

INDOAGRI SUSTAINABLE PALM OIL POLICY 2017

IndoAgri is a leading diversified and vertically integrated agribusiness with operations along the entire supply chain, from plantation management and crop production, through refining, branding and marketing of consumer products.

As one of Indonesia's largest producers and processors of palm oil derived products, we are committed to conduct our business in a way that maximises our economic contribution to society while minimising our impact on the environment, people and local communities. We take our sustainability stewardship seriously and this is integral to our day to day operations.

This policy reflects our practices to operate in a sustainable and traceable manner.

We believe that traceable, sustainably-produced palm oil is integral to the long-term success of the company. We approach sustainable palm oil through three interlinked areas of focus:

- **Sustainable Agriculture & Products**
- **Sustainable Communities**
- **Responsible Employment & Workplace**

Our Commitments

Underpinning this policy are the following core commitments to ensure traceable and sustainably produced palm oil:

- No deforestation and conservation of High Conservation Value and High Carbon Stock areas
- No planting on peat regardless of depth
- No burning
- Respect for Human Rights including Free Prior and Informed Consent.

Scope of Policy

This Policy is applicable with immediate effect to all IndoAgri palm oil operations, including our plasma smallholders and third party suppliers from whom we purchase crude palm oil (CPO) for our refineries.

Public Disclosure

The IndoAgri Sustainable Palm Oil Policy 2017 will supersede IndoAgri Sustainable Palm Oil Policy 2013 and Palm Oil Sourcing Policy 2014. Furthermore, IndoAgri Responsible Supplier Guidelines 2014 will be replaced by the enhanced guidelines that will be applied immediately to all IndoAgri's CPO suppliers in line with this policy.

We recognise that policy commitment alone is no substitute for robust transparency and action, so we commit to publicly disclose progress toward achieving our commitments using standardised disclosure framework(s). We commit to review the use of external assurance of our disclosures and/or management approach. Using the best practicable option, we commit to sharing best practices, resources and knowledge between companies (subsidiaries and peers).

SUSTAINABLE AGRICULTURE & PRODUCTS

- **Regulatory compliance**

We commit to comply with all relevant laws and regulations. We also commit to adhere to, and act in accordance with, the Principles and Criteria of National and International certification programmes to which we have registered.

- **Zero burning on land clearing**

We strictly prohibit open burning for land clearance. This has been practised by IndoAgri for many years and has been formalised in our policies since 2007. Land clearance should be performed mechanically in accordance with local regulations.

- **No development on, and conservation of, High Conservation Value (HCV) areas**

We commit to ensure that there is no new development in HCV areas within our operations.

We commit to buying palm oil from smallholders and external suppliers that does not originate from areas cleared of primary forest since 2011.

We commit to develop and implement an HCV rehabilitation plan for all identified HCV areas for each site under our direct control.

In line with Roundtable on Sustainable Palm Oil Principles and Criteria (RSPO P&C), we continuously conserve the existing biodiversity, rare/endangered species, riparian lands, HCV areas of importance, as well as the social and cultural value in the communities local to our operations.

We will ensure that independent HCV assessments are performed by licensed assessors from the HCV Resource Network in accordance with the applicable procedures and guidelines (RSPO P&C) and using a recognised HCV toolkit for Indonesia.

We will regularly communicate with employees and local communities living around our estates the importance of the HCV areas and the restriction of activities such as hunting, trapping or trafficking of wild animals within them or adjacent to them. The collecting of rare/endangered species is prohibited.

- **No development on, and conservation of, High Carbon Stock (HCS) areas**

In line with RSPO P&C, we commit to evaluate the carbon stock of proposed development areas designated in our formal Land Use Change analysis. This evaluation - when coupled with programmes of action, monitoring and enforcement - will enable us to ensure that HCS areas are conserved.

We commit to use the HCS evaluation methodology agreed upon by RSPO, before any new development takes place.

- **No new planting on peatland regardless of depth**

We will not develop on peatland, regardless of depth, for any new development.

For established plantations, we ensure the implementation of Best Management Practices for peat to manage and improve the ecological functions of peatland within and adjacent to our concessions.

- **Traceable and transparent supply chain**

Our commitment is to build a traceable and transparent supply chain which includes smallholders and third party suppliers.

We commit to achieve Roundtable on Sustainable Palm Oil (RSPO) and Indonesia Sustainable Palm Oil (ISPO) certification for all of our oil palm estates and mills, and our plasma smallholders, by the end of 2019.

To achieve that, we work with our smallholders to build their capacity in order to improve their yields, and to become certified to RSPO and ISPO standards.

We commit to the goal that all CPO suppliers to our palm oil refineries must comply with this policy and achieve ISPO certification, and preference will be given to those suppliers that are also RSPO certified.

- **Reduce Greenhouse Gas (GHG) emissions, improve energy efficiency**

As a means to planning actions to reduce emissions from our operations we commit to measuring all sources of GHG emissions in accordance with relevant international and local standards for GHG calculation, using recognized methodology. Opportunities to achieve reductions are via mill effluent treatment to reduce methane emissions, avoiding deforestation, management of cultivated peatland and restoration of peatland/peat forest.

We encourage energy conservation and environmental protection practices through AMDAL compliance and PROPER certification for the refineries and factories.

- **Adopt agronomic best practices to minimise negative environmental impacts, including practices relating to soil, waste and pest control**

We commit to achieving high yields per hectare through correct plantation management practices to ensure economic viability. To increase operational productivity for example, we apply precision agronomy methods, innovation in seed breeding, and careful use of crop protection agents. We commit to immediately stop the use of Paraquat (and products containing Paraquat and its related compounds).

To reduce risk to human health and the environment, we commit to operate Integrated Pest Management (IPM) systems, i.e., natural biological controls and minimal use of chemical pesticides. IPM helps save costs and contributes to responsible sourcing practices.

We commit to reducing waste by recycling by-products in all operations.

- **Maintaining product quality and safety at our refineries and meeting customer requirements**

Since product quality and safety are of paramount importance, we comply with local and market regulations relating to safety, consumer protection, quality and nutrition, labelling and advertising. We commit to comply with local and international food safety standards and certifications, notably ISO 9001, FSSC 22000 and a Halal certification system recognized by the World Halal Council.

In addition, we commit to ensure the implementation of food safety management systems and quality assurance at our refineries.

We commit to engaging with our suppliers to help them meet our expectations and high standards in order to help us provide quality assurance to our customers. This Policy commits us to annual food safety audits of all suppliers providing raw materials including CPO to our refineries.

SUSTAINABLE COMMUNITIES

- **Respect Human Rights**

We commit to comply with Indonesian National Laws and ratified International Treaties on human rights and, notably, indigenous peoples' rights. Related Indonesian National Laws such as Legislation No. 39 of 1999 Concerning Human Rights, were based on the Universal Declaration on Human Rights promulgated by the United Nations and other International instruments such as the ILO Conventions concerning human rights ratified by the Republic of Indonesia. Indonesia as a member of the United Nations, has a moral and legal responsibility to respect, execute, and uphold agreed/ common standards of the United Nations.

- **Engaging transparently to ensure Free, Prior, and Informed Consent (FPIC) of local communities and stakeholders.**

The FPIC principle refers to the right of a community to give or withhold its consent to proposed projects that may affect the lands it customarily owns, occupies or uses.

We commit to uphold, and to deliver it in practice, particularly with respect to land acquisition involving local villages. This Policy commits us to engage with local communities and governments to establish land tenure and rights, likely impacts on communities, open negotiation processes, inclusive methods of decision-making and documented agreements. Before a new development takes place, a Social Impact Assessment is carried out to understand the baseline conditions and likely social impacts of development.

- **Contributing to economic development, healthcare and education in host communities where we operate**

We commit to implement community development programmes and review their progress, performance and future objectives. Such programmes seek to improve the quality of life of local communities where we operate.

RESPONSIBLE EMPLOYMENT & WORKPLACE

- **Respect Labour Rights**

This Policy commits us to protect the rights of our workers according to local, national and international law. This commitment includes the components listed below and applies to all workers, including contract, temporary and casual workers.

a. Child and Forced Labour

We strictly prohibit the use of underage workers and all forms of forced labour. This Policy guides our management approach to do this: for example, each employee's profile is held in our Human Resource data system (age, contract term and photocopies of identification papers). We commit to enabling all employees to exercise their own free will and work without coercion.

b. Freedom of Association

We commit to protect the rights to freedom of association and collective bargaining. These rights include the freedom of workers to form and join trade unions of their choice, and to bargain collectively.

c. Equal employment opportunity

In accordance with our Code of Conduct, equal employment opportunity is given to every employee, and candidate for employment, regardless of religion, ethnicity, gender and other discriminatory factors.

d. Minimum Wages

We ensure that all employees are adequately compensated for their work, and we commit to comply with the minimum wage regulations set by the local governments where we operate.

e. Employment Contracts

We commit to provide employment contracts to all workers (includes contract, temporary and casual workers) with details of their working conditions in a language that they understand and in a timely manner.

f. Harassment and Abuse

We commit to ensure the protection of our employees from all forms of harassment and abuse.

- **Occupational Health and Safety (OHS) Management**

We commit to ensure all our operations have an OHS policy and corresponding management system in place. We commit to zero fatalities in our operations. We comply with local regulation and international standards for OHS management to manage OHS risks. Our commitment covers the provision of Personal Protective Equipment (PPE) to our workers, monitoring its proper use with all field workers, and the condition and effectiveness of PPE. We commit to regular reviews of the safe operation of all operational equipment, both mechanical and non-mechanical.

- **Provision of accommodation, education and health facilities**

We commit to provide a high standard of welfare, health, and living conditions for our employees and their families on plantation estates including access to clean water.

We commit to provide adequate housing, education, religious and sports facilities in the plantations for our workers. We ensure access to education for all children whose parents/guardians work on our plantations.

Conflict Resolution

IndoAgri commits to engaging with third parties to resolve conflicts. The conflict resolution mechanism will involve, as appropriate on a case by case basis, local government, village administrative teams and community elders. Only conflicts that are based on presented factual evidence will be followed up, unsubstantiated allegations without supporting facts will not be considered.

What We Expect of Our Suppliers

We understand that our suppliers will need time to adapt and comply with the full extent of our policies. However, we recognise the need for urgent action to ensure no further clearance of High Conservation Value areas, High Carbon Stock forests and peatlands in our supply chain.

Therefore, we require all suppliers and business partners immediately to shift all development activities away from HCV, HCS and peatland areas following the announcement of this Policy revision.

IndoAgri aims to achieve full traceability in its value chain. In situations where our efforts to procure sustainable products are constrained, we are confident that our plantations, smallholders, supporting multi-stakeholder initiatives and supplier network will enable us to overcome these limitations.

We commit to measure our palm oil sourcing performance using the following goals:

- All our mills and third party suppliers must demonstrate their understanding and acceptance of our Sustainable Palm Oil Policy, and must respond to questionnaire-based information collection to help affirm this.

- Audit all our suppliers annually, or at least every two years, and work with them on resolving areas of concerns identified.
- Not source from suppliers who are in contravention of this policy, or failing to set reasonable time bound targets to adopt this policy.