



**Bumitama Agri Ltd**

*Excellence Through Discipline*



# Sustainability Policy

Progress Update August 2015 – February 2016

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## Progress Update

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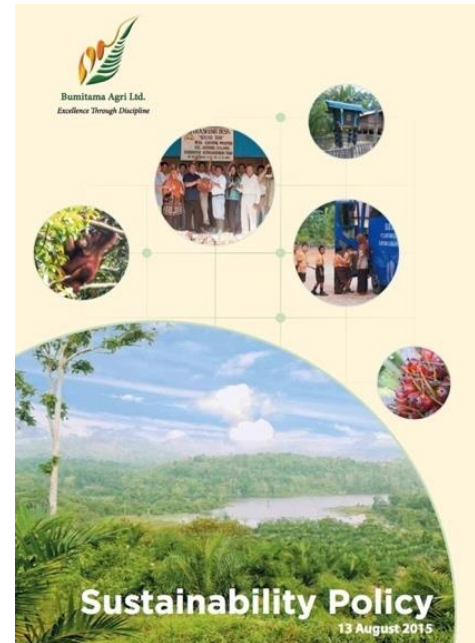
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## Introduction

Bumitama Agri Ltd. (“Bumitama” or the “Group”) has committed to “No Deforestation, No Peat and No Exploitation” through its inaugural launch of the Bumitama’s Sustainability Policy (the “Policy”) and maiden Sustainability Report (the “Report”) in August 2015. The Policy provides guidance and direction for all operations under the umbrella of the Group to pursue sustainability through its four strategic pillars (“strategic pillars”); in forest conservation and sustainable land use, respect for local community rights, respect for workplace human rights, traceability and responsible sourcing as the key guiding principles towards achieving sustainability good practices and certification.

This half-yearly update shares the progress from August 2015 to February 2016, in complement with the Group’s 2015 Annual Report. The Policy implementation is designed in phases as broadly shown in the Report, primarily focusing on the deployment across all business units for 2015. In 2016 more attention will be given to deployment of the Policy to our stakeholders, as can be seen from the timeline chart shown later in this update.



## Implementation

### Internal Deployment

While we recognise the importance of communicating the Policy to all stakeholders, our first priority was aimed at our own internal staff. Drawing on systematic analysis of our previous experience, we have prioritised the field-operation teams from region’s plantation managers up to the estate and mill assistants’ level. This group of personnel, which is spread far and wide across our plantations in Kalimantan and Sumatra has grass-root impact on the Policy, thus represents an important group to share the Policy with.

The Policy was dissected and drilled down into various components under the four strategic pillars, so as to provide better understanding to the diverse audiences at all levels and locations of the Company. This approach is critical to ensure effective application of the Policy by different groups of personnel in accordance with their departments and responsibilities in the company.



To let our staff have a better understanding of the importance and the degree of management commitment, we carried out series of Policy dissemination workshops some of which were lead by senior-level Sustainability personnel, throughout the months of August 2015 to February 2016. We also shared the Policy to all personnel of Jakarta headquarters in a special Coffee Morning Session, in the presence of the company’s Senior Management. To ensure similar understanding and best practices are shared to all new recruits of the Group, a

specifically designed training module on the Policy has also been incorporated into the New Employee Orientation Programme (NEOP). The Policy briefings will continue into 2016, ensuring comprehension across all personnel and continuity of the approach.

In addition, all critical business processes and existing standard operating procedures (SOPs) had been assessed, and gaps identified; mapping out inclusions or fine-tuning to these processes and SOPs to ensure alignment with the Policy. The Sustainability team together with the SOP department has drawn up a timetable for the whole year of 2016 for this SOPs upgrading process, taking into account areas of priority and risk impact. The Group will also establish internal assessment procedures, tracking and reporting conformance for continuous improvement.

### External Deployment

The key messages, methods and processes of the Policy are shared to our stakeholders; especially to the plasma smallholders and our co-operatives, outgrowers/traders, independent smallholders, contractors, consultants, buyers, major bankers and Non-Governmental Organisations (NGOs).

These are the plans for the deployment of this Policy to external parties:

Parties	Objectives	Method	Completion Target
Plasma smallholders (Co-operatives)	Traceability/ Certification	Mills records to include source of fruits; Training of cooperatives & staff.	YE of 2017/ 2023
Outgrowers, independent smallholders and traders	Legal sourcing	Purchase documents and Mills records, including location, names of farmers, collectors and traders, legal status of land/size and length of tenure; Educate on deforestation and peat; no purchase from areas opened with the above 2 conditions after target date.	2017
Contractors	Work within Policy	Contract and briefing.	2016
Consultants, bankers and other stakeholders	Doing business sustainably	Share Policy during first meeting or Policy and Report provided.	2015/ on-going
Buyers	Ensure conformity with buyers' policy	Periodic meetings and communication.	on-going

We have conducted a 3rd party assessment with one of our buyers that attested strong level of compliance of our practices and procedures. This resulted in a positive report, which included our CSR programmes undertaken for this location. The positive feedback has alleviated interest in our sustainability programmes and built confidence across our workforce in that area. This assessment highlights the need for preparedness and teamwork. The experience can be duplicated into other areas, even for future certification.

Some examples of our engagement with buyers captured in the photos below:





## No Deforestation, No Peat and No Exploitation

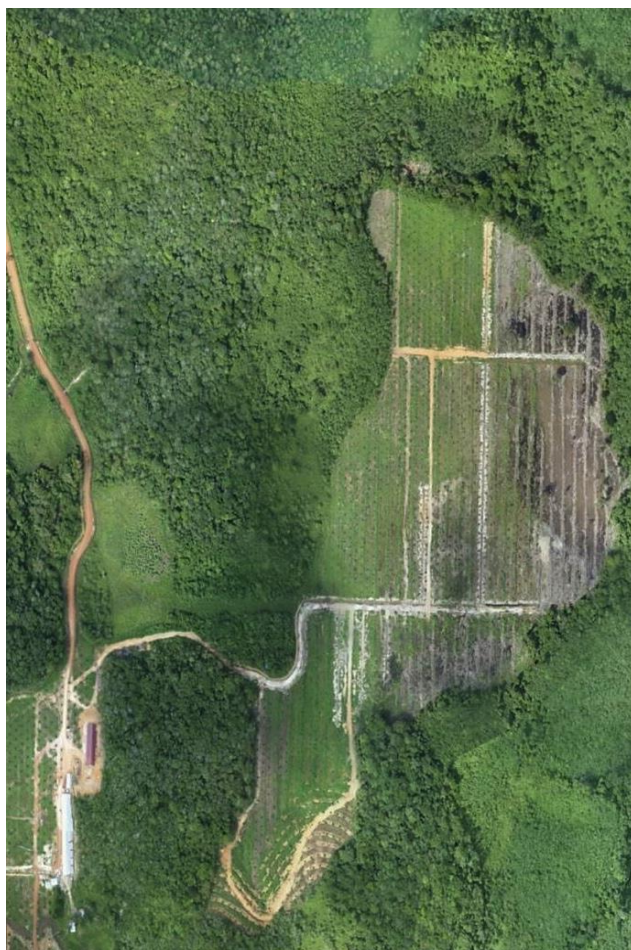
### Participatory Landscape Approach in New Land Development

Landscape approach represents a balanced and holistic concept of land use planning, where forests, peatlands, sustainable plantations, and areas of mixed intercropping or agroforestry are coexisting alongside one another, contributing to a long-term food and income security of the community and alignment with the country's climate change mandate. The importance of the participatory landscape approach lies in the effective management of the various landscapes within and around our concessions with the various stakeholders.

Successful conservation of set-aside areas calls for a change in mindset, requiring extraordinary approach, rather than the normative approach prescribed by the law. Involvement of multiple stakeholders to secure, improve and grow these areas is necessary. Together with the competent independent advisors, local authorities and representatives of local communities, we identify the most suitable management programmes for the various set-asides. For example, soliciting assistance from the village and government agencies enabled us to contain unauthorised logging in conservation areas by substituting it with sustainable alternative livelihood (poultry farming & tofu production).

Identification of the “go areas” for potential land development is in accordance with the HCS Approach, following the latest HCS Approach Toolkit. Forests with significant carbon value are delineated through a combination of vegetation stratification based on interpretation of remote sensing images, field checks, and consideration of the ecological and regenerative capacity of the degraded forest. As at the end of 2015 the set-aside area for HCS is 8,459 ha. The design of some of our areas planned for planting this year has not been finalised yet, and all our new and potential planting will be audited and reviewed, as prescribed by the HCS Approach Toolkit as well as in accordance to the RSPO P&C.

Practicing the participatory landscape approach in land use planning and conservation has reinforced our sustainability commitment, while elevating the respect of local people's rights in new land development. The experience from the various multi-stakeholder engagements helped us to enhance our practices that we will be seeking to duplicate in other prospective areas. Bumitama began discussing with other companies around our operations, consultants and NGOs, examining the possibility of preservation of areas offering wildlife mobility and exploring alternative methods of livelihood for the local community. We are preparing implementation of these projects during 2016 and following years.



## Occupational Health & Safety

The Group has been conducting several programmes in consideration of achieving 40% accident rate reduction within three years of the release of our first Sustainability Report. Below are the activities we have conducted in the last year, together with those scheduled for 2016.

Programmes	2015	2016
Standards and Procedures	Standardised H&S SOP and Environment SOP across all plantations and mills	SOP briefing to all work units
System	Pilot an OHSAS 18001 project in one plantation	Internal audit and external audit of OHSAS 18001
Training Health & Safety (H&S)	H&S refreshment training in all work units	Re-training to all mills and workshop staffs (those with high risk jobs category)
Review and Monitoring implementation	Initiated Coordination Programme with Operational Quality Control (OQC) Dept. to incorporate core elements of safety and health into their quality check routine	Audit team and OQC H&S inspection team training for routine checking of all regions; Train-the-trainer for the training school so that they can continue with future training requirement; Kick start the checking and quarterly review by OQC in 2 <sup>nd</sup> Quarter
Infrastructure of Health & Safety	Formed a special task force to look into improvement on existing equipment, methods, processes and SOPs	Execution, recording and reviewing of approved recommendations; Engagement with governmental agencies on fire prevention and fire fighting re-training for in-house and community fire-fighting teams

## Respect for Workplace Human Rights

Enforcing Good Corporate Governance on all levels of the operations, the Group has implemented the Code of Ethical Conduct and Integrity, providing our employees and Board of Directors with a clear and practical guidance. It focuses on ethical code of conduct at workplace and appropriate handling of data, information, and resources.

## Fire Management

During the prolonged dry season of 2015 caused by the effects of El Niño, we have worked proactively with the community and local government to prevent and to put out any fires in our surroundings and inside of our areas.

In order to improve our fire management programme and to prevent future fire occurrences, a special task force was formed in November 2015. The task force takes advantage of the latest satellite imagery systems, watchtowers and ground patrols, using the accumulated data and analysing the methods previously applied, in order to improve the effectiveness of the measures in our areas and the surrounding landscapes in the future. Due to the proximity of the community owned lands we have intensified fire prevention trainings and fire fighting drills amongst the communities, with the support of Manggala Agni, the Indonesian Forest Fire brigade established by the Ministry of Forestry.

As a means to reduce the number of fire incidents in the upcoming dry season, we are joining forces with the Indonesian military, law enforcement authorities and surrounding communities on “Fire Free Village” programme, training up to 20 members per village throughout all of our areas, to patrol and prevent fires during the dry season. Financial incentive (in kind) as an additional encouragement will be given to villages successful in fire prevention. We are also teaching and encouraging the local communities to practice crop rotation, to avoid land being left fallow which reduces risk of spontaneous fires.

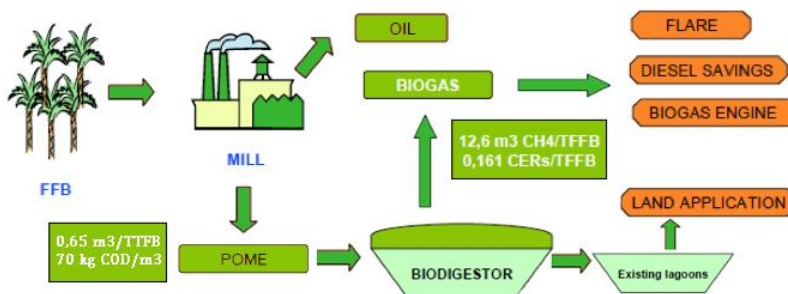
## Greenhouse Gas (GHG) Emissions Reduction Strategy

Climate change is one of the greatest concerns of our times, demonstrated by the leaders of 195 countries reaching an agreement at the 2015 United Nations Climate Change Conference (referred to as COP21) held in Paris.

Bumitama acknowledges the need for GHG emissions reduction effort and had included in its policy one of the most impactful ways of reducing emission by the declaration of not planting on peat and destroying sustainable forest, using the definition in the HCS Approach. We did not just stop at land use change planning but also looked into adoption of best practices, measures and technologies, seeking to achieve net emission reduction from all the Group's operations.

Our focus is largely placed on emission of methane from the POME ponds. As shared in the Annual Report 2015 (the "AR 2015"), the Group signed contracts with independent companies to build and operate 2 biogas power plants by 2017 will help reduce almost 14 million cubic meters of biogas methane a year.

The Group will continuously review and fine-tune its reduction approach through research and close collaboration with experts. A thorough GHG Reduction strategy will be published by 2017.



## Reducing Use of Harmful Chemical

Bumitama has completely ceased purchase of Paraquat in June 2015, in accordance with our commitment. It has been replaced with less harmful herbicides for control of weeds and volunteer oil palm seeds in our plantations.

## Conflict Resolution

Bumitama has adopted a set of guiding principles tailored to handle and resolve any conflicts through bilateral engagement with relevant parties in an open, equitable, objective, transparent, legal and constructive manner. After making significant progress, Bumitama has successfully closed all RSPO complaint cases on 17 September 2015.

Company	Location	Date Filed	Status
PT Andalan Sukses Makmur	Kotawaringin Barat, Central Kalimantan	18 September 2013	Box H Case Closed
PT Ladang Sawit Mas	Ketapang, West Kalimantan	7 April 2013	Box H Case Closed
PT Nabatindo Karya Utama	Tumbang Koling, Central Kalimantan	10 March 2013	Box H Case Closed
PT Hatiprima Agro	Kalimantan	1 July 2012	Box H Case Closed

We have proactively responded to articles and reports published by certain interested parties and NGOs, alleging the Group of clearing forest and planting on peat in violation of our Policy as well as our buyers' policies. Responding through News Releases, we have refuted these claims, reiterating our firm commitment on the Policy by providing explanations, latest information and legitimate evidence against these allegations. For more details kindly refer to the News Releases that can be found on our website.

Going forward, we shall continue strengthening our complaint handling mechanism to ensure that disputes, if any, will be dealt with promptly and effectively.

## Certification

In pursuit of the Group's time-bound plan for certification of the management units, we have been awarded our third RSPO certificate for the Kendawangan mill in West Kalimantan and its supply base, consisting of two plantation concessions. The Group shall continue working towards securing additional certification, following the legislative requirements and the requirements of the global CPO markets, in order to display the continuous improvement of our best management practices on the ground.

As displayed in the AR 2015, the amount of CSPO & CSPK has grown by 38% from over 110,760 tonnes to almost 153,000 tonnes, whereas the total certified area has increased by more than 56% to 41,550 ha.

## Moving forward

The year 2015 brought a lot of challenges to most plantation companies operating in Indonesia due to low CPO price, and the weather phenomenon of El Niño that caused drought, fire and haze across the country. Bumitama has learnt the importance of strengthening its operating efficiency and improving its processes to strike a balance between increased profitability, higher yield, environment protection and the livelihood of the local communities. In our endeavor we promote awareness, collaborate with and share accountabilities to all personnel from various departments where sustainability can be of great relevance.

In the coming year of 2016, we will follow the time-bound plan set by the Group in the Sustainability Policy and Sustainability Report, and continue extending the adoption of our Policy beyond the Group to external stakeholders (smallholders and outgrowers), improving traceability and responsible sourcing of FFB, enhancing the effectiveness of internal monitoring through restructuring, internal audit and reporting process.

Overview of the 2016 agenda can be found in the table below:

Activities scheduled for implementation in 2016
New developments in compliance with RSPO New Planting Procedure
Accident rate mitigation measures and additional improvement of procedures ensuring health & safety
Completed elimination of Paraquat use
Auditing and verification of FFB sources in our own estates and plasma smallholders
Auditing, site verification, interviews and training of independent smallholders supplying FFB to our mills
Auditing and verification of the legality and responsible practices of all external FFB sources
Preparation of plasma for certification
Partnership with a reputable orangutan organisation to ensure better protection