

gar
agribusiness and food

DELIVERING ON OUR COMMITMENT

Realising sustainable policies in practice

SUSTAINABILITY REPORT 2016

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Our cover photo shows a GAR employee handling an owl bred on our estates to help control the rat population as part of our Integrated Pest Management approach.

About This Report



GAR manages 169 plantations in Indonesia

ABOUT THIS REPORT (102-1)
Golden Agri-Resources Ltd (GAR or the Company) published our first sustainability report in 2011. Since then, we have progressively continued to improve how we report and engage with our stakeholders in an open and transparent manner.

Through our sustainability reporting, we hope to provide stakeholders with a better understanding of our approach to responsible palm oil and our progress in meeting our commitments.

SCOPE OF THIS REPORT (102-46, 102-49, 102-50, 102-50, 102-51)
This report covers our environmental, social and economic performance across our plantations, mills and some key aspects of palm oil sales operations of GAR in Indonesia, which is our main production base and where we employ the majority of our work force.

Unless otherwise stated, the report does not include the Company's other activities outside of Indonesia.

The content of this report focuses primarily on activities carried out within the financial year of January to December 2016.

REPORTING STANDARDS (102-54)
This year we have moved to adopt the Global Reporting Initiative (GRI) Standards. These reporting guidelines set out a framework for our reporting, which includes the principles and standard disclosures that we have to report on for our economic, environmental and social performance.

This report has been prepared to be in accordance with GRI Standards – Core option. This includes adhering to the GRI principles for defining report content:

- Stakeholder Inclusiveness: responding to stakeholder expectations and interests
- Sustainability Context: presenting performance in the wider sustainability context
- Materiality: focusing on issues where we can have the greatest impact and that are most important to our business and stakeholders
- Completeness: including all information that is of significant economic, environmental, and social impact to enable stakeholders to assess the Company's performance

For a full content index of our GRI Standards indicators with relevant references provided, please refer to page 66.

ASSURANCE (102-56, 103-3)
We are committed to working towards the full assurance of the information presented in our sustainability report. In addition to having the calculation of our GHG emissions for our subsidiary in Indonesia, PT SMART Tbk, independently verified by EY, we have also commissioned Business for Social Responsibility (BSR) to carry out a survey of workplace practices and environment in some of our estates in Indonesia. More information can be found on our website at www.goldenagri.com.sg

Our Commitments and Progress

OUR COMMITMENTS AND PROGRESS (102-10, 103-3)

Our Most Material Sustainability Issues	Our Key Sustainability Commitments	Key Achievements/ Progress 2016	Ongoing and Future Targets
Deforestation of High Carbon Stock (HCS) forests and peat lands Related UN SDG: 	No development of and the conservation of HCS forests	• Identified up to 18,846 hectares of HCS areas in our concessions • Rolled out HCS Approach in GAR's 18 concessions • Carried out conservation planning with local communities – secured agreement from 10 villages to protect over 7,000 hectares of HCS	• Complete community conservation planning in PT PGM, PIP and KPC • Start the process in four other PTs
	No development of and the conservation of peat lands of any depth Develop strategies for long-term rehabilitation of peat lands	• Progressed with physical rehabilitation of 2,600-hectare Peat Ecosystem at PT AMNL, West Kalimantan – restored water levels and began seedling nursery • Launched Alternative Livelihood pilot at Lembah Hijau Village to support community conservation partnership in PT AMNL	• Continue to consult and engage local communities in the Peat Ecosystem Rehabilitation Project • Continue rolling out Alternative Livelihood Programmes • Mapping of peat depth in line with government regulation • Peat management study in cooperation with University Tanjungpura, Pontianak
	No burning for new plantings, replantings or other development (Zero Burning Policy)	• Virtually zero fire incidents on our concessions • Desa Siaga Api community fire prevention pilot successful, expanded to Desa Makmur Peduli Api programme – focus on fire prevention, conservation, food security • Three villages chosen as national showcases	• Continue working with relevant stakeholders on long-term fire prevention

Our Most Material Sustainability Issues	Our Key Sustainability Commitments	Key Achievements/ Progress 2016	Ongoing and Future Targets
Degradation of High Conservation Value (HCV) areas and biodiversity Related UN SDG: 	No development of and the conservation of High Conservation Value areas	• Identified up to 53,248 hectares of HCV areas • Began riparian rehabilitation in 12 concessions – rehabilitated 1,200 hectares riparian buffer zones	• Implement riparian buffer zones • 630 hectares of riparian zone to be rehabilitated in 2017
	Conserve and protect rare, threatened and endangered species as well as ecosystems and critical habitats of rare, threatened and endangered species	• Supported the release of 87 wild-born, ex-captive orangutans till May 2017 in partnership with OFI	• Continue working to release up to 100 orangutans – target date may be extended beyond 2017 due to difficulties in finding suitable release sites for orangutans and time required to obtain permits
Free, Prior and Informed Consent (FPIC) for indigenous and local communities Related UN SDG: 	Respecting the right to Free, Prior and Informed Consent for indigenous peoples and local communities and recognising the need for food security in new developments	• As of end 2016, GAR has rolled out Participatory Mapping (PM) which aims to respect and safeguard community FPIC rights in 67 villages in 13 concessions • FPIC remediation begun in four concessions	• Continue rolling out PM in three concessions involving 16 additional villages • Start FPIC remediation in four more PTs in H2 2017
Community relations and resolution of community conflicts Related UN SDG: 	Responsible handling of complaints and grievances	• In 2016, eight new grievances were raised - we have resolved and closed one for monitoring • Closed three earlier grievances	• Continue to actively review and work towards a resolution of grievances with stakeholders on all outstanding grievances
	Responsible resolution of conflicts	• Resolved two out of four social conflicts	• Continue to minimise conflicts through multi-stakeholder consultations

Our Commitments and Progress

Our Most Material Sustainability Issues	Our Key Sustainability Commitments	Key Achievements/ Progress 2016	Ongoing and Future Targets
Supply chain sustainability (Including smallholders) Related UN SDG: 	Traceable and transparent supply chains	• 15 GAR mills achieved full Traceability to the Plantation (TTP) • Overall, GAR mills achieved 88 percent TTP in 2016 • Commenced training and support for third-party mills to achieve TTP by 2020	• Pilot projects to train and support independent mills, smallholder farmers and FFB agents on traceability and responsible practices • 100 percent TTP for all GAR-owned mills by end-2017 • 100 percent TTP for independent mills by 2020
	Engaging and supporting our suppliers	• Visited 36 suppliers since 2015 • Site visit and analysis of Belawan Refinery suppliers completed to help guide future action • Two SMART Seed workshops for suppliers in 2016 to help them upgrade responsible practices • Dedicated Supplier Support Team and Helpline set up • 1,300 hectares of independent smallholders plots have been replanted under Innovative Finance Scheme • GAR, Neste and SPKS sign agreement to collaborate on mapping independent smallholders in Riau to help them achieve certification	• Conduct site visits to complete sustainability overview reports of our remaining refineries/ bulking stations by 2018 • Conduct capacity building events to assist and support suppliers to improve practices • Extend engagement and sustainability support efforts beyond the mill to suppliers at plantation level including agents and smallholders • Facilitate collaborations on a landscape level between GAR, independent suppliers, farmers, government, and civil society to improve responsible practices

Our Most Material Sustainability Issues	Our Key Sustainability Commitments	Key Achievements/ Progress 2016	Ongoing and Future Targets
Labour relations and human rights Related UN SDG: 	Respecting human rights	• No incidents of discrimination or abuse reported in 2016 • In 2016, there were 189 Labour Unions representing 47,909 non-management employees across our plantations • BSR study on GAR labour practices commenced in Q4 2016 • TFT "No Exploitation" study carried out in February 2016	• Use results from studies by external parties to improve labour practices • Continue to maintain peaceful and productive industrial relations through open dialogue, fair labour practices, and respectful communication in the workplace
	Ensure plantations and mills have an OHS policy in place and regularly report against it	• Number of fatalities lower than 2015 • Conducted thorough investigations of each accident to uncover underlying causes, using expert investigators to help develop additional and enhanced safety measures	• Zero fatalities • Reduce the frequency and severity of accidents
Community investment Related UN SDG: 	Empowering people through community development programmes	• Supported 217 schools ranging from kindergarten to junior high. These schools employ over 1,600 teachers and educate 28,200 students • Provided free medical and dental services for approximately 4,900 patients • Provided 150 polyclinics with 310 medical personnel treating more than 700 patients daily • Provided health education, environmental, and other awareness programmes for some 3,500 participants • Provided support for child health and nutrition (including multivitamins and supplementary feeding) to around 5,100 beneficiaries • Sold more than 348,000 litres of our branded cooking oil at below market prices in impoverished areas • Encouraged micro enterprise – helped community set up soy milk business • Helped community set up goat breeding programme	• Continue to empower communities and multiply the positive impacts of our business through a range of education, healthcare, social and economic empowerment programmes

Our Commitments and Progress

Our Most Material Sustainability Issues	Our Key Sustainability Commitments	Key Achievements/ Progress 2016	Ongoing and Future Targets
Operational Footprint Related UN SDG: 	Report and reduce greenhouse gas emissions	• Set up a total of seven methane capture facilities to date • Each facility can reduce an estimated 40-55% of operational GHG emissions • Carried out assessment of emissions of Kalimantan operations	• Develop emissions baseline by 2017 • Set short, medium and long term reduction targets by 2018 • Explore reduction of GHG and expand methane capture activities from now till 2020 • Participate in industry Life Cycle Assessment study of certified palm oil by RSPO (due by December 2017)
	We recognise concerns over the use of chemical fertilisers and pesticides and aim to reduce and minimise their use We will stop the use of paraquat Pesticides that are categorised as World Health Organization Class 1A or 1B listed by the Stockholm or Rotterdam Conventions, are not used, except in specific situations	• Stopped using the herbicide paraquat in our estates – replaced with glufosinate ammonium	• Intensify efforts to develop practices that reduce pesticide use
	Identify, reduce, reuse, recycle and dispose of waste in an environmentally responsible way	• 100 percent of liquid and solid waste from CPO production process is reused • Reduced 300 tonnes of plastic packaging waste in 2016	• Maintain 100 percent reuse of solid and liquid waste generated from CPO production process • Expore further optimisation use of solid and liquid waste generated • Explore further ways to reduce packaging waste
	Water use	• Water use is on a rising trend	• In 2016, we began assessment project to help us better manage our water usage

Our Most Material Sustainability Issues	Our Key Sustainability Commitments	Key Achievements/ Progress 2016	Ongoing and Future Targets
Certification	Compliance with all relevant national laws and international certifications' principles and criteria	• Achieved RSPO certification for 262,442 hectares of plantations including 51,149 hectares of smallholder estates, 29 mills, nine kernel crushing plants, five refineries, seven bulking stations and one oleo-chemical plant • 186,307 hectares of plantations and 30 mills have received ISPO certification – recognised by the Indonesian government for receiving the most ISPO certificates • 291,351 hectares of plantations including smallholder plantations of 57,755 ha, 29 mills, two kernel crushing plants, five refineries and 14 bulking stations have received ISCC certification	• We have extended the time frame for completion of RSPO certification until 2020 for the remaining operations which includes 213,415 hectares of plantations and encompasses 49,233 hectares of plasma estates and 16 mills. This extension reflects our conservative estimate for the time needed to acquire the HGU or Land Cultivation Right and the liability data as required recently by RSPO
Yield improvement and palm oil research and development Related UN SDG: 	Continuous yield improvement to reduce pressure on new land development without intensification of the use of chemical pesticides and fertilisers	• GAR Nucleus: 4.2 tonnes per hectare • Plasma: 4.4 tonnes per hectare (Yields in 2016 affected by severe El Nino in 2015) • 2016 National average yield: 3.5 tonnes per hectare	• Continue to achieve above national average yields • Develop advanced planting materials capable of achieving CPO yield of more than 10 tonnes per hectare at prime age (Eka 1 and Eka 2 registered in Indonesian catalogue of seeds in 2017 and approved for cultivation)

Chairman's Statement

CHAIRMAN'S STATEMENT (102-10, 102-14, 102-15)
Despite the challenges caused by the El Niño conditions which began in 2015 and severely impacted 2016 production, we were able to successfully "weather the storm" due to the protection provided by our expanded and strengthened integrated business model.

The impact of El Niño started easing in the final quarter of 2016 and we saw production starting to recover. This was accompanied by a recovery in prices thanks to the low stock levels in the large consuming countries, while palm oil supply remained muted. The Indonesian government's commitment towards its biodiesel policy has increased overall demand for palm oil, and this provided further support for crude palm oil (CPO) prices. During the year, we recorded 11 percent growth in revenue to US$7.21 billion and a six percent increase in EBITDA to US$572 million.

STRATEGIC FOCUS TO ACHIEVE VISION

We focus our business transformation efforts on entering a new age of efficiency, sustainability and innovation throughout our vertically integrated value chain to grow profitability, as the partner of choice to our stakeholders.

GAR is working to maintain its position as a leading sustainable palm oil producer by applying best agronomic practices. Our precision agriculture includes the ability to closely monitor plantation performance in detail by breaking down each concession into 30 hectare block level, which is unparalleled in the sector.

REALISING SUSTAINABILITY POLICY IN PRACTICE

2016 was a year of consolidation as we continued to carry out initiatives in line with our belief that economic growth can go hand-in-hand with environmental protection and in the spirit of achieving sustainable human progress as envisioned in the UN's Sustainable Development Goals (SDGs).

The World Economic Forum has called for new models of rural development at the forest frontier be developed as global demand for agricultural and forestry products continue to rise. Our innovative programmes on forest conservation partnerships with the community are part of this new model, allowing us to implement our commitments under the GAR Social and Environmental Policy (GSEP).

Having identified an area equivalent to the size of Singapore for conservation across our concessions, we are now working with communities to make forest conservation a practical reality, while taking into account their needs and aspirations. This involves intensive engagement and consultation with them to map areas for food security and village boundaries



Franky Oesman Widjaja
Chairman and Chief Executive Officer

"Having identified an area equivalent to the size of Singapore for conservation across our concessions, we are now working with communities to make forest conservation a practical reality, while taking into account their needs and aspirations."

and lays the foundation for further consultations on forest conservation. By the end of 2016 we had rolled out participatory mapping in 67 villages across our concessions and carried out conservation planning in 10 villages, securing agreement to protect over 7,000 hectares of forest.

A core element of this approach involves designing Alternative Livelihood programmes that allow communities to earn an income without disturbing forests and sensitive ecosystems. Alternative Livelihood programmes currently being piloted by GAR include organic vegetable farming using spare communal land. These projects bring several benefits including improving food self-sufficiency and additional income from sustainable farming. With help and guidance from GAR, local communities are exposed to new, sustainable ways of farming without intensive use of chemicals and more importantly, without the use of fire to clear land.

Last year we suffered virtually zero fire incidents in our concessions as we continue to be vigilant. Our Emergency Response personnel continue to receive ongoing training so that they are able to suppress any fires that may occur.

We also continued to tackle the issue of fires in our surrounding communities and we are complementing our community conservation partnerships with community-based fire prevention programmes. We piloted our fire prevention programme, Desa Siaga Api in 2016, in 17 villages in West Kalimantan and Jambi. At the end of the first year of the programme, all the villages met targets for fire prevention and qualified for community infrastructure support. Building on this success, the pilot will now evolve into an expanded programme called Desa Makmur Peduli Api and will focus on three elements: fire prevention, forest conservation and food security.

In addition to working with local communities, we have deepened engagement with our suppliers. Bringing our supply chain along with us on our sustainability journey through dialogue and engagement is essential if we are to ensure that the palm oil industry adopts and strengthens responsible practices. The launch of our Traceability to the Plantation (TTP) exercise in 2016 is enabling us to reach a greater number of our suppliers including middlemen and smallholders.

Last year, we conducted two inaugural SMART SEED workshops for our suppliers offering them an avenue to meet government, Civil Society Organisations (CSOs) and other experts on critical issues such as obtaining Indonesian Sustainable Palm Oil (ISPO) certification.

We are also carrying out a programme of supplier mill visits which enables us to obtain a complete picture of where our suppliers stand with regards to responsible practices; build trust to embark on the sustainability journey together and help them adopt responsible practices. These efforts will ultimately help build a more resilient supply chain and industry.

In the spirit of continuous improvement we have commissioned several independent surveys and verifications by external parties to check on our progress in implementing the GSEP. The results of these studies will help us close any gaps between policy and practice as we strive towards responsible palm oil production.

OUTLOOK CONTINUES TO BE ROBUST

We are excited about the future of palm oil as our core business. Although prices will remain subject to volatility as a commodity, the long-term fundamentals are robust. As the most economical vegetable oil with the highest yield and widest range of uses, palm oil will remain customers' number one choice to fulfil both food and non-food needs. GAR will continue to invest for the long-term development of this industry in the areas of R&D, technology and sustainability.



FRANKY OESMAN WIDJAJA
Chairman and Chief Executive Officer
30 June 2017

Board of Directors' Statement

As the largest palm oil grower in Indonesia, GAR believes that socio-economic growth can go hand-in-hand with environmental protection and sustainable practices.

Our sustainability strategy uses a scientific approach to understanding our most material issues across all areas of our business – this includes our impacts on the environment, the communities around us, our workers, our supply chain and the consumers who use our products. In 2015, we updated our policy governing sustainability and launched the GAR Social and Environmental Policy (GSEP). It covers the key economic, social and environmental issues facing the palm oil industry, and serves as the company's main roadmap towards responsible palm oil production.

Based on this policy, we have set performance improvement targets for our material sustainability issues. The monitoring, evaluation and reporting of our performance through our Annual and Sustainability Reports helps us track our progress and identify areas for improvement.

We work on achieving our goals through engagement, partnership and collaboration with key stakeholders including the government, communities, Civil Society Organisations (CSOs) and our industry peers. Furthermore, we benchmark our performance against international and industry standards such as the Roundtable on Sustainable Palm Oil (RSPO) principles and criteria, the High Carbon Stock Approach (HCS) and the United Nations Global Compact (UNGC).

To ensure the appropriate level of oversight, we have established a Sustainability Committee comprising the senior leadership team across the upstream, downstream and corporate centre which meets regularly to oversee the development and implementation of GAR's sustainability strategy. It reports to the Chairman and CEO and the Board, and is a key part of GAR's efforts to embed sustainability in its everyday operations.

Ultimately, we believe that our investment in responsible palm oil production is essential in helping our business thrive and create value for shareholders, our employees and the community.



FOR AND ON BEHALF OF THE BOARD
FRANKY OESMAN WIDJAJA
Chairman and Chief Executive Officer
30 June 2017



A refinery in Marunda, West Java

About GAR (102-7)

170,700 jobs in Indonesia

46,300 permanent employees

68,600 smallholders

55,800 fixed-term employees

ABOUT GAR

Value chain of Our Business in Indonesia



manages more than **488,000** hectares of palm oil estate— **4% of Indonesia's planted estates**



21% of our managed estates are owned by our plasma smallholders

429 supplier mills across Indonesia



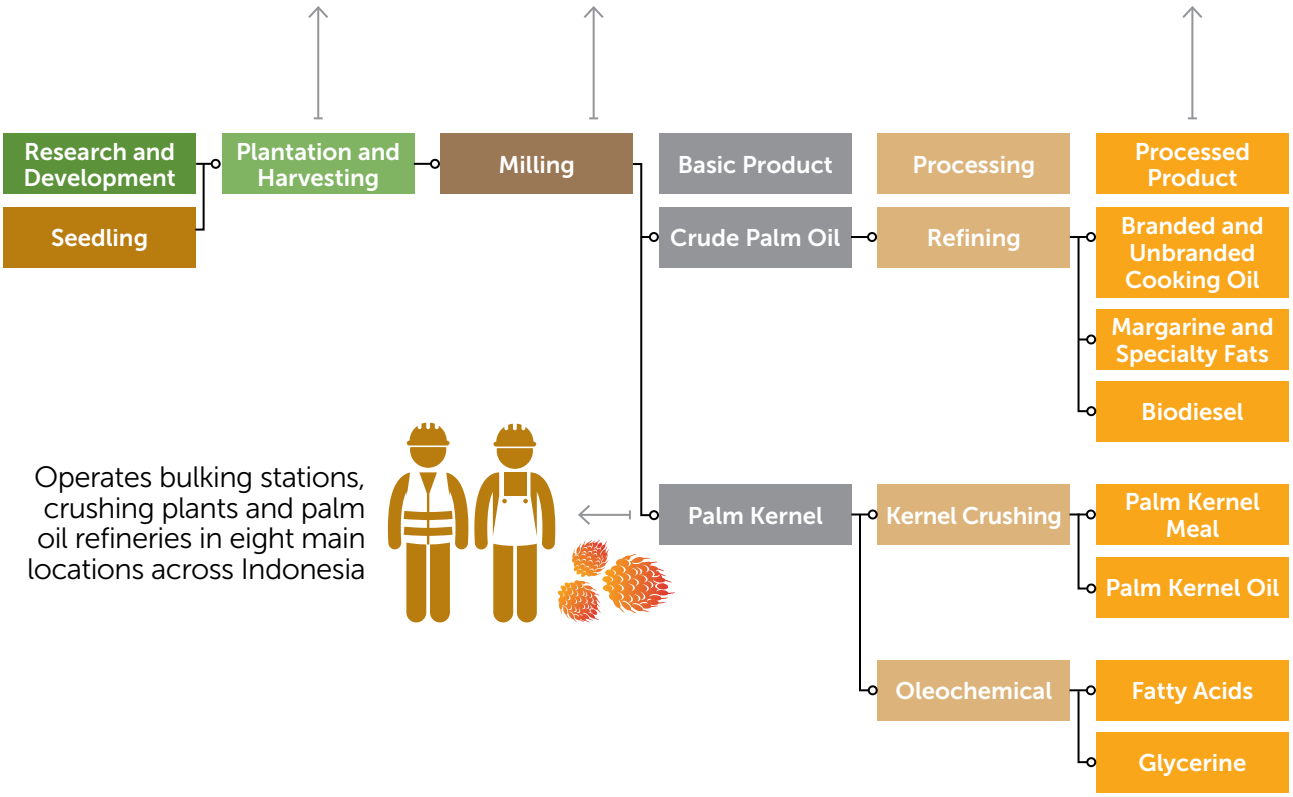
Owns **45 palm oil mills**



MORE THAN **30** CONSUMER BRANDS



Products sold in more than **70** countries world-wide



Operates bulking stations, crushing plants and palm oil refineries in eight main locations across Indonesia

About GAR

COMPANY OVERVIEW (102-2, 102-3, 102-4, 102-5)

Listed on the Singapore Exchange since 1999, GAR and its subsidiaries form one of the leading integrated palm oil plantation companies in the world, with a total revenue of more than US$7.2 billion and underlying profit of US$186 million in 2016.

GAR's primary activities are located in Indonesia and range from cultivating and harvesting oil palm trees, processing fresh fruit bunches (FFB) into crude palm oil (CPO) and palm kernel (PK), to refining CPO into industrial and consumer products such as cooking oil, margarine, shortening and biodiesel, as well as merchandising palm products throughout the world.

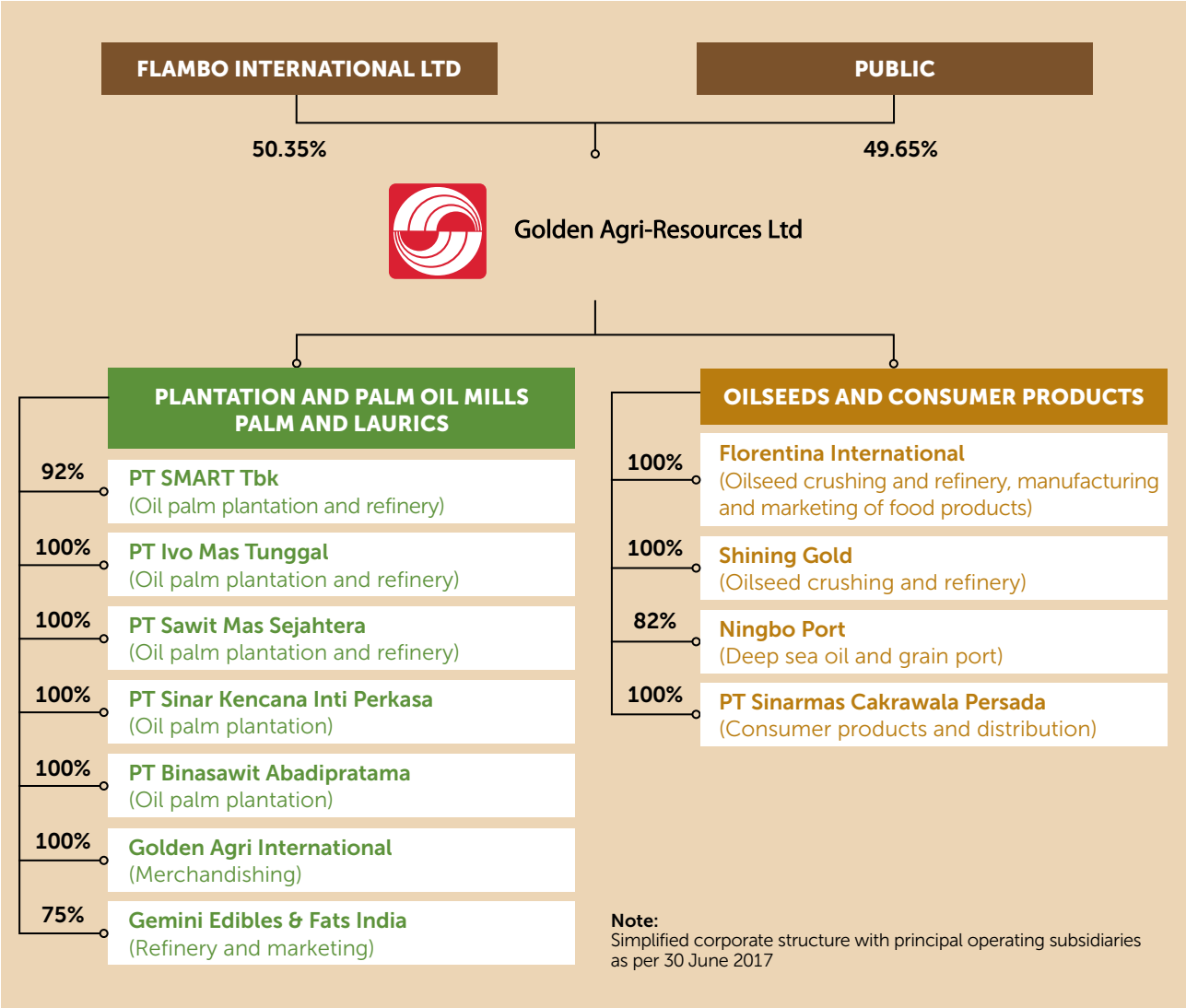
GAR also has operations in China and India, where we operate a deep-sea port, oilseed crushing plants, production capabilities for refined edible oil products as well as other food products such as noodles.

Our products are sold globally to a diversified customer base by leveraging an extensive distribution network, strong merchandising, branding, and destination marketing. GAR's shipping and logistics capabilities are bolstered by our ownership of vessels, sea ports, jetties, warehouses and bulking facilities in strategic locations.

The chart below sets out a simplified corporate structure of the business including principal operating subsidiaries and intermediate holding companies. It also shows the structure of shareholding between GAR's publicly traded shares and Flambo International Ltd, an investment company owned by the Widjaja family. 50.35 percent of GAR shares are directly and indirectly held by Flambo International Ltd and 49.65 percent are publicly held.

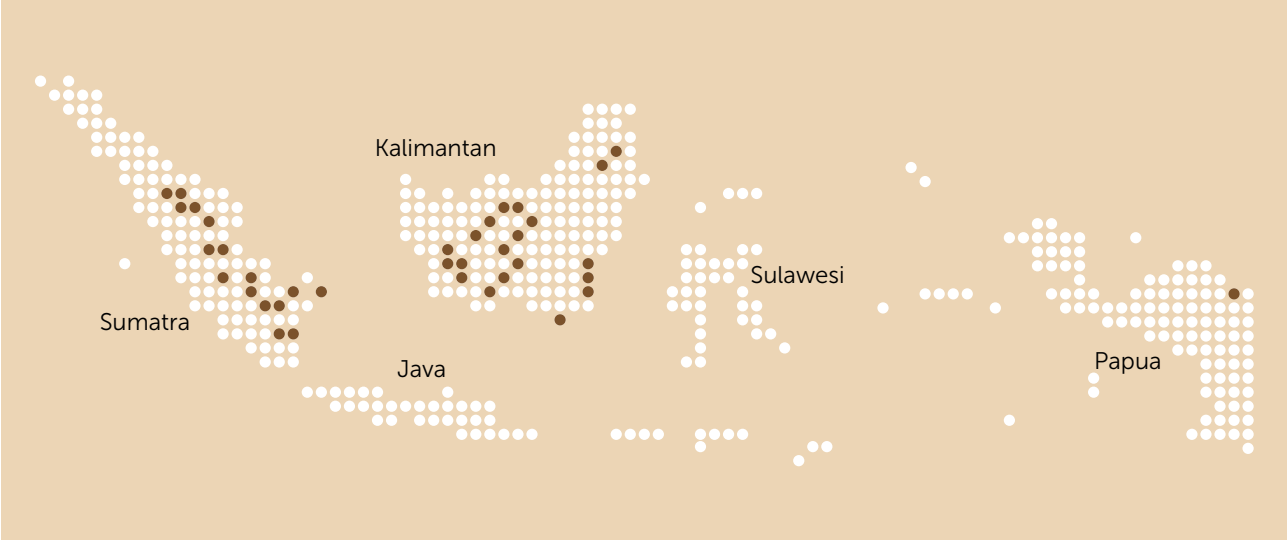
GAR operates independently, as each business group of the Widjaja family has its own separate management team and independent directors. GAR's subsidiary

Corporate Structure of GAR



Note:
Simplified corporate structure with principal operating subsidiaries as per 30 June 2017

GAR's plantations in Indonesia



PT SMART Tbk (SMART) is marketed under the Sinar Mas brand. However, GAR and SMART are not subsidiaries of Sinar Mas, as Sinar Mas does not refer to any operating business entity.

THE SCALE OF OUR OPERATION (102-4, 102-7)

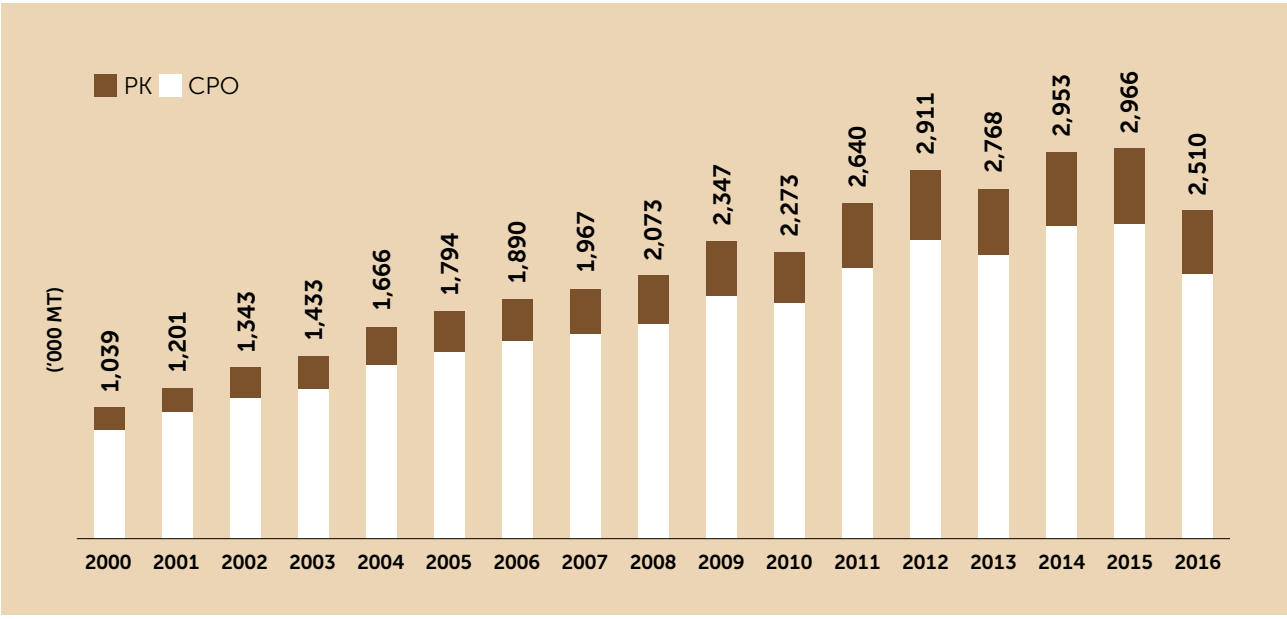
GAR maintains its position as the leading oil palm plantation group in Indonesia with estates spanning the archipelago.

The Company manages 169 oil palm estates with a total area of 488,252 hectares. As at end 2016, the planted area consists of estates owned by GAR (called 'nucleus') totaling 385,997 hectares and estates owned by smallholders (called 'plasma') amounting to 102,255 hectares.

The harvested FFB are processed in GAR-owned milling facilities, which are strategically located near the plantations, to produce CPO and PK. GAR has 45 mills with a combined installed annual capacity of 12.81 million tonnes. During the year, our mills produced 2.02 million tonnes of CPO and 494 thousand tonnes of PK.

The chart below shows GAR's growth in terms of palm product output since 2000.

Output of palm products



About GAR

PALM OIL – AN SDG COMMODITY

Palm oil is produced from the fruit of oil palms, which grow in fertile regions close to the equator. Oil is extracted from both the fruit and its kernel (the nut at its centre), producing crude palm oil, crude palm kernel oil and palm kernel expeller, which can be further refined and used in different products.

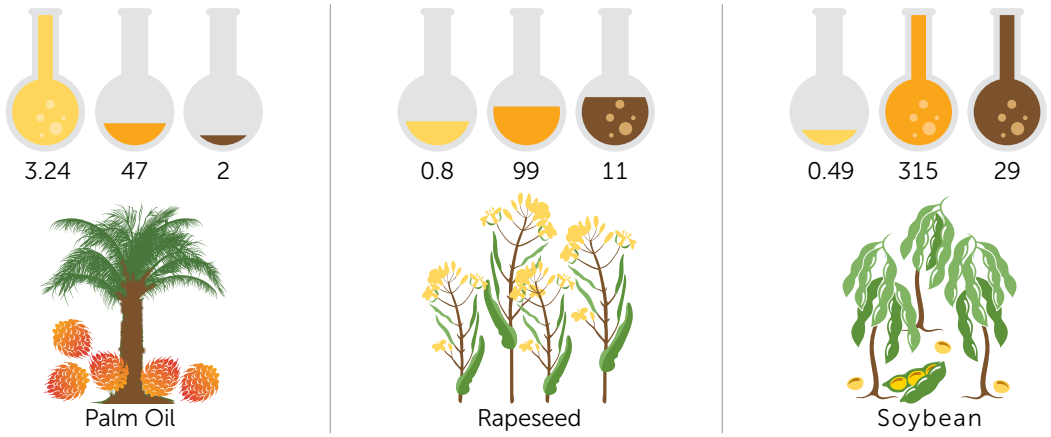
Palm oil has the highest yield of any oil crop and makes more efficient use of land in its production than any other vegetable oil. In 2016, mature oil palms occupied only 6.6 percent of the total harvested area for vegetable oils. However, in the form of palm oil and palm kernel oil, they formed 37 percent of global vegetable oil production in 2016.

It is also extremely versatile, used as a cooking oil, in foods such as margarine and ice cream, and in thousands of non-food products from soaps to cosmetics, candles and pharmaceuticals. Palm oil is also a valuable biofuel, which can contribute to reducing carbon emissions. Palm oil's low cost and versatility have resulted in rapidly growing worldwide demand.

In Indonesia, palm oil production has helped to lift millions of rural farmers out of absolute poverty. It is estimated that a palm oil farmer can earn up to seven times more than a subsistence farmer. It provides direct and indirect employment for an estimated 16 million people and generated US$17.8 billion worth of palm oil exports in 2016 for Indonesia. Palm oil estates also provide critical infrastructure and facilities for rural populations and gives them access to healthcare and education. Through this, palm oil is helping to deliver several UN SDGs including ending poverty, decent work and economic growth, providing quality education and health and well-being and reducing inequalities.

The chart below shows that palm oil not only produces the best yield of all commercial oil crops but also creates less impact in terms of fertiliser and pesticide usage.

Resources needed to produce major vegetable oils (MT/ha/y)



Yield – Tonnes of oil produced per hectare
Fertiliser – Kg to produce one tonne of oil
Pesticides – Kg to produce one tonne of oil

Source: Oil World and The Guardian

THE VALUE CHAIN OF OUR PALM OIL BUSINESS (102-2)

Our palm oil business, which is mostly in Indonesia, is fully vertically integrated, involved in every aspect of palm oil production. We develop and produce oil palm seeds, plant and manage oil palm plantations, harvest and mill the fruit of the palms to create our palm products (CPO and PK). We then refine CPO and crush PK to produce higher value products such as cooking oil, margarine, shortening, biodiesel and other palm oil derivative goods. We sell our products both in bulk to wholesalers and direct to consumers through some of Asia's most popular food and cookery brands. In Indonesia, our products are marketed under our prominent brands, Filma and Kunci Mas.

We aim to offer an extensive range of products, and focus our research and development on evolving our portfolio to meet customer demand. This includes consumer demand for higher quality and more sustainable palm oil goods. We are working to develop a higher-value product mix, with a greater emphasis on developing PK into oleochemicals, which are used to make soaps and personal care products.

We also operate a processing business in India through our subsidiary Gemini Edibles & Fats India Private Limited, with refining capability and an established brand and distribution network in the Eastern part of the country. Through this subsidiary, we are able to participate in India's fast growing branded cooking oil and specialty

fat sectors, and also to bring our products closer to the greater European and Middle East markets.

Our palm oil business contributes to the performance of Plantation and Palm Oil Mills as well as Palm and Laurics segments (see page 130 of GAR Annual Report 2016 Note 40 "Operating Segment Information" for further details).

THE VALUE CHAIN OF OUR OILSEEDS AND OTHERS BUSINESS

In China, GAR owns integrated vegetable oil facilities comprising one of country's largest deep-sea ports, oilseed storage, crushing and refining facilities. We operate a deep-sea port in Ningbo, Zhejiang Province where we import and store oils and grains, including refined palm oil from our own operation in Indonesia and soybean. Our oilseed crushing and refining facilities in Ningbo and Tianjin produce soybean meal to be sold within China, refined soybean and palm oil, and higher value products such as margarine, shortening and butter oil substitutes. These are sold both to wholesalers and direct to consumers.

GAR also operates a food business in China through Florentina International Holdings Limited, which manufactures and distributes a variety of economy and premium grade snack noodle and instant noodle products, and other snack products in the country.

This business contributes to the performance of Oilseeds and Other segments (see page 130 of GAR Annual Report 2016 Note 40 "Operating Segment Information" for further details).

BALANCING SUSTAINABILITY WITH STRATEGIC GROWTH OPPORTUNITIES

To sustain our long-term growth, we continue to study the potential for oil palm plantations in other countries. We are investing in Africa through The Verdant Fund LP, a private equity fund that owns Golden Veroleum (Liberia) Inc (GVL). The Liberian government has granted GVL a concession to develop land for oil palm plantations. The GSEP applies to all GAR investments and as such GVL follows sustainable development practices as laid out in the policy. GVL is also a member of the RSPO and adheres to its Principles and Criteria. As at end of 2016, GVL cultivated approximately 15,000 hectares of oil palm plantations, with GAR providing technical expertise to ensure quality and sustainability.

OUR FINANCIAL PERFORMANCE IN 2016 (102-48, 201-1)

During 2016, GAR posted a revenue of over US$7.2 billion, 11 percent higher than the previous year. EBITDA and underlying profit also registered higher at US$572 million and US$186 million, respectively. These stronger results were bolstered by our integrated business model and the increase of CPO market price, more than offsetting weaker palm product output. The Company's financial position strengthened with prudent gearing (adjusted net debt to equity ratio) at 0.43 times.

Looking ahead, we are confident that the prospects for the palm oil industry remain promising in the long term. Although prices will remain volatile as a commodity, fundamentals continue to be robust. As the most economical vegetable oil with the highest yield and widest range of uses, palm oil will remain customers' number one choice to fulfil both food and non-food needs. Food demand will maintain its growth in line with the growing populations and rising per capita income in developing countries, while non-food demand will largely be driven by the biodiesel mandates. GAR will continue to invest for the long-term development of this industry in the areas of research and development, technology and sustainability.

The chart below shows GAR's economic value generation from its integrated palm oil business and its distribution during 2016.

Economic value generated and distributed from palm oil business* in 2016

	2016
Direct economic value generated	
Revenue from external parties **(US$'000)	**6,366,079**
Economic value distributed (% of revenues)	
Operating costs	**82.3%**
• Plasma farmers	**3.9%**
• Other suppliers	**78.4%**
Employee wages and benefits	**8.5%**
Payments to providers of capital	**2.8%**
Tax payments to governments	**4.2%**
Community investments (Philanthropy)	**0.1%**
Economic value retained (calculated as 'Direct economic value generated' less 'Economic value distributed')	
Economic value retained	**2.1%**

Note:
* Refers to the performance of Plantation and Palm Oil Mills as well as Palm and Laurics Segments
** Including revenue from financial investments and sales of assets

About GAR

Starting 1 January 2016, GAR adopted various new and revised International Financial Reporting Standards (IFRSs) that are relevant to its operations, including Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). The change in accounting policy has been applied retrospectively and the 2015 comparatives have been restated. For details on restatement of 2015 financial results please see page 79 of GAR Annual Report 2016 Note 2 "New and Revised IFRSs". The adoption of the new and revised IFRSs has had no material financial impact on the 2015 GAR's economic value generation from its integrated palm oil business and its distribution.

OUR CORPORATE GOVERNANCE (102-18, 102-23, 102-26, 102-32)

We are committed to the highest standards of corporate governance, and to complying with the principles of the Code of Corporate Governance published in 2012.

The make-up of our board is an important part of our approach to corporate governance. The board has eight members, including four independent directors, who exercise objective judgment in our corporate affairs, and offer independent, constructive criticism as required. The board is headed by GAR's Chairman and CEO, Franky O. Widjaja and is responsible for overseeing all aspects of our business, including our commitments to sustainability. A full list of our board of directors and their profiles can be found on our website.

REMUNERATION POLICY

For details of GAR's remuneration policy for the board please see page 33 in the GAR Annual Report 2016.

From 2015, the Key Performance Indicators (KPIs) which are used to evaluate performance and linked to remuneration for senior management have included implementation of the GSEP. This is in order to help further embed responsible palm oil practices as part of GAR's day-to-day operations and culture.

ETHICS AND COMPLIANCE (102-16, 103-2, 103-3, 205-3)

At GAR, we are committed to pursuing our business objectives with integrity and in compliance with the law, no matter where we operate. We comply with applicable laws in all the countries in which we do business, including all anti-bribery and corruption regulations. No incidents of bribery or corruption were identified in 2016.

We expect all our employees, contractors and business partners to adhere to GAR Code of Conduct. Our Code is purposefully designed to be practically applicable to our day-to-day business, with definite guidelines on acceptable and unacceptable behaviour. The Code emphasises the Company's commitment to fair employment practices; diversity; and its stand against discrimination and zero tolerance for harassment or abuse. No cases of harassment and abuse were identified in 2016.

The Code also details avenues for raising concerns and whistleblowing procedures, encouraging employees to report any possible improprieties in confidence and without fear of retaliation. Since the launch of the updated Code in 2015, we have been conducting training for all our employees as well as new hires.

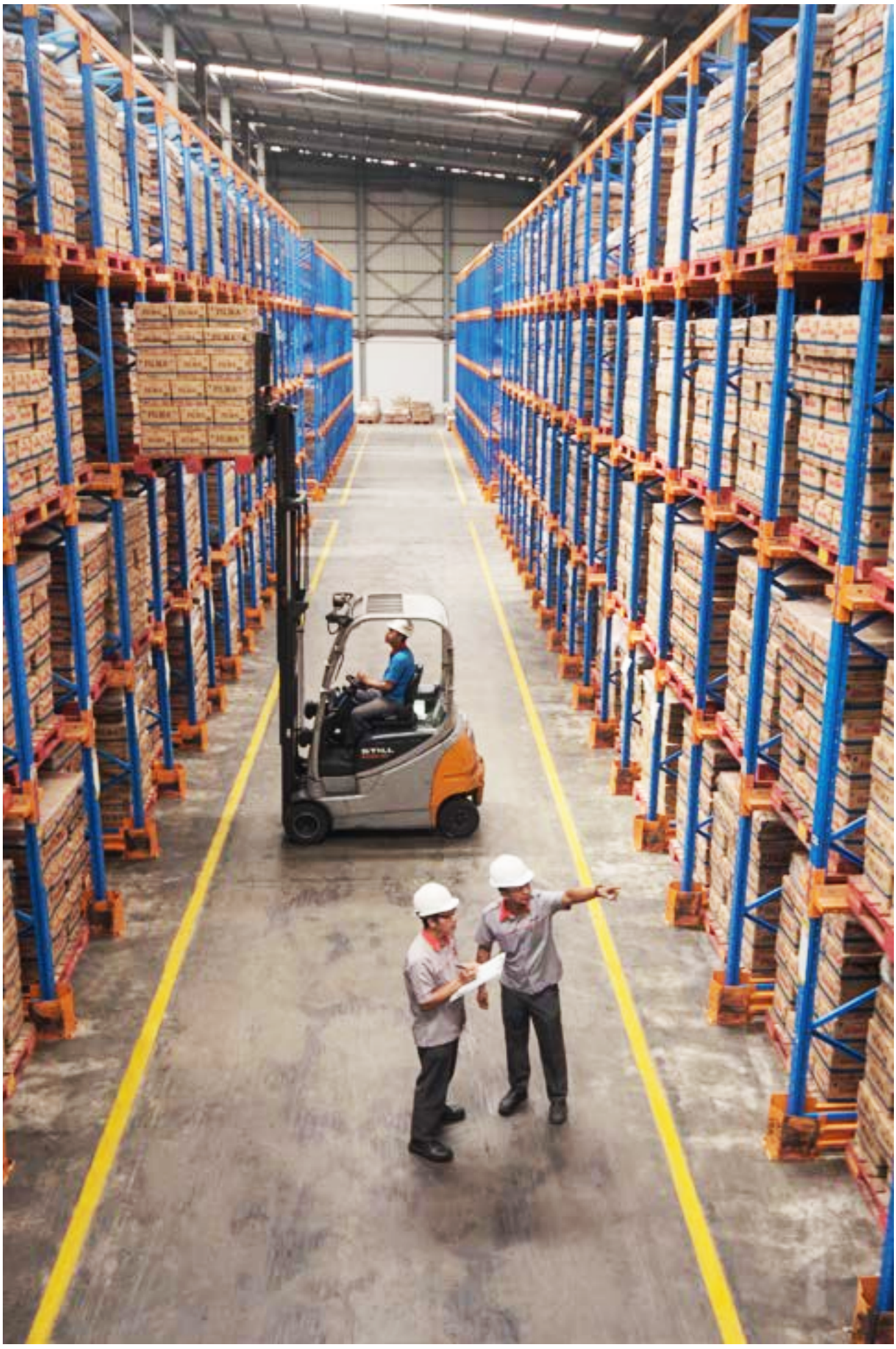
We require our suppliers to comply with the Supplier Code of Conduct which obligates them to comply with GAR's policies including the GSEP.

OUR AWARDS IN 2016

- Sustainable Business Award for the category of the Best Land Use, Biodiversity and The Environment from the partnership of Global Initiatives, Indonesia Business Council for Sustainable Development (IBCSD), and PricewaterhouseCoopers (PwC) awarded to SMART
- The Best Green CEO Award 2016 from Warta Ekonomi magazine awarded to Mr. Jo Daud Dharsono, President Director of SMART
- Indonesia's Top 5 Most Admired CEOs in the Agribusiness category from Warta Ekonomi magazine awarded to Mr. Jo Daud Dharsono, President Director of SMART
- Social Business Innovation Award for the category of Agribusiness from Warta Ekonomi magazine in consultation with the Ministry of Environment and Forestry of the Republic of Indonesia awarded to SMART
- Largest Number of ISPO Certifications in 2016 from the Ministry of Agriculture of the Republic of Indonesia
- Largest Number of PROPER Awards with Green Rating from the Ministry of Environment of Forestry of the Republic of Indonesia



Delivering fresh fruit bunches for processing


STILL

Our Approach to Responsible Palm Oil Production

OUR APPROACH TO RESPONSIBLE PALM OIL PRODUCTION (102-11, 102-12, 103-2)

As one of the largest integrated palm oil companies, we believe in leading by example. Since we adopted the first Forest Conservation Policy in the palm oil industry in 2011, we have continued to make strides in moving towards responsible palm oil production and we seek to encourage the rest of the industry to adopt responsible practices through engagement and dialogue.

Our roadmap for achieving this is the GAR Social and Environmental Policy or the GSEP. Launched in 2015, the policy consolidates all our sustainability, human rights and labour policies in one document. It contains our commitments for our most material sustainability issues and our overall approach to ensuring their responsible management. The GSEP embodies our belief that economic growth, social progress and environmental protection can go hand-in-hand. In envisioning sustainable progress for people and the planet it is aligned with the UN SDGs. As a signatory to the UN Global Compact through our subsidiary, SMART, we are also committed to working on and delivering the UN SDGs.

Based on our identified material issues, we have begun to explore how we as a company can play our part in the achievement of the SDGs. Our first step has been to identify the Goals that are most aligned with our commitments towards achieving responsible palm oil production. This is illustrated at the beginning of each chapter within this report.



GAR helps smallholders achieve higher yields

We have focused much attention and resources on resolving environmental issues. In addition, we keep abreast of other concerns such as labour practices and human rights and we are focusing our attention on ensuring proper implementation of our commitments in these areas.

Through our deepening engagement with our supply chain initiated by our traceability exercises, we are actively trying to influence and encourage our suppliers, and by extension the rest of the industry, to adopt responsible practices.

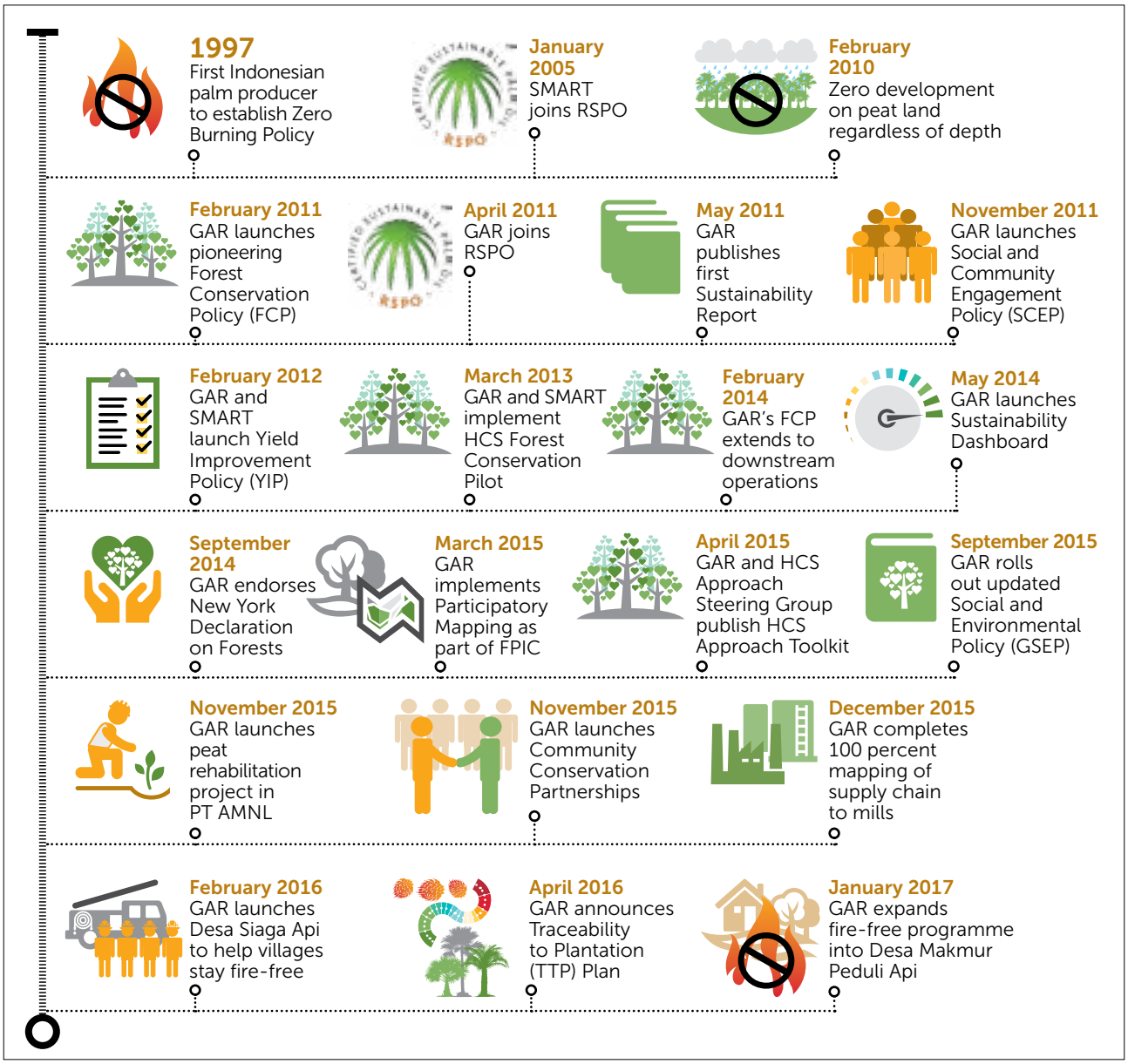
All these endeavours require us to work closely and engage with multiple stakeholders. Partnership is the cornerstone of our approach to achieving our goals. We do this in recognition of our limits as a private company and we seek to learn and gain valuable feedback from our stakeholders such as local communities, smallholder farmers, government, CSOs, suppliers, the RSPO, our industry peers and implementation partners. Our sustainability journey would not be possible without constant engagement, dialogue and consultation with our key stakeholders.

In several instances, we have worked with CSO stakeholders like Greenpeace to develop new guidelines and standards such as the High Carbon Stock Approach (HCSA) to address deforestation concerns. This approach is increasingly being adopted not only in our industry but also in other sectors such as forestry.

The GSEP was developed with feedback and input from key stakeholders including CSOs such as Greenpeace, Rainforest Action Network (RAN), Forest Peoples Programme (FPP) and our implementation partner, TFT. We also continue to improve our Standard Operational Procedures for carrying out FPIC, handling grievances, conflict resolution and participatory mapping, often with input from external stakeholders such as CSOs.

Our approach to responsible palm oil production is underpinned by scientific research and development and the use of technological advances. Our flagship research facility SMARTRI conducts research to improve yields and productivity sustainably – minimising impacts on the environment and the people who work and live on our plantations. With extreme weather phenomena such as El Niño becoming more severe, SMARTRI also conducts research into developing more resilient non-GMO seed stock and improving agronomic practices to cope with the impact of climate change.

OUR SUSTAINABILITY MILESTONES



MANAGEMENT APPROACH (102-15, 102-17, 102-18, 102-19, 102-20, 102-21, 103-2)

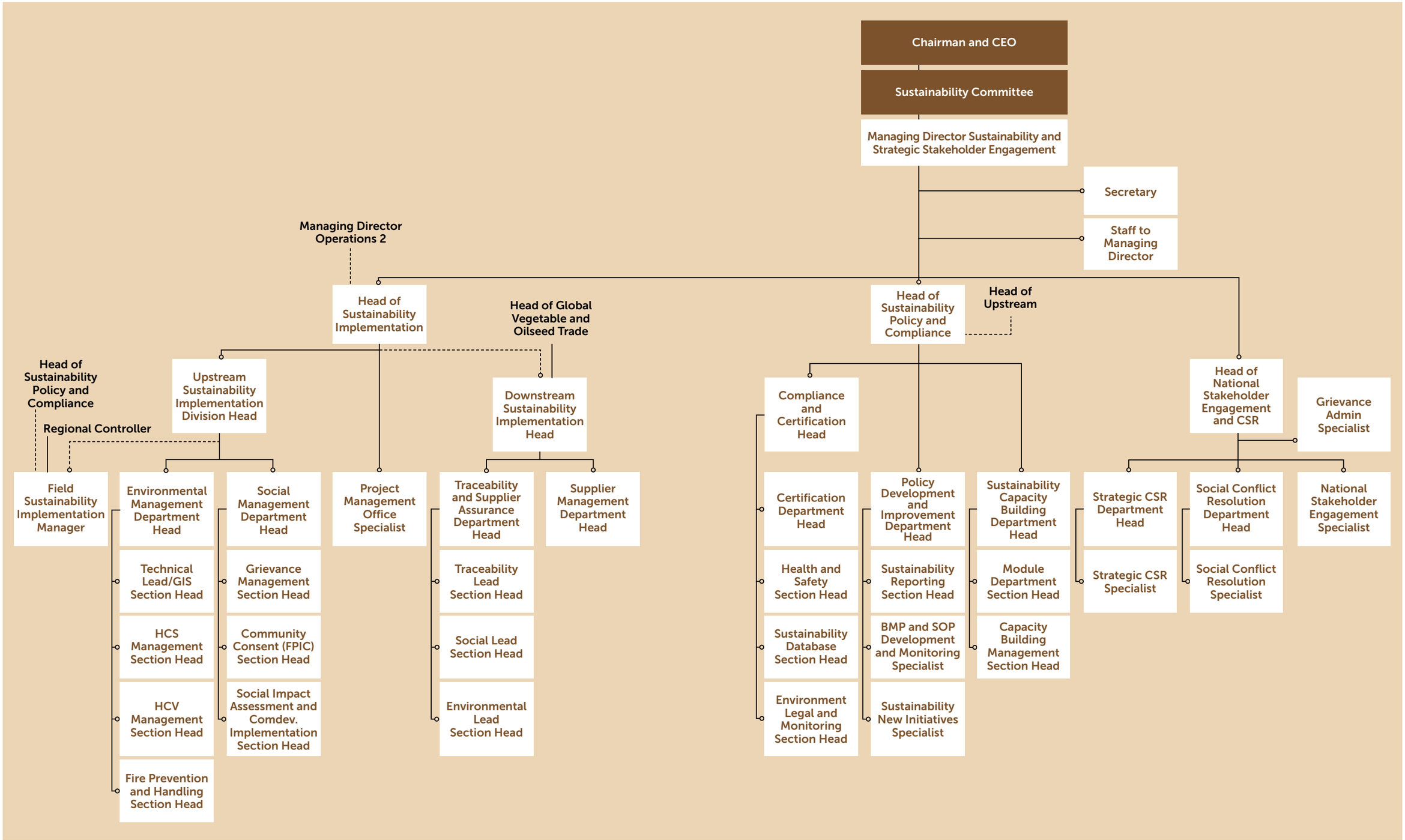
The board and senior management fully supports GAR's sustainability commitments under the GSEP. Responsible palm oil matters come under the purview of the Sustainability Committee (SC) which is chaired by the Corporate Strategy and Business Development Director. The SC comprises the senior leadership team from the upstream, downstream and corporate business units as well as the head of the Sustainability Department and other staff members from the Department. The SC reports directly to the Chairman and CEO of GAR and the Board and meets regularly to oversee the development and implementation of the GSEP and the monitoring of performance across all our business operations. Aside from these meetings, urgent and developing issues are escalated to relevant SC members for their input and decisions.

We have invested additional resources with the aim of embedding responsible palm practices in our day-to-day operations. A large Sustainability and Strategic Stakeholder Engagement Department has been established with 129 staff in Jakarta and another 176 in the field. Ongoing training in the implementation of the GSEP is being carried out for all relevant staff – to date, over 8,500 staff have been trained.

As detailed in the Organisation Charts, we employ specialists to oversee and handle key areas such as conflict resolution, HCS/HCV management, fire prevention, community consent (FPIC), grievance management and health and safety. The department also works with colleagues in Human Resources on labour issues to ensure free and fair labour practices in line with the GSEP.

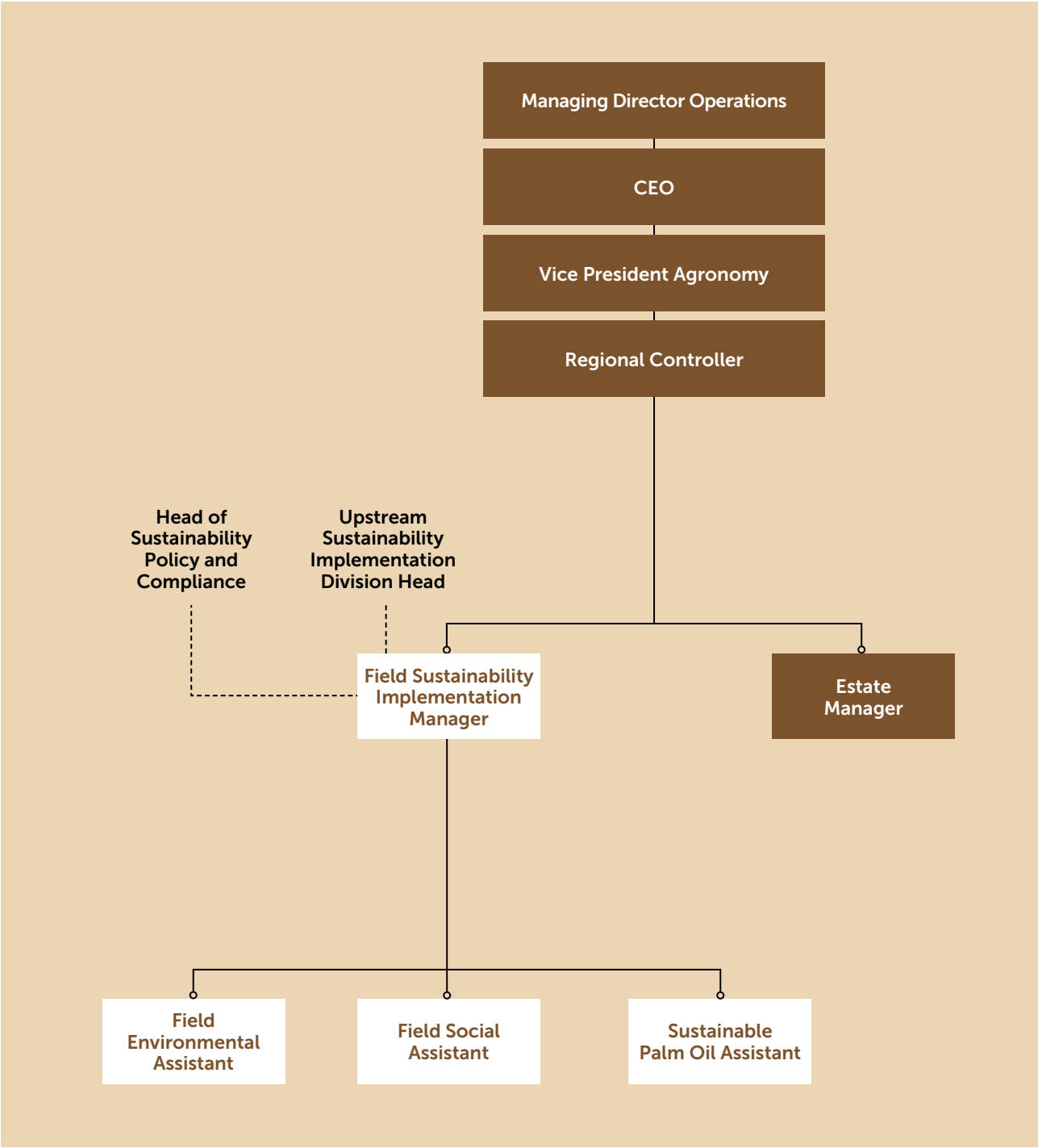
Our Approach to Responsible Palm Oil Production

OUR SUSTAINABILITY AND STRATEGIC STAKEHOLDER DEPARTMENT



Our Approach to Responsible Palm Oil Production

OUR UPSTREAM FIELD SUSTAINABILITY IMPLEMENTATION ORGANISATION STRUCTURE

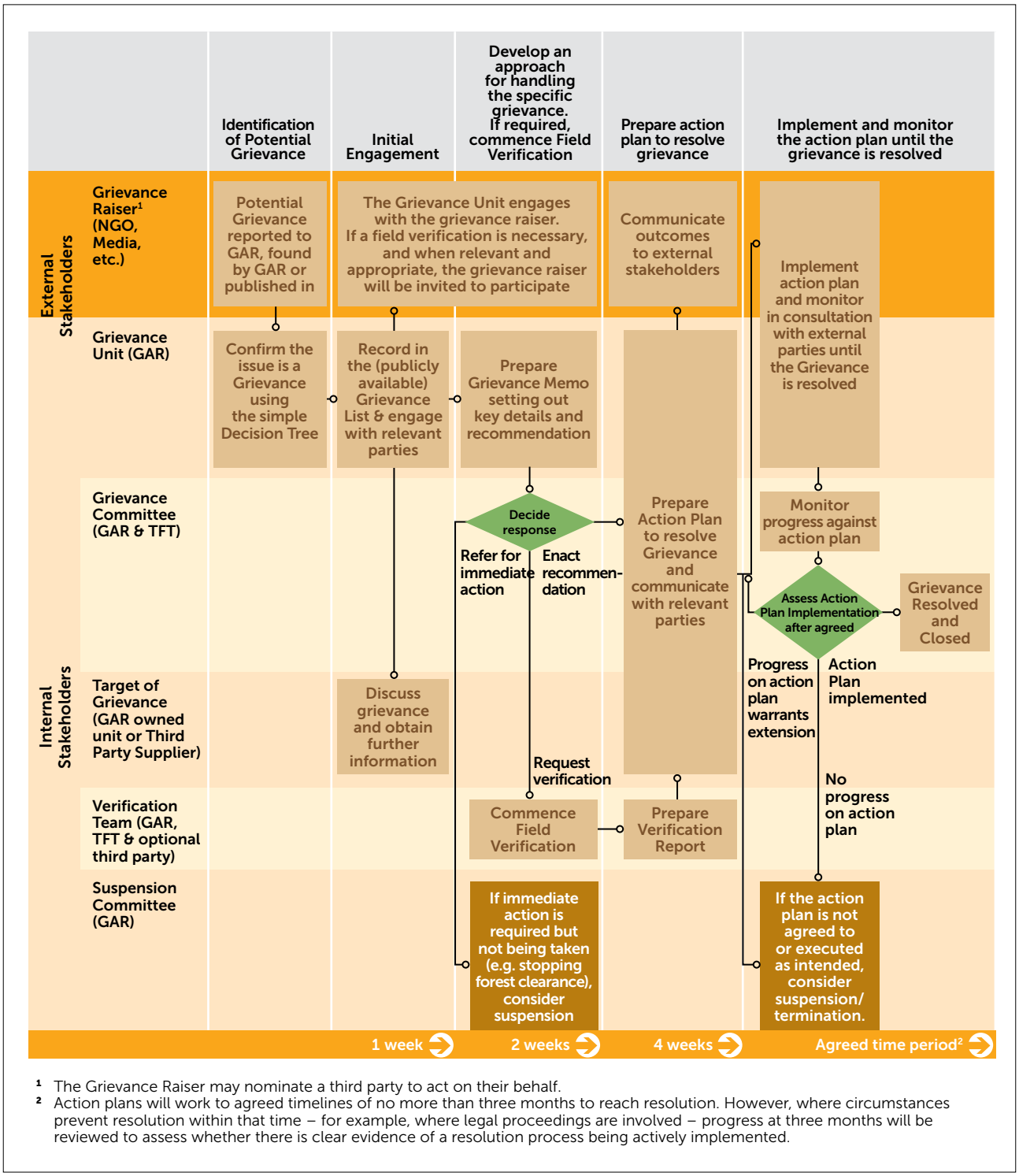


RESPONSIBLE HANDLING OF COMPLAINTS AND GRIEVANCES (103-2, 103-3, 102-17)

In 2015, GAR established a formal Grievance Procedure to ensure that as a company, we are responsive to any grievances from external parties. It helps us to address a wide range of concerns, including those related to our most material issues, and covers our worldwide operations and our third-party suppliers.

During 2016, eight grievances were raised with GAR. Of these, one has been closed, with GAR continuing to monitor. In 2016, we also resolved and closed three other outstanding grievances. GAR continues to actively review and work towards a resolution with stakeholders on all other grievances. The Grievance List can be viewed on the GAR Sustainability Dashboard.

GAR GRIEVANCE PROCEDURE



[1] The Grievance Raiser may nominate a third party to act on their behalf.
[2] Action plans will work to agreed timelines of no more than three months to reach resolution. However, where circumstances prevent resolution within that time – for example, where legal proceedings are involved – progress at three months will be reviewed to assess whether there is clear evidence of a resolution process being actively implemented.

MONITORING, EVALUATION AND REPORTING (102-12, 103-3)

Under the GSEP, we are committed to monitoring, evaluating and reporting our performance. To help us continuously improve we have engaged independent external parties to carry out verification studies and surveys. These include a study by Business for Social Responsibility (BSR) on our work environment practices. BSR will deliver its final results and conclusions in 2017. The Rainforest Alliance has also been asked to carry out a verification study on the implementation of the GSEP in the first quarter of 2017 and the results will be reported on our website and in future reports. We have also engaged EY to work with us on our Carbon Footprint Assessment

Our Approach to Responsible Palm Oil Production

Project which will help us establish baseline measurements of GHG emissions and formulate strategies for reduction.

These are just some of the external assessments that are helping us monitor our progress and take the right steps to close gaps and improve our responsible practices whether it be in conservation, climate change, human rights, labour practices or social and community engagement.

We regularly report our progress on several key initiatives such as our Traceability to Plantation (TTP) exercise, our progress in resolving social conflicts and handling grievances and monthly fire incident reports on the GAR website and Sustainability Dashboard as well as reports such as the GAR Annual Report and the GAR Sustainability Report.

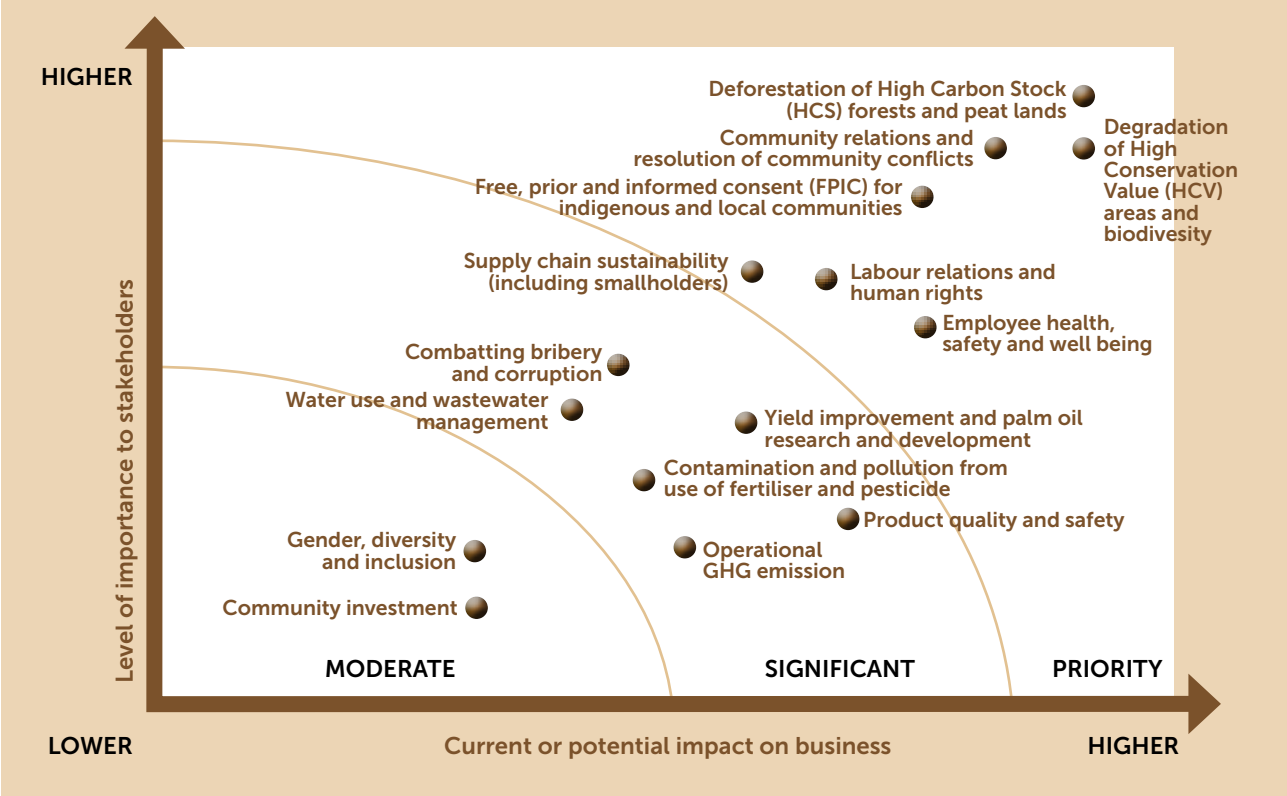
DEFINING OUR MATERIAL SUSTAINABILITY TOPICS

(102-15, 102-46, 102-47, 102-49, 103-1)

In 2015, we conducted a materiality assessment based on the GRI G4 Sustainability Reporting Guidelines to determine the relative importance of different sustainability topics to both our stakeholders and our long-term business success. We identified 15 broad sustainability topics which have been used to inform the on-going development of our sustainability efforts and our approach to reporting on sustainability. A description of the process we undertook can be found in our 2015 Sustainability Report.

This year, we have taken the further step to refine and focus our reporting on our most material issues. Seven topics, positioned in the top right-hand corner of our materiality matrix, are the key priorities for the sustainability of our operations and are of high concern to stakeholders. Therefore, our report focuses on reporting most comprehensively on these issues. We report key information on the other relevant topics as appropriate based on their sustainability context and importance to our stakeholders.

Our Materiality Matrix



Key:

Our priority issues are the most material sustainability issues with high impact on society and the environment, and of high concern to stakeholders. These form the focus of our sustainability policy, strategic approach to responsible palm oil, and our sustainability report. Our reporting on priority issues aims to fully meet the requirements of GRI Standards Core Option.

Our significant issues are of ongoing importance to GAR and of medium concern to stakeholders. They are actively managed by the business. Updates on our management and performance in relation to these issues is included in our report as relevant based on sustainability context and stakeholder interest.

Our moderate issues are relevant, but of lower importance to both GAR and stakeholders. These issues are still part of GAR's responsible business practices and are reported as relevant based on sustainability context and stakeholder interest.

Explanation of our priority material sustainability topics (103-1, 102-47)

MATERIAL TOPICS	VALUE CHAIN		
Value Chain	**Plantation**	**Production, Processing and Refineries**	**Distribution and Consumption**
Deforestation of High Carbon Stock (HCS) forests and peat land			
• Removal of HCS forests – distinguished forests that hold a higher amount of carbon – and peat land are major sources of GHG emissions contributing significantly to climate change. This issue could affect GAR plantations or the plantations of our smallholders.	▲	■	◆
Degradation of High Conservation Value (HCV) areas and biodiversity			
• Deforestation or development of HCV areas of high biological, ecological, social or cultural values can lead to habitat loss and affect plant and animal regional species diversity. This issue could affect GAR plantations or the plantations of our smallholders.	▲	■	◆
Community relations and resolution of community conflicts			
• Maintaining community dialogue and engagement, and promoting peaceful resolution of any conflicts and disputes that arise is integral to the sustainability and success of our operations.	▲	■	◆
Free, prior and informed consent (FPIC) for indigenous and local communities			
• To ensure land development and use is responsible and human rights are respected it is important to: – Freely inform communities of licenses, government and company policies regarding land compensation, development plans, land valuation approach, process of verifying land ownership, proof of ownership and procedures for land measurements and compensation in cases of location permits. – Ensure FPIC and comply with local and national law in land offers.	▲	■	◆
Supply chain sustainability (including smallholders)			
• We are committed to spreading responsible palm practices throughout our value chain. Ensuring the sustainability of our suppliers including smallholders is critical to our operations. Furthermore, palm oil production is the source of livelihood for millions of farmers and their communities in Indonesia.	▲	▲	■
Labour relations and human rights			
• In line with our commitment to the ten principles of the UNGC, we believe in a responsible approach to ensuring a productive and engaged workforce. This requires fair, ethical, and positive relations with our workers (including employees, suppliers and smallholder farmers), and prohibiting child labour, respecting human rights and labour standards.	▲	▲	◆
Employee health, safety and wellbeing			
• The health, safety and wellbeing of our workers are key to our operations. Therefore we are committed to the prevention of work-related illness, injury and accidents by continually improving OHS performance, in accordance with government regulations and implementing best practices standards.	▲	▲	■

KEY (ACTUAL/POTENTIAL IMPACT): SIGNIFICANT ▲ MODERATE ■ LOW ◆

Stakeholder Engagement

STAKEHOLDER ENGAGEMENT (102-13, 102-40, 102-42, 102-43, 102-44, 103-2)

We believe that a pro-active approach to stakeholder engagement is essential. Through a stakeholder mapping exercise, we have identified the stakeholder groups, listed below, that are fundamental to the sustainability of our operations, and which have a significant interest in the impact of our material sustainability topics. We adopt a tailored approach to ensure regular engagement with these groups.

We operate in a dynamic industry and our understanding of our most important stakeholders continuously evolve to reflect this. We review and update the way that we communicate with our stakeholders on a regular basis.

Stakeholder Engagement

Stakeholders	Purpose	How We Engage	Frequency	Outcomes
Customers and consumers 	• Better understand and address concerns such as environmental management, social/community engagement, labour practices, smallholder development, progress in certification, traceability and supply chain management • Communicate company policies and actions to achieve responsible palm oil • Partner with customers in joint community/ conservation projects	• Multi-stakeholder forums and industry groups • Presentations and meetings • Consumer Focus Group Discussion • Monthly e-update • GAR website • GAR Sustainability Dashboard • Annual Report • Sustainability Report • Social media	• Frequently • As required • Monthly, annually and frequently	• Improved reputation • Better understanding of GAR's sustainability progress • Partnerships in community and conservation projects
Employees 	• Employee development and training • Communicate company's overall policies and practices including Code of Conduct, GSEP • Communicate company's actions towards responsible palm oil including actions to prevent fire and haze • Improve workplace environment	• Annual appraisals • Townhall meetings • Celebration of major festivals • HR Training • Internal campaigns e.g. World Environment Day • Trade union meetings • GAR website • GAR Sustainability Dashboard • Social media	• Annually • Annually and as required • Annually • Annual programme • Ad hoc • Frequently	• Better understanding of company policies • Improved awareness of company's actions towards responsible palm oil

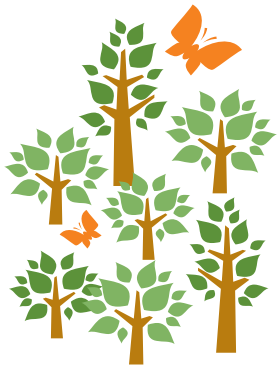
Stakeholders	Purpose	How We Engage	Frequency	Outcomes
Financial community (Investors, banks, shareholders and financial analysts) 	• Communicate and address queries on company performance and responsible practices including environmental management, social/community engagement, fire prevention, supply chain management • Communicate company policies and actions to achieve responsible palm oil	• Quarterly analyst briefings • One-on-one communications • Monthly e-update • GAR website • GAR Sustainability Dashboard • Annual Report • Sustainability Report • Social media	• Quarterly • Ad hoc • Monthly, annually and frequently	• Improved reputation • Better credit profiling by banks • Foundation for good long term relationship and engagement
Governments and Regulatory bodies 	• Understand government policies, regulations and aspirations for the palm oil sector • Communicate company's policies and actions towards responsible palm oil • Align with Government of Indonesia policies on palm oil sector productivity, smallholder development, fire and haze prevention	• One-on-one meetings • Multi-stakeholder forums and events • GAR website • GAR Sustainability Dashboard • Annual Report • Sustainability Report	• Ad hoc • Annually and frequently	• Collaboration in smallholder development projects for e.g. Innovative Financing Scheme • Community outreach programme on fire prevention focus on tackling fire and haze • Collaboration with Indonesia Estate-Crop Fund for Palm Oil (BPDP Sawit) on palm oil supply chain development
Industry bodies and trade associations 	• Improve palm oil sector and work towards responsible palm oil in areas such as HCS/HCV management and smallholder development	• HCV/HCS Working groups • HCSA Board meeting • Executive committee meetings • Multi-stakeholder forums and events	• Quarterly • Annually • Monthly • Frequently	• Smallholder improvement and support • Guidelines on good practices for HCV, peat lands, FPIC and other responsible palm oil practices

Stakeholder Engagement

Stakeholders	Purpose	How We Engage	Frequency	Outcomes
Local communities 	• Understand and address community concerns about palm oil development including ensuring FPIC • Ensure palm oil brings benefits to local community • Engage community in dialogue about conservation partnerships and long-term fire and haze prevention	• Participatory mapping and participatory conservation approach and Alternative Livelihood Programmes • Complaint handling, grievance procedures and conflict resolution mechanisms • Dialogue and consultation with community groups and representatives • Community programmes • Outreach programmes to combat fire and haze	• See schedule on p 31 • As required • As required • Annual programmes	• New community conservation partnerships to protect forests • Developed and improved guidelines and capacity in areas such as mediation, conflict management and Participatory Mapping to facilitate the successful implementation of the GSEP • Continued investment in comprehensive range of community programmes • Expansion of Desa Siaga Api programme into Desa Makmur Peduli Api programme
Media 	• Communicate and address queries about company performance • Communicate and address queries about company's responsible palm oil practices including environmental management, social/community engagement, fire and haze prevention, supply chain management, labour practices	• One-on-one communications • Briefings and interviews • Articles and op-eds • Multi-stakeholder forums and events • Monthly e-update • GAR website • GAR Sustainability Dashboard • Annual Report • Sustainability Report • Social media	• Frequently • Ad hoc • Monthly, annually and frequently	• Improved reputation • Improved media awareness about company's actions towards responsible palm oil • Thought leadership through op-eds and articles
Civil Society Organisations (CSOs) 	• Communicate and address queries about company's responsible palm oil practices including environmental management, social/community engagement, FPIC, fire and haze prevention, labour practices, supply chain management	• Multi-stakeholder forums and events • One-on-one communications • Monthly e-update • GAR website • GAR Sustainability Dashboard • Annual Report • Sustainability Report • Social media	• Frequently • Monthly, annually and frequently	• Feedback and input for the development of GSEP • Joint development of HCS Approach • Awareness of company's actions towards responsible palm oil

Stakeholders	Purpose	How We Engage	Frequency	Outcomes
Suppliers 	• Ensure they understand GSEP compliance • Help them adopt responsible palm oil practices including environmental management, social/community engagement, fire and haze prevention • Help them build capacity	• Supplier Support Team and dedicated e-helpline • One-on-one communications • Workshops and training sessions • Site visits • Questionnaires and self-assessments • GAR website • GAR Sustainability Dashboard • Annual Report • Sustainability Report	• Frequently • Biannually and as required • As scheduled according to supplier support programme and as required • Monthly, annually and frequently	• Improved engagement • 100 percent traceability to the mill • Collaboration on carrying out Traceability to the Plantation by 2020 • Smallholder inclusion • Best practices sharing in responsible palm oil • Helping smallholders towards certification
Certification bodies: RSPO, ISPO, ISCC 	• Compliance with Principles and Criteria • Sustainable policy development and review	• Working groups • One-on-one meetings • RSPO Roundtable meetings • RSPO ACOP • ISCC Report	• Quarterly • Ad hoc • Biannually • Annually • Annually	• Active participation in RSPO Roundtable meetings to help further responsible palm oil • Active membership in RSPO – GAR is part of the Dispute Settlement Facility Advisory Group, the Biodiversity and HCV Working Group and Innovation Lab • Achieved highest number of ISPO certifications in Indonesia

Environmental Management



72,000 ha
of conservation area (HCV/HCS)



Protection-production partnerships:
10 villages
in community conservation partnerships to protect
>7,000 ha



Alternative Livelihood programmes: **increase** community income, **improve** food self-sufficiency & **support** conservation goals



87
wild-born orangutans rehabilitated & released since 2011



17 villages in Desa Siaga Api pilot prevent fires in 2016;
3 villages – national showcases

Reduced 300
tonnes of plastic packaging waste in 2016

Nearly **Zero**
fire incidents in GAR areas in 2016

Methane capture facilities reduce
40-55%
GHG emissions on site

100%
production waste recycled

Zero
paraquat use

DELIVERING UN SDGS:



REALISING SUSTAINABILITY POLICY IN PRACTICE
In 2016, we continued to implement initiatives to turn our sustainability commitments into practical reality. New partnerships with communities, customers, suppliers and government play a key part in this endeavour. Our efforts are also aligned with several of the UN SDGs.

PROGRESS ON PRACTICAL CONSERVATION (304-1, 103-2)
Since we adopted the first Forest Conservation Policy in the industry in 2011, we have made decoupling palm oil production from deforestation a top priority. We carry out High Conservation Value (HCV) and High Carbon Stock (HCS) assessments as part of our standard procedures before embarking on new development.

We have currently identified around 72,000 hectares – an area roughly the size of Singapore – of HCV forests (53,248 hectares) and HCS areas (18,846 hectares) for conservation across and adjacent to our concessions.[1]

Defining these areas on paper is only the first step towards conservation; ensuring they are properly protected on the ground requires a workable model of collaboration and partnership with local communities and other key stakeholders such as local government. Without this, areas set aside for conservation remain prone to encroachment by external parties who frequently regard the area as unoccupied land.

The World Economic Forum has called for new models of sustainable rural development at the forest frontier and in particular, place-based "protection-production partnerships". At GAR, we have been working on these partnerships since 2015, when we began collaborating with local communities to formally map their villages through Participatory Mapping. We help the villages map critical areas such as customary boundaries and land necessary for food security. This map is lodged with and formally recognised by the authorities, serving amongst other things to clarify land tenure rights and enabling villages to gain access to government development funds for the first time.

The mapping lays the foundation for further dialogue on conservation through our Participatory Conservation Planning process. Our intensive consultative approach takes into account local community concerns, needs and aspirations including food security requirements and continued ability to earn a decent and stable livelihood.

1 The HCS/HCV areas were adjusted slightly lower in 2016 following FPIC consultations with local community and on-the-ground verification by our consultants which revealed that community mixed gardens had previously been erroneously included as conservation areas.

We have rolled out mapping in 67 villages across our concessions to date and carried out conservation planning in 10 villages in West Kalimantan, securing agreement with local communities to set aside over 7,000 hectares of HCS forests for conservation.

MEET THE MAPMAKER: PAK DIDIK

I've worked across both Riau and Kalimantan, and covered at least a thousand kilometres as a mapper for GAR. Mapping is not an easy process. The view of the community can be, "well we've managed so far without a map, so we'll carry on", but my job is to convince them of the benefits in mapping, defining, agreeing and protecting land claims. Some in the community see the benefits a map brings in terms of helping the community obtain sustainability certification. For others, it's about recognising that this can help avoid problems in the future as the community grows and changes. Read about Pak Didik's work on the GAR website.



Participatory Mapping Status (as of January 2017)

		Status		
No	**PT**	**Data Collection**	**Public Consultation**	**Share with Communities**
1	Agrolestari Sentosa (15 villages)	Completed	Completed	Completed
2	Paramitra Internusa Pratama (4 villages)	Completed	Completed	Completed
3	Kartika Prima Cipta (10 villages)	Completed	Completed	Completed
4	Buana Adhitama (12 villages)	Completed	Completed	Completed
5	Persada Graha Mandiri (4 villages)	Completed	Completed	Completed
6	Bangun Nusa Mandiri (10 villages)	Completed	Completed	Feb 2017
7	Aditunggal Mahajaya (2 villages)	Completed	Completed	Completed
8	Kencana Graha Permai (2 villages)	Completed	Completed	Completed
9	Cahayanusa Gemilang (2 villages)	Completed	Completed	Completed
10	Agrokarya Prima Lestari (3 villages)	Completed	Completed	Completed
11	Meganusa Inti Sawit (3 villages)	Completed	Completed	Ongoing
12	Mitrakarya Agroindo (9 villages)	Feb 2017	Mar 2017	Apr 2017
13	Binasawit AbadiPratama (2 villages)	Aug 2017	Sep 2017	Oct 2017

Environmental Management

A core element of this approach involves designing Alternative Livelihood programmes that allow communities to earn an income without disturbing forests and sensitive ecosystems. Alternative Livelihood programmes currently being piloted by GAR include organic vegetable farming using spare communal land. These projects bring benefits that include improved food self-sufficiency and additional income. With help and guidance from GAR, local communities are exposed to new, sustainable ways of farming without use of chemical fertilisers and pesticides and more importantly, without the use of fire to clear land.

We are using this model of community partnership to ensure the successful rehabilitation of 2,600 hectares of peat land in the PT Agro Lestari Mandiri (AMNL) concession in West Kalimantan. While physical rehabilitation is continuing apace, a more critical challenge is halting future encroachment into the peat areas. Through our community conservation partnership and the Alternative Livelihoods programme, we have launched an organic farming pilot project in the Lembah Hijau 2 village and are helping the community with materials and training to set up the farm. We are also starting Alternative Livelihood programmes in three other concessions in West Kalimantan.

Scaled up, this protection-production model could help ensure economic growth in tandem with forest conservation and we will be launching similar partnerships across our concessions.

HOW TO RESTORE A FOREST

When restoring burnt peatland forest, the first course of action is keep the soil wet.

When consultancy MEC started its land restoration project for GAR, it first surveyed the area using drone cameras to identify the areas where water was flowing out of the peatland through canals, then blocked these outlets.

Preventing the peat from degrading by managing the water table is the critical factor at this stage, and the consultancy says this has been done successfully so far in the 2,000 hectares of forest that GAR needs to restore.

Planting takes place around three years on from the fires, once the ecosystem has stabilised and some ground vegetation has recovered. This is done during the dry season, so the seedlings can establish a foothold when the ground isn't too soggy.

Kishokumar Jeyaraj, a director at MEC, says that while observers may wish to see instant revegetation this is unrealistic. "The last thing you want is high plant mortality. It depresses people to see dying plants," he explains.

The species that have emerged naturally are trialed in a test area with new native species to see what thrives, then a mosaic of plant species gradually scaled across a wider area.

In one hectare, around 10,000 seedlings are planted, which costs around US$6,000 for the seedlings alone. Including labour and transportation, to restore a single hectare "properly" may cost around US$10,000, explains Jeyaraj.

It is a diversity of plants that invites animals back to a forest, typically birds first, the fish in riparian areas, and then small and later larger mammals. While patches of forest may support smaller animals, a mosaic landscape of connected forests is needed to support larger fauna, such as endangered orangutans, rhinos and elephants.

GAR claims it will not cultivate any conservation land that burned in the 2015 fires, but not all of it will be returned to nature.

"It's not a strict conservation effort. The needs of the community need to be taken into account. You can't exclude them," says Jeyaraj. "Some marginal areas of land, bordering the villages, will be made available for crop planting without disturbing the core peat area.

Source: "How a palm oil company is fighting slash and burn culture" by Ecobusiness

FIRE PREVENTION COMPLEMENTS CONSERVATION (304-4)

We are complementing our community conservation partnerships with community-based fire prevention programmes in areas that have been identified as fire-prone. Our fire prevention programme, Desa Siaga Api was piloted in 2016 in 17 villages in West Kalimantan and Jambi. At the end of the first year of the programme, all the villages met targets for fire prevention and qualified for community infrastructure support. Three villages were also designated by the government as national pilot villages to showcase a successful fire prevention initiative.

Aside from training and equipping local community members to suppress fires rapidly, we also focused on education. We worked with schools to spread knowledge and awareness to school children about the dangers of forest fires and the importance of forest conservation. In 2016, we worked with 22 schools involving 1,500 students in PT AMNL, West Kalimantan. Through this we hope to trigger a change in the mindsets of the communities and a move towards more sustainable agriculture.

The pilot will now evolve into an expanded programme called Desa Makmur Peduli Api and will focus on three elements: fire prevention, forest conservation and food security. Alternative Livelihood programmes modelled on the same lines as the pilot at Lembah Hijau 2 Village will be rolled out to the other villages in West Kalimantan.

While the weather conditions in 2016 were a welcome reprieve from the extreme drought and El Niño effects of 2015, we continue to be vigilant and prepared to tackle fires. There has been no let up in training staff in fire preparedness and around 10,000 personnel throughout our concessions remain on standby to rapidly suppress fires. Due to strict adherence to our Zero Burning Policy, we had no significant fires on our plantations last year: around 0.01 percent of our concession areas were affected by fires, all of which were quickly suppressed with the majority caused by external parties carrying out land preparation activities. These details are reported in our monthly fire incident reports on the Sustainability Dashboard.

MEET THE HOUSEWIFE WHO WANTS TO PREVENT FIRE AND HAZE: IBU SOHRIAH

Since the fires and haze, I'm getting more concerned about what we can do to prevent the fires and how we can deal with them. I took part in training on tackling forest fires. Amongst the things we learnt: do not to open land by burning; take care when disposing cigarette butts and to put out fires after cooking fish by the river.

See Ibu Sohriah's story on the GAR website.



PROTECTING RARE AND ENDANGERED SPECIES (304-2, 304-4)

Operating in Indonesia places us in or near areas of rich and varied biodiversity and we want to preserve and protect this biodiversity. This is achieved through our identification and protection of HCV areas backed up by our Zero Tolerance Policy towards hunting, injuring, possessing and killing of rare and endangered wildlife.



As of May 2017, 87 orangutans have been released back into the wild

We continuously educate our employees, local communities and related stakeholders on the importance of protecting rare and endangered species.

Protection of orangutans remains a special focus for GAR. Since 2011, we have partnered with Orangutan Foundation International (OFI) to rehabilitate and release wild-born, formerly captive primates. As of May 2017, we have supported the release of 87 orangutans into their natural habitat in Seruyan Forest in Kalimantan, Indonesia, with 12 released in 2016 and 24 in 2017. We continue to work towards our target of releasing 100 orangutans by end-2017, although challenges in finding safe and suitable habitats for the orangutans may result in some delays. We remain committed to the programme and are discussing how to overcome these challenges and complete the programme with OFI.

We have also trained over 1,000 staff in orangutan conservation. They are mainly involved in field operations in Kalimantan with some overseeing our biodiversity and conservation efforts. GAR also maintains 1,400 hectares of HCV area in Sungai Rungau, Central Kalimantan as an orangutan sanctuary.

Through our HCV assessment, we have identified the rare and endangered species within our concessions and the surrounding landscape. Their habitats are classified as HCV areas to be conserved. For our full list of threatened species under Indonesia's National Law of Protected Species (Indonesian Government Regulation No. 7 of 1999) or on the IUCN Red List, please see the Sustainability Dashboard.

Environmental Management

Summary of Endangered Species (IUCN Red List) (304-4)

Birds	Near threatened	15
	Least concern	61
	Vulnerable	4
	Critically endangered	2
Mammals	Data deficient	1
	Near threatened	4
	Least concern	9
	Vulnerable	9
	Endangered	6
	Critically endangered	1
Reptiles	Least concern	5
	Vulnerable	2
Flora	Least concern	11
	Vulnerable	12
	Endangered	4
	Critically endangered	16

IMPLEMENTING RIPARIAN BUFFER ZONES (304-4)

Our management of HCV areas also involves the rehabilitation of riparian zones that have previously been cleared or planted. These riparian buffer zones have particular ecological importance, providing specific wildlife habitats and playing a key role in water systems.

GAR is implementing a riparian rehabilitation programme in 12 concessions located in Central and West Kalimantan. In 2016, we began rehabilitating about 1200 hectares. We will continue to rehabilitate another 630 hectares in 2017.

REDUCING GHG EMISSIONS (103-1, 305-5)

In 2016, we continued with the process of calculating our GHG emissions in selected mills and plantations in Kalimantan which was completed in the first quarter of 2017. Together with the data from mills and plantations in the Sumatra region assessed in 2015, this will help us complete our baseline studies, which will then be used to design overall GHG reduction targets and strategies in 2018.

We have commissioned accounting firm EY to review and verify how we calculate our carbon footprint, identify viable opportunities to reduce emissions and set short, medium and long-term reduction targets for the business.

Carbon Footprint Assessment Project (305-4)

Sumatra Region: Verify the calculation of GHG emissions and assess abatement opportunities	**Completed**
Kalimantan Region: Verify the calculation of GHG emissions and assess abatement opportunities	**Completed Q1 2017**
Verify the calculation of GHG emissions, assess abatement opportunities, develop emissions baseline and set short, medium and long-term reduction targets	**In progress, expected to be completed by 2018**

While we continue to complete and design our overall GHG emission reduction stratetgy, we have already instituted several emission reduction measures. In 2016, we added bio-digester facilities to capture waste methane gas in Central Kalimantan at our Hanau, Sungai Rungau, Perdana and Semilar mills. In addition to the bio-digester facility at Sei Pelakar mill in Jambi and the tank digesters in Libo and Rama-Rama mills in Riau, we now have a total of seven methane capture facilities. Amongst other

Verified GHG Emissions for Kalimantan in 2016[2]

		SUNGAI RUNGAU MILL PT. Binasawit Abadipratama (managed by PT. SMART Tbk.)			HANAU MILL PT. Tapian Nadenggan (managed by PT. SMART Tbk.)		
Product	**Unit**	**Verified GHG emissions from plantation and mill**	**POME emissions based on ISCC default value**	**Total**	**Verified GHG emissions from plantation and mill**	**POME emissions based on ISCC default value**	**Total**
Crude Palm Oil (CPO)	kg CO_2eq/t-CPO	359	436.25	795.25	363	436.25	799.25
Palm Kernel (PK)	kg CO_2eq/t-PK	266	321.36	587.36	283	327.09	610.09
Palm Kernel Oil (PKO)	kg CO_2eq/t-PKO		NA		427	728.25	1,155.25

2 These calculations are part of a limited assessment and are representative of the GHG emissions in our Kalimantan operations.

things, the methane gas is used as an alternative energy source, generating electricity for our factory operations.

We estimate that through methane capture and avoidance of fossil fuels, the methane capture facilities reduce between 40 to 55 percent of operational GHG emissions where they are sited.

MANAGING OUR WATER FOOTPRINT (303-1, 103-1)

Water is a vital resource for our operations and the communities in our supply chain.

We strive to meet all of our water needs through surface water that is processed to meet the quality standards required for the production process and use ground water only in very limited quantities in locations where no surface water is available. We continue to improve our water efficiency by recycling and reusing where appropriate in the palm oil production process.

Water consumption (m^3 per tonne of CPO produced)

Year	2014	2015	2016
Water consumption	3.03	3.12	3.39

We note that our water usage is on a rising trend and we are implementing efforts to improve our water footprint. In 2016, we started an assessment project to help further minimise our water footprint.

We also take steps to minimise any risk of pollution of surface and ground water. We follow strict land management practices that are designed to reduce these risks – for more details see the section on "Soil Fertility and Pest Management".

WASTE RECYCLING AND REUSE (303-1, 306-2)

Under our Zero Waste Policy we aim to reuse, recover and recycle. For the last couple of years, we have achieved 100 percent recycling of waste from the CPO production process.

The waste includes solid and liquid waste. Solid waste consists of empty fruit bunches (EFB) of oil palm, fibre and shells. Liquid waste or POME is generated from the processing of FFB to CPO. We use both types of waste as organic fertiliser and fuel.

Management of Waste from CPO Production Process 2016 (306-2)

Type of Waste	Total Quantity Produced (tonnes or m^3)	Total Quantity Recycled (tonnes or m^3)	Usage type
Fiber	1,219,185	1,219,185	Fuel
Shell	560,565	560,565	Fuel
EFB*	2,051,647	2,051,647	Organic fertiliser
POME*	4,853,681	4,853,681	Organic fertiliser

EFB

100 percent is applied fresh, or after composting with effluent, in the field as organic fertiliser.

POME

100 percent is applied in the field after traditional anaerobic and aerobic treatment to render the chemical and physical characteristics compliant with national regulations. A specific application permit has been obtained for each location, with close monitoring of environmental impact as requested by the authorities.

In addition, our Downstream R&D has also made a considerable impact on reducing packaging and making the transport of our products more environmentally friendly. We have done this by reducing the material thickness or weight of the packaging material to maximise space when loading containers. This has led to lower costs, lower energy consumption and reduction of carbon emissions.

Doing this has helped reduce almost 300 tonnes of plastic packaging waste in 2016. We are now exploring further packaging design improvements to increase container loading capacity by up to 20 percent.

SOIL FERTILITY AND PEST MANAGEMENT

GAR implements best agricultural management practices to maintain and enhance soil fertility through a comprehensive mineral nutrition management plan. We aim to minimise the quantity of fertiliser applied whilst maximising yields. This reduces the pressure to open more land and reduces the risk of soil degradation through oil palm cultivation.

We have Standard Operating Procedures (SOP) which specify that the use of fertilisers should be tailored to the texture of the soil and its capacity for retaining nutrients; that fertilisers should not be applied during periods of heavy rain; and that there should always be an appropriate interval between applications. We also recycle palm fronds and other organic products to increase the fixing capacity of soils.

We follow an Integrated Pest Management (IPM) approach which combines cultural, mechanical, biological and chemical means to control pests while minimising economic, public health and environmental risks.

Natural solutions and biological controls are our preferred method for controlling pests across all our plantations, including beneficial plants that attract parasitoids to control pests, pathogens or bacteria, and natural predators. We supplement this approach using handpicking and mechanical traps.

Environmental Management

Examples of this include barn owls which are bred on our estates to control the rat population; leaf-eating caterpillars are controlled through diversity of flora and encouraging beneficial plants and pheromones are used to control rhinoceros beetles.

MONITORING AND MINIMISING THE USE OF PESTICIDES (103-2)

We aim to minimise pesticide use throughout all growth phases of the palms. We only use chemical fungicides in our nurseries, and only deploy chemical insecticides and rodenticides to control outbreaks of infestation when biological controls have failed. In such cases, these products are used carefully and in compliance with national laws. Most of the pesticides that we use are chemical herbicides for weed control and management.

We apply these according to the following strict SOPs:

- Temporal selectivity: applying at specific times and reducing the number of applications to between one and three per year, depending on the type of herbicide
- Spatial selectivity: spraying only the circle of the palms and harvesting path, or about 20 percent of the soil surface
- Product selectivity: choosing only herbicides that are compatible with conserving an understory of plants to cover the soil

In 2016, GAR stopped using paraquat. In addition, pesticides that are categorised as World Health Organization Class 1A or 1B, or that are listed by the Stockholm or Rotterdam Conventions are not used, except in specific situations identified in national best practice guidelines. The use of such pesticides shall be minimised and eliminated as part of a plan, and shall only be used in exceptional circumstances in ways that do not endanger health or the environment.

PESTICIDES AND HERBICIDES USED IN GAR'S PLANTATIONS

Active ingredients in pesticides used in GAR's plantations (kg or litre/ha)

Type	2014	2015	2016
Acaricides	<0.001	<0.001	<0.001
Fungicides*	0.011	0.001	0.015
Herbicides	0.412	0.418	0.433
including Paraquat	0.093	0.082	0
Insecticides	0.017	0.012	0.035
Rodenticides	<0.004	0.006	0.008
Total used	**0.443**	**0.437**	**0.491**

* used only in nurseries

We observed a slight increase of the quantity of insecticides applied per hectare due to natural conditions (increase of pest outbreak), although the quantity used is still at a very low level, below 0.5 kg/ha/year.

A slight increase of herbicide used was also observed; this is due to paraquat being phased out in 2016. GAR remains committed to reducing the quantity of pesticides used in the plantations, and research on practices to reduce their utilisation is being intensified.

Active ingredients in pesticides used in GAR's plantations (kg or litre/tonnes of CPO produced)

Type	2014	2015	2016
Acaricides	<0.001	<0.001	<0.001
Fungicides*	0.002	<0.001	0.003
Herbicides	0.071	0.072	0.088
including Paraquat	0.016	0.014	0
Insecticides	0.003	0.002	0.007
Rodenticides	<0.001	<0.001	0.002
Total used	**0.076**	**0.075**	**0.1**

The increase of active ingredient used per ton of crude palm oil is mainly due to the low CPO production recorded in 2016, in line with the negative impact of 2015 El Nino related water deficit.

In parallel to minimising the use of chemical pesticides, GAR is promoting the use of biopesticides, to enhance the health condition of the soils and the palm trees.

Type of biopesticides	2014	2015	2016
Bacillus thuringiensis	680	1,760	2,527
Cordyceps	15,723	7,966	156
Mycorhyza	271,175	189,851	281,282
Trichoderma	400,635	303,199	131,148
Virus	35	0	0
Total	**688,248**	**502,776**	**415,113**

MONITORING ENVIRONMENTAL IMPACT (103-3)

We manage and regularly monitor every aspect of our operations in order to minimise adverse impact on the natural environment. The monitoring is in accordance with the Environment Management Plan (*Rencana Pengelolaan Lingkungan*) and the Environment Monitoring Plan (*Rencana Pemantauan Lingkungan*), as set out in the Environmental Impact Assessment (*Analisa Mengenai Dampak Lingkungan*) documents submitted to the Government of Indonesia.

Assessment of the environmental parameters is conducted by SMARTRI, our ISO 9001:2008 and ISO 17025 accredited internal laboratory, as well as external laboratories referred by the Indonesian authorities.

Our regular internal monitoring and assessments are guided by the ISO 14001:2004 Environment Management Systems and ISO 9001:2008 Quality Management Systems.

PROPER ACHIEVEMENT (303-3)

Since 2007, GAR has participated in the Indonesian Ministry of Environment's national public environmental reporting initiative known as the Programme for Pollution Control, Evaluation and Rating (PROPER). The programme uses a colour-coded rating to assess water and air pollution control, hazardous waste management and environmental impact. PROPER also considers other indicators, including the impact of a company's community development programmes; progress of biodiversity conservation efforts; efficiency of water management; and innovations in emissions reduction, waste management and energy efficiency.

In 2016, 21 of our mills passed the PROPER assessment with Blue ratings and eight mills achieving Green rating.

PROPER rating system

Gold	For businesses/activities that have successfully displayed environmental management effort and achieved excellent results.
Green	For businesses/activities that have displayed environmental management effort and achieved results better than those required by regulation.
Blue	For businesses/activities that have displayed environmental management effort, and have achieved the minimum standard required by regulation.
Red	For businesses/activities that have displayed environmental management effort, but have achieved only parts of the minimum standard required by regulation.
Black	For businesses/activities that do not display significant environmental management effort.

PROPER Achievement 2015-2016

Activity	Mill	2015/2016
PT SMART Tbk	Padang Halaban	Blue
PT SMART Tbk	Batu Ampar	Green
PT Djuandasawit Lestari	Muara Kandis	Green
PT Sumber Indah Perkasa	Sungai Buaya	Blue
PT Ivo Mas Tunggal	Sam Sam	Green
PT Kresna Duta Agroindo	Jelatang	Blue
PT Kresna Duta Agroindo	Langling	Blue
PT Sinar Kencana Inti Perkasa	Sungai Kupang	Green
PT Tapian Nadenggan	Hanau	Blue
PT Sumber Indah Perkasa	Sungai Rungau	Blue
PT Foresta Lestari Dwikarya	Tanjung Kembiri	Blue
PT SMART Tbk	Tanah Laut	Green
PT SMART Tbk	Bukit Kapur	Green
PT Kresna Duta Agroindo	Pelakar	Blue
PT MP Leidong West Indonesia	Leidong West	Blue

Activity	Mill	2015/2016
PT Bumi Permai Lestari	Bukit Perak	Blue
PT Ramajaya Pramukti	Rama Rama	Green
PT Ivo Mas Tunggal	Libo	Blue
PT Ivo Mas Tunggal	Ujung Tanjung	Blue
PT Buana Wira Lestari	Kijang	Blue
PT Buana Wira Lestari	Nagasakti	Blue
PT Buana Wira Lestari	Indrasakti	Blue
PT Sumber Indah Perkasa	Sungai Merah	Blue
PT Agrolestari Mandiri	Pekawai	Green
PT Satya Kisma Usaha	Sungai Bengkal	Blue
PT Tapian Nadenggan	Langga Payung	Blue
PT Sawit Mas Sejahtera	Sungai Kikim	Blue
PT Bumi Sawit Permai	Bumi Sawit	Blue
PT Sawit Mas Sejahtera	Pangkalan Panji	Blue

Social and Community Engagement



>200 schools **>1,600** teachers
>28,000 students



>US$1.8 mil
for scholarships



310 medical personnel treat **>700** patients daily

Free medical & dental for **>4,900** patients



Child health, vaccination and nutrition for **>5,000** beneficiaries



Aid **>1,200** flood & fire victims





100% plantations have social and community development programmes

DELIVERING UN SDGS:





Social and Community Engagement

DELIVERING SUSTAINABLE DEVELOPMENT GOALS (SDGS) IN THE COMMUNITY (413-1, 412-1, 411-1, 103-2)

The palm oil industry has helped to advance socio-economic development in tropical developing countries like Indonesia and plays a key role in improving the lives of communities living in rural areas. The challenge is to ensure that this development is inclusive and sustainable.

As one of the largest palm oil companies in Indonesia, we have created thousands of jobs in rural areas, helping to deliver SDGs such as tackling poverty by boosting incomes and standards of living. We collaborate with a wide range of stakeholders to carry out our social and community programmes across all our plantations, which deliver SDGs such as providing education and ensuring health and well-being, infrastructure and reducing inequalities.

We recognise the establishment of plantations creates changes for local communities and indigenous people. We are committed to respecting human rights and fulfilling Free, Prior and Informed Consent (FPIC) requirements before any operations begin (GAR voluntarily stopped all new nucleus estate development in November 2014). GAR is also committed to improving its processes and procedures with regards to respecting the customary rights of local and indigenous communities. In addition to FPIC, all of our plantations (100 percent) have social community engagement and development plans.

The active participation and support of these communities is also essential for other aspects of sustainability. We seek to engage local communities in forest conservation, and take an inclusive and collaborative approach to addressing our sustainability challenges through our community conservation partnerships. This is detailed in the chapter on Environmental Management.

While ensuring that the development of our industry is aligned with the interests of local communities, we also attempt to multiply the positive socio-economic impacts of our operations by promoting entrepreneur development and micro-enterprises in local communities.

In 2017, we commissioned the Rainforest Alliance to carry out a verification of our GSEP implementation in three concessions in West Kalimantan where the widest range of GSEP implementation activities are being carried out. This includes a consideration of how we are implementing social and community engagement activities including FPIC.

RESPECTING HUMAN RIGHTS AND FREE, PRIOR AND INFORMED CONSENT (FPIC) (413-1, 412-1)

FPIC is a central tenet of the GSEP and part of our commitment to upholding human and community rights and we implement this in all our plantations. Respecting FPIC means we ensure that decision-making by indigenous peoples and local communities regarding the presence of our operations is done without pressure and intimidation (free), performed before an activity that has impact on the surrounding communities is carried out (prior), and with sufficient knowledge about the activity and its impact on the surrounding communities (informed), so they may express agreement or disagreement to such activity (consent).

For land acquisition, the implementation of this policy includes:

- Participatory Mapping and Land Tenure Study of all indigenous peoples and local community lands prior to negotiation
- Social Impact Assessments carried out using participatory methods, the results of which will be publicly available and actively shared with relevant stakeholders
- Engaged and open negotiation processes
- Documented agreements signed by and shared with all relevant parties

The approach aims to protect community rights to keep their forests and agricultural lands, and to ensure that food security is never compromised by land being converted for plantations. We support the Food and Agriculture Organisation's Voluntary Guidelines on the Responsible Governance of Tenure which promotes secure tenure rights and equitable access to land, fisheries and forests as a means of eradicating hunger and poverty, supporting sustainable development and protecting the environment.

Under our FPIC Standard Operational Procedures (SOP) we are required to follow a process of socialisation when granted a location permit (Ijin Lokasi) for a new plantation. The socialisation process involves informing communities of the licenses, government and company policies regarding land compensation, development plans, land valuation approach, process of verifying land ownership and requirement for proof of ownership, and procedures for land measurements and compensation.

After the socialisation, we ensure that all communities have understood and accept what the company has communicated, explained and offered during the process. When the necessary due diligence is completed, compensation will be made to those who have accepted the offer. Members of local government document and witness any land transfers that take place.

As part of our efforts to ensure that FPIC is implemented properly, in 2016 we began FPIC remediation in our concessions in West Kalimantan following feedback that initial FPIC requirements were not fully met. This process has been carried out with local CSO, LINKS, implementation partner TFT and Ekologika consultants involving fresh consultations with local communities and Participatory Mapping to ensure that the community's land rights are fully respected. Amongst other things, this mapping verified that areas which had previously been

ADDRESSING COMMUNITY CONCERNS IN PT KARTIKA PRIMA CIPTA (PT KPC), WEST KALIMANTAN

GAR has continued to make progress on resolving the concerns of the community in PT KPC which involve FPIC issues. See latest updates on RSPO website: http://www.rspo.org/members/complaints/status-of-complaints/view/75

Throughout 2016, GAR continued public consultations with the communities in PT KPC to address concerns especially those related to land tenure. Two communities have signed MOUs with GAR on community development and FPIC remediation.

In addtion, GAR commissioned the Rainforest Alliance in early 2017 to carry out a verification on the GSEP implementation in three concessions including PT KPC. The findings will be used to improve GAR's implementation of its responsible practices including FPIC.

identified as conservation HCS forests via satellite imagery, were mixed gardens being used by the community and planted with rubber and other cash crops. We have adjusted our conservation maps accordingly.

RESPONSIBLE CONFLICT RESOLUTION (411-1)

Our policies and practices are designed to minimise the likelihood of any conflicts related to our operations. However, when these conflicts do arise, we are committed to working towards a responsible resolution.

We have worked with relevant stakeholders to put in place a balanced, accountable, mutually agreed and documented conflict resolution system that is accessible to smallholders, indigenous peoples, rural communities and other parties potentially affected by our operations.

Our conflict management system maps all conflicts related to our operations, and develops action plans to address them. It incorporates transparent monitoring and reporting, the option for local community and customary groups to access independent legal and technical advice, the ability for complainants to choose individuals or groups to support them or act as observers, as well as the option of a third party mediator. We categorically reject the use of violence in any dispute.

In 2016, we closed two social conflicts following intense consultation with the local communities, local governments and with the help of external parties such as the RSPO and local CSOs. The resolution of two cases in Biru Maju and Karang Mendapo were highlighted in SR2015. The case histories on the GAR website detail our efforts in finding collaborative and consultative ways to resolve disputes with local communities.

EMPOWERING COMMUNITIES

GAR seeks to empower communities and multiply the positive impacts of our business through a range of education, healthcare, social and economic empowerment programmes. This is also in line with the achievement of SDGs.

Aside from government agencies and local communities, we work with the Eka Tjipta Foundation (a non-profit social organisation founded by the family of Eka Tjipta Widjaja in 2006) and the Tzu Chi Foundation in Indonesia (affiliated with the non-denominational global Tzu Chi organisation established in Taiwan) on some of these programmes.

ENSURING ACCESS TO EDUCATION (103-2)

Educational initiatives are a key element of our community programmes as we believe that this is a powerful enabler, helping to break the cycle of poverty in rural areas. We have always strived to provide children living in our concessions with access to quality education.

In line with the nine years of compulsory education required by the Indonesian government, we ensure that each estate has educational facilities ranging from kindergarten to sixth grade. Additionally, we make sure that every region has a junior high school for the children of our employees and local communities.



Helping children get to school daily

Social and Community Engagement

All children of our workers living on our estates receive free education from kindergarten to junior high school and heavily subsidised higher education. We also offer heavily subsidised education at all levels for children living near and around our estates. We provide free school bus services so that children are able to get to school daily.

In 2016, GAR supported 217 schools ranging from kindergarten to senior high. These schools employ over 1,600 teachers who educate more than 28,200 students. We also donated books, teaching and learning materials and facilities to over 6,100 students in Central Kalimantan, East Kalimantan, Jambi and West Kalimantan during the year.

We ensure that the educational facilities in our concessions are continuously improved. Working with the Indonesia Heritage Foundation as a facilitator, we have carried out Class Observation programmes aimed at evaluating and upgrading the skills of elementary school teachers from our concessions across Indonesia.

Another programme focusing on training for teachers and school management is the Sekolah Eka Tjipta (Eka Tjipta School) programme conducted in collaboration with the Eka Tjipta Foundation. Amongst other things English language training is provided so that students gain a competitive advantage. To date, 45 schools in Central, East and West Kalimantan have participated in the programme.

MEET THE VILLAGE HEAD: PAK SURYADI

The level of education used to be very basic. Before the palm oil plantation opened, only the children of parents working in the civil service or business could send their kids to university. But now, many more high school graduates are able to continue their education at university.

See how access to education has improved for remote villages on the GAR website.



RUMAH PINTAR PROGRAMME (413-1)

In 2011, GAR started building Rumah Pintar (Smart House) in some of our concessions, in support of the programme launched by Indonesia's former First Lady, Mrs. Ani Yudhoyono. The goal of the programme is to help create educated and prosperous communities throughout Indonesia. Each Rumah Pintar functions as a community learning centre with special focus on early childhood education and the education of women. The Rumah Pintar contains a library, play room and an arts and culture corner. It is also equipped with computers and multimedia stations. We have built 23 Rumah Pintar across our plantations in Indonesia to date.

SCHOLARSHIP PROGRAMMES

In 2016, GAR contributed more than US$1.8 million towards several scholarship programmes. In Indonesia, these programmes included Tjipta Pemuda Bangun Palma, SMART Engineer, SMART Diploma, SMART Planters and other programmes in collaboration with the Bandung Institute of Technology and Science (ITSB) as well as the Eka Tjipta Foundation. We also made contributions to the Singapore University of Technology and Design, the Peking University Education Foundation (USA) and TsingHua Education Foundation.

COMMUNITY PROGRAMMES (413-1)

GAR collaborates with the Tzu Chi Foundation on many community programmes especially those which assists the needy. Our initiatives in 2016 included:

- Free medical and dental services for over 4,900 patients in Central Kalimantan, East Kalimantan, Lampung, Riau, South Kalimantan, South Sumatra, West Kalimantan
- Mobilisation of over 310 medical personnel in 150 plantation clinics to provide free treatment for more than 700 patients daily
- Surgery for over 440 patients with conditions such as harelip, hernia and cataracts, etc.
- Health education, environmental, and other awareness programmes for over 3,500 participants in Bangka, Belitung, Central Kalimantan, East Kalimantan, Jambi, North Sumatra, South Kalimantan and West Kalimantan
- Providing support for child health and nutrition (including vaccination, multivitamins and supplementary feeding) to about 5,100 beneficiaries in Bangka, Belitung, Central Kalimantan, East Kalimantan, Jambi, Lampung, South Kalimantan, West Kalimantan and West Java
- Providing aid for more than 1,200 victims of forest fire and flood in East Kalimantan, Jambi, Near Jakarta, Riau, South Kalimantan and South Sumatra. We distributed over 9,000 aid packages which contain basic necessities such as: cooking oil, instant noodles, rice, eggs as well as clothes

- Planting over 9,100 beneficial plants including mangrove plants, medicinal plants and fruit trees in Central Kalimantan, East Kalimantan, Lampung, North Sumatra, Riau, South Kalimantan and West Kalimantan

- The sale of about 348,000 litres of our branded cooking oil at below market prices in impoverished areas of Bali, Central Java, East Java, Jakarta, Lampung, North Sumatra, Riau, South Kalimantan, South Sumatra and West Java

- Funding the purchase of sewing machines for the local community and conducted sewing classes at the Rumah Pintar for 22 participants in PT KDA, Jambi

PROMOTING SMALL AND MICRO ENTERPRISES (413-1)

Our operations and plantations play an important role as an economic driver and have led to the development of various businesses in the remote areas of Indonesia.

We actively help promote small and micro enterprises that contribute to increased income for the community. One such programme is the development of a community soy milk processing business in Siak, Riau. A business called "Rays Rungau" has been established and is able to produce 40 litres of soy milk two to three times a week. The business has managed to secure many regular customers, including workers and local community around the plantation.

We are also helping to boost the income of local communities through a goat breeding programme launched in eight villages around PT Ivo Mas Tunggal in Riau. The goats are kept in a cage or pen which helps ensure they receive better care, nutrition and regular health checks by veterinarians.

The Company supported the construction of a goat cage and water pump and donated 20 goats. Over the next two years, it is expected that another 20 goats will be bred. These will then be given to a Farmers Group in another village to extend the scheme.

PROVIDING INFRASTRUCTURE AND COMMUNITY FACILITIES (413-1)

GAR seeks to meet the needs of our employees and the people living near our operations, by: building and maintaining public infrastructure including roads, bridges, community hall (for cultural activities) and places of worship such as mosques and churches; providing the facilities and know-how to run cooperatives that ensure basic necessities are available at affordable prices; construction and rehabilitation of well-built accommodation and health, education and sporting facilities; and providing financial help for communities to celebrate festive and religious events.

In 2016, we started construction of a new classroom at the Belawan Government Elementary School, as well as renovating other parts of the school. We also began the construction of a religious education facility (Taman Pendidikan Al-Quran) in Tarjun village. Renovation and construction activities in 2016 were also carried out at the Pentakosta Church in Belawan; Tarjun Village's market and meeting hall; Segara Makmur village and Nurul Iman Mosque at Marunda Village.

OUR EMPLOYEES IN THE COMMUNITY

We involve and mobilise our staff for various causes. For example, we urge employees and tenants at our corporate headquarters in Jakarta and our operations units in Central Kalimantan, South Kalimantan, East Kalimantan, Lampung, Riau and West Kalimantan to participate in regular blood donation drives for the Indonesian Red Cross. More than 2,300 blood donors comprising employees and members of local community participated in 2016. We also encourage our employees to contribute funds regularly to the Tzu Chi Foundation. A dedicated team oversees the distribution and responsible use of these donations.

Work Environment and Industrial Relations





DELIVERING UN SDGS:



OUR PEOPLE (102-7, 102-8, 103-1,)

The palm oil industry is a powerful job generator especially in rural areas, helping to lift incomes and living standards of farming communities. We create employment for about 170,700 people in Indonesia including 46,300 permanent employees, 55,800 fixed-term employees and 68,600 plasma scheme smallholders. In addition, we hire more fixed-term workers during peak harvest seasons in the middle and end of the year.

Employee profile by contract in Indonesia

	2015		2016	
	Male	Female	Male	Female
Permanent	43,151	6,235	40,660	5,640
Fixed-term	32,447	26,024	30,400	25,400

Employee profile by type in Indonesia

Full time Female	11,740
Full time Male	58,020
Total	**69,760**

Part time Female	19,300
Part time Male	13,040
Total	**32,340**

New employee hires and employee turnover (401-1)

	Male	Female
New hires	773	257
New hire rate	1.9%	4.6%
Turnover	5,247	1,117
Turnover rate	12.9%	19.8%

RECOGNISING, RESPECTING AND STRENGTHENING WORKERS' RIGHTS (103-2)

We believe in fair, equal and respectful treatment for all of our employees. It is in this belief that our main subsidiary in Indonesia, SMART signed the United Nations Global Compact (UNGC) in 2006. Through the GSEP, we have also reinforced our commitment to ensuring that the

rights of all people working in our operations are respected according to local, national and ratified international laws. We adhere to all Indonesian labour laws covering issues such as freedom of association for our employees, decent pay and working hours, non-discrimination and the complete elimination of child and forced labour. Where legal frameworks are not yet in place we defer to the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

Our commitment to fair labour practices is also emphasised in our employee handbook and employment practices. The Company has an equal opportunities policy on employment, banning discrimination based on race, national origin, religion, disability, gender, sexual orientation, union membership and political affiliation.

Employees enter into employment freely. We do not require our employees to deposit identity papers nor money. Some employees join through pre-employment training or education programmes paid for by the Company, whereby they agree to work for the Company upon completion of their training programme. Upon graduation, they are assigned to different estates or mills throughout Indonesia and earn an income without any deduction in their salary. These conditions are thoroughly explained to potential candidates before they make their decision to join the programme.

PAYING FAIR WAGES AND EMPLOYEE BENEFITS (103-2)

All employees of GAR receive a wage that is equal to or above the minimum wage set for their province, in addition to a range of additional benefits.

Minimum wages in Indonesia are set by provincial and district authorities, which check the local prices of goods and services and the amount therefore required for living.

Full-time workers on our plantations earned approximately IDR 91,421 per day in wages, excluding incentives and non-cash benefits in 2016. Through incentives, our employees have the opportunity to earn progressively higher incomes depending on skill level and productivity. In addition, they receive free healthcare for themselves and family, company housing, water, electricity and free education for their children from kindergarten to junior high.

	2015	2016
Average daily wages of GAR's Full-Time Workers	IDR 81,300	IDR 91,421
Average daily wages of GAR's Part-Time Workers	IDR 77,250	IDR 87,259
Average daily minimum wage set by local government	IDR 75,900	IDR 85,689

Part of the benefits GAR provides are basic necessities such as rice as workers have indicated that they are in favour of receiving such non-cash benefits. In 2016, GAR spent IDR 123.7 billion procuring 13.4 tonnes of rice for our workers.

Our part-time workers were paid around IDR 87,259 per day on average in 2016. In addition, they receive free medical services at our polyclinics and their children have access to education at our estate schools.

GENDER EQUALITY (103-2)

We believe in promoting gender equality in the workplace. However, the manual nature of agricultural work means that certain jobs continue to be more suited to male rather than female employees. Male workers perform heavier physical tasks such as harvesting FFB and carrying them to trucks for transport to the mills; women generally work on weeding and collecting loose fruit that have fallen on the ground.

Traditional rural employment patterns also mean that many women prefer to take on part-time jobs, as it gives them the flexibility and time for other responsibilities such as tending to the household, childcare and family gardens.

MEET THE ENVIRONMENTAL ENGINEER: IBU NOVIANTI

Almost 70 percent of oil palm fresh fruit bunches becomes waste once crude palm oil (CPO) is extracted. We are referring to waste such as fibres and shells, as well as liquid effluent. So a big part of my job is to reuse, reduce, recycle, and manage this "waste" responsibly—I play an important role in producing palm oil sustainably. Most are surprised to see a woman working as an environmental engineer in this male-dominated industry but it doesn't faze me. I studied environmental engineering at Diponegoro University, which was male-dominated too. I like the challenge and I'm proud of the work I do. It is quite extraordinary—I turn waste into something useful.

Read more about Ibu Novianti on the GAR website



Work Environment and Industrial Relations

We have zero tolerance for sexual harassment and we conduct extensive training for all estate and mill workers to ensure this is understood. Gender committees with representatives from labour unions and management have been set up to promote female participation and advancement in the workplace. These committees also handle sexual harassment complaints. When a case of harassment is reported either formally or informally, the relevant committee investigates to determine whether further sanctions or law enforcement actions are needed. During the investigation, the committee also provides assistance and support to the victim. In 2016, no cases of harassment or abuse were reported.

PROHIBITING CHILD LABOUR (103-2, 408-1)

The minimum age for employment in GAR in any capacity is 18 years. We are against any form of child labour, and we rigorously enforce these principles at all our plantations, mills and other places of work. Our recruitment officers check the identification card against the prospective employee's schooling records, such as their school diploma, to ensure that we do not employ children. We also provide schools and day care centres for our workers' children to ensure that parents have somewhere safe to send their children and do not feel the need to take their children to work with them.

We are also at the early stages of communicating and engaging with our supply chain on our stand against child labour, and this is part of our effort to help our supply chain comply with the GSEP and adopt responsible practices.

FREEDOM OF ASSOCIATION AND TRADE UNION MEMBERSHIP (102-41, 103-2, 103-3, 408-2)

Freedom of association is mandated by Indonesian Law and Regulation No. 21/2000 on Trade/Labour Unions and is in line with International Labour Organization Convention No. 98 on the freedom of organisation and collective bargaining.

Each of our units has union representatives, elected by members, who meet with local management representatives regularly in bipartite forums, to discuss and resolve issues. In 2016, there were 189 labour unions representing 47,909 non-management employees (85.8 percent) across our plantations in Indonesia. We seek to maintain peaceful and productive industrial relations through open dialogue, fair labour practices, and respectful communication in the workplace.

MONITORING, EVALUATION AND CONTINUOUS IMPROVEMENT (103-2)

In 2015, we updated our sustainability policy to make it more holistic and wide-ranging. Under the GSEP, responsible and ethical practices extend not only to the environment and local communities, they also extend to the people who work for us. In the GSEP, we have consolidated our commitments on human rights, free and fair labour practices as well as our stand against child and forced labour.

To ensure practices on the ground are aligned with our commitments and international norms, we commissioned non-profit organisation, Business for Social Responsibility (BSR), to assess human rights and labour practices in three of our operations in a six-month project starting October 2016.

BSR's initial findings show that GAR has strong policies and procedures in place. Workers have a good awareness of company policies and their rights as well as their access to labour unions. GAR's gender committees raise awareness about sexual harassment and what to do about it in line with the company's Zero Tolerance Policy for all forms of harassment and abuse.

To guard against use of forced labour, GAR practices ethical recruitment and prohibits the retention of identity documents while ensuring workers have written contracts. GAR has a strict policy of only hiring workers who are 18 and above. Free education and day care centres provided by GAR help ensure that children stay in school or are looked after while their parents are working, so that they do not take their children to work with them.

Workers are also aware of available grievance mechanisms and avenues such as labour unions, gender committees and complaint channels. In general, BSR found workers were satisfied with housing, educational and healthcare facilities and other community infrastructure such as places of worship.

Potential areas for improvement includes strengthening communication and clarification to workers about their contract status, wage structures and career progression.

A "No Exploitation" site visit was also carried out by our implementation partner TFT in one of our concessions in Sumatra in February 2016. The purpose was identify if there were any social issues and if so, recommendations on remedial action by GAR. The TFT team reported findings similar to the BSR initial assessment which was that GAR had put in place various benefits for workers, backed up by strong policies and procedures and there was good socialisation of these to the workers. A few potential areas for improvement included the identification and use of appropriate Personal Protective Equipment (PPE) in all roles and ensuring the contents of first aid kits are modified based on risk and in stored in close proximity of all high risk roles.

These and BSR's final assessment results in 2017 will provide GAR with information needed to close any gaps between policy commitment and practice.

CREATING A SAFE AND HEALTHY WORKPLACE (103-2, 103-3)

With thousands of people working for us, we take our responsibility in providing a safe and healthy workplace very seriously and our Occupational Health and Safety management is aimed at minimising workplace accidents, fatalities and other negative health impacts.

Our updated Health and Safety policy promotes OHS through:

- Creating awareness on health and safety management amongst our staff and related stakeholders
- Ensuring compliance with government regulations and related guidelines
- Adopting health and safety practices as part of the GAR's operating procedures
- Identifying and managing operational risks to prevent and reduce work-related accidents or illness
- Regular monitoring and evaluation to continually improve our OHS performance

We currently have nearly 220 dedicated OHS experts within our workforce and conduct periodic training for all employees in accordance with national regulations. In 2016, 55,800 of our employees received OHS training.

Each of our units has an OHS Supervisory Committee, which promotes co-operation between management and employees on OHS and complies with Law No. 1 of 1970 on Occupational Safety. On average, the committees for our plantations and mills have 40 members, with 60 percent worker representation.

Additionally, our Indonesian operations under SMART is certified under the SMK3 (Sistem Manajemen Keselamatan dan Kesehatan Kerja) OHS management system, in recognition of good OHS management and implementation. Six mills have been reviewed and certified under SMK3. These certifications are valid for three years and a fresh audit is carried out prior to renewal.

MONITORING THE FREQUENCY AND SEVERITY OF ACCIDENTS (403-2)

Reducing the Frequency Rate (FR) and Severity Rate (SR) of accidents at our sites is a key objective of our OHS programme. FR refers to the number of accidents in one million hours of work, while the SR is the number of workdays lost in one million hours of work within the year. Such indicators help us track the effectiveness of measures taken to improve OHS in our operations and plantations.

All units send in monthly reports which details number of employees, working days, absentee/non effective days, overtime, number of accidents, and lost workdays. These are then analysed and the FR and SR are recorded.

In our Upstream operations, we recorded 805 accidents which occurred and 46,520 lost workdays during the working hours of 172,320,502 during the year. The average FR was 4.67 accidents per million man-hours worked and the average SR was 269.96 lost workdays per million man-hours worked.

For Downstream operations, we recorded 15 accidents which occurred and 6,081 lost workdays during the working hours of 17,028,385 during the year. We recorded an average FR of 0.88 accidents per million man-hours worked and an average SR of 357.11 lost workdays per million man-hours worked.

2016	Upstream	Downstream
Frequency Rate	4.67	0.88
Severity Rate	269.96	357.11

FATALITIES (403-2)

We regret to report that work-related accidents resulted in a total of five fatalities 2016 – one in Kalimantan and three in Sumatera and one in Java involving a contractor. These fatalities were mostly caused by FFB and other parts of the palm tree falling on the employees. In each case, we have worked to assist the families that were bereaved by these tragedies, with financial assistance and support, including support submitting BPJS Ketenagakerjaan (Indonesian Accident Insurance, Life Insurance, and Pension Fund) claims.

We are committed to eliminating such fatal accidents from our operations and to this end, we conducted thorough investigations of each accident to uncover underlying causes, using expert investigators to help develop additional and enhanced safety measures.

EMERGENCY RESPONSE EQUIPMENT

Every GAR plantation and mill has an Emergency Response Team on location, which is fully equipped with the following emergency response equipment:

- Fire Sprinkler/Flapper
- Shovel
- Fire extinguishers
- Portable tank with fire hose and nozzle
- Water tanks
- First Aid Kit
- Alarm and fire hydrant in the mill
- Personal equipment for the team including clothes, gloves, head lamp, helmet and fireproof shoes
- Radio and megaphone for communication
- Several estates also have watch towers, fire trucks and ambulances

Our Emergency Response Teams conduct regular training sessions to ensure that workers are fully prepared to respond to any emergencies. We have currently trained around 10,000 Emergency Response personnel who are stationed across our plantations.

OCCUPATIONAL HEALTH AND SAFETY TRAINING (103-2)

The Company periodically conducts both in-house and external training programmes for the entire workforce. In 2016, employees attended a number of such trainings including Accident Investigation Training, Fire Protection System Training – National Fire Protection Assosiation (NFPA) and Contractor Safety Management System Training (CSMS).

Work Environment and Industrial Relations

Through training and certification programmes by external parties, relevant employees were certified as:

- Auditors of OHS Management System
- Boiler operators
- Electricians
- Heavy equipment operators
- OHS (Hygiene Perusahaan dan Kesehatan Kerja or Hyperkes certified) doctors and paramedics
- OHS experts
- Pest management officers (restricted pesticides)
- Welders
- Fire brigade

SECURITY GUARDS (103-2, 103-3, 410-1)

The safety of our workers and their families is of utmost importance, particularly in isolated rural areas. We employ security guards for our operations in Indonesia to ensure that the plantations and surrounding communities are secure. Our security guards are required to undergo a 21-day comprehensive training programme by the Bhakti Manunggal Karya Centre of Education and Training (BMK). Upon completion, they receive a certificate from the Indonesian National Police. The programme covers human rights standards as well as professional ethics.

Our security guards do not carry firearms but are equipped with standard defensive security tools such as batons and handcuffs.

HEALTHCARE AND WELL-BEING

We are committed to providing our entire workforce with access to healthcare, including in remote rural areas where there is less incentive for healthcare professionals to practice. All our estates have polyclinics where workers can get free healthcare.

The medical care that our facilities provide includes pre-employment medical check-ups for new recruits, and special medical check-ups for workers who are exposed to potential health and safety hazards. The medical check-up programme is part of our effort to prevent and treat work-related illnesses through early detection.

PROVIDING TRAINING AND DEVELOPING OUR PEOPLE (404-1, 404-2)

GAR sees training and development as an investment that delivers benefits to both employees and the employer.

We spent a total of US$4.79 million in 2016 on training and development in our Indonesian operations. We deliver training both formally and informally, with the formal training curriculum taught at six regional training centres across Indonesia.

Time spent on training and development in Indonesia operations

	2015	2016
Upstream average training time in hours	19.80	31.02
Downstream average training time in hours	7.72	12.98

Our training and development programmes have two main objectives: equipping employees with the skills and capabilities they need to excel in their roles at GAR, and ensuring that all employees embrace our corporate values.

Our learning and development department works closely with our business leaders to identify training needs and develop high quality training materials and programmes to meet those needs.

Training is compulsory for management employees at every level starting from the Basic Management Development Programme for new starters to the Supervisory Management Development programme, Middle Management Development Programme and Executive Development Programme. The Individual Development Plan and Staff Development Discussion provided by Talent Centre are trainings that are offered regularly for all employees, with public training also available to those requiring additional, external training.

In line with our commitment to continuous improvement, we have continued to increase training opportunities for our staff. Over 12,000 staff received training in 2016.

We also provide ongoing training on the GSEP. In 2016, over 8,500 employees received GSEP training.

In order to nurture our workforce, we seek to identify high performing candidates for leadership development and provide them with relevant training to help them progress in their careers. We are guided by ISO 10015 (Quality Management – Guidelines for Training), for which we received certification in 2013.

Marketplace and Supply Chain

Full traceability

to mills: **429** **independent supplier mills** in 2016

Supplier support:

site visits to **36** **suppliers** since 2015

Dedicated Supplier Support Helpline



88% TTP for GAR mills in 2016

15 GAR mills full TTP in 2016

100% TTP GAR mills end 2017

100% TTP 3rd-party mills 2020

DELIVERING UN SDGS:



OUR SUPPLY CHAIN (102-9)

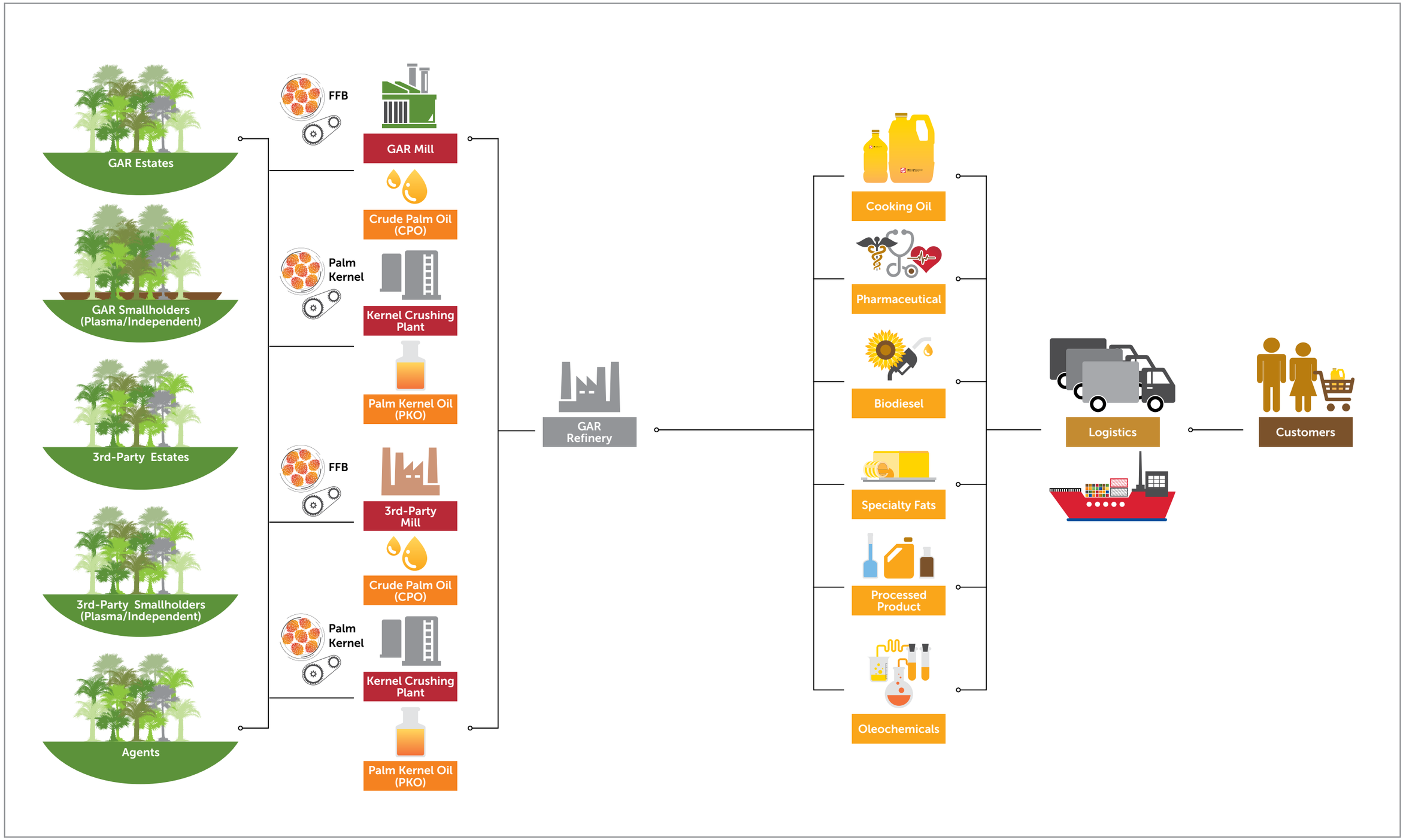
The bulk of our procurement comprises Crude Palm Oil (CPO) and Palm Kernel (PK) for our downstream refining locations in Indonesia – which accounts for around 74 percent of our Indonesian subsidiaries' spending on products and services. In 2016, these raw materials were sourced from 429 independent mills in Indonesia. This is added to the sourcing from 45 GAR-owned mills. The mills are supplied by our own nucleus estates, third party estates, thousands of individual farmers (plasma and independent), as well as brokers and agents who buy from farmers.



A Sustainability Officer on site visit

Marketplace and Supply Chain

Palm Oil Supply Chain



Marketplace and Supply Chain

TRANSFORMING OUR SUPPLY CHAIN (308-1, 414-1)

Since we extended the scope of our sustainability policy in 2014, we have been focusing on bringing our supply chain along with us on our sustainability journey through dialogue and engagement. This is essential if we are to ensure that the palm oil industry increasingly adopts and strengthens responsible practices.

The launch of our Traceability to the Plantation (TTP) exercise in 2016 is enabling us to reach out to a greater number of our suppliers including middlemen and smallholders. Our Traceability to the Mill process enabled us to map all the mills supplying our eight downstream processing locations in Indonesia – in 2016 these numbered 429 independent mills and 45 GAR-owned mills. Working with these mills we are now mapping the supply chain all the way back to origin.

To deal with the complexity of mapping potentially thousands of smallholders supplying Fresh Fruit Bunches (FFB), we conducted a pilot at our Ujung Tanjung mill in 2016. This allowed us to design efficient traceability processes to be shared with our other mills as well as third-party suppliers.

The traceability exercise offers us crucial information about the provenance of our raw materials, improving our transparency to buyers and customers. Prior to the TTP exercise, GAR mills already knew the source of 90 percent of their FFB and we are on track to complete the mapping exercise for GAR mills by end 2017. In 2016, 15 GAR mills achieved full TTP, and overall GAR mills achieved 88 percent TTP. Third-party supplier mills will have till 2020 to complete mapping to the plantation. The latest mapping and supplier data can be viewed on the Sustainability Dashboard.

ENGAGING OUR SUPPLIERS (103-1, 103-2, 414-2, 308-2)

Beyond traceability, GAR is using the increased interaction with suppliers to spread responsible palm oil practices and build supplier capability to adopt these practices.

We are carrying out a programme of supplier visits which enables us to build a complete picture of where our suppliers stand with regards to responsible practices, and what help they need to address the gaps. In 2016 we visited 29 suppliers to assess their social and environmental practices, bringing the total of suppliers visited to 36 since 2015.

A report on our visits to the Belawan refinery area where the largest concentration of supplier mills are located can be viewed on our Sustainability Dashboard. The visits were carried out together with our implementation partner, TFT. A range of similar systemic challenges were found amongst our suppliers.

To address some of these systemic issues we kicked off two inaugural SMART SEED workshops for our suppliers in 2016, offering them an avenue to meet government, CSOs and other experts on critical issues such as how to obtain ISPO certification. The workshops were well-attended with over 80 companies turning up for each event. These gatherings also allow suppliers to share experiences and learn from each other and GAR.

In 2017, we are planning workshops and training to address other concerns such as the conservation of the Leuser Ecosystem, home to several endangered species in Aceh and North Sumatera.

In urgent cases, we have assisted suppliers with remedial action plans to tackle issues ranging from orangutan conservation to land tenure issues and community-based fire prevention programmes. Successful case studies can be viewed on the GAR website.

A dedicated GAR Supplier Support Team is available to respond to queries from suppliers. The members of the team have different backgrounds and expertise in areas such environmental assurance, law and traceability and are a valuable resource for our suppliers as they seek to comply with the commitments laid out in the GSEP.

These engagement and support efforts will ultimately help build a more resilient supply chain and industry.

EXCERPT FROM BELAWAN REFINERY SUSTAINABILITY OVERVIEW REPORT

With all suppliers visited, challenges were found across all criteria employed for suppliers' sustainability performance during the site assessment. In particular, it was found that suppliers and their FFB supply base had significant gaps in their sustainability practices related to minimising environmental impacts, no development of and the conservation of HCV and HCS areas; legal compliance, traceability, transparency, and respecting workers' rights.

Deeper analysis of suppliers' operations revealed two underlying reasons behind their difficulties in embedding sustainability into their business practices:

1. A lack of understanding of the value of sustainability leading to lack of or insufficient sustainability policies and procedures and;

2. Limited organisational support.

GAR's aim is thus to develop a better understanding and appreciation of how sustainability is an essential pre-requisite of any supplier and to empower them to address the issues uncovered and help transform the supply chain. Broad (multiple supplier groups) and deep (individual supplier) engagement initiatives will be rolled out by GAR across their supply base: supplier gatherings; toolkits & templates; training & coaching; and engagements with a wider stakeholder audience (including beyond the palm oil industry).

Case Study

Working with our supply chain to protect the Leuser Ecosystem

Background

The Leuser Ecosystem is a rainforest area which spans over 2.6 million hectares, covering large parts of the provinces of Aceh and North Sumatra. It is home to several endangered species including orangutans, Sumatran tigers and elephants. The Leuser Ecosystem and the Gunung Leuser National Park have been designated as National Strategic Areas due to their conservation and biodiversity importance. In recent years, NGOs have highlighted the need for stronger protection of the area, claiming that mining, forestry and palm oil activities are destroying wildlife habitats.

Through our supply chain mapping, GAR was aware that several of its suppliers operate close to Leuser. Under the GAR Social and Environmental Policy (GSEP) we are committed to protect and value biodiversity and are especially concerned about the protection of rare and endangered species. Knowing that several of our suppliers were close to Leuser allowed us to prioritise these suppliers for engagement to ensure they meet the requirements of our GSEP and are not threatening this important ecosystem.

At the end of 2014, Rainforest Action Network issued a report alleging that three of the leading palm oil companies GAR, Wilmar and Musim Mas were sourcing from suppliers operating in or near the Leuser Ecosystem and called on them to take action.



Map of Leuser National Park

Action

In addition to plans to engage all suppliers identified in the Leuser area, GAR's deep engagement plan was also activated and we immediately began setting up meetings with the senior management of the companies named in the report: Pati Sari, Surya Panen Subur (SPS), Ensem Sawita and PTPN 1. Through collaboration and cooperation, GAR helped SPS and Pati Sari to implement remedial action plans followed later by Ensem Sawita and PTPN1.

GAR's Deep Engagement Process



GAR visited five mills belonging to these suppliers to gain a fuller understanding of the challenges they were facing in implementing sustainable practices on the ground. At the same time, GAR also proactively reached out to forty other suppliers whose mills are located near the boundaries of the Leuser Ecosystem. We explained our sustainability policies, the threat of deforestation highlighted by NGOs and asked them to work together with us to improve practices.

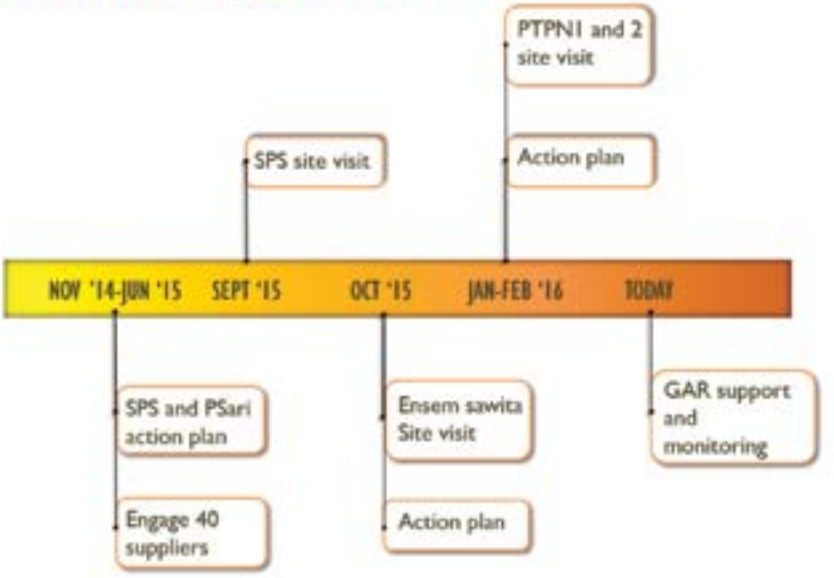
gar agribusiness and food

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Case Study

Working with our supply chain to protect the Leuser Ecosystem

Key milestones of GAR's supplier engagement in Leuser



Information gathered through this process helped to develop the action plans for the four suppliers identified by the NGOs. This data is also being used to design overall support programmes for other suppliers near Leuser and elsewhere who face similar issues.

Spotlight on PT SPS: an example of a supplier strengthening and improving practices

From the start of our deep engagement process, PT SPS was open and responsive and quickly agreed to work with GAR to strengthen their sustainable practices.

This involved sharing information on their current practices such as their High Conservation Value (HCV) assessment and their policies of not developing on peat land in their concession. As a result of information received from GAR, SPS discovered that external parties had illegally encroached into its concession and were clearing forests with fire without its knowledge.

It was clear that SPS needed an action plan to tackle the issue of encroachment into their concession. GAR is currently carrying out joint conservation programmes with communities on its concession in part to tackle this thorny issue. We shared our experience with SPS as well as our experience in dealing with land tenure conflicts. In line with the action plan, SPS decided to carry out a land tenure study as a step towards resolving the matter.

GAR also recommended that SPS strengthen its policy of not developing peat land and suggested that their HCV assessment be reviewed especially in identifying remnant peat forests within its concession.

As fire was being used to clear forests illegally on SPS concession, a fire prevention plan involving the local community was included in the action plan. Having carried out a pilot community-based fire prevention programme which focuses on training community members to rapidly suppress fires and to use non-fire methods to clear land,

Case Study

Working with our supply chain to protect the Leuser Ecosystem

GAR was able to share the design of the project and lessons learned with SPS. GAR continues to support and help SPS deal with forest conservation and community issues.

Without GAR's help, we would have found it more difficult to start working on these conservation issues due to lack of knowledge and capacity. GAR's supplier support programme is a great resource for us, helping us to tackle these complex issues. We continue to benefit from GAR's commitment to help its supply chain improve.
T. Arsul Hadiansyah, SPS Director



SPS discovers illegal encroachment in its conservation area



SPS meeting with local community on land tenure study

Outcome

Since 2014, GAR has successfully helped and encouraged its suppliers in the Leuser area to strengthen their sustainability practices, including introducing them to innovative joint community conservation and community-based fire prevention programmes. Today, GAR continues working with its suppliers operating near the Leuser Ecosystem to help them implement practices to ensure that the area remains a sanctuary for wildlife. Lessons learned and information collected from working with our suppliers in Aceh are also helping us design better support programmes for all our suppliers across Indonesia.

At GAR we believe that environmental protection and economic growth can go hand-in-hand. To achieve this within our industry, we are bringing our supply chain together with us on our sustainability journey through engagement, collaboration and cooperation. While we reserve the right to exclude suppliers who truly do not share our commitments to responsible palm oil, in our experience dialogue remains the most effective way to help our suppliers begin or strengthen their own sustainability practices. To learn more about how we support supplier sustainability visit www.goldenagri.com.sg and our Sustainability Dashboard.

gar agribusiness and food

goldenagri.com.sg

Marketplace and Supply Chain

Case Study

Helping our supplier strengthen forest conservation practices in Papua

Background

In June 2015 Greenomics Indonesia, a policy development institute, reported that a subsidiary belonging to a GAR supplier was involved in clearing High Carbon Stock (HCS) forests in Papua. Greenomics said that leading companies such as GAR, Cargill and Wilmar continued to source from the parent company, PT Eagle High Plantations Tbk. (Eagle High) even while deforestation was being carried out by its subsidiary Pt Varia Mitra Andalan (VMA) in Papua.

GAR does not buy any palm oil produced by third party suppliers in Papua. Nevertheless, we deepened our engagement with Eagle High as the parent company to ensure that the entire group was working towards compliance with our sustainability policy.

GAR's Deep Engagement Process



Action

In meetings with the senior management of Eagle High, we explained GAR's sustainability commitments which includes protection of HCS Forests.

Having worked on the HCS Approach together with The Forest Trust and Greenpeace, we were uniquely qualified to explain and clarify the concept to Eagle High. HCS is a scientific methodology that distinguishes forest areas containing more carbon stock from degraded lands. The latter may be developed while the former is earmarked for conservation.



Explaining HCS Approach to Eagle High

As a member of RSPO, Eagle High was already committed to environmental and social practices required by RSPO. In our discussions, we highlighted that they now had an opportunity to build on and strengthen these practices by adopting the HCS Approach and conducting HCS assessments in addition to High Conservation Value (HCV) and Social and Environmental Impact (SEIA) studies.

Subsequently, Eagle High announced they were suspending land clearance in VMA and commissioning a HCS study. Adopting the HCS Approach is an entirely voluntary step and one that not many small and medium-sized palm oil companies take as it incurs extra costs.

Over the following months, GAR continued to brief and support Eagle High's top management and sustainability teams.

Chronology of Deep Engagement Process with Eagle High

Jun 2015
GAR meets EH

Jul 2015
EH stops clearing land
Starts HCS study

Jan 2016
New EH sustainability policy

Feb 2016
HCS report for peer review

Today
GAR support and monitoring

gar
agribusiness and food

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Case Study

Helping our supplier strengthen forest conservation practices in Papua

In 2016, Eagle High announced a new sustainability policy in which they committed to carrying out HCS, HCV and SEIA studies prior to new development.

Eagle High was soon able to share the initial results of the HCS study in Papua with us, becoming one of the few companies to submit its study to the HCS Approach Steering Committee for peer review. As a sign of commitment to strengthening their forest conservation policy, Eagle High attended a HCS Approach meeting in Singapore for the first time to learn more about the approach and how to implement it.

GAR's commitment to help its suppliers has been a critical factor in helping us adopt higher sustainability standards. While we had taken some initial steps on forest conservation, we really benefited from GAR's support and guidance. It helps a lot to know how a company like GAR is tackling issues such as forest conservation and fortunately we are able to tap that knowledge.
Sebastian Sharp, Head of Investor Relation and Sustainability, Eagle High Plantations





Outcome

Today, Eagle High is implementing strengthened sustainability commitments at the group level in line with the GAR Social and Environmental Policy (GSEP). We continue to work closely with them, giving them further training on responsible palm oil production.

At GAR we believe that environmental protection and economic growth can go hand-in-hand. To achieve this within our industry, we are bringing our supply chain together with us on our sustainability journey through engagement, collaboration and cooperation. While we reserve the right to exclude suppliers who truly do not share our commitments to responsible palm oil, in our experience dialogue remains the most effective way to help our suppliers begin or strengthen their own sustainability practices. To learn more about how we support supplier sustainability visit www.goldenagri.com.sg and our Sustainability Dashboard.



Eagle High HCS Study

gar agribusiness and food

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Marketplace and Supply Chain

FOSTERING RESPONSIBLE PALM OIL PRODUCTION AMONGST OUR PLASMA SMALLHOLDERS

GAR has been supportive of the plasma scheme since 1990 and there are 68,600 plasma smallholders[1] in our concessions in Indonesia. They supplied about 22 percent of our total intake of FFB in 2016.

While the Company does not own the plasma plantations, they are very closely integrated into our management system and we take the lead in promoting their success and productivity. In 2016, our plasma smallholders achieved a CPO yield of around 4.4 tonnes per hectare, higher than the national average of 3.5 tonnes per hectare.

Through their partnership with us, our plasma smallholders have access to high-yielding seeds and good quality fertilisers. We also ensure knowledge transfer and capacity building through regular training on Good Agricultural Practices.

MEET THE FARMER TRAINER: PAK BUDIN

Whenever there's a question about new farming methods, everyone says, "Ask Budin!" As a farmer trainer with GAR, I'm usually the first to learn about new farming techniques that could help our smallholder farmers improve their harvests.

I have seen the farmers and cooperatives benefit in the span of a single harvest cycle. With better plot maintenance and fertilisation, and better quality harvests, the farmers have increased their earnings to IDR five to six million per lot. Today, their yields are among the highest in the industry.
Read more about Pak Budin on the GAR website.



IMPROVING FARMER LIVELIHOODS

We estimate that thousands of independent farmers are included in GAR's supply chain – we are currently in the process of mapping them. An estimated two million small farmers control around 44 percent of palm oil estates in Indonesia. GAR's plasma smallholders enjoy the benefits of better quality seeds and advanced agronomic practices and estate management. This makes their yield comparable to the main nucleus estates. In contrast, independent smallholders, some of whom own plots as small as one or two hectares, tend towards low yields of two to three tonnes per hectare. This is about half the yield in GAR's prime estates.

Inefficient production is a concern because of its negative impact on a farmer's livelihood which can lead to increased pressure to clear more forests for agriculture in the hopes of boosting earnings.

GAR believes the solution lies in being able to convince independent farmers to replant with high quality seeds, which could lead them to double or triple their yields on existing plots. However, farmers face several obstacles, chief of which is the inability to access bridging loans. Innovative Financing was introduced as a solution in 2014 by the Government of Indonesia and the Indonesian Chamber of Commerce and Industry (KADIN). By joining the scheme, independent farmers can get loans at affordable interest rates, training in the latest agronomy practices and a supply of quality certified seeds. The financing helps them bear the cost of replanting, enabling them to get materials such as seeds and fertiliser as well as helping to support their livelihoods during the four years it takes for palm trees to mature.

GAR has been a keen supporter and early adopter of the scheme since its launch and has frequently called on the rest of the industry and related stakeholders to help support the scheme. In 2016, GAR helped independent farmers near our operations in Riau and Jambi secure loans of approximately IDR 107 Billion from a state-owned bank. We are also helping farmers obtain ISPO certification for 1,300 hectares of estates in the two provinces. As at end 2016, GAR had helped over 430 farmers participate in the scheme and replanting for the latest batch of smallholders began in March 2016.

We also run other finance and support programmes for independent smallholders. Through the Smallholders Development Programme, GAR has provided loans to more than 1,000 independent farmers in East Kalimantan since 2013. This allows them to buy high-yielding seeds, fertiliser, herbicides and rent heavy equipment. To date, we have disbursed more than IDR 15 billion in loans.

1 Plasma scheme smallholders are bound by a contract or credit agreement to a particular mill or estate owned by a company. At GAR, the plasma smallholder plantations are organised, supervised or directly managed by our managers.

We are also building partnerships with customers to help improve independent farmers' sustainability. Neste, one of our major customers has inked an agreement with us to support smallholder efforts to gain certification. The project based in the Siak district in Riau, aims to help farmers improve practices to achieve certification which will lead to greater market access and better income. The initiative will also seek to identify more farmers eligible for the Innovative Financing Scheme.

OTHER SUPPLIERS (204-1)

Aside from the third-party mills, brokers and individual farmers which supply CPO and PK to GAR, our other significant procurement includes fertilisers which we source from 38 Indonesian companies. We also procure bulk items such as rice from local businesses to distribute to our employees as part of their non-cash benefits.

PROMOTING COMPLIANCE WITH THE GSEP (103-2, 103-3, 102-17)

As our supply chain includes many small and medium sized businesses in Indonesia, we recognise that many of them will need help in building capacity to adopt responsible practices. This is why we believe that engagement rather than exclusion is the best way to promote compliance with the GSEP.

For our independent mill suppliers, we have been familiarising them with the GSEP through workshops and training sessions. Suppliers are guided through a self-assessment questionnaire and can also reach out to GAR's Supplier Support Team with questions on compliance.

We have a robust due diligence system and do not knowingly source from any suppliers who refuse to comply with the GSEP. We also have the option to disengage from suppliers who are unwilling to comply with the GSEP.

Our Supplier Code of Conduct was launched in the last quarter of 2015. From 2016, all companies seeking to become GAR suppliers have to acknowledge that they are aware of and understand the GSEP – in 2016, over 340 suppliers complied with this requirement. A link to our Supplier Code of Conduct is included in all purchase orders. Our existing suppliers have also submitted Codes of Conduct to show they are aligned with our policies.

We operate a transparent and accountable system where stakeholders can inform us of issues within our supply chain using our grievance process which is documented on the GAR Sustainability Dashboard, allowing us to respond in a timely and transparent manner. (See GAR Grievance Procedure p23).

SUPPORTING COMPLIANCE WITH LAWS AND REGULATIONS

GAR also provides guidance and advice on invoicing, proper documentation and tax compliance for our suppliers.

We conduct training on Indonesian tax requirements and encourage suppliers and contractors to register for tax when required. We assign employees to work with our local contractors and ensure that they prepare their invoices properly, avoiding the risk of non-compliance and ensuring that there are no delays in payment.

We audit certain categories of suppliers, especially those supplying packaging and raw materials for our products, to ensure that they comply with food safety standards.

Any supplier that breaches Indonesian law, including those pertaining to health and safety, will have their contract terminated immediately.

ENSURING FAIR TREATMENT OF SUPPLIERS (103-2)

We choose our suppliers in an open and transparent manner. We require that all potential suppliers meet the same basic legal and commercial requirements, complying with tax regulations and the law, and holding a Certification of Competence for the type of business they are conducting.

We then conduct a transparent procurement process with at least three qualified suppliers invited to tender for purchases. A Tender Committee makes the decision to award the contract based on price, quality and delivery capacity. The committee includes representatives from Central Procurement and the Business Control Division, as well as the relevant operating unit.

We seek to treat our suppliers fairly and ethically, particularly with respect to the prompt payment of bills.

Unless otherwise agreed, our payment terms are within 30 days of receipt of a complete and proper invoice. When suppliers present invoices at our head office, we check for completeness and accuracy, so that the supplier can make the necessary corrections promptly and resubmit the documents. Our downstream business has implemented a "One-Day Service" to notify suppliers within 24 hours if their invoice is incomplete or inaccurate.

This demonstrates our commitment to pay our suppliers on time and their importance to our business. We understand that some of our small suppliers in rural areas face challenges in managing their cash flow. To help them, we grant cash advances and expedite payments on a case-by-case basis.

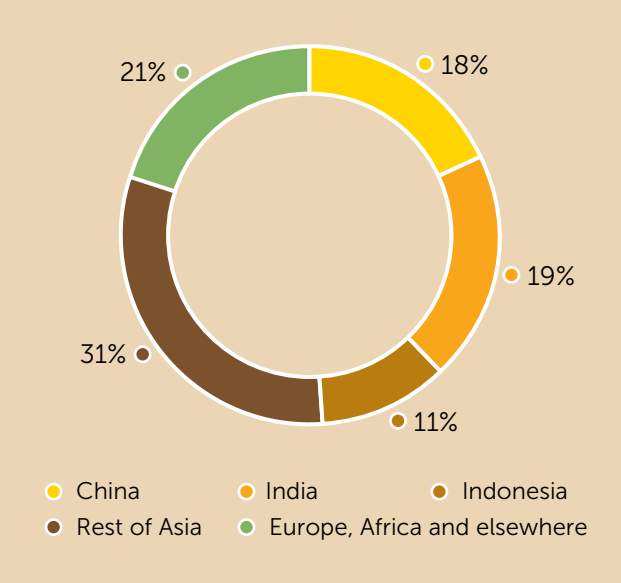
Customers and Consumers

OUR CUSTOMERS

The bulk of our palm oil is distributed through our customers, which include traders, distributors, wholesalers, retailers and other businesses in the food industry, as well as manufacturing businesses that use our oil as a raw material in the production of secondary goods.

We sell our products across the world, with 18 percent of our revenues deriving from China, 19 percent from India and 11 percent from our customers in Indonesia. The rest of Asia contributes 31 percent of our revenues, while countries in Europe, Africa and elsewhere account for 21 percent.

Revenue by geographical location in 2016



Our broad customer base incorporates a range of different trading relationships. We deal directly with industrial customers, and maintain regular communication, tailoring our products to their requirements. Our responsibilities to these customers include fair pricing and transparent processes, traceability, as well as efficient distribution.

We aim to offer an extensive range of products that meet the varying needs of our different customers. In recent years this has involved GAR extending our product range into high-value areas such as palm-based oleochemicals, which are used to manufacture soaps, detergents and other personal care products.

GAR has also been responding to the growing market demand for traceable and certified sustainable palm oil.

TRADING WITH OUR CUSTOMERS

We use standardised contracts for pricing and trading our products, which are issued by trade associations such as The Federation of Oils, Seeds and Fats Associations Ltd (FOSFA) and The Palm Oil Refiners Association of Malaysia (PORAM). These contracts set the terms of trading, including how payment is made. When we trade palm oil on the wholesale market, we use the crude palm oil price as the basis of our negotiations with brokers or customers. We offer the option of spot or forward market prices. All buyers are assessed to ensure that they are financially solvent and we require letters of credit to be supplied when GAR is to handle the shipping of palm oil.

DELIVERING OUR PRODUCTS

We handle the distribution of palm oil and palm oil products through a joint venture with the global transportation businesses Stena Weco A/S and Stena Bulk AB. Golden Stena Weco (GSW) was formed in 2012, and is the only JV between a palm oil company and a shipper in the sector, making it unique and offering GAR logistical advantages in the market.

In the past few years, we have increased the size of our fleet and developed our logistics infrastructure by investing in warehousing, jetty and port facilities in important strategic locations.

GSW has 15 vessels in total with seven under direct ownership and eight on Time Charter. The majority of our owned vessels are Ship Inspection Report Programme (SIRE) and CDI-Marine approved. These two approvals signify the vessels are in good condition, in compliance with shipping regulations and adhering to sustainable shipping practices.

All time chartered vessels are vetted thoroughly and their technical managers audited by GSW. All GSW vessels are also issued guidelines and best practices on energy efficiency and conservation.

PROVIDING SUSTAINABLE CHOICES THROUGH CERTIFICATION (102-12)

Our Indonesian operations were early adopters of certification of sustainably produced palm oil – SMART became a member of the Roundtable on Sustainable Palm Oil (RSPO) member in 2005 shortly after RSPO was founded.

Industry certification is part of GAR's on-going commitment to adopt best practices and standards in responsible production while allowing us to meet growing demand for certified sustainable palm oil.

ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO) CERTIFICATION (103-2, 103-3)

To date, 262,442 hectares of plantations including 51,149 hectares of smallholder estates, 29 mills, nine kernel crushing plants, five refineries, seven bulking stations and one oleo-chemical plant have received RSPO certification.

We have extended the time frame for completion of RSPO certification until 2020 for the remaining operations which includes 213,415 hectares of plantations and encompasses 49,233 hectares of plasma estates and 16 mills. This extension reflects our conservative estimate for

the time needed to acquire the HGU or Land Cultivation Right and the liability data as required recently by RSPO.

In 2014, we also received certification for having met the RSPO-RED Requirements for compliance with the EU Renewable Energy Directive Requirements (RSPO-RED scheme). The certification includes one mill and its supply base comprising nucleus and plasma plantations in Kijang, Riau.

The RSPO-RED scheme is a voluntary add-on to the RSPO standard and allows palm oil producers and processors under certain conditions to comply with requirements in the EU Directive 2009/28/EC on the promotion of the use of energy from renewable sources. This Directive specifies sustainability requirements for biofuels and bioliquids in the European Union. The milestone marks an extension of our commitment to RSPO certification. With the RSPO-RED certification, we now offer an alternative certified palm oil for biofuel production.

GAR is an active member of RSPO and is part of the Dispute Settlement Facility Advisory Group, the Biodiversity and HCV Working Group and Innovation Lab.

INDONESIAN SUSTAINABLE PALM OIL (ISPO)

GAR is supportive of the ISPO Scheme developed by the Indonesian Ministry of Agriculture to improve the competitiveness of Indonesian palm oil in world markets and to meet Indonesia's commitment to reduce greenhouse gases and focus on environmental issues.

To date, 186,307 hectares of plantations and 30 mills have received ISPO certification. In December 2016 we were recognised by the Indonesian government for having obtained the highest number of ISPO certificates in the industry.

INTERNATIONAL SUSTAINABILITY AND CARBON CERTIFICATE (ISCC)

To date, 291,351 hectares of plantations including smallholder plantations of 57,755 hectares, 29 mills, two kernel crushing plants, five refineries and 14 bulking stations have received ISCC certification.

The objectives of the ISCC are the establishment of an internationally oriented, practical and transparent system for the certification of biomass and bioenergy. ISCC is oriented towards the reduction of greenhouse gas emissions, the sustainable use of land, the protection of natural biospheres and social sustainability.

DEVELOPING A BIOFUEL MARKET FOR PALM OIL

GAR has built two biodiesel plants in South Kalimantan and near Jakarta, which extended our product range to include the use of palm oil as a biofuel, and is in response to the policy of the Indonesian government supporting biofuel production. The first biodiesel plant in South Kalimantan was completed in 2016 and the second has just begun operations in the second quarter of 2017. Together the two plants have a total capacity of 600,000 tonnes per annum.

OUR CONSUMERS

Aside from distributing palm oil to industrial customers, we also sell edible oil and food products directly to the end consumer in markets like Indonesia and China.

OUR CONSUMER MARKETS (102-2, 102-6)

Indonesia is our largest consumer market where we sell palm oil-based products that are widely used by both consumers and commercial customers. These include cooking oil brands like Filma and Kunci Mas and margarine and shortening products for the baking industry marketed under the Filma, Palmboom and Goodfry brands.

Traditionally, most palm oil-based cooking oil has been sold in bulk in Indonesia. However, the Indonesian Government favours phasing out the bulk purchasing of cooking oil, placing greater importance on consumer brands, and ensuring strict hygiene levels, stable prices and more consistent tax payments. We welcome their efforts to ensure a fair and transparent market for palm oil products in the country and we believe that this will create opportunities for GAR's trusted brands.



Our cooking oils are sold across Indonesia

Customers and Consumers

Key brands in Indonesia



In China, we sell palm-based and soybean-based products and offer a range of cooking oils, noodles and other food products. We look to optimise our oil refineries and soybean crushing facilities in the country on a continuous basis to meet evolving consumer demand.

We have also entered India, the third largest edible oil market, through the ownership of a destination processing facility. This asset enables us to participate in high-growth branded cooking oil and specialty fat industries in the country and also to bring our products closer to greater European and Middle East markets.

Besides those countries, we are expanding the reach of our branded consumer products across developing markets in the Philippines, Africa and South America with the Mitra, Filma and Menara brands, and in selected markets, with the Kunci Mas brand (PNG and the Pacific islands).

TACKLING MALNUTRITION THROUGH OUR PRODUCTS

Vitamin A deficiency is a significant public health concern in Indonesia, especially amongst women and children. To address this the Indonesian Ministry of Industry requires all local cooking oil producers to fortify their products with a minimum 40 International Units (IU) of Vitamin A per litre.

GAR has met this requirement across all our products distributed in Indonesia and we have also gone further to enhance our impact on consumer health. Besides Vitamin A, our Filma Margarine is also fortified with vitamins B1, B2 and B3.

ENSURING PRODUCT QUALITY AND CONSUMER PROTECTION

Our consumers rely on GAR brands for safe, high quality products that they can trust. We use international standards to ensure the quality of our products, bar codes for traceability, and we systematically record expiry dates and batch data.

Five of our six palm oil refineries in Indonesia are accredited with ISO 22000 certification, which recognises that they adhere to strict international food safety standards. Our fatty acid and glycerine products also hold OHSAS 18001, KOSHER, GMP+B2, and FDA accreditation, and we have also implemented ISO 9001:2008 Quality Management Systems at all five of these sites. We are working to implement the same standards at our newest refinery in Lubuk Gaung. We are also committed to rolling out the Hazards Analysis and Critical Control Point or HACCP food safety system across our operations.

Our products have also been awarded the Halal certification from the Indonesian Ulema Council (MUI).

We are also carrying out research aimed at addressing health concerns about trans fatty acids and potential carcinogens in processed palm oil. This R&D is detailed in the following chapter.

CONSUMER ENGAGEMENT

We encourage feedback from our consumers to help ensure that our products are meeting their evolving needs. Our toll-free customer care line handles feedback and any complaints regarding product quality and promotions.

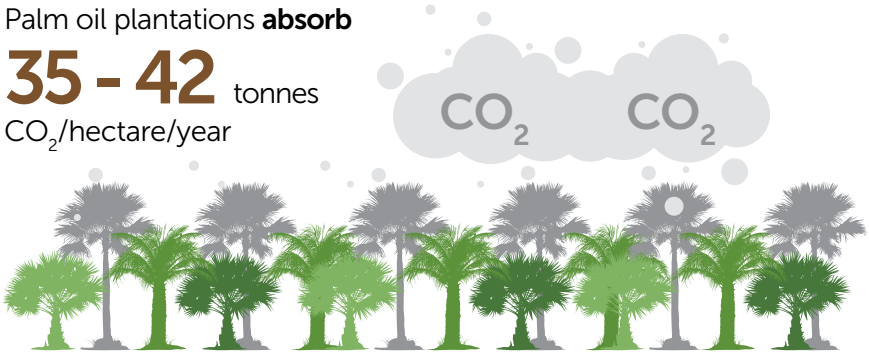
We also use digital and social media platforms such as Facebook and Twitter to engage our consumer communities through our Filma Club and www.sukamasak.com. Our Marunda refinery also hosts a Filma Factory Visit programme, which enables consumers to see the production of our branded cooking oils first-hand.

R&D Supports Responsible Palm Oil

Eliminating
trans fats from
our edible products



Palm oil plantations **absorb**
35 - 42 tonnes
CO_2/hectare/year



DELIVERING UN SDGS:



At GAR, we believe that harnessing technological advances and R&D is a key component in helping us achieve responsible palm oil production. In 2016, GAR spent almost US$9 million on its R&D activities for both upstream and downstream businesses.

SMART Research Institute (SMARTRI) in Libo, Riau is our flagship research facility with around 80 researchers and scientists focusing on improving practices in agronomy, breeding, crop protection all of which contribute to sustainable palm oil production. SMARTRI's research also explores areas such as climate change mitigation.

R&D conducted by SMARTRI has contributed to the development of our high-yielding Dami Mas seeds which have also been developed to be disease-resistant. These seeds support yield improvements on our estates. In 2016, our nucleus estates achieved a CPO yield of 4.5 tonnes per hectare for prime estates (seven – 18 years old). Our average yield across all nucleus estates was 4.2 tonnes per hectare compared to the national average of 3.5. Our plasma smallholders also achieved an overall average yield of 4.4 tonnes per hectare.[1]

We have also developed new clones using non-GMO techniques. The clones have been registered in Indonesia's Catalogue of Seeds and approved for use by the Ministry Agriculture. Over the next five years, we will multiply these clones through tissue culture, to cultivate a sufficient quantity to plant over a large commercial area starting in 2022.

1 2016 yield was impacted by the severe El Nino effect in 2015.

REDUCING DISEASE THROUGH MINERAL NUTRITION MANAGEMENT

The basal stem rot disease of oil palm due to the *Ganoderma* fungus is a serious threat to oil palm plantations in Indonesia and Malaysia, as well as parts of Africa. *Ganoderma* infection is widespread in many soils including mineral, peat and acid sulphate soils. The disease increases with time and replanting cycles - it impacts the profitability of the commodity and increases the area required to produce the same amount of oil.

Our plantations have been relatively free of *Ganoderma*. R&D efforts have focused on developing planting material with a significant level of resistance to the disease. We have been successful in this and our first two varieties partially resistant to *Ganoderma* were officially registered in 2015.

Agronomical practices to lower the impact of the disease have also been studied. We have found that a proper balance of fertilisers is an important factor that slows down the development of the disease. Excessive applications of phosphate fertilisers (rock phosphate) and to a lesser extent, nitrogen fertilisers (urea), increases the development of disease while applications of potash fertiliser have a slight opposite effect.

MEASURING GHG EMISSIONS (GHG) (305-1, 305-2, 305-5)

The carbon dioxide emissions related to land development is being tackled through our forest conservation commitment in the GSEP and emissions of methane from POME treatment is tackled through our

R&D Supports Responsible Palm Oil

methane capture plans. SMARTRI has also started to look at the emissions of nitrous oxide, a gas that is emitted from nitrogen fertilisers applied to our palms. Although the volume of N_2O is generally small, the greenhouse impact of this gas is around 300 times higher than carbon dioxide.

We are measuring the actual emissions in our plantations and testing new practices that could potentially reduce them.

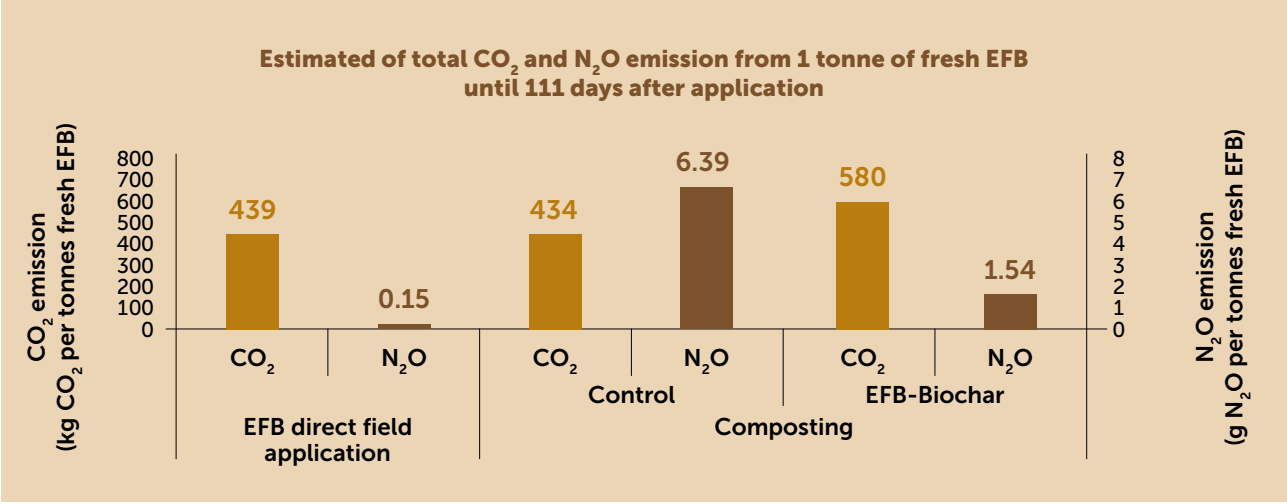
We are also looking at reducing GHG emissions in the management of our empty fruit bunches (EFB). Field experiments have shown that while composting and fresh field applications present similar levels of carbon dioxide emission, the rate of nitrous oxide emission was much higher during composting compared with field applications of fresh EFB. We have found that an addition of biochar at the very beginning of composting can significantly reduce these nitrous oxide emissions and we are now trying to determine the best quantity of biochar to mix with EFB to minimise these emissions.

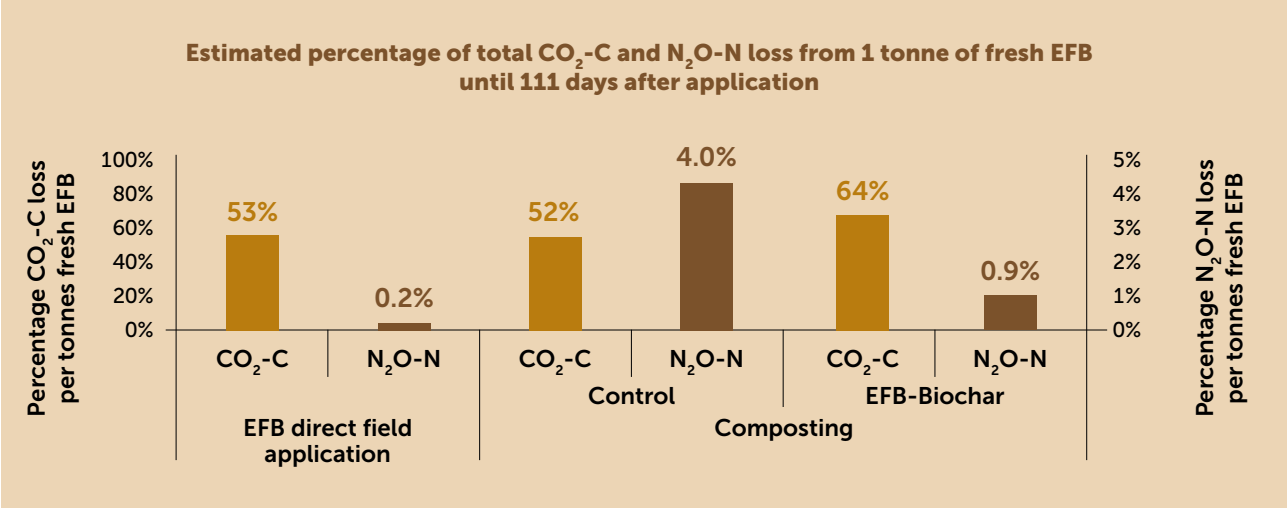
MEASURING CARBON FIXATION IN OIL PALM PLANTATIONS (305-7)

Globally, agricultural activities contribute around 25 percent of total GHG. Agriculture also has the ability to fix carbon in vegetation and fruit biomass as well as in soil as organic matter and this can help mitigate climate change.

In order to quantify the situation in oil palm cultivation, we have carried out continuous recording of CO_2 balance since 2011 in a plantation in Sumatra. The results confirm that the oil palm agro-system can absorb a significant quantity of carbon, reaching between 35 and 42 tonnes of CO_2 per hectare per year and can therefore contribute to mitigation of climate change.

These numbers have been recorded through special micrometeorology devices (Eddy covariance system) installed on towers high above the canopy of plantations. Measurements of carbon dioxide flux are done continuously with 10 records per second. GAR is the first private company using this high-tech methodology to monitor oil palm cultivation carbon balance.





MONITORING PEAT SUBSIDENCE (103-2)

GAR plantations include some limited areas of peat soils which were developed prior to our policy of no development on peat. We are committed to the optimum sustainable management of these areas. Failure to manage peat lands can lead to high amount of carbon dioxide emissions.

Peat lands have to be kept wet and the depth of the water table is critical in managing peat. Each commercial block in the plantations which contains peat includes a network of piezometers to monitor the water table. We also monitor and record peat subsidence monthly.

The results show an average subsidence below five cm per year, except for a few sites, where the 2015 El Nino effect had a relatively higher impact.

Generally speaking, subsidence is mainly affected by water deficit periods as well as the severity of the dry season. During the last two years, more stringent management has been implemented in order to minimise the risk of higher subsidence during dry seasons, and we believe the rate of subsidence will be reduced in the coming years.

R&D TO SAFEGUARD CONSUMER HEALTH (416-1)

Aside from SMARTRI, we have set up a Downstream R&D centre to develop a variety of quality edible food products using palm oil.

A major focus of the R&D department has been to develop products that address consumer health concerns such as the presence of trans fatty acids in processed foods which have been linked to heart disease. Transfats are generated through a process called hydrogenation. To tackle this, our R&D department has reformulated many of our products to completely eliminate all trans fatty acids, without compromising on quality.

In several cases, developing trans-fat free alternatives has enabled us to reduce the total saturated fat. We continue to explore other techniques to reduce saturated fatty acids by assessing the technical requirements of certain formula in specific food products. We are also exploring ways of eliminating or minimising minor ingredients (E-numbers) or switching to natural alternatives.

These efforts continue to make our margarines, shortenings and specialty oils healthier for the consumer.

Starting in 2011, there has been growing awareness about new substances identified and known as 2- and 3-MCPD and esters. The European Food Standards Authority (EFSA) has issued a report warning about the health consequences of co-contaminants formed during processing and refining of all edible oils and specifically identified 3-MCPD as a cause for concern.

These co-contaminants are known as 2-monochloropropane-1,3-diol and 3-monochloro-propane-1, 2-diol and Glycidol/Glycidyl esters (GE), and are formed during food production and preparation at high temperatures. During refining of palm oil they can occur during the deodorisation step. This processing step aims to remove unwanted taste and odour to meet customer quality and safety specifications. It is possible that these substances have been part of the human diet since man began eating cooked food.

Several departments including Operations, Quality Management and R&D have been working together to understand the formation of these substances and how to minimise them. We are investigating this issue comprehensively, looking at each stage of the oil production, from the field to the processing plants.

We are implementing several mitigation strategies to reduce these substances. Together with leading global food manufactures, we are using new internationally approved identification methods to test for these substances. At the same time we have been installing and testing new and effective mitigation technologies. Although it is complicated, we are using several production and process strategies to prevent, or reduce the occurrence of these substances.

Our GRI Standards Reference Table

GENERAL STANDARD DISCLOSURES (102-55)
We report in accordance with the Global Reporting Initiative's (GRI) Standards Sustainability Reporting Guidelines, at the Core level. The GRI Standards framework sets out the principles and standard disclosures that organisations can use to report their economic, environmental, and social performance and impacts. Our GRI Index has been checked by our external consultants, Corporate Citizenship.

Corporate Citizenship confirms that in their view the Index meets the requirement of 'In accordance – Core option', as set out in the GRI Standards Guidelines.

GENERAL STANDARD DISCLOSURES

Standard Disclosure	Disclosure Number	Page reference/Reasons for omissions
GENERAL DISCLOSURES		
ORGANISATIONAL PROFILE		
102-1	Name of the organisation	1
102-2	Activities, brands, products, and services	12-15, 61-62
102-3	Location of headquarters	12
102-4	Location of operations	12-13
102-5	Ownership and legal form	12
102-6	Markets served	61-62
102-7	Scale of the organisation	11, 13, 44, AR 2016 (95, 131)
102-8	Information on employees and other workers	44
102-9	Supply chain	49
102-10	Significant changes to the organisation and its supply chain	2 Oct 2017
102-11	Precautionary Principle or approach	18
102-12	External initiatives	18, 24, 70
102-13	Membership of associations	29, 60
STRATEGY		
102-14	Statement from senior decision-maker	8-10
102-15	Key impacts, risks, and opportunities	8-10, 19, 24-25
ETHICS AND INTEGRITY		
102-16	Values, principles, standards, and norms of behavior	16, AR (45)
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Our Commitment to United Nations Global Compact

OUR COMMITMENT TO UNITED NATIONS GLOBAL COMPACT (102-12, 103-1, 103-2, 103-3)

The United Nations Global Compact (UNGC) is a voluntary sustainability initiative for businesses to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

As a signatory member through our subsidiary, SMART, we understand the importance of the ten core principles and are committed to following them in our everyday operations.

Progressively, we take appropriate actions in line with the principles, as fundamental guidelines for the sustainable development of our business. We continue to support UNGC by incorporating the ten principles in the way we do business, which helps make us a better corporate citizen.

As an active participant of the UNGC, we submit an annual Communication on Progress (COP) – a public report on how we are implementing the Ten Principles on the UNGC. The SMART Annual Report serves as our COP to the UNGC.

Glossary of Acronyms

AMNL – PT Agro Lestari Mandiri
AR – GAR Annual Report
BSR – Business for Social Responsibilty
CFA – Carbon Footprint Assessment
CPO – Crude Palm Oil
CSR – Corporate Social Responsibility
EFB – Empty Fruit Bunch
FCP – Forest Conservation Policy
FFB – Fresh Fruit Bunch
FPP – Forest People's Programme
FPIC – Free, Prior and Informed Consent
GAR – Golden Agri-Resources Ltd
GHG – Greenhouse Gas
GRI – Global Reporting Initiative
GSEP – GAR Social and Environmental Policy
HCV – High Conservation Value
HCS – High Carbon Stock
IPM – Integrated Pest Management
ISCC – International Sustainability and Carbon Certification
ISPO – Indonesian Sustainable Palm Oil
PM – Participatory Mapping
PCP – Participatory Conservation Planning
PK – Palm Kernel
PT – Perseroan Terbatas (Limited Liability Company)
PT KDA – PT Kresna Duta Agroindo
PT KPC – PT Kartika Prima Cipta
POME – Palm Oil Mill Effluent
RA – Rainforest Alliance
RSPO – Roundtable on Sustainable Palm Oil
SOP – Standard Operational Procedure
SMART – PT SMART Tbk
SMARTRI – SMART Research Institute
TTP – Traceability to Plantation
UNGC – United Nations Global Compact
YIP – Yield Improvement Policy

FEEDBACK AND POINT OF CONTACT (102-53)

We see our Sustainability Report as part of our continuous engagement with our stakeholders and would welcome your feedback.

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