benefit, win-win and joint development	<ul style="list-style-type: none">• “Sunshine procurement”• Disclosure of procurement information• Assistance to partners in improving capacities
 Environment	<ul style="list-style-type: none">• Compliance with local laws and regulations on environmental protection• Energy saving and emission reduction• Protection of biological environment and diversity	<ul style="list-style-type: none">• Improvement of the environmental management system• Promotion of environmental management• Carrying out environmental impact assessment• Strictly following environmental protection standards
 Media / NGOs	<ul style="list-style-type: none">• Disclosure of corporate information• Playing an important role in technical, social and environmental sustainability	<ul style="list-style-type: none">• Participation in and support for projects related to social development• Communication on the agenda of major events• Participation in relevant conferences

Outlook

Today, the world is facing enormous economic, social and environmental challenges. When the UN proposed the Sustainable Development Goals (SDGs), governments are taking the opportunity to enhance their efforts on sustainability and involvement in socially responsible activities with a view to providing a sound foundation and possibility for sustainable development for all. As the world’s largest developing country, China has long been committed to sustainable development, and the “B&R Initiative” is just the strategic choice China made to increase the connectivity with countries and regions along the Belt and Road for common prosperity. This strategy encourages Chinese enterprises to go out to do business in a responsible way, achieving business growth and contributing to the local economic, social and environmental development.

Since entering Indonesian market, PowerChina has pursued and practiced “going abroad, integrating into local community and achieving win-win result through cooperation in good faith”, which are also the Company’s principles when performing its social responsibilities to realize co-development with local community.

The sustainability management will be enhanced. We will practice the concept of “What we do is for improving people’s livelihood and promoting social progress” by operating in an integrity way, which is one of our core values, and fulfilling regulation requirements and contracts, so as to deliver quality projects to our clients.

The HSE management will be improved. We will keep on emphasizing work safety and strengthen the accountability mechanism in this regard. When assuring work safety, we will promote a quality assurance system to provide quality projects.

By insisting on our concept of “development in a scientific and environmental-friendly way” and pursuing our mission of “rendering services to global power and infrastructure construction and leading green industrial development”, we will continue to focus on environmental protection, enhancing the accountability system, promoting energy conservation and emission reduction, protecting ecological environment to minimize the impact of our operation on the environment and achieve business progress in an environmental-friendly way.

In light of our talent localization policy, we will enhance our efforts on develop local employees and optimize our personnel structure by different ways, including creation of a platform for employee growth, improvement of the career development path and provision of more opportunities for various training. Employees will share the results of enterprise growth.

We are committed to performing our social responsibilities and participating in community development by utilizing our advantages, so as to create a responsible corporate image and enhance our reputation.

We believe that by integrating the development potential of China and Indonesia through “consultation, joint construction and sharing”, we can create an even brighter future together with the Indonesia people.

Appendices

Key Performance

Business Performance	Unit	Data
Total taxes	US\$10,000	2,678.02
Owners satisfaction	%	100
Local procurement	%	28

Environmental Performance	Unit	Data
Percentage of projects with environmental impact assessment	%	100
New project EIA pass rate	%	100
Total pollutant emission compliance rate	%	100
Ecosystem recovery rate	%	100
Percentage of suppliers with quality, environmental, occupational health and safety management system certificates	%	100
Total investment in environmental protection	RMB10,000	2,227.03
Solid waste disposal rate	%	100
Number of complaints about environmental pollution	Case	0

Social Performance	Unit	Data
Total number of employees	Person	3,770
Total number of Indonesian employees	Person	2,941
Employee localization percentage	%	78.01
Percentage of employees belong to a trade union	%	100
Number of female employees	Person	87
Number of female officers	Person	48
Labor contract signing rate	%	100
Social insurance coverage	%	100
Medical insurance coverage	%	100
Number of paid leave days	Day	40
The ratio of the minimum wage of employees to the local minimum wage	%	157.67
Employee medical examination coverage	%	100
Employee training coverage	%	100
Safety & health training coverage	%	100
Investment in employee training	RMB10,000	1,173.32
Investment in work safety	RMB10,000	3,802.91
Total social donations	RMB10,000	1,086.30
Employee satisfaction	%	100
Number of safety accidents	Case	0
New occupational disease by year	Case	0

Remark (statistic dimension):The four social performances indicators above, which are total number of employees、total number of Indonesian employees、number of female employees、number of female officers are all current number.

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Third Party Comments

The Indonesia Sustainability Report of the Power Construction Corporation of China (hereafter as the “Report”) is the second sustainability report by country publicly released by POWERCHINA. Based on the SDGs, the Report focuses on “building a sustainable future” as its theme and consists of four parts, including the economic responsibility, localization, HSE management and community responsibility, fully disclosing the practice of the Company in relation to social responsibility in Indonesia and demonstrating the Company’s intention and actions in communication with stakeholders, response to their demands and pursuit for common growth with them.

The report states POWERCHINA’s concepts, management and practice performance regarding sustainability. Many comments of stakeholders, including the government, owners, employees, subcontractors and community residents, are quoted to support the Report. In addition, special topics in each sector highlight POWERCHINA’s good practice in social responsibility. The Report therefore comprehensively presents the progress POWERCHINA made over decades.

From the Report, it can be read that the Company has, in the course of performing its social responsibilities, realized that its sustainability capacity and action have become a key factor for it to develop in a high-end international market such as Indonesia and also one of conditions to gain market influence and public confidence. Over years, the Company has made many effective efforts on fulfillment of its social responsibility based on the specific conditions of Indonesia. Through various effective measures, POWERCHINA has fulfilled its corporate social responsibility in its investment and operation in Indonesia, and has played a positive role in and made important contributions to promote the local economic and social development. In sum, the Report is comprehensive and complete in contents and rich in ways of expression. Its style is full of Southeast Asian characteristics. As a whole, it is an excellent overseas sustainability report. In the future, I hope that POWERCHINA will take this opportunity to further its efforts on overseas sustainable development, continue to improve its capacity in sustainable development management, have a sound business development in Indonesia by cooperating with local stakeholders and fulfilling its social responsibilities, and serve the national strategy to achieve a win-win result.

Zhong Hongwu
Director of Research Center for Corporate Social
Responsibility, Chinese Academy of Social Sciences

Feedback and Suggestions

The Report is the first Indonesia sustainability report and the second sustainability report by country publicly released by POWERCHINA after the Zambia Report. In order to continuously improve our sustainability work, and constantly improve our sustainability capability, your comments and suggestions are highly appreciated. Please complete the Feedback Form and send it to us in the following way:

Tel: 010-58368986/58368664

Mail: 22 Chegongzhuang West Road, Haidian District, Beijing

Your Information

Name:

Employer:

Position:

Tel:

E-mail:

Feedback

Your comments:

- ☐Very Good ☐Good ☐Average
2. In your opinion, how well does the report reflect the Company’s significant impact on economy, society and environment of Indonesia?
- ☐Very Good ☐Good ☐Average ☐Poor ☐Very Poor
3. In your opinion, are the information, data and indicators disclosed in the report clear, accurate and complete?
- ☐Very Good ☐Good ☐Average ☐Poor ☐Very Poor
4. In your opinion, in which area of social responsibility does the Company do a good job?
- ☐Economy ☐HSE management ☐Employees ☐Community
5. Which part of the report are you most satisfied with?

6. What additional information do you need?

7. What are your suggestions on our sustainability report in the future?