



PRESERVING **THE PRESENT**
ENSURING **THE FUTURE**

Sustainability Report 2013



Golden Agri-Resources Ltd
Listed on the Singapore Exchange

ABOUT THIS REPORT

SCOPE

This report covers the plantations, mills and some key aspects of palm oil sales operations of Golden Agri-Resources Ltd (“GAR” or the “Company”) in Indonesia. The report only briefly mentions the Company’s other activities outside of Indonesia. These operations will be progressively included in future reports.

Our Indonesian upstream operations are the largest and most profitable part of GAR and are the most scrutinised, as this report will show.

In addition, and as mentioned under “Reporting Cycle”, the content of this report focuses primarily on activities carried out within the financial year 2013. Given the importance of the publishing of our progress report on the implementation of our Yield Improvement Policy in July 2014, we have provided an update in this report.

REPORTING STANDARDS

We are reporting against the Global Reporting Initiative (“GRI”) G3 at application level B. We have also been guided by the principles of the AA1000 standard of Inclusivity, Materiality and Responsiveness.

INCLUSIVITY

The principle of inclusivity requires the reporter to show how its strategy has been built upon a commitment to engagement with stakeholders. The report does this in its description of the business structure and operation and also where it addresses each stakeholder group.

MATERIALITY

The materiality principle requires that we address the issues that are most important to our internal and external stakeholders. We have sought to do that by focusing on the economic, social and environmental issues that are most important to our internal and external stakeholders.

RESPONSIVENESS

The responsiveness principle requires that we demonstrate how the Company responds to stakeholder concerns. Accordingly, we have provided a detailed section on Stakeholder Engagement. It deals in detail with how the Company has advanced the multi-stakeholder process to develop solutions for sustainable palm oil production.

REPORTING CYCLE

It is our intention to report each year in line with the Company’s financial reporting cycle, which is the calendar year.

ASSURANCE

In this report, we have focused on the issues raised by our stakeholders, and have not commissioned an independent assurance of this report. We intend to do so for future reports.

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CHAIRMAN'S STATEMENT

In 2013, Golden Agri Resources Ltd ("GAR") reported a revenue of US\$6.6 billion. The Company registered EBITDA of US\$662 million and a net profit of US\$311 million. Our plantation output was 2.8 million tonnes of palm products.

Over the past six years, global consumption of palm products has grown by approximately three million tonnes per annum. With the world population projected to exceed more than nine billion in 2050, demand for palm oil will continue to rise.

Palm oil is an efficient source of vegetable oil, capable of producing the same volume of oil on less than 20% of the land area compared with other crops. It is also highly versatile, with a wide range of uses from food to biofuel production. Therefore, palm oil plays a strategic role in mitigating the mounting pressures on food security that accompany a rising population.

Because palm oil production is labour intensive, it can be a force for socio-economic development and poverty alleviation. Today, the palm oil industry in Indonesia employs about 4.5 million people, of whom 175,000 work for GAR.

We are mindful that oil palm must not be produced at the expense of forests and other high conservation value areas, including habitats for endangered species. As the largest palm oil player in Indonesia, GAR is committed to the best industry practices and standards, managing the environment responsibly and empowering the communities where we operate, while maximising long-term shareholder value.

COMMITTED TO NO BURNING AND NO PEAT DEVELOPMENT

In Indonesia, we led the industry in being the first palm oil producer to establish a zero burning policy in 1997, and since February 2010 we have stopped developing peat land regardless of depth.

In mid-2013, several countries in Southeast Asia experienced severe haze, arising mainly from illegal wildfires in some parts of Sumatra island, Indonesia. To contribute to fire-fighting efforts, we deployed our resources and worked closely with the Indonesian government and all relevant parties such as civil society organisations, local communities and other growers.

We believe that businesses must act responsibly and a multi-stakeholder collaborative approach is the best way to find solutions for the haze issue.

DE-LINKING PALM OIL AND DEFORESTATION

Increasingly, consumer product companies are adopting sourcing policies that eliminate deforestation and social conflict from their palm oil supply chain. Through our Forest Conservation Policy ("FCP"), we are committed to de-linking palm oil and deforestation. Other palm oil producers are also committing to similar policies.

We have implemented our pilot project on High Carbon Stock ("HCS") forest conservation in West Kalimantan for 12 months. During the pilot, we reached out to relevant stakeholders from the community,



Indonesian government, civil society organisations and industry, to establish a framework for successful HCS conservation by the palm oil industry.

GAR is committed to "no deforestation" palm oil in our entire supply chain. We are implementing processes to ensure that the palm oil for both our upstream and downstream operations is in line with our FCP. We take a pragmatic approach towards the growing market demand for traceable, deforestation-free palm oil, and are taking steps to achieve traceability that makes business sense. Delivery of deforestation-free palm oil has to be practical and commercially viable.

For policies like the FCP to succeed, we recognise the need for buy-in from multiple stakeholders – communities to value and protect HCS land; governments to implement policies that enable HCS forest conservation; and industry players to adopt a similar forest conservation policy. We believe that collaboration is the best way to find solutions for sustainable palm oil production.

IMPROVING CPO YIELD AND BEST PRACTICES

GAR's Yield Improvement Policy ("YIP") leverages technology and innovation to improve crude palm oil ("CPO") yield and reduce the pressure to open new land. We aim to achieve by 2015 an average CPO yield of 5.8 tonnes per hectare from oil palm trees in the prime age of seven to 18 years. This is a 12% increase from the 2010 level.

GAR published its progress report on the implementation of the YIP on 23 July 2014. We reported a CPO yield of 4.76 tonnes per hectare while our smallholders achieved 4.65 tonnes per hectare in 2013. Production in 2013 was impacted by the palm tree's biological cycle following the bumper crop in 2012 and dry weather in certain areas of our plantations. We also reported our performance in managing planting material, soil fertility and mineral nutrition, pesticide use and natural pest control.

GAR builds on best practices in using high-yielding planting material, advanced agronomic practices and best-in-class estate management. We are committed to continuous improvement, and we are open in developing and sharing evolving best practices with our smallholders.

ENHANCING PRODUCTIVITY OF SMALLHOLDERS

We are a founding member of Partnership for Indonesia's Sustainable Agriculture ("PISAgr"), a public-private partnership that aims to help the Indonesian government address national food security.

The partnership comprises national and international companies, NGOs and international organisations, in collaboration with the World Economic Forum in bringing New Vision for Agriculture. PISAgrO aims to increase agricultural productivity and farmers' income by 20% and reduce greenhouse gas emissions by 20% per decade. Aligned with the cause and in support of an innovative financing scheme initiated by the Indonesian Chamber of Commerce and Industry ("KADIN"), we secured the commitment of about 400 independent farmers to be part of a pilot project to replant their oil palm plantations, covering 250 hectares in Riau.

The scheme is designed to boost the productivity of one million independent oil palm smallholders in Indonesia. KADIN is confident that the scheme will help to increase their annual oil yield from the current two to three tonnes per hectare to five to six tonnes per hectare; and avoid opening one million hectares of additional land for oil palm development.

We have pledged to support the smallholders by supplying high-yielding seeds and good quality fertilisers, while ensuring knowledge transfer and capacity building once the scheme is formally endorsed by the Government of Indonesia.

ACHIEVING INDUSTRY CERTIFICATIONS

While we focus on traceability through our FCP, palm oil certification remains important to GAR.

GAR continues to make progress in obtaining Roundtable on Sustainable Palm Oil ("RSPO") certification for all our existing 433,200 hectares of oil palm plantations and 41 mills (as at June 2010) by December 2015. This includes about 89,000 hectares of plasma scheme plantations involving about 45,000 smallholders. Palm oil operations established after 30 June 2010 will be part of a separate time-bound plan.

As of June 2014, 218,582 hectares of plantations (including smallholder plantations of 49,909 hectares), 19 mills, three kernel crushing plants, two refineries and one bulking station have received RSPO certification.

On 28 February 2014, we received certification for meeting the RSPO-RED Requirements for compliance with the EU Renewable Energy Directive Requirements ("RSPO-RED"). The certification includes one mill and its supply base comprising nucleus and plasma plantations in Kijang, Riau.

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

GAR supports the Indonesian Sustainable Palm Oil System ("ISPO") implemented by the Indonesian Ministry of Agriculture to improve the competitiveness of Indonesian palm oil in world markets; to meet Indonesia's commitment to reduce greenhouse gases and to focus on environmental issues. We have received ISPO certification for 35,789 hectares of plantations and three mills in Riau and North Sumatra.

We continue to progress in the International Sustainability and Carbon Certification ("ISCC"). We have obtained ISCC for 266,843 hectares of plantations including smallholder plantations of 59,628 hectares, 28 mills, three kernel crushing plants, three refineries and 12 bulking stations.

ENGAGING FOR SUSTAINABLE PALM OIL

It is increasingly recognised that stakeholders throughout the value chain, from governments, customers, investors and growers to processors, retailers and civil society, play an important role in sustainable palm oil production. GAR has been proactive in reaching out to these stakeholders.

In May 2014, I joined a panel discussion at the 23rd World Economic Forum on East Asia held in the Philippines. I shared our best practices and experiences on sustainable palm oil in Indonesia. There was keen interest in solutions for inclusive and sustainable agricultural growth amongst the 150 leaders from ASEAN governments, private sector, NGOs, international organisations and farmers' associations who attended the event.

GAR leveraged various forums including the RSPO's 11th Annual Roundtable Meeting and Center for International Forestry Research's Forest Asia Summit 2014 in Indonesia. We also participated in the 2013 PublicAffairsAsia Sharing Value Asia Forum in Singapore.

In February 2014, GAR's subsidiary PT SMART Tbk, together with the Centre de cooperation Internationale en Recherche Argonomoque pour le Développement, France, and the World Wildlife Fund Indonesia, jointly organised the fourth International Conference on Oil Palm and Environment ("ICOPE"). An important event for the global development and promotion of sustainable palm oil, the biennial ICOPE gathered about 450 participants to discuss and share experiences, enabling the development of more productive and environmentally friendly palm oil.

CONCLUSION

Our commitment to sustainable palm oil production cannot be overstated. As we strive for excellence, I would like to extend thanks to our employees and smallholders who work each day on the ground to bring about improvements. GAR's achievements would not be possible without your support.

Our gratitude also goes to the customers, investors and NGOs who constantly remind us never to rest on our laurels but keep raising the bar. I hope that through this report you will see how we are evolving and improving to meet the needs of the marketplace and society, as we protect the environment and conduct our business responsibly.



Franky Oesman Widjaja

Chairman and Chief Executive Officer
24 July 2014

ABOUT GAR

Founded in 1996, Golden Agri-Resources Ltd ("GAR") has been listed on the Singapore Exchange since 1999. Our market capitalisation was US\$5.5 billion as at 31 December 2013. We have several subsidiaries, including PT SMART Tbk ("SMART") which has been developing and managing oil palm plantations in Indonesia since the mid-1980s.

In Indonesia, GAR's primary activities include cultivating and harvesting of oil palm trees; processing of fresh fruit bunches ("FFB") into crude palm oil ("CPO") and palm kernel ("PK"); crushing PK into palm kernel oil and palm kernel meal; and refining CPO into value-added products such as cooking oil, margarine and shortening. We also have integrated operations in China including a deep-sea port, oilseed crushing plants and production capabilities for refined edible oil products as well as other food products such as noodles.

Chart 2.1 shows GAR's growth in terms of palm product output since 2000, while Chart 2.2 shows the distribution of our assets as at end of 2013.

CORPORATE STRUCTURE AND OWNERSHIP

Chart 2.3 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 our publicly traded shares and Flambo International Ltd, an investment company owned by the Widjaja family. 49.95% of our shares are held by Flambo International Ltd and 50.05% are publicly held.

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

In addition to GAR's listing on the Singapore Exchange since 1999, SMART has been listed on the Indonesia Stock Exchange since 1992. As listed companies, both GAR and SMART comply with the rules and regulations of the relevant stock exchanges.

All of our oil palm plantations are located in Indonesia. Chart 2.4 shows the location map of the plantations.

Chart 2.1 Output of palm products

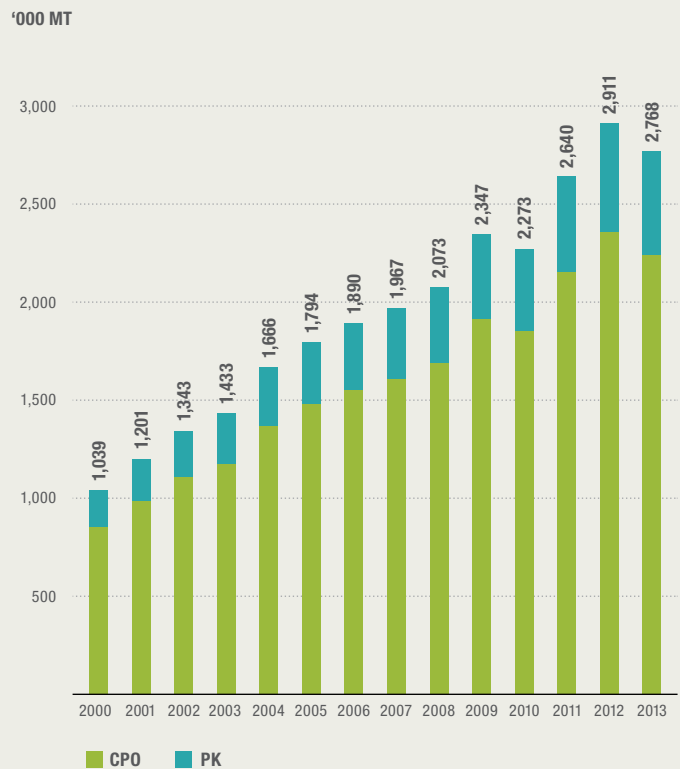
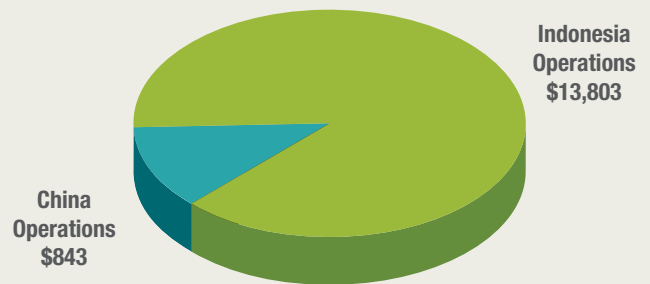
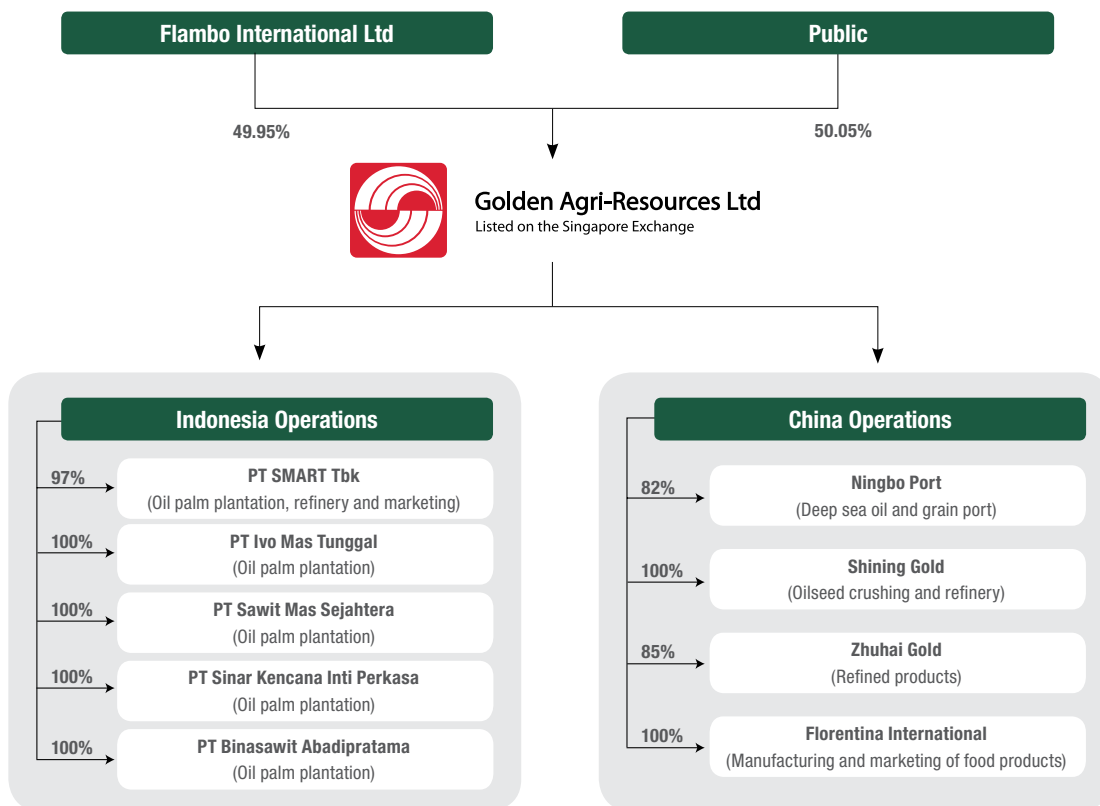


Chart 2.2 Distribution of GAR's assets as at the end of 2013 (US\$ million)



As of December 2013, GAR managed a total planted area of 471,100 hectares.

Chart 2.3 Corporate structure of GAR



Note:
Simplified corporate structure with principal operating subsidiaries

Chart 2.4 GAR's plantations in Indonesia



Chart 2.5 The value chain of our business in Indonesia



OUR BUSINESS MODEL IN INDONESIA

Our business model is based on creating a vertically integrated business, from the production of planting material to the development of plantations, harvesting, milling, refining and processing of palm oil products for bulk and consumer sales represented by a wide range of brands popular across Asia and beyond. We are pursuing sustained growth from the development of the upstream and downstream businesses in both domestic and international markets. Chart 2.5 shows the basic structure of the value chain of our palm oil business, stretching from plantation development to consumer sales.

In 2013, we produced 2.24 million tonnes of CPO, which accounted for approximately 8% of Indonesia’s CPO production of 28.40 million tonnes.

Part of the CPO and PK produced is further processed in our refineries and kernel crushing plants. From these facilities, we generate higher value-added products, which we market in bulk form and under our own brands domestically and internationally. We have successfully grown our downstream business in Indonesia, where our refined product sales volume increased by more than 60% in 2013.

We continue to strengthen our existing foothold in international markets and penetrate new export markets. Our joint ventures with global transportation players Stena Weco A/S and Stena Bulk AB have extended our distribution and logistics capabilities. This collaboration provides a holistic solution to GAR’s international transportation by securing greater and more flexible access to large shipping capacities. During 2013, we have increased our owned fleet and improved our logistics infrastructure through increased bulking and warehousing, as well as through owned jetty and port facilities in strategic locations. We have also opened branch offices and logistic capabilities in the destination countries, thus enhancing our capacity to meet the diverse needs of our global consumer and customer base.

OUR BUSINESS MODEL IN CHINA

Through operations in China, GAR owns integrated vegetable oil facilities comprising capacity at one of China’s largest deep-sea ports, oilseed storage, crushing and refining facilities, as well as food production capabilities. Most of these operations focus on producing palm oil and soybean based products, including soybean oil, soybean meal, cooking oil and blended vegetable oils, for strategically selected markets in China. Chart 2.6 shows the basic structure of the value chain of our operations in China.

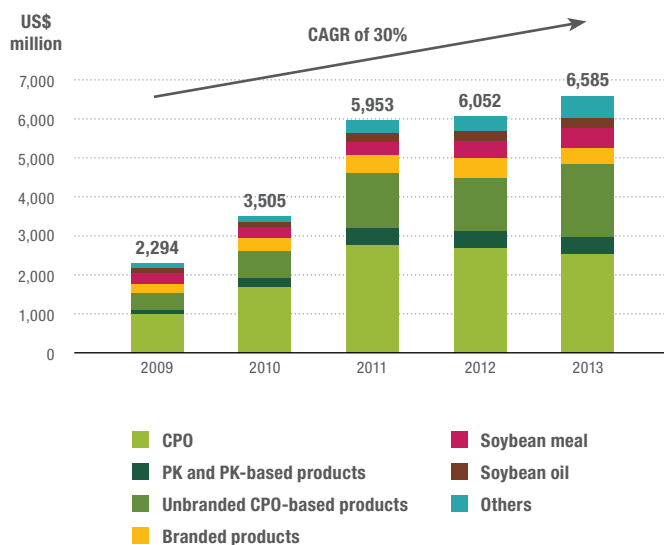
Chart 2.6 The value chain of our business in China



Revenue from our China operations in 2013 was US\$1.28 billion, slightly lower than the previous year, mainly due to the decline in average selling prices. To grow GAR's presence in the edible oils and specialty fats market in China, we intend to leverage the market knowledge, customer base and extensive distribution channels of Florentina International Holdings Limited ("FIH"). FIH is a subsidiary GAR acquired in September 2010, which manufactures and distributes a variety of economy and premium grade snack noodles, instant noodles and other snack products in China. FIH operates seven strategically located noodle plants with a total annual capacity of five billion packets of noodles, and distributes its products via a strong integrated network of almost 29,000 distributors, 135,000 traditional retail outlets, supermarkets, chain stores, hypermarkets, and convenience stores throughout the country.

Chart 2.7 shows GAR's revenues by product over the past five years. Revenue has more than doubled during this period, primarily driven by higher sales volume and supported by increasing trend in CPO production. Our export business sells products worldwide (see the "Customer Relations" chapter for details).

Chart 2.7 Revenue growth by products



ABOUT GAR

Chart 2.8 gives an indication of the main sources of GAR's revenues in 2013. Foreign revenue for our Indonesia operations in 2013 amounted to US\$4.65 billion.

FINANCIAL PERFORMANCE

Chart 2.9 shows GAR's consolidated financial performance for the past five years, covering revenue, gross profit, operating profit, income tax and core net profit. During 2013, revenue grew by 9% while gross profit decreased by 15%. At the bottom line, core net profit, net profit excluding the net effect of net gain from changes in fair value of biological assets, foreign exchange loss and exceptional items, recorded a 21% decline, mainly impacted by weaker CPO market prices.

Our financial performance is primarily affected by the prevailing CPO international market prices. CPO prices have been volatile given the influence of global economic conditions, supply and demand factors as well as volatility in crude oil prices.

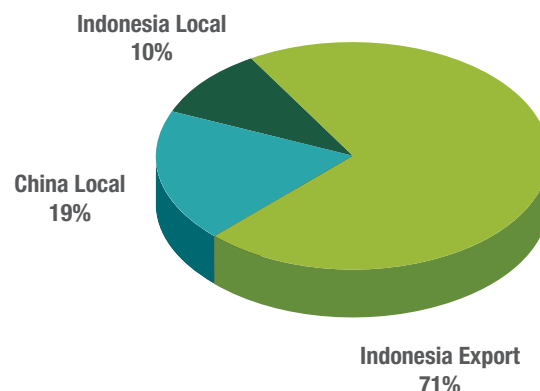
Although CPO prices (FOB Belawan) in 2013 decreased by 17% compared to the previous year, they remained at a profitable level, averaging US\$797 per tonne. Chart 2.10 illustrates the historical performance of CPO FOB Belawan prices for the last five years.

Chart 2.11 shows the distribution of our profit before tax excluding the effect of net gain from changes in fair value of biological assets in 2013. As an expanding company, a high proportion of profits was retained for re-investment in our business. GAR is growing rapidly, and this expansion requires considerable capital investment, both from our own resources as well as from banks and capital markets.

PRODUCTIVITY THE KEY TO WEALTH CREATION

Palm oil is known for its multiple uses in food, healthcare products, cosmetics and biofuels. Currently, it is mostly used for food, by

Chart 2.8 Revenue by source in 2013



both end users and food industries. Its principal domestic use is as cooking oil. It is also used in solidified spreads and as an ingredient in various processed foods.

The role of palm oil in food security is becoming more important as it is now the world's most widely consumed vegetable oil, comprising 35% of vegetable oil consumed in 2013. As palm oil is the cheapest of all vegetable oils, it is an important part of the diet in most developing countries, including Indonesia, China and India.

Besides being the cheapest, palm oil is also the most efficient vegetable oil in terms of land area used. Efficiency in land utilisation is crucial, as land availability becomes scarcer globally, with competition for it intensifying from a growing population and increasing per capita consumption.

The role of palm oil as the most productive vegetable oil has therefore gained importance. It is the most effective way to provide

Chart 2.9 Financial performance 2009–2013

(US\$ Million)	2009	2010	2011	2012	2013
Revenue	2,294	3,505	5,953	6,052	6,585
Gross profit	509	955	1,837	1,611	1,363
Gross profit margin	22%	27%	31%	27%	21%
Operating profit	618	1,915	1,700	678	528
Income tax	21	(482)	(428)	(196)	(114)
Core net profit ¹	203	387	571	404	318
Addition:					
• Net gain from changes in fair value of biological assets (Net of tax and non-controlling interests)	406	1,012	672	37	27
• Foreign exchange gain/(loss) (Net of non-controlling interests)	(1)	30	19	(7)	(34)
• Exceptional items	(1)	(6)	6	(24)	–
• Net profit attributable to owners of the Company	607	1,423	1,268	410	311

Note:

¹ Core Net Profit is net profit attributable to owners of the Company, excluding net effect of net gain from changes in fair value of biological assets, foreign exchange gain/(loss) and exceptional items.

Chart 2.10 Change in CPO prices over five years



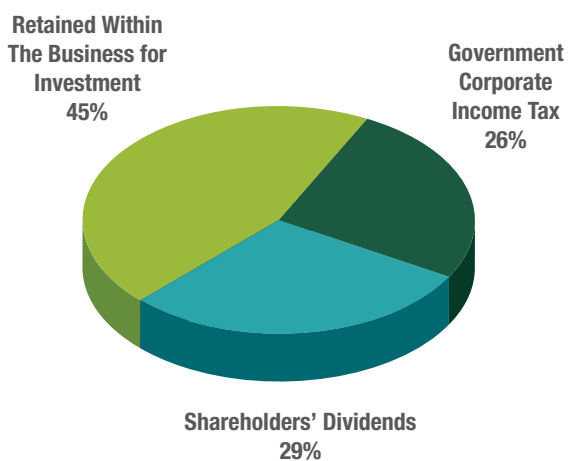
an affordable and ample global supply of vegetable oil, while freeing up land for other purposes including forest conservation. In 2013, mature oil palms occupied only 6% of the total harvested area for vegetable oils. However, in the form of palm oil and palm kernel oil, they supplied 38% of global vegetable oil consumption in 2013. Chart 2.12 illustrates how many tonnes of oil was produced per hectare of oil palm planted area (productivity) compared to the other three largest produced vegetable oils in 2013.

Chart 2.12 also shows that GAR considerably exceeds the industry average as a whole in terms of productivity. This important contribution to sustainability is achieved by substantial investment in and continuous improvement of plantation management. This covers the quality of planting material used, best agronomical practices and land suitability.

In managing our vast plantation area, our integrated management information system has served as a one-stop multi-function monitoring and management control centre, providing operational, industry and general market information. This state-of-the-art system enables management to make decisions with complete factual input in a timely manner and to gather information in great detail as if on-site at each of our plantations.

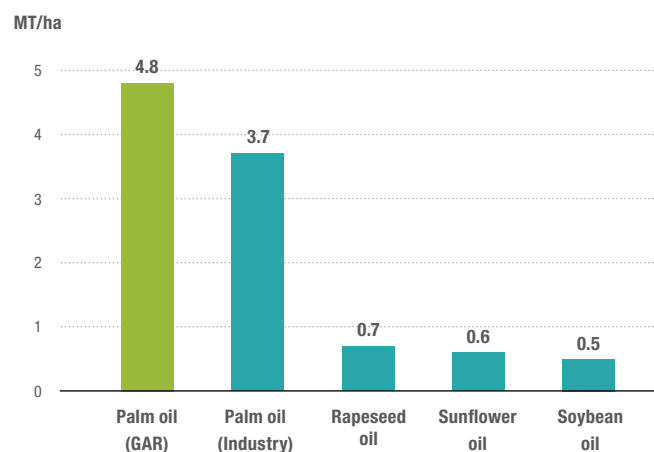
Our vertically integrated model enables us to switch between crude and refined products for both the local and international markets. In this way, we capture the full value of our production from plantation to consumer use in tandem with local and international market demand. To do this, the business has invested in management expertise and technology to ensure quality control and traceability of products throughout the value chain.

Chart 2.11 Distribution of GAR's 2013 profit before tax



Note: Excluding the effect of net gain from changes in fair value of biological assets

Chart 2.12 Vegetable oil yield per hectare



Note: Source: Oil World Annual 2014, ISTA Mielke GmbH and the Company

ABOUT GAR

SHARING WEALTH WITH STAKEHOLDERS

When we create wealth, we also share it with our stakeholders. Over a five-year period, we have generated reasonable returns to investors in terms of dividends. For 2013 income, we distributed a total dividend of 1.10 Singapore cents per share or equivalent to approximately US\$112.6 million in total. This is a special dividend of 35% of underlying profit, as our usual dividend policy is to distribute up to 30% of underlying profit. Chart 2.13 shows growth in the value of our shares over the same period.

Our core stakeholders also benefit from our economic returns. Chart 2.14 shows how the total revenue of our Indonesia operations was shared amongst our core stakeholders in 2013. Our suppliers are the largest beneficiaries of our business. Some 74.6% of revenue is spent on three categories of suppliers including our plasma farmers.

As a company based in a developing country, we are aware that the growth and success of our business should contribute to the development of Indonesia and its people, in economic, social and environmental terms. This report therefore seeks to address all three aspects.

INVESTING FOR THE FUTURE IN AFRICA

In 2010, GAR decided to invest in The Verdant Fund LP, a private equity fund which owns Golden Veroleum (Liberia) Inc (“GVL”), a company incorporated in Liberia, West Africa. GVL has been granted a concession by the Liberian government to develop 220,000 hectares of land for oil palm plantations. The area will be developed over a period of 20 years in accordance with the highest standards of agronomy and sustainability, and in compliance with RSPO standards and GAR’s Forest Conservation Policy (“FCP”)

Chart 2.13 GAR’s share price over the past 5 years



Chart 2.14 Distribution of GAR Indonesia operation’s revenue of US\$5,308 million in 2013

Stakeholders	Transactions	% of Revenue
Suppliers	Provide products and services	
Plasma farmers	Provide FFB	5.4%
Non-plasma farmers	Provide FFB	1.7%
Other suppliers	Provide other products ¹ and services	66.3%
Suppliers sub-total		73.4%
Others		
Employees and casual workers	Salaries and benefits	9.8%
Government	Income tax and export tax	6.8%
Shareholders	Dividend distribution	2.1%
Banks	Interest expense	1.8%
Community	CSR activities	0.1%
Retained for the future	Research and development	0.2%
Retained for the future	Capital expenditure	5.9%
Others sub-total		26.6%
Total		100.0%

Note:

¹ Consisting of raw materials, direct and indirect materials, end products, packaging, fertilisers, energy, spare parts, tools and equipment and other physical items.

commitments. Currently, four nurseries for seedling development have been established.

As at end 2013, approximately 3,100 hectares of plantations had been planted. By providing technical expertise to the project, GAR will ensure that, like all our plantations in Indonesia, the oil palm cultivation in Liberia adopts good sustainability practices.

CORPORATE VISION AND VALUES

At the heart of our business is a clear vision, a sense of mission and a set of values that guide what we do. We hold ourselves accountable to these standards, and this report in many ways demonstrates how we seek to live by them.

Our vision is:

We aim to be the best. To become the largest integrated and most profitable palm-based consumer company.

Our mission is focused on:

- Surpassing the highest standard of quality
- Maintaining the highest level of sustainability and integrity
- Empowering society and community
- Trend-setting innovation and technology
- Achieving maximum value for shareholders

The values which guide our everyday actions within the business are Integrity, Positive Attitude, Commitment, Continuous Improvement, Innovation and Loyalty.

Our vision, mission and values statements together commit us to the strictest standards of conduct in running the Company and in how we behave towards each other, our stakeholders, the natural environment and the wider society. We aspire to attain the highest level of sustainability which for us, a natural resource based company, means that environmental issues are of the utmost importance. However, we also recognise that long-term sustainability requires the consideration of economic and social factors too.

We have developed a draft Code of Business Principles to give employees more guidance on ethical issues and our responsibilities to stakeholders and the world around us. Further consultation with employees and management will be undertaken to finalise the Code. We will report further on our progress relating to the

Code as well as on linking the principles to our corporate policies and its implementation.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance, and is committed to observing high standards of corporate governance, to promote corporate transparency and enhance shareholder value. GAR has complied substantively with the principles and guidelines set out in the revised Code of Corporate Governance issued in 2012 through effective self-regulatory corporate practices.

BOARD OF DIRECTORS

Our nine-member Board of Directors is responsible for the strategy and direction of GAR in all respects. The Board is led by Franky O. Widjaja who is both the Company’s Executive Chairman and CEO. The Board also includes four independent directors, making up more than one-third of the composition of the Board, thereby providing a strong and independent element on the Board. This is fundamental to good corporate governance as it facilitates the exercise of independent and objective judgement on corporate affairs, and ensures discussion and review of key issues and strategies in a critical yet constructive manner.

The Board of Directors consists of three Indonesians, three Singaporeans, two Mauritians, and a Filipino. They have been elected to the Board based on their diverse skill sets and professional expertise across various industries.

In accordance with the Code of Corporate Governance 2012, the Board has established the Nominating, Remuneration and Audit Committees; each with their respective written terms of reference, and headed by one of the independent directors. The Board is responsible for the governance of risk by ensuring that Management maintains a sound system of risk management and internal controls.

CORRUPTION AND IMPROPER PAYMENTS

We do not tolerate any instances of payments and corruption in our Company. The spirit of integrity, which is an integral part of our Shared Values, is embraced by all our staff, from management to plantation workers on the ground. Any employee found to have engaged in improper payments or corruption will be severely dealt with by the Company and to the full extent of the law.

Our Shared Values

<p>INTEGRITY to put statements or promises into actions so that one can earn the trust of others</p>	<p>POSITIVE ATTITUDE to display encouraging behaviour towards the creation of a mutually appreciative and conducive working environment</p>	<p>COMMITMENT to perform our work whole heartedly in order to achieve the best results</p>	<p>CONTINUOUS IMPROVEMENT to continuously enhance the capability of self, working unit and organisation to obtain the best results</p>	<p>INNOVATION to come up with ideas or to create new products/tools/ systems that can increase productivity and the Company's growth</p>	<p>LOYALTY to cultivate the spirit of knowing, understanding and implementing the Company's core values as part of the GAR family</p>
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ABOUT GAR

RELATIONS WITH SHAREHOLDERS

We are committed to providing easy and transparent access to all the data investors need to assess the Company and its performance. Currently, we have approximately 20 analysts who cover the Company.

The resolutions passed at the 2014 Annual Meeting held on 25 April 2014 can be found online at http://www.goldenagri.com.sg/ir_members_meeting.php.

RELATIONS WITH GOVERNMENT

The development of our business is intimately connected with the development of Indonesia. Our growth is directly aligned with the national strategy for the development of the country's natural resources and industry, and we believe our Company makes a direct and positive contribution to the development of Indonesia. Consequently, we are committed to working closely with the government, and are guided by its development policies and all national laws relevant to our business, both upstream and downstream.

With regard to our plantation development, the Government of Indonesia, together with the Indonesian Chamber of Commerce and Industry ("KADIN"), has mapped out its vision to "Feed Indonesia - Feed the World", to ensure that Indonesia becomes self-sufficient in strategic food supplies and a major food supplier to the world by 2030. As a major player in the agribusiness and food sectors in Indonesia, we play an active role in leading and shaping the agenda and working within the government's framework of policies and laws.

To boost the productivity of one million independent oil palm smallholders in Indonesia, the Indonesian Chamber of Commerce and Industry ("KADIN") initiated an innovative financing scheme. KADIN is confident that the scheme will help to increase their annual oil yield from the current two to three tonnes per hectare to five to six tonnes per hectare; and avoid opening one million hectares of additional land for oil palm development.

In September 2013, we secured the commitment of about 400 independent farmers to be part of a pilot project to replant their oil palm plantations, covering 250 hectares of land in Riau. We have pledged to support their development by supplying them with high-yielding seeds and good quality fertilisers as well as ensuring knowledge transfer and capacity building through agronomical support once the scheme is formally endorsed by the Government of Indonesia.

GAR also plays an active role in Partnership for Indonesia Sustainable Agriculture ("PISAgro"), a new vision for agriculture launched by the Indonesian government during the World Economic Forum in June 2011 to address Indonesia's food, climate change and poverty challenges. PISAgro is targeting a 20% increase in agriculture output, a 20% improvement in smallholders' income or yield and a 20% reduction in carbon emissions by 2020. Our Chairman and CEO, Franky O. Widjaja, is leading the initiative as a co-Chairman of PISAgro.

As a good corporate citizen, we maintain good relationships with government institutions in a professional way. GAR also complies with all relevant prevailing laws and regulations in Indonesia. In 2013, we did not incur any significant fines or sanctions as a result of non-compliance with any laws and regulations or concerning the provision and use of products and services.

We recognise that the Government of Indonesia plays a critical role in adopting new regulations and enacting relevant legislation to enable the transformation of the palm oil industry. Therefore, we have actively engaged related ministries in Indonesia in developing solutions towards sustainable palm oil production.

RELATIONS WITH INDUSTRY, TRADE ASSOCIATIONS AND INTERNATIONAL ORGANISATIONS

We actively seek to engage with industry, trade and international organisations. This is shown in our participation through our subsidiary, SMART, and our Management in KADIN, The Indonesian Palm Oil Board ("IPOB"), The Indonesian Palm Oil Association ("GAPKI"), The Indonesian Edible Oil Industry Association ("AIMMI"), The Indonesian Food and Beverage Entrepreneurs Association ("GAPMMI"), The Employers' Association of Indonesia ("APINDO") and The Indonesian Palm Oil Community ("MAKSI").

Our Chairman and CEO, Franky O. Widjaja, is the Vice Chairman of KADIN for the agribusiness and food sector, a secretary to the Advisory Council of APINDO and a member of the Advisory Board of GAPKI and GAPMMI.

INTERNATIONAL STAKEHOLDERS AND STANDARDS

As a company with a growing international customer and consumer base, we are also committed to a number of international standards, such as those set by ISO, that help improve our business in all aspects of quality and sustainability. In social and environmental matters, we are committed to adhering to the standards of four global and regional organisations:

Indonesia Sustainable Palm Oil System ("ISPO")

In March 2011, the Ministry of Agriculture of Indonesia launched ISPO, which aims to support the commitment of the country in reducing greenhouse gas emissions, to raise awareness of the importance of sustainable palm oil production and to accelerate the implementation of a sustainable production system and certification, as well as to enhance the competitiveness of Indonesian palm oil in the world market.

GAR is supportive of ISPO and is working towards ISPO certification. Our subsidiaries, SMART and PT Ivo Mas Tunggal ("IMT") took part in ISPO field trials in early 2011 to provide feedback and input on the implementation of ISPO standards.

As of 30 June 2014, 35,789 hectares of plantations and three mills in Riau and North Sumatra have received ISPO certification.

Roundtable on Sustainable Palm Oil (“RSPO”)

GAR and its subsidiaries support the RSPO and are committed to adhering to RSPO Principles and Criteria. GAR has progressed in its RSPO certification plans. As of 30 June 2014, 218,582 hectares of plantations (including smallholder plantations of 49,909 hectares), 19 mills, three kernel crushing plants, two refineries and one bulking station have received RSPO certification. This brings GAR closer to our overall target of obtaining RSPO certification for all our existing 433,200 hectares of oil palm plantations and 41 mills (as at June 2010) by December 2015. This includes about 89,000 hectares of plasma scheme plantations involving about 45,000 smallholders. Palm oil operations established after 30 June 2010 will be part of a separate timebound plan. To optimise our certification efforts, we are deploying a scorecard system in collaboration with The Forest Trust (“TFT”).

The Company’s RSPO certification team is guided by a steering committee chaired by Daud Dharsono, President Director of SMART.

International Sustainability and Carbon Certification (“ISCC”)

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

As of 30 June 2014, 266,843 hectares of our plantations (including 59,628 hectares of plasma scheme plantations), 28 mills, three kernel crushing plants, three refineries, and 12 bulking stations have obtained ISCC certification.

United Nations Global Compact (“UNGC”)

The UNGC is the world’s largest voluntary corporate social responsibility initiative and as a signatory member through our subsidiary, SMART, we support the ten core principles covering human rights, labour standards and anti-corruption. This applies to our owned and operated businesses and those of key suppliers.

AWARDS

The following is the list of awards received by SMART, GAR’s main subsidiary in Indonesia in 2013:

- SMART received the Primaniyarta award, an Indonesia Export Award from the Ministry of Trade of Indonesia for being a Global Brand Creator.
- The Ministry of Agriculture of Indonesia presented SMART with the Agriculture Innovation Award 2013 in recognition of our innovations in increasing oil palm yield through seed development and advanced plantation management.
- In recognition of our Sekolah SMART programme, we were runner-up in the education category of the Indonesia Millennium Development Goals (“MDG”) Awards 2012 by The Office of The President’s Special Envoy for MDG.

- In recognition of our programme with Orangutan Foundation International (“OFI”) for supporting the protection of orangutans, SMART was named a Biodiversity Conservationist at the Indonesia Green Awards 2013 presented by The La Tofi School of CSR.
- Fortune Indonesia magazine named SMART one of the 20 Most Admired Companies in Indonesia in 2013. SMART was placed second in the Agricultural Industry category.
- Our prominent cooking oil and margarine brand in Indonesia, Filma, was recognised as:
 - “5-Star Quality Product 2013 (Global Customer Satisfaction Standard 2013)” in the Cooking Oil and Margarine category, based on a survey by PT MARS Indonesia;
 - “5-Star World Class Quality Achievement 2013 (Global Customer Satisfaction Standard 2013)” in the Cooking Oil and Margarine category, based on a survey by PT MARS Indonesia; and
 - “Indonesia Original Brands 2013” in the Cooking Oil and Margarine category for the second year running, based on a survey by SWA magazine, a well-known business magazine in Indonesia.

MANAGING SUSTAINABILITY

Our mission and values commit us to being the leader in sustainable palm oil production by adopting the best industry practices and standards, managing the environment responsibly, and empowering the communities where we operate, while maximising long-term shareholder value.

Our sustainability strategy focuses on engaging stakeholders proactively, implementing the best practices holistically (covering the environment, community, marketplace and workplace), benchmarking against industry standards, and reporting our progress in a timely and open manner.

In 2010, GAR appointed its own Managing Director of Communications and Sustainability to foster better relationships across a broad stakeholder group and improve the integration of sustainability work across the whole of the business. The Managing Director reports to GAR’s Executive Director and CFO, Rafael Buhay Concepcion, Jr. The internal management of sustainability at GAR is an integrated system that ultimately reports to the Chairman and CEO of the Company through the President Director of SMART.

Chart 2.15 The structure of sustainability management at GAR

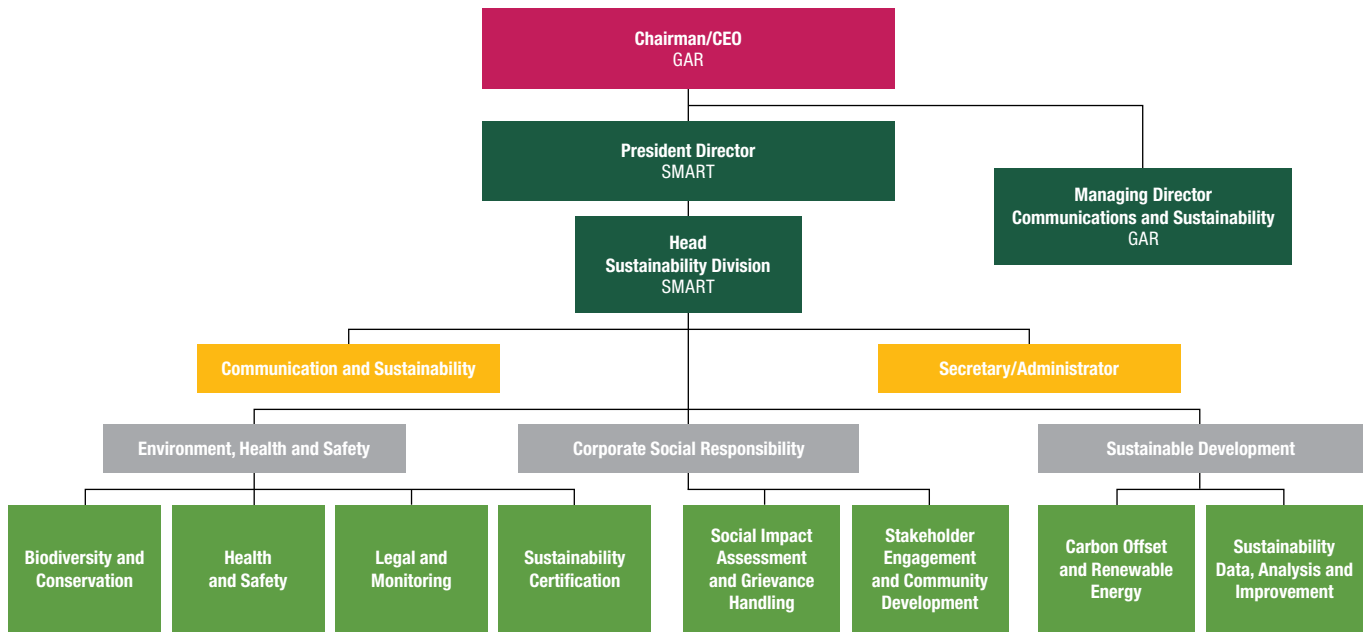


Chart 2.15 also shows the role played by the Sustainability Division of SMART in bringing together the different components of a well-rounded sustainability strategy.

In 2013, our strategic focus has been collaborating with multiple stakeholders to find solutions for the production of sustainable palm oil. We also continued to work with the RSPO to ensure that all our current practices are in line with its existing standards and that all our palm oil operations (as of 30 June 2010) will be fully certified to its standards by 2015 (see the “Stakeholder Engagement” chapter). The key developments in 2013 and early 2014 include:

1. the publication of a six-month progress report on the High Carbon Stock (“HCS”) forest conservation pilot project in West Kalimantan, Indonesia.
2. the implementation of processes to ensure that the palm oil for both our upstream and downstream operations is in line with our FCP; and
3. the publication of our progress report on the implementation of our Yield Improvement Policy (“YIP”).

In line with our FCP and to ensure that our palm oil operations have no deforestation footprint, we have taken the lead to investigate and promote the adoption of HCS concept across the palm oil industry. On 13 March 2013, together with SMART, we announced the implementation of an HCS forest conservation pilot project in PT Kartika Prima Cipta, West Kalimantan, Indonesia. During the pilot, we reached out to relevant stakeholders from the community, Indonesian government, civil society organisations and industry, with the objective of establishing a framework for successful HCS conservation by the palm oil industry.

In October 2013, SMART and GAR published a six-month progress report of the pilot. We have implemented the pilot for 12 months and expect to publish a full report on the pilot in the second half of 2014.

GAR is committed to “no deforestation” palm oil in our entire supply chain. We are implementing processes to ensure that the palm oil for both our upstream and downstream operations is in line with our FCP. We take a pragmatic approach towards the growing market demand for traceable, deforestation-free palm oil, and are taking steps to achieve traceability that makes business sense. It has to be practical and commercially viable.

For policies like the FCP to succeed, we recognise that we need the buy-in from multiple stakeholders – communities to value and protect HCS land; governments to implement policies that enable HCS forest conservation; and industry players to adopt a similar forest conservation policy. We believe that collaboration is the best way to find solutions for sustainable palm oil production.

On 23 July 2014, GAR published our progress report on the implementation of our YIP that applies to GAR’s total cultivated area including all smallholdings. The YIP leverages technology and innovation to increase crude palm oil (“CPO”) yield in order to improve the livelihoods of smallholders and to reduce the pressure to open new land. Under the policy, the Company aims to achieve by 2015 an average CPO yield of 5.8 tonnes per hectare from oil palm trees in the prime age of seven to 18 years. This is a 12 percent increase from the 2010 level.

These key developments are discussed in the chapters on “Stakeholder Engagement” and “Managing Sustainability in Our Plantations”. They are an important part of this report, which seeks to show how they came about, and the impact they will have.

STAKEHOLDER ENGAGEMENT

As one of the largest integrated palm oil plantation companies in the world, we ensure that we continually deliver shareholder value, meet the demand for responsibly produced and quality palm oil, create employment opportunities and drive economic and social developments wherever we operate.

We believe that multi-stakeholder collaboration is the best way to achieve solutions for sustainable palm oil production. To succeed, GAR cannot act alone.

As a leader in the industry, we act as a catalyst by equipping, connecting and mobilising our employees, customers, civil society organisations, investors, the Government of Indonesia, local and indigenous communities, our peers and other stakeholders in the palm oil industry.

A HOLISTIC APPROACH TOWARDS SUSTAINABILITY

Our sustainability strategy focuses on implementing best practices holistically, covering the environment, community, marketplace and workplace, as well as benchmarking against industry standards.

GAR's Forest Conservation Policy ("FCP"), Social and Community Engagement Policy ("SCEP") and Yield Improvement Policy ("YIP") set the framework for our approach to sustainable development.

Our FCP focuses on: no development in high carbon stock ("HCS") forests, high conservation value ("HCV") areas and peat lands; free, prior and informed consent from indigenous and local communities; and compliance with all relevant laws and internationally accepted certification principles and criteria.

Building on the FCP are our SCEP and YIP. The SCEP ensures that our palm oil operations improve the lives of the communities they impact while the YIP leverages technology and innovation to increase crude palm oil ("CPO") yield, in order to improve the livelihoods of smallholders and reduce the pressure to open new land.

Advancing forest conservation

On 13 March 2013, together with SMART, we announced the implementation of an HCS forest conservation pilot project in PT Kartika Prima Cipta ("PT KPC"), West Kalimantan, Indonesia. The purpose of the pilot is to establish a framework for successful HCS conservation by the broader palm oil industry.

During the pilot, GAR and SMART in collaboration with The Forest Trust ("TFT") and Greenpeace (together the "Team") continued to engage with the Government of Indonesia, civil society organisations, local and indigenous communities, key growers and other stakeholders in the Indonesian palm oil industry to address the following key success factors:

- Community buy-in, which would require palm oil companies to fulfil their plasma commitments to smallholders by compensating them for not being able to plant on HCS land. In addition to a compensation plan for HCS land, there would need to be a plan for the community to be involved in protecting HCS land.
- Government of Indonesia buy-in, whereby the government would take an active role in formulating policies to further promote HCS conservation. These would include amending the policy on abandoned land and implementing a land swap policy to facilitate the exchange of HCS land for alternative planting sites. The government would also map no-go HCS zones to indicate land on which there is to be a moratorium on clearing and planting.
- Industry buy-in, where at least ten key growers would adopt the HCS forest conservation strategy and implement their respective pilot projects before GAR rolls out the next phase of its HCS forest conservation. In addition, industry bodies such as the Indonesia Palm Oil Association ("GAPKI") would adopt an HCS conservation policy.

In October 2013, SMART and GAR published a six-month progress report of the pilot. The report noted the importance of robust HCV assessments and participatory processes with the community (through free, prior and informed consent ("FPIC") and land use planning) if we are to fully implement the FCP component of a "no deforestation" footprint. To ensure that HCVs have been fully captured, several HCV assessments are being revised and updated.

During the final phase of the pilot, there was outreach to relevant experts to peer review and finalise the HCS forest patch selection decision tree. We also ensured that:

- There will be an ongoing focus on the pilot site in PT KPC to socialise HCS conservation and to roll out a participatory mapping exercise which will cover non-forest timber products as well.



GAR actively engages with key stakeholders such as the Government of Indonesia, civil society organisations, local and indigenous communities, key growers and other stakeholders in the Indonesian palm oil industry.

STAKEHOLDER ENGAGEMENT

- We are engaging with the relevant government bodies to address the challenges posed by the Abandoned Land Policy and opportunities offered by land swap.
- We continue to engage with key industry players to consider the benefits of implementing HCS conservation in their operations. This is being done through face-to-face meetings and industry forums like the inaugural Tropical Forest Alliance 2020 workshop held in Jakarta in June 2013.

We have also approached local NGOs to collaborate with us in community engagement. In July 2013, Forest Peoples Programme (“FPP”) and its local partners conducted a survey with a cross-section of the communities in the pilot site, and submitted an interim report summarising the testimonies collected. GAR and SMART have had meetings with FPP and have been discussing the situation at PT KPC since early July 2013. Their additional findings have assisted our own full field audit of PT KPC, conducted in partnership with TFT. We are currently implementing an action plan to address the issues identified.

We have implemented the pilot for 12 months. We expect to publish a full report on the pilot in the second half of 2014.

As part of our commitment to report our progress in an open and transparent manner, we launched the GAR Sustainability Dashboard on 28 May 2014. This is an online reporting system that tracks the progress of our FCP and sustainability developments. To access the information, stakeholders may submit a login request at http://goldenagri.com.sg/sustainable_dashboard.php.

Empowering the community

We provide employment for about 175,000 people in Indonesia, of whom 47,000 are direct employees, 66,000 are smallholders and 62,000 are casual workers on plantations. As a leader in the industry, we embrace our role in ensuring the well-being of our employees and the communities where we operate.

Our SCEP guides and shapes the Company’s decisions in engaging with communities. We have been mobilising stakeholders such as local communities, our employees and government bodies while utilising our financial resources effectively. GAR and SMART have been actively driving a comprehensive range of community programmes including education, healthcare, building and providing public infrastructure, housing and facilities, giving financial aid to the needy and more.

Please see the “Social and Community Affairs” chapter for a more detailed report on our community initiatives.

WORKING WITH CERTIFICATION BODIES

Roundtable on Sustainable Palm Oil (“RSPO”)

We continued to work closely with the RSPO during the year. GAR currently co-chairs the Indonesian HCV Task Force, which was formed to explore means of effectively securing HCV areas in oil palm development areas in Indonesia, in line with the RSPO Principles and Criteria (“P&C”), as well as to explore options to

reform local and national laws and procedures to secure HCV areas and accommodate the RSPO P&C.

GAR is also a member of the Dispute Settlement Facility Advisory Group, HCV Compensation Task Force and the Biodiversity and High Conservation Values Working Group.

We have progressed in our RSPO certification plans. We have developed and implemented a scorecard system to optimise our RSPO certification efforts. As an analytic management tool, it enables the Company to efficiently map progress across all estates and mills.

As of 30 June 2014, 218,582 hectares of plantations including smallholder plantations of 49,909 hectares, 19 mills, three kernel crushing plants, two refineries, and one bulking station have received RSPO certification.

This brings GAR closer to our overall target of obtaining RSPO certification for all our existing 433,200 hectares of oil palm plantations and 41 mills (as at June 2010) by December 2015. This includes about 89,000 hectares of plasma scheme plantations involving about 45,000 smallholders. Palm oil operations established after 30 June 2010 will be part of a separate timebound plan.

On 28 February 2014, we received RSPO-RED certification for one mill and its supply base (nucleus and plasma) in Kijang, Riau.

The RSPO-RED scheme has been designed as 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.

This 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.

Indonesian Sustainable Palm Oil System (“ISPO”)

GAR is also working towards ISPO certification. ISPO is a policy 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 gas emissions and focus on environmental issues.

As of 30 June 2014, we have received ISPO certification for 35,789 hectares of plantations and three mills in Riau and North Sumatra.

International Sustainability and Carbon Certification (“ISCC”)

As of 30 June 2014, 266,843 hectares of our plantations (including 59,628 hectares of plasma scheme plantations), 28 mills, 12 bulking stations, three kernel crushing plants, and three refineries have obtained ISCC certification.

The objective of the ISCC is the establishment of an internationally oriented, practical and transparent system for the certification of

biomass and bioenergy. ISCC is oriented towards the reduction of greenhouse gas emissions, the sustainable use of land, the protection of natural biospheres and social sustainability.

STRENGTHENING CUSTOMER RELATIONSHIPS

GAR remains focused on engaging with our customers to ensure we deliver on our commitments. In keeping with our commitment to “no deforestation” palm oil in our entire supply chain, we are implementing processes to ensure that the palm oil for both our upstream and downstream operations complies with the FCP.

We take a pragmatic approach towards the growing market demand for traceable, deforestation-free palm oil. To this end, we are taking practical, commercially viable steps to achieve traceability that makes business sense. Ensuring traceability is more challenging in the downstream business, as compared to the upstream business where more than 90% of the fresh fruit bunches come from our own plantations. Multi-stakeholder collaboration will therefore be vital.

We will continue to engage constructively with leading palm oil players to share, learn and implement best practices for the upstream and downstream business.

To implement the FCP, we need buy-in from various stakeholders – communities to value and protect HCS land; government to implement policies that enable HCS forest conservation; and industry players to adopt a similar forest conservation policy.

SMART continues to be a member of the London-based Supplier Ethical Data Exchange (“SEDEX”), a database of socially responsible suppliers supported by a number of global multinationals as they seek contacts and information on suppliers based in developing countries that adhere to internationally recognised sustainability standards.

SHARING BEYOND THE INDUSTRY

GAR also reaches out to stakeholders such as investors, academia and those in the supply chain to enable a better understanding of our business and the industry.

We have presented our approach to sustainability at various forums involving customers, investors, supply chain personnel and NGOs. These events included the RSPO’s 11th Annual Roundtable Meeting and Center for International Forestry Research’s Forest Asia Summit 2014 in Indonesia. We also participated in the 2013 PublicAffairs Asia Sharing Value Asia Forum and 23rd World Economic Forum on East Asia in Singapore and the Philippines respectively.

In November 2013, SMART, in collaboration with James Cook University (Australia) and the Palm Indicator Network, organised a two-day workshop titled ‘Sustainable Management of Soil in Oil Palm Plantings’. The workshop aimed to improve the management of soil in oil palm agro-ecosystems and strengthen the network of scientists who are working on sustainable soil management within the palm oil industry.

Such sharing opportunities allow us to highlight the important role of sustainable palm oil in food security and economic development. We are confident that sustainable palm oil will find increasing support in the marketplace, if these stakeholders, in making their choices as consumers, customers and investors, show their support for sustainably produced palm oil products or companies. This in turn will validate our efforts and motivate more palm oil producers to operate more responsibly.

ICOPE 2014

With the theme: “Oil Palm Cultivation, Becoming a Model for Tomorrow’s Sustainable Agriculture”, the 4th International Conference on Oil Palm and Environment (“ICOPE”) returned to Bali, Indonesia from 12 to 14 February 2014.

Jointly organised by SMART together with the Centre de cooperation Internationale en Recherche Argonomique pour le Développement (“CIRAD”), France, and the World Wildlife Fund (“WWF”) Indonesia, the biennial ICOPE is recognised as an important event for the global development and promotion of sustainable palm oil.

ICOPE 2014 continued to focus on environmental issues, share experiences as well as identify solutions and resources for the benefit of the environment and the palm oil industry. Recommendations to ensure deforestation-free palm oil, reduce greenhouse gas emissions and biodiversity loss as well as improve the productivity of smallholders were deliberated during this international conference.

Three Indonesian Ministers – namely the Minister of Agriculture, the Minister of Forestry and the Minister of the Environment – officiated the opening of the three-day event that gathered about 450 participants consisting of experts, NGOs, policy makers, bankers, researchers, academics and oil palm companies from Asia, Africa, Europe and South America. During the event, they discussed and shared experiences to enable the development of more productive and environmentally friendly palm oil.

Some of the key takeaways from the conference included:

- palm oil is on track to becoming a model for sustainable agriculture;
- the need for further scientific studies on the role and efficiency of riparian areas as well as the size and shape of conservation patches and their effects;
- the importance of more studies relating to ecological intensification of the palm oil agro-system to further improve yield, oil quality, resistance to diseases and adaptation to climate change amongst others; and
- a level of convergence is requested between current and future certification schemes to enable farmers and growers to focus on the implementation of best practices and maximise resources.

MANAGING SUSTAINABILITY IN OUR PLANTATIONS

As at December 2013, GAR cultivated 471,100 hectares of oil palm plantations consisting of 160 estates located throughout Indonesia. This planted area comprises about 371,100 hectares of estates owned by GAR ("nucleus") and 100,000 hectares owned by smallholders ("plasma"). During the year, we planted 13,700 hectares, including replanting 4,900 hectares of old estates. GAR is also in the process of completing the acquisition of 16,000 hectares of oil palm plantations in Indonesia.

The large-scale operations are well supported by our world-class oil palm research and development centre (SMART Research Institute or "SMARTRI") and superior plantation management, maintaining our estates at their best quality. Younger estates use a newer generation of high-yielding Dami Mas seeds, which will boost GAR's production in the future.

As a result of consistent expansion over the past few years, the age profile of our estates remains favourable, with an average age of approximately 13 years, providing a solid foundation for near to medium term growth. Of the 471,100 hectares, 9% are immature while 91% are mature. Of the mature estates, 52% are at the prime age of seven to 18 years that produces optimum yield, while 19% are at the young age of four to six years, securing production growth in the coming years.

A HOLISTIC APPROACH TO SUSTAINABILITY

As a leading palm oil group committed to environmental, social and economic sustainability, GAR's holistic approach for sustainable development of our plantations comprises the Forest Conservation Policy ("FCP"), Social and Community Engagement Policy ("SCEP") and Yield Improvement Policy ("YIP").

Forest Conservation Policy

In line with our FCP to ensure that our palm oil operations have no deforestation footprint, we are committed to conserving high carbon stock ("HCS") forests and promoting the adoption of HCS conservation across the palm oil industry.

In March 2013, GAR and our subsidiary, PT SMART Tbk ("SMART"), announced the implementation of a pilot project for HCS forest conservation in PT Kartika Prima Cipta ("PT KPC"), West Kalimantan, Indonesia.

Besides PT KPC, we are conserving HCS forests in seven other concessions with new plantings in West and Central Kalimantan. Together, the HCS areas in these eight concessions cover about 19,000 hectares.

In October 2013, GAR published a six-month progress report on the pilot. The report noted the importance of robust High Conservation Value ("HCV") assessments and participatory processes with the community (through free, prior and informed consent or "FPIC" and land use planning) if we are to fully implement the FCP component of a "no deforestation" footprint. To ensure that HCVs have been fully captured, several HCV assessments are being revised and updated.

During the final phase of the pilot, there was outreach to relevant experts to peer review and finalise the HCS decision tree. We also ensured that we continue to engage with the Government of Indonesia, civil society organisations, local and indigenous communities, key players and other stakeholders in the Indonesian palm oil industry, to find solutions to existing challenges, including the current legal framework.

As we progress in the multi-stakeholder collaboration to conserve HCS, we are continuously learning and improving on our processes. GAR and SMART have developed an action plan ("the Plan") with The Forest Trust ("TFT") to further strengthen our processes and ensure that our management and monitoring systems are robust. Management systems cover key performance areas such as HCS, peat, HCVs and social and community engagement.

The Plan underlines our commitment to the FCP and implementation of the HCS methodology beyond the pilot which we have implemented for 12 months. During the pilot, we remained focused on addressing the key success factors for HCS conservation as elaborated in the "Stakeholder Engagement" chapter on page 15. GAR expects to publish a full report on the pilot in the second half of 2014.

Social and Community Engagement Policy

Sustainable palm oil production requires the active participation of members from all management levels, from senior managers to field workers, smallholder farmers and local communities. All stakeholders need to understand what we are trying to achieve



GAR's holistic approach for sustainable development of our plantations comprises the FCP, SCEP and YIP.

and be engaged in helping to shape our policies and practices on the ground. Such constructive engagement can only be built on a basis of trust and transparent communication.

Consequently, in our SCEP, we have collaborated with TFT to develop a framework of principles that enables us to effectively relate to our stakeholders. We believe that these principles will enable us to build the relationships that are essential for sustainable success. We will continue to promote this approach across the palm oil industry in Indonesia and around the world.

Yield Improvement Policy

Our YIP, which we jointly developed with TFT, applies to GAR’s total cultivated area including all smallholdings. The YIP leverages technology and innovation to increase crude palm oil (“CPO”) yield, in order to improve the livelihoods of smallholders and to reduce the pressure to open new land.

The YIP focuses on best practices in planting material, agronomy, plantation management and land suitability. It applies to GAR’s total cultivated area of 471,100 hectares, including a total plasma area of about 100,000 hectares as at 31 December 2013.

Under the policy, we aim to achieve an average CPO yield of 5.8 tonnes per hectare and 5.6 tonnes per hectare for our own plantations and smallholdings respectively by 2015, from oil palm trees in the prime age of seven to 18 years. This is a 12% increase from the average CPO yield achieved by GAR and its smallholders in 2010.

In 2012, GAR achieved an average CPO yield of oil palm trees in prime age of 6.06 tonnes per hectare, which exceeded our 2015 target by 4%. This strong performance was supported by favourable weather conditions and expansion of mature areas in our plantations. Production in 2013 was impacted by the palm tree’s biological cycle following the bumper crop in 2012 and dry weather in certain areas of our plantations. The yield of trees in prime age decreased to 5.36 tonnes per hectare in 2013.

In 2013, GAR achieved a CPO yield of 4.76 tonnes per hectare on average, which was higher than the Indonesian average of

4.01 tonnes per hectare. Our smallholders achieved a CPO yield of 4.65 tonnes per hectare.

GAR’s productivity has been consistently higher than the industry average mainly because we continuously build on our best practices in using high-yielding planting material, advanced agronomic practices and best-in-class estate management. We are committed to continuous improvement as best practices evolve and adopt an open learning approach to develop and share these developments with our smallholders. More on our progress report on the implementation of the YIP is available at www.goldenagri.com.sg

Chart 4.1 GAR CPO yield for oil palm trees in prime age (tonnes/ha)

Year	2010	2011	2012	2013	2015 (Target)
Nucleus	5.23	5.62	6.21	5.58	5.80
Plasma	5.02	5.54	5.71	4.78	5.60
GAR	5.16	5.60	6.06	5.36	5.80

Chart 4.2 GAR CPO yield compared to the Indonesian industry (tonnes/ha)

Year	2010	2011	2012	2013
GAR	4.70	5.02	5.26	4.76
Indonesian Industry ¹	3.88	3.94	4.05	4.01

Note:
 1 Source: Oil World Annual 2014. ISTA Mielke GmbH, Germany www.oilworld.de

Chart 4.3 GAR smallholder CPO yield compared to the Indonesian smallholder average (tonnes/ha)

Year	2010	2011	2012	2013
GAR smallholders	4.92	5.42	5.51	4.65
Indonesian smallholders ¹	3.33	3.29	3.24	3.29 ²

Notes:
 1 Source: Indonesian Palm Oil in Numbers 2012, Indonesian Palm Oil Commission
 2 Preliminary figure

INNOVATIVE FINANCING SCHEME

To boost the productivity of one million independent oil palm smallholders in Indonesia, the Indonesian Chamber of Commerce and Industry (“KADIN”) initiated an innovative financing scheme. KADIN is confident that the scheme will help to increase their annual oil yield from the current two to three tonnes per hectare to five to six tonnes per hectare, and avoid opening one million hectares of additional land for oil palm development.

Through the scheme, independent farmers will be able to secure loans with affordable interest rates through cooperatives to fund their replanting. This financial support will help to sustain the

living expenses of these smallholders in the initial four years before the oil palms reach maturity.

In September 2013, the Company secured the commitment of about 400 independent farmers to be part of a pilot project to replant their oil palm plantations, covering 250 hectares of land in Riau. We have pledged to support their development by supplying them with high-yielding seeds and good quality fertilisers as well as ensuring knowledge transfer and capacity building through agronomical support once the scheme is formally endorsed by the Government of Indonesia.

PROMOTING SMALLHOLDER SUSTAINABILITY

GAR has been supportive of the plasma scheme since 1990 and has approximately 66,000 smallholders in Indonesia. Our smallholders supplied about 21% of our total intake of fresh fruit bunches (“FFB”) in 2013.

While the Company does not own the plasma plantations, they are very closely integrated into our management system and we take the lead in promoting their success and productivity. In 2013, our smallholders achieved a CPO yield of 4.65 tonnes per hectare, higher than the Indonesian average of 4.01 tonnes per hectare.

Besides supplying our plasma smallholders with high-yielding seeds and good quality fertilisers, the Company also ensures knowledge transfer and capacity building. For instance, the SMART Research Institute (“SMARTRI”) has been offering them recommendations regarding the mineral nutrition management of the palms.

In 2013, as part of our outreach to our plasma smallholders, SMARTRI organised a one-day programme to educate and equip them with best management practices in crop protection and optimal fertiliser usage. By helping them improve their practices in these areas, we seek to increase the productivity

of the palms, whilst reducing the impact of palm oil production on the environment.

Our smallholders were trained on crop protection through the Integrated Pest Management (“IPM”) approach. The IPM approach involves the monitoring of the condition of the palms in relation to the population of main pests such as rats and leaf-eating caterpillars, and the implementation of biological control of these pests using barn owls and beneficial plants. The farmers were also briefed on the negative impact of the overuse of herbicides, such as lower soil and water quality, as well as the loss of soil nutrients as a result of run-off and erosion.

The training on fertiliser usage was aimed at ensuring that the farmers are able to choose the appropriate type and quantity of fertilisers to use, as well as techniques to ensure their uniform application in the field. They were also taught how to time the use of fertilisers optimally, and to take into consideration rainy conditions in their use.

Apart from the knowledge, smallholders who attended the session also took home young beneficial plants for planting and populating in their own plots.

MANAGING ENVIRONMENTAL IMPACTS

We proactively manage and monitor the environmental aspects of our operations in order to minimise adverse impact on the natural environment. There are five key performance areas that we track as part of our environmental management.

Soil fertility and mineral nutrition management

GAR implements best agricultural management practices that maintain and enhance soil fertility through a comprehensive mineral nutrition management plan. The objective is to minimise the quantity of fertiliser applied, while still enabling the oil palms to attain their full productive and economic potential, and to reduce the associated risk of soil degradation posed by agricultural activities.

We recycle almost all the biomass and organic by-products (pruned fronds, empty fruit bunches (“EFB”) and palm oil mill effluent) produced in our plantations and mills, using them as organic fertilisers. This practice is fully integrated in our fertiliser management plan, and helps reduce the use of mineral fertilisers by about 12-13% in global quantity. Some of the recycled products are applied as additional soil amendments (or soil conditioners) when the original soil fertility is poor. However, the use of such organic by-products alone is not always sufficient to maximise the potential of the palms, as the palms require a balance and amount of nutrients different from what the biomass and by-products contain. Consequently, site specific management is required to adjust the rates and occasionally the combination of organic and inorganic fertilisers.

To further minimise the use of mineral fertilisers while maximising the yield of the oil palms, SMARTRI has embarked on a research programme for a holistic approach of soil fertility evaluation as discussed in the “Research and Development” chapter.

Natural pest control and pesticide use

Since the early development of our operations, we have advocated the use of an IPM approach in our plantations to minimise the use of pesticides and mitigate the possible impact of pest control on the environment. IPM is an environmentally sensitive approach to pest management that combines cultural, mechanical, biological and chemical means to control pests while minimising economic, public health and environmental risks.

We use beneficial plants that attract natural parasitoids, natural predators and pathogens or bacteria, and rely on handpicking or mechanical traps to help control oil palm pests. For example, rat control is predominantly managed by barn owls kept in plantations, leaf-eating caterpillars are limited by the growth of beneficial plants as well as flora biodiversity in the plantations, and pheromones are used against rhinoceros beetles (*Oryctes rhinoceros*).

Pesticide use is minimised throughout all growth phases of the palms. The preferred method is to deploy biological controls. Chemical fungicides are only used in nurseries. Chemical insecticides and rodenticides are deployed only to control outbreaks of infestation when biological controls are not successful. In such cases, these

products are used carefully in compliance with national laws. Most pesticides used are chemical herbicides as part of our weed control and management. To minimise the use of herbicides, we apply them according to stringent standard operating procedures (“SOPs”) based on temporal, spatial and product selectivity:

- Temporal selectivity**
 Application is done at a specific time based on weed growth and weather conditions to reduce the number of applications to once to thrice a year depending on the type of herbicide.
- Spatial selectivity**
 Only the circle of the palms and harvesting path, or about 20% of the soil surface, are sprayed to control certain noxious weeds such as woody re-growth and ferns such as *Stenoclena*.
- Product selectivity**
 The type of herbicide (or active ingredient) used is chosen to make an application compatible with conserving an understorey of plants to cover the soil.

Biopesticides

The use of biopesticides as part of our IPM programme helps us reduce the use of conventional pesticides.

Biopesticides are pesticides derived from natural materials such as animals, plants, bacteria and certain minerals. They are usually inherently less toxic than conventional pesticides and generally affect only the target pest and closely related organisms, in contrast to broad spectrum conventional pesticides that may affect organisms as different as birds, insects, and mammals. Also, biopesticides often decompose quickly, thereby resulting in lower exposures and mitigating the pollution problems caused by conventional pesticides.

In the last three years, our use of biopesticides has been adjusted according to pest situations in the field.

Chart 4.4 Biopesticides used in GAR plantations

Type of biopesticides	Quantity Used (kg)			
	2010	2011	2012	2013
Bacillus thuringiensis	94	8	107	16
Cordyceps	2,929	559	841	5,943
Mycorhyza	106,460	95,094	80,263	91,063
Trichoderma	58,336	46,136	128,015	131,236
Virus	37	0	0	0
Total	167,856	141,797	209,226	228,258

Chemical pesticides

We use only approved and registered agrochemicals permitted by the Ministry of Agriculture. Pesticides that are categorised as World Health Organization Class 1A or 1B, or that are listed by the Stockholm or Rotterdam Conventions are not used, except in specific situations identified in national Best Practice guidelines. The use of such pesticides shall be minimised and eliminated as part of a plan, and shall only be used in exceptional circumstances in ways that do not endanger health or the environment.

Chart 4.5 shows the active ingredients in pesticides used in GAR’s plantations from 2010 to 2013.

We are committed to implementing tight control over the use of such chemical pesticides. In order to reduce herbicides, rodenticides and insecticides, we have been researching and applying alternative methods to protect palms from weeds, pests and diseases.

Chart 4.5 Active ingredients in pesticides used in GAR’s plantations

Type of pesticides	Quantity used per year (kg or litre/ha)				Quantity used per year (kg or litre/tonne of CPO produced)			
	2010	2011	2012	2013	2010	2011	2012	2013
Acaricides ¹	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001
Fungicides ¹	0.004	0.008	0.005	0.005	0.001	0.002	0.001	<0.001
Herbicides	0.327	0.397	0.510	0.471	0.076	0.084	0.097	0.084
<i>including Paraquat</i>	<i>0.083</i>	<i>0.100</i>	<i>0.133</i>	<i>0.115</i>	<i>0.019</i>	<i>0.021</i>	<i>0.025</i>	<i>0.020</i>
Insecticides	0.001	0.001	0.002	0.005	<0.001	<0.001	<0.001	<0.001
Rodenticides	0.001	0.001	0.001	<0.001	<0.001	<0.001	<0.001	<0.001
Total	0.333	0.407	0.518	0.481	0.077	0.086	0.098	0.086

Note:
 1 Used only in nurseries

MANAGING SUSTAINABILITY IN OUR PLANTATIONS

Our strategy to reduce and eventually phase out pesticides such as paraquat is based on a three-stage approach:

- 1 Scientific field trials to test new methodologies and/or active ingredients;
- 2 Pilot projects to test the feasibility of such new methodologies or approach; and
- 3 Commercial roll-out upon achieving positive results.

In 2013, we tested four active ingredients and their formulation so as to find a substitute for paraquat. In addition, we have been working on developing a biological control system for undesirable species of weeds. Further analysis would be required to confirm the findings for application.

For the medium and long term, to reduce the use of chemical pesticides, we will continue our research and adoption of breeding methods to ensure that our oil palms are hardier and more disease- and pest-resistant.

Water management

Minimising any risk of water pollution, whether in surface water or ground water, is a top priority for GAR.

We focus on fertiliser and land management practices to reduce any potential risks of water pollution. Specific recommendations in the Company's SOPs include: splitting fertiliser applications based on soil nutrient retention capacity (mainly soil texture), avoiding application during heavy rain periods, maintaining an appropriate interval between successive applications, and maximising the recycling of fronds and other organic products to increase the fixing capacity of cations in soils.

To assess the impact of our agronomic practices on the quality of surface water, we are conducting studies which are discussed in the chapter on "Research and Development".

Water use

Water is the main supplementary material used in palm oil production. We meet our water needs by using surface water

that is processed to meet the quality standards required for the production process. We strive to use water efficiently by recycling and reusing it in certain parts of the process. Ground water is used only in very limited quantities in locations where there is no surface water.

Chart 4.6 shows our water consumption over the last five years.

Chart 4.6 Water consumption

Water consumption (m ³ per tonne of CPO produced)				
2009	2010	2011	2012	2013
3.02	3.09	2.96	3.08	3.30

Waste management

Processing of FFB generates a variety of by-products, such as EFB, fibre, shells and palm oil mill effluent ("POME"). Our zero waste strategy is to reuse, recover and recycle. We recycle all organic by-products as organic fertiliser and as a source of energy.

With 2.24 million tonnes of palm oil produced by our units in Indonesia in 2013, we generated around 3.95 million tonnes of solid waste (EFB, fibre and shells) and around 6.545 million tonnes of liquid waste (mainly POME).

Around 1.26 million tonnes of fibre and around 575,000 tonnes of shells are used in our mills as renewable fuel. Chart 4.7 shows the detailed breakdown of the use of our plantation waste as organic fertilisers.

Empty fruit bunches

- 92% is applied fresh, or after composting with effluent, in the field as organic fertiliser.
- 8% is incinerated because of specific site conditions, and ashes are applied in the field as a substitute for potash fertiliser. The Company is continuously looking for operational alternatives in order to reduce and stop this practice.

Chart 4.7 Recycling of waste (estimated values)

Waste	Quantity produced (tonnes or m ³)	Quantity recycled (tonnes or m ³)	Usage	Energy equivalent (kCal x kg fuel)	Fertiliser equivalent (tonnes)	CO ₂ equivalent (tonnes)
Fibers	1,260,000	1,260,000	Fuel	2,700	–	115,625
Shell	575,000	485,000	Fuel	4,100	–	67,500
EFB	2,115,000	1,945,000	Organic fertiliser	–	51,000	1,170,000
POME	6,545,000	6,480,000	Organic fertiliser	–	48,000	140,000

Palm oil mill effluent

- 93% is applied in the field after traditional anaerobic and aerobic treatment in order to render the chemical and physical characteristics in accordance with national regulations.

A specific application permit has been obtained for each location, with close monitoring of environmental impact as requested by the authorities.

- Almost 6% is applied after composting with EFB in two composting units located in Sumatra and Kalimantan.
- Around 1% is treated before being disposed of.

Reducing greenhouse gas emissions

GAR is committed to reducing greenhouse gas (“GHG”) emissions. Our efforts focus on addressing the three main sources of GHG emissions linked to palm oil production, namely nitrogen fertilisers, land use change and palm oil mill effluent.

Nitrogen fertilisers

We adjust the use of mineral fertilisers, such as nitrogen fertilisers, to the minimum rate required by the palms. In addition, we employ stringent nitrogen fertiliser application procedures. We avoid application during dry periods to reduce volatilisation of ammoniac gas, and during very wet periods to reduce emission of nitrous oxide. Such practices minimise the risk of emissions related to nitrogen fertiliser utilisation.

Land use change

Peat is a major source of greenhouse gas. In February 2010, we made an important decision not to develop on any peat land regardless of depth although the Government of Indonesia allows planting on peat land less than 3 metres deep.

GAR and our subsidiary SMART led the industry in being the first palm oil producer to establish a zero burning policy in 1997. We use only mechanical means in our land preparation for oil palm development and monitor our operations stringently to ensure strict adherence to the policy.

In February 2011, GAR committed to conserving HCS forests and HCV areas under its FCP. These measures have a significant impact on reducing our carbon footprint.

Palm oil mill effluent

We have taken steps to capture methane gas, a greenhouse gas 21 times more potent than carbon dioxide, from our POME.

In 2011, we invested in a bio-digester system to capture methane gas produced from POME treatment at our Sei Pelakar Mill in Jambi, Sumatra. This project was developed under the Kyoto Protocol as a Clean Development Mechanism. On 17 May 2013, this project was officially registered in United Nations Framework Convention on Climate Change (“UNFCCC”) under project no. 7031.

Between January and December in 2013, the bio-digester reduced approximately 30,000 tonnes of carbon dioxide equivalent. Since the project was commissioned in October 2011, we have recorded a reduction of up to 70,459 tonnes of carbon dioxide equivalent.

Meanwhile, it has provided an alternative source of electricity for our mill operation, reducing our diesel consumption by 85%. Such technology to convert methane gas into energy is being implemented progressively in our operations.

PRESERVING HIGH CONSERVATION VALUE AREAS

We support efforts to preserve HCV areas. HCV areas are wildlife habitats, rare ecosystems and cultural areas found across land for development and in our existing plantations.

To date, the HCV areas identified in our existing plantations and new planting areas cover approximately 22,954 hectares and 25,036 hectares respectively.

As part of our HCS collaboration, we are working with our partners to improve the HCV assessment and consultation processes to ensure that they are more robust and comprehensive.

Endangered species

Indonesia, where GAR operates, has a rich and immensely varied eco-system. We recognise the importance of protecting and conserving the habitats of rare and endangered species as part of our commitment to sustainable palm oil production.

Chart 4.8 shows a 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. They have been identified within our concessions and the surrounding landscape during our HCV assessment, and their habitats are classified as HCV areas to be conserved.

SMART has a zero tolerance policy towards hunting, injury, possession and killing of rare and endangered wildlife within our plantations. We have been educating our employees and local communities as well as related stakeholders on the importance of conserving such species. Any infringement of this policy will result in disciplinary measures, including termination of employment. We also collaborate with the government, related organisations and NGOs on the management of rare and endangered species.

In addition, the Company is conserving a 1,400-hectare HCV area as an orangutan habitat in Sungai Rungau, Central Kalimantan. We also monitor the conserved area to ensure that it continues to be a suitable habitat for orangutans. In-house and external training programmes have equipped our employees with basic skills in managing orangutans. As part of the monitoring, we check on the presence of orangutans in the area, the condition of the forest, and potential threats such as illegal logging or poaching. In 2013, we conducted a survey involving staff and the community to determine the number of orangutans and to provide recommendations to further protect and enrich the area.

Chart 4.8 Threatened species identified in our concessions

Type	Common name	Scientific name	IUCN status ¹	Protected under PP7/1999 ²	
Kalimantan					
Mammals	Javan Chevrotain	<i>Tragulus javanicus</i>	Data deficient	Yes	
	Agile Gibbon	<i>Hylobates agilis</i>	Endangered	Yes	
	Müller's Bornean Gibbon	<i>Hylobates muelleri</i>	Endangered	Yes	
	Bornean Orangutan	<i>Pongo pygmaeus</i>	Endangered	Yes	
	Proboscis Monkey	<i>Nasalis larvatus</i>	Endangered	Yes	
	Sunda Pangolin	<i>Manis javanica</i>	Endangered	Yes	
	Banded Linsang	<i>Prionodon linsang</i>	Least concern	Yes	
	Flying Squirrel	<i>Cynocephalus sp</i>	Least concern	Yes	
	Greater Oriental Chevrotain	<i>Tragulus napu</i>	Least concern	Yes	
	Malayan Porcupine	<i>Hystrix brachyura</i>	Least concern	Yes	
	Maroon Leaf Monkey	<i>Presbytis rubicunda</i>	Least concern	Yes	
	Southern Red Muntjac	<i>Muntiacus muntjak</i>	Least concern	Yes	
	Three-striped Ground Squirrel	<i>Lariscus insignis</i>	Least concern	Yes	
	Black Giant Squirrel	<i>Ratufa bicolor</i>	Near threatened	Yes	
	Berang – belang	<i>Lutra sp</i>	Nil	Yes	
	Leopard Cat	<i>Felis bengalensis</i>	Nil	Yes	
	Sambar Deer	<i>Cervus unicolor</i>	Nil	Yes	
	Timor Deer	<i>Cervus timorensis</i>	Nil	Yes	
	Bare-backed Rousette	<i>Rousettus spinalatus</i>	Vulnerable	Yes	
	Binturong	<i>Arctictis binturong</i>	Vulnerable	Yes	
	Clouded Leopard	<i>Neofelis nebulosa</i>	Vulnerable	Yes	
	Greater Slow Loris	<i>Nycticebus coucang</i>	Vulnerable	Yes	
	Malayan Sun Bear	<i>Helarctos malayanus</i>	Vulnerable	Yes	
	Southern Pig-tailed Macaque	<i>Macaca nemestrina</i>	Vulnerable	Yes	
	White-fronted Langur	<i>Presbytis frontata</i>	Vulnerable	Yes	
	Birds	Barn Swallow	<i>Hirundo rustica</i>	Least concern	Yes
		Black-winged Kite	<i>Elanus caeruleus</i>	Least concern	Yes
		Brahminy Kite	<i>Haliastur indus</i>	Least concern	Yes
		Cattle Egret	<i>Bubulcus ibis</i>	Least concern	Yes
		Crested Goshawk	<i>Accipiter trivirgatus</i>	Least concern	Yes
		Glossy Ibis	<i>Plegadis falcinellus</i>	Least concern	Yes
		Hill Myna	<i>Gracula religiosa</i>	Least concern	Yes
Olive-backed Sunbird		<i>Nectarinia jugularis</i>	Least concern	Yes	
Peregrine Falcon		<i>Falco peregrinus</i>	Least concern	Yes	
White-throated Kingfisher		<i>Halcyon smyrnensis</i>	Least concern	Yes	
Wreathed Hornbill		<i>Aceros undulatus</i>	Least concern	Yes	
Asian Black Hornbill		<i>Anthracoceros malayanus</i>	Near threatened	Yes	
Oriental Darter		<i>Anhinga melanogaster</i>	Near threatened	Yes	
Painted Stork		<i>Mycteria leucocephala</i>	Near threatened	Yes	
Rhinoceros Hornbill		<i>Buceros rhinoceros</i>	Near threatened	Yes	
Eclectus Parrot		<i>Lorius roratus</i>	Nil	Yes	
Chinese Egret		<i>Egretta eulophotes</i>	Vulnerable	Yes	
Grey Imperial Pigeon		<i>Ducula pickeringii</i>	Vulnerable	Yes	
Large Green Pigeon		<i>Treron capellei</i>	Vulnerable	Yes	
Lesser Adjutant		<i>Leptoptilos javanicus</i>	Vulnerable	Yes	

Notes:

1 Citation: IUCN 2011. The IUCN Red List of Threatened Species. Version 2011.2. <http://www.iucnredlist.org>. Downloaded on 26 April 2011.

2 Indonesian Law on Protected Species No. 7 / 1999

Data Source: HCV Reports 2009-2012 and Historic HCV Assessment 2011

Chart 4.8 Threatened species identified in our concessions (continued)

Type	Common name	Scientific name	IUCN status ¹	Protected under PP7/1999 ²
Kalimantan				
Reptiles	Siamese Crocodile	<i>Crocodylus siamensis</i>	Critically endangered	Yes
	False Gharial	<i>Tomistoma schlegelii</i>	Endangered	Yes
	Saltwater Crocodile	<i>Crocodylus porosus</i>	Lower risk/least concern	Yes
	Asiatic Rock Python	<i>Python molurus</i>	Lower risk/near threatened	Yes
	Bornean Lizard	<i>Varanus borneensis</i>	Nil	Yes
Plant species	Hopea	<i>Hopea mengerawan</i>	Critically endangered	Yes
	Light Red Meranti	<i>Shorea teysmanniana</i>	Endangered	Yes
	Meranti	<i>Shorea spp.</i>	Endangered	Yes
	Mersawa	<i>Anisoptera grossivenia</i>	Endangered	Yes
	White Meranti	<i>Shorea agami</i>	Endangered	Yes
	Borneo Ironwood	<i>Eusideroxylon zwageri</i>	Vulnerable	Yes
	Durian Merah	<i>Durio kutejensis</i>	Vulnerable	Yes
	Indonesian Ebony	<i>Diospyros celebica</i>	Vulnerable	Yes
	Lign-aloes	<i>Aquilaria malaccensis</i>	Vulnerable	Yes
	Moluccan Iron-wood / Borneo Teak	<i>Intsia bijuga</i>	Vulnerable	Yes
	Ramin	<i>Gonystylus bancanus</i>	Vulnerable	Yes
	Tengkawang	<i>Shorea macrophylla</i>	Vulnerable	Yes
Tortoise Durian	<i>Durio testudinarum</i>	Vulnerable	Yes	
Papua				
Mammals	Dusky Pademelon	<i>Thylogale brunii</i>	Vulnerable	Yes
	Kangguru Tanah	<i>Thylogale Bruntt</i>	Vulnerable	Yes
	Round-eared Tube-nosed Bat	<i>Nyctimene cyclotis</i>	Data Deficient	Yes
Birds	Black-capped Lory	<i>Lorius lory</i>	Least Concern	Yes
	Brahminy Kite	<i>Haliastur indus</i>	Least Concern	Yes
	Mambruk	<i>Goura Victoria</i>	Vulnerable	Yes
Sumatra				
Mammals	Javan Chevrotain	<i>Tragulus javanicus</i>	Data deficient	Yes
	Agile Gibbon	<i>Hylobates agilis</i>	Endangered	Yes
	Asian Elephant	<i>Elephas maximus</i>	Endangered	Yes
	Malayan Tapir	<i>Tapirus indicus</i>	Endangered	Yes
	Siamang	<i>Symphalangus syndactylus</i>	Endangered	Yes
	Sumatran Surili / Mitred Leaf Monkey	<i>Presbytis melalophos</i>	Endangered	Yes
	Sunda Pangolin	<i>Manis javanica</i>	Endangered	Yes
	Banded Linsang	<i>Prionodon linsang</i>	Least concern	Yes
	Greater Oriental Chevrotain	<i>Tragulus napu</i>	Least concern	Yes
	Malayan Porcupine	<i>Hystrix brachyura</i>	Least concern	Yes
	Southern Red Muntjac	<i>Muntiacus muntjak</i>	Least concern	Yes
	Sunda Stink Badger	<i>Mydaus javanensis</i>	Least concern	Yes
	Banded Surili	<i>Presbytis femoralis</i>	Near threatened	Yes
	Black Giant Squirrel	<i>Ratufa bicolor</i>	Near threatened	Yes
	Berang – belang	<i>Lutra sumatrana</i>	Nil	Yes
	Leopard Cat	<i>Felis bengalensis</i>	Nil	Yes
	Sambar Deer	<i>Cervus unicolor</i>	Nil	Yes
	Timor Deer	<i>Cervus timorensis</i>	Nil	Yes

Notes:

 1 Citation: IUCN 2011. The IUCN Red List of Threatened Species. Version 2011.2. <http://www.iucnredlist.org>. Downloaded on 26 April 2011.

2 Indonesian Law on Protected Species No. 7 / 1999

Data Source: HCV Reports 2009-2012 and Historic HCV Assessment 2011

Chart 4.8 Threatened species identified in our concessions (continued)

Type	Common name	Scientific name	IUCN status ¹	Protected under PP7/1999 ²
Sumatra				
Mammals	Clouded Leopard	<i>Neofelis nebulosa</i>	Vulnerable	Yes
	Greater Slow Loris	<i>Nycticebus coucang</i>	Vulnerable	Yes
	Malayan Sun Bear	<i>Helarctos malayanus</i>	Vulnerable	Yes
	Southern Pig-tailed Macaque	<i>Macaca nemestrina</i>	Vulnerable	No
	Thomas Langur	<i>Presbytis thomasi thomasi</i>	Vulnerable	Yes
	Thomas Leaf Monkey	<i>Presbytis thomasi margae</i>	Vulnerable	Yes
Birds	Barn Swallow	<i>Hirundo rustica</i>	Least concern	Yes
	Black-winged Kite	<i>Elanus caeruleus</i>	Least concern	Yes
	Brahminy Kite	<i>Haliastur indus</i>	Least concern	Yes
	Cattle Egret	<i>Bubulcus ibis</i>	Least concern	Yes
	Crested Goshawk	<i>Accipiter trivirgatus</i>	Least concern	Yes
	Hill Myna	<i>Gracula religiosa</i>	Least concern	Yes
	Olive-backed Sunbird	<i>Nectarinia jugularis</i>	Least concern	Yes
	Peregrine Falcon	<i>Falco peregrinus</i>	Least concern	Yes
	White-throated Kingfisher	<i>Halcyon smyrnensis</i>	Least concern	Yes
	Woolly-necked Stork	<i>Ciconia episcopus</i>	Least concern	Yes
	Wreathed Hornbill	<i>Aceros undulatus</i>	Least concern	Yes
	Asian Black Hornbill	<i>Anthracoceros malayanus</i>	Near threatened	Yes
	Oriental Darter	<i>Anhinga melanogaster</i>	Near threatened	Yes
	Painted Stork	<i>Mycteria leucocephala</i>	Near threatened	Yes
	Rhinoceros Hornbill	<i>Buceros rhinoceros</i>	Near threatened	Yes
	Bluwok	<i>Ibis cinereus</i>	Nil	Yes
	Eclectus Parrot	<i>Lorius roratus</i>	Nil	Yes
Lesser Adjutant	<i>Leptoptilos javanicus</i>	Vulnerable	Yes	
Reptiles	False Gharial	<i>Tomistoma schlegelii</i>	Endangered	Yes
	Saltwater Crocodile	<i>Crocodylus porosus</i>	Lower risk/least concern	Yes
	Asiatic Rock Python	<i>Python molurus</i>	Lower risk/near threatened	Yes

Notes:

- 1 Citation: IUCN 2011. The IUCN Red List of Threatened Species. Version 2011.2. <http://www.iucnredlist.org>. Downloaded on 26 April 2011.
- 2 Indonesian Law on Protected Species No. 7 / 1999
Data Source: HCV Reports 2009-2012 and Historic HCV Assessment 2011



Two of the threatened species found in our concessions.
Left to right: Black-winged Kite (*Elanus caeruleus*) and Leopard Cat (*Felis bengalensis*).



Two of 40 orangutans that were released into the Seruyan Forest as part of our partnership programme with OFI.

Our Partnership with OFI

In November 2011, SMART entered into a two-year partnership programme with Orangutan Foundation International (“OFI”) to support the protection of orangutans in Kalimantan, Indonesia. Founded by Dr. Birute Mary Galdikas in 1986, OFI is a non-profit organisation dedicated to the welfare of wild orangutans and their rainforest habitat.

Under this partnership programme, SMART supported the release of 40 wild-born ex-captive orangutans into their natural habitat. These 40 orangutans have since been released into the Seruyan Forest. The released orangutans will continue to be monitored by OFI staff from Camp Seluang Mas, built in 2012 to support OFI’s monitoring and evaluation of the orangutans before and after their release into the forest.

On 16 May 2014, SMART extended the partnership with OFI by three years to support the release of another 60 ex-captive orangutans to their natural habitat. The partnership also includes:

- an orangutan conservation campaign and education programmes aimed at raising awareness of orangutan conservation among students and local communities in Central Kalimantan; and
- an orangutan enrichment programme and facility enhancements at OFI’s Orangutan Care Center and Quarantine facility in Central Kalimantan.

SMART will continue to train our employees in orangutan conservation with support from OFI. To date, over 1,000 of our employees have been trained under this partnership. The Company will continue to work with OFI in rehabilitating the 1,400-hectare HCV area which we have set aside in Sungai Rungau, Central Kalimantan.

ENVIRONMENTAL AWARDS Indonesia Green Awards 2013

In recognition of our partnership programme with OFI for supporting the release of 40 wild-born ex-captive orangutans into their natural habitat, SMART was named a Biodiversity Conservationist at the Indonesia Green Awards 2013 organised by The La Tofi School of CSR.

PROPER

The Indonesian Ministry of Environment oversees a national public environmental reporting initiative known as the Programme for Pollution Control, Evaluation and Rating (“PROPER”). GAR has taken part in PROPER since 2007.

PROPER assessment refers to the environmental compliance stipulated in government regulation related to water and air pollution control, hazardous waste management and environmental impact assessments. The programme uses a colour-coded rating, ranging from gold for excellent performance to black for poor performance as seen in Chart 4.9 on page 28.

MANAGING SUSTAINABILITY IN OUR PLANTATIONS

In 2013, 25 of our mills participated in the assessment process for PROPER. Five mills were rated green for exceeding the expected compliance level while 17 mills obtained a blue rating for achieving the regulatory standards. Three mills received a red rating for waste pollution control that fared below the 90% minimum requirements although they achieved 100% compliance in other aspects of the evaluation. The Company has conducted a thorough internal audit and implemented an action plan with clear targets and timelines to close the gaps.

Chart 4.10 shows our PROPER assessment from 2008 to 2013. We will continue to improve on our current environmental management system.

Chart 4.9 PROPER rating system

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

Chart 4.10 GAR's PROPER achievements (2008–2013)

No	Company	Mill	Location	PROPER Achievement					
				2008	2009	2010	2011	2012	2013
1.	PT Agrolestari Mandiri	Pekawai	West Kalimantan	–	–	–	–	–	Blue
2.	PT Bumi Permai Lestari	Bukit Perak	Bangka	–	–	–	–	Blue	Blue
3.	PT Buana Wira Lestari	Indrasakti	Riau	–	–	–	–	–	Blue
4.	PT Buana Wira Lestari	Kijang	Riau	–	–	–	–	–	Blue
5.	PT Buana Wira Lestari	Nagasakti	Riau	–	–	–	–	–	Blue
6.	PT Djuandasawit Lestari	Muara Kandis	South Sumatra	Blue Minus	Red Minus	Blue	Blue	Blue	Blue
7.	PT Foresta Lestari Dwikarya	Tanjung Kembiri	Belitung	–	–	–	Blue	Blue	Blue
8.	PT Ivo Mas Tunggal	Libo	Riau	–	–	–	–	–	Blue
9.	PT Ivo Mas Tunggal	Sam Sam	Riau	Blue Minus	Red	Blue	Blue	Blue	Blue
10.	PT Ivo Mas Tunggal	Ujung Tanjung	Riau	–	–	–	–	–	Blue
11.	PT Kresna Duta Agroindo	Jelatang	Jambi	–	Red Minus	Red	Blue	Blue	Red
12.	PT Kresna Duta Agroindo	Langling	Jambi	–	Red Minus	Red	Blue	Blue	Red
13.	PT Kresna Duta Agroindo	Pelakar	Jambi	–	–	–	–	Blue	Red
14.	PT MP Leidong West Indonesia	Leidong West	Bangka	–	–	–	–	Blue	Blue
15.	PT Ramajaya Pramukti	Rama Rama	Riau	–	–	–	–	Blue	Blue
16.	PT Sinar Kencana Inti Perkasa	Senakin	South Kalimantan	–	–	–	–	–	Blue
17.	PT Sinar Kencana Inti Perkasa	Sungai Kupang	South Kalimantan	–	Black	Blue	Blue	Green	Green
18.	PT SMART Tbk	Batu Ampar	South Kalimantan	Blue Minus	Red	Blue	Blue	Green	Green
19.	PT SMART Tbk	Bukit Kapur	South Kalimantan	–	–	–	–	Blue	Green
20.	PT SMART Tbk	Padang Halaban	North Sumatra	Blue Minus	Blue Minus	Blue	Red	Blue	Green
21.	PT SMART Tbk	Tanah Laut	South Kalimantan	–	–	–	–	Green	Green
22.	PT Sumber Indah Perkasa	Sungai Buaya	Lampung	Blue Minus	Red Minus	Blue	Blue	Blue	Blue
23.	PT Sumber Indah Perkasa	Sungai Merah	Lampung	–	–	–	–	–	Blue
24.	PT Sumber Indah Perkasa	Sungai Rungau	Central Kalimantan	–	–	–	Blue	Red	Blue
25.	PT Tapian Nadenggan	Hanau	Central Kalimantan	–	–	–	Green	Blue	Blue

RESEARCH AND DEVELOPMENT

The mission of SMART Research Institute (“SMARTRI”) is to support GAR’s sustainable palm oil development through innovating and developing best practices and improving oil palm breeding programme. In 2013, the Company spent Rp87.46 billion (US\$8.41 million) on research and development, approximately 6.6% more than the previous year.

SMARTRI conducts applied and scientific research in the following main areas:

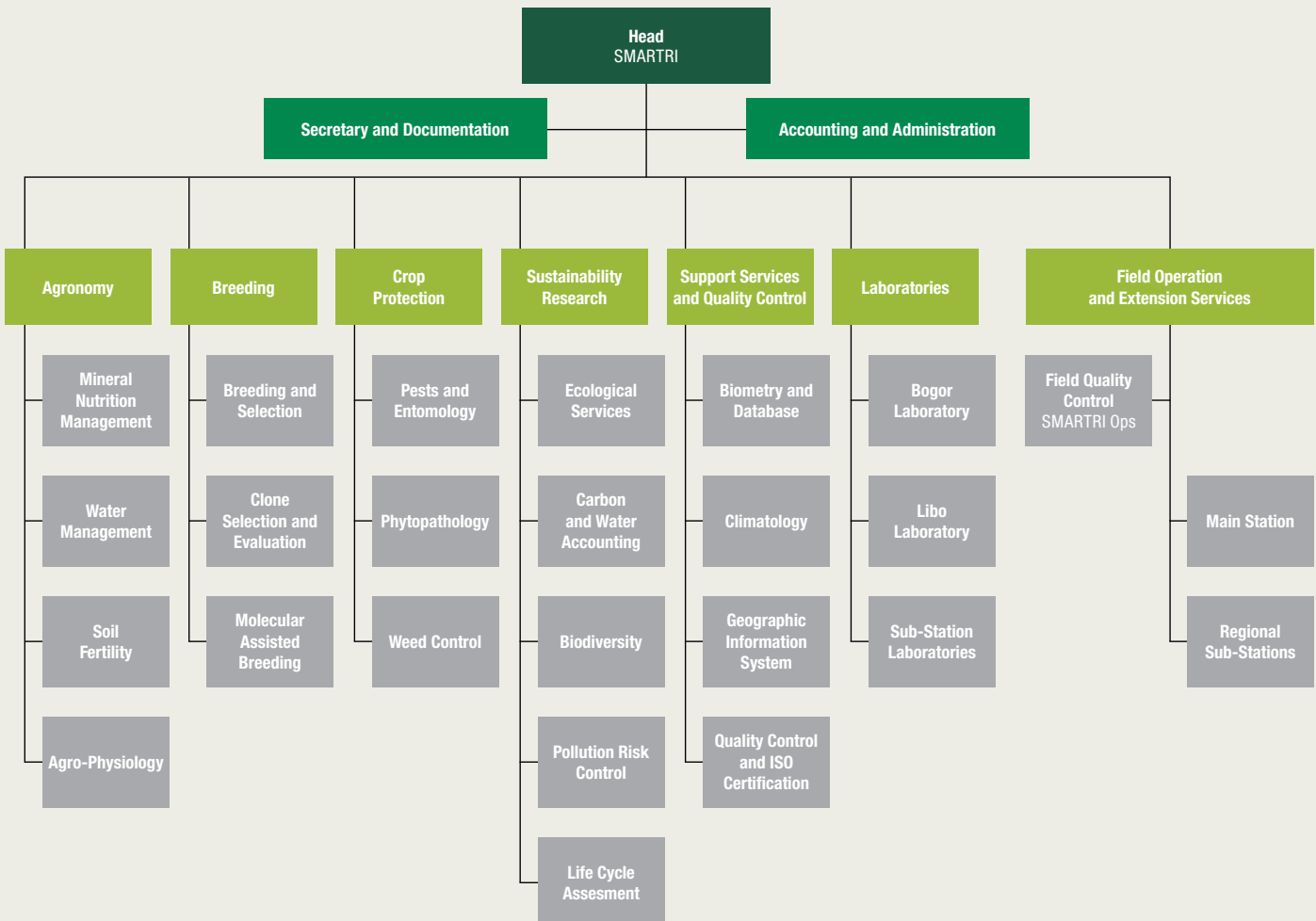
- Agronomy, which includes oil palm tree mineral nutrition, water management, soil fertility, eco-physiology studies, and the development of sustainable cultivation practices;
- Breeding, namely the continual improvement of the oil palm tree through a conventional selection programme, and more recently through assisted molecular breeding. The development of tissue culture will also contribute to improving the yield of our future plantings;

- Crop protection, predominantly through an Integrated Pest Management (“IPM”) approach, covering the control of pests, entomology, phytopathology and weeds; and
- Sustainability, including developing methodologies and tools to assess the environmental impact of our field practices, and subsequently to develop and test more sustainable agricultural practices for palm oil production.

A significant number of our research programmes is cross-disciplinary, such as various breeding programmes to develop planting material that is disease-tolerant (e.g. against Ganoderma disease), drought-resistant or more efficient in nutrient uptake and utilisation, as well as research into carbon accounting and biodiversity assessment within our plantations.

SMARTRI has been ISO 9001:2008 certified for its quality management system in 2003 and accredited with ISO 17025 for its analytical laboratory in 2005. Our research activities are managed by seven departments, as illustrated in Chart 5.1.

Chart 5.1 Structure of SMARTRI



RESEARCH AND DEVELOPMENT

EQUIPPING AND TRAINING

As at end-2013, we had 79 graduate researchers posted in the main research station of Libo in Riau, Sumatra, as well as in our research substations in all the provinces where GAR operates. GAR is committed to training these researchers, providing them with both in-house training, and external training conducted by foreign institutions. Our researchers generally possess a bachelor's degree in agriculture, whilst some have obtained a master's degree or PhD in Agronomy.

Chart 5.2 Training received by our researchers in 2013

	Indonesia	Abroad
Short and mid-term training (<30 days)		
Number of staff	34	3
Number of days	98	50
Days/staff	2.9	16.7
Conferences, workshops and seminars		
Number of staff	17	9
Number of days	63	23
Days/staff	3.7	2.6
Long-term training (>30 days)		
Number of staff	–	1
Number of days	–	365
Days/staff	–	365

ENSURING ENVIRONMENTAL SUSTAINABILITY

We recognise that measuring the impact of our agricultural practices is an important step towards environmental sustainability. Many of our current research projects are aimed at effective management of our environmental impacts. We also believe that in many situations and based on our field activities, there is a close correlation between best practices, such as in fertiliser management, and the environmental outcomes.

Water quality management

Water quality is an important parameter to monitor and measure as it is an indicator of the impact of agriculture on the environment. Ground and surface water quality can be affected by chemical products such as fertilisers and pesticides that are applied in the field, as well as by sediments from the erosion of surface soil.

As published in our previous sustainability reports, we have been conducting studies to assess the impact of our agronomic practices on water quality. In 2011, we reported on the quality of ground water in relation to fertiliser management. In the subsequent year, we presented our findings on the quality of surface water at the field and landscape levels, and on the level of soil erosion in relation to vegetation cover management.

This year, building on the results we presented in 2012, we report on the levels of nitrogen and phosphorus lost in surface water, either through erosion (nutrients attached to the soil particles are

lost during erosion) or through water run-off (nutrients dissolved in water).

Monitoring the levels of these two elements is important as high levels of these elements can cause the eutrophication of surface water. Eutrophication refers to the accumulation of a high concentration of nutrients in a water body, often promoting excessive growth and decay of plants and algae, resulting in a severe reduction in water quality.

Chart 5.3 shows the percentage of nutrient losses from total input, i.e. nutrients from fertilisers and nutrients from rain water. Charts 5.4 and 5.5 show the total quantity of nitrogen and phosphorus losses in surface water.

Chart 5.3 Percentage of nutrient losses from total input over three land slope levels and two types of soil cover

Slope	Vegetation soil cover	Total loss of nutrients (% of input) ¹		
		Nitrogen (N)	Phosphorous (P ₂ O ₅)	Potassium (K ₂ O)
5%	Bare soil	10.5	7.8	3.0
	Standard soil ground cover	3.6	3.1	2.7
15%	Bare soil	16.3	12.5	3.5
	Standard soil ground cover	4.5	4.0	3.1
25%	Bare soil	17.6	14.8	4.4
	Standard soil ground cover	4.2	3.1	2.1

Note:

¹ Total nutrient input (fertiliser and rain) recorded in 2012

Chart 5.4 Total nitrogen losses in surface water at a field level within our plantations

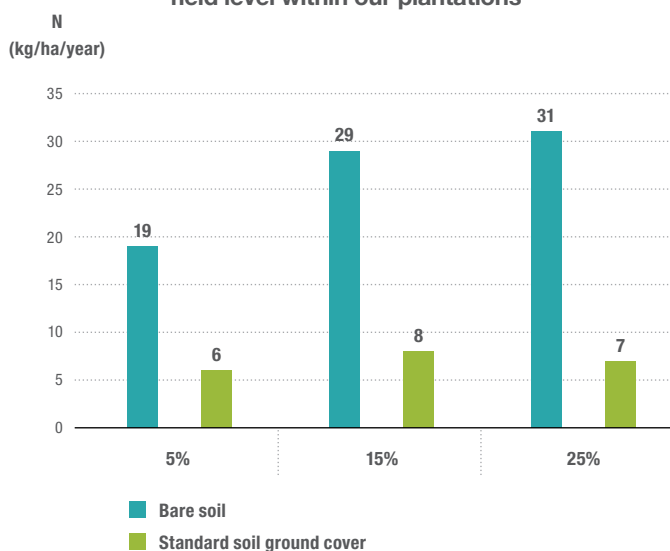
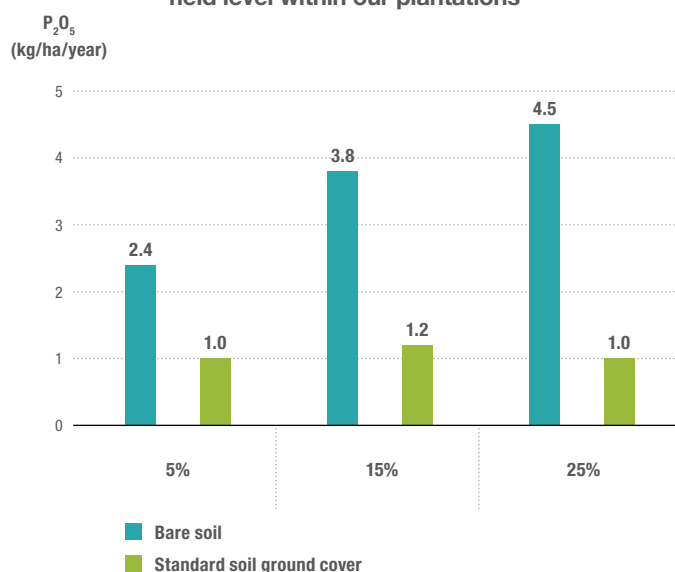


Chart 5.5 Total phosphorus losses in surface water at a field level within our plantations



The results show that with good management of the vegetation soil cover which includes selective spatial, timing and species weed control, the losses of nutrients in surface water can be relatively low. In comparison, the losses of nutrients are two to five times higher with heavy utilisation of herbicides, which also results in bare soils.

Carbon accounting

Agricultural activities including oil palm cultivation can result in the modification of the carbon balance, through emission of carbon dioxide and other greenhouse gases, and fixation of carbon in the vegetation and fruit biomass as well as in soil as organic matter.

In order to assess these changes, SMARTRI has been conducting direct measurement of carbon flux using a micrometeorological method known as eddy covariance. In September 2011, we installed an open path eddy covariance system and various sensors on top of a 25-metre high tower, above the oil palm canopy. These instruments continuously measure carbon dioxide fluxes based on atmosphere concentration variations, wind direction and intensity, and other parameters.

The carbon dioxide absorption and emission in ecosystems, known as net ecosystem carbon dioxide exchange (“NEE”), are calculated based on the above parameters. From the NEE, a flux partitioning algorithm was used to calculate ecosystem respiration (“ R_{eco} ”) and gross ecosystem carbon dioxide uptake, known as gross primary production (“GPP”).

In addition to measuring the whole oil palm agrosystem carbon dioxide exchange as mentioned above, a set of long-term automatic soil respiration chambers have been installed to measure carbon dioxide emission from the soil. SMARTRI began measuring atmospheric carbon dioxide flux in September 2011 and soil carbon dioxide emission in April 2012. This has allowed SMARTRI researchers to identify and analyse the sources of carbon dioxide emission and sequestration.

From September 2011 to December 2013, the oil palm agrosystem in the tower area recorded an average carbon dioxide absorption or GPP of 175 tonnes of carbon dioxide per hectare per year, and emitted an average of 137 tonnes of carbon dioxide per hectare per year through respiration or R_{eco} . Little variability between the GPP and R_{eco} rates was observed over the successive years. The balance between the absorption and emission rate or NEE reached an average rate of around 39 tonnes of carbon dioxide per hectare per year from 2011 to 2013. Soil respiration contributed to approximately 47% or around 65 tonnes of carbon dioxide per hectare per year of the total ecosystem respiration as seen in Chart 5.6.

In 2012, a second tower was set up to take similar measurements in another location. A comparison of the measurements taken from the two towers showed significant differences in the rate of carbon dioxide emission and sequestration. The vicinity where the second tower was located showed a 20% lower rate of carbon sequestration compared to the area where the first tower was located. Our preliminary analysis suggests that the characteristics of the planting material, specifically its stages of development and yield performance can explain a significant portion of our findings. We are conducting a detailed investigation in order to determine, quantify and explain the different factors that led to the significant differences observed.

Chart 5.6 Summary of annual atmospheric carbon dioxide flux and soil respiration rates (2011–2013)

Carbon dioxide flux	Tonnes of carbon dioxide per hectare per year			
	2011 ¹	2012	2013	Average
Net Ecosystem carbon dioxide Exchange (NEE)	37	38	41	39
Gross Primary Production (GPP)	170	176	180	175
Respiration				
Ecosystem (R_{eco})	133	138	139	137
Soil (R_{soil})	–	60 ²	70	65

Notes:

- 1 Extrapolation from actual measurements (September – December 2011)
- 2 Extrapolation from actual measurements (April – December 2012)

Chart 5.7 Comparison of carbon dioxide fluxes between areas using different planting material, stages of development and yield performance in 2013

Parameters		Tower 1	Tower 2
Planting material		Deli Avros	Deli La Me
Palm age as at 2013	Years	20	26
Net Ecosystem carbon dioxide Exchange (NEE)	Tonnes of carbon dioxide per hectare per year	41	33
Gross Primary Production (GPP)		180	171
Ecosystem Respiration (R _{eco})		139	138
Canopy height	Metres	17.2	16.7
Trunk height		10.7	10.2
Trunk canopy	Centimetres	55.3	49.9
Total biomass	Tonnes per hectare	102	95
Average of last 5 years yield		27	22
Leaf Area Index		3.7	3.0

These results, should they be confirmed by data recorded over a longer period, will be an important input for the calculation of greenhouse gas balances, which seem to be specific to each plantation's condition, cultivation practices and planting material.

PROMOTING PRODUCTIVITY IN THE INDUSTRY

In the palm oil industry, planting material is recognised as the most critical factor in maximising yield potential. International Cooperation Centre in Agronomic Research for Development ("CIRAD"), a French research organisation specialising in tropical crops, estimated that the industry's palm oil breeding programme has resulted in a yield potential increase of 10% per decade between 1960 and 2000.

GAR has been using the high-yielding Dami Mas seeds in new plantings and replantings since 2002, which will help boost production growth. As at end-2013, 38% of our total cultivated area used Dami Mas seed.

The high-yielding Dami Mas seeds were developed through stringent and robust breeding experiments conducted by SMARTRI. Producing our own Dami Mas seeds also provides seed security and genetic purity in our seed supply.

Besides yield potential, GAR recognises the importance of improving disease resistance, drought tolerance and nutrient efficiency to enhance the sustainability of the palm oil industry.

GAR embarked on its oil palm breeding programme in early 2000. Our oil palm breeding and selection programme employs three main approaches: conventional breeding, tissue culture and biotechnology. The results of some of our breeding trials are described in the following sections.

Conventional breeding

GAR's conventional plant breeding programme involves the introduction and introgression of novel genes from other genetic sources to boost the genetic biodiversity of palms. As part of the

programme, we have acquired wild germplasm from Cameroon and Angola. These accessions have been planted in the fields and have started to bear fruit bunches. Our research scientists are monitoring and studying the genetic variations in these populations and are confident that some novel traits of oil quality, growth habits (such as slow vertical growth), disease and drought tolerance will be discovered and later used in our oil palm improvement programme.

The main objectives of our breeding programme are to develop oil palms that are hardier and more disease- and pest-resistant. Currently, Basal Stem Rot disease caused by the fungal pathogen *Ganoderma* sp. is the only disease threatening the oil palm industry in Southeast Asia. Higher incidences of this disease have been observed in successive replantings of oil palm. GAR has not spared any breeding efforts in its search for a *Ganoderma*-tolerant oil palm variety. Screening of our mother palms through the artificial inoculation technique has enabled us to select candidate mother palms for the production of *Ganoderma*-tolerant palms.

In August 2013, GAR produced candidate *Ganoderma*-tolerant seeds following more than seven years of intensive research involving extensive screening of germplasm through the artificial inoculation technique followed by validations in the field. Stringent selection criteria were employed to identify progenies of a high and consistent index of tolerance. These seeds will be used in areas showing endemic symptoms of *Ganoderma* infection. Long-term observations for field validation are being carried out.

Tissue culture

GAR's tissue culture programme which was initiated in 2007 has been encouraging, yielding our first semi-commercial planting of oil palm clones in 2011. These clonal palms have now begun bearing fruit bunches. Out of 3,046 ramets (seedlings) from 26 clones planted in a series of three trials in 2011, only three cases of slight mantled fruit abnormality have been encountered. The abnormality syndrome has been the bane of oil palm tissue culturists in the past.

By end-2013, around 1,200 hectares of our estates have been planted with clones in various locations in order to test their performance in semi-commercial conditions, in areas such as abnormality, productivity and adaptability to the environment.

In November 2013, the Company officially launched a new laboratory near Jakarta, dedicated to tissue culture and research in biotechnology.

Biotechnology

We have been an active participant in the Oil Palm Genome Project (“OPGP”), a worldwide initiative by a consortium of 16 reputable research organisations from seven countries. The project uses molecular biology as a tool to support conventional breeding. The main objective is to map the entire genome spectrum of oil palm varieties, including identification of specific traits such as disease resistance, drought tolerance, superior quality oil and high yield.

The first phase of the project started in 2009 and has produced terabytes of DNA information. Bioinformatics is used to decipher these data to provide useful information for biotechnology and plant breeding. OPGP will be entering its second phase in 2014.

As an active participant in OPGP, we have formed a dedicated team in our biotechnology division, and our staff have been involved in related research activities in Spain and France. Our participation in the project has helped the Company make advances in the biotechnology field, ultimately providing the tools and solutions for the implementation of molecular assisted selection. A breeding cycle of the perennial oil palm takes about 10 years, and an average yield increase of 10% per cycle has previously been reported. The new biotechnological tools will ensure more rapid and better advancements in the sustainability of the oil palm, with higher yields complemented by improvements in other secondary oil palm traits.

BIODIVERSITY AND ECOSYSTEM FUNCTION IN TROPICAL AGRICULTURE PROJECT

In 2012, SMARTRI, in collaboration with the University of Cambridge, UK, implemented the Biodiversity and Ecosystem Function in Tropical Agriculture (“BEFTA”) project in Sumatra.

The BEFTA project experimentally investigates the role of local habitat complexity in supporting biodiversity, ecosystem functioning and crop productivity within oil palm plantations. The aim of the project is to manipulate the understory and epiphyte complexity within the oil palm landscape, in order to assess the potential of biodiversity-friendly management to enhance biodiversity, ecosystem services and crop production. The project also aims to develop and assess the potential of key taxonomic groups for biodiversity monitoring protocols. We intend that the project will lead to practical suggestions for improving the management of biodiversity and sustainable production across the industry, from smallholders to large estates.

In 2012, we replicated six experimental set-ups within our estates in Riau, Sumatra. The basic experimental set-up is based on plots of 150m x 150m (2.25 hectares) and consists of three levels of habitat complexity:

1. normal complexity: represents standard industry practice and includes an intermediate level of herbicide spraying of understory plants;
2. reduced complexity: represents highly destructive management and includes the spraying of all understory vegetation with herbicides; and
3. enhanced complexity: represents reduced-input management treatment and includes no herbicide input and only limited understory cutting. Understory growth will be maximised as far as possible, while still allowing access to the palms for harvest.

The experiment will continue for at least four years to analyse:

- biodiversity of a wide range of taxa, including insects, soil organisms, birds, frogs and mammals, as well as flora diversity;
- ecosystem functions such as herbivory of oil-palm foliage, litter decomposition, dung removal, and pollination;
- soil characteristics (chemical, physical, biological); and
- yield data of the oil palm trees.

Although only in its second year, the project has already established experimental study plots, collected baseline data on habitat structure and complexity, carried out comprehensive surveys on a wide range of taxonomic groups, measured a range of ecosystem functions, and recorded levels of palm oil productivity in the plots since January 2013.

The first year of the experiment focused on collecting baseline data from the plots before the experimental treatments were implemented. This stage of the work has been completed and the plots are currently in the experimental stage. We began spraying herbicides in the “reduced complexity” plots in February 2014.

The following were achieved in 2013 to early 2014:

1. Collection of key environmental parameters within the BEFTA plots, including topographic data, soil characteristics and the establishment of over 50 temperature data loggers;
2. Development and implementation of survey protocols for a wide range of taxonomic groups including understory plants, epiphytes, insects such as dragonflies and butterflies, aquatic invertebrates, frogs, birds, small mammals, and carnivores;
3. Development and implementation of survey protocols for a range of ecosystem functions and services including leaf litter decomposition, herbivory, predation, soil activity, and palm yield;

RESEARCH AND DEVELOPMENT

- 4. Development of key collaborations with taxonomic experts for dung beetles, frogs and dragonflies; and
- 5. Experimental manipulation of the plots.

The information collected has provided a comprehensive picture of the ecosystem links between biodiversity and the functions in a complex tropical crop as seen in Chart 5.8 below.



A researcher at SMARTRI.

Chart 5.8 Ecosystem links between biodiversity and functions in oil palm plantation



Results from the year's work showed that oil palm plantations are far from simple. They are complex ecosystems in their own right, housing a diverse assemblage of species. For example, over 40 species of dragonflies have been recorded in the BEFTA plots. There are also clear effects of habitat variability on the diversity of species. For example, distinct communities of dragonflies have been recorded in the plantation and the road edge habitats (Chart 5.9). A multivariate statistical analysis technique, Detrended Correspondence Analysis ("DCA") was used to quantify differences in the community structures of dragonflies in both the plantation interior and edges. Sites with similar DCA scores have similar communities, therefore the closer the points are to one another in the chart, the more similar the communities. The results show a clear change in community composition between interior and edge areas. These species play an important role in ecosystem

functions within the plantation, such as leaf litter decomposition, as seen in Chart 5.10.

Chart 5.10 shows the results of a litter decomposition experiment. A set weight of dried palm leaves was placed in litter bags of different mesh and hole sizes of less than 0.1mm, 2mm and 1cm to allow access to or exclude invertebrates. Bags with 1cm holes that allowed access to invertebrates showed higher levels of litter decomposition, demonstrating the role that invertebrates play in this important process in plantations.

The data collection and development of the BEFTA project have been successful over the last year as shown by the volume of information gathered. This will allow a detailed picture of a complex tropical ecosystem to be developed in the future.

Chart 5.9 Results of a community analysis - differing communities of dragonflies in the interior areas of plantation and plantation edges

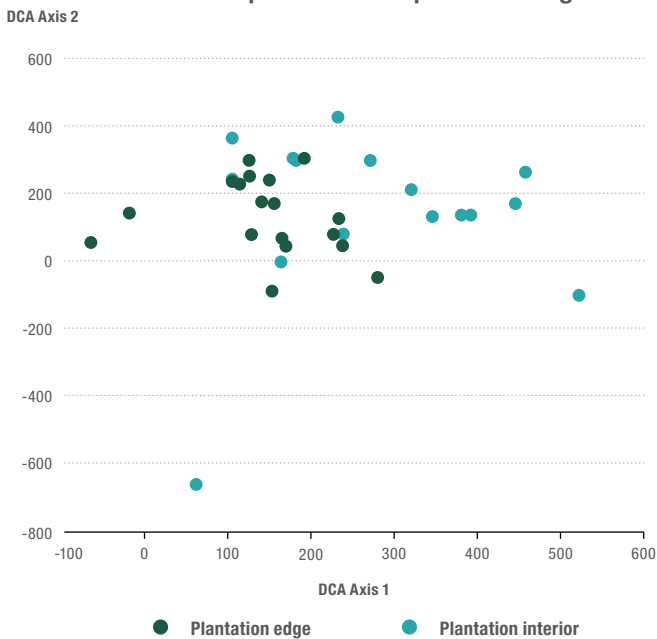
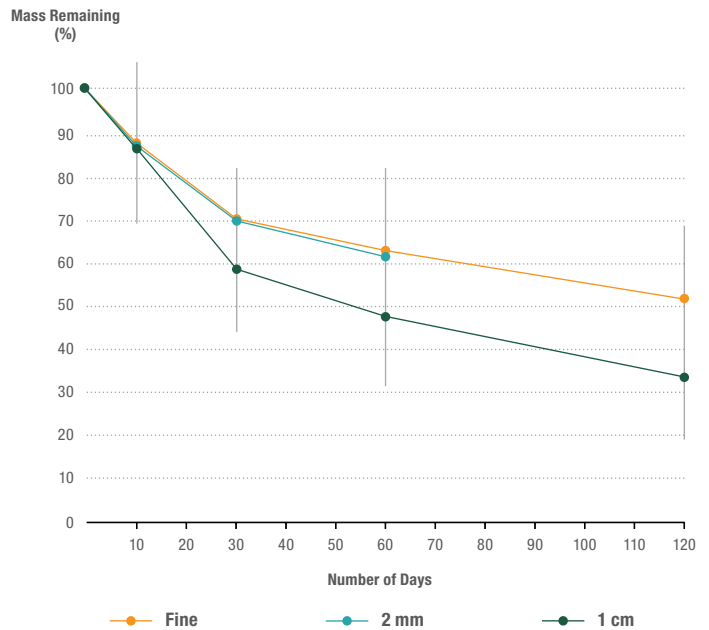


Chart 5.10 Results of a litter decomposition experiment



Over 40 species of dragonflies have been recorded in the BEFTA plots. (photo: Ed Turner)

LABOUR RELATIONS

In Indonesia, GAR provides direct employment for about 109,000 people, of whom 47,000 are permanent employees and 62,000 are casual workers on plantations. We also provide indirect employment for about 66,000 plasma smallholders. More on plasma smallholders is discussed in the “Managing Sustainability in Our Plantations” chapter.

The Company builds and maintains fair economic and positive social relations with our employees, casual workers and smallholder

farmers who are on our plasma scheme. We want them to have a good standard of living and we engage them with mutual trust and respect.

Chart 6.1 sets out the overall structure of our workforce in Indonesia by full-time direct employees and regular casual workers who work for day wages. Charts 6.2 and 6.3 give a breakdown of our workforce in Singapore and China respectively.

Chart 6.1 Workforce in Indonesia (excluding smallholders)

	2011		2012		2013	
Permanent employees	41,415	44.2%	47,482	42.2%	47,263	43.3%
Casual workers	52,289	55.8%	64,953	57.8%	61,929	56.7%
Total	93,704	100%	112,435	100%	109,192	100%
Permanent Employees						
Men	35,755	86.3%	40,926	86.2%	40,918	86.6%
Women	5,660	13.7%	6,556	13.8%	6,345	13.4%
Total	41,415	100%	47,482	100%	47,263	100%
Casual Workers						
Men	31,065	59.4%	38,021	58.5%	34,634	55.9%
Women	21,224	40.6%	26,932	41.5%	27,295	44.1%
Total	52,289	100%	64,953	100%	61,929	100%
Managers						
Men	695	80.3%	789	81.1%	833	81.5%
Women	170	19.7%	184	18.9%	189	18.5%
Total	865	100%	973	100%	1,022	100%

Chart 6.2 Workforce in Singapore

	2011		2012		2013	
Men	91	51.7%	109	52.2%	125	55.1%
Women	85	48.3%	100	47.8%	102	44.9%
Total	176	100%	209	100%	227	100%
Managers						
Men	49	66.2%	51	72.9%	65	75.6%
Women	25	33.8%	19	27.1%	21	24.4%
Total	74	100%	70	100%	86	100%



Morning briefing for harvesters at one of our estates.

Chart 6.3 Workforce in China

	2011		2012		2013	
Men	2,574	49.2%	2,593	49.3%	2,605	51.1%
Women	2,662	50.8%	2,665	50.7%	2,494	48.9%
Total	5,236	100%	5,258	100%	5,099	100%
Managers						
Men	138	80.7%	146	80.2%	140	79.5%
Women	33	19.3%	36	19.8%	36	20.5%
Total	171	100%	182	100%	176	100%

GENDER AND OTHER EMPLOYMENT ISSUES

We believe in treating all of our employees equally, fairly and with respect. It is in this belief that we signed the UN Global Compact in 2006 through our subsidiary, SMART, and it is this belief that guides us in our day-to-day operations. As a signatory to the UN Global Compact, we are committed to upholding its ten basic principles. In addition, as part of our Social and Community Engagement Policy, we 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 elimination of child or forced labour. In keeping with Indonesian laws and regulations, we do not employ prison labour.

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

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

About 13% of our permanent employees and 44% of our casual workers in Indonesia are women. While we promote the employment of women, certain jobs are more suited for male employees than female employees due to the manual labour required in our field operations. The higher percentage of women among casual workers reflects the traditional family structure where men are the main breadwinners. While male workers perform heavier physical tasks, like harvesting fresh fruit bunches and carrying them to trucks for transport to the mills, women are assigned tasks like weeding and collecting loose fruits that have fallen on the ground.

In order to support our female employees and care for our employees’ children, all of our units provide a day care centre. We also have a clear anti-sexual harassment policy integrated into our SOP to protect our female employees. The implementation of this SOP includes extensive training and socialisation for all estate and mill workers. We also establish gender committees, comprising representatives from the labour unions and management, to promote female participation and advancement in the workplace. These committees also handle sexual harassment complaints. When a case of harassment is reported either formally or informally, the relevant committee investigates to determine whether further sanctions or law enforcement action are needed. During the investigation, the committee provides assistance and support to the victim.

MINIMUM AGE OF EMPLOYMENT

The minimum age for employment in GAR in any capacity is 18 years. As a signatory member of the UN Global Compact, we are totally against any form of child labour, and we rigorously enforce these principles at all our plantations, mills and other places of work. Our recruitment officers check the identification card against the prospective employee’s schooling records, such as their school diplomas, to ensure that we do not employ children.

WAGES AND CONDITIONS

The minimum wage in Indonesia differs from province to province, as it is set by provincial and district authorities that check the local prices of a basket of goods and services needed to sustain a decent living for a single worker. In addition to wages, the Company provides employees and casual workers with a range of benefits.

In order to present data on the relative living standards of our employees and casual workers, we have taken an average of the minimum wages across 11 provinces in Indonesia where we operate, namely Bangka Belitung, Jambi, Lampung, Papua, Riau, Central, East, South and West Kalimantan and North and South Sumatra. We then compared them with an average of wages and cash equivalent of the benefits we provide across the provinces.

LABOUR RELATIONS

PERMANENT WORKERS

Permanent workers in our plantations earn approximately US\$150 per month in wages, excluding incentives and non-cash benefits. Through incentives, they have the opportunity to earn progressively higher income depending on their skill level and productivity.

In addition, our permanent workers receive benefits like free healthcare for themselves and their families, company housing, water, electricity and free education for their children from kindergarten to junior high. The value of our workers' wages and benefits combined, benchmarked against the average minimum wages of the 11 Indonesian provinces is presented in Chart 6.4.

In Chart 6.5 we list the benefits provided to permanent employees in our plantations, with a notional cash value assigned to them.

CASUAL LABOUR

In addition to our permanent employees, we employ about 62,000 casual workers at our plantations. The casual worker scheme offers flexibility due to the seasonal nature of oil palm cultivation. This allows casual workers to earn extra income whilst still allowing them to tend to their own farmland or other personal responsibilities. About 56% of our casual workers are men, while 44% are women who do less physically demanding work such as weeding. There are many husband-and-wife teams, and men and women are paid the same standard wage.

Chart 6.4 Value of daily wages and benefits of a GAR plantation worker benchmarked against average minimum daily wage¹ across 11 Indonesian provinces²

Average minimum wage per day across 11 provinces	Average GAR plantation worker's wages per day	Value of GAR plantation worker's benefits per day	Total value of GAR plantation worker's wages and benefits per day
Rp56,000	Rp62,200	Rp24,600	Rp86,800
US\$5.38	US\$5.98	US\$2.37	US\$8.35

Notes:

- 1 Average monthly wage divided by 25 days
- 2 Bangka Belitung, Jambi, Lampung, Papua, Riau, Central, East, South and West Kalimantan and North and South Sumatra

Chart 6.5 Estimated annual benefit value received by permanent plantation worker in Indonesia in 2013

Benefits Provided	Services
Education	Kindergarten to 6 th grade for children in each estate; 7 th –9 th grade for students in each region
Electricity and water	Free to all homes
Healthcare	Free on-site polyclinic
Housing	Free for all permanent employees
Meal allowance	Rice is provided for estate workers and their dependents
Religious observance	Mosques/churches provided in each estate
Sports/recreation	Facilities provided in each estate
Estimated annual value of quantified benefits	Rp7,380,000 (US\$710)

Chart 6.6 Casual worker remuneration benchmarked against average minimum daily wage¹ across 11 Indonesian provinces² in 2013

Average minimum wage per day across 11 provinces	Average GAR casual worker's wages per day	Value of GAR casual worker's benefits per day	Total value of GAR casual worker's wages and benefits per day
Rp56,000	Rp61,900	Rp4,000	Rp65,900
US\$5.38	US\$5.95	US\$0.38	US\$6.33

Notes:

- 1 Average monthly wage divided by 25 days
- 2 Bangka Belitung, Jambi, Lampung, Papua, Riau, Central, East, South and West Kalimantan and North and South Sumatra

Most casual workers come from the villages surrounding our estates to work on a part-time basis, often working three to four days a week, or less than 21 days per month. They are trained on-the-job in skills relevant to their day-to-day work. They are not unionised as they work on an ad-hoc basis.

Casual workers are paid approximately Rp61,900 (US\$5.95) per day (see Chart 6.6). Although they do not receive all the benefits that our full-time employees enjoy, they still benefit from free medical services at our polyclinics. The children of our casual workers also benefit from quality education at our estate schools.

OCCUPATIONAL HEALTH AND SAFETY

The Company introduced occupational health and safety (“OHS”) management in 1999 to prevent work-related illness and workplace accidents. We are committed to constantly improving our performance in OHS, in accordance with government regulations and keeping pace with best practices, new technologies and scientific advances.

Reinforcing our commitment in promoting health and safety in our workplace, we launched a Health and Safety policy on 1 November 2013. The policy focuses on:

- creating awareness on health and safety management amongst our staff and related stakeholders;
- ensuring compliance with government regulations and related guidelines;
- adopting health and safety practices as part of the Company’s operating procedures;
- identifying and managing operational risks to prevent and reduce work-related accidents or illness; and
- regular monitoring and evaluation to continually improve our OHS performance.

Our OHS programme is aimed at reducing lost time injury and creating a safe and healthy workplace to improve efficiency and productivity. Key elements of our programmes including emergency response and health and safety training are discussed later in this section.

Occupational Health and Safety Supervisory Committee

The Company has an Occupational Health and Safety Supervisory Committee (Panitia Pembina Keselamatan dan Kesehatan Kerja or “P2K3”) in compliance with Law No. 1 of 1970 on Occupational Safety. P2K3 promotes cooperation between the Company and its workers in OHS management.

All our units have P2K3 committees that are approved by the government agency that oversees OHS. P2K3 informs and advises the Company’s management on OHS issues. P2K3 membership comprises representatives from every work unit who guide and coordinate OHS implementation in their respective units.

On average, the number of active P2K3 members in each of our plantation estates and mills is about 40 people, of whom 60% represent workers. This is in line with the Indonesian Ministry of Manpower Regulation No. 04 of 1987 which requires both management and labour representation on the committee.

OHS Certificate (SMK3 Certification) on health and safety management system and Zero Accident Awards

In 2013, GAR took part in the OHS management system certification (Sistem Manajemen Keselamatan dan Kesehatan Kerja or “SMK3” Certification) conducted by the Indonesian Ministry of Manpower and Transmigration, previously known as the Bendera Emas Certificate. Under the Indonesian Government’s Regulation No. 50 of 2012, companies that fulfil 85% of the audit requirements will receive SMK3 Certification which is valid for three years. In April 2014, GAR received SMK3 certificates for 14 mills.

In recognition of our good OHS management and implementation, we also received Zero Accident Awards from the Indonesian Minister of Manpower and Transmigration for eight estates, three mills and three of our subsidiaries for one million accident-free hours.

Monitoring the number of accidents

The Company recognises that monitoring accident rates is an important step towards preventing work-related accidents and injuries. In Indonesia, this is conducted in reference to the applicable rules by calculating the frequency and severity rates of accidents in one million hours of work.

Chart 6.7 Certification and awards achieved from 2010–2013

Award	2010	2011	2012	2013
SMK3 Certification (previously known as “Sertifikat Bendera Emas”)	5 Mills	4 Mills	8 Mills	14 Mills
Zero Accident Award	3 Mills 1 Estate	5 Mills	2 Mills 4 Estates	3 Mills 8 Estates 3 Subsidiaries
Total number of awards	9	9	14	28

LABOUR RELATIONS

Fatalities

In 2013, we regret to report that there were work-related accidents resulting in a total of five fatalities (see Chart 6.8) in our plantations and mills.

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

We are committed to ensuring the highest safety standards across our operations. To prevent the recurrence of similar accidents, thorough investigations were conducted to uncover underlying causes and develop additional and enhanced safety measures. The reviews are followed by continued efforts in training and refresher programmes to ensure that safety is not taken for granted.

Frequency and Severity Rate

Monitoring accident rates is an important step towards preventing work-related injuries and accidents. Indicators such as the Frequency Rate ("FR") and Severity Rate ("SR") are used in our analysis of how often workplace incidents occurred and man-days lost for every million man-hours worked each year.

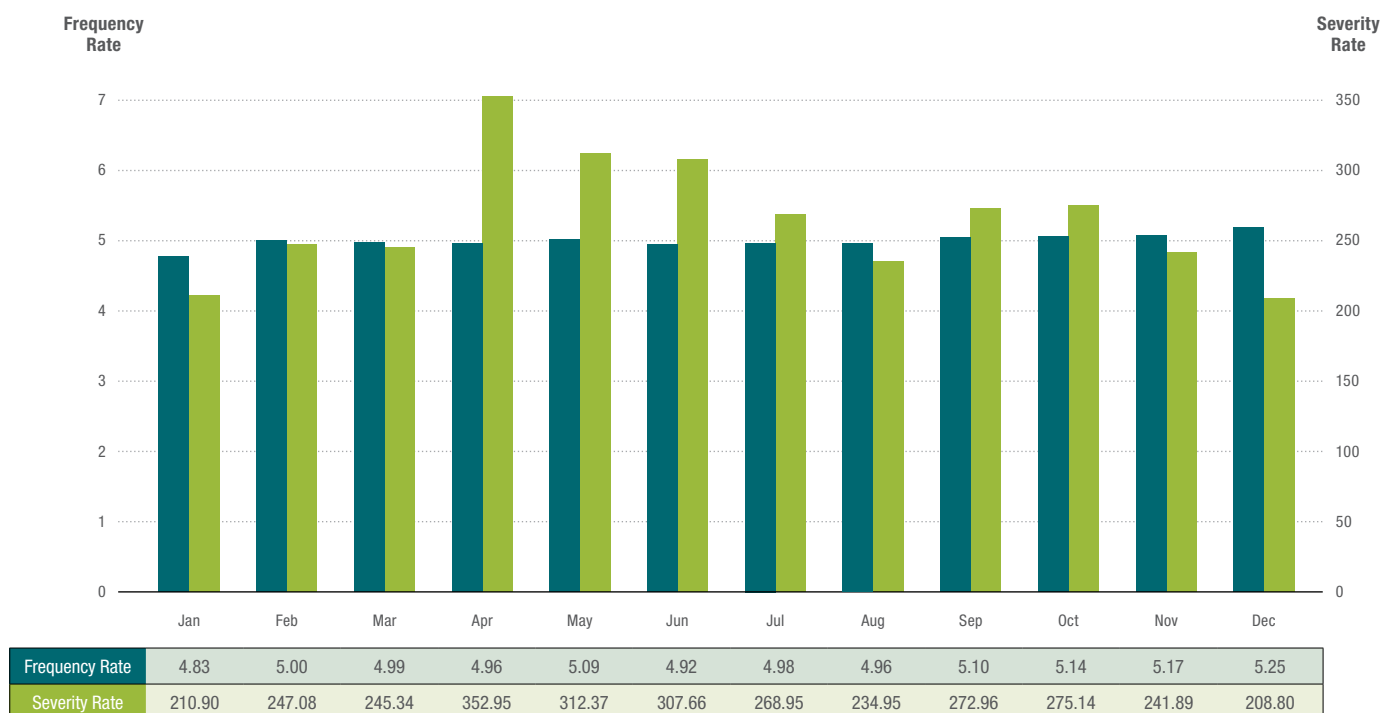
The FR refers to the number of accidents in one million hours of work, while the SR is the number of workdays lost in one million hours of work within a year. The SR illustrates the extent of safety problems by highlighting how critical each injury and illness is. The premise is that an employee who must miss time from work to recover has a more severe problem than one who can immediately return to work.

In 2013, the FR of work-related accidents remained within the range of 4.83 in January 2013 to 5.25 in December 2013, which translates to approximately five accidents per million man-hours worked. We recorded an average SR of 264.9 which translates to approximately 265 lost workdays per million man-hours worked.

Chart 6.8 Fatalities in 2013

No.	Company	Location	Type of Accident
1	PT Argokarya Prima Lestari	Central Kalimantan	Struck by a falling pile of tree stumps while cleaning
2	PT Binasawit Abadi Pratama	Central Kalimantan	Struck by a falling crop tool in the field
3	PT Forestalestari Dwikarya	Belitung	Fell from the roof of the mill while cleaning
4	PT Ivo Mas Tunggal	Riau	Electrocution while harvesting below a power pole
5	PT Sawit Mas Sejahtera	South Sumatra	Electrocution while harvesting below a power pole

Chart 6.9 Frequency and Severity Rate of work-related accidents in 2013



Such indicators help us track the effectiveness of measures taken to improve occupational safety and health in our operations and plantations. This in turn helps the Company focus and identify the most useful preventive action.

Emergency response equipment

To anticipate emergencies that could occur at our plantations and mills, every operation unit, be it a mill or an estate, has an emergency response team (Tim Kesiapsiagaan dan Tanggap Darurat) fully equipped with emergency response equipment that includes the following:

- ambulance;
- fire engine;
- fire extinguishers;
- first aid kit; and
- water tanks.

Our emergency response teams conduct regular training sessions to ensure that they are fully prepared to respond to any emergencies.

Healthcare facilities

Most of GAR’s operations are located in remote areas of Indonesia with limited infrastructure and accessibility, where there is less incentive for healthcare professionals to practise. To provide our entire workforce with healthcare, the Company has built healthcare facilities in most of our estates, staffed with qualified healthcare professionals who receive regular training to enhance their skills. As of end 2013, we have 145 polyclinics with inpatient facilities, 28 doctors and 266 paramedics (see Chart 6.10)

Besides providing medical care for our workers and their families, our healthcare officers conduct pre-employment medical check-ups for new recruits as well as periodic and special medical check-ups for workers who are exposed to potential health and safety hazards in their area of work. The medical check-up programme is part of our efforts to prevent and treat work-related illnesses through early detection.

Chart 6.10 Healthcare provision in our plantations from 2010–2013

	2010	2011	2012	2013
Polyclinics	121	130	140	145
Doctors	17	22	24	28
Paramedics	186	202	251	266

Occupational health and safety training

To raise our workers’ awareness of OHS, the Company periodically conducts both in-house and external training programmes for the entire workforce in accordance with national regulations.

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

- auditors of OHS management systems;
- boiler operators;
- electricians;
- heavy equipment operators;
- OHS (Hygiene Perusahaan & Kesehatan Kerja or “Hyperkes” certified) doctors and paramedics;
- OHS experts;
- pest management officers (restricted pesticides); and
- welders.

In 2013, 77 of our employees underwent Occupational Health and Safety Expert Training. We have a total of 373 Occupational Health and Safety Specialists in the Company as of December 2013. Deployed in estates and mills, they play an important role in the implementation of OHS in operational units.

FREEDOM OF ASSOCIATION AND TRADE UNION MEMBERSHIP

Harmonious industrial relations are fundamental to productivity and value creation. We maintain industrial peace and productivity and ensure the welfare of our workers through open dialogue, fair labour practices, care and respectful communication in the workplace.

Freedom of association is mandated by Indonesia’s 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.

Our permanent workers are free to join a union at their workplace. Currently, there are 160 Labour Unions representing 39,000 non-management employees across our plantations in Indonesia. Union representatives elected by members in each unit work together with local management representatives in a bipartite forum which meets regularly to discuss and resolve issues.

TRAINING AND DEVELOPMENT

The Company sees training and development as an investment to continuously strengthen our human capital, which benefits both employee and employer. In 2013, we spent Rp49 billion (approximately US\$4.7 million) on training and development in our Indonesia operations.

Our training and development programmes have two main objectives. The first objective is to equip employees with the relevant technical skills and capabilities that they require to excel in their roles in the Company. Our learning and development department works closely with our business leaders to identify training needs and develop high quality training materials delivered by qualified trainers.

The second objective is to ensure that our employees embrace the Company’s corporate values of integrity, positive attitude, commitment, continuous improvement, innovation and loyalty. We believe that these shared values form the foundation for building an effective workforce. Each new employee is introduced to our corporate values during their orientation programme. These values are also emphasised during our leadership and shared values training programmes.

LABOUR RELATIONS

Internal training is conducted for workers, supervisors, and administrative staff. Training is compulsory for management staff at every level starting from the Basic Management Development Programme for new staff to the Supervisory Management Development Programme, Middle Management Development Programme and Executive Development Programme.

Chart 6.11 shows our comprehensive learning portfolio which consists of compulsory and technical modules, soft skills training and special programmes. These programmes are specially tailored to develop the full potential of our employees.

Our training and development programmes are delivered both formally and informally. The formal training curriculum is taught at six regional training centres located in various parts of Indonesia: three in Sumatra (Padang Halaban Training Centre, Sungai Rokan Training Centre and Ujung Tanjung Training Centre); two in Kalimantan (Sungai Rungau Training Centre and Batu Ampar Training Centre); and one in West Java (Nirmala Training Centre).

In 2013, more than 3,900 of our plantation staff attended classroom training. We also provided formal training to more than 1,200 clerical and non-management employees. Learning is not limited to a classroom setting. We conduct many informal and instructional training sessions as part of on-the-job training. These include instructional briefings by competent supervisors and managers as part of cascade learning. These informal sessions are embedded in daily routines such as morning briefings or small group learning

sessions in order to enhance employee skills, boost morale, increase productivity and promote safety.

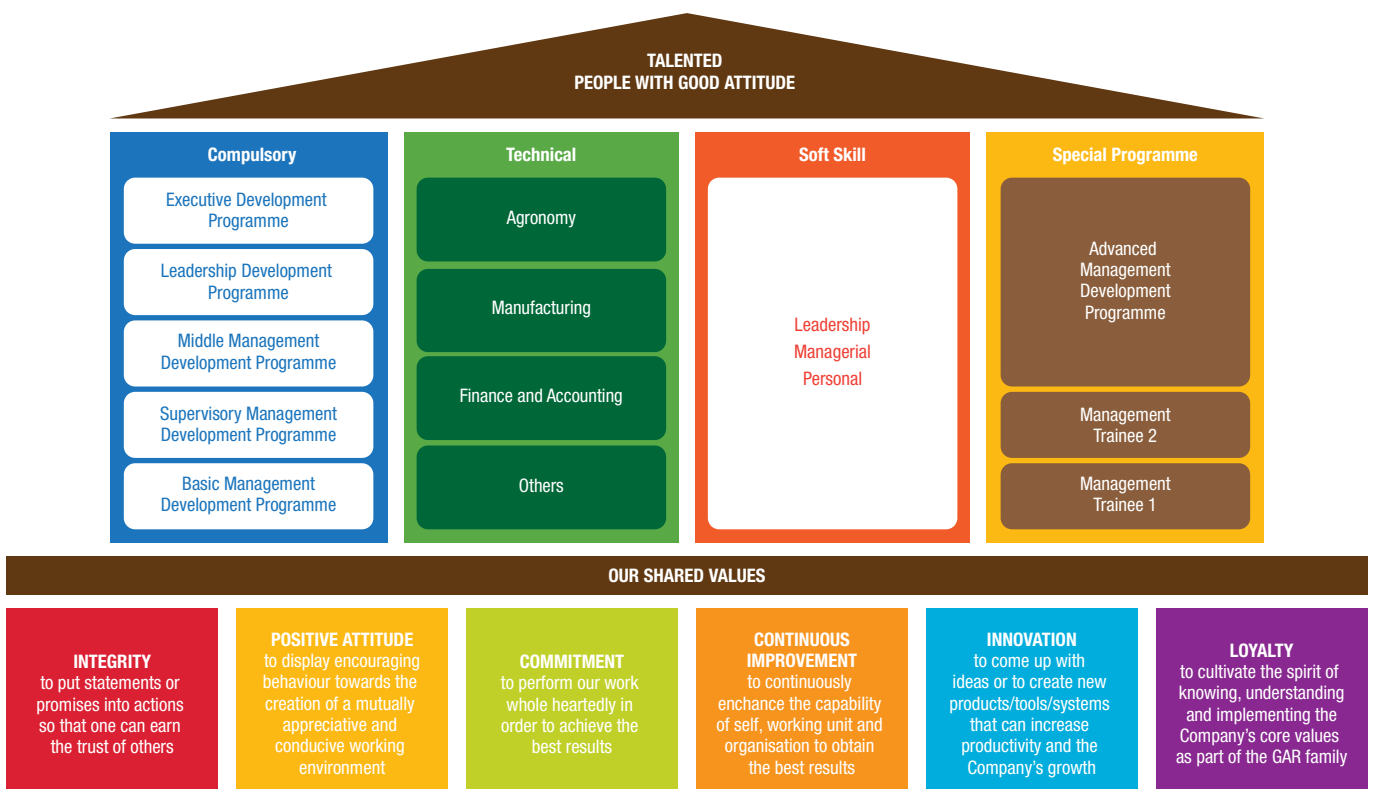
To nurture our workforce, we continue to identify high performing candidates for leadership development. We are conscious of the increasing challenges in the ever-changing operating environment. Therefore, we provide our high performing employees with the relevant training so that they are adept at fulfilling their roles and able to progress in their careers. We are guided by ISO 10015 (Quality Management – Guidelines for Training), for which we received certification in 2013.

SECURITY GUARDS

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, knives and handcuffs. In 2013, 365 of our security officers were trained and certified by BMK.

Chart 6.11 Our comprehensive learning portfolio



SOCIAL AND COMMUNITY AFFAIRS

GAR firmly believes that the cultivation of oil palm is an effective way to create jobs and alleviate poverty, and hence has the potential to empower people to secure a better livelihood for themselves and future generations.

At the same time, the establishment of plantations can create major changes for local communities and indigenous people. In the development of palm oil plantations, GAR respects the customary rights of the local and indigenous communities to their land and commits to ensuring free, prior and informed consent from these communities before commencing any operations.

We provide employment for about 175,000 people in Indonesia, of whom 47,000 are direct employees, 62,000 are casual workers on plantations and 66,000 are smallholders. We recognise that wherever we operate, the acceptance and support of the local communities is central to our sustainable growth. Our Social and Community Engagement Policy ("SCEP") guides us in our engagement with communities, to ensure that our palm oil operations improve the lives of the communities that they impact.

ADVANCING WITH SOCIAL AND COMMUNITY ENGAGEMENT

Following the launch of our SCEP in November 2011, we continue to work with The Forest Trust ("TFT") in implementing the policy on the ground. Together with TFT, we continue to improve guidelines and build capacity in areas such as mediation, conflict management and participatory planning to facilitate the successful implementation of the SCEP. These initiatives are governed by the principles of the SCEP which include:

- Free, prior and informed consent ("FPIC") of indigenous people and local communities;
- Responsible handling of complaints;

- Responsible resolution of conflicts;
- Open and constructive engagement with local, national and international stakeholders;
- Empowering community development programmes;
- Respecting human rights;
- Recognising, respecting and strengthening the rights of our workers; and
- Compliance with all relevant laws and internationally accepted certification principles and criteria.

We engage with stakeholders such as local communities and government bodies as we actively participate in and drive our comprehensive community programmes, which range from providing education and promoting small and micro enterprises to healthcare and disaster relief. Some of these programmes are carried out in collaboration with the Eka Tjipta Foundation ("ETF"), 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).

For community-related social programmes, we are guided by a strategy that reflects our corporate objectives and the expectations of our communities, employees and other key stakeholders. It supports and links to the SCEP, providing a framework that allows us to better manage performance and report on our social and economic impacts. With this strategy, we seek to make a positive difference through healthcare, education, social and economic empowerment and infrastructure development programmes.



From left to right: Our CEO & Chairman Franky O. Widjaja handing out branded cooking oil at subsidised prices as part of the Operasi Pasar programme; One of our healthcare workers conducting a check-up as part of our community programmes.



Participatory mapping of village boundaries and community land use involving the communities.

Grievance handling

We are committed to promoting the growth and use of sustainable palm oil through cooperation within the supply chain and maintaining open dialogue with stakeholders.

Each business unit is empowered to facilitate a transparent and open dialogue with our stakeholders. All grievances are registered in the business unit and we endeavour to respond to all grievances raised in any of our business units with an amicable solution as soon as possible. If an amicable solution cannot be reached, the grievance is escalated to our Head Office in Jakarta. After the complaint is lodged, a grievance committee comprising senior executives determines the severity of the grievance and the best way to resolve it.

A grievance review is held monthly to identify the root causes of grievances raised during this period and determine whether they can be resolved by implementing new policies. For example, if there are repeated complaints regarding speeding vehicles in an area, a solution would be to implement speed limits or educate the drivers in the area on the dangers of speeding. Regular reviews also help to define the key stakeholders and tailor our operations to better suit their needs.

Conflict resolution

In line with our SCEP, we commit to actively promoting and supporting the responsible and peaceful resolution of any conflicts involving the plantations that GAR owns, manages or invests in regardless of the stake. We believe in working with the relevant stakeholders to ensure that conflicts are resolved through a process that is agreed upon by all appropriate parties.

Together with TFT, we continue to improve guidelines and build capacity in areas such as mediation, conflict management and participatory planning to facilitate the successful implementation of the SCEP.

Stakeholder engagement will remain crucial in formulating and facilitating our implementation of the SCEP on the ground. Through continual dialogue with our key stakeholders including members of the community, employees, local government and NGOs, we seek to find solutions in an open and responsible manner.

Ensuring free, prior and informed consent from communities

GAR is mindful of the customary, legal and RSPO obligations that need to be met as we continue to expand our plantation business. When we make an offer for any land belonging to the community members, we ensure that there is FPIC from these members and we comply with local requirements and the Indonesian laws. We respect the rights of the communities and their choice. No one is forced to relinquish their land to us.

When the company is granted a location permit (Ijin Lokasi) for a concession, we ensure that socialisation is conducted before any new palm oil development commences. The socialisation usually consists of informing the communities of the licenses, government and company policies regarding land compensation, development plans, land valuation approach, process of verifying land ownership and requirement for proof of ownership, and procedures for land measurements and compensation.

After the socialisation, we ensure that the communities have understood and accept what the company has communicated, explained and offered during our socialisation. When the necessary due diligence is completed, compensation will be made to those who have accepted the offer. All land transfers are documented and witnessed by members of the local government.

We are continually reviewing and strengthening our processes in grievance handling, conflict resolution and ensuring FPIC from communities.

MULTI-STAKEHOLDER APPROACH TO RESOLVING DISPUTES

In this section, we report on two cases involving our operations in Indonesia and one case involving Golden Veroleum (Liberia) Inc (“GVL”) that is incorporated in Liberia. GVL is a subsidiary of The Verdant Fund LP (“Verdant”), a private equity fund, and is independently operated and managed through the fund’s general partner. GAR is Verdant’s lead investor.

1. Addressing land tenure conflict in Biru Maju

The company, supported by TFT and local NGO Lingkar Komunitas Sawit Indonesia (“LINKS”) continues to work on resolving a land tenure conflict between GAR subsidiary PT Buana Artha Sejahtera (“BAS”) and the communities of Biru Maju village (“Biru Maju”).

As reported in our Sustainability Report 2012, a Task Force comprising members from SMART, TFT and LINKS conducted a mapping exercise to assess the situation on the ground and the interests of the parties concerned from March to April 2013. The Task Force met and engaged with key stakeholders during the mapping exercise, including the staff of BAS; the leaders and communities of Biru Maju; NGOs in Central Kalimantan; representatives from the District Manpower and Transmigration Office; the District Forestry Office; and other stakeholders.

In September 2013, the Task Force reported its assessment of the situation in Biru Maju and proposed conflict resolution recommendations.

Land tenure conflict

A group of the community led by the village head of Biru Maju has claimed that part of BAS concession overlaps with an Area Penggunaan Lain (“APL”) or Other Uses Area which is designated for transmigration purposes. To address the issue, the Task Force initially developed terms of reference to resolve the matter at the community level. However, as this is also of legal concern, the matter was raised to the authorities.

In May 2014, the Company received a letter from the Governor, stating that the APL area in dispute could be developed by BAS for oil palm plantation. The Dispute Settlement Facility (“DSF”) of the Roundtable on Sustainable Palm Oil (“RSPO”) is now starting to facilitate the conflict resolution. The DSF met with SMART and TFT on 27 June 2014, and planned to meet the village head and a local NGO to better understand the perspectives of the various key stakeholders so as to progress with resolution.

Together with TFT and LINKS, the Company will continue to review the case and engage with the key stakeholders including RSPO.

Plasma development programme

One of the recommendations by the Task Force was for BAS to partner Biru Maju on a plasma development programme.

In February 2014, socialisation on plasma development was conducted in Biru Maju. Adhering to the principles of FPIC, the Company explained the mechanisms, requirements of future land development and the approaches to implementing plasma development.

Some of the communities expressed keen interest in the plasma development programme and conducting land measurements through a cooperative, Koperasi Bangkit Bersama. The Company will continue with socialisation to ensure that the communities fully understand the plasma scheme so that their interests are properly and fairly accommodated. The Task Force will also continue to engage with the relevant stakeholders including the communities, village leaders and government for an amicable resolution to the conflict.

2. Ensuring mutual cooperation and goodwill in Jambi

As reported in our previous sustainability reports, we have been collaborating with TFT on a peaceful resolution of a case in the village of Karang Mendapo (“Karmen”), Jambi. The case involves SMART subsidiary PT Kresna Duta Agroindo (“KDA”), which, in partnership with the Koperasi Tiga Serumpun (“KTS”), manages plasma plantations of farmers of eight villages under the cooperative credit scheme, Koperasi Kredit Primer Anggota (“KKPA”).

Central to this dispute are land and estate management issues. Under the KKPA, smallholders in the KTS cooperative entrusted their land to KDA, which manages the plantations. A bank loan was granted to KTS with KDA as guarantor as per national banking regulations. As part of the plasma partnership, KTS is contractually obliged to sell the fresh fruit bunches (“FFB”) harvested to KDA. The proceeds of the sales would then be used to repay the loan and interest.

In September 2008, a group of villagers from Karmen began to manage the disputed plantations in Karmen and Batu Ampar, a neighbouring village. The group sold the FFB harvested to other mills instead of KDA. As a result, loan and interest payments from the disputed areas was discontinued. Meanwhile, KDA, being the guarantor of the credit facility, continued to service the bank loan and interest. The conflict escalated in January 2011 when a clash between the group of villagers from Karmen and the local police resulted in injuries.

MULTI-STAKEHOLDER APPROACH TO RESOLVING DISPUTES (CONTINUED)

To resolve the conflict amicably, SMART engaged TFT to assist in mediation. Following a series of seminars and consultations facilitated by TFT to ensure a common understanding between the parties, the Karmen leadership, KTS and KDA signed a resolution on 14 October 2011 with an action plan for mutual cooperation. The 12 points of the agreement included a commitment that all FFB harvested in Karmen would be delivered to KDA, and that a proportion of the revenue received would be used to repay the loan and interest.

The various parties were working on implementing the agreed action plan until 19 February 2013, when Karmen stopped delivering FFB to KDA. The bank loan repayment came to a halt as a result.

On 3 April 2013, TFT gathered the key parties concerned to review the implementation of the resolution and action plan that was signed on 14 October 2011. The meeting was attended by representatives from SMART, KDA, KTS, the Village Representative Board (Badan Perwakilan Desa or “BPD”) and leaders of Karmen, leaders of Batu Ampar village and local NGOs. Unfortunately, the village head of Karmen did not attend the meeting. The meeting concluded with a commitment expressed by each party to keep the engagement process going and resolve any issues that could hinder the process. The BPD of Karmen pledged to undertake a more active role and responsibility in resolving the matter, involving the villagers, village government as well as the informal leaders and government of Sarolangun. Leaders of Batu Ampar would accelerate the review of the determination of village boundaries with Karmen, their bank loan repayment, and oil palm plantation management with KDA and KTS.

In May 2013, field verifications of the village boundary between Karmen and Batu Ampar were completed with support from TFT. After several meetings and discussions, the District Head or “Bupati” of Sarolangun made the boundary official, recording it in an official letter. TFT subsequently arranged a meeting involving leaders from Karmen and Batu Ampar to discuss the implementation of the boundary as stated in the letter.

The BPD has resumed bank loan repayments and negotiated to deduct a proportion of the gross revenue from FFB sales from Karmen to offset production costs since October 2013.

To progress with the 12-point agreement that was signed in October 2011, TFT gathered key stakeholders from SMART, KDA, KTS, BPD, Karmen, Batu Ampar, four local NGOs, RSPO and the Sub-District Head or “Camat” of Pauh in May 2014. It was agreed at the meeting that the BPD will

set up an institution to manage plasma plantations for the communities in Karmen and ensure continual and, eventually, full delivery of FFB to KDA as committed in the plasma partnership with KTS and KDA. There was a consensus to improve cooperation, communication and transparency amongst the various parties. For instance, the BPD and the new institution to be established would have access to information relating to production, FFB delivery volumes and loan payments.

Continual engagement is ongoing to resolve the disputes and implement actions including those for the village boundary which the Bupati has made official.

3. GVL addresses community issues responsibly

In October 2012, a case was lodged with the RSPO against GVL for non-compliance with RSPO New Planting Procedures and RSPO Principles and Criteria relating to land preparation and community engagement in Liberia. The complaint was filed by an NGO, the Green Advocates (“GA”), on behalf of the communities in Greenville, Butaw and Kpanyan districts of Sinoe County.

To resolve the matter responsibly, GVL engaged TFT to conduct a multi-stakeholder assessment of its community engagement process which took place in January 2013 involving communities in Sinoe County, GA, the Ministry of Agriculture and the United Nations Mission in Liberia (“UNML”) amongst others. The terms of reference of the assessment were agreed between GVL, Forest Peoples Programme (“FPP”) and TFT.

GVL made public TFT’s independent assessment report on 16 March 2013. The main findings concluded that the communities wish GVL to develop land but that GVL needs to further strengthen its FPIC process and better align its operations and social focus.

Fulfilling its obligations as an RSPO member, GVL has been complying with the RSPO New Planting Procedures since 4 February 2013.

Being mindful of the interests of the communities and fully committed to implementing a robust FPIC process, GVL engaged in consultations with the communities in Butaw in April 2013, to develop a joint roadmap for implementation of the TFT recommendations, and also to strengthen GVL’s standard operating procedures.

MULTI-STAKEHOLDER APPROACH TO RESOLVING DISPUTES (CONTINUED)

As of June 2013, GVL had concluded repairs and upgrades to the burial sites and water bodies that were raised in specific grievances as well as those mentioned in the TFT assessment report. GVL also restructured its social and environmental team, and is ensuring that the environmental and social departments are actively involved in its decision making.

Further working sessions with communities and their advisors in Butaw in August 2013 yielded updated versions of the roadmap and standard operating procedures, which have since been implemented in the field. These roadmaps and procedures continue to be under joint review with key stakeholders and are available on the GVL website for more transparency. Up to June 2014, GVL has engaged in ongoing monthly meetings with the Butaw community representatives in Sinoe to monitor progress and to resolve any remaining open grievances listed in the TFT report. GVL is currently awaiting internal resolution by the community on some items.

To facilitate a clearer community understanding of GVL's work to develop Liberia's oil palm industry successfully and sustainably, GVL published a guide for communities titled, "Important things to know", in August 2013. The guide covers frequently asked questions about GVL's operations in the area, as well as the rights of communities and GVL employees. Subsequently, in September 2013, GVL published a document that explains the updated joint roadmap and standard operating procedures, as well as the principles behind the FPIC process.

GVL believes that conflicts are best resolved through direct engagement with communities. On 15 November 2013, GVL made a public statement to the communities in Butaw on its position and recommendations on amicable oil palm development in the district. The statement also encapsulates key elements of the joint roadmap that it has committed to. In January 2014, GVL underlined its commitment to the Forest Conservation Policy ("FCP") and SCEP to protect forests and empower the communities.

Responding to issues in Grand Kru and Tarjuowon

In October 2013, and in February 2014 two complaints were raised against GVL regarding areas in Grand Kru County and Tarjuowon, Sinoe County. The first was filed by Liberian sister NGOs, Social Entrepreneurs for Sustainable Development ("SESDev") and the Sustainable Development Institute ("SDI"), and the second by some members of a Monrovia-based community organisation, the Kulu United Development Association ("KUDA"). The main concerns of the complainants were in regard to the completeness of FPIC procedures at the time of public notification of new plantings.

GVL has since responded to the various complainants and is awaiting further guidance from the RSPO, it being noted that according to the RSPO Detailed Process Flow for New Plantings Procedures, it is mandatory for the FPIC process to have started by the time of public notification. The Environmental and Social Impact assessment ("ESIA") and High Conservation Value assessments ("HCVA") are required to be completed by that time. GVL had duly completed its ESIA and HCVA at the time of public notification. In one complaint there were allegations of government official intimidation by arrest in relation to GVL's operations. GVL does not condone intimidation and indeed actively tries to ensure there is no intimidation in relation to its engagement processes. In its SCEP, GVL commits to "open negotiation processes, which are non-coercive and free from intimidation". Its Employee Policy on Civic Activities asserts peaceful and respectful behavior, and GVL emphasises and expects similar behavior from all participants in civic matters and decision making, without intimidation, harassment, threats or violence.

Engaging with RSPO in Liberia

In June 2014, the RSPO visited GVL concessions in Liberia and attended a series of community meetings in some of the complainant areas in Butaw, Grand Kru and Tarjuowon for an independent fact finding of the situation in the field. The meetings were also variously attended by NGOs, UNML and members of the Liberian Government. During the visit, the RSPO also conducted a briefing for NGOs to explain the various RSPO Principles and Criteria, requirements and processes for responsible palm oil development.

In the past 18 months, GVL has upgraded its FPIC processes with a view to continuous improvement. It engages closely and intensively with host communities, and has made public considerable data in an attempt to inform and engage NGOs on its progress.

GVL will continue to strictly comply with all relevant regulations, procedures and processes, RSPO P&Cs, and its own FCP and SCEP. It will also continue to encourage direct engagement with communities and other stakeholders as an effective means of conflict resolution.

A comprehensive set of GVL's transparency documentation can be found at www.goldenveroleumliberia.com.

SOCIAL AND COMMUNITY AFFAIRS

EMPOWERING THE COMMUNITY

In 2013, we continued to engage with stakeholders such as local communities and government bodies as we provide financial assistance for community projects. We believe in the empowerment of surrounding communities and helping them grow in a harmonious and healthy environment. Hence, we have put in place a range of community development programmes for education, healthcare, social and economic empowerment, as well as supported cultural and religious activities. We also encourage our employees to join us in serving the community.

Educating the next generation

Education is a pillar of our community development programmes. We see it as a key to unlocking the potential of Indonesia and an effective way to break the poverty cycle that affects many Indonesians. Through our education programmes, we also support the Government of Indonesia's human resource development efforts in building high quality human capital.

To date, we have helped to develop and support the establishment of 232 schools that employ 2,348 teachers and educate 37,487 students, ranging from kindergarten to junior high. In support of the nine years of compulsory education required by the Indonesian Ministry of Education, we have ensured that each estate has facilities for kindergarten to sixth grade schooling and every region a junior high school that adequately meets the needs of our employees and the local communities.

Children of our employees and casual workers living in the estate receive free education from kindergarten to junior high school and heavily subsidised higher education. In the wider community, children living around our estates receive heavily subsidised education at all levels. To further encourage our employees and local communities to send their children to school, we provide free school bus services for all students.

In 2013, together with the Tzu Chi Foundation, we helped to provide more than 450 students in South Kalimantan and North Sumatra with school supplies consisting of bags, uniforms, shoes and stationery. We also provided books for around 700 elementary students in Central and South Kalimantan.

Sekolah SMART programme

Our investment in educating the young also includes free training and teaching materials for our teachers. SMART School or "Sekolah SMART", our strategic collaboration with ETF, is a quality improvement programme for schools located in our plantations. Its main aim is to prepare these schools for the National Standard School Certification from the Indonesian Ministry of Education. The programme also aims to establish schools that combine social conduct, ethics and academics to foster character development and care for the environment.

As of 2013, Sekolah SMART has been implemented in 30 elementary schools and six junior high schools in Central and West Kalimantan.



Elementary school students at one of our estate schools.

Sekolah SMART focuses on quality training for teachers, school management and community involvement. Participating teachers receive instructions on pedagogical approaches to school principal leadership and capacity building. The teachers are expected to develop innovative approaches to learning, in order to fully explore and develop the potential of every student.

To encourage holistic development beyond the classroom, two inter-school events were organised in May and August 2013 for students in Central and West Kalimantan. Students from 19 elementary schools and six junior high schools gathered to compete in an academic and art competition as well as a mini-Olympics.

To enable a conducive learning environment, we have equipped 12 SMART schools in Central and West Kalimantan with 560 sets of rattan tables and chairs that are handcrafted by local craftsmen. This is also in support of the initiative by the Ministry of Industry of Indonesia to promote the development of local small and medium sized enterprises.

Rumah Pintar programme

Since mid-2011, GAR has been building Smart Houses or "Rumah Pintar" in some of our concessions in support of the programme initiated by Indonesia's First Lady, Mrs. Ani Susilo Bambang Yudhoyono, the Chairperson of the Solidarity of the Wives of United Indonesia Cabinet (Solidaritas Istri Kabinet Indonesia Bersatu or "SIKIB"). Today, we operate 23 Rumah Pintar.

The goal of Rumah Pintar is to empower children, mothers and other community members, in order to create educated and prosperous communities throughout Indonesia. Each Rumah Pintar is managed by two tutors and is designed as a community learning centre focusing on early childhood education, training of women in empowerment activities and nurturing of family health. Facilities in each Rumah Pintar include a library, a play room, and an arts and culture corner equipped with computers and multimedia stations.

The programmes for children in Rumah Pintar focus on arts, music and multimedia technology, while the women learn livelihood skills such as cooking and sewing. With their new skills, many women have independently opened their own tailor business and catering and home baking services.

In February 2014, women from four Rumah Pintar in Jambi, North Sumatra, and Central Kalimantan produced around 500 environmentally friendly tote bags for the fourth International Conference on Oil Palm and Environment (“ICOPE”). Additionally, two children from Rumah Pintar in Jambi and Central Kalimantan won the second and third place in a drawing competition that was held alongside ICOPE. Such opportunities encourage communities to participate in Rumah Pintar.

Scholarship programmes

In 2013, GAR funded four scholarship programmes and non-programme scholarships with approximately Rp6.7 billion (US\$643,000), benefitting more than 700 students.

SMART Diploma

We fund the SMART Diploma, a scholarship jointly administered with the Palm Oil Vocational Programme of Bogor Agricultural University, the leading agricultural university in Indonesia. The diploma equips students for employment in the growing oil palm industry and provides foundation skills for careers in agriculture. It is open to our employees as well as students who reside in the vicinity of our operations. Recipients are granted a full scholarship, including living expenses during the academic year. In 2013, a total of 59 students were awarded scholarships. Since its inception in 2007, 517 students have been awarded the SMART Diploma. Of these, 387 have graduated.

SMART Engineer

SMART Engineer was initiated in 2009, in collaboration with the Palm Oil Industrial Engineering Programme of the Institute of Agricultural STIPER Yogyakarta (“INSTIPER”). In 2013, 34 students were granted the scholarship. To date, 29 students have graduated from this programme and have been offered jobs in our mills.

Oil Palm Processing Technology Diploma Programme

Since 2011, we have been collaborating with Bandung Institute of Technology and Science on a scholarship scheme for the palm processing technology diploma programme. Upon graduation from the three-year programme, scholars are employed as mill assistants. As of 2013, there were a total of 51 scholars in the programme.

Tjipta Pemuda Bangun Palma

The Tjipta Pemuda Bangun Palma scholarship for undergraduates was launched in 2010 in collaboration with ETF, INSTIPER and the University of Tadulako, Central Sulawesi. The scholarship is granted to qualifying high school graduates from East Indonesia to undertake a bachelor’s degree in agriculture, specialising in oil palm growing. Since its inception, 110 students have received funding for their education and living costs.

We also have an ongoing scholarship scheme with the Tzu Chi Foundation for needy students who perform well academically. Under this scheme, 292 students from elementary school to university level received funding for their school fees in 2013.

Healthcare

Most of GAR’s operations are located in remote areas of Indonesia with limited infrastructure and accessibility, where there is less incentive for doctors to practise.

We believe that access to basic medical care is a basic human right, and we have built healthcare facilities in most of our estates, staffing them with qualified medical professionals to serve our employees and their families.

To date, we have established 145 clinics and mobilised 294 medical personnel to provide free and subsidised treatment for about 1,400 patients a day or about half a million patients a year. More data on our healthcare facilities can be found in our “Labour Relations” chapter.

In addition, we regularly work with Tzu Chi Foundation to provide healthcare services in selected areas. These services are organised by our employee volunteers and funded by donations from our employees and the Company.

Our initiatives in 2013 included:

- Free medical and dental services for approximately 11,500 patients in Bangka, Belitung, Central Kalimantan, Jambi, Lampung, Riau and West Kalimantan;
- Surgery for about 250 patients with conditions such as cleft lip, hernia, cataracts and tumours;
- Health education and awareness programmes for more than 3,700 participants in Central Kalimantan, East Kalimantan, Jambi, South Kalimantan and West Kalimantan. Topics included dental health, general health, family planning, breast-feeding and children’s health;
- Donations of about 33,000 kg of rice to almost 3,300 flood victims in Jambi, East Kalimantan and West Kalimantan; and
- Providing food supplements and multivitamins for mothers and infants in East Kalimantan, Jakarta and West Kalimantan.



One of the participants at our blood donation drives for the Indonesian Red Cross.

Promoting small and micro enterprises

In addition to our employees, numerous people depend indirectly on our plantations for their livelihoods. GAR helps to develop microeconomies near our estates by using local transporters to move our products and engaging local contractors for land preparation, planting and other services that support our operations.

We also help empower oil palm smallholders under the plasma scheme, as well as village cooperatives (Koperasi Unit Desa or “KUD”) and oil palm smallholder cooperatives (Koperasi Petani Sawit or “KOPSA”).

ENGAGING OUR EMPLOYEES IN THE COMMUNITY

In addition to developing our people, we continue to engage and mobilise our staff for various causes. We also seek to meet the needs of our employees and the people living near our operations by:

- building and maintaining public infrastructure such as roads, bridges 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;

- constructing well-built dwellings and health, educational and sporting facilities; and
- providing financial help for communities to celebrate festive and religious events.

In 2013, we mobilised employees and tenants at our corporate headquarters in Jakarta and our office in Surabaya to participate in regular blood donation drives for the Indonesian Red Cross. More than 1,100 people participated during the year.

Our employees are also encouraged to contribute funds regularly to the Tzu Chi Foundation. In 2013, more than 47,000 of our employees participated in the monthly donation programme. A dedicated team sees to the distribution of these donations to fund scholarships for underprivileged students and provide free medical services in remote areas for more than 28,000 people.

SUPPLIER RELATIONS

The economic, social and environmental impacts of our business can be felt through our own operations as well as those of our suppliers. In this chapter, we focus solely on suppliers who support our upstream and downstream businesses in Indonesia. Our upstream suppliers support our plantations and mills, while our downstream suppliers support our refineries and kernel crushing plants (“KCP”). Among upstream and downstream suppliers, there exists a diversity of firms ranging from small, local suppliers to larger nationwide businesses. Overall, 73.4% of GAR Indonesia’s revenues are spent on suppliers (see Chart 2.14 in the “About GAR” chapter). Hence, there is a significant impact in terms of small business development and job creation, which we are unable to quantify at present.

We recognise the importance of maintaining and developing good relationships with our suppliers. We select our suppliers based on a determined set of criteria that includes time of delivery, quality and cost competitiveness.

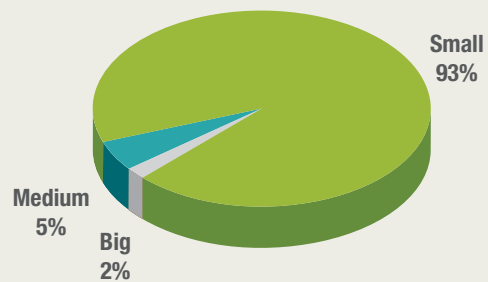
SPENDING ON UPSTREAM SUPPLIERS

The impact on our supplier spending is most significant in the rural areas of Indonesia. Almost all supplier purchases by our plantations and mills come from within Indonesia. Excluding smallholder raw materials providers, our plantation operations have approximately 3,500 suppliers. Small businesses make up 93% of our suppliers as Chart 8.1 shows.

About 91% of our upstream suppliers are located close to our operations in less developed areas of Sumatra, Kalimantan and Papua, and are an important part of local economic development. In 2013, our plantation division spent over Rp5.78 trillion (approximately US\$557 million) on raw materials, goods and services bought from local suppliers surrounding our estates. Chart 8.2 shows the three main categories of expenditure: fresh fruit bunches (“FFB”) from smallholders and third parties, estate related expenditure such as transport expenses, and mill-related purchases such as transport expenses and spare parts.

Chart 8.3 shows estate and mill expenditure on major items such as food, fuel and tyres, materials, spare parts and services, as well as tools and consumables.

Chart 8.1 Number of suppliers by contract size in 2013



Note:
Big (>Rp5 billion); Medium (Rp1-5 billion); Small (<Rp1 billion)

Chart 8.2 Local spending on plantation suppliers in 2013
Rp5.78 trillion (US\$557 million)

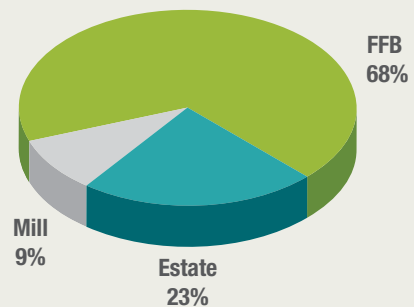
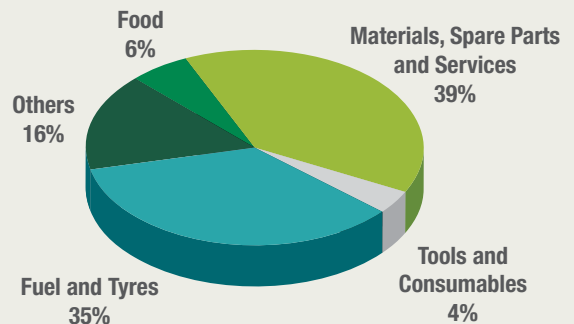


Chart 8.3 Estate and mill expenditure by major items



Less than 10% of our FFB come from third party suppliers.

SUPPLIER RELATIONS

SPENDING ON DOWNSTREAM SUPPLIERS

Our downstream suppliers (excluding CPO and palm kernel suppliers), support our refining and manufacturing businesses that produce finished products for the bulk and consumer markets. Our refinery and KCP operations have approximately 6,130 suppliers. Most of these are small- and medium-sized businesses, and as Chart 8.4 shows, about 83% of these suppliers are located close to our operations in Jakarta, Surabaya (East Java), Medan (North Sumatra), Tarjun (South Kalimantan) and Lampung (South Sumatra).

In 2013, our refinery and KCP operations spent almost Rp773 billion (approximately US\$74 million) on goods and services from local suppliers. Chart 8.5 shows the breakdown of expenditure on major items.

OPEN PROCUREMENT AND FAIR TREATMENT OF SUPPLIERS

Suppliers are important stakeholders in our business. Our supplier selection is conducted in a transparent and open manner. To qualify, all suppliers have to meet the same basic criteria of legal and commercial requirements of:

- Legal compliance, with no pending legal issues;
- Tax compliance, including tax identification and Value Added Tax (“VAT”) registration certification; and
- Certification of Competence for the type of business they are conducting.

Once entered into our supplier database, the procurement process is transparent. At least three qualified suppliers are invited to tender for purchases above Rp1 billion (approximately US\$96,150), and a formally constituted Tender Committee makes the decision to award the contract based on price, quality and delivery capacity. The Tender Committee comprises representatives from Central Procurement, the Business Control Division and operating units within the purchasing unit.

We seek to treat our suppliers fairly and ethically, particularly with respect to the prompt payment of bills. Unless otherwise agreed, our payment terms are within 30 days of receipt of a complete and proper invoice, which includes VAT tax form and completion of works or goods received notice. When a supplier presents the invoice at our Head Office or regional office, our treasury officer checks for the completeness of the documentation and informs the supplier if any documents are missing or inaccurate, 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.

If the invoice is complete and accurate, our treasury officer provides a payment advice slip stating when payment will be made. We endeavour to meet the 30-day deadline, and should any supplier inform us of delayed payment, we follow up quickly.

We understand that some of our small suppliers in rural areas may face challenges in managing their cash flow. We may grant cash advances or expedite payments for certain types of projects in order to help these suppliers overcome any shortage of operating capital that they may face. This is negotiated and agreed upon on a case-by-case basis.

PROMOTING COMPLIANCE WITH LAWS AND REGULATIONS

We provide guidance and advice to our small suppliers and contractors to help ensure proper documentation, invoicing and, tax compliance on a transactional basis as needed. We also conduct training to help local contractors understand the national tax requirements, and if necessary, encourage them to

Chart 8.4 Location of downstream suppliers relative to operations

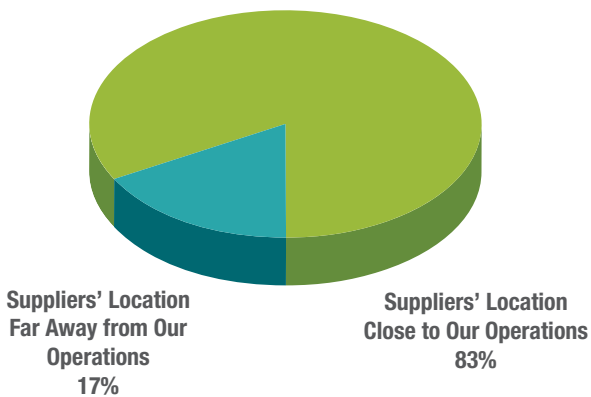
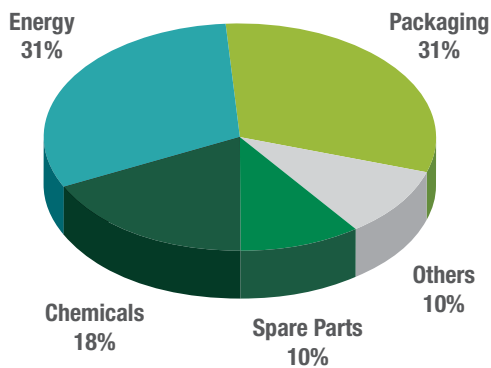


Chart 8.5 Breakdown of expenditure on major items 2013





CPO being loaded into trucks for delivery at one of our mills.

be a registered tax entity as required by law. In addition, we assign staff to work with local contractors to ensure that they prepare their invoices properly.

We audit certain categories of suppliers, especially those supplying packaging and raw materials for our products, for compliance with food safety standards. If a supplier is found to have breached Indonesian laws, including laws such as those pertaining to health and safety, their contract is immediately terminated.

We are conscious that we must take our suppliers with us on our journey towards higher standards of sustainability, and we are committed to engaging and working with them to ensure that they adopt the appropriate social and environmental standards. Increasingly, we are working with our suppliers to encourage environmentally friendly practices such as the proper collection and recycling of empty grease and oil containers where possible.

ENSURING “NO DEFORESTATION” PALM OIL IN OUR SUPPLY CHAIN

GAR is committed to “no deforestation” palm oil in our entire supply chain. We are implementing processes to ensure that the palm oil for both our upstream and downstream operations is in line with our Forest Conservation Policy (“FCP”). We take a pragmatic approach towards the growing market demand for traceable, deforestation-free palm oil, and are taking steps to achieve traceability that makes business sense. It has to be practical and commercially viable.

Ensuring traceability is more challenging in the downstream business, as compared to the upstream business where more than 90% of the fresh fruit bunches (“FFB”) come from our own plantations.

GAR believes that multi-stakeholder collaboration is the best way to achieve solutions for sustainable palm oil. We are actively engaging with our suppliers whom we source, purchase and trade with to ensure that their practices and palm produce are compliant with

our FCP. As we take steps to ensure traceability of third party FFB suppliers in our upstream operations, we will engage constructively with leading palm oil players to share, learn and implement best practices for the downstream business.

To implement the FCP, we need the buy-in from multi-stakeholders – communities to value and protect high carbon stock (“HCS”) land; governments to implement policies that enable HCS forest conservation; and industry players to adopt a similar forest conservation policy. The key success factors for HCS conservation are further elaborated in the “Stakeholder Engagement” chapter on page 15.

We will continue to provide regular updates of our FCP implementation in upstream and downstream operations.

CAPACITY BUILDING

As a large business, GAR assists the economic development of Indonesia by actively helping to promote enterprise and improve the production capacity of small- and medium-sized businesses in the country. This approach is encouraged by the Government of Indonesia as part of the national strategy to develop enterprise and employment. We fully support this goal, which also helps us to obtain the range and quality of goods and services we require, particularly in remote areas.

Our business presence has also led to the growth and development of various local businesses in remote areas of Indonesia. Businesses such as the local freight forwarding service that transports oil palm FFB from our plantations and mills continue to ride on our growth. Due to increased demand from our operations, many of these businesses have been able to expand their vehicle fleet and services provided, leading to an increased demand for complementary goods and services in local economies such as vehicle repair, spare parts and fuel. This has in turn aided job creation as more drivers, technicians and service staff are needed to cater to the increased demand.

As mentioned above, we recognise that suppliers are important stakeholders in our business. Developing and maintaining relationships with quality suppliers is key to our long-term success. To further strengthen and widen our supplier base, we set up a Strategic Sourcing and Supplier Performance Development department in October 2013, to manage supplier performance in our downstream business. We have developed a new framework for assessing our downstream suppliers which will be implemented in the second half of 2014.

Our suppliers will be assessed on the quality of products and services provided, delivery timeframe and cost competitiveness on a monthly basis. These monthly scores will be combined with the results of our regular supplier audits, yielding an overall performance score for the year for each supplier. Suppliers will then be assigned a grade based on their score, and may be awarded incentives or asked to undertake corrective actions depending on their performance.

CUSTOMER RELATIONS

Unlike consumers who buy our branded products for their own consumption, our customers mainly comprise traders, distributors, wholesalers, retailers, businesses in the food, catering, restaurant and bakery industries, and manufacturers who procure our products for commercial production of secondary products.

Our products of palm oil, palm kernel oil, palm kernel meal and oleochemicals such as glycerine and methyl esters have a wide range of uses. Chart 9.1 shows some of these uses.

Chart 9.1 Uses for palm products



Our refinery and facilities in South Kalimantan where our processed products are produced.



Activity in the control room of one of our refineries.

Traders buy various volumes of bulk products to market to a wide range of users, while industrial customers purchase our products for manufacturing of secondary products. While we may not have full knowledge of how our products are ultimately used, especially those sold through bulk traders, we maintain direct relationships with industrial customers to continually meet their specific requirements.

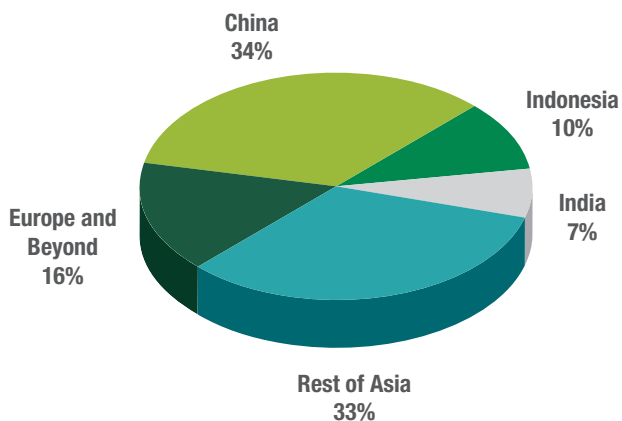
As at 31 December 2013, customers located in Asia accounted for about 84% of our revenue, while buyers from Europe and beyond contributed the rest. In 2013, 71% of our exports were sold and shipped directly to our customers overseas. The remaining was sold through traders and multi-national companies buying in Indonesia, who then ship the products to their affiliates around the world.

In 2013, our export sales volume rose by 32% compared to the previous year. Our global presence spans across more than 70 countries with particular emphasis on the growing markets in Europe, China, India, Pakistan, the Middle East, and Africa. This earned our subsidiary, PT Sinar Mas Agro Resources and Technology Tbk (“SMART”), the 2013 Primaniyarta Award as Global Brand Creator from the Ministry of Trade of the Republic of Indonesia.

MANAGING THE TRADE WITH CUSTOMERS

The wholesale trade of palm oil is facilitated by buyers, brokers and traders. At GAR, our traders either meet brokers who introduce us to buyers of our palm products or approach buyers directly.

Chart 9.2 Revenue by geographical location in 2013



We then assess the financial status of the buyers to ensure that they are credible and financially solvent. The negotiation phase starts soon after, with us using either the spot or forward market price for the transaction or a specific price formula if the buyer is interested in a long-term contract with us. In our business, the crude palm oil price is the key factor in our negotiations with customers. Chart 2.10 in the “About GAR” chapter shows the price of palm oil over the past five years.

After negotiations are completed and the contracts concluded, we start nominating the vessels needed to transport our palm oil to their final destinations, and the buyers provide letters of credit if needed. Depending on the payment scheme and contract, either we or the buyer ships the oil out.



One of our vessels, Golden Adventure, delivers our products across the world.

DELIVERING THROUGH LOGISTICS EXCELLENCE

GAR has formed joint ventures with global transportation players Stena Weco A/S and Stena Bulk AB to extend our distribution and logistics capabilities to destination markets. This initiative provides a holistic solution for GAR's international transportation by securing greater and more flexible access to large shipping capacities.

During 2013, we increased our owned fleet and improved our logistics infrastructure through increased bulking and warehousing as well as through owned jetty and port facilities in strategic locations. We also opened branch offices and logistics capabilities in destination countries which enhance our capacity to meet the diverse needs of our global consumer and customer base.

As safety and product integrity are important in our management of storage and bulk distribution of palm oil products, we adhere to the ISO 9001:2008 Quality Management System and the ISO 22000:2005 Food Management System. These requirements are integrated into our standard operating procedures, with all relevant monitoring and sampling processes in place. In addition, on-site inspections may be carried out by major customers.

MAINTAINING TRANSPARENCY WITH OUR CUSTOMERS

SMART is a member of the London-based Supplier Ethical Data Exchange ("SEDEX"). SEDEX is an online database of socially responsible suppliers supported by a number of global multinationals that access and analyse information on ethical and responsible business practices by various suppliers.

Through continual customer engagement, we keep our customers abreast of our initiatives and offer solutions to meet their specific needs and requirements that may evolve from time to time.

Ensuring "no deforestation" palm oil in our supply chain

Traceability marks an important milestone in our journey towards achieving sustainable palm oil production. We have developed the necessary standard operating procedures and work instructions for achieving traceability and segregation from estate through to refinery. The option for traceability and segregation can be applied as required by customers.

We remain focused on engaging with our customers to ensure we deliver on our commitments. GAR is committed to "no deforestation" palm oil in our entire supply chain. We are implementing processes to ensure that the palm oil for both our upstream and downstream operations is in line with GAR's Forest Conservation Policy ("FCP").

GAR believes that multi-stakeholder collaboration is the best way to achieve solutions for sustainable palm oil, and will engage constructively with leading palm oil players to share, learn and implement best practices for the upstream and downstream business.

We take a pragmatic approach towards the growing market demand for traceable, deforestation-free palm oil and are taking steps to achieve traceability that makes business sense. It has to be practical and commercially viable. We will continue to provide regular updates of our FCP implementation in upstream and downstream operations.

To implement the FCP, we need the buy-in from multi-stakeholders – communities to value and protect high carbon stock ("HCS") land; governments to implement policies that enable HCS forest conservation; and industry players to adopt a similar forest conservation policy. The key success factors for HCS conservation are further elaborated in the "Stakeholder Engagement" chapter on page 15.

FULFILLING DEMAND FOR CERTIFIED SUSTAINABLE PALM OIL

We continue to strengthen our capabilities and standard operating procedures as we cater to the demand for certified sustainable palm oil in the supply chain.

GAR made progress in our Roundtable on Sustainable Palm Oil ("RSPO") certification plans. As at 30 June 2014, 218,582 hectares of plantations including smallholder plantations of 49,909 hectares, 19 mills, three kernel crushing plants, two refineries and one bulking station have received RSPO certification. This brings GAR closer to our overall target of obtaining RSPO certification for all our existing 433,200 hectares of oil palm plantations and 41 mills (as at June 2010) by December 2015.

On 28 February 2014, we 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 has been designed as 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.

In addition to RSPO certification, 266,843 hectares of our plantations including smallholder plantations of 59,628 hectares, 28 mills, three kernel crushing plants, three refineries and 12 bulking stations have obtained International Sustainability and Carbon Certification ("ISCC") as at 30 June 2014.

GAR is also working towards Indonesian Sustainable Palm Oil System ("ISPO") certification. We have received ISPO certification for 35,789 hectares of plantations and three mills in Riau and North Sumatra as at 30 June 2014.

PROGRESSING WITH CUSTOMERS THROUGH R&D

Our Global Research and Development Centre ("GRDC") ensures that we continually progress and meet the needs of our customers. Supported by a team of 30 experts in edible fat products, culinary and various food industries, GRDC focuses on identifying new uses for palm oil in food through research and product innovation.

To enhance our research and development ("R&D") capacity, we are building a new R&D facility in Marunda. The facility will include a creative studio where we engage with customers and consumers to keep pace with market trends and consumer needs. The facility is expected to be ready by end-2014.



Checking of oil quality in a laboratory at one of our refineries.

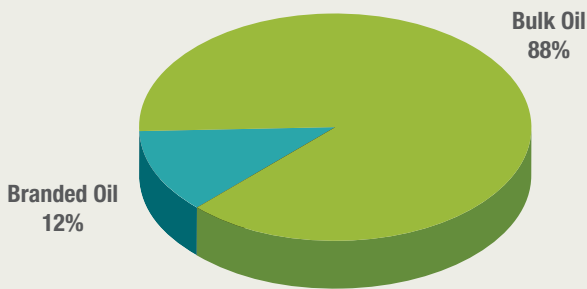
CONSUMER RELATIONS

A key part of our business strategy is to be a vertically integrated business, one that develops our own plantations, produces palm oil and ultimately sells it directly to customers and consumers in the form of branded products. Palm oil is consumed by millions of consumers around the world, and we are increasingly growing our consumer business in Indonesia and abroad.

Being vertically integrated, the Company has been able to optimise the full value of our business while creating job opportunities across the supply chain. For our branded products, Indonesia and China remain our main and secondary markets respectively. Meanwhile, we continue to extend our branded product offerings in new markets such as the Philippines and further afield in Africa and South America.

In Indonesia, the main use of palm oil is for cooking oil. Currently, about 88% of the cooking oil used by consumers is bought in unpackaged bulk form, as Chart 10.1 shows.

Chart 10.1 Cooking oil sales in Indonesia



Note:
Estimates by the Company

The Indonesian Government is targeting to phase out the bulk purchase of cooking oil by 2015. This is to ensure a more stringent hygiene level, stability of prices of packaged oil, accountability and uniformity of sales tax. This helps our packaged and branded products to be more relevant in the marketplace.

In September 2011, the Indonesian Government revised its export tax regulation, providing more support to producers of refined palm oil products. We have therefore been building on our downstream facilities in line with the Government's policy to encourage higher value-added products.

Vitamin A deficiency remains a public health concern in Indonesia, especially in children and women. To address this, the Ministry of Industry announced in December 2013 that it will be mandatory for all local cooking oil producers to fortify their cooking oil with a minimum 40 IU of Vitamin A per litre from 2015. The Company is working towards rolling out the Vitamin A fortified palm cooking oil in accordance with this standard by the end of 2014.

ENSURING QUALITY AT OUR REFINERIES

To capitalise on opportunities, we have been enhancing the capacity of our refineries and kernel crushing plants where crude palm oil ("CPO") and palm kernel ("PK") are processed into finished goods. Currently, GAR has four refineries and eight kernel crushing plants which are strategically located in Indonesia.

As of end of 2013, we successfully expanded the capacity of our Belawan refinery, bringing the total capacity of our refineries to 2.28 million tonnes of CPO per annum. We also expanded our kernel crushing capacity to 1.07 million tonnes of PK per annum. From these facilities, we generate higher value-added products such as cooking oil, margarine, shortening and fats, palm kernel oil and palm kernel meal.



Fractionation machinery at our Tarjun refinery in South Kalimantan.



Palmboom, one of our quality margarine brands.

All four of GAR's refineries in Marunda, Surabaya, Tarjun and Belawan are ISO 9001 and ISO 22000 certified. These certifications are international recognition of our quality management system, and that our refined products (including cooking oil, margarine and shortening) meet food safety standards.

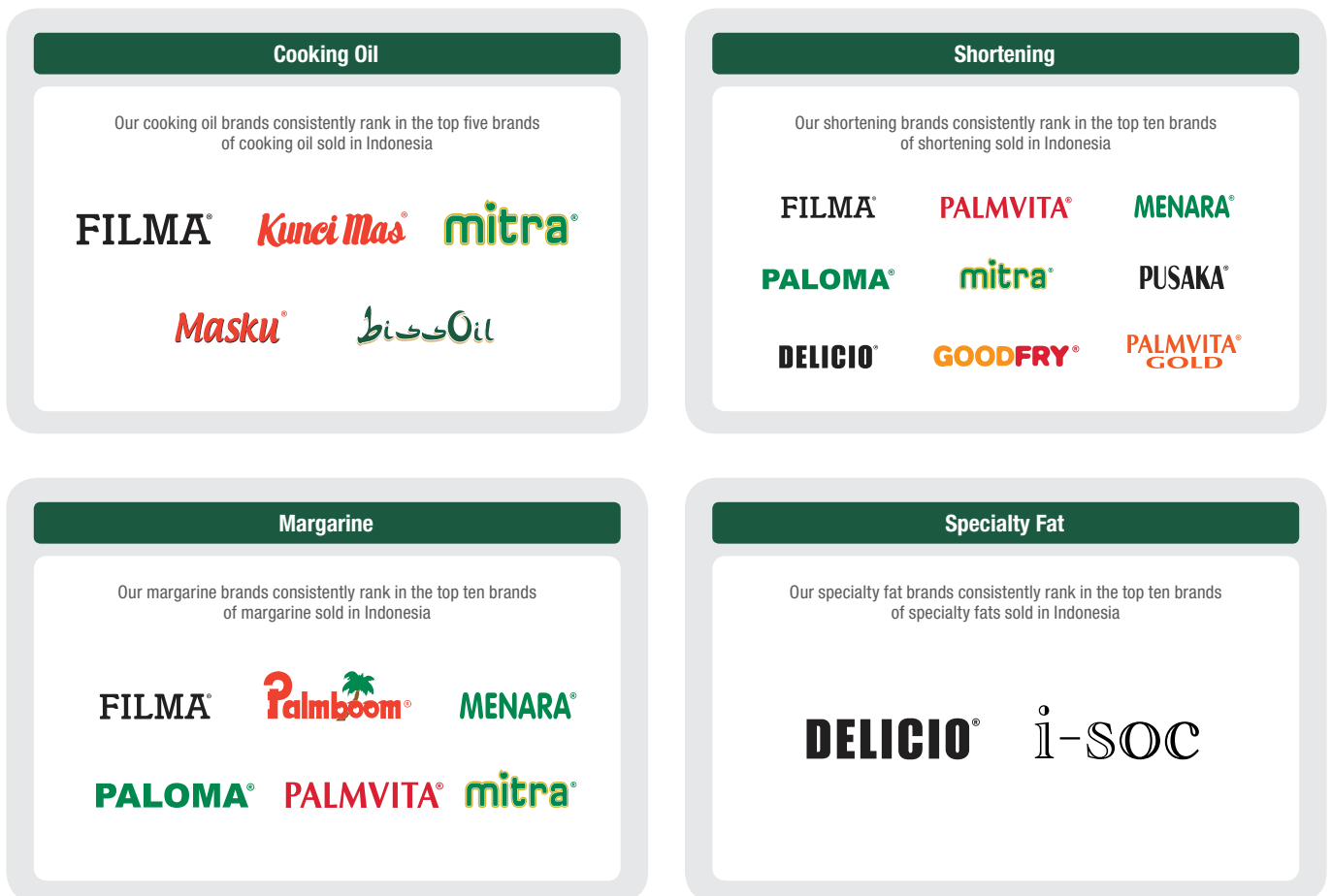
In addition, three of our refineries have received International Sustainability and Carbon Certification ("ISCC"). Two of our refineries are Roundtable on Sustainable Palm Oil ("RSPO") certified. We intend to obtain both ISCC and RSPO certification for the remaining refineries. With ISCC and RSPO certification, our consumers can be assured that the palm oil content in their products is sustainably produced.

OFFERING SUPERIOR BRANDED PRODUCTS

Our branded products are produced to meet the varied tastes and income levels of Indonesian consumers. Chart 10.2 shows all the brands that we offer in the Indonesian market by product type. Our prominent cooking oil brands, Filma and Kunci Mas, have nationwide coverage through an extensive network of distributors and retailers.

China is our second major consumer market, and we offer several brands of cooking oil and noodle products there. We are continually optimising our oil refining and soybean crushing capacity to meet consumer demand, while developing new consumer distribution channels to take our products to new areas in China.

Chart 10.2 Key brands in Indonesia by product category



CONSUMER RELATIONS

BRAND RECOGNITION

Our branded products are widely-used by commercial and domestic users in Indonesia. While our industrial margarine and shortening products such as Filma, Palmboom and Goodfry have been well-received by the bakery industry, hotels, restaurants, cafes and catering businesses for over 20 years, Filma and Kunci Mas have been trusted brands among Indonesian consumers for almost 25 years.

As a testament to the high quality and strong awareness of our prominent cooking oil brand, FILMA, we have received the following prestigious awards:

- “5-Star Quality Product 2013 (Global Customer Satisfaction Standard 2013)” in the Cooking Oil and Margarine category, based on a survey by PT MARS Indonesia.
- “5-Star World Class Quality Achievement 2013 (Global Customer Satisfaction Standard 2013)” in the Cooking Oil and Margarine category, based on a survey by PT MARS Indonesia.
- “Indonesia Original Brands 2013” in the Cooking Oil and Margarine category for the second year running, based on a survey by SWA magazine, a well-known business magazine in Indonesia.



Some of our leading cooking oil and margarine brands in Indonesia.

CONSUMER PROTECTION AND ENGAGEMENT

Through the packaging and bar code system, we create and maintain traceable records of our products. Details such as manufacturing and expiry dates and batch data from the various production plants are systematically recorded. There were no product recalls in 2013, and we complied with the applicable rules and requirements related to product labelling, sales and marketing.

We provide care lines for our consumers to contact us with feedback on our brands. Few complaints are received each year, and none are considered health threatening. They tend to be about oil going cloudy when refrigerated or the occasional discolouration which can occur in margarine.

We educate consumers about our cooking oil and margarine products, for example through community outreach programmes such as Filma Club cooking demonstrations and the online platform www.sukamasak.com.

Through the Filma Factory Visit programme at our Marunda refinery, we provide public education on the production and proper use of cooking oil and margarine. We expect to enhance this experience of sights and smells of palm oil when the new facility for our Global Research and Development Centre (“GRDC”) is ready by the end of 2014.

CONTRIBUTIONS TO THE COMMUNITY

We recognise that the price of food staples for the poor is a vital issue. As part of our efforts to assist the poor, we have been running Operasi Pasar (Operation Market), a programme that we initiated in Indonesia in mid-2007 when the prices of commodities, especially cooking oil, started to increase.

Under this programme, we sell our branded cooking oil at a subsidised rate (approximately 25% lower than the market price) in the rural and under-developed areas of Indonesia. Our community efforts in 2013 included the sale of more than 250,000 litres of subsidised cooking oil, mainly in Jakarta and Greater Jakarta, as well as several cities in Java, South Kalimantan, West Kalimantan, North Sumatra and South Sumarta. To date, we have distributed almost 1.5 million litres of cooking oil through Operasi Pasar.

HIGHER EFFICIENCY THROUGH PACKAGING

We are environmentally conscious in our operations. Optimising our product packaging is an essential means of increasing efficiency and thus reducing our carbon footprint. Through continual research and redesign, we are improving the designs of various stock keeping units (“SKUs”) in our consumer product lines.

In January 2014, we changed the dimensions of our four-litre Mitra brand cooking oil bottle, achieving an increase in load capacity of approximately 13.4% per container load. Similarly, a redesign of the secondary packaging (cardboard carton) of our export product, SMART Baker Gold Shortening, in May 2014 resulted in a 6.3% increase in capacity. The redesigned 500ml and two-litre bottles of Filma cooking oil in June 2014 also increased container load efficiency by approximately 10% and 11.7% respectively.

We are now working on improving the packaging designs for our margarine and shortening SKUs, and plan to introduce these in the second half of 2014.

GRI REFERENCE TABLE

Corporate Citizenship, who are organisational stakeholders of Global Reporting Initiative (“GRI”), assisted GAR in setting the framework for its sustainability reporting, advising on best practice and standards, such as the GRI and AA1000, as well as the practical challenges of collecting, verifying and benchmarking the data presented to stakeholders. The goal of the reporting is to provide the reader with a report that meets international standards in its coverage of all the Company’s material sustainability issues; presenting them in a clear and direct manner with the best possible supporting data, such that the reader can fully understand the business, its total value chain, the nature of the sustainability challenges it faces and how it is responding to them.

Corporate Citizenship confirms that in its view GAR’s Sustainability Report 2013 meets the requirements of the Global Reporting Initiative Application Level B.

Colour Key		Abbreviations
■ Company profile disclosures	■ Additional performance indicators	AR2013 GAR Annual Report 2013
■ Management approach disclosures	■ Fully meets GRI detailed requirements	SR2013 GAR Sustainability Report 2013
■ Core performance indicators	■ Addresses but does not fully meet GRI detailed requirements	

GRI G3 Guidelines		Level of Reporting	Comment
1.1	Statement from the CEO		<i>Chairman’s Statement</i> pages 2-3 <i>SR2013</i>
1.2	Description of key risks and opportunities		Group Financial risks given at Note 4 pages 83-86 <i>AR2013</i> , for non-financial risks see <i>Risk Factors</i> pages 50-51 <i>SMART Annual Report 2013</i>
2.1	Name of reporting organisation		Golden Agri-Resources Ltd
2.2	Primary brands products and/or services, The reporting organisation should indicate the nature of its role in providing these products and services, and the degree to which it utilises outsourcing		<i>Operations Review</i> pages 14-18 <i>AR2013</i> <i>Consumer Relations</i> pages 58-60 <i>SR2013</i>
2.3	Operating structure of the organisation and major divisions, operating companies, subsidiaries and joint ventures		<i>Group Companies</i> Note 45 pages 124-137 <i>AR2013</i> <i>Chart 2.3 Corporate structure of GAR</i> page 5 <i>SR2013</i>
2.4	Location of organisation’s headquarters		c/o 108 Pasir Panjang Road, #06-00 Golden Agri Plaza Singapore 118535
2.5	Number of countries where the organisation operates, and the names of the countries with either major operations or that are specifically relevant to the sustainability issues covered in the report		<i>Group Companies</i> Note 45 pages 124-137 <i>AR2013</i> <i>About GAR</i> pages 4-8 <i>SR2013</i>
2.6	Nature of ownership and legal form		Limited company incorporated under law of Mauritius
2.7	Markets served (including geographical breakdown, sectors served, types of customers/beneficiaries)		<i>Customer Relations</i> pages 54-57 <i>SR2013</i>
2.8	Scale of reporting organisation, including number of employees, net sales (for private sector organisations) or net revenues (for public sector organisations; and total capitalisation broken down in terms of debt and equity (for private sector organisations) and quantity of products and services provided and companies encouraged to provide further information , total assets and breakdowns by country/region of sales/revenues by country/region that make up 5% or more of total revenues/costs and employees		Information throughout pages 7-8, 14-23 <i>AR2013</i> Charts throughout <i>About GAR</i> pages 4-14 <i>SR2013</i> Charts regarding employees pages 36-37 <i>SR2013</i> <i>Chart 9.2 Revenue by geographical location in 2013</i> page 55 <i>SR2013</i> <i>Corporate Profile</i> page 1 <i>AR2013</i> for information on capacity
2.9	Significant changes during the reporting period regarding size, structure or ownership, including: the location of, or changes in operations including facility openings, closings and expansions and changes in the share capital structure and other capital formation, maintenance and alteration operations		Expansion in capacity disclosed on page 16 <i>AR2013</i>
2.10	Awards received in the reporting period		<i>Awards</i> page 13, <i>Environmental Awards</i> page 27, <i>Zero Accident Awards</i> page 39, <i>Brand Recognition</i> page 60 <i>SR2013</i>

GRI REFERENCE TABLE

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GRI G3 Guidelines		Level of Reporting	Comment
3.1	Reporting period for information provided	■	Calendar year 2013
3.2	Date of most recent report if any	■	2012
3.3	Reporting cycle	■	<i>REPORTING CYCLE</i> Inside Front Cover <i>SR2013</i>
3.4	Contact point for questions regarding the report and its context	■	Inside Back Cover <i>SR2013</i>
3.5	Process for defining report content, including determining materiality, prioritising topics within the report and identifying the stakeholders that the organisation expects to use the report. Include an explanation of how the organisation has applied the Guidance on Defining Report Content and the associated principles	■	<i>SCOPE, REPORTING STANDARDS, INCLUSIVITY, MATERIALITY, RESPONSIVENESS</i> Inside Front Cover <i>SR2013</i>
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers) See GRI Boundary Protocol for further guidance	■	<i>SCOPE</i> Inside Front Cover <i>SR2013</i>
3.7	State any specific limitations on the scope of the report. If boundary and scope do not address the full range of material economic, environmental, and social impacts of the organisation, state the strategy and the projected timeline for providing complete coverage	■	All material issues addressed
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	■	<i>SCOPE</i> Inside Front Cover <i>SR2013</i>
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols	■	Some estimated data <i>Chart 4.7 Recycling of waste (estimated values) page 22 SR2013</i> Also some estimated data <i>Chart 5.6 Summary of annual atmospheric carbon dioxide flux and soil respiration rates (2011–2013) page 31 SR2013</i> <i>Chart 6.5 Estimated annual benefit value received by permanent plantation worker in Indonesia in 2013 page 38 SR2013</i>
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such restatement (e.g. mergers/acquisitions, change of base year/periods, nature of business, measurement methods)	■	None
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	■	None
3.12	GRI Context Index Table identifying the location of the Standard Disclosures in the report. Identify the page number or weblinks where the following can be found: Strategy and analysis 1.1-1.2; Organisational profile 2.1-2.10; Report parameters 3.1-3.13; Governance, commitments and engagement 4.1-4.17; Disclosure of management approach per category, Core performance indicators, Any additional GRI indicators that were included, any GRI sector supplement indicators included in the report	■	This is the table

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GRI G3 Guidelines		Level of Reporting	Comment
3.13	Policy and current practice with regard to seeking independent assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any independent assurance provided. Also explain the relationship between the reporting organisation and the assurance provider(s)	■	<i>ASSURANCE Report</i> Inside Front Cover <i>SR2013</i>
4.1	Governance structure of the organisation including committees under the highest governance body responsible for specific tasks such as setting strategy or oversight for the organisation. Describe the mandate and composition (including the number of independent members and/or non-executive members) of such committees and indicate any direct responsibility for economic, social and environmental performance)	■	<i>Corporate Governance Report</i> pages 24-37 <i>AR2013</i> <i>Managing Sustainability</i> pages 13-14 <i>SR2013</i>
4.2	Indicate if the Chair of the highest governance body is also an executive officer and if so their function within the organisation's management and the reasons for this arrangement)	■	The Chair is also CEO. The reason behind this is given on page 27 <i>Corporate Governance Report AR2013</i>
4.3	For organisations that have a unitary board structure state the number of members of the highest governance body that are independent and/or non-executive directors. State how the organisation defines 'independent' and 'non-executive'. This element applies only for organisations that have unitary board structures.	■	See table on page 24 <i>Corporate Governance Report AR2013</i> See <i>Principle 2 Board Composition and Guidance</i> pages 26-27 <i>AR2013</i>
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Include references to processes regarding: the use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body; and informing and consulting employees about working relationships with formal representation bodies such as organisation level works councils and representation of employees in the highest governance body. Identify topics related to economic, environmental and social performance raised through these mechanisms during the reporting period.	■	Under the Company's Constitution, any member or members holding not less than one-tenth of the issued share capital of the Company may call a members meeting.
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements) and the organisation's performance (including social and environmental performance)	■	<i>Remuneration Matters</i> pages 30-32 <i>AR2013</i>
4.6	Processes of the highest governance body to ensure conflicts of interest are avoided	■	The Board is also governed under the Constitution of the Company, which disallows a director to vote or be counted in the quorum, in respect of any proposal in which that director has any interest, whether direct or indirect. Such proposals extend to Interested Person Transactions, involving directors and their associates where the "interested director" is debarred from voting at the shareholders' meeting held to seek shareholders approval. Further, under the Company's code of corporate governance, a director is not to be involved in the decision of his own remuneration. The directors are also required to disclose to the Board of Directors, their interest in any transaction/proposed transaction; as well as any other office/position which might create conflicts with their duties as a director.

GRI REFERENCE TABLE

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GRI G3 Guidelines		Level of Reporting	Comment
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	■	The Company's code of corporate governance has stipulated board composition. Further, the Board reviews its size annually and, during that time, has the opportunity to examine its composition. It also conducts an annual review of the Board's performance, and the contribution of each director to the Board's effectiveness.
4.8	Internally developed mission and values statements, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation Explain the degree to which these: are applied across the organisation in different regions and department/units; and, relate to internationally agreed standards	■	<i>Our Shared Values, Corporate Vision and Values</i> page 11 SR2013 <i>International Stakeholders and Standards</i> pages 12-13 SR2013
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including the identification and management of relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles Include the frequency with which the highest governance body assesses sustainability performance	■	<i>Management of Sustainability</i> pages 13-15 SR2013
4.10	Processes for evaluating the performance of the highest governance body, particularly with respect to economic, environmental and social performance	■	<i>Board Evaluation Process</i> page 29 AR2013
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation Article 15 of the Rio Principles introduced the precautionary approach. A response to 4.11 could address the organisation's approach to risk management in operational planning or the development and introduction of new products	■	The principle is accepted
4.12	Externally developed, economic, environmental and social charters, sets of principles, or other initiatives to which the organisation subscribes or which it endorses. Include the date of adoption, countries/operations where applied, and the range of stakeholders involved in the development and governance of these initiatives (e.g. multi-stakeholder, etc). Differentiate between non-binding, voluntary initiatives and those with which the organisation has an obligation to comply	■	<i>International Stakeholders and Standards</i> pages 12-13 SR2013 <i>United Nations Global Compact Reference Table</i> page 68 SR2013
4.13	Significant memberships in associations (such as industry associations) and or national/international advocacy organisations in which the organisation: has positions on governance bodies, participates in projects or committees, provides substantive funding beyond routine membership dues or views membership as strategic	■	<i>Relations with Industry, Trade Associations and International Organisations</i> pages 12-13 SR2013
4.14	List of stakeholder groups engaged by organisations. Examples of stakeholder groups are communities, civil society, customers, shareholders and providers of capital, suppliers, and employees, other workers and their trade unions	■	<i>Stakeholder Engagement</i> pages 15-17 SR2013

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GRI G3 Guidelines		Level of Reporting	Comment
4.15	Basis for identification and selection of stakeholders to engage. This includes the organisation's process for defining its stakeholder groups, and for determining the groups with which to engage and not to engage	■	<i>Stakeholder Engagement</i> pages 15-17 SR2013
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. This could include surveys, focus groups, community panels, written communication, management/union structures, and other vehicles. The organisation should indicate whether any of the engagement was undertaken as specifically as part of the report preparation process	■	<i>Sustainable Development</i> page 5 AR2013 <i>Continued strong commitment to environmental and social responsibility</i> page 20 AR2013 <i>Advancing the Multi Stakeholder Engagement Process</i> pages 42-45 AR2013 <i>Multi-Stakeholder Approach to resolving disputes</i> pages 45-47 SR2013 <i>Stakeholder Engagement</i> pages 15-17 SR2013
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key issues and concerns, including through its reporting	■	<i>Stakeholder Engagement</i> pages 15-17 SR2013 <i>Multi-Stakeholder Approach to solving disputes</i> pages 45-47 SR2013
Economic Management Approach		■	The economic approach is aimed at sustaining a business profitable for investors, beneficial to the countries of operation and employees. This has to be done by acting in a manner that is sustainable. See particularly pages 4-11 SR2013 For supplier aspects see pages 51-53 SR2013
EC1	Direct Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments (core)	■	<i>Chart 2.14 Distribution of GAR Indonesia operation's revenue of US\$5,308 million in 2013</i> page 10 SR2013 <i>Note 6 Revenue in Notes to the Consolidated Financial Statements</i> page 89 AR2013
EC3	Coverage of organisation's defined benefit plan obligations (core)	■	<i>Note 39 Post Employment Benefits Liability and Share-Based Payment in Notes to the Consolidated Financial Statements</i> pages 115-117 AR2013
EC4	Significant financial assistance received from government (core)	■	Our Singapore trading company was awarded "Global Trader Programme" ("GTP") status by International Enterprise Singapore. Under this programme, income derived from qualifying trading transactions of approved products by our trading company shall be taxed at the concessionary rate of 5%. Note: GTP encourages global trading companies to use Singapore as their regional or global base to conduct activities along the total trade value-add chain from the procurement to distribution, in order to expand into region and beyond.
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation (core)	■	<i>Spending on Upstream Suppliers</i> page 51 SR2013 <i>Spending on Downstream Suppliers</i> page 52 SR2013

GRI REFERENCE TABLE

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GRI G3 Guidelines		Level of Reporting	Comment
Environmental Management Approach			The nature of Golden Agri's business means that it faces a very distinctive set of environmental challenges particularly with regard to land use and the proper stewardship of forest land. How these challenges are systematically addressed is explained in the following section <i>Managing Sustainability in Our Plantations</i> pages 18-28 SR2013, beginning with the introductory paragraph and very fully supported in charts and consideration of particular aspects e.g. water
EN3	Direct energy consumption by primary energy source (core)		<i>Reducing greenhouse gas emissions</i> page 23 SR2013
EN4	Indirect energy consumption by primary source (core)		<i>Reducing greenhouse gas emissions</i> page 23 SR2013
EN8	Total water withdrawn by source (core)		<i>Water management</i> page 22 SR2013
EN11	Location and size of land owned, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas (core)		<i>Chart 4.8 Threatened species identified in our concessions</i> pages 24-26 SR2013
EN12	Description of significant impact of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas (core)		<i>Preserving High Value Conservation Areas</i> pages 23-27 SR2013
EN14	Strategies, current actions, and future plans for managing impacts on diversity (additional)		<i>Chart 4.8 Threatened species identified in our concessions</i> pages 24-26 SR2013
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk (additional)		<i>Chart 4.8 Threatened species identified in our concessions</i> pages 24-26 SR2013
EN16	Total direct and indirect greenhouse gas emissions by weight (core)		<i>Reducing greenhouse gas emissions</i> page 23 SR2013
EN22	Total amount of waste by type and disposal method (core)		<i>Waste management</i> pages 22-23 SR2013
EN28	Monetary value of significant fines and total number of non-monetary sanctions for, non-compliance with environmental laws and regulations (core)		There are no significant fines or sanctions for non-compliance with environment laws and regulations.
Labour practices and decent work: Management Approach			This is comprehensively covered in the <i>Labour Relations</i> section pages 36-42 SR2013
LA1	Total workforce by employment type, employment contract and region (core)		See tables on pages 36-37 SR2013 and <i>Casual Labour</i> page 38 SR2013
LA3	Benefits provided to full time employees that are not provided to temporary or part time employees, by major operations (additional)		See <i>Chart 6.5 Estimated annual benefit value received by permanent plantation worker in Indonesia in 2013</i> and final paragraph of <i>Casual Labour</i> page 39 SR2013
LA4	Percentage of employees covered by collective bargaining agreements (core)		<i>Freedom of Association and Trade Union Membership</i> page 41 SR2013
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work related fatalities by region (core)		<i>Charts 6.8 Fatalities in 2013, Chart 6.9 Frequency Rate and Severity Rate of work-related accidents in 2013</i> page 40 SR2013
Human rights: Management Approach:			Golden Agri, through SMART, is a signatory of the UN Global Compact. The most significant Human Rights issues faced are those relating to employment, which are fully covered in the <i>Labour Relations</i> section pages 36-42 SR2013 and with regard to Security Guards, which is also covered in that section

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GRI G3 Guidelines		Level of Reporting	Comment
HR5	Operations identified in which the right to exercise of freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights (core)	■	<i>Freedom of Association and Trade Union Membership</i> page 41 SR2013
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour (core)	■	<i>Minimum Age of Employment</i> page 37 SR2013
HR7	Operations identified as having significant risk of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour (core)	■	<i>Gender and other employment issues</i> page 37 SR2013
HR8	Percentage of security personnel trained in organisation's policies or procedures concerning aspects of human rights that are relevant to operations (additional)	■	<i>Security Guards</i> page 42 SR2013
Society: Management Approach		■	Golden Agri's approach is based upon strict and respectful adherence to law and a recognition that good relations with the community are mutually beneficial. They are central both to the business and to the company's aspiration of contributing to the economic and social development of Indonesia.
S01	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting (core)	■	Throughout <i>Social and Community Affairs</i> pages 43-50 SR2013
S05	Public policy positions and participation in public policy and lobbying (core)	■	<i>Chairman's Statement</i> pages 2-3 SR2013 <i>Relations with government</i> page 12 SR2013 <i>Advancing forest conservation</i> pages 15-16 SR2013
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country (additional)	■	There are no such contributions
S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes (additional)	■	None in 2013
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations (core)	■	There are no such fines
Product responsibility: Management approach		■	The approach is to deliver high quality product with integrity at a reasonable price
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by outcomes (additional)	■	None for operations within the scope of report
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes (additional)	■	None for operations within the scope of report
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data (additional)	■	None for operations within the scope of report
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services (core)	■	None for operations within the scope of report, see page 12 SR2013

UNITED NATIONS GLOBAL COMPACT REFERENCE TABLE

Human Rights	
<p>Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights.</p>	<p>As a signatory member through our subsidiary, SMART, we have publicly endorsed the UNGC for the businesses that we own and operate. Our Social and Community Engagement Policy reinforces our commitment towards respecting and protecting human rights in alignment with local, national and ratified international laws, and guides our engagement with our employees and local communities</p>
<p>Principle 2 Make sure that they are not complicit in human rights abuses.</p>	<p>We take care to work in a way that avoids such abuses. For instance, all our security guards undergo a comprehensive training programme provided by the Bhakti Manunggal Karya Centre of Education and Training ("BMK"). The programme includes a human rights component. Our security guards do not carry firearms.</p>
Labour	
<p>Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p>	<p>Indonesia's laws are in line with the relevant ILO Conventions. We observe these laws. Our permanent workers are free to join a union at their workplace. Currently, there are 160 Labour Unions representing 39,000 non-management employees across our plantations in Indonesia.</p>
<p>Principle 4 Businesses should uphold the elimination of all forms of forced and compulsory labour.</p>	<p>Employees enter into our employment freely. As a matter of policy, we do not require our employees to deposit identity papers nor deposit money.</p>
<p>Principle 5 Businesses should uphold the effective abolition of child labour.</p>	<p>The minimum age for employment in any capacity is 18 years. We are totally opposed to any form of child labour. We rigorously enforce these principles at all our plantations, mills and other places of work. Our recruitment officers check the identification card against the employees' schooling records such as their school diplomas to ensure that we do not employ children.</p>
<p>Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.</p>	<p>The Company has an equal opportunities policy on employment, banning discrimination based on race, national origin, religion, disability, gender, sexual orientation, union membership and political affiliation.</p>
Environment	
<p>Principle 7 Businesses should support a precautionary approach to environmental challenges.</p>	<p>We accept the precautionary principle.</p>
<p>Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility.</p>	<p>This issue is addressed particularly in the "Managing Sustainability in Our Plantations" and "Research and Development" chapters of the Sustainability Report 2013, pages 18 and 29.</p>
<p>Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.</p>	<p>We invest heavily in research to improve the crop and manage it in a sustainable way. Our research institute, SMARTRI continues to push the frontiers of innovation to enhance productivity of palm oil production in our estates as well as in smallholdings. The oil palm breeding programme at SMARTRI complements the traditional improvement of crops with new biotechnological techniques which enable important genetic enhancements of the plant. We seek to be on the cutting edge of palm oil research and development and work with reputable research institutes and universities, such as the Centre de cooperation Internationale en Recherche Argonomique pour le Développement ("CIRAD"), James Cook University and the University of Cambridge.</p>
Anti-corruption	
<p>Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>We do not tolerate any form of bribery and corruption in our Company. All of our employees, from management to our plantations, are expected to act with integrity, which is an integral part of our Company's shared values. Any employee found to have engaged in bribery or corruption will be severely dealt with by the Company and to the full extent of the law.</p>

FEEDBACK AND POINT OF CONTACT

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

Please contact our Communications and Sustainability Manager Ms Shirley Poo at shirleyp@goldenagri.com.sg

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