

Sustainability Policy

Progress Update: March 2016 – September 2016

This report marks the first anniversary of Bumitama's Sustainability Policy, committing to a journey of no deforestation, no peat and no exploitation (NDPE). In the sections below, we look behind on some of the changes we helped to foster, describing the progress and milestones achieved in our ongoing pursuit of becoming a sustainable palm oil producer through adherence to our guiding principles of forest conservation, sustainable land use, respect for local community rights and workplace human rights, traceability and responsible sourcing.

The actualisation of the Sustainability Policy in this short period was not easy sailing, especially when facing the need of balancing between deforestation and community needs, changing old paradigms with deep and tenacious roots and building a new system that can support the continuous transformation of the Group. The below highlights the progress in implementation of our Sustainability Policy as well as some of the specific programmes for Andalan Sukses Makmur (ASMR), where we will be sharing some of the struggles and small pockets of success Bumitama had gone through.

1. PT ASMR: A company that believes in sustainability and cares for the community

PT ASMR is a subsidiary of Bumitama Agri Limited (Bumitama or the Group) situated in the regency of West Kotawaringin, Central Kalimantan. Communities of desa Teluk Pulai, desa Sekonyer and desa Kumai Hilir occupy the encircling land.

The initial conditions of the local people living here were touching the poverty line. The infrastructure needed repairs, schools were in a poor state and basic amenities were underdeveloped. There was no access to electricity or clean water and so many of the younger families left in search of a better life in other regions, leaving behind the elderly.

ASMR first focused on providing the basic amenities, such as supplying the villages with power generators and connecting them to each of the houses, repairing of infrastructure and schools, and maintaining of canals for planting.

The local elders shared with us that economic development that goes beyond employment is necessary to bring the young locals back. Although mandatory, allocation of plasma land to the participating families is one of such activities,





besides introducing Bumitama's economic empowerment programmes here. Some of the initiatives undertaken by ASMR, which employed a collaborative multi-stakeholder approach are:

1.1. Foodsource: Rice surplus in Teluk Pulau for the first time

Building upon the government push for food security as well as taking the opportunity to turn this into an economic development project, ASMR together with the regional government agencies focused on teaching the local farmers good agricultural practices for yield improvement in planting of paddy. ASMR facilitated the farmers group with more than 100 % of additional land for planting, thus increasing the number of families being allocated land and joining the farmers group.

The 2016 harvest showed improved productivity resulting in a surplus of 102 tonnes, which was sold and traded for the first time in the farmers group's history. This would possibly create a spin-off effect, kick starting trade between the neighboring communities.

1.2. Eco-tourism village: Desa Sekonyer

Our discussion with the community revealed that the tourism promotion of the Tanjung Puting National Park (TNTP) did not benefit this group greatly. Lying on the opposite bank of the river from TNTP, desa Sekonyer has the potential to become a transit point for the tourists travelling to the National Park by increasing the number of attractions and the quality of services. This includes building upon local handicraft, culinary specialties, natural remedies and indigenous art to entice tourists to stay for a day or two under a village homestay programme. Locals of Sekonyer are skillful sculptors and weavers.



Making use of the local mangrove/marsh plants like rattan, pandan, purun or chunks of ironwood, they create souvenirs that are sold to the tourists visiting the village. The second phase of this project involves helping them to create the opportunity to market and promote the amenities via social media and other marketing forums. We hope that the increased interest of tourists in this area could also promote the preservation of the arts and cultures of the local tribes.



1.3. Reforestation of HCS

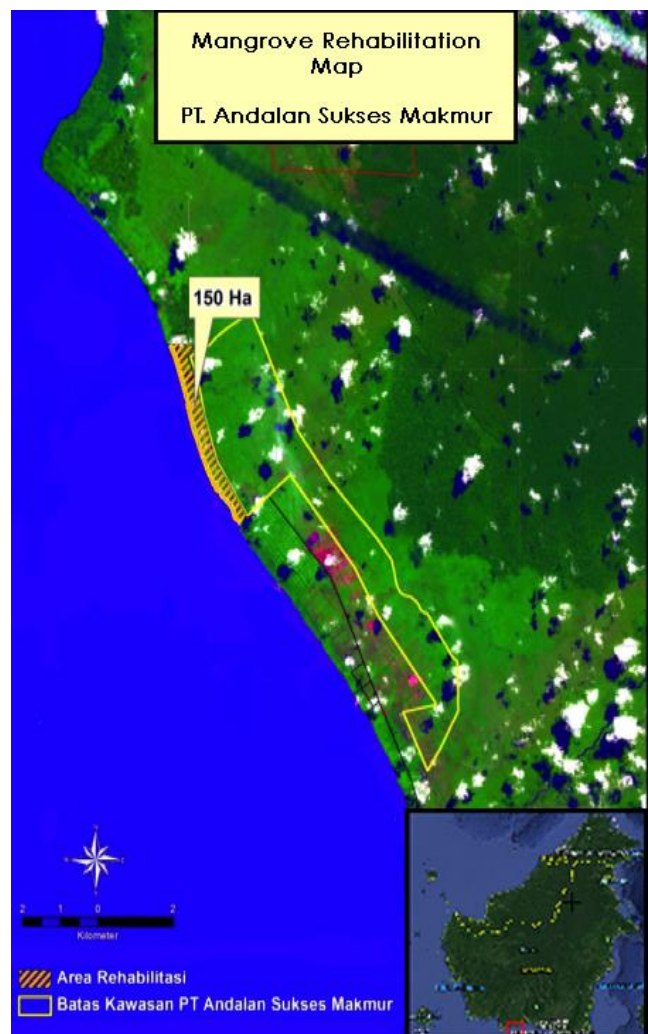
Located in an ecologically diverse area, PT ASMR prepared a nursery of 40,000 seedlings of local trees to be used for rehabilitation and enrichment of its own areas, or to be used by any other stakeholders in the region. This nursery has been set up in 2014 and had since donated many seedlings to others.

As a part of our commitment to protect HCS forests, ASMR began with rehabilitation of an area previously burned in the last year's fire. An area of 107 ha is being planted with seedlings from our own nursery in scheduled stages. The concept of planting is suitable for the promotion of biodiversity and as a platform to build non-timber forest products for the community.

1.4. Mangrove restoration: Teluk Pulau

Adjacent to ASMR (Teluk Pulau), a different reforestation programme is well underway. Mangrove ecosystems play an important function in maintaining the integrity of coastal areas; by dampening the waves and the wind, trapping sedimentation and impeding abrasion, maintaining nutrients for marine life, providing nursery grounds for abundance of fish and shrimp.

The local community has shared their concern with ASMR, that one of such areas has been slowly eroding and retreating inland. After a public discussion they embraced the idea of reviving the mangrove area with an experimental plot of 150 ha (refer to the Mangrove Rehabilitation Map). In this project, ASMR became the advisor and investor in land and planting material, whilst the community secured the seedlings and was contracted to plant 25,000 of them over a period of 2.5 years





starting since 2015. School children have been involved in the planting as a part of teaching, inculcating love and understanding of having a balanced ecosystem.

This exciting project was not without initial flaws but the project team had since learned from their mistakes and improved to even think of tagging the seedlings for future recording and monitoring. Once the area starts to recover and the biodiversity of sea life has improved, the waters around Teluk Pulaui will become productive and can become an additional area of interest for tourists.

The conjoined development of the company together with the community and other stakeholders is now well underway. The progress we have made together offers a prospect of a better future for nature, local people and the company. Similar collaborative programmes as in ASMR are ongoing in other areas.

Implementation of the commitments spelled out in the Sustainability Policy has progressed on a mixed pace, with some delays for example in our Traceability programme. These are some of the activities we would like to share on our progress in enhance our conformance with the Sustainability Policy:

2. Accident rate mitigation

In line with Bumitama's commitment to provide a safe working environment for our staff, contractors and visitors (reduce the accident rate and bring fatalities to zero), we have been conducting several trainings which will be used as a foundation to improve understanding and the implementation of Environmental Safety and Health (ESH) procedures. The first course for 2016 for all managers and engineering staff representatives from mill, traction and quality control, as well as the local sustainability staff finished in March 2016. A follow up workshop will be conducted in November 2016. Overall, the programmes were received well, demonstrated by the enthusiasm of the participants throughout the training activities.





3. Fire management and village programme

Reflecting on the gravity of the 2015 forest fires, we have added measures to prevent and manage any arisen fires more effectively. In addition to completing and regularly updating our fire equipment, special task force has been formed to conduct fire prevention activities throughout all Bumitama's units. In preparation for the peak of this year's dry season, we have contracted Manggala Agni to be our partner in fire management training. The first series of such training were carried out in July 2016 together with the communities from the area around the plantations. Overall, 15 trainings were conducted with an estimated outreach of almost 500 staff and more than 500 local people.

The "Desa Bebas Api" programme, which educates on alternative means of land clearing and risks connected to use of fire also includes incentives to the villages successful in being free from fire. To date, MoUs (Memorandum of Understanding) with 28 villages around our plantations have been signed. Our goal for the next phase is to increase the number of trained on the fire management and empower these villages with appropriate equipment.

4. Paraquat elimination

In accordance with our commitment, we have successfully eliminated use of Paraquat in all of our management units. The research and development department will continue to strengthen integrated pest management with the aim of reducing usage of harmful chemical pesticides.





5. Traceability and Responsible Sourcing - FFB from a legal and responsible source

The initial phase of FFB traceability was to first map the entire supplier base of our CPO mills (based on purchase documents). We have extracted more than two years of records of FFB supply from nucleus, plasma and third parties to all of our mills. The results of our extraction are as follows:

Year	To Mills	To Plantations
2014	100%	75.3%
2015	100%	70.5%
Up to September 2016	100%	69.7%

We will be follow through with collection of additional information on our third party suppliers, who could be traders or middle-men, and their supply chain for third party FFB; tracing the number of layers that leads to the independent smallholders. This is an important step in verifying and understanding our supply shed and chain. We will also update in our next report on our projects with a group of independent smallholders; on smallholder productivity and legality and ultimately on certification.

6. Certification

Bumitama has increased its number of RSPO certificate. The certification of the Katari Agro Mill (KAGM) increased the total amount of RSPO certified mills to 4 (KAGM, GMKM, PNBM & KNDM) and 4 plantations (KMB, WNL, GKG, GKS) with 15 estates. The details of total certified areas and volume can be seen in the opposite Chart 1.

In the current reporting period, we have started preparation of some of our plasma smallholders for certification. This process, together with the certification of our other mills and estates is planned to be conducted in accordance with the set time-bound plan.

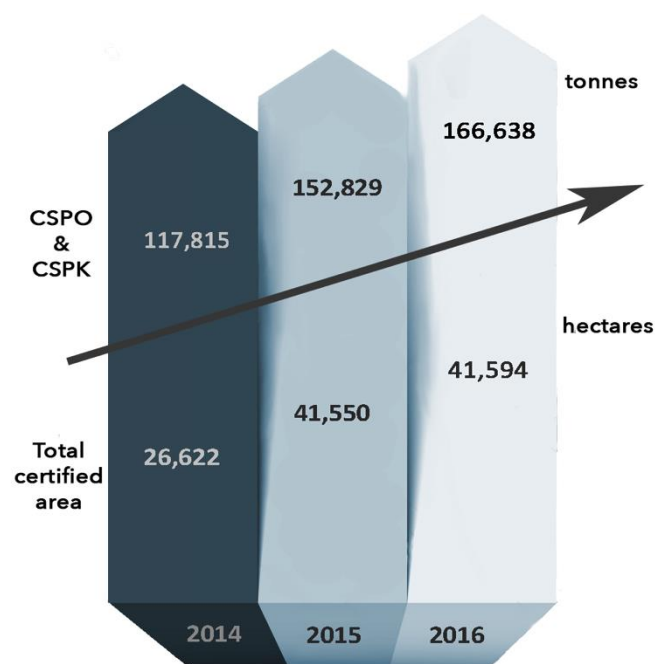


Chart 1: Group certification progress

7. Greenhouse gas

In support of greenhouse gas reduction actions, our selection on land use options which reflects our NDPE policy prior to planning for new planting areas, resulted in negative emissions for two recently submitted New Planting Procedure (NPP) submissions.

As for the existing plantations and mills, we are now capturing emissions for certified estates and mills with plans to extend to non-certified estates and mills in 2017. An example of our greenhouse gas emission records can be seen in the charts, using our certified estates and mill of PT Karya Makmur Bahagia (PT KMB).

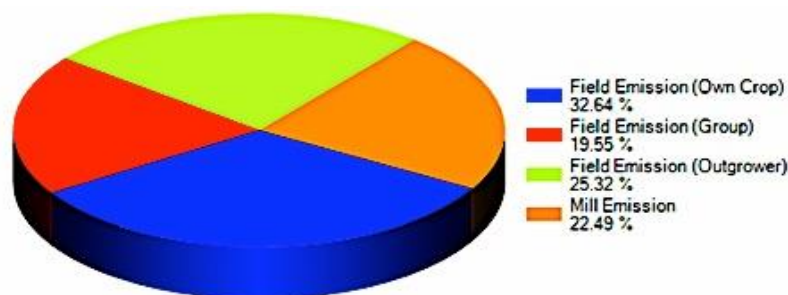


Chart 2: GHG emissions contribution PT KMB

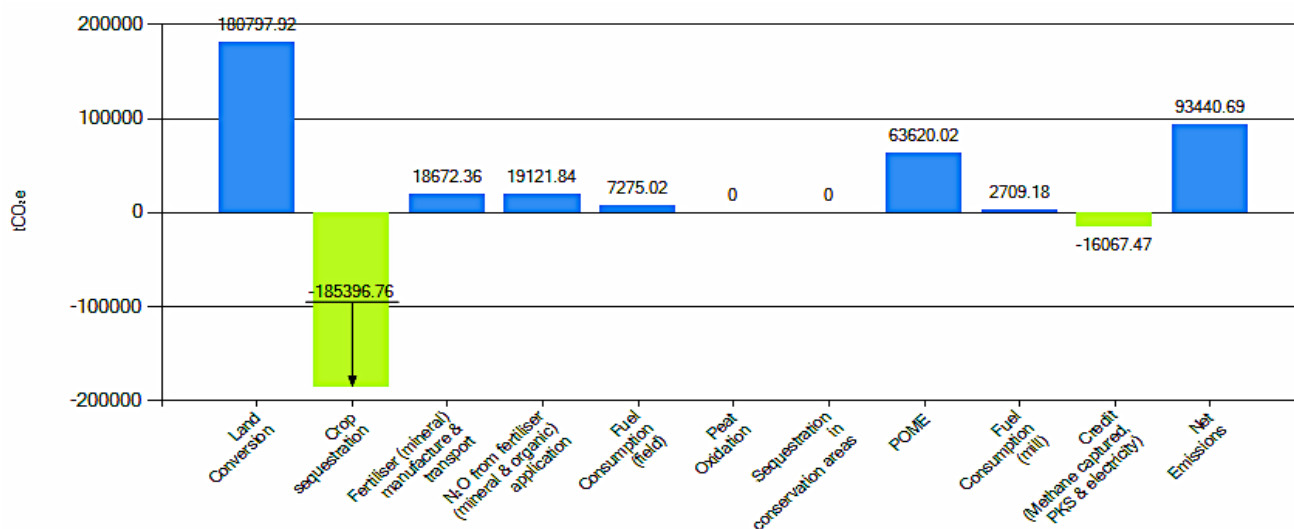


Chart 3: Summary of Field Emission Sources and Sinks of PT KMB (tCO₂e) 2015

Plans are already in place to install a lagoon cover type of biogas plant to capture methane gas generated from palm oil mill effluent ponds in one of our certified mills.

8. Moving forward

In the upcoming period we will continue our sustainable journey. These are some of the initiatives we will be focusing on in the next period:

- collaborative landscape-based project in West Kalimantan with a broad participation of stakeholders, that combines environmental corridor concept with social aspects;
- certification programme focused on schemed smallholders, conducting a pilot on independent smallholders, whilst continuing on our own certification;
- programmes on reduction of the greenhouse gas;
- Supply chain and traceability.

Major sustainability milestones and events will be disclosed in the Annual Report and by the end of the first semester of 2017, we will publish a comprehensive update on the implementation of the Sustainability policy in our second Sustainability Report.