

# **Astra - a Green Company with Sustainable Business Practices**

## **Corporate Philosophy**

P.T. Astra International, Tbk. (“Astra”), began as a trading company in Indonesia that has widened its scope of business and investments over the years. From its inception in 1957, Astra founders created milestones for excellence and have chosen to engage in business that creates added value for the nation and society, utilizing available resources to grow and prosper together with its surrounding environment. Its Corporate Philosophy, the Catur Dharma (4 Ideal Obligations) consists of pledges which have strongly influenced management to make every effort to avoid generating negative stakeholder impacts:

- To Prosper with the Nation
- To Strive for Excellence
- To Provide Customers with the Best Service

Today, Astra (the “Company”) is a public Company with six business divisions: Automotive, Financial Services, Heavy Equipment, Agribusiness, Information Technology, and Infrastructure. Over the course of its development, the Company has formed strategic alliances with many reputable international corporations in its effort to expand business opportunities. Listed on the Jakarta and Surabaya Stock Exchanges since 1990, Company market capitalization as at 27 December 2002 stood at approximately Rp. 8.3 trillion, with 4,278 shareholders. The Astra Group currently employs about 90,000 people throughout Indonesia.

Being primarily an integrated automotive business, a distribution network has evolved consisting of various brands, including Toyota, Daihatsu, Isuzu, BMW, Peugeot, Nissan Diesel, Honda (motorcycles), Komatsu (heavy equipment), Astra Credit Company (automotive financing), Federal International Finance (motorcycle financing), Asuransi Astra Buana (insurance), Astra CMG Life (life insurance), and Astra Otoparts (auto components).

Financial highlights consistently demonstrate an annual increase in net revenue, gross profit and net income. Net revenue in 2002 totaled Rp. 30,685 billion from Rp. 30,123 billion (2001) and net income of Rp. 3.6 trillion (2002) from Rp. 845 billion in 2001.

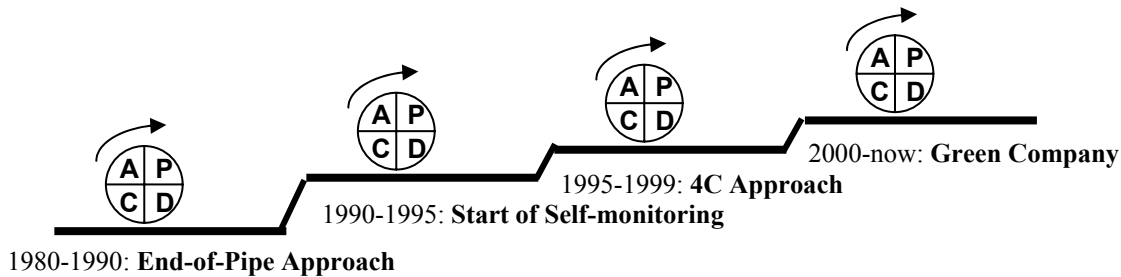
## **Path to Sustainable and Responsible Business**

As business grew in the 1970s, together with the characteristics of economic development in Indonesia, Astra manufacturing companies emerged, working together with world class partners such as Toyota, Daihatsu, Denso, Komatsu, Isuzu, Nissan Diesel, Honda, General Electric, Xerox, and other well known companies. With the joint ventures came the expertise and knowledge of how business worldwide is conducted.

Japanese companies, as the first foreign partners introduced, are well known to use natural and non-renewable resources efficiently, training Astra personnel on good housekeeping practices and operational efficiently.

The early 1980’s marked the formation of the first Environment, Health & Safety (EHS) Committees focused on an awareness for fire and loss prevention. By the end of 1980s, as regulations on the environment were introduced, Astra saw the need for a means to monitor waste, and initiated an Environmental Laboratory which has supported affiliated companies in measuring wastewater usage.

However, end-of-pipe approaches did not prevail, for wastewater treatment plants are increasingly expensive to build and operate. The world trend towards Cleaner Production and Zero Waste were then introduced as a pro-active and more comprehensive way of dealing with pollution, determining more efficient processes and material substitutes less hazardous to human health and the environment.



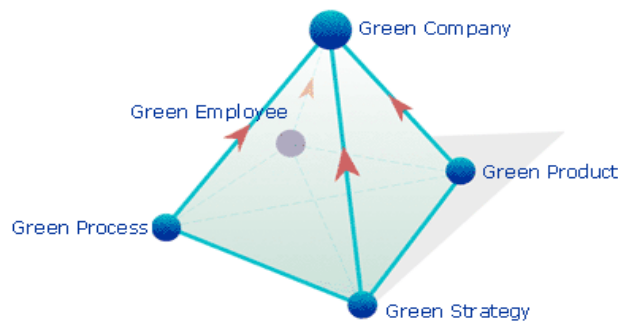
**Illustration 1: Milestones to a Green Company**

The introduction of EHS Management Systems in the 1990’s created a great deal of refocus on the approach of managing the company, as reactive programs had not helped management build a sustainable business. A pro-active approach became more appropriate and was in accordance with the Astra Total Quality Control System in use at the time.

Pro-active initiatives have been translated into a **4C approach** (see Scheme 1): **Commitment, Compliance, Competence** and **Cleaner Production**, which provide a foundation for Astra Green Company assessment criteria.

**Commitment** is considered the first visible sign of management willingness to deal with the hazards and potential pollution from its operations, and provides the framework for associates to work, creating a more **Competent** workforce, **Complying** with existing EHS standards, and creating practices of **Cleaner Production** in respective work processes.

This 4C approach was utilized from 1995 to 1999, and monitored results gave way to the birth of a new philosophy: the **Astra Green Company**(see Illustration 2).The EHS Corporate Policy of 2000 signified the creation of the Astra Green Company and involved four distinct pillars: Green Strategy, Green Processes, Green Products and Green Employees.



**Illustration 2: The Astra Green Company Pyramid**

Note: The Pyramid symbolization conveys four pillars which are the foundations to support the top of the Pyramid: the Green Company. In ancient Egypt, the pyramid structure is a final burial site to preserve living legends. The structure likewise conserves energy, symbolizing efforts to conserve natural resources, and uses the abundance of energy from nature (renewable resources). It has become an analogy for Astra efforts to preserve the environment.

**The Green Company**

A Green Company is a company in which management consciously emphasizes consideration of protecting and developing stakeholder EHS concerns into all business decision, as a form of responsibility and continuing effort to deliver positive contributions to the community and sustainable development practices. Astra management plays an important role in developing a sustainable business. They have the responsibility to decide which businesses deserve a commitment, and how to deal with the hazards of the

process in terms of respecting and enhancing interaction with the environment, employees, communities and other stakeholders.

Astra management has determined business as a Green Company ultimately generates solutions to EHS challenges, as well as being a friendly interface with the environment and community. This strategy is in line with the Triple Bottom Line (TBL) concept, now adopted by many reputable companies worldwide.

Astra has implemented the TBL approach as the foundation for “sustainable business” in an effort to integrate the achievement of economic, social and environmental, health & safety performance in its EHS Corporate Policy of 2003(see Illustration 3).

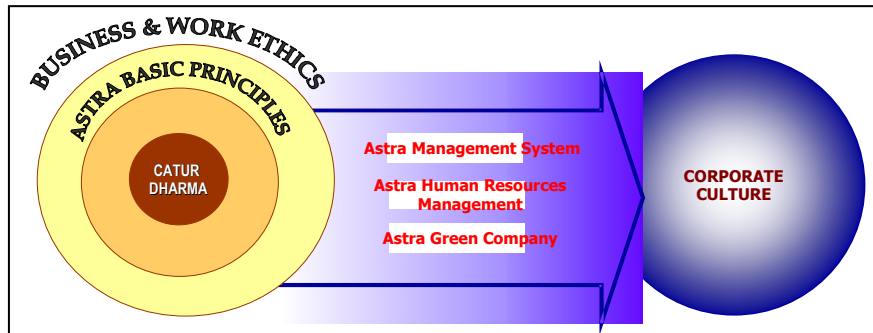
In order to support stronger economic performance, Astra developed the Astra Management System(AMS) from its Total Quality Control network as a framework and process guide in creating “operational excellence”. Through the development of Competent employees, Astra then developed its Astra Human Resources Management(AHRM) as a complimentary framework for system and process guidance. This is supported by a Business and Work Ethics(BWE) template for the conduct of business and the working methodology and attitude of its people.



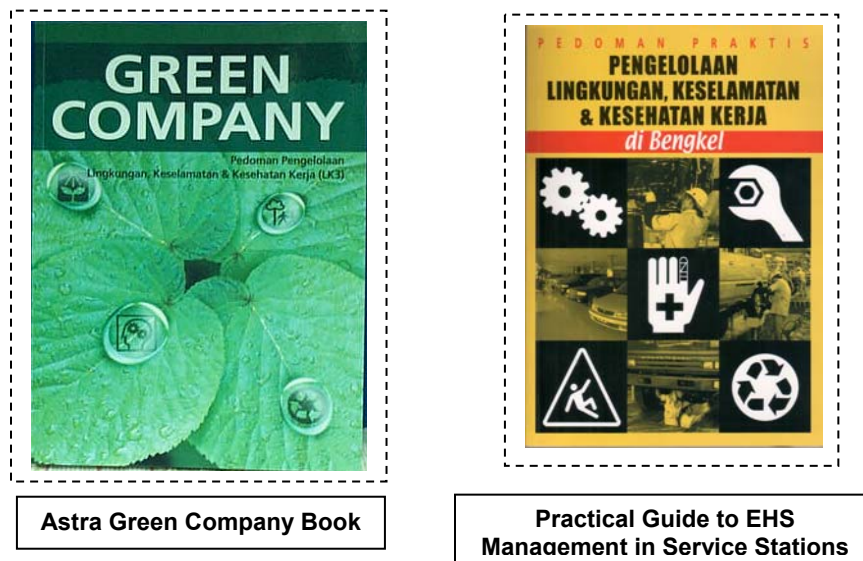
### **Illustration 3: Contribution of Each Program in the Triple Bottom Line Approach**

To further enhance EHS performance, Astra published the “Astra Green Company” Book for implementation in companies throughout the Astra Group. The implementation of Green Company programs does not belong solely to the Astra Group. Its real opportunity and benefits are in implementation on a national scale. For that purpose, as part of the its pledge to be an Asset to the Nation, Astra’s commitment to enhance EHS practices in Indonesia is manifested in sharing its EHS practical knowledge through the launching of the Astra Green Company Book and the “Practical Guidance for EHS Management in Workshops/Service Stations” to the public(see Picture 1). Prof. Dr. Emil Salim, in the book foreword, expresses his desire for the Green Company concept to become a guiding light for companies in Indonesia, as an example for the nation to begin building the TBL concept. With the launching of this publication and related activities, the spirit for EHS implementation on a national scale should continue to improve.

The creation and application of various TBL management ‘tools’ has had its roots within the individual behavior of employees. Training and competence development programs are implemented based on the AHRM System that support the establishment of a corporate culture deployed to all employees. The scheme below shows the alignment of various tools in the development of the Astra corporate culture(see Illustration 4).



**Illustration 4: Pattern for Corporate Culture Alignment and Development**



**Astra Green Company Book**

**Practical Guide to EHS Management in Service Stations**

**Picture 1 : Astra Green Company Book and the Practical Guide to EHS in Service Stations**

The strategy towards achieving TBL performance is manifested in real action programs. In this context, companies within the Astra Group emphasize two major programs in EHS and Social Development, outlined in the description below.

**A. The Astra Green Company Implementation Programs**

Since 1999, Astra has published an Annual Report for EHS, which is named the Astra Green Company Annual Report. This report describes in detail how EHS has developed, including direct benefits affecting its bottom line. The implementation of Astra Green Company continues in various Astra business units, such as: automotive, heavy equipment, plantations, mining, sales operations, and others(see Table 1).

A number of eco-efficiency and health & safety programs have been initiated in affiliated companies, producing a number of benefits, both tangible and intangible. The tangible results are important for management to quantify the benefits of EHS implementation.

For example, at P.T. Komatsu Indonesia, sand re-use methods in the shell molding process have achieved a cost reduction of Rp. 331.7 million annually. This system recycles 90% of the sand and increases moulding capacity from 5 tons to 10 tons per hour.

At P.T. Gaya Motor, recycling of wastewater has reduced water consumption up to 50%, using water effluent from wastewater to nourish plants and other non-production water usage(see Picture 5). In P.T. Showa Indonesia Manufacturing, a recycling center recovers significant amounts of waste from product manufacture, such as cotton gloves and metal, contributing Rp. 1.4 billion annually. This eco-efficiency movement is not only in the manufacturing businesses. At P.T. Astra Agro Lestari, a major palm oil plantation division, pesticide use has been reduced by replacement with bio-predators (owls are used to capture rats). This bio-predator scheme has saved Rp. 1.3 billion annually in one site only.

Other technology and management applications in eco-efficiency are; the utilization of solvent tanks in vehicle sales operation branches yielding up to Rp. 450,000 per month, the utilization of ash from incinerators (hazardous waste) for brick material thus reducing disposal material to landfill(P.T. Pantja Motor), and the application of re-usable coolants for machinery(P.T. Denso Indonesia). Other applications of EHS practices enforce key EHS principles: **Refine, Reduce, Re-use, Recycle, Recover and Retrieve-to-Energy**. Implementation is regularly monitored and motivated through training programs (EHS Officer Development and Eco-Efficiency Training Programs). Evaluation for training participants includes practical projects presented by participants within three months of in-class training. There are currently 351 Environment Officers, 90 Safety Officers and 112 Health Officers in Astra as a result of intensive training programs during the past three years.

**Table 1. Benefits of Astra Green Company Implementation**

Theme	Programs	Business Sector	Benefit (IDR)
Green Factory	Recycle Center Development Sand molding recycling	Automotive Heavy equipment	1,4 billion/year 331,7 million/year
Green Plantation	Reduce the consumption of pesticide by biological pest control system	Plantation sector	1,31 billion/year ( 1 site only)
Green Workshop (Sales Operation)	Green company project implementation	Car Sales Operation	12 billion for 1 purchased contract (1 outlet)
Green Vendor	Green company asesment to Astra's vendor/supplier	Automotive	on going evaluation

Other benefits include capturing marketshare from multi-national companies that requires suppliers to implement EHS in their business activities. The Astra – Toyota Sales Operation succeeded in fulfilling vehicle requirements(Rp. 12 billion) for BP while the Daihatsu Sales Operation and P.T. Astra Graphia have won contracts for products, services and information technology to the oil and gas industry.

These success stories continue to improve management’s faith in the TBL concept as a sustainable practice for business success.

To maintain the consistency of Astra Green Company implementation in the Astra Group, Corporate Head Office conducts Green Company Assessments annually according to specific business units(manufacturing, plantations, sales operations, mining, etc). Important elements measured in these assessments are:

- a. Compliance to the EHS management system, measured via the 4 pillars of Green Company, including eco-efficiency implementation, housekeeping and emergency response systems.
- b. Compliance to legal standards and requirements.
- c. Performance/result achievements (including: “end of pipe” quantification and incident frequency/severity rates)

Best performers in the Astra Green Company criteria are labeled 'GOLD', while low results receive a 'BLACK' endorsement. The achievement of Astra Green Company performance is used for input on subsequent EHS Corporate Policy, as well as review material in Executive Reviews to monitor the extent of business sustainability of each business sector.

90% of the companies within the Astra Group are targeted to achieve Gold and Green levels in Green Company standards by 2004. Currently, 43.4% of Astra companies have achieved the Gold and Green levels in the Environmental field with 38.15% in the areas of Health and Safety(2002).

#### **Joint Certification Program**

With this scheme of monitoring, Astra is preparing to go international in the assessment of EHS management systems, cooperating with international certification bodies to form Joint Certification Programs. The first partner is AFAQ(France). The program enables Astra auditors to conduct assessments on behalf of an International Certification Body and the Company to determine the performance of a business, which with Green and Gold Level will enable them to receive a Joint Certification Letter of Attestation. Businesses that qualify for Gold and Green levels are recognized positively in the progress of their ISO 14001 certification.

#### **B. Development of Surrounding Communities (Social Contribution)**

The existence of a company must provide benefits to its surrounding community as a form of social responsibility. Since 1999, Astra has launched a program for developing a sound environment in the Sunter II Area, the vicinity of the Astra Head Office. This program, the Sunter Nusa Dua Project(see Picture 2), is being implemented with the intention to develop it into a cleaner, more secure area. The Sunter II Industrial Estate must provide a safer and healthier place to support business operations, contribute added-value to the community and achieve a sustainable business condition through integrated programs (i.e. infrastructure and community development initiatives).

This program is implemented working closely with other stakeholders such as local government, surrounding communities (residents and local contractors), NGOs (Astra Dharma Bhakti Foundation, Astra Amaliyah Foundation, etc), UNESCO, academic institutions (Indonesia Technology Institute, University of Indonesia) and companies within and outside the Astra Group.

The project is driven by many factors, among others: the regular flooding in the Sunter area, inadequate public lighting, insufficient public parks/greenery, lack of sidewalks for pedestrians, high rate of criminal activity and traffic accidents, minimum fire protection facilities and community development activity based on charity principles.

The project is divided into two main streams: infrastructure and social development. The infrastructure development includes: physical construction of water regulation systems, installation of proper lighting, improvement of a rescue system facility (including fire protection) and greenery enhancement including pedestrian walkways.. With this project, management also improves the Astra Rescue Team in the vicinity with a new fire truck, command post and 24/7 standby teams to cope with emergency situations.

In order to improve water regulation, mud/refuse clearance of drainage channels(3 km long), construction of culverts, and regular garbage collection from the water body has been implemented. This infrastructure program involves local contractors and community participation. The construction of sidewalks and lighting is aimed at reducing traffic accidents and crime rates.

For the social program, development has focused on the surrounding community, handling of motorcycle taxis and construction of an Astra Mosque in the center of the Sunter II Industrial Area to help the community form a religious society. To further improve the surrounding community, initially a feasibility study has been conducted of Sungai Bambu Village, in cooperation with UNESCO, the Indonesia Institute of Technology, and University of Indonesia. In this initial phase, the Green Kampung (Green Village) program involves collection of garbage and recycling for conversion to fertilizer and other re-usable material.

The integration of infrastructure development and social programs binds together the active components of stakeholders that make business sustainable, particularly through involvement with the surrounding community.

In line with its vision of “Prospering Together with the Nation”, the Astra Group initiated a number of community development programs, serving not only local communities surrounding the Head Office, but also the local communities surrounding subsidiary companies throughout Indonesia.

#### **Toyota Astra Foundation**

The Toyota Astra Foundation (YTA) continues its support of education and culture in the community during 2002 with programs and activities exceeding Rp. 3.68 billion. The majority of funds were used in Scholarship Programs for children of poor families. Scholarships were granted for all education levels, from elementary school to university, and included 10 scholarships for bachelor degree students considered to be the 10 best students in Indonesia.

The foundation also made substantial contributions to various universities throughout the country. These were made in the form of research grants, technology project research aid and were also used to support student science events such as seminars, symposiums and expositions.

Other Foundation activities have included entrepreneurial development through automotive training programs and through Astra Auto Repair Shops, as well as the publication of books, manuals and other support material.

#### **Dharma Bakti Astra Foundation**

The Dharma Bakti Astra Foundation (YDBA) focuses on assistance in the development of (SMEs) in Indonesia. In 2002, the Foundation sponsored 70 training programs with partners like Bank Mandiri, P.T. Sucofindo, P.T. Bank Ekspor Indonesia, and P.T. Surveyor Indonesia. These programs included up to 1,532 SMEs, representing a significant increase in the number of participants compared to last year. Automotive mechanics were the most sought-after training targets and in order to meet this growing demand, discussions with our partners are currently underway to develop materials and new training facilities: the Pusat Otomotif Modern (Batam) and PPOM in Cibitung (Bekasi).



**Picture 2: Training Sub-Contractors in the Sunter Nusa Dua Project Creates Competence in the Surrounding Community**

Another way of supporting SME's is through capital funding. Foundation activity in 2002 provided 90 SME's with funds worth Rp 10.3 billion. This funding occurred through financial institutions and state-owned enterprises (BUMN) - a total of Rp. 4 billion was provided in the form of soft loans through the BUMN's with an annual interest of 6%.

In cooperation with YDBA, the improvement of EHS performance was planned in SMEs by implementing Astra Green Company principles (see Picture 3). A special Green Company criteria/checklist was created to measure performance. With 5 SME's as pilot project, Astra supports SME management to become more competent, equivalent to peers in large-scale industry, in the management of EHS. The 5 pilot projects include 2 directly connected in the Astra supply chain (auto component manufacturers), 1 medical equipment supplier/producer and 2 car service stations (not directly related to an Astra business).

The DBAF gallery at Jl. Majapahit No. 16 in Central Jakarta serves as the main gallery for the marketing potential of the SME sector, displaying items such as furniture and handy crafts. Sales for domestic markets increased from Rp 10.8 billion in 2001 to Rp 18.5 billion in 2002. The support market almost doubled from USD 1.2 million in 2001 to USD 2.4 million in 2002.

#### **Astra Mitra Ventura**

The venture capital company PT Astra Mitra Ventura (AMV) invested in 45 partner companies in 2002 with a total investment of Rp 14.7 billion. These partners began to show some positive growth in 2002 due in large part to overall economic stabilization but also as a result of increased operational activities and better revenue. In 2002, AMV reinvested capital funds in 3 potential partner companies amounting to Rp 5.2 billion. In the coming year, AMV plans to continue to support partner company growth by providing optimal capital funding, exploring new business opportunities, restructuring unhealthy partner companies, being selective about investments and cooperating with YDBA and Astra subsidiaries.

#### **Astra Manufacturing Polytechnic**

Established in 1995, the Astra Manufacturing Polytechnic ("Polman Astra") is an educational institution that provides opportunities for an average of 200 students per year in four study areas:

1. Production Equipment and Tool Making Program (P4) – established in 1995 in cooperation with ATMI Solo.
2. Technique and Processes of Manufacturing Programs (TPM) – established in 1996 in cooperation with the Department of Mechanical Engineering of the Bandung Institute of Technology (ITB).

3. Information System Program (SI) – established in 1999 in cooperation with the Department of Information Technology of the Bandung Institute of Technology.
4. Mechatronic Program currently in development.

60% of graduates are employed in the Astra Group while the rest have been absorbed by non-Astra companies.

#### **Other Activities in the Community Development Program**

The Community Development programs were not only conducted in the surrounding Head Office area, but also in subsidiaries located throughout Indonesia. Currently, the companies works closely with local communities and leaders to develop neighborhood contests. These annual contests are sponsored by the companies and contribute to the overall cleanliness of local neighborhoods as well as to a sense of pride and community spirit in the areas. The competition is in line with the Astra commitment to office and facility cleanliness and aesthetics.

A total of Rp 1 billion in donations were made to flood victims also attests to Astra’s commitment to local communities. This commitment was evident throughout the year as the Group made Idul Fitri and Idul Adha packages for the people in Sunter I and Sunter II and continued to maintain good relations with the community through the 3000 capacity Astra Mosque, which was built by the Astra Amaliah Foundation.

In 2002, the Company awarded scholarships to 400 students from the Sunter area, ranging from elementary school age students to high school students. Meanwhile, P.T. Astra Agro Lestari and P.T. Astra Honda Motor provided scholarships to 800 and 400 students respectively. The Company provided rehabilitation aid for schools and mosques and gave demonstration models of motorcycle and car engines and technical guidebooks to area Technical Schools (STM). The Company also donated 2 Isuzu Elf buses to the Indonesia National Sports Committee (KONI) for use by Indonesian athletes.

#### **Other Achievements**

The Head Office in Sunter II has also taken part in a Regional landscape contest, winning first prize for the North Jakarta Regency and ranked second in the Provincial (DKI Jakarta) final assessment, exemplifying the Green Company movement has also been deployed in office areas.



**Picture 3: The Chairman of YDBA and Astra EHS Division Head sign an Agreement of Cooperation for development of the Green Company concept in SME’s at a Kick-Off Ceremony(courtesy of Media Indonesia Daily Newspaper, 2003).**



**Picture 4: Emergency Preparedness Simulation at P.T. Komatsu Indonesia**



**Picture 5: Waste Water Treatment Plant at P.T. Gaya Motor**

Source of Articles:

1. Astra Annual Report 2002, PT Astra International Tbk.
2. Astra Green Company Annual Report 2002, EHS Division, PT Astra International Tbk.
3. Astra EHS Annual Report 2001, EHS Division, PT Astra International Tbk.
4. Astra EHS Annual Report 2000, EHS Division, PT Astra International Tbk.
5. Media Indonesia Daily Newspaper, 8<sup>th</sup> May, 2003.