

INDOAGRI RESPONSIBLE SUPPLIER GUIDELINES 2017

On June 2014, we published IndoAgri Palm Oil Sourcing Policy and IndoAgri Supplier Guidelines that serves as references for our Crude Palm Oil (CPO) suppliers to embark on the sustainability journey with us. In February 2017, we issued the enhanced Sustainable Palm Oil Policy to address new challenges in the environmental and social landscapes within our sustainability journey.

This policy covers IndoAgri palm oil plantations, smallholders and CPO suppliers to our refinery as well. Three interlinked areas are the main focus in this policy:

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

To guide our suppliers on the implementation of our policy, we have issued these revised Responsible Supplier Guidelines in 2017 that will supersede the Responsible Supplier Guidelines 2014.







The IndoAgri Responsible Supplier Guidelines 2017 aims to establish traceability of environmental and social impacts within IndoAgri's value chain. By bringing our suppliers onboard our sustainability programmes, we are able to extend our sustainability efforts and influence beyond our businesses and plantations.

The guidelines are based on IndoAgri's Sustainable Palm Oil Policy 2017 and our corporate values. They are consistent with industry best practices and legislation of the countries in which our suppliers and IndoAgri operate. As our suppliers are a key part of our value chain, we encourage them to adopt and uphold these values to jointly create a responsible supply chain with us that can benefit both the society and the environment.

INDOAGRI VALUES

With **discipline** as the basis of our way of life; we conduct our business with **integrity**; we treat our stakeholders with **respect**; and together we **unite** to strive for **excellence** and continuous **innovation**.

GENERAL PRINCIPLES

	<p>Principle 1 Compliance 1.1 Compliance with local legislation 1.2 Compliance with RSPO/ISPO/ISO9001 guidelines 1.3 Compliance with IndoAgri Code of Business Conduct</p>
	<p>Principle 2 Healthy living 2.1 Providing a safe work place to all our employees 2.2 Traceable, safe and quality products</p>
	<p>Principle 3 Smallholders 3.1 Rural development through supporting our plasma and third party farmers</p>
	<p>Principle 4 Environmental responsibility and conservation of natural resources and biodiversity 4.1 Protection of primary forests, peat land and High Conservation Value (HCV) and High Carbon Stock (HCS) areas 4.2 Waste Management: Non-hazardous and hazardous waste and Reduce, Reuse, Recycle concept 4.3 Reducing our Carbon Footprint 4.4 Responsible water management, and minimising effluents whilst ensuring safe disposal</p>
	<p>Principle 5 Respect Human rights and have responsible consideration of employees and of individuals and communities affected 5.1 Developing a dialogue with our key stakeholders 5.2 Communities have the right to Free Prior Informed Consent 5.3 Giving back to the community and preserve the culture of indigenous people 5.4 External disclosure through Global Reporting Initiative (GRI) Guidelines 5.5 Respecting Human Rights</p>
	<p>Principle 6 Innovation & continuous improvement 6.1 Following industry best practice and using innovation to contribute to sustainable practices 6.2 Improving yields 6.3 Achieve long-term economic and financial viability 6.4 SOPs in place to support sustainable agriculture practices</p>

Objective of The Responsible Supplier Guidelines

Palm oil products purchased by IndoAgri shall come from responsible suppliers who comply with the legislations are fully committed to follow the Triple Bottom Line principles of People, Planet and Profits in their operations, complying with IndoAgri's Sustainable Palm Oil Policy and provide transparency and traceability of their products along the value chain that can be verified.

SUPPLIER GUIDELINES

SUSTAINABLE AGRICULTURE & PRODUCTS

I. Compliance & Integrity

- A. The supplier shall comply with all applicable national and local laws and regulations.
- B. The supplier shall have a business code of conduct that prohibits corruption, bribery and gratification.
- C. The supplier shall comply with specific industry-related supplier policies issued by IndoAgri.
- D. The supplier shall adhere to ,and act in accordance with the Principles and Criteria of National and International certification programmes to which they have registered.

II. Environmental Protection

The supplier shall operate with care for the environment and ensure compliance with all laws and regulations in the country where the products are produced or the services are performed.

The supplier shall demonstrate these commitments below:

A. Zero burning on land clearing.

Land clearance should be performed mechanically in accordance with local regulations.

B. No development on, and conservation of, High Conservation Value (HCV) areas.

The supplier shall ensure that its products does not come from the development in High Conservation Value (HCV) areas and areas cleared of primary forest after 2011.

We encourage our supplier to 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. The supplier shall ensure to regularly communicate with employees and local communities living around our their 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.

Our supplier shall develop and implement an HCV rehabilitation plan for all identified HCV areas for each site under their direct control.

Our supplier shall 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.

C. No development on, and conservation of, High Carbon Stock (HCS) areas.

The supplier shall evaluate the carbon stock of proposed development areas to ensure that HCS areas are conserved. The HCS evaluation methodology shall be used according RSPO methodology or other credible methodology.

D. No new planting on peatland regardless of depth.

The supplier shall ensure that new development after 2013 does not take place on peatland of any depth. For established plantations, the supplier shall ensure the implementation of Best Management Practices for peat to manage and improve the ecological functions of peatland within and adjacent to their concessions.

E. Reduce Greenhouse Gas (GHG) emissions, improve energy efficiency

The supplier shall demonstrate actions to measuring all sourcing of GHG emissions using relevant international and local standards for GHG calculation in order to planning actions for emissions reduction from their operations. 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.

The supplier shall encourage energy conservation and environmental protection practices through AMDAL compliance and PROPER certification for their factories.

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

The supplier shall endeavour to reduce waste, maintain soil fertility and control pest using Integrated Pest Management (IPM).

III. Safe, Traceable and Quality Products

IndoAgri commitment is to build a traceable and transparent supply chain which includes smallholders and third party suppliers. The supplier shall deliver products that meet the quality and safety criteria specified in the contracts, and that can be traced back to their original sources to ensure responsible production throughout the entire value chain.

IndoAgri 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.

We encourage our supplier to work with their smallholders to build their capacity in order to improve their yields, and to become certified to RSPO and ISPO standards.

IndoAgri's goal is that all CPO suppliers to IndoAgri's palm oil refineries must comply with our Sustainable Palm Oil Policy and achieve ISPO certification, and preference will be given to those suppliers that are also RSPO certified.

SUSTAINABLE COMMUNITIES

IV. Human Rights

The suppliers shall 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.

V. Local Communities and Rural Development

A. The supplier shall ensure the legal entitlement of their land and demonstrate Free, Prior and Informed Consent (FPIC) principle when they acquire the land from local communities. 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.

The supplier shall 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.

B. The supplier shall support rural development through development of a plasma scheme based on Indonesian government regulation

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

The supplier shall demonstrate the implementation of community development programmes and review their progress, performance and future objectives. Such programmes seek to improve the quality of life of local communities where they operate.

RESPONSIBLE EMPLOYMENT & WORKPLACE

VI. Labour Rights

The supplier shall 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:

A. Child Labour

There shall be no use of child labour. Child labour refers to the employment of children in work that deprives them of their childhood, compromises their education and that is physically, mentally, socially or morally dangerous or harmful to the children. The suppliers shall adhere to the minimum age provisions defined by the applicable laws.

B. Forced Labour

There shall be no use of forced or compulsory labour. Employees shall be free to leave employment after giving reasonable notice. Forced labour refers to involuntary work that is performed by any person under duress.

C. Freedom of Association

The supplier shall respect the workers' rights to join or form a labour union without fear of discrimination, reprisal, intimidation or harassment. The workers shall be able to communicate and negotiate openly with the management directly or through their representatives regarding the working conditions.

D. Equal employment opportunity (Non-discrimination)

The supplier shall ensure fair hiring and employment practices that do not discriminate any potential or current workers on grounds of ethnicity, nationality, religion, gender, age, maternity, physical conditions and political views.

E. Employment Contract , Fair Compensation & Working Hours

All workers shall be registered with the Ministry of Manpower. The supplier shall ensure all workers receive employment contracts, wages, overtime pay and mandated benefits according to the applicable laws.

F. Workers treatment

The supplier shall respect all basic human rights. No worker shall suffer harassment, physical or mental abuse, or other forms of exploitation.

VII. Safe and Healthy Workplace

A. Occupational Health and Safety Management (OHS)

- a. All workers shall be equipped with personal protection equipment if their work exposes them to materials or conditions that are harmful to the human body.
- b. Proper work safety instructions and policies must be implemented at the workplace. Work instructions are based on a potential danger assessment of the workplace.
- c. All workers shall attend training in work safety instructions and dealing with emergency situations.
- d. Specific individuals at a supervisor or manager level, must be formally appointed and responsible for all OHS matters

B. Provision of accomodation, education and health facilities

The workers are provided with a high standard of welfare, health, and living conditions that shall include potable drinking water, proper sanitation, clearly marked emergency exits, essential and serviceable safety equipment, and access to education and medical care for workers and their families.

Continuous Improvement

The supplier shall monitor and review their activities regularly, and establish action plans for demonstrable improvement in key operations

Verification & transparency

- A. The supplier shall comply with IndoAgri Sustainable Palm Oil Policies and this Responsible Supplier Guidelines as well as any relevant supplier policies for its industry at the request and to the satisfaction of IndoAgri's Quality Assurance.
- B. To affirm their understanding and acceptance of our policies and guidelines, the supplier must respond to questionnaire-based information collection.
- C. The supplier shall be prepared to be audited annually, or at least every two years , where required and as determined by IndoAgri's Quality Assurance, to ensure proper integration of sustainability practices in the supplier's operations. IndoAgri's Quality Assurance will advise the supplier on its sustainability performance and establish an action plan with the supplier for corrective actions.
- D. The supplier shall furnish timely and detailed information to IndoAgri's Quality Assurance to validate its performance, actions and practices as required by the Responsible Supplier Guidelines.

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 and guidelines. 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.

The supplier shall clearly communicate its commitments and obligations set out in this guideline to all its affected employees so that they understand the requirements and are able to perform their roles in accordance with the guidelines

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.