





About This Report

[G4-17, G4-28, G4-29, G4-30]

The Asian Agri Sustainability Report follows the reporting standards set by Global Reporting Initiative (GRI) G4 Standards in accordance with the Core option.

The Asian Agri Sustainability Report 2015-2016 encompasses company operations and sustainability initiatives undertaken with our stakeholders. This is part of our commitment to provide transparency on our sustainability progress and achievements in the stipulated time period. We published our first Sustainability Report 2013-2014 in 2015, and will continue to publish the report biennially. No financial data is disclosed in the report as Asian Agri is a private limited-liability company.

The report has been verified by an independent party, SGS Indonesia, which has conducted an assurance audit for the reliability of the data presented here. Asian Agri has no affiliation or relationship with SGS Indonesia.

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Abbreviations
and Acronyms



Message From Managing Director

[G4-1]

Kelvin Tio
Managing Director



“It is a long journey to a sustainable supply chain and full traceability, but with everyone’s commitment, it is certainly possible.”

Introduction

Managing oil palm plantations sustainably in an efficient, environmentally-friendly way is a continuous journey. This year, we are publishing our second Sustainability Report using GRI G4 standards which focuses on the core points.

Key Priorities in 2015 – 2016

Deepening engagements with our key stakeholders was a key priority over the past two years. Our successful partnership with Plasma smallholders provides a basis to expand our engagement with independent smallholders. The engagement involves teaching them sustainable best practices, as well as providing access to higher-yielding seeds. This not only increases their productivity but also allows them to obtain certifications which, in turn, help improve Asian Agri's traceability.

The haze of 2015 further reinforced our belief that we need to involve all our stakeholders to achieve our sustainability goals. We further strengthened our engagement to high risk villages through the Fire Free Village Program (FFVP), launched in 2016. Asian Agri's engagement with communities via the FFVP yielded significant results. In 2016, only 7.98 ha of the total 306,664 ha were burnt, an almost 50% decrease from the 13.75 ha of burnt area recorded the year before.

Efforts were also made to ensure that we continue to manage our supply chain by ensuring that our suppliers, agents and dealers abide by the commitments we've laid out in our Sustainability Policy. We partnered with Yayasan SETARA to map our independent smallholders supply chain in Jambi. Through this partnership, we were able to trace the origin of our FFBs back to 10,000 independent smallholders. We were also able to form an organization consisting of 4,000 smallholders. Lastly, we helped prepare 1,000 smallholders to be certified. The program also encouraged independent smallholders to implement best management practices in their plantations.

Our focus on the implementation of the No Deforestation, No Peatland Development, and No Exploitation Policy has enabled us to achieve our goals: preventing environmental degradation while meeting our production goals as well as our commitment.

Launching our sustainability dashboard which includes our grievance mechanism was an important step towards transparency and accountability. We continue to be committed to transform our supply chains and partner smallholders to improved levels of transparency and accountability. Our mills and estates have undergone Roundtable on Sustainable Palm Oil (RSPO), International Sustainability & Carbon Certification (ISCC) and Indonesia Sustainable Palm Oil (ISPO) audits. To date, our estates have been 86% RSPO certified, 100% ISCC certified and 91% ISPO certified. Out of 20 mills, we have obtained 20 ISCC mill certifications, and 18 RSPO mill certifications.

Looking Forward

We fully support government certification programs by working together with the ISPO Committee and the United Nations Development Program (UNDP) to certify our Plasma and independent smallholders.

Working closely with our Plasma smallholders, who comprise 33% of our supply chain, is essential for economic growth and poverty reduction. Our involvement with the transmigration program began more than 30 years ago and we are committed to continuing this partnership. As original oil palms have reached maturity and become less productive, some of them are due for replanting. Our replanting program is intended to maintain productivity in the long run and we will keep supporting smallholders from preparation to implementation as they have been our significant partners since 1987. In addition to our partnership with Plasma smallholders, we have engaged with 152 groups of independent smallholders who manage around 25,000 ha of land across our operations in North Sumatra, Riau and Jambi. Asian Agri is committed to engage with more independent smallholders, collectively managing around 60,000 ha of land, by 2020. This is part of our journey to assist independent smallholders in boosting their yield, passing on knowledge and using quality seeds for economic improvement.

Through our dedicated Community Shared Value (CSV) department, we provide our independent smallholders with help establishing organizations and training on best management practices. Prior to our engagement with the independent smallholders,

the traceability process must be completed to update the database. This will help us to identify the appropriate training programs for the target audience. The process was conducted both internally and through external collaboration, starting from mapping the land to the certification process. To date, 98% of the Fresh Fruit Bunches (FFB) in our 20 mills are traceable.

In Jambi, together with our partners such as IDH and Yayasan SETARA, we are building the foundation to add independent smallholders who are willing to transform their practices for better yield and welfare improvement into our supply chain. We welcome invitations from our stakeholders to support independent smallholders in achieving certification.

Being a good corporate citizen, Asian Agri is taking action on climate change by generating renewable energy through converting organic waste from the production process, known as Palm Oil Mill Effluent (POME), into biogas. The existing five plants located in North Sumatra, Riau, and Jambi, capture and channel the methane to gas engines for power generation. The power is then used to run our daily operations with excess power sold to other parties including the state electricity company. This has achieved a 60% reduction in greenhouse gas emissions of our plantations that have a biogas plant. We plan to build 15 more biogas plants by 2020.

By promoting the use of renewable energy in our mills, we are exemplifying the principles of our founder, Sukanto Tanoto, in doing good for the community, good for the country, good for the climate, good for the customer and good for the company. Asian Agri has proven itself committed to environmental sustainability and being a good social steward for future generations.

We recognise the vital role of our employees. To succeed in our sustainability program, Asian Agri continues to engage our employees and encourage everyone to live our core values of complementary teamwork, ownership, people, integrity, customer, and continuous improvement, everyday. We also build the capacity of our personnel by conducting regular training.

By continuing to engage our stakeholders, deepen our partnerships, investing in research and development, and positively contributing to the development of the communities where we operate, we know that our journey towards fully sustainable and traceable operations will soon become a reality.

30 October 2017,

Kelvin Tio
Managing Director

Testimonials



ISPO

Ir. R. Azis Hidayat, MM
Head of ISPO Secretariat

"We express our appreciation to Asian Agri Group for the strong commitment it has demonstrated to implementing ISPO. Our records show that 90% of Asian Agri's estates and mills have been ISPO certified.

The company has also been recognized for its smallholder empowerment program which enables Plasma and independent smallholders to obtain ISPO certification.

We encourage other palm oil companies to support the development of smallholders, especially as the upcoming Presidential Regulation will require companies to support smallholders in obtaining certification, including the traceability of smallholders' estates.

We can improve the management of oil palm plantations in Indonesia by implementing ISPO consistently and shifting our mindset to be more accountable, professionally-managed and sustainable. We should prioritize the benefits for the nation and country, not only to cater to the company's interest. By doing so, we will maintain Indonesia's position as the leader in the global market, and ISPO will be recognized as an international standard."



RSPO

Tiur Rumondang
RSPO Country Director,
Indonesia Operation

"Bringing the vision to transform the market to make sustainable palm oil the norm to life requires every single one of our members. We appreciate the commitment and achievements made by our members in Indonesia, including Asian Agri Group. We especially applaud the group's accomplishment of 86% RSPO-certified area to date, and their commitment towards 100% certification by 2018, along with the efforts undertaken with initiatives to support smallholders in Indonesia. We understand that it can be a challenging process at times, but it will certainly help the group and the industry at large in moving towards greater results, and realising the RSPO shared vision."



TFT
**Hilary Thompson/
 Dejan Lewis**
 Director, TFT/ Head of
 Indonesia, TFT

“We worked closely with Asian Agri from mid-2015 to the end of 2016 to help implement their Sustainability Policy within their head office and mill operations. We visited one particular mill, and its plantation suppliers, for a detailed assessment and followed up with a later visit, during which we were able to observe the progress that was being made. In future, we are keen to develop our membership relationship with a growing focus on the welfare of workers, which we consider a vital area of concern for the palm oil industry. We welcome the positive steps we took together in our first period of collaboration and look forward to developing this further in this new aspect.”

SETARA
Rukaiyah Rafiq
 Director of SETARA

“Asian Agri is progressively encouraging improvements to their suppliers in Jambi, especially independent smallholders. Since 2013, Yayasan SETARA Jambi has cooperated with four of Asian Agri’s mills in Jambi, involving independent smallholders in promoting sustainable palm oil through training such as GAP (Good Agricultural Practices) training, institutional training, and RSPO training.

This collaboration results in innovation for supply chain models, where independent smallholders engagement also involves suppliers.

There are three stages in our collaboration: Traceability, Legality and Sustainability.

Currently we have accomplished traceability in Jambi and several independent smallholders have been RSPO certified this year.”

IDH
Reuben Blackie
 Program Manager,
 Commodities, Landscape

“IDH is proud to have a partnership with Asian Agri. As partners, we are working together to improve environmental and economic sustainability for thousands of smallholders in Indonesia. Asian Agri is demonstrating that private sector leadership on sustainability is the key to deliver both business benefits and change at scale.”



UNDP Indonesia

“In 2016, UNDP Indonesia through the Sustainable Palm Oil Initiative (SPOI), a partnership between UNDP and Ministry of Agriculture, successfully supported 318 independent palm oil smallholders from Amanah Association in Pelalawan, Riau to be the first ISPO certified in Indonesia. We would like to thank the Ministry of Agriculture as well as Asian Agri for the partnership in supporting the independent smallholders certification in their supply chain. We do hope that this initiative will scale up to thousands more smallholders across Indonesia.”



Materiality and Reporting Boundaries





Defining Our Materiality

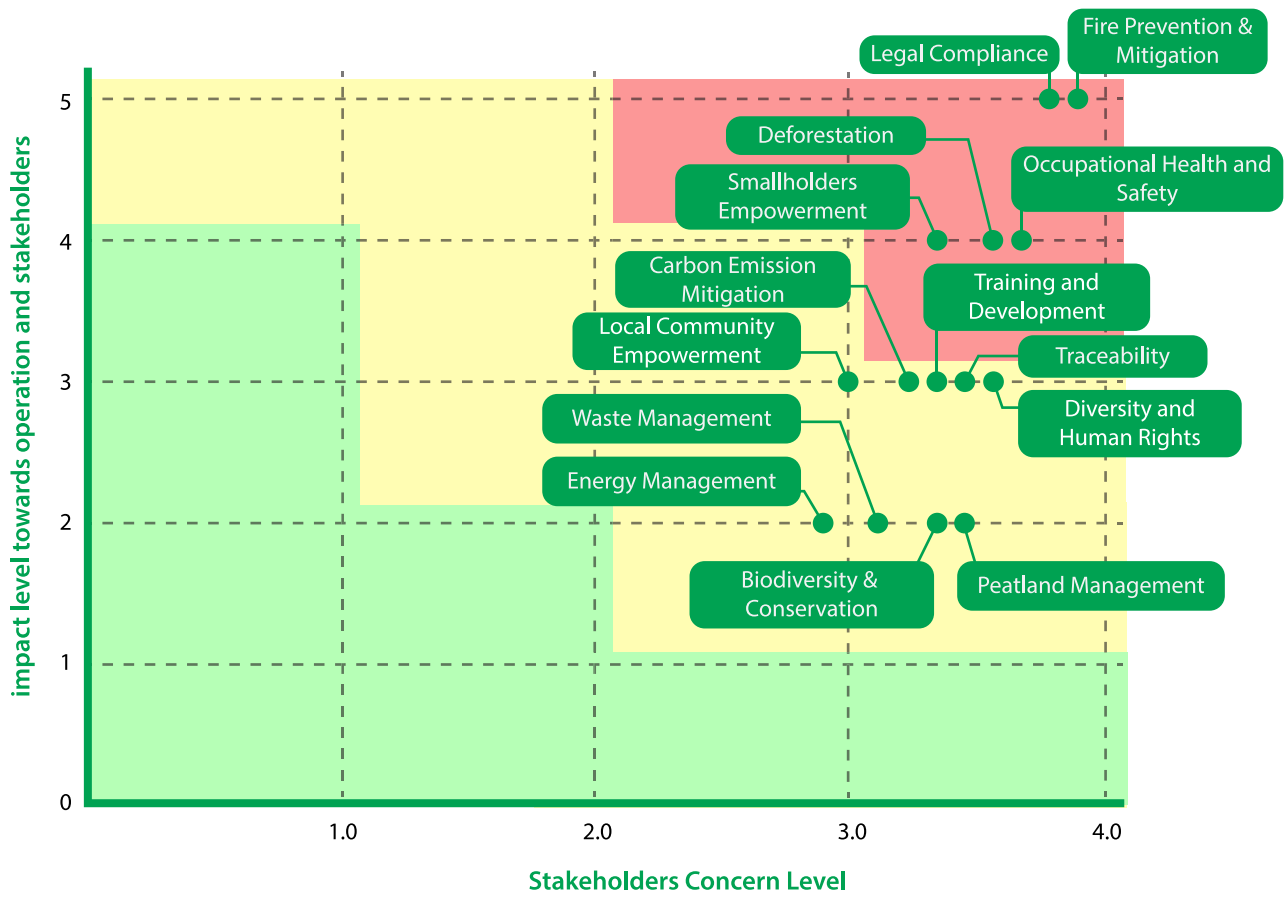
[G4-18, G4-19]

In 2016, we conducted an assessment to determine materiality aspects for our report. By using the assistance in the Global Reporting Initiatives (GRI) G4, all the crucial issues and concerns relevant to our operations and within our supply chain during the reporting period are collected and after an internal deliberation, we made a list consisting of 14 issues. We contacted stakeholders including employees, buyers, smallholders, certification bodies, NGOs, consultants and others. We worked with these stakeholders to evaluate the importance of issues mentioned in the questionnaire.

Based on the responses that were received, we summarized the concern level and the impact of each issue towards our operation. As a result, we came up with the materiality matrix which reflects the importance of these issues from our stakeholders in general. The most concerning issues such as Deforestation, Fire Prevention, Worker's Health, Smallholders Empowerment, and Legal Compliance will be specifically disclosed in this report, while some other issues will still be disclosed to inform our progress in achieving our sustainability goals.

Issue/Topic		Impact	Stakeholders	Impact x Concern
			Concern Level (1-4)	
			TOTAL	
01	Legal Compliance	5	3.8	18.9
02	Local Community Empowerment	3	3.0	9.0
03	Smallholders Empowerment	4	3.3	13.3
04	Occupational Health and Safety	4	3.7	14.7
05	Training and Development	3	3.3	10.0
06	Diversity and Human Rights	3	3.6	10.7
07	Deforestation	4	3.6	14.2
08	Fire Prevention & Mitigation	5	3.9	19.4
09	Peatland management	2	3.4	6.9
10	Traceability	3	3.4	10.3
11	Biodiversity & Conservation	2	3.3	6.7
12	Energy Management	2	2.9	5.8
13	Waste Management	2	3.1	6.2
14	Carbon Emission Mitigation	3	3.2	9.7

Materiality Matrix





Reporting Boundaries

[G4-20, G4-21]

Asian Agri Sustainability Report 2015-2016 covers the operational and management activities of the company between 2015 and 2016. The report follows Global Reporting Initiative (GRI) G4 Standards using core options. As Asian Agri is a private limited-liability company, financial data will be excluded from this report. The report is prepared by the Asian Agri sustainability team, supported by related operational departments.

Internal
External



Deforestation

AA Group
Employees
Company
Smallholders

Suppliers
Local Communities
Local Government
Government
Buyers

Internal
External



Occupational Health & Safety

AA Group
Employees
Company
Smallholders

Suppliers
Local Communities
Local Government
Government
Buyers

Internal
External



Fire Prevention & Mitigation

AA Group	Suppliers
Employees	Local Communities
Company	Local Government
Smallholders	Government
	Buyers

Internal
External



Legal Compliance

AA Group	Suppliers
Employees	Local Communities
Company	Local Government
Smallholders	Government
	Buyers

Internal
External



Smallholders Empowerment

AA Group	Suppliers
Employees	Local Communities
Company	Local Government
Smallholders	Government
	Buyers



About

Asian Agri

[G4-3, G4-4, G4-5, G4-6,
G4-7, G4-8, G4-9, G4-13]





“Asian Agri was established in 1979 in North Sumatra.”

Our main business is oil palm cultivation and processing. Between 2015 and 2016, Asian Agri commissioned four additional Kernel Crushing Plants (KCP) and five Biogas Plants. There was also an estate division; Batu Anam estate was divided into Batu Anam estate and Aek Tarum estate. Through its operating holding company of PT Inti Indosawit Subur, currently Asian Agri manages 28 plantations, 20 palm oil mills, seven KCPs and five Biogas Plants in North Sumatra, Riau and Jambi, as well as partnerships with nine smallholder estates. In total, we manage around 100,000 ha of our own estates and around 60,000 ha of Plasma smallholders. Our head office is located in Medan, North Sumatra and our supporting regional offices are set up in Pekanbaru, Jambi and Jakarta.

In 2015 and 2016, we produced around 1,090,000 MT and 1,050,000 MT of Crude Palm Oil (CPO) respectively, a slight production decline due to El Niño in 2015. Our palm oil production is used to fulfill domestic and export markets in Asia and Europe. Most of our buyers are refineries and trading companies.

Our plantation is supported by our research and development department which produces high quality seeds, furthering our goal to promote intensification rather than expansion. Our operation is managed by good quality employees who are well trained. Through our operations, we contribute to the empowerment and welfare improvement of around 25,000 employees and workers, positively impacting the communities surrounding our operations.

We are committed to implementing sustainable practices in our mills and estate operations. Our practices are periodically audited by internal audit teams as well as external parties to make continuous improvements in our operations.

Asian Agri is committed to achieving its business objectives with high integrity and in compliance with Indonesian laws and regulations. By implementing RSPO, ISCC and ISPO principles, we have obligations to comply with environmental, financial, and socio-workers related regulations. If there is any major finding, every party impacted will be invited to an open forum or discussion to reach the best solution.

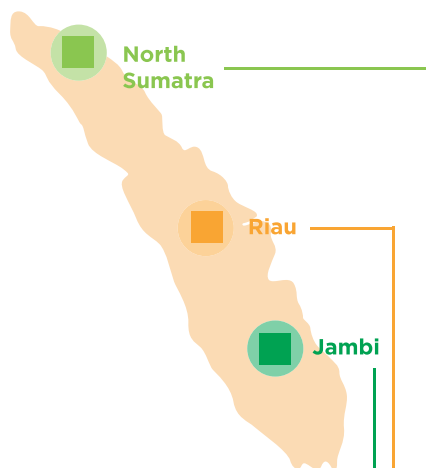
We updated the Asian Agri Code of Conduct in December 2014. The code is designed to be practically

applicable to day-by-day operations, with definite guidelines on acceptable and unacceptable behavior. Some of the crucial points that we promote in our codes are anti-bribery, corruption, and fraudulent practices, no burning policy, workers' welfare, equal rights, no child labor, no sexual harassment, and no violence. We expect all of our employees and stakeholders to adhere to our standards.

During 2015 and 2016, Asian Agri has not identified any non-compliance with laws or regulations.

List of Asian Agri Mills and Estates

[G4-7]



KCPs & Biogas Plants	Mills	Estates
KCP Gunung Melayu I Biogas Gunung Melayu I - PT Saudara Sejati Luhur	Gunung Melayu I - PT Saudara Sejati Luhur	Pulau Maria - PT Saudara Sejati Luhur
	Gunung Melayu II - PT Gunung Melayu	Sentral - PT Gunung Melayu
	Tanah Datar - PT Supra Matra Abadi	Batu Anam - PT Gunung Melayu
		Aek Tarum - PT Gunung Melayu
		Tanah Datar - PT Supra Matra Abadi
		Bahilang - PT Nusa Pusaka Kencana
KCP Negeri Lama II Biogas Negeri Lama II - PT Hari Sawit Jaya	Negeri Lama I & Negeri Lama II - PT Hari Sawit Jaya	Negeri Lama Utara - PT Hari Sawit Jaya
		Negeri Lama Selatan - PT Hari Sawit Jaya
		Negeri Lama Central - PT Hari Sawit Jaya
		Aek Kuo - PT Andalas Intiagro Lestari
	Tanjung Selamat - PT Indo Sepadan Jaya	Tanjung Selamat - PT Indo Sepadan Jaya
		Pangkatan - PT Rantau Sinar Karsa
	Aek Nabara - PT Supra Matra Abadi	Aek Nabara - PT Supra Matra Abadi
	Teluk Panjie - PT Supra Matra Abadi	Teluk Panjie - PT Supra Matra Abadi
KCP Buatan I Biogas Buatan I - PT Inti Indosawit Subur	Buatan I & Buatan II - PT Inti Indosawit Subur	Buatan - PT Inti Indosawit Subur
		Buatan (Plasma) - PT Inti Indosawit Subur
KCP Ukui I Biogas Ukui I - PT Inti Indosawit Subur	Ukui I & Ukui II - PT Inti Indosawit Subur	Ukui - PT Inti Indosawit Subur
		Soga - PT Inti Indosawit Subur
		Ukui (Plasma) - PT Inti Indosawit Subur
	Peranap - PT Rigunas Agri Utama	Peranap - PT Rigunas Agri Utama
		Peranap (Plasma) - PT Rigunas Agri Utama
KCP Tanjung Paoh - PT Inti Indosawit Subur	Tanjung Paoh - PT Inti Indosawit Subur	Gunung Sahilan (Plasma) - PT Inti Indosawit Subur
	Segati - PT Mitra Unggul Pusaka	Segati - PT Mitra Unggul Pusaka
		Penarikan - PT Mitra Unggul Pusaka
		Gondai - PT Mitra Unggul Pusaka
		Penarikan (Plasma) - PT Mitra Unggul Pusaka
	Topaz - PT Tunggal Yunus Estate	Topaz - PT Tunggal Yunus Estate
		Seed Garden - PT Tunggal Yunus Estate
KCP Bungo Tebo - PT Rigunas Agri Utama	Bungo Tebo - PT Rigunas Agri Utama	Bungo Tebo - PT Rigunas Agri Utama
		Bungo Tebo (Plasma) - PT Rigunas Agri Utama
	Tungkal Ulu - PT Inti Indosawit Subur	Tungkal Ulu - PT Inti Indosawit Subur
		Tungkal Ulu (Plasma) - PT Inti Indosawit Subur
	Muara Bulian - PT Inti Indosawit Subur	Muara Bulian - PT Inti Indosawit Subur
		Muara Bulian (Plasma) - PT Inti Indosawit Subur
KCP Taman Raja Biogas Plant Taman Raja - PT Dasa Anugrah Sejati	Taman Raja - PT Dasa Anugrah Sejati	Taman Raja - PT Dasa Anugrah Sejati
		Badang - PT Dasa Anugrah Sejati

Stakeholder Engagement

[G4-24, G4-25, G4-26, G4-27]

We chose our stakeholder group from individuals, groups and organizations. Based on how they affect and/or are affected by our operational activities, we identify stakeholders and elaborate on their types of engagement and our response to them. The engagement frequency varies from daily, weekly, monthly, to annually, or through specific ad-hoc events.

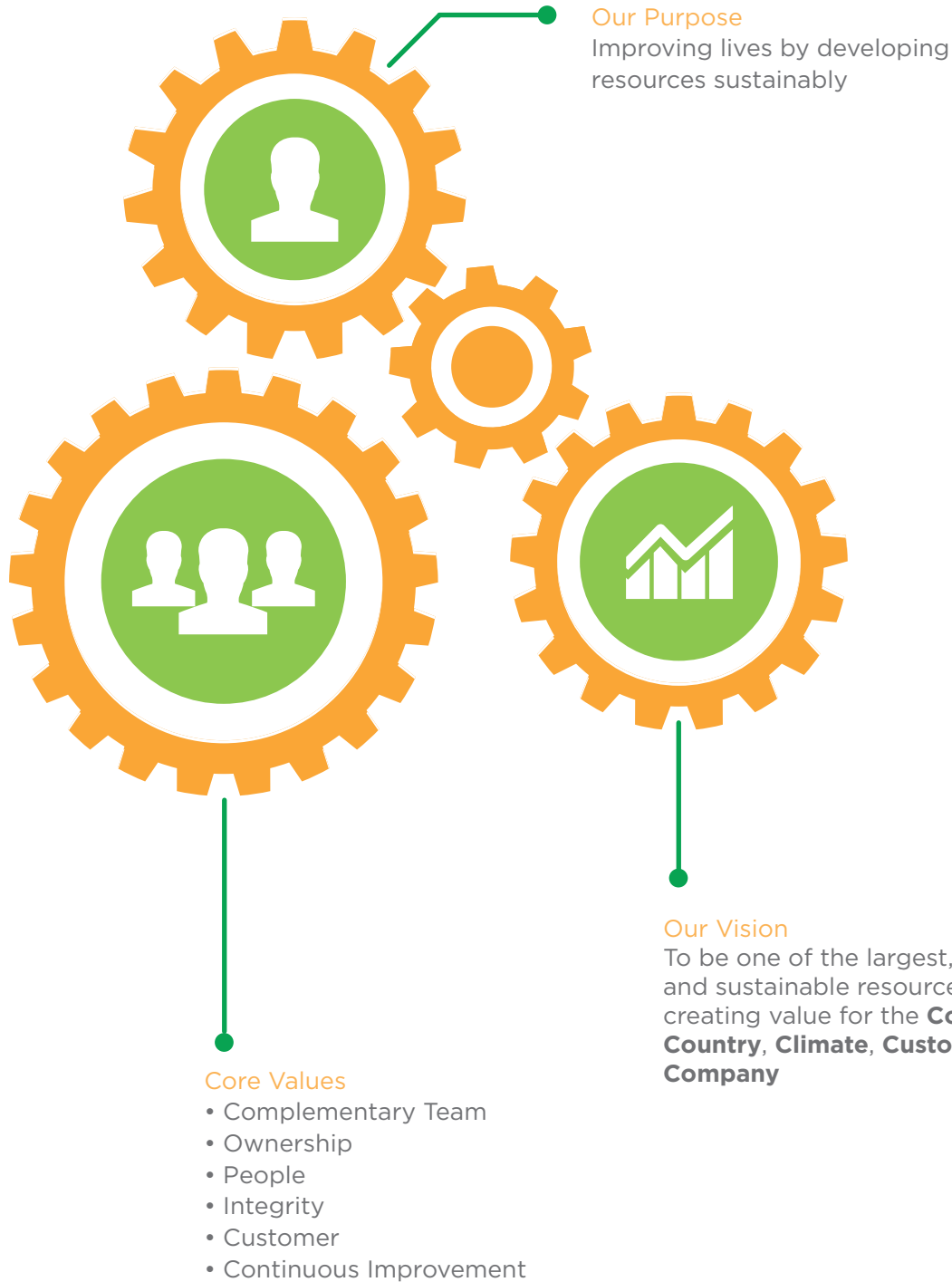
Stakeholder Group	Type Of Engagement	Topic	Response
Government	Seminars, forums, sustainability report, site visits, (including Ministry of Trade, Ministry of Energy and Mineral Resources, Coordinating Ministry for Economic Affairs)	No deforestation, no peatland development, lower GHG emission, no burning, legality compliance, renewable energy, premium sharing, replanting	Comprehensive understanding on palm oil industry, including peatland protection, no deforestation, traceability policy, independent smallholders commitment
Local Communities	Corporate social responsibility programs, Fire Free Village Program	Education, economic, health development as well as social and cultural engagement	Better livelihoods and training in various fire situations, increase awareness of the environment, better relationships
Non-Governmental Organizations	One-on-one communications, multi-stakeholder forums, sustainability dashboard	No deforestation (High Carbon Stock), no development on peatland, employees' welfare, traceability	Peatland protection, no deforestation, traceability policy
Smallholders	One-on-one communications, group discussion, profile building, publicity, training, field study	BMP (harvesting, leaf analysis, recommended fertilizer dosage), certification commitment, replanting, quality seeds, premium sharing, organization management, strong partnership	Best management practices
Buyers	One-on-one communications	Traceability and lower GHG emissions	No Deforestation Traceability Peatland Protection
Suppliers	One-on-one communications, group discussions, sustainability dashboard	Traceability, best management practices	Traceability to the mills
Certification Organizations (ISPO, RSPO, ISCC)	Audits, meeting, forums, training, site visits	Greenhouse gases, no deforestation, certification, recent principle and criteria/policies	Updated policy, better understanding of the certification requirements, helping in creating ISPO GHG calculator

Stakeholder Group	Type Of Engagement	Topic	Response
Media	External events, one-on-one communications, multi-stakeholder forums, social media, sustainability dashboard	No deforestation (High Carbon Stock), no development on peatland, employees' welfare, traceability, replanting, renewable energy, smallholder partnership, CSR, certifications, Fire Free Village Program, quality seeds, integrated pest management	Press release, publicity, smallholder positive exposure
Asian Agri's Management Team	Regular internal meetings	Economic, social and environmental issues	Regional Monthly Meeting (for provincial level) Operational Review Meeting (all operations) Management Board Meeting (for senior management) Annual Kick Off Meeting (all operations)
Employees	Gender committee, scholarships, training, sustainability dashboard	Employees' development and benefits	Stronger culture and values, improve sustainability awareness
Academia (national & international students)	Field study, education	Comparison between Plasma and other schemes	Comparison between Plasma and KKPA schemes
International Stakeholders (i.e. European Parliament)	Site visits, meetings	Best management practices, certification, traceability	Better understanding on good agricultural practices, comprehensive knowledge on palm oil industry



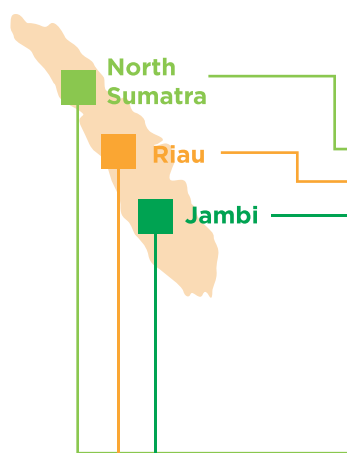
Vision and Values

[G4-56]



Our Operations

[G4-13]



Numbers of Mills, KCPs, Biogas Plants, Estates and Plasma Schemes

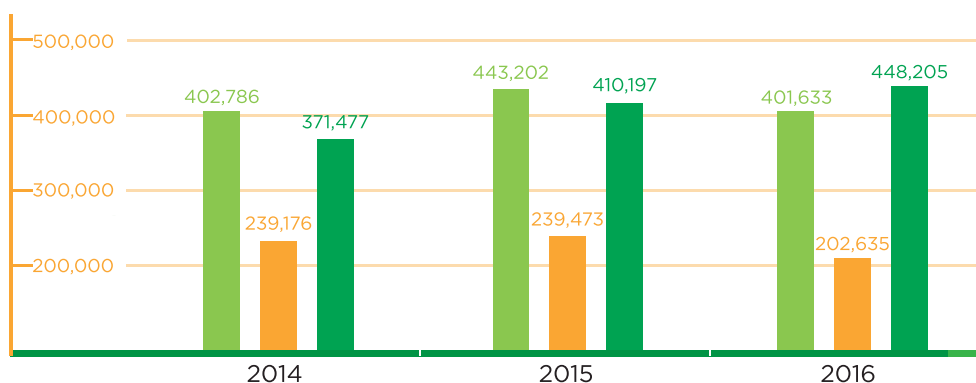
Mills	KCPs	Biogas Plants	Own Estate	Plasma Scheme
8	2	2	14	
8	3	2	9	5
4	2	1	5	3
20	7	5	28	8

Planted Areas (Ha)

Own Estate	Plasma Scheme
93,574	52,917



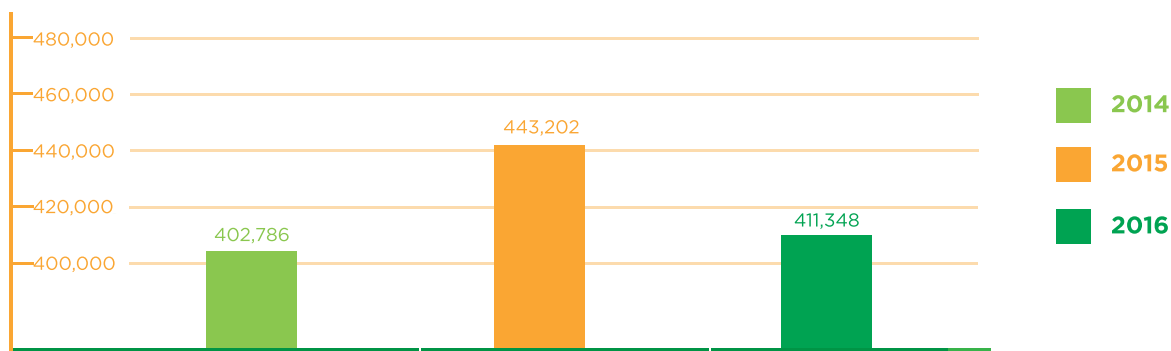
CPO Production (MT)



*other sources come from independent smallholders



Crude Palm Kernel Oil (CPKO) Production (MT)



Asian Agri Membership

[G4-16]

Asian Agri is also a member of the following organizations

- Indonesia Employers Association (APINDO)
- Indonesian Palm Oil Producers Association (GAPKI)
- Indonesian Germplasm Expedition Consortium
- Oil Palm Genome Project (OPGP) Consortium
- Roundtable on Sustainable Palm Oil (RSPO)
- International Sustainability & Carbon Certification (ISCC)
- The Forest Trust (TFT)
- High Carbon Stock Approach (HCSA)
- Sumatra Planters Association (BKP-PPS)



Research and Development

To ensure that our operations are achieving the best results efficiently while remaining environmentally friendly and sustainable, Asian Agri continuously conducts research and development supported by experienced scientists and well-equipped laboratories. We have two research stations: the Research and Development (R&D) Center in Bahilang, North Sumatra and the Oil Palm Research Station (OPRS) Topaz in Riau.

Asian Agri also has an advanced bio-technology facility in Riau, which is focused on molecular genomic research and in vitro propagation (tissue culture) of oil palm. This technology helps us accelerate the development of oil palm with economically important traits, such as high oil yields, disease resistance (ganoderma), short height, etc.

Our R&D Main Focuses are

- **Plant Nutrition**



Our team develops optimum fertilizer dose and best management practices for different types of soil. The target is to maximize site yield potential while still maintaining long-term sustainability and to minimize any environmental impacts. We also maximize the utilization of mill by-products, such as EFB, decanter solid, and POME as fertilizer and organic matter to increase soil fertility, so it is expected to increase the continuity of land use and reduce the use of inorganic fertilizer.

- **Plant Protection**



Through our Integrated Pest Management (IPM) system, we aim to balance economic and ecological concerns through the integration of physical, cultural, chemical and biological methods. The IPM system reduces unfavorable impacts resulting from over-reliance and extensive use of chemicals on non-target species and the environment. The system also focuses on worker safety and long term health.

- **Laboratory Analysis**



The Laboratory performs tests and monitoring to ensure high quality control on fertilizers, crude palm oil, palm kernel oil, and mill by-products. Our laboratory is consistently ranked among the top in international crosschecks by Wageningen Evaluating Programs for Analytical Laboratories (WEPAL), Wageningen University - Netherlands through International Plant-Analytical Exchange (IPE) program which has been accredited by Komite Akreditasi Nasional (KAN) for ISO 17025 : 2008 since 2010. As well as tests for our internal use, R&D also provides services for external parties in Indonesia.



• Environmental Management

To support environmental sustainability, we continuously improve our environmental management to suit local conditions e.g. recycling mill by-products in the plantation, manure nutrient management and minimizing leaching of nutrients.



• Planting Materials

The OPRS Topaz seed nursery was established to ensure the continuous availability of improved planting materials, not only for the Company but also to support smallholder farmers and the needs of the oil palm industry. The planting material improvement program was initiated in 1992 in Costa Rica where specially selected candidate parent dura and pisifera palms were selfed, sib-mated and test-crossed using sophisticated statistical designs to enable the breeding values of the parent palms to be determined.

Between 1996-1997, the parent materials obtained were planted in the seed garden at OPRS Topaz, and the test-cross DxP materials were established in two distant locations for thorough evaluations.

Since then, 43 new DxP trials have been established testing 1,436 progenies on varied locations and soil types. The result of the trials have enabled efforts to be focused on the best parents for the development of more advanced materials for planting.

There was also concurrent development of oil palm clones through well proven somatic tissue culture techniques that would not only allow the cloning and multiplication of “super” individual parent palms but also “super” tenera palms for large commercial scale planting.

The nursery has an annual capacity of 25 million fresh DxP seeds. The seed production is carried out under strict supervision and quality control to guarantee the superior quality planting material tested on both mineral and organic soil.

Our seed production process applies ISO 9001 : 2008 Quality Management System. Topaz high-yielding varieties have obtained approval certification from Indonesia’s Ministry of Agriculture through Decree nos. 57, 58, 59 and 60/ KPTS/SR.120/I/2004 dated 16 January 2004.

Currently we are developing Topaz DxP series 3 (S3) seedlings, based on progeny trial performance of the best of the DxP series 2 from 2012 – 2014.







Sustainability Implementation

[G4-14, G4-15]

In our September 2014 Sustainability Policy, we were committed to zero deforestation, peatland protection and positively impacting the socio-economic conditions of local communities. Through constant and active engagement with our stakeholders, we are transforming our entire supply chain to be sustainable and traceable.

In mid 2015, we became a member of The Forest Trust (TFT), a global environmental non-profit organization focused on helping companies to run responsible supply chains through the Aggregator Refinery Transformation (ART) program. This began with the mapping of our supply chain. We engaged our suppliers to conduct data collection for all of our mills. TFT's role included deepening the understanding of our internal sustainability team and other related departments on specific issues such as High Carbon Stock (HCS) areas, High Conservation Value (HCV) areas, no exploitation issues, Free Prior and Informed Consent (FPIC), grievance mechanisms, and others.

Through the Mill Prioritization Process (MPP), TFT conducted several visits at one of our Riau mills to assess our Standard Operating Procedure (SOP) and traceability. TFT provided recommendations to strengthen our SOPs and improve our operations. The visit demonstrated that we had successfully improved the implementation of our sustainability commitment. One of the challenges that was identified was the legality of independent smallholders. We were testing the implementation of FFB traceability at one of our mills located near Teso Nilo National Park. Through our Creating Shared Value (CSV) program, we encouraged our smallholders who wanted to engage us to obtain land verification documents known as STD-B (Surat Tanda Daftar Usaha Budidaya Perkebunan) for their plantations. We also provided awareness training for smallholders to only supply us with FFB produced from legal areas.

Despite our efforts, we understand that legality remains a big challenge in the oil palm industry. We continue to work with the government, NGOs, suppliers and industry peers to find a long-term solution to the issue.



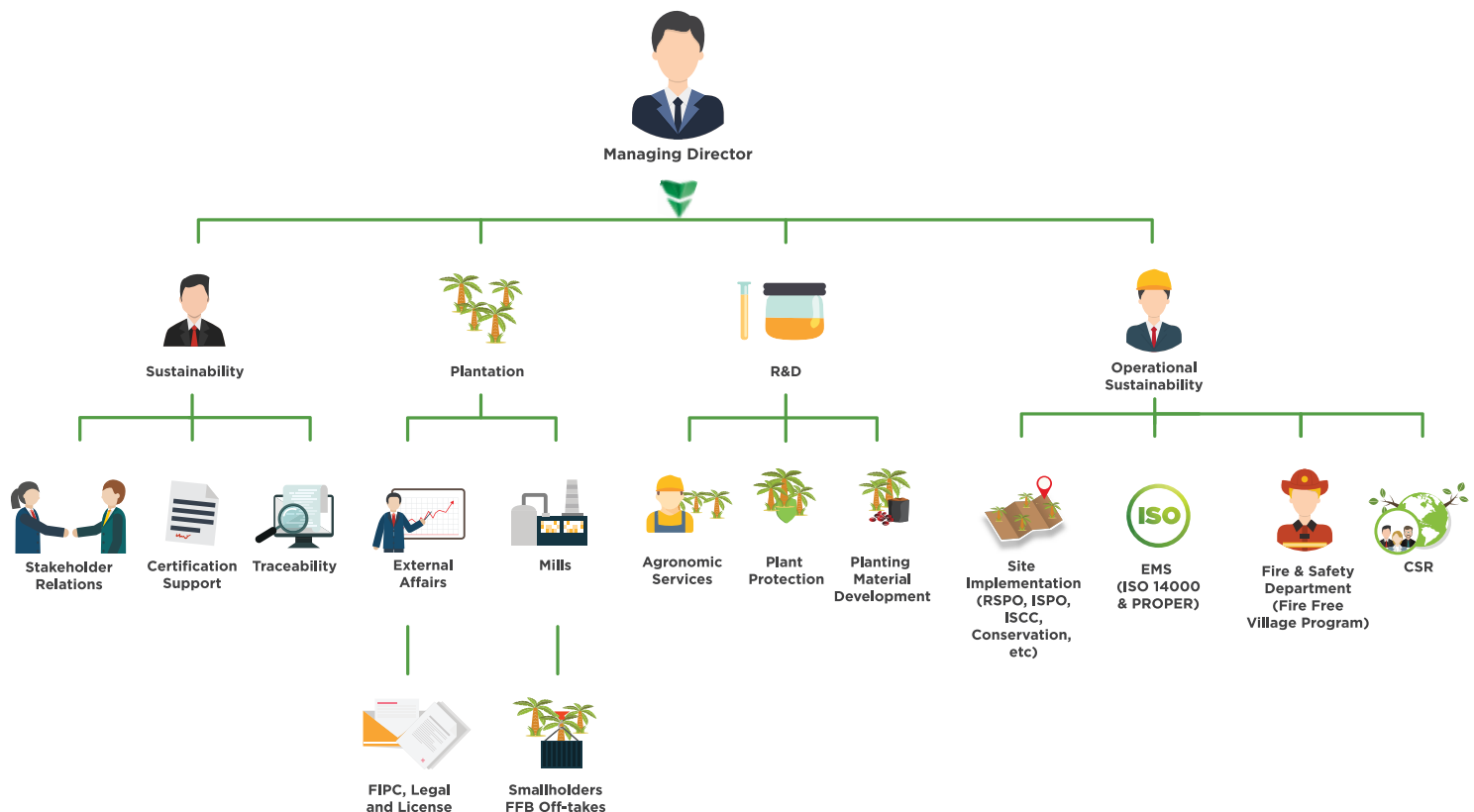
Integrated Sustainability Team [G4-34]

Endorsed by our senior management, our sustainability commitments are core to running our business. Our Managing Director oversees the entire sustainability implementation and provides strategic guidance to the team. He mandates the implementation of Asian Agri's sustainability strategies via the sustainability team, supported by various other departments as required.

The Head of Sustainability is responsible for stakeholder engagement and sustainability standards,

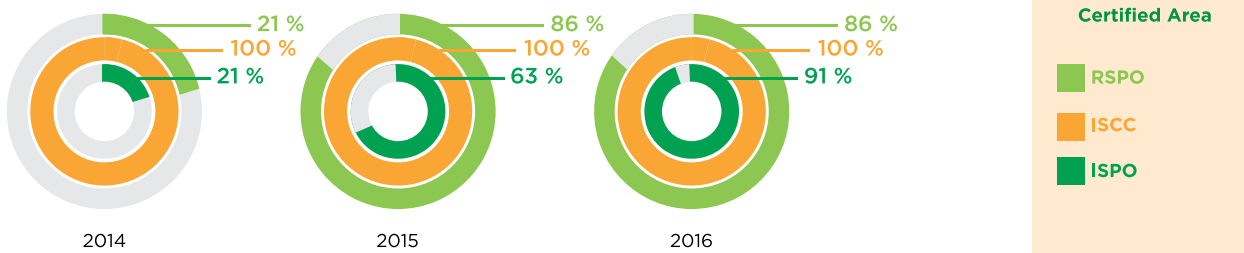
while the Head of Operational Sustainability oversees implementation in the field.

The following graphic shows how each segment plays an important role in determining the economic, environmental and social aspect of the company. Any inputs, information and issues will be gathered and discussed during internal meetings, and decisions will be mutually agreed upon by the top management.



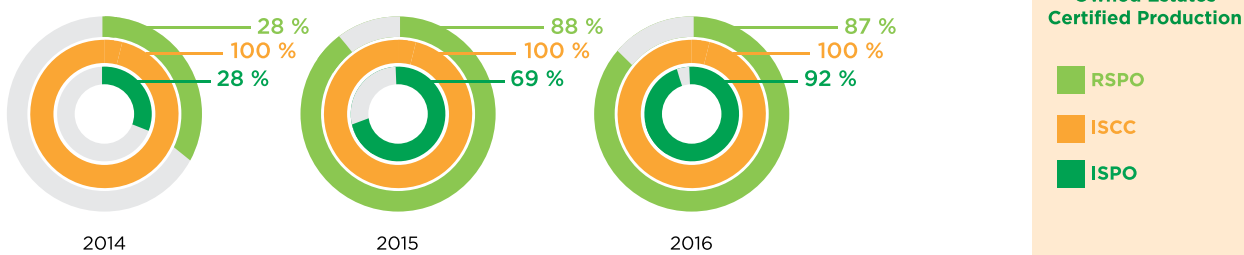
We have been actively implementing RSPO, ISCC and ISPO Principles and Criteria in all of our operations. Our mills and estates have been audited by independent third parties to ensure that our implementation adheres to the high standards of RSPO, ISCC and ISPO. At the end of 2016, we achieved the following certifications.

Asian Agri Certified Own Estates Area



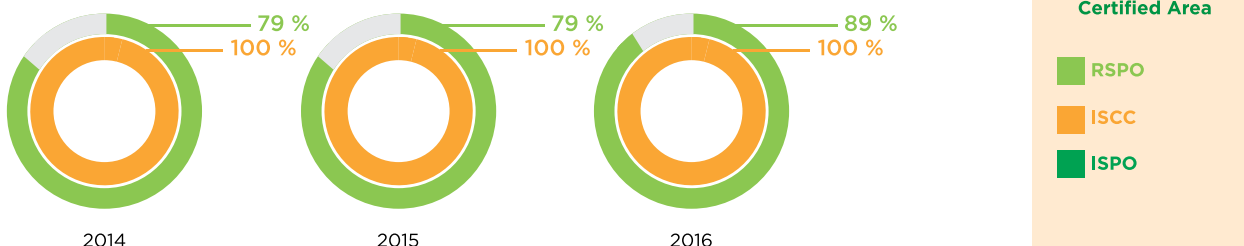
The percentages are based on areas owned that have been certified compared to total owned areas.

Asian Agri Own Estates Certified Oil



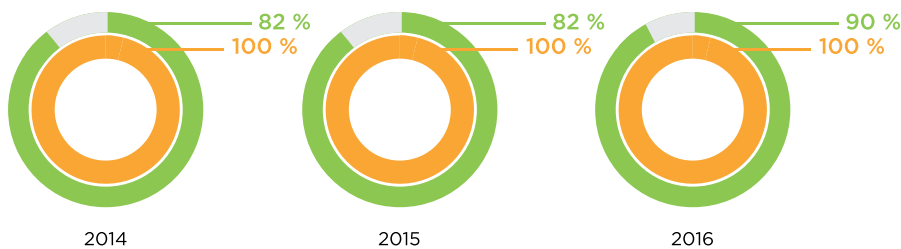
The percentages are based on certified palm oil produced from our owned estate, compared to total palm oil production from our owned estate.

Asian Agri Plasma Scheme Smallholders Certified Area



The percentages are based on areas of Plasma scheme that have been certified compared to total Plasma scheme areas.

Asian Agri Scheme Smallholders' Certified Oil



Smallholders' Estates Certified Production



The percentages are based on certified palm oil produced from Plasma scheme, compared to total palm oil production from Plasma scheme estates.

Certification Time - bound Plans

RSPO Progress

RSPO is a multi-stakeholder forum that produces an international standard for sustainable oil palm management. We have been a member of RSPO since February 2006. We have an RSPO time-bound plan to certify all of our operations by 2018. As of December 2016 we have achieved 86% RSPO certification for our own estates and have 18 out of 20 RSPO certified mills.

We are also involving our smallholders in our certification journey. By 2016 we had certified 89% of our smallholders.

ISCC Progress

ISCC is an international certification system that was established based on an EU Directive on renewable raw products for producing biofuel, food, feed and chemicals. ISCC outlines the need to avoid planting on no-go areas after January 2008, GHG emission reduction and social sustainability.

We have certified all of our mills and estates including those of smallholders under ISCC and have been a member since 2013. Addressing the market demand for low GHG emissions, we installed methane capture facilities in our mills to reduce the GHG emission for ISCC certified products, and plan to install 20 methane capture facilities by 2020. This will help the company to deliver ISCC certified products with low GHG emissions.

ISPO Progress

ISPO was initiated by the Government of Indonesia to produce oil palm in a sustainable manner. Our operating mills and estates under PT. Inti Indosawit Subur have been ISPO certified since September 2013. As of December 2016, we have 91% certification of our estates. In 2015, the Indonesian government came up with the standards to certify independent smallholders. Asian Agri has been actively participating with UNDP and Tanoto Foundation in a pilot project to certify independent smallholders under ISPO.





No Deforestation

[G4-DMA Biodiversity, G4-EN11, G4-14]





“We Focus on Our Replanting Program Instead”

Asian Agri’s sustainability policy outlines our commitment to no deforestation. Our policy, issued in September 2014, stipulates that HCS and HCV assessments must be carried out prior to any new development. All of our plantations were developed back in the 1990s on degraded forests with relatively low biodiversity value. We have not conducted any new development since 2003, focusing on our Replanting Program instead.

Any estate that is deemed too old to produce good quality FFB or declining in production would be replanted with new trees: the cycle is usually around 25 years. Each tree is cut down using heavy equipment, the trunks are chipped and along with the leaves are stacked in the field so they could decompose and be used as additional nutrients for new plants. It usually takes around six months to prepare the land from cutting down to planting new trees.

Should there be an opportunity to expand the operations or production, we will follow our policy commitments prior to opening any new development.

Currently, the total area of our own operated estates are 1,047.03 km²; 473.4 km² in North Sumatra, 392.32 km² in Riau, and 181.31 km² in Jambi with additional Plasma scheme areas of 295.16 km² in Riau and 231.51 km² in Jambi. The majority of our owned site is used for oil palm plantation and palm oil mill, while some portions are used for housing and other public facilities. None of our own managed area is in, adjacent to, or containing protected areas.

HCV assessments were carried out for all of our estates by RSPO accredited auditors. Identified HCV areas have been set aside as conservation areas, and endangered fauna and flora such as Northern River Terrapin (*Batagur baska*), Hopea Mengarawan, Scaly Anteater (*Manis javanica*), Dark-handed

Gibbon (*Hylobates agilis*), Light Red Meranti (*Shorea leprosula* Miq.), etc. which are listed as Critically Endangered and Endangered species by IUCN Red-List, are monitored by our team in the field. Socially valuable HCV areas are marked with signboards to create awareness for the surrounding community such as prohibitions on trapping, hunting and fishing, and also prohibition for outsiders trespassing with intention to damage the HCV areas.

We are committed to working together to develop a single, coherent set of rules for implementation of No Deforestation. In November 2016, Asian Agri participated in signing an agreement to converge the HCSA guidelines produced by HCS Steering Group with the 2015 HCS+ guidelines developed by the committee in New York. The commitment is to work together to develop recommendations that provide a roadmap to address issues in the implementation of the No Deforestation commitment.

Monitoring of High Conservation Value Areas

[G4-DMA Biodiversity, G4-EN14]

Most of our operations are established in degraded forests based on concession areas granted by the government with relatively low biodiversity value and also considering areas in need of protection.

Through our HCV assessment, we have identified endangered flora and fauna within our operational concessions. Asian Agri believes that these areas have significant value regionally and globally. Thus, we monitor these areas twice a year to ensure that there is no disturbance in their habitats. We have also assigned staff who are mobile to monitor and note down details of relevant species on a daily basis. This data will then undergo analysis to determine if the particular area is their habitat. Other than areas considered to be the habitat of endangered species and of certain wildlife, we also set aside areas to conserve riparian zones and areas that are of high cultural value to local communities.

Fire Prevention and Mitigation Effort

[G4-DMA Local communities, G4-SO1]

In 2015-2016, Indonesia faced a fire and haze crisis due to illegal land burning. It impacted the health and livelihoods of the surrounding communities and the economy.

Asian Agri has a strict zero burning policy in place since 1994 – even before it was mandated by the government. We promote the use of mechanical clearance during the land clearing process, and ensure any third parties to whom we outsource follow the same policy.

We have emergency response procedures in place to tackle any fire outbreaks in our plantations. We enforce adherence to our emergency response procedure by the personnel responsible for attending emergency situations. We work together with the local Fire Brigade if necessary during any fire outbreaks, and have a dedicated team that can monitor the occurrence of hotspots using satellite imagery and send out operational teams to the area if needed.

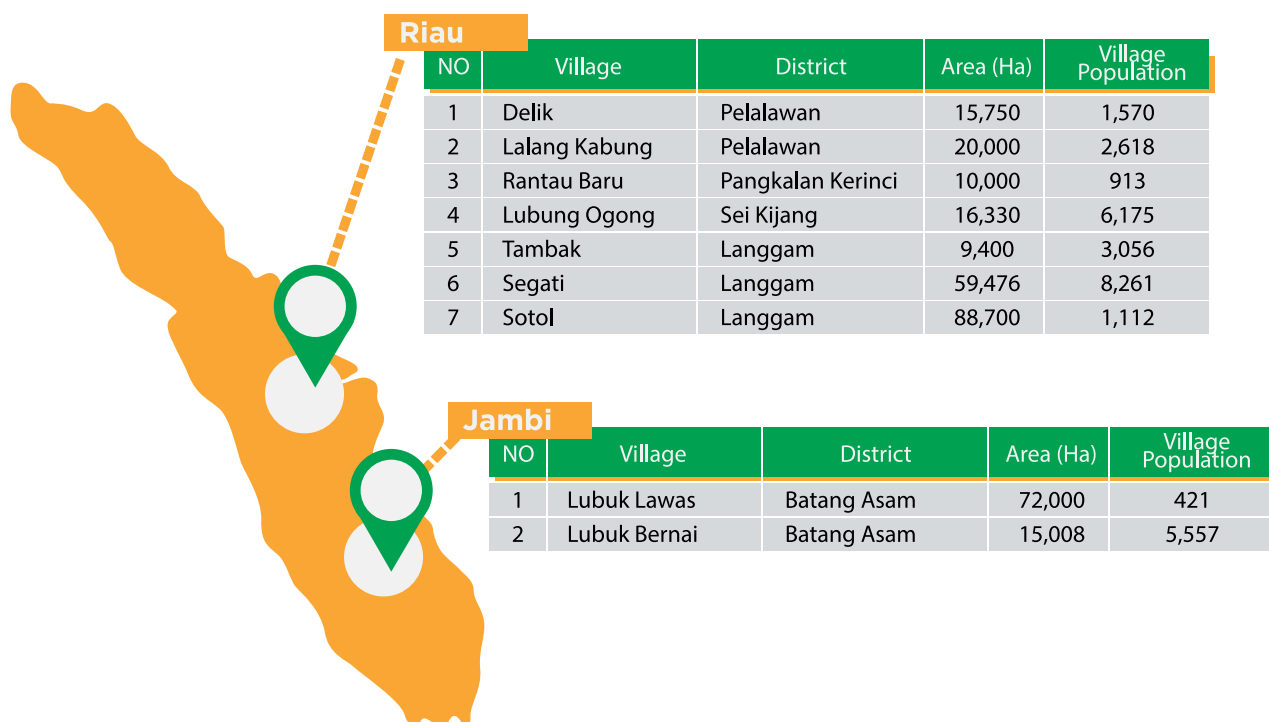
Our fire and safety department is managed by the Head of Operational Sustainability. To increase awareness and competence, we provide training on safety procedures and proper methods of fire-fighting. We also installed fire equipment and infrastructure to combat and extinguish any fire occurrence.

While fire suppression is important, Asian Agri also believes that proper investment is needed for fire prevention. On May 3, 2016, Asian Agri partnered with Riau's Governor to launch the Fire Free Village Program (FFVP). The FFVP program comprises the following segments:

1. **Increase** community awareness. The company conducts intensive communication with the local community to increase awareness on the impact of fire and haze on health.
2. **Empowerment** of village head. During the dry season, villages play a significant role to synergize the prevention and mitigation of land fire.
3. **Provide support** for land clearing.
4. **Appreciation** for zero burning.
5. **Assistance** to enhance local economy.



The program has been launched for nine villages in Riau and Jambi Province



The villages were selected based on their fire risk profile – an assessment of how likely fires are to occur in their areas. Upon signing the Memorandum of Understanding (MoU), Asian Agri selects a crew leader from the village to coordinate the program. Asian Agri provides training to increase their awareness on the danger of fire and to also strengthen the group. Signboards are also put up to act as reminders to everyone.

Understanding that government plays a vital role in the success of the program, we coordinate with various agencies such as the Coordination Board for Agriculture, Fishery and Forestry (Bakorluh – Badan Koordinasi Penyuluhan Pertanian, Perikanan dan Kehutanan) and Forestry and Estate Crop Agency (Dishutbun – Dinas Kehutanan dan Perkebunan), to solicit their support.

A group consisting of estate manager, crew leaders, members of Fire Care Community (MPA – Masyarakat Peduli Api) and sub-village head is appointed to coordinate and exchange information regarding any fire occurrence within or near the village or our operation area. By using social media, the information is expected to be promptly checked or managed.

One of the methods that we use to increase participation of the community is exploring the economic value within the target area. The main goal is that they can find other ways to increase their household income rather than opening new areas by using fire. In Segati, we identified the potential to grow the economy by producing honey. We provided training support on honey bee farming by collaborating with BP2TSTH – Balai Penelitian dan Pengembangan Teknologi Serat Tanaman Hutan.

In Rantau Baru, we observed the prevalence of fishing activities, so we created an agro tourism location to centralize fishing in one place by building a canal and planting trees to create an attractive environment. As a result, instead of monitoring fishing activities in several locations, we minimize the risks of hotspot occurrence to a smaller area.

We also established an incentive program for villages that are able to prevent fires in their village for one year. The incentives are planned to be awarded in 2017.

In addition to the commitment of reducing and preventing the fire incidents in Indonesia, Asian Agri is also one of the founding members of Fire Free Alliance (FFA) to work with peers and partners in tackling the problem of land and forest fires in Indonesia.

FFA is a voluntary multi-stakeholder group made up of leading forestry and agriculture companies, NGOs, and other concerned partners keen to resolve Indonesia's persistent fire and haze problems. Together with FFA, Asian Agri works closely with relevant NGOs and other partners to contribute to the industry through our research capability and sharing our expertise and experience (www.firefreealliance.org).





No Peatland Development

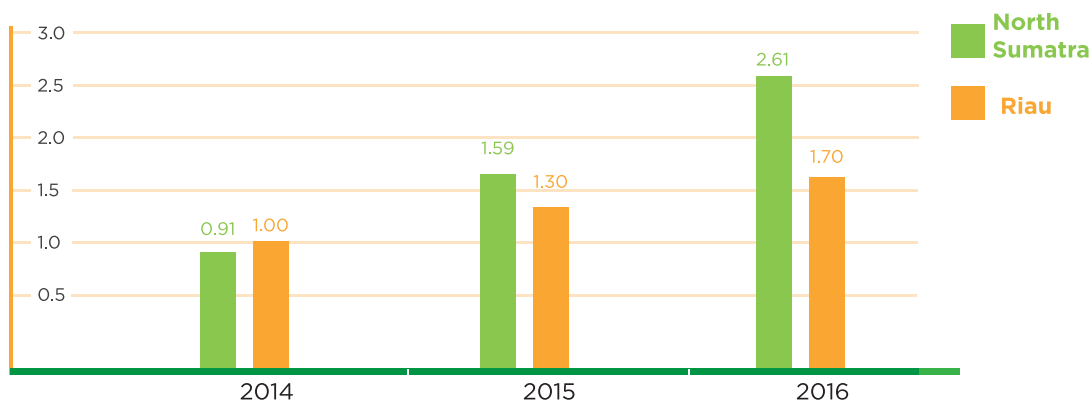
[G4-14]



Methane from peatland is a contributor to GHG emissions. Therefore we need to implement best management practices on peatland as stipulated in the RSPO guidelines. One way of doing it is by measuring its subsidence level. Subsidence poles are installed at strategic locations in the peat plantations to monitor the rate of peat subsidence on a monthly basis.

Peat subsidence occurs due to the loss of organic matter and the compacting of peat in the water-immobilized peat layer (a layer above groundwater level). The process of peat subsidence is distinguished between the decrease due to burning, shrinking peat soil volume, decomposition and loss due to erosion. Asian Agri has conducted peatland management considering these aspects.

Peat Subsidence in cm*



*The data is an average figure of peat subsidence in each estate consisting of peatland area per region

We also conduct soil mapping and surveys to identify the soil types in our estate supported by our R&D team. The map is used by R&D to provide recommendations on the nutrition application for the oil palm trees. We have internal procedures that require the drainage water level to be maintained.

A drainability assessment of peat area must be conducted before it is considered for new cultivation. The study will determine which water management approach is most suitable for the area. Good water management keeps the area from over flooding during monsoon period, and also from over-drainage during the dry season.

There are four classes of peatland, and different drainability studies were conducted within different categories:

Class 1 - Good Drainability - where the excess water in the field can be drained by gravity even during the highest tide.

Class 2 - Moderately Good - where excess water in the

field can be drained by gravity >50% of the tidal cycle.

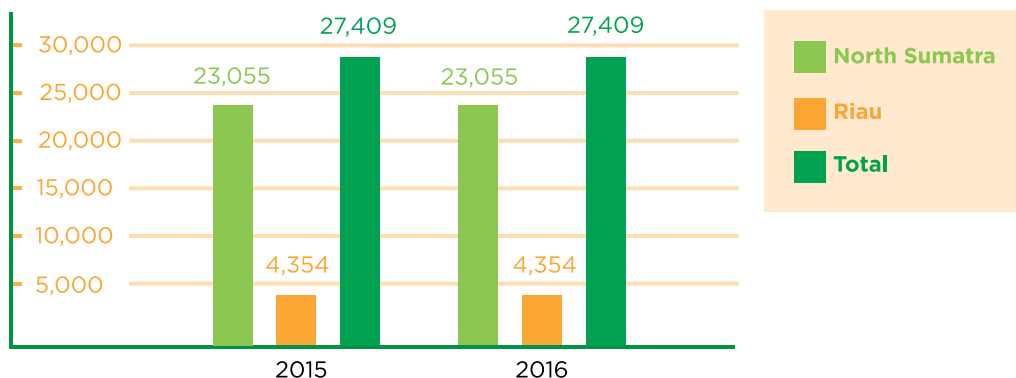
Class 3 - Poor Drainability - where excess water in the field can be drained by gravity <50% of the tidal cycle.

Class 4 - Very Poor Drainability - where excess water in the field cannot be drained by gravity even at lowest tide.

Other than increasing the rate of oxidation of the peat (GHG emission), over-drainage can also irreversibly destroy the physical structure of the peat. Thus, it can adversely impact palm growth and yield. Our procedure requires that the water level should be maintained throughout the year at between 50 and 70 cm from ground level by creating water barriers or gates on each drainage channel so that the subsidence can be minimized.

We are committed to no new development on peatland, in line with our sustainability policy. We also strictly implement a no burning policy on mineral soil and peatland to avoid fire.

Peatland Area (ha)



Sustainable Management of Oil Palm





Environmental Performance

Environmental policies of Asian Agri are in accordance with environmental regulations. We have carried out Environmental Impact Analysis (Analisa Mengenai Dampak Lingkungan-AMDAL) on all of our plantations and mills as required by Indonesian law. It is also a regulatory requirement to submit a RKL (Rencana Pengelolaan Lingkungan/Environmental Management Plan) and a RPL (Rencana Pemantauan Lingkungan/Environmental Monitoring Plan) to the environmental department at the district, provincial and national levels. These plans are carried out biennially. Impact assessment documents are freely available and regularly updated.

Our environmental management system has been validated by third parties as all of our mills and estates are ISO 14001 certified. Asian Agri was granted PROPER (Program for Pollution Control, Evaluation and Rating) awards by the Ministry of Environment for our mills in North Sumatra, Riau and Jambi.

This is supported by consistent ISO 14001 environmental management system implementation, reduction in air pollution, and community development programs.



Waste Management

[G4-DMA Effluent and waste, G4-EN22, G4-EN23]

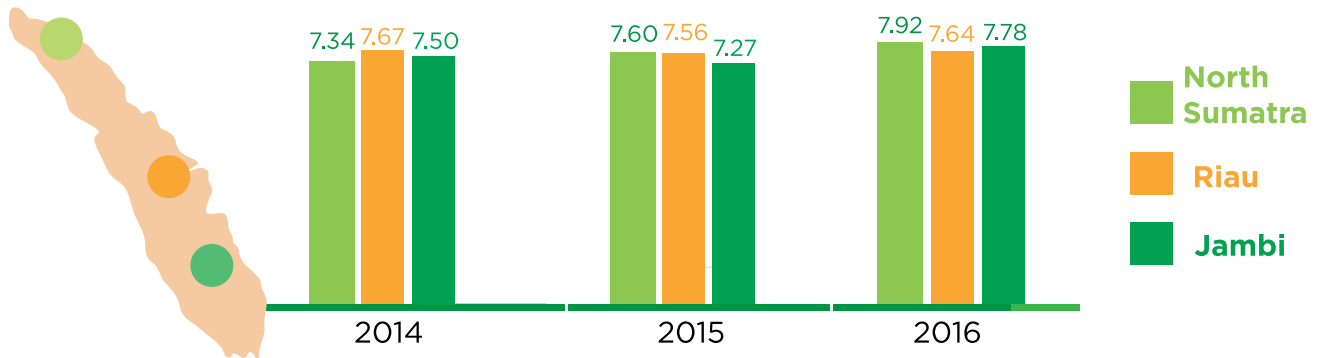
Asian Agri's zero-waste management policy governs reduction, monitoring and management of waste. We first identified waste or by-products that can be reused in our operations such as Empty Fruit Bunch (EFB) and Palm Oil Mill Effluent (POME). We then passed this information to our R&D department in order to discover nutrients which could substitute chemical fertilizers. R&D will recommend methods and dosage to achieve optimum yield.

Solid waste such as palm fibers and palm shells are used as biomass fuel for boilers to run steam turbines in our mills, providing a renewable source of energy.

Liquid waste is treated and monitored before being released into the stream or onto land. We conduct routine quality assessments by external parties to ensure that we comply with all Indonesian laws and regulations. In 2015-2016, the majority of our BOD (Biochemical Oxygen Demand) values are within standards. We are working to further mitigate those that do exceed standards.

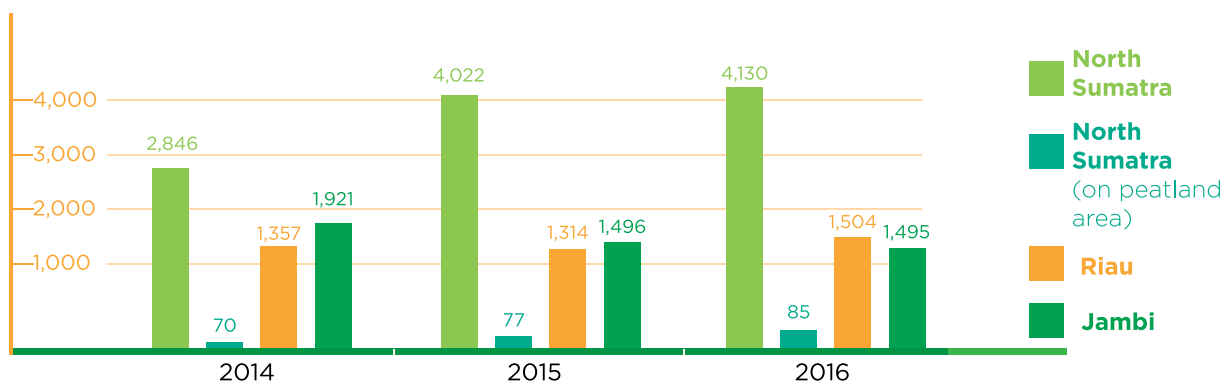
Hazardous waste is stored in a dedicated area and closely monitored. We only contract licensed providers i.e. PT Shali Riau Lestari, that have been approved by the government to conduct waste collection.

Average pH of POME (Land Application)



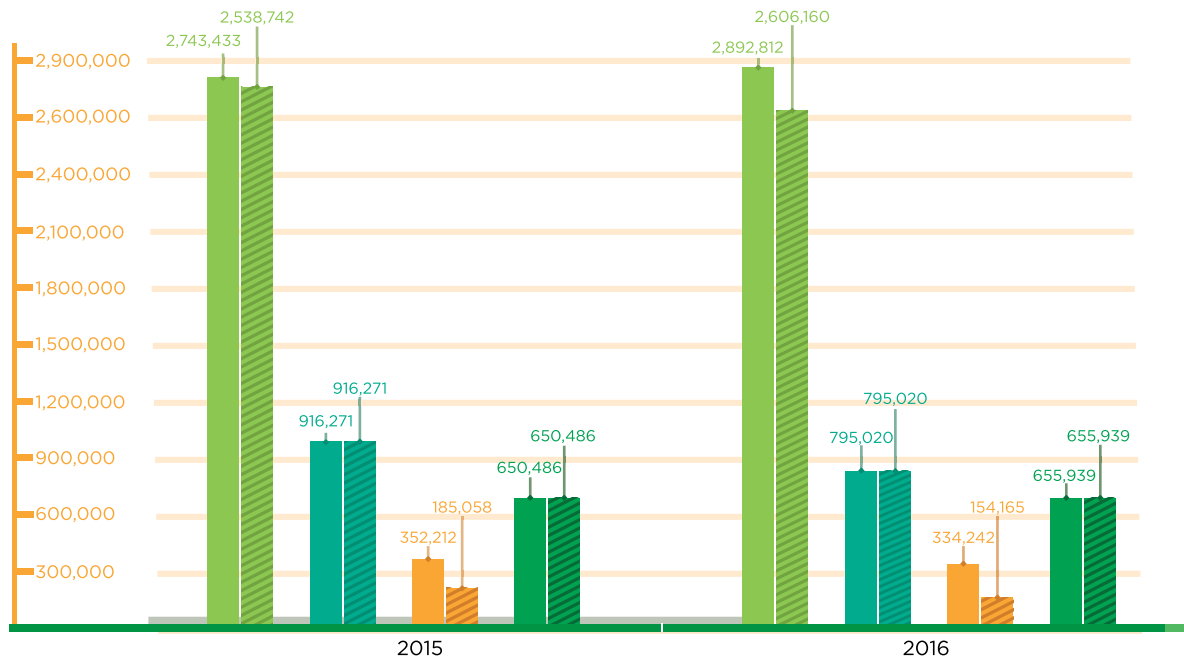
Average BOD Value of POME

(sample from last pond before dispatching into land application or river for Mills on peatland area) in mg/l



While a small part of our estate in Riau is peatland, we can still discharge all of the produced POME into land application, therefore no POME is discharged into rivers.

By-products and their usage



Total Produced		Total Recycled		Usage :
	POME (m3)		POME (m3)	
	EFB (MT)		EFB (MT)	Organic fertilizer
	Palm Shell (MT)		Palm Shell (MT)	
	Fiber (MT)		Fiber (MT)	Biomass Fuel

All EFB (Empty Fruit Bunch) produced is applied as organic fertilizer to restore and improve soil fertility in the field.

POME is applied in the field as organic fertilizer or dispatched into the nearest river (for mills in peatland area) after anaerobic and aerobic treatment in order to render the chemical and physical characteristics compliant with national regulations.

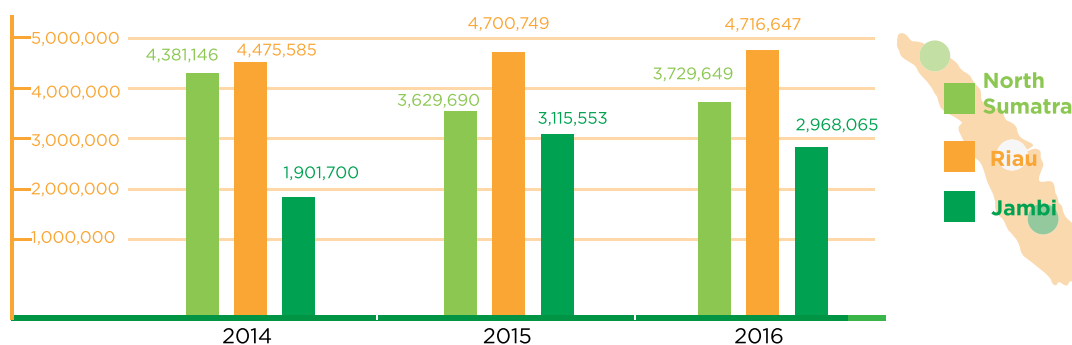
Palm shell is efficiently used as boiler fuel. Roughly 50% of annual production is sold to third party buyers.

Greenhouse gas emissions are a subject of global concern, and deforestation for palm oil, particularly on peatland, is often mentioned as a major contributor.

Asian Agri has been conducting GHG calculations based on RSPO Palm GHG and ISCC guidelines since 2012. Based on these calculations, we can conclude that the main contributors in the estates are land conversion, peatland oxidation and methane emissions from mills.

In our efforts to reduce the GHG emissions, we commissioned five biogas plants and are currently building another two plants set to commence operations in 2017. We also have plans to equip methane capture facilities in every mill by 2020. The biogas plants are proven to be able to significantly reduce GHG emissions from the mill.

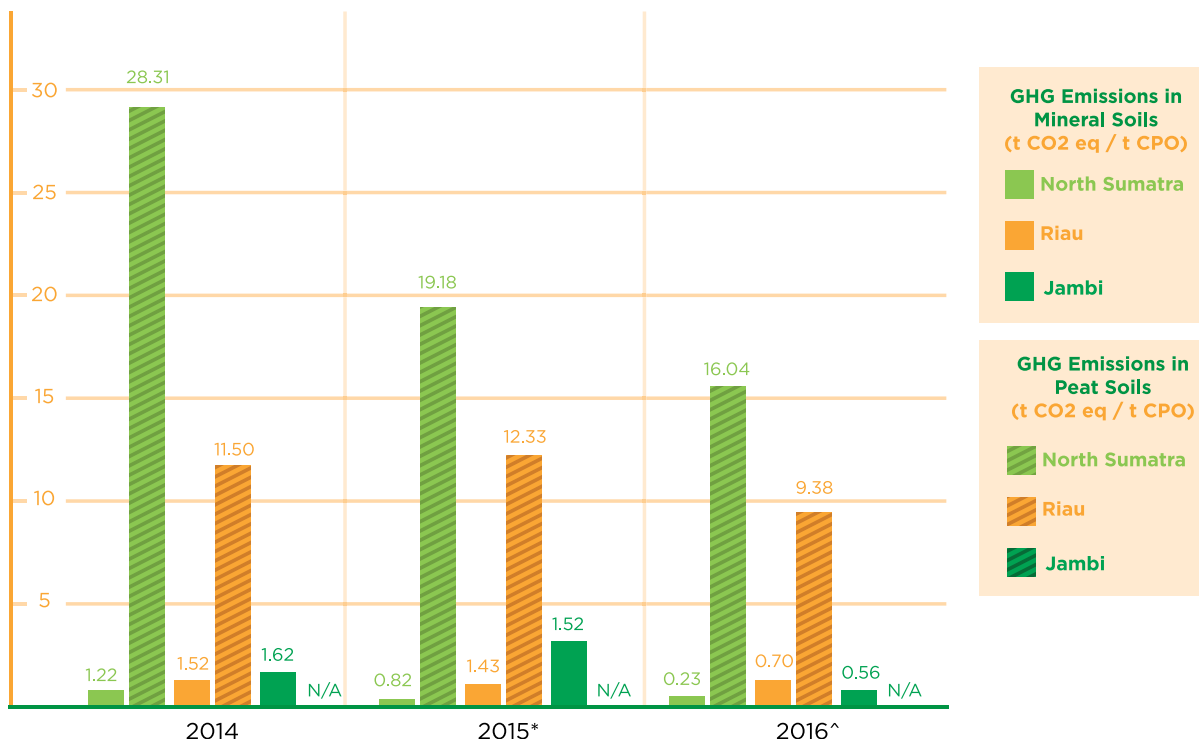
Diesel Fuel Consumption in Liters



In 2015 and 2016, we upgraded three of our mills in North Sumatra and Jambi from 30 Tons per Hour to 60 Tons per Hour and commenced the replanting program in some of our estates. We use heavy equipment to uproot and chip the trunks, reshape and holing the land and stacking leaves, fronds and

chipped trunks. This results in increased diesel fuel consumption. We are constantly seeking ways to reduce the number by using fiber and palm shells as alternative biomass fuel while increasing boiler efficiency and reducing and controlling domestic power usage.

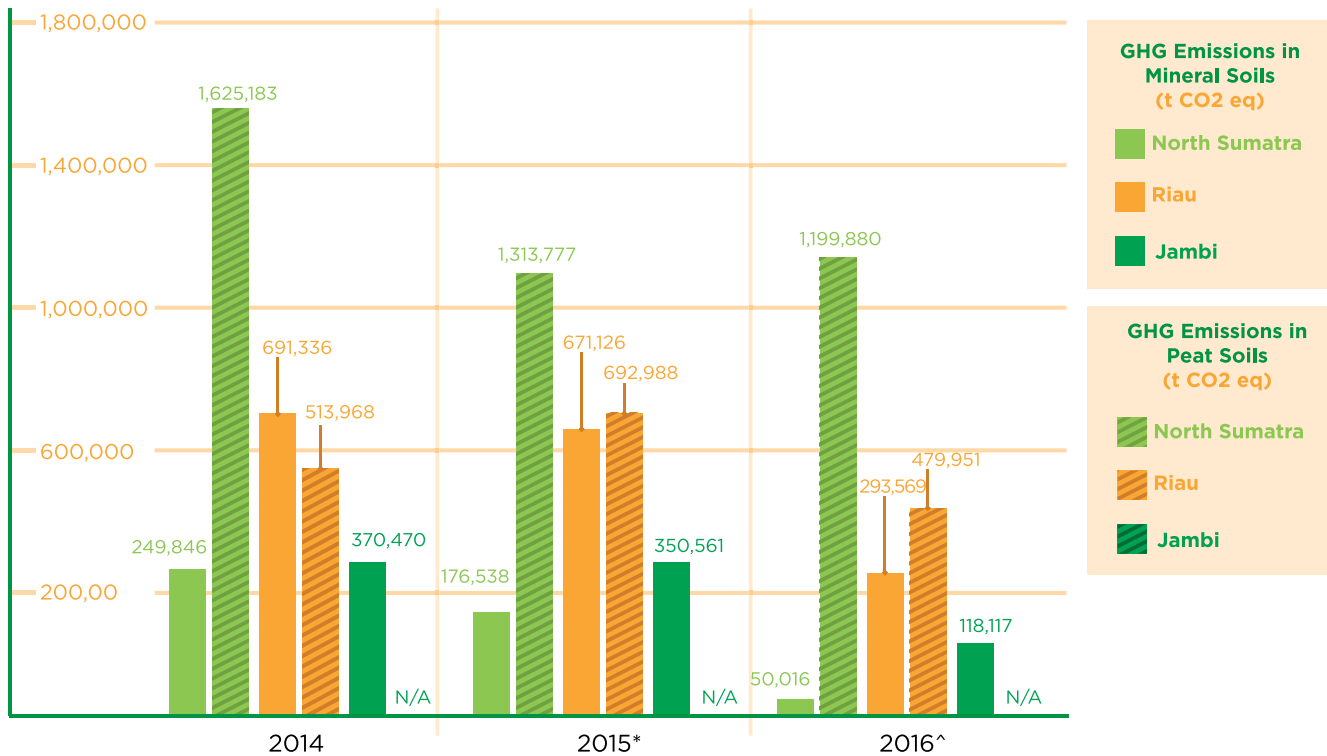
GHG Emissions per CPO Product per Region (t CO₂ eq / t CPO)



*based on RSPO PalmGHG calculation version 2.1.1

^based on RSPO PalmGHG calculation version 3.0

Total Emissions per Region (t CO2 eq)



*based on RSPO PalmGHG calculation version 2.1.1

^based on RSPO PalmGHG calculation version 3.0

In 2015, the government of Indonesia announced a plan to increase power generation in the country to 35,000 MW from 2015 to 2019. The plan aims to tackle the national electricity shortage, sourcing 25% of the additional capacity from renewable sources. Currently, Asian Agri operates five methane capture plants for our operation in North Sumatra, Riau and Jambi. Each biogas plant can produce around 1.4 MW of electricity which will be upgraded to 2.2 MW. The generated power is used to run our Kernel Crushing Plant operation. With the installed capacity, we have around 40% excess electricity that can be used to support the government program by providing electricity for the adjacent villages. By December 2016, we have signed three contracts with PLN, the national electricity company, which will be commissioned in 2017. In addition, another two contracts will follow in 2017.

Integrated Pest Management

Asian Agri always aims to reduce our use of pesticides throughout our operational areas. We follow standards established under the Agronomy Policy Manual (APM) to control pests in the best possible way such as utilizing natural predators, host plants for predators and traps.

The APM details the Integrated Pest Management (IPM) technique. The broad guiding principles of IPM are to use biological and ecological perspectives as a basis for the integration and correct use of appropriate physical, biological and chemical methods to control pests. Using barn owls to act as a natural predator for rats is one of the examples that we applied. Each barn owl can cover a radius of 25 Ha.

The major pest species at our plantations include rhinoceros beetles (*Oryctes Rhinoceros*), leaf-eating caterpillars, woolly caterpillars, bagworms, bunch moths, termites (on peat soil) and rodents. We use pheromone traps for pests such as rhinoceros beetles. Routine inspections are conducted weekly to determine the number of caught beetles, and the traps themselves are renewed approximately every two months, depending on the temperature. For moths we use light traps and appropriate food baits.

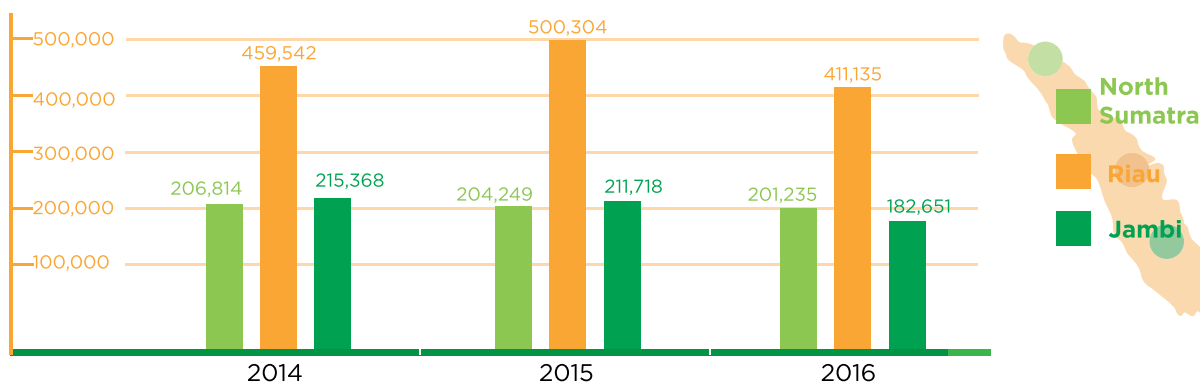
While chemical pesticides are still required especially during major pest outbreaks, AA's application of IPM in daily operations has greatly reduced their usage therefore we can reduce any materials that are harmful to the environment.

Soil Management

The sustainable production of oil palm is said to be dependent on how fertile the soil is. With that in mind, we have a dedicated team that oversees our soil and leaf analyses to determine the proper recommendation for each specific area. In line with our commitment to reduce the need for chemical

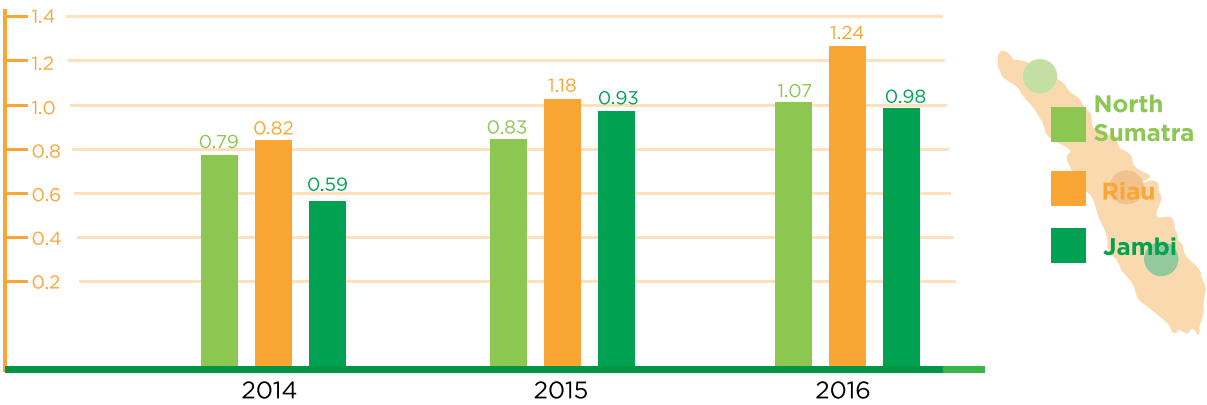
fertilizers, we re-use 100% of our empty fruit bunches (EFB) as organic fertilizer. EFBs naturally contain appropriate nutrients needed for soil enrichment and slow release organic fertilizer for moisture retention.

Total Empty Fruit Bunches Applied (ton/year)

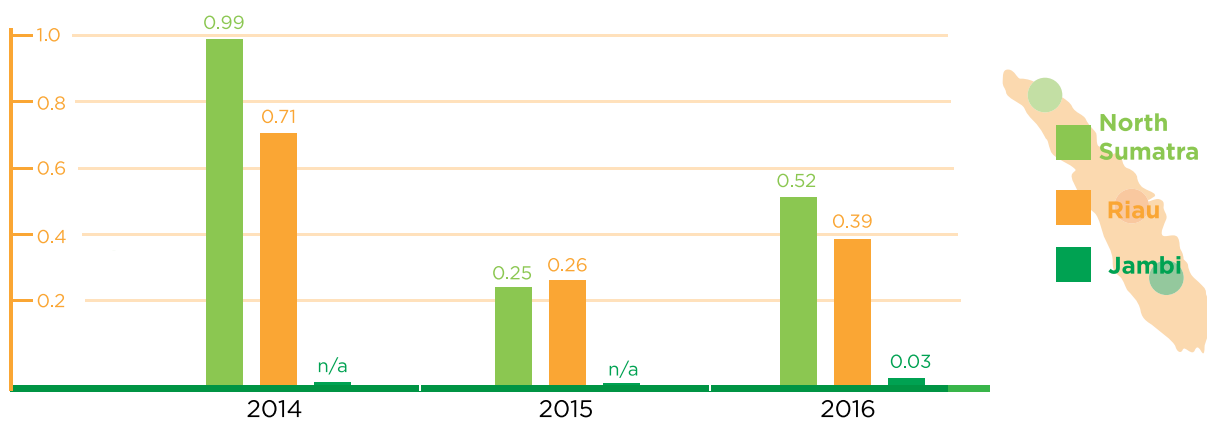


Declining EFB application in 2016 was due to El Niño that struck almost all plantations in Southeast Asia, affecting 2016 FFB production.

Fertilizer Usage - Mature Oil Palm (ton/ha)



Fertilizer Usage - Immature Oil Palm (ton/ha)



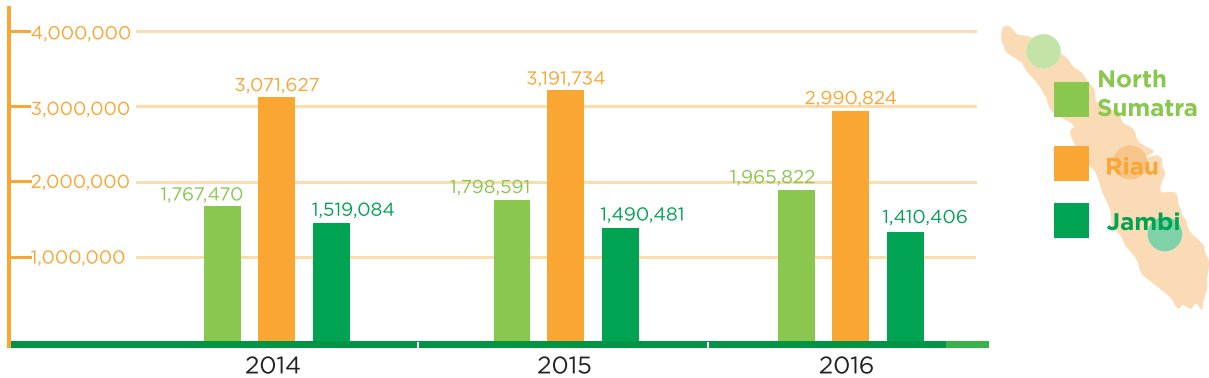


Sustainable Water Use

[G4-DMA WATER, G4-EN8]

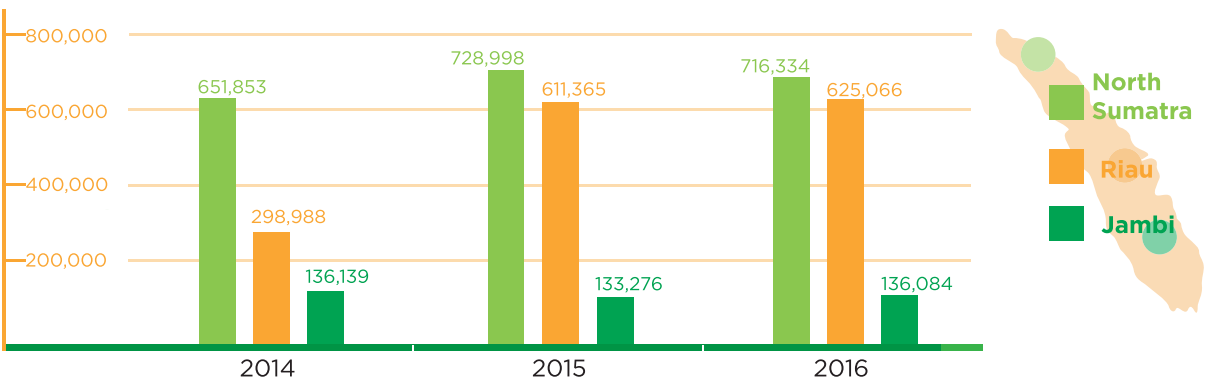
We implement a monitoring system to ensure that our water usage is in line with our best management practices. Thus, regular monitoring of water usage is in place for our operations as well as domestic use. Regular biannual analysis of domestic water supplies is carried out to further check whether they are safe for human consumption.

Annual River Water Usage (m³)



Three mill upgrades done in 2015 and 2016 also resulted in higher water usage, as we need more steam to run our turbine to generate power to process FFB. Slight decline in some plantations was caused by lower FFB processed.

Annual Ground Water Usage (m³)



In 2015 we installed flow meters in some estates to record ground water usage. This is to continue what we started in previous years to obtain more accurate data and plan better strategies to lower our water consumption.



Supply Chain Traceability

[G4-12, G4-14]



Our mill supply chain model consists of production from our own estates, Plasma scheme smallholders and independent smallholders, and for our Kernel Crushing Plant, the palm kernel source from our own mill and from third party mills. We view traceability as an important step in building a sustainable supply chain. In the spirit of our No Deforestation commitment, we collect a database of our suppliers to the plantation level.

We have conducted 98% traceability to plantation for all of our 20 mills: this means that we can trace back almost all of FFB that we processed in each mill to the source. The process was conducted between 2014-2016. In 2016, we focused on traceability of independent smallholders.

Based on our experience, we have come up with the following methodology to trace and map our supply base:

1. Classification and data collection

	Own Estate	Scheme Smallholders	Independent Smallholders		
			Group	Outgrowers	Agent
Legal entity	√	√			
Estate / suppliers name	√	√	√	√	√
GPS coordinate	√	√	√	√	√
Total area	√	√	√	√	√
Number of supplying months			√	√	√
Production	√	√	√	√	√

A supply base is considered traceable if we are able to obtain the estate/supplier's name and their GPS coordinates, taken in the center of the estate. For estates located near high risk areas, GPS coordinates will be taken from the edge of the estates.

Data collection for Jambi is done in collaboration with Yayasan SETARA Jambi and IDH as part of our three-year partnership program, while independent smallholders who are supplying our mills in North Sumatra and Riau is done by an internal team. A detailed explanation of the program can be read on page 56.

2. Calculation of traceability percentage

We use a CPO volumetric approach to calculate the traceability percentage to plantation level on a yearly basis. The traceability percentage from independent smallholders is very volatile and heavily influenced by price. It is common that independent smallholders do not continuously send their FFB to our mill.

Thus to anticipate this condition, we are using a quota approach to calculate and verify the data that we have obtained. The quota approach is taken by considering the total area, independent smallholders yield estimation and the number of supplying months. By using this method, we are able to identify whether

the collected data has covered the production that they supply to us. If we find that the supplied production is bigger than the quota, it means that there is a certain percentage of the independent smallholders that is non-traceable.

Since supply from independent smallholders is very dynamic and price conscious, we find it difficult to trace the smallholders that are currently not supplying to us even for database purpose only in case any future cooperation occurs. Thus, we are focusing on calculating traceability from existing smallholders only.

3. Verification of traceability data

The traceability status of our database is conducted through two different methodologies:

a. Desk study

For own estates and scheme smallholders, we can declare that it is traceable as we have the GPS along with the polygon map which clearly defines the boundary of the estates. Desk audit verification for independent smallholders was done using quota approach as explained in step 2 above.

b. Random sampling verification

For independent smallholders, in 2016 we worked with independent parties to verify our database:

- i. Our database in Riau is verified by Yayasan SETARA via random sampling of independent smallholders with an area of more than 100 ha.
- ii. Our database in Jambi is verified directly by Yayasan SETARA as they are also involved in the data collection process.
- iii. Our database in North Sumatra is yet to be verified.

Asian Agri FFB Traceability Progress

(percentage is based on the total FFB received annually)

		2015		2016	
		Traceable	Unverified	Traceable	Unverified
1	Own estate	100 %	-	100 %	-
2	Scheme smallholders	100%	-	100 %	-
3	Independent smallholders	31 %	69 %	96 %	4 %
4	Total	73%	27 %	98 %	2 %

Traceability of FFB received from independent smallholders improved significantly in 2016.

Challenges on Traceability for Independent Smallholders

The supply chain from plantation to mill is very complex. The mill can identify its direct supplier but there's a big gap to get access through layers of agents or dealers. We understand that our agents or dealers play a significant role for us to get traceability information of their suppliers.

To obtain the support of our agents or dealers, we conducted workshops to communicate the purpose of traceability. The traceability would be the initial approach in order for us to identify and engage them in the partnership. Asian Agri has a commitment to engage with 60,000 ha of independent smallholders. The data obtained from the traceability process will be crucial for us to deliver our commitment to the smallholders. The data will be used to identify, to organize and to provide training to the right smallholders.

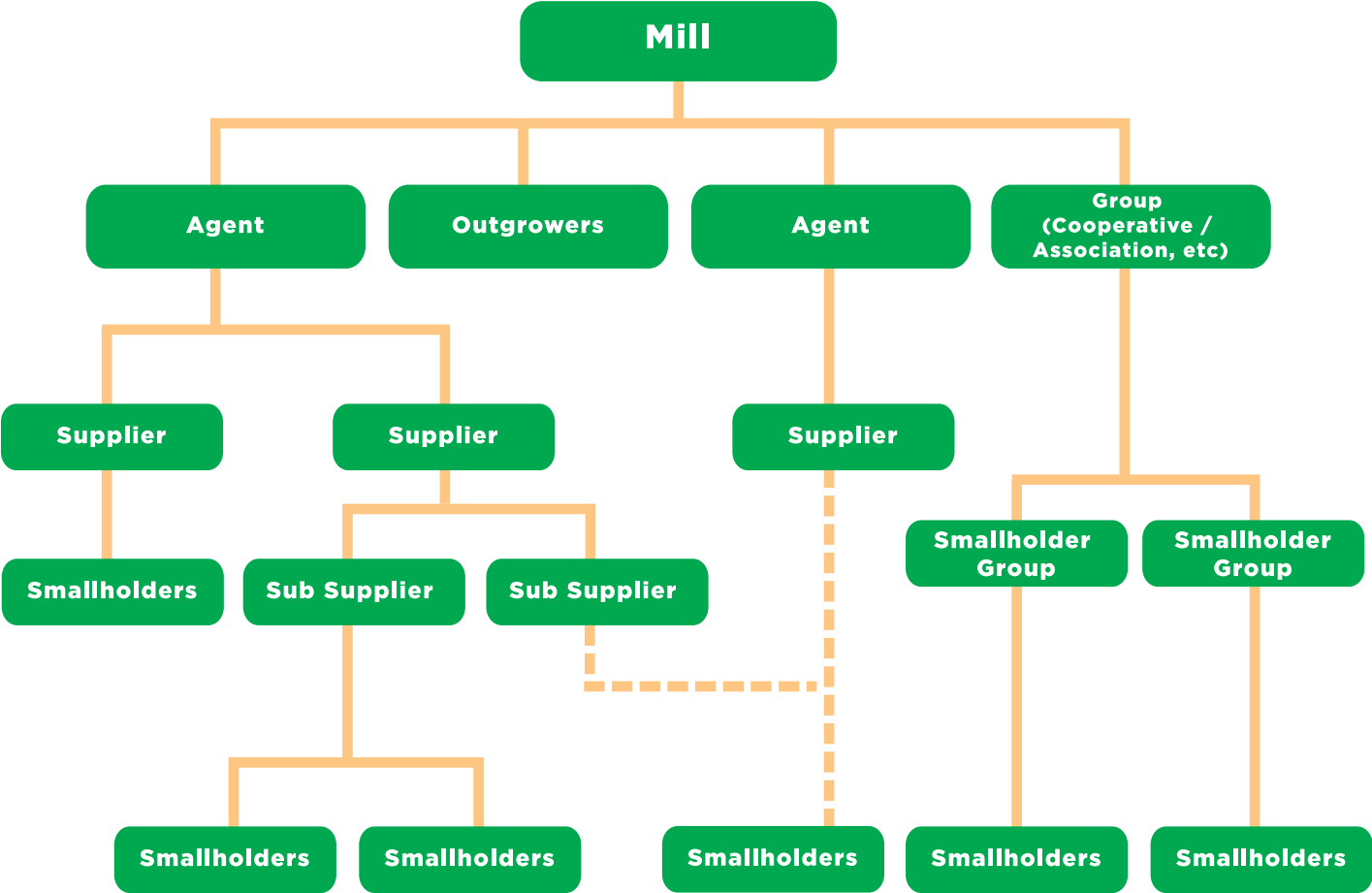
Together with the support of agents and dealers, we are able to get access to the various layers of these smallholders. The traceability process will help us to map out the flow of FFB through these layers until it is delivered to our mill. Our next challenge lies in the bottom layer of the supply chain, where there is competition between agents and dealers and smallholders will shift loyalty based on changes in price. This subsection of independent smallholders can be challenging to reach since there is no strong link between the agents and dealers.

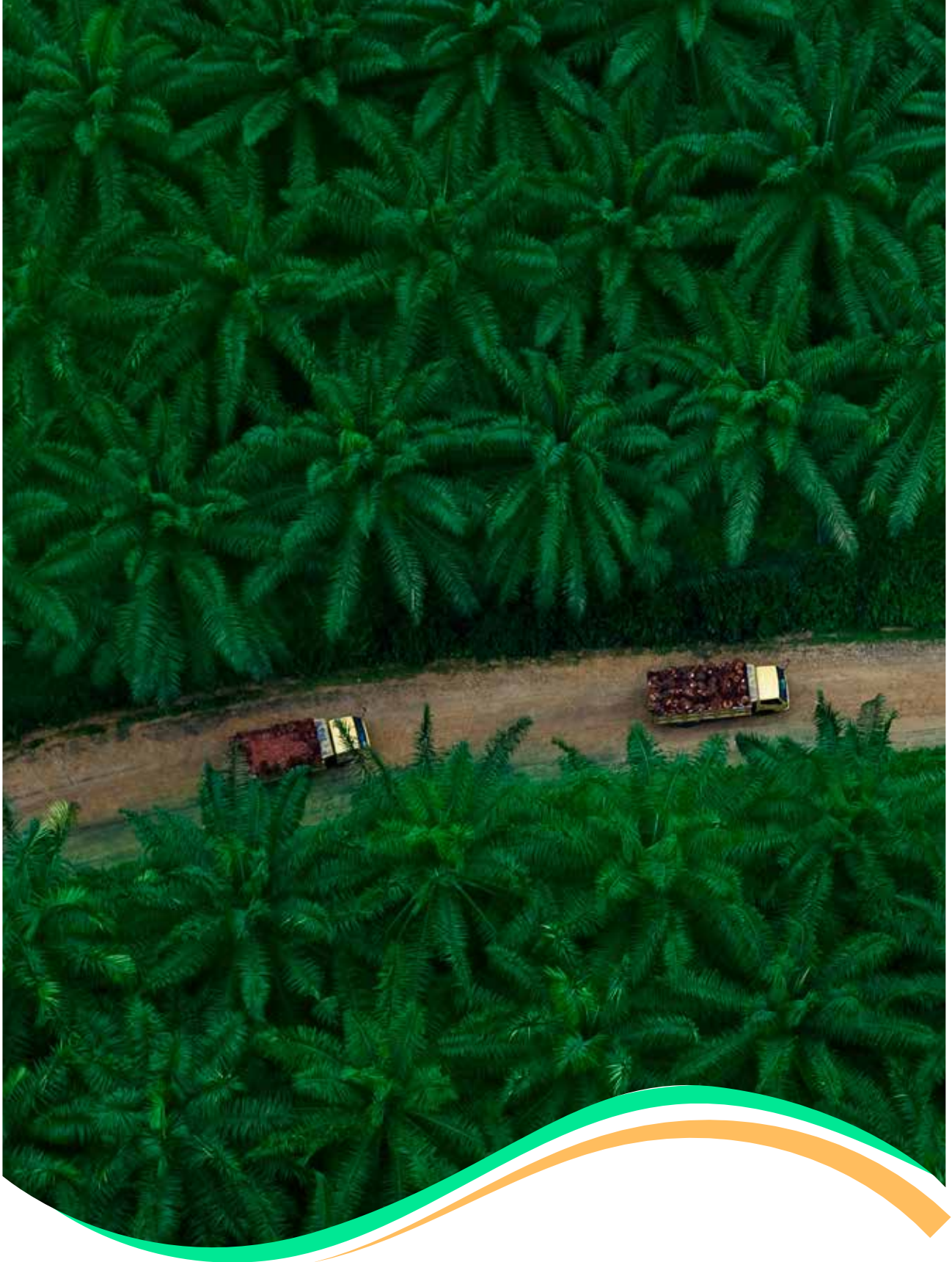
We are currently working on a traceability system together with Yayasan SETARA Jambi to map the large volume of data we have obtained to illustrate the flow of FFB from the plantation to the mill.

We also found that the monitoring system of the independent smallholders needs to take into account the technical challenges on the ground. We found cases of some suppliers sending their fruits from one location to multiple mills. In addition, the information on independent smallholders is very limited. We found it hard to guarantee the accuracy of measurements of these smallholders. This makes it difficult to accurately predict and monitor productivity from these smallholders. The volatility of supply of the independent smallholders also complicates matters.

Based on these lessons learned we realize that engagement of the smallholders is the key to achieving full traceability. Regardless of the difficulties, Asian Agri managed to trace back 98% of our suppliers, and targets 100% traceability in 2017.

Illustration
of The Independent Smallholder Supply Chain Model







In the spirit of transparency, the update and progress of our grievances can be found on our website. This allows our stakeholders to monitor the grievance process and outcome.

Grievance process flow

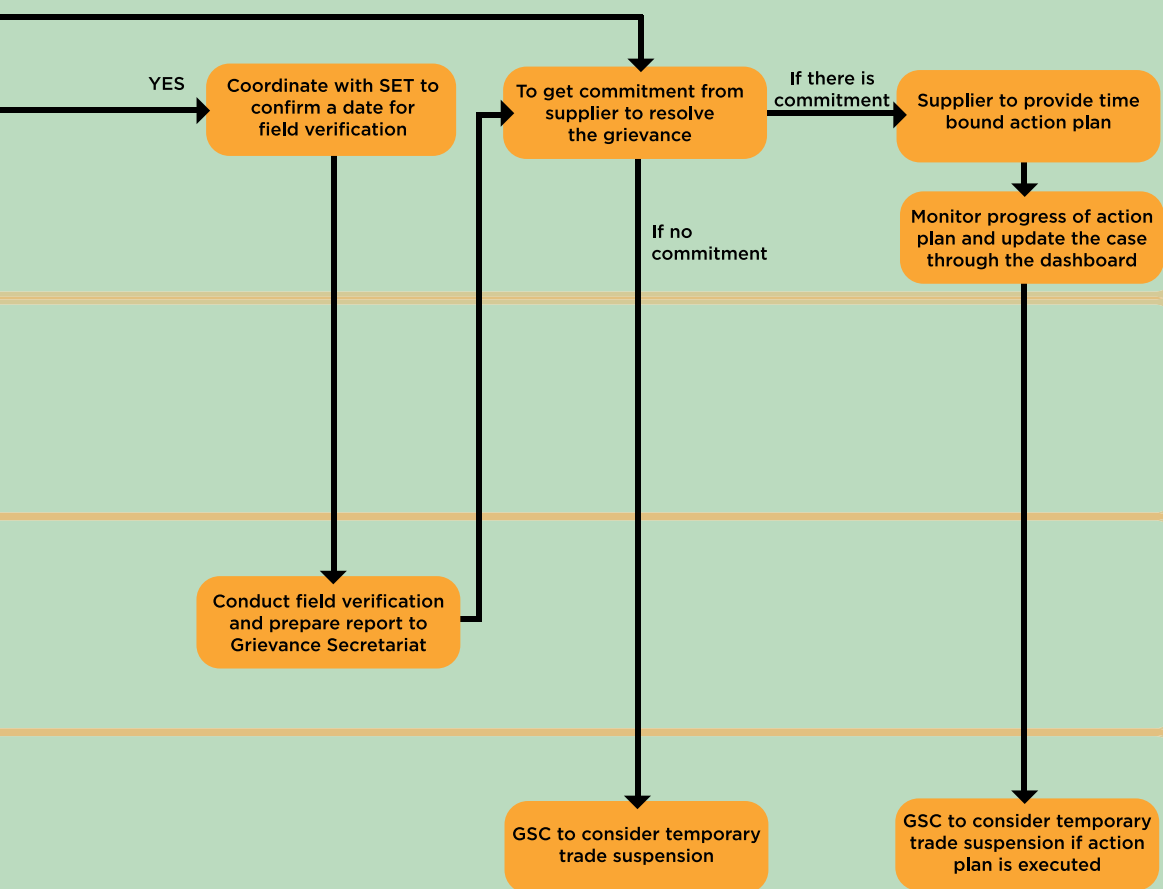
Main Steps of Asian Agri Grievance Procedure



Develop approach
for handling the
specific grievance

Prepare action
plan to
resolve grievance

Implement and
monitor the progress of
action plan



Smallholder Engagement & Partnership

Toward an Innovative and Sustainable Supply Chain in Jambi

Building partnerships with independent smallholders has become Asian Agri's main focus in managing oil palm plantations in a sustainable manner and, at the same time, improving the smallholders' welfare. One of the commitments of Asian Agri is to engage with around 60,000 ha of independent smallholders by 2020 throughout our operation. Our collaboration with The Sustainable Trade Initiative (IDH) and Yayasan SETARA Jambi was launched in March 2016.

The partnership seeks to obtain data and use it to provide assistance for the independent smallholders in order to increase their yield and ensure market access. This is done through a multipronged approach that involves training, knowledge transfer of best management practices, and establishment of cooperatives. The target of the program is to cover around 10,000 smallholders supplying our four mills in Jambi.

The program timespan is three years. In 2016, we directly engaged with our suppliers to collect their data. So far, we have been able to map around 4,095 smallholders, covering around 25,000 ha.

In 2017-2018, Asian Agri will conduct training and knowledge sharing on sustainable practices, facilitate the formation of cooperatives with 4,000 members, and assist 1,000 smallholders in preparation for certification.

We hope that the program can be a model for other independent smallholders and other players in the oil palm industry in Indonesia.

ISPO Certification for Smallholders in Riau

Asian Agri, together with the ISPO Committee and UNDP, are participating in a pilot project to certify one of our KUD (Koperasi Unit Desa) in Plasma scheme smallholders and independent smallholders. KUD Bukit Potalo consists of 247 smallholders comprising 494 ha of Plasma scheme smallholders and 1,042 ha of independent smallholders. The cooperative has received training from the ISPO committee, supported by UNDP and the Asian Agri sustainability and Plasma team.

The spirit of the pilot project is to test the current standard system to understand the gaps of smallholders in implementing sustainable practices. As of December 2016, the auditor has undertaken stage one audit for independent smallholders and has conducted a gap audit for Plasma scheme smallholders. We hope that through the pilot project, we can understand the challenges smallholders face in practicing sustainable oil palm management.

Traceability Verification in Riau

We have been collecting FFB traceability data on all of our suppliers in the areas in which we operate. In Jambi, we are working with IDH and SETARA to conduct the activities. The result of this assessment was verified by Yayasan SETARA Jambi during the period of October – December 2016.

In Riau, SETARA conducted verification in seven mills: Buatan 1, Buatan 2, Peranap, Segati, Ukui 1, Ukui 2 and Sei Pauh. The verification for Topaz was conducted by our R&D Team on 24 November 2016 and finished on 30 December 2016.

Verification was conducted using Asian Agri's data with a sampling method based on suppliers whose area is more than 20 Ha. Then, the chosen smallholders were verified by SETARA, Asian Agri, and the FFB Supplier Association's leader. Our internal team also obtained the field coordinates of the smallholders.

The traceability verification process was successful: all the available reports on smallholders and their GPS coordinates data could be used to support our 100% traceability policy for all of our supply chains.





Driving Positive

Socio-economic Development





Our Employees

[G4-10, G4-11]



Fair Treatment Policy

[G4-DMA Diversity and Equal Opportunity, G4 - LA12]

Asian Agri supports the UN Sustainable Development Goals, including SDG 5 on gender equality. We have non-discrimination policies in place in our working environments, and have formed a gender committee to examine how we can better improve on our delivery/commitment. We respect and provide fair rights to all employees irrespective of their religion, race, beliefs, origins, age and gender. Both women and men have equal rights and opportunities in this company.

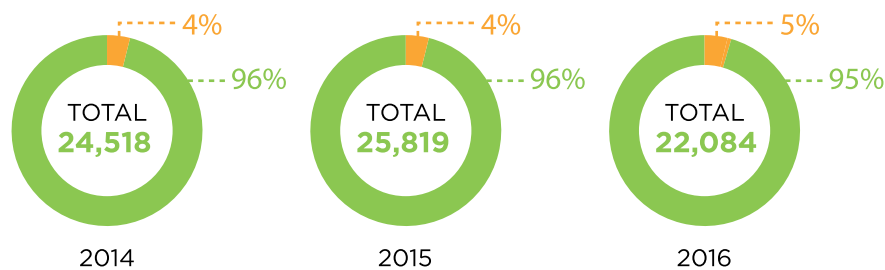
Women's reproductive rights are protected. Women are given paid maternity leave after childbirth. When they are ready to work again, we make sure that we safeguard breastfeeding mothers by not allowing them to work in any environment that may expose them to harmful chemicals. For working women who have below-school-aged children, we provide day care centers near their housing area. We do not tolerate any forms of sexual harassment, and have policies in place to investigate, handle and manage if such an incident were to occur.

We categorize employees into the following:

Staff : Officer level and above

Workers : Non-staff level (mill and estate workers including non-permanent workers)

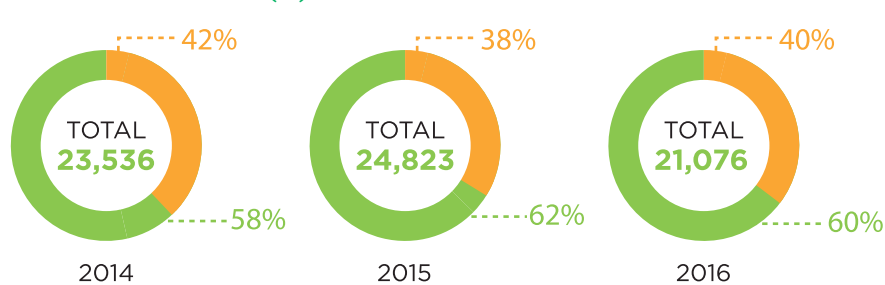
Employee Classification (%)



Employee Classification (%)

Staff
Worker

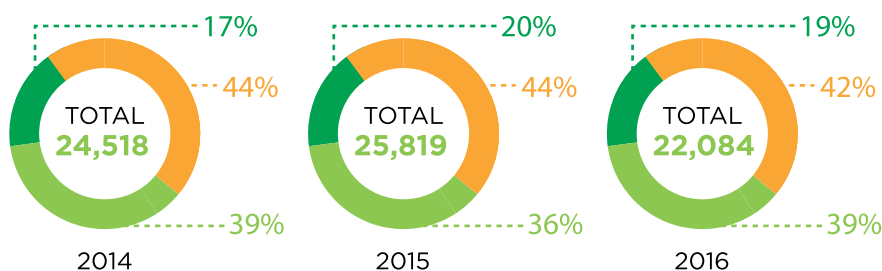
Worker Classification (%)



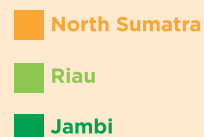
Worker Classification (%)

Permanent workers
Casual workers

Employee Classification by Region (%)

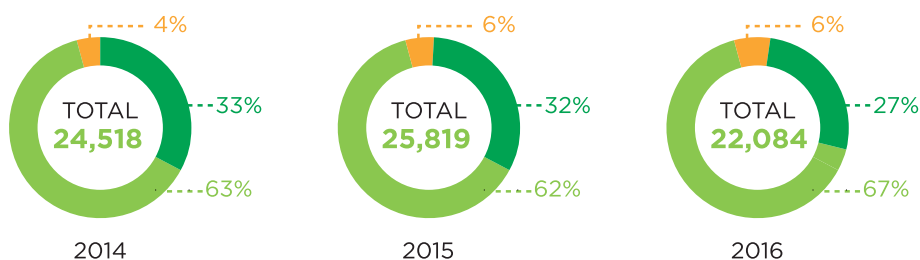


Employee Classification (%)

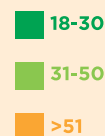


In 2016, we updated our time attendance system and implemented Integrated Manpower Management. Workers who have not checked in for work for one month are automatically removed from active roster. What seemed a reduction in 2016 was actually a database update, especially for non-permanent workers.

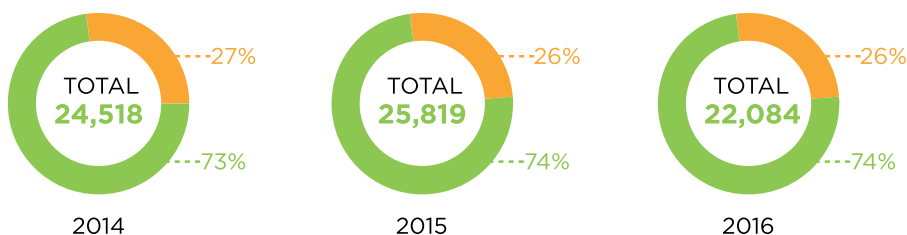
Age Classification (%)



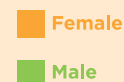
Age Classification (%)



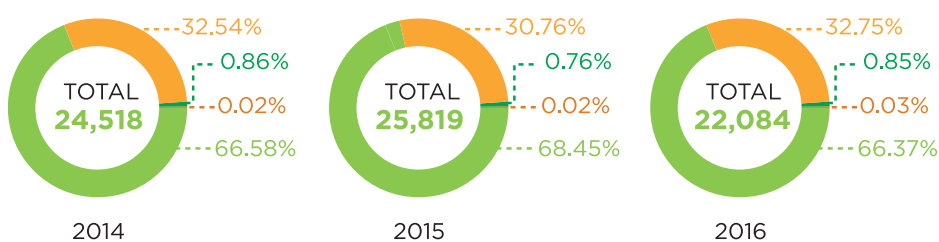
Gender Classification (%)



Gender Classification (%)



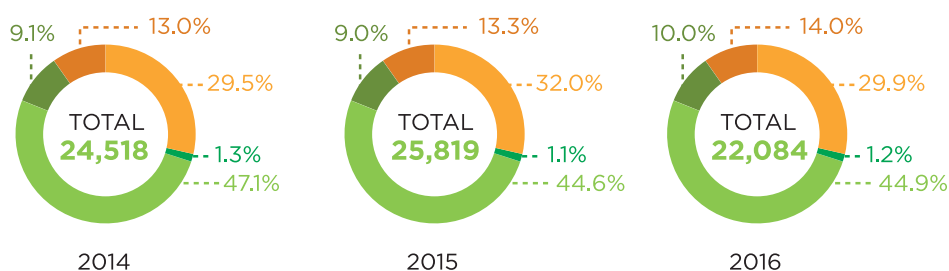
Religion Classification (%)



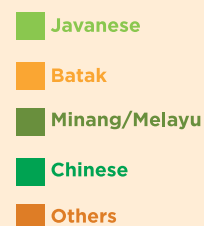
Religion Classification (%)



Ethnic Classification (%)



Ethnic Classification (%)



Freedom to Form Union

In Asian Agri, we respect the right of workers to carry out collective bargaining through labor unions as stipulated under Indonesian law.

Employee's Welfare

Maintaining a healthy and safe work environment and improving staff motivation and productivity are critical issues for every company. Thus, we build a culture of respect for everyone's rights in the workplace.

We provide various facilities for our employees to meet their specific needs such as housing complexes equipped with proper amenities. Employees with children have schooling and associated transport provided by Asian Agri. Furthermore, child day care is also provided in the vicinity so that parents are able to join the workforce.

Other facilities such as sporting facilities and places of worship are also available for employees to interact with each other. We want to create a balanced lifestyle for employees by enabling them to work in a safe and proper working environment.

Child Labor Policy

We do not allow child labor in our premises and we have a strict policy to prohibit workers under age of 18.

Employee Engagement

A company could not run on its own without people who are willing to contribute. We believe that the strength of the company can be reflected from employees' cohesiveness. To achieve this, employees need a system where they can grow and develop. As a result, we have built our own infrastructure and systems to effectively train our staff, including Asian Agri Learning Institute (AALI) which was established in 2002 in Buatan estate, Riau.

In AALI, individuals raise their knowledge in various aspects in the industry such as certification, management, leadership and horticulture. As a result, they will become more competent individuals.

We have also recognized the contribution of our staff by establishing a worker appreciation system where competitive welfare and remuneration are given based on performance level. We have an annual development program for management which aims to improve their overall managerial skills in terms of leadership, change, decision making and finance.

Other development programs such as Problem Solving & Decision Making, Supervisory Skills, Self Development, Training of Trainers and "More Precious Than Gold" training are aimed not only for managers but also to operational staff who are deemed to be promising. They will be trained to further polish their soft skills and their understanding of themselves, as well as to be able to lead others in line with the company's vision and mission.

Workers' Health and Safety

[G4-DMA Occupational Health and Safety, G4-LA6]

Asian Agri demands every worker be fully aware of occupational health and safety policies that are operational in their working area. This is due to the fact that this particular aspect is so crucial in working efficiently and effectively.

Although we have developed an Occupational Health and Safety Committee in each unit, we are focused on providing our employees and workers with the necessary skills in first aid and fire-fighting. This is because we believe they need to be equipped with the right skills in case of emergency.

Injury Rate Number of Cases for Every 100 Workers excluding First Aid Level

Year	Injury Rate					
	North Sumatra		Riau		Jambi	
	Male	Female	Male	Female	Male	Female
2014	2.14	0.05	4.84	-	2.49	-
2015	9.47	0.06	13.95	0.50	10.77	-
2016	10.21	-	17.74	0.42	8.69	0.18

Lost Day Rate by Comparing Severity Rate and Frequency Rate with no Gender Separation

Description	Year	Lost Day Rate		
		North Sumatra	Riau	Jambi
Lost Day/Year	2014	1.20	21.70	0.70
	2015	1.59	0.57	41.31
	2016	1.07	1.72	0.68

Absenteeism Rate by Comparing Total of Lost Days to Total of Workers

Description	Year	Absenteeism Rate					
		North Sumatra		Riau		Jambi	
		Male	Female	Male	Female	Male	Female
Day Absence /Worker	2014	3.35	0.08	8.73	0.02	2.14	0.00
	2015	0.20	0.00	0.19	0.01	3.64	0.00
	2016	0.15	0.00	0.30	0.01	0.20	0.00

*Absent due to work related injury or disease, absent without permission is not included.

Work Incident Based on Category

Region	Work Incident Based on Category											
	2014				2015				2016			
	F	PD	MA	FA	F	PD	MA	FA	F	PD	MA	FA
North Sumatra	0	0	165	174	0	2	191	142	0	0	234	106
Riau	1	0	298	181	0	1	389	389	0	0	487	36
Jambi	0	0	93	117	7	0	132	132	0	0	122	22
Remarks	F: Fatality PD: Permanent Disability MA: Medical Aid FA: First Aid											

During the reporting years, there have not been any cases of occupational disease. All of our workers working in high risk areas, high risk tasks, or with exposure to chemical substance are equipped with appropriate PPEs (Personal Protective Equipment) such as protective clothing, helmets, goggles, boots, masks, and earmuffs. Wearing PPE has been our basic policy and is checked before and during working hours by our special team in each location. We also provide medical check ups for such workers once every year.



Our Communities

Free Prior and Informed Consent

Indonesia has the fourth largest population in the world and has many ethnicities, cultures, and languages. Given this, we developed a grievance and claim mechanism for communities in our operational areas to collect everyone's feedback before opening a new concession, followed by the environmental and social assessment (AMDAL). Transparency is maintained to build a harmonious bond with local communities.

Plasma Scheme Smallholders

[G4-DMA Economic performance, G4-EC1, G4-22]

Since its formation, Asian Agri has recognized the important role of smallholders in producing sustainable palm oil. We promote the inclusivity of smallholders in our supply chain. Asian Agri partners with around 30,000 smallholders covering 60,000 ha of oil palm plantations.

These smallholders contribute around 25% of our supply chain. Back in 1987, Asian Agri contributed to Plasma scheme smallholders getting financial assistance. The land title is held by the bank for collateral, the bank financed the credit and Asian Agri assisted in the loan repayment. Around 30% of the FFB sales of the smallholders are deducted to pay the loan. Upon settling the entire loan, the land is handed over to the smallholders for their full ownership. Asian Agri also supports smallholders by providing services such as access to fertilizers, and infrastructure maintenance.

Asian Agri Smallholders

Region	Area (Ha)	Number of Cooperatives	Number of Smallholder Groups	Number of Smallholders
Riau	29,468	39	659	14,803
Jambi	23,449	34	494	11,012
Total	52,917	73	1,153	25,815

The difference in total number of smallholders stated in 2013-2014 report is because of a cooperatives merger in 2016 in Peranap Smallholders, Riau Province.

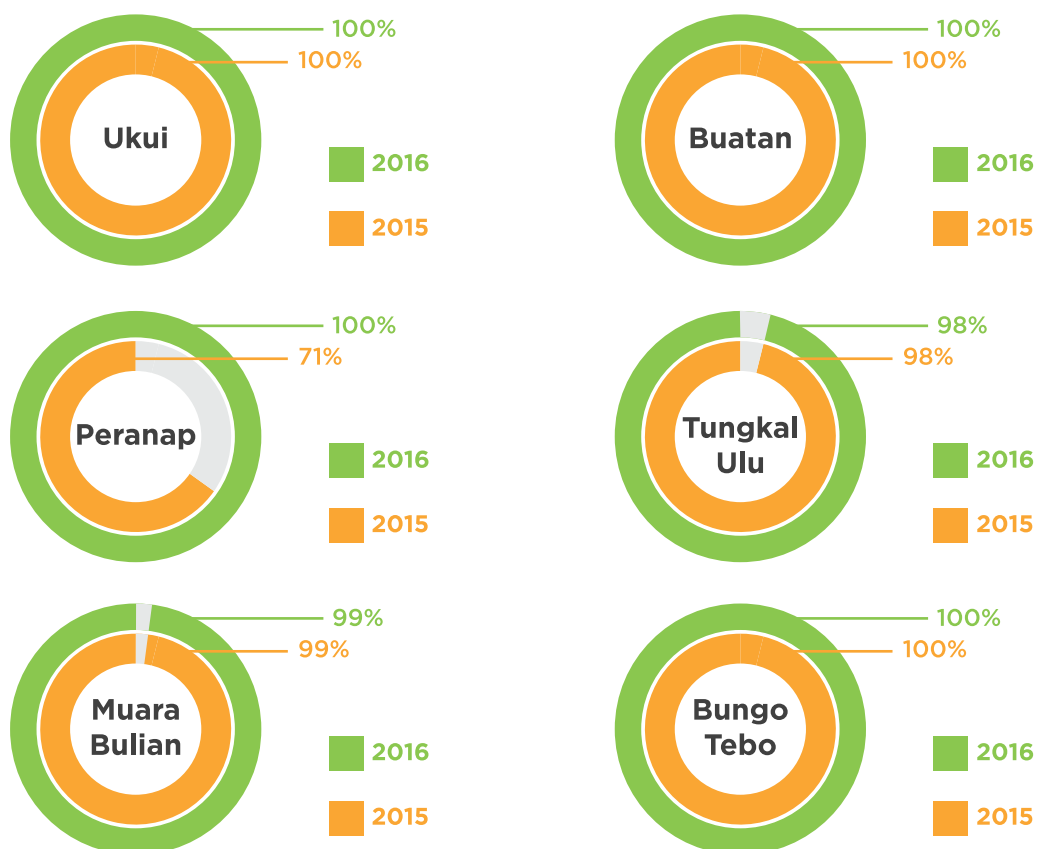
Plasma Smallholders Average Gross Income per Month per Smallholder in IDR

[G4-EC1]



In 2016 the total Plasma FFB production decreased and the quality was lower than we expected. These caused declining average gross income for Plasma smallholders.

Plasma Smallholders Loan Repayment (%)



We set up a dedicated Plasma management team whose daily job is to work with the smallholders by providing guidance and technical advisory services in best management practice of oil palm.

We also include our smallholders in our sustainability journey. As of December 2016, all of our smallholders have obtained ISCC certifications, and we have achieved 82% RSPO certification for smallholders.

As part of our appreciation for smallholders who are embarking on a sustainability journey, we provide a premium price for the smallholders for their achievement.

	2014	2015	2016
Number of smallholders	21,384	26,025	26,461
Premium	USD 214,307	USD 154,761	USD 206,404

The premium price will later be used to strengthen their sustainability practices and the organization itself. Examples include infrastructure such as safety equipment, signboards, smallholders best management practices, as well as training and field visits to boost knowledge.

To support a government initiative, Asian Agri also participated in the pilot project of ISPO certification for one cooperative – KUD Bukit Potaloh in Pelalawan Regency, Riau.

What's Next for Smallholders?

As the smallholders' oil palm trees were planted in the 1990s, the trees are nearing the end of their productive life and smallholders are entering the replanting program. We believe the replanting program can be executed successfully through partnership and we are working with our stakeholders such as smallholders, cooperatives, financial institutions and the government.

The replanting program is targeted to be done between 2016–2025 for all of our Plasma scheme smallholders. In March 2016, one of our cooperatives in Riau, KUD Mulus Rahayu, was able to receive replanting funds from the government. The fund was given to 155 smallholders comprising around 310 ha. The total funds received were around USD 470,370. Currently we are helping another, KUD Bina Usaha Baru, in applying for similar funding from the government.

We also provide smallholders with ideas and assistance for alternative income during the replanting program, providing assistance to set up fish, papaya and mushroom farms.

Independent Smallholders

Asian Agri also engaged smallholders under its CSR Program. Spreading over three provinces, North Sumatra, Riau and Jambi, and consisting of 152 farmer groups, these smallholders managed a total area of around 25,000 ha.

Other farmer groups who are interested in our Community Shared Value (CSV) program should fulfill several requirements ensuring the legality of their area. Their land status has to be APL (Areal Penggunaan Lain – Lands for other Purposes), their formation should be disclosed, and they should have a Letter of Recommendation from Disbun (Dinas Perkebunan – Plantation Services). Our internal team will then verify the documents, and if all procedures are cleared, an MoU between Asian Agri and the farmer groups will be established.

The CSR team collects data on the independent smallholders in order to ensure that their fruit is legal and comes from verifiable sources. To improve the skills and capability of smallholders we conduct training once a year both internally and with competent parties such as RPSO or training in agronomy Best Management Practices, enabling them to produce sustainable palm oil. We also provide direct access to market and market information, facilitation of cooperative formation, and financial support for fertilizer and infrastructure.

We hope the assistance that we provide will translate into sustainable practices, thereby improving productivity, which leads to higher income, better living standards and raises awareness and understanding of sustainability culture within their operation.

Corporate Social Responsibility (CSR) Programs

As part of our responsibility to our community, Asian Agri has launched several CSR programs for our stakeholders. By addressing the needs of our stakeholders, the programs can provide a strategic value-add. We have always engaged and approached our stakeholders to hear what they have to say and help them in any way so that we can build a close relationship.

Through CSR programs, we aim to build our sustainability practice, as well as improving the welfare of our employees and their families, our smallholders and local communities.

We focus on four aspects that have a strategic role in contributing to society's empowerment and development, which are:

1. Economic improvement
2. Education improvement
3. Health improvement
4. Social and cultural engagement

1. Economic Improvement

Local communities take a crucial role in developing their respective local economy through various sectors. Asian Agri strives to build trust and harmonious relationships with smallholders by supporting their attempt to improve the economy.



2. Education Improvement



The education program under Asian Agri CSR aims to improve the quality of education for the community, as well as our employees and their families. Existing schools are renewed and vital facilities and infrastructure are provided to address the needs. Students who excel are encouraged to grow with the provision of scholarships. In parallel with government programs, Asian Agri also supports education improvement by providing training and empowerment programs for teachers in the school vicinity.

Asian Agri also provides scholarships for children of employees through Yayasan Sayap Garuda Program together with Tanoto Foundation. Scholarships are provided not only for children, but also teachers through the PELITA education program. With access to good education, the next generation is empowered to embrace and advocate sustainable practices.

In addition, Asian Agri also provides supporting educational facilities, such as libraries, school bus, and school sanitation facilities. Daycare is also provided for the children of employees.

Fostering Sustainable Palm Oil Management Practices through Sekolah Sawit Lestari

Palm oil is one of the most productive edible oils in the world. As one of the biggest producers of oil palm, it is our role to continuously increase community knowledge of oil palm management.

Asian Agri partnered with Tanoto Foundation on the Sekolah Sawit Lestari program in 2016 to educate schoolchildren in Jambi on sustainable palm oil practices. The program helps set up a community farm of at least 0.50 ha, including plants and equipment, which can be used by schools for education and to supplement their budget.

In addition to classroom training, we also conduct field trips, interactive discussions and progress monitoring of oil palm trees planted by the school. We expect that the program will raise awareness of the benefits of environmental management while providing students a place for activities.

When the plantations are productive (usually after three years) management and all proceeds will belong to the school. Asian Agri will continue to assist though its employee volunteer program.

Currently we are collaborating with three schools in Jambi. We contributed around 255 Topaz seeds for a total area of 1.5 ha. The current progress is as follows:

1. SMPN 28 Terusan - 30 oil palm trees
2. SMAN 11 Batanghari - 102 oil palm trees
3. SDN 029-I Terusan - 98 oil palm trees

3. Health Improvement



Asian Agri is actively involved in both general healthcare and in emergency situations, such as the fires of 2015. We provided help for thousands of Acute Respiratory Tract Infections patients; we have also helped the Masyarakat Peduli Api (MPA) program by providing fire engines.

Asian Agri has renovated many Posyandu (local health post), and operates a mobile clinic which provides the community with free check-ups and treatment in their area. In addition, we held a mass circumcision and food provision for infants.

We also believe that a healthy community begins with clean water, which is why we help provide wells and drainage systems to nearby communities.



4. Social and Cultural Engagement

Religious themed events are maintained to further connect people around us including the local communities. Asian Agri sponsored cultural and sport events in order to encourage community involvement. Through direct involvement, they will better understand each other. Asian Agri provides financial support to meet multicultural needs in communities such as building or renovating places of worship.





General Standard Disclosures

[G4-32]

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G4-6	Operational countries	20-21
G4-7	Nature of ownership and legal form	20-22
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G4-9	Scale of the organization	20-21
G4-10	Workforce data	65-66
G4-11	Percentage of total employees covered by collective bargaining agreements	65-66
G4-12	The organization's supply chain	54-56
G4-13	The significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	20-21, 26
G4-14	Information on whether and how the precautionary approach or principle is addressed by the organization	31, 36-38, 42-43, 54-56
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives	31
G4-16	Memberships of associations and national or international advocacy	27
Identified Material Aspects and Boundaries		
G4-17	Entities included in the organization's consolidated financial statements or equivalent documents	5
G4-18	The process for defining the report content and the Aspect Boundaries	15-17
G4-19	Material Aspects identified in the process for defining report content	15-17
G4-20	Aspect Boundaries within the organization	18-19
G4-21	Aspect Boundaries outside the organization	18-19
G4-22	Restatement of information provided in the previous reports	N/A
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	N/A
Stakeholder Engagement		
G4-24	Stakeholder groups engaged by the organization	23-24
G4-25	The basis for identification and selection of stakeholders with whom to engage	23-24
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	23-24
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	23-24

Report Profile		
G4-28	Reporting period	5
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G4-56	Organization's values, principles, standards, and norms of behavior	25



Specific Standard Disclosures

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Water	G4-EN8	Total water withdrawal by source	52
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Biodiversity	G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	38
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (scope I)	48-49
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	48-49
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Economic performance	G4-EC1	Direct economic value generated and distributed	71
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Occupational health and safety	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender	68
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Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	22



ASSURANCE STATEMENT

SGS INDONESIA REPORT ON SUSTAINABILITY ACTIVITIES IN PT. INTI INDOSAWIT SUBUR SUSTAINABILITY REPORT 2015-2016

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

PT. SGS Indonesia was commissioned by PT. Inti Indosawit Subur to conduct independent assurance of the PT Inti Indosawit Subur Sustainability Report 2015-2016. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, statement, graphs and data in accompanying tables, contained in the Report.

The information in the Sustainability Report of PT. Inti Indosawit Subur and its presentation are the responsibility of the directors or governing body and the management of PT. Inti Indosawit Subur. PT. SGS Indonesia has not been involved in the preparation of any of the material included in the PT Inti Indosawit Subur Sustainability Report 2015-2016.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all PT. Inti Indosawit Subur stakeholders.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines, G4 (2013), the AA1000 Assurance Standard (2008). These protocols allow for different options for assurance depending on the reporting history and capabilities of the Reporting Organization.

The Report has been assured at a moderate level of scrutiny using our protocols for:

- Evaluation of the veracity of Report content;
- A Type 2 evaluation of Report content and supporting management systems against the AA1000 Accountability Principles (2008) using the AA1000 Assurance Standard (2008). The specified data included the environmental and social performance of PT. Inti Indosawit Subur.
- Report evaluation against the Global Reporting Initiative Sustainability Reporting Guidelines G4 (2013).

The assurance comprised a combination of pre-assurance research, interviews with relevant accountable managers and employees at the Head Office of PT. Inti Indosawit Subur in Jakarta, and sampling visits to 5 out of 27 estates, 5 out of 20 mills, 1 out of 3 KCPs (Kernel Crushing Plant), 2 out of 6 plasma and 1 out of 3 KKPAs (Kredit Koperasi Primer Anggota).

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

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. PT. SGS Indonesia affirm our independence from PT. Inti Indosawit Subur 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.

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within The PT Inti Indosawit Subur Sustainability Report 2015-2016 is accurate, reliable and provides a fair and balanced representation of PT.Inti Indosawit Subur's sustainability activities in 2015-2016.

The assurance team is of the opinion that the Report can be used by the PT Inti Indosawit Subur's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Materiality

PT. Inti Indosawit Subur 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. PT Inti Indosawit Subur determine materiality aspects based on discussion involving multi stakeholders such as NGO, Buyers, Smallholders, Local communities, suppliers, Employees and Governments. Materiality are legal compliance, occupational health and safety, deforestation and fire prevention & mitigation.

Stakeholder Inclusiveness

PT. Inti Indosawit Subur 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

PT Inti Indosawit Subur 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.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES G4 2013 CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

In our opinion, the PT. Inti Indosawit Subur Sustainability Report 2015-2016 is presented in accordance with and fulfills the content and quality criteria for GRI G4.

Principles

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

General Standard Disclosures

All the standard disclosures required for reporting in accordance with the core option for GRI G4 are included or referenced in the Report.

Specific Standard Disclosures

Disclosure Management Approach (DMA) for each materiality aspects and at least one indicator have been disclosed in the Report in accordance with the core option for GRI G4.

Recommendations

The following opportunities have been identified for future reporting cycles to support continued improvement in PT. Inti Indosawit Subur's sustainability Report.

1. Principle to define report content in term of Completeness should be improved by disclosing performance on economic aspect and social aspect such as direct value generated and distributed.
2. Guidelines or procedure to determine materiality aspect should be documented. It is also recommended to involve more stakeholders in determining materiality aspects. Focus Group Discussion among stakeholders both internal and external could be considered as the method.
3. Disclosure Management Approach (DMA) for each materiality aspect did not always cover DMAb and DMAc, for example: setting of target and goal for each material aspect, evaluation of the performance against the target and necessary adjustment of management approach.
4. Assignment of Person in Charge that is responsible for each data reported at each Mill and Estates could be considered to ensure accuracy and reliability of data in Sustainability Report..
5. Process of defining the content of the Report should be documented in order for it to be replicable, and used consistently for each reporting period. Changes to the assessment approach, and their implications, are expected to be documented.
6. The process of determining materiality should be improved. Consultation with relevant internal and external stakeholders should be documented and reported.

Signed:

For and on behalf of SGS Indonesia



Shashibhushan Jogani
Managing Director
Jakarta, Indonesia
November 2017

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Abbreviations and Acronyms

A

AA	Asian Agri
AALI	Asian Agri Learning Institute
APM	Agronomy Policy Manual
ART	Aggregator Refinery Transformation
APINDO	Asosiasi Pengusaha Indonesia

B

BMP	Best Management Practice
BOD	Biochemical Oxygen Demand
BPDPSK	Badan Pengelola Dana Perkebunan Kelapa Sawit

C

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

E

EFB	Empty Fruit Bunch
EU	European Union

F

FFB	Fresh Fruit Bunch
FPIC	Free, Prior and Informed Consent

G

GAPKI	Gabungan Pengusaha Kelapa Sawit
GHG	Green House Gas
GPS	Global Positioning System
GRI	Global Reporting Initiative

H

HCS	High Carbon Stock
HCV	High Conservation value

I

IPM	Integrated Pest Management
ISCC	International Sustainability and Carbon Certification
ISO	International Organization for Standardization
ISPO	Indonesia Sustainable Palm Oil
IUCN	International Union for Conservation of nature



Abbreviations and Acronyms

K

KCP	Kernel Crushing Plant
KKPA	Kredit Koperasi Primer untuk Anggota
KUD	Koperasi Unit Desa

M

MPP	Mill Prioritization Process
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N

NGO	Non Governmental Organization
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O

OPGP	Oil Palm Genome Project
OPRS	Oil Palm Research Station

P

P&C	Principles and Criteria
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
PROPER	Program for Pollution Control, Evaluation and Rating

R

R&D	Research and Development
RKL	Rencana Pengelolaan Lingkungan (Environmental Management Plan)
RPL	Rencana Pemantauan Lingkungan (Environmental Monitoring Plan)
RSPO	Roundtable on Sustainable Palm Oil

S

SOP	Standard Operational Procedure
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T

TFT	The Forest Trust
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U

UNDP	United Nations Development Program
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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

Deforestation is 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.

Green House 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 Conservation Values (HCV)

High Conservation Values (HCVs) are 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.

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).

Non Governmental Organization (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 scheme

A program initiated by the 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).

PROPER

One of the initiatives by the Indonesian government to promote industrial compliance with pollution control regulations, to facilitate and enforce the adoption of practices contributing to "clean technology" and to ensure a better environmental management system.

Roundtable on Sustainable Palm Oil (RSPO)

An organization that unites stakeholders from seven 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 initiative 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

The Zero Burning Technique is a method of land clearing whereby the tree stand, either logged over secondary forests or an old area of plantation tree crops such as oil palm are cut, shredded, stacked and left on site to decompose naturally.



Appendix

1. Injury Rate (IR)

The number of work-related injuries for every 100 workers during the year (exclude first-aid level).

2. Lost Day Rate (LDR)

The number of working days lost due to work-related accidents within 1,000,000 man hours yearly.

3. Absentee Rate

The average number of working days lost due to work-related accidents during a year.

4. Work Incident Based on Category

Occupational accidents are based on the categories below:

- | | |
|----------------------|--|
| First Aid | : Minor accidents that can be dealt with by using medicines in a P3K box |
| Medical Aid | : Minor accidents that require medical attention by paramedics and where the worker can return to his/her duties again within two days |
| Permanent Disability | : Serious accidents that cause the victim to suffer permanent body defects |
| Fatality | : Serious accidents that cause the victim to suffer total paralysis or death |



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