

Tanoto Student Research Award

Tanoto Student Research Award (TSRA) is an annual program to fund undergraduate students in innovation and applied research.

Launched in 2007, the program is part of our efforts to advance the quality of higher education. Individual students or groups of students at the participating universities apply for the research grant through a competitive selection process at the respective university.

Depending on the research areas relevant for the universities, students are encouraged to submit research proposals, usually focusing on application of knowledge and innovation of existing knowledge.

Tanoto Foundation provides inputs in making the final decision on the awarding process. Every year, we also work with national media to publicize top research results and inspire other Indonesian youths to apply knowledge in ways that will enhance quality of life.

Achievements

As of December 2015, the Program has funded 303 research proposals at the following universities:

- 1. Institut Teknologi Bandung (since 2007)
- 2. Institut Pertanian Bogor (since 2011)
- 3. Universitas Hasanuddin (since 2013)
- 4. Universitas Sumatera Utara (since 2014)
- 5. Universitas Indonesia (since 2015)







Solar-powered Sprayer for Farmers

Five students from Institut Pertanian Bogor (IPB), Nopri Survanto, Muhammad Nafis Rahman, Hafiyyan Naufal, Aynal Fuadi, and Sujarwedi won the 6th Annual Competition of Tanoto Student Research Award in 2013 for creating the eco-electric solar-powered pest sprayer. Solar-powered sprayer has been a significant device for farmers as they seek to increase the quality of their products.

Compared with other types of pest sprayer, eco-electric solar-powered sprayer is the most practical and economical. It allows the farmer to carry the sprayer on their back while harnessing solar-power to keep the engine running. Not only is it less costly for farmers, it is also environmentally friendly. What's more, farmers can also take advantage of the solar-power to charge their otherwise battery-run devices.

This winning solar-powered sprayer was piloted in several locations, namely the Semaka sub-district in Lampung, Sumatera, and Ciampea, Bogor.

"Farmers can use their solar-powered sprayer up to 5 hours continuously with just one click, without pumping repeatedly, and increases their productivity rate up to 83%", stated Naufal.

In 2014, upon graduation from IPB, two of the five team members, Muhammad Nafis Rahmanand Nopri Suryanto, went back to their hometown in Tanggamus

District, Lampung, to become high school teachers. In their spare time, they continue to develop and improve the solar-powered sprayer so they can help farmers in the area. Through partnership with the government-owned community empowerment agent, Nafis and Nopri sold their solar-powered sprayer to the local farmers. The sprayer is now used by approximately 60 farmers in Tanggamus District.



Tanoto Entrepreneurship Series

On 23 September 2011, at the request of Program Studi Magister Manajemen Universitas Indonesia (MM-FEUI), our Founder, Mr. Sukanto Tanoto, shared his experience as an entrepreneur with over 300 students of the MBA program.

The talk, which highlighted how Mr. Sukanto Tanoto applied his business philosophy of "good for the community, good for the country, and good for the company" in the natural resource management industry, inspired the advent of a long-term partnership between Tanoto Foundation and MM-FEUI.

The Tanoto Entrepreneurship Series was then conceived to be a platform for true entrepreneurs to share their stories with MBA students as well as general public, and inspire them to be entrepreneurs.

Achievements

- **1.** More than 1,100 MM-UI Graduate students participated in the events
- **2.** As of December 2015, the Series has featured thirteen speakers



Before pursuing a career in government, Mr. Joko Widodo was in the business of manufacturing and exporting furniture, which is a very competitive industry. By applying entrepreneurial approach, Mr. Joko Widodo learned the keys to winning global competition: quality, accuracy, and efficiency.

Upon entering the government sector as a Mayor of Surakarta and then Governor of Jakarta, Mr. Joko Widodo noticed the different emphasis between private sector (which focuses on results) and the government sector (which focuses on process). Mr. Joko Widodo set out to strike balance between results and process.



Mr. Jusuf Kalla, an entrepreneur with business interest in trading and manufacturing, learned the hard way about the importance of anticipating technological change in developing business models.

Mr. Jusuf Kalla shared the story of how fixed line telephone industry had to give way to cellular technology. He also shared his definition of good business: one that delivers goods and services beyond technical aspects but also brings values to the community.



Ms. Noni Purnomo, the second generation CEO of the family-owned business Blue Bird Group, a leading transportation company, highlighted the importance of staying ahead.

She noted that the main challenge faced by second generation of business family is how to bring the business to the next level in the changing environment. Approach that worked in the past may not be effective in changed business landscape.



Dr. Boenjamin Setiawan, Founder of PT. Kalbe Farma Tbk., one of the biggest pharmaceutical companies in Indonesia, highlighted the importance for entrepreneurs to have the courage to dream and work very hard to achieve the dreams.

While innovation is crucial in starting and maintaining a business, many large companies have lost their ability to innovate. Dr Boen reminded the audience to always look for new opportunities and carry out their endeavors with passion and love.

Other Featured Speakers



Sukanto Tanoto Royal Golden Eagle (RGE) Group Rusiness Philosophies

in Natural Resource Management Industry



Anne Avantie Anne Avantie Gallery

Entrepreneurial Opportunities in Indonesian Traditional



Martin Hartono GDP Venture

Entrepreneurial



Susi Pudjiastuti Susi Air

Entrepreneurial Approach to Government Policy Making



Sabar Situmorang Rocket Distro Indonesia

Opportunities in Creative



Sudhamek AWS Tudung Group



Mooryati Soedibyo Mustika Ratu Group Entrepreneurial Mindset in

Traditional Beauty Care



Irwan Hidayat Sido Muncul Group

Entrepreneurial Journey in Herbal Health Industry



Niluh Djelantik Niluh Djelantik Shoes



Hariono Midori Japanese Restaurant

Entrepreneurial Spirit in Service Industry



University Infrastructure Improvement

Universities need adequate facilities and conducive learning environment to attract talents, deliver good teaching process, and produce innovations through research.

We actively support efforts of selected universities to improve educational facilities by constructing, renovating, or otherwise upgrading educational facilities. The program aims to address gap in resources available to universities through provision of financial support and access to the Foundation's international network.

The partnership with universities has delivered the following:

- Tanoto Library at INSEAD Asia Campus, Singapore (2005)
- Tanoto Library at Prasetya Mulya Business School (2006)
- Tanoto Floor for the graduate study program and administrative offices at the Faculty of Forestry of Universitas Gadjah Mada, Yogyakarta (2010)
- The Tanoto Library at the Pendidikan dan Pembinaan Manaiemen (PPM), Jakarta (2012)
- Tanoto Library at Universitas Bhayangkara, Jakarta (2015)
- Tanoto Forestry Information Center, Bogor (2015)

Achievements

As of December 2015 the Infrastructure Improvement Program has achieved the following:

- 1. More than 10,000 students benefit from four libraries every year.
- 2. Approximately 200 students of graduate programs in forestry benefit from the use of the Tanoto Floor at UGM every year.
- 3. Approximately 1,900 students and 120 lecturers of Institut Pertanian Bogor (IPB). Forestry Faculty benefit from the presence of the Tanoto Forestry Information Center.





TFIC is a knowledge incubator with resources for research and seminars in the field of forestry management and science. It will connect the university globally with other universities and research institutions. During TFIC inauguration ceremony, Sukanto Tanoto conveyed that Tanoto Forestry Information Center is one of Tanoto Foundation's initiatives, together with the Foundation's corporate partners, to support development of Indonesia's forestry sector.

Tanoto Foundation will collaborate with IPB and other institutions so further research to support the sector's development can be carried out in the future. Rector of IPB, Prof. Herry Suhardiyanto said, "With the Center's different academic activities and researches, we can now help develop stronger national policies as they will be based on scientific evidence."



The Tanoto Initiative at the Wharton School

As the fourth most populated country in the world and an economic powerhouse in South East Asia, Indonesia remains a fertile ground for witnessing stories of rapid changes in the business sector.

However, Indonesia remains outside the radar of many prestigious business academic institutions for research purposes.

A recent finding from the 2013 QS Asian University Rankings shows that Indonesia's universities ranked 64 out of 100 countries. To elevate Indonesia's business school in meeting world-class standards of excellence, we recognize the need to improve the quality of research. We need to increase the number of publications in accredited international journals and encourage research collaboration with international institutions.

The Tanoto Initiative at the Wharton School, established in 2013, aims to:

- Enhance business policy-oriented research on the Indonesian/ASEAN economy through closer links with Wharton.
- Improve the quality of higher education in Indonesia, especially in business education.
- Nurture future leaders.

Taking into account Wharton's role as the leading academic institution in business, the establishment of this unprecedented partnership will encourage collaboration between the Wharton School and the ASEAN region, with a particular focus on Indonesia, through a multi-component program:

A. Global Modular Course

Every year Wharton conducts a Global Modular Course focusing on Indonesia and other ASEAN countries. Students gain the opportunity to obtain firsthand exposure to business challenges and opportunities in regions undergoing rapid change.







B. Faculty International Seminar

Provide funding to support Wharton faculties' travel to the ASEAN region to establish links with partner universities in Southeast Asia, and provide them with in-depth exposure to investigate research questions and develop firsthand analysis of the region.

C. Faculty Research Grants

Support academic research and activities for Wharton faculties steeped in knowledge of Indonesia or ASEAN region. The grants will enable research to be conducted in the region of focus on topic of their choosing.

D. Global Faculty Development Program

Every year, selected faculties from Indonesian universities take part in the Wharton Global Faculty Development Seminar in Philadelphia, USA, aimed at mentoring and training the faculties on how to get their research published in top-tier international journals.

E. Scholarship and Fellowship

The program provides scholarship and fellowship funding for admitted Indonesian students in need of financial assistance. The program will be rolled out in 2016.



Achievements

Global Modular Course

In 2014, 60 Wharton MBA students visited Singapore and Indonesia for an international immersion experience focused on sustainability theme. Students visited Riau to learn about sustainable practices in Asian Agri's palm oil plantations and APRIL's forestry and pulp and paper operations. The trip includes avisit to Jakarta to meet with alumni, business leaders, and government officials, including then Vice President of Indonesia Dr. Boediono.

In 2015, a total of 50 Wharton MBA students visited Singapore, Indonesia, and Malaysia. Similar to the visit in 2014, they were able to learn directly about how RGE Group carries out sustainability in all aspects of its businesses. During the visit, they also met with Sukanto Tanoto and learned how he builds and diversifies his businesses while still focusing on sustainability.

Faculty International Seminar

Since 2013, Wharton faculties have conducted five visits to Indonesia:



MARCH 2013

6 Wharton faculties visited Southeast Asia and Indonesia.



MAY 2013

Steven Kobrin, the William H. Wurster Professor Emeritus of Multinational Management at the Wharton School and Faculty Director of the Tanoto Initiative, lectured at Universitas Indonesia and Universitas Gadiah Mada on the topic of "Economic Integration and Political Fragmentation". Prof. Kobrin pointed out that while formation of regional economic integration is becoming more prevalent, the political relationship among the countries involved is actually becoming more fragmented. Dialogue is needed to achieve alignment in both fronts, economic and political.



MAY 2014

Professor Steven Kobrin lectured at Universitas Indonesia and Universitas Gadjah Mada on the topic of "Multinational Firms and Human Rights". Prof. Kobrin stressed the importance of human rights issue as increasing number of multinational firms are expanding its operations across the borders.



SEPTEMBER 2014

Professor Regina Abrami lectured at Universitas Indonesia on the issue of "The Role of the State in Innovation". The lecture focused on the classic debate of whether state play a positive role in fostering innovation or a source of market distortion and moral hazard.



MAY 2015

Professor Janice Bellace talked about "CSR in the 21st Century" at Universitas Indonesia. She discussed the different stages of CSR and its relationship with the business world, including the most recent phase where CSR is viewed as value creation. By realizing the impact on external factors such as the employees, environment, and society, and by creating shared values, companies can promote a sustainable business model.







Research Grants

As of December 2015, Wharton faculties have produced four researches that focus on Indonesia and/or ASEAN:

- Dr. Witold Henisz, Deloitte & Touche Professor of Management in Honor of Russell E. Palmer, former Managing Director of The Wharton School. "The Performance of Megaprojects in Indonesia and ASEAN"
- 2. Dr. Laura Huang, Assistant
 Professor of Management
 "Performance Focused Systems
 in Entrepreneurial Firms"
- 3. Dr. Maisy Wong, Assistant Professor of Real Estate "Growth Using City Size as a Unique Natural Experiment in Indonesia"
- 4. Knowledge@Wharton, the online business analysis journal of the Wharton School Special Report: "ASEAN on the Rise"

Global Faculty Development Program

Since 2013 Tanoto Foundation sent ten of Indonesian faculties from Universitas Gadjah Mada (UGM) and Universitas Indonesia (UI) to Wharton campus in Philadelphia, USA to participate in the annual Global Faculty Development Seminar.

2013 Participants:

Dr. Nurul Indarti (UGM) and Dr. Ariana Satrya (UI)

- 2014 Participants:

Dr. Rangga Almahendra (UGM) and Dr. Riani Rachmawati (UI)

- 2015 Participants:

UGM: Dr. Amin Wibowo, Dr. Bowo Setiyono, and Dr. Eddy Junarsin UI: Dr. Ratna Wardhani, Dr. Sri Rahayu Hijrah Hati Aida Idris, Dr. Slyvia Veronica Siregar.

Impact

Faculties from Indonesia are benefitting from the Global Faculty Development Program.

"The workshop gave me insights on how to produce high quality articles and the opportunity to work together with colleagues from different nationalities that definitely broadens my international network. After attending the workshop, I have managed to produce three papers published in international journals and to present five other papers in reputable international conferences. To ensure ripple effect, the initiative needs to be upscaled by involving more Indonesian scholars from various institutions"

Nurul Indarti, PhD.

Faculty of Economics and Business, Universitas Gadjah Mada, Yogyakarta

"The program enhances my skills in publishing research papers in reputable international journals. To an extent, the program also helps the Faculty of Economics and Business of Universitas Indonesia to increase the number of research published, an important indicator of university's quality. Through sharing session, I also relayed my experience of the program to fellow faculties at Universitas Indonesia. With the help of Tanoto Foundation, I personally wish that the Faculty of Economics and Business at Universitas Indonesia can truly accomplish its aspiration in becoming a world-class leading university"

Dr. Sylvia Veronica Siregar

Head of Program, Accounting Department Graduate Studies, Faculty of Economics and Business, Universitas Indonesia







Empowering the Poor

AT A GLANCE:

Tanoto Foundation's empowerment programs focus on enabling families to have sustainable livelihoods to break out of poverty. The programs aim to help families to access productive assets, start-up capital, technical skills required in improving their livelihoods and links to markets. As we promote creating shared values, where solutions to community needs are aligned with solutions for business needs, we work with corporate partners to promote sustainable business practices linked with communities.

According to the National Statistics
Bureau, 13% of the population in
Indonesia in 2010, or 31 million people,
lived below the poverty line.
As in many countries, poverty in
Indonesia is more severe in rural than in
urban areas. In 2010, 20 million people
in rural areas were below the national
poverty line, compared to 11 million in
urban areas.

In the three provinces of Sumatera where Tanoto Foundation operates the poverty rates are quite high. In 2010, there were around 689,000 poor people (11.29%) in rural areas of North Sumatera, 291,000 people (10.15%) in Riau and 130,000 people (6.67%) in Jambi.

Lack of access to employment or sustainable livelihood and sub-standard yields of productive activities are common characteristics of poverty in rural areas

To address the issue of access to employment or sustainable livelihood, we develop a program that creates jobs by linking local small and medium-sized companies and entrepreneurs with the value chain of our corporate partners.

To address the issue of sub-standard yield of productive activities, we support efforts to improve yield by facilitating formation of partnership between local small holders and our corporate partners.





Tanoto Foundation's empowerment programs are aligned with Sustainable Development Goals related to elimination of poverty, promotion of sustainable agriculture, and job creation.

Two key empowerment programs are:

- 1. Small- and Medium-sized Enterprises (SME) Development
- 2. Oil palm plantation Smallholders Development





SME Development

Based on the precept that community can create value together with business, Tanoto Foundation works with the Community Development team of APRIL Group to build clusters of Small- and Medium-Sized Enterprises (SMEs) in Riau and facilitate establishment of business linkage with APRIL.

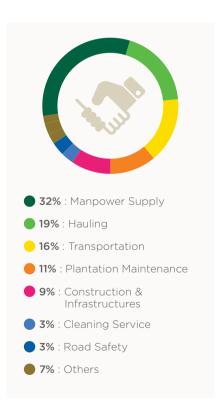
The initiatives include:

- Improving local entrepreneurs' skill sets to meet market requirements, including basic business management, financial and accounting skills, and vocational skills.
- Opening access to business opportunities within APRIL's value chain or related support functions.
- Linking participating SMEs chain with commercial banks to get funding.

Achievements

Achievements of the SME Development program as of December 31, 2015:

- 161 local SMEs in Riau awarded with 341 business contracts from APRIL. They provide goods and services at various stages of pulp and paper production, including manpower supply (32%), hauling of raw materials (19%), and transportation services for personnel (16%).
- Provided business management training to 215 small and medium entrepreneurs supplying goods and services to APRIL.
- **3.** Provided vocational training to 144 rural community members.







Challenges

- Most SMEs are highly dependent on business orders from Tanoto Foundation's corporate partner. We need to improve the capacity of the SMEs to serve other customers as well.
- 2. Many SMEs are rigid and do not adapt well to the corporate customer's changing requirements. This calls for more intensive coaching on business agility in meeting demands.

Impact

- 1. IDR 102 billion of loans from commercial banks have been channeled to SMEs participating in SME Development program.
- **2.** Participating SMEs have created more than 3,200 jobs in the region.







Pak Haji's Business Lasts for Generations

After retiring from teaching at the local primary school, Haji Zamhur or best known as Pak Haji joined the SME Development Program in 2001. At that time, as part of its community development program, APRIL decided to outsource the pallet-making process and invited local entrepreneurs to participate in the program. Pak Haji, who happened to own a small woodworking workshop, responded to the opportunity and successfully passed the selection process.

Pak Haji was trained to produce pallets that met APRIL's stringent specifications. APRIL also provided Pak Haji with start up production tools and equipment. He was also trained on business and cash flow management. To ensure that Pak Haji is able to maintain product quality and on time delivery, APRIL and Tanoto Foundation continue to provide coaching and mentoring.

Today, after 14 years in the business, Pak Haji continues to produce pallets for APRIL. He now runs two workshops at Pangkalan Kerinci and Pekanbaru, both of which will be passed on to his son. Every month, their business generates approximately IDR 20-28 million in revenue, which is a significant improvement from what he made from his previous occupation.

"It is important to maintain your good name. Do not owe money to anyone. With proper training, I feel a sense of empowerment over my business", advises Pak Haji to those who are planning to participate in the Local SME Development Program.

From Illegal Logging to Responsible Business

Prior joining the SME Development Program, Pak Haji Basril was an illegal logger. When his area of operation along the Pelalawan River in Riau became part of APRIL's concessions and therefore protected from any form of encroachment and unauthorized logging, Pak Basril's livelihood was jeopardized.

Fortunately, one of APRIL's managers encouraged him to talk to APRIL to seek an opportunity on how he could partner with the company given his knowledge of the area. Later, he was directed to join the Local SME Development Program that was part of the company's initiative to empower local communities. Pak Basril decided to become a partner of APRIL in providing harvesting service, canal bridging and canal maintenance. He founded CV. Bina Terusan and joined the program in 2002 and received a loan from APRIL to procure one excavator for canal maintenance.

Six years later, capitalizing on continued business partnership with APRIL, CV Bina Terusan was awarded a 3,8 billion rupiah loan from Bank BTN to expand its

excavator fleet. Currently, CV Bina Terusan is managing ten excavators and employing more than 75 employees to provide maintenance services for APRIL in Pelalawan.

"APRIL has provided opportunities for small businesses to grow in a constructive partnership. In 2002, my company only operated one excavator for canal maintenance; Now, there are ten excavators doing the job" said Pak Basril.

To ensure that Pak Basril is able to cope with the business expansion, APRIL and Tanoto Foundation continue to provide coaching and mentoring.

"I believe that the program has transformed me in a better way. It never crossed my mind that I, Basril, with years of experience in unauthorized logging, would become a quite successful businessman in Pangkalan Kerinci. I hope that the partnership with APRIL will sustain and I could share the fortune with the local people that work in my company" he added.



Oil Palm Plantation Smallholders Development

Independent oil palm smallholders, typically owning 2-3 hectares of land, account for 42% of the total acreage of Indonesia's oil palm plantation industry. These farmers are self-financed, self-managed and self-equipped.

As producers of fresh fruit bunches (FFB), independent smallholders are not attached to any palm oil mill in particular and usually sell their produce through middlemen. Yields are typically low because they may not be applying the most appropriate agricultural practices.

In early 2012, Tanoto Foundation collaborated with Asian Agri to develop a partnership program with independent palm oil farmers in the vicinity of Asian Agri's operations.

The program aims to increase the farmers' income and livelihood, by means of:

- Facilitating the formation of cooperatives or farmer groups
- Training in good agricultural practices and in other skills
- Providing technical assistance to farmers to secure certifications on sustainable palm oil, such as Roundtable Sustainable Palm Oil (RSPO)

Achievements

Achievements of the Smallholders Development Program as of December, 31 2015:

- **1.** Trained 5,661 farmers in good agricultural practices
- 2. Established 122 farmer groups
- **3.** Established 12 farmer cooperatives that support the members' plantation activities





Better Yield for Ukui **Farmers**

In 2012, a group of independent farmers from Ukui, Riau province, formed a farmer group called Asosiasi Amanah and participated in the Partnership Program offered by Asian Agri and Tanoto Foundation. Collectively, the group manages 1,048 hectares of productive palm oil plantations belonging to more than 501 families in 3 villages. Most of their palm oil was planted in 2001, by the time they joined the program, their plantation was reaching its most productive age.

Upon joining the program in 2012, the group was immediately given the RSPO preparation training. As early as 8 months into the program, some plots of land were ready for RSPO certification. Pak Sunarno, the Group's Liaison Officer to Asian Agri, also reported steady yield increases. In 2012, the group had produced 17.7 ton/ha and by 2015, production level was at 22.7 ton/ha. He is optimistic that the group will hit the target of 24 ton/ha in 2016.

Challenge

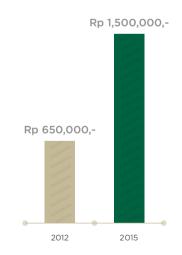
RSPO certification process for independent growers is challenging due to land ownership issues.

Impact

- 1. 5,661 farmers are applying good agricultural practices in their 18,601 hectares of oil palm plantation.
- 2. 763 hectares of oil palm plantation managed by 349 smallholders have received RSPO certification.
- 3. After three years of program implementation, average farmers' income improved from around IDR 650,000 to IDR 1,500,000/ hectare /month.

Income Improvement

(per ha./ month)









Enhancing Quality of Life

AT A GLANCE:

Tanoto Foundation's enhancement programs aim to enhance communities' quality of life by improving access to basic amenities such as clean water and sanitation facilities, access to quality public services such as health, and supporting the advancement of technology that improves quality of life. The foundation also provides emergency relief and recovery assistances to disaster-affected communities.

A study by the World Bank showed that the effect of health care cost is particularly severe for those living below the poverty line. Illness leads to expenses via medical bills, additional transportation costs, and potential loss of income from family members who forego work.

Much of the illness problems are caused by factors related to sanitation, hygiene, and access to clean water. The World Bank study showed that Indonesia loses USD 6.3 billion annually (around 2.4% of its overall GDP) due to health conditions associated with poor sanitation, hygiene, and lack of access to clean water.

In 2014, Indonesia Millennium
Development Goals Report stated that
only 56% of households in rural areas
have access to clean water, compared
to 81% in urban areas. Indonesia's
Central Bureau of Statistics reported
that in 2013 the percentage of rural
communities that have access to clean
water in Sumatera Utara, Riau and
Jambi provinces were 54%, 64% and
52% respectively.

Furthermore, only 45% of the households in rural areas have access to proper sanitation facilities, compared to 77% in urban areas. In 2013, the percentage of rural communities that have access to proper sanitation facilities in Sumatera Utara, Riau and Jambi provinces were 45%, 44% and 44%, respectively.

On the health front, major improvements are called for. For example, maternal mortality ratio per 100,000 live births in 2007 was 228, more than twice the target of 102. Similarly, the under five mortality rate per 1,000 live births was 40, 30% higher than the target of 32.

Improving access to basic needs will contribute to standard of living improvement of some 35 million households in rural Indonesia.





We address the issues by pursuing two approaches. Our direct approach includes provision of additional community facilities, improvement of existing community facilities, and responding to natural disasters. Our indirect approach calls for investments in the development of technology that improves quality of life. Our programs include the following:

- 1. Community Water and Sanitation
- 2. Access to Primary Health Care
- 3. Enabling Environment for Women Empowerment
- 4. Emergency Response
- 5. Support to Medical Research

In areas where solutions to community needs are aligned with solutions for business needs, we promote creating shared value through partnership with corporations operating around the community.

Our programs are aligned with the Sustainable Development Goals related to improvement of nutrition and health, sustainable access to water and energy, and women empowerment.