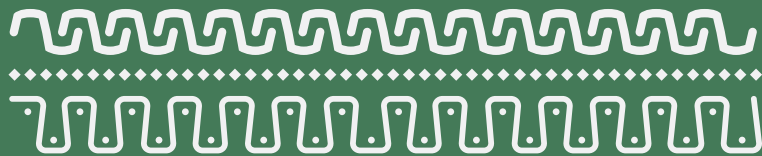




SIGAP

*/si-gap/ adj Bahasa Indonesia
agile; fast and robust; positive; effective; full of spirit*

THE DRAGON PATTERN



This pattern is believed by the Dayak Kutai Tribe (Urang Kutai) to symbolize water and the source of life. The Urang Kutai Tribe believe that the dragon is the master of water that controls fertility. For them, water commands the basic element of life, farming, flora, and medicine. The dragon pattern is also believed to bring hope of prosperity and armature.



THE BAMBOO SHOOTS PATTERN



Bamboo shoots or bamboo sprouts are often used as ingredients in Southeast Asian cuisines. The Dayak Kutai Tribe (Urang Kutai) believes that bamboo shoots represents the endeavors to always strive for the better. It is also believed to remind them to be wise in life and humble even though life as they reach the highest peak.

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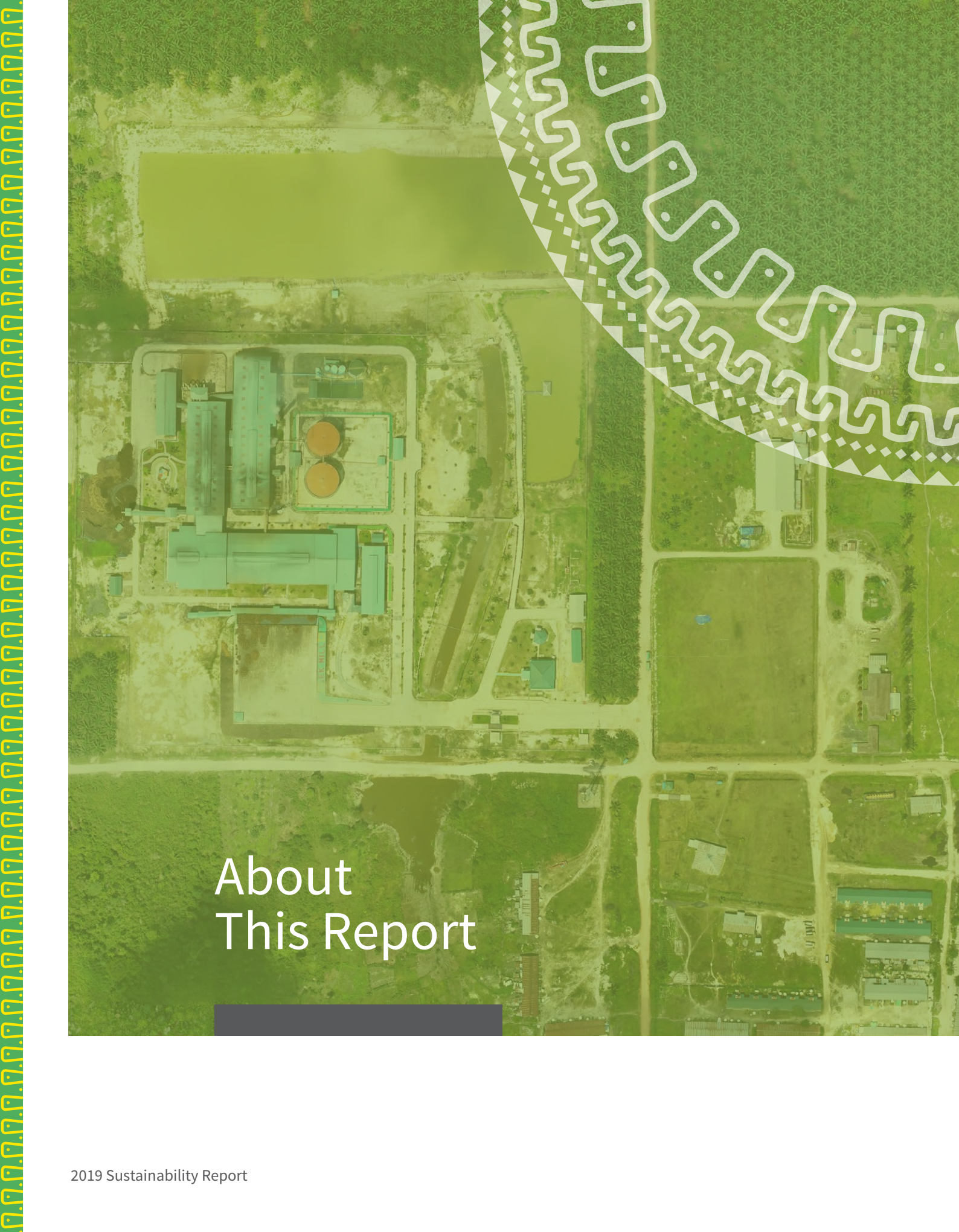
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About This Report

Kencana Agri's Sustainability Report for fiscal year 2019 focuses on our endeavor and performance in building a sustainable and responsible palm oil company. This commitment is reflected through the values Kencana chooses to operate its plantation business in order to have a positive impact to its stakeholders.

This report summarizes our approach towards that commitment as well as key sustainability challenges we face and the many ways we are responding. We hope this report can provide our stakeholders with an overview of our approach and continuous progress in meeting our sustainability commitments.

Reporting Period [\[GRI 102-50\]](#)

This report covers data and information of our activities throughout the calendar years of 2019, starting on January 1st, 2019 to December 31st, 2019.

Date of Most Recent Report and Reporting Cycle [\[GRI 102-51, GRI 102-52\]](#)

Kencana publishes a Sustainability Report annually. This is our fourth Sustainability Report with the last report for FY2018 being published in May 2019.

Reporting Guidelines [\[GRI 102-2, GRI 102-54, GRI 102-55\]](#)

Our report is based on the frameworks of the Global Reporting Initiatives (GRI) Standards. We followed the principles of materiality in defining report content, in order to determine the critical topics to meet stakeholders' expectation and interest. Hence, this report has been prepared in accordance with GRI Standards: Core Option. The structure and content for this report draws upon guidance of reporting standards and requirements specified in the Singapore Stock Exchange (SGX) Sustainability Reporting Guideline.

Moreover, as a member of the global community, Kencana is committed to the United Nations Sustainable Development Goals (SDGs) and uses these goals as a lens for our social impact programs and

collaborations. Based on our stakeholder-engagement efforts, we also believe these areas are important to our customers, partners, non-governmental organizations (NGOs) and investors.

As a feature to help our readers in finding relevance of the report contents with the relevant GRI Standards Disclosures, this report included disclosures code at each relevant section in this report. A complete list of GRI Standards Core Indicators discussed in this Report is available at page 82.

Determining the Report Content, Materiality, and Scope Boundary [\[GRI 102-46\]](#)

The Group determined the boundaries and content of this Report by including principles such as stakeholder engagement, sustainability context, materiality, and completeness. Results from the review process, which is conducted after the publication of each report, will be a basis for the identification process in the next reporting cycle. In addition, the reporting quality takes into account the principles of balance, comparability, accuracy, timeliness, clarity, and reliability in accordance to GRI standards guidelines.

We follow the four principles of the GRI Standards in our process of defining the content of this Report. These four principles are:



1. Stakeholder Engagement

Stakeholder engagement is essential to grow our sustainable business. We have engaged and considered the responses from both internal and external stakeholders as well as running a thorough internal review and assessment of key sustainability aspects and impacts which represents the most critical areas of our Group's business and operations.

2. Sustainability Context

The Sustainability Report includes all sustainability issues that are material and relevant to the Group and our stakeholders at the local, regional or even global level which are appropriate to our business and operations.

3. Materiality

Material and boundary aspects are determined based on issues that significantly influence the Group and stakeholders. Material areas that will be reported in this reporting discussion covers environmental, social and governance factors ("ESG factors") for the Group's business and operations sustainability.

4. Completeness

The Report covers material topics and indicators and definition of the report boundary and supported by relevant data and information. It is also prepared within a determined reporting period.

The principle of materiality has been applied in determining the extent of disclosure with regard to reporting on sustainability aspects. By using GRI standards, all the crucial issues and concerns relevant to our operations and within our supply chain during the reporting period are collected and analysed. Issues that ranked highest have been reported more thoroughly.

We worked with our stakeholders to evaluate the importance of topics including industry insights related to environmental, social and governance factors. Result of the surveys is the foundation of our materiality matrix.

Our Report includes performance data for our direct operations and information on how we're managing the most material issues across our extended value chain. It covers the Group's operations throughout Indonesia and marketing office in Singapore, excluding activities of third parties conducted outside of Kencana's operational areas. Data and information on the Group's financial performances are taken from the Group's Annual Report 2019 covering all subsidiary companies, including PT Sawindo Kencana, PT Alamraya Kencana Mas, PT Agro Inti Kencanamas, PT Sawit Kaltim Lestari and PT Agri Eastborneo Kencana. [\[102-45\]](#)



Verification and Assurance [GRI 102-56]

In this Sustainability Report, we provide qualitative and quantitative information that are relevant for report comparability, transparency, and accountability. To ensure that the contents are in line with these principles, we have implemented thorough verification processes and internal reviews. Particularly for areas that have PROPER, ISPO and ISCC certifications, all data and information have been submitted to and verified by the authorized bodies.

The Group has conducted GRI Standards accordance check and SGX check by a third independent party named Green First Singapore, to ensure that this report is in compliance with GRI Standard Core Option and SGX requirements. A third party assurance is currently not conducted on this Sustainability Report but may be performed for future reporting.

Significant Change or Restatement

[GRI 102-10 GRI 102-48, GRI 102-49]

There was no further significant changes in relation to the reporting structure, neither to the organization, operational, and the Group's supply chain compared to the previous report. There is also no restatement of information on this Sustainability Report from previous period.

Performance Dashboard 2019

We believe that sustainability is embedded in our everyday business. It has always been our commitment to produce palm oil in an economical, environmentally sustainable and socially responsible manner. Kencana Agri's Sustainability dashboard provides detailed information on key aspects of our palm oil supply chain in 2019. This dashboard can be found on page 41 and 78.

Accessibility

As part of our commitment to nature conservation, this Sustainability Report has been printed in limited numbers. We encourage all stakeholders to access our website www.kencanaagri.com to obtain a copy of Kencana Agri's Sustainability Report.

Contact Us [GRI 102-53]

To allow us to improve our reports, we invite the readers and stakeholders to submit suggestions, ideas, constructive criticism and opinions regarding the content of this Sustainability Report to:

Kencana Agri Ltd

Indonesia Office

Kencana Tower, 9th Floor
Business Park Kebon Jeruk
Jalan Raya Meruya Ilir No.88
Jakarta Barat 11620
Indonesia



About Kencana Agri



Kencana Agri Limited, a publicly listed company in the Singapore Exchange (“SGX”) since July 2008, is a palm oil plantation business with primary activities located in Indonesia. The Group engaged mainly in the cultivation of palms oil and processing of Fresh Fruit Bunches (FFB).

In 2019 the Group reached a new milestone by commissioning a new mill in Sulawesi Tengah, with a capacity of 30MT/hour. The Group now operates a total 67,722 hectares of oil palm plantation, both nucleus and plasma, which are located in the islands of Sumatera, Kalimantan, and Sulawesi with a total of 6 (six) operational mills.

Kencana Agri has not fully realized its potential as 37% of its oil palm trees are still in the immature and young mature stage. This relatively young profile of palm oil trees, with a weighted average of 10 (ten) years, will soon enter their prime mature phase, driving up the potential for strong FFB production growth in the near future.

Our main products are Crude Palm Oil (CPO), Palm Kernel (PK), Palm Kernel Cake (PKC) and Crude Palm Kernel Oil (CPKO). Kencana currently has 6 (six) palm oil mills with total processing capacity of 305 tonnes per hour and two kernel crushing plants with capacity of 435 tonnes per day.

It is our commitment to conduct a sustainable expansion on our operational areas. We have adopted environmentally friendly practices in our plantation development such as zero-burning and zero waste management. Moreover, we adopt sustainable certification systems such as the International Sustainability & Carbon Certification (ISCC) and the Indonesian Sustainable Palm Oil (ISPO).

A strong commitment towards environmental sustainability and Corporate Social Responsibility (“CSR”), 2 (two) of the Kencana’s subsidiaries, PT Sawindo Kencana and PT Alamraya Kencana Mas, have been certified by both ISPO and International Sustainable and Carbon Certification (“ISCC”), while PT Sawit Kaltim Lestari and Agro Inti Kencanamas have both attained ISPO certification.

In addition, the Group strives to attain Indonesian Sustainable Palm Oil (“ISPO”) certifications for all its plantations as required by the Indonesian government, as well as other sustainability certifications.

The Group continues to operate three renewable biomass power plants in Bangka- Belitung Islands, whilst working together with the state-owned electricity company, PT Perusahaan Listrik Negara (“PLN”). Our power plants supply environmental friendly electricity to the neighbouring communities by solely run on palm kernel shells, fiber mesocarp and empty fruit bunches (EFB).

Company Data Sheet

[GRI 102-1, GRI 102-2, GRI 102-3, GRI 102-5, GRI 102-6, GRI 102-7]

Company Name	Kencana Agri Limited
Business Sectors	Oil Palm Plantations
Markets	Indonesia, China, Singapore, Malaysia, India and Europe
Customers	Reputable trading companies, refineries and oleochemical companies in Indonesia, Malaysia and other countries
Ownership & Legal Form	Listed Company
Date of Establishment	26 September 2007
Issued and Fully Paid Capital	US\$287,011,117
Total Number of Employees as of 2019	7,022
Revenue 2019	US\$104,065,000
Net Profit (Loss) 2019	US\$(12,821,000)
Registered Office Address	36 Armenian Street #03-02, Singapore, 179934
Principal Office Address	Kencana Tower, 9th Floor Business Park Kebon Jeruk Jl. Meruya Ilir Raya No.88, West Jakarta 11620, Indonesia
Number of Operations	15 nucleus estates in Indonesia
Sales Volume of CPO	201,526MT
Total Liabilities	• Current : US\$147,761,000 • Non-current : US\$200,879,000
Shareholders' Equity	US\$9,856,000

* Sales value is determined by market price at that time of transactions





Vision [GRI 102-16]

To be a leading sustainable palm oil producer and supplier of choice for both local and global markets.

Mission [GRI 102-16]

To expand our plantation business through sustainable and environmentally-friendly best-in-class management practices whilst reinforcing our responsibility as a good corporate citizen.

Plantation

By the end of 2019, our operational activity was supported by 7,015 employees throughout the estates and mills across Indonesia.

Age Profile

Age Profile	Immature	%	Young Mature	%	Prime Mature	%	Total	%
Nucleus	4,608	9%	14,258	28%	32,719	63%	51,586	100%
Plasma	2,632	16%	3,076	19%	10,428	65%	16,136	100%
Total	7,241	11%	17,334	26%	43,148	64%	67,722	100%

Business, Operation & Value Chain [GRI 102-2, GRI 102-7, GRI 102-9]

The Group's integrated value chain comprises of plantation areas (land), palm oil mills, kernel crushing plants, bulking facilities, logistics services, and renewable biomass power plants to support and complement our plantation operations. It is our commitment to ensure that sustainable business practice is applied in all of our operation activity.



Processing

Kencana manages 6 (six) palm oil mills and two kernel crushing plants which are located in Sumatra, Sulawesi and Kalimantan, Indonesia. Our processing units is equipped with the latest and environmentally friendly technology to ensure that all of our processes uphold the values of sustainable business.

6 (SIX)



PALM OIL MILLS

Total Processing Capacity:
305MT/hour

2 (TWO)



KERNEL CRUSHING PLANTS*

Total Processing Capacity:
435MT/day

*In consideration of market dynamics as well as CPKO and its derivative products' price throughout 2018, the Group decided to temporarily halt the operations of our KCP.



Kencana Agri Limited

Products [GRI 102-2, GRI 102-6, GRI 102-7]

The Group main products are Crude Palm Oil (CPO), Crude Palm Kernel Oil (CPKO), Palm Kernel Cake (PKC), and Palm Kernel Oil (PKO). Our products are derived from the fresh fruit bunches harvested from our plantations, our plasma farmers, and purchases from third parties. We have developed an integrated operation to produce high quality product, from our plantation in Indonesia which is the most ideal habitat for crude palm plantation.

We are committed to providing the best products for our customers. Currently, we serve a wide range of customers, from domestic and international reputable trading companies, refineries, to oleochemical companies.

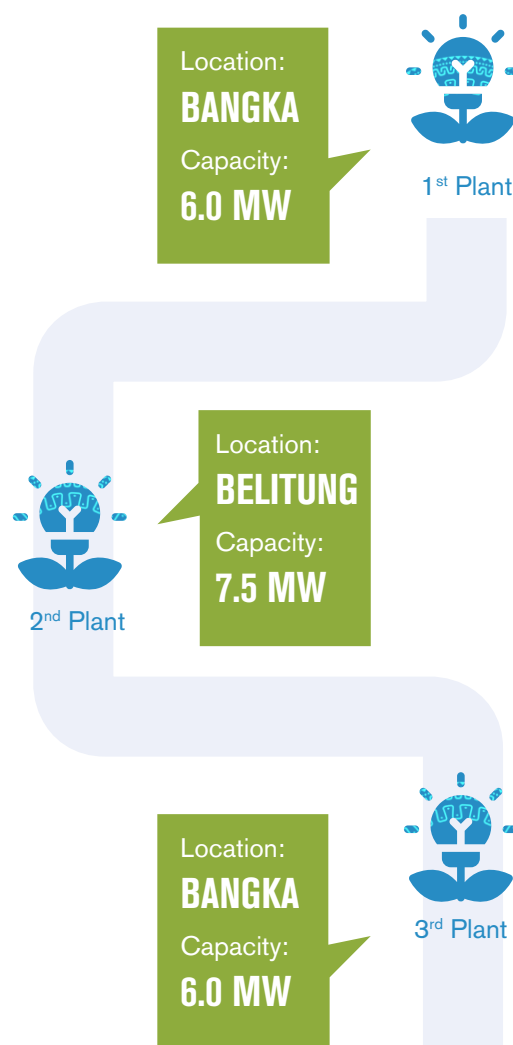
Main Products & Supporting Business [GRI 102-2, GRI 102-7, GRI 102-9]

Our main products are derived from the fresh fruit bunches (FFB) harvested from our plantations, plasma farmers, and purchases external from third parties. We serve a wide range of customers, from domestic and international reputable trading companies, refineries, to oleochemical companies.

Our port & bulking facilities and logistics services complement and support our plantation operations by providing storage facilities and transportation for our products.

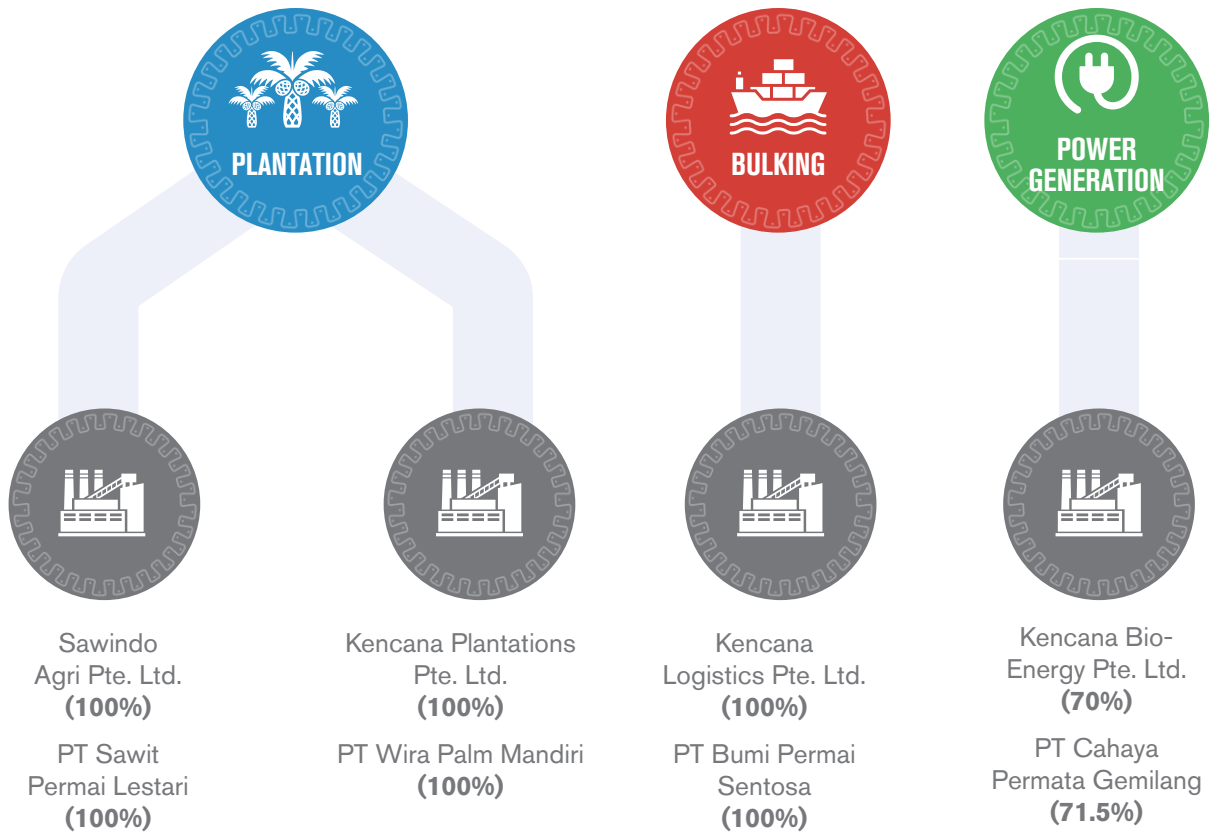
The “green” electricity generated by our renewable biomass power plants in Bangka and Belitung are mainly sold to the state-owned electricity company (Perusahaan Listrik Negara - PLN). Our Bangka power plant has also been approved as a Clean Design Mechanism (“CDM”) project, which allowed us to sell carbon credits to international markets.

Biomass Power Plants



On 12 December 2019, the Company and its wholly owned subsidiary, PT Sawindo Kencana, entered into a Conditional Share Sale and Purchase Agreement with a related party, PT Kencana Energi Lestari Tbk. for the sale and purchase of 78.5% of the issued and paid-up share capital of PT Cahaya Permata Gemilang.

Corporate Structure



Message from the Chairman

"As a company, we want the spirit of 'SIGAP' is embedded in everything that we do, from how we do business, our operations, to how we engage and interact with our stakeholders. Agile in seizing business opportunities and in carrying out day-to-day operations. Fast, robust, and effective in taking actions; and maintain positive views and full of spirit attitude in everything we do."

Henry Maknawi
Executive Chairman



We are pleased to share with you our 2019 Kencana Agri Sustainability Report. Our fourth report contains updates on our commitment, approach and progress towards sustainable business practices. This will include achievements made in various critical issues as well as a disclosure on the challenges we faced along the way.

This year's report theme is '**SIGAP**' which is Bahasa Indonesia to describe agility, robustness, effectiveness, positivity, and full of spirit. We choose this theme because it represents the Group's corporate and people culture. As a company, we want the spirit of 'SIGAP' is embedded in everything that we do, from how we do business, our operations, to how we engage and interact with our stakeholders. **Agile** in seizing business opportunities and in carrying out day-to-day operations. **Fast, robust, and effective** in taking actions; and maintain **positive** views and **full of spirit** attitude in everything we do.

Sustainable Business

We have a strategy with sustainability at its heart and I firmly believe it will lead to a better tomorrow. Over the last years, we've made significant progress on our sustainability journey. Yet our approach needs to constantly develop, much as the world around us is evolving from increasing expectations of the role of business in contributing to the UN Sustainable Development Goals..

The UN Sustainable Development Goals (SDGs) are a call for all organizations around the world to take action and achieve more sustainable future. This year the Group has mapped out several SDGs that have been in line with our commitments for the past few years, and will continue to be improved in the coming years. This will be our first small step towards our

commitment within SDG. Out of the 17 (seventeen) SDGs, Kencana Agri has prioritized 4 (four) where we believe we can make the greatest impact. These four SDGs are discussed throughout this report.

Sustainability also includes delivering strong operational and financial performance. In 2019, we managed a total of 67,722 ha of planted areas within our palm oil plantations and 16,136 ha of this total planted areas are dedicated for our plasma smallholders. The total CPO produced was 187,899 tonnes or 4.7% lower compared to 2018 production of 197,149 tonnes. For the yield of fresh fruit bunches per hectare in 2019 reached 14.7ton/Ha.

We have conducted regular assessments to review our compliance with the PROPER, ISCC, and ISPO provisions. It is our commitment to maintain ISPO certificates at all plantations with mills. In 2019, we achieved ISPO certification for PT Agro Inti Kencanamas. To date, over 12,126 hectares of 2 (two) mills have received ISCC certification.

We are also vigilant about our environmental performance, with no significant environmental events reported in any of our operation in 2019. As our commitment towards environment, we undertake High Conservation Value (HCV) Assessments as well as Social and Environmental Impact Assessments for all our new development areas. We carried out evaluation on habitat quality, soil conditions, peat presence, river quality, and community cultural identity. We strive to ensure our soil fertility by enabling our oil palms to attain their full productive potential, but through minimal use of inorganic fertilisers. We recycle all the biomass and organic by-products produced in our plantations and mills such as EFB and POME and use them as organic fertilisers.



We are committed to being a responsible employer by continuously providing appropriate skills training to our employees, understanding their aspirations, upholding and protecting their rights, and taking care of their welfare by providing a safe working environment. We strive to employ local people originating from our operational areas to contribute to the growth of the local economy through job creation.

In 2019, our focus is to improve workers conditions through several initiatives that will continue to be implemented beyond 2019. These initiatives include our partnership with Verité and GAR (Golden Agri Resources) for a long term strategy to improve our workers welfare, building an elementary school, and community empowerment program to increase the income of our workers. In 2019, we have completed the construction of Primary School Project within the vicinity of PT. Sawit Kaltim Lestari, which was a part of one stretch of estates in Kutai Area

We make safety and health our top priorities and, based on the principle that no one must be injured in our facilities, spare no effort in making work environments as safe as they can be for Group company personnel and the personnel of subcontractors. The OHS Management System complies with local regulations, which includes hazard identification and prevention, risk assessment and management, programme evaluation and continuous management system improvement. We managed to have zero fatality in 2019. However, we regret to report that we have 2 (two) fore incident.

This report focuses on describing how our sustainable business model contributes to problem resolution and ongoing development for society, and how we will continue to pursue our business in coexistence

with local communities. In 2019, doctorSHARE and Kencana Agri collaborated together to celebrate the 10th anniversary of doctorSHARE in Jakarta. the event attracted donors to participate in building and strengthening doctorSHARE hence that it will continue to help the underprivileged around Indonesia for years to come.

Going forward

We remain committed to operating transparently and responsibly. We are reflecting this commitment through our ambition to integrate sustainability throughout every aspect of our business. We recognise that we will only achieve this aim through collaborative partnerships with all of our stakeholders.

I would like to thank our teams for their commitment and demonstrated ability last year to both deliver on our short-term commitments—through a balanced model of gradually accelerating growth, significant margin enhancement and a stronger balance sheet

Kencana Agri places great importance on maintaining dialogues with stakeholders and working in ways that promote the building of a sustainable society. We invite you to read this report and welcome your candid feedback on how we can improve in these endeavours.

Sincerely,

Chief Executive Officer





Sustainability in Kencana Agri



“For Kencana Agri,
sustainability is all about
making sure decisions
made today shall be
beneficial for both the
present and future
generations.”



Started in 1995 in Bangka Island, The Group is built upon the spirit of mutual growth and positive contribution to the economy, environment, and societal development. To that end, exploration of new and better ways in doing business and operation have been interwoven into the company DNA.

We always strive to advance our environmental and social responsibility standards to uphold our commitment to accountability through various approaches; from implementing good agricultural practices, good manufacturing processes and various preventive measures to avoid any adverse impact to the environment and ecosystem within and around our operations.

Our strategy is through improving the quality and productivity of our plantations and continue strengthening our environmental, social and governance (ESG) values. These high standards apply to all our operation.

Stakeholder Engagement

Stakeholders have different objectives and expectations towards Kencana's business and these may affect the achievement of the Company's vision and mission. To that end, we have identified stakeholder groups in all operational areas. Our key stakeholders include the shareholders, customers, employees, non-governmental organizations, industry groups, and government agencies.

Stakeholder engagement in Kencana Agri is driven by the desire to build mutual respect and understanding of the ongoing tasks needed to achieve key sustainability goals. The stakeholder engagement process which includes a proactive and both formal and informal approach, is carried out to fully understand their sustainability concerns and issues with a view to ensuring that their key interests in these areas are aligned with that of our Group. Our engagement principles are based on Inclusivity, Materiality, and Responsiveness.

INCLUSIVITY

For Kencana Agri, our stakeholders are those who have a direct interest in our business and those who are impacted by our business and how we operate.

MATERIALITY

Stakeholder engagement process in Kencana Agri, helps us identify and manage current and emerging issues.

RESPONSIVENESS

We strives to monitor the environmental changes in which we operate to ensure stakeholder concerns are identified and managed continuously. The group recognize that material issues can be very complex with diverging stakeholder expectations. However, it is our commitment to manage these expectations in a transparent, prudent and fair manner.



By getting to know our stakeholders, we are able to better understand what they want and how the companies' plans and actions will affect their expectation. The following tables provide an overview of the efforts involved in our group's focus on stakeholder engagement. [GRI 102-15, GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44]

Stakeholders	Issues	Engagement Method	Outcome	Frequency
Shareholders & Investor	Transparency and disclosure of Health, Safety & Environment and social report	Meetings upon request	Issuance of Annual Report	Annually
CPO Buyers	Product traceability	Meetings, surveys and audits	Sustainable and traceable palm oil	Upon request
Local Suppliers & Contractors	Lack of knowledge within health and safety issues	Technical assistance and one-on-one meetings	Correct use of PPE and safe working methods	At least once a year
Governments and Regulators	Government regulations and ISPO certifications	Public forums and regular meetings	Comply with government regulations	Upon request
Non-Governmental Group	ISCC certification adoptions, change within criterias and indicators	ISCC stakeholder meetings and annual meetings	Internal audit analysis	Annually
Employees	Employee empowerment, working conditions, health and safety issues	Grievance procedure, whistleblower process, health and safety training	Investment on well trained employees	Based on training matrix
Smallholders (Plasma & 3rd Party FFB Suppliers)	Sustainable agricultural practices	Training and introduction towards ISCC and ISPO standards	Safe working condition and correct use of PPE	Upon request
Local Community	Native customary rights	Feedback and awareness meetings, stakeholder forums for complaints, grievance resolution and other adhoc engagements	Contribution on education, scholarship, medical facilities, improved infrastructure	Upon request
Media	Sustainable agricultural practices and CSR of Group	Meetings	Information about sustainable agricultural practice in Palm Oil Company and their multiplier effect to Indonesia society	Upon request



Materiality Analysis and Evaluation

Kencana Agri has carried out stakeholder assessments to identify their concerns and expectations, as well as the list of topics that we believe present the greatest risks and opportunities for our business sustainability. Our materiality analysis helps to allocate our resources where we can provide the most value to stakeholders. These points of interests then become the groundwork for the development of our materiality matrix of Kencana Agri's Sustainability Report 2019.

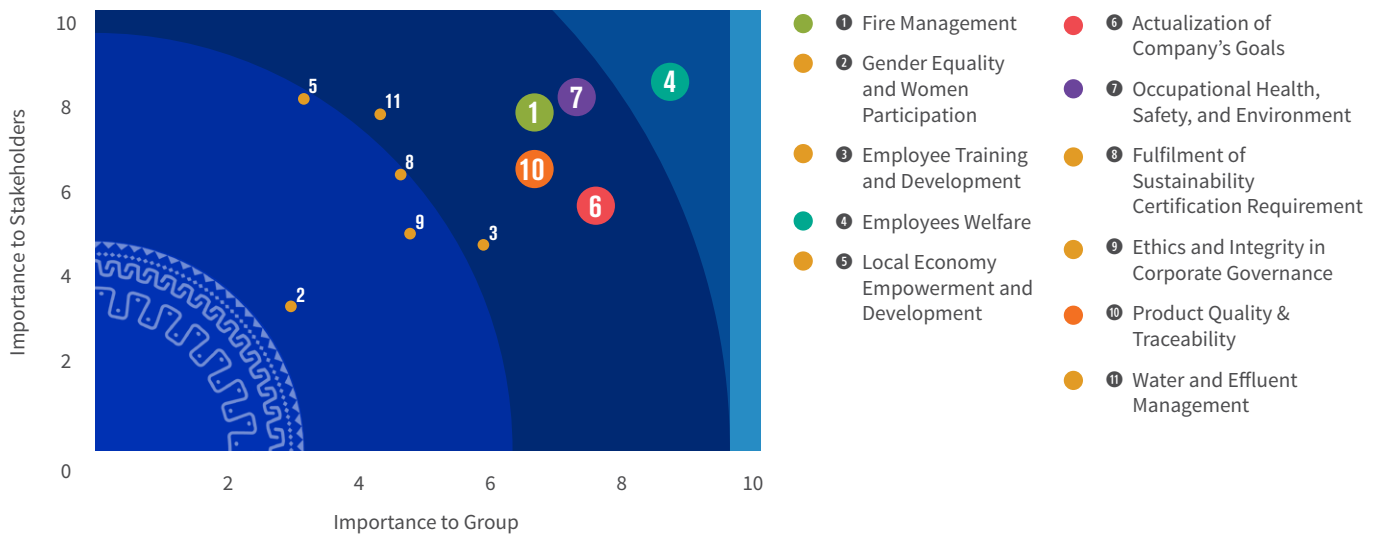
We identified a selection of environmental, social and economic topics that may reasonably be considered important for The Group and our stakeholders. Then, we assessed the potential relevant topics identified.

We identified a selection of environmental, social and economic topics that may reasonably be considered important for the Group and our stakeholders. Then, we assessed the potential relevant topics identified. From the materiality analysis, 11 (eleven) topics were identified as priority to Kencana and our stakeholders.

Based on our material analysis and matrix, there are 5 (five) priority topics which are highly significant for our stakeholders interests and our business sustainability, which are: Employees Welfare, Occupational Health and Safety, Fire Management, Product Quality & Traceability, and Actualization of Company's Goals. [GRI 102-47]



Kencana Agri's Materiality Matrix [GRI 102-47]





Kencana Agri's Materiality Issues and Our Strategy and Approach in 2019

No	Material Issues and Strategic Commitment [GRI 103-1]	Where Impacts Occur				Management Approach & Evaluation Parameters [GRI 103-2, GRI 103-3]	Detailed discussion in Chapter
		Head Office	Plantation with Mills	Plantation	External Parties		
1	ZERO BURNING & FIRE PREVENTION As our commitment on Responsible Palm Oil Business practices, we applies a Zero Burning Policy and is proactively engaged in fire prevention activities	✓	✓	✓	✓	• Holding regular fire hazards management training and simulations • Organizing joint trainings with The Ministry of Environment and Forestry / Manggala Agni • Conducting socializations and encouragement for the local communities and villagers regarding zero burnings.	Environmental Management & Compliance
2	ACTUALIZATION OF COMPANY'S GOALS It is always our commitment to develop a plantation business based on best management practices that are sustainable and environmentally friendly, and also seeks, wherever possible, to ensure compliance with applicable government rules and regulations in areas where we operate.	✓	✓	✓		Implementing a program called BUSI (Budaya Eksekusi or Culture of Execution) at all levels starting from high management up to plantation workers in order to support the Group's most important goal of 2019, which is maintain and if possible increase the Group's EBITDA in the challenging year of 2019 as the palm oil industry was faced with a decreasing seasonal trend of the palm oil market price.	Towards Sustainable Operation & Products
3	EMPLOYEE WELFARE We strive to ensure employee empowerment and improvement of working conditions through the implementation of best practice management	✓	✓	✓		• Ensuring all employees' children in our estates have access to education. • Providing child day care facilities within our estates. • Encouraging our employees by awarding employees who have worked with us for 15 (fifteen) years with a Golden Pin Award.	Our People
4	OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT Promoting a healthy and safe working environment for our people is our priority.	✓	✓	✓	✓	• Providing Regular health checks. • Organizing Occupational Health & Safety (OHS) trainings. • Provision and the availability of Personal Protective Equipment	Our People
5	PRODUCT QUALITY It is our commitment to ensure Good Manufacturing Practices ("GMP") are applied and reflected within all of our Standard Operating Procedures ("SOP").	✓	✓	✓		• Ensuring GMP is implemented in a sound manner, which includes good harvesting management and block issues identification. • Ensuring the continuity of product sales to maintain minimum stock.	Towards Sustainable Operation & Product
6	EMPLOYEE TRAINING AND DEVELOPMENT We believe the importance of providing best training and development programs in order to enhance employees' knowledge and skills to better equip them towards their career advancement.	✓	✓	✓		• Implementing a program called BUSI (Budaya Eksekusi or Culture of Execution) at all levels starting from high management up to plantation workers. • Conducting trainings for foremen.	Our People



No	Material Issues and Strategic Commitment [GRI 103-1]	Where Impacts Occur				Management Approach & Evaluation Parameters [GRI 103-2, GRI 103-3]	Detailed discussion in Chapter
		Head Office	Plantation with Mills	Plantation	External Parties		
7	ETHICS AND INTEGRITY IN CORPORATE GOVERNANCE Our Management are committed to ensuring high standards of corporate governance so as to ensure transparency, to protect shareholders' interests and promote investors' confidence.	✓	✓	✓		Conducting an independent audit with the cooperation of Audit & Risk Committee and Internal Audit team which will directly report to the Board of Directors.	Corporate Governance
8	FULFILMENT OF SUSTAINABILITY CERTIFICATION REQUIREMENT We commit to adopt sustainable agricultural practices through ISPO and ISCC certifications.	✓	✓	✓	✓	- Adopting the principles from both ISPO and ISCC within our operations. To ensure that all companies that have attained ISPO and ISCC certifications to maintain our product quality, an ISPO surveillance audit which is conducted annually, while a recertification audit for ISCC is also being conducted on an annual basis. - Providing clear traceability to guarantee that our CPO and FFB were produced in and by reputable sources.	Towards Sustainable Operation & Products
9	LOCAL ECONOMY EMPOWERMENT AND DEVELOPMENT Growing together with the community, it is our obligation to improve the quality of life of the local community through various empowerment program.	✓	✓	✓		Improving the quality of life of the communities where we operate by enabling them to earn a more sustainable income for themselves, have better healthcare and education, and enjoy proper infrastructures to maintain a better environment to live.	Social Community Development
10	WATER AND EFFLUENT MANAGEMENT We recognize the important of controlling and mitigating any impacts on water quality as well as recover palm oil mill effluent as fertilizer substitute.	✓	✓	✓		- Implementation of the Group's water management systems which has been designed with careful consideration and comprehensive hydrology, agronomy, and topography studies, as well as environmental and social impacts - Implementing POME management in our Wastewater Treatment Plant through Cooling Ponds, Mixing Ponds, Anaerobic Ponds, and Settling Ponds. - Utilizing all of our production POME as fertilizers back into the field on areas that have already been licensed for land application. It is important to note that the Group does not discharge any of our POME into rivers.	Environmental Management & Compliance



No	Material Issues and Strategic Commitment [GRI 103-1]	Where Impacts Occur				Management Approach & Evaluation Parameters [GRI 103-2, GRI 103-3]	Detailed discussion in Chapter
		Head Office	Plantation with Mills	Plantation	External Parties		
11	GENDER EQUALITY AND WOMEN PARTICIPATION It is our commitment to foster female talent and increase the presence of women in management positions in order to achieve gender equality.	✓	✓	✓		Highlighting the importance of fairness and equality throughout our whole organization and give fair opportunities based on their competence, regardless of their race, religion, or gender.	Our People

Sustainable Development Goals - Supporting Global Efforts Towards A Better Future

The Sustainable Development Goals (SDGs), launched by the United Nations in 2015, are a global efforts to achieve a better future. It represents an action plan for the planet and people to thrive by 2030. It addresses various challenges we face together as one global community: poverty, hunger and climate change, gender equality, clean water and sanitation, and responsible consumption and production. [GRI 102-12]



Kencana Agri recognises the importance of Sustainability Development Goals. The Group realizes that realizing SDGs requires commitment, time and good cooperation with all stakeholders. Thus, this year the Group has mapped out several SDGs that have been in line with our commitments for the past few years, and will continue to be improved in the coming years. Some of these SDGs are also part of this

year's materiality topic and are most relevant to our business operations. It is our commitment to make a positive social impact and reduce our environmental footprint for the sake of our future generation. This will be our first small step towards our commitment within SDG, which is already embedded within the Group's sustainability commitment, strategy, goals, and day-to-day operations. [GRI 102-47, GRI 103-1, GRI 103-2, GRI 103-3]

SDGs Supported	Our Strategic Sustainability Commitment	How We Going To Do It
	LOCAL ECONOMY EMPOWERMENT AND DEVELOPMENT Growing together with the community, it is our obligation to improve the quality of life of the local community through various empowerment program.	Improving the quality of life of the communities where we operate by enabling them to earn a more sustainable income for themselves, have better healthcare and education, and enjoy proper infrastructures to maintain a better environment to live.
	OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT We promote a healthy and safe working environment.	• Providing Regular health checks. • Organizing Occupational Health & Safety (OHS) trainings.
	EMPLOYEE TRAINING AND DEVELOPMENT We provide best training and development programs in order to enhance employees' knowledge and skills to better equip them towards their career advancement.	• Implementing a program called BUSI (Budaya Eksekusi or Culture of Execution) at all levels starting from high management up to plantation workers. • Conducting trainings for foremen.
	ACCESS TO PROPER EDUCATION We ensure all workers' children have access to proper education	• Provision of school bus at all operational areas • Construction of school facilities (Playground, elementary school) • Scholarship programs • Construction of an elementary school in Kutai Kartanegara.
	FULFILMENT OF SUSTAINABILITY CERTIFICATION REQUIREMENT We commit and strive to adopt sustainable agricultural practices through certification with the ISPO and ISCC certifications.	• Ensuring GMP is implemented in a sound manner, which includes good harvesting management and block issues identification. • Continuous implementation and improvement for energy efficiency and GHG control at all operational areas.
	ZERO BURNING & FIRE PREVENTION We applies a Zero Burning Policy and are proactively engaged in fire prevention activities as part of its Responsible Palm Oil Business practices.	• Holding regular fire hazards management training and simulations • Organizing joint trainings with The Ministry of Environment and Forestry / Manggala Agni • Conducting socializations and encouragement for the local communities and villagers regarding zero burnings.



Kencana Agri Limited

Environmental Sustainability Policy

[GRI 102-14, GRI 102-15, GRI 103-2]

SCOPE OF POLICY

The provisions of this policy apply to all operations of Kencana Agri Limited (Kencana Agri, its subsidiary companies and any associated companies where Kencana Agri has management control.

COMMITMENT STATEMENT

Kencana Agri strives to develop its plantation business based on best management practices that are sustainable and environmentally friendly, and also seeks to ensure compliance with applicable government rules and regulations in areas of operations. This is realised through continuous balanced assessment and development of its operations while simultaneously conserving and improving the natural environment, and uplifting the socioeconomic conditions of our employees, local communities, and smallholders (plasma farmers). Being a good corporate citizen, we also seek guidance from the local authorities and local communities whenever there is any conflicts between the provisions of this sustainability policy and the prevailing applicable rules and regulations.



Environmental Management

- No deforestation of high carbon stock ("HCS") forest areas and no further land clearing of potential HCS areas until the results of the proposed HCS study are adopted.
- Preservation of High Conservation Value (HCV) Areas.
- Apply a zero burning policy in respect of new planting and replanting.
- Refrain from undertaking new development on peat land of any depth.
- Endeavour to align ourselves with the industry practices and standards generally adopted by the market in relation to sustainable palm oil production.



Community Development and Social Impact

- Continually develop our plasma program based on applicable Indonesian laws and regulations.
- Facilitate the inclusion of qualified smallholders into the supply chain.
- Implement corporate social responsibility programs.
- Respect the rights of indigenous and local communities to give or withhold their Free, Prior and Informed Consent (FPIC) on lands to which they hold legal, communal or customary rights in line with applicable government regulations.
- Endeavour to resolve complaints and conflicts through an open, transparent and consultative process.
- Respect land tenure rights.



Human Rights and Workplace

- Respect and support the Universal Declaration of Human Rights.
- Respect and recognize the rights of all workers, including contract, temporary and migrant workers.
- Comply with minimum wage policies.
- Prohibit child labour and forced labour at every stage of our operations.
- Promote a healthy and safe working environment





Corporate Governance



“In an increasingly competitive and challenging business world, Kencana Agri recognizes the importance of building and maintaining stakeholder’s trust. Therefore, the Company commands a high commitment to the implementation of Good Corporate Governance (“GCG”) so it can conduct its business in a healthy and ethical manner.”



The Group strives to enhance compliance and corporate governance to increase overall management transparency and efficiency and boost corporate value. We seek to remain accountable to customers, shareholders, business partners, employees and other stakeholders, and make efforts to be able to earn further trusts thereof.

Governance Structure [GRI 102-18]

The Board of Director is collectively responsible for the long-term success of the Company. Kencana is led by a Board of Directors comprising of 6 (six) members with vast expertise and strong track records in oil palm and several other industries.

In Kencana Agri, The Board of Directors holds a regular meetings at least four times a year to review the Group's overall performance, to deliberate on specific issues including significant acquisitions and disposals, to approve the annual budget and to approve the release of the quarterly, half-yearly and year-end financial results. In addition to the scheduled meetings, ad-hoc board briefings, conference calls, and physical meetings are held as warranted by particular circumstances or as deemed appropriate by the Board members. Numerous meetings were held in 2019.

Kencana Agri's Board of Directors

- **Executive Chairman:**
HENRY MAKNAWI
- **Vice-Chairman and Independent Director:**
TENGKU ALWIN AZIZ
- **Executive Vice Chairman:**
RATNA MAKNAWI
- **Lead Independent Director:**
SOH YEW HOCK
- **Independent Director:**
SIM IDRUS MUNANDAR
- **Non-Executive and Non-Independent Director:**
DARWIN INDIGO



Board's Supporting Committees

The Board is supported by its Committees which make recommendations to the Board on matters delegated to them, namely the Nominating Committee (NC), the Remuneration Committee (RC), and the Audit & Risk Management Committee (ARC). The Committees have been established and empowered with specific responsibilities and authorities to make decisions on matters within its terms of reference.

Nominating Committee (NC)

A board nominating committee is responsible for recruiting the best-qualified candidates for the board of directors and the senior leadership of corporations and other organizations. The NC has taken a process for assessing the performance of the Board as a whole instead of individual assessment

Remuneration Committee (RC)

The Remuneration Committee assists the Board with designing remuneration packages of individual directors. The RC will work within the principle that the remuneration should be structured to link rewards to corporate and individual performance with integrity and in an ethical manner.

Audit and Risk Management Committee (ARC)

Objective of the Audit and Risk Committee is to ensure that Management has created and maintained an effective system of internal controls to safeguard the assets and integrity of the operations of the Group, and to ensure compliance with relevant regulations and legislations applicable to the Company, including matters related to sustainability issues. The ARC has undertaken an annual review of the audit and non-audit services provided by the external auditors to satisfy it that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before recommending their re-nomination to the Board.



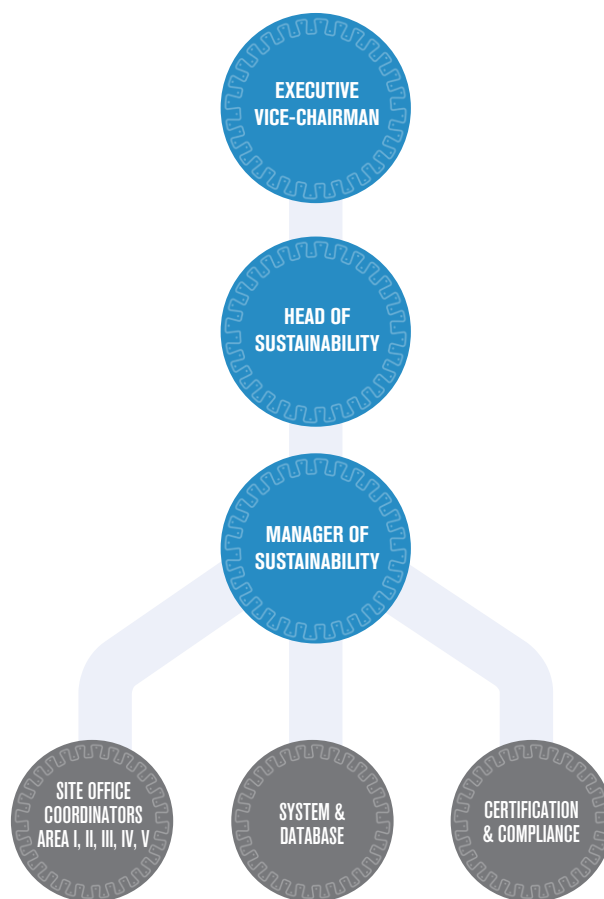
Governing Sustainability

[GRI 102-18, GRI 102-19, GRI 102-20, GRI 102-26, GRI 103-3]

Sustainability encompasses how The Group conducts its businesses, now and in the future. The Sustainability Team's role is to provide advice and assistance to the Board in monitoring the decisions and actions of management in achieving Kencana Agri' goal to be a sustainable organisation. Included in the process of Identification of Material Issues, the Team reports to the Board on the results and receives related feedbacks that will take effect on the formulation of the Group's sustainability policies, targets, and plans. Sustainability risk management is built into the Group's risk management structure and remains under the Board through the Audit Committee.

The Board has appointed the Executive Vice-Chairman to lead the implementation of sustainability initiatives and activities, supported by a Sustainability Team. The Team consists of Head of Sustainability, Manager of Sustainability, and coordinators both in Head Office and Site Office to conduct necessary engagement, review and reporting on related sustainability strategy and plans. Sustainability Team held three meeting in a year, together with the Audit & Risk Committee meeting.

Sustainability Team Structure



Communication with Stakeholders

The Board considers ongoing stakeholder engagement as an important activity to develop effective management strategies and pursue sustainable business practices. The Company's approach to stakeholder engagement is to ensure that it has a good understanding of the key stakeholders' concern and expectation, and develop practical and responsive sustainability strategies. In its pursuit of sustainable business practices, the Group has regularly engaged its stakeholders in the implementation of various initiatives and programs that ensure the sustainability

of its business, the environment, and society.

We understand the importance of communicating effectively with shareholders and are committed to utilize SGXNET to publish information on the Group's dealings or any news release about the Group. Through this channel, price sensitive information is also prudently updated and released to the public to mitigate possible complications. Our stakeholders can also obtain any information online for all financial and operational reports.



We are committed to providing greater disclosure and transparency in our reporting as we publish our Annual reports every April with notices of AGM's being sent to all shareholders. Our annual report is available in our website.

We proactively encourage shareholder participation in the AGM, both by attending the meeting and voting. AGMs notices are also published in local newspapers and made available on the SGXNET. The result of AGM are announced or issued within the assigned period and made available on the Group's website. The Group strictly does not engage in selective disclosure. The Group also updates its shareholders through its corporate website: [http:// www.kencanaagri.com](http://www.kencanaagri.com).

Ethics and Risk Management [GRI 102-16, GRI 102-17]

We believe that compliance and risk management are the two inseparable aspects of internal control. They form the basis for sound corporate governance. We are working hard to ensure that corporate ethics are strictly upheld at all The Group.

We uphold the implementation of zero tolerance for fraud and corruption. In order to mitigate any potential risk, Kencana has enforced a Code of Ethics that are based on values and principles. It serves as the fundamentals for working etiquette and decision making that has been adopted by the Board of Directors and applies to every director, officer, and employee in all our companies.

The Board has appointed the Executive Vice-Chairman to lead the implementation of sustainability initiatives and activities, supported by a Sustainability Team. The Team consists of Head of Sustainability, Manager of Sustainability, and coordinators both in Head Office and Site Office to conduct necessary engagement, review and reporting on related sustainability strategy and plans. Sustainability Team held 3 (three) meetings in a year, together with the Audit & Risk Committee meeting.

Our Code of Ethics includes a:

1. Compliance with any applicable laws and regulations
2. Maintain the Group's reputation and asset
3. Prevent any conflict of interests between personal and corporate matters
4. Integrity in data and facts recording
5. Contribute to a harmonious work environment
6. Prevent any abuse of power related to personal/family matters
7. Prohibition to engage in any immoral activities
8. Continuous learning/knowledge development

The Code of Ethics helps us to guide our behaviour and decision-making, in order to maintain the highest ethical standards throughout our organisation. We ensure that our Code of Ethics has been distributed to all employees and directors. In addition, the Group provides guidance to the Group's directors and employees on their dealings in securities and other business ventures.

In performing its duties, Risk Management Committee conducts a meeting quarterly and identifies its key risks to assess the effectiveness of the risk management and internal control systems, especially dealing with financial, operational, compliance and climate change risks. The risks are reviewed and are subsequently reported to the Audit and Risk Committee board meeting. [GRI 102-11]

The Risk Management Committee is assigned and responsible to assist the Board, through the Audit and Risk Management Committee to continuously identify, review and monitor the key risks, control measures and management actions as part of the risk management process. [GRI 102-11]

Kencana's risk management framework comprises of assessments which separate risks into three categories: preventable, unpreventable and external. By creating this framework, the risk management group would

utilize a risk matrix to determine the significant issues. Then, the issues shall be prioritized and monitored in a more serious manner.

Complying with Kencana Agri's Code of Ethics, we have developed our whistleblowing policy. The whistleblowing policy shall identify contact points for reports in fraud, corruption, and other risks. We follow the spirit of our policy, and it has been socialised to our workers.

Our whistleblowing system closely monitored by the Internal Audit, guarantees confidentiality and freedom in raising concerns. The whistleblower system guarantees the greatest possible protection for whistleblowers and persons implicated. Reports may be made via phone call or by email to our contact centre. The Group ensures anonymity and protects the whistle-blowers in case of a report. [GRI 102-17]



External Initiatives & Associations

[GRI 102-12, GRI 102-13]

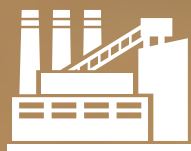
Complying with third-party sustainability certification standards is a major commitment for Kencana Agri as part of our external initiatives. We strive to adopt sustainable agricultural practices through certification with the ISPO and ISCC certifications.

Through our external initiatives, we create a better communication related our sustainability standard throughout our supply chains. Moreover, we also encourage our stakeholders to have a more sustainable business, which will benefit to the people and the planet, as well as fulfil the expectation of our stakeholders.

Kencana also has a commitment for community development through various agenda and initiatives. We are committed to working with peers and other stakeholders to implement these across our business. To date, the Group has participated actively as a member in a number of associations, namely: Gabungan Pengusaha Kelapa Sawit Indonesia ("GAPKI"), Indonesian Palm Oil Conference ("IPOC"), ISCC, ISPO and ISO (PC 248).



For more details on Kencana Agri's principles, approaches, practices, and achievement in the area of Good Corporate Governance (GCG) are stated in our Annual Report. Our annual report can be accessed at <http://www.kencanaagri.com>.



Sustainable Operation & Products



“At Kencana Agri, our ongoing quest to achieve greater productivity and yields without compromising on our sustainability commitments is central to our business approach.”



Palm oil accounts for 35% of the world's vegetable oil market. The use of Palm kernel and palm oil are widely varied because they can be processed and blended to produce a vast range of products with different characteristics. Palm oil in many countries is used as a simple frying oil, but many other markets make use of both palm and palm kernel oil.

Growing demand coupled with increasing environmental concerns means that to continue to be viable, more sustainable production is required. Kencana is committed to sustainable palm oil production by investing in long-term solutions that will create both economic and social benefits, while minimising environment damage.

Indonesia produced 47.1 million tonnes of crude palm oil (CPO) last year and 4.6 million tonnes of palm kernel oil. By the end of 2019, Indonesia held about 4.6 million tonnes of palm oil stockpiles. The production of palm oil in Indonesia is predicted to increase until 2020.

Expanding applications of palm oil in both edible and non-edible sectors remain the major growth-inducing factor for the market. However, the market for palm oil in 2019 remains fluctuates. The global production of palm oil is expected to grow to around 75.7 million metric tons in the marketing year 2019/2020, up from approximately 70.5 million metric tons in 2017/2018. In that period, Indonesia and Malaysia were the leading exporters of palm oil worldwide. (M. Shahbandeh, Jan 31 2020, Palm oil: global production volume 2012/13-2019/20, Statista.com)

Market conditions may fluctuate, but our commitment to pursue the highest standards of excellence in sustainability remains steadfast. We have continued to strengthen internal systems to ensure that we live up to our commitments and continuously improve our performance. Our ongoing quest to achieve greater productivity and yields without compromising on our sustainability commitments is central to our business approach.

Customer and Marketplace

Kencana Agri is committed to delivering the highest level of customer satisfaction. As one of suppliers for palm oil products, we serve both domestic and international markets. The Group is proud to produce high quality products for palm oil refiners, traders, brokers, oleochemical companies, and fast-moving consumer goods companies (FMCG). In 2019, 100% of our products was sold in domestic market. [102-6]

We endeavour to accurately understand the unique requirement from our buyers by maintaining a close relationship and conducting periodic visits. We really appreciate the feedback from our customers related to our products and services as the foundation to achieve sustainability. Moreover, It is our commitment to comply with all prevailing regulations regarding production, distribution, and traceability.

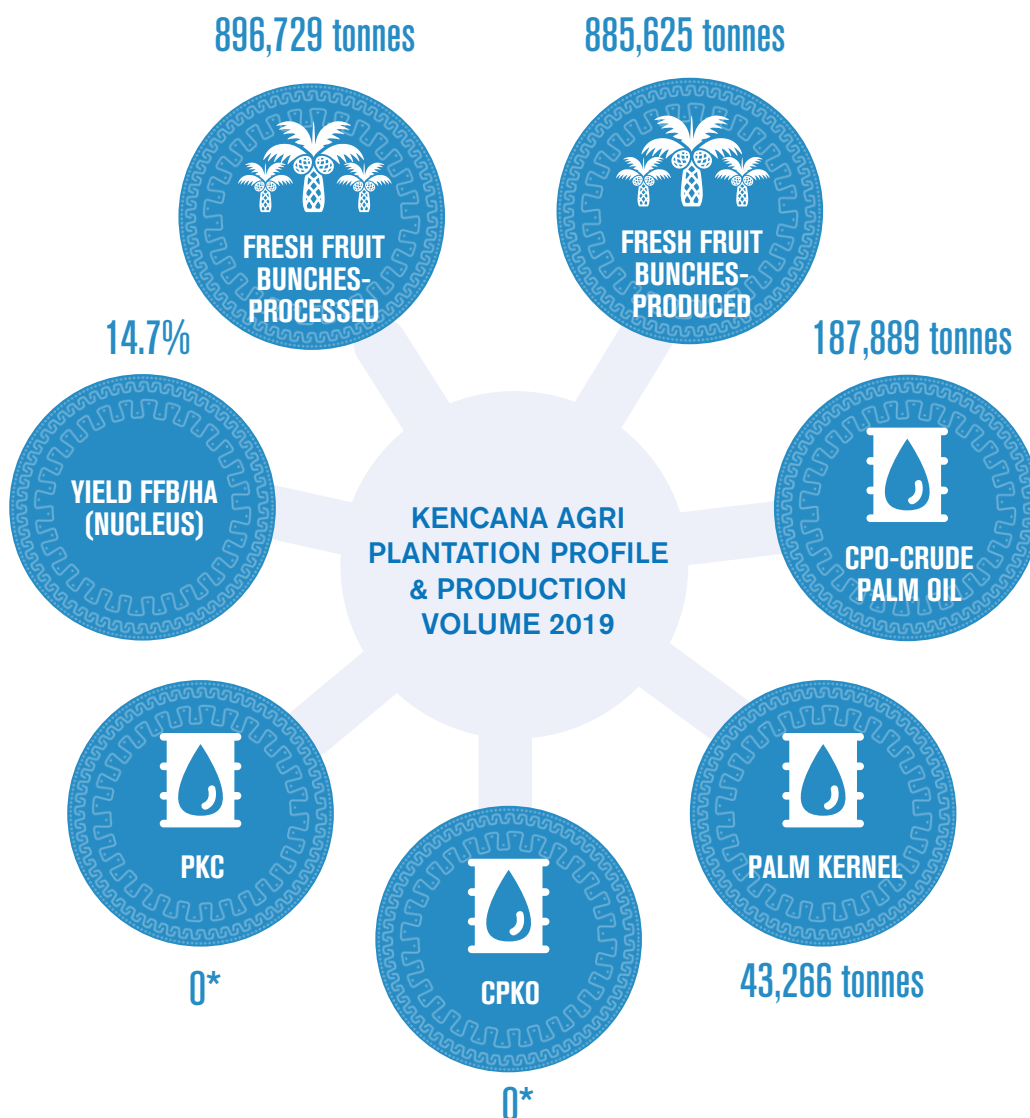
Respecting our customers' privacy is essential to maintaining their trust in our business. Managing privacy risks effectively is core to our approach. Our privacy policies and framework govern how we collect, use and manage our customers' information in order to ensure the confidentiality of their personal data and communications.

Customer complaints is one way of communication from our customers. We believe that well customer complain management may lead to a higher customer satisfaction. Throughout 2019, the Group has recorded some complaints related to our CPO and kernels from customers and marketplace authorities regarding our products, marketing communication practices or anticompetitive behaviour. All complaints have been resolved.

Primary Products and Production

Our operations include the development of oil palm plantations, cultivation of oil palm, management of estates, milling of FFB to produce CPO, CPKO, PK and PKE. We operate 6 (six) mills and 15 (Fifteen) nucleus oil palm plantations. It is Kencana's commitment to producing palm oil in an economical, environmentally sustainable and socially responsible manner.

In 2019, we managed a total of 67,722 ha of planted areas within our palm oil plantations and 16,136 ha of this total planted areas are dedicated for our plasma smallholders. Moreover, the Group produced 701,169 tonnes and 184,456 tonnes of fresh fruit bunches (FFB) from the nucleus and plasma estates respectively. The total CPO produced in 2019 was 187,899 tonnes, which was 4.7% lower compared to 2018 production of 197,149 tonnes. For the yield of fresh fruit bunches per hectare in 2019 reached 14.7ton/Ha.



Sustainable Operation

Kencana Agri adopts an innovative and inclusive approach to managing operation sustainably for the local community, our employees, and the entire value chain of the Group. To maintain the success of our business, we apply procedures and systems that will ensure the implementation of various aspects of our sustainability commitments.

We work to continually improve our efficiency across our supply chain by continually optimising the use of our resources including land, soil, water, fertilisers, seeds quality, and many more. We want to make our operations as efficient as possible using fewer resources and generating less waste.

Supported by the adoption of best practice management practice across our production process, replanting programs, FFB transportation, better tending of our crops to produce higher yields, and improvement of soil fertility, has enhanced the productivity and effectiveness of our operation.

We constantly look for ways to reduce our carbon footprint in our plantation and our daily operations through continuous engineering improvement programs. Moreover, we strive to adopt best practice of water management system and chemical spraying system to achieve sustainability.

Soil fertility is the backbone of our business and plays a key role in determining our product quality. We manage our soil fertility by allowing the organic nutrients from biomass waste to be re-utilised as natural fertilisers for the soil. Moreover, we use legumes cover crops to protect soil integrity, conserve moisture, boost nutrients and reduce soil surface runoff. We also maintain buffer zones to protect riparian areas and water quality.

Kencana has always recognised our responsibility towards our people and local community. Our

people are our biggest asset, so we are creating an environment where everyone feels valued and able to contribute their unique skills. We are committed to actively involved in making our communities better. It is our commitment to help alleviate poverty and improve quality of life through economic development, health, education and social infrastructure programmes.

Maintaining Product Quality [GRI 416-1]

Kencana Agri is committed to quality. We ensure that the products and services we provide meet or exceed our customer's expectations. We comply with industry best practices and continually improve the effectiveness of our quality management system. We have adopted Good Management Practices ("GMP") which reflected within all of our Standard Operating Procedures ("SOP"). These include FIFO treatment for FFB, maintaining low stockpiles for CPO & kernel, ensuring sufficient labour to support harvesting rotation, clean condition of collection point (TPH) and minimising mill breakdown amongst others, to maintain the quality of our FFA.

In 2019 the Group took great attention on the quality of our kernel sold to our customers, as concerns in stone content has become on the rise in the last couple of years. To mitigate this issue Operations has implemented a strict policy where all FFB collection point must be provided with sacks to minimize the amount of stones to be collected into trucks.

Sustainable Products & Traceability

The strengthening of Indonesian Sustainable Palm Oil Organization (ISPO) is a real commitment from the government and business community in Indonesia to build a sustainable oil palm sector. Kencana has implemented sustainability strategies at our plantations that are in compliance with ISPO certification main assessment criteria. ISPO aspects that we adopt include: [GRI 102-12]

- Legality
- Plantation Management
- Protection and Utilization of Primary Forest and Peat land
- Environment Management
- Responsibility for Workers
- Social Responsibility & Economic Environment
- Sustainable Business Improvement

In carrying our operations, we also implement the principles from both ISPO and ISCC within our operations. As our commitment, we conduct ISPO surveillance audits yearly and re-certification audits as required at all estates and companies. We also implement at all operation sites PROPER rating – environment performance rating by Indonesia’s Ministry of Environment and Forestry. We believe these initiatives provide competitive advantages in the market and help us ensure the quality, responsibility and sustainability of our products.

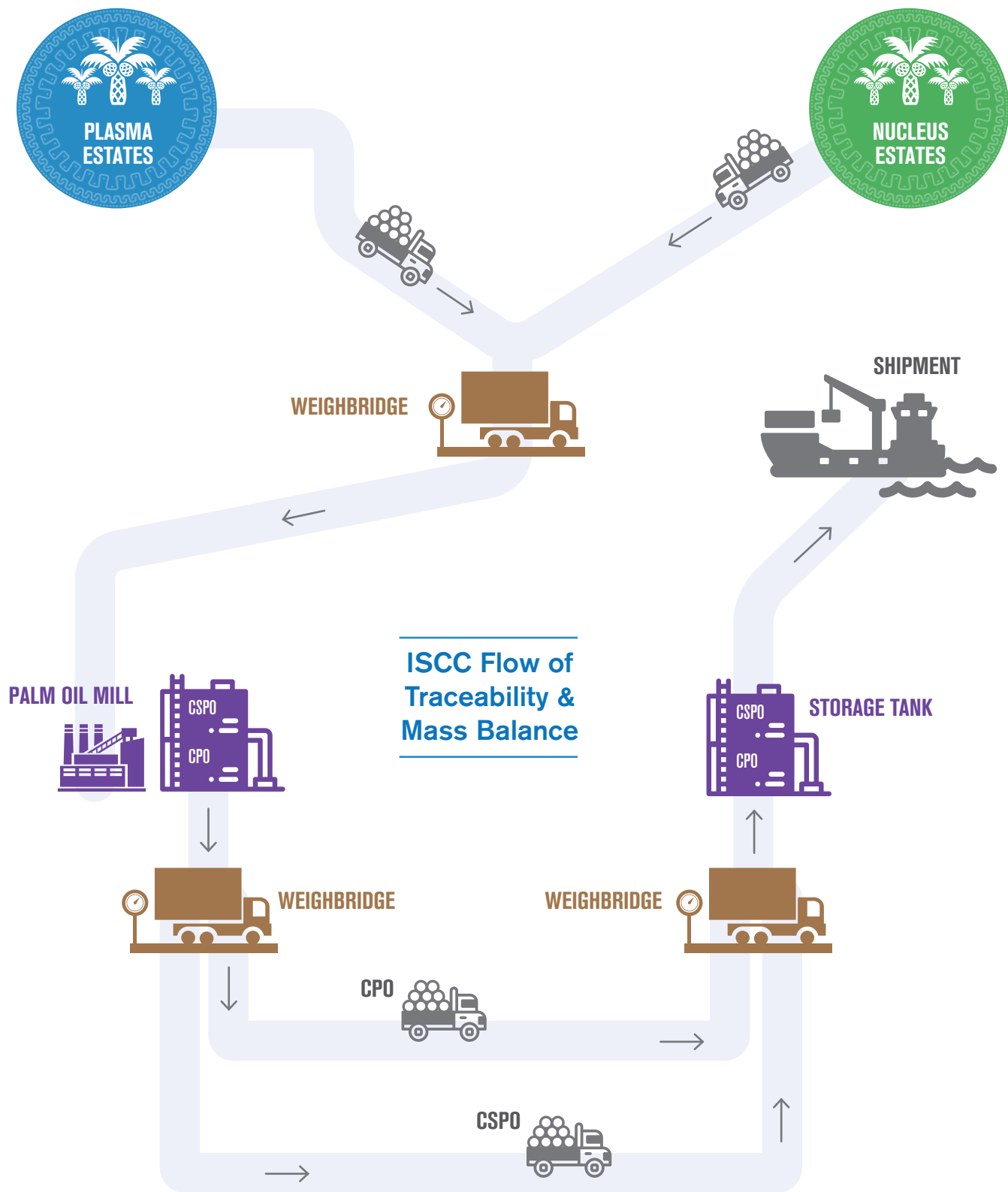
In Kencana Agri, to ensure the implementation of ISCC, ISPO and PROPER in our plantation, we collaborate with independent certification bodies, namely SAI Global & TUV Nord, and the Ministry of Environment and Forestry in conducting regular reviews and assessments. In addition, an annual surveillance audits are conducted to ensure that ISPO principles were implemented thoroughly and properly at all plantations.

As our commitment to implement best practice principles towards climate change, we have adopted ISCC principles in PT Sawindo Kencana and PT Alamraya Kencana mas. ISCC is oriented towards the reduction of greenhouse gas emissions, the sustainable use of land, the protection of natural biospheres and social sustainability. All FFB Products coming and into the Company are traceable to any of our stakeholders. Our ability to provide product traceability guarantees that our CPO and FFB were produced in and by reputable sources.



Kencana Agri has achieved Sustainable Palm Oil certification from ISCC for **23.5%** of our eligible nucleus palm oil plantation area which represents **12,126 hectares** of plantations that equal to **26,303 tonnes** of CSPO, and equivalent to **14.3%** of the total CPO produced by the group in 2019. This number has dropped significantly from 2018 due to a drop in FFB production in PT.AKM, but also from a decision to delay PT. AKM’s ISCC re-certification process in 2019.





The following table summarizes PROPER, ISCC, and ISPO certifications status of our operational areas as of 31 December 2019

Company Name	Certificate	Ranking/ Certification Status	Period Institute/ Certification Body	Institute/ Certification Body
Sawindo Kencana (SWK)	PROPER NATIONAL	Blue	2013-2019	Indonesia Ministry of Environment and Forestry
	ISCC	Certified	2015-2019	TUV NORD
	ISPO	Surveillance 4	2015-2020	SAI Global
Alamraya Kencana Mas (AKM)	PROPER NATIONAL	Blue	2013-2019	Indonesia Ministry of Environment and Forestry
	ISCC	Certified	2016-2019	GUT CERT
	ISPO	Surveillance 3	2016-2021	SAI Global
Agro Inti Kencanamas (AIK)	PROPER REGIONAL	Blue	2014-2016,2017-2018	Department of Environment, East Kalimantan Province
	PROPER REGIONAL	Green	2016-2017-2018-2019	Department of Environment, East Kalimantan Province
	ISPO	Certified	2019	SAI Global
Sawit Kaltim Lestari (SKL)	PROPER REGIONAL	Blue	2014-2018	Department of Environment, East Kalimantan Province
	ISPO	Surveillance 1	2018-2023	SAI Global
Agri Eastborneo Kencana (AEK)	ISPO	In progress	2019	-
	PROPER REGIONAL	Blue	2018-2019	Department of Environment, East Kalimantan Province

What We Say We Do

Target

How We Live Up to Our Commitment

2018

2019

To ensure all estates and mills that have been appointed to be assessed according to PROPER, achieve at least the blue rating.

Blue
or Higher

Blue :
SWK, AKM, SKL,
AEK, AIK

Blue:
SWK, AKM, SKL, AEK
Green:
AIK (PROPERDA
East Kalimantan)

ISPO Certification for all plantations and mills in the operational phase.

Certify **100%**
operational estates
and mill by 2020

**60% of operational
estates and mills
ISPO certified**
SKL became 3rd estate
to receive ISPO
Certification

**80% of operational
estates and mills
ISPO certified**
AIK became 4th estate
to receive ISPO Certification



Environmental Management & Compliance



“Environmental stewardship is a priority for Kencana Agri. It is important for us to implement best practices to conserve and maximize efficiency.”



Kencana Agri's business activities are closely associated with natural resources, we are committed to always practising responsible stewardship of the environment and strive to adhere to the principles of sustainable development. Environmentally-sustainable development involves integrating the productive use of land to fulfil the world's growing need for renewable resources with an appreciation for the value in conserving natural habitats.

Translating principles into outcomes is where our sustainability priorities are brought to bear. The imperative of sustainability relating to the environment involves the Group's stewardship comply with the best environmental practices on the land cultivation, production process, up to products distribution and handling.

The Group's environmental stewardship entails employing relevant and site-specific management practices relating to soil, water, air and waste management. It is our commitment to employ the best agricultural practices on all our lands, primarily on the lands that were re-cultivated from degraded lands and logged-over secondary forests which were leased and licensed to us by local governments.

Environmental Management Systems

In building a systematic and effective environmental engagement protocol, our Group has established the adoption of best-in-class standards. These certifiable standards serve as vital tools for the assurance of product consistency and performance efficiency of our operating units, besides the mitigation of impacts on the environment. Kencana has adopted various standards and practices, namely PROPER from the Ministry of Environment and Forestry of Indonesia, Indonesian Sustainable Palm Oil System (ISPO), and International Sustainability & Carbon Certification (ISCC).

Moreover, we are committed to comply with the provisions specified in Law of the Republic of Indonesia No. 5/1990 concerning the Conservation of Living Resources and Their Ecosystem. The Group also implement Good Agricultural Practices (GAP) in our land cultivation and biodiversity conservation practices.

In building a systematic and effective environmental engagement protocol, our Group has established Kencana Agri's Environmental Sustainability Policy that has been in effect since 19 January 2015. These certifiable standards serve as vital tools for the assurance of product consistency and performance efficiency of our operating units, besides the mitigation of impacts on the environment.



Environmental Performance Rating & Certification Standards

The Group believes that conservation initiatives are vital to ensure the objectives of conserving the areas are fulfilled and able to deliver their ecological values and benefits. Kencana commits to a number of actions that are rigorously monitored. Regular assessments are conducted to review our compliance with the PROPER, ISCC, and ISPO provisions.

The Group adopts national sustainability standard PROPER (Program Penilaian Peringkat Kinerja Perusahaan Dalam Pengelolaan Lingkungan). PROPER is a program from Ministry of Environment and Forestry which aims to encourage companies' participation in conducting environment management in complying with the regulation and adding value in the natural resource conservation, energy conservation, and community development. Various aspects are assessed in this program and companies' performance will be rated according to Gold, Green, Blue, Red and Black ratings. In 2019, all companies were successful in attaining Blue PROPER assessment rating. We aim to maintain a minimum certification of Blue PROPER rating across operations.

Kencana promotes the production and use of sustainable palm oil throughout the supply chain through the implementation of Indonesian Sustainable Palm Oil System (ISPO) and International Sustainability & Carbon Certification (ISCC). Indonesian Sustainable Palm Oil System (ISPO) consists of 29 criteria and 147 indicators that are compulsory in running sustainable oil palm operations in Indonesia. It is our commitment to maintain ISPO certificates at all plantations with mills and achieve ISPO certification for PT Agro Inti Kencanamas in 2019.

The Group maintain ISCC certification for PT Sawindo Kencana and PT Alamraya Kencana Mas. ISCC certification is a global leading certification which aims to ensure environmentally, socially and economically sustainable production and use of all kinds of biomass in global supply chains. ISCC covers major and minor indicators to promote green practices, in particular in regards to product traceability and protection of land. We strive to maintain and re-certify all ISCC certified plantations and mills. To date, over 12,126 hectares of 2 (two) mills have received ISCC certification. Moreover, we will commit to improve the plant yield and workers' welfare.



Emission Reduction and Monitoring

The Group recognises that climate change can have an impact not only on the natural environment and vulnerable communities, but also on our business. We are dedicated to developing plans that will progressively reduce our Greenhouse Gas (GHG) emissions.

Kencana calculates net GHG emissions in our plantation operations, mills operations and transportation activities from both subsidiaries which were generated from fuel consumption, application of fertilizers. We have been able to monitor and calculate our GHG emissions from 2 (two) most significant operation areas, namely PT Sawindo Kencana and PT Alamraya Kencana

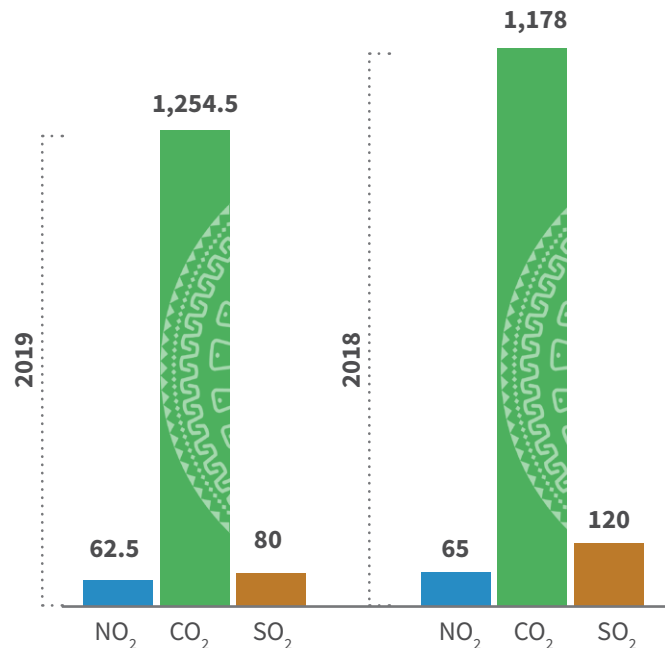
Having proper initiatives is essential to ensure that we do our part in protecting our planet. Our initiatives to improve GHG performance includes:

1. Utilizing biomass as fertilizer and an alternative fuel substitute for generators and boilers. Also reducing emissions from the use of fertilizers and diesel fuel in our estate and factories.
2. Monitoring the use of generators for housing electricity. Housings in estates are connected to the government grid whenever possible, thus reducing emissions from diesel generators.
3. Monitoring air quality every 6 months within our estate and mills area. We report on NO_x, CO and SO_x generated around our plantation and mills.

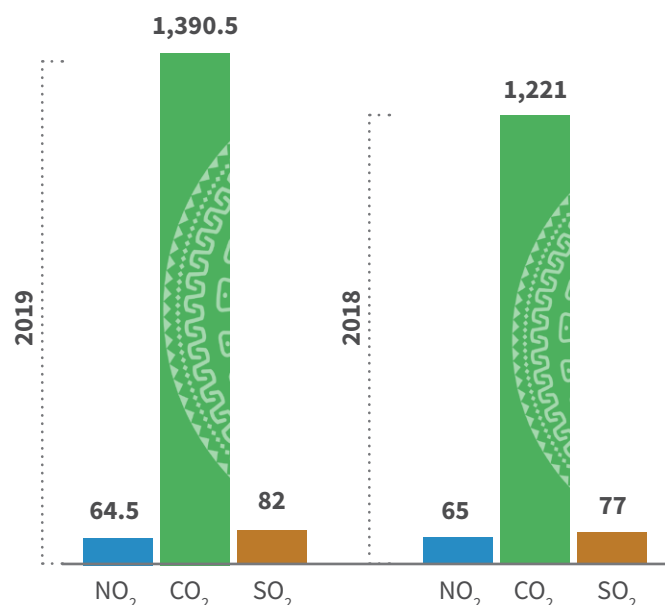
Complying with the regulation from the Indonesian government, the environmental quality standard (Baku Mutu Lingkungan-BML) for NO_x, CO and SO_x values are 400, 30,000 and 900 µg/nm³ respectively. We committed to maintain the average of NO_x, CO and SO_x values under the BML. Even though we could maintain our GHG on the BML limit, we strive to keep lowering our air emissions to the best that we can.

We calculated our GHG emission from our operation according to the Regulation of the Ministry of Environment and Forestry of the Republic of Indonesia Number 41 Year 1999. In 2019, we managed to reduce our GHG emission from the Group's operation.

Highest Emission Test Results 2019 From All Subsidiaries (Up Wind)



Highest Emission Test Results 2019 From All Subsidiaries (Down Wind)





We managed to identify, monitor and reduce our carbon emissions throughout our operations. We have implemented a GHG calculation tool compliant with ISCC EU System 205 v.3.0 standard at all our mills and their estate supply base from two most significant operation areas, namely PT Sawindo Kencana and PT Alamraya Kencana Mas. The activities that we monitored include GHG emission from plantation operations, mills operations and transportation activities from both subsidiaries which were generated from fuel consumption, application of fertilizers.

In 2019, our GHG calculation in plantation, mills and transportation activities in PT Alam Raya Kencana mas was 833.76 kgCO₂/dry-ton CPO, while for PT Sawindo Kencana GHG calculation for 2019 operation was at 651.67 kgCO₂/dry-ton CPO, which showed 16% decline compare to 2018 calculation.

Energy Consumption

Kencana Agri is committed to making changes in our operations to reduce our climate impact. One of the ways we're working toward this commitment is striving to reduce emissions by focusing on two initiatives regarding energy, which are energy consumption reduction and maximising the utilisation of alternative energy sources through the use of biomass as renewable energy sources. In 2019, Kencana managed to minimise the consumption of

fuels that were previously used for transportation vehicles (motorcycles) in our plantation areas to a very minimum insignificant volume. [\[GRI 103-1\]](#)

In order to increase energy efficiency ratio in our operation, we strives to optimized the quality of the FFB produced, hence resulting in a higher percentage of utilisation in the mills. In 2019, the average FFB yields were 14.7 tonnes (nucleus) and 14.05 tonnes (plasma) per hectare, while our Oil Extraction Rate ("OER") was 20.95 %. These OER and FFB yields show that the Group's growth potential is not yet fully realised as 37 % of its nucleus oil palms are in the immature and young mature stage. This data implies that the Group's current processed FFB derived mostly from 63 % production of its prime mature oil palms (nucleus and plasma), which amounted to 885,625 tonnes of FFB in 2019. [\[GRI 103-2\]](#)

Electricity used by our mills are generated from steam turbines fueled by kernel shells and leftover fruit fibre. Recycling by products not only helps manage input costs, but also reduces our carbon footprint.

Throughout the year, our mills were able to produce biomass fuel such as fibres and shells amounting to 166,046 tonnes, or 2,027,817 Gigajoules of energy, which is equivalent to 19,125,980 kWh of electricity. In comparison to the total 21,134,027 kWh of electricity generated, the biomass fuel accounts for 90% of the Group's total generated electricity. [\[GRI 103-3, GRI 302-1\]](#)

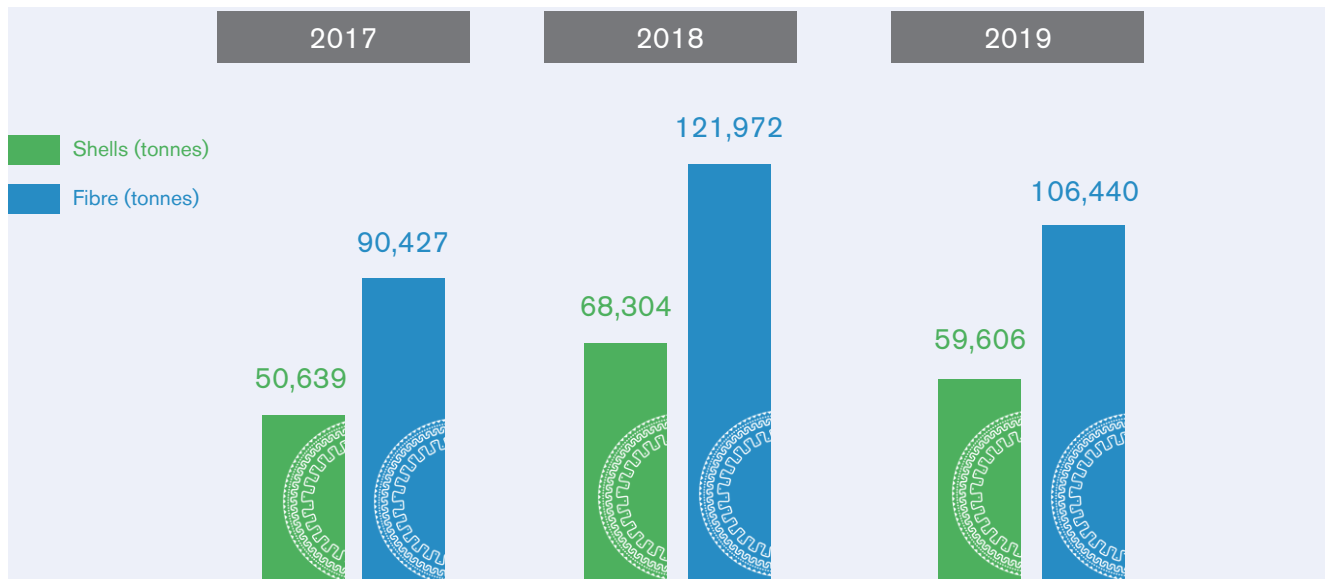
Energy Consumption of Mills [\[GRI 302-1\]](#)

Energy Sources	2019		2018		2017	
	Volume	GJ	Volume	GJ	Volume	GJ
Shells (tonnes)	59,606	940,460	68,304	1,077,698	50,639	798,979
Fibre (tonnes)	106,440	1,031,862	121,972	1,182,439	90,427	869,273
Diesel-vehicles, machineries, housing (litres)	165,563	5,944	173,096	6,214	192,703	6,918
Diesel-electricity generation (litres)	975,123	35,010	1,075,380	38,606	1,127,750	40,486

Note: The total volume conversion of biomass usage to GJ is multiplied by the Net Calorie Value. Net Calorie Value can be obtained from our laboratory sample test results at Sucofindo Laboratory in 2009.



Renewable Biomass Utilization



Water Usage

Clean water is critical to sustain all kinds of life form on Earth. In rural areas with thousands of local residents are dependent on water supplies from lakes and rivers. Moreover, maintaining a clean and uninterrupted supply of water constitutes one of the most critical components in sustainable palm oil production.

As an agribusiness, water is crucial not only for the maintenance of our crops but also in other areas of our operations such as the well-being of our workers and to generate steam for processing. We adopt best water management practices to ensure the efficient use of water. We implement Triple R programmes, as well as the installation and integration of wastewater treatment systems with our overall waste management. The objectives are to maximise the utilisation of wastewater from our operations and to be able to discharge it back to water bodies responsibly. [GRI 103-1, GRI 103-2]

We developed our water management system with

comprehensive hydrology, agronomy, and topography studies which enable accurate control and monitoring of water flow. Kencana also puts into consideration on environmental conservation aspects. Moreover, we conducted assessment on social impact of our system. Further evaluation has been done on the effectiveness and impact on our water management system started from the construction phase. The Group use computer software modelling and simulation of the system, thus aiding the Group in designing an optimal system for each particular area. [GRI 103-2]

All the water used for our milling operations is withdrawn from rivers and we do not use groundwater. Throughout 2019, the Group withdrew a total of 1,360,323 m³ of water from nearby reservoirs and rivers in our estates for mill processing. Most of the reservoirs we use sourced from rainwater. The water consumption intensity based on 2019 total water consumption was 1,60 m³ of water per ton of CPO produced. Total water usage by the Group consists of 85% from reservoirs and the remaining 15% from rivers surrounding our estate areas. [GRI 303-1]



Water Sources and Consumption Profile 2019

[GRI 303-1, GRI 303-3]

Operational Area	Area Water Source	Consumption Volume (m ³)	%
Bangka	Reservoir*	308,823	23%
South Kalimantan	River **	207,805	15%
East Kalimantan	Reservoir 1*	129,606	10%
	Reservoir 2*	397,977	29%
	Reservoir 3*	316,111	23%
Total Water Consumption (m ³)		1,360,323	100,0%

Note: * Recycled water ** Potable Water

Various initiatives has been conducted to ensure water conservation by maintaining optimal water condition, thereby creating an ideal environment for palm oil cultivation. Our water management system aims to prevent flooding, minimise erosion, and to secure the water supply for our plantation areas during the dry season. Moreover, we also developed Watergate system in low lying areas, terracing system, and cover crops planting, were among these efforts for creating a better environment for our trees. [GRI 103-2]

Grievance

Kencana has a grievance mechanism in line with our Sustainability Policy. A robust grievance procedure has been put in place to resolve all verifiable complaint and conflicts with all parties in our supply chain. The grievance mechanism is very important because it benefits open and inclusive dialogue with our stakeholders.

In 2019 there was one grievance filed to one of our estates, PT Sawit Kaltim Lestari (SKL) with regards to allegation on environmental pollution to a river in Desa Sabintulung, Kecamatan Muara Kaman. The allegation was first reported to Department of Environment and Forestry in April 2019. The case was based on accusations from the local village, related to the presence of several fish that died in the river and itchiness that arose after several residents bathed in the river.

On 23 April 2019, SKL received the official complaint letter and offered a forum for an open dialogue with all of our related stakeholders. Subsequent to the open dialogue on 24 April 2019, representatives from the Department of Environment and Forestry conducted site visits around the Estate and Mill within the proximity of the alleged polluted river. The Department also interviewed village officials as well as residents. With the help of Fisheries and Maritime Service they took 6 (six) samples from the river back to their laboratory.

SKL continued an open discussion with the local villagers and monitor the water quality on the river daily during this time. In June 2020, once the result from the laboratory has been finalised, the Department of Environment and Forestry concluded there was no pollution originated from SKL operations. The report was presented to the village officials and local residents as well through an open discussion forum.

SKL continued to help the local village to find the cause for the death of the fish in the river. And to support the local residents income, SKL helped them with fish seedlings to ensure they will have a sustainable business in the coming months.



Waste Management

Good waste management shows the Group's sustainable growth and production of palm oil. We are committed to reducing, reusing and recycling. The main waste products from milling processes include organic solid plantation waste such as empty fruit bunches (EFB), fibres, shells and palm oil mill effluent (POME), which are predominantly reused, recovered and recycled.

EFB is applied as mulch to conserve moisture, improve soil fertility, and reduce weed growth. Shells and fibre also provide renewable boiler feedstock. Recycling production and plantation waste acting as organic fertilisers would reduce operational costs. As our procedure is to store the waste for a total of 5 years. After that time has elapsed, the waste could be recycled into compost fertilizer that could be applied as an addition to our palm trees.

In 2019, we recovered 178,819 tonnes of empty fruit bunches, which is a significant decrease from 204,913 tonnes in 2018, and 539,501 m³ of effluents from processing activities, which is also a decrease from the previous year of 619,283 m³. These are solely due to the drop in the FFB processed in 2019.

[GRI 103-1, GRI 103-3]

We have a holistic waste management system which aim is to harness waste as useful materials or minimise waste, so that the impact of our operations on the environment is mitigated. The Group can increase our overall yields while at the same time cutting costs by using less chemical supplements by efficiently utilizing land application methods to supplement our palm oil trees. We can reduce the costs needed to run our boilers and generators through the utilization of other biomass forms such as shells and fibre as a substitute for diesel. [GRI 103-2]

Reutilisation of Our Primary Biomass [GRI 306-2]

Primary Waste	Utilisation	Total Amount Recovered & Recycled			
		2019	2018	2017	Units
Empty Fruit Bunches	Fertiliser & biomass fuel	178,819	204,913	143,408	Tonnes
Mesocarp Fibers	Biomass fuel	106,440	68,304	90,427	Tonnes
Shells	Biomass fuel	59,606	68,304	121,972	Tonnes
Palm oil mill effluent (POME)	Fertiliser	539,501	619,283	617,878	m ³

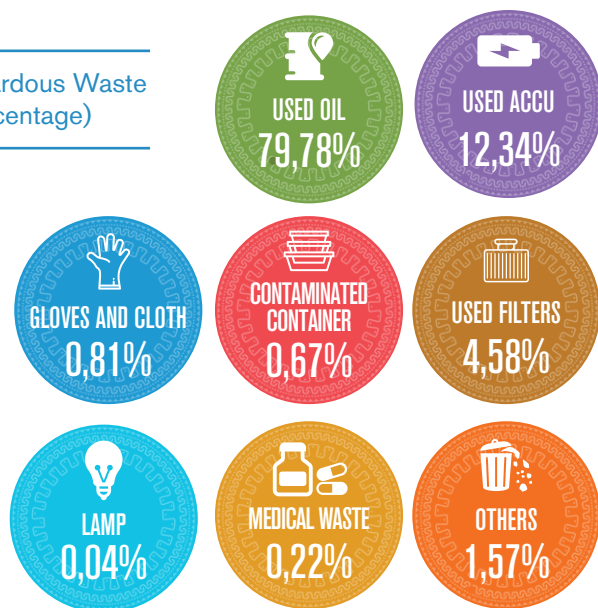


The Government has applied more stern regulations on the handling of hazardous materials. The Group has always been committed towards the regular monitoring of the use of waste, especially those categorized as hazardous materials, which consists of used lubricants, used rags, used batteries, used filters, empty paint cans and printer cartridges, and needles from health clinics.

In our site office, the waste produced was less than 50 kg for one day. Our procedure is to segregate, label and store in a secure, fire resistant temporary storage facilities. Our storage facilities are equipped with accidental spill containment kits, alarms, firefighting gears, shower/eyewash and first aid kits. The period of waste disposal relies on its type and category, with storage times ranging from 180-365 days. Furthermore, we have collaborated with community health centres or “puskesmas” for our medical waste which will incinerate the waste safely.



Hazardous Waste (Percentage)



Hazardous waste are then collected by licensed third-parties for proper disposal in accordance with national legislations and international best practices. The carrier would then issue a manifest of handling of hazardous waste transport which Kencana will use as proof to report to the Ministry of Environment and Forestry. Our Health and Safety Officers at each site has been properly trained and are qualified to monitor and ensure that the waste management practices are in accordance with the rules.

Facilities are inspected regularly by the Regional Environmental Agency. We guarantee that our plantation have up to date facility permits. In 2019, each mill produced an average 3.1 tonnes of hazardous waste, which was roughly the same amount produced in 2018. In 2019, there were no reports of any significant spills. [GRI 306-2, GRI 306-3]

Palm Oil Mill Effluent Management

Oil palm plants are so productive, every part of it can be used such that nothing is wasted. Even the by-products of palm oil production and processing can be turned into something useful which making oil palm one of nature's zero waste crops.

The oil palm fruit produces 2 products namely crude palm oil (CPO) and crude palm kernel oil (CPKO). CPO is obtained from the mesocarp and CKPO from the kernel. During the extraction process, it generates waste such as empty fruit bunch (EFB) and palm oil mill effluent (POME). These wastes are applied to the fields in sustainable manners as organic fertilizer. By implementing POME as organic fertilizer, it helps reduce inorganic fertilizer usage.

As many as 539,501 m³ of waste water has been

generated from our mills in 2019. The effluent quality is expressed using a median Biological Oxygen Demand (BOD) at 626 Mg/l. This number is below the regulated standard of BOD level at 5,000mg/l.

Our studies from 2014 to 2019 showed that addition of water and extra nutrients to the soil might boost yields of oil palm production from 6 tonnes/ ha to 8 tonnes/ha, compared with other blocks in the same planting year without land application of reutilised POME. Based on those studies, we put into use 100% of our production POME as fertilisers back into the field on areas that have already been licensed for land application.

It is important to note that the Group does not discharge any of our POME into waterbodies. The amount of palm oil mill effluent (POME) recycled back to the plantations was at a ratio of 0.63 m³ of effluent per 1 metric ton of FFB processed. [GRI 306-1]

Subsidiaries	POME Biological Oxygen Demand (BOD)		Outlet Quality Standard	Unit	Outlet Discharge Destination
	Inlet	Outlet			
Sawindo Kencana Lestari	13,341	778	5,000	mg/L	Land application to the soil as fertilisers
Alamraya Kencana Mas	26,434	888	5,000	mg/L	
Agro Inti Kencanamas	20,649	469	5,000	mg/L	
Sawit Kaltim Lestari	34,834	825	5,000	mg/L	
Agri Eastborneo Kencana	12,683	164	5,000	mg/L	
Average	21,588	625	5,000	mg/L	



We strive to maintain our Biological Oxygen Demand (“BOD”) level effluents to be applied for land application is safely below the standard. The table below describes our BOD level across our mills of the wastewater treatment outlets, with the water later used for land application. [\[GRI 306-1\]](#)

Even though our BOD level is under the regulated limit, we continue to improve a robust liquid waste management system by ensuring minimum waste value. we continue to safeguard the quality of groundwater and prevent any risk of contamination by installing monitoring wells in surrounding areas. These wells are covered, locked and maintained regularly. As part of the PROPER assessment, representatives from the Regional Environmental Agency inspect the quality of the water within the wells regularly.

Integrated Pest Management

Achieving maximum palm fruit yields with minimal pollution requires careful management of our inorganic fertiliser inputs. Combination of ecological, physical, biological, cultural and chemical methods are employed to control pests and diseases in our estates. This Integrated Pest Management philosophy seeks to prevent the excessive use of chemical pesticides which could have an impact on the environment and workers’ safety.

The Group seeks to optimise the quantity of organic and inorganic fertiliser that it applies and supplements inorganic applications with organic fertiliser so as to maximise the use of the empty fruit bunches (EFB) discarded by the mills. The application of EFB for mulching provides the palms with organic matter that helps to retain ground moisture which is important during dry weather periods and also helps to minimise the application of inorganic fertiliser. [\[GRI 103-1\]](#)

Kencana conducted non-chemical pest control measures in our plantation to minimise the use of chemicals to sustainably maintain pest populations within economic thresholds with minimal harm to local ecosystems. In this system, encouraging natural predators have enabled a reduction in the utilisation of pesticide. Since 2015, we managed to reduce our use of chemical pesticides. [\[GRI 103-2, GRI 103-3\]](#)

Our integrated pest management strategy includes a combination of biological controls and good agricultural practices. Several pests found in the perimeter of Kencana Agri’s plantations and mills are including rats, rhinoceros beetles, bunch moths, bagworms, and nettle caterpillars.

The Group’s long established Integrated Pest Management system aims to prevent pest outbreaks by boosting biological control. In order to optimise natural pest control, we breed owls to control rat populations.

Kencana has planted species of plants known to attract natural predators of the major leaf eating pests of oil palms, including bagworms and caterpillars to flourish by planting *Turnera subulata*, *Turnera ulmifolia*, *Antigonon leptopus*, *Cassia tora*, and *Nephrolepis*. Moreover, to control *metisanaplana*, a pesky caterpillar native to West and Central Sulawesi region, the Group cultivates *Turnera Subulata*, *Turneraulmifolia*, *Cassia tora*, *Euphorbia heterophylla*, and *Antigonon leptopus* which are planted at each block alongside palm oil crops. These plants contain nectar and pollen that serve as a food source for parasitoid insects and predators of the pest caterpillars, ultimately bringing pest populations under control.



OWL

Owls are the best partners to oil palm growers due to their ability to adapt well in oil palm plantations, significantly reducing rat population and usage of rodenticides. We placed nest boxes around the perimeter of our plantations to invite barn owls to nest. By the end of 2019, PT Sawindo Kencana had been the home for a total 93 adult owls (*Tyto alba*), 22 juveniles as well as 115 unhatched eggs.



TURNERA SUBULATA

Beneficial plants such as *Turnera subulata*, are extensively planted throughout our estates as biological control for leaf-eating pests. The flower is the perfect home for *Sycanus*, a type of insect that hunts caterpillars and worms that can damage oil palms. This beautiful flower has been helping us to suppress and minimise pest attack.



OUR BIOLOGICAL CONTROL

Biological control clearly holds great promise for solutions to pest problems affecting our plantation. Allow us to introduce you to our biological control from various regions of our operations

TURNERA ULMIFOLIA

Turnera subulata blooms every 8 AM in the morning. This flower is originally from Mexico and the West Indies. Aside from helping make the plantations look more colorful, the flower is also the perfect home for *Sycanus*. The flower becomes a food source and host plant for *Sycanus*, the predators of leaf-feeding worms, so that the pest attack can be suppressed,

ANTIGONON LEPTOPUS

Antigonon leptopus is regarded as an environmental weed in many parts of the world. It is flowering shrubs which host a range of predators of leaf-eating pests. This powerful beauty help Kencana in our pest control approaches.



Nature Conservation [GRI 304-1, GRI 304-3]

Sustainability is defined as using resources to meet human needs while ensuring the conservation of natural systems and environments today and into the future. That is why sustainability resides at the core of our values and aspirations. The Group has been protecting the natural environment around the perimeter of its plantations and mills. We strive to conduct an operation in respect towards the surrounding environment, especially in regards with the protection of the biodiversity.

Many tropical regions are facing the risk of losing their High Conservation Value (HCV) areas due to extensive conversion of primary forests into plantations. The Group conducts effective conservation efforts under a number of initiatives in line with ISPO and ISCC standard. Our approach toward nature conservation includes continual improvement of our High Conservation Value (HCV) area monitoring efforts, internal capacity building, engagement with local communities and other oil palm plantation companies, as well as partnerships with academic and research institutions, NGOs and governmental organizations. [GRI 103-1]

Kencana has committed to the conservation of environmentally valuable forest within our concession areas. We conduct HCV assessment for all new development areas through accredited independent HCV assessors. It is always our commitment to

preserving all conservation areas, maintaining habitats and not converting HCV land into plantation.

By the end of 2019, we currently conserve and protect more than 42,600Ha of HCV forest inside our concession areas. We ensure to conduct HCV studies for all new development areas, through accredited independent HCV assessors, and implements a management strategy that focuses on these following key aspects:

- Preservation of river border lines.
- Cultivation local trees in HCV area
- Educating the local community on the importance of preserving HCV areas.
- Regularly monitoring river water quality.
- HCV areas are regularly monitored and audited by the internal sustainability team.
- Recording every wildlife species found in the estates, and taking notes of those classified as vulnerable and above on the list of protected species under Indonesian Government Regulation No. 7 of 1999 on Preservation of Flora and Fauna.

A comprehensive and methodological HCV assessment has been conducted, and we have successfully identified 42 (forty two) flora and fauna distribution in Kencana Agri plantation areas. As many as 5 (five) species are categorized as endanger, another 5 (five) species are categorized as vulnerable, and 1 (one) species is categorized as new threatened. While 31 (thirty one) species are categorized as least concern.





FIRE MANAGEMENT

Kencana acknowledge that Fire Management, especially in Kutai Kartanegara has become an integral part of our daily operations. Despite our best efforts, in 2019 some fires have occurred within our concessions, especially during the dry weather season. In 2019 Kencana has identified that all of these fires originated from outside of our concessions, which are mostly set-off by the local communities that still practice burning either for land clearing, or to ease fishermen to look for fish in area covered by tall grass. Thus daily, a team of fire patrol conduct inspection along our perimeter, to ensure there is no fire within our concession. Each fire incident occurred close to the border, even if they are outside of our concession, are reported to the Police and relevant agencies.

As we have managed in the previous years, Kencana continues to work together with the regional government to help the locals conduct their fishing practices in a more sustainable way, for example by educating them to make fish cages. However, to intensify our efforts, Kencana initiated a program to work together with six other oil and gas companies, neighbouring with our estates in Kutai Kartanegara. This social development program is to be set across seven neighbouring villages: Desa Sabintulung, Desa Puan Cepak, Desa Sedulang, Desa Menamang Kiri, Desa Menamang Kanan, Desa Muarakaman Ulu, and Desa Liang Buaya. All companies agreed to:

- Help hand in hand to combat fire around the area of our concessions. Each Company is expected to provide assistance when necessary during fire breakout.
- Each Company is to conduct social development programs within each of their integrated posts scattered among 7 villages.



Despite our best efforts, fires may occasionally occur in our concessions, particularly during the dry season. Most of these fires originate from enclaves within our concessions that are set aside and controlled by small scale farmers and local communities that continue to practice burning as a means to clear land. Some fires also originate outside our concession areas and spread to our concessions due to topography or wind.





Social Community Development

We ♥ Kohiman (Kopi Hitam Mar
Kecipir (Keripik Singkong
Jaelani (Jahe Enak Lagi N





“We support a sustainable development of the local community in which we operate.”



Kencana Agri Limited

Social Community Development

[GRI 103-1, GRI 103-2, GRI 103-3]



Good relationship with communities is considered a strategic process for social actions, and consists in the establishment of interactions with the communities that are in the area of influence of the operations and projects of the company. Kencana Agri has an obligation to monitor and manage any possible impact of our operations on the local communities. We also ensure that our local communities receive financial, social support and benefit by developing the local communities in which we operate.

The palm oil sector has been instrumental in lifting rural communities out of poverty through the creation of jobs and the provision of important infrastructure. We do recognize that land acquisitions and the development of new plantations create change for local communities and may undermine local livelihoods.

We are committed to maintaining positive relationships with the communities where we operate. This involves upholding the rights of indigenous and local populations through constructive engagement. It also involves contributing to the socio-economic development of our neighbouring communities through community investment programmes in healthcare and education facilities. This initiative is part of our Kencana's Social Community Development Focus.



Related to our relationship with the local community, the Group's priority is to avoid conflicts, with or amongst local communities, from occurring in the first place. When conflicts do arise, we endeavour to have a responsible and peaceful resolution process. [103-2]

Our Social Community Development initiatives comply with the Law of the Republic of Indonesia No. 40 year 2007 point 74 and Government Regulation No. 47 year 2012 on Environmental Social Responsibility of Limited Liability Company; and Government Regulation No. 93 year 2010 and Finance Ministry Regulation No. 76/PMK.03/2011 dated 5 April 2011 on Deductible Donations.

Kencana's Social Community Development Focus [GRI 103-2]

We believe mutual respect and engagement with the local communities being a key factor for the plantations' future success. Our community development programs are developed according to specific needs in the communities and based on the Group's focus area of implementation.

The Groups establish partnerships with local communities as part of its corporate and social responsibility. These partnerships provide community empowerment and foster community self-reliance.



Empowering The Local Communities

The Group establish partnerships with local communities as part of its corporate and social responsibility. These partnerships provide community empowerment and foster community self-reliance. To that end, the Group establishes plans and programs to leading community growth in areas where we are operationally present.

Our initiatives include the plasma partnership that the Group initiated in 1997, where it consistently supports the smallholders to grow sustainably through the establishment of inclusive agribusinesses where Kencana operates. We work with indigenous and local communities through various plasma scheme partnerships.

Fostering Engagement & Relations

Kencana establishes engagement and maintains relations with all stakeholders, including the communities where we operate. We adopt a proactive engagement approach with communities, creating opportunities for a broad and constructive dialogue with a focus on long-term relationships.

The community is given the opportunity to file a complaint should a social or environmental problem occurs resulted from the negative impact of the Company's operations. The Company has prepared complaint handling system. Should a conflict or grievance arise, we ensure that these are resolved with local communities through an open, transparent and consultative manner.

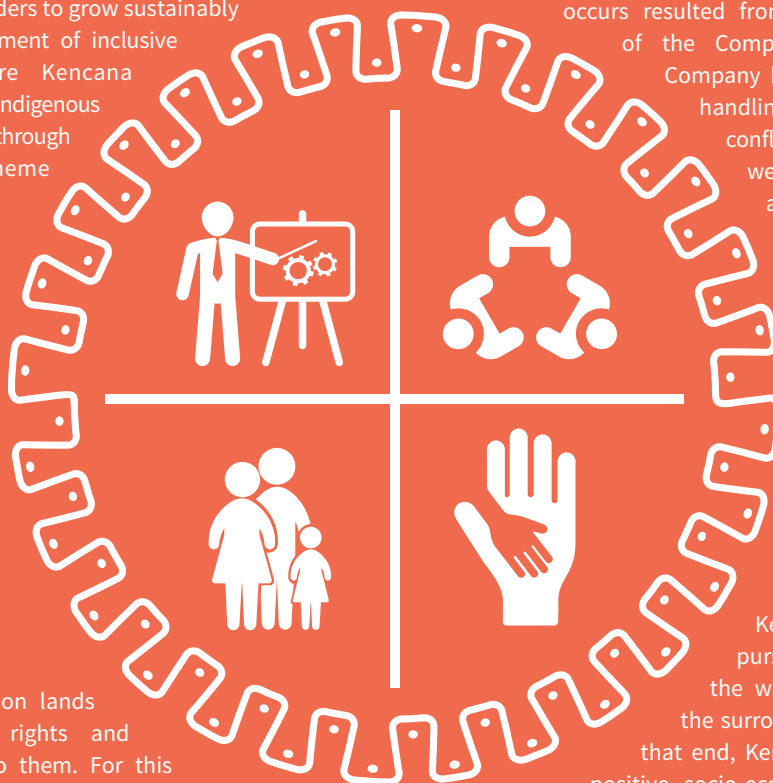
Respecting The Rights of Indigenous and Local People

The Group operates on lands that have specific rights and traditions attached to them. For this reason, Kencana ensures to protect and respect the rights of communities living within and around our operations, creating positive impact through proactive engagement and collaboration.

Kencana Agri's agricultural and business practices respect the conservation of the biodiversity and the rights of the people to live and have a better life

Supporting Better Welfare

Kencana Agri has always pursued the betterment of the welfare and condition of the surrounding communities. To that end, Kencana commits to drive positive socio-economic impact for the people and communities we touch, through job creation, investments in plasma projects and community development programmes centred on education, healthcare and infrastructure.







Farmers Community Empowerment Program

In July 2019, Kencana Agri, through its subsidiary PT Sawit Kaltim Lestari launched a program to empower local females (Kelompok Wanita Tani Cempaka - KWT Cempaka) residing in Cipari Makmur village in East Kalimantan to improve their economic welfare by enabling them to cultivate their own farms producing cassava, ginger, curcuma and coffee. The KWT Cempaka consists of 15 (fifteen) women, all housewives, who wants to learn how to earn more income for their families.

By utilizing approximately 1 (one) hectare of community owned land, these ladies learned how to grow their own produce through the support from the Plantation Agency of Kutai Kartanegara Regency in the form of seedlings and PT Sawit Kaltim Lestari in the form of palm pulp that are then used as fertilizers.

In addition to offering support by giving the farmers free fertilizers, Kencana Agri has also donated funds for the purchase of electric cassava cutting machines, spinner machines, MSME product packagings, banners and more. Products produced by the farmers are then largely partially purchased by Kencana Agri's subsidiaries PT Sawit Kaltim Lestari, PT Agro Inti Kencanamas and PT Agri Eastborneo Kencana and distributed amongst the company's employees in order to ensure steady income for the farmers.

Through the support given by Kencana Agri to empower local female farmers, the community benefits as their income levels rise. Our involvement and CSR participation in the Cipari Makmur village surely helped the social economic welfare of the villagers to improve.



Plasma Partnership [GRI 203-1, GRI 203-2, GRI 413-1]



Palm oil operations are labour intensive, and new developments are often in rural areas that may otherwise offer few opportunities for local communities. Building partnership with independent smallholders has become our main focus in managing our plantation in a sustainable manner and improving smallholders' welfare. We believe by the implementation of partnership system with the plasma smallholders will have a multiplier effect in the regions.

We will support smallholders by sharing sustainable best practices, providing technical assistance and including them in our Group's supply chain. Our plasma partnership program has successfully improved the quality of life of our farmers. Among

other, our partnership program in PT Sawindo Kencana which located near a small village called Tempilang. The village has benefited positively with activities as monetary circulation has increased in the last two decades. The local community also host a cultural event called Ruahan every year.

According to government regulation, minimum requirement of plasma planted area is 20%. However, Kencana managed to have of smallholder account for more than 70% area in Bangka. Through our plasma partnership program, we provide practical training, quality seed stock, advice on fertiliser and pesticide procurement and usage, exposure to new farming technologies, assistance with land titling and transportation of FFB to palm oil mills.

Kencana Agri's plasma partnership programs consist of three main programs, namely:

- **KKPA (Kredit Koperasi Primer untuk Anggota or Credit for Members of Primary Cooperative)**

Through KKPA program, we provide funding for the local community for plantation development. In this program, Kencana collaborates with banks and cooperatives, while the Group acts as Guarantor. Moreover, we provide training and mentoring sessions for local farmer cooperatives and its members about good agricultural practices, administration, cooperative management, basic financial management, and more.



- **Revitbun (Revitalisasi Perkebunan or Plantation Revitalization)**

Indonesian Government has initiated a national programmed called Revitbun. Through this program, it is expected to accelerate the growth of local plantation through expansion, revitalisation, rehabilitation of various commodity crops, including palm oil and corn. This is a collaboration program with the government. Kencana provides our expertise to help develop plantation areas, cultivation, agronomy practices and technology, production process and product marketing for the local farmers/communities, while the government provides investment loan.

- **KKSR (Kebun Kelapa Sawit Rakyat or Community's Oil Palm Plantation)**

Our KKSR program aims to empower local communities and support them to improve their welfare through the utilisation of uncultivated lands in the region which are owned by the government as palm oil plantation. We collaborate with the local government by offering a purchase guarantee of the KKSR plantation output as our raw material.



Floating Hospital [GRI 203-1, GRI 413-1]

Indonesia which has more than 17,000 islands requires extra efforts in equitable distribution of facilities and infrastructure, as well as health services. DoctorSHARE or Yayasan Dokter Peduli has focused for a decade on providing health services free of charge to remote communities in Indonesia. It is a medical aid program initiated by dr. Lie Dharmawan that primarily operates a ship to provide free medical services throughout Indonesia. They seek to help unprivileged people who live in areas that are very remote and typically inaccessible by existing medical assistance.

The 4 (four) major programs that they offer, including major surgery (surgical procedure with full anaesthesia), minor surgery (surgical procedure with local anaesthesia), general consultation (including medical distribution but non-invasive) and health education. Through this program, the local communities who lives in the remote areas in Indonesia, can have an access to medical assistance without having to travel to the hospital.

The Group sees that the humanitarian aid brought through DoctorSHARE is very honourable. We have cooperates with DoctorSHARE since 2014 to provide medical support for the community.

In 2017, we invited dr. Lie to Kencana Agri to speak on his vision and mission in providing free medical services to the communities at remote villages throughout



Indonesia. He emphasizes that the passion for serving the nation should never cease.

In 2019, DoctorSHARE and Kencana Agri collaborated together to celebrate the 10th anniversary of DoctorSHARE in Jakarta. The event was held in the floating hospital itself and was attended by many donors, government officials and guests from numerous private sectors. The aim of the event was to raise awareness on how some parts of Indonesia still have very limited access to good medical services. Thus, the event attracted donors to participate in building and strengthening DoctorSHARE hence that it will continue to help the underprivileged around Indonesia for years to come.





Our People



“Our employees are Kencana Agri’s most important success factor. Maintaining their health and performance is therefore a top priority for us. To that end, the Group has developed policies, standards and procedures to ensure the best management of our people.”



Kencana Agri's approach toward the development and empowerment of our employees covers various aspects of human resources, namely health & safety, remuneration, welfare, competencies development, and basic human rights.

[GRI 103-1, GRI 103-2]



Our Motto 'SIGAP'

In 2019, our top Management decided that this year's motto is 'SIGAP' which means to be sprightful and agile. We understand that in able to achieve this, it can only done through happy and healthy workers. Thus, in 2019 our focus is to improve workers conditions through several initiatives that will continue to be implemented beyond 2019. These initiatives include our partnership with Verité and GAR (Golden Agri Resources) for a long term strategy to improve our workers welfare, building an elementary school, and community empowerment program to increase the income of our workers.

As a plantation company in Indonesia, our business has a positive role in generating jobs in the rural areas. We create employment for about 7,022 employees in Indonesia including 1,945 permanent employees and 3,500 non-permanent employees. From this number, around 99.9% of them are Indonesian citizens





2019 Human Resources Profile of Kencana Agri Ltd. [GRI 102-8, GRI 405-1]

Total of Employees		Region					Total	Percentage
		Jakarta-Head Office	Singapore Office	Sumatra	Kalimantan	Sulawesi		
Gender		138	6	603	5,019	1,256	7,022	
Male	Permanent	93	5	372	1,296	179	1,945	27,70%
	Non-Permanent	0	0	188	2,436	876	3,500	49,84%
Female	Permanent	45	1	31	75	12	164	2,34%
	Non-Permanent	0	0	12	1,212	189	1,413	20,12%
Age		138	6	603	5,019	1,256	7,022	
18-30 years old		17	0	172	1,620	383	2,192	31,22%
30-50 years old		104	2	428	3,378	864	4,776	68,01%
>50 years old		17	4	3	21	9	54	0,77%
The Worker Origin		138	6	603	5,019	1,256	7,022	
Local		138	4	385	1,040	1,037	2,604	37,08%
Non-Local		0	2	218	3,979	219	4,418	62,92%
Grand Total							7,022	

Board Of Directors	Origin of Country		Total
	Indonesian	Singaporean	
Gender			
Male	3	2	5
Female	1	0	1
Age			
18-30 years old	0	0	0
30-55 years old	1	1	2
>55 years old	3	1	4
Grand Total			6



New Recruitment	Region					Total
	Jakarta-Head Office	Singapore Office	Sumatra	Kalimantan	Sulawesi	
By Gender						
Male	14	0	2	17	8	41
Female	2	0	0	0	0	2

Turnover	Region					Total
	Jakarta-Head Office	Singapore Office	Sumatra	Kalimantan	Sulawesi	
By Gender						
Male	25	0	1	32	15	73
Female	7	0	0	3	0	10



Kencana Agri's Commitment Towards Better Performance

At Kencana Agri, we share a set of core values for our people which underpin all the work we do. A program called BUSI (Budaya Eksekusi or Culture of Execution) was initiated in 2018 and continued to be implemented throughout 2019, from high management up to plantation workers to promote the synergy of our corporate culture. The objection of this program is to strengthen our culture where workers are able to execute their work plan. This initiative is a 'top- down' change management program that began in the top management level in Jakarta, then rolled out to middle management in both HO and SO, and finally to all workers at SO.

With the spirit of better performance, we encourage our employee to know what are their goals and priority for the year. This goal should be derivatives of the Group's most important goal. And how we execute this approach is every employee has to present to their target, their actual achievement, and their next target. This is implemented to everyone in Kencana, and carry out in a weekly basis. We expecting this exercise to stimulate every employees sense of urgency, how they will execute their programs accordingly, and more importantly to build better relationship within and between departments.

To ensure the implementation of this program, the Group also holds BUSI training that aims to directly improve employee competency and indirectly on product quality. Moreover, in order to monitor the execution of this program, we carry out progress reviews of each department in achieving the goal.

Important aspects in the implementation of BUSI, namely:



Human Resources Management [103-1][103-2]

Kencana Agri's employees form the bedrock of stable business. The aim of the our Human Resources Management is to realize management with respect for our people. The company gives the highest priority to ensuring stable employment and strives to improve labor conditions, while all employees execute their duties and responsibilities for the prosperity of the company.

As our commitment toward our employees, we provide various facilities, including attractive remuneration, bonuses, retirement benefits, and career development. In addition, our commitment has been extended to their families, The Group also ensures to offer facilities and services with coverages that extend to their families.



Remuneration [GRI 202-1]

A large majority of employees benefit from laws that guarantee a minimum wage, and, whenever this is not the case, the Group's policy ensures that compensation is above the minimum wage (Upah Minimum Regional - UMR) observed locally. In 2019, our permanent employee receives an average of 2.81 times above the UMR across our area of operations. In the spirit of diversity, we give equal chances with equal wages strictly based on the UMR and personal competency and achievement.

Key Operation Regions	Standard Entry Level Wage Compared to Local Minimum Wage [GRI 202-1]	
	Permanent	Non-Permanent
Sumatra	2.56	1
Kalimantan	2.67	1
Sulawesi	3.07	1

As part of our incentives system, the Group will give bonuses and/or incentives subject to Group financial performance and employee performance. The benefits for all of our employees are explained in the table below.

Employees Benefits [GRI 401-2]	Permanent			Non-Permanent
	Staff		Non Staff	
	SO	HO		
Basic Salary	✓	✓	✓	✓
Functional allowance	✓	✓	✗	✗
Regional allowance	✓	✗	✗	✗
Supporting Allowance	✓	✗	✗	✗
Transport Allowance	✗	✓	✗	✗
Paid Leave	✓	✓	✗	✗
Religious Allowance	✓	✓	✓	✓
Maternity Leave	✓	✓	✓	✗
Day off permission according to Indonesian labour law no 13 year 2013 article 93 verse 4	✓	✓	✓	✗
BPJS Health Insurance	✓	✓	✓	✗
BPJS Employment Insurance	✓	✓	✓	✓
Retirement Fund	✓	✓	✓	✗

Training & Development

Kencana Agri sees training and development as an investment that delivers benefits to both employees and the employer. The Company periodically conducts both in-house and external training programmes for the entire workforce.

We provide our employees with the best training and development programs to enhance their knowledge and skills to equip them towards their career advancement. We have development education programs, and each department is required to attend. The training and education program is arranged based on the Group requirement, including our obligation to meet government regulations. Moreover, Kencana has yet to have a specific pre-pension training program. [GRI 404-2]

A total of 1192 employees has participated on the trainings program with total of 12,446 trainings hours or an average of 14.5 training hours/employee for our permanent employees and 8.66 trainings hours/employee for our non-permanent employees.

Training Hours By Gender [GRI 404-1]	Number of Employee	Training Hours Provided	Average (Manhours/Employee)
Male	983	10,895.5	11.08
Female	209	1,550.5	7.42
Total	1,192	12,446.0	

No.	Training Topics [404-2]	Number of Participants		Total Participants
		Male	Female	
1	Basic Management Development - Estate	82		82
2	Basic Management Development - Mill	28	4	32
3	Basic Management Development - Support (Tax & HR)	17	3	20
4	Kencana Corporate Culture	98	6	104
5	Induction Training	4		4
6	Finance for Non Finance Professionals		1	1
7	Tax Training (PPH Pasal 21)	1		1
8	Foreman Basic Training	33		33
9	Pesticides & Herbicides Training	29	107	136
10	Implementation of Environmental Regulation (Permen LHK No. 14 Tahun 2017 dan Permen LHK No. 10 Tahun 2019)	2		2
11	SAP Training	51	26	77
12	Training & Certification for Welder	2		2
13	SID-SMU Directorship Programme (SDP)	1	0	1
14	Fire Safety Training & Assessments/Fire Extinguisher Training	124	10	134
15	OHS (Occupational Health and Safety) Training	511	52	563
Grand Total		983	209	1,192



Our trainings and development program covered various topic which is relevant for the Group business development. In 2019, as many as 14 (fourteen) trainings topic has been held for our employees, the topics and total participation of the trainings is described in the table below.

WELFARE FOR EMPLOYEES' FAMILIES



Besides our remuneration program, The Group provide facilities and programs for the families of our employees. We believe that providing a good quality of life for our employees would improve their ability to give their best. One of our priority is ensuring the best case and education for the children of employees. Moreover, we also provide transportation facilities for the children.

As part of our commitment, a primary school was built to complete a project in PT Sawit Kaltim Lestari in which already began a few years back by running kindergarten classes for the workers' children. The mission was commenced as a long term program not only to ensure the quality of education of which the workers' children can receive, but also their safety as

well. By building a school within the Estate's vicinity the students no longer need to venture outside the Estates into the main road.

Although this school building program is a long-term program, and will be implemented gradually throughout our Estates, to ensure the comfort of our employees, we facilitate each of our estate with a day care centre for the children of our workers. With this day care facility, we ensure that the children will be taken care until their parents finish working. Some day care also have developed character building program for the children and collaborate with local religious leaders and mosques to hold religious activities and moral educations for the children.



PRIMARY SCHOOL PROJECT OF PT SAWIT KALTIM LESTARI

Started in 2018, Kencana Agri has initiated a project in building a primary school in Kutai Kartanegara, Kalimantan Timur. The school was built within the vicinity of PT Sawit Kaltim Lestari, which was a part of one stretch of estates in Kutai Area. The school was completed in 2019 and is currently in use for the workers children in support for 3 (three) estates and 2 (two) mills in our Kutai Area.

The school is a filial school of the SDN 02 School in Muara Kaman. The school has 6 classes from grade one to grade six. There are currently 9 teachers which includes one teacher for each grade, one Islamic education teacher, one Christian education teacher, and one physical education teacher. As of December 2019, there were 109 students attending the school and we are confident that there will be an increase in the number of students in the coming years.



At the end of 2019 the school began to build a library and a new canteen facility which will be completed by early 2020. The school is currently used mostly by the workers' children, but the school is open for other children from the surrounding village, as the next nearest primary school can be a bit too far for some. In addition, we also provide transportation units to transfer the children to their school. The transportation unit is available in each estate of Kencana Agri.

The school is currently used mostly by the workers' children, but the school is open for other children from the surrounding village, as the nearest primary school could be located too far from the community residence. As of December 2019, there are 109 students attending the school and we are confident that there will be an increase in the number of students in the coming years.



WELFARE FOR EMPLOYEES' FAMILIES



Sustainability Practices Improvement in Collaboration with Golden Agri Resources & Verite

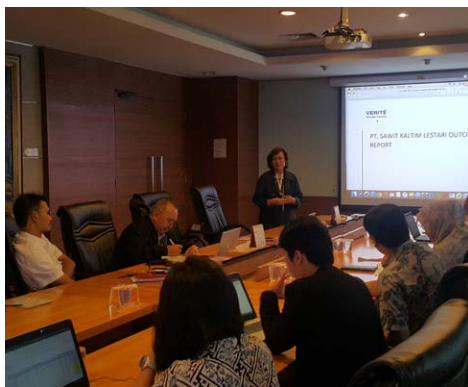


In the current global trading system, the traceability of products supplied to buyers is very important in the supply chain. Producers and buyers jointly have the responsibility of practicing responsible trade in a sustainability scheme. PT Sawit Kaltim Lestari as one of Kencana Agri Group subsidiaries which is also a supplier of CPO and Kernel products to GAR (Golden Agri Resources), has reached a new milestone by conducting a joint Sustainability Development Program study with Golden Agri Resources, Nestle, and Verité. The study was conducted to improve sustainability practices especially on the issue of workers welfare.



The first visit was carried out in April 2019 in PT Sawit Kaltim Lestari, Kutai Kartanegara, East Kalimantan. The team consisted of 7 Verite team members from Indonesia, Vietnam and the Phillipines, and 1 team leader from GAR. The aim of the study is to:

- Finding gaps in labour issues within our operations, and finding sustainable solution
- Prepare action plans to improve workers condition
- Provide training and recommendations to increase Kencana Agri's HR management capacity



Within their visit in April, 39 people were interviewed; 15 people from mill and 24 people from estate. Out of the 39 people, 26 were male and 13 were female. Questions were asked around the topics of work safety, environment, and health related issues. Findings and their recommendations were compiled and presented to top Management. Kencana Agri together with GAR and Verité have conducted meetings following the visit in 2019, discussing a strategic model which would be implemented in the following years. We expect this partnership will not just strengthen our policies and facilities for the workers, but furthermore improve our HR management team.



Human Rights

We respect the rights of its employees to form representative organisations and to join – or not to join – trade unions, provided this right is freely exercised. Through our relationships with the unions we wish to sustain the long term development of our company by maintaining a level of competitiveness adapted to our economic environment. This commitment is realized by involving Labors Unions in the process of formulating Collective Labor Agreement that aims to protect employees' and employers' rights and obligations.

Our Collective Labors Agreement is a written legal contract which covers industrial relations, working hours, remuneration, out-of-post assignments and transfers, social security and welfare, occupational health and safety, and employment termination. According to the agreement, the rights of our employees have been socialized and are written within the Group's regulations.

Each of our units has union representatives, elected by members, who meet with local management representatives regularly to discuss and resolve issues. In 2019, there were 187 labour unions across our plantations in Indonesia.

In order to have a good synergy with our people, the Group has develop a grievance system for our employees. Through this system, Our employees can express their complains by filing a letter of Grievance. Once a letter is filed, the employees' superior would get in touch with them at a private meeting to further discuss their complaint and provide solutions that is agreeable to both parties. [GRI 102-41]

Diversity and Inclusion [103-1][103-2] [103-3][405-1]

We believe in and values diversity and promotes a workplace that is inclusive, fair and fosters respect for all employees. The diversity of its employees and management is crucial to the Group's competitiveness, innovative capacity and attractiveness. Kencana works to develop its employees' skills and careers while prohibiting any discrimination related to origin, gender, sexual orientation or identity, disability, age or affiliation with a political, labor or religious organization.

Our plantation sites are located in rural areas in Indonesia. It is our commitment to support the local community where we operate by recruiting local people. However, for our estates in Kalimantan, we have to hire non-local workers due to insufficient number of workers available in the surrounding areas.

Our goal is to ensure that diversity commitment is embedded in our day to day working practices by recruiting female workers in our operation. However, the nature of agricultural work means that certain jobs continue to be more suited to male rather than female employees. In 2019, as many as 22.46% of our employees were women. While in the senior management level, 5 out of 28 Senior Managers and Head level were female.

Moreover, the Group provides training sessions to ensure the candidates are fully equipped to take on greater responsibility. We also support the career development for our female employees in every positions. All of our female employee has the equal opportunity for trainings and career development.



Training Hours by Position [GRI 404-1]	Number of Employee		Total
	Male	Female	
Chief/Directors	1	-	1
Head/General Manager	-	-	-
Senior Manager/Manager	32	1	33
Senior Assistant/Senior Officer	48	1	49
Assistant/Officer	252	28	280
Operative	650	179	829
Grand Total	983	209	1,192

Female representation in workforce Percentage	%
Female employees	22.49%
Female employees in the plantation	95.69%
Female employees in Mill	0.44%

Against Child Labour [GRI 103-1, GRI 103-2, GRI 103-3, GRI 408-1]

Kencana Agri is against all forms of exploitation of children. We aim to prevent all forms of child labour, and we rigorously enforce these principles at all our plantations, mills and other places of work. The minimum age for employment in any capacity is 18 years. Our recruitment officers check identification cards of the prospective employee's. Moreover, the Group ensures to prevent a practice where parents bring their children to the workplace through the daycare facilities that are available at our operational sites.

Occupational Health and Safety

The Group place health and safety at the heart of its ambition to be a responsible company. The measures and indicators used to manage the Group's activities are based on this fundamental value, in accordance with the strictest standards, particularly relating to health. This commitment is enforced through a number of policies and procedures which also covered in a formal agreement with labor unions. The health and safety topics which are relevant to the Kencana's operation are 100% covered in our formal agreement with the labor union. [GRI 403-4]

Kencana Agri's Standard Operation Procedures for Occupational Health & Safety covers eight key areas, which are: [GRI 103-2]

Enforcing strict procedures for the use of all personal protective equipment (PPE)	Safety procedures for contractors and guests
	
First aid response to accidents	Work safety inspections
	
Work safety supervision	Waste and chemical management
	
Zero burning policy	Emergency Action Plan and Response for the occurrence of fire
	



We emphasise the need for safe working environments, and regularly audit the safety of our work conditions, which must meet the Group's corporate standards. The Group implements procedures and prepare facilities that can ensure safety. Moreover, we regularly conduct trainings such as first aid and emergency responses regularly across all estates and mills in making certain that all workers are fully aware of their safety roles and responsibilities or any risks associated with their activities.

In 2019, Kencana had managed to record a Zero Fatality in our plantations and mills. While severity rate in our estates were 258.72.

We commit to monitor the implementation of OHS policies and procedures to protect our employees' rights for healthy and safe working conditions. Furthermore, we also continue to improve the quality of our facilities across the regions and conduct socialization of the OHS materials. [GRI 103-3]

We currently had a total of 8 OHS certified officers. The officers are responsible to monitor all work accidents and report to the Sustainability Department for verification and evaluation. Our officers have participated in carious trainings both internal and external related to the OHS materials. The trainings include first aid training and basic occupational safety and health training. In 2019, a total of 563 officers received numerous Occupational Health and Safety training.

In promoting health condition of our workers and their family, we have equipped our estates with health facilities in the form of clinic or a collaboration with a Puskesmas (community health centre) around the village areas. We have equipped the clinics with ambulances for emergency situations.

In our estates, we also build a health facility in form of a clinic which is led by a paramedic and is assisted by several nurses that are HIPERKES (Company

Hygiene and Occupational Health) certified. in case some referrals and treatments cannot be treated at the clinics, we also have cooperate with the nearest Puskesmas. A doctor from the nearest Puskesmas conducts a regular visit to our on-site clinic.

Ensuring the health of our workers is also our priority. We have a medical check-up program for our workers which carried out at least once a year and are preferred for factory employees who work in areas with high noise, and even for employees who are often exposed to chemicals, such as spray employees. Depending on the area, a health check is carried out together with the local Puskesmas/ RSUD, or the local Province Health and Safety Center. Health checks generally examine audio-spirometry, lung, vision and cholinesterase. In addition, for our female workers who work with chemicals also receive pregnancy tests yearly, to ensure that no pregnant women are working while being exposed to chemicals. In 2019, as many as 852 workers have received medical check-ups.

Medical Check Ups for Employees	Number of Participants
Cholinesterase	182
Spirometry & Audiometry	352
General Physical Checks	318
TOTAL	318



Kencana Agri Sustainability Performance Checker

OUR PEOPLE



What We Say We Do	Target	How We Live Up to Our Commitment	
		2018	2019
To Ensure Zero Fatality	0 (Zero)	0 (Zero)	0 (Zero)
Zero fire incident in our concession (execute zero burning policy)	0 (Zero)	0 (Zero)	2 fire incidents * The two incidents occurred in 2019 was originated from outside of our concessions due to land clearing conducted by parties not related to the Group. Up to the publication of this report, all fire incidents have been managed in accordance to our policies and have been successfully controlled.



Third Party GRI Accordance Check and SGX Requirement Check Statement



Statement GRI Standards in Accordance Check

The National Center for Sustainability Reporting (NCSR) has conducted a GRI Standards in Accordance Check on Kencana Agri Limited Sustainability Report 2019 ("Report"). The check communicates the extent to which the GRI Standards has been applied in the Report. The check does not provide an opinion on the sustainability performance of the reporter or the quality of the information provided in the report.

We conclude that this report has been prepared in accordance with GRI Standards - Core option.

Jakarta, 26 May 2020

National Center for Sustainability Reporting

Dewi Fitriasaki, Ph.D., CSRA, CMA
Director



Accordance Check SGX Standards

The National Center for Sustainability Reporting (NCSR) conducted an SGX Compliance Check on Kencana Agri Limited Sustainability Report 2018 ("Report"). The check communicates the extent to which *the SGX-ST Listing Rules, Practice Note 7.6, Sustainability Reporting Guide* has been applied in the Report.

The check does not provide an opinion on the sustainability performance of the reporter or the quality of the information provided in the report.

We conclude that this Report complied with the SGX-ST Listing Rules, Practice Note 7.6, Sustainability Reporting

Singapore, 20 May 2020
On Behalf of NCSR,

A blue ink signature, appearing to be "Dr. Lee CG, John", is written over a light blue horizontal line.

Dr. Lee CG, John
Certified Sustainability Practitioner No. 30-20-1001
Certified Sustainability Reporting Assurer No A-10-1811-001

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