



IndoAgri

SUSTAINABILITY

R E P O R T 2 0 1 8

Presentation Outline

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- **Sustainability in Palm Oil: Governance and Management**
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- **Environmental Performance**
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- **Product Integrity**
- **People and Community**
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2018 At a Glance



Workforce representation

62% of our operational employees are registered with a union; the rest are covered by company regulation

ISPO-certified production

458,000 tonnes, or **62%** of total nucleus CPO produced in 2018



Food Safety Management

43% of our EOF processed volume manufactured at sites certified to FSSC 22000 food safety management standard



Energy and water

7% energy | **19%** water

Reduction in consumption per material produced at refineries (2016 baseline)

12% increase in water consumption per FFB processed and energy consumption per FFB processed remains stable at mills (2016 baseline)



Preventing deforestation **ZERO**

- clearance of primary forest
- degradation of HCV areas
- new planting on peat regardless of depth
- burning

100% of sites have HCV Management and Rehabilitation Plans



Quality

Bimoli awarded Best Brand
16 years in a row



2018 At a Glance

Labour conditions and safety

COMPLETE

elimination of Paraquat since end of March 2018

SMK3 set up in **100%** of sites*

SMK3 certification in **41** sites (34 Gold rating)

ZERO ACCIDENT AWARD in 17 units

Child labour

No registered worker under 18 years old



Cleft lip programme

130 operations,
112 beneficiaries,
42 volunteers



Indonesian rural climate change mitigation and adaptation

All units in Riau now have PROKLIM projects in place

Received three National awards for **3** villages in Riau estates



Education Facilities

319 day care centres,
161 schools,
828 teachers,
17,170 students,
20 Rumah Pintar



Health Facilities

197 clinics,
60 doctors,
206 Posyandus,
277 midwives/nurses



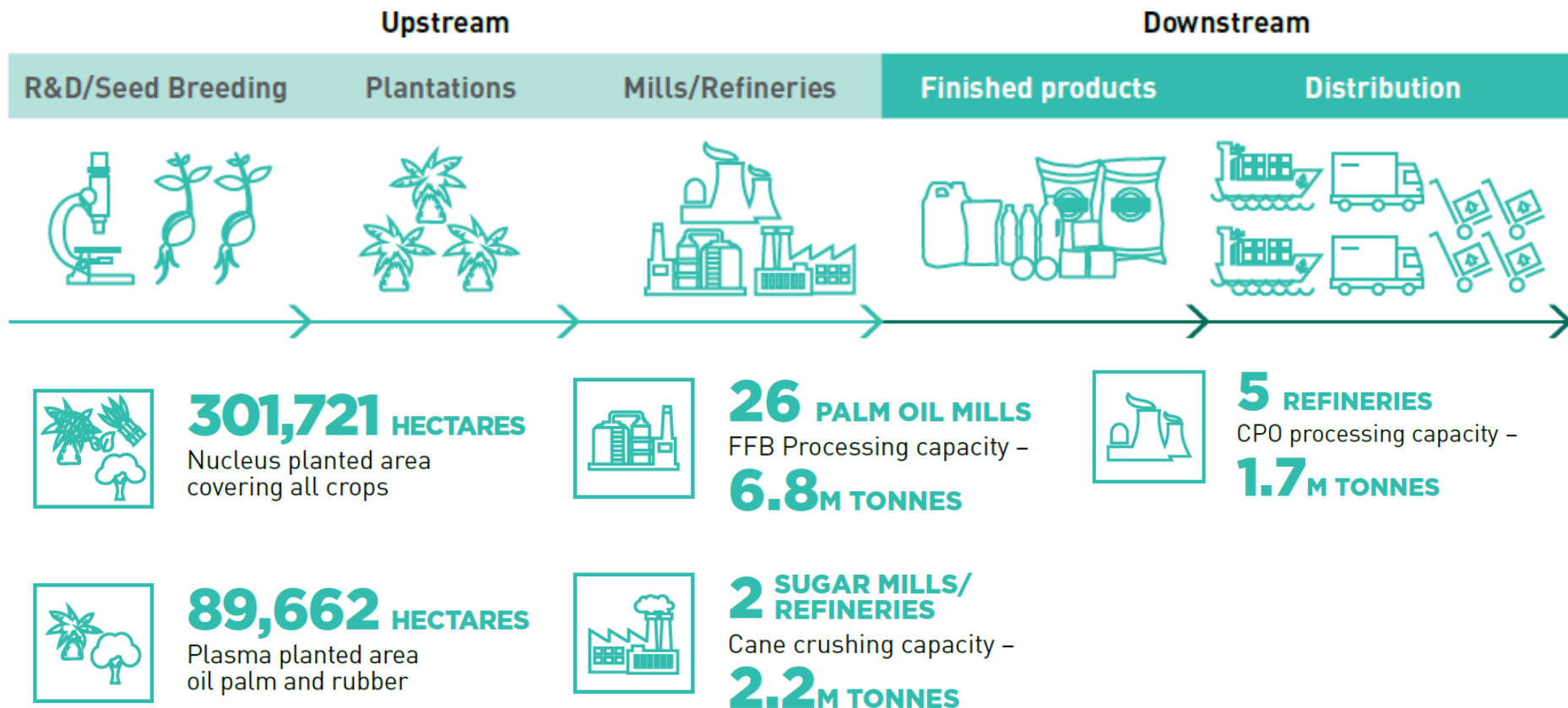
BUSINESS OVERVIEW

A pair of mill in South Sumatra

Business Overview

IndoAgri is a diversified and vertically integrated agribusiness. Our operations span the entire supply chain, from plantation management and crop production, through to refining, branding and marketing of edible oil products. We operate plantation and processing facilities to produce palm oil, rubber, sugar, timber, cocoa and tea.

Capturing Value Across The Entire Supply Chain



Business Overview

Our plantations and production facilities in Indonesia and Brazil



INDONESIA

251,112

hectares of
oil palm



INDONESIA

16,678

hectares of
rubber



INDONESIA

13,595

hectares of
sugar cane



timber



cocoa



tea

INDONESIA

20,336

hectares of
other crops

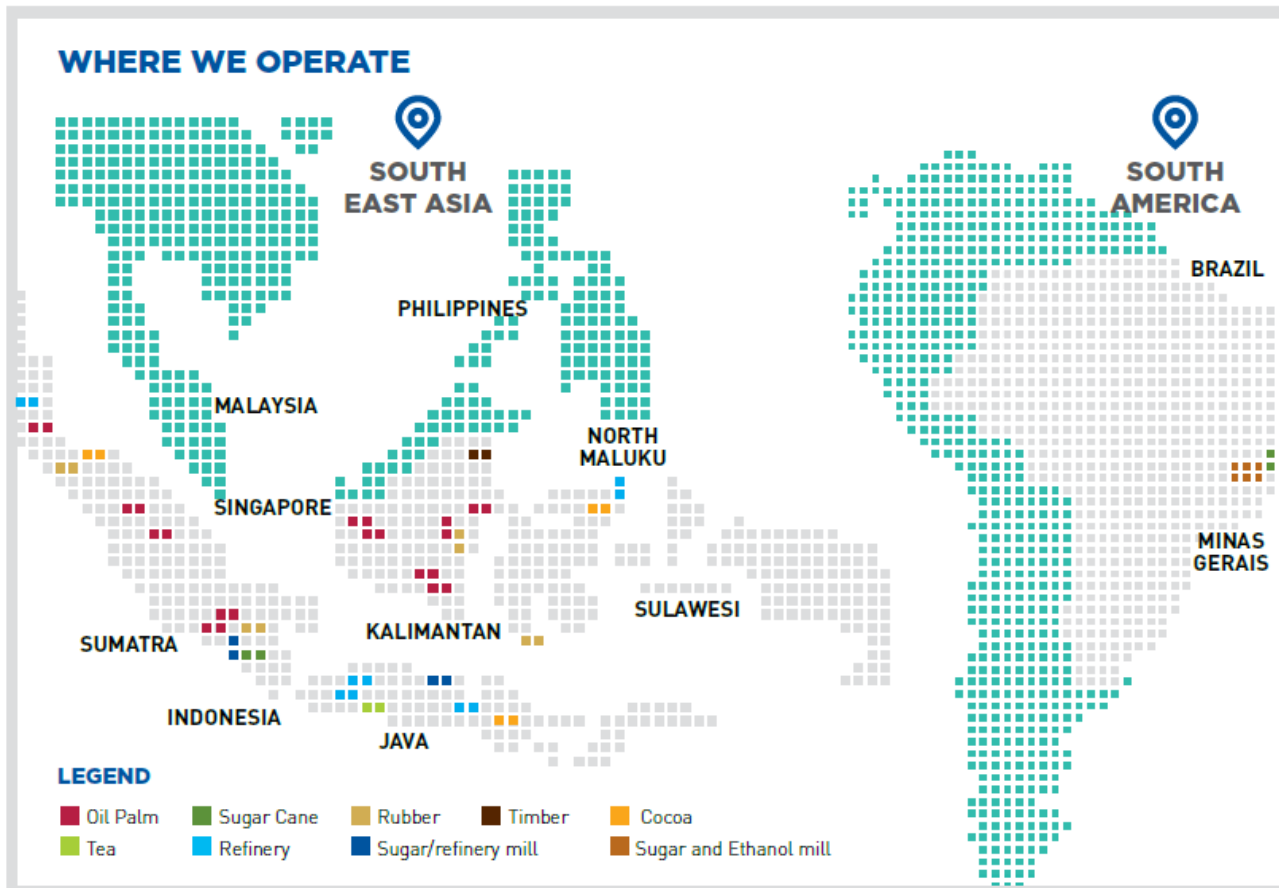


sugar cane

BRAZIL

79,268

hectares of
sugar cane



An aerial photograph of a vast palm oil plantation. A wide, reddish-brown dirt road runs diagonally from the bottom left towards the top right. Along this road, a line of approximately 15 workers, dressed in orange safety gear and white hard hats, are walking away from the viewer. They are carrying long-handled tools and some are pushing small carts. The plantation consists of dense rows of mature palm trees on both sides of the road. The lighting suggests it's either early morning or late afternoon, with long shadows cast across the ground.

SUSTAINABILITY IN PALM OIL: GOVERNANCE AND MANAGEMENT

We are committed to meeting
the world's food needs in a
sustainable and traceable manner

An oil palm plantation in South Sumatra

Sustainability in Palm Oil: Governance and Management

We recognise that agribusinesses are exposed to a dynamic set of risks and opportunities related to the environment, to communities, and to stakeholders.

Guided by our Vision, Mission, Values, and Policy, our teams of well-trained personnel manage these material topics and impacts in order to improve operational efficiency, to stimulate innovation, and thus to preserve value over the long-term.



Each key material topic is managed by teams on the ground under a set of six Sustainability Programmes.












We evaluate our performance for material topics by measuring progress towards targets. The targets for certain material topics are an extension of the ISPO¹ certification of estates and processing sites and the PROPER² environmental reporting initiative, namely:

- (i) Governance and integrity;
- (ii) Land rights;
- (iii) Smallholder engagement and livelihoods.

Evaluation of our approach depends on audit (internal and external), performance trends and stakeholder feedback.

Sustainability in Palm Oil: Governance and Management

AT A GLANCE: HOW WE MANAGE EACH MATERIAL TOPIC

Topic	Management approach					Programme					
	 Sustainable Palm Oil Policy	 ISPO Certification	 PROPER/ISO/SMK3	 FSSC	 Other - ERM Framework, Whistle-blowing Policy	 Growing Responsibly	 Sustainable Agriculture and Products	 Safe and Traceable Products	 Smallholders	 Work and Estate Living	 Solidarity
A. Deforestation and land management (including peatland, fire control)	✓	✓	✓		✓		□□□			□	□
B. Environment impacts and compliance	✓	✓	✓		✓	□□	□□□		□	□	□
C. Governance (transparency, integrity, anti-corruption, risk)	✓	✓	✓		✓	□□□					
D. Land rights including scarce land resources	✓	✓			✓				□□	□□	□
E. Occupational health and safety	✓	✓	✓		✓		□□□		□	□□	□
F. Smallholder engagement and livelihoods	✓	✓			✓				□□□		□□
G. Product traceability and sustainable sourcing	✓	✓		✓	✓			□□□			
H. Product quality and safety	✓	✓	✓	✓	✓	□□□		□□□			
I. Yield maximisation including innovation	✓	✓			✓		□□□	□□	□	□□	□
J. Human rights	✓	✓			✓					□□□	□



□□□ Programme sets strategy, governance, compliance and policy framework; delivery of performance improvement and monitoring

□□ Programme contributes indirectly to performance outcomes

□ Programme relates to topic, knowledge sharing occurs, relevant teams may interact "on the ground"

ENVIRONMENTAL PERFORMANCE

PRIORITIES



Protect eco-systems through zero deforestation and no new planting on peatland



Use resources efficiently



Fire control and haze prevention



Meet the expectations of our stakeholders

Das Isakkamany, a bird species lives in our estates

Environmental Performance

IN THIS SECTION

We explain how we are doing on delivering our commitments to zero deforestation, no peatland planting, fire control and resource efficiency.

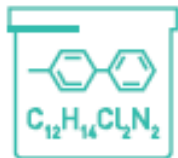


PROGRESS IN 2018

FIGHTING DEFORESTATION

NO primary forest clearance on our sites

NO degradation of HCV areas



Completed phase out of paraquat since end of March 2018

FIRE CONTROL, HAZE REDUCTION



Zero burning for land clearing and replanting

PEATLAND MANAGEMENT

Another year of **no new planting** on peatlands under our control



RESOURCE EFFICIENCY











6% reduction in greenhouse gas emissions per tonne of palm products since 2017



Environmental Performance

REDUCING ENVIRONMENTAL IMPACTS

Goal/target	Status	Progress
1 Reduce energy consumption per tonne FFB processed in palm oil mills by 5% (2016 baseline); Reduce energy consumption per tonne material produced in refineries by 3% (2016 baseline)	 	Energy consumption in ISPO/PROPER mills remained stable at 3.14 between 2016-2018 7% reduction in refineries compared to 2016
2 By 2018: reduce water consumption per tonne FFB processed in palm oil mills by 3% (2016 baseline)		12% increase in ISPO/PROPER mills compared to 2016
3 By 2018: Phase out the use of Paraquat		100% of all estates Paraquat-free since March 2018
4 By 2018: all of our factories and refineries are ready for PROPER certification*		100% of non-PROPER certified mills and factories ready for PROPER certification
		100% of refineries are PROPER-certified
		PROPER blue rating achieved by 13 mills, five refineries, and three other non-palm oil factories
5 By 2020: ISO 14001 certification for 25 mills and 3 refineries		New target in 2018; Received certifications for 5 mills and 1 refinery in 2018. Our total certified sites as of end 2018 are 16 mills and 1 refinery

* Participation in PROPER certification is subject to appointment by the Indonesian Ministry of Environment and Forestry.

RESPONSIBLE SOURCING

PRIORITIES



A traceable and responsible supply chain



Meet environmental and social standards required by customers and other stakeholders



Work with our estates, suppliers and smallholders to deliver our Sustainable Palm Oil Policy

One of several palm mills in North Sumatra

Responsible Sourcing

IN THIS SECTION

Aiming for a traceable, sustainable supply chain, we explain how we work with our own estates and independent suppliers to satisfy our Policy.



PROGRESS IN 2018

PRODUCT TRACEABILITY

■ Some **77%** of Crude Palm Oil (CPO) is **sourced from our own plantations**



■ **100% of CPO** we refine is **traceable**



■ **100%** of Fresh Fruit Bunches (FFB) arriving at our mills is **traceable** to plantation (nucleus and plasma) sources



SUSTAINABLE SOURCING

■ **62%** of our **nucleus CPO production** was **ISPO-certified** in 2018



■ **100% Policy compliance:** all IndoAgri mills audited to our Policy requirements



Responsible Sourcing

CERTIFICATION ACHIEVEMENT AND POLICY DELIVERY

Goal/target	Status	Progress
1 By end 2019: ISPO certification for all estates	▣	Achieved 79% of targeted hectarage*
2 By end 2019: ISPO certification for all mills	▣	On track; achieved 24 out of 25 mills*
3 By 2020: 100% of CPO we refine is sourced in accordance with Policy	▣	On track; supplier guidelines enhanced in 2017

* Figures cover hectarage or number of mills that are already certified or have completed ISPO first stage audit. The certificate release date is subject to the accreditation period of the certifying body. Hectarage data are based on planted areas on 31 December 2018. One of our mills ceased operations in April 2017, thus reducing our total number of operational mills from 26 to 25.

▣ In progress

PRODUCT INTEGRITY

PRIORITIES



Customer first: safe, healthy
and high-quality products



Responsible marketing



Maintain customer trust

Filling of cooking oil in packaging

Product Integrity

IN THIS SECTION

We describe IndoAgri's high standards of hygienic production and food safety, and how our products are recognised for quality and their contribution to consumer health.



PROGRESS IN 2018

FOOD SAFETY



■ **43%** of production volume certified to Food Safety Management Standard FSSC 22000

■ Food safety audits completed for **81%** of raw materials suppliers



PRODUCT QUALITY AND INTEGRITY



■ **Five** product awards in 2018



■ All products and refineries **are Halal-certified**

Product Integrity

SAFE PRODUCTS, HEALTHY FOOD

Goal/target	Status	Progress
1 Quality and safety: comply with FSSC 22000 Food safety standard	▣	Full compliance with regulations
2 Quality and safety: Comply with Halal certification system recognised by the World Halal Council.	▣	All products are Halal-certified
3 Quality: complete annual audit on quality assurance at refineries	▣	Audit completed for all refineries
4 Quality: complete annual food safety audits for suppliers of raw materials (including CPO) to our refineries	▣	Completed; 81% of supply tonnage to our refineries comes from sources that are audited annually on food safety

▣ *Achieved*



PEOPLE AND COMMUNITY

PRIORITIES



Safe operations, healthy workforce



People feel valued and respected, and committed to success



Positive development of our people and local communities



Listen to our local stakeholders

Children activities at play centre in Rantau, Perak

People and Community

IN THIS SECTION

We explain progress on optimising labour conditions and ensuring the wellbeing of our people and host communities.



PROGRESS IN 2018

ZERO HARM



■ **100%** of SMK3 management system in place on all sites

EMPLOYEE WELFARE & TRAINING

■ **Decrease** in employee turnover



DECENT LABOUR CONDITIONS

■ **Strict compliance** with minimum wage regulations



■ Seasonal workers' contracts **respect government regulation**



■ **No forced labour nor child labour** on any sites



■ **All workers free to participate** in labour union of choice



DECENT LABOUR CONDITIONS

■ **Three awards** from the Ministry for Environment & Forestry in recognition of our **successful PROKLIM projects**









■ **11 out of 20** Rumah Pintar* are self-sufficient



People and Community

ZERO HARM, PRODUCTIVE WORKFORCE

Goal/target	Status	Progress
1 Zero fatalities (across total workforce)		We regret to report four fatalities in our palm oil operations*
2 Reduce group accident frequency rate (AFR) by 10% between 2018-2020		Group AFR decreased by 5% from 1.8 in 2017 to 1.7 in 2018
3 By 2020: SMK3 certification for 25 mills and 3 refineries		New target in 2018; Received certifications for 1 refinery in 2018. Our total certified sites as of end 2018 are 12 mills and 3 refineries

 Not yet achieved  In progress  New target

*Following a review of the fatalities, actions have been taken to avoid a recurrence

Appendix



Sustainability Programmes

Embed sustainability within our internal operational processes and across our supply chains through 6 core programmes

1. Growing Responsibly

Encourage and promote sustainability as core to our operations

2. Sustainable Agriculture and Products

Achieve sustainable agriculture practices in our crop cultivation

3. Safe and Traceable Products

Ensure all products from refineries and mills are traceable, safe and beneficial for human consumption

4. Smallholders

Support the nucleus – plasma scheme by developing and inclusive supply chain

5. Work and Estate Living

Improve the safety, hygiene, and living conditions for our employees, workers and their families living on the estates

6. Solidarity

Support the development of local communities in and around our estates and factories by improving their existing conditions and quality of life

Employee Statistics

OUR PEOPLE - DATA TABLES

Employee Statistics

Education	18 – 25 Years		26 – 35 Years		36 – 45 Years		≥ 46 Years		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Academy and University (Strata 1, 2 and 3)	185	124	650	631	393	271	393	188	1,621	1,214
Diploma (D1-D4)	42	39	239	242	156	88	107	68	544	437
Senior High School	763	636	3,084	2,290	2,948	1,867	1,976	1,146	8,771	5,939
Junior High School	1,219	331	3,245	1,537	2,439	1,327	1,261	530	8,164	3,725
Primary School	299	347	2,383	1,821	3,196	1,981	2,042	1,097	7,920	5,246
Total	2,508	1,477	9,601	6,521	9,132	5,534	5,779	3,029	27,020	16,561

Level

Manager and Senior Manager	0	0	23	41	60	94	201	141	284	276
Supervisor	1	2	68	78	96	40	143	37	308	157
Staff	143	97	468	477	265	130	320	87	1,196	791
Administrative/Operational	2,364	1,378	9,042	5,925	8,711	5,270	5,115	2,764	25,232	15,337
Total	2,508	1,477	9,601	6,521	9,132	5,534	5,779	3,029	27,020	16,561

Region

Sumatra	1,585	868	6,255	4,277	5,859	3,935	3,521	2,331	17,220	11,411
Kalimantan	530	528	2,115	1,951	1,608	1,321	759	460	5,012	4,260
Others	393	81	1,231	293	1,665	278	1,499	238	4,788	890
Total	2,508	1,477	9,601	6,521	9,132	5,534	5,779	3,029	27,020	16,561

Status

Permanent Employee	1,241	1,245	7,423	6,228	8,294	5,380	5,490	2,964	22,448	15,817
Non Permanent Employee	1,267	232	2,178	293	838	154	289	65	4,572	744
Total	2,508	1,477	9,601	6,521	9,132	5,534	5,779	3,029	27,020	16,561

Seasonal Workers

Total	3,932	2,242	5,734	4,381	4,229	3,830	2,560	2,489	16,455	12,942
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Note: Regarding ethnic diversity of the workforce, no significant difference exists between diversity of our workforce and the host regions where we operate.

Employee Welfare

WELFARE (MEDICAL FACILITIES - ESTATE AND OFF SITE)

Medical Facilities on Our Plantations 2018

Medical Facilities	North Sumatra	South Sumatra	Kalimantan	Riau	Java	Sulawesi	Total
Division Clinic	40	37	16	38	2	1	134
Central Clinic	13	25	17	4	2	2	63
Ambulances	2	14	10	5	1	0	32
Doctors	2	1	2	3	0	0	8
Visiting Doctors	16	24	9	0	2	1	52
Midwife/Nurses	62	74	47	84	4	6	277
Posyandu	59	38	48	42	17	2	206

EDUCATION FACILITIES

Education Facilities on Our Plantations 2018

School Facilities	North Sumatra	South Sumatra	Kalimantan	Riau	Java	Sulawesi	Total
Day Care Centres	30	30	52	44	1	162	319
Kindergarten	25	29	7	33	3	4	101
Primary Schools	10	18	2	17	1	1	49
Secondary Schools	2	1	0	4	0	0	7
High Schools	1	0	0	3	0	0	4
Teachers	129	198	41	433	14	13	828
Rumah Pintar	4	6	5	4	0	1	20

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