



SUSTAINABILITY REPORT 2021



Business Excellence
for a Sustainable Future



Our Clonal Oil Palm Production Unit (COPPU) located in Pangkalan Kerinci, Riau, where we produce superior planting materials through various tissue culture techniques.

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About this Report

Our Commitment to Transparency Through Sustainability Reporting

102-49, 102-51, 102-52

At Asian Agri, we have long believed in the importance of maintaining the highest standards of sustainable palm oil production. As a major player in the palm oil industry, we endeavour to set a high standard nationally across the industry and present ourselves as a company that is reliable, responsible and sustainable to all our stakeholders. We also believe in the role of palm oil to encourage sustainability and inclusive development in Indonesia.

We are committed to investing in and improving our environmental, social and governance (ESG) performance year-on-year, as well as reporting on our commitments, progress and challenges in a transparent and timely manner. Since 2015, we have published a sustainability report every two years to communicate our progress towards implementing our sustainability commitments.

Our last report published in 2021 cover our operations in 2019-2020. Starting from this year onwards, as part of our efforts to strengthen transparency, we have decided to move to an annual sustainability reporting cycle.

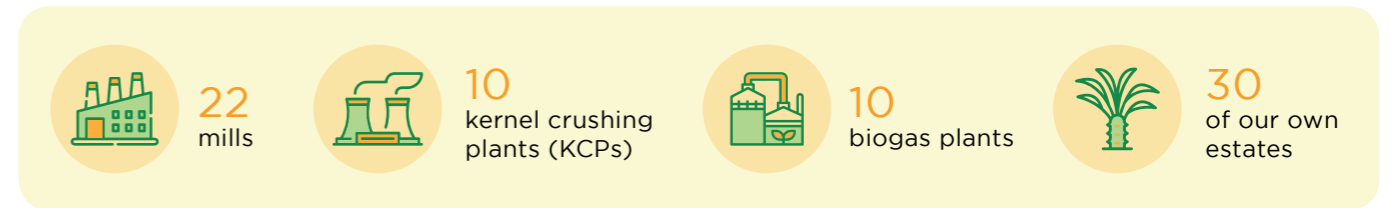
This sustainability report is our fifth report. Its contents have been refreshed and updated after a materiality assessment conducted in 2021. More information on our materiality assessment can be found on pages 81-82.

Boundary and Scope of this Report

102-7, 102-50

This report covers our activities between January to December 2021 from across our operations and activities in the following sites and geographic areas:

Our Sites



Geographic Areas



Asian Agri is a private limited-liability company. Due to confidentiality constraints, financial data including total assets, net sales, and total capitalization are excluded from this report.

Reporting Framework

102-54

The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The GRI Standards set out the principles and disclosures that organisations can use to report on their ESG performance. We have applied the GRI principles of report content and report quality.

For a full list of disclosures referenced in this report, please refer to the GRI Content Index on pages 85-89.

External Assurance

102-56

As with previous years, we have engaged with an independent third-party assesor (SGS Indonesia) to provide assurance for the credibility of information and data provided in this report. The assurance was conducted according to the GRI Standards (Core Option) 2016 and AA1000 Accountability Principles Standard (2018). Please refer to pages xx-xx for the assurance statement and scope of data assured.

Point of Contact

102-53

We value your opinion as part of our continuous effort to improve and meet stakeholder expectations. Contact us [here](#) to provide your comments and feedback on any aspect of our approach to sustainability or reporting.

Message from Our Managing Director



“
I am excited to announce the launch of our new Asian Agri 2030 (AA2030) commitment. This bold ambition of ours is part of a pledge made together with the larger group of RGE companies to focus specifically on our contribution to the UNSDGs, building on our current efforts in line with our NDPE policy.
”

Dear Stakeholders of Asian Agri,

I am proud to present Asian Agri's 2021 Sustainability Report, our fifth since we started publishing sustainability reports every two years from 2015. From 2021 onwards, I am happy to announce that we will be publishing reports once a year as part of our commitment to greater transparency.

At Asian Agri, we want to continue ensuring that we are contributing to Indonesia's national agenda for economic development through our operations, our products and livelihood opportunities for our workforce. Since our founding over 40 years ago, our approach has been to work closely with the community – a strategy which has been critical to our success. From the business perspective, we also believe that sustainability gives us the leverage we need to continue to be a strong player in the palm oil sector and drive our business forward in the long-term.

Announcing Our Bold Ambitions: Asian Agri 2030

To further strengthen our sustainability efforts, I am excited to announce the launch of our new Asian Agri

2030 (AA2030) commitment. This bold ambition of ours is part of a pledge made together with the larger group of RGE companies to focus specifically on our contribution to the UN Sustainable Development Goals (SDGs), building on our current efforts in line with our No Deforestation, No Peat and No Exploitation (NDPE) policy.

There are four main areas of focus for AA2030, which includes both internally and externally-focused goals. For each of these areas, we have set bold and clear targets to be achieved by 2030:

Smallholder Partnership: Improving Yield and Sustainability Performance

Almost 60% of our production currently comes from plasma scheme and independent smallholders. As our close partners for last 32 years, smallholders have been the cornerstone of our business success and a key player in our sustainability journey. Thus, we will continue to provide them with the best agronomic practices and high-quality replanting materials to replace their ageing palms – something that we have been doing for the last five years. By 2030, we hope to double their

income and have 100% of them complete our replanting program. Currently, we have been able to maintain our RSPO, ISSC and ISPO sustainability certifications for our own estates and plasma scheme smallholders. Moving forward, we look forward to helping all of our independent smallholders achieve ISPO certification and have a further 5,000 achieve RSPO certification. As a testament to our years of achievement in this area, we were featured this year by Grow Asia as a [case study](#) on effective smallholder partnerships in Asia's food sector.

We are also proud to share that for the second year running, there have been zero fires in our plantation areas and community, and are glad that the years of investment in our Fire-Free Village Programme (FFVP) have paid off.

Inclusive Growth: Education, Livelihoods and Food Safety

We also aim to provide further support for communities, in particular by increasing access to education and healthcare, and by assisting Small Medium-sized Enterprises (SMEs). By 2030, we want to help the communities surrounding our operations to achieve zero extreme poverty, establish SMEs that cover more than 500,000 ha and provide 5,000 scholarship awards. In terms of commitments to our customers, we are happy to share our target of segregating 100% of our food grade oil which will vastly improve food safety. This year we have equipped all of our mills with facilities to separate low quality and high quality oil, eventually allowing us to produce healthy food grade crude palm oil.

Climate Positive: One-to-One Restoration Ecosystem and 100% Renewable Energy

Our eventual goal is to be climate positive and we believe that forest conservation is a key strategy for us to achieve this. By 2030, we aim to reach net zero emissions from land use by restoring and conserving 100,000 hectares of degraded land for every 100,000 hectares of planted land. We are confident in our ability to achieve this bold target, drawing from our past experience working on our one-to-one commitment for smallholders where we matched each hectare of our own plantations with one owned by smallholders – a target we were able to achieve in 2018.

By 2030, we will adopt 100% renewable energy by increasing the use of alternatives, such as solar power, and by optimising energy efficiency. In addition, we will continue building more methane capture facilities for our mills.

Responsible and Sustainable Production

Lastly, we will continue our efforts to strengthen accountable, responsible and sustainable conduct across our operations. We will continue our commitment to no land use change for plantations, focusing instead on intensification of our land use and adopting best practices in sustainable farming. By 2030, we also aim to reduce pesticide use by 50%.

These bold ambitions in AA2030 reaffirm our founder's 5C philosophy of doing good for the Community, good for the Country, good for the Climate, providing good quality and safe products for our Customers, and only then will our actions be good for the Company.

Ongoing Response to the Pandemic

Since the COVID-19 crisis emerged in 2020, we have been working with government authorities and other relevant organisations to devise robust ways to handle disruption to our activities. Our regional offices are decentralised, allowing us to adapt quickly to the pandemic.

We also continued our work to minimise the spread of COVID-19 both internally and in the local community. After our vaccination rollout efforts, I am proud to say that Asian Agri is now 100% vaccinated, all the way from senior employees at headquarters to the plantation workers and their family members. We also continue to provide local communities with masks, personal care packages, handwashing facilities, oxygen apparatus, PPE and other necessities to fight the pandemic.

Our years of investment in sustainability also paid off: Across the agriculture industry, one of the greatest impacts we faced is the high cost of fertilisers, currently at its highest in the last 10 years. Thankfully, we were able to mitigate this quickly as one of the few palm oil companies that have been able to fully reapply our empty fruit bunches (EFB) as organic fertiliser.

Despite the recent challenges over the past few years, I am confident that we are in a strong position to build on our progress and continue creating value for people, planet and the business. Thank you for journeying with Asian Agri all these years. I look forward to continue working with you – our stakeholders – in the next phase of our journey to meet the ambitious targets set out in AA2030.

Kelvin Tio
Managing Director

About Asian Agri

Asian Agri at a Glance

102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-45

Asian Agri is one of Asia's largest palm oil producers, with an annual capacity of around 100,000 hectares of oil palm plantations producing one million tons of crude palm oil (CPO). With a long history of over 30 years in operation, we now own and operate 30 of our own estates along with 22 mills and 10 kernel crushing plants (KCPs). Headquartered in Medan, North Sumatra in Indonesia, we have emerged to become one of the leading national private companies that produce certified sustainable palm oil.

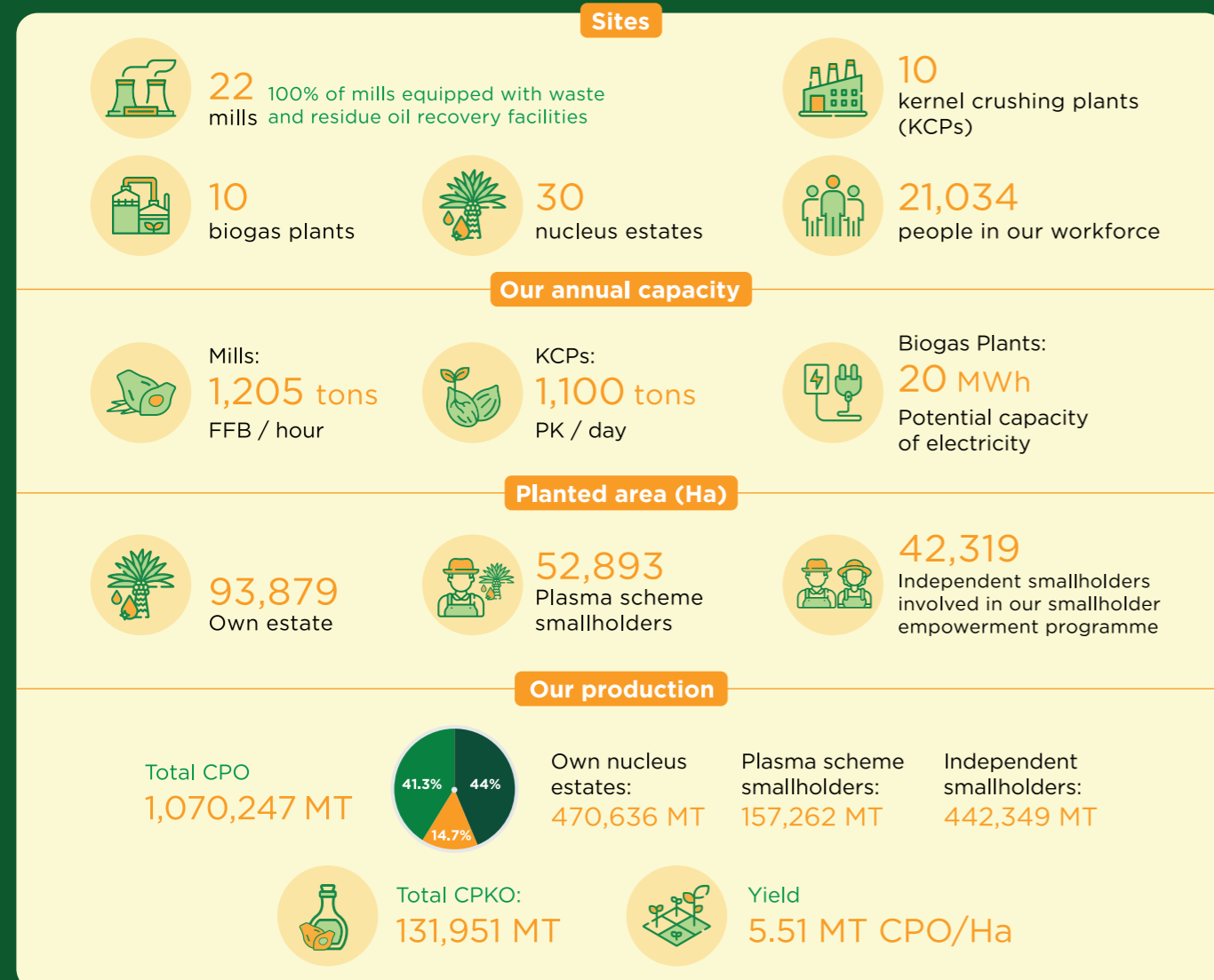
We are a group of private limited companies with operations in seedling, planting and processing of fresh fruit bunches (FFBs), as well as the production of sustainable palm oil in our mills. Our CPO caters for the domestic market, as well as Asian and European markets.

In 2021, we added waste and residue oil recovery facilities to 10 of our mills, and are proud to share that 100% of our mills are equipped with these facilities. There were no further changes in terms of size, structure or ownership in our business.



Our vision is to be one of the largest, best-managed and sustainable palm oil companies

Our Operations in 2021



Our Subsidiary Companies

102-45

Our parent company is PT Inti Indosawit Subur, which operates a total of 12 subsidiaries.

North Sumatra

- PT Nusa Pusaka Kencana
- PT Supra Matra Abadi
- PT Indo Sepadan Jaya
- PT Rantau Sinar Karsa
- PT Andalas Intiagro Lestari
- PT Hari Sawit Jaya
- PT Saudara Sejati Luhur
- PT Gunung Melayu

Riau

- PT Inti Indosawit Subur
- PT Rigunas Agri Utama
- PT Tunggal Yunus Estate
- PT Mitra Unggul Pusaka

Jambi

- PT Inti Indosawit Subur
- PT Rigunas Agri Utama
- PT Dasa Anugerah Sejati

Our Value Chain

102-7, 102-9, 102-10

Our fresh fruit bunches (FFB) are sourced from our own estates, plasma scheme smallholders and independent smallholders. The FFB is then delivered to 22 of our crude palm oil (CPO) mills, and most of the palm kernel (PK) produced is delivered to our kernel crushing plants (KCP). We also have 32 third party KCP suppliers. All CPO and crude palm kernel oil (CPKO) produced, markets in Asia and Europe.

For more information on our suppliers, refer to our [supply chain map](#). For more information on how we ensure supply chain traceability, refer to pages 27-28.

Our Business Growth

Over the years, we have continued to expand our operations.

Numbers of mills, KCPs, biogas plants and own estates

Region	Mills	KCPs	Biogas Plants	Own Estates
North Sumatra	8	2	5	14
Riau	10	5	3	10
Jambi	4	3	2	6
Total	22	10	10	30

CPO Production (MT)

2021	2020	2019
1,070,247	1,056,218	1,121,197

CPKO production (MT)

2021	2020	2019
131,951	137,138	139,142

Asian Agri's Milestones Over the Years

1979



Acquired 8,000 Ha landbank in North Sumatra

1983



1st palm oil mill in Gunung Melayu

1987



Pioneered plasma scheme in Riau and Jambi

1989



Established state of the art R&D centre

1991



Successfully developed and handover 1st plasma estate

1994



Implemented zero burn policy

2006



Became an RSPO member

2005



Setting up the OPRS: Seed producing facilities

2003



No more new developments & land expansion

2002



Established Planters School of Excellence

1996



R&D centre successfully produced TOPAZ 1, a superior seed variety which can produce higher yields

2007



Set up tissue culture lab to clone oil palms

2012



Produced more than 1 million MT Crude Palm Oil
Launched our independent smallholders programme in North Sumatra, Riau and Jambi

2013



Biggest ISCC & RSPO smallholders in Indonesia
Achieved 100% ISCC certification for own estates
Developed a Sustainability Policy which sets out our commitments to NDPE

2014



Achieved 100% ISCC certification for smallholders

2018



Kick start independent smallholders replanting
Fulfilled our 'One to One' (1:1) partnership commitment
Achieved our first ISPO certificate for a plasma scheme smallholder
Commissioned 2 more biogas plants and 3 more KCPs

2017



Independent smallholders become the 1st ISPO certified - Amanah Association
100% RSPO certified plasma smallholders plantations

2016



Launched FFVP in all 3 provinces
Launched first traceability verification programme for independent smallholders in Jambi

2015



Plasma smallholders began replanting programme
Commissioned 5 biogas plants and 6 KCPs

2019



Achieved 100% ISPO certification for our own estates
Stopped using paraquat in all of our own estates
Commissioned 3 more biogas plants
Completed FFB Traceability to Plantation project

2020



Carried out SDGs prioritisation exercise, to integrate with our approach to sustainability
Commissioned 1 more mill and 1 more KCP

2021

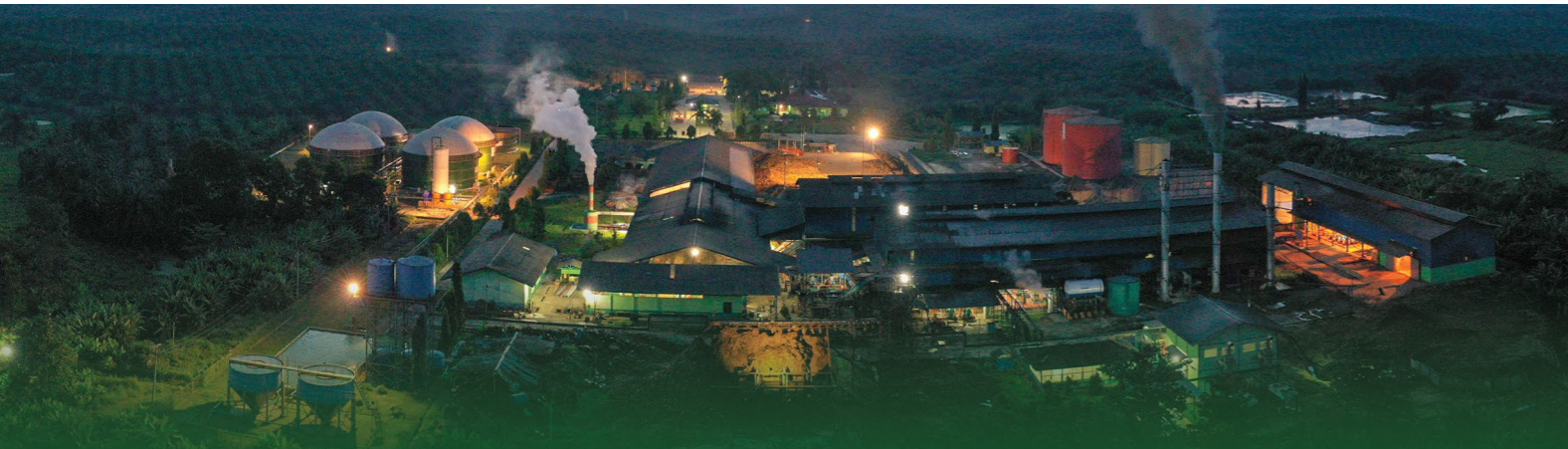


Asian Agri's smallholder partnership was featured by Grow Asia as a case study to demonstrate alignment with ASEAN RAI

2022



Launched Asian Agri 2030, our ambitious sustainability targets for 2030



Our Purpose, Vision and Core Values

102-16

We are guided by our purpose to improve lives by developing resources sustainably, in order to achieve our vision of being one of the largest, best managed and sustainable palm oil companies, which creates value for wider society. To accomplish this, we believe in the importance of adopting our TOPICC core values in all our actions and behaviours across the company.

Our Vision: To be one of the largest, best-managed and sustainable palm oil companies, generating value for the **Community, Country, Climate, Customer and Company.**

Our Purpose: Improving lives by developing resources sustainably

Our Core Values (TOPICC)



COMPLEMENTARY TEAM

We are aligned by our common purpose and work together as a **complementary team**



OWNERSHIP

We take **ownership** to achieve outstanding results and seek value at all times



PEOPLE

We develop our **people** to grow with us



INTEGRITY

We act with **integrity** at all times



CUSTOMERS

We understand our **customers** and deliver best values to them



CONTINUOUS IMPROVEMENT

We act with zero complacency and always strive for **continuous improvement**

For more details on our approach to sustainability, go to pages 13-23.

Corporate Governance

Business Ethics

102-16

Asian Agri is committed to the highest standards of business ethics across our operations.

As a member of RGE Group, all of our employees must adhere to Our Code of Conduct which provides our employees and suppliers with guidelines on acceptable and unacceptable behaviour. This includes, but is not limited to, standards on anti-bribery, anti-corruption, and anti-fraudulent practices, as well as our policies towards no burning, protection of workers' welfare, promoting equal rights, and zero tolerance in child labour, sexual harassment and violence in our

workplaces. All employees receive refresher training on our Code of Conduct adopted as Company's Policy (Kebijakan Perusahaan) at least once a year. It is also printed and displayed at our offices and critical locations in our operations.

No confirmed incidents of corruption occurred in 2021.

Grievance Procedure

Employee who wants to raise any concerns can do so via our grievance procedure, of which the details can be found on page 23.



Our Approach to Sustainability

102-11

The Importance of Sustainable Palm Oil

The palm oil industry is a major contributor to the Indonesian economy and a key strategy in the nation's plan for long-term economic growth and rural development. However, the intended benefits of the palm oil industry can only be realised if managed sustainably. Over the years, the rapid expansion of palm oil and irresponsible and unsustainable palm oil production has unfortunately led to environmental degradation, in particular deforestation and biodiversity loss. Communities have also been impacted when their land rights have not been respected, and workers in the industry have not been protected due to poor labour standards.

That said, we believe that compared to other vegetable oils, palm oil still makes the most efficient use of land and plays a key role in meeting the growing demand for vegetable oil if produced in a sustainable manner.

Therefore, we are committed to strict environmental, social and governance (ESG) performance in our operations. We are focused on conserving the environment and protecting the rights of our workers and local communities, whilst allowing the potential of the palm oil industry to lift millions out of poverty in Indonesia.



Asian Agri 2030 is our new sustainable ambition covering 4 main pillars

Our Sustainability Policy

In line with our wider vision, purpose and core values, we developed our [Sustainability Policy](#) to position sustainable business practices at the core of our operations. Our Policy also sets out our commitments to 'No Deforestation, No Peat and No Exploitation' or NDPE. As a palm oil grower and miller, we believe that maintaining these high standards – which extend to all our companies and smallholders – are crucial for us to be a reliable, responsible and sustainable producer of quality palm oil.

Asian Agri Sustainability Policy



No Deforestation

- No Deforestation Conservation of HCS areas for new development
- Conservation of HCV areas
- GHG emission monitoring and reduction
- Zero burning policy



Positive socio-economic impact for people, smallholder and the community

- Respect universal declaration of human rights and promote equal rights.
- Respect the right of all workers to become the member of labor union.
- Provision of a safe and healthy working environment and practicing a fair treatment policy, including those of contract, temporary and migrant workers.
- Inclusion of smallholders, outgrowers and third-party suppliers in our supply chain.
- Respect and recognize the rights of the indigenous and local communities on Free, Prior and Informed Consent (FPIC) of land which they hold legal, communal or customary.
- Ensure food security of local community.
- Develop a transparent grievance mechanism system.



Protection of Peatland

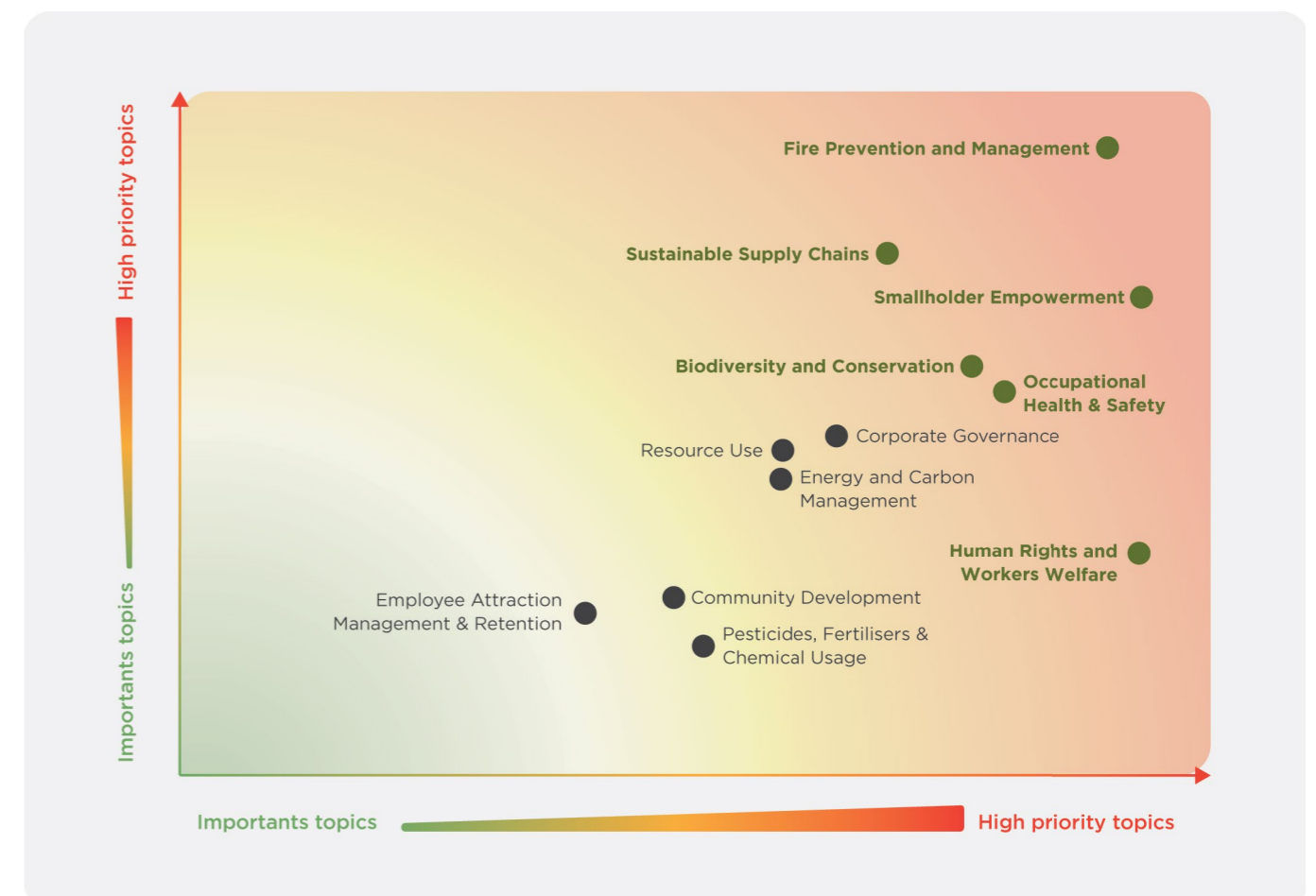
- No new development on peatland
- Implementation of Best Management Practices for existing peatland estates
- Explore options for long-term restoration or alternative use, if existing peat areas are found unsuitable for replanting.

Our Materiality Assessment

102-47

We regularly review our material sustainability topics to ensure that they remain relevant to the business and our stakeholders. In 2021, we conducted a materiality assessment to update our material sustainability issues. Details of our assessment can be found on page 81-82.

We have identified the following material issues as key sustainability risks and opportunities for our business. For issues indicated as 'high priority', we are committed to focusing greater efforts in managing these issues. We implement policies, initiatives and programmes to improve performance in all our material issues, which will be detailed in the rest of the report.



Material topics	Description	Topic Boundaries	
		Internal Stakeholders	External Stakeholders
Fire Prevention and Management	Preventing the occurrence of forest fires by working closely with the community and strengthening their fire prevention capabilities, as well as responding swiftly when fires occur within our own and our suppliers' plantations.	Company Employees Smallholders	Assessors Local Communities Local Government Government
Sustainable Supply Chains	Ensuring responsible sourcing practices by creating a traceable supply chain, as well as monitoring and engaging suppliers to meet high sustainability standards	Company Employees Smallholders	Suppliers Assessors Local Communities Buyers
Smallholder Empowerment	Empowering smallholder partners to increase productivity gains, strengthen their sustainable farming practices, and improve their livelihoods	Company Employees Smallholders	Supplier Assessors Local Communities Local Government Government Buyers
Occupational Health and Safety	Preventing any work-related fatalities, injuries and illnesses by promoting a safe and healthy work environment	Company Employees	Supplier Assessors Local Government Government Buyers
Biodiversity and Conservation	Identifying, conserving and managing areas of land and forests of High Conservation Value (HCV) and High Carbon Stock (HCS). This includes peatland management, establishment of riparian zones, and preventing habitat loss to protect biodiversity	Company Employees Smallholders	Supplier Assessors Local Communities Local Government Government Buyers
Human Rights and Worker's Welfare	Protecting the rights of all workers in our operations and supply chain by ensuring fair and favourable working conditions. This includes the prohibition of any form of forced and child labour, ensuring freedom of association and collective bargaining, and providing equal opportunities for all regardless of individuals' backgrounds. Respecting the rights of indigenous and local communities, including the right to give or withhold their Free, Prior and Informed Consent (FPIC)	Company Employees Smallholders	Supplier Assessors Local Communities Local Government Government Buyers
Corporate Governance	Ensuring the highest standards of corporate governance and conducting business activities with integrity and free from corruption	Company Employees Smallholders	Supplier Assessors Local Communities Local Government Government Buyers
Energy and Carbon Management	Contributing to climate action by reducing GHG emissions across our business operations. This includes increasing our renewable energy use, methane capture, reducing energy consumption and conserving forests	Company Employees Smallholders	Supplier Assessors Local Government Government Buyers
Resource Use	Minimising the use of resources, including the efficient consumption and responsible management of water and waste	Company Employees Smallholders	Supplier Assessors Local Government Government
Community Development	Empowering local communities through community development programmes providing improvements in infrastructure, education, health and cultural engagement	Company Employees Smallholders	Supplier Assessors Local Communities Local Government Government Buyers
Pesticides, Fertilisers and Chemical Usage	Responsibly managing the use of pesticides, fertilisers and other chemicals to minimize contamination of land (soil) and water	Company Employees Smallholders	Supplier Assessors Local Government Government
Employee Attraction, Management and Retention	Ensuring our talent pool is motivated, skilled and productive by training and developing our employees, as well as providing competitive benefits and remuneration	Company Employees	Assessors Local Communities Local Government Government

Legend **High priority topics** Important topics

Asian Agri 2030 - Our Contribution to the SDGs

Since the launch of the United Nations Sustainable Development Goals (SDGs) in 2015, Asian Agri has been working towards making a meaningful contribution to this global agenda. In 2019, we mapped and prioritised the SDGs we believe we can make the most significant contribution towards, while ensuring we also help advance and do not hinder progress on the other goals.

This year, we have developed AA 2030 - Asian Agri's new sustainability strategy, underpinned by KPIs and targets, which align our overall approach to sustainability with the SDGs.



TARGETS

<p>Double smallholder income through replanting program</p> <p>100% completion of smallholders' replanting program</p> <p>100% ISPO certification for smallholders</p> <p>5,000 independent smallholders to be RSPO certified</p>	<p>Zero extreme poverty surrounding our operational area</p> <p>Establishment of small-medium enterprise that covers more than 500,000 ha</p> <p>Provide quality education access through 5,000 scholarship awards</p> <p>Optimize recovery of waste oil</p>	<p>One to One restoration area</p> <p>Net Zero emissions from land use</p> <p>Optimize methane capture facilities for all mills</p> <p>100% renewable energy for our operations</p>	<p>No new land use change for plantations</p> <p>Promote eco green for sustainable operations</p> <p>Implementing circular economy best practices</p> <p>Reduce 50% pesticide usage</p>
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Implementing our Sustainability Commitments

To implement our sustainability policy and AA2030 commitments and targets, we rely on the following priorities:

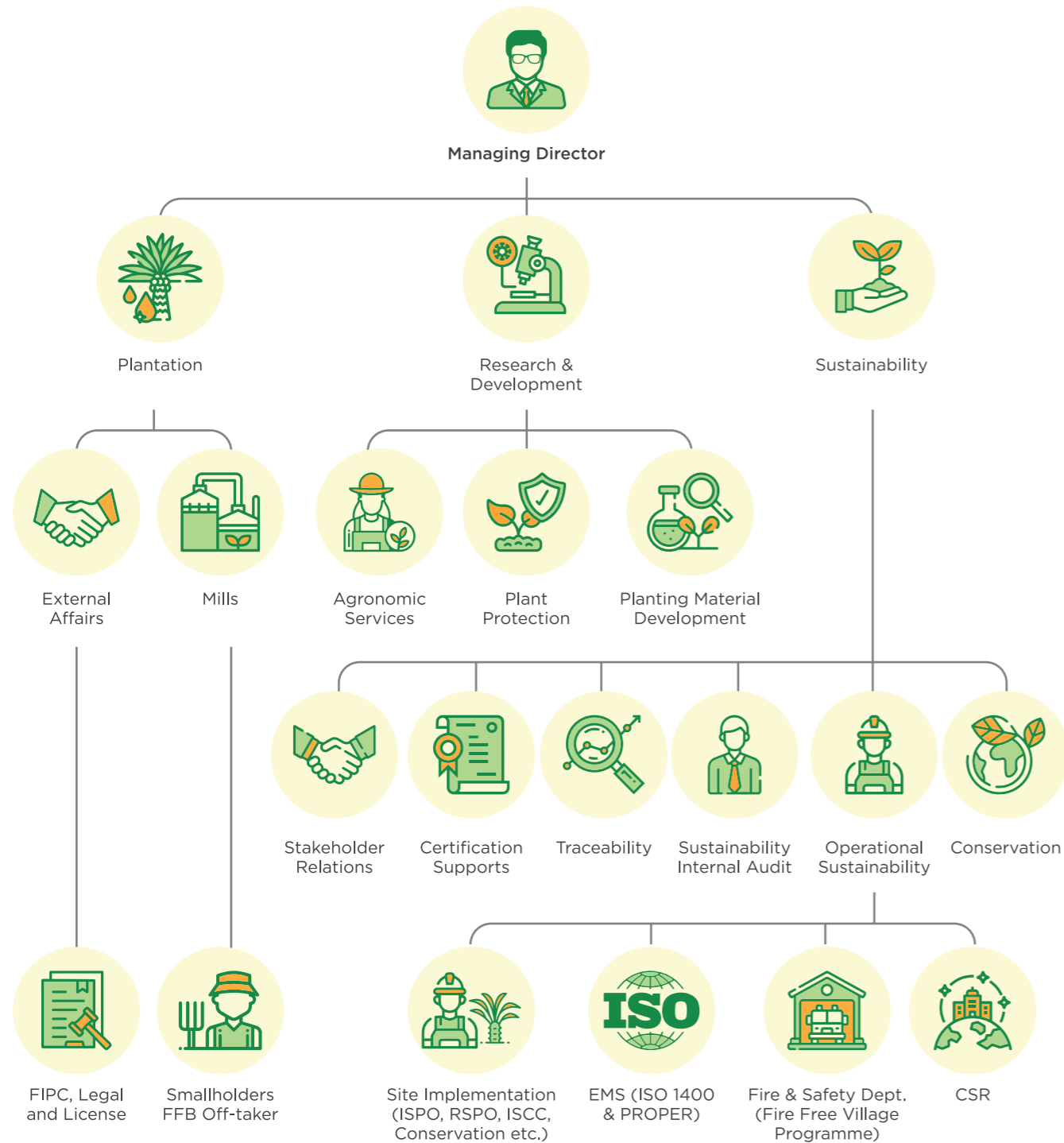
1. Sustainability Governance
2. Stakeholder Engagement
3. Certification and Memberships
4. Research and Development (R&D)
5. Grievance Procedure

1. Sustainability Governance

102-18

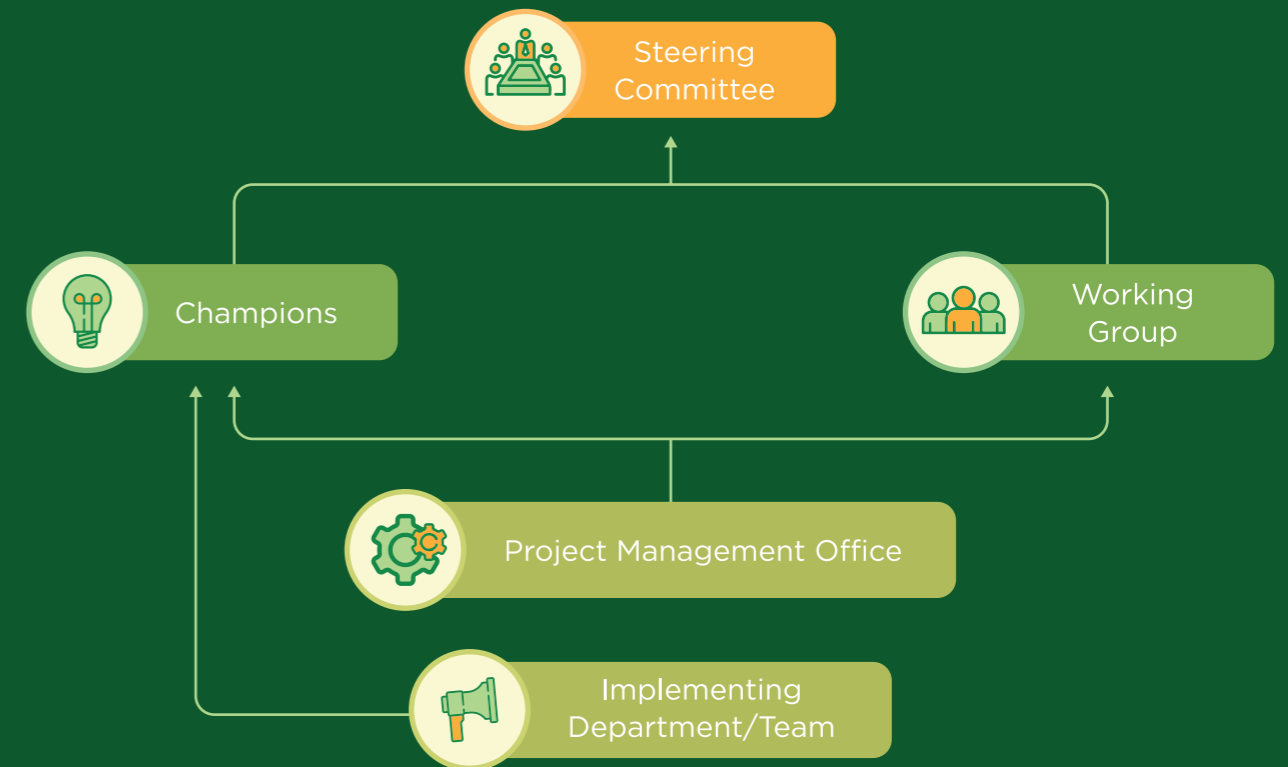
Our Managing Director is responsible for overseeing Asian Agri's business, including providing oversight to the company's sustainability commitments and NDPE policy implementation.

We conduct regular meetings to keep our Managing Director up to date on Asian Agri's sustainability issues, such as the status of certifications, progress on projects and monitoring of performance.



AA 2030 Governance

To operationalise AA 2030, we set up the AA 2030 Governance, led by the steering committee to provide strategic oversight of our AA 2030 strategy. Reporting directly to the steering committee are our AA 2030 champions that provide operational leadership and oversee the implementation of our strategy, with the help of AA2030's Project management office and Implementation Department/Teams. Our AA 2030 working groups are tasked with implementing and communicating our strategy as well as reporting the progress.



2. Stakeholder Engagement

We believe in the importance of continuous, constructive and open dialogue with stakeholders to ensure that their expectations and interests are met. As such, we regularly engage our stakeholders through a variety of channels. This illustrates our approach to sustainability and how we report on our sustainability performance. For details on our list of stakeholders and how we engage them, please refer to page 83-84.

3. Certifications and Memberships

102-12, 102-13

To stay up to date on the latest developments in sustainable palm oil and to share best practices with other companies, we have established a few key partnerships with national and international organisations. This is in line with our belief that collaboration with partners is key to improving our performance.

In addition, we are assessed and included in various benchmark ratings. Since 2015, we have been assessed annually by the Sustainable Policy Transparency Toolkit (SPOTT). We have also been submitting our disclosure to the Carbon Disclosure Project (CDP) since 2018.

Our list of memberships

- Roundtable on Sustainable Palm Oil (RSPO)
- Fire Free Alliance (FFA)
- High Carbon Stock Approach (HCSA)
- Tropical Forest Alliance 2020 (TFA2020)
- Sustainability Assurance & Innovation Alliance (SUSTAIN)
- Indonesia Employers Association (APINDO)
- Indonesian Palm Oil Producers Association (GAPKI)
- Indonesian Bioenergy Electric Producers Association (APLIBI)
- Indonesian Germplasm Expedition Consortium
- Oil Palm Genome Project (OPGP) Consortium
- Badan Kerja Sama Perusahaan Perkebunan Sumatera (BKSPPS)

Progress on Certifications

We have been actively implementing ISPO, RSPO and ISCC standards in all our plantations and mills. Today, we are proud to share that we have achieved ISPO, RSPO and ISCC certification for most of the palm oil produced in our mills and KCP.

Certification			2021	2020	2019
Own plantations	Certified area	RSPO	86% ¹	86%	86%
		ISCC	100%	100%	100%
		ISPO	100% ²	100% ²	100% ²
	Certified oil	RSPO	81%	83%	83%
		ISCC	100%	100%	100%
		ISPO	100%	94%	91%
Scheme smallholders	Certified area	RSPO	100%	100%	100%
		ISCC	100%	100%	100%
	Certified oil	RSPO	100%	100%	100%
		ISCC	100%	100%	100%

Apart from ISPO, RSPO and ISCC, we also participate in the following local and international certification schemes:

- Kasher: Since 2016, we have been Kasher certified for our mills and KCPs
- GMP+: Since 2015, we have been part of the Good Manufacturing Practices (GMP) certification scheme which provides independent verification and certification on food safety.
- ISO 9001: We have obtained this certification on quality management systems for our Asian Agri Learning Institute (AALI) and Topaz nursery (OPRS)
- ISO 14001: We have obtained this certification for environmental management systems for our plantations and factories in North Sumatra, Riau and Jambi since 2005.

For more information on our participation in these certifications, refer to our [website](#).

¹ The main audit for several numbers of our units in Riau were completed in December 2021 and we are currently in the final stages of obtaining RSPO approval, followed by the issuance of new certificate.










² This refers to the fact that all of our 13 companies are ISPO certified, rather than the total of area certified under ISPO

4. Research and Development (R&D)

R&D is a key tenet of our approach to sustainability as we continuously seek cutting-edge solutions to improve our agricultural practices, whether it is to improve productivity of the land, manage pests and diseases, improve oil yields, rate of fertilisers, conserve soils or reduce waste. Furthermore, as climate change may alter conditions for oil palm cultivation, research is important for us to better understand necessary adjustments in our practices.

The Asian Agri R&D Centre, located in Tebing Tinggi in North Sumatra, currently hires a total of 51 highly experienced and qualified research scientists. Our scientists focus their efforts on agronomy, soil, pests, diseases, breeding, tissue culture and biotechnology.

Our R&D Centre is equipped with the following capabilities

Location	R&D Centre	Research Areas
Tebing Tinggi, North Sumatra	 Analytical Laboratory	Analysis of leaf nutrients, fertilisers, compost, oil palm, wastewater and FFB yield.
	 Agronomy	Provision of advisory services to plantation operation and developing site specific fertilizer recommendations
	 Pest & Disease Laboratory	Developing Integrated Pest and Disease Management (IPM) technologies and provision of advisory services to plantation operation on controlling pests and diseases
	 Statistics and Data Management	Analyzing data generated from trials (Agronomy, P&D and Breeding) and managing digital library
	 Soil & Survey	Undertaking soil survey and mapping to get better understanding about soil condition (type, fertility, topography, and boundary)
	Pangkalan Kerinci, Riau	 Clonal Oil Palm Propagation Unit
 Molecular Biology Laboratory		Planting material improvement via development of Marker Assisted Selection and Genomic Selection approaches.
Topaz, Riau	 Oil Palm Research Station	Management of breeding trials and production of superior oil palm seeds
Various locations	 Test fields	Allows us to test fertilisers, pest and disease control bioagents, progeny trials, as well as collect genetic resources in different agroclimates



In 2021, our R&D team achieved key research results in the following areas

- Improvement in pest control: Development of higher quality bioagents (fungi and virus) to control leaf-eating pests
- Improvement in fertilizer application techniques/guidelines.
- Improvement in pollination: Hatch and carry mobile techniques to aid pollinating insects (*Elaeidobius kamerunicus*)
- More resistant planting materials: Nursery screening to strengthen planting materials tolerant to basal stem rot disease caused by *Ganoderma boninense*

Moving forward, we will continue research to improve efficiency in fertiliser application using technology-driven precision agricultural techniques. This is particularly important due to the rising costs of fertilisers. In the coming year, we will be conducting site-specific fertiliser trials. Furthermore, we will also continue to search for better techniques to control pests and diseases, such as using more aggressive strains of bioagents to control pests and diseases and optimising ecosystem services.

One of our greatest R&D achievements to date is the development of second generation Topaz DxP seeds,

which are superior seeds with higher yields even in marginal soil and relatively low rain fall area. For more information on Topaz DxP seeds, refer to our [website](#).

Our other R&D achievements will be detailed in the relevant chapters of this report.

In addition to research, the Asian Agri R&D Centre also actively provides technical services and training to promote knowledge, awareness and skills in utilising technology to produce high yield, and sustainable harvests.

5. Grievance Procedure

102-17

In 2014, we set up a robust grievance procedure as a channel for all stakeholders to raise concerns of any breaches to our sustainability policy commitments by our business or suppliers. Since then, we have responded promptly and effectively to any grievance raised. These issues may include land conflict, labour issues, occupational health and safety issues, and other matters.

Available reporting channels include:

Grievance	Reporting channels
For Employees	<p>Log Books: Log books are located in all plantations and mills managed by Asian Agri. Employees may log concerns regarding disruptions to operations (e.g. machine failure) or hazardous work environments in the Disruption Log Book, and issues regarding employee rights in the Compliant Log Book.</p> <p>Email and telephone: Employees may also file confidential reports through email and telephone to protect their anonymity.</p>
For External Stakeholders (e.g. government, smallholders, suppliers, NGOs, media)	<p>Grievance Submission Form: External stakeholders can submit a form to share their concerns on any issue, such as pollution, fires in our concessions, corruption, harassment or criminal acts. All reports will be received in confidentiality.</p>

For further details on our reporting channels for reporting grievances, please visit our [website](#).

Process of handling grievances:

Once we receive a grievance from any of the channels above, our Grievance Secretariat will identify and verify the potential grievance. If the grievance is valid, we will then ascertain if field verification is required by our Verification Team – who will then coordinate with the Supplier Engagement Team, if required.

The Grievance Secretariat will then develop a time-bound action plan to resolve the grievance and, if involving a supplier, require a commitment from the supplier to resolve it. Depending on the nature of the grievance, the Grievance Steering Committee may also impose a temporary suspension on the supplier. The Grievance Secretariat will then monitor the progress of the action plan and update the case internally.

In 2021, we received a total of 6 grievances:

Year	No. of Grievances Raised	Issues Raised	Organisations
2021	6	Hotspots, waste disposal into river	RSPO, Ministry of Environment and Forestry, local communities, Local Government.
2020	4	Hotspots, waste disposal into river	RSPO, Greenpeace Southeast Asia, Ministry of Environment and Forestry
2019	5	Hotspots, fires on our concessions, unauthorised use of forest areas	RSPO, Greenpeace International, members of the media

All grievances – including details on the issues, date raised and how they were resolved – are made public on our [website](#).



Smallholder Partnership

Engaging with smallholders to implement sustainable farming practices and improve their livelihoods.

2030 Targets	Performance 2021
Double smallholder income through replanting program	1.68x (for KUD Bina Usaha Baru, Riau)
100% completion of smallholders' replanting program	Up to 9% completed Replanted more than 5,000ha of smallholder land since 2016, including 1,800ha replanted in 2021 alone
100% ISPO certification for smallholders	1,3% completed¹
5,000 independent smallholders to be RSPO certified	Conducted polygon mapping, gap analysis, and preparation for certification



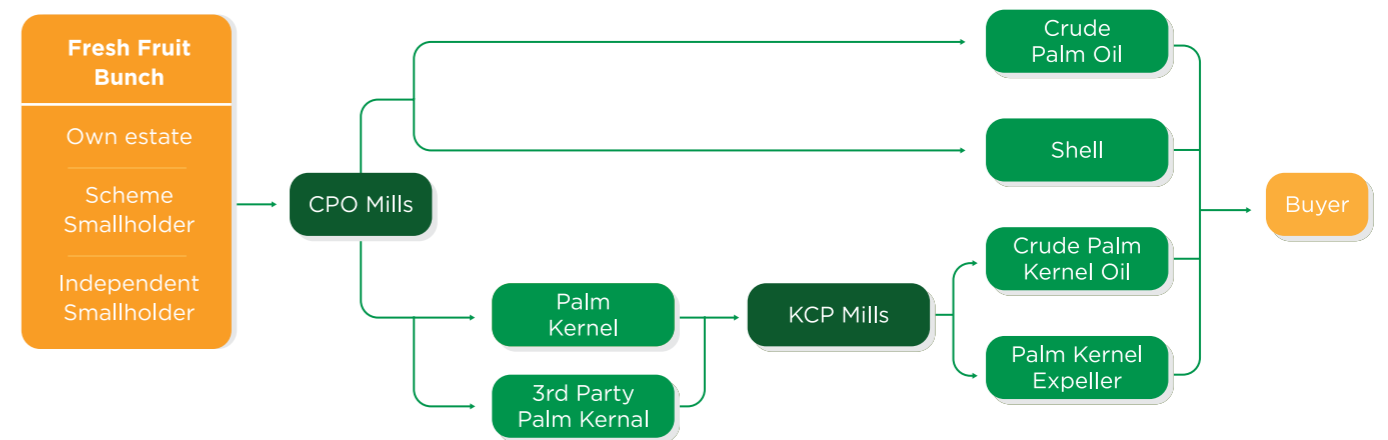
We engage intensively with our smallholders to upscale their livelihood.

¹ISPO certification for smallholders is still a voluntary scheme until 2025 (referring to Presidential Regulation No.44/2020)

Sustainable Supply Chains

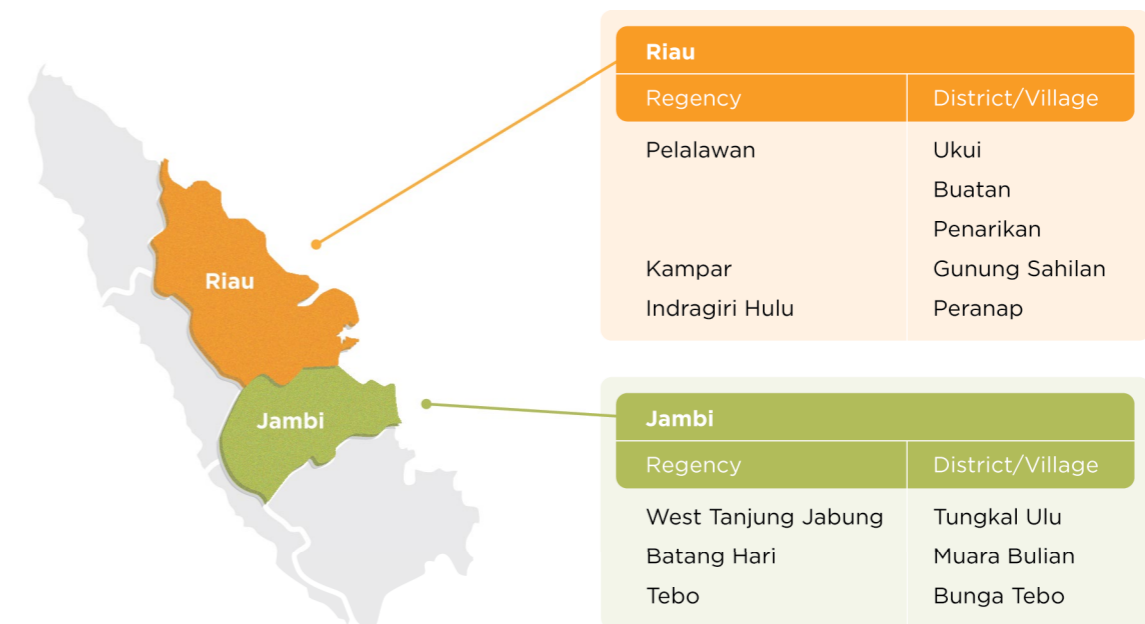
308-1, 414-1

Traceability is our first step towards building a fully sustainable supply chain. Our palm oil mills are supplied with fresh fruit bunches (FFB) from our own plantations, scheme smallholders, and independent smallholders. Palm kernel (PK) for our kernel crushing plant (KCP) is sourced from our own mills and third-party mills.



Our scheme and independent smallholders

We currently source from and support scheme smallholders located in Riau and Jambi:



	Riau	Jambi	Total
Number of scheme smallholders	14,803	11,012	25,815
Number of scheme smallholder groups	659	494	1,153
Number of scheme smallholder cooperatives (consisting of several smallholder groups)	38	34	72
Total planted area by scheme smallholders (Ha)	29,450	23,443	52,893

Number of KCP suppliers

Region	2021	2020	2019
North Sumatra	13	15	18
Riau	9	8	10
Jambi	13	12	11
Number of suppliers	32	35	38

Note: Some suppliers are supplying to more than one KCP, so the total might not be the sum of each region

Commitment to 100% FFB Traceability

308-1, 414-1

We are investing efforts to ensure our FFB and products can be traced to their origins. To meet our goals for supply chain traceability, we have developed a systematic strategy based on supply identification and supplier engagement that will help us in identifying our FFB supply sources.

As a result, we successfully achieved and maintained 100% traceability to plantations since 2017.

Our Journey towards Reaching 100% FFB Traceability to Plantations for Scheme and Independent Smallholders



Ensuring Supplier Compliance

1. Engagement on sourcing policy

First, we shared the understanding of our sustainability standards (embedded in our NDPE policy and sourcing policy) to the smallholders. We require them to submit baseline data and a compliance statement regarding issues such as legality of their land, protection of conservation areas, and other social issues. They are only allowed to supply to our mills once they have passed the screening and verification process by our traceability officers' team.

For our commodities to be considered as fully traceable to plantations, suppliers are required to provide their data and information of their name (legal entity- personal or company), mill name and address (for PK), plantation name, address and area

(for FFB), geographical coordinates, and also their estimated monthly production. These information are to be analysed by our team to ensure that we only source from legal area.

We also require their plantations to be surveyed to confirm that all criteria related to our policy commitments have been fulfilled. After the first stage of data reviewing has been cleared, they will submit documents as administrative requirements for example legal ownership, copy of ID card, signed commitment letter and copy of bank statement. We believe accurate data and information gathering is key to achieving full traceability:

Data and Information Needed	Mill (for PK)	Scheme and Independent Smallholders (for FFB)
Name & address of suppliers (for personal or legal entity)	✓	✓
Plantation GPS coordinates	✓	✓
Plantation area in Ha	✓	✓
Estimated production	✓	✓
Legal documents	✓	✓

For more information on our suppliers, refer to our [supply chain map](#).

We monitor the number of new suppliers for FFB and PK each year. See table below for the number of the last 3 years.

	PK	FFB
2021	7	27
2020	14	20
2019	8	34

Note: These figures include returning suppliers whom we procured from in the past



2. Monitoring our suppliers

Our teams then examine the condition of the plantation and take GPS coordinates at the centre of the plantations. For plantations located near high-risk areas, coordinates are taken from the edge of the plantations (polygon shape) to make sure that there are no oil palms in no-go areas. We use this data to map out the location of their plantation and overlay this on the provincial spatial plan map to ensure the plantations are not located within illegal areas, such as national parks, wildlife reserves and conservation areas.

We also conduct random checks and surveys of their plantations to ensure that any breaches of social or environmental issues do not occur. If any major non-compliance or violations of our NDPE policy are found, we will verify them immediately, and if proven, they are subjected to immediate suspension. For smaller incidents such as workers failing to wear PPE or incomplete registration of drivers, we will issue warnings and a corrective action plan including a deadline for completion.

Program Traceability to Plantation

Our next focus is to obtain FFB traceability data from all our suppliers. This is an area which we continue to improve our performance. Currently our FFB suppliers consist of two different categories:

1. **Outgrowers** - company who owns plantation >25 ha
2. **Smallholders** - individual who owns plantation <25 ha.

These smallholders are supplying to our mills through different channels:

- **Direct**
- **Group** (e.g. cooperative (KUD) / Gapoktan (Gabungan Kelompok Tani)/ association)
- **Agents**

Recognising the difficulties independent smallholders face in obtaining data, we started working with the following partners to help us collect data from them more efficiently and accurately:

- **Jambi:** Conducted data collection in 2016 in collaboration with Yayasan Setara Jambi and The Sustainable Trade Initiative (IDH).
- **North Sumatra & Riau:** Engaged with Meo Carbon Solutions and SNV in 2018 through a six-month program to verify our traceability system for these areas. They analysed samples of the upstream supply chain within North Sumatra and Riau Provinces, covering about 20,000 smallholders. The analysis focused specifically on the reduction of manual efforts, efficiency increase and robustness of systems and processes, as well as the use of latest technology, remote sensing and online monitoring tools. These measures would also enable better monitoring, plantation management and enable access to finance. We are currently planning on the final phase of this project, which was delayed due to the COVID-19 pandemic.

Recognising that independent smallholders additional support to comply with our standards, we also invest efforts in empowering them through our smallholders program. Refer to pages 34-35 for more information.

Smallholder Empowerment

A Pioneer in Smallholder Partnerships

Asian Agri has been forging close partnerships with smallholders for over 30 years, since pioneering our first scheme in Riau and Jambi in 1987. Partnering with smallholders has been a core strategic objective of our business since the very beginning, enabling us to establish a win-win relationships by securing a continuous and reliable supply of fresh fruit bunches (FFB) while providing better livelihoods for smallholders.

As of 2021, we work with more than 30,000 scheme smallholders and 8,000 independent smallholders who manage around 60,000 hectares and more than 35,000 hectares of land, respectively.

By working closely with smallholders – both scheme and independent – to improve their yields and produce sustainably, we can achieve the following outcomes:

Social impacts



- Improved livelihoods for smallholders through increased yield and incomes, which contributes to the nation's strategic plan for sustained economic growth and rural development

Environmental impacts



- Improving yields and increasing replanting in order for smallholders to increase productivity without further land expansion
- Opting for alternative land clearing methods and prohibiting the use of fires
- Improved farming practices such as more efficient use of fertilisers and chemicals

Our Journey Working with Smallholders

1987

Pioneered scheme in Riau and Jambi through the Indonesia government's Transmigration Program (PIR-Trans)

1991

Successfully developed the land and handed ownership of our first scheme plantation back to smallholders

2005

Imposed a moratorium on forest clearance and peatland development, including for all our smallholder partners, and have continued to focus on improving productivity in the existing land we manage

2014

100% of our scheme smallholders achieved ISCC certification

2013

Achieved milestone of having Indonesia's largest number of smallholder partners with ISCC and RSPO certification

2012

Launched our independent smallholders program in North Sumatra, Riau and Jambi, building on our successes of working with scheme smallholders

2015

Our scheme smallholders started replanting program

2017

Our independent smallholders with Amanah Association became the first to be ISPO certified

2018

Succeeded in achieving our 'One to One' (1:1) partnership commitment, where 1 Ha of our own plantations is matched with 1 Ha of smallholder plantations

100% of our scheme smallholders fully repaid the loans they received from us in 1987

Achieved our first ISPO certificate for a scheme smallholder (KUD Bukit Potalo)

100% of our scheme smallholders achieved RSPO certification

Our independent smallholders started replanting program

2021

Our smallholder program was featured by Grow Asia, a non-profit set up by the World Economic Forum and the ASEAN Secretariat, as a [case study](#) of responsible investment in Indonesia's palm oil sector

2020

Launched the Smallholder Inclusion for better Livelihood & Empowerment program (SMILE) project, a collaboration between Asian Agri, Apical and Kao Corporation

2019

100% of the palm oil produced by our scheme smallholders were ISCC and RSPO certified

Supporting Our Scheme Smallholders

413-1

In 1987, Asian Agri was one of the first companies to participate in the Plasma Transmigration Program (Perkebunan Inti Rakyat), set up by the Indonesian government. Our continuous dedication to our smallholder partnerships is reinforced by our one-to-one commitment, where we aim to match every hectare of our own land with one hectare of land owned by smallholders. Today, scheme smallholders manage 52,893 ha of land¹ supplying 13% of our total FFB demand.

To ensure we provide the best support for our scheme smallholders, we have set up a dedicated Plasma Management Team, which oversees all aspects of smallholder program. The strong partnership between our Plasma management team and our smallholders, which is built on a high level of trust and transparency, is key to our success.

Asian Agri's Plasma Management Team liaises with smallholder cooperatives to manage their smallholders. The cooperative has a role in organising and coordinating farmer groups, including managing FFB sales and monitoring the implementation of the guidelines consistently.

Smallholders receive support from the Plasma Manager, assistants and foremen, who conduct regular meetings with cooperatives and farmer groups' representatives. These meetings also provide an opportunity for smallholders to raise any technical issues they face or grievances towards the company.

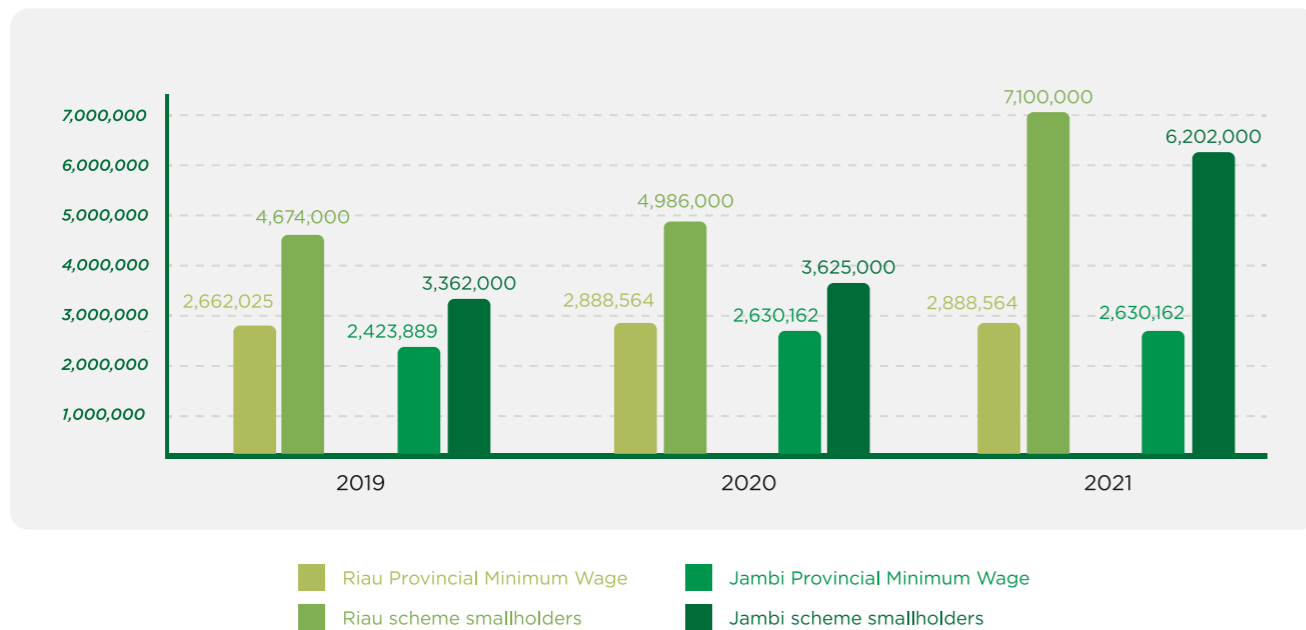
Ambition to Double Smallholder Income

Our bold ambition is to double smallholder income by helping them to improve yields, in particular through our replanting program.

In 2021, our smallholders earned an average of IDR6,650,000 per month - more than double of the provincial minimum wage stipulated by local governments. This figure is also almost double of what they earned in 2020. The increment was due to better production and a much higher price of. At IDR3,500/kg, this was the highest average FFB price ever recorded nationwide. These prices are determined by provincial government regulations and communicated to smallholders through weekly meetings.

As FFB prices are volatile, our goal is to help them maintain high production through the support they receive in our smallholder programs.

Scheme smallholder income trends compared with provincial minimum wage in IDR²



¹ This figure is lower than 2020 as 12ha of land was converted into housing complexes by the scheme smallholders

² Provincial wage figures are taken from the Indonesian Ministry of Labour (Surat Edaran (SE) Menteri Ketenagakerjaan Republik Indonesia Nomor 11/HK04/X/2020 tentang Penetapan Upah Minimum tahun 2021 pada Masa Pandemi Covid-19)

As part of our commitment to support smallholders, we share part of the profits earned from sustainable palm oil by investing the amount in smallholder programs. In 2021, we contributed a total of IDR 2.63 billion to fund programs supporting our scheme smallholders. The amount was used to improve agronomic skills and knowledge, renovate or build new village/plantation infrastructure, livestock cultivation and other activities.



Programs to Support Scheme Smallholders

We also provide further support for scheme smallholders through the following programs



Replanting



Obtaining sustainability certifications



Fire awareness and prevention



Knowledge sharing on best practices in palm oil management

Replanting

Oil palms are at their prime from 8 to 18 years of age. After 25 years, their production usually starts to decline, furthermore they are usually too difficult to harvest as they become too tall. Thus, we normally suggest smallholders to replant their oil palms after 25 years. Replanted new oil palms usually take between three to four years to become productive, during which farmers are unable to sell their FFB. Faced with this challenge, smallholders may choose to delay replanting instead, resulting in declining yields and lower income from the ageing trees.

Every year, we support our smallholders to replant a target area of 33,000 hectares. As part of our AA2030 targets, our aim is to help 100% of smallholders, or approximately 60,000 ha, to complete the replanting program by 2030. Today, about 10% has been completed.

Our smallholder replanting program is a holistic one consisting of three components of support:

a. Financial assistance for quality inputs: To help smallholders purchase the seeds and other resources required for replanting, we help them gain access through banks, financial institutions and/or the Indonesian Palm Oil Plantation Fund Management Agency (Badan Pengelola Dana Perkebunan Kelapa Sawit - BPDPKS). Asian Agri acts as a guarantor for the bank and commits to continuing our support for the smallholders until they can fully repay their loans. Most importantly, access to finance allows smallholders to purchase quality seeds, enabling them to have bigger harvests without increasing their land area. The return on investment of high-quality seeds is especially significant as oil palms typically have a productive life of about 25 years.

b. Land preparation: We help smallholders to prepare their land for replanting, starting by felling old trees, chipping, tilling the soil, fertilising, setting up planting points, and finally holing the soil. The process from felling to holing the soil takes six months to complete.

c. Alternative sources of livelihood: As smallholders wait for their new oil palms to bear fruit, we help them to gain access to alternative sources of livelihood to help them through the waiting period. We provide cattle, day-old chickens, fish, goats, cows and stingless honeybees (known as 'kelulut'), as well as other vegetable seeds. Apart from a source of livelihood, some produce can also have other uses. For example, cattle manure can be used as fertiliser, to produce biogas and for cooking. We also support farmers that want to expand into making handicrafts or other non-agricultural forms of business.

Since our scheme smallholder replanting program started in 2016, we have made progress in supporting our smallholders with replanting, covering around 5,100 hectares of plantations. In 2021 alone, we helped smallholders to replant 1,768 hectares of land.



Cooperatives completing replanting in 2021

Ukui region:
 • Koperasi Unit Desa Karya Bersama

Peranap region:
 • Koperasi Unit Desa Serangge Permai
 • Koperasi Unit Desa Lembah Rezeki

Buatan region:
 • Koperasi Unit Desa Bhirawa Bhakti

Tungkal Ulu region:
 • Koperasi Unit Desa Bina Usaha
 • Koperasi Unit Desa Karya Jaya
 • Koperasi Unit Desa Manunggal Jaya

Muara Bulian region:
 • Koperasi Unit Desa Makmur Rezeki

Obtaining Sustainability Certifications

After obtaining sustainability certifications for our own plantations, we recognised the benefits of obtaining these certifications, and sought to help our smallholders do the same. We assist smallholders to prepare their plantations to comply with certification requirements, such as the Roundtable on Sustainable Palm Oil (RSPO), Indonesian Sustainable Palm Oil (ISPO), and the International Sustainability and Carbon Certificates (ISCC) for international markets, such as Europe,

allowing them to set a premium price from the sale of their produce.




By implementing sustainable practices stipulated in those standards, smallholders are also able to enjoy higher FFB yields. The increased profits received by smallholders enables them to re-invest in their operations, such as purchasing safety equipment, and improve their overall livelihood.

Over the years, we have made significant progress in helping our scheme smallholders. Today, 100% of the palm oil produced by our scheme smallholders are RSPO and ISCC certified. We aim for all our scheme smallholders to be ISPO certified by 2030.

Our targets for certifications

2014	✓ 100% ISCC certification
2017	✓ 100% RSPO certification
2024	✓ Begin ISPO certification as mandated by Government
2030	✓ 100% ISPO certification for smallholders
	✓ 5,000 independent smallholders to be RSPO certified

Our progress on certifications

Certification	Our Journey	Progress
	In 2011, the Indonesian government established the ISPO certification as a mandatory requirement for all oil palm growers and millers in the country. It sets standards regarding the environment, workers and respect for indigenous communities. In 2015, we started preparing our scheme and independent smallholders for ISPO certification.	Certified 100% of our own plantations and mills
	Since 2006, we have been a member of RSPO, a global multi-stakeholder initiative that produces an international standard for the management of sustainable palm oil. We received our first RSPO certification for our plantation in 2010, and for our smallholder scheme in 2012.	Certified more than 86% of our own plantations in North Sumatra, Riau & Jambi Certified 100% of scheme smallholder plantations in Riau & Jambi
	ISCC is an international certification system established based on an EU Directive on renewable raw products for producing biofuel, food, feed and chemicals. ISCC includes commitments on issues such as avoiding planting on no-go areas, GHG emissions reduction and social sustainability. In 2012, we achieved our first certification for our own mills and plantations. In 2013, we achieved the same for our first scheme smallholder. Since then, we have certified all our mills and plantations. To reduce our GHG emissions for ISCC certified products, we installed methane capture facilities in our mills and built biogas plants.	Certified 100% of our own plantations and mills, including by our scheme smallholders 100% of our mills have obtained waste and residue certification, up from 50% in 2020

Replanting program for KUD Makmur Rezeki using high-yield Topaz seeds



The Regent of Batanghari was also invited to officiate the replanting program, and other oil palm farmers were also invited to better understand and learn from Asian Agri's

In 2021, we carried out a replanting program in Batanghari Regency, Jambi Province, conducted by one of our cooperatives (KUD Makmur Rezeki in Bulian Jaya village). We supplied the cooperative with Topaz seeds which have been tested to deliver high productivity, replacing the palm seeds chosen by the farmers which have been producing low yield. Our hope is that this will generate higher income for the farmers, up to even double their current income. The program was financed by an IDR30 million loan with Asian Agri as a guarantor.

Fire Awareness and Prevention

To prevent fires occurring on their lands – in line with our zero-burning policy – we work closely with our smallholders to help them opt for alternative methods to clear land. This includes providing them with heavy equipment and training to clear land without resorting to slash-and-burn techniques.

For more information on how we work with communities to prevent fires, please to pages 53-56.

Knowledge Sharing on Best Practices in Palm Oil Management

We provide smallholders with agricultural knowledge and technical skills in oil palm management. We have a team of dedicated staff providing training on fertiliser and chemical application (for example dosage, type, application method, etc.), caring for oil palms, harvest techniques, fruit quality, use of equipment and more.

Supporting Independent Smallholders

In 2021, independent smallholders that supply directly to our mills supply about 46% of the total FFB demands of Asian Agri. Among this group, those under the Corporate Shared Value (CSV) program supply about 10% of the total FFB we receive.

In Indonesia, independent smallholders tend to struggle with agronomic practices which are less productive and sustainable, even though they manage more than

70% of smallholders' plantations nationwide³. While the palm oil industry has moved forward with sustainability certification, such as ISPO and RSPO, certification for independent smallholders is still in its early stages.

As such, we began supporting independent smallholders in 2012, building on our years of experience working with scheme smallholders.

³Future Smallholder Deforestation: Possible Palm Oil Risk" Chain Reaction Research (Oct, 2019)

Corporate Shared Value (CSV) program

Through our Corporate Shared Value (CSV) program, we currently support around 8,000 independent smallholders in North Sumatra, Riau and Jambi, managing a total of more than 35,000 hectares of land. Building on the successes of and lessons learnt from our scheme smallholder partnership program, we provide a similar range of support for independent smallholders, including helping them to form cooperatives, providing training on best practices, providing them with replanting

support through quality seeds, financial assistance, and helping them to obtain sustainability certifications. By 2030, we aim to have helped 5,000 independent smallholders obtain RSPO certification. We continue to make steady progress towards our goal: By 2022, we will have an additional of almost 700 farmers certified under RISS (RSPO Independent Smallholder Standard) scheme.

SMILE Program makes headway in its first year



Independent smallholders receiving training on agronomic practices as part of the SMILE program

In 2021, we continue to make progress with an initiative launched last year to help independent smallholders improve their yield, acquire sustainability certification, and eventually secure sales premiums from selling certified palm oil.

Known as SMILE, or the SMallholder Inclusion for better Livelihood & Empowerment program, the collaboration includes two companies – Kao Corporation and Apical. To date, the SMILE program

has provided training and workshops to approximately 600 independent smallholders. Our goal is to reach 5,000 farmers managing approximately 18,000 Ha of plantations in North Sumatra, Riau and Jambi.

The farmers receive training through customized seminars and workshops on:

- Improving their yields and sustainable management of their farms, including the importance of staying committed to sustainable practices such as no-deforestation, zero-burning and no exploitation
 - Obtaining RSPO certification, with the goal of helping independent smallholders secure RSPO certifications by 2030
 - Implementing robust safety measures across their plantations, and safety equipment (including safety helmets, gloves, and fire extinguishers)
- Once these independent smallholders are certified, they will be eligible to receive certified palm oil premiums averaging 5% higher than non-certified palm oil. Sustainably managed plantations also lead to higher yield.

In 2022, we aim to have further independent smallholders benefit from the SMILE program.

Moving Forward

To ensure that our approach to traceability and smallholder partnerships is robust and relevant, we rely on regular feedback received through smallholder engagements, expert insights from external consultants or NGOs, feedback from certification bodies such as RSPO, as well as any grievances raised. We seek to continually improve on our initiatives, which is critical to help us meet our ambitious goals set out in AA2030.



Employee Attraction, Management and Retention

102-8

Our employees are integral to the success of our business. We are committed to strengthen the productivity of our workforce, improve worker benefits and welfare, while providing rewarding career and growth opportunities.

Our Employee Profile

As of December 2021, we employ a total of 21,304 employees and workers across our operations, most of whom are located on-site in mills and estates. Among this group, 1,012 are employees and 20,292 are workers, of which 8,628 are permanent and 11,664 are contract workers.

Our employees fulfil roles such as back-office functions in regional offices or supervision of daily workers in mills and plantations, while we hire workers to operate machinery, provide security on-site, and other duties.

During the peak crop season, additional labour is often required for harvesting or transportation of fresh fruit bunches (FFB), or on occasions when there is a major outbreak of pests or disease requiring immediate action. During these certain periods in the planting cycle, we also source temporary seasonal contract workers. During low crop season, these temporary workers may be allocated to work in areas such as fertilising, manuring and weeding.

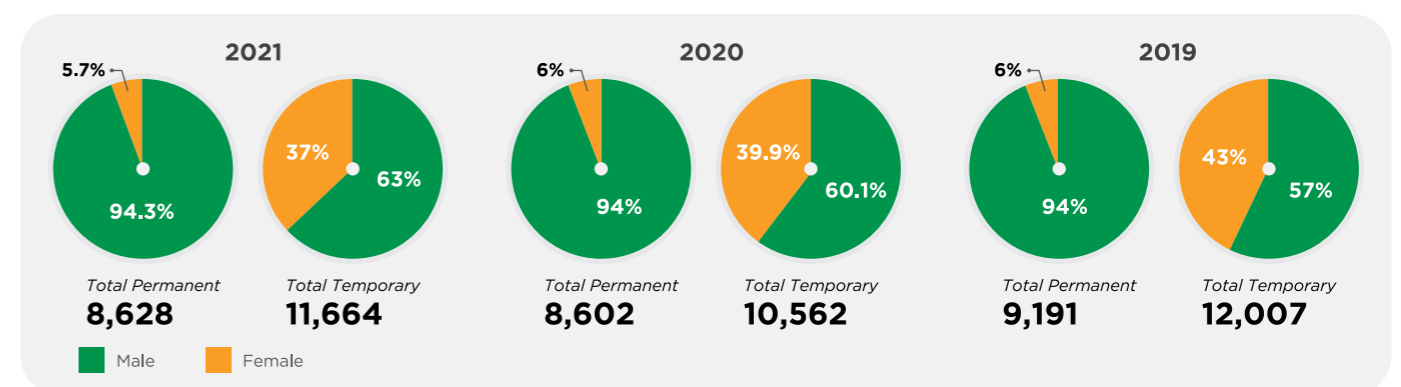


All employees receive a decent living wage in line with RSPO requirements

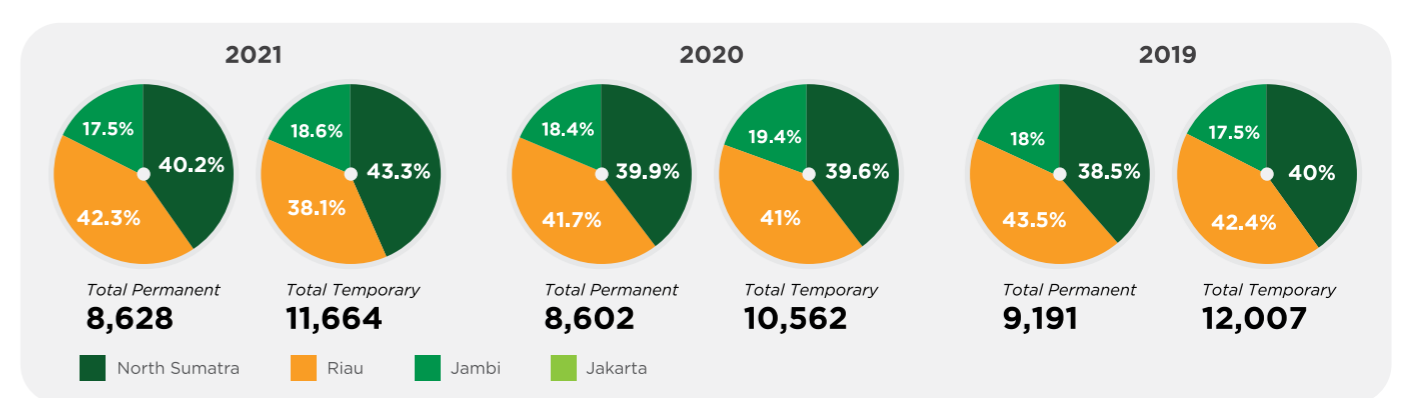
Number of employees and workers by region



Number of workers by employment contract and gender



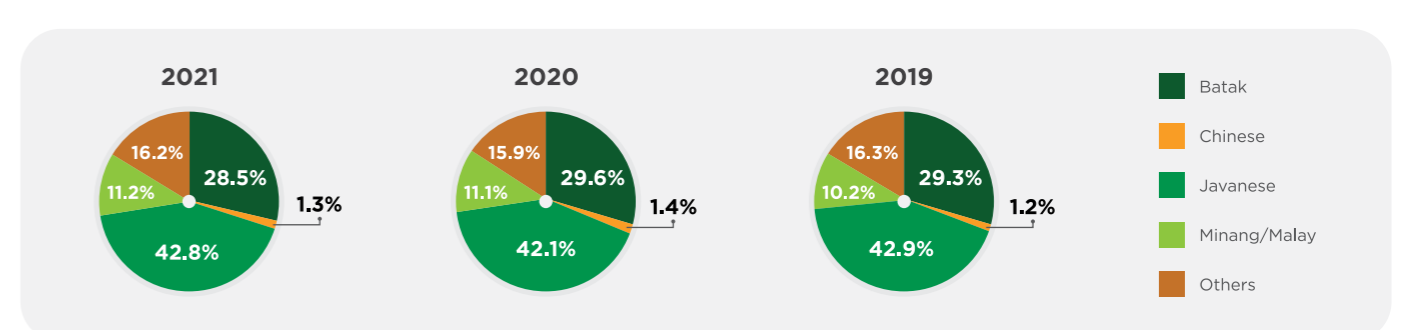
Number of workers by employment contract and region



A Diverse Workforce

405-1

percentage of workforce by ethnicity



Percentage of board and employees by gender

Employee	2021		2020		2019	
	Male	Female	Male	Female	Male	Female
Board	100%	0%	100%	0%	100%	0%
Senior Managers	91%	9%	91%	9%	89%	11%
Manager & Asst. Manager	90%	10%	89%	11%	91%	9%
Staff	90%	10%	91%	9%	91%	9%
Total	90%	10%	91%	9%	91%	9%

Percentage of board and employees by age group

Employee	2021			2020			2019		
	18-30	31-50	≥51	18-30	31-50	≥51	18-30	31-50	≥51
Board	0%	0%	100%	0%	0%	100%	0%	0%	100%
Senior Managers	0%	59%	41%	0%	45%	55%	0%	47%	53%
Manager & Asst. Manager	6%	85%	14%	1%	76%	23%	0%	82%	18%
Staff	67%	30%	3%	61.3%	34.2%	4.5%	63%	33%	4%
Total	27%	65%	8%	48%	41%	11%	48%	42%	10%

Fair Wages and Employee Benefits

To attract and retain our talent pool, we provide competitive benefits and remunerate employees based on their performance.

Decent Living Wage (DLW)

This year, we conducted a Decent Living Wage (DLW) analysis to ensure that all employees are receiving fair wages and benefits. The analysis was done in accordance with RSPO requirements and has also been verified annually by the auditor. The results found that all our employees were receiving wages and benefits according to DLW calculation.

Employee Benefits

Our employees receive healthcare, insurance, performance bonuses, incentives and special awards (for e.g., for length of service), allowances (for e.g., house, car), and scholarships for their children.

We provide a range of support to employees/workers and their families located on-site in mills and estates, in order to ensure that they have access to a range of facilities:

- Housing:** Housing estates are equipped with facilities such as standard furniture, water supplied from mill or estate, electricity and also including building maintenance.
- Education:** Childcare and school facilities enable parents with younger children to remain close to their parents
- Transport:** Transport is provided to facilitate convenient travel across and within our estates for workers and for other uses such as school bus and ambulance.
- Sporting facilities:** We build soccer fields, tennis courts, badminton courts and other sporting facilities for recreation
- Places of worship:** We build or upgrade churches and mosques to meet the spiritual needs of our employees/workers
- Community building activities:** We organise cultural and religious events to promote stronger community bonds among our employees/workers and their families.

Training and Development

We also invest in upskilling our workers to ensure they are equipped with the right skills to meet the high expectations set by our stakeholders. This enables us to meet our goals of providing quality jobs and socio-economic development for rural communities, where our plantations and operations are located.

Since the start of the pandemic, some training programs such as on health and safety, have been conducted virtually. For other topics like agronomy and basic fire training, we have also conducted on-field and in-classroom training, adhering to strict health protocols.

Number of training sessions held

Employee	2021	2020	2019
Senior Management	11	3	7
Manager & Asst. Manager	70	15	30
Staff	70	49	53
Non-staff	20	24	22
Total	171	91	112

Number of employees who attended training sessions

Employee	2021	2020	2019
Senior Management	42	7	15
Manager & Asst. Manager	626	84	322
Staff	1,638	1,441	2,130
Non-staff	1,259	1,239	2,005
Total	3,565	2,771	4,472



Asian Agri Learning Institute (AALI)

Our training programs are implemented through the Asian Agri Learning Institute (AALI), which was established in 2002 and is based in Pangkalan Kerinci, Riau.

Some of these training programmes run by AALI include:

- Annual development program for management:** Aims to improve the skills of employees in management positions and operational employees with high potential, in areas such as leadership, change management, decision making and finance.

- Refresher training on technical and soft skills:** For employees to upgrade and/or maintain their technical skills.
- Young assistant development training:** Specific training for employees under two years of service.
- New product introduction training:** Conducted in collaboration with vendors.

Plantation Center of Excellence Graduate Trainee Program: Training the Next Generation of Sustainable Palm Oil Managers



Every year, we train high potential individuals through our Plantation Center of Excellence Graduate Trainee program. We invite fresh graduates from Universities and our own employees who excel in their jobs to apply for the program which equips them with skills such as horticulture, mill processing, management, leadership and certification. Through the program, our goal is to train future generations of skilled planters and managers in sustainable palm oil production. While most of the graduates embark on careers with Asian Agri in areas such as mill and estate operations, others also move on to work with smallholders.

In 2021, we trained 228 individuals through this program. Out of this number, 194 are currently employed by Asian Agri and the remainder is still undergoing on-the job training. Following a competitive selection process, these trainees undergo training while being assessed for their suitability for employment. This includes:

- **Classroom sessions:** 3 months of classroom sessions taught by industry experts and experienced Asian Agri employees on the science of sustainable palm oil production. Through these sessions, trainees also learn about Asian Agri's sustainability policy and the company's commitment to zero deforestation, peatland protection and programs to support rural communities.
- **On-the-job training:** 3 months of practical on-the-job training where trainees are sent to Asian Agri's various mills, estates or plasma smallholder partners. During this period, trainees are expected to identify and resolve on-the-ground issues that smallholders and estate managers face on a regular basis.
- **Evaluation:** After 6 months, trainees are evaluated based on their competence and character on their suitability to be employed by Asian Agri.



Labour Rights and Workers Welfare

We recognise that labour issues remain significant and complex to address within the palm oil industry. As such, we do all we can to protect the labour rights of the workers in our operations.

As outlined in our Human Rights Policy, we respect and support the Universal Declaration of Human Rights (UDHR), as well as the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at work. We have pledged to achieve the promotion of universal respect for, and observe, human rights and fundamental freedoms. This is based on the United Nations' (UN) Guiding Principles on Business and Human Rights framework.

Our Human Rights Policy outlines our commitments towards

- Zero tolerance towards forced labour and child labour
- Ensuring our workers receive fair wages and a decent living wage
- Gender equality and protection of women workers
- Ensuring our workers have freedom of association and the right to collective bargaining
- Equal opportunities, non-discrimination and no harassment at the workplace

These strict policies also extend to our temporary workers and other stakeholders such as suppliers and partners.

Forced Labour and Child Labour

408-1, 409-1

Forced labour is a significant issue that can occur in Indonesia's palm oil industry, due to the nature of the work in plantations which exposes workers to the risk of seasonal work, low wages, long hours and poor health and safety conditions. Similarly, child labour can also occur due to the poor quality and availability of schools in rural areas, or simply as a result of children loitering or playing in plantations.

As such, we enforce a strict policy against forced labour and child labour in all our operations, as verified by our auditors in our certification process. We provide childcare and educational facilities to our workers to ensure their children do not accompany them to the plantations. This policy also applies to all workers who are hired by sub-contractors to work in our concession areas. Our employees conduct daily checks on subcontracted workers in our concessions. If any breaches are found, it could lead to contract termination.

Every supplier we engage with is required to sign a letter committing to zero tolerance towards forced labour. Similarly, to prevent children from entering the plantations, we liaise with our smallholders regularly and remind them not to bring their children to the plantations while they are working.

In 2021, as with previous years, none of our operations or suppliers had any cases of forced/labour or young workers exposed to hazardous work. It is our firm commitment to ensure that none of these incidents occur in our operations.

Gender Equality and Equal Opportunities

We have non-discrimination policies in place and have formed a Gender Equality Committee to examine how we can improve our commitment. The committee holds meetings at least twice a year on any issues related to discrimination, harassment, equal opportunities and other related issues.

For more information on the benefits provided to our employees, refer to page 38.

Freedom of Association and Collective Bargaining

102-41

We support the freedom of all our employees to collective bargaining through labour unions. Participation in labour unions allows our employees to better communicate their expectations and aspirations. Our collective labour agreement, through the Indonesian Worker Union (PP SPSI Sumatra), was created and approved by all 160 companies who are members of Agency for Corporation of Sumatra Plantation (Badan Kerja Sama Perusahaan Perkebunan Sumatera - BKSPPS). The agreement covers issues such as working time, number of working days, days off, wages, over time rate, bonus, social security and assistance, health and safety and termination. When disputes occur between workers and the company, PP SPSI Sumatra will act as a mediator between them. If required, they will also assist the worker to file their case to the governmental labour service agency or to the courts.

Some of our workers are also members of the Indonesian Trade Union Confederation (Konfederasi Serikat Buruh Seluruh Indonesia - KSBSI), which provides similar benefits as PP SPSI Sumatra.

Grievance on Labour Rights

In May 2021, a labour strike occurred in Jambi and the demands from our workers were for an increase in wages and the appointment of permanent workers. Both parties went through mediation and negotiation the following week, before agreeing to both points as follows:

- Wage increase as demanded (starting from the beginning of the year and for the payment to be combined with the next salary payment)
- Appointment of permanent employees to be carried out in a proportional, selective and gradual manner

Moving Forward

As the palm oil industry and profile of the workforce continues to evolve, we also need to continue monitoring changes with regards to labour rights risks in our operations. To do that, we rely on a variety of channels such as results from audits in our certification process, daily checks on subcontractors conducted by our employees, and the voices of our worker committees and trade unions. We will continue to improve on our policies, procedures and processes to ensure that our workforce – and that of our subcontractors – continue to enjoy the economic benefits of working in the palm oil industry while having their welfare protected.



Occupational Health and Safety

Ensuring Safety is Everyone's Responsibility

Safety is a top priority at Asian Agri and we strive to maintain a workplace culture where safety is everyone's responsibility. We believe that it is in only in this way that we are able to eliminate risks of accidents and illnesses among our workers and employees. This also helps us to ensure that operations are not disrupted and our employees and workers can perform their duties comfortably. We also apply the same high safety standards for our contracted third-party workers. All these efforts are overseen and managed by our Health, Safety and Environment (HSE) Department.

We continuously strive towards having zero fatalities and disabilities in all our operations.



Zero fatalities
and zero injuries
resulting in permanent
disability in 2021

Protecting Our Workers from Hazards

403-1, 403-2, 403-3, 403-4, 403-5, 403-7

Occupational Health and Safety (OHS) Management Systems

We implement an OHS management system in line with Government Regulation no.50, 2012, on the implementation of OHS Management System (SMK3) – a mandatory regulation by the Indonesian government. Our OHS management system covers all employees, sub-contractors and suppliers working under the supervision of Asian Agri, as well as all work activities and environments involving labour, including our plantations, KCPs, mills, biogas plants and other areas.

OHS Committees

Each of our estates and mills have an OHS Committee to enforce Asian Agri's safety protocols and standards. They are responsible for identifying potential hazards and ensuring that our safety equipment is available and in good working condition. To carry out their responsibilities, they meet quarterly to discuss safety issues and concerns.

Health and Safety Awareness and Training

In addition, our OHS Committees also conduct regular training and safety drills for our employees as part of their day-to-day responsibilities. Our training, provided free of charge and are mandatory for all workers, includes topics such as basic safety training, first aid, recognising danger and risks at the workplace, safe handling of hazardous waste, OHS regulations and permits, emergency response procedures and fire-fighting drills. Most of these workshops are conducted once a year. To ensure that our training remains relevant and engaging, we seek feedback from workers after every session through feedback forms, update our training content whenever new OHS regulations arise, and provide opportunities for our trainers to deepen their knowledge and skills.

To eliminate the risks of accidents, we conduct refresher sessions every morning with our employees to stress the importance of donning Personal Protective Equipment (PPE) and adopting responsible and safe working habits.

To constantly remind our workers about the importance of safety, we distribute weekly safety bulletins and place safety notices on warning boards at all areas of medium to high risk and portals/gates.

We also conduct health workshops on issues on topics, such as drugs and substance abuse, fight against stunting and malnutrition for mothers and children, and raise awareness on protection against COVID-19.

Provision of Personal Protective Equipment (PPE)

In the plantations, our workers are exposed to risks such as insect bites, cuts, bruises, fractures, sprains as well as health effects from chemical substances. In the mills, our workers are exposed to the risk of burns, falls and accidents involving machines or heavy equipment.

To minimise any incidents from occurring, we provide our workers with PPE including gloves, helmets, boots, goggles, masks, earmuffs and safety clothing. We ensure that the type of PPE is adequate for the nature of their work. For example, workers in the steam turbine section are provided with earmuffs, while workers handling chemicals are provided with masks. If workers are not fully equipped with PPE, they are not allowed to begin work.

Hazard Identification, Risk Assessment and Incident Investigation

Workers who do not feel safe are able to stop work anytime and report any incidents to us through our email and telephone hotline. On-site workers can fill report forms to be submitted in the complaints box located in each site office. These reports are filed anonymously and confidentially, and workers are protected from reprisals. For more information on our grievance procedure, see page 23.

Whenever an incident occurs, it is reported to the OHS officer in charge of the estate or mill who will then investigate the situation. The OHS officer will then log an incident report and an investigation team will conduct a site investigation 48 hours after the incident occurred at the latest, involving the interviewing of witnesses and obtaining physical evidence. After the investigation is completed, the team will provide recommendations on how to prevent such incidents from occurring in the future.

Starting from 2022, OHS officers must report any incidents resulting in major injuries – such as hospitalisation or permanent disability – to our OHS team in the Head Office within 48 hours. The OHS team at Head Office will then conduct an on-site investigation of the incident, log the incident report and provide recommendations to prevent recurrence. In the past, only incidents resulting in fatality will have to undergo this process.

In addition, our OHS experts conduct risk assessments, used for reporting to government agencies twice a year and for the audit process for sustainability certifications.

Information gathered through these channels help us to identify and update the hazards and risks faced by our workers. We are then able to improve our OHS management system accordingly

Safeguarding Worker Health

403-6

To safeguard the health of our workers, we built clinics and provide first aid kits in strategic locations across our plantations and mills, ensuring that workers have easy access to medical facilities when the need arises. There is a clinic in every estate or group of estates.

In the event of an emergency, we implement a standard protocol where the foreman (or closest co-workers) will apply first-aid using the first-aid kit provided to each foreman. For more serious cases, the patient will be transported to the clinics available in the estates or sent by ambulance to the nearest hospital. All our employees are covered by health insurance.

We also provide regular health check-ups for workers. For those operating in environments with higher risk of health issues, such as workers regularly exposed to herbicides and pesticides, check-ups are scheduled twice a year. Other workers who do not handle chemicals are provided with annual check-ups. These tests are conducted in our clinics by third party lab personnel. In 2021, we were able to resume these annual medical check-ups for our employees, while still adhering to strict health protocols. This was also clearly explained to the workers who understood the limitations.

Our Performance

403-9, 102-48

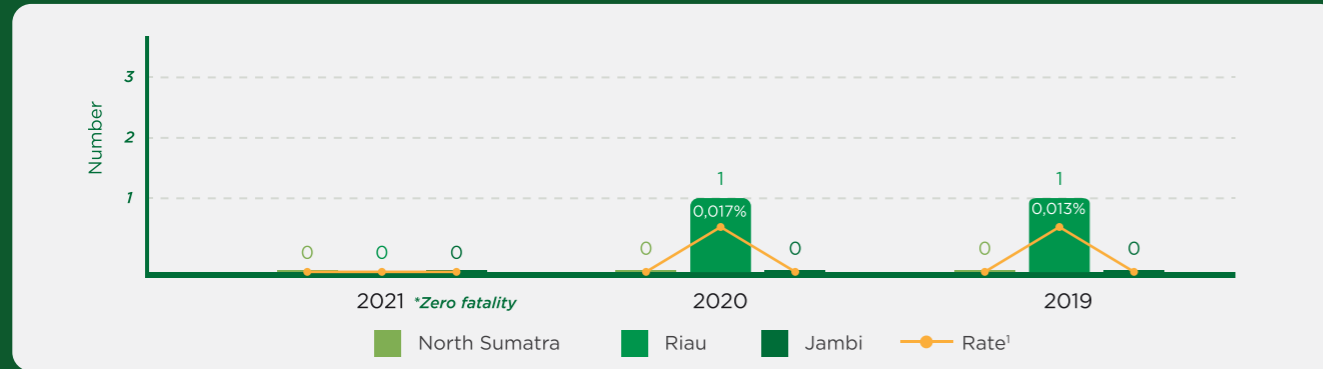
In 2021, we had zero fatalities and zero injuries resulting in permanent disability, as a testament of our commitment to worker safety. However, despite our best efforts, accidents do continue to occur and in these unfortunate cases, we do our best to provide support for victims and their families.

To prevent incidents from occurring, we ensure that a Job Safety Analysis (JSA) is conducted before any work begins, especially for high-risk activities. This involves a step-by-step procedure to assess the work required and identifying any risks that could occur. We continue to strive towards our vision for a zero-fatality and zero-accident workplace.

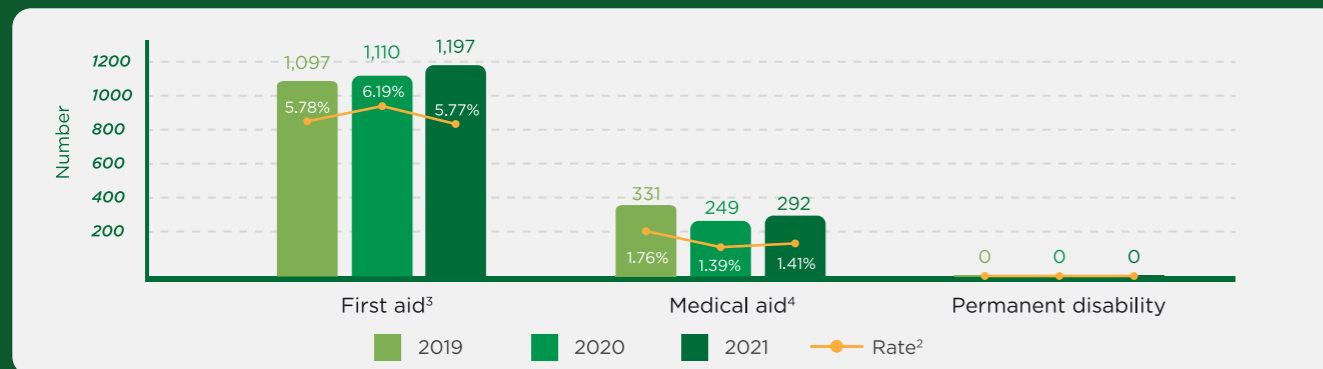
To meet our goal of eliminating fatalities and reducing the rate of injuries and illnesses, we believe it is important to maintain records of incidents. By evaluating each incident after they occur, we are also able to identify areas for improvement and prevent similar incidents from occurring in the future.



Work-related Fatalities



Work-related Injuries



There have been no work-related accidents resulting in permanent disability in the past three years (2019-2021).

Injury Rate, Lost Day Rate and Absentee Rate by Region

Region	Year	Injury Rate ⁵		Lost Day Rate ⁶		Absentee Rate ⁷	
		M	F	M	F	M	F
North Sumatra	2021	4.72%	0.17%	1.06%	0.00%	1.56%	0.09%
	2020	2.83%	0.05%	2.46%	0.00%	0.78%	0.01%
	2019	5.07%	0.30%	71.93%	0.43%	1.56%	0.09%
Riau	2021	10.93%	0.66%	12.32%	2.99%	2.47%	0.07%
	2020	14.05%	0.45%	115.17%	0.60%	2.75%	0.09%
	2019	9.87%	0.27%	100.21%	0.52%	2.47%	0.07%
Jambi	2021	7.32%	0.14%	10.70%	0.11%	0.61%	0.01%
	2020	9.85%	0.18%	5.56%	0.00%	0.92%	0.02%
	2019	4.56%	0.08%	3.07%	0.00%	0.61%	0.01%

Moving Forward

Given the nature of our work, OHS is a key priority for us and it is only through continual vigilance and improvements that we can strive towards a zero-fatality and zero-accident workplace. We have in place different levels of governance to ensure that our approach to OHS remains robust, from our HSE Department at head office, OHS Committees in each of our estates and mills, as well as OHS officers and teams in charge of investigations and risk assessments.

¹Number of fatalities x 200,000/man-hours; Man-hours: Number of workers x scheduled working days x 7 hours per day
²Number of injuries x 200,000/man-hours; Man-hours: Number of workers x scheduled working days x 7 hours per day. We have restated the figures for 2019 and 2020, due to miscalculations in figures for our last sustainability report (2019-2020)
³First Aid refers to any incident that can be addressed by applying first aid and workers can continue working after a short rest. This includes small cuts and scrapped skin.
⁴Medical Aid refers to any incident that requires special care or medication and the workers need day off(s) to recuperate
⁵Number of injuries x 200,000/man-hours; Man-hours: Number of workers x scheduled working days x 7 hours per day
⁶Lost days are calculated after 2 scheduled work days
⁷Includes absentees due to work-related injuries and illnesses, but excludes absentees from work without permission



Biodiversity and Conservation

We believe in the importance of adopting responsible and sustainable practices in palm oil production, in order to protect Indonesia's forests and prevent deforestation, loss of diversity and forest fires.

2030 Targets	Performance 2021
One to One restoration area	Starting the process of obtaining legal permits for the areas that we plan to develop as restoration ecosystem.
No new land use change for plantations	Continue to adhere to our commitment of no new land use change for plantation since 2003.



One to One restoration target by 2030. We aim to restore or conserve degraded land for every hectare we planted.

We adhere strictly to our Sustainability Policy which sets out our commitments to biodiversity and conservation. This includes our NDPE-commitments towards:

- **No Deforestation:** Protecting areas of high conservation value (HCV) and high carbon stock (HCS), including the setting up of riparian zones.
- **No Peat:** Protecting peatland regardless of depth.

These standards also apply to our smallholders, and we are committed to investing in robust smallholder programs to help them comply with the required standards for regulations and certifications, including compliance with our NDPE-commitments.

Our Focus on Replanting

Since 2003, we have in place a moratorium on any forest clearance and new peatland development. Instead, we focus on replanting and increasing yield in our existing estates. We do this for our own estates and work together with our smallholders to do the same.

Our current estates, including those owned by our plasma smallholders, were developed in the 1990s on degraded forests with low biodiversity value. Generally after 25 years, we replant new trees when our existing oil palms have reached maturity and are no longer considered productive in terms of yield and quality of fresh fruit bunches (FFB). In line with our 'zero burning' policy, the existing trees are cut down, and leaves and

fronds are allowed to decompose to form fertiliser for new plants. This replanting process to prepare the land takes about six months. Currently, we have replanted more than half of our own estates, and have replanted more than 5,000 ha of smallholder land since 2016, including 1,800 ha replanted in 2021 alone. Our goal as part of AA2030 is to help 100% of our smallholders complete our replanting program.

We use high quality Topaz seeds developed in-house for replanting, and support our plasma and independent smallholders in this process. For further information on our quality Topaz seeds, please go to refer to our [website](#).

Protecting Conservation Areas and Biodiversity

304-4

Identification and Assessment

In line with our Sustainability Policy, prior to any replanting, we conduct relevant assessments including HCV assessments, peatland mapping and Social and Environmental Impact Assessments. We also develop and implement conservation and management plans.

All our existing estates are subject to HCV assessments conducted by third-party RSPO-approved assessors and peer-reviewed by independent assessors, in line with sustainability certifications. These assessments include issues such as habitat quality, soil conditions, peat presence and river quality.

Through these assessments, we identified HCV areas which have been set aside as conservation areas. We also identified and continue to monitor flora and fauna species within our concessions listed as Critically Endangered and Endangered in the IUCN Red List, including the Northern River Terrapin, Scaly Anteater, Dark-handed Gibbon, and Sumatran Elephant. A full list of endangered species found in our concessions can be found on our [website](#).

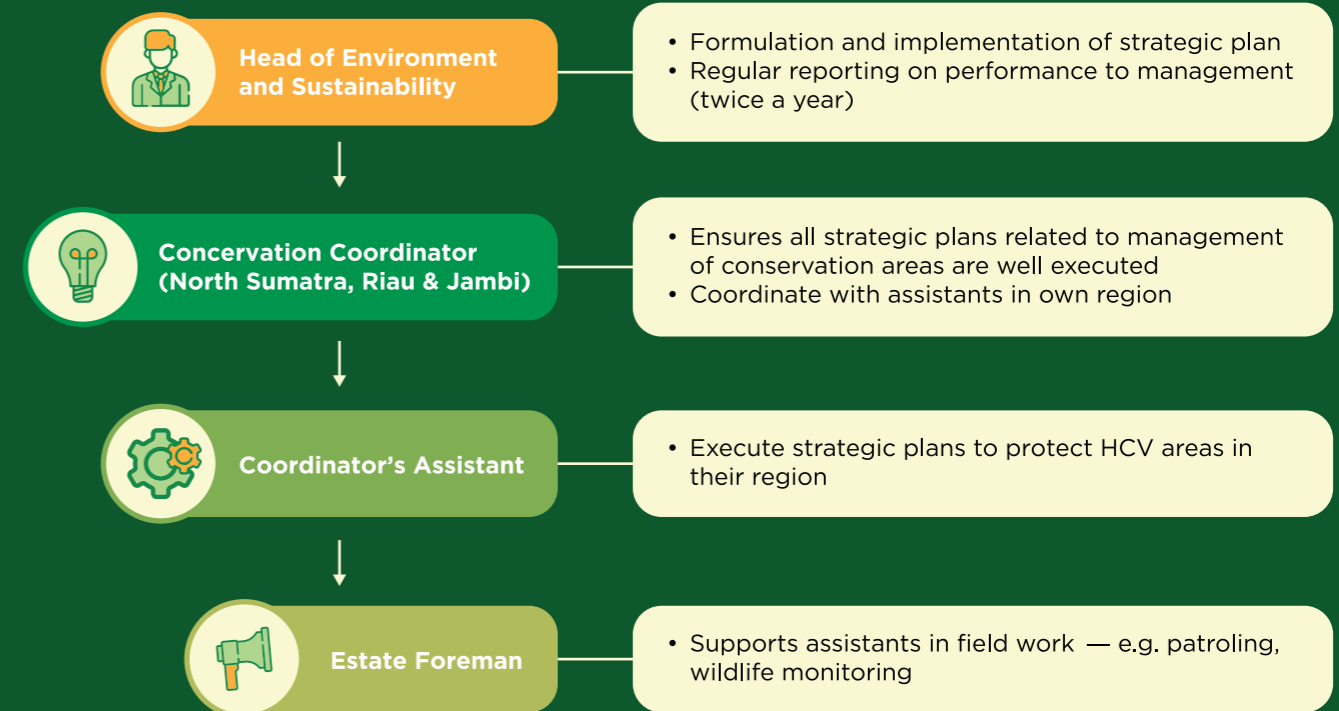
In addition, we establish riparian zones and areas that are of high cultural value to local communities.



Management

To ensure the long-term protection of these conservation areas, aligned with our sustainability commitment, we have conducted required assessments such as HCV/HCS integrated assessment, Social and Environmental Impact Assessments (SEIAs) or AMDAL and peatland assessments within our operations. Although Asian Agri don't have new planting over 2015, we adhere to HCS policy and assessment as part of our sustainability commitment.

To ensure that these management plans are implemented, we have established a dedicated team to oversee the process:



We maintain a strict policy against trapping, hunting, fishing of endangered species. We inform the local community about this policy by putting up signs prohibiting trapping, hunting, fishing and trespassing in these areas. We have also assigned field staff to monitor and record details of relevant species daily. We have a team on the ground patrolling our concession areas, and if a breach in our policy is found, individuals will be given a warning or prosecuted by law for major violations.

Commitment to One-to-One Restoration Area

By 2030, we aim to restore and conserve 100,000 hectares of degraded land for every 100,000 hectares of planted land. This is part of our AA2030 ambitions. To meet this target, we will draw from our past experience working on our one-to-one commitment for smallholders where we matched each hectare of our own plantations with one owned by the smallholders.

We have identified several locations in Indonesia that we consider suitable as ecosystem restoration areas. Currently, we are at the stage of obtaining an ecosystem restoration permit, which is expected to be obtained in the coming years.

Peat Management

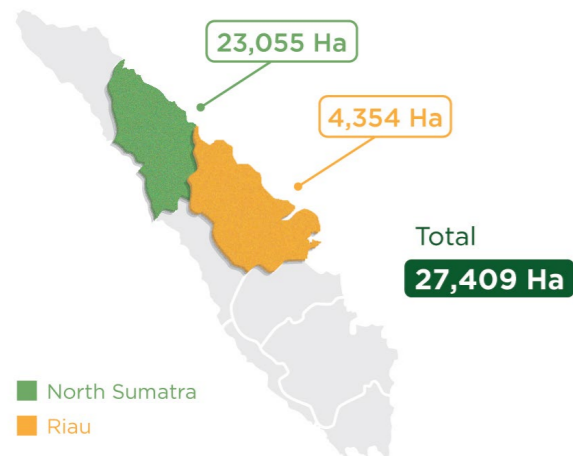
307-1

We are committed to no new development on peat, defined as organic soils with 65% or more organic matter, regardless of the depth of peat. Prior to any new planting, peat experts from our R&D department conduct peatland mapping and assessments, where they produce a peatland map showing areas that should be protected from any new development.

For peat areas assessed to be unsuitable for replanting, we collaborate with expert stakeholders and communities to explore options for long-term restoration or alternative uses.

Some of our plantations in North Sumatra and Riau are in peatland areas. We are currently managing seven peatland estates, representing around 26% of the total area under our management.

Peatland Area (Ha)



Note: We do not operate on any peatland areas in Jambi.

To preserve peatlands, we implement the following measures in line with the RSPO Best Management Practices on Peatland:

- **Measuring drainage levels:** We conduct drainability assessments five years prior to replanting in peatland areas to determine the suitability of the land. This helps us to determine the best water management approach for the peatland, for example using bunds, water gates and weirs to prevent inflow of water during the monsoon period which can damage peatlands. Our procedure requires that water levels should be maintained throughout the year at between 50-70cm from ground level. To do this, we create water barriers or gates on each drainage channel

- **Measure subsidence levels:** We preserve peatland by installing subsidence poles at strategic locations to monitor the level of peat subsidence monthly.

Environmental Grievances

In 2021, despite our best efforts, we had one grievance regarding non-compliance with environmental laws and regulations.

In February, heavy rainfall caused one of the embankments of our POME pond to break and waste water flowed into the nearest river. The local community and government environmental agency filed a complaint about this matter. To address this, our mill manager from the public relations team – along with a local government official – conducted a spot-check of several locations along the river to determine the cause and effects of the incident to the ecosystem. They also developed an action plan to address the situation. Since then, we have repaired and strengthened the embankment to prevent future incidents from occurring. We also completed all administrative sanctions in accordance with local regulations, and are awaiting finalisation of case closure from the relevant agencies. In addition, we also offered compensation to the local communities affected by the incident.

All of our environmental-related grievances can be found in the Grievance Update section of our [website](#).

Moving Forward

103-3

Replanting remains our key priority to allow us to continue growing our business in a sustainable manner. As such, we continue to invest significantly in our replanting efforts, working closely with our smallholders. Learnings gathered through engagements with smallholders are critical to help us improve our approach. To meet our conservation targets, we rely on results of our HCV/HCS integrated assessment, peatland mapping and SEIAs. Our grievance procedure is also key to help us flag recurring issues that we need to address. In our next phase of work towards our one-to-one restoration target, we will be obtaining legal permits for identified locations in Indonesia suitable as ecosystem restoration areas.



Fire Prevention and Management

Preventing Forest Fires in Indonesia

Forest fires and transboundary haze are long-standing problems in Indonesia, particularly during the dry months of July-October. The causes remain complex, including factors such as the use of traditional slash-and-burn methods to clear land and the conversion of highly flammable peatland for agriculture. The effects then create significant damage to the environment, as well as to the health and livelihoods of people in Indonesia.

We recognise the important role played by palm oil companies to prevent these problems from occurring.

At Asian Agri, our two-pronged strategy for fire prevention and management includes:



IDR 2.35 billion
billion in “no burn incentives” distributed through programs and equipment to villages since 2017



‘Zero Burning’ and ‘No Peat’ policy

Ensuring that our own operations, smallholders and surrounding communities adhere strictly to our No Deforestation, No Peat, No Exploitation (NDPE) principles



Fire-Free Village Programme (FFVP)

Working with local communities to adopt alternatives to slash-and-burn techniques to clear land

Hotspots and fire incidents in our own estates, smallholders and surrounding communities

We recognise that fire prevention and management continues to remain a challenge for our industry.

Fires do continue to occur but not in our concession areas. Activities by the local community such as discarding burning cigarette buds in our concession areas present a risk of hotspots starting. To prevent this, we have raised awareness regarding fire prevention and suppression including installing boards prohibiting fishing in the rivers within our plantations. Most importantly, we continue to invest in our Fire-Free Village Programme (FFVP) to strengthen awareness on fire risks among the local community, believing that prevention is the best approach.

In 2021, we had zero fire incidents. We did have four hotspot incidents in our concessions (PT Inti Indosawit Subur). Our Fire and Prevention Management team immediately conducted further investigation and field checks and determined that no fires were found. These cases are now closed.

All incidents of hotspots are recorded in our grievance log [here](#).

In total, all 16 villages under our Fire-Free Village Programme were successful in keeping their villages free of fires.

Year	Own Estates		Smallholders		Surrounding Communities	
	Number of hotspots	Number of fires	Number of hotspots	Number of fires	Number of hotspots	Number of fires
2021	4	0	1	0	344	0
2020	0	0	2	0	30	0
2019	3	1	29	0	9	0

'Zero Burning' and 'No-Peat' Policy

In 1994, we implemented a strict 'zero burning' policy for land clearing for all future replanting. Our suppliers and smallholders are also required to adhere to this policy.

Recognising that planting on highly flammable peatland is also a major cause of forest fires, we also implemented a strict 'no-peat' policy and prohibit developments on peatland of any depth. For more information on our approach to the protection of peatland, go to page 50.

Responding to fire incidents

To prevent fire incidents from happening, we provide training for our employees in each region, per module, annually. Training modules include spotting fire risks, fire drills and basic fire-fighting methods.

To ensure that we are ready to respond to hotspots or fires if they occur, we have the following emergency response measures in place, working in close partnership with the local fire brigade:

- Dedicated team monitoring occurrence of hotspots using satellite imagery
- Operational teams sent out to attend to emergency situations
- Providing fire equipment and infrastructure to combat and extinguish fire occurrences

Fire-Free Alliance (FFA): Working Together for A Fire-Free Indonesia

We are a member of FFA, a voluntary multi-stakeholder group - consisting of forestry and agriculture companies, NGOs and other partners - committed to working together to achieve lasting solutions for a fire-free Indonesia. As a member, we share data and information to the FFA Secretariat and also conduct discussion with other members to better address problems of persistent fires and transboundary haze in Indonesia.

Fire-Free Village Programme





In 2016, we launched our Fire-Free Village Programme (FFVP) with ten villages - eight in Riau and two in Jambi. The FFVP is a holistic programme designed to engage and support the local community to use alternatives to slash-and-burn methods to clear their land. Such methods of community engagement have been recognised as a proven method for fire prevention.

When selecting villages to participate in FFVP, we identify villages in the vicinity of our estates as well as villages that are prone to fire - for example, those located in peatland area or with recurring fire incidents.

Today, we work with 16 villages in Riau and Jambi covering 343,276 hectares of land to prevent fires.



Number of Villages in our FFVP

Number of Fire-Free Villages	Villages	Total Land Covered (Ha)	Population
Riau	<ol style="list-style-type: none"> 1. Rantau Baru 2. Tambak 3. Lubuk Ogong 4. Segati 5. Bagan Limau 6. Sotol 7. Lalang Kabung 8. Delik 9. Kuala Terusan 	 173,006	 28,974
Jambi	<ol style="list-style-type: none"> 1. Teriti 2. Muara Sekalo 3. Semambu 4. Tuo Sumay 5. Suo-Suo 6. Lubuk Bernai 7. Lubuk Lawas 	 170,270	 16,380

About the FFVP

To implement our FFVP, we work closely with stakeholders, such as the Indonesian National Armed Forces, police, environmental affairs and forestry ministry's fire task force "Manggala Agni", and the village communities, collaborating with them on activities such as joint patrolling, training and knowledge sharing.

Our FFVP consists of the following components



Enhancing Community Awareness

Engaging with the local community to increase their awareness on the negative health impact of fire and haze. To do this, we appoint a group consisting of our estate managers, village crew leaders, members of Fire Care Community (Masyarakat Peduli Api) – a community that voluntarily controls forest and land fires in their village – and sub-village heads to coordinate and exchange information regarding fire occurrences within our operations and in the community. Members use instant messaging platform or by mobile phone to alert us on cases.

This is an important component as one of the main causes of fire in Indonesia is human activities, such as the discarding of burning cigarette buds and land clearing.



Training Community Leaders

Identifying Community Fire Crew Leaders from villages and training them as:

- Fire prevention advocates
- Fire suppression specialists

Training is conducted by the Manggala Agni, police, Human Resource Training Center of the Ministry of Environment and Forestry, and NGOs.

The Community Fire Crew Leaders undergo up to 52 hours of classroom training at the Training Centre for Environment and Forests, as well as three days of practical lessons. During training, participants learn the basic skills needed to: use a GPS-based Android, execute fire patrol, inform the public about fire safety and prevention, and participate in carefully controlled fire simulations.

In 2021, a series of fire awareness socializing events was held to replace the training sessions, with estimated of 300 people in attendance, including villagers and crew leaders.



Assisting with Land-Clearing Alternatives

Providing the community with alternatives to slash-and-burn land clearing techniques, as well as heavy machinery to adopt these alternatives.



Providing 'No-Burn' Incentives to Develop the Local Economy

Villages which successfully prevent fires in their village for one year will be rewarded with IDR100 million, which can be used to improve village infrastructure and amenities. A partial reward of IDR50 million is also given to villages which limit burning to under one hectare. Instead of distributing the reward in cash, we provide funding which they can use to develop the local economy. In the past, villages have used the reward for the construction of roads, bridges and places of worship, or the setting up of businesses, such as a motorcycle wash station and handicraft stalls.



'No-Burn Incentives' Distributed

Since 2017, we have distributed a total of IDR2.35 billion to incentivise villagers to prevent fires in their community.

Year	Number of Villages	Amount Distributed (IDR)
2017	5	500 million
2018	11	1,050 million
2019	6	500 million
2020	1	100 million
2021	4	200 million

Working with New Villages

We undergo the following steps before including new villages to the FFVP:

- 1. Assessing fire risk:** Surveys are conducted to ascertain which villages have a higher risk of fires.
- 2. Garnering support from stakeholders:** To achieve success in the FFVP, it is crucial that we have the full support of government agencies, such as the Coordination Board for Agriculture, Fishery and Forestry (Bakorluh – Badan Koordinasi Penyuluhan Pertanian, Perikanan dan Kehutanan), and the Estate Crop Agency (Dishutbun – Dinas Kehutanan dan Perkebunan).
- 3. Signing of MOU with village head:** Once we are ready to accept new villages into the programme, an agreement is signed between the village head and Asian Agri.
- 4. Electing village crew leaders:** Our HR department will select members from the community to be village crew leaders if they fulfil certain criteria, such as physical fitness, previous fire-fighting experience, and strong communication skills. Their main role is to prevent fires, conduct patrols, firefight, and report to stakeholders, such as the village head.
- 5. Training village crew leaders:** We conduct training in partnership with stakeholders, such as the Instructor Coordination Board (Badan Koordinasi Penyuluh), and the Training Center for Environment and Forestry (Balai Diklat Lingkungan Hidup dan Kehutanan).

Pledge to prevent forest and land fires during COVID-19

Despite the ongoing pandemic, we remain committed to fire prevention by implementing the Fire-Free Village Programme (FFVP) in five more villages around our operational sites.

In June 2021, we signed a FFVP MOU with Teriti village, Tuo Sumay village, Muara Sekalo village, Suo-Suo village, and Semambu village, and continue to work closely with village officials, government agencies, TNI and Polri to assist and support fire prevention activities and provide firefighting assistance, when needed.

The FFVP was launched in Jambi in 2017 and has proven effective in preventing forest and land fires. Since joining, Teriti and Muara Sekalo are now fire-free villages. In Tuo Sumay, Suo-Suo, and Semambu, fires have significantly decreased at around two hectares per year.

Helping the 'Fire Aware Community' tackle forest fires

The involvement of communities who live in fire-prone areas is vital to prevent the seasonal forest fires from happening.

Local members of the Maro Sebo Ilir district, Batanghari regency, Jambi, formed a forest-fire prevention team, called the Fire Aware Community (FAC). As part of our FFVP, we have provided basic fire-fighting training to around 60 members, including theoretical training on how to stay calm and act in a fire crisis, as well as providing hands-on expertise and training.

The FAC from Tambak village in Riau, which is part of our FAC community, also continues its fire-prevention goal by conducting fire patrols to prevent forest and land fires, while observing safe distancing measures. Since 2020, it has been a fire-free village and aims to maintain this status.

Collaborating with communities and authorities to address forest fires

We have launched the 'Fire-Free Community programme' to take proactive and preventative steps to address forest and land fires in areas where we operate.

As part of the programme, our employees at Inti Indosawit Subur (IIS) which operates in Maro Sebo Ilir, Batanghari Regency, provided basic fire training to plasma and Swadaya smallholders in March.

We are also working with the Maro Sebo Ilir government, Maro Sebo Ilir police, Koramil 415-04, POKDARKAMITIBMAS, and Maro Sebo Ilir firefighters to create a joint and united force to combat forest fires.

Moving Forward

103-3

Preventing hotpots and fires is a key priority for us to continue operating in a responsible manner. Despite our best efforts, we still face challenges in preventing hotspots. To better understand where our gaps and risks lie, we examine information on hotspots gathered by our Fire and Prevention Management team, satellite imagery and our grievance procedure. This allows us to make continuous improvements to our FFVP and other awareness-raising efforts for smallholders and the community. Over the years, we have added different enhancements to our programmes and will continue to do so in the years ahead.



Energy and Carbon Management

ASIAN AGRI 2030 Targets	Performance 2021
Net zero emissions from land use	Starting the process of obtaining legal permits for the areas that we want to develop as restoration ecosystem.
100% renewable energy for our operations	Identify suitable sources of renewable energy, such as solar panels
Promote eco green for sustainable operations	<ul style="list-style-type: none"> ✓ Almost 90% reduction of methane emissions in our 10 biogas plants ✓ Almost 90% of Biogas yield is used for power generation which is around 40% of total power generated. ✓ Maintaining 100% sustainability certifications



We aim to have net zero emissions from land use and rely on 100% renewable energy for our operations by 2030

Meeting our Net Zero Emission Targets

302-1, 302-3, 305-1, 305-2

By 2030, we aim to achieve net zero emissions from land use. To do this, we will be hiring an external consultant in 2022 to help us assess our carbon footprint across our operations. This will help us establish a baseline to further reduce our carbon emissions.

Over the years, we have taken steps to reduce our carbon footprint in the following areas:

- **GHG emissions in our estates:** In particular peatland oxidation, land conversion and synthetic fertilisation, which are the major sources of GHG emissions in our estates
- **Palm Oil Mill Effluent (POME) in our mills:** In particular methane emission, which is the largest source of emissions in our mills

This is based on our GHG calculations using the RSPO Palm GHG Calculator and ISCC Guidelines, which we have been using since 2012 to better understand the main contributors of GHG emissions in our estates and mills.

Meeting our Energy Needs

To meet our energy needs, we rely on a combination of renewable and non-renewable sources.

In 2019, we started using B30 biofuel for our heavy equipment in some of our estates and mills, which contains 30% of biodiesel. By 2020, all of our operations are using B30 biofuel as mandated by the government.

Energy Produced	Main sources	Main usage
Procured from third party	Biodiesel (B30)	<ul style="list-style-type: none"> • Transportation and heavy equipment for cultivation and field maintenance • Electricity in housing complexes and offices • Diesel generators to support mill process
Produced by Asian Agri	Fibre, palm shell, and biogas	<ul style="list-style-type: none"> • Operating our mills & KCPs • Providing electricity to our housing complex and local communities where rural electrification is usually a challenge <p>Note: We also sell excess electricity to the grid</p>

Total energy consumption within the organisation (TJ)

Energy Consumption	2021	2020	2019
Fuel consumption			
Total fuel consumption from non-renewable sources	333	348	398
Total fuel consumption from renewable sources	12,416	12,277	13,213
Electricity, heating and steam consumption			
Electricity consumption (renewable and non-renewable)	613	576	588
Electricity, heating and steam sold			
Electricity sold (renewable and non-renewable)	6	8	18
Total energy consumption	13,368	13,209	14,217

Note: Asian Agri does not purchase and sell energy for steam, heating and cooling.

Diesel consumption (litres)

Region	2021	2020	2019
North Sumatra	3,237,454	2,780,851	2,846,595
Riau	4,117,993	4,410,123	4,941,970
Jambi	1,416,912	1,904,409	2,519,406
Total	8,772,359	9,095,383	10,307,971

GHG emissions sources and sinks (MT CO₂e) – RSPO Palm GHG in 2021

Emission Source	GHG Emissions (MT CO ₂ e)
Land clearing/conversion	499,793
Fertiliser	72,568
N ₂ O	262,016
Estate fuel consumption	20,149
Peat oxidation	1,415,981
Crop sequestration	- 473,737
Methane from POME	303,216
Mill fuel use	3,390
Grid electricity utilisation	1,146
Export excess power	-3
Palm Kernel Shell (PKS) sales	- 426,715
Emissions from third party Fresh Fruit Bunches (FFB)	1,162,999
Total	2,840,803

Note: We use the RSPO PalmGHG Version 4 Calculator to calculate emissions for the different categories above deriving from our RSPO-certified palm oil operations.

Total scope 1 and scope 2 GHG emissions

Scope	2021	2020	2019
Scope 1 GHG emissions (tCO ₂ eq)	2,577,114	2,660,082	2,544,778
Scope 2 GHG emissions (tCO ₂ eq)	1,146	1,240	1,920

Note: We calculate our Scope 1 and 2 GHG emissions by mapping the categories from the RSPO PalmGHG Version 4 Calculator against the definition of Scope 1 and 2 emissions based on the GHG Protocol. Moving forward, we will be conducting a carbon-footprinting exercise across our operations and aim to report our Scope 1 and 2 emissions based on the GHG Protocol. The relevant grid emissions factors have been used to convert purchased electricity to Scope 2 indirect emissions.

GHG emissions per region (tCO2eq)¹

Region	2021	2020	2019
North Sumatra	2,145,016	2,251,436	2,387,095
Riau	608,000	692,912	764,037
Jambi	87,787	81,783	75,685
Total	2,840,803	3,026,131	3,226,817

Total GHG emissions intensity

GHG Emission	2021	2020	2019
Total GHG emissions (tCO2eq)	2,840,803	3,026,131	3,226,817
Total GHG emissions intensity (tCO2eq/t CPO)	3.34	3.51	3.43

Reducing our Carbon Footprint

To reduce our carbon footprint, we rely on a multi-pronged strategy with different approaches across our supply chain:



¹ Based on RSPO PalmGHG calculation version 4.0, which we have been utilizing since 2019.

In our Plantations

'No Peat' Policy

We adopt a firm stance and strictly prohibit new developments on peatland of any depth. This is because we recognise that one of the biggest GHG emissions from the palm oil industry is expansion on peatland, which releases high levels of stored carbon into the atmosphere.

For more information on our approach to peatland protection, please go to page 50.

Protecting Conservation Areas and Restoring Ecosystems

For more information on our approach to protecting conservation areas and restoring ecosystems, go to pages 48-49.

Reducing the Use of Fertilisers and Chemicals

To reduce GHG emissions in our plantations, we continue to seek sustainable practices such as:

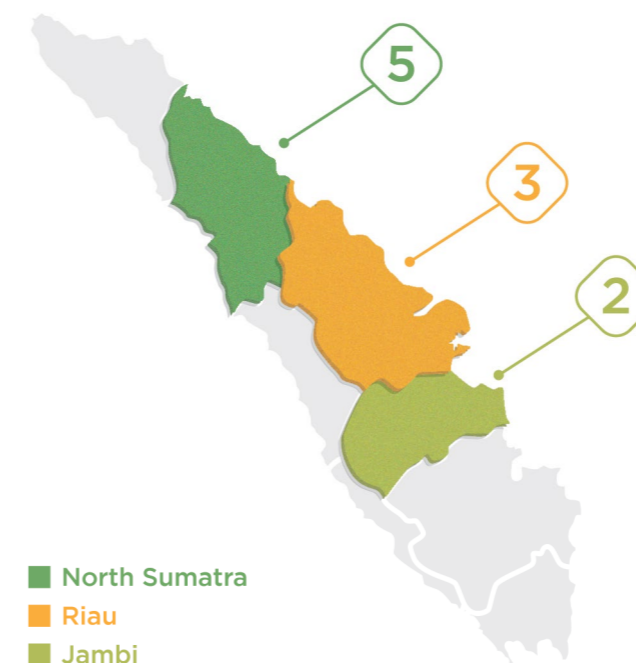
- **Reduction of fertilisers:** Partially substituting synthetic fertilisers with empty fruit bunches (EFBs) and POME which is pumped directly to flat-beds in our estates.
- **Reduction of chemicals:** Reducing the use of chemicals and pesticides by implementing an Integrated Pest Management approach.

For more information on our approach to waste and chemicals, go to pages 65-74.

In our Mills & Kernel Crushing Plants (KCPs)

Biogas Plants

We currently have 10 biogas plants in our mills with a production potential of 20kWh of electricity in total. We did not build any new biogas plants in 2021. In pursuit of AA 2030's target for zero emissions, we have plans to gradually add methane capture facilities for the remainder of our mills.

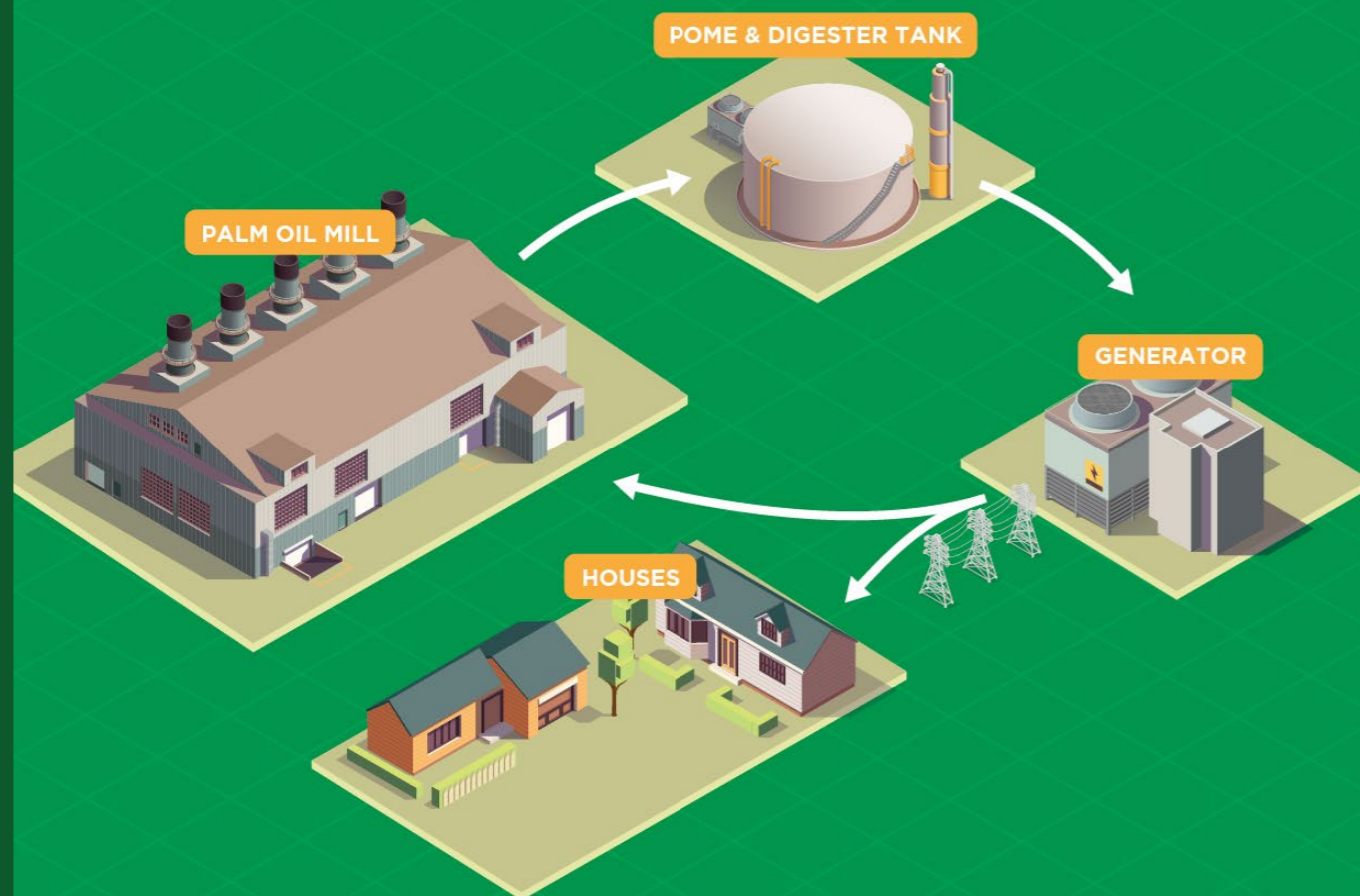


These biogas plants:

- ✓ **Have the potential to reduce almost 90% of methane produced²** as they are built with methane capture facilities – proven to be one of the most effective ways to reduce carbon emissions from milling activities
- ✓ **Generate clean renewable energy by using organic waste** from the palm oil production process, allowing us to power our Kernel Crushing Plants (KCPs) and provide electricity for the houses of workers and their families.

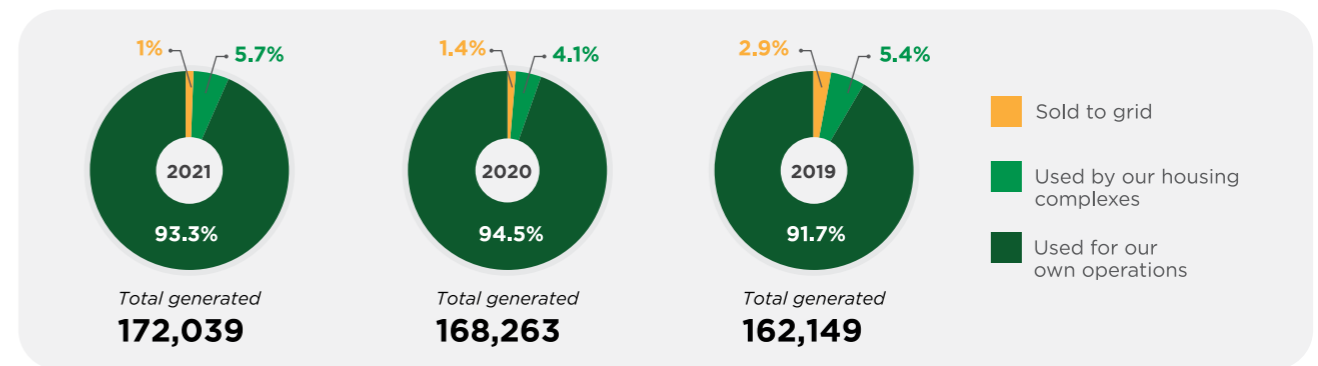
² In line with ISCC GHG calculations.

HOW OUR BIOGAS PLANTS GENERATE ENERGY FROM ORGANIC WASTE



- 1. Palm Oil Mill:** The biogas plants are constructed at our palm oil mills to take advantage of the readily available supply of leftover biomass from the production process – or Palm Oil Mill Effluent (POME). Before the biogas plants were constructed, POME would only be used for land application, either as a fertiliser to maintain soil moisture or to prevent soil erosion.
- 2. POME & Digester Tank:** The POME is fed into a digester tank, where it is converted into methane by bacteria.
- 3. Generator:** The gas is then sent to the power plant, which generates 1.2-2.2MW of power per biogas plant depending on whether the biogas plant has one or two gas engines each.
- 4. Houses:** The electricity generated is used for our own operations – such as operating palm oil mills and Kernel Crushing Plants (KCPs) – and provide electricity to homes in our estates. Excess electricity is sold to the grid.

Electricity generated by our biogas plants and other sources³ (MWh)



Energy intensity of our biogas plants and other sources (MWh/MT CPO+CPKO)



Investing in Renewable Energy Sources (e.g. solar)

We will be investing in renewable energy sources such as solar power. We are also exploring other options of renewable energy sources as a substitute when sunlight can be scarce during the monsoon season. We aim to present further updates in upcoming reports.

Reducing Energy Consumption and Improving Energy Efficiency

To reduce energy consumption and improve energy efficiency, we are always on the lookout for ways to optimize our daily operations and adopt sustainable practices. Some examples of our efforts include:

- More efficient transportation management: Optimizing trucking usage – for example, to transport FFB and EFB in single trips instead
- Investing in SCADA (supervisory control and data acquisition) system to monitor the performance of our machinery and increase process efficiency
- Investing technologies to achieve higher production with lower energy consumption in our mills
- Conducting an efficiency analysis every month to understand the amount of energy used per tonne of Crude Palm Oil (CPO), Palm Kernel (PK) and Crude Palm Kernel Oil (CPKO) produced. This will help us to plan targeted strategies to further reduce energy use
- Raising awareness on saving energy: Implementing eco-green mindset to reduce energy consumption among our employees (e.g. for electricity, air conditioning, water)



³ Other sources of electricity generation include diesel genset and steam turbine



Resource Use

303-1, 303-2, 303-3, 306-1, 306-2, 306-3

To ensure that resources continue to be available for future generations, we implement sustainable practices in our management of water use. We also invest efforts to manage our discharge in a sustainable manner so as to safeguard the environment and health of communities. Furthermore, we reuse and recycle waste generated from our operations as much as possible.



Responsible consumption, recycling and reusing by-products as fertilizers and biomass fuel are some of our ways to ensure resource availability for future generations.

Sustainable Water Use

Water consumption

We use water in our operations for the following purposes, in order of the largest volume first

- **Power generation:** Water is used in our steam turbines for power generation.
- **Sterilisation of fresh fruit bunches (FFB):** Steam sterilization of the FFBs facilitates fruits being stripped from the bunches. It also softens the fruit mesocarp for digestion, facilitates the release of oil, and minimizes kernel breakage.
- **Household consumption:** Daily water use by our workers and their families including for drinking, washing and cooking.
- **Irrigation and nurseries:** Water is required for seedlings in nurseries. Plantations that are rain-fed do not require irrigation, even during drier seasons.

We implement a robust water monitoring system for our operations to ensure that water is used sustainably. We do not operate in water stressed areas.

We draw on two sources to meet our water needs

- **Surface water (Rivers):** We draw water from nearby sources for the operations of our mills and for use in our housing complexes (occupied by our employees/workers and their families). All water withdrawn is treated to ensure chemical content is safe for use.
- **Groundwater:** We draw groundwater mainly for domestic and agricultural purposes, such as irrigation in nurseries beyond the reach of our mill pumps.

Water withdrawal by source (Mega Litre)

Region	2021		2020		2019	
	Rivers	Ground Water	Rivers	Ground Water	Rivers	Ground Water
North Sumatra	1,946,34	594,54	1,913,84	678,69	2,109,24	752,51
Riau	3,112,71	347,99	2,770,10	399,83	3,243,77	396,89
Jambi	1,498,18	159,53	1,294,54	159,22	1,385,92	151,31
Total	6,557,23	1,102,10	5,978,47	1,237,74	6,738,93	1,300,70
Total water withdrawn	7,659,29		7,216,21		8,039,63	

Note: All of our water withdrawn is freshwater, whether from rivers or groundwater, where the content of total dissolved solid is less than 1000 mg/L. Water withdrawal was reported in m³ in last Sustainability report 2019-2020.

Waste Management

We produce both organic and inorganic waste in our operations:

- **Organic waste (reused):** Empty Fruit Bunches (EFB), palm oil mill effluent (POME), palm fibres, palm shells
- **Inorganic waste:** Used lubricant, chemical packaging, oil-stained rags, etc.

Reducing Organic Waste

We seek to reuse waste as much as possible in our operations and have successfully reduced the amount of organic waste produced:

Type of waste	Reused for/as
Solid waste (e.g. palm fibres, palm shells)	<p>Power generation: Used as biofuel for boilers to run steam turbines in our mills, providing a renewable source of energy.</p> <p>Around 82.6% of palm kernel shell produced in 2021 was also sold to third party buyers to be used as biofuel.</p>
Waste by-products (e.g. EFB, POME)	<p>Substitutes for chemical fertiliser: After determining that these by-products contain nutrients to make them suitable as fertilisers, our R&D team then developed a set of guidelines on dosage intensity and frequency, in order for us to obtain optimum yield.</p> <p>Go to pages 21-22 for more info on our R&D efforts</p>

Managing Inorganic Waste

Hazardous waste is stored in a dedicated area and closely monitored before collection by contracted licensed service providers that are approved by the government. Non-hazardous waste such as domestic waste will be disposed at a dedicated landfill sites in our concessions, while other waste such as scrap metal is collected by third-party companies to be disposed of, recycled or reused accordingly.

Waste generated, diverted and disposed¹, by type (MT)

	2021			2020			2019		
	Waste generated	Waste diverted from disposal	Waste directed to disposal	Waste generated	Waste diverted from disposal	Waste directed to disposal	Waste generated	Waste diverted from disposal	Waste directed to disposal
EFB	899,145	899,145	-	878,841	878,841	-	922,894	922,894	-
POME	2,841,790	2,760,733	81,057	2,654,495	2,574,254	80,241	2,753,553	2,547,179	206,374
Fibre	637,836	637,836	-	644,446	644,446	-	670,167	670,167	-
Shell	318,259	55,492	-	318,065	318,065	-	340,603	340,603	-
Used Lubricant*	53,3	-	-	57,2	-	-	63	-	-
Used Chemical Package*	18,5	-	-	29,5	-	-	24,5	-	-
Lube filter*	8,1	-	-	8,8	-	-	7,2	-	-
Medical waste*	0,5	-	-	0,8	-	-	0,7	-	-
Battery*	7	-	-	5,4	-	-	4,3	-	-
Electronic waste*	0,8	-	-	0,5	-	-	0,6	-	-
Used air filter*	0,1	-	-	0,2	-	-	0,2	-	-
Total	4,697,118	-	-	4,495,949	-	-	4,687,318	-	-

*Hazardous waste.

¹ Disposal refers to the end-of-life management of discarded products, materials, and resources in a sink or through a chemical or thermal transformation that makes these products, materials, and resources unavailable for further use.

Safe Discharge of Effluents

All effluents from our operations are treated and monitored before being released into the stream or on land. Water used in the mills are either discharged as steam or POME, which is treated in open ponds following water quality parameters set by the Indonesian government, before being used as a substitute for fertilisers or discharged directly back to the river.

We engage external parties to conduct routine quality assessments to ensure that we comply with all Indonesian laws and regulations. For these assessments, we send samples of POME, river water and treated raw water to third party labs to check their COD and BOD parameters. This will help us to ascertain if COD and BOD parameters have been affected by our operations. The treated raw water, which is used for domestic consumption, is checked for health and safety (e.g. salmonella, e.coli).

Lowering BOD and COD levels

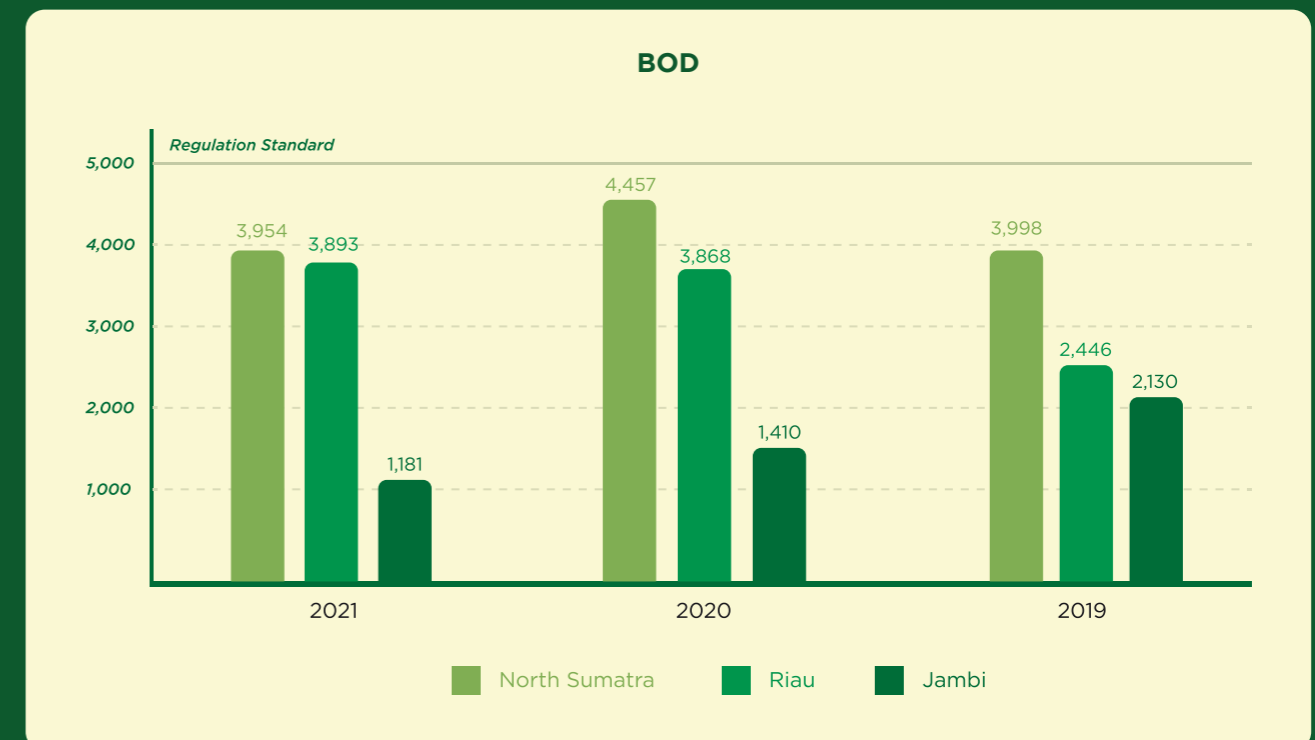
According to Indonesian government guidelines, the standard for biological oxygen demand (BOD) level for discharge in waterways is 100 mg/l, and 350 mg/l for chemical oxygen demand (COD).

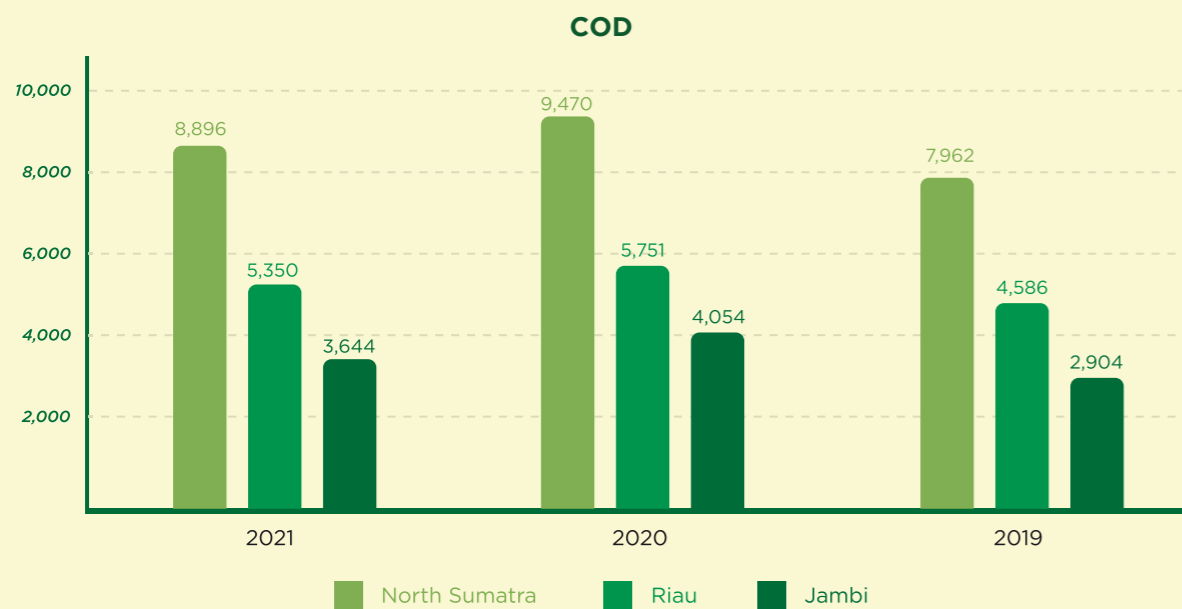
For land application of treated POME, a by-product of the milling process, we ensure that its BOD level is kept below the legal threshold of 5,000 mg/l. There is no COD standard for land application and the government only regulates the pH for POME in land application, which is between 6.0 to 9.0. To lower BOD and COD levels, we use pumps to circulate the effluent in the ponds. We also use sprayers and aerator pumps to ensure more oxygen is absorbed into POME. By doing these steps, we can lower the COD and BOD level to meet the standard required by regulation before discharge.

Average BOD & COD value of POME (mg/l)

In North Sumatra, Riau and Jambi, POME is applied as organic fertiliser in our plantations.

For POME applied on land as organic fertiliser

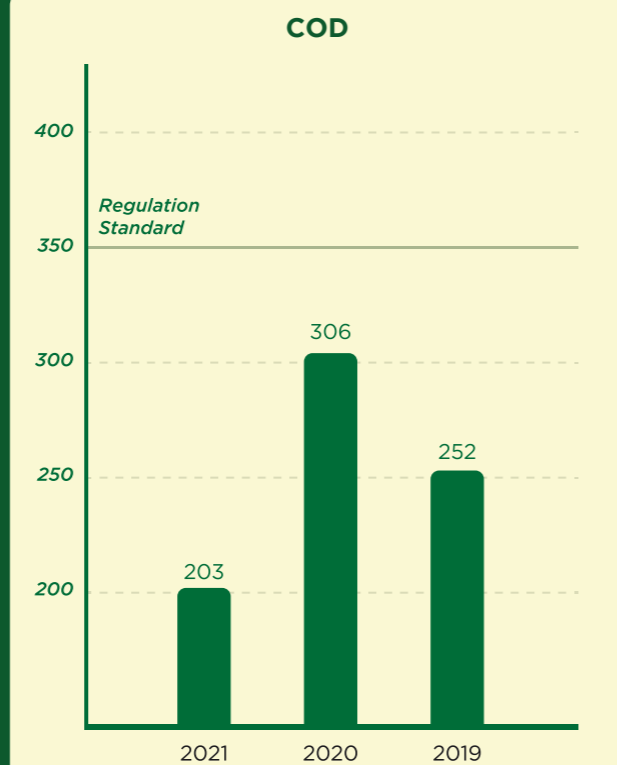
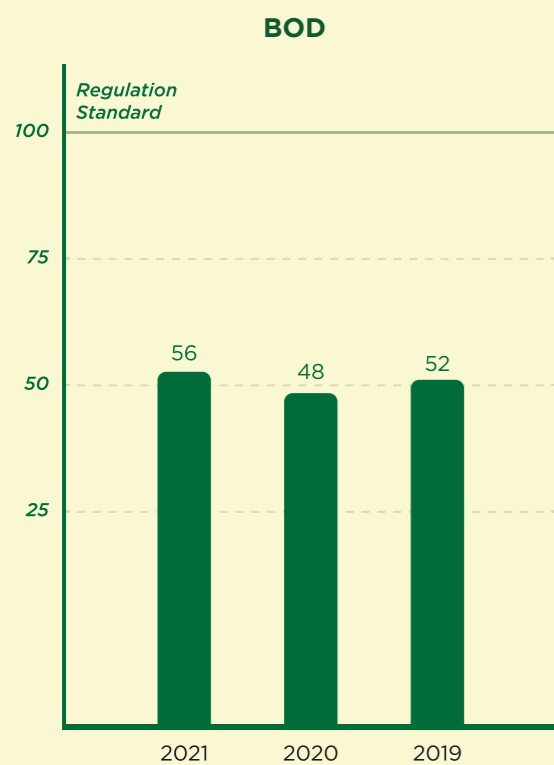




There is no COD standard for land application set by the government

While most of our POME is applied as organic fertiliser, the exception is for our plantation on peatlands in North Sumatra, where POME is discharged into waterways with parameters being monitored to meet the regulated standards.

For POME discharged into rivers for peatland area



Pest Management and Chemicals Usage

2030 Targets

Reduce pesticide usage by 50%

Performance 2021

Identifying the effectiveness of existing biological measures while exploring new strategies



Integrated Pest and Disease Management implemented in all our plantations

It is essential for us to control pests, parasites and weeds to ensure our oil palms remain healthy and continue to produce high yield. While the cheapest and most straightforward methods often require the use of chemicals for fertilisers and pesticides, these are often harmful to the environment and workers if not properly managed. Thus at Asian Agri, we are committed to managing pests and diseases and applying fertilisers only using sustainable practices.

Integrated Pest and Disease Management (IPM and IDM)

We implement an Integrated Pest and Disease Management (IPM and IDM) approach in our plantations, in line with standards established under the Agronomy Policy Manual (APM). This means that while we do use chemicals to control pests and diseases, it is done selectively and used in combination with other biological and ecological controls:



Pest Surveillance: Early warning systems allow for targeted pesticide application

A key feature of our IPM system is the use of pest surveillance, relying on a comprehensive array of tools to monitor pest populations on a regular basis. We implement early warning systems to detect pests, resulting in smaller areas requiring treatment. The data gathered also enables us to determine the appropriate course of action, such as selecting the right methods of pest control and applying the right dosage of pesticides. This allows us to manage pests and maintain optimal plantation productivity, while minimising our environmental impact.

Biological and Ecological Controls: Natural methods to reduce pest population

The main pest species at our plantations include rhinoceros beetles, leaf-eating caterpillars, woolly caterpillars, bagworms, bunch moths, termites (on peat soils) and rodents. These species can cause serious damage to our oil palms. For example, the adult rhinoceros beetle often attacks the shoots of oil palms and young palms, leading to serious damage and even the death of the palm tree. To control the population of these pests, we employ a variety of methods such as:

- **Destruction of breeding sites.**
- **Use of traps:** For example, we use sex pheromones to attract and trap adult rhinoceros beetles. To manage the population of moths, we use light traps and food bait.
- **Breeding predatory species:** For example, we breed specific species of insects in our estate insectary and release them periodically to augment natural populations in the field. We avoid overspraying weeds in the field to maintain a natural habitat for the predators. We also house and breed barn owls to control rodents.
- **Growing specific plant species** (known as 'host plants') to attract predatory insects to keep pest populations in check. Examples include white alder and coral vine, which are host plants for predators of the nettle caterpillar, as well as *Cassia cobanensis* which is the host plant for predators of bagworms.
- **Using naturally occurring pathogens**, such as viruses and fungi as a substitute for chemical pesticides.
- **Protecting the habitat of natural predators:** We retain portions of matured land adjacent to newly replanted area in order to avoid disturbing the habitat of natural predators.

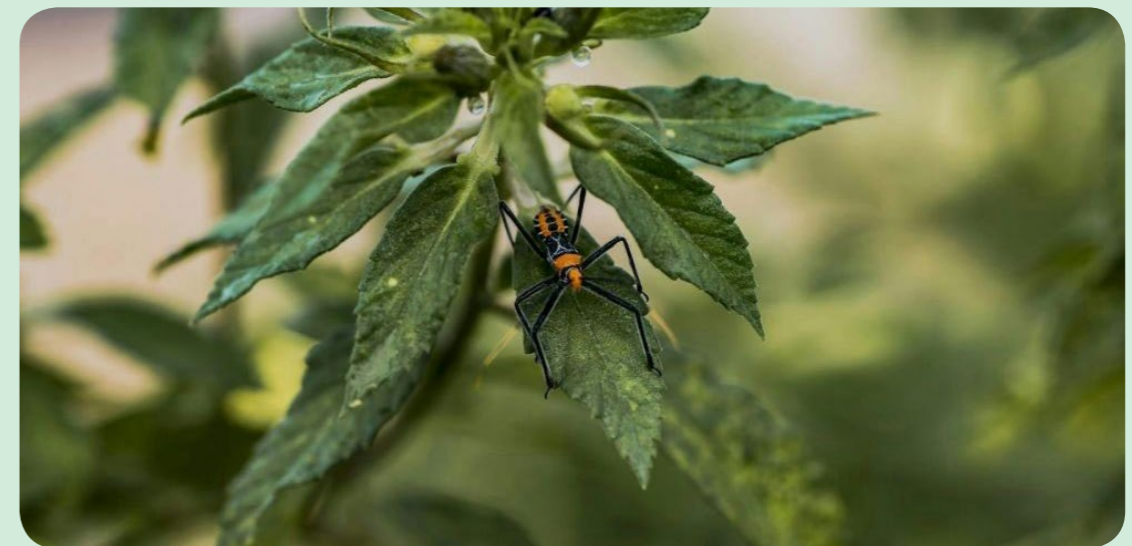
Rearing barn owls to keep rat populations in check



We house and breed barn owls (*Tyto alba*) in our plantations as they are natural predators of rat pests. Each pair of barn owl can cover 25ha of plantations. At 6 months of age, the owls are ready to leave the nests in the cage to hunt for prey. Unlike other predatory birds of prey that rely on speed, owls rely more on their acute hearing ability to detect the location of their prey.

Asian Agri has a dedicated team to monitor and maintain the health of these owls.

Attracting assassin bugs to fight off nettle caterpillars



Another natural predatory insect that we rely on is the *Sycanus*, a species of assassin bug. These bugs can help to eradicate nettle caterpillars – another common pest in the plantations. To rear these bugs, we grow species of flowers that are home to the *Sycanus*, such as *Turnera subulata*.

Selective Application of Pesticides: Limiting the types and dosage of pesticides

Where pesticides are required, we apply them in a targeted and limited manner. For example, pesticides are applied via trunk injection or root infusion technology, or by spraying the shoots and axils of young palms.

We also monitor the usage of the types and dosage of pesticides. Since November 2019, we have prohibited the use of World Health Organisation (WHO) Class 1A and Class 1B pesticides, chemicals listed under the Stockholm Convention and Rotterdam Convention, as well as the use of paraquat. The pesticides we buy are all registered products.

To ensure the safety of our workers when handling pesticides and other chemicals, we provide them with adequate PPE. We train them how to properly apply each type of pesticide and undergo regular medical check-ups twice a year.

Total pesticides applied (in kg or L)

Year	Fungicide	Herbicide	Insecticide	Rodenticide	Total
2021	55	241,477	140,719	19,056	401,308
2020	65	201,206	74,773	9,454	285,498
2019	79	211,523	95,539	14,974	322,115

R&D to Develop More Resistant Plant Material

We also develop new planting material which is more tolerant towards diseases, in particular Ganoderma. Our research team is also focusing on the most suitable techniques and methods to control pest populations.

R&D to control infection of oil palms by root pathogen

One of the major threats to oil palms is the root pathogen, *Ganoderma boninense*, which infected and killed thousands of our oil palm trees in North Sumatra in the past, leading to early replanting cycles. After years of research and evaluation, our R&D team developed an IDM strategy against the pathogen which includes:

- Planting pathogen-tolerant oil palm varieties
- Proper land preparation to reduce the amount of *Ganoderma* inoculum in the soil
- Census and removal of infected palms to reduce the risk infection of healthy palms
- Inoculating oil palm seedlings with a fungal bioagent for added protection

Both the fungal bioagent and tolerant varieties of oil palms (Topaz GT D x P) were developed by our R&D team.



Fertiliser Usage

While fertilisers are crucial for oil palm cultivation, they are often expensive – constituting up to 35% of CPO production costs – as well as having negative impacts on our workers, the environment and communities. For example, excessive fertilisation can lead to severe pollution of groundwater and waterways.

As such, our approach is to apply inorganic fertilisers following the 4C stewardship approach (Correct dosage, Correct method, Correct timing, Correct placement) and reduce the use of inorganic fertilisers as much as possible, replacing them with organic fertilisers from our waste by-products.



Using organic fertilisers

Our mills produce significant amounts of waste by-products, namely empty fruit bunches (EFB), palm oil mill effluent (POME) and decanter solids. Currently, 100% of all waste by-products are used for land application on mineral soils, in line with rules and specifications by the Ministry of Agriculture.

This brings about several benefits:

- Reduces waste
- Improves sustainability of the soil by incorporating organic matter and nutrients, while conserving moisture
- Cost effectiveness from partial substitution of inorganic fertilisers

Using inorganic fertilisers

However, organic fertilisers are insufficient for our oil palms, and can only supplement but not replace inorganic fertilisers. Thus, we still have to rely on the use of inorganic fertilisers.

In general, younger oil palms require higher usage of inorganic fertilisers for optimum growth, particular during their prime years of 8-18 years of age. When the oil palm reaches around 23 years of age, or 2 years before they are felled, we stop applying fertilisers.

Average ratio of inorganic fertiliser usage (ton/Ha)

Region	2021	2020	2019
Mature oil palm			
North Sumatra	1.28	1.28	1.24
Riau	1.18	1.15	1.13
Jambi	1.23	1.27	1.36
Average	1.23	1.23	1.21
Immature oil palm			
North Sumatra	0.60	0.75	0.91
Riau	0.59	0.92	0.79
Jambi	0.89	0.80	0.82
Average	0.70	0.81	0.84

'Site-specific' fertiliser programme

We adopt a 'site-specific' fertiliser programme for our estates, relying on a dedicated team within our R&D department to provide recommendations on the proper application of both organic and inorganic fertilisers. For each specific field, our researchers recommend the right type of fertiliser to be applied and to follow the 4C fertiliser stewardship approach. This ensures we produce the maximum yield at the lowest fertiliser dosage. We also conduct annual leaf tissue analysis and soil survey analysis every five years to monitor the health of the oil palms, which ensures that we do not over-apply fertilisers.

Soil Management

Good quality soil is essential to produce oil palm. Most of our estates are developed on mineral soil. As Sumatra has a humid and tropical climate, it is imperative to protect the organic matter in the topsoil from degradation and reduce soil erosion. We use soil maps of our estates to guide our soil management process. To mitigate soil erosion, we employ the following methods:

- Proper use of fertilisers.
- Using pruned oil palm fronds: Terracing and stacking of fronds along the contour of estates by using slopes to reduce surface run-off.
- Constructing planting platforms and soil traps to reduce soil erosion in steeper areas.
- Planting legume cover crops in newly cleared areas before planting oil palms. In the mature phase of the oil palm tree lifecycle, we also maintain a good cover of mixed natural vegetation.
- Selective weeding to avoid removing certain species which protect soil.



Community Development

413-1

Protecting the Rights of Indigenous and Local Communities

In line with our [Sustainability Policy and NDPE commitments](#), we are firmly committed to the 'no exploitation' of indigenous and local communities, wherever we operate. We respect and recognise their rights to give or withhold their free, prior and informed consent (FPIC) to the utilisation of lands of which they hold – legal, communal or customary. We will also ensure a transparent and legal land allocation process.

At Asian Agri, the risk of violating such rights is low as we have not operated on new land since 2003, Our focus is instead on replanting and intensification efforts on existing land. We also conducted a Social Impact Assessment, adhering to FPIC principles, which revealed that no indigenous communities are currently located in or near our areas of operation.



We aim to achieve zero extreme poverty in the communities surrounding our operational area by 2030

Conflict Resolution

We are committed to work in a fair and transparent manner to resolve verifiable complaints and conflicts with the local community. We also developed a transparent grievance mechanism system to ensure that all grievance and conflicts are handled in an accountable manner.

We have a dedicated team of more than 250 employees involved in engaging smallholders and local communities near or within our plantations daily, enabling us to build a stronger relationship with the community and to address any conflicts that may arise.

Social Impact Assessments

In line with government regulations, we conduct a Social Impact Assessment in line with FPIC principles before commencing any major activities. This assessment is included in our Environmental Impact Assessment (Analisis Dampak Lingkungan – AMDAL).

We also engaged Lingkar Komunitas Sawit (LINKS) – an NGO providing consulting services – to examine and strengthen our approach to managing the social aspects of our impact assessments, by starting with several companies in each province.


Driving Rural Development

At Asian Agri, we believe in the importance of leveraging on our unique position to support rural development in the communities where we operate. While we achieve these aims primarily through our smallholder programmes (please go to pages 31-32 for more information), we also implement CSR programmes to support rural communities located near our operations. We have set out ambitious targets in AA2030 to support the livelihood and access to education for rural communities surrounding our area, ultimately aiming to help them achieve zero extreme poverty.


2030 Targets	Performance 2021
Zero extreme poverty in the communities surrounding our operational area	Conduct social mapping of the surrounding communities and establish a baseline on poverty
Establish Small Medium Enterprises (SMEs) in surrounding communities covering more than 500,000ha	
Provide quality education access through 5,000 scholarship awards	Identify school-age children in the surrounding community to determine priority targets

To better understand the needs of the local community, we adopt a participatory approach which includes informal and formal dialogue with community leaders. This way, we can develop more targeted CSR programmes to address their needs.


Our CSR programmes provide support for surrounding rural communities in the following key areas:




Livelihood




Education




Infrastructure




Fire Prevention



Healthcare, Sanitation & COVID-19 response



Culture & sports



Disaster Relief

Livelihood

Our main efforts to provide rural communities with livelihood opportunities lie in our smallholder empowerment programmes. For more information, go to pages 31-32.

To help the local community establish Small, Medium Enterprises (SMEs), we have also begun running workshops to encourage entrepreneurship. For example, we worked with the Lampisi village youth organisation, Karang Taruna, in April 2021 to provide motorbike washing equipment to youths in the community to develop their entrepreneurial and vocational skills.

Education



Recognising the importance of education for economic development, we seek to raise educational standards in rural communities by:

- **Training teachers:** We recognise that teachers are the main agents in delivering high-quality education and develop them through training and empowerment programmes.
- **Renovating existing schools, facilities and infrastructure:** We built school libraries, as well as provide schools with chairs and desks, school buses and sanitation facilities. Ahead of National Education Day in May 2021, we also donated equipment, toys and learning tools to support children and teachers at the Salwaa Early Childhood Education School in Gonting Malaha village in Bandar Pulau district, North Sumatra, to boost early childhood education and strengthen learning at the school.
- **Providing scholarships to students from elementary school to university,** through our 'Sayap Garuda' programme. In total, we distributed 188 scholarships in 2021, up from 150 two years ago.



Number of students receiving scholarships

Education Level	2021			2019		
	North Sumatra	Riau	Jambi	North Sumatra	Riau	Jambi
Elementary	25	29	23	15	25	10
Middle School	19	16	14	15	20	9
High School	19	20	13	15	20	9
University	4	4	2	4	5	3
Sub-total	67	69	52	49	70	31
Total	188			150		

Note: We did not run the scholarship programme in 2020 due to the COVID-19 pandemic.

Infrastructure

We provide electricity through our biogas plants and power generators in several of our operations. Excess power generated is channelled to the national grid or directly to our housing complexes for employees and their families.

We also build roads to open access to villages surrounding our operational areas. These villages are often remote and new roads help to connect villages with each other and with important trading sites, facilitating trade and contributing to economic development.

Fire Prevention

For more information on how we support rural communities to adopt alternative land-clearing methods to prevent uncontrolled fires, go to pages 52.

Healthcare, Sanitation and COVID-19 response

To strengthen the standards of healthcare and sanitation among local communities, we continued to invest in projects to improve water and sanitation facilities, healthcare infrastructure and nutrition this year:

- Building deep wells and improving drainage systems to provide clean water and sanitation facilities.
- Building new health clinics while renovating existing clinics and providing medicine and medical devices.
- Conducting free medical check-ups and treatments by partnering with Universitas Sumatera Utara. In June 2021, we organised free health check-ups in partnership with the Peranap District Public Health Centre for residents in Katipo Puro village in Peranap district, benefiting over 120 adults and children. We also used the clinics as a platform to raise community awareness on COVID-19.
- Providing food for infants to improve their nutrition.



Meeting the Needs of Rural Communities During COVID-19



In 2021, we continued to support rural communities in the fight against COVID-19, allocating funds which was used for:

- Distributing personal protective equipment (PPE), including medical masks, protective coats and medical gloves, to public health centres and hospitals. In August, we also partnered with the Tanoto Foundation, an independent philanthropic organisation, to jointly donate 24 tonnes of oxygen to support COVID-19 patients in Jambi province, in collaboration with the Governor of Jambi Province and the Jambi Province Police.
- Providing hand washing facilities in schools, such as adding facets in front of each classroom, and providing soap and disinfectants.
- Disinfecting public facilities, such as markets and places of worship, in partnership with the government and other community members.
- Distributing food packages, including staples such as rice, cooking oil, sugar and vitamin C supplements, to ease the economic burden on families during the pandemic. In Jambi, we helped to provide basic food packages to small and home businesses affected by the pandemic in July.
- Distributing hand sanitisers and soaps, while educating the community to maintain high levels of hygiene, wear masks and keep safe distances to prevent the spread of COVID-19.
- To support herd immunity and support economic recovery in the oil plantation sector, we organised the Gotong Royong Vaccinations initiative to immunise our employees across several regions in Sumatra. It was then rolled out to our offices in Medan, Riau, Jambi, and Jakarta in 2021.

Culture and Sports

To promote closer ties within the community, we upgrade sporting, cultural and religious infrastructure and sponsor events.

Every year, we sponsor events on special occasions for rural communities, such as competitive sport events (including volleyball, football and badminton) to commemorate Indonesia's Independence Day or the anniversary of one of our mills. We also sponsor cultural events during festivals, such as breaking of fasts during Ramadan, or Halal bi halal after the Eid al-Fitr celebration, as well as meals during Christmas and Chinese New Year.

This year, we distributed 1,885 basic food packages to those less advantaged in the community near our operations in North Sumatra to welcome the end of the fasting month of Ramadan in May, Eid al-Fitr, as part of our Corporate Social Responsibility (CSR) programme. To mark Lebaran or Eid al-Fitr, we also distributed food packages to the community in Handil Jaya village in Jelutung district in Jambi.

Ahead of Eid al-Fitr, we donated to mosques and prayer rooms in Datuk Tanah Datar district and Ujung District Padang to help with repair work, aiming to bring positive impact to people in the local communities.



Disaster Relief

Indonesia is prone to natural disasters such as earthquakes, tsunamis and volcanic eruptions. To help the local communities cope with these events, we distribute basic necessities such as food, clothes, first aid and medicine. These humanitarian responses are usually carried out in collaboration with other companies, universities and other local institutions.

In April 2021, we donated 2,000 litres of cooking oil to the Ministry of Agriculture in Indonesia to help provide relief aid communities affected by the fatal floods and landslides in East Nusa Tenggara.



Materiality Assessment and Stakeholder Engagement

Materiality Assessment

102-46

We last conducted our materiality assessment in 2021, covering the sustainability risks and opportunities which are material to our business and our stakeholders.

The material assessment consisted of a five-stage process:

- 1. Understanding our sustainability context:** To better understand the emerging global, regional and national developments in the palm oil industry, we conducted desktop research and identified 12 issues, to bring forward for stakeholder engagement in the next stage.
- 2. Surveys*:** We conducted an online survey with selected internal and external stakeholders to better understand their perspectives on Asian Agri's material sustainability issues. Survey participants were asked to prioritise the list of 12 material issues, which they felt were most important for us to manage.

3. Interviews*: To build a deeper understanding of our stakeholders' expectations, we organised a series of phone and video interviews with key internal and external stakeholders.

4. Analysis: The information gathered was consolidated and analysed into a materiality matrix – representing our 'high priority' and 'important' material topics, as identified by our stakeholders.

5. Validation: The material matrix was presented to senior management and finally signed off by our Managing Director.

*For the surveys and interview phase, we engaged internal stakeholders such as the heads of department from across Asian Agri (e.g. R&D, corporate communications, operations & mills), as well as external stakeholders such as our buyers, smallholder associations, certification bodies, media and civil society organizations.

Our material ESG topics and AA2030

In 2021, we conducted a prioritisation exercise to better understand where Asian Agri can best contribute to the UN Sustainable Development Goals (SDGs). As a result of the exercise, we highlighted four pillars with ambitious and quantifiable targets: Smallholder partnership, inclusive growth, climate positive, responsible & sustainable production. These are all in line with our material topics:

2030 Pillars	Material ESG topics
Smallholder Partnership	Sustainable Supply Chains Smallholder Empowerment
Inclusive Growth	Employee Attraction, Management and Retention Labour Rights and Workers Welfare Occupational Health and Safety Community Development
Climate Positive	Energy and Carbon Management Biodiversity and Conservation Fire Prevention and Management
Responsible & Sustainable Production	Resource Use Pest Management and Chemical Usage

Stakeholder Engagement

102-40, 102-42, 102-43, 102-44

- Maintaining close and ongoing engagement with our stakeholders is important for us. This helps us to stay in touch with the interests and concerns of stakeholders that affect our business and collectively share ideas for implementing solutions and best practice. We also maintain open and transparent communication channels with our stakeholders, seeking constructive feedback from them to help improve our operations.
- The table below provides a summary of our stakeholder efforts in 2021. It includes the key stakeholder groups we have identified based on their interest and impact on our business, as well as the most appropriate method of engagement we adopt for each of these groups, topics and concerns raised and our response. We regularly review and improve our stakeholder engagement approach to ensure that it remains relevant.

Stakeholder Group	Engagement Method and Frequency	Topics and Concerns Raised	Asian Agri's Response
Government bodies (e.g. Ministry of Trade, Ministry of Energy and Mineral Resources)	<ul style="list-style-type: none"> Site visits (as required) Seminars, forums (as required) Sustainability reports (once every 2 years), annual report (annually) Website (periodically) 	<ul style="list-style-type: none"> Company's compliance with regulations on no deforestation, no peatland development, no burning Company's contribution to national agenda such as supporting smallholders, reducing GHG emissions and the carbon transition 	<ul style="list-style-type: none"> Ensure clear communication of the company's compliance to regulations Ensure clear communication of the company's policies and performance on issues such as smallholder empowerment, reducing GHG emissions and the carbon transition
Buyers	<ul style="list-style-type: none"> One-on-one engagement (regularly) Sustainability reports (annually) Website (periodically) 	<ul style="list-style-type: none"> Company's sustainability commitments and performance, on issues such as traceability and reducing GHG emissions 	<ul style="list-style-type: none"> Ensure clear communication of the company's policies and performance on issues such as traceability and reducing GHG emissions
Employees	<ul style="list-style-type: none"> Internal meetings (regularly) Training (based on topics, twice a year) Sustainability reports (annually), annual report (annually) Website (periodically) 	<ul style="list-style-type: none"> Employee welfare, development and benefits 	<ul style="list-style-type: none"> Regularly review and improve our approach to employee attraction, management and retention
Smallholders – independent and plasma	<ul style="list-style-type: none"> One-on-one engagement (regularly, daily) Training, field studies and other engagements through our smallholder empowerment programs (regularly) 	<ul style="list-style-type: none"> Support for replanting, fertilization, harvesting, certification compliance, quality seeds 	<ul style="list-style-type: none"> Ensure our smallholder empowerment programs are fit-for-purpose and adequately meets their needs
Local Communities	<ul style="list-style-type: none"> Direct engagement through our community programs and Fire Free Village Program (regularly) Grievance mechanism (for socialization; annually) 	<ul style="list-style-type: none"> Free, Prior and Informed Consent (FPIC) concerns Company's sustainability commitments and performance, especially on education, health, infrastructure, etc. 	<ul style="list-style-type: none"> Ensure communication and implementation of FPIC commitments Provide relevant and effective support through our community programs and Fire Free Village Program
Industry groups and trade associations	<ul style="list-style-type: none"> One-on-one engagement (as required) Multi-stakeholder forums and events (as required, regularly) Sustainability reports (annually) 	<ul style="list-style-type: none"> Company's sustainability commitments, initiatives and progress Opportunities for collaboration 	<ul style="list-style-type: none"> Attend as spokesperson in several event and FGDs Participate in exhibitions

Stakeholder Group	Engagement Method and Frequency	Topics and Concerns Raised	Asian Agri's Response
Certification bodies (e.g. RSPO, ISPO, ISCC)	<ul style="list-style-type: none"> Audits (annually) Site visits (annually) Training (as required) Forums (as required) Reporting (annually) 	<ul style="list-style-type: none"> Company's sustainability commitments and performance on issues such as no deforestation, no peatland development, no exploitation 	<ul style="list-style-type: none"> Ongoing improvements in our understanding of certification requirements Helping to create the ISPO calculator
Non-Governmental Organizations (NGOs)	<ul style="list-style-type: none"> One-on-one engagement (as required) Multi-stakeholder forums (as required) Sustainability reports (annually) Website (periodically) 	<ul style="list-style-type: none"> Company's sustainability commitments and performance on issues such as deforestation, peatland development and traceability Grievances lodged by stakeholders 	<ul style="list-style-type: none"> Ensure clear communication of all sustainability commitments through our policies and reporting Investigate and respond to grievances raised
Banks and financial institutions	<ul style="list-style-type: none"> One-on-one engagement (as required) Sustainability reports (annually), annual report (annually) 	<ul style="list-style-type: none"> Company's sustainability commitments, initiatives and progress Company's financial performance Opportunity to collaborate on smallholder replanting program 	<ul style="list-style-type: none"> Shared information on our sustainability policy, commitments, programs and its progress
Media	<ul style="list-style-type: none"> One-on-one engagement (as required) Multi-stakeholder forums (regularly) Website and social media (ongoing) Sustainability reports (annually) 	<ul style="list-style-type: none"> Company's sustainability commitments and performance on issues such as employee welfare, fires, smallholder partnerships, quality seeds 	<ul style="list-style-type: none"> Issuing press releases Ensure clear communication of all sustainability commitments through our policies and reporting
Academia and Students	<ul style="list-style-type: none"> Site visits (as required) Educational programs - e.g. field trips for high school and university students to learn about oil palm (if programed; regularly) 	<ul style="list-style-type: none"> Comparison between plasma and other schemes for research and learning purposes 	<ul style="list-style-type: none"> Comparison between plasma and KKPA schemes for research and learning purposes
International stakeholders (e.g. European Parliament, EU Ambassadors)	<ul style="list-style-type: none"> Site visits (as required) One-on-one engagement (as required) 	<ul style="list-style-type: none"> Company's sustainability commitments and performance on issues such as traceability 	<ul style="list-style-type: none"> Build capacity and knowledge on agricultural practices in Indonesia



ASSURANCE STATEMENT

SGS INDONESIA'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE ASIAN AGRI SUSTAINABILITY REPORT 2021

NATURE OF THE ASSURANCE/VERIFICATION

PT. SGS Indonesia was commissioned by Asian Agri to conduct an independent assurance of the Sustainability Report 2021. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in this report.

INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all Asian Agri's stakeholders.

RESPONSIBILITIES

The information in the Report and its presentation are the responsibility of the directors or governing body and the management of Asian Agri. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data, graphs, and statements within the scope of verification with the intention to inform Asian Agri's stakeholders.

ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognized assurance guidance and standards including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for report quality, and the guidance on levels of assurance contained within the AA1000 series of standards.

The assurance of this report has been conducted according to the following Assurance Standards:

- SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)
- AA1000ASv3 Type 2 (AA1000APS Evaluation) with level of assurance is Moderate

Assurance has been conducted at a moderate (limited) level of scrutiny.

SCOPE OF ASSURANCE AND REPORTING CRITERIA

The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria:

- Global Reporting Initiative Sustainability Reporting Standards 2016 Core Option
- AA1000 Accountability Principles Standard (2018)

ASSURANCE METHODOLOGY

The assurance comprised a combination of pre-assurance research and interviews with relevant accountable managers and employees at the Head Office of Asian Agri in Medan and Representative Office in Jakarta, and sampling to 4 out of 30 own estates and 4 out of 22 mills. All interviews are conducted via online. Asian Agri Sustainability report 2021 covers PT. Inti Indosawit Subur as parent company and 12 subsidiaries. Companies operate in 3 Provinces: North Sumatera Province, Riau Province, and Jambi Province.

LIMITATIONS AND MITIGATION

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

Some statements and data within the scope were not assured due to lack of accessible records during the timescale allowed for assurance, and these are clearly marked throughout the Report.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from Asian Agri, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with International Register of Certificated Auditors (IRCA), Environmental Management System (EMS) Lead Auditor, Quality Management System (QMS) Lead Auditor, Occupational Health and Safety Assessment Series (OHSAS) Lead Auditor, Round Table on Sustainable Palm Oil (RSPO) Auditor, International Sustainability and Carbon Certification (ISCC) Auditor. Some members of the assurance team have completed the IRCA Corporate Responsibility Training Programme and have experience of auditing in Palm Oil Estate and Crude Palm Oil Plant and are internationally renowned for their expertise in sustainability.

FINDINGS AND CONCLUSIONS

ASSURANCE/VERIFICATION OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the specified performance information included in the scope of assurance is accurate, reliable, has been fairly stated and has been prepared, in all material respects, in accordance with the reporting criteria.

We believe that the organization has chosen an appropriate level of assurance for this stage in their reporting.

QUALITY AND RELIABILITY OF SPECIFIED PERFORMANCE INFORMATION

- Focus Group Discussion among stakeholders both internal and external could be considered to determine materiality aspects

ADHERENCE TO AA 1000 ACCOUNTABILITY PRINCIPLES STANDARD (2018)

Materiality

Asian Agri has identified stakeholders and issues that are material to each group of stakeholders and the Report addresses these at the appropriate level to reflect their importance and priority to these stakeholders. Asian Agri determine materiality aspects based on crucial issues and concerns of stakeholders that collected by interview and online survey to stakeholders including employees, buyers, smallholders, certification bodies, NGO, consultants, academics, banking, governments. Materiality which to be high priority issues are fire prevention and management, biodiversity and conservation, sustainable supply chains, human rights and worker's welfare, smallholders' empowerment, and occupational health and safety.

Stakeholder Inclusiveness

Asian Agri has made a commitment to be accountable to those on whom it has an impact or who have an impact on it as stated in policies such as Environmental Policies, High Carbon Stock Conservation, Green House Gases Monitoring and Mitigation, and Zero Burning Policy, Code of Conduct Policy. Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

Responsiveness

Asian Agri has responded to stakeholder's issues that may affect its sustainability performance and are addressed through decisions, actions, and performance, as well as communication with stakeholders. Nevertheless, the organization could benefit from providing a more detailed report of the response during the engagement process. For example: Engagement with NGOs, Engagement with Local Community.

Impact

Asian Agri has identified and fairly represented the impacts that were monitored and measured. Asian Agri has established processes to monitor, measure, and evaluate impacts that lead to effective decision-making management within organization.

ADHERENCE TO GLOBAL REPORTING INITIATIVE SUSTAINABILITY REPORTING STANDARDS (2016)

In our opinion, the Asian Agri Sustainability Report 2021 is presented in accordance with the Core Option for Global Reporting Initiative Sustainability Reporting Standards 2016 and fulfills all the required content and quality criteria.

GRI 101: Foundation

In our opinion, the content and quality of the report adheres to the four GRI Report Content Principles of Materiality, Stakeholder Inclusiveness, Sustainability Context and Completeness, and the six GRI Report Quality Principles of Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability.

GRI 102: General Disclosures

All the General disclosures required for reporting in accordance with the Core Option for Global Reporting Initiative Sustainability Reporting Standards 2016.

GRI 103: Management Approach and Topic Specific Standard

Disclosure Management Approach (DMA) for each materiality aspects have been disclosed in the report in accordance with the Core option for Global Reporting Initiative Sustainability Reporting Standards 2016.

Signed:

For and on behalf of SGS Indonesia



Johnny Koe
Business Manager
Jakarta, Indonesia
21 April 2022

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Abbreviations

A

AALI	Asian Agri Learning Institute
AA2030	Asian Agri's goals for 2030
AMDAL	Analisis Dampak Lingkungan

B

BOD	Biochemical Oxygen Demand
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C

CDP	Carbon Disclosure Project
COD	Chemical Oxygen Demand
CPO	Crude Palm Oil
CSR	Corporate Social Responsibility
CPKO	Crude Palm Kernel Oil
CSV	Corporate Shared Value

D

DLW	Decent Living Wage
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E

EFB	Empty Fruit Bunch
ESG	Environmental, Social and Governance
EU	European Union

F

FAC	Fire Awareness Community
FFA	Fire Free Alliance
FFB	Fresh Fruit Bunch
FFVP	Fire-Free Village Programme
FPIC	Free, Prior and Informed Consent

G

GHG	Green House Gas
GRI	Global Reporting Initiative

H

HCS	High Carbon Stock
HCV	High Conservation value
HCSA	High Carbon Stock Approach
HSE	Health, Safety and Environment

I

IDR	Indonesian Rupiah
IDM	Integrated Disease Management
ILO	International Labour Organisation
IPM	Integrated Pest Management
ISCC	International Sustainability and Carbon Certification
ISO	International Organization for Standardisation
ISPO	Indonesia Sustainable Palm Oil
IUCN	International Union for Conservation of Nature

J	
JSA	Job Safety Analysis
K	
KCP	Kernel Crushing Plant
KKPA	Kredit Koperasi Primer untuk Anggota
KUD	Koperasi Unit Desa
N	
NGO	Non Governmental Organization
NDPE	No Deforestation, No Peat and No Exploitation
NPP	New Planting Procedures
O	
OHS	Occupational Health and Safety
P	
PK	Palm Kernel
PKS	Palm Kernel Shell
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
R	
R&D	Research and Development
RGE	Royal Golden Eagle
RSPO	Roundtable on Sustainable Palm Oil
S	
SEIAs	Social and Environmental Impact Assessments
SDGs	United Nation Sustainable Development Goals
SMILE	SMallholder Inclusion for better Livelihood & Empowerment
SPOTT	Sustainable Policy Transparency Toolkit
T	
TNI	Indonesian National Armed Forces
TOPICC	Complimentary Team, Ownership, People, Integrity, Customer, Continuous Improvement (Asian Asia's core values)
U	
UDHR	Universal Declaration of Human Rights
UNGP	UN Guiding Principles on Business and Human Rights

Glossary

AMDAL / Environmental Impact Assessment (EIA): The assessment by which the anticipated impacts on the environment of a proposed development or project are measured. If the likely impacts are unacceptable, design measures or other relevant mitigation measures can be taken to reduce or avoid these effects.

ASEAN RAI: The ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture and Forestry (ASEAN RAI) is a regionally-adopted, voluntary framework to guide investment decision making for both private and public sector actors. Formally adopted by the ASEAN Ministers of Agriculture and Forestry in 2018, ASEAN RAI includes 10 social, environmental, and governance (ESG) principles about how to avoid risks and have positive impact specifically in the food, agriculture and forestry sectors.

B30: A type of biodiesel with a fuel blend containing bio content of 30%. This was rolled out by the Indonesian government in Jan 2020 to reduce reliance on fossil fuels.

Biofuel: A fuel that is produced from biomass – i.e. plant material or animal waste

Biogas: Gas produced by the anaerobic digestion or fermentation of organic matter, such as manure, sewage sludge, municipal solid waste, biodegradable waste or any other biodegradable feedstock. Biogas produces methane and carbon dioxide and can be used as fuel.

Biological Oxygen Demand (BOD): A measure of the dissolved oxygen needed by microorganisms during the oxidation of reduced substance in waters and wastes.

Chemical Oxygen Demand (COD): The amount of oxygen needed to oxidize the organic matter present in water.

Collective Bargaining: The ongoing process of negotiation between representatives of workers and employers to establish the conditions of employment.

Deforestation: Conversion of forest to another land use or long-term reduction of the tree canopy cover. This includes conversion of natural forest to tree plantations, agriculture, pasture water reservoirs and urban areas but excludes timber production areas managed to ensure the forest regenerates after logging.

Effluent: Liquid waste from industrial activity

Fire-Free Village Programme: A fire management pilot program which provides training, equipment and economic incentives to local communities to help prevent fire. Members of the Fire Free Alliance (FFA), including APRIL, Asian Agri, IOI Group, Musim Mas, Sime Darby, Wilmar International Limited, are currently implementing their own FFVPs as part of their membership commitments.

Free, prior and informed consent (FPIC): Free, Prior and Informed Consent (FPIC) is a specific right that pertains to indigenous peoples and is recognised in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). It allows them to give or withhold consent to a project that may affect them or their territories. Once they have given their consent, they can withdraw it at any stage. Furthermore, FPIC enables them to negotiate the conditions under which the project will be designed, implemented, monitored and evaluated.

Freedom of Association: The right of a person to join with other people, for example, as a union, to defend their labour rights.

Fresh Fruit Bunches (FFB): The fruit from the oil palm which is then processed into crude palm oil and palm kernel. This is the raw material for palm oil mills.

Forced Labour: Work that is performed involuntarily and under the menace of any penalty. It refers to situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as manipulated debt, retention of identity papers or threats of denunciation to immigration authorities.

Greenhouse Gas (GHG) Emissions: Gas in the atmosphere that absorbs and emits radiation within the thermal infra-red range. This process is the fundamental cause of the greenhouse effect. The primary GHG emitted from palm oil mill are carbon dioxide, methane and nitrous oxide.

High Carbon Stock (HCS): HCS forests are those identified through the HCS Approach as forested areas to be prioritized for protection from conversion. HCS are divided into six classifications which are Open land (OL), Scrub (S), Young Generating Forest (YRF), Low Density Forest (LDF), Medium Density Forest (MDF), and High Density Forest (HDF).

High Carbon Stock Approach (HCSA): A methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. The methodology was developed with the aim to ensure a practical, transparent, robust, and scientifically credible approach that is widely accepted to implement commitments to halt deforestation in the tropics, while ensuring the rights and livelihoods of local peoples are respected.

High Conservation Values (HCV): Biological, ecological, social or cultural values which are considered outstandingly significant or critically important, at the national, regional or global level (source: HCV Resource Network).

Hotspot: An indicator of a potential fire at a particular site on the ground.

Indonesia Sustainable Palm Oil (ISPO): A policy adopted from Circular Letter No.092/TU.200/E-ISPO/9/2012 by the Ministry of Agriculture on behalf of the Government of Indonesia with the aim to improve the competitiveness of the Indonesian palm oil on the global market and contribute to the objective set by the President of the Republic of Indonesia to reduce greenhouse gases emissions and draw attention to environmental issues.

Indigenous Communities: Indigenous communities are distinct social and cultural groups that share collective ancestral ties to the lands and natural resources where they live, occupy or from which they have been displaced. The land and natural resources on which they depend are inextricably linked to their identities, cultures, livelihoods, as well as their physical and spiritual well-being.

Integrated Disease Management (IDM): The practice of using a range of measures to prevent and manage diseases in crops. Hazard analysis is used to identify the potential for infection so that preventative or curative measures can be put in place to minimise the risk of disease infection and spread.

Integrated Pest Management (IPM): An ecosystem-based strategy that focuses on long-term prevention of pest damage through a combination of techniques such as biological control, habitat manipulation, modification of cultural practices, and use of resistant varieties.

International Sustainability and Carbon Certification (ISCC): The first international certification system that can be used to prove sustainability and greenhouse gas savings for all kinds of biomass and bio-energy based on EU Renewable Energy Directive's (RED) requirements. The ISCC seal proves that biomass was produced in an environmentally friendly way. ISCC also covers social sustainability principles and thus provides more security for companies.

Kernel Crushing Plant (KCP): A plant that processes palm kernel into Crude Palm Kernel Oil (CPKO).

Koperasi Unit Desa (KUD): Village cooperatives

Net Zero: A target of completely negating the amount of greenhouse gases produced, by reducing emissions and implementing methods of absorbing carbon dioxide from the atmosphere.

No Deforestation, No Peat and No Exploitation (NDPE): An important policy for the palm oil industry on sustainable palm oil adopted by companies. NDPE policies include commitments to the following: Free, Prior and Informed Consent (FPIC) for indigenous and other local communities, zero burning, preventing poor working conditions, and preserving High Conservation Value (HCV) areas, High Carbon Stock (HCS) areas and peatlands.

Non Governmental Organisation (NGO): An organization that is neither a part of a government nor a conventional for-profit business.

Palm Oil Mill Effluent (POME): One of the by-products of the Fresh Fruit Bunch process.

Palm Kernel: The edible seed of the oil palm fruit, which yields two types of oil: palm oil and palm kernel oil.

Palm Kernel Shell: The byproduct of palm kernel oil production, which can be used as biofuel.

Palm Oil: An edible vegetable oil produced from the fruit of oil palm trees. It is a versatile oil that can be used for a wide variety of products, from cooking oil to food products and cosmetics.

Peatland: Terrestrial wetland ecosystems in which waterlogged conditions prevent plant material from fully decomposing. Peatlands store more carbon than all other vegetation types combined. They are known to cover at least 3% of global land surface and are important for preventing and mitigating the effects of climate change.

Plasma Transmigration Programme (Perkebunan Inti Rakyat): A programme initiated by the Indonesian government to encourage the development of smallholder plantations with the assistance and cooperation of plantation companies (the nucleus) which assist and support the surrounding community plantations (the plasma).

Provincial Spatial Planning: A general spatial plan for the province which is an elaboration of the National Spatial Planning (RTRWN). It contains: objectives, policies, strategies for spatial planning for the province; provincial spatial structure plan; provincial spatial pattern plan; determination of provincial strategic areas; directions for the use of provincial space; and directions for controlling the use of provincial space. The preparation of the RTRWP must refer to the RTRWN, guidelines for spatial planning, and regional long-term development plans.

RSPO PalmGHG Calculator: Developed by the Greenhouse Gas Working Group 2 (GHG-WG2) of the RSPO, to allow oil palm growers to estimate and monitor their net greenhouse gas emissions.

Smallholders: Farmers who grow oil palm, alongside with subsistence crops, where the family provides the majority of labour and the farm provides the principal source of income, and the planted oil palm area is less than 50 hectares. More than 3 million smallholders and small-scale farmers make a living from palm oil globally. There are 2 types of smallholders mentioned in this report: Independent and Plasma Scheme Smallholders.

Social and Environmental Impact Assessments (SEIAs): A process for predicting and assessing the potential environmental and social impacts of a proposed project, evaluating alternatives and designing appropriate mitigation, management and monitoring measures.

Transboundary Haze: Consists of smoke, dust, moisture, and vapour suspended in air to impair visibility. Haze pollution can be said to be "transboundary" if its density and extent is so great at source that it remains at measurable levels after crossing into another country's air space. Haze pollution can originate from large-scale forest and land fires characterised by a high concentration of particulate matter.

Roundtable on Sustainable Palm Oil (RSPO): An organization that unites stakeholders from 7 sectors of the palm oil industry: oil palm producers, processor or traders, consumer goods manufacturers, retailers, banks/ investors, and environmental and social non-governmental organization (NGOs) to develop and implement global standards for sustainable palm oil. RSPO is a global, multi-stakeholder initiatives on sustainable palm oil.

Sustainability: A balancing act where business decisions take into account the impact they may have on the triple bottom line aspect of sustainability which are social, environment, and economic

Stakeholder: Refers to any group, individual, member or system that affects or can be affected by company's actions

Traceability: A process for tracing palm oil throughout the supply chain from source of FFB origin.

'Zero-burn' policy: A policy towards land clearing where either logged over secondary forests or an old area of plantation tree crops such as oil palm are cut, chipped, stacked and left on site to decompose naturally.



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