ASIAN AGRI

SUSTAINABILITY REPORT 2019-2020

'Grow Stronger Together Through Partnership'

www.asianagri.com

ASIAN AGRI

Contents

01 About this Report

Our commitment to transparency through sustainability reporting

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At Asian Agri, we have long believed in the importance of maintaining the highest standards of sustainable palm oil production and presenting ourselves as a company that is reliable, responsible and sustainable. As a major player in the palm oil industry, we endeavour to set a high standard for the industry nationally. We also believe in the importance of sustainable palm oil to bring about sustainable and inclusive development to Indonesia.

As such, 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 been publishing a sustainability report every two years to communicate our progress towards implementing our sustainability commitments. In 2019, we also began producing a mid-term progress report containing key performance data as part of our efforts to strengthen transparency. This sustainability report is our 4th report thus far.

The contents of this report have been refreshed after a materiality assessment conducted in 2021. More information on our materiality assessment can be found on page 58.

Boundary and scope of this report

102-45, 102-50

This report covers our activities between January 2019 to December 2020 from all our operations and activities in the following sites and geographic areas:

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 60-63.

External Assurance

102-56

As with previous years, we have engaged SGS Indonesia to provide third party assurance for the ESG disclosures in this report. This helps us to provide our readers with greater confidence on the credibility of information and data provided in this report. Please refer to pages 68-69 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. You may contact us here to provide your comments and feedback on any aspect of our approach to sustainability or reporting.

Our Sites

22 mills

10 kernel crushing plants (KCPs)

10 biogas plants

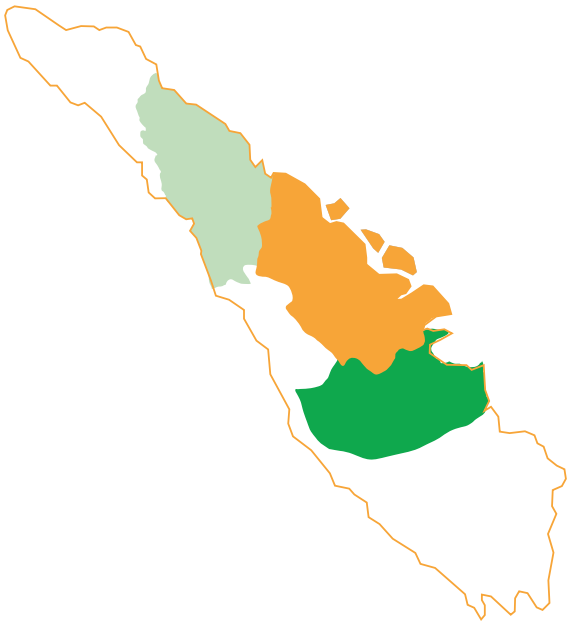
30 of our own estates

Geographic Areas

North Sumatra

Riau

Jambi

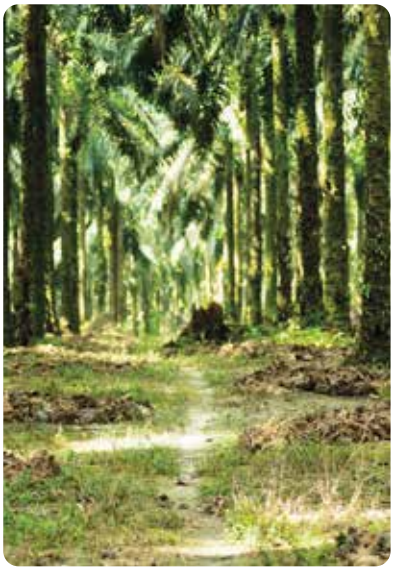


02 Message from Our Managing Director

102-14

Dear Stakeholders of Asian Agri,

I am honoured to present to you Asian Agri's 2019-2020 Sustainability Report – the fourth since we began publishing sustainability reports every two years in 2015. Since then, we have made significant progress both in the management and performance of sustainability, which I am proud to have the opportunity to share with you through this report.



Facing Challenges in 2019 and 2020

The years 2019 and 2020 presented unique challenges for Asian Agri and the palm oil industry in general. In 2019, we experienced dry weather caused by El Niño, which led to almost five months of dry weather conditions in North Sumatra, Riau and Jambi. As oil palms are heavily reliant on water, the dry weather affected the production yields of our plantations. This phenomenon affected many palm oil companies in Indonesia. Therefore, we all looked forward to a better year in 2020.

However, the COVID-19 pandemic struck in early 2020, impacting a significant downturn in palm oil prices which continued until Q4 2020. To cope with the pandemic, we had to rapidly pivot our operations and implement our Business Continuity Plan, ensuring that all employees and workers from the office to the field adhered to strict health protocols as instructed by the government. We also ramped up our adoption of technology to continue some of our operations.

Emerging Stronger

In more than 40 years of operation we have encountered many challenges, and despite production disruption and low prices, we managed to overcome the situation and continue our operations as planned. This is proof of the resilience of our business and the result of years of implementation of the 'QPC' principles of better quality, higher productivity and lower production costs. Furthermore, amid the short-term effects of these external challenges, we pressed on with our sustainability plans and were able to achieve some significant milestones in 2019 and 2020.

We continue our effort to maintain our ISPO, RSPO and ISCC sustainability certifications for our own estates and plasma scheme smallholders, and consistently assist our independent smallholders through our CSV (Corporate Shared Value) Program. In 2019, two of our independent smallholders received RSPO certification and one of our plasma scheme smallholders received the first ISPO certification. These were great achievements in our long term partnerships program with the smallholders, as they finally earned certification to recognize their adoption of sustainability practices. We currently have full traceability for our plantations and smallholder partners, and continuously engage with third parties to provide assurance for our traceability system.

Another highlight was our progress in waste and energy management. By the end of 2020, 17 out of 22 of our mills have achieved ISCC certification for waste and residue. We also commissioned three more biogas plants in 2019, bringing the total to 10, which generate renewable energy as additional power for our mill and for domestic use.

Lastly, we worked with external consultants to conduct a prioritisation exercise on the Sustainable Development Goals (SDGs) to identify goals which Asian Agri can best contribute to, and plan to integrate our contribution to the SDGs into our overall approach to sustainability in the next phase.

17

out of 22 of our mills have achieved ISCC certification for waste and residue

"Looking to the future, we see many opportunities and positive developments for the palm oil industry"

Our Path Ahead

To ensure we continue to achieve sustainability for our business, our people and the environment, we will persevere with our current priorities and strategies. This includes focusing on intensification rather than opening up new developments; replanting and cultivation; and using quality seeds and best agronomic practices as the keys to success.

This is the same approach we take with our smallholders. We will continue to work with our plasma scheme smallholders to improve yields in their first generation plantations, while preparing them for the second generation of replanting. As for independent smallholders, we recognise that they often require even greater support to improve their agronomic practices and yields, and will enhance our programs for them based on our experience helping plasma scheme smallholders. These are commitments that we have to hold, despite the difficulties.

We will also prioritise fire and haze prevention and continue to improve our Fire-Free Village Program (FFVP), which has grown over the years and now covers 16 villages or around 343,000 Ha of land. In the next five years, we will also continue to improve our operational excellence by reducing reliance on chemicals and increasing our use of biological controls.

Looking to the future, we see many opportunities and positive developments for the palm oil industry. Despite the ongoing pandemic, the global demand for palm oil is expected to continue to increase due to population growth and rising affluence in emerging economies, as well as scientific advancements leading to more diversified use of palm oil, such as in biofuels and animal feeds. This presents unique opportunities for Indonesia as the world's top producer of palm oil as well as those dependent on the sector for their livelihoods

Riding on our current progress, I am confident that we are well placed to achieve our vision to be one of Indonesia's largest and best managed resource-based groups, creating value for community, country, the climate, customers and ultimately, to the company. We will continue to keep our eye out for new challenges ahead, adapt to the 'new normal' and emerge stronger from the challenges of 2019 and 2020. I look forward to continuing this journey together with all of you.

Kelvin Tio
Managing Director

Asian Agri at a Glance

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

Established in 1979, Asian Agri has emerged as one of Asia's largest palm oil producers with an annual capacity of 1 million tons of crude palm oil (CPO). We are a group of private limited companies with key operations such as seedling, planting and processing of fresh fruit bunches (FFBs), as well as production of sustainable palm oil in our mills. Headquartered in Medan, North Sumatra, Indonesia, we now own and operate 30 of our own estates along with 22 mills, 10 kernel crushing plants (KCPs) and 10 biogas plants. Our palm oil is delivered to our customer, Apical, to be processed at their refineries for the domestic market as well as Asian and European markets.

In 2020, we added a new mill and its KCP (Agro Sejahtera Mill) to our operations. We also split some of our estates and now have 30 estates instead of 27. There were no further changes in terms of size, structure or ownership in our business.

1 million
tons annual capacity of crude palm oil

Our operations:
North Sumatra (Headquarters: Medan), Riau, Jambi, Jakarta (Representing office)

Our products:
Crude palm oil (CPO), Crude palm kernel oil (CPKO), Palm kernel

Our operations in 2020

- **22** mills
- **10** kernel crushing plants (KCPs)
- **10** biogas plants
- **30** of our own estates
- **1,098** staff
- **19,164** workers

Since 2018, we expanded our operations by adding 1 new mill and 1 new KCP

Our capacity

Mills
1,205 tons
tons FFB/hour

KCPs:
1,100 tons
tons PK/day

Biogas plants:
19MWh
19MWh of electricity

Our production

- **1,056,218 MT** of CPO produced
- **451,673 MT** from own estates
- **448,835 MT** from independent smallholders
- **155,710 MT** from plasma scheme smallholders
- **137,138 MT** of CPKO produced
- **5.38 ton/Ha** CPO yield of from own estates

Planted areas

	Planted area (Ha)
Own estate	93,351
Plasma scheme smallholders	52,905

Independent smallholders

	Planted area (Ha)
Independent smallholders involved in our smallholder empowerment programme[1]	43,679

Our subsidiary companies
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 Dasa Anugerah Sejati PT Inti Indosawit Subur PT Rigunas Agri Utama

1 See pages 20-25 for more information on these programmes

"Asian Agri is one of the world's largest palm oil producers"

Our Value Chain

102-7, 102-9, 102-10

Our FFBs are sourced from our own estates, plasma scheme smallholders and independent smallholders. The FFB is then delivered to 22 of our CPO mills and most of the PK produced is delivered to our KCPs. We also have 35 third party KCP suppliers. All CPO and CPKO produced, as well as some of our PK produced, is sold to Apical to be further refined or directly exported to 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 26-27.

Our Business Growth

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

Numbers of mills, KCPs, biogas plants and own estates

	Mills			KCPs			Biogas Plants			Own Estates		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2018	2019	2020
North Sumatra	8	8	8	2	2	2	5	5	2	14	14	14
Riau	10	9	9	5	4	4	3	3	3	10	10	8
Jambi	4	4	4	3	3	3	2	2	2	6	6	5
Total	22	21	21	10	9	9	10	10	7	30	30	27

Note: As Asian Agri is not a listed company, we do not report on financial data such as total assets, net sales, and total capitalisation due to confidentiality constraints.

CPO Production (MTon)

2020	2019	2018
1,056,218	1,121,197	1,161,370

CPKO production (MTon)

2020	2019	2018
137,138	139,142	138,222

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 the largest, best-managed and sustainable palm oil company which creates value for the 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 Purpose	Improving lives by developing resources sustainably
Our Vision	To be one of the largest, best-managed and sustainable palm oil company, creating value for the Community, Country, Climate, Customer and Company

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

Customer
We understand our **customers** and deliver best value to them

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

Note: As Asian Agri is not a listed company, we do not report on financial data such as total assets, net sales, and total capitalisation due to confidentiality constraints.

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

Corporate Governance

Business Ethics

205-3

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

Our Code of Conduct, last updated in December 2019, provide our employees and suppliers with guidelines on acceptable and unacceptable behaviour. This includes 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, zero tolerance for child labour, sexual harassment, and violence in our workplaces.

No confirmed incidents of corruption occurred in 2019 and 2020.

04 Our Sustainability Milestones and Commitments

Our Sustainability Milestones Over the Years

1979
Acquired 8,000 Ha landbank in North Sumatra

1983
Opened first palm oil mill in Gunung Melayu, North Sumatra

1987
One of the first companies to join the Indonesian government's Plasma Transmigration Program

1989
Established a state of the art R&D centre to innovate and adopt cutting edge technologies, to enable estates to produce palm oil in a sustainable and environmentally friendly manner

1991
Successfully developed and handed over our first plasma estate

1994
Implemented zero burn policy

1996
R&D centre successfully produced TOPAZ 1, a superior seed variety which can produce higher yields even in poor quality soils

2002
Established Planters School of Excellence

2003
No more new developments and land expansion, changing our focus on land intensification instead

2005
Set up the Oil Palm Research Station (OPRS): Seed producing facilities

2006
Became an RSPO member

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, building on our successes of working with plasma scheme smallholders

2013

Indonesia's largest number of smallholder partners with ISCC and RSPO certification
Achieved 100% ISCC certification for own estates
Developed a Sustainability Policy which sets out our commitments to "No Deforestation, No Peat and No Exploitation" (NDPE)

2014

Achieved 100% ISCC certification for smallholders

2015

Plasma smallholders began replanting programme
Commissioned 5 biogas plants and 6 Kernel Crushing Plants (KCPs)

2016

Launched Fire Free Village Programme (FFVP) in all 3 provinces to help communities prevent fires

Launched our first traceability verification programme for our independent smallholders in Jambi to strengthen supply chain traceability

2017

Our independent smallholders with Amanah Association became the first to be ISPO certified
Our plasma smallholders achieved 100% RSPO certification

2018

Our independent smallholders started replanting programme

Fulfilled our 'One to One' (1:1) partnership commitment, matching 1Ha of our own land with 1Ha owned by smallholders

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

Commissioned 2 more biogas plants and 3 more 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

Started Sustainable Development Goals (SDGs) prioritisation exercise, with the goal of integrating the SDGs into our approach to sustainability
Commissioned 1 more mill and 1 more Kernel Crushing Plant (KCP)

05 Our Approach to Sustainability

The Importance of Sustainable Palm Oil

We believe that palm oil – produced in a sustainable and responsible manner – can bring about great benefits to society. As a high-yielding oil crop, oil palm is well-positioned to meet the growing demand for oil with the least amount of land. The palm oil industry is also a major contributor to the Indonesian economy and a key component in the nation's strategic plan for sustained economic growth and rural development. However, irresponsible and unsustainable palm oil production can lead to major negative environmental and social impacts. Over the years, rapid expansion of oil palm plantations in Indonesia has led to deforestation, loss of biodiversity and forest fires. Local communities have also been impacted when their land rights have not been upheld, and workers in the industry not protected due to poor labour standards.

As such, we strongly believe in the importance of producing palm oil in a sustainable and responsible manner. We are committed to continuous improvement in our environmental, social and governance (ESG) performance, conserving the environment and protecting our workers and rights of local communities, while allowing the potential of the palm oil industry to lift millions more in Indonesia out of poverty.

A pioneer in smallholder partnerships, we work closely with both plasma scheme and independent smallholders as a key strategy of our business. In 2018, we succeeded in achieving our 'One to One' (1:1) partnership commitment, where 1Ha of our own plantations is matched with 1Ha of smallholder plantations, signaling our commitment to grow together with our smallholders. Today, we work with around 30,000 plasma scheme smallholders managing around 60,000 Ha of land. Building on our experience running programmes for plasma scheme smallholders, we extended our support to independent smallholders in 2012 and now work with more than 11,000 independent smallholders managing more than 43,000Ha of land, empowering them through various programmes to improve their yield, livelihoods and wellbeing. Another key component of our sustainability strategy is to increase intensification and productivity without expanding our footprint. Since 2003, we have imposed a moratorium on forest clearance and peatland development and have continued to focus on improving productivity in the existing land we manage.

Our Sustainability Policy

In line with our wider vision, purpose and core values, we developed a Sustainability Policy to strategically 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 also extend to all our companies and smallholders – is crucial for us to be a reliable, responsible and sustainable producer of quality palm oil.

30,000
plasma scheme smallholders

>11,000
independent smallholders

"We believe that palm oil – produced in a sustainable and responsible manner – can bring about great benefits to society"

Asian Agri Sustainability Policy

No Deforestation

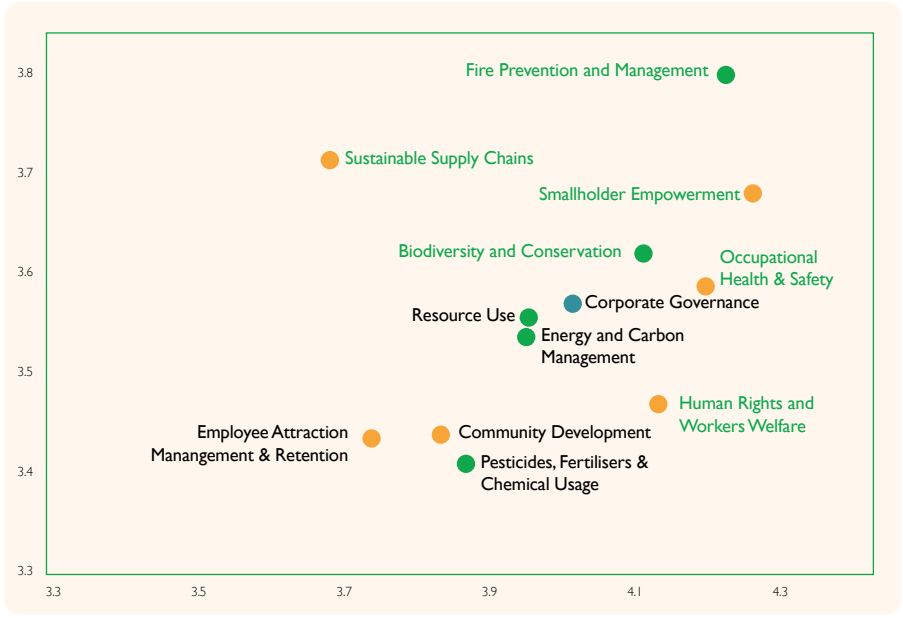
- Conservation of HCS areas for new development
- Conservation of HCV areas
- GHG emission monitoring and reduction
- Zero burning policy

Positive socio-economic impact for people, smallholders 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 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 Material Issues

102-47

We have identified the following material issues as key sustainability risks and opportunities for our business. For issues indicated to be of "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.

Legend

High priority issues

Important issues

- Environment
- Social
- Governance

			Topic Boundaries	
	Material Issue	**Description**	**Internal Stakeholders**	**External Stakeholders**
1	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' estates.	Company Employees Smallholders	Assessors Local Communities Local Government Government
2	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
3	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
4	Occupational Health and Safety	Preventing any work-related fatalities, injuries and illnesses by promoting a safe and healthy work environment	Company Employees Smallholders	Supplier Assessors Local Government Government Buyers
5	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
6	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
7	**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
8	**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
9	**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
10	**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
11	**Pesticides, Fertilisers and Chemical Usage**	Responsibly managing the use of pesticides, fertilisers and other chemicals to avoid contamination of land (soil) and water	Company Employees Smallholders	Supplier Assessors Local Government Government
12	**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

"We believe in the importance of continuous, constructive and open dialogue with stakeholders to ensure that their expectations and interests are met"

"Respecting the rights of indigenous and local communities"

Our Materiality Assessment in 2021

We also 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 review and a list of material topics identified can be found on page 58.

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 informs our approach to sustainability and how we report on our sustainability performance. For details on our list of stakeholders and how we engage them, kindly refer to page 59.

Our Contribution to the SDGs

In 2020, we began a UN Sustainable Development Goals (SDGs) prioritisation exercise to better understand how Asian Agri can contribute to the SDGs in Indonesia. To do this, we worked with our external consultants, PwC Singapore, and the scope of work included identifying areas of greatest needs, alignment of SDGs with Asian Agri's capabilities and values, identifying priority SDGs for Asian Agri and adding further context through peer benchmarking. Moving forward, we will be embarking on a new project, AA2030, which will align our overall approach to sustainability with the SDGs.

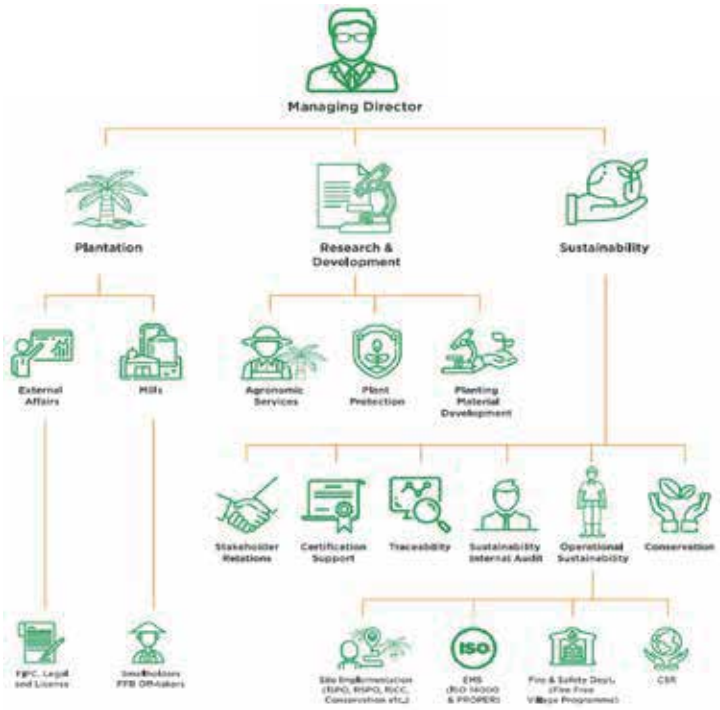
Implementation

An Integrated Sustainability Team

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.



Responsible Approach to Tax and Payments to Government

Asian Agri complies with the prevailing tax regulations on tax payment and tax reporting. To ensure we are complying with the regulations, we engage auditors to review our corporate income tax return computation and submission.

Research & Development (R&D)

R&D is a key tenet of our approach to sustainability as we continuously seek cutting-edge solutions to improve our operations, whether it is to improve productivity of the land, improve seed yields or reduce waste.

The Asian Agri R&D Centre, located in Tebing Tinggi in North Sumatra, currently hires a total of 48 highly experienced and qualified research scientists. Our scientists focus their efforts on agronomy, soil, pests, diseases, breeding and biotechnology.

Our R&D Centre is equipped with the following capabilities:

R&D Centre	Location	Research Areas
Analytic Laboratory	Tebing Tinggi, North Sumatra	Analysis of leaf nutrients, soil, fertilisers, compost, oil palm, wastewater and FFB yield
Pest & Disease Laboratory		Developing Integrated Pest and Disease Management (IPM) technologies
Clonal Oil Palm Propagation Unit	Pangkalan Kerinci, Riau,	Production of superior seeds through tissue culture techniques
Biomolecular Laboratory		Developing Molecular Marker Assisted Selection
Oil Palm Research Station	Topaz, Riau	Management of breeding and production of superior seeds
Test fields	Various locations	Allows us to test fertilisers, pest and disease control bioagents, progeny trials, as well as collect genetic resources in different agroclimates

One of our greatest R&D achievements is the development of Topaz I, which are superior seeds with higher yields even in poor quality soil. For more information on Topaz I, refer to page 23. 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.

2012
first certification for our own mills and estates

Certifications and Memberships

102-12, 102-13

Memberships

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

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)
- International Organization for Standardization (ISO 14001)
- 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)

External Ratings

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.

"R&D is a key tenet of our approach to sustainability as we continuously seek cutting-edge solutions to improve our operations"

Progress on Certifications

We have been actively implementing ISPO, RSPO and ISCC standards in all our operations. Today, we are proud to share that we have achieved ISPO, RSPO and ISCC certification for most of the palm oil produced in our own estates and by our scheme smallholders.

Certification	Our Journey	Progress
ISPO Indonesian Sustainable Palm Oil	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 estates and mills
RSPO Certified Sustainable Palm Oil	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 estate in 2010, and for our smallholder scheme in 2012.	Certified more than 86% of our own estates in North Sumatra, Riau & Jambi Certified 100% of scheme smallholder plantations in Riau & Jambi
ISCC	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 estates. In 2013, we achieved the same for our first plasma scheme smallholder. Since then, we have certified all our mills and estates. To reduce our GHG emissions for ISCC certified products, we installed methane capture facilities in our mills and built biogas plants. **ISCC Waste and Residue certification** In 2018, we successfully obtained waste and residue certification for two mills in North Sumatra, where oil content in waste byproducts (mainly Palm Oil Mill Effluent and Empty Fruit Bunches) were supplied to our buyers to be refined as biofuel. By the end of 2020, 11 of our mills obtained waste and residue certification.	Certified 100% of our own estates and mills, including by our scheme smallholders 11 of our mills obtained waste and residue certification

			2020	2019	2018
Own estates	Certified area	RSPO	86%	86%	86%
		ISCC	100%	100%	100%
		ISPO	100%[1]	100%[1]	92%
	Certified oil	RSPO	83%	83%	82%
		ISCC	100%	100%	95%
		ISPO	94%	91%	90%
Scheme smallholders	Certified area	RSPO	100%	100%	100%
		ISCC	100%	100%	100%
	Certified oil	RSPO	100%	100%	100%
		ISCC	100%	100%	100%

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

Grievance Procedure

102-17

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

Available reporting channels include:

	Reporting channels
For Employees	**Log Books:** Log books are located in all estates and mills managed by Asian Agri. Employees may log concerns regarding disruptions to operations (e.g. machine failure) in the Disruption Log Book, and issues regarding employee rights in the Compliant Log Book.
	Email and telephone: Employees may also file confidential reports through email and telephone to protect their anonymity.
For External Stakeholders (e.g. government, smallholders, suppliers, NGOs, media)	**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.

For further details on our reporting channels for reporting grievances, kindly visit our website here.

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 – coordinating 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 2019 and 2020, we received a total of 9 grievances:

	No. of Raised Grievances	Issues Raised	Organisations
2020	4	New hotspots detected, fires on our concessions, waste disposal into river	RSPO, Greenpeace Southeast Asia, Ministry of Environment and Forestry
2019	5	New hotspots detected, 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 here.

06 Smallholder Empowerment

A Pioneer in Smallholder Partnerships

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

As of 2020, we work with more than 30,000 plasma scheme smallholders and 11,000 independent smallholders who manage around 60,000 Ha and more than 43,000 Ha of land respectively.

By working closely with smallholders – both plasma scheme and independent – to improve their yields and produce sustainably, we are able to 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 'One to One' (1:1) partnership commitment: 1 Ha of our own plantations is matched with 1 Ha of smallholder plantations"

30
years of experience forging close partnerships with smallholders

In the last three decades, we have made significant progress together with our smallholder partners:

History of Our Plasma Scheme Smallholders Programme

In 1987, Asian Agri was a pioneer in the Plasma Transmigration Programme (PIR-Trans), initiated by the Indonesian government to improve economic development in the country. Under the scheme, villagers from rural parts of Indonesia were relocated to oil palm growing areas and given two Ha of land for farming, as well as another 0.5 Ha for housing and growing food crops.

At the start, Asian Agri provided technical support to plasma scheme smallholders who agreed to sell their produce to us at a price set by the government. Over the years, we have continued to build up our plasma scheme smallholder programme and have introduced different forms of support for them.

100%

of our scheme smallholders are ISCC and RSPO certified

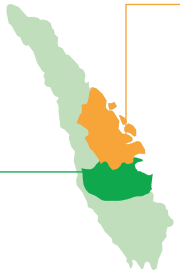
Our Journey Working with Smallholders

1987	Pioneered plasma scheme in Riau and Jambi through the Indonesia government's Transmigration Programme (PIR-Trans)
1991	Successfully developed the land and handed ownership of our first plasma scheme estate 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
2012	Launched our independent smallholders programme in North Sumatra, Riau and Jambi, building on our successes of working with plasma scheme smallholders
2013	Achieved milestone of having Indonesia's largest number of smallholder partners with ISCC and RSPO certification
2014	100% of our plasma scheme smallholders achieved ISCC certification
2015	Our plasma scheme smallholders started replanting programme
2017	Our independent smallholders with Amanah Association became the first to be ISPO certified
	100% of our plasma scheme smallholders fully repaid the loans they received from us in 1987
	100% of our plasma scheme smallholders achieved RSPO certification
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
	Achieved our first ISPO certificate for a plasma scheme smallholder (KUD Bukit Potalo)
	Our independent smallholders started replanting programme
2019	100% of the palm oil produced by our scheme smallholders were ISCC and RSPO certified
2020	Launched the SMallholder Inclusion for better Livelihood & Empowerment program (SMILE) project, a collaboration between Asian Agri, Apical and Kao Corporation

Supporting Our Plasma Scheme Smallholders

413-1

We currently support plasma scheme smallholders located in Riau and Jambi:



Riau

Regency	District/Village
Pelalawan	Ukui
	Buatan
	Penarikan
Kampar	Gunung Sahilan
Indragiri Hulu	Peranap

Jambi

Regency	District/Village
West Tanjung Jabung	Tungkal Ulu
Batang Hari	Muara Bulian
Tebo	Bunga Tebo

	Riau	Jambi	Total
Number of plasma scheme smallholders	14,803	11,012	25,815
Number of plasma scheme smallholder groups	659	494	1,153
Number of plasma scheme smallholder cooperatives (consisting of several smallholder groups)	38	34	72
Total planted area by plasma scheme smallholders (Ha)	29,456	23,449	52,905

To ensure we provide the best support for our plasma scheme smallholders, we have set up a dedicated Plasma Management Team which oversees all aspects of our support for smallholders. The strong partnership between our Plasma management team and our smallholders, 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.

"In 2020, our smallholders in Riau earn around 70% higher than the provincial minimum wage, while those in Jambi earn around 40% higher than the provincial minimum wage"

Improving their livelihoods

We purchase FFB from smallholders at a price referred by provincial government regulations. The price mechanism for our smallholders is communicated through weekly meetings. As part of our commitment to support smallholders, we then share part of the profits earned from sustainable palm oil with them.

In 2019 and 2020, we distributed a total of IDR 9.7 billion to our plasma scheme smallholders. The premium earned was then used by cooperatives to improve agronomic training, village infrastructure and plantation infrastructure.

By selling FFBs to our mills and through our additional support, our plasma scheme smallholders have been able to earn a higher income. In 2020, our smallholders in Riau earn around 70% higher than the provincial minimum wage, while those in Jambi earn around 40% higher than the provincial minimum wage.

Plasma scheme smallholder income trends compared with provincial minimum wage

	2020		2019		2018	
	Our plasma scheme small-holders	Provincial Minimum Wage	Our plasma scheme small-holders	Provincial Minimum Wage	Our plasma scheme smallholders	Provincial Minimum Wage
Riau	4,986,000	2,888,564	4,674,000	2,662,025	5,876,000	2,464,154
Jambi	3,625,000	2,630,162	3,362,000	2,423,889	4,662,000	2,243,718

Programmes to support plasma scheme smallholders

We also provide further support for plasma scheme smallholders through the following programmes:

1. Knowledge sharing on best practices in palm oil management
2. Fire awareness and prevention
3. Replanting
   - Financial assistance
   - Land preparation
   - Providing quality seeds
4. Alternative sources of income
5. Obtaining sustainability certifications

1. 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 (e.g. dosage, type, how to apply), caring for oil palms, harvest techniques, fruit quality, use of equipment and other areas.

2. Fire awareness and prevention

To prevent fires from 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, refer to pages 40-43.

Our Topaz Seeds

Our Topaz seeds were developed by a team of 21 researchers at Asian Agri's Oil Palm Research Station (OPRS). The superior seeds were created by cross-breeding four different seed varieties from around the world. Oil palms grown using Topaz seeds have many advantages including:

- Producing superior yields even in poor quality soils
- Having slow vertical growth making it easier to harvest its FFB
- Reaching maturity at an earlier age: While the usual palm oil varieties produce its first bunches in 3-4 years, our latest Topaz seeds can be harvested as early as 30 months

With a capacity of 25 million germinated seeds per year, we are currently the third biggest seller of palm oil seeds in Indonesia. These seeds are sold to smallholders, used by Asian Agri company and also to other companies. More than 130 million seedlings have been shipped to large plantations, smallholders and independent farmers throughout Indonesia and abroad.

For more information on our R&D efforts to produce new and more advanced seed varieties, refer to page 17.

Our team has tested the seeds in various soil conditions to ascertain their productivity potential

3. Replanting

Oil palms are at their prime from 8 to 18 years of age. After 25 years, their production starts to decline and are usually too difficult to harvest as they become too tall. Thus, we usually replant our oil palms after 25 years. Replanted new oil palms usually takes 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 their ageing trees.

As such, our replanting programme is a holistic one consisting of three components of support. Every year, we support our smallholders to replant a target area of 3,000Ha.

1. **Financial assistance:** To help smallholders afford the seeds and other resources required for replanting, we help them to gain access for funding through banks, financial institution and/or the Indonesian Palm Oil Plantation Fund Management Agency (Badan Pengelola Dana Perkebunan Kelapa Sawit - BPDPKS). Asian Agri acts as guarantor for the bank and commits to continuing our support for the smallholders until they can fully repay their loans.
2. **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 6 months to complete.
3. **Providing quality seeds:** Supplying quality seeds to smallholders enables 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.

Since our plasma scheme smallholder replanting programme started in 2016, we have made progress in supporting our smallholders with replanting, covering around 3,300 Ha of plantations.

2016	Our first cooperative, KUD Mulus Rahayu in Buatan region, completed replanting
2019	The following cooperatives, covering a total of 894 Ha, completed replanting: KUD Sawit Sabur (Ukui region) KUD Lembah Rezeki (Peranap region) KUD Serangge Permai (Peranap region)
2020	The following cooperatives, covering a total of 1,654 Ha, completed replanting: KUD Sumber Bahagia (Ukui region) KUD Mulus Rahayu (Buatan region) KUD Bhakti Mandiri (Buatan region) KUD Jaya Makmur (Buatan region) KUD Serange Permai (Peranap region) KUD Karya Jaya (Tungkal Ulu region) KUD Sumber Usaha (Bungo Tebo region)

4. Alternative sources of livelihood

Furthermore, as smallholders wait for their new oil palms to bear fruit, we help them to gain access to alternative sources of livelihood to tide through the waiting period.

We provide cattle, day-old-chickens, fish, goats, cows and stingless honey bees (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.

5. Obtaining sustainability certifications

After obtaining sustainability certifications for our own estates, 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 International Sustainability and Carbon Certification (ISCC). These certifications are crucial to enable smallholders to access international markets such as Europe, allowing them to set a premium price from the sale of their produce. By implementing sustainable practices, they are also able to enjoy higher FFB yield. The increased profits received by smallholders then 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 plasma scheme smallholders achieve the following certifications:

2014	100% ISCC certification
2017	100% RSPO certification
2024	Begin ISPO certification as mandated by Gov

Today, 100% of the palm oil produced by our plasma scheme smallholders are RSPO and ISCC certified.

27 years and two generations with Asian Agri

Syahmad migrated to Buatan in 1990 to begin oil palm farming as part of the Indonesian government's transmigration programme. He was given 2.5 hectares of land – 2 hectares for oil palm, and 0.5 hectares for general agriculture, as well as a small wooden house. As a smallholder partner of Asian Agri, he received continuous training and guidance on best practices in oil palm cultivation. He also received support on fertilisers, pest and weed control. With each passing year, Syahmad and his family's standards of living began to improve. After six years partnering with Asian Agri, he was also able to move to a new bigger house. 27 years on, he continues to partner Asian Agri, a partnership which is still going strong.

For Syahmad, his greatest achievement as a father was when he was able finance his two children's university education – something he never imagined as the son of a paddy farmer. Today, his eldest son, Rudiansyah, has already graduated from university and now works at Asian Agri as a Plasma Assistant, helping farmers like Syahmad who took part in the transmigration programme.

For more stories on our smallholder farmers, see our Youtube video series on smallholders here

From paddy to oil palm and hydroponics

Jumadi was a paddy farmer in Java but found it difficult to make ends meet and provide for his seven children. In 2002, he took the leap of faith and moved his wife and children to Pangkalan Kerinci to start a new life as an oil palm farmer, using the little savings he earned as a migrant worker in Malaysia. He learned about Asian Agri as soon as he arrived in Riau and joined the Bina Karya farmer group which was a partner of the company.

As a smallholder partner, Jumadi and other farmers received training on agricultural best practices and support in solving problems when they occurred. For example, when caterpillars attacked the smallholders' plantations, Asian Agri carried out fogging to clear the infestation. On a separate occasion, Asian Agri conducted lab research to search fork solutions when the farmers discovered that the leaves of their oil palms were turning an unnatural yellow.

In 2014, Jumadi first heard about hydroponics and wanted to try his hand at it. With the support of Asian Agri, he and his wife built a greenhouse with hydroponic plants and sold their produce to the local community as supplementary income to their oil palm plantation. After more than four years, his business is thriving. With a well-managed hydroponic system in place, vegetables can be produced twice as fast. Life has improved since Jumadi chose to restart his life in Pangkalan Kerinci, evidenced by the fact that he and his wife were able to send three of their children to university.

"Building on the successes of and lessons learnt from our plasma scheme smallholder partnership programme, we provide a similar range of support for independent smallholders"

74%

of smallholders in Indonesia are independent

Supporting Independent Smallholders

In Indonesia, independent smallholders manage more than 70% of smallholders' plantations according to the Chain Reaction Research, yet they tend to be heavily disadvantaged by various factors, including having limited financial resources, a lack of organisation, as well as a reliance on traditional agronomic practices which tend to be less productive and sustainable. 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 plasma scheme smallholders.

Through our Corporate Shared Value (CSV) programme, we currently support more than 11,000 independent smallholders in North Sumatra, Riau and Jambi managing a total of more than 43,000 Ha of land.

Building on the successes of and lessons learnt from our plasma scheme smallholder partnership programme, 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.

In Dec 2018, we obtained our first ISPO certificate for plasma scheme smallholders (Bukit Potalo Cooperative or KUD), consisting of 247 smallholders managing 497Ha of land.

SMILE Programme

In 2020, we launched a new initiative 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. The programme will assemble a team of experts to work with 5,000 independent smallholders that manage approximately 18,000 Ha of plantations in North Sumatra, Riau and Jambi. Through customized seminars and workshops, the experts will:

- Educate farmers on how to improve their yields and sustainably manage their farms, as well as on the importance of staying committed to sustainable practices such as no-deforestation and zero-burning, no exploitation
- Provide support for RSPO certification, with the goal of helping independent smallholders secure RSPO certifications by 2030
- Provide training on how to implement robust safety measures across their estates, 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.

Throughout SMILE's implementation, the three companies will regularly engage various stakeholders such as NGOs, NPOs and community leaders to ensure competent delivery of training, adequate allocation of equipment, timely provision of needs at the estate and community level, as well as optimised collaboration towards building a more sustainable and traceable supply chain.

Apart from SMILE, we also work with other partners such as IDH - The Sustainable Trade Initiative, Yayasan Setara Jambi and FORTASBI – to implement other programmes for independent smallholders.

07 Sustainable Supply Chains

308-1, 414-1

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

Number of third party KCP suppliers

	2020	2019	2018
North Sumatra	15	18	15
Riau	8	10	10
Jambi	12	11	12
Number of suppliers[1]	35	38	36

Commitment to 100% FFB Traceability

We recognise the importance of supply chain traceability in our efforts to be a leader in sustainable palm oil production, and thus invest efforts to ensure our FFB and products can be traced to their origin.

To meet our goals for supply chain traceability, we have developed a systematic strategy based on supply identification and supplier engagement that will assist us in identifying our FFB supply sources.

Through our efforts, we successfully achieved 100% traceability to plantations in 2017.

"To meet our goals for supply chain traceability, we have developed a systematic strategy based on supply identification and supplier engagement"

Our Journey Towards Reaching 100% FFB Traceability to Plantations

2014	Commitment to achieve FFB Traceability to plantation
	Started listing our FFB suppliers
2016	Engaged IDH and Yayasan Setara Jambi on Independent Smallholders' FFB Traceability in Jambi
2017	Achieved 100% FFB Traceability to plantation with the full implementation of robust sourcing frameworks across all managed estates and smallholder partners
	Created a traceability department to support our traceability ambitions
2018	Engaged Meo Carbon Solutions and SNV to provide third party-level assurance of our 100% FFB traceability to plantation by generating accurate and up-to-date FFB traceability information in North Sumatra and Riau

100%
traceability to plantations achieved in 2017

Supplier Identification

For CPO and PK to be considered as fully traceable to mills, suppliers are required to provide the company name, parent company name, mill name, mill address and geographical coordinates. Even if the source is known to us, suppliers which are unable to provide complete information are marked as 'untraceable'. Thus, accurate information gathering is key to achieving full traceability to mills.

Own estates and plasma smallholders

At the start of each plantation development and before we engage plasma scheme smallholders, we conduct a mapping exercise of our own estates and areas belonging to plasma smallholders under our management.

We were able to achieve this by tracing our existing third party suppliers to obtain the required information. Before we accept new suppliers, we also require them to submit baseline data and a compliance statement. We will then send our team to examine the condition of the estate and to take coordinates. GPS coordinates are taken in the centre of the estates, and for estates located near high risk areas, coordinates are taken from the edge of the estates to make sure that there are no oil palms in no-go areas.

For our suppliers in Jambi, we conducted data collection in collaboration with Yayasan Setara Jambi and The Sustainable Trade Initiative (IDH).

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

35
new third party KCP in 2020

"we conduct random checks and surveys of their plantations annually to ensure that any breaches of social or environmental issues do not occur"

For our suppliers in North Sumatra and Riau, we engaged Meo Carbon Solutions and SNV in 2018 through a 6-month programme to verify our traceability system for these areas. Meo and SNV analysed samples of the upstream supply chain within North Sumatra and Riau Provinces, covering approximately 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. The implementation of these measures would also enable better monitoring, plantation management and enable better access to finance.

The first phase of the project was completed in 2019 and we are currently working on the second phase.

Independent smallholders

Where challenges remain is our ability to trace FFBs sourced from independent smallholders and we endeavour to strengthen our approach in this area. To build sustainability awareness among independent smallholders, we communicate our sustainability standards which require them to provide evidence of legality of their land, protection of conservation areas, and other social issues such as child labour. Recognising that independent smallholders additional support to comply with our standards, we invest efforts in empowering them through our smallholders programme. For more information on these programmes, refer to page 25.

	Own estate	Scheme Smallholders	Independent Smallholders
Legal entity documents	✓	✓	✓
Name & address of FFB suppliers	✓	✓	✓
Plantation GPS coordinates	✓	✓	✓
Plantation area in Ha	✓	✓	✓
Estimated production	✓	✓	✓

Supplier Engagement and Verification

After identifying our suppliers, the next step is to engage and verify our suppliers, in particular independent smallholders. We communicate our sourcing policy as it relates to the legality of their land, crops, and protection of conservation areas. Suppliers who have been identified are expected to submit their data and sign a statement of compliance with our sourcing policy. We then use the data to map out the location of their estate and overlay this on the provincial spatial plan to ensure smallholders' plantations are not located within illegal areas, such as national parks, wildlife reserves and conservation areas.for verification.

For existing suppliers, we conduct random checks and surveys of their plantations annually to ensure that any breaches of social or environmental issues do not occur. If any grievance or issues are found, we will verify them immediately and if proven, subject them to immediate suspension.

New Suppliers

All of our new suppliers, whether for PK or FFB, are required to sign an agreement which is later verified by our traceability officersteam in each mill. Under the agreement, our suppliers are required to respect our policies on issues such as NDPE, prohibition of sourcing from areas which do not meet our environmental and social criteria (e.g. forced and child labour). They are only allowed to supply to our mills once they sign the agreement with these commitments. We also require their plantations to be surveyed to confirm that all criteria in the commitments have been fulfilled.

If any non-compliance or violations are found, the company is subject to immediate termination as our supplier.

Number of new suppliers

Most new FFB suppliers in 2020 were for our new mill in Riau, Agro Sejahtera Mill.

	PK	FFB
2020	8	34
2019	14	20

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

08 Employee Attraction, Management and Retention

Our employees are integral to the success of our business. Across our industry, palm oil companies face a risk of labour shortage due to changes in the skills required in our industry as well as the trend of urbanisation. Recognising this risk, we work hard 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 2020, we employ 20,262 employees and workers across our operations, the majority of whom are located on-site in mills and estates. We have 1,098 employees and 19,164 workers, of which 8,602 are permanent and 10,562 are contract workers.

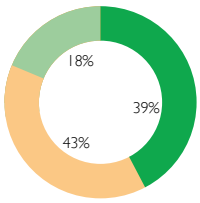
Our employees fulfill roles such as back office functions in regional offices, or supervision of daily workers in mills and plantations, while we hire workers to operate machinery, provide security on-site, and other roles.

As our manpower needs often increase during certain periods in the planting cycle, we also source for temporary seasonal workers. During the peak crop season, additional labour is often required for harvesting or transportation of FFB, or in occasions when there is a major outbreak of pest or disease requiring immediate action. During the low crop season, these temporary workers may be allocated to work in areas such as fertilising, manuring and weeding.

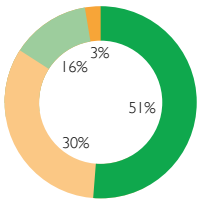
We commit to ensuring that all our employees and workers are well taken care of, in line with national legislation as well as labour standards set by certifications such as ISPO, RSPO and ISCC.

Number of workers and employees by region

2019

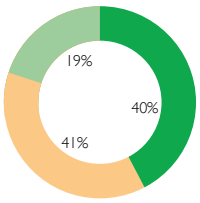


Total Workers
21,198

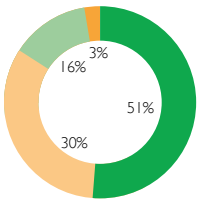


Total Employees
1,122

2020



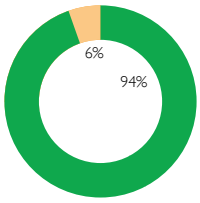
Total Workers
19,164



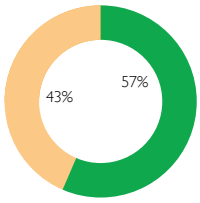
Total Employees
1,098

Number of workers by employment contract and gender

2019

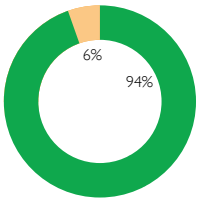


Total Permanent
9,191

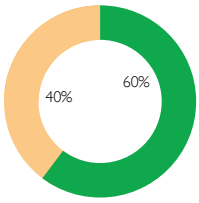


Total Temporary
12,007

2020



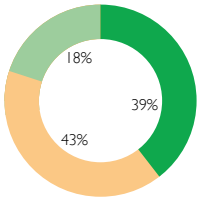
Total Permanent
8,602



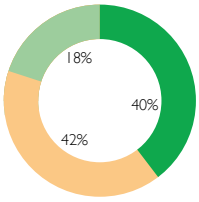
Total Temporary
10,562

Number of workers by employment contract and region

2019

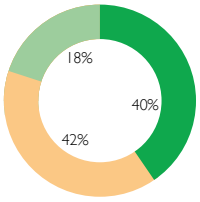


Total Permanent
9,191

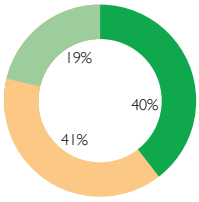


Total Temporary
12,007

2020



Total Permanent
8,602



Total Temporary
10,562

"Our employees receive healthcare, insurance, performance bonuses, incentives and special awards"

20,262
employees and workers across our operations

Supporting Women Workers

With women representing about a quarter of our workforce, we are committed to providing support to meet their specific needs.

Expecting and breastfeeding mothers are prohibited from working in environments that involves the use of chemicals to ensure they are not exposed to harmful substances.

To help them maintain a healthy work-life balance, we provide paid maternity leave and day care centres near their housing complexes.

A Diverse Workforce

% of board and employees/workers by gender

	2020		2019	
	Male	Female	Male	Female
Board	100%	0%	100%	0%
Senior Managers	91%	9%	89%	11%
Middle Managers	89%	11%	91%	9%
Staff	91%	9%	91%	9%
Total	91%	9%	91%	9%

% of board and employees/workers by age group

	2020			2019		
	18-30	31-50	≥51	18-30	31-50	≥51
Board	0%	0%	100%	0%	0%	100%
Senior Managers	0%	45%	55%	0%	47%	53%
Middle Managers	1%	76%	23%	0%	82%	18%
Staff	61.3%	34.2%	4.5%	63%	33%	4%
Total	48%	41%	11%	49%	42%	10%

% of workforce by ethnicity

	2020	2019
Batak	29.6%	29.3%
Chinese	1.4%	1.2%
Javanese	42.1%	42.9%
Minang/Malay	11.1%	10.2%
Others	15.9%	16.3%
Total	100%	100%

Fair Wages and Employee Benefits

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

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

To meet the needs of our employees/workers and their families located on-site in mills and estates, we provide a range of support to ensure that they have access to a range of amenities:

- **Housing:** Housing estates are equipped with amenities
- **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
- **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 remain committed to providing quality jobs and socio-economic development for rural communities, where our plantations and operations are located. Apart from providing communities with jobs, we invest efforts in upskilling our workers to ensure they are equipped with the right skillset. This also helps us to ensure that our workforce is able to meet the high expectations set by our stakeholders.

During the pandemic in 2020, all training programmes were conducted virtually. In cases where we had to conduct in-classroom training, it was implemented only with strict health protocols.

Number of training sessions attended by our employees

	2020	2019
Number of trainings attended	91	112

Number of employees who attended training sessions

	2020	2019
Senior Management	7	15
Middle Management	84	322
Staff	1,441	2,130
Non-staff	1,239	2,005
Total	2,771	4,472

Asian Agri Learning Institute (AALI)

We implement our training programmes through the Asian Agri Learning Institute (AALI), established in 2002 and located in Pangkalan Kerinci, Riau.

Some of these training programmes run by AALI include:

- **Annual development programme 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 skills and levels of understanding
- **Young assistant development training:** Specific training for employees under 2 years of service
- **New product introduction training:** Conducted in collaboration with vendors

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

Every year, we train around 150 trainees through our Plantation Center of Excellence Graduate Trainee programme. We invite fresh graduates from Universities and our own employees who excel in their jobs to apply for the programme which equips them with skills such as horticulture, mill processing, management, leadership and certification. Through the programme, 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.

Following a competitive selection process, our 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 programmes 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.

In 2019 and 2020, we trained more 280 individuals through our Plantation Center of Excellence Graduate Trainee Programme. Most of the trainees came from state- or public-owned universities and other education institutes in North Sumatra, West Java and Special Region of Yogjakarta. In 2019, out of 164 trainees who completed the course, 115 are currently employed by Asian Agri. The 2020 batch is still undergoing training.

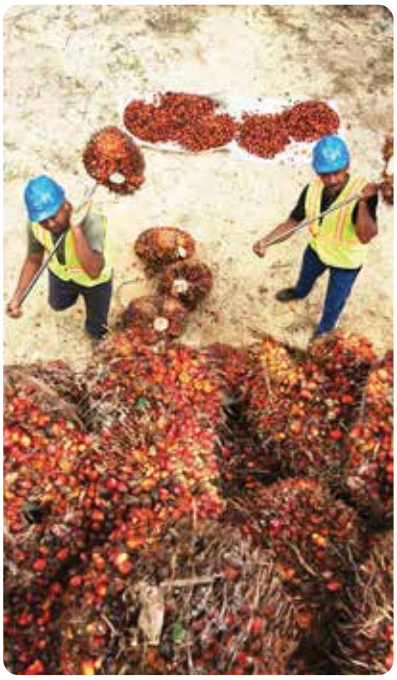
09 Labour Rights and Workers Welfare

We place a high significance on protecting the labour rights of our workers, recognising that labour issues remain significant and complex to address within the palm oil industry.

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 Declaration on Fundamental Principles and Rights at work. We have pledged ourselves to achieve the promotion of universal respect for and observance of human rights and fundamental freedoms. This is based on the United Nations (UN) Guiding Principles on Business and Human Rights framework to guide the development and implementation of human rights policy

Our Human Rights Policy also outlines our commitments to:
- Zero tolerance towards forced labour and child labour
- Gender equality and protection of women workers
- Equal opportunities, non-discrimination and no harassment in the workplace
- Ensuring our workers receive fair wages and a decent living wage
- Ensuring our workers have freedom of association and the right to collective bargaining

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

We enforce a strict policy against forced labour and child labour in all our operations – verified by our auditors in our certification process. 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 are required to sign a letter committing to zero tolerance towards forced labour. To prevent children from entering our plantations, we socialise our smallholders regularly and remind them not to bring their children to the plantations while they are working.

In 2019 and 2020, none of our operations or suppliers were considered to have significant risk of forced/labour incidents, or young workers exposed to hazardous work.

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 29.

Freedom of Association and Collective Bargaining

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. In occasion where 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.

10 Occupational Health and Safety

A Workplace Culture Where Safety Is Everyone's Responsibility

Safety is a top priority for us at Asian Agri. We invest in continuous efforts to promote a safe and healthy work environment in order 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/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 of our operations.

Protecting Our Workers from Hazards

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

OHS Management Systems

We implement an OHS management system in line with Government Regulation no.50 of 2012 on the implementation of OHS Management System (SMK3) – a mandatory regulation by the Indonesian government. It covers all employees, sub-contractors and suppliers working under the supervision of Asian Agri. This is in line with our goal to develop a strong culture and corporate governance on health and safety.

All

of our estates and mills have OHS committees to enforce Asian Agri's safety protocols and standards

Occupational Health and Safety (OHS) Committees

Each of our estates and mills have an OHS Committee to enforce Asian Agri's safety protocols and standards. These Committees 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, including 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. 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.

Apart from work-related health awareness and training, we also conducted health workshops on issues on topics such as drugs and substance abuse, fight against stunting and malnutrition for mothers and children, and awareness on protection against COVID-19.

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

"Workers who do not feel safe are able to stop work anytime and report any incidents to us through our email and telephone hotline"

Protecting Our Workers During the COVID-19 Pandemic

To protect our workers during the pandemic, we set up a special taskforce to formulate health and safety protocols to be implemented both in offices and on-site. This was part of our Business Continuity Plan and was applied to every individual involved in our operations.

Some of the protocols we implemented included enforcing the wearing of masks, safe distancing, maintaining sanitary standards at all times, and enforcing a no-travel policy unless in cases of emergency. The taskforce also ensured that we complied with Government-issued health protocols in each province. For example, in Jakarta, we implemented split-team alternate work arrangements in which half our employees alternate between working in office and from home.

As the pandemic continues, the taskforce continues to regularly monitor the ever-evolving situation and update protocols on a bi-weekly basis.

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 during the morning muster, they are not allowed to start 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 are able to 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 mechanism, see page 18.

Whenever an incident occurs, the OHS officer in each estate or mill will also log an incident report for review and to prevent similar incidents from occurring in the future.

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.

Safeguarding Worker Health

403-6

To safeguard the health of our workers, we installed clinics and provide first aid kits in strategic locations across our plantations and mills. This ensures that our workers have easy access to medical facilities when the need arises.

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 every estate or group of estates, or sent by ambulance to the nearest hospital. All our employees are covered by health insurance.

We also provide regular health checkups for workers. For those operating in environments with higher risk of health issues, such as workers regularly exposed to herbicides and pesticides, checkups are scheduled twice a year. Other workers who do not handle chemicals go for annual checkups. These tests are conducted in our clinics by 3rd party lab personnel. In 2020, we were not able to carry out the annual checkups as planned because our healthcare provider was unable to visit the site amid COVID-19 travel restrictions. This was also clearly explained to the workers who understood the limitations. We have scheduled our next checkup in early 2021.

Our Performance

403-9

Despite our best efforts, accidents do continue to occur and in these unfortunate cases, we do our best to provide remedy for victims and their families. In 2019 and 2020, we had 1 fatality each year. In 2020, this occurred when one of our workers suffered major trauma due to an accident with heavy machinery in the mill. In 2019, one of our workers had a stroke attack and fell while working in the lab. In both cases, we provided compensation for the families, including covering the necessary transportation and funeral costs. To prevent these incidents from occurring again in the future, 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.

In both years, we had no injuries resulting in permanent disability.

To meet our goal of eliminating fatalities and reducing the rate of injuries and illnesses, we believe it is important to maintaining 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. We are also planning to engage third party consultants to strengthen our OHS performance.

Work-related Fatalities

		Number	Rate[1]
North Sumatra	2020	0	0.00%
	2019	0	0.00%
	2018	0	0.00%
Riau	2020	1	0.017%
	2019	1	0.013%
	2018	0	0.00%
Jambi	2020	0	0.00%
	2019	0	0.00%
	2018	0	0.00%

Work-related Injuries

		Number	Rate[2]
First aid[3]	2020	1,110	19.77%
	2019	1,097	16.01%
Medical aid[4]	2020	249	4.43%
	2019	331	5.90%
Permanent disability	2020	0	0.00%
	2019	0	0.00%

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	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	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	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%

1 Number of fatalities x 200,000/man-hours; Man-hours: Number of workers x scheduled working days x 7 hours per day
2 Number of injuries x 200,000/man-hours; Man-hours: Number of workers x scheduled working days x 7 hours per day
3 First 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.
4 Medical Aid refers to any incident that requires special care or medication and the workers need day off(s) to recuperate
5 Number of injuries x 200,000/man-hours; Man-hours: Number of workers x scheduled working days x 7 hours per day
6 Lost days are calculated after 2 scheduled work days
7 Includes absentees due to work-related injuries and illnesses, but excludes absentees from work without permission

Biodiversity and Conservation

We believe in the importance of protecting Indonesia's forests from irresponsible and unsustainable palm oil production, which had led previously to deforestation, loss of diversity and forest fires. As such, we adhere strictly to our Sustainability Policy which sets out our commitments to biodiversity and conservation. In particular, this includes:

- **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 our best efforts and resources to assist smallholders to comply with the required standards for regulations and certifications, including compliance with our NDPE commitments.

Moratorium on New Developments

We have in place a moratorium on any forest clearance and new peatland development. Since 2003, we have not opened up new areas for plantation and we focus instead on replanting and increasing yield in our existing estates. All of our current estates, including those owned by our plasma smallholders, were developed in the 1990s on degraded forests with low biodiversity value.

Approximately every 25 years, we conduct replanting of new trees when our existing oil palms have reached maturity and are no longer considered productive in terms of yield and quality of FFB. In line with our 'zero burning' policy, the existing trees are cut down using heavy equipment and leaves and fronds are allowed to decompose to form fertiliser for new plants. This process of preparing the land for replanting usually takes about six months.

We use high quality seeds developed in-house for replanting, and also support our plasma and independent smallholders in this process. For further information on our quality seeds, refer to page 23. For further information on how we support smallholders, refer to pages 20-25

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2003
we have not opened up new areas for plantation since 2003

Identifying and Protecting Conservation Areas

304-4

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

All of our existing estates have been subjected 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.

We also establish riparian zones and areas that are of high cultural value to local communities.

To ensure the long-term protection of these conservation areas, we have in place a system which integrates the recommendations of HCV, HCS, Social and Environmental Impact Assessments (SEIAs) and peatland assessments within our larger landscape planning.

"Since 2003, we have not opened up new areas for plantation and we focus instead on replanting and increasing yield in our existing estates"

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

Position	Responsibilities
Head of Environment and Sustainability	Formulation and implementation of strategic plan Regular reporting on performance to management (twice a year)
Concervation Coordinator (North Sumatra, Riau & Jambi)	Ensures all strategic plans related to management of conservation areas are well executed Coordinate with assistants in own region
Coordinator's Assistant	Execute strategic plans to protect HCV areas in their region
Estate Foreman	Supports assistants in field work – e.g. patrolling, wildlife monitoring

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

Peat Management

307-1

We recognise the importance of peatland ecosystems as crucial carbon sinks for the planet and 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 conducts peatland mapping and assessments. As part of the assessments, 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 7 peatland estates, representing around 26% of the total area under our management[1].

Peatland Area (Ha)

	Peatland Area (Ha)
North Sumatra	23,055
Riau	4,354
Total	27,409

Note: There are no peatland areas in Jambi.

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

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 in order to determine the suitability of the land. This helps us to determine the best water management approach for the peatland, for example through the use of 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 to 70cm from ground level. To do this, we create water barriers or gates on each drainage channel.
- **Measure subsidence levels:** In addition, we preserve peatland by installing subsidence poles at strategic locations to monitor the level of peat subsidence on a monthly basis.

Environmental Compliance

In 2019 and 2020, we had 2 cases of non-compliance with environmental laws and regulations. The first incident was regarding a fire incident in our non-planted areas caused by a burning cigarette but thrown by local anglers. The second incident was regarding POME disposal rivers causing disruption to the ecosystem, though it was later found to be within acceptable parameters and thresholds.

All environmental-related grievances can be found in the Grievance Update section of our website.

1 In 2017, we merged two of our estates in Riau (in peatland area). We currently manage 7 peatland estates.

12 Fire Prevention and Management

Preventing Forest Fires in Indonesia

Forest fires and the transboundary haze has been a long-standing problem in Indonesia, particularly during the dry months between July to October when fires can spread out of control. The causes of this issue remain complex, including factors such as the use of traditional slash-and-burn methods to clear land, conversion of highly flammable peatland for agriculture and the difficulty of attributing the cause of fires and challenges of putting them out as they often spread rapidly and widely. For years, forest fires and transboundary haze have created significant damage to the environment as well as to the health and livelihoods of people in some regions in Indonesia.

As such, we recognise the important role played by palm oil companies to prevent fires and transboundary haze. At Asian Agri, our two-pronged strategy for fire prevention and management includes:

1. Ensuring that our own operations adhere strictly to No Deforestation, No Peat, No Exploitation (NDPE) principles as set out in our Sustainability Policy
2. Working with local communities through the Fire-Free Village Programme (FFVP) to adopt alternatives to slash-and-burn method.

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

Despite our efforts, we recognise that fire prevention and management remains a challenge.

In 2019, a fire broke out in a non-planted area within our own estates in North Sumatra. Upon investigation, the fire was found to have been caused by anglers who discarded burning cigarette onto dry grassland, and the strong winds caused the fire to spread quickly. We recorded this incident in our grievance log here.

Fires do continue to occur largely outside our planted areas – through activities such as smoking or land clearing – which then spread closer to our plantations. To minimise the risk of burning cigarette buds being discarded in our concession areas, we have erected a board prohibiting fishing in the rivers within our plantations. Through the FFVP, we will continue to strengthen awareness on fire risks among the local community.

In 2020, there were no fire incidents detected. In the last 2 years, several grievances on hotspots were raised. Our Fire and Safety department then conducted further investigation and field checks to determine the accuracy of the fire incidents.

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

	Own Estates		Smallholders		Surrounding Landscapes	
	Number of hotspots	Number of fires	Number of hotspots	Number of fires	Number of hotspots	Number of fires
2020	0	0	2	0	30	0
2019	3	1	29	0	9	0
2018	2	0	8	0	0	0

'Zero Burning' and 'No-Peat' Policy

Since 1994, we have been implementing 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 implement a strict 'no-peat' policy and prohibit developments on peatland of any depth. For more information on our approach to the protection of peatland, see page 39.

To prevent incidents from occurring, we provide training for our employees annually in each region per module. 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 do occur, we have in place the following emergency response measures, 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

"All 16 villages under our Fire-Free Village Program were successful in keeping their villages free of fires"

0

fires on own estates, smallholder estates and surrounding landscapes in 2020

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 achieving lasting solutions for a fire-free Indonesia. As a member of FFA, we share data and information to the FFA Secretariat for them 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 10 villages – 8 in Riau and 2 in Jambi. This is in line with the goal for all FFA members, recognising that community engagement is a proven method for fire prevention. 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.

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 Ha of land to prevent fires.

Number of 'Villages in our FFVP

Region	Number of Fire-Free Villages	District	Total Land Covered (Ha)	Population
Riau	1. Rantau Baru	Pangkalan Kerinci	10,000	913
	2. Tambak	Langgam	9,400	3,056
	3. Lubuk Obong	Sei Kijang	16,320	6,175
	4. Segati	Langgam	75,366	8,261
	5. Bagan Limau	Ukui	12,470	2,722
	6. Sotol	Langgam	8,700	1,112
	7. Lalang Kabung	Pelalawan	20,000	2,618
	8. Delik	Pelalawan	15,750	1,570
	9. Kuala Terusan	Pangkalan Kerinci	5,000	395
	Total	**-**	**173,006**	**26,822**
Jambi	1. Teriti	Sumay	7,010	1,177
	2. Muara Sekalo	Sumay	23,000	613
	3. Semambu	Sumay	19,919	1,189
	4. Tuo Sumay	Sumay	10,144	3,665
	5. Suo-Suo	Sumay	23,189	2,097
	6. Lubuk Bernai	Batang Asam	15,008	5,557
	7. Lubuk Lawas	Batang Asam	72,000	421
	Total	**-**	**170,270**	**41,936**

"Villages which are able to successfully prevent fires in their village for one year will be rewarded with IDR100 million, which can be used to improve village infrastructure"

About the FFVP

To implement our FFVP, we work closely with stakeholders such as the Indonesian National Armed Forces (TNI), police (Polri), the Ministry of Environment and Forestry's fire task force (Manggala Agni) and the village community, 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 impacts 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) – referring to 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 social media 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 3 days of practical lessons. During their 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 2020, 60 people were sent to attend the training.
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 are able to 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.

52
hours of training for Fire Crew and 3 days of practical lessons

IDR3.25bn

distributed to incentivise villagers to prevent fires in their community

Using Technology to Overcome Barriers to Fire Prevention During COVID-19

During the ongoing pandemic in 2020, we continued to work with Fire Free Village Crew leaders to ensure their village remains free from fires. To overcome constraints brought about by safe distancing restrictions, we utilised technology and communication systems to continue coordinating our fire prevention efforts.

To monitor hotspots, our Fire Free Village Crew leaders used a smartphone app – Lapan: Fire Hotspot – which provides real-time information on hotspot locations by combining data from Google Earth and the National Institute of Aviation and Space (LAPAN). The app shows three levels of hotspots in different colours: Low, moderate or high risk of fires. We then work with our Learning and Development team to analyse whether full deployment of a ground team and fire equipment is required. Members also used instant messaging group chats to send regular updates and photos.

As many of the fire-prone villages are located in extremely remote areas, we faced challenges such as weak Internet connection for the smartphone app. Furthermore, hotspots merely indicate areas of high heat which may not be fires. 'False hotspots' can occur in areas emitting high heat, such as industrial areas with metal parts, volcanic areas and mines.

To overcome these issues, our Fire Free Village Crew leaders had to visit these villages in person to ensure that no fires broke out, while donning Personal Protective Equipment (PPEs) in line with government restrictions.

'No-Burn Incentives' Distributed

Since 2017, we have distributed a total of IDR3.25 billion to incentivise villagers to prevent fires in their community.

	Number of Villages	Amount Distributed (IDR)
2020	1	100 million
2019	6	500 million
2018	11	1,050 million

'Fire Prevention Ambassador' Initiative: Finding Innovative Methods to Raise Awareness on Fire Prevention Among Students

To increase awareness of fire prevention among the younger generation, we launched a 'Fire Prevention Ambassador' initiative among elementary school students in Jambi in collaboration with the government, local fire emergency response team.

The initiative aims to equip students with knowledge on the importance of fire prevention and the health impacts of fires, with the hope that they will in turn influence their family to refrain from slash-and-burn practices.

This initiative is one of the awareness programmes we run with students from villages near our operations.

In 2021, we are planning to invite college students to be involved with our FFVP program for them to gain a better understanding of fire awareness and how to prevent incidents. We plan to start in Riau before expanding to other locations where we operate.

A member of Asian Agri's fire team presenting 'Fire Prevention Ambassador' pins to students after delivering an awareness talk on fire prevention

Protecting the Local Community from the Health Impacts of the Haze

Apart from empowering the local community to prevent and fight forest fires, we also distribute masks to protect them from respiratory health effects caused by exposure to the haze.

In 2019, we distributed 12,000 masks to villagers in Pangkalan Kerinci, including high school students, in collaboration with the Environmental Agency of Pelalawan Regency.

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 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 being physically fit, having past fire-fighting experience and having strong communication skills. Their main role is to prevent fires, conduct patrols, fire-fighting and reporting to stakeholders such as the village head
5. **Training village crew leaders:** We conduct training in partnership with stakeholders such as Instructor Coordination Board (Badan Koordinasi Penyuluh) and Training Center for Environment and Forestry (Balai Diklat Lingkungan Hidup dan Kehutanan)

13 Energy and Carbon Management

Our Operational Footprint

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

Climate change is one of the greatest challenges of our time. Strong action is required by industry players globally to meet the target set out in the Paris Agreement to limit warming to well below 2 degrees.

At Asian Agri, we have been taking steps towards a transition to low-carbon solutions and investing increasingly in renewable energy to meet our needs.

Since 2012, we have been conducting GHG calculations – based on the RSPO Palm GHG Calculator and ISCC guidelines – to understand the main contributors of GHG emissions in our estates and mills. These assessments have revealed that peatland oxidation, land conversion and synthetic fertilisation are the major sources of GHG emissions in our estates, while methane emission from Palm Oil Mill Effluent (POME) is the largest source in our mills.

To meet our energy needs, we rely on a combination of renewable and non-renewable sources. Since 2020, all of our operations have been using B30 biofuel which contains 30% of biodiesel, as mandated by the government.

Non-renewable energy

Our main source of non-renewable energy is diesel, used mainly for:
- Transportation
- Heavy equipment for cultivation and field maintenance
- Electricity in housing complexes and offices

Renewable energy

Our main sources of renewable energy are fibre, palm shell, and biogas, used mainly for:
- Operating our mills
- Providing electricity to our housing complex and local communities where rural electrification is usually a challenge

We also sell excess electricity generated to the grid.

Total energy consumption within the organisation (TJ)

	2020	2019	2018
Fuel consumption			
Total fuel consumption from non-renewable sources	348	398	445
Total fuel consumption from renewable sources	12,277	13,213	13,733
Electricity, heating and steam consumption			
Electricity consumption (renewable and non-renewable)	576	588	573
Electricity, heating and steam sold			
Electricity sold (renewable and non-renewable)	8	18	46
Total energy consumption	**13,208**	**14,217**	**14,838**

Note: AA does not purchase and sell energy for steam, heating and cooling

Diesel consumption (litres)

	2020	2019	2018
North Sumatra	2,780,851	2,846,595	3,416,569
Riau	4,410,123	4,941,970	4,742,634
Jambi	1,904,409	2,519,406	3,371,531
Total	**9,095,383**	**10,307,971**	**11,530,734**

"Peatland oxidation, land conversion and synthetic fertilisation are the major sources of GHG emissions in our estates"

97%

of fuel consumption is from renewable sources

"At Asian Agri, we have been taking steps towards the carbon transition and investing increasingly in renewable energy to meet our needs"

GHG emissions sources and sinks (MT CO2e) – RSPO Palm GHG in 2020

	GHG Emissions (MT CO2e)
Land clearing/conversion	499,803
Fertiliser	75,733
N2O	268,864
Estate fuel consumption	16,890
Peat oxidation	1,415,961
Crop sequestration	(473,747)
Methane from POME	378,848
Mill fuel use	3,983
Grid electricity utilisation	1,240
Export excess power	(4,450)
Palm Kernel Shell (PKS) sales	(470,060)
Emissions from third party Fresh Fruit Bunches (FFB)	1,312,794
Total	**3,025,859**

Total scope 1 and scope 2 GHG emissions and emissions intensity

	2020	2019	2018
Scope 1 GHG emissions (tCO2eq)	2,660,082	2,544,778	2,656,519
Scope 2 GHG emissions (tCO2eq)	1,240	1,920	139
Total GHG emissions (tCO2eq)	**2,660,082**	**2,546,698**	**2,656,658**
Total GHG emissions intensity (tCO2eq/t CPO)	**3.51**	**3.43**	**3.11**

Note: The relevant grid emissions factors have been used to convert purchased electricity to Scope 2 indirect emissions

GHG emissions per region (tCO2eq)[1]

	2020	2019	2018
North Sumatra	2,251,436	2,387,095	2,244,705
Riau	692,640	764,037	739,321
Jambi	81,783	75,685	74,509
Total	**3,025,859**	**3,226,817**	**3,104,899**

1 Based on RSPO PalmGHG calculation version 4.0, which we have been utilising since 2019. For 2018 figures, we used the RSPO PalmGHG calculation version 3.0

Reducing our Carbon Footprint

Our strategy to reduce our carbon footprint includes:
- 'No peat' policy
- Improving energy efficiency
- Building biogas plants with methane capture facilities in our mills
- Reducing the use of fertilisers and chemicals
- Protecting conservation areas

'No Peat' Policy

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. As such, we adopt a firm stance and prohibit developments on peatland of any depth. For more information on our approach to peatland protection, refer to page 39.

Improving Energy Efficiency

To reduce our carbon footprint, we invest in initiatives to improve our energy efficiency. We conducted an efficiency analysis on a monthly basis to understand the amount of energy use per ton of CPO, PK and CPKO produced.

Biogas Plants in our Mills

All 10 of our biogas plants in our mills are built with methane capture facilities, which have proven to be one of the most effective ways to reduce carbon emissions from milling activities. If treated using the open pond system, a fully functioning methane capture facility can absorb almost all methane – with reductions of 80-90% in line with the ISCC GHG calculations.

Number of biogas plants

We currently have 10 biogas plants with a production potential of 19kWh of electricity in total.

	2020	2019	2018
North Sumatra	5	5	2
Riau	3	3	3
Jambi	2	2	2
Total	10	10	7

Our biogas plants use organic waste from the palm oil production process to generate clean renewable energy, powering our operations and local communities.

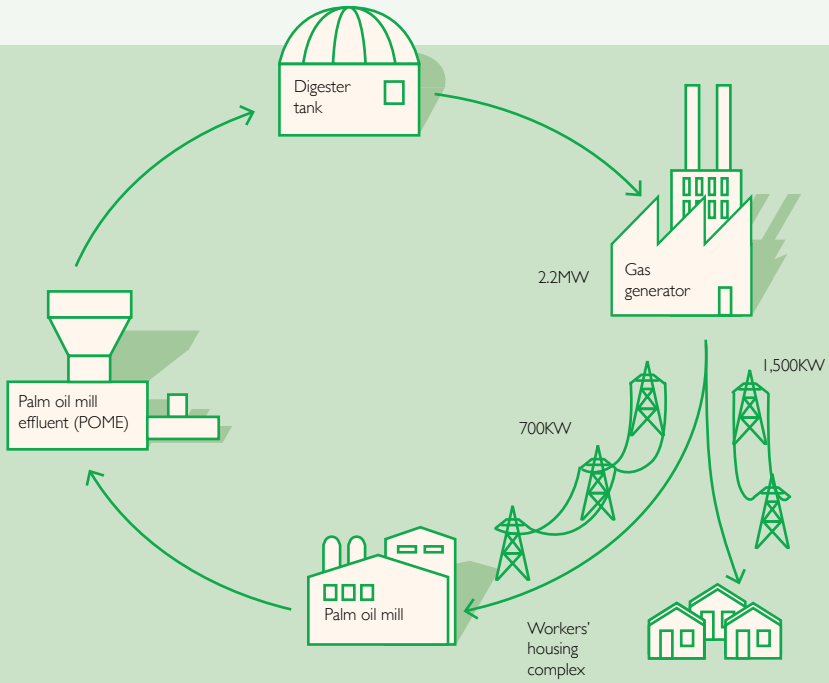
How energy is generated by our mills:

1. 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. The POME is fed into a digester tank, where it is converted into methane by bacteria
3. The gas is then sent to the power plant, which generates 1.2-2.2MW of power per biogas plant (depending if the biogas plant has 1 or 2 gas engines each)

90%
reduction of methane emissions through methane capture

"Our biogas plants use organic waste from the palm oil production process to generate clean renewable energy, powering our operations and local communities"

How Asian Agri Generates Electric Energy from Organic Waste



Asian Agri's biogas power plant has the potential to generate 2.2 MW of electrical energy to power the electricity needs of mills and housing complexes:

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. The excess is sold to the grid.

Electricity generated by our biogas plants and other sources[2] (kWh)

	2020	2019	2018
Total generated	**162,149**	**168,263**	**171,971**
Sold to grid	2,273	4,918	12,749
Used by our housing complexes and local communities	6,566	9,089	4,404
Used for our own operations	153,310	154,256	154,818
Energy intensity (MWh/MT CPO and CPKO)	0.136	0.134	0.132

Reducing the Use of Fertilisers and Chemicals

To reduce GHG emissions in plantations, we continue to seek sustainable practices such as:
- Partially substituting synthetic fertilisers with empty fruit bunches (EFBs)
- Reducing the use of chemicals such as pesticides by implementing an Integrated Pest Management approach

For more information on our approach to waste and chemicals, refer to pages 48-50.

Protecting Conservation Areas

For more information on our approach to protecting conservation areas, refer to pages 38-39.

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

14 Resource Use

We recognise the importance of implementing sustainable practices in our operations to safeguard the health of communities and the environment, as well as ensuring that resources continue to be available for future generations. As such, we invest efforts to manage our water use and discharge in a sustainable manner that ensures the continued availability of water resources. We also reuse and recycle waste generated from our operations as much as possible.

Sustainable Water Use

Water consumption

In our operations, water is used mainly in our steam turbines for power generation and to sterilise fresh fruit bunches. We also use water for household consumption and for nurseries. Plantations which are rain fed do not require irrigation, even during drier seasons. Asian Agri does not operate in water stress areas. We implement a robust monitoring system for our operations to ensure that water is used sustainably.

We draw on 2 sources to meet our water needs:

- **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 (m3)

Region	*2020*		*2019*	
	Surface Water (Rivers)	Ground Water	Surface Water (Rivers)	Ground Water
North Sumatra	1,913,835	678,692	2,109,242	752,510
Riau	2,770,095	399,825	3,243,767	396,887
Jambi	1,294,544	159,218	1,385,918	151,307
Total	5,978,474	1,237,735	6,738,928	1,300,704
Total water withdrawn	**7,216,209**		**8,039,632**	

Waste Management

The main sources of waste from our operations include organic waste such as Empty Fruit Bunches (EFB), POME, palm fibres and palm shells which can be reused. Other sources of waste are inorganic and hazardous waste, such as used lubricant, chemical packaging and oil stained rag.

Hazardous waste is stored in a dedicated area and closely monitored, before collection by contracted licensed service providers approved by the government.

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

Reusing Waste

We reuse the following organic waste types in our operations:

- Solid waste such as palm fibres and palm shells are used as biomass fuel for boilers to run steam turbines in our mills, providing a renewable source of energy. Around 84% of palm kernel shell produced in 2020 was sold to third party buyers.
- Waste by-products such as EFB and POME are used as substitutes for chemical fertilisers. 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 so we can get optimum yield.

84%

of palm kernel shell produced in 2020 was sold to third party

Waste generated, diverted and disposed[1], by type (MT)

	2020			2019		
	Waste generated	Waste diverted from disposal	Waste directed to disposal	Waste generated	Waste diverted from disposal	Waste directed to disposal
EFB	878,841	878,841	0	922,894	922,894	0
POME	2,654,495	2,574,254	80,241	2,753,553	2,547,179	206,374
Fibre	644,446	644,446	0	670,167	670,167	0
Shell	318,065	318,065	0	340,603	340,603	0
Used Lubricant	57.2	-*	-*	63	-*	-*
Used Chemical Package	29.5	-*	-*	24.5	-*	-*
Lube filter	8.8	-*	-*	7.2	-*	-*
Medical waste	5.4	-*	-*	4.3	-*	-*
Battery	0.8	-*	-*	0.7	-*	-*
Total	**4,495,949**	**-***	**-***	**4,687,317**	**-***	**-***

*Non-organic waste is collected by government-approved third party companies to be disposed of, recycled or reused accordingly. Some of this non-organic waste, such as lubricants and battery, will be reused and recycled. Most of other non-organic waste products will be disposed of

"We engage external parties to conduct routine quality assessments to ensure that we comply with all Indonesian laws and regulations"

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 water withdrawn is consumed. Water used in the mill is either discharged as steam or palm oil mill effluent (POME). Effluents are treated and monitored before being released into the stream or onto land. The POME is treated in open ponds, following water quality parameters set by the government, before being used as a substitute for fertiliser or directly discharged back to the river.

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 biological oxygen demand (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.

We engage external parties to conduct routine quality assessments to ensure that we comply with all Indonesian laws and regulations.

Average BOD value of POME (mg/l)

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

Land application as organic fertiliser

	Regulation Standard	North Sumatra	Riau	Jambi
2020	5,000	4,457	3,868	1,410
2019	5,000	3,998	2,446	2,130
2018	5,000	3,607	1,220	1,906

Discharged into river for peatland area

	Regulation Standard	North Sumatra (discharged in waterways)
2020	100	48
2019	100	52
2018	100	26

Average COD value of POME (mg/l)

	Regulation Standard	North Sumatra	North Sumatra	Riau	Jambi
2020	*	8,896	203	5,350	3,644
2019	*	9,470	306	5,751	4,054
2018	*	7,962	252	4,586	2,904

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

Discharged into river for peatland area

	Regulation Standard	North Sumatra (discharged in waterways)
2020	350	203
2019	350	306
2018	350	252

15 Pest Management and Chemicals Usage

To protect our oil palms, it is essential for us to control pests, parasites and weeds which will impede the growth of the trees. Meanwhile, it is important to use fertilisers to maintain high yield of the oil palms. While the cheapest and easiest methods are often to rely on pesticides and other chemical substances, this is often harmful to the environment and our workers if not adequately managed.

Integrated Pest and Disease Management

At Asian Agri, we are committed to managing pests and disease in a sustainable manner. We implement an Integrated Pest and Disease Management (IPM and IDM) approach in our estates, in line with standards established under the Agronomy Policy Manual (APM). This means that we utilise a combination of cultural, biological and chemical control methods for pests and diseases.

Total pesticides applied (in kg or l)

	Fungicide	Herbicide	Insecticide	Rodenticide	Total
2020	65	201,206	74,773	9,454	**285,498**
2019	79	211,523	95,539	14,974	**322,115**
2018	221	295,981	176,496	15,652	**488,350**

Pest Surveillance

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

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 also house barn owls to control rodents, with each barn owl covering a radius of 25 Ha.
- **Growing specific plant species** (known as 'host plants') to attract predatory insects to keep pest populations in check. Examples include *Turnera subulata* (white alder), *Antigonon leptopus* (coral vine), which are host plants for predators of 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

Selective Application 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 prohibit 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 or 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.

25ha

the radius covered by each Barn owl we house to control rodents

Sycanus sp (a species of assasin bug) is the natural predator of *Setothosea asigna* (a type of moth)

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, leading to early replanting cycles. After years of research and evaluation, our R&D team developed an IDM strategy which includes:

- Planting pathogen-tolerant oil palm tree varieties
- Inoculating oil palm seedlings with a fungal bioagent for added protection

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

"We conduct annual field surveys and leaf tissue analysis to monitor the health of the oil palms, which ensures that we do not over-apply fertilisers"

Fertiliser Usage

The application of fertilisers is a crucial component of oil palm cultivation. It represents a high cost for palm oil producers – constituting up to 35% of CPO production costs – while also having a significant impact on the environment. Excessive fertilisation can often lead to severe pollution of groundwater and waterways.

We are committed to minimising the use of inorganic fertilisers, recognising the risks that they pose to the environment and the health of our workers. To do this, we aim to use waste by-products as organic fertilisers as much as possible.

Using waste by-products as 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 a number of 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

Inorganic Fertiliser Use

However, we recognise that organic fertilisers can only be used to supplement and cannot replace inorganic fertilisers and thus still rely on the use of inorganic fertilisers.

Average inorganic fertiliser usage – mature oil palm (ton/Ha)

	2020	2019	2018
North Sumatra	1.28	1.24	1.30
Riau	1.15	1.13	1.15
Jambi	1.27	1.36	0.99
Average	**1.23**	**1.21**	**1.15**

Average inorganic fertiliser usage – immature oil palm (ton/Ha)

	2020	2019	2018
North Sumatra	0.75	0.91	0.67
Riau	0.92	0.79	0.37
Jambi	0.80	0.82	0.23
Average	**0.81**	**0.84**	**0.42**

'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 fertilisers. For each specific field, our researchers recommend the amount, type, dosage, method and timings of fertiliser to be applied. This ensures we produce the maximum yield at the lowest fertiliser dosage. We also conduct annual field surveys and leaf tissue analysis to monitor the health of the oil palms, which ensures that we do not over-apply fertilisers.

Soil Management

Good quality soil is essential for the production of 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, as well as 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

16 Rights of Local Communities and Community Development

413-1

Protecting the Rights of Indigenous and Local Communities

The rights of indigenous and local communities – particularly with regards to their legal and customary land tenure rights – has been a contentious issue in the palm oil industry. As such, we are committed to protecting their rights wherever we operate.

In line with our Sustainability Policy, we are firmly committed to the 'no exploitation' of indigenous and local communities. We respect and recognise the rights of indigenous and local communities to give or withhold their free, prior and informed consent (FPIC) to the utilisation of lands to 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 the rights of indigenous and local communities is low as we have not operated on new land since 2003, focusing instead of replanting and intensification efforts on existing land. In addition, we 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.

Conflict Resolution

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

We also have a dedicated team of 181 employees focused on engaging smallholders and local communities near or within our plantations on a daily basis. This enables us to build a stronger relationship with the community and to address any conflicts that 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).

In 2020, we 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

The palm oil industry has been a key contributor to Indonesia's economy, lifting many in rural communities out of poverty over the years. 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 (refer to pages 20-25 for more information), we also support rural communities near our operations – many of them who are the family members of our employees – through our CSR programmes.

We adopt a participatory approach to community development, including active engagement with local communities to understand their needs. We engage in informal and formal dialogue with community leaders and aim to address their needs through targeted CSR programmes.

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

Fire Prevention | Livelihood | Infrastructure | Education | Healthcare & Sanitation | Culture and sports | Disaster Relief

Fire Prevention

For more information on how we support rural communities to adopt alternative land-clearing methods in order to prevent uncontrolled fires, refer to pages 40-41.

Livelihood

Our main efforts to provide rural communities with livelihood opportunities lie in our smallholder empowerment programmes. For more information on these programmes, refer to pages 20-25.

"In line with our Sustainability Policy, we are firmly committed to the 'no exploitation' of indigenous and local communities"

181

employees focused on engaging local communities daily

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 up access to villages in these remote areas, facilitating ease of trade and contributing to economic development.

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.
- **Providing scholarships** to students from elementary school to University, through our 'Sayap Garuda' programme

Number of students receiving scholarships

	2019		
Education Level	North Sumatra	Riau	Jambi
Elementary	*15*	*25*	*10*
Middle School	*15*	*20*	*9*
High School	*15*	*20*	*9*
University	*4*	*5*	*3*
Total	*49*	*70*	*31*

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

Healthcare and Sanitation

To contribute to healthcare needs among the community, we have invested in the following activities:

- 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
- Providing food for infants to improve their nutrition

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) on occasions including Indonesia's Independence Day and to commemorate the anniversary of a mill. We also sponsor cultural events during festivals, such as breaking of fasts during Ramadan, or Halal bi halal after the Eid Fitr celebration, as well as meals during Christmas and Chinese New Year.

Disaster Relief

Indonesia is prone to natural disasters such as earthquakes, tsunamis and volcanic eruptions. To help the local community 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.

Meeting the Needs of Rural Communities During COVID-19

In 2020, our CSR activities were affected by the COVID-19 pandemic. Though we were able to carry out most of our planned activities in line with strict health protocols, we also diverted some of our programmes towards COVID-19 relief.

To help rural communities with the fight against COVID-19, we allocated around IDR823 million which were used for:

- Distributing personal protective equipment (PPE), including medical masks, protective coats and medical gloves, to public health centres and hospitals
- 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
- 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

17 Materiality Assessment and Stakeholder Engagement

Materiality Assessment

In 2021, we conducted an assessment of the sustainability risks and opportunities which are material to our business and our stakeholders.

Our materiality 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 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 materiality matrix was presented to our senior management and finally signed off by our Managing Director.

To view the final results of our materiality assessment, refer to page 13.

We made a number of changes to our list of material issues as a result of the materiality assessment, including:

- Separating out 6 "high priority" material issues from the remaining 6 "important" issues. For issues of "high priority", we are committed to focusing greater efforts in managing these issues.
- Separating out selected topics to be separate material issues: "Fire Prevention and Management", "Pesticides, Fertilisers and Chemical Usage"
- Elevated the importance of selected material issues: "Human Rights and Worker's Welfare", "Corporate Governance", "Resource Use", "Energy and Carbon Management", Sustainable Supply Chains"
- Renamed selected material issues: "Carbon Emission Mitigation" and "Energy Management" to "Energy and Carbon Management", "Traceability" and "Procurement Practices" to "Sustainable Supply Chains", "Waste Management" and "Water Management" to "Resource Use", "Anti-Corruption" to "Corporate Governance", "Training and Development" and "Diversity and Equal Opportunity in Employment" to "Employee Attraction, Management and Retention", "Child Labour" and "Freedom of Association and Collective Bargaining" to "Human Rights and Worker's Welfare"
- Removed selected material issues: "Economic performance", "Marketing and Labelling"

**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 organisations.*

"To build a deeper understanding of our stakeholders' expectations, we organised a series of phone and video interviews"

Stakeholder Engagement

Maintaining close and ongoing engagement with our stakeholders is important for us. This helps us to remain 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 us improve our operations.

The table below provides a summary of our stakeholder engagement efforts in 2019 and 2020. 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)	Site visits (as required) Seminars, forums (as required) Sustainability reports (once every 2 years), annual report (annually) Website (periodically)	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	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	One-on-one engagement (regularly) Sustainability reports (once every 2 years), annual report (annually) Website (periodically)	Company's sustainability commitments and performance, on issues such as traceability and reducing GHG emissions	Ensure clear communication of the company's policies and performance on issues such as traceability and reducing GHG emissions
Employees	Internal meetings (regularly) Training (based on topics, twice a year) Sustainability reports (once every 2 years), annual report (annually) Website (periodically)	Employee welfare, development and benefits	Regularly review and improve our approach to employee attraction, management and retention
Smallholders – independent and plasma	One-on-one engagement (regularly, daily) Training, field studies and other engagements through our smallholder empowerment programmes (regularly)	Support for replanting, fertilisation, harvesting, certification compliance, quality seeds	Ensure our smallholder empowerment programmes are fit-for-purpose and adequately meets their needs
Local Communities	Direct engagement through our community programmes and Fire Free Village Programme (regularly) Grievance mechanism (for socialisation; annually)	Free, Prior and Informed Consent (FPIC) concerns Company's sustainability commitments and performance, in particular with regards to education, health, infrastructure, etc.	Ensure communication and implementation of FPIC commitments Provide relevant and effective support through our community programmes and Fire Free Village Programme
Certification bodies (e.g. RSPO, ISPO, ISCC)	Audits (annually) Site visits (annually) Training (as required) Forums (as required) Reporting (annually)	Company's sustainability commitments and performance on issues such as no deforestation, no peatland development, no exploitation	Ongoing improvements in our understanding of certification requirements Helping to create the ISPO calculator
Non-Governmental Organisations (NGOs)	One-on-one engagement (as required) Multi-stakeholder forums (as required) Sustainability reports (once every 2 years), annual report (annually) Website (periodically)	Company's sustainability commitments and performance on issues such as deforestation, peatland development and traceability Grievances lodged by stakeholders	Ensure clear communication of all sustainability commitments through our policies and reporting Investigate and respond to grievances raised
Media	One-on-one engagement (as required) Multi-stakeholder forums (regularly) Website and social media (ongoing) Sustainability reports (once every 2 years), annual report (annually)	Company's sustainability commitments and performance on issues such as employee welfare, fires, smallholder partnerships, quality seeds	Issuing press releases Ensure clear communication of all sustainability commitments through our policies and reporting
Academia and Students	Site visits (as required) Educational programmes – e.g. field trips for high school and university students to learn about oil palm (if programmed; regularly)	Comparison between plasma and other schemes for research and learning purposes	Comparison between plasma and KKPA schemes for research and learning purposes
International stakeholders (e.g. European Parliament, EU Ambassadors)	Site visits (as required) One-on-one engagement (as required)	Company's sustainability commitments and performance on issues such as traceability	Build capacity and knowledge on agricultural practices in Indonesia

Topic Boundaries

18 GRI Content Index SR2020

GRI Standard Disclosure	*Disclosure Number*	*Disclosure Title*	*Page References and Remarks*
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GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	39
Community Development			
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	103-3	Evaluation of the management approach	54-56
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development program	54-56
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	9, 18
	103-2	The management approach and its components	9, 18
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GRI 205 Anti-Corruption 2016	205-3	Total number and nature of confirmed incidents of corruption	9
Employee Attraction, Management and Retention			
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19 Abbreviations and Glossary

A

AALI	Asian Agri Learning Institute

B

BOD	Biochemical Oxygen Demand

C

CPO	Crude Palm Oil
CSR	Corporate Social Responsibility
CPKO	Crude Palm Kernel Oil
CSV	Corporate Shared Value

E

EFB	Empty Fruit Bunch
ESG	Environmental, social and governance
EU	European Union

F

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

I

IDR	Indonesian Rupiah
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

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

P

PK	Palm Kernel
PKS	Palm Kernel Shell
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment

R

R&D	Research and Development
RSPO	Roundtable on Sustainable Palm Oil

S

SEIAs	Social and Environmental Impact Assessments
SDGs	United Nation Sustainable Development Goals

T

TNI	Indonesian National Armed Forces

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.

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.

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.

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.

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).

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).

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 Fresh Fruit Bunch process.

Plasma Transmigration Programme: A programme initiated by Indonesian government to encourage the development of smallholder's 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.

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 are 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: 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.

ASSURANCE STATEMENT

SGS INDONESIA'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE ASIAN AGRI SUSTAINABILITY REPORT 2019 - 2020

NATURE OF THE ASSURANCE/VERIFICATION

PT. SGS Indonesia was commissioned by Asian Agri to conduct an independent assurance of the Sustainability Report 2019 - 2020. 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:

- GRI (Core Option) 2016.
- 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 representing office in Jakarta , and sampling to 4 of 30 own estates, 4 of 22 mills, 1 of 10 KCPs (Kernel Crushing Plant). All interviews are conducted via online. Asian Agri Sustainability report 2019-2020 covers PT Inti Indosawit Subur as parent company and 12 subsidiaries. Companies operates 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

- It is recommended to involve more stakeholders in determine materiality aspects. Focus Group Discussion among stakeholders both internal and external could be considered to complete existing method.

ADHERENCE TO AA1000 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.

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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. 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 is 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, Example: Engagement with NGOs, Engagement with Local Community.

Impact
Asian Agri has identified and fairly represented 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 2020 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.

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.

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

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
23 August 2021

AA1000
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