



**gar**

agribusiness and food

CHANGING FOR THE BETTER

# Sharing responsible practices with our supply chain

SUSTAINABILITY REPORT 2017







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*Our cover photo shows a group of smallholders in our concession in Riau*



# ABOUT THIS REPORT

## ABOUT THIS REPORT (102-1)

Golden Agri-Resources Ltd (GAR or the Company) published its 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 (102-45, 102-46, 102-48, 102-49, 102-50, 102-51)

This report covers our environmental, social, economic and governance performance across all our plantations, mills and some key aspects of palm oil sales operations of GAR in Indonesia, which is our main production base where we employ the majority of our work force and where we have the most impact.

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 2017. There have been no restatements of information and there are no significant changes in the scope of our reporting from the previous report covering the financial year 2016.

## REPORTING FRAMEWORK (102-49, 102-54)

We have adopted the Global Reporting Initiative (GRI) Standards as our reporting framework. 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

In 2017, we updated our assessment of our material sustainability issues, please refer to page 26 of the report for more information on this.

For a full content index of our GRI Standards indicators with relevant references provided, please refer to page 69 of the report.

## ASSURANCE (102-56)

We are committed to working towards the full assurance of the information presented in our sustainability report. In this report, as with our previous two reports, we have sought the calculation and independent verification of our GHG emissions for our subsidiary in Indonesia, PT SMART Tbk (SMART), by EY.

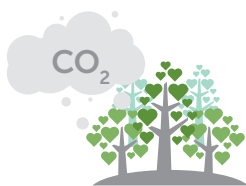
In addition, we also commissioned two independent assessments from Business for Social Responsibility (BSR) to carry out a survey of workplace practices in some of our estates in Indonesia, and the Rainforest Alliance (RA) to assess the implementation of the [GAR Social and Environmental Policy \(GSEP\)](#).

More information, including our verification statement from EY and reports on the independent assessments undertaken, can be found on our website at: [www.goldenagri.com.sg](http://www.goldenagri.com.sg)



# TARGETS AND UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)

(102-10, 102-15, 103-3)



## CONSERVATION OF HIGH CARBON STOCK (HCS) FORESTS AND PEATLANDS; CONSERVATION OF BIODIVERSITY AND HIGH CONSERVATION VALUE (HCV) AREAS; PREVENTING FIRE AND HAZE

Progress on UN SDGs



Key Commitments	Progress	Future Targets	Needs Work	On Track	Achieved
No development of and the conservation of HCS forests	<ul style="list-style-type: none"> <li>HCS Approach rolled out in GAR's 18 concessions</li> <li>Conservation planning with local communities: 13 villages agreed to protect over 7,000 hectares of HCS forests</li> </ul>	<ul style="list-style-type: none"> <li>Continue to implement HCS Approach</li> <li>Joint conservation planning to be carried out with 5 more villages in 2018 (see <a href="#">schedule</a> on GAR website)</li> </ul>		●	
No development of and the conservation of peatlands of any depth  Develop strategies for long-term rehabilitation of peatlands	<ul style="list-style-type: none"> <li>Physical rehabilitation of 2,600 hectare Peat Ecosystem at PT AMNL, West Kalimantan</li> <li>Over 100 hectares of buffer zone with local beneficial plants</li> <li>Integrated Ecological Farming launched to support rehabilitation efforts</li> </ul>	<ul style="list-style-type: none"> <li>Continue with physical rehabilitation</li> <li>Continue with Integrated Ecological Farming projects for communities</li> </ul>		●	
No development of and the conservation of HCV areas	<ul style="list-style-type: none"> <li>Rehabilitated over 1,400 hectares of riparian buffer zones</li> </ul>	<ul style="list-style-type: none"> <li>Continue with riparian buffer zone implementation</li> <li>SMART Research Institute (SMARTRI) in new R&amp;D collaboration with Cambridge University on riparian restoration</li> </ul>		●	
Conserve and protect rare, threatened and endangered species as well as ecosystems and critical habitats of rare, threatened and endangered species	<ul style="list-style-type: none"> <li>Achieved target of releasing 100 wild-born, ex-captive orangutans in partnership with Orangutan Foundation International (OFI)</li> </ul>	<ul style="list-style-type: none"> <li>Renewing partnership with OFI in 2018 and continuing to work on rehabilitating and releasing orangutans</li> </ul>			●
No burning for new plantings, replantings or other development (Zero Burning Policy)	<ul style="list-style-type: none"> <li>Virtually zero fire incidents on our concessions</li> <li>Fire-free programme Desa Makmur Peduli Api (DMPA), successful in reducing fire spots and hot spots since launch in 2016</li> <li>All villages qualified for infrastructure aid amounting to IDR1.9 billion after evaluation</li> <li>Integrated Ecological Farming projects rolled out for local communities in 3 pilot villages involving 60 farmers (majority women)</li> </ul>	<ul style="list-style-type: none"> <li>Community fire-free programme expanded to include 15 more villages: 5 in Riau and 10 in Central Kalimantan</li> <li>Continue to train GAR Emergency Response Team and to maintain fire-fighting equipment in all estates</li> </ul>		●	





## RIGHTS OF COMMUNITIES AND INDIGENOUS PEOPLES

Key Commitments	Progress	Future Targets	Needs Work	On Track	Achieved
Respecting the right to Free, Prior and Informed Consent (FPIC) for indigenous peoples and local communities and recognising the need for food security in new developments	<ul style="list-style-type: none"> <li>GAR has rolled out Participatory Mapping (PM) which aims to respect and safeguard community FPIC rights in over 80 villages</li> <li>No incidents of FPIC violations or violations of rights of indigenous peoples in 2017</li> </ul>	<ul style="list-style-type: none"> <li>Continue with PM in 16 villages in 2018 (see <a href="#">schedule</a> on GAR website)</li> </ul>		●	



## LABOUR RELATIONS AND HUMAN RIGHTS; OCCUPATIONAL HEALTH AND SAFETY AND EMPLOYEE WELLBEING; TALENT RETENTION, DEVELOPMENT AND TRAINING

Key Commitments	Progress	Future Targets	Needs Work	On Track	Achieved
We commit to upholding and promoting the United Nations Universal Declaration of Human Rights for all workers, contractors, indigenous peoples and local communities in all company operations	<ul style="list-style-type: none"> <li>No incidents of discrimination or abuse reported in 2016</li> <li>187 labour unions representing 48,370 non-management employees (95%)</li> <li>Results of Business for Social Responsibility (BSR) study on GAR labour practices published on GAR website – action plan formulated based on study</li> <li>GAR reaffirmed commitment to UN Global Compact principles including Human Rights by signing up to the UNGC (our subsidiary SMART has been a signatory since 2006)</li> </ul>	<ul style="list-style-type: none"> <li>Implement action plans based on studies by external parties to improve labour practices</li> <li>Continue to maintain peaceful and productive industrial relations through open dialogue, fair labour practices, and respectful communication in the workplace</li> </ul>		●	
Ensure plantations and mills have an OHS policy in place and regularly report against it	<ul style="list-style-type: none"> <li>Number of fatalities not decreasing</li> <li>Reinforced KPIs of Zero Accidents and Fatalities for all management</li> <li>Conducted thorough investigations of each accident to uncover underlying causes, using expert investigators to help develop additional and enhanced safety measures</li> <li>Added safety measures and training for employees in aftermath of accidents</li> </ul>	<ul style="list-style-type: none"> <li>Aim for zero fatalities</li> <li>Reduce the frequency and severity of accidents</li> </ul>		●	
Talent Retention, Development and Training	<ul style="list-style-type: none"> <li>Turnover rate lower than 2016</li> </ul>	<ul style="list-style-type: none"> <li>HR to continue to focus on talent retention and training</li> </ul>		●	



## TARGETS AND UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)



### TRACEABILITY AND SUPPLY CHAIN TRANSFORMATION; SUPPLIER INCLUSIVENESS AND SMALLHOLDER LIVELIHOODS

Progress on UN SDGs



Key Commitments	Progress	Future Targets	Progress on UN SDGs		
			Needs Work	On Track	Achieved
Traceable and transparent supply chains	<ul style="list-style-type: none"> <li>Achieved target of 100% Traceability to Plantation (TTP) for all GAR-owned mills</li> <li>39% of palm supply chain fully traceable</li> </ul>	<ul style="list-style-type: none"> <li>Maintain full TTP</li> <li>Continue sharing responsible palm oil practices with supply chain</li> </ul>			●
	<ul style="list-style-type: none"> <li>Training and support for 3rd-party mills to achieve TTP by 2020</li> </ul>	<ul style="list-style-type: none"> <li>100% TTP for 3rd-party mills by 2020</li> </ul>		●	
We will implement a robust due diligence system that will identify non-compliant suppliers. We will set up a transparent and accountable system where stakeholders can inform us of issues within our supply chain. We will respond to any issues using our grievance process in a timely and transparent manner	<ul style="list-style-type: none"> <li>In 2017, 6 grievances were raised - 2 have been resolved</li> <li>Closed 2 earlier grievances</li> <li>Assessed 19 suppliers for environmental impacts and 39 suppliers for social impacts</li> </ul>	<ul style="list-style-type: none"> <li>Continue to actively work towards a resolution of all open cases</li> <li>Continue to assess suppliers for compliance with GSEP and other GAR policies</li> </ul>		●	
Engaging and supporting our suppliers	<ul style="list-style-type: none"> <li>79 visits to 73 supplier mills since 2015; 40 suppliers visited in 2017</li> <li>Site visit and analysis of Tarahan Refinery suppliers (including smallholders) completed</li> <li>Annual SMART SEED workshop for suppliers</li> <li>Special workshop on Leuser Ecosystem for suppliers operating near the area</li> <li>Support for 100% of 69,100 plasma smallholders</li> <li>Innovative Financing and other support schemes for 4,500 independent smallholders to date</li> <li>Increasing partnerships with customers to support improvement in smallholders' livelihoods and sustainability (see page 42 for more details)</li> </ul>	<ul style="list-style-type: none"> <li>Conduct site visits to complete sustainability overview reports of our remaining refineries/ bulking stations</li> <li>Continue with capacity building events to assist and support suppliers</li> <li>Extend engagement and sustainability support efforts to suppliers at plantation level including agents and smallholder farmers</li> <li>Facilitate collaborations on a landscape level between GAR, independent suppliers, farmers, government, and Civil Society Organisations (CSOs) to improve responsible practices</li> <li>Continue to promote Innovative Financing and smallholder support schemes</li> <li>Continue to work with multi-stakeholders such as customers to improve smallholder livelihoods</li> </ul>		●	





## CORPORATE GOVERNANCE, ETHICS AND INTEGRITY

			Needs Work	On Track	Achieved
Key Commitments	Progress	Future Targets			
<p>We comply with applicable laws in all the countries, in which we do business, that are designed to prevent bribery and corruption, including all anti-bribery and corruption laws</p>	<ul style="list-style-type: none"> <li>No incidents of corruption or bribery in 2017</li> </ul>	<ul style="list-style-type: none"> <li>Continue to comply with applicable anti-bribery and anti-corruption laws and regulations in line with GAR's policies and commitment to UNGC principles</li> </ul>		●	



## YIELD IMPROVEMENT

Progress on UN SDGs



Key Commitments	Progress	Future Targets			
<p>Continuous yield improvement to reduce pressure on new land development without intensification of the use of chemical pesticides and fertilisers</p>	<ul style="list-style-type: none"> <li>Breakthrough in yield improvement: launch of non-GMO clonal seeds Eka 1 and Eka 2 with potential to produce over 10 tonnes/ha/year of crude palm oil (CPO) (current national average: 3.5 tonnes/ha/year)</li> </ul>	<ul style="list-style-type: none"> <li>Eka 1 and Eka 2 being developed for progressive roll out; replanting with the clonal seeds to start in 2022</li> </ul>			●







## PRODUCT QUALITY AND SAFETY

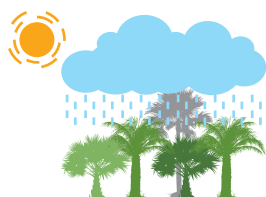
Key Commitments	Progress	Future Targets			
<p>All of our processes, products and services will meet, or exceed, all applicable safety and health regulations</p>	<ul style="list-style-type: none"> <li>Continued reformulation of consumer products to eliminate all trans fatty acids</li> <li>Continued with mitigation processes to minimise co-contaminants (for e.g. 3-MCPD)</li> </ul>	<ul style="list-style-type: none"> <li>Continue to prioritise elimination of trans fatty acids in 2018</li> <li>Continue to research best methods to minimise co-contaminants</li> </ul>		●	



## TARGETS AND UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)

			Needs Work	On Track	Achieved
 <b>COMMUNITY RELATIONS AND EMPOWERMENT</b>					
Key Commitments	Progress	Future Targets			
Empowering people through community development programmes	<ul style="list-style-type: none"> <li>100% of estates have social and community programmes</li> <li>Integrated Ecological Farming launched at 11 villages to boost food self-sufficiency and income</li> </ul>	<ul style="list-style-type: none"> <li>Continue to empower communities and multiply the positive impacts of our business through a range of education, healthcare, social and economic programmes</li> </ul>		●	
 <b>WOMEN, DIVERSITY AND INCLUSION</b>					
Key Commitments	Progress	Future Targets			
The Company is firmly committed to provide equal opportunity in all aspects of employment and will not tolerate any discrimination or harassment based on race, colour of skin, religion, gender, national origin or any other class	<ul style="list-style-type: none"> <li>No incidents of discrimination or harassment in 2017</li> <li>Miminal progress in increasing women representation in Senior Management or Board</li> </ul>	<ul style="list-style-type: none"> <li>Continue to ensure equal opportunities regardless of race, colour of skin, religion, gender, national origin or any other class</li> </ul>	●		
 <b>OPERATIONAL FOOTPRINT: GREENHOUSE GAS (GHG) EMISSIONS; WATER; USE OF FERTILISERS, PESTICIDES AND CHEMICALS; WASTE</b>		Progress on UN SDGs 			
Key Commitments	Progress	Future Targets			
Report and reduce greenhouse gas (GHG) emissions	<ul style="list-style-type: none"> <li>Reduced 40-55% of emissions through methane capture at mills (see page 61)</li> <li>Finalised calculations of GHG emissions at Kalimantan upstream operations</li> </ul>	<ul style="list-style-type: none"> <li>Set short, medium and long term reduction targets by 2018</li> <li>Explore reduction of GHG and expand methane capture activities from now till 2020</li> </ul>	●		
Water	<ul style="list-style-type: none"> <li>Water consumption is remaining steady and not decreasing</li> </ul>	<ul style="list-style-type: none"> <li>Carry out water footprint assessment to better manage water consumption</li> </ul>	●		

			Needs Work	On Track	Achieved
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	<ul style="list-style-type: none"> <li>Continued with Intergated Pest Management to minimise use of herbicides and pesticides (see page 63)</li> <li>Zero paraquat use</li> </ul>	<ul style="list-style-type: none"> <li>Intensify efforts to develop practices that reduce pesticide and herbicide use</li> <li>Continue to use Integrated Pest Management</li> </ul>		●	
Identify, reduce, reuse, recycle and dispose of waste in an environmentally responsible way	<ul style="list-style-type: none"> <li>100% of liquid and solid waste from CPO production process is reused and recycled</li> </ul>	<ul style="list-style-type: none"> <li>Maintain 100% reuse of solid and liquid waste generated from CPO production process</li> </ul>			●
	<ul style="list-style-type: none"> <li>Reduced over 250 tonnes of plastic packaging waste in 2017 – a further 13% reduction from 2016</li> </ul>	<ul style="list-style-type: none"> <li>Explore further optimised use of solid and liquid waste</li> <li>Explore further ways to reduce packaging waste</li> </ul>		●	



### CLIMATE CHANGE ADAPTATION

Key Commitments	Progress	Future Targets			
All of our processes, products and services will meet, or exceed, all applicable safety and health regulations	<ul style="list-style-type: none"> <li>SMARTRI continued R&amp;D efforts to produce more drought and disease resistant seeds</li> <li>SMARTRI continued R&amp;D on agronomic practices to account for climate change</li> </ul>	<ul style="list-style-type: none"> <li>Continue R&amp;D on adaptive planting materials and agronomic practices</li> </ul>		●	





**Franky Oesman Widjaja**  
Chairman and Chief Executive Officer

For GAR, 2017 was another year of strong performance, demonstrating our distinct and growing competitive edge from an integrated business model with a strategically balanced portfolio of upstream and downstream businesses. GAR's remarkable performance stemmed from our upstream business as plantation output rebounded after the previous year's decline following the El Niño phenomenon. At the same time, we were able to extract further value as we continue to streamline our downstream assets.

After being hit by the severe El Niño in 2015, weather conditions became favourable and production picked up from the fourth quarter of 2016. Our fruit production for the reporting period grew by eight percent with an average yield of 20.5 tonnes per hectare, which continues to be the best amongst our peers. Consistent focus on operational efficiencies contributed to the successful expansion of the plantations and palm oil mills segment EBITDA margin by six percent.

GAR's planted area reached over 500,000 hectares by the end of the year. Our upstream division also achieved its replanting target at almost 10,000 hectares. This accelerated replanting is aligned with our intensification strategy aimed at improving production yields from each hectare of our land. Our strategy involves replanting with new and higher yielding seeds, as well as rolling out infrastructure for mechanisation and precision agriculture.

GAR's Indonesian refineries performed well, achieving much higher utilisation rate and a production volume record due to our focus on higher value-added products. This is an excellent accomplishment against the overcapacity situation in the country.

In our downstream business, we continued to face a competitive market environment and declining CPO prices during the year affected our margins. We remain focused on improving operational efficiencies across the value chain while offering a larger portfolio of value-added products and services to global customers for better margins. We will continue to innovate and be responsive to changing market demands with our product offerings.

We enter the year 2018 in a robust financial position with sound liquidity and improved credit profile for the financial market. More efficient financing and refinancing costs will be our focus in the years ahead.

### **POSITIVE OUTLOOK FOR PALM OIL**

We believe that in the short term, CPO price could maintain its position as the increase in production will be absorbed by the robust growth in demand. We are also confident about the long-term prospects of palm oil. As world population and income per capita continue to rise, food production needs to double in order to secure adequate food supplies. With limited agricultural land, the target of producing more food with less area will play a vital part in sustainable agriculture. Palm oil is the best candidate to fulfil this demand, especially with the upcoming industry replanting that is expected to double current yields. Apart from food usage, oleochemicals and biodiesel will also continue to provide additional demand for palm oil as a feedstock.

### **SHARING RESPONSIBLE PRACTICES, TRANSFORMING OUR SUPPLY CHAIN**

In 2017, we continued to make progress on our journey towards responsible palm oil production including taking steps towards increased transparency and traceability of our supply chain. At the same time, we are taking note of areas where we need to improve our performance and to this end we have commissioned external assessments and a new materiality assessment to help us understand where we can improve.

### **SIGNIFICANT MILESTONES**

As a leading player in the palm oil industry, our commitment to responsible palm oil involves not just our company's operations, it extends to our supply chain. To meet this commitment, we completed another significant milestone in 2017 by achieving 100 percent Traceability to the Plantation (TTP) for all GAR-owned mills. This is a continuation of the mapping of our suppliers which began with the achievement of 100 percent Traceability to the Mill in 2015. Our independent suppliers are also mapping their supply chains and we aim to have them report full TTP by end 2020.

TTP means we can guarantee the provenance of our raw materials and is in line with the efforts of our major customers who are also working on full transparency of their palm supply chain. But for us, this achievement has even greater significance because it is a key part of our wider efforts to help our suppliers change for the better. Through deeper engagement, we reduce supply chain

risks while helping our industry become more responsible and resilient.

In parallel with our mapping efforts, we have been carrying out targeted site visits; monitoring our suppliers as part of risk assessment and management; and assessing their needs to help them upgrade their capacity to implement responsible practices. Our SMART SEED workshops are now an annual event and themes are chosen based on feedback and assessment of suppliers' most pressing needs. In 2017, we also held a workshop for our suppliers operating near the Leuser Ecosystem to heighten their awareness of the protected status of Leuser, and how to stop sourcing palm oil from growers which may be operating in protected areas.

The progress made in this area aligns with UN Sustainable Development Goal (SDG) 12 – Responsible Consumption and Production – as we try to improve the livelihoods of our suppliers especially small farmers while ensuring sustainable production.

Last year, we also made a breakthrough in long-term yield improvement when we launched two new planting materials – Eka 1 and Eka 2. These non-GMO clonal seeds, which can potentially produce more than 10 tonnes of CPO per hectare per year, are set to revolutionise productivity and will be rolled out progressively in our plantations. Eka 1 and Eka 2 are the results of our long-held belief in investing in technology and R&D to advance sustainable productivity, while reducing the need to open more land for agriculture. This puts us on track to deliver UN SDG 2 which aims to increase agricultural productivity to relieve global hunger.

We continue to make progress on other fronts including our innovative community conservation partnerships. Participatory mapping with communities continues apace and more villages have signed conservation agreements to protect over 7,000 hectares of High Carbon Stock (HCS) forests.

We remain vigilant against fire and in the second year of our collaboration with villages in Jambi and West Kalimantan on long-term fire prevention, we are glad to report that the programme has helped to reduce hotspots and firespots. Long-term initiatives to change the mindset of local communities and convince them to abandon the use of fire for agricultural purposes remains a priority for us.

We also achieved our target of releasing 100 orangutans through our multi-year partnership with Orangutan Foundation International (OFI) last year. We are now exploring new ways to continue this important initiative.

These efforts in environmental management allow us to deliver the goals of UN SDG 15 which aims to preserve Life on Land.

Our support for the Ten Principles of the United Nations Global Compact and the UN SDGs has been reaffirmed by

the participation of GAR as a signatory to the UNGC. We have been committed to the UNGC Principles since 2006 when GAR's subsidiary, SMART became a signatory of the UNGC and we will continue to report on our company-wide progress through this Sustainability Report.

As a company that firmly believes in sustainability, we are honoured to be named in the Dow Jones Sustainability Indices (Asia-Pacific), the longest established sustainability index in the world. We debuted in the index in 2017 following a rigorous assessment of our Environmental, Social and Governance policies and practices. We are also proud to be a member of the SGX Sustainability Index, including the Sustainability Leaders Index.

## CONTINUOUS IMPROVEMENT

It is with great sadness that we report that there were work-related accidents which resulted in six fatalities in 2017 and our deepest sympathies are with their families. Addressing this issue has become an urgent priority for us and we are strengthening internal systems and procedures in order to achieve zero fatalities and accidents in the future.

In the similar spirit of continuous improvement, we asked several external parties including the Rainforest Alliance to assess our implementation of the GAR Social and Environmental Policy (GSEP). They have reported that in the main we are progressing and have the right procedures in place, but have also recommended some areas for improvement. We have devised action plans based on the findings.

To check that we are aware of issues which impact our business and our stakeholders, we carried out an extensive materiality assessment in the second half of 2017, reaching out to many of our stakeholders for feedback and input. The materiality assessment helps us respond to the changing business environment and expectations from our stakeholders. Through this, we have been able to map out our material issues which will guide our strategic planning and reporting.

As we continue to work on our various sustainability initiatives, we believe that continued support from developed and progressive markets is crucial to sustain the efforts of the palm oil industry as it transitions towards more responsible practices. This is particularly critical for the millions of smallholders who depend on palm oil for their livelihoods and who need external markets which are supportive of responsibly produced palm oil.



**FRANKY OESMAN WIDJAJA**

Chairman and Chief Executive Officer  
29 June 2018





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 methodical 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 government, communities, Civil Society Organisations (CSOs) and our industry peers. Furthermore, we benchmark our performance against international

and industry standards including 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 and guidance, we have established a Sustainability Committee comprising the senior leadership team across the upstream, downstream and corporate centres which meets regularly to oversee the development and implementation of GAR's sustainability strategy. The Committee 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

29 June 2018

# ABOUT GAR (102-2, 102-4, 102-6)



**173,700**  
jobs in Indonesia

**51,000**  
permanent employees

**53,600**  
fixed-term employees

**69,100**  
plasma smallholders

## ABOUT GAR

### Value chain of our business in Indonesia



manages more than  
**500,000**  
hectares of palm oil estate— **4% of Indonesia's planted estates**



**427** supplier mills across Indonesia



**MORE THAN 30**  
CONSUMER BRANDS

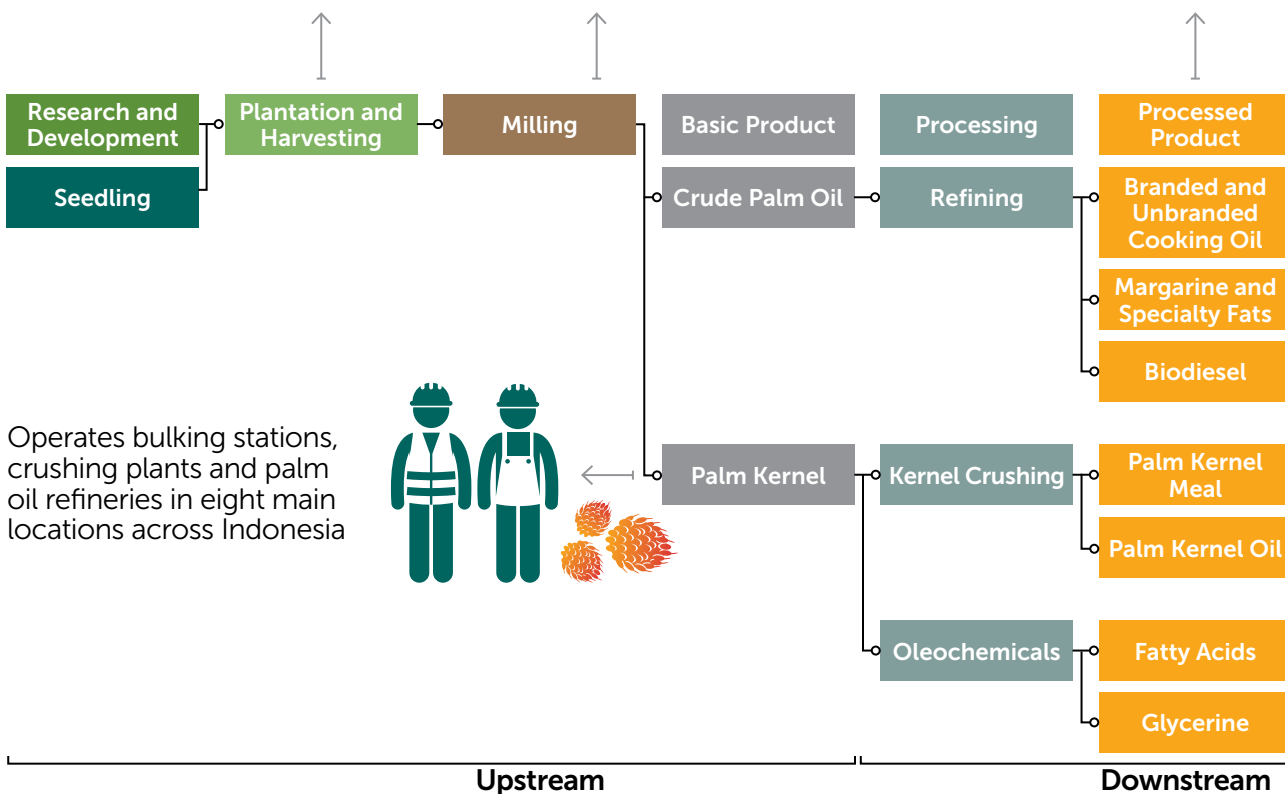


**20%**  
of our managed estates are owned by our plasma smallholders

Owns  
**46** palm oil mills



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





## ABOUT GAR (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 USD7.5 billion and underlying profit of USD254 million in 2017.

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, biodiesel and oleochemicals, as well as merchandising palm products throughout the world.

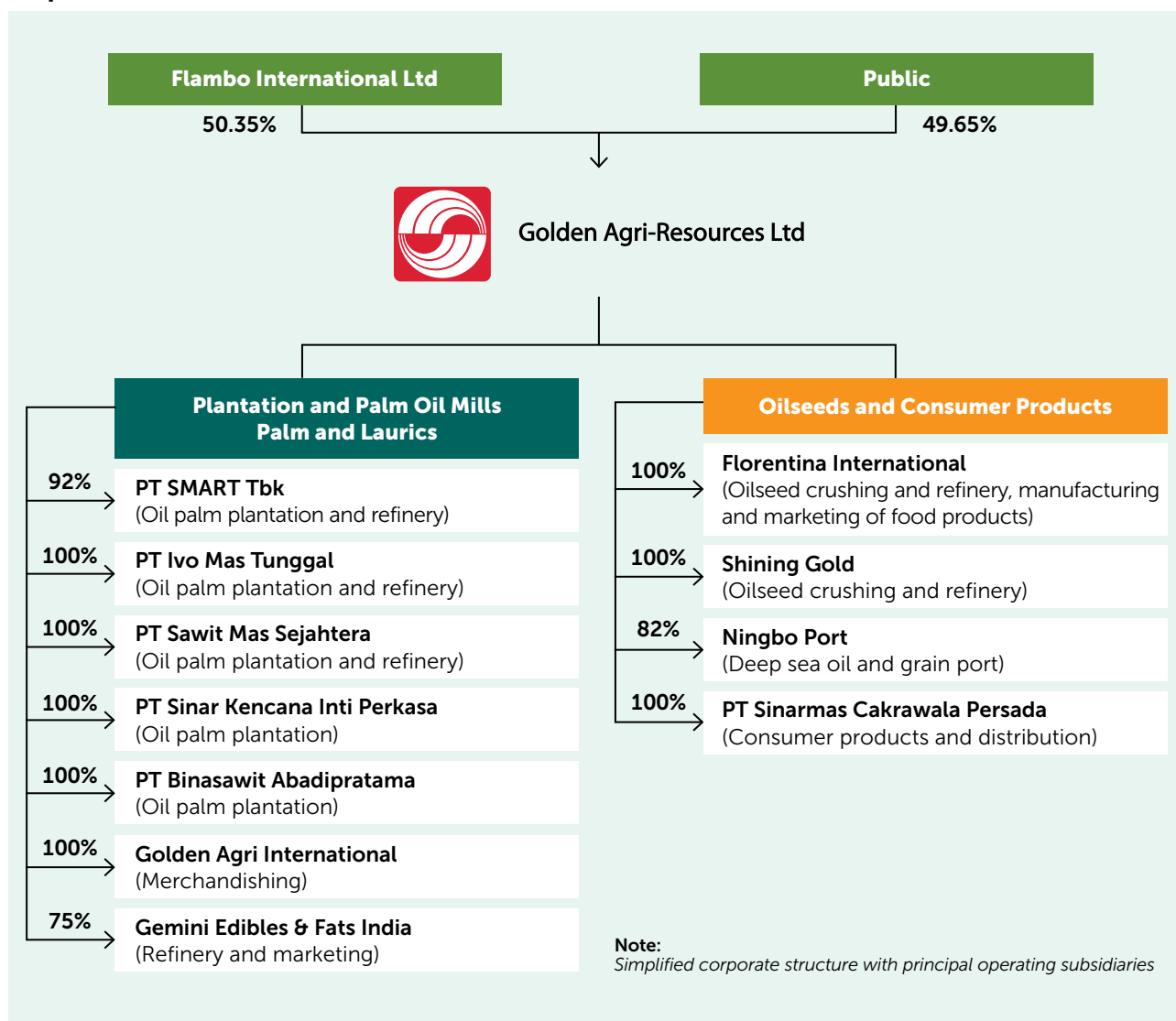
GAR also has operations in China and India, where we operate a deep-sea port, oilseed crushing plants, production capabilities for refined edible oil products as well as other food products such as noodles.

Our products are sold globally to a diversified customer base by leveraging our 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.

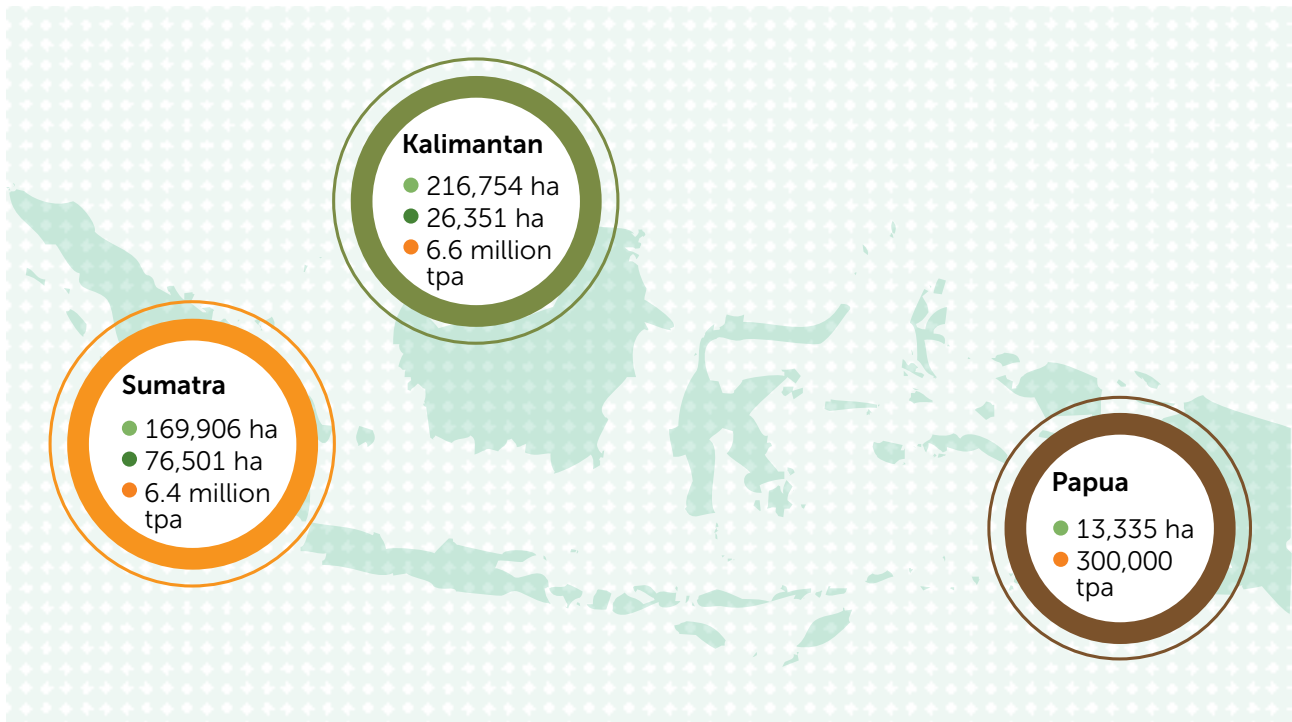
The chart below sets out a simplified corporate structure of the business including principal operating subsidiaries and intermediate holding companies. It also shows the structure of shareholding between GAR's publicly traded shares and Flambo International Ltd, an investment company owned by the Widjaja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

### Corporate Structure of GAR

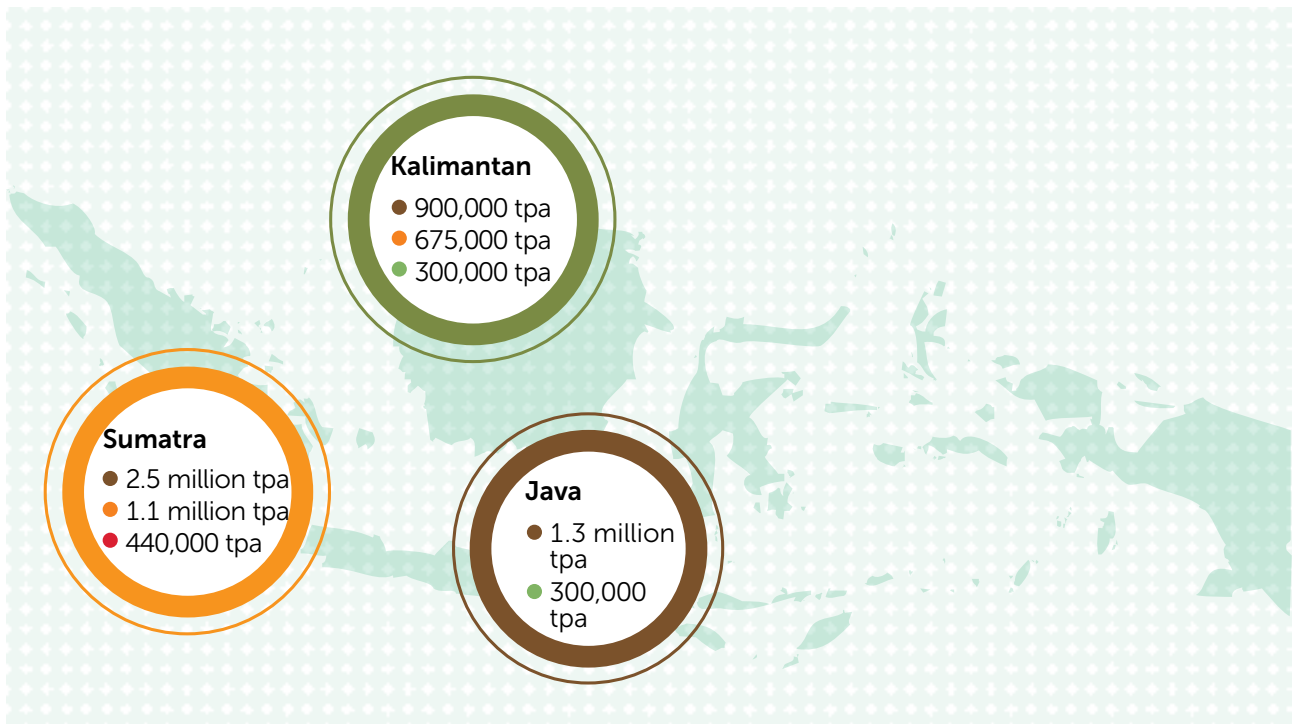


### Our plantations and mills in Indonesia



- Nucleus planted area – in hectares
- Plasma planted area – in hectares
- CPO mills capacity – in tonnes per annum

### Downstream capacities in Indonesia



- Refinery – in tonnes per annum
- Kernel crushing plant – in tonnes per annum
- Oleochemicals plant, including operations under JV – in tonnes per annum
- Biodiesel plant – in tonnes per annum

## ABOUT GAR

team and independent directors. GAR's subsidiary 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.

We manage 172 oil palm estates with a total area of 502,847 hectares. As at end 2017, the planted area consists

of estates owned by GAR (called 'nucleus') totaling 399,995 hectares and estates owned by smallholders (called 'plasma') amounting to 102,852 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 46 mills with a combined installed annual capacity of 13.3 million tonnes of FFB. During the year, our mills produced 2.18 million tonnes of CPO and 545 thousand tonnes of PK.

### PALM OIL – AN SDG COMMODITY (102-15)

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 oils. In 2017, mature oil palms occupied less than seven percent of the total harvested area for vegetable oils. However, in the form of palm oil and palm kernel oil, they supplied 37 percent of global vegetable oil production in 2017.

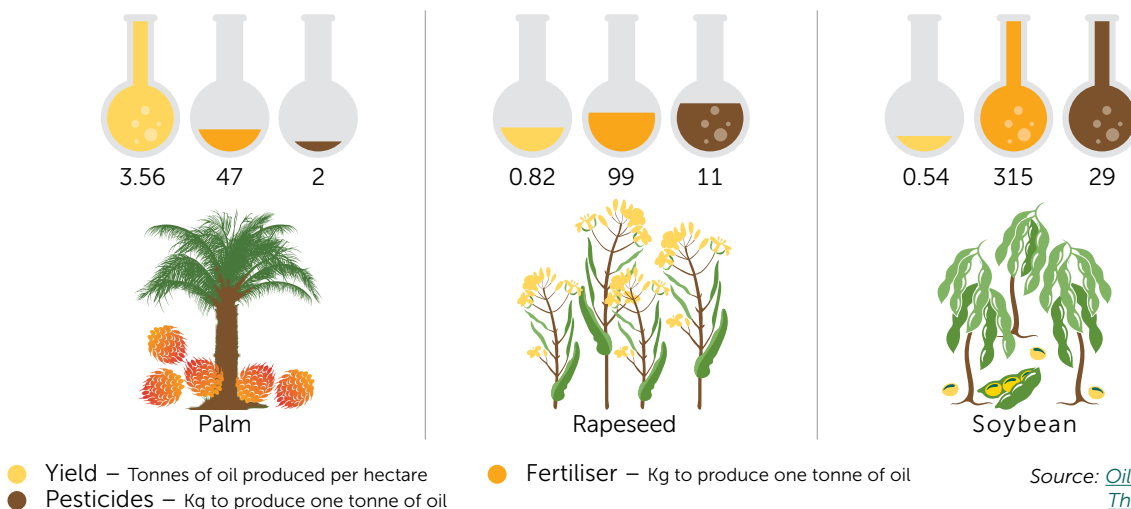
It is also extremely versatile, used as a cooking oil, in foods such as margarine and ice cream, and in thousands of non-food products from soaps to cosmetics, candles and pharmaceuticals. Palm oil is also a valuable biofuel, which can contribute to reducing carbon emissions. Palm oil's low cost and

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 generates USD23 billion worth of palm oil exports in 2017 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, generating decent work and economic growth, providing quality education and health and wellbeing, 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/year)





## **THE VALUE CHAIN OF OUR PALM OIL BUSINESS (102-7)**

Our palm oil business, which is mostly in Indonesia, is fully vertically integrated and 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, oleochemicals 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 R&D on evolving our portfolio to meet customer demand. This includes consumer demand for higher quality and more sustainable palm oil goods.

We also have destination processing in China and India, the two largest consumers of edible oils. In China, we produce refined vegetable oils by blending palm oil with soybean oil to accommodate market demand. In addition to that, our plants also produce value-added products such as margarine, shortening and butter oil substitute. In India, we own refinery plants and established brand in the eastern part of the country, supported by an extensive distribution system.

Our palm oil business contributes to the performance of Plantations and Palm Oil Mills as well as Palm and Laurics segments (see page 133 of GAR Annual Report 2017 Note 42 "Operating Segment Information" for further details).

## **THE VALUE CHAIN OF OUR OILSEEDS AND OTHERS BUSINESS (102-7)**

In China, GAR owns integrated vegetable oil facilities comprising oilseed storage, crushing and refining facilities, and one of the country's largest deep-sea ports. Through our deep-sea port operation in Ningbo, Zhejiang Province, we import and store oils and grains, including refined palm oil from our own operations in Indonesia and soybean. Our oilseed crushing facilities in Ningbo and Tianjin produce soybean meal to be sold within China, and crude soybean oil that is, in turn, processed by the refineries together with other edible oils including palm oil.

In November 2017, we entered into a conditional agreement to divest our subsidiary, Sinarmas Natural Resources Foodstuff Technology (Tianjin) Co., Ltd, that owns and operates oilseeds crushing and refining facilities in Tianjin. The divestment was completed

in April 2018. This initiative is part of our strategy of refocusing our business model for our China oilseed division.

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 133 of GAR Annual Report 2017 Note 42 "Operating Segment Information" for further details).

## **BALANCING SUSTAINABILITY WITH STRATEGIC GROWTH OPPORTUNITIES (102-10)**

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 2017, GVL cultivated approximately 16,800 hectares of oil palm plantations, with GAR providing technical expertise to ensure quality and sustainability.

## **OUR FINANCIAL PERFORMANCE IN 2017 (102-7)**

During 2017, GAR posted a revenue of over USD7.5 billion, four percent higher than the previous year. EBITDA grew by 16 percent to USD665 million whilst underlying profit increased by 36 percent to reach USD254 million.

This strong performance was on the back of the recovery in palm product output. With adjusted net debt to equity ratio of 0.42 times and total consolidated assets of USD8.1 billion as at 31 December 2017, GAR's financial position continues to strengthen.

We are also confident about the long-term prospects of palm oil. As world population and income per capita continue to rise, food production needs to double in order to secure adequate food supplies. With limited agricultural land, the target of producing more food with less area will play a vital part in sustainable agriculture. Palm oil is the best candidate to fulfil this demand, especially with the upcoming industry replanting that is expected to double current yields. Apart from food usage, oleochemicals and biodiesel will also continue to provide additional demand for palm oil as a feedstock.

## ABOUT GAR

The chart below shows GAR's economic value generation from its integrated palm oil business and its distribution during 2017.

### Economic value generated and distributed from palm oil business\* in 2017 (201-1)

	<b>2017</b>
<b>Direct economic value generated</b>	
Revenue from external parties **(USD'000)	<b>6,701,282</b>
<b>Economic value distributed (% of revenues)</b>	
Operating costs	<b>81.5%</b>
• Plasma farmers	<b>4.1%</b>
• Other suppliers	<b>77.4%</b>
Employee wages and benefits	<b>8.3%</b>
Payments to providers of capital	<b>3.1%</b>
Tax payments to governments	<b>3.9%</b>
Community investments (Philanthropy)	<b>0.1%</b>
<b>Economic value retained</b> (calculated as 'Direct economic value generated' less 'Economic value distributed')	
Economic value retained ***	<b>3.1%</b>

**Note:**

\* Refers to the performance of Plantation and Palm Oil Mills as well as Palm and Laurics Segments

\*\* Including income from financial investments and sales of assets

\*\*\* Including R&D expenditure

### OUR CORPORATE GOVERNANCE (102-18, 102-22, 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. Currently, the Board has seven 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, Mr. 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 (102-35)

For details of GAR's remuneration policy for the Board please see page 37 in the GAR Annual Report 2017.

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, 102-17, 103-1, 103-2, 103-3, 205-3, 415-1)

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 2017 and as such, no disciplinary action was necessary against any employees. GAR does not make any corporate political contributions.

We expect all our employees, contractors and business partners to adhere to [GAR Code of Conduct](#) which is communicated to all our existing and new employees. The 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 2017 and as such, no disciplinary action was necessary against any employees.

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 suppliers to comply with GAR's policies including the GSEP.

#### OUR ACHIEVEMENTS IN 2017

- PT SMART Tbk, GAR's subsidiary, received a Social Business Innovation Award 2017 in Plantation Category from Warta Ekonomi magazine, while its President Director, Mr. Jo Daud Dharsono was awarded Green CEO 2017 in Plantation Category

- GAR debuted on the Dow Jones Sustainability Indices (DJSI) (Asia-Pacific) in recognition of its corporate sustainability leadership within its industry
- GAR is included in latest SGX Sustainability Index including Sustainability Leaders Index
- Winner of Sustainable Business Awards Indonesia 2017 in the category of Land Use, Biodiversity and Environment for the second year in a row
- Winner of Asia's Best Supply Chain Reporting in the Asia Sustainability Reporting Awards





# HOW WE APPROACH RESPONSIBLE PALM OIL

## HOW WE APPROACH RESPONSIBLE PALM OIL (102-11, 102-12)

As an agribusiness, GAR understands the crucial importance of careful and responsible stewardship of natural resources. As a company that provides jobs for tens of thousands of people and which operates near and around thousands of villages, we are also keenly aware of the necessity of being a good corporate citizen and neighbour. These tenets underpin our approach to achieving responsible palm oil production.

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 related 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.

We also keep up with emerging concerns and trends globally and locally and strive to incorporate these in our approach to responsible production. One such example is our alignment of our ongoing initiatives with the [UN SDGs \(Sustainable Development Goals\)](#).



We are focussing on three SDGs which we believe align best with our strengths as a company. These are also areas where we see the most opportunities for further growth and development. These SDGs include UN SDG 2 – Zero Hunger, SDG 12 – Responsible Consumption and Production and SDG 15 – Life on Land. All these are supported by local and global partnerships – the goal of UN SDG 17.

Even as we continue to implement our initiatives and projects which help us achieve successful forest conservation and environmental management, we are also proactively trying to transform our supply chain. 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 (see section on “Marketplace and Supply Chain”).

## MANAGEMENT APPROACH TO RESPONSIBLE PALM OIL (102-18, 102-19, 102-20, 102-21)

The Board and Senior Management are fully involved in and supports GAR’s sustainability efforts and commitments under the GSEP and have stated this in the Board of Directors’ Statement. A Sustainability Committee (SC) which is chaired by Ms. Jesslyne Widjaja, Corporate Strategy and Business Development Director, oversees all matters related to responsible palm oil. The SC comprises the senior leadership team from the upstream; downstream; and corporate business units; as well as the Head of the Sustainability and Strategic Stakeholder Engagement Department and other staff members from the department. It reports directly to Mr. Franky O. Widjaja, 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.

Over the years we have continued to invest additional resources with the aim of embedding responsible practices in our day-to-day operations. The Sustainability and Strategic Stakeholder Engagement Department has over 300 staff working in Jakarta and in the field.

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 Journey towards Responsible Palm Oil



**1997**  
First Indonesian palm producer to establish Zero Burning Policy



**January 2005**  
SMART joins RSPO



**February 2010**  
Zero development on peat land regardless of depth



**February 2011**  
GAR launches pioneering Forest Conservation Policy (FCP)



**April 2011**  
GAR joins RSPO



**May 2011**  
GAR publishes first Sustainability Report



**November 2011**  
GAR launches Social and Community Engagement Policy (SCEP)



**February 2012**  
GAR and SMART launch Yield Improvement Policy (YIP)



**March 2013**  
GAR and SMART implement HCS Forest Conservation Pilot



**February 2014**  
GAR's FCP extends to downstream operations



**May 2014**  
GAR launches Sustainability Dashboard



**September 2014**  
GAR endorses New York Declaration on Forests



**March 2015**  
GAR implements Participatory Mapping as part of FPIC



**April 2015**  
GAR and HCS Approach Steering Group publish HCS Approach Toolkit



**September 2015**  
GAR rolls out updated Social and Environmental Policy (GSEP)



**November 2015**  
GAR launches peat rehabilitation project in PT AMNL



**November 2015**  
GAR launches Community Conservation Partnerships



**December 2015**  
GAR completes 100% mapping of supply chain to mills (Traceability to the Mill)



**February 2016**  
GAR launches Desa Siaga Api to help villages stay fire-free



**April 2016**  
GAR announces Traceability to Plantation (TTP) Plan



**January 2017**  
GAR expands fire-free programme into Desa Makmur Peduli Api



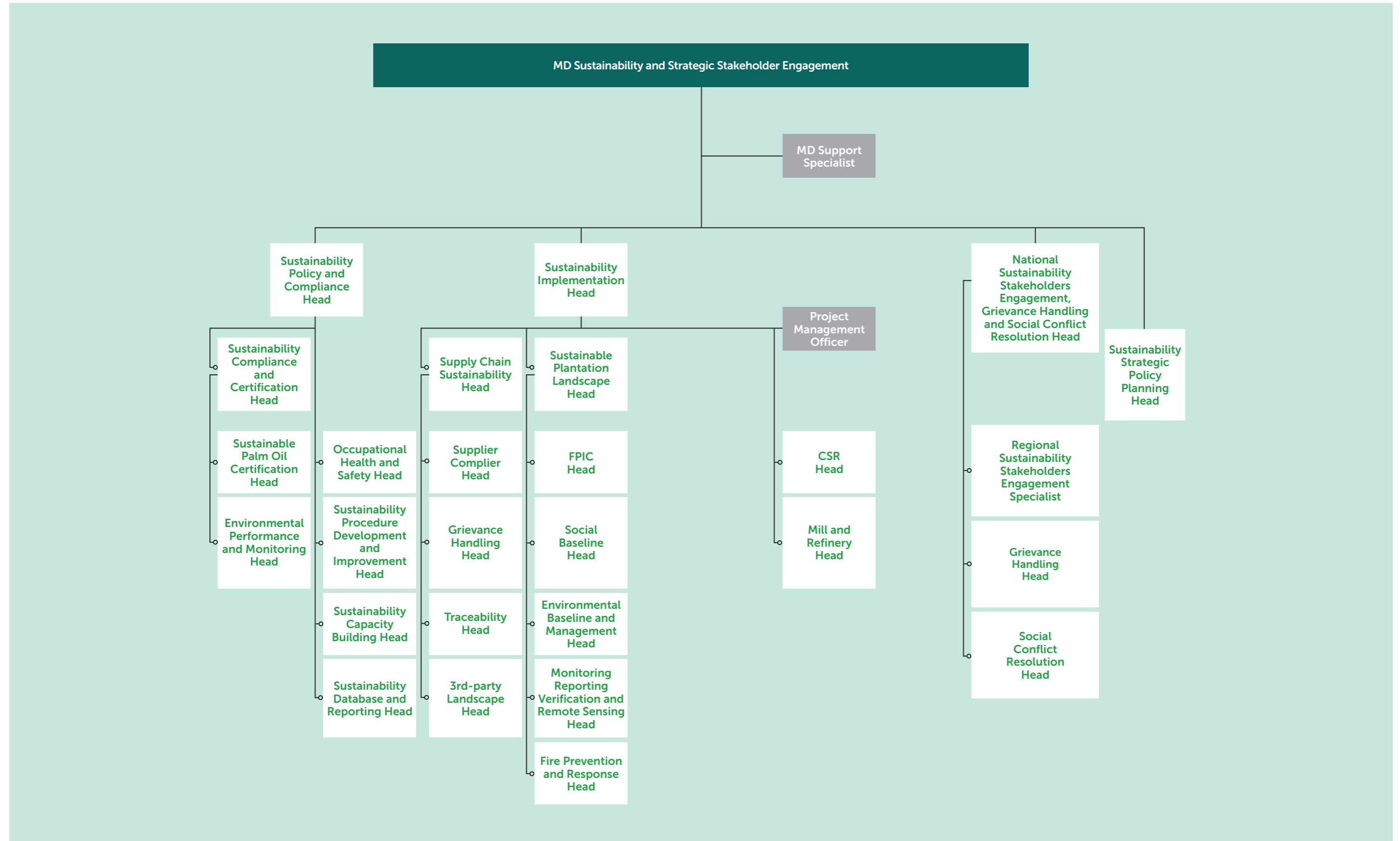
**April 2017**  
Launch of super high-yielding non-GMO seeds Eka 1 & Eka 2

**September 2017**  
GAR debuts on DJSI  
MEMBER OF **Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM



**December 2017**  
GAR-owned mills complete 100% TTP

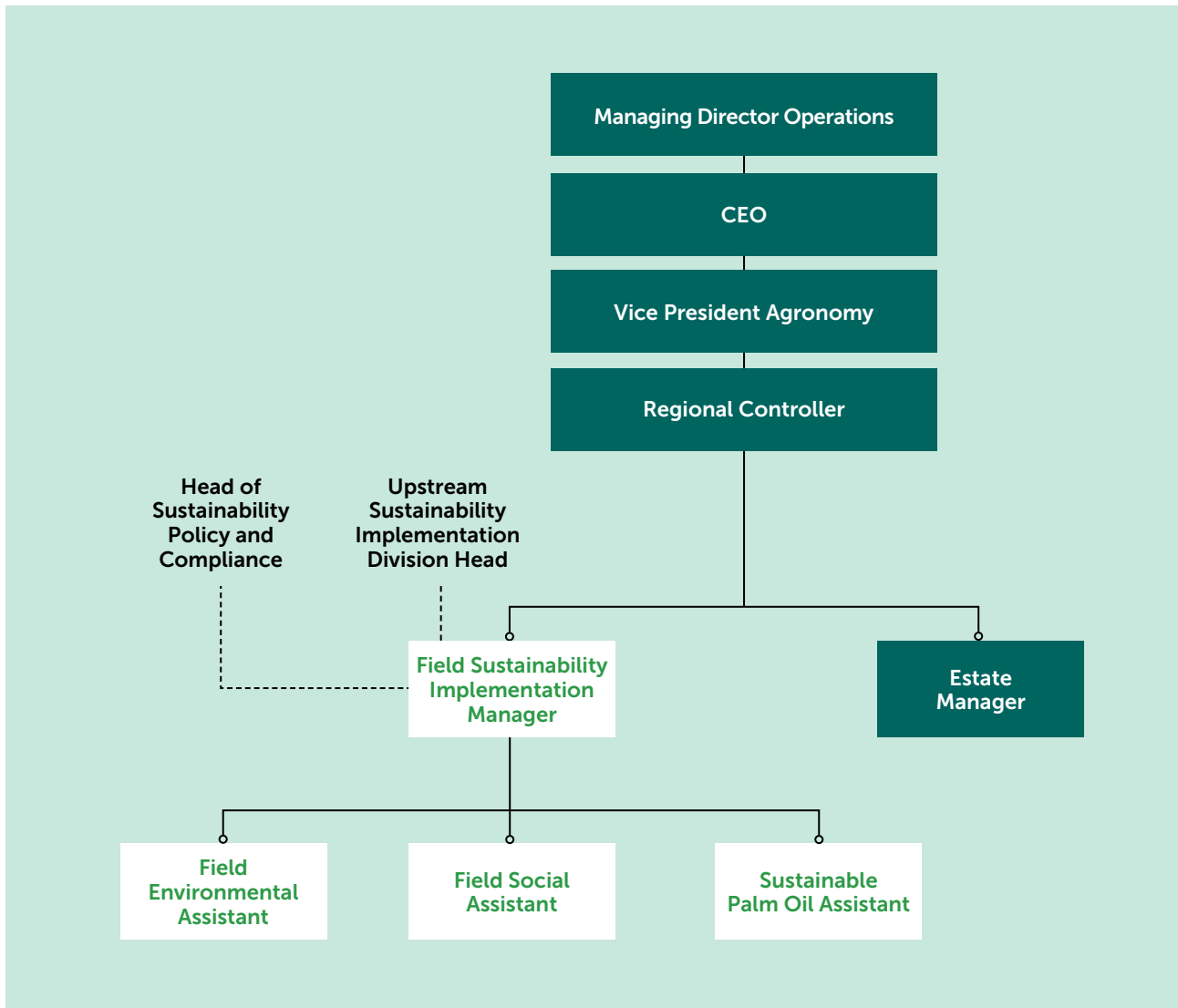
Our Sustainability and Strategic Stakeholder Department





## HOW WE APPROACH RESPONSIBLE PALM OIL

### Our Upstream Field Sustainability Implementation Organisation Structure



To ensure proper comprehension and implementation of the GSEP, we provide training for employees. In 2017, over 3,500 employees received GSEP training.

#### GSEP training for employees

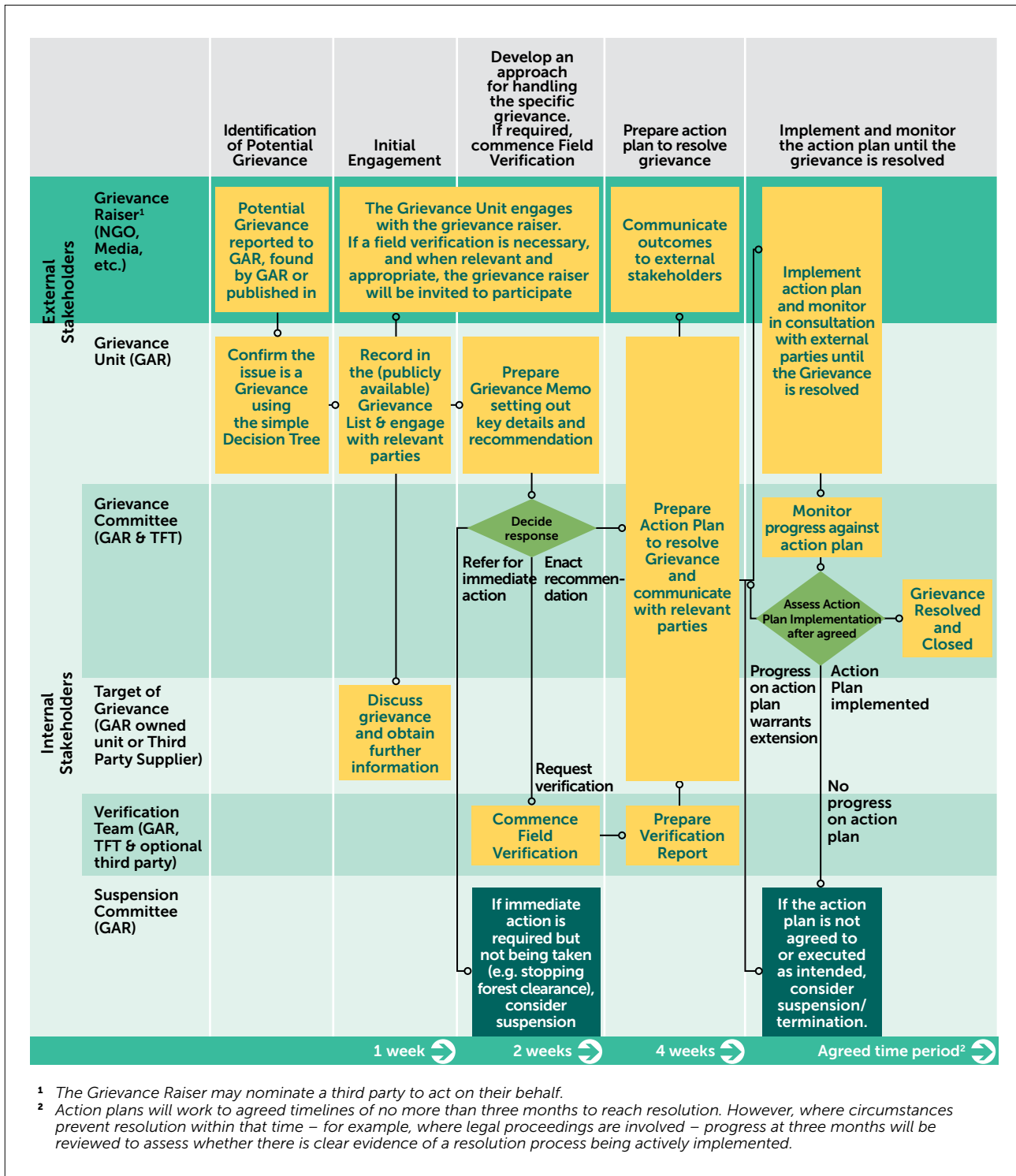
Training trainers	2,064
GSEP Implementation Evaluation	1,086
GSEP training at Head Office	47
New Hires Orientation	363

#### RESPONSIBLE HANDLING OF COMPLAINTS AND GRIEVANCES (102-17)

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

During 2017, six grievances were raised with GAR and of these we have closed two cases. We also resolved and closed two earlier grievances. GAR is actively reviewing and working towards a resolution with stakeholders on all ongoing grievances. The full list and details of our grievances is updated regularly and can be viewed on the [GAR Sustainability Dashboard](#).

## GAR Grievance Procedure



We also have a [grievance mechanism](#) in place for stakeholders including employees to raise grievances involving our own operations as well as [social conflict handling procedures](#).

## 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

## HOW WE APPROACH RESPONSIBLE PALM OIL

surveys. These include a [study by Business for Social Responsibility \(BSR\) on our labour practices](#). The Rainforest Alliance has also carried out a [verification study on the implementation of the GSEP](#) in 2017. We have also engaged EY to work with us on our Carbon Footprint Assessment Project, which will help us establish and verify 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 improve our responsible practices whether it be in conservation, human rights, labour practices or social and community engagement. [Action plans](#) based on these independent assessments of our performance have been formulated and are being implemented.

We maintain and regularly update our [Sustainability Dashboard](#) which is freely accessible by all stakeholders on our website without a separate login. We regularly report our progress on several key initiatives such as our Traceability to Plantation (TTP) exercise, our progress in resolving and handling grievances, fire incidents and wider sustainability efforts on the GAR website and Sustainability Dashboard as well as in reports such as the [GAR Annual Report](#) and the [GAR Sustainability Report](#).

### SCIENTIFIC APPROACH TO RESPONSIBLE PALM OIL

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 develop ground breaking improvements in 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.

We are also committed to safeguarding consumer health and our R&D department is reformulating processed products to be completely transfat-free as well as carrying out measures to reduce co-contaminants in processed palm oil.

### PARTNERSHIPS FOR RESPONSIBLE PALM OIL

All these endeavours require us to work closely and engage with multiple stakeholders. Partnership (UN SDG 17) 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, The Forest Trust (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.





### **THE RAINFOREST ALLIANCE ASSESSMENT OF OUR GSEP IMPLEMENTATION**

In 2016, GAR approached the Rainforest Alliance to conduct an objective evaluation of the implementation of the GSEP which was launched in 2015, and built on previous sustainability policies. Three concessions in West Kalimantan were picked as evaluation sites – PT. Kartika Prima Cipta (KPC), PT. Paramitra Internusa Pratama (PIP) and PT. Persada Graha Mandiri (PGM). The concessions were chosen because they are the areas where GAR has trialled and delivered the most work related to its GSEP since the policy was implemented.

The evaluation was conducted using established, independent auditing procedures, including evidence submissions by GAR and other stakeholders, field visits and stakeholder consultations with affected communities, individuals and organisations.

#### **Key findings include:**

Across the 17 mills, 18 estates and 12 smallholders assessed, all faced challenges in fulfilling most of the principles set forth in the GSEP due to:

- GAR has developed a series of Standard Operating Procedures (SOPs) and concession managers are consistently working to implement them
- GAR has halted forest clearance; is working with affected communities both inside and outside the concessions to control fires; carried out High Conservation Value (HCV) and High Carbon Stock (HCS) assessments; and conserved both HCVs and HCS in the three concessions
- GAR has identified social conflicts and is using existing SOPs and related processes for achieving resolution. Continuous improvement in FPIC implementation is critical
- GAR has created a functioning supply chain traceability approach

The full report and evaluation details can be found here: <https://www.rainforest-alliance.org/business/forestry/verification/transparency/assurance-projects-assesment>

The GAR Action Plan can be found here: [https://goldenagri.com.sg/sustainability-dashboard/files/file\\_docs/2kz4xgar\\_action\\_plan\\_on\\_rainforest\\_alliance\\_evaluation\\_of\\_gsep\\_implementation.pdf](https://goldenagri.com.sg/sustainability-dashboard/files/file_docs/2kz4xgar_action_plan_on_rainforest_alliance_evaluation_of_gsep_implementation.pdf)

# OUR MATERIALITY ASSESSMENT (102-15, 102-46, 102-47)

## DEFINING OUR MATERIAL SUSTAINABILITY TOPICS

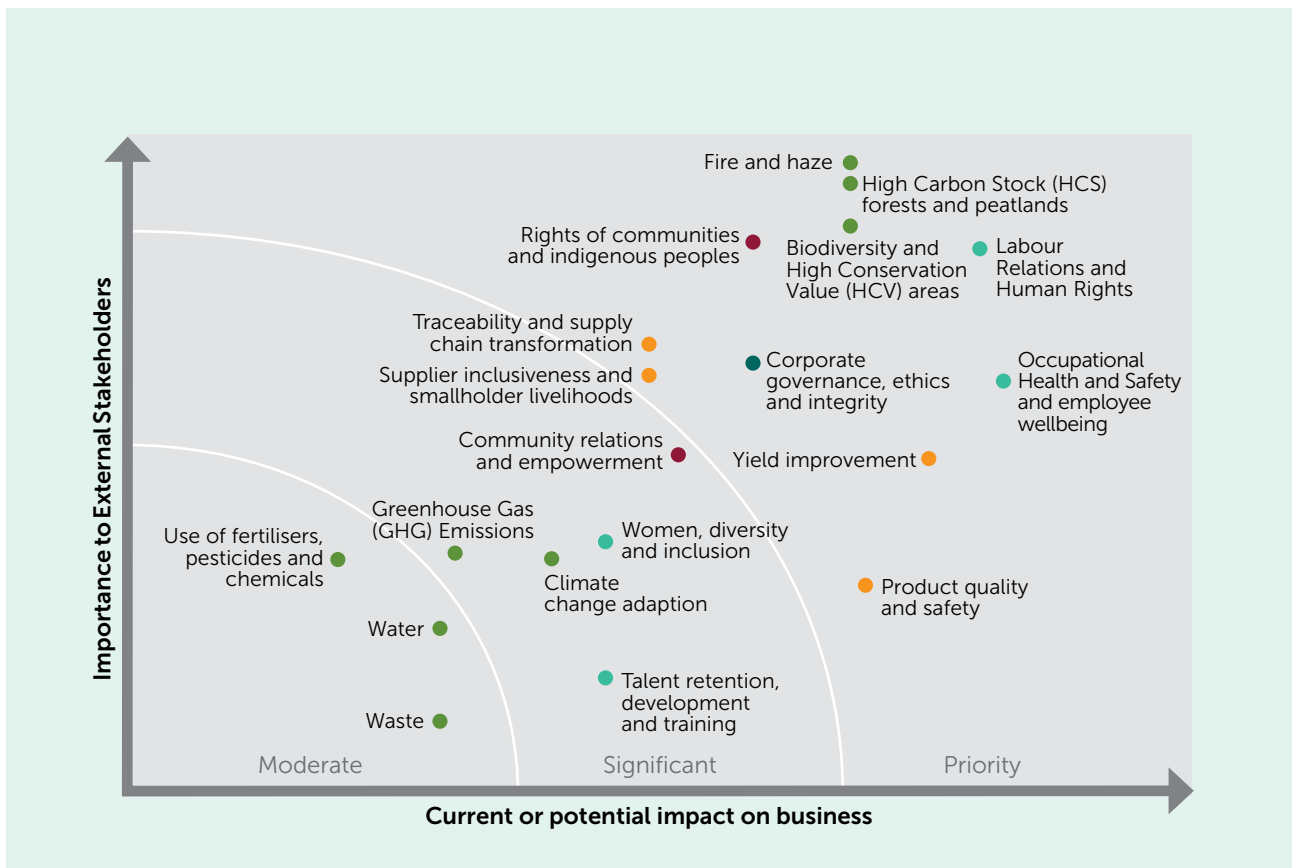
GAR operates in a continuously changing sustainability landscape. The principle of materiality is important as it helps us to identify and prioritise the sustainability topics and issues that shape our success as a business and that matter most to our stakeholders.

Our assessment of material issues informs our sustainability strategy and management approach. It also informs our reporting on sustainability to ensure that we are being transparent and responsive to stakeholder interests and concerns. To see how we are managing our most material issues please refer to the Targets and UN SDGs table on page 2-7.

In 2017, we conducted an in-depth materiality assessment across our entire value chain, including how stakeholder perspectives are changing and how macro trends and events are impacting our business. This exercise, described in detail below, built on our previous assessment in 2015. The result of the assessment is a prioritised list of 19 sustainability issues presented in our materiality matrix. These are also described in detail with regards to the impact they have across our value chain in the table below.

The identified material issues were reviewed and signed-off by the GAR Sustainability Committee, before being presented to our Board of Directors prior to the publication of this report.

## Our Materiality Matrix



- Environmental Management
- Work Environmental and Industrial Relations
- Governance
- Marketplace and Supply Chain
- Social and Community Engagement

Issues that have grown in importance since our last materiality assessment




- ▲ Talent retention, development and training
- ▲ Women, diversity and inclusion
- ▲ Labour relations and human rights
- ▲ Occupational Health and Safety and employee

## Matrix Key

- **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 GAR's sustainability policy, strategic approach to responsible palm oil, and sustainability reporting. Reporting on priority issues aims to fully meet the requirements of the GRI Standards: Core Option.
- **Significant issues** are of ongoing importance to GAR and typically of medium concern to stakeholders. They are actively managed by the business. Updates on management and performance in relation to these issues is included in external reporting as relevant, based on sustainability context and stakeholder interest.
- **Moderate issues** are of lower relative importance to both GAR and external stakeholders. However, these issues are still part of GAR's responsible business practices and are managed as part of the company's sustainability agenda. These are reported as relevant, based on sustainability context and stakeholder interest.

## UNDERSTANDING WHERE IN OUR VALUE CHAIN IMPACTS (ACTUAL OR POTENTIAL) OCCUR (103-1)

In order to understand our material issues, our assessment looked at the actual or potential impacts in both GAR owned and managed operations, as well as suppliers and third parties operating at different stages along the value chain. While we have less direct control over suppliers and third parties, we seek to influence and work with them to mitigate negative and enhance positive impacts.

Description of Material Issues	Value Chain		
	Plantation 	Processing 	Distribution & consumption 
<b>Fire and haze</b> No burning in our operations, working with the community to prevent forest fires and responding to any fires that occur in order to minimise the harmful effects on the environment and people.	●●●	●	●
<b>High Carbon Stock (HCS) forests and peatlands</b> Identifying, protecting and restoring HCS forests, as well as protecting and managing peatlands storing high levels of carbon. This issue is important at both GAR owned/managed plantations and third-party estates, which we have a responsibility to influence.	●●●	●	●
<b>Biodiversity and High Conservation Value (HCV) areas</b> Preventing deforestation or development of HCV areas with high biological, ecological, social or cultural values; to protect habitats and maintain biodiversity. This issue is important at both GAR owned/managed plantations and third-party estates, which we have a responsibility to influence.	●●●	●	●
<b>Labour Relations and Human Rights</b> Promoting fair, ethical, and positive relations with our workforce, respecting human and labour rights, ensuring no child or forced labour in our operations and through our supply chain.	●●●	●●●	●●
<b>Rights of communities and indigenous peoples</b> Respecting community rights through the Free, Prior and Informed Consent (FPIC) approach. Maintaining community dialogue and engagement, and promoting peaceful resolution of any conflicts. This issue is particularly important for our plantations.	●●●	●	●

## OUR MATERIALITY ASSESSMENT

<b>Occupational Health and Safety and employee wellbeing</b> Fostering a safe and healthy work environment, preventing any work-related illness, injury and accidents, and promoting the wellbeing of workers across our operations and supply chain.	●●●	●●●	●
<b>Traceability and supply chain transformation</b> Achieving traceability of palm oil products to mill and to plantation, and engaging with suppliers to ensure compliance with our policy to promote responsible and ethical practices.	●●●	●●●	●
<b>Corporate governance, ethics and integrity</b> Conducting all business activities with integrity and in accordance with the highest ethical and governance standards, in line with the Company Code of Conduct.	●●	●●	●●
<b>Supplier inclusiveness and smallholder livelihoods</b> Supporting the sustainable and inclusive development of smallholder farmers in our supply chain.	●●●	●●●	●
<b>Yield improvement</b> Investing in research and development to improve palm oil yield and reduce pressure on opening new land at plantation level.	●●●	●	●
<b>Community relations and empowerment</b> Supporting sustainable development and livelihoods in the communities where we operate by employing locals, implementing community programmes in education, healthcare, and building and providing public infrastructure, housing and facilities, etc.	●●●	●●	●
<b>Women, diversity and inclusion</b> Empowering women across the business and promoting a culture of diversity and inclusion in our workforce and operations.	●●	●●	●
<b>Product quality and safety</b> Adherence to best practice product quality and safety standards, as well as safeguarding consumers' health.	●	●●	●●●
<b>Greenhouse Gas (GHG) emissions</b> The measurement, monitoring and reduction of operational GHG emissions across our value chain.	●●	●●	●●
<b>Climate change adaption</b> Developing crops resilient to the effects of climate change (e.g. extreme weather events such as drought, flooding) and building community resilience, particularly in areas vulnerable to climate change.	●●●	●●	●●
<b>Use of fertilisers, pesticides and chemicals</b> Minimising contamination and pollution from fertiliser, pesticide and chemical use, while maintaining soil fertility and high crop yield. This issue is important at both GAR owned/managed plantations and third-party estates, which we have a responsibility to influence.	●●●	●●	●
<b>Water</b> Reducing water use, recycling and re-using water, management of effluents, and preventing water pollution across our operations.	●●	●●	●
<b>Talent, retention, development and training</b> Managing current and future talent needs through attraction, retention, training and development across our operations.	●●	●●	●
<b>Waste</b> Managing our waste by reducing, reusing and recycling waste generated, as well as the safe handling and disposal of hazardous waste across our operations.	●●	●●	●

Key (actual/potential impact): Significant ●●● Moderate ●● Low ●



## OUR 2017 MATERIALITY ASSESSMENT PROCESS

To ensure a best practice approach and objectivity, the assessment was supported by [Corporate Citizenship](#) – a global business consultancy specialising in sustainability. The process was designed to meet the principle of materiality as set out in the GRI Standards. It included an in-depth analysis of business impacts across our entire value chain and gathering a balance of internal and external perspectives to prioritise the issues. The three-stage process is detailed below:

### 1. Issue identification

We conducted a review of the existing material issues and desk based research into emerging sustainability trends, macro forces and competitor practices. We also looked at requirements from various global standards and frameworks including RSPO Principles and Criteria, the UN SDGs, sustainability ratings (such as the Dow Jones Sustainability Index, FTSE4Good, SPOTT and Sustainalytics), questionnaires from financiers and customers, and the Sustainability Accounting Standards Board's (SASB) Materiality Map. We identified a long list of 177 sustainability issues.

This long list was then consolidated, combining related issues and removing any issues deemed immaterial, through a working session with Corporate Citizenship. The outcome was a shortlist of 19 issues to take forward to our stakeholders for engagement and prioritisation.

### 2. Stakeholder engagement and issue prioritisation

A balance of internal and external perspectives was gathered, through a mix of qualitative and quantitative methods, including surveys and interviews.

Current or potential impact on the business (X-axis) was determined by surveying internal stakeholders from across different functions and at different levels. The survey received a total of 52 responses, ensuring a holistic view of sustainability at GAR was captured. Survey responses were supplemented with a series of management interviews across a range of business functions (including Sustainability, Corporate Communications, Finance, Commercial Products, Consumer Products, Supply Chain, R&D, Investor Relations, Stakeholder Engagement) to gather additional qualitative and contextual information.

Importance to stakeholders (Y-axis) was determined, by surveying external stakeholders, including business partners, certification bodies, CSOs, consumers, customers, governments/regulators, investors/lenders/financial institutions, media, suppliers and palm associations. The survey was sent to over 300 stakeholders and received 79 responses. In addition,

eight in-depth interviews were conducted with a subset of these stakeholders (banks/lenders, customers, CSOs, specialist sustainability media) to gather further qualitative information and context on their views.

Following data collection and analysis, the prioritisation exercise resulted in two scores for each issue – one for current or potential impact on the business and one for importance to stakeholders. These were plotted on a draft matrix.

### 3. Validation and sign-off

The draft matrix, along with a management report detailing the insights gathered through the process, was presented to senior management and the sustainability teams for validation and approval through two consultative workshops held at GAR's offices in Singapore and Jakarta.

Following the internal validation, the final materiality matrix was presented to GAR's Sustainability Committee for sign off presentation to the Board of Directors.

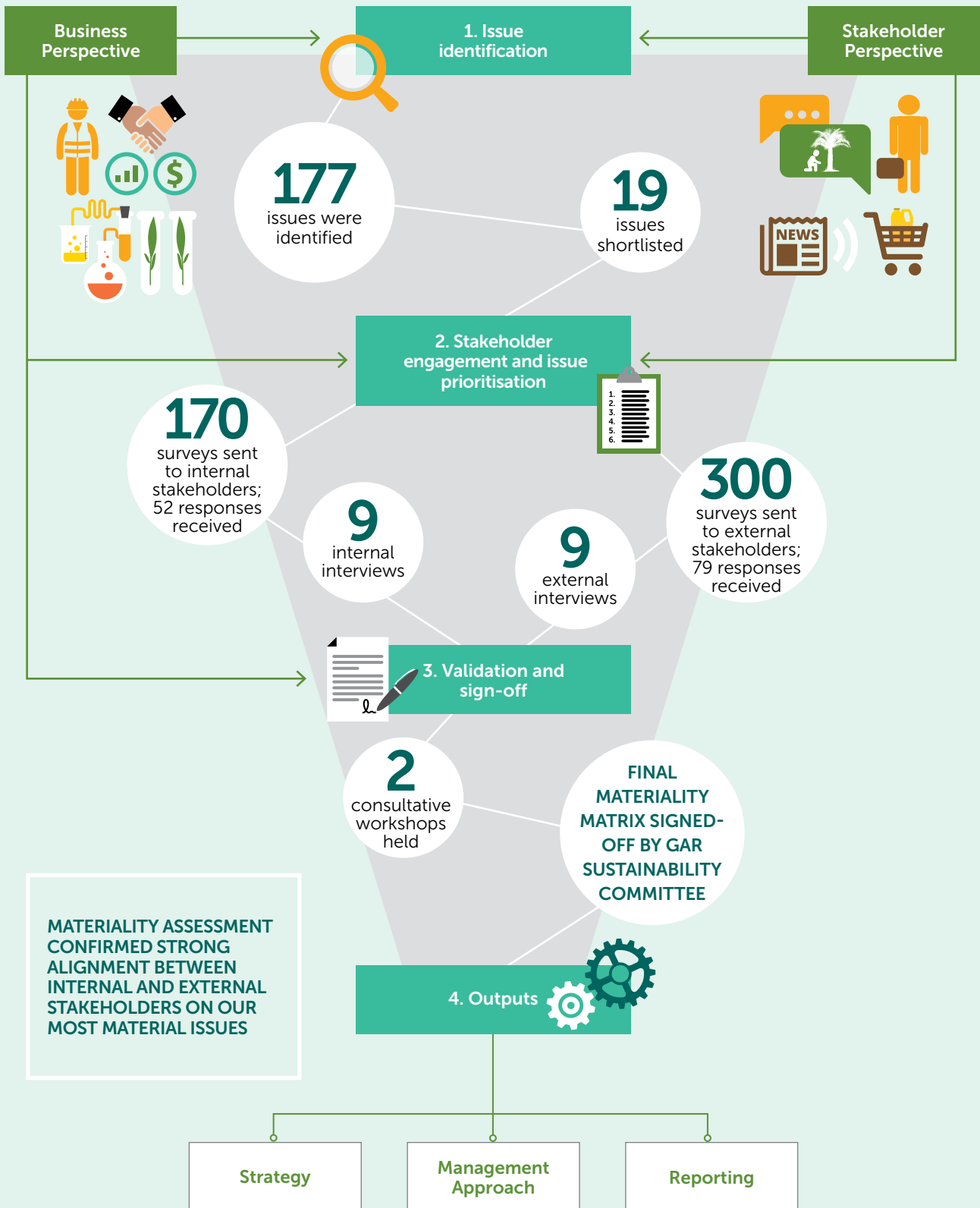
### 4. Outputs

The results of the materiality assessment confirmed that there is strong alignment between our most material issues and those which are addressed through the GSEP. It also highlighted some changes in the importance of issues since 2015, including the increased emphasis stakeholders are placing on social issues relating to workers across our value chain. The insights gathered, including any gaps in policy and procedure, has been conveyed to management teams along with recommendations for improvement. As such, this will inform the ongoing development of GAR's overall sustainability strategy and management approach with regards to specific issues.

The results of our materiality assessment have also informed the development of this report, to ensure that we are being responsive to stakeholder interests and concerns. We have focused the report on the most material issues identified and tried to ensure that there is full disclosure on these issues to meet external expectations.

# OUR MATERIALITY ASSESSMENT

## Our Materiality Assessment Process



# ENGAGING OUR STAKEHOLDERS

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


We take a proactive approach to stakeholder engagement. Through a stakeholder mapping exercise, we have identified the stakeholder groups 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 each of these groups.

We operate in a dynamic industry and our understanding of our most important stakeholders continuously evolves to reflect this. We constantly review the way we communicate with our stakeholders.




In 2017, we reached out to hundreds of our stakeholders for feedback on our material issues. Our stakeholders responded positively and candidly to the assessment, and we have used their input to update our material issues. Through the exercise, we also gathered and noted additional feedback on GAR (see “Our materiality assessment”).






### Stakeholder Engagement

Stakeholder	Purpose of Engagement	How We Engage	Frequency	Outcome
Customers and consumers 	<ul style="list-style-type: none"> <li>Better understand and address concerns such as environmental management, social/community, labour practices, smallholder development, progress in certification, traceability and supply chain management</li> <li>Communicate company policies and actions to achieve responsible palm oil</li> <li>Partner with customers in joint community/conservation projects</li> </ul>	<ul style="list-style-type: none"> <li>Multi-stakeholder forums and industry groups</li> <li>Presentations and meetings</li> <li>Field visits</li> <li>Consumer Focus Group Discussion</li> <li>Monthly e-update</li> <li>GAR website</li> <li>GAR Sustainability Dashboard</li> <li>Annual Report</li> <li>Sustainability Report</li> <li>Social media</li> <li>Materiality assessment</li> </ul>	<ul style="list-style-type: none"> <li>Frequently</li> <li>As required</li> <li>Frequently</li> <li>Monthly, annually &amp; frequently</li> <li>Every 2-3 years</li> </ul>	<ul style="list-style-type: none"> <li>Improved reputation</li> <li>Better understanding of GAR’s sustainability progress</li> <li>Partnerships in community and conservation projects</li> </ul>




## ENGAGING OUR STAKEHOLDERS

Stakeholder	Purpose of Engagement	How We Engage	Frequency	Outcome
Employees 	<ul style="list-style-type: none"> <li>Employee development and training</li> <li>Communicate company's overall policies and practices including Code of Conduct, GSEP</li> <li>Communicate company's actions towards responsible palm oil including actions to prevent fire and haze</li> <li>Improve workplace environment</li> </ul>	<ul style="list-style-type: none"> <li>Annual appraisals</li> <li>Townhall meetings</li> <li>Internal campaigns e.g. World Environment Day</li> <li>Trade union meetings</li> <li>GAR website</li> <li>GAR Sustainability Dashboard</li> <li>Social media and digital signage</li> <li>Celebration of major festivals</li> <li>HR training</li> <li>Materiality assessment</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Annually and as required</li> <li>Ad hoc</li> <li>Frequently</li> <li>Annually</li> <li>Annual programme</li> <li>Every 2-3 years</li> </ul>	<ul style="list-style-type: none"> <li>Better understanding of company policies</li> <li>Improved awareness of company's actions towards responsible palm oil</li> </ul>
Financial community (investors, banks, financial analysts) 	<ul style="list-style-type: none"> <li>Communicate and address queries on company performance and responsible practices including environmental management, social/community engagement, fire prevention, supply chain management</li> <li>Communicate company policies and actions to achieve responsible palm oil</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly analyst briefings</li> <li>One-on-one communications</li> <li>Field visits</li> <li>Monthly e-update</li> <li>GAR website</li> <li>GAR Sustainability Dashboard</li> <li>Annual Report</li> <li>Sustainability Report</li> <li>Social media</li> <li>Materiality assessment</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> <li>Ad hoc</li> <li>Frequently</li> <li>Monthly, annually &amp; frequently</li> <li>Every 2-3 years</li> </ul>	<ul style="list-style-type: none"> <li>Improved reputation</li> <li>Better credit profiling by banks</li> <li>Foundation for good long-term relationship and engagement</li> </ul>
Governments and regulatory bodies 	<ul style="list-style-type: none"> <li>Understand government policies, regulations and aspirations for the palm oil sector</li> <li>Communicate company's policies and actions towards responsible palm oil</li> <li>Align with Government of Indonesia policies on palm oil sector productivity, smallholder development, fire and haze prevention</li> </ul>	<ul style="list-style-type: none"> <li>One-on-one meetings</li> <li>Field visits</li> <li>Multi-stakeholder forums and events</li> <li>Monthly e-update</li> <li>GAR website</li> <li>GAR Sustainability Dashboard</li> <li>Annual Report</li> <li>Sustainability Report</li> <li>Materiality assessment</li> </ul>	<ul style="list-style-type: none"> <li>Ad hoc</li> <li>Frequently</li> <li>Monthly, annually &amp; frequently</li> <li>Every 2-3 years</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration in smallholder development projects for e.g. Innovative Financing Scheme</li> <li>Community outreach programme on fire prevention focus on tackling fire and haze</li> <li>Collaboration with Indonesia Estate-Crop Fund for Palm Oil (BPDP Sawit) on palm oil supply chain development and other government institutions</li> </ul>



Stakeholder	Purpose of Engagement	How We Engage	Frequency	Outcome
Industry bodies and trade associations 	<ul style="list-style-type: none"> <li>Improve palm oil sector and work towards responsible palm oil in areas such as HCS/ HCV management and smallholder development</li> </ul>	<ul style="list-style-type: none"> <li>HCV/HCS Working groups</li> <li>HCSA Board meeting</li> <li>Executive committee meetings</li> <li>Multi-stakeholder forums and events</li> <li>Materiality assessment</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> <li>Annually</li> <li>Monthly</li> <li>Frequently</li> <li>Every 2-3 years</li> </ul>	<ul style="list-style-type: none"> <li>Smallholder improvement and support</li> <li>Guidelines on good practices for HCV, peatlands, FPIC and other responsible palm oil practices</li> </ul>
Local communities 	<ul style="list-style-type: none"> <li>Understand and address community concerns about palm oil development including ensuring FPIC</li> <li>Ensure palm oil brings benefits to local community</li> <li>Engage community in dialogue about conservation partnerships and long-term fire and haze prevention</li> </ul>	<ul style="list-style-type: none"> <li>Participatory mapping and participatory conservation approach and community development programmes</li> <li>Complaint handling, grievance procedures and conflict resolution mechanisms</li> <li>Dialogue and consultation with community groups and representatives</li> <li>Community programmes</li> <li>Outreach programmes to combat fire and haze</li> </ul>	<ul style="list-style-type: none"> <li>See <a href="#">schedule</a> on GAR website</li> <li>As required</li> <li>As required</li> <li>Annual programmes</li> </ul>	<ul style="list-style-type: none"> <li>New community conservation partnerships to protect forests</li> <li>Developed and improved guidelines and capacity in areas such as mediation, conflict management and Participatory Mapping to facilitate the successful implementation of the GSEP</li> <li>Continued investment in comprehensive range of community programmes</li> <li>Successful Desa Makmur Peduli Api programme</li> </ul>
Media 	<ul style="list-style-type: none"> <li>Communicate and address queries about company performance</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>One-on-one communications</li> <li>Field visits</li> <li>Briefings and interviews</li> <li>Articles and op-eds</li> <li>Multi-stakeholder forums events</li> <li>GAR website</li> <li>GAR Sustainability Dashboard</li> <li>Monthly e-update</li> <li>Annual Report</li> <li>Sustainability Report</li> <li>Social media</li> <li>Materiality assessments</li> </ul>	<ul style="list-style-type: none"> <li>Frequently</li> <li>Ad hoc</li> <li>Monthly, annually &amp; frequently</li> <li>Every 2-3 years</li> </ul>	<ul style="list-style-type: none"> <li>Improved reputation</li> <li>Improved media awareness about company's actions towards responsible palm oil</li> <li>Thought leadership through op-eds and articles</li> </ul>

## ENGAGING OUR STAKEHOLDERS

Stakeholder	Purpose of Engagement	How We Engage	Frequency	Outcome
Civil Society Organisations (CSOs) 	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Multi-stakeholder forums and events</li> <li>One-on-one communications</li> <li>Monthly e-update</li> <li>GAR website</li> <li>GAR Sustainability Dashboard</li> <li>Annual Report</li> <li>Sustainability Report</li> <li>Social media</li> <li>Materiality assessment</li> </ul>	<ul style="list-style-type: none"> <li>Frequently</li> <li>Monthly, annually &amp; frequently</li> <li>Every 2-3 years</li> </ul>	<ul style="list-style-type: none"> <li>Feedback and input for the development of GSEP</li> <li>Joint development of HCS Approach</li> <li>Awareness of company's actions towards responsible palm oil</li> </ul>
Suppliers 	<ul style="list-style-type: none"> <li>Ensure they understand GSEP compliance</li> <li>Help them adopt responsible practices including environmental management, social/community engagement, fire and haze prevention, labour practices</li> <li>Help them build capacity</li> </ul>	<ul style="list-style-type: none"> <li>Supplier Support Team and dedicated e-helpline</li> <li>One-on-one communications</li> <li>Workshops and training sessions</li> <li>Site visits</li> <li>Questionnaires and self-assessments</li> <li>GAR website</li> <li>GAR Sustainability Dashboard</li> <li>Annual Report</li> <li>Sustainability Report</li> <li>Materiality assessment</li> </ul>	<ul style="list-style-type: none"> <li>Frequently</li> <li>Annually and as required</li> <li>As scheduled according to supplier support programme and as required</li> <li>Annually &amp; frequently</li> <li>Every 2-3 years</li> </ul>	<ul style="list-style-type: none"> <li>Improved engagement</li> <li>100% Traceability to the Mill</li> <li>Collaboration on carrying out Traceability to the Plantation by 2020</li> <li>Smallholder inclusion</li> <li>Best practices sharing in responsible palm oil</li> <li>Helping smallholders towards certification</li> </ul>
Certification bodies: RSPO, ISPO, ISCC 	<ul style="list-style-type: none"> <li>Compliance with Principles and Criteria</li> <li>Sustainable policy development and review</li> </ul>	<ul style="list-style-type: none"> <li>Working groups</li> <li>One-on-one meetings</li> <li>RSPO Roundtable meetings</li> <li>RSPO ACOP</li> <li>ISCC Report</li> <li>Materiality assessment</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> <li>Ad hoc</li> <li>Biannually</li> <li>Annually</li> <li>Annually</li> <li>Every 2-3 years</li> </ul>	<ul style="list-style-type: none"> <li>Active participation in RSPO Roundtable meetings to help further responsible palm oil</li> <li>GAR is on the RSPO Board of Governors</li> <li>GAR is in working groups on peatland; biodiversity; Principles and Criteria Task Force; and the Dispute Settlement Facility Advisory Group</li> </ul>

# MARKETPLACE AND SUPPLY CHAIN

## Full traceability

to mills: **427** 3rd-party supplier mills;  
**44** GAR mills



## Supplier support:

Annual SMART SEED Workshop; & Leuser Workshop

GAR Supplier Support **Helpline**



**79** visits to **73** suppliers since 2015



## Full traceability

to the Plantation:



**100%** TTP for GAR mills achieved

**39%** of GAR palm supply chain fully traceable in 2017

Target **100%** TTP 3rd-party mills by 2020



### DELIVERING UN SDGs:



### OUR PALM SUPPLY CHAIN (102-9, 103-1, 204-1)

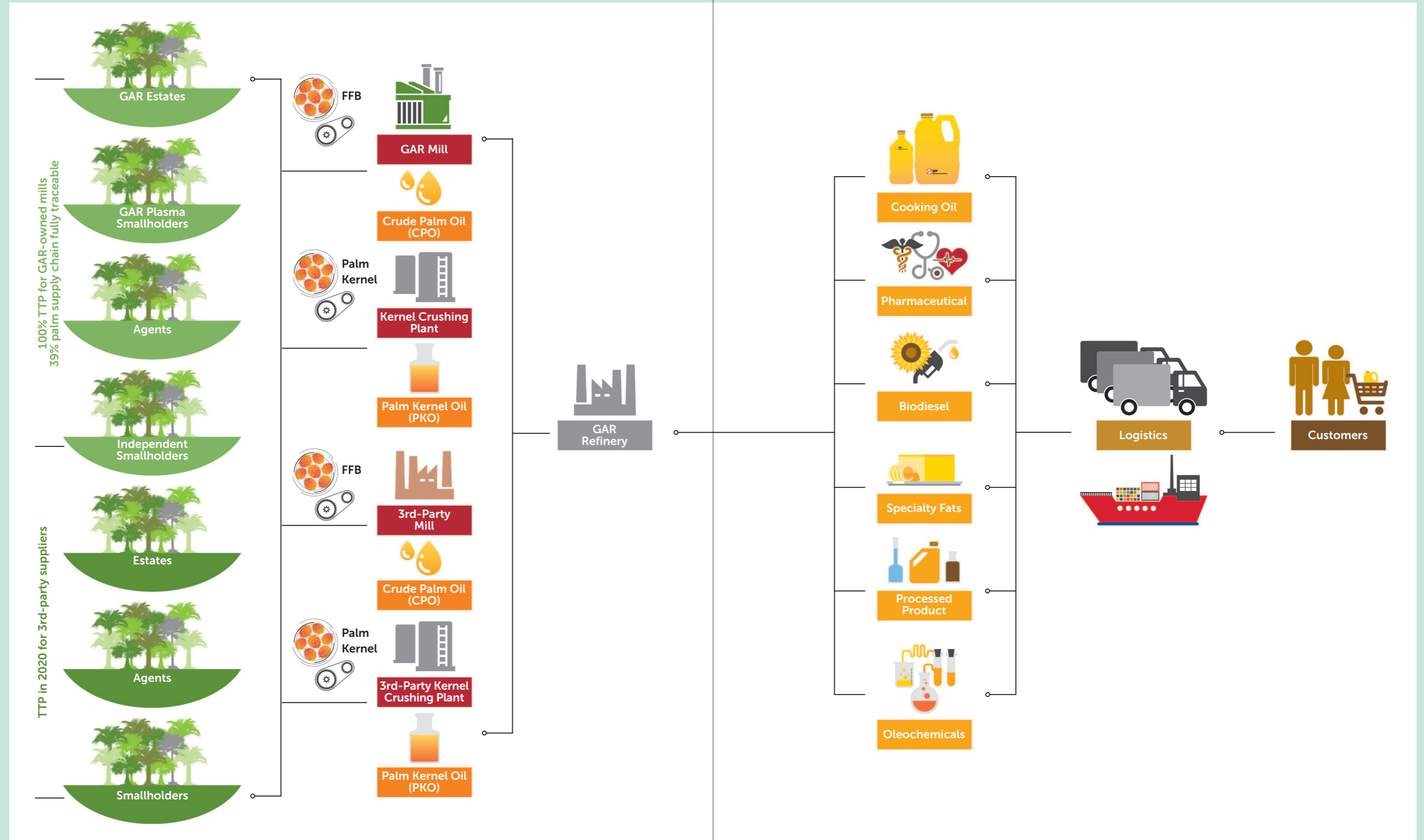
The bulk of our procurement comprises crude palm oil (CPO) and palm kernel (PK) for our downstream business in Indonesia. In 2017, these raw materials were sourced from 427 third-party mills and 44<sup>1</sup> GAR-owned mills in Indonesia. The feedstock for the mills or fresh fruit bunches (FFB) are in turn 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. Procurement of CPO and PK, and procurement of FFB, accounts for around 78 and nine percent respectively of our Indonesian subsidiaries' procurement of products and services.

As the palm supply chain represents our key supply chain, risks which are normally associated with the palm oil industry apply to our main supply chain.

<sup>1</sup> Excluding two mills which have just been acquired or in operation at the end of 2017



Palm Supply Chain





## MARKETPLACE AND SUPPLY CHAIN

### OTHER SUPPLIERS (102-9, 204-1)

Aside from our palm supply chain, we procure a number of other products and services to run our business. Of our non-palm procurement, our most significant spend for our upstream operations is on fertilisers sourced from 35 Indonesian companies, which accounted for 31 percent of procurement spend. Other procurement spend categories include materials, spare parts and services; fuel and tires; food; and tools and consumables. Over 60 percent of these products and services are sourced from local vendors and suppliers mostly based in and around our plantations and plants with the rest from national suppliers. We support many small-sized businesses and suppliers with 80 percent of our total vendors are categorised as small-sized businesses<sup>2</sup>.

#### Breakdown of Procurement Spend (non-palm supply chain)

Fertiliser	31%
Others	23%
Fuel & Tire	12%
Material, Spare parts & Services	11%
Chemical	10%
Packaging	10%
Food	2%
Tools & Consumables	1%
<b>Total</b>	<b>100%</b>

The procurement of food such as rice, noodles and milk is for our employees and forms part of their non-cash benefits. In 2017, we spent IDR96.7 billion to procure over 10,500 tonnes of food.

### SHARING RESPONSIBLE PRACTICES AND TRANSFORMING OUR PALM SUPPLY CHAIN (103-1, 103-2)

One of our main commitments under the GSEP is to bring our supply chain along on our journey towards responsible palm oil. We believe we can and need to help create a better industry overall as we continue improving our own implementation of responsible palm oil practices.

In 2017, we hit a significant milestone when we achieved 100 percent Traceability to the Plantation (TTP) for all GAR-owned mills. This means 39 percent of our palm supply chain is now fully traceable. This achievement builds on our mapping and engagement efforts which began in 2014 when we extended our commitment to cover all our suppliers and achieved full Traceability to the Mill in 2015.

<sup>2</sup> Defined as vendors with contracts under IDR1 billion

### HELPING OUR SUPPLY CHAIN ACHIEVE FULL TRACEABILITY (103-2)

Our experience in achieving TTP for our own mills will help us assist our third-party suppliers implement TTP processes of their own and report TTP by end 2020.

GAR is working with a network of partners to support third-party suppliers establish tracing and verification processes. One such partner is Geotraceability (GeoT), which uses its software solutions to assist suppliers, including small and medium sized mills, in compiling traceability information. GAR and GeoT have developed an inclusive approach to improve supply chain transparency, which allows all suppliers to join regardless of their current level of supplier knowledge.

We are also partnering with Koltiva which helps verify sustainably sourced commodities from independent smallholders with leading web and mobile applications. As of end 2017, Koltiva Field Agents have registered 16 palm oil brokers and agents, mapped and verified over 9,000 hectares of plantation owned or managed by over 4,000 farmers. Through this process, farmers have also been provided with information to help improve their production, farming practices and livelihood, and support their access to international supply chain markets.

### TTP LAYS THE FOUNDATION FOR SUPPLY CHAIN TRANSFORMATION (103-2, 103-3, 308-1, 308-2, 414-1, 414-2)

TTP enables us to guarantee the origin of our raw materials to our customers. Understanding where our raw materials come from is just a first step. Beyond this, TTP helps us minimise supply chain risks because it allows us to deepen knowledge, awareness, trust and engagement with our suppliers, while helping them improve their responsible practices.

Full TTP for GAR-owned mills means that (aside from our own nucleus estate and plasma smallholders) we mapped and can now reach out to more than 70 dealers/brokers who buy from 11,000 smallholders managing over 40,000 hectares of plantations. As TTP progresses for our third-party supplier mills, we will be able to extend our engagement to more dealers and smallholders in the industry.

Our engagement and supplier support process is time and labour-intensive and includes site visits, special training and workshops as well as specifically designed remedial action plans where needed. We have continued with our systematic programme of site visits to our suppliers in 2017. Since 2015, we have conducted 79 visits to 73 supplier mills; in 2017 alone, we carried out 48 visits to 41 suppliers (with some mills visited more than once for



different compliance assessments). These visits help us gauge how well aligned they are with the responsible practices spelled out in the GSEP.

Reports on site visits to the suppliers in the Belawan Refinery and Tarahan Refinery areas are published on our [Sustainability Dashboard](#).

### TRACEABILITY AT GAR

What do you hope to gain from the traceability process?



*"We hope that the Company will help us improve our sustainability practices – we are willing to learn and adopt better practices. We understand that this is very important for our future."*

Abdul Gafur, Palm Oil Farmer

See interviews with Abdul and other palm oil farmers at GAR's blog: [https://youtu.be/MbR7iyI3\\_Bw](https://youtu.be/MbR7iyI3_Bw)

The resulting analysis of our suppliers' situations enables us to design appropriate support and intervention strategies. Key findings from these visits include the need to tackle the lack of understanding of responsible practices and the need to build capacity to adopt those practices.

Aside from scheduled visits, we also carry out ad hoc site visits as part of our grievance handling process when an issue is raised by an external stakeholder or discovered through our own issues monitoring. Our engagement is reported in our Grievance List and case studies, which highlight action plans for our suppliers are published on our [website](#) and [Sustainability Dashboard](#). In 2017, six new grievances were raised and two resolved. We continue to work with all stakeholders to resolve open cases.

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 as environmental assurance, law and traceability and are a great resource for our suppliers as they seek to comply with the commitments laid out in the GSEP.

### **(EXCERPT FROM THE TARAHAN REFINERY AREA SUPPLIER SITE VISITS REPORT)**

#### **Key Findings:**

Across the 17 mills, 18 estates and 12 smallholders assessed, all faced challenges in fulfilling most of the principles set forth in the GSEP due to:

- Lack of understanding of sustainability as a strategic asset. Suppliers had yet to fully embrace sustainability as a key differentiator in the market place and link their organisation's values to triple bottom line concerns: social, environmental and financial.
- Absence of sustainability systems and policies. Whilst suppliers had developed some procedures related to sustainability, they were often developed merely to pursue compliance with regulation or other acceptable norms.
- Limited structural organisational support. Lack of internal leadership to catalyse and integrate sustainability within their organisation has prevented suppliers from adopting a clear vision and necessary focus to embrace sustainability.

To assist suppliers to comply with the GSEP, GAR in collaboration with suppliers, TFT and related stakeholders are collaborating in transformation programmes that support suppliers to adopt sustainability practices. They will also work together on monitoring and evaluations. GAR will lead broad and deep engagement initiatives to enable suppliers to systematise sustainability practices within their business management and operations. Broad engagement initiatives such as SMART SEED will target all suppliers in the supply shed, whilst deep engagement initiatives will target suppliers who have already been visited.

#### **Next steps:**

To assist suppliers to comply with the GSEP, GAR will be leading broad and deep engagement initiatives to enable suppliers to systematise sustainability practices within their business management and operations. Broad engagement such as SMART SEED will target all suppliers in the supply shed, whilst deep engagement initiatives will target suppliers who have already been visited.

GAR will make available the following support mechanisms for suppliers:

- SMART SEED held annually to provide a platform for suppliers to reflect on strategic sustainability issues and participate in technical training sessions that will support suppliers to improve their social and environmental performance towards compliance with the GSEP.
- Create Toolkits and Templates on SMART website that can be replicated and integrated into suppliers' own business processes related to legal compliance, peat management, HCV, HCS, environmental impact management, Occupational Health and Safety, Free Prior and Informed Consent (FPIC) and traceability.
- SMART LEAF (Learning, Engagement and Action Forum) and SMART SPOT (Sustainable Palm Oil Training). GAR to conduct training and technical workshop to promote and facilitate learning for suppliers on topics related to legal compliance, ISPO, peat management, environmental impact management, HCV, HCS, social impact, CSR, sexual abuse and harassment, grievance, conflict management, Occupational Health and Safety, FPIC and traceability.
- Collaboration for Transformation (CFT) with targeted suppliers to support sustainability practices and find solutions together.
- GAR is improving supplier risk assessment especially in determining problems or issues in industrial relations and occupational safety and health. GAR will start this process in areas which supply the most CPO and PK and progress to other areas.

To monitor and evaluate the progress of suppliers' transformation journey, suppliers will be assessed annually through follow-up visits and supplier self-assessments. This approach was launched prior to the publication of this report and GAR will be collecting feedback from its suppliers. GAR will also roll out thematic surveys geared towards issues in which suppliers are most challenged. Thematic surveys will assist GAR to better understand how its interventions are supporting suppliers to integrate sustainability into their business management and improve their practices in the field. Success stories of suppliers' transformation journeys will also be published by GAR to further inspire and create synergies within its supply base and accelerate collaborations in finding practical solutions. GAR hopes and expects that together with their suppliers, they will be able to progress towards implementing responsible palm oil practices at scale.





Additionally, we organise annual [SMART SEED \(Social and Environmental Excellence Development\) workshops](#) for our suppliers. These workshops allow us to share best practices and facilitate exchanges with other key stakeholders such as government agencies and NGOs. The themes for the workshop are based on feedback and input from our suppliers and have included labour practices, traceability and achieving Indonesian Sustainable Palm Oil (ISPO) certification. The workshops generate much interest amongst our suppliers and attract many active participants. In 2017, the workshop was attended by 200 participants.

We also run other training as needed and in 2017, we held a workshop for our suppliers operating near the Leuser Ecosystem to heighten their awareness of the protected status of Leuser, and how to stop sourcing palm oil from growers which may be operating in protected areas.

In 2017, we assessed 19 suppliers for environmental impacts and 39 suppliers for social impacts. These suppliers were chosen for assessment based on criteria such as reports of deforestation or reports of land or social disputes in the area, amongst other things.

All suppliers assessed carried significant actual or potential risks in their operations. We found that the environmental risks associated with our suppliers were mostly around the clearance of HCV, HCS and peat areas. Social impacts were predominantly related to human rights, including child labour, as well as community and land tenure disputes. As a result, we have been working with all of them to develop improvement plans going forward.

We believe that we can best trigger a change in our supply chain through sustained engagement with our suppliers. Suppliers who are participating in the assessment process are generally receptive to our proposals for improvement – this is evident from the fact that we have not had to disengage from any of the suppliers that we have assessed.

Nevertheless, we have the option of halting procurement from suppliers who do not comply with the GSEP and other GAR policies. Since 2015, GAR has stopped purchasing from over 130 suppliers who did not comply with GSEP, traceability or other procurement requirements such as product quality.

#### **FOSTERING RESPONSIBLE PRODUCTION AMONGST SMALLHOLDERS**

Smallholders are an essential part of our supply chain and crucial stakeholders in our sustainability journey as there are an estimated two million small farmers controlling over 44 percent of palm oil estates in Indonesia.

With the achievement of full TTP for GAR-owned mills, we have increased our ability to share responsible practices with the thousands of smallholders in our supply chain.

GAR has supported the plasma smallholder scheme since 1990 and there are currently over 69,000 plasma smallholders in our concessions. They supplied about 22 percent of our total intake of FFB in 2017.

At GAR, we have a policy of supporting all (100 percent) of our plasma smallholders. While GAR 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 2017, our smallholders achieved a CPO yield of around 4.6 tonnes per hectare, which is among the highest in the industry in Indonesia.

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



## MARKETPLACE AND SUPPLY CHAIN

At the same time, we recognise the importance of supporting independent small farmers. These independent farmers with small plots generally achieve very low yields and have lower incomes as they do not use good quality seeds and lack knowledge of best agronomic practices. This also curtails their ability to fully adopt responsible palm practices.

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.

One of the ways in which we continue to tackle this is through our support of the Innovative Financing scheme for independent smallholders. The programme aims to encourage more independent smallholders to replant with better quality, higher-yielding seed by giving them access to financing and helping them sustain their livelihoods during the four years it takes for the new seedlings to mature.

Since the scheme began in 2014, GAR has helped independent farmers in Riau and Jambi secure loans of approximately IDR167.5 billion from state-owned banks. As at end 2017, over 730 farmers are participating in the scheme.

We also run other finance and support programmes for independent smallholders. Through the Smallholders Development Programme, GAR has provided technical assistance and long tenure interest-free credit to more than 3,800 independent farmers in East Kalimantan since 2013 in an area covering over 7,700 hectares. They also have access to high-yielding seeds, fertiliser, herbicides and heavy equipment rental, all at below market rates. To date, we have disbursed more than IDR19 billion in interest-free loans.

GAR is also partnering with customers on several projects aimed at helping the transformation of the palm oil industry. In March 2017, GAR, Neste and SPKS (Smallholders Association) agreed to work together on a project to identify and map up to 3,000 smallholders in 14 villages in Siak, Riau, a province where independent smallholders manage up to 25 percent of total planted area. The project aims to help them achieve sustainable palm oil certification. It will also identify potential candidates for the Innovative Financing scheme. GAR and its partners will also work with smallholders to address vulnerabilities that emerge from their assessments.

To date, over 740 farmers have been mapped in six villages. While mapping continues in the rest of the villages, we and our partners will help the smallholders set up farmer cooperatives.

In another partnership, GAR, Nestle and TFT are collaborating on a project which seeks to empower small farmers and improve their resilience. Using interviews and Participatory Mapping involving dealers, agents, independent smallholders, their families and their workers, the project seeks to understand the smallholders' farming systems, household economics, challenges and needs. To date, three villages are being mapped and nearly 60 farmers have been involved in Land Tenure studies and Participatory Mapping.

We are also collaborating with BASF on Innovative Financing where BASF will provide the four-year stipend for farmers enrolled in the scheme. This collaboration will support two cooperatives and target nearly 400 hectares for replanting in Riau.

Our efforts to help our supply chain, including smallholders, adopt more responsible production practices supports the goals of sustainable consumption and production under UN SDG 12. This goal aims to increase net welfare gains from economic activities by reducing resource use, degradation and pollution along the whole lifecycle, while increasing quality of life.

### PROMOTING SUPPLIER COMPLIANCE WITH GAR POLICIES (102-17)

The GSEP applies to all our suppliers and we ensure that this is clearly communicated to all suppliers upon contracting with us. We have been sharing the GSEP through workshops and trainings for our palm supply chain, as our most critical suppliers. All palm suppliers can also reach out with questions on compliance to the GAR Supplier Support Team ([supplier.support@sinarmas-agri.com](mailto:supplier.support@sinarmas-agri.com)).

Our Supplier Code of Conduct was launched in 2015. As a key requirement of the Code, suppliers seeking to become GAR suppliers have to acknowledge that they are aware of and understand the GSEP. 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. This is documented on the GAR Sustainability Dashboard, allowing us to respond in a timely and transparent manner. (See GAR Grievance Procedure page 23).

### RESPECTING HUMAN RIGHTS IN OUR SUPPLY CHAIN (414-2)

As we continue to progress with our palm supply chain mapping and develop deeper support for our key suppliers, we have started initial steps to address salient

labour and human rights issues within our supply chain. In late 2017, the Danish Institute of Human Rights conducted an assessment of four supplier mills and one smallholder. We will publish more information on the assessment as that becomes available.

### SUPPORTING COMPLIANCE WITH LAWS AND REGULATIONS

GAR 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 AND ETHICAL TREATMENT OF SUPPLIERS

We are committed to dealing fairly and ethically with all our suppliers. We choose our suppliers based on legitimate, business-related criteria, not on personal relationships or interests. This includes criteria such as quality of products and services, cost, reliability and experience, among others. We require that all potential suppliers meet the same basic legal and commercial requirements, complying with tax regulations and the law, and have a Certification of Competence for the type of business they are conducting.

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.

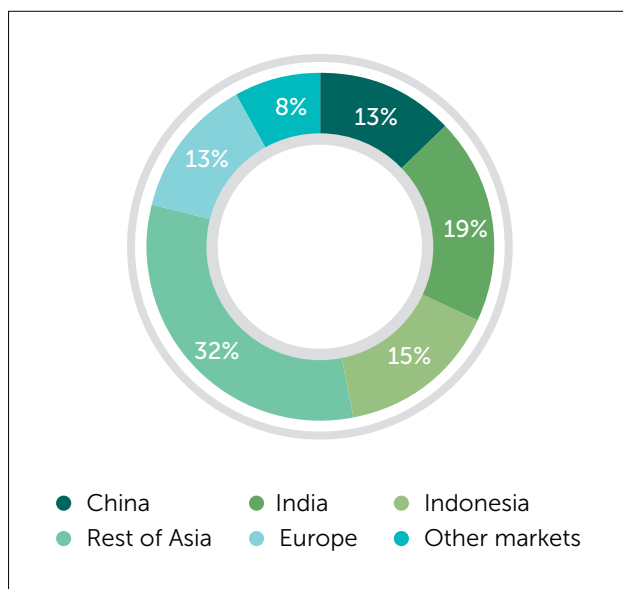
### OUR CUSTOMERS (102-2, 102-6)

The bulk of our palm oil is distributed through our customers, which include traders, distributors, wholesalers, retailers as well as other businesses in the food and manufacturing industries that use our oil as a raw material in the production of secondary goods. Palm oil is an extremely versatile raw material used to make many daily products ranging from cooking oil to household cleaners – view the wide range of products on our [website](#).

We sell our products across the world, deriving the bulk of our revenue from markets in Asia.

Revenue based on geographical location of customers is as follows:

Revenue by geographical location in 2017



We deal directly with our industrial customers and we maintain regular communication with them, ensuring we tailor 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 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 is also proactively responding to the growing market demand for traceable and certified sustainable palm oil.

## MARKETPLACE AND SUPPLY CHAIN

### 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 business Stena Bulk AB. Golden-Agri Stena (GS) (formerly known as Golden Stena Weco) 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.

The JV has 25 vessels in total with ten under direct ownership and seven on Time Charter. The majority of our own 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 GS. All GS vessels are also issued guidelines and best practices on energy efficiency and conservation. The JV is also looking into expanding the inspection and vetting of all their shipments to secure safe transportation of palm oil cargoes in line with minimising its environmental footprint.

### 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 RSPO in 2005 shortly after RSPO was founded.

Industry certification is part of GAR's ongoing 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, over 259,000 hectares of plantations including over 51,000 hectares of smallholder estates, 29 mills, nine kernel crushing plants, six refineries, seven bulking stations, and one oleochemicals plant have received RSPO certification. We have extended the time frame for completion of RSPO certification until 2020 for the remaining operations which include over 213,000 hectares of plantations, and encompasses over 49,000 hectares of plasma estates and 16 mills. This extension reflects our conservative estimate for the time needed to acquire the HGU or Right to Cultivate and the liability data as required recently by RSPO. Our RSPO certification progress can be viewed on our [website](#).

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 continues to play an active role in the RSPO. In 2017, Mr. Agus Purnomo, GAR's Managing Director of Sustainability and Strategic Stakeholder Engagement was elected to the RSPO Board of Governors. He is also the Chair of Indonesian Growers Caucus (IGC) representing Indonesian Palm Oil Members within RSPO. GAR also actively participates in the Dispute Settlement Facility Advisory Group, the Biodiversity and HCV Working Group, Innovation Lab, and other RSPO working groups and task forces.

### INTERNATIONAL SUSTAINABILITY AND CARBON CERTIFICATION (ISCC)

GAR maintains ISCC certification, a global leading certification which aims to ensure environmentally, socially and economically sustainable production and use of all kinds of biomass in global supply chains. ISCC is based on the implementation of the highest sustainability requirements in ecological sustainability, social sustainability, compliance with laws and international treaties, monitoring of GHG emissions and good management practices.

To date, over 291,000 hectares of plantations including smallholder plantations of over 57,700 hectares, 30 mills, two kernel crushing plants, five refineries and 14 bulking stations have received ISCC certification. The audit was conducted by GUTcert, the German partner of AFNOR Group DQS-UL CFS GmbH, Intertek Certification GmbH, SGS Germany GmbH and Mutu Certification International.

All biomass intended for biofuels in destinations like Europe are ISCC certified, ensuring that our products meet the highest responsible palm oil standards in the international market.

### INDONESIAN SUSTAINABLE PALM OIL (ISPO)

GAR also supports 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, over 205,700 hectares of plantations and 32 mills have received ISPO certification.

### DEVELOPING A BIOFUEL MARKET FOR PALM OIL

In the second quarter of 2017, our second biodiesel plant near Jakarta commenced operations with an annual capacity of 300,000 tonnes. Soon after, this plant participated in the biodiesel allocation from the government. This adds to our other biodiesel plant in South Kalimantan of similar capacity. We are extending our network with logistic partners to aim for non-Public Service Obligation (PSO) biodiesel buyers in order to increase the utilisation of our biodiesel plants. Our further expansion will be subject to the growth of the biodiesel industry in Indonesia, which depends on the biodiesel policy and mandate realisation, especially for the non-PSO portion.

### OUR CONSUMERS (102-2, 102-6)

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

Indonesia is the second largest 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 as unbranded and unpacked cooking oil in Indonesia. However, the Government of Indonesia favours phasing out the purchasing of unbranded and unpacked 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.



In China, we sell palm oil-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.

In November 2017, we entered into a conditional agreement to divest our subsidiary, Sinarmas Natural Resources Foodstuff Technology (Tianjin) Co., Ltd. that owns and operates oilseeds crushing and refining facilities in Tianjin. The transaction was completed in April 2018. This initiative is part of GAR's strategy of refocusing its business model for its China's oilseed division.

We have also entered India, the second largest edible oil market after China, 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.

We are expanding the reach of our branded consumer products across new markets in the Philippines, Africa and South America.

### ENSURING CONSUMER SAFETY, WELLBEING AND PRODUCT QUALITY (416-1)

Our consumers rely on GAR brands for safe and 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.

All six palm oil refineries in Indonesia are accredited with ISO 9001 and ISO 22000 certification, which recognises that they adhere to strict international food safety standards. The Marunda Refinery also has FSSC 22000 food safety certification. The six facilities also have OHSAS 18001, ISO 14001, Halal and Kosher certification. In addition, the refineries in Lampung and Belawan have FDA accreditation



## MARKETPLACE AND SUPPLY CHAIN

and we have GMP+B2 certification for lauric products at three plants: Belawan, Lampung and Lubuk Gaung.

We are also committed to rolling out the Hazards Analysis and Critical Control Point or HACCP food safety system across our operations.

We are carrying out research aimed at addressing health concerns about trans fatty acids and co-contaminants like 3-MCPD in processed palm oil. This is detailed in the section on R&D on page 67.

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

## 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 in Indonesia handles feedback and any complaints regarding product quality and promotions. Few complaints are received each year, and none are considered health threatening.

We use digital and social media platforms such as Facebook and Twitter to engage our consumers through our Filma Club and [www.sukamasak.com](http://www.sukamasak.com). Our Marunda rRefinery also hosts a Filma Factory Visit programme, which enables consumers to see the production of our branded cooking oils first-hand.

We also conduct regular activities to build a stronger brand and relationships with consumers. In 2017, we conducted 12 grand baking demos in 12 key cities, attended by more than 1,000 customers and potential customers. We also organised baking classes to reach an even larger target market in more than 35 cities.



## WORK ENVIRONMENT AND INDUSTRIAL RELATIONS



### OUR PEOPLE (102-7, 102-8)

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 173,700 people in Indonesia including 51,000 permanent employees, 53,600 fixed-term employees and 69,100 plasma scheme

smallholders. In addition, we hire more fixed-term workers during peak harvest seasons in the second half of the year. The flexibility of seasonal agricultural work is preferred by some workers as this gives them time to attend to other responsibilities such as tending their own crops, child care and other income-earning businesses.

### Employee profile by contract in Indonesia

	2015		2016		2017	
	Male	Female	Male	Female	Male	Female
Permanent	43,151	6,235	40,660	5,640	44,382	6,600
Fixed-term	32,447	26,024	30,400	25,400	28,196	25,452

### Employee profile by type in Indonesia

	2016		2017	
	Male	Female	Male	Female
Full-time	58,020	11,740	64,300	17,167
Part-time	13,040	19,300	8,278	14,885

### New hires and turnover (401-1)

	2016		2017	
	Male	Female	Male	Female
New hires	773	257	2,646	1,014
New hire rate	1.9%	4.6%	5.96%	15.36%
Turnover	5,247	1,117	3,387	669
Turnover rate	12.9%	19.8%	7.63%	10.14%

### RECOGNISING, RESPECTING AND STRENGTHENING WORKERS' RIGHTS (103-1)

We believe in fair, equal and respectful treatment for all our employees. 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 Code of Conduct and employment practices. We have an equal opportunities policy on employment, banning discrimination based on race, national origin, religion, disability, gender, sexual orientation, union membership and political affiliation.

## WORK ENVIRONMENT AND INDUSTRIAL RELATIONS

Employees enter into employment freely. We do not require our employees to deposit identity papers or 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 decide to join the programme.

### PAYING FAIR WAGES AND EMPLOYEE BENEFITS (103-2, 401-2)

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

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

#### Average daily wages in IDR

	2015	2016	2017
Full-time workers	81,300	91,421	95,756 <sup>1</sup>
Part-time workers	77,250	87,449	96,205
Minimum wage set by local government	75,900	85,775	95,065

Full-time workers on our plantations earned approximately IDR95,756 per day in wages in 2017, excluding incentives and non-cash benefits. Through incentives, our employees have the opportunity to earn progressively higher incomes depending on skill level and productivity.

In terms of benefits, full-time workers receive free healthcare for themselves and their family, company housing, water, electricity and free education for their children from kindergarten to junior high. GAR also provides its full-time workers with basic necessities such as rice. In 2017, GAR procured over 10,500 tonnes of food for its workers.

Our part-time workers receive free medical services at our polyclinics and their children have access to education at our estate schools.

### DIVERSITY AND GENDER EQUALITY (103-1, 103-2, 406-1)

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 (which can weigh between 23- 27 kg) and carrying them to trucks for transport to the mills; women generally work on weeding and collecting loose fruits 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; family gardens; and other income-earning businesses.

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 the situation 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 2017, no cases of harassment or abuse were reported.



<sup>1</sup> Full-time employees receive lower cash wages as they have other non-cash benefits which part-time employees do not receive.

### Diversity of GAR workforce (103-3, 405-1)

Gender	Permanent	Fixed-term
Male	87%	53%
Female	13%	47%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Age Group	Permanent	Fixed-term
<30	21%	36%
30 – 50	73%	61%
>50	6%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Female representation in workforce	Percentage
Female share of total workforce	44
Females in management positions (as % of total management workforce)	17.1
Females in junior management positions	17
Females in top management positions	12

### Diversity of GAR Board of Directors

Gender	Percentage
Male	100
Female	0

Age Group	Percentage
<30	0
30 – 50	0
>50	100

### PROHIBITING CHILD LABOUR (102-2, 408-1)

The minimum age for employment in GAR in any capacity is 18 years. We aim to prevent all forms of child labour, and we rigorously enforce these principles at all our plantations, mills and other places of work. Our recruitment officers check identification cards 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 engaging our supply chain on our stand against child labour, and this is part of our efforts to help our supply chain comply with the GSEP and adopt responsible practices.

### FREEDOM OF ASSOCIATION AND TRADE UNION

#### MEMBERSHIP (103-2, 103-3, 102-41, 407-1)

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.

We seek to maintain peaceful and productive industrial relations through open dialogue, fair labour practices, and respectful communication in the workplace. 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 2017, there were 187 labour unions representing 48,370 non-management employees (95 percent) across our plantations in Indonesia.

#### CREATING A SAFE AND HEALTHY WORKPLACE (103-1, 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 the risk of 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 GAR's operating procedures
- Identifying and managing operational risks to prevent and reduce work-related accidents or illness
- Provision of personal protective equipment to all workers in line with regulations and best practices
- Regular monitoring and evaluation to continually improve our OHS performance

We currently have around 270 OHS experts within our workforce and conduct periodic training for all employees in accordance with national regulations. In 2017, more than 530 of our employees received OHS training conducted and certified by the Indonesian Ministry of Manpower.

Each of our units has an OHS Supervisory Committee, which promotes cooperation between management and employees on OHS and complies with Law No. 1 of 1970 on Occupational Safety. On average, the committees



## WORK ENVIRONMENT AND INDUSTRIAL RELATIONS

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. Fifteen mills and one estate have been reviewed and certified under SMK3. These certifications are valid for three years and a fresh audit is carried out prior to renewal.

### FATALITIES (103-3, 403-2)

We regret to report that there were work-related accidents resulting in six fatalities involving our employees during 2017. These accidents included three road and vehicular accidents, two incidents of drowning during floods and a fall into a pit. There were no contractor fatalities in 2017.

#### Fatalities

2015	2016	2017
7	5*	6

\* Including one contractor fatality

We note that the trend of work-related accidents and fatalities requires our urgent attention. To address this, we have investigated each accident thoroughly and implemented various action plans to safeguard against future occurrences which included reinforcement of road safety training and identification; mapping of and prohibiting entry into flood-prone areas; increasing on-the-job safety training; and implementing other safety features. We have also reinforced the targets of zero accidents and fatalities in the Key Performance Indicators (KPIs) for all levels of management.

We assisted the bereaved families by providing the appropriate financial assistance and support, including helping them to submit Indonesian Health, Accident Insurance and Pension Fund (JAMSOSTEK) claims and covering funeral costs.

### MONITORING THE FREQUENCY AND SEVERITY OF ACCIDENTS (103-3, 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 2017, we enlarged the scope of work-related accidents from Lost Time Injuries to include all first aid and medical treatments and restricted work accidents.

#### Upstream Lost Time Injuries

	2016	2017
Frequency Rate	4.67	9.97
Severity Rate	269.96	303.12

#### Downstream Lost Time Injuries

	2016	2017
Frequency Rate	0.88	4.81
Severity Rate	357.11	20.46

### 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

The Company periodically conducts both in-house and external training programmes for the entire workforce. In 2017, employees attended a number of such trainings including Accident Investigation Training, OHS Expert Training and Contractor Safety Management System Training (CSMS).

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

### EMPLOYEE SAFETY AT GAR

*“Even one incident is one too many. I want to minimise the risks further, even eliminate them altogether. To reinforce a culture of safety, I regularly organise training and knowledge-sharing sessions for employees on various aspects of occupational health and safety. Our workers undergo Behaviour-Based Safety training when they join the company, and undergo refresher sessions periodically.”*



Eka Syamsiah  
Hidayah Nasution,  
Environment,  
Health, Fire & Safety  
Inspector, 26 years  
old, Jakarta

Read more about  
Eka’s important  
work on GAR’s blog:  
<https://goldenagri.com.sg/creating-safer-healthier-workplace/>

### SECURITY GUARDS (103-2, 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 WELLBEING

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. We have over 150 clinics and more than 300 medical personnel providing medical services for our workers.

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

(103-2, 103-3, 404-1, 404-3, 412-2)

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

#### Average hours of employee training in 2017

Category	Hours
Staff	25
Middle Management	28
Senior Management	15

#### Average hours of training in 2017 by gender

Male	24
Female	65

We spent USD4.41 million in 2017 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.

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 hires 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.

## WORK ENVIRONMENT AND INDUSTRIAL RELATIONS

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. All GAR employees undergo a career development and Key Performance Indicator (KPI) review at least once a year.

### MONITORING AND CONTINUOUS IMPROVEMENT

(103-3, 409-1, 412-1)

In order to ensure that we are continuously improving, we engaged Business for Social Responsibility (BSR) to conduct an assessment of labour management systems and practices in PT Tapian Nadenggan, Central Kalimantan, Indonesia. The assessment which was published in 2017, aimed to highlight areas and provide recommendations on how GAR's current management systems and tools could be strengthened or improved to help ensure good implementation of the GSEP, Code of Conduct and other relevant policies, as well as gradual fulfilment of international stakeholder expectations pertaining to labour-related issues in the palm oil industry.

Overall the study found that GAR has a good set of policies at the Group level, as well as management systems and structures in place at the plantation level to help ensure workers' welfare and wellbeing, and those of their families, are respected. There were some areas identified by BSR, where greater consistency between policy and implementation on the ground was highlighted for improvement. Further to this, the assessment covered several specific topics in detail, such as working conditions and terms of employment; non-discrimination; workers organisation; grievance mechanisms; protection of workforce; and living conditions.

The executive summary of the assessment can be found at: <https://goldenagri.com.sg/wp-content/uploads/2017/06/BSR-GAR-Labour-Assessment-Executive-Summary-2017.pdf>



Based on this, GAR has designed an action plan to address issues that have been identified in the assessment.



# SOCIAL AND COMMUNITY ENGAGEMENT

Providing public infrastructure:  
roads, bridges, places of  
worship, community halls



**>230** schools    
**>2,050** teachers   
**>35,000** students

**Free** bus  
services for school  
children

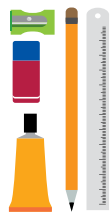


**>USD15 mil**  
for scholarships



Donation of books,  
learning materials  
and facilities to

**>4,000**  
recipients



**31**   
Rumah Pintar  
(Smart Houses)  
for community  
training

**330** medical  
personnel treat  
**>860** patients  
daily  
**>150** clinics



Child health, vaccination  
and nutrition for

**>1,900** beneficiaries



**Free** medical &  
dental for  
**>3,900**  
patients



Mother and  
child health  
education for

**>3,300**  
beneficiaries

**100%**  
plantations have  
social and community  
development programmes



Sale of  
**>230,000**  
litres of branded  
cooking oil at below  
market prices in  
impoverished areas



Planting  
**38,000**  
beneficial plants:  
medicinal plants  
and fruit  
trees



Aid  
**>7,500**  
flood, fire and  
storm victims



Visits and donations  
to elderly and orphans **>1,400**





## SOCIAL AND COMMUNITY ENGAGEMENT

### **PALM OIL BENEFITS LOCAL RURAL COMMUNITIES**

(103-1, 103-2, 413-1)

The palm oil industry has helped to advance socio-economic development in tropical developing countries like Indonesia and Malaysia, and plays a key role in improving the lives of communities particularly those living in remote, rural areas. We aim 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 and remote areas. We have also helped provide crucial public infrastructure such as roads, bridges, community halls and places of worship. This has helped advance the aims of SDGs amongst local communities in tackling poverty and reducing inequalities through the boosting incomes as well as their overall standards of living.

We recognise that the establishment of plantations creates changes for local communities and indigenous people. As stated in the GSEP, we are committed to respecting human rights and fulfilling Free, Prior and Informed Consent (FPIC) requirements before any operations begin. 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, 100 percent of our plantations have social community engagement and development plans.

Collaboration and cooperation with the community is also key to the success of other aspects of responsible palm oil. We 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 section on "Environmental Management".

While ensuring that the development of our industry is aligned with the interests of local communities, we also try 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. The results are detailed in the section "How We Approach Responsible Palm Oil".

### **RESPECTING HUMAN RIGHTS AND FREE, PRIOR AND INFORMED CONSENT (FPIC) (103-2, 103-3, 411-1, 413-1)**

FPIC is a central tenet of the GSEP and part of our commitment to upholding human and community rights. We implement FPIC 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.

<sup>1</sup> GAR has voluntarily stopped all new nucleus estate development since November 2014

After the socialisation, we seek to ensure that all communities have understood and acknowledged 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, we have continued with 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 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.

In 2017, there were no incidents of FPIC violations or violations of the rights of indigenous peoples.

### **RESPONSIBLE CONFLICT RESOLUTION**

Our policies and practices are designed to minimise the likelihood of any conflicts arising from 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 recent years, we have closed several long-running 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 case histories on the [GAR website](#) detail our efforts in finding collaborative and consultative ways to resolve disputes with local communities.

### **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.

In 2017, GAR continued to progress with plasma development in line with the wishes and aspirations of the local community in PT KPC. We aim to complete planting of the plasma area by the second quarter of 2018.

In addition, we have signed MOUs signifying the completion of FPIC remediation process in four villages.

See latest updates on RSPO website:

<http://www.rspo.org/members/complaints/status-of-complaints/view/75>

### **EMPOWERING COMMUNITIES**

GAR aims to empower communities and multiply the positive impacts of the palm oil business through a range of education, healthcare, social and economic programmes.

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 TO HEALTHCARE FOR LOCAL COMMUNITIES**

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 Government of Indonesia, 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 some local communities. Currently GAR supports over 230 schools with over 2,000 teachers, for more than 35,000 students across our concessions. We also donated books and educational materials to over 4,000 students.

## SOCIAL AND COMMUNITY ENGAGEMENT

All children of the workers living on our estates receive free education from kindergarten to junior high school. We provide free school bus services so that children are able to get to school daily. In addition, we provide scholarships for students to attend schools near the plantations and run internship programmes for students at schools that specialise in agriculture.

We have also constructed over 30 *Rumah Pintar* or Smart Houses since 2011. These serve as community resource and training centres. Each *Rumah Pintar* has a library and play room and is equipped with computers. There is a particular focus on early childhood education and educational programmes for women at the *Rumah Pintar*.

In 2017, we also provided over USD\$1.5 million in scholarships for higher education at Indonesian and international universities and institutes.

We help improve the wellbeing of local communities by providing access to healthcare in remote and rural areas. We currently mobilise 330 medical personnel at over 150 clinics which serves on average over 860 patients daily. We also provided free medical and dental services to over 3,900 patients. With our special focus on mother and child health, we also focus on health education for over 3,300 beneficiaries as well as provide child vaccination and nutrition programmes for over 1,900 beneficiaries.

We also helped over 7,500 flood, fire and storm victims in 2017 through distribution of food aid and basic necessities.

### PROMOTING SMALL AND MICRO ENTERPRISES

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

We actively help promote small and micro enterprises that help increase income for the community. One such programme is our goat breeding programme in eight villages around PT Ivo Mas Tunggal in Riau.

The company has donated 160 goats to the villages to date. Local communities are able to earn extra income through the sale of milk and meat. As the villagers breed more goats, these will then be given to a Farmers Group in another village to grow and expand the scheme.

### PROVIDING INFRASTRUCTURE AND COMMUNITY FACILITIES

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.

### OUR EMPLOYEES IN THE COMMUNITY

We involve and mobilise our staff for various causes. For example, we urge employees and tenants at our head office in Jakarta and our operation 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 3,300 blood donors comprising employees and members of local community participated in 2017. 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.



# ENVIRONMENTAL MANAGEMENT



**72,000 ha**

conservation area (HCV/HCS)



Forest conservation helps store large amounts of carbon; may also help maintain fresh water resources



Protection-production partnerships:

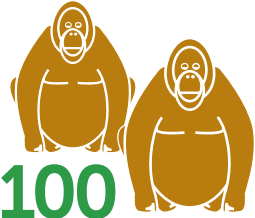
**13 villages**

in community conservation partnerships to protect

**>7,000 ha**



Integrated Ecological Farming: increase community income, improve food self-sufficiency & support conservation goals



**100**

wild-born orangutans rehabilitated & released since 2011



Launch of super high-yielding non-GMO clonal seeds; can potentially produce

**>10 tonnes/ha/year CPO**

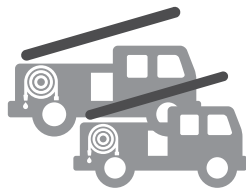
**>1,000 ha**

riparian zone rehabilitated in 2017



**17 villages**

in Desa Makmur Peduli Api programme to reduce fires



**10,000**

Emergency Response personnel to prevent & suppress fires



Zero Burning Policy: nearly

**Zero** fire incidents in 2017



**No** paraquat



Methane capture facilities reduce

**40-55%**

GHG emissions on site



**100%**

CPO production waste recycled – fuel & fertiliser

Reduced **>250** tonnes of plastic packaging;

**13%** reduction from 2016



## DELIVERING UN SDGs:





## ENVIRONMENTAL MANAGEMENT

### CONTINUING INNOVATIVE COMMUNITY CONSERVATION PARTNERSHIPS (103-1, 103-2, 103-3, 304-1)

Our most recent materiality assessment indicates that stakeholders continue to view forest conservation as well as fire and haze as material issues. At GAR we have been focussing intensively on these areas for many years and we believe that with our combination of innovative community partnerships and collaboration, we are starting to see progress in practical and effective conservation. Our initiatives in forest protection, biodiversity conservation as well as our efforts to minimise land degradation contribute to the goals of UN SDG 15 – Life on Land.

Defining conservation areas on paper is only the first step; 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 parties who frequently regard the area as unoccupied land.

We have been working on conservation partnerships since 2015, when we began collaborating with local communities to formally map their villages through Participatory Mapping. We help the villages map out critical areas such as customary boundaries and land necessary for food security. This map is then 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 living and maintain stable quality of life.

We have rolled out mapping in over 80 villages across our concessions to date, and secured agreement with local communities in 13 villages to set aside over 7,700 hectares of High Carbon Stock (HCS) forests for conservation. This is in addition to the 72,000 hectares of conservation area in our concessions (approximately the size of Singapore), consisting of HCS forests and HCV.

#### Desa Makmur Peduli Api (DMPA) programme

	All DMPA Villages		Jambi		Ketapang	
	Hotspots	Firespots	Hotspots	Firespots	Hotspots	Firespots
2017	13	9	1	2	12	7
2016	25	7	2	2	23	5
2015	423	271	210	113	213	158

<sup>1</sup> The majority of fires were started by external parties preparing land for farming

Following the signing of a Memorandum of Understanding (MoU), we work with the villages and the local authorities to get the agreement recognised as part of Village Regulation, to ensure that the MoU has official standing and recognition.

In tandem with these efforts, we have initiated development programmes for the local communities which participate in the conservation partnership. Integrated Ecological Farming projects have been launched in 11 villages in West Kalimantan and Central Kalimantan. These aim to help the local community achieve food self-sufficiency, earn extra income as well as raise awareness about alternative farming methods without the use of fire.

Each participating family can save up to IDR300,000 per month through planting and harvesting their own vegetables. In addition, they receive about IDR500,000 per month from selling the surplus produce to surrounding villages.

We have also used this model of community partnership in our efforts to rehabilitate 2,600 hectares of degraded peatland in the PT Agro Lestari Mandiri (AMNL) concession in West Kalimantan. This project was launched at the end of 2015. To date, we have progressed with replanting over 100 hectares of buffer zone as well as the rewetting of the entire peat area. We are also working with the Tanjungpura University in Pontianak on a peat management study which focusses on peat mapping and hydrology of the area.

### LONG-TERM FIRE PREVENTION (103-2, 103-3, 304-3)

We remain vigilant on fire prevention and in 2017 as in 2016, we had virtually zero fires in our area (less than 0.01% of total area affected by fires)<sup>1</sup>, due to strict adherence to our Zero Burning Policy. We continue to publish weekly reports on fire in or around our areas on our [Sustainability Dashboard](#).

Meanwhile, we continued our long-term community collaboration on fire prevention with 17 local villages in 2017, through the [Desa Makmur Peduli Api](#) (DMPA) programme in Ketapang, Kalimantan and Jambi, Sumatra. The DMPA programme has generally helped to reduce hotspots and firespots since it was launched in 2016 as seen in the table below.

Aside from training and equipping local community members to suppress fires rapidly, we also focus on educating the younger generation to effect long-term change in the community. We work with schools to spread knowledge and awareness about the dangers of forest fires and the importance of forest conservation, in the hopes that this will eventually trigger communal behavioural changes, particularly with regards to not using fire to clear land.

In 2018, we extended the DMPA programme to five more villages in Indragiri, Riau and 10 villages in Central Kalimantan.

In addition to working with the community, all of our estates have fire-fighting equipment and Emergency Response Teams trained in fire-fighting.

#### **PROTECTING RARE AND ENDANGERED SPECIES (103-1, 103-2, 103-3, 304-2, 304-4)**

Operating in Indonesia places us in or near areas of rich and varied biodiversity and we are committed towards preserving and protecting 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.

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

[Protection of orangutans](#) is a special focus for GAR. Since 2011, we have partnered with Orangutan Foundation International (OFI) to rehabilitate and release wild-born, formerly captive primates. Our partnership has resulted in the release of 100 orangutans into their natural habitat in Seruyan Forest in Central Kalimantan, Indonesia.

In addition, more than 1,000 staff have been trained 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](#).

#### **Summary of endangered species (IUCN Red List) (304-4)**

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

#### **RIPARIAN BUFFER ZONES (304-3, 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 its 18 concessions and in 2017, we rehabilitated over 1,400 hectares of riparian zone.

#### **BREAKTHROUGH IN YIELD IMPROVEMENT (103-1, 103-2, 103-3)**

Our focus on environmental conservation is complemented by our belief that R&D can deliver sustainable agricultural goals. One such goal is yield improvement which has multiple benefits. Through improving yields, we can help raise the incomes of smallholders and their standards of living. It can also help reduce the pressure to open up more land for agriculture.

Following years of research [SMARTRI](#) and [SMART Biotechnology Centre](#) officially launched two new non-GMO, extremely high-yielding planting materials in 2017. [Eka 1 and Eka 2](#) are potentially capable of yielding more than 10 tonnes/hectare/year of CPO, making them the highest-yielding plant materials in the industry. Currently, the national average yield in Indonesia is 3.5 tonnes. These clonal seeds will be gradually rolled out throughout our plantations in replanting programmes starting in 2022.

## ENVIRONMENTAL MANAGEMENT

These R&D efforts support the goals of UN SDG 2 which aims to promote sustainable agriculture and improve agricultural productivity.

### REDUCING GHG EMISSIONS (103-1, 103-2, 305-4)

Successful conservation of HCS forests is one of the ways in which we retain large stores of carbon and help avoid GHG emissions.

In addition, we have also carried out a baseline study of our Scope 1 GHG emissions including measurements of carbon dioxide, methane and nitrous oxide in our mills and plantations, and are in the midst of designing an emission reduction strategy. The main sources of

GHG emissions at the mill comes from Palm Oil Mill Effluent (POME), and the usage of diesel as fuel and for power production. GHG emissions from the plantation come from the usage of fertilisers, diesel and land use change. We have commissioned 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.

We used the ISCC Renewable Energy Directive 2009/28/EC as the basis for calculating our GHG emissions. The data was compiled from 30 mills that have ISCC certification.

### Carbon Footprint Assessment Project

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

### Verified GHG Emissions for Kalimantan in 2016<sup>2</sup>

Product	Unit	SUNGAI RUNGAU MILL PT. Binasawit Abadipratama			HANAU MILL PT. Tapian Nadenggan		
		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 <sub>2</sub> eq/t-CPO	359	436.25	795.25	363	436.25	799.25
Palm Kernel (PK)	kg CO <sub>2</sub> eq/t-PK	266	321.36	587.36	283	327.09	610.09
Palm Kernel Oil (PKO)	kg CO <sub>2</sub> eq/t-PKO		NA		427	728.25	1,155.25

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

### Verified GHG Emissions for North Sumatra Region in 2015

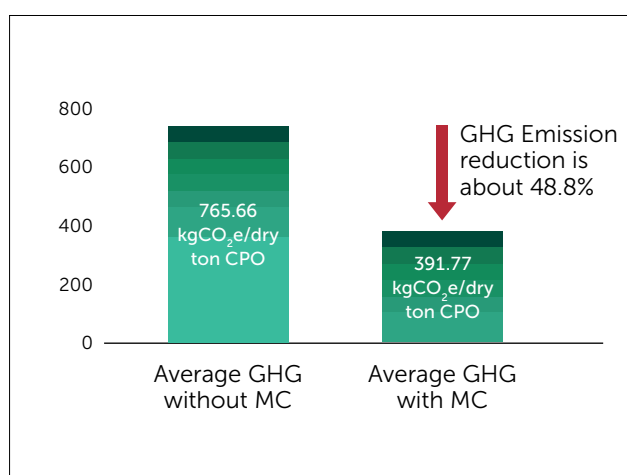
Product	Unit	Verified GHG emissions from plantation and mill	Emissions from Palm Oil Mill Effluent (POME) based on ISCC	Total for North Sumatra
Crude Palm Oil (CPO)	kg-CO <sub>2</sub> eq/t-CPO	416.00	432.53	848.53
Palm Kernel (PK)	kg-CO <sub>2</sub> eq/t-PK	315.00	327.29	642.29

## Verified GHG Emissions for Riau Region in 2015

Product	Unit	Verified GHG emissions from plantation and mill	Emissions from Palm Oil Mill Effluent (POME) based on ISCC	Total for Riau
Crude Palm Oil (CPO)	kg-CO <sub>2</sub> eq/t-CPO	475	432.68	907.68
Palm Kernel (PK)	kg-CO <sub>2</sub> eq/t-PK	360	319.72	679.72
Palm Kernel Oil (PKO)	kg-CO <sub>2</sub> eq/t-PKO	550	741.75	1,291.75

Meanwhile, we continued to reduce GHG emissions in our operations through our facilities to capture methane gas at a number of mills in Central Kalimantan, Jambi and Riau. The captured methane gas is then used as an alternative energy source, generating electricity for our palm oil mills. These facilities can reduce between 40-55 percent of operational emissions on site.

### GHG Emission reduction via methane capture (305-5)



### Emission reduction in 2017 from methane capture facilities

No.	Biogas Plant	ER(tCO <sub>2</sub> eq)
1	Sungai Rungau Biogas Plant (SRUF)	89,737.0
2	Semilar Biogas Plant (SMLF)	96,792.6
3	Rama – Rama Biogas Plant (RRMF)	70,985.7
4	Perdana Biogas Plant (PRDF)	101,001.2
5	Pelakar Biogas Plant (PLKF)	23,733.8
6	Libo Biogas Plant (LIBF)	48,910.3
<b>Total</b>		<b>431,160.6</b>

### MANAGING OUR WATER FOOTPRINT (103-1, 103-2, 303-1)

Water is a vital resource for our operations and the communities in our supply chain. We recognise that water availability is becoming an increasingly important issue in the face of climate change and we are looking at ways to improve our water footprint.

We strive to meet all 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.

### Water consumption (m<sup>3</sup> per tonne of CPO produced)

Year	2015	2016	2017
Water consumption	3.12	3.39	3.39

### Upstream water withdrawal by source (measured by flowmeters):

Water withdrawal for mill production process	
Ground water	279,646 m <sup>3</sup>
Rivers (stored at reservoir)	8,573,557 m <sup>3</sup>
Water withdrawal for other purposes: domestic/laboratory/office use	
Ground water	167,960 m <sup>3</sup>
Rivers (stored at reservoir)	3,778,577 m <sup>3</sup>
<b>Total water withdrawal</b>	<b>12,799,740 m<sup>3</sup></b>



## ENVIRONMENTAL MANAGEMENT

### Downstream water withdrawal by source (measured by flowmeters) (303-3)

Ground water	1,652,315 m <sup>3</sup>
Sea water	906,631 m <sup>3</sup>
Water provided specifically for Industrial Area by government or private company	51,082 m <sup>3</sup>
Water provided by public utility company	426,462 m <sup>3</sup>
Water from reservoir; water recycled from Waste Water Treatment Plant (WWTP); and rain water	134,250 m <sup>3</sup>
Condensate (water from the steam produced by boilers in the mill or refinery)	16,349 m <sup>3</sup>
Total water withdrawal	3,187,089 m <sup>3</sup>
Total water recycled and reused	182,426 m <sup>3</sup>
Percentage of water recycled and reused	6.2

We also take steps to minimise any risk of pollution of surface and ground water and we follow strict land management practices that are designed to reduce these risks. These include not applying herbicides or chemicals near and around riparian areas; restricting the application of treated liquid waste (POME) which is used as fertiliser to 50 metres from riparian areas; and planting vetiver grass to minimise soil erosion at riparian areas. Our efforts to successfully conserve forests also contributes towards maintaining and preserving fresh water resources in light of research that shows strong links between forest cover and the health and availability of water resources.

### WASTE RECYCLING AND REUSE (103-1, 103-2, 306-2)

Under our Zero Waste Policy we aim to reuse, recover and recycle. Since 2015, we have achieved 100 percent recycling of waste from the CPO production process in our upstream operations.

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

Our downstream waste is disposed of through municipal landfills or incinerators. Hazardous waste is collected for proper disposal by authorised third-parties.

### Upstream waste management 2017

Type of Waste	Total Quantity Produced (tonnes or m <sup>3</sup> )	Total Quantity Recycled (tonnes or m <sup>3</sup> )	Reused as
Fiber	1,296,027	1,296,027	Fuel
Shell	596,172	596,172	Fuel
*EFB	2,141,151	2,141,151	Organic fertiliser
*POME	5,373,270	5,373,270	Organic fertiliser

\* EFB  
100 percent applied fresh or after composting with effluent, 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.

### Downstream waste management 2017

Type of Waste	Total Quantity Produced (tonnes)	Total Quantity Recycled (tonnes)	Method of disposal
Domestic	2,329	0.24 <sup>3</sup>	Municipal collection
Hazardous: FABA, SBE, sludge etc.	80,684	0	Collected for disposal by authorised third parties

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.

In 2017, we saved 256 tonnes of packaging which equals a further 13 percent of total packaging reduction compared to 2016.

### SOIL FERTILITY AND PEST MANAGEMENT (103-2)

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 minimises the risk of soil degradation through oil palm cultivation.

<sup>3</sup> This figure only reflects what is being recycled by our own plants – currently only one plant is recycling the waste. The rest of recyclable waste is sent to third parties for recycling.

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.

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, 103-3)

We aim to minimise pesticide use throughout all growth phases of the oil 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 products we use are chemical herbicides for weed control and management.

GAR manages the undergrowth in oil palm plantations to maintain a high level of weed diversity while keeping good access to the oil palms in order to ensure a high quality harvesting. Only woody plants and noxious weeds are removed regularly at our plantations.

We apply herbicides according to the following strict guidelines:

- 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 oil palms and harvesting path, or about 20 percent of the soil surface

- Species and active ingredient selectivity: active ingredients are selected depending on the types of weed to be controlled. SMARTRI is always testing new types of active ingredients as well as new conditions of application in order to choose the most efficient and least environmentally impacting product

Since 2016, GAR has 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, such as during an extreme pest infestation.

### Pesticides and herbicides used in GAR's plantations (kg or litre/tonnes of CPO produced)

Type	2015	2016	2017
Acaricides	<0.001	<0.001	<0.001
Fungicides*	0.001	0.015	0.025
Herbicides	0.418	0.433	0.484
including Paraquat	0.082	0	0
Insecticides	0.012	0.035	0.034
Rodenticides	0.006	0.008	0.007
<b>Total used</b>	<b>0.437</b>	<b>0.491</b>	<b>0.551</b>

\* Used only in nurseries

## ENVIRONMENTAL MANAGEMENT

GAR is committed to continuously reducing herbicides used. But actual usage depends on factors which are not under our control such as:

- the level and distribution of rainfall which differs every year and that have a direct impact on the growth and development of weeds
- the availability of new molecules in the Indonesian market also guides decisions in our operations. Since 2010, SMARTRI has tested 15 new molecules, including 10 active ingredients of herbicides and five surfactants

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.

### Biopesticide use

Type of biopesticides	2015	2016	2017
Bacillus thuringiensis	1,760	2,527	385
Cordyceps	7,966	156	1
Mycorhyza	189,851	281,282	238,548
Trichoderma	303,199	131,148	206,266
Virus	0	0	1
<b>Total</b>	<b>502,776</b>	<b>415,113</b>	<b>445,201</b>

### MONITORING ENVIRONMENTAL IMPACT (103-3, 307-1)

We manage and regularly monitor every aspect of our operations in order to minimise adverse impacts 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.

In 2017, there were no violations of environmental regulations, and GAR did not incur any fines or penalties.

### PROPER ACHIEVEMENT

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 2017, 24 of our mills passed the PROPER assessment with Blue rating and six mills achieving Green rating. Four of our downstream facilities have also achieved Blue rating.

To ensure that we are aligned with PROPER requirements, internal audits and training are carried out in our mills.

### PROPER rating system

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

# R&D FOR RESPONSIBLE PALM OIL

## Eliminating

trans fats from our edible products



SMARTRI & Cambridge University  
research riparian  
restoration



### 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 2017, we allocated more than USD12 million for R&D. Our R&D activities contribute to the goal of Responsible Consumption and Production – UN SDG 12 – as we pursue objectives including sustainable management and efficient use of natural resources and reducing waste generation.

#### SMART RESEARCH INSTITUTE (SMARTRI) (103-2, 103-3)

[SMART Research Institute \(SMARTRI\)](#) in Libo, Riau is our flagship research facility with more than 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 contributed to the development of our high-yielding Dami Mas seeds which have also been developed to be disease-resistant. SMARTRI also worked on and developed two new super high-yielding clonal seeds – Eka 1 and Eka 2 – which have the potential to produce over 10 tonnes/ha/year of CPO. This will help the goal of UN SDG 2 which aspires to provide nutritious food for all and generate decent incomes, while supporting people-centred rural development and protecting the environment.

In tandem with boosting agricultural productivity, SMARTRI also works on various R&D projects designed to promote environmental sustainability, preserve biodiversity and combat climate change, thus supporting the goals of UN SDG 15.

#### MEASURING GREENHOUSE GAS (GHG) EMISSIONS

(103-2)

GHG emissions in palm oil agriculture comes mainly from land use change and methane emissions during the treatment of POME. Aside from this, nitrogen fertiliser applications can also contribute to emissions of nitrous oxide (N<sub>2</sub>O) especially if applied incorrectly.

In line with our commitment to continuously reduce our GHG footprint, GAR, through SMARTRI, has started a research programme into this issue. The programme includes:

1. Quantifying N<sub>2</sub>O emissions
2. Determining the factors which can have a potential impact on the level of these emissions
3. Testing new products and field practices to reduce these emissions

SMARTRI has found that N<sub>2</sub>O emissions factors (EF) were significantly affected by the level of soil moisture. Regardless of the levels of urea applied, EF was lowest when the moisture of soil was low. The losses of N<sub>2</sub>O ranged from 0.37 to 3.72 kg N<sub>2</sub>O/ha.

An initial experiment using urea fertiliser coated with urease and a nitrification inhibitor showed a good potential to mitigate N<sub>2</sub>O losses by up to 64 percent. The results were shared with the industry at the 2018 International Conference on Oil Palm and the Environment (ICOPE).



## R&D FOR RESPONSIBLE PALM OIL

### NEW COLLABORATION BETWEEN SMARTRI AND CAMBRIDGE UNIVERSITY ON THE RESTORATION OF RIPARIAN FUNCTIONS

The Riparian Ecosystem Restoration in Tropical Agriculture (RERTA) project is a new long-term experiment testing strategies for riparian restoration in oil palm landscapes. The project is a collaboration between SMARTRI and the University of Cambridge and has been acknowledged by RSPO.

This project will test four different restoration strategies in long-term field experiments in Indonesian oil palm plantations. Data will be collected on biodiversity, ecosystem processes, socio-economic factors and crop yield before, during and after riparian restoration. Results from the work will inform sustainable management options and directly test links between biodiversity, ecosystem functioning and productivity in a complex tropical ecosystem.

The project will establish replicated riparian restoration treatments across mature oil palm plantations, owned and managed by GAR in Riau Province.

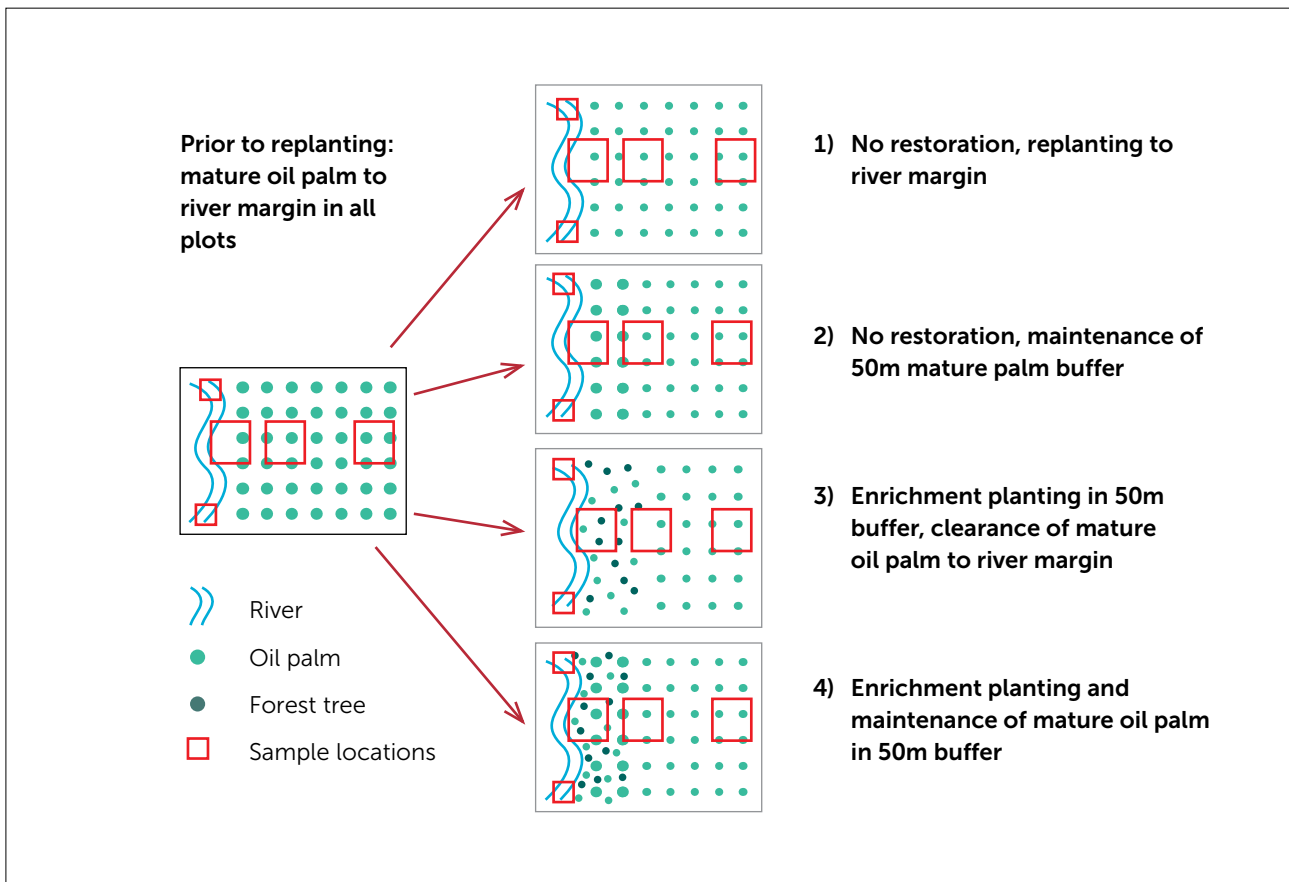
Results will provide specific recommendations of the most appropriate options for restoring riparian margins in established oil palm, and an evidence base for management to improve sustainability in tropical agricultural landscapes. The project will enhance the understanding of links between the environment, biodiversity and ecosystem processes in complex tropical ecosystems.

### TRAINING FOR SMALLHOLDERS

Aside from R&D activities, SMARTRI runs regular training programmes for smallholders.

In 2017, more than 600 farmers in Riau and East Kalimantan took part in training programmes by SMARTRI, focusing mainly on integrated pest management and fertiliser management. Beneficial plants are given to the farmers at the end of the training session, to be planted in their field to contribute to the biological control of herbivories.

In addition, SMARTRI staff also visit smallholder farms when requested to help solve pest outbreak issues or nutrient deficiency cases.



Schematic diagram of the experimental set-up. Each treatment will be replicated three times on rivers over 5m wide. The current replanting strategy in these estates is restoration treatment 2, so this will form the matrix in which other treatments are embedded



### **ICOPE 2018: “EMBRACING SUSTAINABLE PALM OIL: SOLUTIONS FOR LOCAL PRODUCTION AND GLOBAL CHANGE”**

The [International Conference on Oil Palm and Environment \(ICOPE\)](#) is a biennial conference focusing on the development of sustainable palm oil. ICOPE is a collaboration between Sinar Mas Agribusiness and Food, World Wildlife Fund (WWF) Indonesia, and CIRAD France.

More than 400 participants from more than 30 countries attended the 2018 conference, including academics, scientists, government officials, financial bodies, palm oil sector businesses and non-governmental organisations with a combined purpose – to minimise the environmental impact of palm oil production whilst maximising its value to society. ICOPE is the only international conference dedicated to oil palm and the environment.

The 2018 conference aimed to find solutions that contribute to global change while improving palm oil farmers’ livelihoods.

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

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

A major focus of the Downstream R&D Centre is safeguarding the health of consumers using processed palm oil. This includes addressing [consumer concerns about trans-fatty acids](#), which are generated through a process called hydrogenation. Our Downstream R&D has been reformulating many of our processed products to eliminate all trans-fatty acids, without compromising on quality for the consumer or technical manufacturer. This continued to be a priority throughout 2017 and into 2018.

We are also actively working to reduce certain co-contaminants found in processed palm oil. These co-contaminants include 2-monochloropropane-1, 3-diol and 3-monochloropropane-1, 2-diol (3-MCPD) and Glycidol/Glycidyl esters (GE), which 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.

In 2016, the European Food Standards Authority (EFSA) issued a report warning about the health consequences of co-contaminants such as 3-MCPD and from 2018, has revised acceptable 3-MCPD and GE levels.

We are focusing on minimising occurrence of 3-MCPD precursors. Our business is tackling the issue holistically, for example by minimising free fatty acids (FFA) in CPO. Throughout 2017, R&D continued to optimise identification methods for 3-MCPD and GE, in order to release safe and healthy edible oil.





# GRI STANDARDS INDEX

## 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, this report has been prepared in accordance with the GRI Standards: Core option, as set out in the GRI Standards Guidelines.

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# UNITED NATIONS GLOBAL COMPACT COP



## UNITED NATIONS GLOBAL COMPACT (UNGC) (102-12)

The United Nations Global Compact (UNGC) is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. GAR, through its subsidiary SMART has subscribed to the UNGC principles since 2006. In 2018, GAR became a signatory of the UNGC signifying our continuing commitment.

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, this report also serves as our Communication on Progress Report (COP) to the UNGC. In our opinion, we meet the requirements for the Global Compact Active reporting level. Please refer to the UNGC reference table below for our implementation of the ten principles of UNGC.

<b>Human Rights</b>	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	Page 3, 24, 52, 54-55
	Principle 2: make sure that they are not complicit in human rights abuses.	
<b>Labour</b>	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Page 3, 24, 41, 47-52
	Principle 4: the elimination of all forms of forced and compulsory labour;	
	Principle 5: the effective abolition of child labour; and	
	Principle 6: the elimination of discrimination in respect of employment and occupation.	
<b>Environment</b>	Principle 7: Businesses should support a precautionary approach to environmental challenges;	Page 4-7, 18, 19, 24, 40-41, 57-64, 65-66
	Principle 8: undertake initiatives to promote greater environmental responsibility; and	
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.	
<b>Anti-Corruption</b>	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Page 5, 16-17

Our sustainability efforts also support these specific UN SDGs:







## GLOSSARY OF ACRONYMS

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ACOP	– Annual Communication on Progress	IPM	– Integrated Pest Management
AMNL	– PT Agro Lestari Mandiri	ISCC	– International Sustainability and Carbon Certification
AR	– GAR Annual Report	ISPO	– Indonesian Sustainable Palm Oil
BSR	– Business for Social Responsibility	PM	– Participatory Mapping
CFA	– Carbon Footprint Assessment	PCP	– Participatory Conservation Planning
CPO	– Crude Palm Oil	PK	– Palm Kernel
CSO	– Civil Society Organisation	PT	– Perseroan Terbatas (Limited Liability Company)
CSR	– Corporate Social Responsibility	POME	– Palm Oil Mill Effluent
EFB	– Empty Fruit Bunch	RA	– Rainforest Alliance
FCP	– Forest Conservation Policy	RSPO	– Roundtable on Sustainable Palm Oil
FFB	– Fresh Fruit Bunch	SDG	– Sustainable Development Goal
FPP	– Forest Peoples Programme	SOP	– Standard Operational Procedure
FPIC	– Free, Prior and Informed Consent	SMART	– PT SMART Tbk
GAR	– Golden Agri-Resources Ltd	SMARTRI	– SMART Research Institute
GHG	– Greenhouse Gas	TTP	– Traceability to Plantation
GRI	– Global Reporting Initiative	UNGC	– United Nations Global Compact
GSEP	– GAR Social and Environmental Policy		
HCV	– High Conservation Value		
HCS	– High Carbon Stock		
HGU	– Hak Guna Usaha (Right to Cultivate)		

**FEEDBACK AND 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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