

INDOFOOD AGRI RESOURCES Ltd.

SUSTAINABILITY

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REPORT

(04 MAY 2020)

a subsidiary of:

PRESENTATION OUTLINE

- **2019 At A Glance**
- **Our Approach to Sustainability**
- **Business Overview**
- **Protecting Our Environment**
- **Responsible Sourcing**
- **Our People**
- **Community Relations**
- **Product Integrity**



2019 AT A GLANCE

A vertically-integrated agribusiness



302,372
hectares nucleus
planted area



83% under oil
palm



27 mills



5 refineries

Workforce representation

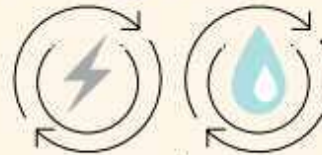
61% of our
operational employees
are registered with a
union; the rest are covered
by company regulation



Food Safety Management

38% of our Edible Oils and Fats (EOF)
production volume certified to FSSC
22000 food safety management
standard

Energy and water



4% energy

6% water

Reduction in consumption per tonne of material
produced at refineries (2018 baseline)

Energy and water consumption per tonne of FFB
processed at mills remained stable from 2018 levels

Quality

All refineries completed annual audits on
quality assurance



Indonesian rural climate change mitigation and adaptation



All units in Riau now have
PROKLIM projects in place

Received three National awards for
7 villages in Riau estates

2019 AT A GLANCE

ISPO-certified production

503,000 tonnes, or **71%** of total nucleus CPO produced in 2019



Preventing deforestation

ZERO clearance of primary forest, degradation of HCV areas, new planting on peat regardless of depth, or burning

100% of sites have HCV Management and Rehabilitation Plans

Labour conditions and safety

COMPLETE elimination of Paraquat since March 2018

SMK3 set up in **100%** of sites

SMK3 certification in **59** sites (51 Gold rating)

ZERO ACCIDENT AWARD in 4 units

4% and **9%** reduction in group Accident Frequency Rate and Severity Rate, respectively (2018 baseline)



Child labour

No registered worker under **18** years old

Education facilities

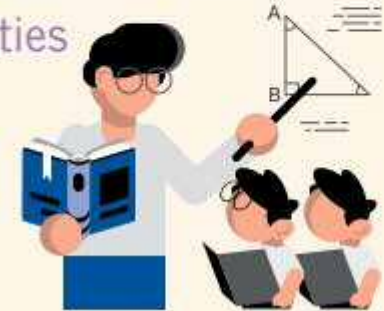
302 day care centres,

160 schools,

787 teachers,

15,360 students,

20 Rumah Pintar



Health facilities

189 clinics,

59 doctors,

194 Posyandu,

267 midwives/nurses



Cleft lip programme

113 operations,

91 beneficiaries,

33 volunteers





OUR APPROACH TO SUSTAINABILITY

WE ARE COMMITTED TO MEETING THE
WORLD'S FOOD NEEDS IN A SUSTAINABLE
AND TRACEABLE MANNER

OUR APPROACH TO SUSTAINABILITY

SUSTAINABILITY MANAGEMENT



A SYSTEMATIC APPROACH

Our approach to sustainability is supported by our Vision, Mission, Values, Code and Policies that commit us to responsible business practices and the highest standards of quality and conduct.

Our management approach and six programmes show how we manage the risks and opportunities of our material topics. They translate into action in the form of management systems and standard operational procedures (SOPs), certifications, external engagement, internal collaboration, R&D, and training.

We use an SAP enterprise data and sustainability information system to assess progress against targets. We continuously review and update our approach to align with emerging topics and global developments.

GOVERNANCE ARRANGEMENT FOR SUSTAINABILITY







Our Board oversees the management and monitoring of our material ESG topics.

At our quarterly Board Meetings, senior leaders of our Sustainability Think Tank, led by the CEO, report on sustainability performance, provide updates on recent sustainability developments, and share decisions made in response to these developments.

The Sustainability Think Tank comprises Executive Directors, Chief Operating Officers, the Enterprise Risk Management (ERM) unit, the R&D team, and sustainability representatives from each business unit.

OUR APPROACH TO SUSTAINABILITY

AT A GLANCE: HOW WE MANAGE EACH MATERIAL TOPIC – ■ MANAGEMENT APPROACH ■ PROGRAMME

TOPIC	Deforestation and land management (including peatland, fire control)	Environment impacts and compliance	Governance (transparency, integrity, anti-corruption, risk)	Land rights including scarce land resources	Occupational health and safety (OHS)	Smallholder engagement and livelihoods	Product traceability and sustainable sourcing	Product quality and safety	Yield maximisation including innovation	Human rights
Sustainable Agriculture Policy	●	●	●	●	●	●	●	●	●	●
ISPO Certification ¹	●	●	●	●	●	●	●	●	●	●
PROPER/ISO/SMK3/OHSAS	●	●	●		●			●		
FSSC ¹							●	●		
Other – ERM Framework, Whistle-blowing Policy	●	●	●	●	●	●	●	●	●	●
Growing Responsibly 		●●	●●●					●●●		
Sustainable Agriculture and Products 	●●●	●●●			●●●				●●●	
Safe and Traceable Products 							●●●	●●●	●●	
Smallholders 		●		●●	●	●●●			●	
Work and Estate Living 	●	●		●●	●●				●●	●●●
Solidarity 	●	●		●	●	●●			●	●

- Programme sets strategy, governance, compliance and policy framework; delivery of performance improvement and monitoring
- Programme contributes indirectly to performance outcomes
- Programme relates to topic, knowledge sharing occurs, relevant teams may interact "on the ground"

All our material topics are managed under a set of six Sustainability Programmes. The components of our management approach form the basis of monitoring, evaluating, and improving performance on each material topic. This entire set of activities must comply with our Policy.

SDGs we contribute to





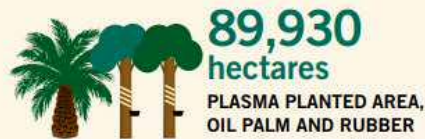
BUSINESS

OVERVIEW

BUSINESS OVERVIEW

We are a diversified and vertically integrated agribusiness. Our operations span the entire supply chain, from plantation management and crop production to refining, branding and marketing of edible oil products. We operate plantation and processing facilities to produce palm oil, rubber, sugar, cocoa, and tea.

Operational Profile in Indonesia



Financial Performance



Rp13.6 trillion SALES | **Rp1.9** trillion EBITDA



Workforce Profile



37,268 PERMANENT EMPLOYEES | **4,938** SHORT-TERM EMPLOYEES

20,161 SEASONAL CONTRACT WORKERS | **21%** FEMALE, **79%** MALE

95% BASED IN FIELD AND PROCESSING SITES | **90%** BASED IN SUMATRA AND KALIMANTAN

5% BASED IN HEAD AND REGIONAL OFFICES | **10%** BASED IN JAVA AND SULAWESI

BUSINESS OVERVIEW

REGIONAL PRESENCE

SOUTH EAST ASIA

IndoAgri has 30% interest in FP Natural Resources Limited, which owns a 62.9% shareholding in RHI, the largest integrated sugar business in the Philippines.

PHILIPPINES

SOUTH AMERICA

BRAZIL



palm

INDONESIA
251,819
hectares of
oil palm



rubber

INDONESIA
16,796
hectares of
rubber



sugar cane

INDONESIA
13,543
hectares of
sugar cane



timber



cocoa



tea

INDONESIA
20,214
hectares of
other crops



sugar cane

BRAZIL
85,968
hectares of
sugar cane

IndoAgri has a 35% interest in CMAA and 50% in Canapolis, which together operate 3 sugar and ethanol mills with a combined cane crushing capacity of 8.8 million tonnes.

North Sumatra

MALAYSIA

East Kalimantan

West Kalimantan

North Sulawesi

Riau

SINGAPORE

Central Kalimantan

South Sumatra

Jakarta

South Sulawesi

INDONESIA

West Java

Central Java

East Java

We own strategically-located estates and production facilities across Indonesia. Our oil palm estates are largely located in rural Sumatra and Kalimantan, while our refineries are mainly located at major cities including Jakarta, Medan, Surabaya, and Bitung.

LEGEND

- R&D Centre
- Oil Palm Estate
- Sugar Cane Estate
- Rubber
- Cocoa
- CPO Refinery
- Palm Oil Mill
- Sugar Mill/Refinery
- Tea
- Timber
- Sugar and Ethanol mill



PROTECTING OUR ENVIRONMENT

Priorities



Protect ecosystems through no deforestation and no new planting on peatland



Conservation of biodiversity-rich areas



Fire control and haze prevention



Use resources efficiently



Meet the expectations of our stakeholders

PROTECTING OUR ENVIRONMENT

In this section, we explain our initiatives to deliver our commitments to no deforestation, no planting on peat, fire control, and resource efficiency in our operations.

Aligned with SDGs



PROGRESS IN 2019

Protecting Forests



No primary forest clearance on our sites



No degradation of HCV areas

Zero Burning, Fire Control



Zero burning for land clearing and replanting



Trained fire control team in every estate

Peatland Management



No new planting on peatland



Maintained healthy water levels

Resource Efficiency

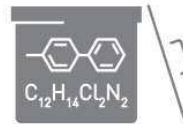


3% reduction in total GHG emissions from palm oil operations



98% of fuel used in palm oil mills is from renewable products

Agricultural Inputs



Zero usage of Paraquat



Maximise use of organic products to replace inorganic fertiliser

PROTECTING OUR ENVIRONMENT

REDUCING ENVIRONMENTAL IMPACTS

Goal/target	Progress
1 Reduce energy consumption ratio in palm oil mills and refineries	Energy consumption per tonne of FFB processed at ISPO/ PROPER mills remained stable from 2018 levels 4% reduction of energy consumption per tonne of material produced in refineries compared to 2018
2 Reduce water consumption ratio in palm oil mills and refineries	Water consumption per tonne of FFB processed at ISPO/ PROPER mills remained stable from 2018 levels 6% reduction of water consumption per tonne of material produced in refineries compared to 2018
3 By 2020: ISO 14001 certification for 25 palm oil mills and 3 refineries	Received certification for 1 refinery in 2019. Our total certified sites as end of 2019 are 16 mills and 2 refineries
4 Continue to strengthen fire mitigation procedures	Delivered 39 fire control training days in 2019 Engaged 38 villages on fire prevention since 2016 and assisted 26 villages in fire-fighting efforts in 2019
5 No planting on peatland and continue maintaining peat water levels	Since 2013, no new planting on peatlands and water levels maintained in all peatlands under our control
6 Compliance with our policy of no deforestation and zero HCV loss	Full compliance

RESPONSIBLE SOURCING

Priorities



A traceable
and responsible
supply chain



Meet the sustainability
requirements of our
customers and other
stakeholders



R&D for
yield improvement
and operational
innovation

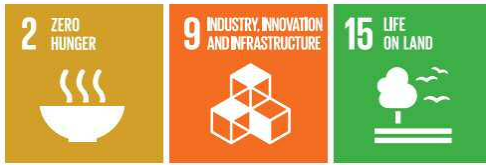


Engaging smallholders
to achieve sustainable
rural development

RESPONSIBLE SOURCING

Our commitment to a traceable and responsible supply chain requires us to work with our suppliers to ensure that they operate in line with our Policy. In this section, we report on our work with our estates and independent suppliers to comply with our Policy.

Aligned with SDGs



PROGRESS IN 2019

Product Traceability



100% of FFB processed in our owned mills is traceable to estates



100% of CPO processed in refineries is traceable to mills

Smallholder Engagement



Supported **10** KUDs in South Sumatra in ISPO certification audits process



Sustainable Sourcing



71% of nucleus CPO production is ISPO-certified



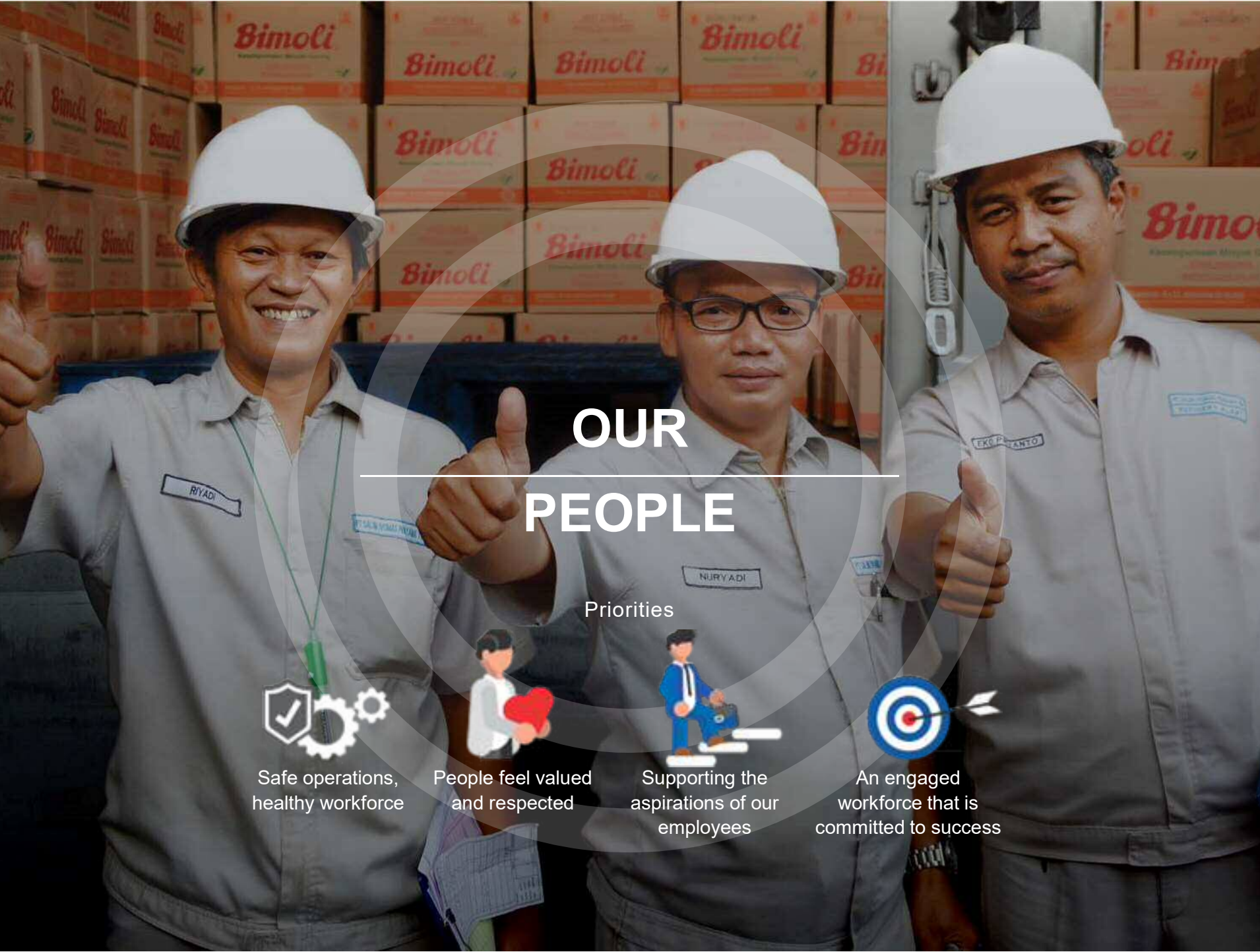
100% internal mills audited to Policy requirements

RESPONSIBLE SOURCING

CERTIFICATION ACHIEVEMENT AND POLICY DELIVERY

Goal/target	Progress
1 By end 2023: ISPO certification for all estates	Achieved 80% of targeted hectarage*
2 By end 2023: ISPO certification for all mills	On track; achieved 24 out of 26 mills*
3 By 2020: 100% of CPO we refine is sourced in accordance with Policy	On track; supplier guidelines enhanced in 2017

* Figures cover hectarage or number of mills that are already certified or have completed ISPO first stage audit. The certificate release date is subject to the accreditation period of the certifying body. Hectarage data are based on planted areas on 31 December 2019. One mill ceased operations in 2017 but remains as a non-operational asset, and one new mill was commissioned in September 2019, thus we have a total of 26 operational mills.



OUR PEOPLE

Priorities



Safe operations,
healthy workforce



People feel valued
and respected



Supporting the
aspirations of our
employees



An engaged
workforce that is
committed to success

OUR PEOPLE

The agricultural industry is critical for rural economic growth in Indonesia. IndoAgri provides employment to more than 62,000 people and 47,000 plasma smallholders in Indonesia. As an employer of thousands, we take our responsibility to provide a safe and healthy workplace very seriously. We are committed to ensuring that everyone goes home safe. In this section, we report on our initiatives and progress in improving labour conditions and ensuring the safety and wellbeing of our workforce.

Aligned with SDGs



PROGRESS IN 2019

Human Rights and Employee Welfare



Comply with minimum wage regulations



No forced labour or child labour

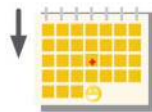


All workers free to participate in labour union of choice



Full compliance with government labour law

Safe operations



9% decrease in ASR



4% decrease in AFR

Training and Development



121,800 hours of employee training (approximately 15,225 man-days)

OUR PEOPLE

ZERO HARM, PRODUCTIVE WORKFORCE

Goal/target	Progress
1 Zero fatalities (across total workforce)	We regret to report two fatalities in our palm oil operations
2 Reduce group accident frequency rate (AFR) by 10% between 2018-2020	4% reduction in group AFR compared to 2018
3 SMK3 certification for 25 palm oil mills and 3 refineries by 2020	Received certifications for 2 mills in 2019. Our total certified sites as of end 2019 are 14 mills and 3 refineries
4 Comply with all Indonesian laws and regulations on human rights and labour rights	Full compliance with regulations across all operations

COMMUNITY RELATIONS

Priorities



Empowering
our local
communities



Giving our
local
stakeholders
a voice



Respecting
land rights of
indigenous
people



Inclusive
growth for rural
communities in
Indonesia



Ensuring the
safety, health and
well-being of our
communities

COMMUNITY RELATIONS

We explain our progress on maintaining good relationships with our host communities by respecting their rights, contributing to their positive development and ensuring their wellbeing.

Aligned with SDGs



PROGRESS IN 2019

Land Rights

Full compliance with all Indonesian regulations on land rights and land management

Cleft Lip Programme

113 operations
91 beneficiaries
33 volunteers

Community Projects

7 awards from the Ministry for Environment & Forestry in recognition of our successful PROKLIM projects

8 out of 20 Rumah Pintar are financially self-sufficient

Education Facilities

302 day care centres
160 schools
787 teachers
15,360 students



189 clinics in estates
194 Posyandu
59 doctors
267 midwives/nurses

COMMUNITY RELATIONS

LAND RIGHTS

Goal/target	Progress
1 Comply with all Indonesian laws and regulations on land rights and land management	Full compliance with regulations

PRODUCT INTEGRITY

Priorities



Maintaining customers' trust: safe, healthy and high-quality products



Responsible labelling and marketing

PRODUCT INTEGRITY

We describe IndoAgri's high standards of hygienic production and food safety, and how our products are recognised for quality and their contribution to consumer health.

Aligned
with SDGs



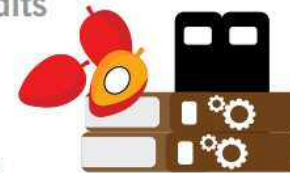
PROGRESS IN 2019

Food safety



Food Safety Management
38% of EOF Division
production volume certified
to Food Safety Management
Standard FSSC 22000

**Food safety audits
completed for**
91% of raw
materials suppliers



Product quality and integrity

Four product
awards in 2019



All products
and refineries are **ISO 9001**
and Halal-certified



PRODUCT INTEGRITY

SAFE PRODUCTS, HEALTHY FOOD

Goal/target	Progress
1 Quality and safety: comply with FSSC 22000 Food safety standard	Full compliance with regulations
2 Quality and safety: Comply with Halal certification system recognised by the World Halal Council	All products are Halal-certified
3 Quality: complete annual audit on quality assurance at refineries	Audit completed for all refineries
4 Quality: complete annual food safety audits for suppliers of raw materials (including CPO) to our refineries	Completed; 91% of supply tonnage to our refineries comes from sources that are audited annually on food safety



APPENDIX

SUSTAINABILITY PROGRAMMES

Embed sustainability within our internal operational processes and across our supply chains through 6 core programmes

1. **Growing Responsibly**

Encourage and promote sustainability as core to our operations

2. **Sustainable Agriculture and Products**

Achieve sustainable agriculture practices in our crop cultivation

3. **Safe and Traceable Products**

Ensure all products from refineries and mills are traceable, safe and beneficial for human consumption

4. **Smallholders**

Support the nucleus – plasma scheme by developing an inclusive supply chain

5. **Work and Estate Living**

Improve the safety, hygiene, and living conditions for our employees, workers and their families living on the estates

6. **Solidarity**

Support the development of local communities in and around our estates and factories by improving their existing conditions and quality of life

EMPLOYEE STATISTICS

	18 – 25 Years		26 – 35 Years		36 – 45 Years		≥ 46 Years		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Education										
Academy and University (Strata 1, 2 and 3)	170	75	992	373	559	154	493	109	2,214	711
Diploma (D1-D4)	47	25	383	189	185	117	118	57	733	388
Senior High School	1,618	163	6,041	527	4,436	393	2,639	216	14,734	1,299
Junior High School	487	32	2,889	259	2,809	399	1,389	197	7,574	887
Primary School	782	50	4,164	458	4,261	1,077	2,207	667	11,414	2,252
Total	3,104	345	14,469	1,806	12,250	2,140	6,846	1,246	36,669	5,537
Level										
Manager and Senior Manager	0	0	46	17	161	16	318	37	525	70
Supervisor	1	1	94	45	105	19	101	20	301	85
Staff	164	46	773	131	336	44	306	46	1,579	267
Administrative/Operational	2,939	298	13,556	1,613	11,648	2,061	6,121	1,143	34,264	5,115
Total	3,104	345	14,469	1,806	12,250	2,140	6,846	1,246	36,669	5,537
Region										
Sumatra	1,953	121	9,628	966	8,178	1,408	4,511	888	24,270	3,383
Kalimantan	873	149	3,577	578	2,428	483	1,014	168	7,892	1,378
Others	278	75	1,264	262	1,644	249	1,321	190	4,507	776
Total	3,104	345	14,469	1,806	12,250	2,140	6,846	1,246	36,669	5,537
Status										
Permanent Employee	1,924	226	12,573	1,470	11,418	1,931	6,524	1,202	32,439	4,829
Non Permanent Employee	1,180	119	1,896	336	832	209	322	44	4,230	708
Seasonal Workers	2,521	688	4,717	2,723	3,286	2,542	2,310	1,374	12,834	7,327
Total	5,625	1,033	19,186	4,529	15,536	4,682	9,156	2,620	49,503	12,864

EMPLOYEE WELFARE – MEDICAL & EDUCATION FACILITIES

Medical Facilities on Our Plantations 2019

Medical Facilities	North Sumatra	South Sumatra	Kalimantan	Riau	Java	Sulawesi	Total
Division Clinic	42	31	17	38	2	1	131
Central Clinic	11	24	15	4	2	2	58
Ambulances	2	14	12	5	1	0	34
Doctors	1	2	1	2	0	0	6
Visiting Doctors	18	22	10	0	2	1	53
Midwife/Nurses	61	70	43	82	5	6	267
Posyandu	55	32	39	42	24	2	194

Education Facilities on Our Plantations 2019

School Facilities	North Sumatra	South Sumatra	Kalimantan	Riau	Java	Sulawesi	Total
Day Care Centres	12	28	55	44	1	162	302
Kindergarten	27	29	5	33	3	4	101
Primary Schools	10	17	1	17	1	1	47
Secondary Schools	2	2	0	4	0	0	8
High Schools	1	0	0	3	0	0	4
Teachers	101	191	28	437	17	13	787
Rumah Pintar	4	6	5	4	0	1	20

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