

GO BEYOND

2018 Sustainability Report



KENCANA AGRI LIMITED



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About the Company

Kencana Agri Limited (“Kencana” or “the Group”) is an Indonesian plantation company engaged mainly in the cultivation of oil palms; processing of Fresh Fruit Bunches (FFB) into Crude Palm Oil (CPO), Crude Palm Kernel Oil (CPKO), Palm Kernel Cake (PKC) and Palm Kernel (“PK”); and provision of bulking and logistics services.

Officially listed on the main board of the Singapore Exchange (“SGX”) on July 25th, 2008, the Group manages plantation areas located in the islands of Sumatra, Kalimantan and Sulawesi, Indonesia, with approximately 67,612 ha of land, including plasma areas, 15 estates, 6 palm oil mills (5 in operation, 1 new mill in commissioning stage) with a total processing capacity of 275 tonnes per hour and 2 kernel crushing plants with the capacity of 435 tonnes per day. To date, the Group has planted up to 36% of its total landbank and aims to continue sustainably expanding its planted area. However, the Group’s potential is not fully realized yet as 48% of its nucleus palm oil trees are still in the immature and young mature stage. This relatively young profile of palm oil trees, with a weighted average of 10.0 years, will soon enter their prime mature phase, driving up the potential for strong FFB production growth in the next few years.

As part of its strong commitment in environmental aspects of sustainability and Corporate Social Responsibility (“CSR”), two of the Kencana’s subsidiaries, PT Sawindo Kencana and PT Alamraya Kencana Mas, have been certified by both ISPO and International Sustainable and Carbon Certification (“ISCC”), while PT Sawit Kaltim Lestari (SKL) attained ISPO certification in 2018. The Group strives to attain Indonesian Sustainable Palm Oil (“ISPO”) certifications for all its plantations as required by the Indonesian government, as well as other sustainability certifications. Moreover, the Group has invested in three renewable biomass power plants in Bangka-

Belitung Islands, whilst working together with the state-owned electricity company, PT Perusahaan Listrik Negara (“PLN”) to supply “green” electricity to the local community. Our power plants solely run on palm kernel shells, fiber mesocarp and empty fruit bunches (EFB).

Company Data Sheet

[102-1][102-2][102-3][102-4][102-5][102-6] [102-7]

Company Name	Kencana Agri Limited
Business Sectors	Oil Palm Plantations
Markets	Indonesia, China, Singapore, Malaysia, India and Europe
Customers	Reputable trading companies, refineries and oleochemical companies in Indonesia, Malaysia and other countries
Ownership & Legal Form	Listed Company
Date of Establishment	26 September 2007
Issued and Fully Paid Capital	US\$93,860,000
Total Number of Employees as of 2018	8,063
Revenue 2018	US\$124,981,000
Net Profit (Loss) 2018	US\$(23,848,000)
Registered Office Address	36 Armenian Street #03-02, Singapore, 179934
Principal Office Address	Kencana Tower, 9 th Floor Business Park Kebon Jeruk Jl. Meruya Ilir Raya No.88, West Jakarta 11620, Indonesia
Number of Operations	15 estates in Indonesia
Sales Volume of CPO	208,386 MT*
Total Liabilities	•Current : US\$132,337,000 •Non-current : US\$202,848,000
Shareholders’ Equity	US\$22,144,000



Vision [102-16]

To be a leading sustainable palm oil producer and supplier of choice for both local and global markets.

Mission [102-16]

To expand our plantation business through sustainable and environmentally-friendly best-in-class management practices whilst reinforcing our responsibility as a good corporate citizen.



Business, Operation & Value Chain [102-2][102-7][102-9]

The Group's integrated value chain comprises of plantation areas (land), palm oil mills, kernel crushing plants, bulking facilities, logistics services, and renewable biomass power plants to support and complement our plantation operations.

By the end of 2018, a total of 8,063 employees supported all operational activities throughout all the 15 estates in Indonesia.



5 PALM OIL MILLS

Total Processing Capacity: 275MT/hr
Mill under construction: 1
Processing Capacity: 30MT/hr



2 KERNEL CRUSHING PLANTS

• Total Processing Capacity: 435MT/day



186,713 ha TOTAL LAND BANK

• Nucleus: 165,479 ha
• Plasma: 21,234 ha



67,612 ha TOTAL PLANTED AREA

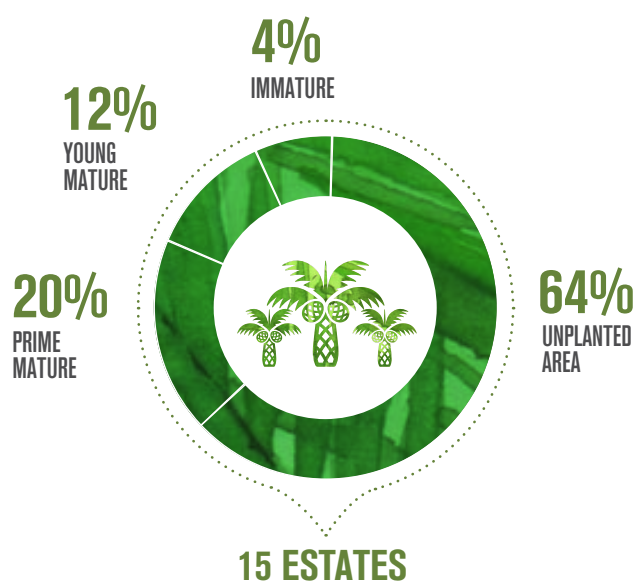
• Nucleus: 53,301 ha
• Plasma: 14,311 ha

Total Land Bank

Land Bank (ha)	Planted Area (ha)	%	Unplanted Area (ha)	%	Total	%
Nucleus	53,301	32	112,178	68	165,479	68
Plasma	14,311	68	6,923	32	21,234	32
Total	67,612	36	119,101	64	186,713	64

Age Profile

Age Profile	Immature	%	Young Mature	%	Prime Mature	%	Total
Nucleus	6,495	12	19,032	36	27,774	52	53,301
Plasma	1,173	8	3,616	26	9,522	66	14,311
Total	7,668	11	22,648	34	37,297	55	67,612



Main Products & Supporting Business ^{[102-2][102-7][102-9]}

Our main products are derived from the fresh fruit bunches (FFB) harvested from our plantations, plasma farmers, and purchases from third parties. We serve a wide range of customers, from domestic and international reputable trading companies, refineries, to oleochemical companies.

Our port & bulking facilities and logistics services complement and support our plantation operations by providing storage facilities and transportation for our products.

The “green” electricity generated by our renewable biomass power plants in Bangka and Belitung are mainly sold to the state-owned electricity company (*Perusahaan Listrik Negara* - PLN). Our Bangka power plant has also been approved as a Clean Design Mechanism (“CDM”) project, which allows us to sell carbon credits to international markets.



MAIN PRODUCTS

- Crude Palm Oil (“CPO”)
- Crude Palm Kernel Oil (“CPKO”)
- Palm Kernel Cake (“PKC”)
- Palm Kernel (“PK”)



BULKING FACILITIES



BIOMASS POWER PLANTS

1st Plant

- Location: **Bangka**
- Capacity: **6.0 MW**

2nd Plant

- Location: **Belitung**
- Capacity: **7.5 MW**

3rd Plant

- Location: **Bangka**
- Capacity: **6.0 MW**

Corporate Structure



About this Report



Kencana Agri's Sustainability Report outlines the Group's sustainability performance throughout the period of FY2018. Published annually, this Report complies with SGX regulations, which now requires the inclusion of a corporate report on its environmental, social and corporate governance factors ("ESG factors") that highlights a listed company's financial reporting. [102-52]

Kencana first published its Sustainability Report from FY2015 in August 2016, continued with the publication of their second Sustainability Report FY2017 on November 30th, 2018. This current Report is our third publication of Sustainability Report, covering the period starting on January 1st, 2018 up to December 31st, 2018. [102-50][102-51]

Reporting Guidelines

In preparing this Report, we referred to the standards and principles specified in the Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines. Out of two reporting options offered by the GRI Standards (Core and Comprehensive), Kencana Agri's Sustainability Report 2018 is prepared in accordance with the GRI Standards: Core option. [102-54]

To enable quick cross-references to the GRI Standards, we have included GRI Standard Core Indicators at each relevant sections in this Report to show compliance with specific aspects of GRI Standards. A complete list of GRI Standards Core Indicators discussed in this Report is available at page 87. [102-55]

In addition to the GRI Standards, we also prepared this Report following the reporting standards and requirements specified in the Singapore Stock Exchange (SGX) Sustainability Reporting Guideline. [102-12]

Determining the Report Content [102-46]

GRI Standards offers a set of guidelines to prepare a report that is accurate, balanced, clear, comparable, reliable and timely. Following these Standards, we start the reporting process with Identification of Material Aspects and Boundaries, continued with the process of assigning Priority Level to the Identified Aspects before finally Validating them. Results from the review process, which is conducted after the publication of each report, will be a basis for the Identification process in the next reporting cycle.

We follow the four principles of the GRI Standards in our process of defining the content of this Report. These four principles are:

1. Stakeholder Engagement

Our stakeholders are involved in the reporting process, starting from defining report contents, to providing input on published Sustainability Reports to better capture their interests and expectations.

2. Sustainability Context

Our Sustainability Report covers all sustainability issues that are material and relevant to the Group and our stakeholders at the local, regional or even global level which are appropriate to our business and operations.

3. Materiality

This Sustainability Report comprises materials regarding environmental, social and governance factors (“ESG factors”) for the Group's business and operations sustainability, as well as ESG factors that are substantially impacting the decision-making process of related stakeholders.

4. Completeness

The Group's Sustainability Report is prepared within a determined reporting period, classified according to specific scope and boundaries, and supported by relevant data and information.

Material Topics and Boundaries

This sustainability report emphasizes the issues that matter the most. For that reason, in 2018, Kencana conducted an update on its materiality matrix to better capture material issues/interests of the stakeholders and the Group as well as to reflect the current trends in the industry.

These issues are defined based on their impacts on our business along with the feedback received from the stakeholders through a survey. Issues that ranked highest have been reported more thoroughly.

In the process, we collected data and information from internal Group and related stakeholders as well as included industry insights related to environmental, social and governance factors. Results from the survey that became the foundation for preparing the Report's materiality matrix are available in the Chapter that talks about Sustainability at Kencana Agri.

Presented in this Report are data and information covering the Group's operations throughout Indonesia and marketing office in Singapore, excluding activities of third parties conducted outside of Kencana's operational areas. Data and information on the Group's financial performances are taken from the Group's Annual Report 2018 covering all subsidiary companies, including PT Sawindo Kencana, PT Alamraya Kencana Mas, PT Agro Inti Kencanamas, PT Sawit Kaltim Lestari and PT Agri Eastborneo Kencana. [102-45]

Disclosure of Management Approach

This Sustainability Report is prepared to provide more comprehensive information regarding the Group's performance, particularly in environmental



sustainability, product responsibility, social community, employee and Occupational Health & Safety (OHS). Management approach disclosures for each of the identified material topics will be categorized and discussed in each relevant chapter.

On top of that, we provide key highlights regarding the Group's financial, business, operation management, and Good Corporate Governance which were taken from our Annual Report. Therefore, for more detailed data and information on these topics, readers are kindly referred to Kencana Agri's Annual Report, which is also publicly available at our website.

Reporting Verification & Assurance

This Sustainability Report presents qualitative and quantitative data that are relevant for report comparability, transparency, and accountability. To ensure the accuracy of the data presented in this Sustainability Report, we have implemented thorough verification processes and internal reviews.

Particularly for areas that have PROPER, ISPO and ISCC certifications, all data and information have been submitted to and verified by the authorized bodies.

Moreover, to ensure that this report is developed in accordance with GRI Standards Core Option, we have conducted GRI Standards accordance check by the National Center for Sustainability Reporting (NCSR) Indonesia. A third party assurance is currently not conducted on this sustainability report but may be performed for future reporting. [102-56]

Significant Change or Restatement

In our effort to streamline our operations, in 2017 we divested our downstream joint venture with Louis Dreyfus Company Asia Pte Ltd. This corporate action

might slightly affected our overall production data. Other than that, there was no further significant changes in relation to the reporting structure, neither to the organization, operational, and the Group's supply chain compared to the previous report. There is also no restatement of information on this sustainability report from previous period. [102-10] [102-48][102-49]

Accessibility



In supporting the nature conservation, this Sustainability Report has been printed in limited numbers. Stakeholders can access our website www.kencanaagri.com to obtain a copy of Kencana Agri's Sustainability Report 2018. [102-53]

Contact Us [102-53]



To allow us in improving our reports, we invite the readers and stakeholders to submit suggestions, ideas, constructive criticism and opinions regarding the content of this Sustainability Report to:

Kencana Agri Ltd Indonesia Office

Kencana Tower, 9th Floor
Business Park Kebon Jeruk
Jalan Raya Meruya Ilir No.88
Jakarta Barat 11620
Indonesia





*"A thriving
company
is one that is
keen and
dares to
'Go Beyond'."*

Henry Maknawi
Executive Chairman

Message from the Chairman

[102-14]

Dear Stakeholders,

On behalf of the Board of Directors, it is my pleasure to present Kencana's third sustainability report for the year ended in 31 December 2018.

Sustainable Performance

The year 2018 started with weak production in the first quarter but we made a good recovery over the next 3 quarters to achieve a production of 782,758MT of FFB for the year. This represents a significant 32% increase over last year's production and a record high for Kencana. Total CPO produced also increased by 33.7% from 147,716 tonnes in FY2017 to 197,149 tonnes in FY2018. We expect this uptrend to continue as the maturity profile of our trees continue to improve along with the commissioning of our sixth mill in Sulawesi region.

Kencana strives to develop its plantation business based on best management practices that are sustainable and environmentally friendly, whilst reinforcing our responsibilities as a good corporate citizen. We recognize that while economic performance is a key driver of business sustainability, other drivers such as environmental, social and governance (ESG) factors has an equally important impact on our business' value. Hence this year the Group has taken a work moto of 'Go Beyond'. We believe that by going beyond we would be able to create new innovations, initiatives and diverse minds.

Focusing on going beyond for growth, leads to our commitment to focus on efficiency and better resource management. We do this by enhancing our workers competencies through various new trainings, beginning from our management level, right down to our staff and workers at our site offices. This strategy will help us to optimize the use of our existing resources which in the end will enable us to lower our operating costs and boost the productivity and effectiveness of our operations.

In 2018, we continue to embrace the principles of Indonesian Sustainable Palm Oil (ISPO) and International Sustainability and Carbon Certification (ISCC) schemes. As a result, a new milestone was achieved where a third plantation and mill were certified by ISPO this year. We believe that ISPO and ISCC certifications provide competitive advantages in the market while simultaneously helping us to ensure our quality, responsibility and the sustainability of our products.



We have also continued to maintain and map out our HCV and HCS areas, improving our effective water management systems, chemical spraying systems and continuous engineering improvement programs to reduce our carbon footprint within our daily operations. In accordance, we also maintain our soil fertility by allowing the organic nutrients from biomass waste to be re-used as natural fertilizer for our trees.

Last but not least, Kencana always respects the rights of our people and the local communities surrounding our operational areas. We are committed to help ensure the improvement of their welfare and livelihood through our contributions both economically and socially by hiring them as workers, teaching them to cultivate their own plantations along with social works such as the doctorShare programs and the completion of the “Jembatan Merdeka”, amongst others.

Moving Forward

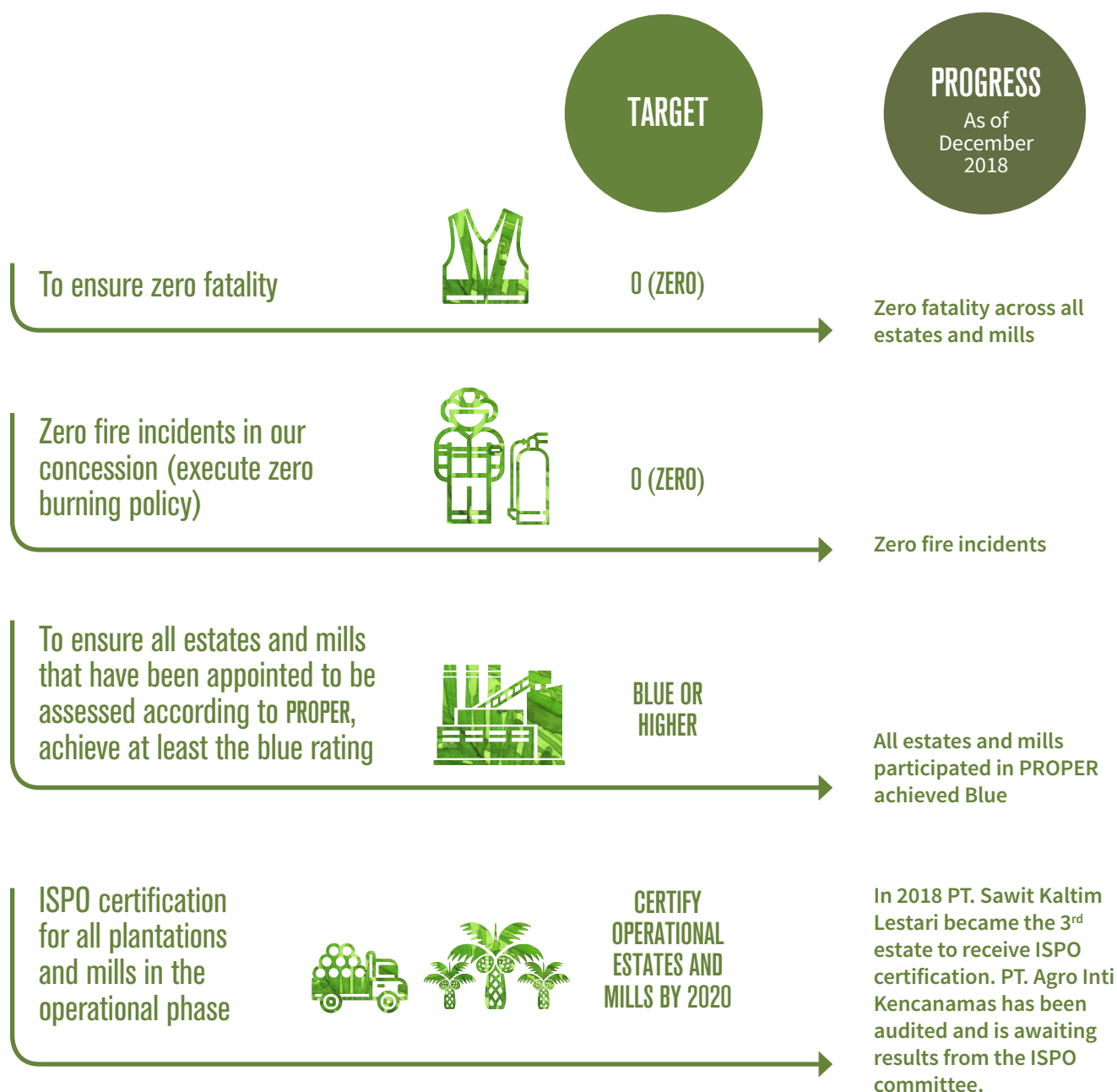
Although there were many achievements in 2018 regarding our production management, there will be new challenges ahead of us. However, we are confident with the initiatives we have taken this year, we are equipped with robust plans to ensure sustainability practices are to be implemented throughout our plantations and increasing the number of estates and mills to be certified ISPO certification. Moreover, we will always aim to keep our stride of zero fatality and continuous improvement in health and safety for our people.

Appreciation

On behalf of the Board of Directors, I would like to thank all of our stakeholders and all of our staff for their hard work, continual support, commitment and dedication.

We are confident of meeting future challenges and seizing opportunities which may come our way to take the Group to the next level of growth through sustainability.

Achievement & Target





Sustainability at Kencana Agri



The Group started its operations in 1995 in Bangka Island with a strong belief of its positive contributions to the economy and the society. The nature of palm oil that is an eco-friendly, sustainable and most efficient source of vegetable oil compared to other crops, along with the social and economic multiplier effects resulted from its operation, has allowed Kencana Agri to pursue business growth while balancing it with social and environmental consciousness.

Over the years, the Group is committed to continuing growing our plantation business sustainably. Our strategy is through improving the quality and productivity of our plantations and continue strengthening our environmental, social and governance (ESG) values.

Hand-in-Hand with Our Stakeholders

In our pursuits of sustainable business practices, we engage our stakeholders in the implementation of various initiatives and programs that ensure the sustainability of our business, the environment, and society.

Our stakeholders are entities or individuals that are either directly or indirectly involved in our business, have specific interests in our company and might be significantly impacted by how we operate. Our key stakeholders include the shareholders, customers, employees, non-governmental organizations, industry groups, and government agencies.

The Group reaches out to the stakeholders and conducts regular engagement activities from formal to informal settings to help us maintain relationship and, most importantly, to allow us to have a clear perspective on our performance in meeting their expectations as well as to provide valuable feedbacks.

Our engagement principles are based on Inclusivity, Materiality, and Responsiveness.

INCLUSIVITY

We consider our stakeholders to be those who have a direct interest in our business and those who are impacted by our business and how we operate.

MATERIALITY

The stakeholder engagement process helps us identify and manage current and emerging issues.

RESPONSIVENESS

We continually monitor the changing environment in which we operate to ensure stakeholder concerns are captured and managed continuously. We recognize that material issues can be very complex with diverging stakeholder expectations. We strive to manage these expectations in a transparent, prudent and fair manner.



A thorough description of our stakeholders, engagement issue, our relevant method of engagement and our response to each topic of interest are outlined in the following table. [102-15] [102-40] [102-42] [102-43] [102-44]

Stakeholders [102-40]	Issues [102-44]	Engagement Method [102-43]	Outcome	Frequency [102-43]
Shareholders & Investor	Transparency and disclosure of Health, Safety & Environment and social report	Meetings upon request	Issuance of Annual Report	Annually
CPO Buyers	Product traceability	Meetings, surveys and audits	Sustainable and traceable palm oil	Upon request
Local Suppliers & Contractors	Lack of knowledge within health and safety issues	Technical assistance and one-on-one meetings	Correct use of PPE and safe working methods	At least once a year
Governments and Regulators	Government regulations and ISPO certifications	Public forums and regular meetings	Comply with government regulations	Upon request
Non-Governmental Group	ISCC certification adoptions, change within criterias and indicators	ISCC stakeholder meetings and annual meetings	Internal audit analysis	Annually
Employees	Employee empowerment, working conditions, health and safety issues	Grievance procedure, whistleblower process, health and safety training	Investment on well trained employees	Based on training matrix
Smallholders (Plasma & 3rd Party FFB Suppliers)	Sustainable agricultural practices	Training and introduction towards ISCC and ISPO standards	Safe working condition and correct use of PPE	Upon request
Local Community	Native customary rights	Feedback and awareness meetings, stakeholder forums for complaints, grievance resolution and other adhoc engagements	Contribution on education, scholarship, medical facilities, improved infrastructure	Upon request
Media	Sustainable agricultural practices and CSR of Group	Meetings	Information about sustainable agricultural practice in Palm Oil Company and their multiplier effect to Indonesia society	Upon request

Material Issues Analysis and Evaluation

Kencana conducted a materiality survey in 2018 to offer a more refresh and relevant representation of concerns and interests that are significant/important to the stakeholders and Kencana Agri. Compared to the previous year, more specific issues appear as we take a closer look and a targeted approach to various concerns captured from our stakeholder engagement activities.

The results show inconsiderable differences between the current and the previous year's matrix, with Responsible Oil Palm Business practices, Economic Performance, Employment, and OSH becoming most material issues, followed by topics on Governance, Compliance, Local Community Empowerment, and Human Rights.

Through the survey, the Group is enabled to get a better understanding of specific material concerns from our stakeholders to address. These points of interests

then become the groundwork for the development of our materiality matrix of Kencana Agri's Sustainability Report 2018.

Based on this materiality analysis and evaluation, Kencana identified eleven most material issues for this year's Sustainability Report. They are:

1. Fire Management
2. Actualization of Company's Goals
3. Employee Welfare
4. Occupational Safety, Health and Environment
5. Product Quality
6. Employee Training & Development
7. Ethics and Integrity in Corporate Governance
8. Fulfilment of Sustainability Certification Requirement
9. Local Economy Empowerment and Development
10. Water and Effluent Management
11. Gender Equality and Women Participation

Kencana Agri's Materiality Matrix [102-47]





Scope and Boundaries [103-1]

No	Description of Material Issues and the Group's Strategic Commitment	Where Impacts Occur			
		Head Office	Plantation with Mills	Plantation	External Parties
1	FIRE MANAGEMENT The Group applies a Zero Burning Policy and are proactively engaged in fire prevention activities as part of its Responsible Palm Oil Business practices.	✓	✓	✓	✓
2	ACTUALIZATION OF COMPANY'S GOALS Kencana Agri strives to develop its plantation business based on best management practices that are sustainable and environmentally friendly, and also seeks, wherever possible, to ensure compliance with applicable government rules and regulations in areas where we operate.	✓	✓	✓	
3	EMPLOYEE WELFARE We implement practices that ensure employee empowerment and improvement of working conditions.	✓	✓	✓	
4	OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT Kencana promotes a healthy and safe working environment.	✓	✓	✓	✓
5	PRODUCT QUALITY The Group ensures that Good Management Practices ("GMP") are applied and reflected within all of our Standard Operating Procedures ("SOP").	✓	✓	✓	
6	EMPLOYEE TRAINING AND DEVELOPMENT We provide best training and development programs in order to enhance employees' knowledge and skills to better equip them towards their career advancement.	✓	✓	✓	
7	ETHICS AND INTEGRITY IN CORPORATE GOVERNANCE Kencana and its Management are committed to ensuring high standards of corporate governance so as to ensure transparency, to protect shareholders' interests and promote investors' confidence.	✓	✓	✓	
8	FULFILMENT OF SUSTAINABILITY CERTIFICATION REQUIREMENT We commit and strive to adopt sustainable agricultural practices through certification with the ISPO and ISCC certifications.	✓	✓	✓	✓
9	LOCAL ECONOMY EMPOWERMENT AND DEVELOPMENT Growing together with the community, we develop programs to improve the quality of life of the local community.	✓	✓	✓	
10	WATER AND EFFLUENT MANAGEMENT We control and mitigate any impacts on water quality as well as recover palm oil mill effluent as fertilizer substitute.	✓	✓	✓	
11	GENDER EQUALITY AND WOMEN PARTICIPATION The Group respects and recognizes the rights of all worker.	✓	✓	✓	



Kencana Agri Limited Environmental Sustainability Policy

[102-14][102-15] [103-2]

SCOPE OF POLICY

The provisions of this policy apply to all operations of Kencana Agri Limited (Kencana Agri, its subsidiary companies and any associated companies where Kencana Agri has management control.

COMMITMENT STATEMENT

Kencana Agri strives to develop its plantation business based on best management practices that are sustainable and environmentally friendly, and also seeks to ensure compliance with applicable government rules and regulations in areas of operations. This is realised through continuous balanced assessment and development of its operations while simultaneously conserving and improving the natural environment, and uplifting the socioeconomic conditions of our employees, local communities, and smallholders (plasma farmers). Being a good corporate citizen, we also seek guidance from the local authorities and local communities whenever there is any conflicts between the provisions of this sustainability policy and the prevailing applicable rules and regulations.



ENVIRONMENTAL MANAGEMENT

- No deforestation of high carbon stock ("HCS") forest areas and no further land clearing of potential HCS areas until the results of the proposed HCS study are adopted.
- Preservation of high conservation value

("HCV") AREAS

- Apply a zero burning policy in respect of new planting and replanting.
- Refrain from undertaking new development on peat land of any depth.
- Endeavour to align ourselves with the industry practices and standards generally adopted by the market in relation to sustainable palm oil production.

COMMUNITY DEVELOPMENT AND SOCIAL IMPACT

- Continually develop our plasma program based on applicable Indonesian laws and regulations.
- Facilitate the inclusion of qualified smallholders into the supply chain.
- Implement corporate social responsibility programs.
- Respect the rights of indigenous and local communities to give or withhold their Free, Prior and Informed Consent (FPIC) on lands to which they hold legal, communal or customary rights in line with applicable government regulations.
- Endeavour to resolve complaints and conflicts through an open, transparent and consultative process.
- Respect land tenure rights.

HUMAN RIGHTS AND WORKPLACE

- Respect and support the Universal Declaration of Human Rights.
- Respect and recognize the rights of all workers, including contract, temporary and migrant workers.
- Comply with minimum wage policies.
- Prohibit child labour and forced labour at every stage of our operations.
- Promote a healthy and safe working environment

Henry Maknawi

Chairman and CEO
By Order of the Board



Corporate Governance



Proper implementation of Corporate Governance creates a strong foundation for the Group's operations and conduct within the corridors of ethical, responsible and sustainable business practices. To that end, the Group establishes structured framework systems and policies that follows the principles of accountability, fairness and transparency with our stakeholders. The publication of our annual sustainability reports also becomes part of our governance practices

Governance Structure

In Kencana Agri, the Board of Directors becomes the highest governing body that is responsible for the strategic direction of the Group. At the end of 2018, the Board consisted of 6 (six) members with vast expertise and strong track records in oil palm and several other industries. The ultimate role of the Board will be to protect and strengthen the long-term value and returns of the Group for its shareholders.

To assist the Board in the execution of its duties, a number of Board Committees, namely the Nominating Committee (NC), the Remuneration Committee (RC) and the Audit & Risk Management Committee (ARC), have been established, empowered with specific responsibilities and authorities to make decisions on matters within its terms of reference.

Kencana Agri's Board of Directors [102-18]



EXECUTIVE CHAIRMAN:

Henry Maknawi

VICE-CHAIRMAN AND
INDEPENDENT DIRECTOR:

Tengku Alwin Aziz

EXECUTIVE VICE CHAIRMAN:
Ratna Maknawi

LEAD INDEPENDENT DIRECTOR:

Soh Yew Hock

INDEPENDENT DIRECTOR:

Sim Idrus Munandar

NON-EXECUTIVE AND NON-
INDEPENDENT DIRECTOR:

Darwin Indigo

Board's Supporting Committees

Nominating Committee (NC)

To ensure the implementation of a formal and transparent process for all Board appointments. It has adopted written terms of reference defining its membership, administration, and duties. The NC has taken a process for assessing the performance of the Board as a whole instead of individual assessment.

Remuneration Committee (RC)

To ensure the establishment of a formal and transparent procedure on the remuneration packages of individual directors. The RC will work within the principle that the remuneration should be structured to link rewards to corporate and individual performance.

Audit and Risk Management Committee (ARC)

To assist the Board with discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records and develop and maintain an effective system of risk management and internal controls, including matters related to sustainability issues. The ARC has undertaken an annual review of the audit and non-audit services provided by the external auditors to satisfy it that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before recommending their re-nomination to the Board.



The Board regularly holds meetings to review the Group's overall performance, to deliberate on specific issues including significant acquisitions and disposals, to approve the annual budget and to approve the release of the quarterly, half-yearly and year-end financial results. The Board meets at least four times a year. In addition to the scheduled meetings, ad-hoc board briefings, conference calls, and physical meetings are held as warranted by particular circumstances or as deemed appropriate by the Board members. A total of five board meetings were held in 2018.

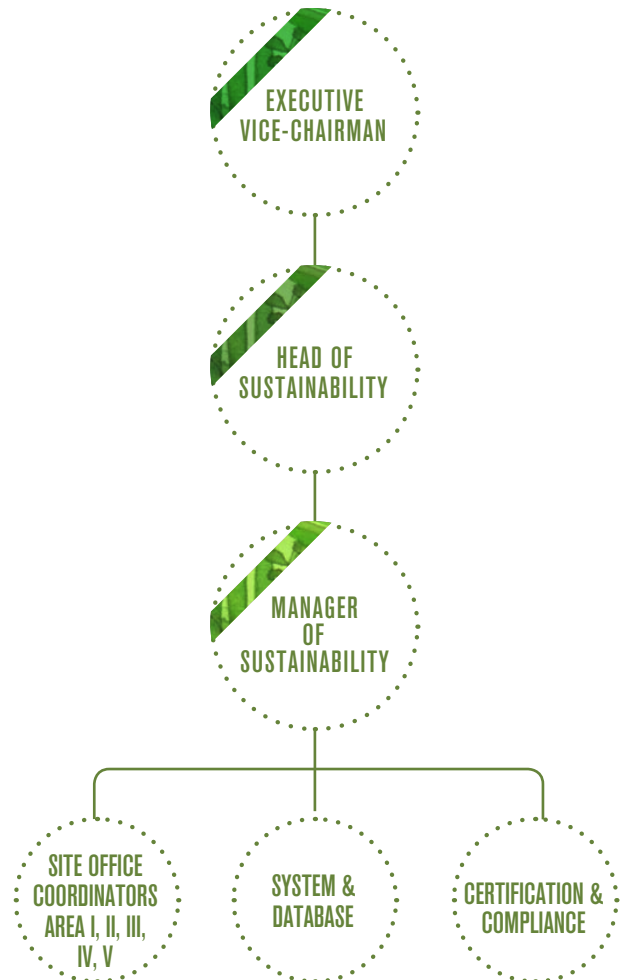
Governing Sustainability

[102-18][102-19][102-20][102-26][103-3]

On top of carrying out its statutory responsibilities, the Board considers sustainability issues, e.g., environmental and social factors, as part of its strategic formulation. On this matter, the Board has appointed the Executive Vice-Chairman to lead the implementation of sustainability initiatives and activities, supported by a Sustainability Team. The Team consists of Head of Sustainability, Manager of Sustainability, and coordinators both in Head Office and Site Office to conduct necessary engagement, review and reporting on related sustainability strategy and plans.



Kencana Agri's 2018 Sustainability Team Structure



Included in the process of Identification of Material Issues, the Team reports to the Board on the results and receives related feedbacks that will take effect on the formulation of the Group's sustainability policies, targets, and plans. Sustainability risk management is built into the Group's risk management structure and remains under the Board through the Audit Committee. The meetings are usually held three times a year, together with the Audit & Risk Committee meeting.

Kencana Agri's Materiality Issues and Our Strategy and Approach in 2018 [103-1][103-2]

The Group's Material Issues and Strategic Commitment	Approach	Detail of Discussion in Chapter
FIRE MANAGEMENT The Group applies a Zero Burning Policy and is proactively engaged in fire prevention activities as part of its Responsible Palm Oil Business practices.	<ul style="list-style-type: none"> • Holds regular fire hazards management training and simulations • Organize joint trainings with The Ministry of Environment and Forestry / Manggala Agni • Conduct socializations and encouragement for the local communities and villagers regarding zero burnings. 	Environmental Management & Compliance
ACTUALIZATION OF COMPANY'S GOALS Kencana Agri strives to develop its plantation business based on best management practices that are sustainable and environmentally friendly, and also seeks, wherever possible, to ensure compliance with applicable government rules and regulations in areas where we operate.	<ul style="list-style-type: none"> • The implementation of a program called BUSI (Budaya Eksekusi or Culture of Execution) at all levels starting from high management up to plantation workers in order to support the Group's most important goal of 2018, which is: maintain and if possible increase the Group's EBITDA in the challenging year of 2018 as the palm oil industry was faced with a decreasing seasonal trend of the palm oil market price. 	Towards Sustainable Operation & Products
EMPLOYEE WELFARE We implement practices that ensure employee empowerment and improvement of working conditions.	<ul style="list-style-type: none"> • Ensuring all employees' children in our estates have access to education. • Providing child day care facilities within our estates. • Encouraging our employees by awarding employees who have worked with us for 15 years with a Golden Pin Award. 	Our People
OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT Kencana promotes a healthy and safe working environment.	<ul style="list-style-type: none"> • Providing Regular health checks. • Organizing Occupational Health & Safety (OHS) trainings. 	Our People
PRODUCT QUALITY The Group ensures that Good Manufacturing Practices ("GMP") are applied and reflected within all of our Standard Operating Procedures ("SOP").	<ul style="list-style-type: none"> • Ensuring GMP is implemented in a sound manner, which includes good harvesting management and block issues identification. • Continuity of product sales to maintain minimum stock. 	Towards Sustainable Operation & Products
EMPLOYEE TRAINING AND DEVELOPMENT We provide best training and development programmes in order to enhance employees' knowledge and skills to better equip them towards their career advancement.	<ul style="list-style-type: none"> • The implementation of a programme called BUSI (Budaya Eksekusi or Culture of Execution) at all levels starting from high management up to plantation workers. • Trainings for foremen. 	Our People



The Group's Material Issues and Strategic Commitment	Approach	Detail of Discussion in Chapter
ETHICS AND INTEGRITY IN CORPORATE GOVERNANCE Kencana and its Management are committed to ensuring high standards of corporate governance so as to ensure transparency, to protect shareholders' interests and promote investors' confidence.	Audit & Risk Committee works together with Internal Audit team to conduct an independent audit which will be directly reporting to the Board of Directors.	Corporate Governance
FULFILMENT OF SUSTAINABILITY CERTIFICATION REQUIREMENT We commit and strive to adopt sustainable agricultural practices through ISPO and ISCC certifications.	<ul style="list-style-type: none"> The Group also adopts the principles from both ISPO and ISCC within our operations. To ensure that all companies that have attained ISPO and ISCC certifications maintain their product quality, an ISPO surveillance audit is conducted yearly, while a recertification audit for ISCC also being conducted on a yearly basis. Ensure the ability to provide clear traceability to guarantee that our CPO and FFB were produced in and by reputable sources. 	Towards Sustainable Operation & Products
LOCAL ECONOMY EMPOWERMENT AND DEVELOPMENT Growing together with the community, we develop programmes to improve the quality of life of the local community.	The Group helps improving the quality of life of the communities where we operate by enabling them to earn a more sustainable income for themselves, have better healthcare and education, as well as enjoy proper infrastructures to maintain a better environment to live.	Social Community Development
WATER AND EFFLUENT MANAGEMENT We control and mitigate any impacts on water quality as well as recover palm oil mill effluent as fertilizer substitute.	<ul style="list-style-type: none"> In Kencana Agri, the implementation of the Group's water management systems has been designed with careful consideration and comprehensive hydrology, agronomy, and topography studies, as well as environmental and social impacts POME management in our Waste Water Treatment Plant through Cooling Ponds, Mixing Ponds, Anaerobic Ponds, and Settling Ponds. We put into use all of our production POME as fertilizers back into the field on areas that have already been licensed for land application. It is important to note that the Group does not discharge any of our POME into rivers. 	Environmental Management & Compliance
GENDER EQUALITY AND WOMEN PARTICIPATION The Group respects and recognizes the rights of all worker.	<ul style="list-style-type: none"> We highlight the importance of fairness and equality throughout our whole organization and give fair opportunities based on their competence, regardless of their race, religion, or gender. 	Our People

Communication with Shareholders

Recognizing that our shareholders are one of the most important aspects to achieving sustainability within our business, the Group ensures to maintain regular and informative communications with the shareholders regarding the Group's operations or any matters that require disclosures. The Group utilizes SGXNET to publish information on the Group's dealings or any news release about the Group. Through this channel, price sensitive information is also prudently updated and released to the public to mitigate possible complications. Note that the Group does release all of its information online whether it be financially or operationally related. However, the timing of said release dates is determined to cause the least disruption to the Group as possible.

We publish Annual reports every April with notices of AGM's being sent to all shareholders. AGMs notices are also published in local newspapers and made available on the SGXNET. At the AGMs, shareholders are given the opportunity to express their views and raise any queries regarding the Group.

All AGM results are announced or issued within the assigned period and made available on the Group's website. The Group strictly does not engage in selective disclosure. The Group also updates its shareholders through its corporate website: <http://www.kencanaagri.com>.

Ethics and Risk Management

The Group has zero tolerance for fraud and corruption. To mitigate any potential risks, the Group has enforced a Code of Ethics that are based on values and principles that serves as the fundamentals for working etiquette and decision making that has been adopted by the

Board of Directors and applies to every director, officer, and employee in all our companies.

Our Code comprises values which include:

1. Compliance with any applicable laws and regulations
2. Maintain the Group's reputation and asset
3. Prevent any conflict of interests between personal and corporate matters
4. Integrity in data and facts recording
5. Contribute to a harmonious work environment
6. Prevent any abuse of power related to personal/family matters
7. Prohibition to engage in any immoral activities
8. Continuous learning/knowledge development

Our Code of Ethics has been distributed to all employees and directors. In addition, the Group provides guidance to the Group's directors and employees on their dealings in securities and other business ventures.

Moreover, the Group risk management committee conducts a meeting quarterly and identifies its key risks to assess the effectiveness of the risk management and internal control systems, especially dealing with financial, operational, compliance and climate change risks. The Board, through the Audit and Risk Management Committee continuously identify, review and monitor the key risks, control measures and management actions as part of the risk management process. [102-11]

The Group's risk management framework comprises of assessments which separate risks into three categories: preventable, unpreventable and external. The risk management group would then utilize a risk matrix to determine the significant issues, which shall be prioritized and monitored in a more serious manner.



To ensure mitigation efforts are conducted accordingly the risks the committee place quarterly meetings where risks are reviewed and are subsequently reported to the Audit and Risk Committee board meeting. [102-11]

Also embedded within our Code of Ethics and Risk Management is our whistleblowing policy, which is closely monitored by the Internal Audit, guarantees confidentiality and freedom in raising concerns. The whistleblowing policy shall identify contact points for reports in fraud, corruption, and other risks. We follow the spirit of our policy, and it has been socialised to our workers. Reports may be made via phone call or by email to our contact centre. The Group ensures anonymity and protects the whistle-blowers in case of a report. [102-17]

External Initiatives & Associations [102-12] [102-13]

In light of our Group's external initiatives, we commit and strive to adopt sustainable agricultural practices through certification with the ISPO and ISCC certifications. In addition to our Community Development agendas and initiatives, stakeholder engagement and awareness is crucial to achieving the required certifications and approval as well as satisfaction from our external stakeholders.

Another benefit of our external initiatives is the better communication of our sustainability standards throughout all our supply chains while at the same time firmly encouraging everyone to join in making a more sustainable business in general. Such initiatives will boost the Group's efforts in becoming a more sustainable business whose operations always aim to benefit and satisfy all our stakeholders.

To date, the Group has participated actively as a member in a number of associations, namely: *Gabungan Pengusaha Kelapa Sawit Indonesia* ("GAPKI"), Indonesian Palm Oil Conference ("IPOC"), ISCC, ISPO and ISO (PC 248).

A more detailed discussion regarding Kencana's principles, approaches, practices, and achievement in the area of Good Corporate Governance (GCG) in our Annual Report. We invite all readers to find out more about our GCG practice in our Annual Report which can be accessed at <http://www.kencanaagri.com>.





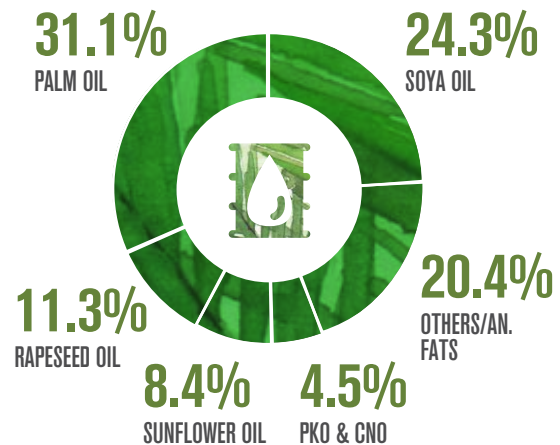
Towards Sustainable Operation & Products



Palm oil yet holds a significant role in many of the world's consumption of vegetable oil. Considerably a more affordable choice compared to other vegetable oil, vast availability in the markets, and its versatile applications for various consumer products, palm oil has become the main staple in domestic cooking as well as an essential ingredient in manufacturing processes of more than 50% of the products we use every day.

In 2018, palm oil production continued to top other vegetable oils with around 31.1% (including palm oil and palm kernel oil) with a total planted area of only 6% of the total land needed to produce vegetable oils globally (Oil World, 2018). The efficiency of oil palm's yield still cannot be rivalled by any other vegetable oil.

World Production of 17 Oils & Fats 2018



Source: Oil World, 2018.

Despite facing a challenging year, palm oil industries in Indonesia has thrived throughout 2018, recording the highest output in history with 47.4 million tons, increased by 12.9% compared to the previous year of 42 million tons. Total export also increased by 7.8%, from 32.2 million tons to 34.7 million tons. Consumption also increased by 22% from 11 million tons in 2017 to 13.49 million tons.

Internally, despite the challenges and market dynamics that the Group faced in 2018, Kencana expects that the demand for palm oil will continue to grow in the coming years. For that reason, we continue to strive and strengthen the Group's strategic focus and efforts to boost productivity, produce better quality products to meet market demand and at the same time ensuring the sustainability of our operation.



This Sustainability Report presents only the highlights of our financial and operational performances. For a more detailed discussions on these matters, please refer to the Group's Annual Report 2018.



Customer and Marketplace

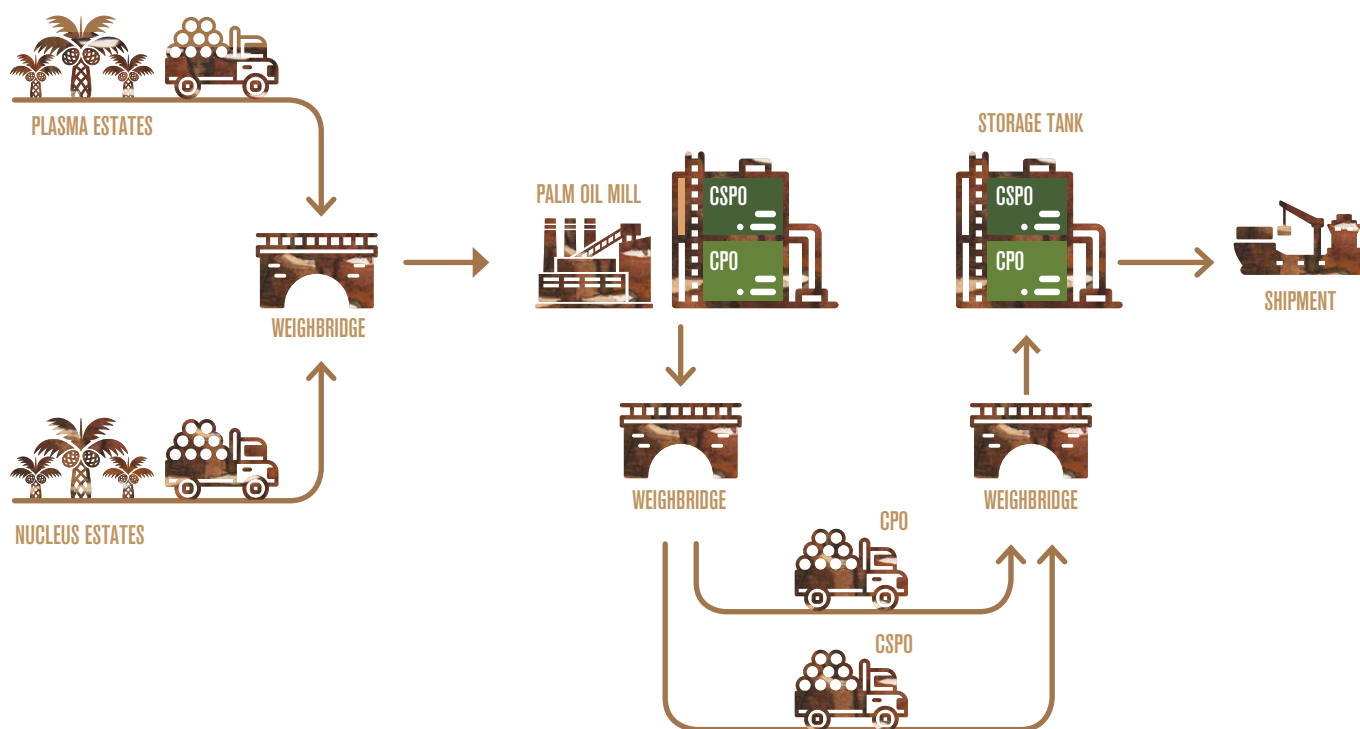
Kencana serves both domestic and international markets. We are one of the suppliers of palm oil products for palm oil refiners, traders, brokers, oleochemical companies, and fast-moving consumer goods companies (FMCG). In 2018, all of our sales continued to be dominated by domestic sales. [102-6]

As a commitment, we assure customers that they receive nothing but the best through maintaining a positive and close relationship with our valued customers and by conducting periodic visits. Our continuous communication with the customers also

helps us to obtain feedback to improve our products and services further. Doing so, we believe that we will be enabled to create the best customer experience that will eventually ensure the sustainability of our business.

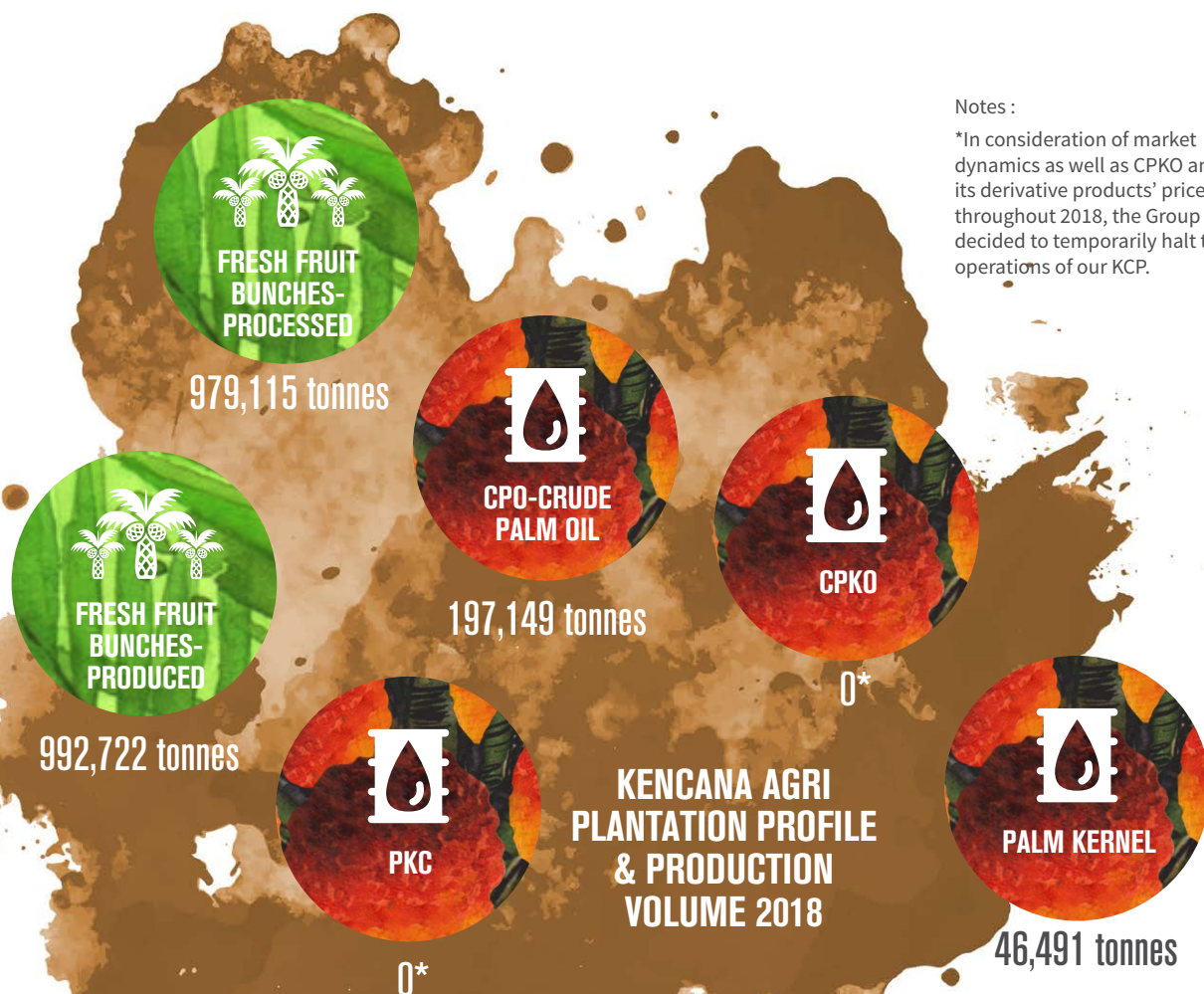
Furthermore, the Group safeguards customers' privacy and strive to meets all prevailing regulations regarding production, distribution, and traceability. To that end, throughout 2018, we recorded no significant complaints from customers and marketplace authorities regarding the Group's products, marketing communication practices or anticompetitive behaviour.

ISCC Flow of Traceability & Mass Balance



Primary Products and Production

Throughout 2018, the Group managed a total 67,612 ha of planted areas within our palm oil plantations. 14,311 ha of this total planted areas are dedicated for our plasma smallholders. During the year, the Group produced 782,758 tonnes and 209,964 tonnes of fresh fruit bunches (FFB) from the nucleus and plasma estates respectively. The total CPO produced in 2018 was 197,149 tonnes, which was 33.7% higher compared to 2017 production of 147,716 tonnes



Notes :

*In consideration of market dynamics as well as CPKO and its derivative products' price throughout 2018, the Group decided to temporarily halt the operations of our KCP.



Sustainable Operations

Ultimately, Kencana Agri aspires to achieve balanced growth of our business, environment, and the socio-economy of the local community, our employees, and the entire value chain of the Group. To that end, throughout our operations, we strive to initiate programmes also establish procedures and systems that will ensure the implementation of various aspects of our sustainability commitments.

Focus on efficiency and better resource management are implemented by continually optimising the use of our resources including land, soil, water, fertilisers, seeds quality, and many more. This focus and efforts would enable us to minimise our operating costs and boost the productivity and effectiveness of our overall operations.

We also continue to improve our production processes through the implementation of Best Management Practices, replanting programs, efficient FFB transportation, and better tending of our crops to produce higher yields, as well as improving soil fertility.

Moreover, we focus on improving our effective water management systems, chemical spraying system and continuous engineering improvement programs to reduce our carbon footprint within our daily operations.

Also, we maintain and sustain our soil fertility by allowing the organic nutrients from biomass waste to be re-utilised as natural fertilisers for the soil. The use of legume cover crops protects soil integrity, conserves moisture, boosts nutrients and reduces soil surface runoff. Furthermore, the Group maintains buffer zones to protect riparian areas and water quality.

Last but not least, Kencana always respects the rights of our people and the local communities surrounding our operational areas. We are committed to helping ensure and contribute to the betterment of their welfare and livelihood.

Maintaining Product Quality ^[416-1]

We are committed only to provide excellent product quality. To that end, the Group ensures that Good Management Practices (“GMP”) are applied and reflected within all of our Standard Operating Procedures (“SOP”). These include FIFO treatment for FFB, maintaining low stockpiles for CPO & kernel, ensuring sufficient labour to support harvesting rotation, clean condition of collection point (TPH) and minimising mill breakdown amongst others, to maintain the quality of our FFA.

The Group also adopts the principles from both ISPO and ISCC within our operations. We conduct ISPO surveillance audits yearly and re-certification audits as required at all estates and companies within our Group. On top of compliance, we believe that ISPO audits and certifications provide competitive advantages in the market and help us ensure the quality, responsibility and sustainability of our products.

In compliance with the ISCC principles, all FFB products coming into and from PT Sawindo Kencana are traceable to any of our stakeholders. Our ability to provide product traceability guarantees that our CPO and FFB were produced in and by reputable sources.



Sustainable Products

The Group refers to the Indonesian Sustainable Palm Oil Organization (ISPO) standards for implementation of sustainability strategies at our plantations, in particular on aspects that are stipulated in the ISPO certification main assessment criteria, which include:

- Legality
- Plantation Management
- Protection and Utilization of Primary Forest and Peat land
- Environment Management
- Responsibility for Workers
- Social Responsibility & Economic Environment
- Sustainable Business Improvement

In the adoption of the ISCC principles, the Group collaborates with independent certification bodies, namely SAI Global & TUV Nord in conducting regular reviews and assessments on the implementation of ISPO and ISCC principles at our operations. Yearly surveillance audits are also carried out to ensure that ISPO principles were implemented thoroughly and properly at all plantations.

As of the end of 2018, two of the Group's plantations, PT Sawindo Kencana and PT Alamraya Kencana Mas, have been successfully awarded both ISPO and ISCC certifications. PT Sawit Kaltim Lestari on the other hand received its first ISPO certification in 2018. Meanwhile, PT Agro Inti Kencanamas has been audited for ISPO certification and currently is waiting for an announcement from the ISPO commission.





Kencana Agri
has achieved
Sustainable Palm
Oil certification
from ISCC for:

22.8%

OF ITS ELIGIBLE
NUCLEUS PALM OIL
PLANTATION AREA
WHICH REPRESENTS

12,126

HECTARES OF
PLANTATIONS THAT
EQUAL TO

57,383

TONNES OF CSPO, AND
EQUIVALENT TO

41%

OF THE TOTAL CPO
PRODUCED BY THE
GROUP IN 2018.





Environmental Management & Compliance



Kencana is committed to always operate in the utmost responsible ways to preserve and mitigate any impacts to the environment. Throughout its palm oil operations, the Group ensures that the cultivation of land, methods of production, up to the process of products distribution and handling are always in compliance with the best environmental practices.

We always ensure to employ the best agricultural practices on all our lands, primarily on the lands that were re-cultivated from degraded lands and logged-over secondary forests which were leased and licensed to us by local governments.

Environmental Management Systems

To establish an internal environmental management system that is effective, comprehensive and measurable, the Group has adopted various standards and practices that are relevant and applicable to our industry, namely PROPER from the Ministry of Environment and Forestry of Indonesia, Indonesian Sustainable Palm Oil System (ISPO), and International Sustainability & Carbon Certification (ISCC). The Group also ensures to comply with the provisions specified in Law of the Republic of Indonesia No. 5/1990 concerning the Conservation of Living Resources and Their Ecosystem as well as the Good Agricultural Practices (GAP) in its land cultivation and biodiversity conservation practices.

Through the adoption of these standards and requirements, Kencana is enabled to have clear guidelines regarding any environmental related matters and handling within its internal operations. Further, all implementation of environmental management practices will adhere to the Group's Environmental Sustainability Policy that has been in effect since 19 January 2015.





Environmental Performance Rating & Certification Standards

PROPER (Program Penilaian Peringkat Kinerja Perusahaan Dalam Pengelolaan Lingkungan) is an Environmental Management Performance Rating Program by the Indonesian Ministry of Environment and Forestry that aims to encourage better performance and more disclosures on companies' environmental initiatives. Various aspects are assessed in this program and companies' performance will be rated according to Gold, Green, Blue, Red and Black ratings. Gold and Green ratings will be given to companies whose performances are beyond compliance, while Blue rating indicates proper compliance to standards and requirements, and Red and Black ratings would indicate underperformance.

Meanwhile, the Indonesian Sustainable Palm Oil System (ISPO) consists of 29 criteria and 147 indicators that are compulsory in running sustainable oil palm operations in Indonesia. International Sustainability & Carbon Certification (ISCC) covers major and minor indicators to promote green practices, in particular in regards to product traceability and protection of land.

To achieve the required standards, Kencana commits to a number of actions that are rigorously monitored. Regular assessments are conducted to review our compliance with the PROPER, ISCC, and ISPO provisions.

In 2018, three companies were ISPO certified while two companies attained ISCC certifications. Both PT Sawindo Kencana and PT Alamraya Kencana Mas have successfully maintained their ISPO and ISCC certifications, while PT Sawit Kaltim Lestari obtained new ISPO certification in 2018. In 2018, all companies were successful in attaining Blue PROPER assessment rating.

Going forward, the Group aims to:

- Maintain a minimum certification of Blue PROPER rating across all our operations
- Maintain ISPO certificates at all plantations with mills and achieve ISPO certification for PT Agro Inti Kencanamas in 2019
- Continue to maintain and re-certify all ISCC certified plantations and mills
- Improve the plants yield and the workers' welfare



Company Name	Certificate	Ranking/Status	Validity Period	Institute/ Certification Body
SAWINDO KENCANA	PROPER	Blue	2013-2018	Indonesia Ministry of Environment and Forestry
	ISCC	Certified	2015-2019	TUV NORD
	ISPO	Surveillance 3	2015-2020	SAI Global
BELITUNG ENERGY	PROPER	Blue	2015-2018	Indonesia Ministry of Environment and Forestry
ALAMRAYA KENCANA MAS	PROPER	Blue	2013-2018	Indonesia Ministry of Environment and Forestry
	ISCC	Certified	2016-2019	GUT CERT
	ISPO	Surveillance 2	2016-2021	SAI Global
AGRO INTI KENCANAMAS	PROPER	Blue	2014-2016, 2017-2018	Indonesia Ministry of Environment and Forestry
	PROPER	Green	2016-2017	Indonesia Ministry of Environment and Forestry
	ISPO	Audit Stage 2 – In Progress of Review in ISPO Commission		SAI Global
SAWIT KALTIM LESTARI	PROPER	Blue	2014-2018	Indonesia Ministry of Environment and Forestry
	ISPO	Certified	2018-2023	SAI Global
AGROJAYA TIRTA KENCANA	PROPER	Blue	2016-2017	Indonesia Ministry of Environment and Forestry



KENCANA AGRI'S ZERO BURNING POLICY & LAND MANAGEMENT

The Group upholds a zero burning policy throughout its operations. In line with our Sustainability Policy, the Group does not use fire in land clearing processes; instead, we mechanically clear land and harness the organic contents of the decomposable biomass to replenish the soil. This biomass provides a rich substrate for new plantings and reduces the needs of chemical fertilisers application.

The Group also does not convert peat land in newly developed areas, even though the Indonesian government regulation allows the development of peatland up to a depth of three meters. Usually, the identification of peatland is determined during HCV and/or HCS studies before new land conversion.

In maintaining the quality of our soils, we make some improvements through effective management practices through

reintroducing vital nutrients to plantation soil through the mulching of empty fruit bunches, the use of cover crops, and the application of nitrogen-rich palm oil mill effluent: a fertiliser substitute. Mulching suppresses weed growth, and cover crops conserve soil integrity and fertility, increase water retention, and reduce surface runoff.

Further, in areas where our trees are planted on sloped terrains, we build terraces and silt pits to minimise soil erosion and the leaching of fertilisers and pesticides into water bodies. We preserve buffer zones between estates and rivers to protect riverbanks and maintain water quality.

As part of the Group's effort in maintaining soil fertility, a Leaf Sampling Unit ("LSU") analysis is also conducted every year to ensure soil fertility and fertilisers are accurately used throughout the plantation.



Emission Reduction and Monitoring

One of our main focuses in our environmental management system is to reduce our GHG emissions throughout our operations. In 2018, we continued with our initiatives to improve our GHG performance, which include:

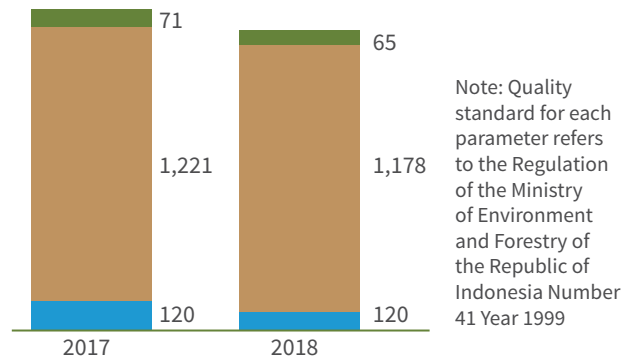
1. Utilizing biomass to use as fertilizer and an alternative fuel substitute for generators and boilers as to reduce emissions from the use of fertilizers and diesel fuel in our estate and factories.
2. Monitoring the use of generators for housing electricity. Housings in estates are connected to the government grid whenever possible, thus reducing emissions from diesel generators.
3. Monitoring air quality every 6 months within our estate and mills area. For example, reporting on NO_x, CO and SO_x values found around our plantation and mills. Under the Indonesian government regulations, BML for NO_x, CO and SO_x values that needs to be met are 400, 30,000 and 900 µg/nm³ respectively. The average NO_x, CO and SO_x values have been consistently maintained well under the BML. Even though we are under the BML limit, we strive to keep lowering our air emissions to the best that we can.

From these efforts, we have been able to monitor and calculate our GHG emissions from two most significant operation areas, namely PT Sawindo Kencana and PT Alamraya Kencana Mas covering calculation of GHG emission from plantation operations, mills operations and transportation activities from both subsidiaries which were generated from fuel consumption, application of fertilizers.

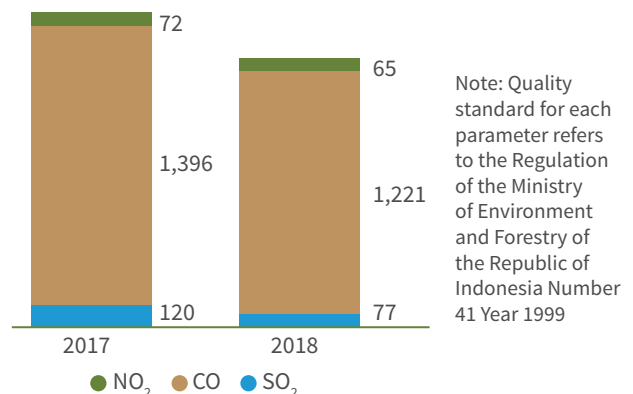


Note: GHG Calculation is conducted based on the
ISCC EU System 205 v.3.0 standard

Highest Emission Test Results 2018 From All Subsidiaries (Up Wind)



Highest Emission Test Results 2018 From All Subsidiaries (Down Wind)



Energy Consumption

Focusing on lowering the amount of energy consumption is imperative for the Group, the industry, and the wider society to maintain its growth sustainably. Commitment and actions to continuously improve energy efficiency and reduce the usage of non-renewable sources of energy are crucial to achieving this goal. To that end, the Group focuses on two umbrella initiatives regarding energy, which are energy consumption reduction and maximising the utilisation



of alternative energy sources through the use of biomass as renewable energy sources. [103-1]

To lower energy consumption, The Group's estates continue to optimise the quality and the quantity of the FFB produced, hence resulting in a higher percentage of utilisation in the mills.

In 2018, the average FFB yields were 16.72 tonnes (nucleus) and 15.98 tonnes (plasma) per hectare, while our Oil Extraction Rate ("OER") was 20.10 %. These OER and FFB yields show that the Group's growth potential is not yet fully realised as 48 % of its nucleus oil palms are in the immature and young mature stage. This data implies that the Group's current processed FFB derived

mostly from 52 % production of its prime mature oil palms (nucleus and plasma), which amounted to 992,722 tonnes of FFB in 2018. [103-2]

From this amount of FFB, our mills were able to produce biomass fuel such as fibres and shells amounting to 190,276 tonnes, or 2,260,137 Gigajoules of energy, which is equivalent to 22,362,049kWh of electricity. In comparison to the total 27,781,969kWh of electricity generated, the biomass fuel accounts for 80% of the Group's total generated electricity. [103-3][302-1]

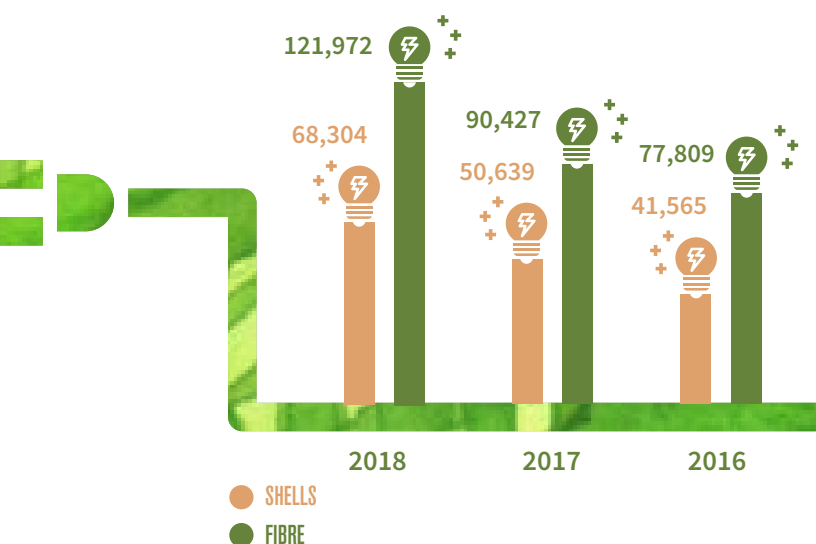
In 2018, Kencana managed to minimise the consumption of fuels that were previously used for transportation vehicles (motorcycles) in our plantation areas to a very minimum insignificant volume.

Energy Consumption of Mills [302-1]

Energy Sources	2018		2017		2016	
	Volume	GJ	Volume	GJ	Volume	GJ
Shells (tonnes)	68,304	1,077,698	50,639	798,979	41,565	655,812
Fibre (tonnes)	121,972	1,182,439	90,427	869,273	77,809	754,311
Diesel-vehicles, machineries, housing (litres)	173,096	6,214	154,895	5,561	192,703	6,918
Diesel-electricity generation (litres)	1,075,380	38,606	1,127,750	40,486	1,089,616	39,117

Note: The total volume conversion of biomass usage to GJ is multiplied by the Net Calorie Value. Net Calorie Value can be obtained from our laboratory sample test results at Sucofindo Laboratory in 2009.

Renewable Biomass Utilization 2016-2018



OF THE GROUP'S TOTAL ELECTRICITY WERE BIOMASS FUEL GENERATED FROM FIBRES AND SHELLS OF OUR FFB PRODUCTIONS.

80%

WHICH IS EQUIVALENT TO 22,362,049KWH OF ELECTRICITY WERE GENERATED FROM 190,276 TONNES OF FIBRES AND SHELLS

2,260,137



Water Usage

Water is essential in the cultivation of oil palms and production activities. Realising its importance, the Group conducts control and mitigation efforts on any impacts on water availability and quality. We also implement 3R programmes, as well as the installation and integration of wastewater treatment systems with our overall waste management. These actions are aimed to maximise the utilisation of wastewater from our operations and to be able to discharge it back to water bodies responsibly. [103-1][103-2]

In Kencana Agri, the implementation of the Group's water management systems has been designed with careful consideration and comprehensive hydrology, agronomy, and topography studies, as well as environmental and social impacts assessments. The effectiveness and impacts of the water management system, including from its construction phase, have been carefully analysed and evaluated. Computer software modelling and simulation of the system were used, thus aiding the Group in designing an optimal system for each particular area. [103-2]

Throughout 2018, the Group withdrew a total of 1,616,407 m³ of water which was sourced from nearby reservoirs and rivers in our estates for mill processing. Most of the reservoirs we use sourced its water from rainwater. [303-1]

Our water consumption intensity based on 2018 total water consumption was 1,65 m³ of water per ton of CPO produced. Total water usage by the Group consists of 76% from reservoirs and the remaining 24% from rivers surrounding our estate areas.

Water Sources and Consumption Profile 2018

[303-1][303-3]

Operational Area	Area Water Source	Consumption Volume (m ³)	%
Bangka	Reservoir*	347,385	21,5%
South Kalimantan	River **	389,681	24,1%
East Kalimantan	Reservoir 1*	236,492	14,6%
	Reservoir 2*	153,234	9,5%
	Reservoir 3*	489,616	30,3%
Total Water Consumption (m ³)		1,616,408	100,0%

Note: * Recycled water ** Potable Water



76%

OF KENCANA AGRI'S TOTAL WATER CONSUMPTION IN 2018 WERE SOURCED FROM RESERVOIRS OF RAINWATER CATCHMENT [303-3]

To ensure the consistent availability of this resource, the Group carries out various initiatives that aim to ensure optimal water conditions, thereby creating an ideal environment for oil palm cultivation. The objective of the Group's water system management is to prevent flooding, minimise erosion, and to secure the water supply for our plantation areas during the dry season. [103-2]

Moreover, watergate systems in low lying areas, terracing system, and cover crops planting, were among these efforts for creating a better environment for our trees. The comprehensive water system management enables accurate control and monitoring of water flow



and level in our plantation areas. Furthermore, water reservoirs were constructed to ensure medium and long-term availability of water. Ideal land conditions and an effective water system management will enhance the effectiveness of fertilisers and natural organic nutrients absorbed by oil palms. [103-2]

To further improve protection on our water bodies around the plantation, the Group utilises modified portable water tanks that are used to fill knapsacks and mix chemicals before spraying activities take place. This approach ensures that no chemicals will contaminate any nearby streams, and prevent workers from collecting water with contaminated containers in water streams or creeks.

Therefore, our Group's target is to reduce approximately 10% of water consumption in our mills and plantation in 2019 to ensure the proper management of water usage. [103-2]

Throughout 2018, there were no reports or complaints regarding water supply or quality from any parties to the Group regarding significant impact to water sources from our operations. [303-2]

Waste Management

All plantation waste and production by-products are recovered and reused. Empty fruit bunches are mulched, naturally returning nutrients to plantation soil. Shells and fibre also provide renewable boiler feedstock. Recycling production and plantation waste as a fertiliser substitute reduce operational costs. In 2018, we recovered 204,913 tonnes of empty fruit bunches, which is a significant 43% increase from 143,408 tonnes in 2017, and 619,283 m³ of effluents from processing activities, which is a 0.227% increase from the previous year of 617,878 m³. [103-1][103-3]

Reutilisation of Our Primary Biomass [306-2]

Primary Waste	Utilisation	Total Amount Recovered & Recycled			
		2018	2017	2016	Units
Empty Fruit Bunches	Fertiliser & biomass fuel	204,913	143,408	129,929	Tonne
Mesocarp Fibers	Biomass fuel	121,972	90,427	77,809	Tonne
Shells	Biomass fuel	68,304	50,639	42,565	Tonne
Palm oil mill effluent (POME)	Fertiliser	619,283	617,878	578,209	m ³

Efficient waste management plays an important role within our Group to reduce the impact of environment pollution. Aside from ensuring the sustainability of the environment, our waste management system also acts as a way to cut our operational costs. For example, by efficiently utilizing land application methods to supplement our palm oil trees, the Group can increase our overall yields while at the same time cutting costs by using less chemical supplements. Moreover, through the utilization of other biomass forms such as shells and fibre as a substitute for diesel, we can reduce the costs needed to run our boilers and generators. [103-2]

Hazardous waste produced as an outcome of our operations consists of used lubricants, used rags, used batteries, used filters, empty paint cans and printer cartridges, and needles from health clinics. The waste produced at our site office amounts to less than 50kg each day, all of which are segregated, labelled and stored in a secure, fire resistant temporary storage facilities. Our storage facilities are equipped with accidental spill containment kits, alarms, firefighting gears, shower/eyewash and first aid kits.

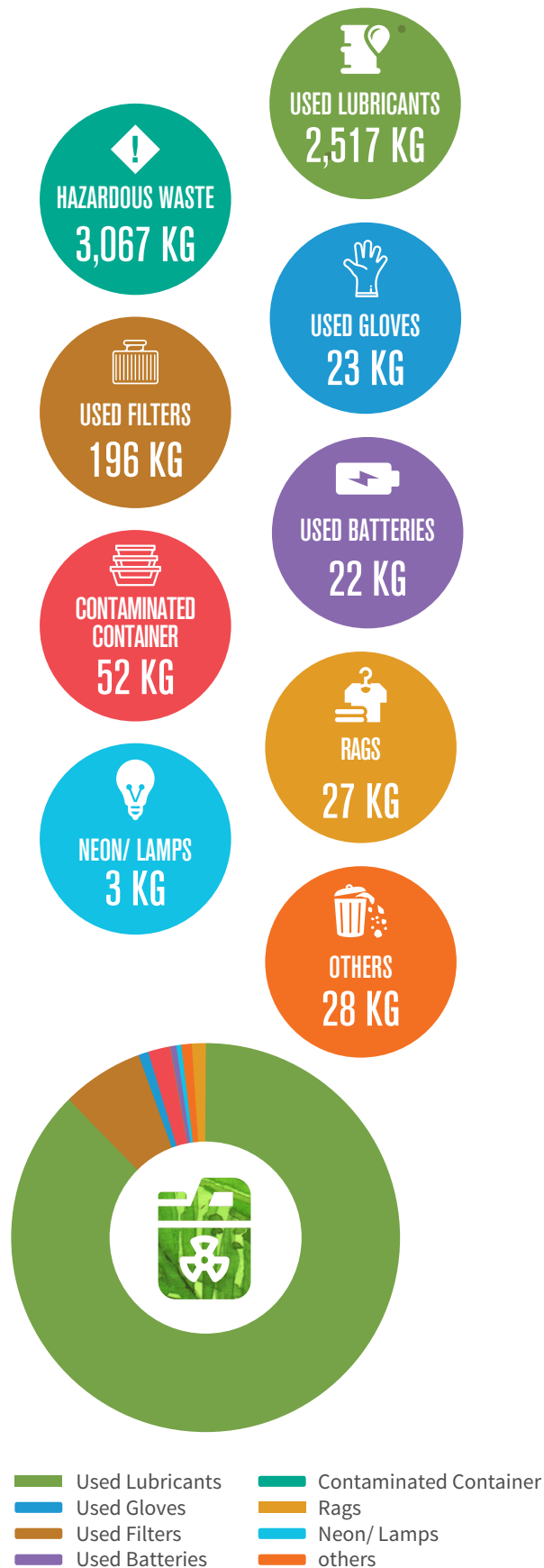


The period of waste disposal relies on its type and category, with storage times ranging from 180-365 days. After being stored within its stipulated time and in accordance with hazardous waste management regulations, the waste would be taken away by a third party. The carrier would then issue a manifest of handling of hazardous waste transport which Kencana will use as proof to report to the Ministry of Environment and Forestry.

However, there are also cases where the Group could recycle and reuse the waste output from our operations. In these cases, the waste would be stored for a total of 5 years. After that time has elapsed, the waste could be recycled into compost fertilizer that could be applied as an addition to our palm trees.

As mentioned earlier, proper hazardous waste management in accordance to the Indonesian regulation is taken very seriously at Kencana. Hence, our Health and Safety Officers at each site has been properly trained and are qualified to monitor and ensure that the waste management practices are in accordance with the rules.

On the other hand, medical waste are disposed through the collaboration with community health centres or “puskesmas” which will incinerate the waste safely. Facilities are inspected regularly by the Regional Environmental Agency, and each plantation ensures that facility permits are up to date. In 2018, each mill produced an average 3.1 tonnes of hazardous waste, decreased by 62.58% compared to last year. In 2018, there were no reports of any significant spills. [306-2] [306-3]





Palm Oil Mill Effluent Management

Our Palm Oil Mill Effluent (“POME”) is treated in the Group's Waste Water Treatment Plant through Cooling Ponds, Mixing Ponds, Anaerobic Ponds, and Settling Ponds. In newer mills, the POME is treated in a multi-feeding wastewater treatment system where only anaerobic bacteria is used.

In 2018, there was a total of 619,293 m³ of wastewater from 5 of our mills. The effluent quality is expressed using a median Biological Oxygen Demand (BOD) averaged at 692 mg/l, which is lower than the regulated standard of BOD level at 5,000mg/l.

From its physical characteristic, these effluents contain primarily water, which is from the mill processing. Chemically, effluents contain elements and nutrition that can help support and restore soil condition. From studies carried out from 2014 to 2018, we learned that the addition of water and extra nutrients to the soil might boost yields of oil palm production from 6 ton/ha to 8 ton/ha, compared with other blocks in the same planting year without land application of reutilised POME.

Based on those studies, we put into use 100% of our production POME as fertilisers back into the field on areas that have already been licensed for land application. It is important to note that the Group does not discharge any of our POME into waterbodies. The amount of palm oil mill effluent (POME) recycled back to the plantations was at a ratio of 0.62 m³ of effluent per 1 metric tonne of FFB processed. [306-1]

Illustrated below is our Biological Oxygen Demand (“BOD”) level across our mills of the wastewater treatment outlets, with the water later used for land application. The Group ensures that the BOD level of effluents to be applied for land application is safely below the standard. [306-1]



Subsidiaries	POME Biological Oxygen Demand (BOD)		Outlet Quality Standard	Unit	Outlet Discharge Destination
	Inlet	Outlet			
Sawindo Kencana	140,822	1,399	5,000	mg/L	Land application to the soil as fertilisers
Alamraya Kencana Mas	156,469	670	5,000	mg/L	
Agro Inti Kencanamas	93,826	486	5,000	mg/L	
Sawit Kaltim Lestari	93,826	722	5,000	mg/L	
Agri Eastborneo Kencana	134,339	181	5,000	mg/L	
Average	123,857	692	5,000	mg/L	

Even though BOD levels across all mills are already below allowed regulated standards, we continue to safeguard the quality of groundwater and prevent any risk of contamination by installing monitoring wells. These wells are covered, locked and maintained regularly. Representatives from the Regional Environmental Agency inspect the quality of the water within the wells regularly as part of the PROPER assessment.

Having all BOD value under the BML has been one of Kencana’s targets regarding effective waste management practices. The Group will continue striving to improve a robust liquid waste management system to ensure that our waste value stays as low as possible.



Integrated Pest Management

Crop and pasture health is a crucial factor to reach optimum levels of productivity and economic profitability in the palm oil industry and the agricultural and livestock sectors in general. Pest incidence directly affects the yields and quality that are necessary for the sale and trade of agricultural goods and stable food supply.

The use of agrochemicals such as pesticides, fungicides and herbicides to control pests by is one of the most used methods in the industry. However, many of these chemicals have severe negative impacts on human and environmental health because of their high toxicity and incorrect application. To that end, as part of our commitment to more sustainable operations, Kencana strives to reduce the excessive use of these agrochemicals, primarily to mitigate any damage to the environment and the soil condition. [103-1]

To that end, non-chemical pest control measures are preferred at all Kencana's palm oil plantations, in particular through Integrated Pest Management System designed to minimise the use of chemicals by relying on natural and cultural alternatives. Integrated pest management is the practice that we implement

by using a range of strategies to sustainably maintain pest populations within economic thresholds while causing minimal harm to local ecosystems. In this system, encouraging natural predators have enabled a reduction in the utilisation of pesticide; and over the last three years, we managed to reduce our use of chemical pesticides. [103-2][103-3]

Several pests found in the perimeter of Kencana Agri's plantations and mills are including rats, rhinoceros beetles, bunch moths, bagworms, and nettle caterpillars. In order to organically and sustainably limit the presence of the pests, we breed owls to control rat populations and encourage the predators of bagworms and caterpillars to flourish by planting *Turnera subulata*, *Turnera ulmifolia*, *Antigonon leptopus*, *Cassia tora*, and *Nephrolepis*. Moreover, to control *metisanaplana*, a pesky caterpillar native to West and Central Sulawesi region, the Group cultivates *Turnera Subulata*, *Turneraulmifolia*, *Cassia tora*, *Euphorbia heterophylla*, and *Antigonon leptopus* which are planted at each block alongside palm oil crops. These plants contain nectar and pollen that serve as a food source for parasitoid insects and predators of the pest caterpillars, ultimately bringing pest populations under control.





MEET OUR NATURE SQUAD

Kencana turn to nature to help us manage pests and ensure the health of our palm oil crops, yields and balance of natural ecosystem. Allow us to introduce you to the nature squad from various regions of our operations.



OWL

Owls help us to control pests population. We placed nest boxes around the perimeter of our plantations to
 ▶ invite barn owls to nest.

By the end of 2018, PT Sawindo Kencana had been the home for a total 92 adult owls (*Tyto alba*), 20 juveniles as well as 79 unhatched eggs. Meanwhile, in PT Alamraya Kencana Mas, there had been 29 adult owls, and 15 juveniles nesting throughout plantation areas.

It has been estimated that one owl can cover a range of 30Ha. With a total of 101 adults, the owls are able to safeguard up to 3,030Ha. Since there are juveniles that are yet to become adults, the area coverage will continue to increase in 2019.



TURNERA SUBULATA

Turnera Subulata is a flower originally from Mexico and the West Indies. Aside from helping make the plantations look more colourful and easy on the eyes, the flower is the perfect home for *Sycanus*, a type of insect that hunts caterpillars and worms that can damage oil palms. This beautiful flower has been helping us to suppress and minimise pest attack



TURNERA ULMIFOLIA

Adding to the flower power that helps us to control pest in our plantations, *Turnera Ulmifolia* is a flower in the same family with *Turnera Subulata*. This flower that always blooms every 8 AM in the morning, which is also a medicinal plant, acts as hosts for attracting insects that help control the population of damaging pests in our plantations.



ANTIGONON LEPTOPUS

An important team in our nature squad, *Antigonon Leptopus* is flowering shrubs which host a range of predators of leaf-eating pests. This powerful beauty help Kencana in our pest control approaches.

Nature Conservation ^[304-1] ^[304-3]

Part of our sustainability commitment is to employ best management practices that are environmentally friendly. To that end, the Group has been protecting the natural environment around the perimeter of its plantations and mills since the beginning of its operations and always ensures that our operations can be conducted in respect towards the surrounding environment, especially in regards with the protection of the biodiversity.

In compliance with ISPO and ISCC standards, the Group conducts effective conservation efforts under a number of approaches. These include continual improvement of our High Conservation Value (HCV) area monitoring efforts, internal capacity building, engagement with local communities and other oil palm plantation companies, as well as partnerships with academic and research institutions, NGOs and governmental organizations. ^[103-1] ^[304-3]

We are committed to preserve all conservation areas, maintaining habitats and not convert HCV land into plantation. Our commitment is evident in the increase of HCV land area locations within the Group. By the end of 2018, the Group has identified 18,081 ha of HCV area. Apart from our conservation studies the Group has also conducted HCS studies. Keeping in mind that Kencana will continue ensuring that the HCV areas are and will remain protected. ^[103-2]^[103-3]

In managing HCV areas, the Group has ensured to conduct HCV studies for all new development areas, through accredited independent HCV assessors, and implements a management strategy that focuses on these following key aspects:

- Preservation of river border lines.
- Cultivation local trees in HCV area.

- Educating the local community on the importance of preserving HCV areas.
- Regularly monitoring river water quality.
- HCV areas are regularly monitored and audited by the internal sustainability team.
- Recording every wildlife species found in the estates, and taking notes of those classified as vulnerable and above on the list of protected species under Indonesian Government Regulation No. 7 of 1999 on Preservation of Flora and Fauna.



42,600 HA +

OF THE GROUP'S TOTAL OPERATIONAL AREAS ARE IDENTIFIED, PRESERVED AND PROTECTED AS HIGH CONSERVATION VALUE (HCV) AND HIGH CARBON STOCK (HCS) AREAS







Social Community Development



REPUBLIC OF INDONESIA
MINISTRY OF EDUCATION AND CULTURE

Jembatan Merdeka

Dibangun & Dirawat Bersama Masyarakat

Dipusatkan dan Dikelola oleh: KEMENTERIAN PENDIDIKAN DAN KULTUR REPUBLIK INDONESIA



Part of our commitment to sustainable growth is by ensuring that the local communities are also empowered and developed both economically and socially. Participation in improving their living standards will enable them to trust us and embrace us as an essential and inseparable part of the communities, which we believe will eventually produce multiplier effect that will ensure growth in all aspects of Kencana's business. [103-1]

The Group helps to improve the quality of life of the communities where we operate by enabling them to earn a more sustainable income for themselves, have better healthcare and education, as well as enjoy proper infrastructures to maintain a better environment to live. [103-2]

Further, the Group also supports the responsible and peaceful resolution of conflicts that might arise in our operational areas. In this regard, we believe in cooperating with relevant stakeholders through a process that is agreed upon by all appropriate parties.

[103-2]

In the implementation of all corporate social responsibility (CSR) programs, we comply with the Law of the Republic of Indonesia No. 40 year 2007 point 74 and Government Regulation No. 47 year 2012 on Environmental Social Responsibility of Limited Liability Company; and Government Regulation No. 93 year 2010 and Finance Ministry Regulation No. 76/PMK.03/2011 dated 5 April 2011 on Deductible Donations. [103-2] [103-3]

KENCANA'S SOCIAL COMMUNITY DEVELOPMENT FOCUS

[103-2]

The Group conducts community development programs throughout its operations according to specific needs in the communities and based on the Group's focus area of implementation.





EMPOWERING THE LOCAL COMMUNITIES

One of Kencana's main community development goals is to support the growth of independent and robust socio-economic communities, especially those surrounding our operational sites. To that end, the Group establishes plans and programs that can support the development of their capacities and the growth of the local economy.

These plans and programs includes the plasma partnership that the Group initiated in 1997, where it consistently supports the smallholders to grow sustainably through the establishment of inclusive agribusinesses where Kencana operates.

FOSTERING ENGAGEMENT & RELATIONS

Kencana establishes engagement and maintains relations with all stakeholders, including the communities where we operate. In our engagement, we strive to understand their way of life as well as recognise various needs revealed through direct interactions. We also seek to receive feedback that will help to improve our community development programs in the future. Concerning any complaint and conflict that arise from the communities, the Group applies an open, transparent and consultative process.

RESPECTING THE RIGHTS OF INDIGENOUS AND LOCAL PEOPLE

The Group operates on lands that have specific rights and traditions attached to them. For this reason, Kencana ensures to balance the pursuit for growth with efforts that protect legal, communal or customary rights of the indigenous and local people in the area. The Group also implements agricultural and business practices that respect the conservation of the biodiversity and the rights of the people to live and have a better life.

SUPPORTING BETTER WELFARE

Kencana Agri has always pursued the betterment of the welfare and condition of the surrounding communities. To that end, Kencana continues improving the quality of life of the local community through programs, plans, infrastructure and acts of donation that can transform the socioeconomic conditions of the local communities.



JEMBATAN MERDEKA

BRINGING ACCESS FOR ALL

[203-1] [413-1]





"This bridge helps free us from remoteness and enables our people to transport the crops. Our children no longer have to cross the river and be drenched when going to school; this can determine the future of our children's education. Thank you to Kencana Agri and everyone who has taken part in the program."

– PESAWAT, CHIEF OF KAHUMAMAON TRIBE



Many of our Group's operations are located in areas where people may sometimes live deeply remote and without access to the surrounding villages or cities. These groups of people are generally at a disadvantage having to live without access to the outside world or not being presented any opportunities to develop themselves.

The High Conservation Value assessment carried out by Kencana has also included social impact assessment that includes culture heritage, social values, and gender issues. For that reason, in our interactions with the communities and through various engagement, the Group tries to recognise aspects that become primary sources of concerns as well as the expectation from the communities, which will enable them to maintain or improve their living condition. [413-1]





Concerning this, in 2018 the Group initiated a bridge construction project that would help the local people to have access to the outside world. Named Jembatan Merdeka (Freedom Bridge), Kencana Agri constructed this infrastructure through its subsidiaries PT Sawindo Cemerlang and PT Delta Subur Permai in cooperation with Vertical Rescue Indonesia (VRI), a rock climbing community that has been involved in building suspension bridges in many remote areas in Indonesia, and the Military District Commande 1308, as well as the local people and mountain climbing enthusiasts from Luwu Banggai.

The remote indigenous community of Kahumamaon tribe had in particular been living with poor, if non-existent, access to other villages. Students from this remote area had to pass through the Ombolu river every day to get to their school. Crossing Ombolu river

can pose itself as a challenge as the current can be dangerous, and passing through a river would mean that their clothes would always get soaked going from and to school.

The bridge that is of 150 meters in length is located at the Maleo Jaya village, South Batui sub-district, Luwu Banggai regency, and has now opened up the access as it allows people to travel from the Tombiyobong village where they live to the neighbouring villages.

In the bridge opening ceremony, which was held during the commemoration of the Independence Day of Indonesia in August 2018, the chief of Kahumamaon tribe, Pesawat, expressed his gratitude to related parties as the construction of the bridge has brought a special gift for the tribe. They are no longer isolated, and their children no longer have to go to and from school



FLOATING HOSPITAL

[203-1] [413-1]

doctorSHARE or Yayasan Dokter Peduli is a medical aid program initiated by dr. Lie Dharmawan that primarily operates a ship to provide free medical services throughout Indonesia. They seek to help unprivileged people who live in areas that are very remote and typically inaccessible by existing medical assistance. There are four major programs that they offer, including major surgery (surgical procedure with full anaesthesia), minor surgery (surgical procedure with local anaesthesia), general consultation (including medical distribution but non-invasive) and health education.

Since 2014, Kencana has been very active working together with doctorSHARE. The Group sees that the humanitarian aid brought through doctorSHARE is very honourable. In 2017, dr. Lie was invited by Kencana Agri to speak on his vision and mission in providing free medical services to the communities at remote villages throughout Indonesia. He further reminded us also that the passion for serving the nation should never cease.

In 2018, Kencana Agri continued its partnership with doctorSHARE to offer medical assistance through the floating hospital to the communities at Batui, Central Sulawesi. A total of 323 patients received free general medical consultation, while 23 patients were given major surgery assistance and 53 patients received free minor surgeries.

The local people were very grateful for the assistance. Medical treatments have always become a challenge for the communities. Even though they receive BPJS coverage (the government's healthcare), other costs such as the trips to and from the hospitals can still be challenging.

Through these services, Kencana expects to bring real solutions to the community needs for affordable and available health services.



in wet condition. Moreover, the bridge represents the hope of the tribe to sustain the future, help to ensure the education of their children and support the people to transport their crops.

In addition to bridge construction, in that occasion, Kencana Agri ensured to help the people in other aspects, including the distribution of school supplies to the students of Tombiyobong village, as well as donating educational games, decent clothing, and hundreds of productive plant seeds to the community.

Through these community programs, Kencana wishes that underdeveloped communities can have better access to conducting their daily activities, such as buying basic food necessities, going to school or socialising with other communities.







PLASMA PARTNERSHIP

[203-1] [203-2] [413-1]

Our plasma partnership programs have presented numerous positive social-economic impacts for the farmers. Among others, the plasma partnership program in PT Sawindo Kencana enables numerous individuals living below the poverty line to now live a simple yet enjoyable life where they could afford basic life necessities and some luxuries like a car, and many more. A small village located near our plantation called Tempilang also became a part of the gradual positive changes brought by the program. The previously small, and almost unknown coastal village, is now buzzing with activities as monetary circulation has increased in the last two decades, coupled with the cultural event, Ruahan, which Tempilang hosts once a year.

To date, our plasma planted area in Bangka is over 70% of the total nucleus planted area, which is more than the 20% minimum required by the government. The Group is supported by various stakeholders to conduct our plasma program, namely government, cooperatives, banks, and business partners. Moreover, the Group provides technical training, quality seeds, advice on manuring application, and even new technologies and methodologies in oil palm cultivation.



8,000 FARMERS

FROM THE LOCAL COMMUNITY
WITH TOTAL PLASMA AREA OF



14,311 HA,

WHICH MANAGED TO GENERATE



209,964 MT

FFB PRODUCTION VOLUME



Kencana Agri Limited

“The development of the nucleus plantation in Tempilang has brought a new hope for the local people to work in the plantation. The people were introduced to a mentoring program that later transformed into KKPA. This has changed the lives of the isolated people and improved their economic welfare. They have now learned modern planting and farming with the assistance of the company, PT Sawindo Kencana.” – SASTRA DINATA, SOCIAL ACTIVIST



Kencana's plasma partnership can be divided into three main programs, which are:

- **KKPA (Kredit Koperasi Primer untuk Anggota or Credit for Members of Primary Cooperative)**

The KKPA program helps to provide funds for communities' plantation development. We collaborate with banks and cooperatives. The Group acts as the Guarantor in this program. On top of that, we provide training and mentoring sessions for local farmer cooperatives and its members about good agricultural practices, administration, cooperative management, basic financial management, and more.

- **KKSR (Kebun Kelapa Sawit Rakyat or Community's Oil Palm Plantation)**

The KKSR program is a joint collaboration program with the local government aiming to empower local communities and help them to improve their

welfare through the utilisation of uncultivated lands in the region which are owned by the government as palm oil plantation. The Group takes an active role together with the government in this program by offering a purchase guarantee of the KKSR plantation output as our raw material.

- **Revitbun (Revitalisasi Perkebunan or Plantation Revitalization)**

Revitbun is a national program initiated by the Indonesian government to help accelerate the growth of local plantations through expansion, revitalisation, rehabilitation of various commodity crops, including palm oil and corn. In this program, the Group works together with the government and provide our expertise to help develop plantation areas, cultivation, agronomy practices and technology, production process and product marketing for the local farmers/communities, while the government provides investment loan.



In 2018, for the 2nd time, Kencana Agri received Padmamitra Awards from the government, on the category of remoteness. This award recognised the Group's programs and initiatives that were held to improve the condition of people who live in remote areas. Kencana Agri notably conducted numerous programs for the local communities in Batui and South Batui subdistricts of the Luwuk Banggai regency throughout 2018, including free medical services, construction of suspension bridge, donation of seeds of productive plants, school supplies and others.

PADMAMITRA AWARDS 2018 FOR KENCANA AGRI LTD. [103-3]



The partnership and collaboration between the government and the private sectors in ensuring the achievement of various aspects of national development have received support and appreciation.

This includes the Padmamitra Awards that the government through the Social Ministry and in cooperation with the Corporate Social Responsibility (CSR) Forum holds every two years. Started in 2014, Padmamitra Awards recognises and gives appreciation to private companies who have been committed to implementing social and environmental programs.

Under Padmamitra Awards seven social categories will be assessed by the jury, including poverty, abandonment, disability, remoteness/border, social blindness and deviation, victims of disaster or abuse, exploitation and discrimination, under the rankings of Bronze, Silver, Gold and Platinum rankings.

As an active member of the Corporate Social Responsibility (CSR) Forum of the Ministry of Social Affairs of Republic of Indonesia, Kencana Agri Group always commit to helping to improve the welfare of the people and help elevate their quality of lives in remote villages especially in regions where the Group operates. In doing so, the Group is referring to the Regulation of the Ministry of Social Affairs of the Republic of Indonesia No 6 of 2016 and with the Laws of the Republic of Indonesia Number 40 of 2007 regarding Limited Liability Companies.

The Group aspires to be able to take part in pushing this country and its people forward. We aspire to see children in remote areas of this country can have the same advantages and access to quality education as other children living closer to cities. We aspire to be able to walk hand-in-hand as One Indonesia; a spirit that is also shared with the Kahumamaon tribe as we saluted the flag together during the ceremony of the commemoration of Independence Day in August 2018.

Further, the Group hopes that the award could encourage more involvement from all oil palm business planters in the country to achieve Program Indonesia Sejahtera by 2025.



Our People



With thousands of workers supporting the Group's operations, Kencana Agri is committed to providing a healthy, safe and good work environment that also enables the development and empowerment of each employee throughout all operations. To that end, the Group has policies, standards and procedures in place to ensure the best management of its people. These tools cover various aspects of human resources (HR), including health & safety, remuneration, welfare,

competencies development, up to basic human rights. [103-1][103-2]

Throughout 2018, the Group employed a total of 8,063 people. From this number, around 99.94% of them are Indonesian citizens. In 2018, there was a significant increase in our number of employees compared to 2017 due to a very significant surge of FFB production. The majority of addition in the workforce was in harvesters.

2018 Human Resources Profile of Kencana Agri Ltd. [102-8][405-1]

Total of Employees		Region					Total
		Jakarta-Head Office	Singapore Office	Sumatra	Kalimantan	Sulawesi	
Gender							
Male	Permanent	105	2	376	1,334	287	2,104
	Non-Permanent	3	0	233	2,559	1,546	4,341
Female	Permanent	49	3	27	118	20	217
	Non-Permanent	1	0	69	1,023	308	1,401
Age							
18-30 years old		34	0	209	1,882	597	2,722
30-55 years old		113	4	492	3,078	1,558	5,245
>55 years old		11	1	4	74	6	96
The Worker Origin*							
Local		158	5	462	805	1,293	2,723
Non-Local		0	0	243	4,229	868	5,340
Total							8,063

Note:

*) Worker's locality based on each region of operation



99.94% % INDONESIAN CITIZEN

0.06% % NON-INDONESIAN CITIZEN



20,07%
FEMALE



79,93%
MALE



[405-1]

Position	Quantity		Total
	Male	Female	
Chief/Directors	8	1	9
Head/General Manager	8	4	12
Senior Manager/Manager	63	6	69
Senior Assistant/Senior Officer	55	14	69
Assistant/Officer	225	39	264
Operative	6,086	1,554	7,640
Grand Total	6,445	1,618	8,063



[401-1]

New Recruitment (Staff)	Region					Total
	Jakarta-Head Office	Singapore Office	Sumatra	Kalimantan	Sulawesi	
Gender						
Male	23	1	3	31	14	72
Female	4	0	1	0	0	5



[401-1]

Turnover (Staff)	Region					Total
	Jakarta- Head Office	Singapore Office	Sumatra	Kalimantan	Sulawesi	
Gender						
Male	37	1	3	31	16	88
Female	14	0	0	0	0	14

Age	New Employee 2018	Turn over 2018
Under 30 Years Old	27	18
30-50 years Old	48	78
Over 50 years old	2	6



BUSI

Kencana's New Commitment for Better Performance [102-16]

In 2018, Kencana Agri continued with the implementation of a program called BUSI (Budaya Eksekusi or Culture of Execution) at all levels starting from high management up to plantation workers. This program aims to start a new culture where workers are able to execute their work plan accordingly. It is a 'top-down' change management program that began in the top management level in Jakarta, then rolled out to middle management in both HO and SO, and finally to all workers at SO. HR will review the progress of each department's execution to achieve the set-out goal.

BUSI focuses on several important aspects, i.e.:

1. Highly Important Goals (Sasaran Maha Penting or SMP)
2. Pareto action (Tindakan Pareto or TIPAR)
3. Development board (Papan Perkembangan or PAKEM)
4. Be willing and capable (Mau dan Mau or MAMA)
5. Pledge and Promise (Ikrar dan Janji or IJAN)

In its implementation, each employee is required to know what are his/her most important goals for the year in which are the derivatives of

the Corporate most important goal. Every week, every employee must present to their superior, what are were their targets from last week, what were their achievements, and what are their targets for the week after. This exercise will subsequently stimulate every employees sense of urgency, how they will execute their programs accordingly, and more importantly to build better relationship within and between departments.

Related to its implementation, the Group also holds BUSI training that aims to directly improve employee competency and indirectly on product quality. In 2018, a total 226 staff participated in BUSI training.



Human Resources Management

We believe that our employees are our most significant assets, and they play a significant role in our Group development. Therefore, the Group ensures the best management of its people by ensuring employee welfare and empowerment. We provide various facilities, including attractive remuneration, bonuses, retirement benefits, and many more, as well as multiple opportunities for career development. The Group also ensures to offer facilities and services with coverages that extend to their families, in our commitment to provide our employees with the best of our abilities.

[103-1][103-2]

Remuneration

An essential part to ensuring employees' welfare, Kencana Agri offers attractive work compensation to its employees with an amount that will depend on the type and level of work and performance as well as in consideration of the applicable minimum wage and the Company's condition. Our non-permanent employees receive at least the minimum wage (UMR) that is in accordance to the regulation from each region, since the minimum wage in Indonesia differ from one province to another, whereas our permanent employee receives an average of 1.76 times above the UMR across our area of operations. [202-1]

Key Operation Regions	Standard Entry Level Wage Compared to Local Minimum Wage [202-1]	
	Permanent	Non-Permanent
Sumatra	1.4 : 1	1 : 1
Kalimantan	1.5 : 1	1 : 1
Sulawesi	2.4 : 1	1 : 1



Here at Kencana, we highlight the importance of fairness and equality throughout our organization and give fair opportunities based on the competence of all our employees, regardless of their race, religion, or gender. To that end, we give equal chances with equal wages strictly based on the UMR and personal competency and achievement.

In addition to providing our employees with fair remuneration, we also offer benefits. The benefits for all of our employees are explained in the table below.



Employees Benefits [401-2]	Permanent			Non-Permanent
	Staff		Non Staff	
	SO	HO		
Basic Salary	✓	✓	✓	✓
Religious Allowance	✓	✓	✓	✓
Supporting Allowance	✓	✗	✗	✗
Transport Allowance	✓	✓	✗	✗
Paid Leave	✓	✓	✓	✗
Maternity Leave	✓	✓	✓	✗
Pilgrimage Leave	✓	✓	✗	✗
BPJS Health Insurance	✓	✓	✗	✗
BPJS Employment Insurance	✓	✓	✓	✗
Retirement Fund	✓	✓	✗	✗

In addition to the monthly payments, the Group will give bonuses and/or incentives subject to Group financial performance and employee performance.

Training & Development

In Kencana Agri, we provide our employees with the best training and development programs to enhance their knowledge and skills to equip them towards their career advancement within the Group better. Each department within the Group is required to attend these educational programs. [103-2]

These training and education programs are carried out in accordance with the needs of the Group each year; and there are several training that must be done to meet government regulations.

Kencana has yet to have a specific pre-pension training program. [404-2]



KENCANA AGRI
INVESTED MORE THAN
IDR 897 MILLIONS
FOR EMPLOYEES TRAINING &
DEVELOPMENT PROGRAMS
THROUGHOUT 2018



13,896
TOTAL TRAINING HOURS WITH



11.83
AVERAGE TRAINING HOURS [404-1]
PER EMPLOYEE FOR OUR
PERMANENT EMPLOYEES AND



18.43
AVERAGE TRAINING HOURS
PER EMPLOYEE FOR OUR NON-
PERMANENT EMPLOYEES [404-1]



No.	Training Topics [404-2]	Number of Participants		Total Participants
		Male	Female	
1	Bank Perspective on Credit Analysis and Financial	1	0	1
2	Basic Financial Modelling	2	0	2
3	Budgeting Practice And Cashflow Forecasting Techniques	0	1	1
4	IT Security Measures Training	1	0	1
5	Certified Industrial Relation Professional	1	0	1
6	Financial Performance Analysis	1	0	1
7	Induction Training	6	3	9
8	Foreman Leadership Training	327	42	369
9	Management Trainee	9	0	9
10	Negotiation Skills Training in Industrial Relations	1	2	3
11	New Employee of Mill DSP Training	32	3	35
12	Training in Developing Working Agreements	1	0	1
13	Problem Solving & Decision Making	1	2	3
14	Profiling with ALC	3	1	4
15	SAP Training	3	0	3
16	Scaling & Structuring Wage Workshop	0	1	1
17	Sharing Session MSDM BNSP	5	4	9
18	Training in Scaling & Structuring Wage	1	2	3
19	Training & Certification for AK3 Listrik	2	0	2
20	Workshop 5 BUSI	197	29	226
21	Fire Simulation Training	107	8	115
22	OHS (Occupational Health and Safety) Training	76	91	167
Grand Total		777	189	966

Training Hours by Position [404-1]	Number of Employee		Training Hours Provided	
	Male	Female	Male	Female
Chief/Directors	5	1	95	19
Head/General Manager	6	2	119.5	46
Senior Manager/ Manager	56	5	710	68
Senior Assistant/ Senior Officer	115	10	1,244	123
Assistant/Officer	112	31	1,336	298
Operative	459	75	8,795	1,043
Grand Total	753	124	12,299	1,597

Training Hours By Gender [404-1]	Number of Employee	Training Hours Provided	Average (Manhours/ Employee)
Male	753	12,299	16.33
Female	124	1,597	12.88
Total	877	13,896	



KENCANA AGRI'S INDUCTION TRAINING

Induction training is mandatory for new hires, especially for those in SO. In 2018, Kencana commissioned a new mill in Central Sulawesi. Together with Citra Widya Edukasi and Military District Command of Luwuk Banggai, the training was conducted for 35 new hires and was aimed to cover aspects of mill processing units, internalizing corporate culture in their daily work, mental development, and discipline. Once the training had been finalized, HR conducted a review on the progress of each new hires to see how effective the training had been. Kencana considers this very important because the formation of character at the very beginning determines the success and cohesiveness of the mill.



KENCANA AGRI'S FOREMAN TRAINING

Consistently improving the quality of its human resources, the Group conducted another Foreman training in 2018. Participated by 369 foremen throughout the estates and mills, the training aimed to increase their competencies, leadership and sense of belonging to the family of Kencana Agri.

The training included the vision and mission of Kencana Agri, the company's working culture, new SOP workshop, and leadership training. The participants gave many positive comments, as in the past foreman very seldom participate in management training such as this one. Many felt an increased spirit of delivering the best quality in their work, after participating in the training. This program will continue for the years to come, to ensure regeneration of new leaders begins internally.



EMPLOYEE APPRECIATION

In 2018, Kencana started a new program namely the embedding of gold pins (Kencana logo) to employees who have worked for 15 consecutive years. Through this program, the Group appreciates its employees who have worked hard to help build Kencana Agri. This program is also intended to motivate employees to be able to perform better again.

"Once I've completed my training, my insight grew, and I was proud that PT. AIK held such a special training activity. I feel helped in terms of work because of the direction and guidance on how supervision works. Our sense of responsibility towards work have increased and we feel embraced by management."

— BPK HERIANSYAH.
Transport Foreman -
Afdeling Bravo, PT AIK



Welfare for Employees' Families

Kencana ensures to provide facilities and services that can bring more comfort to its employees in doing their jobs and improve their ability to give their best. One aspect that has been recognized by the Group is ensuring the best care and education for the children of employees.

Each estate throughout Kencana Agri's operations has provided a transportation unit, such as a bus, to transfer employees' children to the nearest schools. PT SKL, in Kutai, Kalimantan Timur, has, in particular, started a project that is building a primary school building in 2018, which is planned for completion at the beginning of 2019. We hope that this project will further help to ensure that employees' children receive proper education.



Moreover, each estate has prepared a daycare centre for the children of workers. The daycare will ensure each child shall not go to the estate with the parents and instead will have their activities until their parents finish work. Some daycares are built in such a way that each day there is a program for the children for their character building. For example, in Bangka, the Group collaborates with local religious leaders and mosques so that in addition to hold children activities, religious and moral teachings can also be provided to the children every day.

Human Rights

Basic human rights call for everyone to be treated fairly and with dignity. In Kencana Agri, employees have the freedom to join an association and to bargain collectively. We respect the right of all our employees to join and form associations of their choice and to collective bargaining. Each subsidiary and its labor union representatives have agreed upon a Collective Labor Agreement that aims to protect employees' and employers' rights and obligations.

All our employees are protected by the Collective Labor Agreement, which covers industrial relations, working hours, remuneration, out-of-post assignments and transfers, social security and welfare, occupational health and safety, and employment termination. The rights of our employees have been socialized and are written within the Group's regulations. Further, in order to continuously have good working conditions for all staff and employees, Kencana enables employees to express their complaints by filing a Letter of Grievance. Filing this letter ensures that their supervisors are aware of their concerns. Once a letter is filed, the employees' superior would get in touch with them at a private meeting to further discuss their complaint and provide solutions that is agreeable to both parties.

[102-41]

Measures taken to support these rights, among others, where by the employee can use grievance form to convey their aspirations to their superior. The superior then will directly address the employee's aspiration.

Freedom of association is very important to ensure our employees can state and express their grievances transparently and solve the problem with the Group in an appropriate way.



Diversity and Inclusion

[103-1][103-2][103-3][405-1]

A diverse and inclusive workforce with strong team work makes us a more competitive player within the palm oil business. We believe in equal treatment amongst genders, nationalities and age groups within the workplace. This is achieved by ensuring that equal opportunities exist for all and do not tolerate discrimination on any grounds.

The Group also prioritizes local recruitment. The highest representation of non-local workers can be seen in the Kalimantan estates. In Kalimantan, the competition within the oil palm industry increases every year. As we know the oil palm industry is very labor incentive, while there are workers within the local area who are willing to work, the number is not sufficient to cater all companies throughout the region. Thus, to fulfill the number of workers needed, non-locals must be recruited.

This commitment is also reflected in the composition of our Board of Directors as described below.

Board Of Directors	Origin of Country		Total
	Indonesian	Singaporean	
Gender			
Male	3	2	5
Female	1	0	1
Age			
18-30 years old	0	0	0
30-50 years old	1	1	2
>50 years old	3	1	4

Hiring and enabling women, in various positions throughout Kencana Agri is essential to providing diverse values to our workforce and customers. In order to increase female representation through all operational levels, the Group provides training

sessions to ensure the candidates are fully quipped to take on greater responsibility. We provide support that promotes women's career development in every region where the Group operates. Activities are organized that are geared toward female employees, including skill-development training courses ranging from technical skills, leadership, to management skills.

Women Representation in Kencana Agri's Operations

Female representation in workforce Percentage	%
% women in the Group total workforce	20.05%
% women in plantation & mill (ex. staff) of total workforce	19.16%



EQUAL OPPORTUNITIES FOR ALL WORKERS

At Kencana we promote equal opportunities for both males and females, and have zero tolerance for sexual harassment. In 2018, Kencana had five operational mills, and one mill under commissioning phase in Sulawesi. Of these six mills, five of our Laboratory Assistants (Head Lab) were women. As a lab is often analogous to the 'eyes and ears' of the processing plant, Lab Assistants have a very crucial role in oil processing. Being females don't stop these five women to become leaders and an example for others.

Having such a key role, Laboratory Assistants meet at least once a year, not only to review their work but also to inspire others, especially women in Kencana.



Against Child Labour

The Group has a strict policy to uphold the ban on child labour and do not employ anyone under the age of 18 years old. We seek to prevent any mistreatment of children as is written within our Sustainability Policy. As a form of our effort in ensuring the implementation of the policy by ensuring all workers recruited by Kencana Agri must show their Identity Card in the initial process of recruitment. Moreover, through the daycare facilities that are available at its operational sites, the Group ensures to prevent a practice where parents bring their children to the workplace. [103-1] [103-2][103-3][408-1]



Occupational Health and Safety

Kencana Agri prioritizes in ensuring safety and health throughout its working environment. This commitment is enforced through a number of policies and procedures. In addition, all health and safety topics that are related and relevant to the Company's operation and work activities are covered in a formal agreement with labor unions. [403-4]

To prevent work accidents, we implement procedures and prepare facilities that can ensure safety. We also regularly conduct trainings such as first aid and emergency responses regularly across all estates and mills in making certain that all workers are fully aware of their safety roles and responsibilities or any

risks associated with their jobs. Standard Operating Procedures for Occupational Health & Safety Concerns in Kencana Agri are including: [103-2]

1. Enforcing strict procedures for the use of all personal protective equipment (PPE)
2. Safety procedures for contractors and guests
3. First aid response to accidents
4. Work safety inspections
5. Work safety supervision
6. Waste and chemical management
7. Zero burning policy
8. Emergency Action Plan and Response for the occurrence of fire

All implemented OHS policies and procedures in Kencana Agri have been prepared in compliance with relevant standards and regulations and will be continuously developed and monitored by the Group's management to protect our employees' rights for healthy and safe working conditions. In relation to this, we also continue to improve the quality of our facilities across the regions if necessary and increase employee ownership in OHS related matters every year. [103-3]

In 2018, the Group had been able to maintain its record of Zero Fatality both in its plantations and mills operations. Severity rate in one of our estates managed by PT Sawindo Kencana had lowered from 111.33 per 1 million working hours in 2017 to 109.76 per 1 million working hours in 2018.

Further, to ensure that all OHS implementation can be carried out successfully and controlled soundly, OHS officers have been appointed. In 2018, we had a total of eight OSH officers, and all of them are OHS certified. One of the responsibilities of OHS Officers is to monitor all work accidents and compile them monthly. All Health and Safety work program reports from each site will then be sent to the Sustainability Department to be verified and evaluated.



Responsibilities of Kencana Agri's OHS officers are including:

1. Overseeing Health & Safety activities at the department and division level
2. Monitoring the balance sheet and logbook of hazardous waste
3. Submission of hazardous waste to licensed third parties
4. Monitoring and reporting of liquid hazardous waste management to relevant agencies
5. Monitoring of emergency response facilities and infrastructure
6. Emergency Response Simulation
7. Emergency Preparedness and Response Evaluation
8. Internal OHS Socialization from Mill to Housing Area
9. Submission of new licenses & renewal of Health & Safety permits
10. Monitoring of Health and Safety licences
11. Safety Patrol
12. Worker Safety and Health Development Committee consultation and reporting (quarterly)
13. OHS Campaign Month
14. Internal Audit
15. Monitoring work accidents statistics
16. Organizing special health tests periodically

Our officers are encouraged to participate in various training regularly, both internal or involving third parties, such as the local Provincial OHS Office. The training are including first aid training and basic occupational safety and health training. In 2018, a total of 167 officers received numerous Occupational Health and Safety training.



RELEVANT TRAININGS FOR BETTER OHS PERFORMANCE

To improve their performance, our OHS officers often receive refreshment training sessions. In 2018, the Group collaborated with dr. Ratnosoppi (Hiperkes No. 16.550/DH-IV/06) in providing accident assistance training session on work accidents that are associated with the works in the oil palm industry.

From this training, our OHS officers became more knowledgeable on procedures to handle work accidents, for example, small cases of penetrating injuries from palm fronds up to disorders of consciousness and related first aid procedures.



In ensuring the health condition of our workers and their family, all estates of Kencana Agri are either equipped with a health facility on site in the form of a clinic or has a collaboration with a Puskesmas (community health centre) in the nearest village. Each estate with a clinic is also equipped with an ambulance.

Estates that have clinics on site also cooperates with the nearest Puskesmas in case some referrals and treatments cannot be treated at the clinics. Each clinic is led by a paramedic and is assisted by several nurses that are HIPERKES (Company Hygiene and Occupational Health) certified. A doctor from the nearest Puskesmas conducts a regular visit. Thus patients treated at the clinic get the proper care.

Medical check-ups are also carried out at least once a year and are preferred for factory employees who

work in areas with high noise, and even for employees who are often exposed to chemicals, such as spray employees. Depending on the area, a health check is carried out together with the local Puskesmas/ RSUD, or the local Province Health and Safety Center. Health checks generally examine audio-spirometry, lung, vision and cholinesterase. Women who work with chemicals also receive pregnancy tests yearly, to ensure that no pregnant women are working while being exposed to chemicals. In total, 757 workers in 2018 received medical check-ups.

Medical Check Ups for Employees

Number of Participants



Cholinestrase	320
Spirometri & Audiometri	342
General Physical Checks	95

Fire Management

As a palm oil producer, the Group has established its commitment to apply a zero burning policy throughout its operations. The Group is also active to prevent the occurrence of fire by conducting regular emergency response and firefighting simulations in cooperation with the local Fire Department. In 2018, a total of 115 personnel at Kencana Agri received fire management trainings.

The Group also conducted dissemination of information on Karhutla (forest and land fire) in Muara Kaman subdistrict, Kutai, in collaboration with the Resort Police, Sectoral Police, and the Agriculture and Forestry Service, in effort to prevent the village communities around Muara Kaman from burning grass in effort to find fish. For that reason, the Group also worked together with the regional government to help the locals conduct their fishing practices in a more sustainable way, for examples by educating them to make fish cages.





Well-Equipped For A Sound Fire Management

Our commitment towards fire management and zero burning throughout the Group's operations are also represented in the various training and collaboration we established with multiple institutions.

In various areas of the Group's operations, our plantations are designed to help us manage the risk of fire better and faster. Canals were constructed between our plantations with areas with high fire risks. Small fireboats and patrol cars which are equipped with water pumps are always in standby in the perimeter of those canals

In Kalimantan, we collaborated with the Manggala Agni team, a special unit under the Ministry of Environment and Forestry specially appointed to control forest fires, in firefighting simulations training. The training that our team received from Manggala Agni was specifically aimed to monitor, manage, and ultimately eliminate forest fires, as well as how to conduct emergency procedures such as evacuations during such events.



Technology to Help Monitor Hotspots

In 2018, Kencana had taken one step forward in the utilization of technology to help the Group have better performance in its fire management. Particularly, the Group has started the use of a satellite mapping program that has the capability to track hotspots throughout the country.

This program is installed in HO and also in SO in order that both estates and the Jakarta office can conduct joint monitoring of hotspots located throughout the perimeter of Kencana Agri estates.







Statement GRI Standards in Accordance Check

The National Center for Sustainability Reporting (NCSR) has conducted a GRI Standards in Accordance Check on Kencana Agri Limited Sustainability Report 2018 ("Report"). The check communicates the extent to which the GRI Standards has been applied in the Report. The check does not provide an opinion on the sustainability performance of the reporter or the quality of the information provided in the report.

We conclude that this report has been prepared in accordance with GRI Standards - Core option.

Jakarta, 16 May 2019

National Center for Sustainability Reporting

**Dewi Fitriasaki, Ph.D., CSRA, CMA
Director**



NATIONAL
CENTER FOR
SUSTAINABILITY
REPORTING

Statement Compliance

The National Center for Sustainability Reporting (NCSR) has conducted an SGX Compliance Check on Sustainability Report 2018 (“Report”) of Kencana Agri Limited. The check communicates the extent to which *the SGX-ST Listing Rules, Practice Note 7.6, Sustainability Reporting Guide* has been applied in the Report.

The check does not provide an opinion on the sustainability performance of the reporting organisation or the quality of the information provided in the report.

We conclude that this Report has been complied with the SGX-ST Listing Rules, Practice Note 7.6, Sustainability Reporting

Singapore, 15 May 2019
On Behalf of NCSR,

Dr. Lee CG, John

Certified Sustainability Practitioner No. 30-19-1001
Certified Sustainability Reporting Assurer No A-10-1811-001

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