

How we manage sustainability

A SYSTEMATIC APPROACH

IndoAgri is committed to meet world's food needs in a sustainable and traceable manner. We continue to achieve this by integrating sustainable practices across our internal processes and supply chain.

We recognise that agribusinesses are exposed to a constantly and rapidly changing set of risks and opportunities related to the environment, communities and other stakeholders, such as smallholders. Such risks and opportunities must be tackled through well-trained personnel, formal management processes, an open and accountable work culture, and in partnership with our stakeholders. We strive to improve our operational efficiencies and innovations as part of our pledge towards sustainable agriculture, sustainable communities and safer workplaces.

While we strive for improvements through operational efficiencies and innovations, we apply the precautionary principle which obligates a duty to take action to prevent undesirable impacts, promotes an analysis of alternatives to an action and demands openness and accountability.

We set sustainability goals and targets to improve our performance. We rely on competent people who are trained to perform their roles effectively, and focus our resources on managing material issues and impacts in order to achieve our long-term goals.

OUR PROGRAMMES

Each key material issue is managed by teams on the ground under a set of six Sustainability Programmes. In this report, we outline the management approach under each programme, including the policies, certification, management systems, standards and other related frameworks. These programmes provide the basis and directions for monitoring and improving each material issue, in compliance with the Group's Sustainable Palm Oil Policy.

Our **Growing Responsibly** Programme sets out the policy framework for high standards of corporate governance and transparency, responsibility and professional integrity. We are also guided by our Code of Conduct, which sets out the policy framework on integrity, anti-corruption as well as risk management. It guides how we adhere to the principles and guidelines of SGX's Code of Corporate Governance 2012 and other new listing rules on sustainability reporting announced during the year. No lobbying activities took place in 2016 related to commercial agriculture contracts or commercial terms. Our Senior Management is actively and directly involved in the Group's corporate sustainability management practices, and is committed to open and collaborative ways to resolve arising challenge. This Programme supports all the other Programmes described below.

IndoAgri's environmental performance is guided by our **Sustainable Agriculture and Products** Programme, which focuses on our production operations, and our **Smallholders** Programme which aims at our partnerships with plasma and independent farmers. Both Programmes were drawn up to improve carbon management; and mitigate climate change impacts by offering clear guidelines on practices and goals relating to forestry, land use, agriculture, transport and waste. While **Sustainable Agriculture and Products** Programme structures how we work on our estates as well at production sites with regards to promoting eco-efficiency and protecting HCV areas, the **Smallholders** Programme focuses on strengthening culture, encouraging information sharing and forging engagement opportunities at the local and community levels, in addition to addressing more complex issues relating to *land, deforestation* and community projects. Crucially, both Programmes help improve *yield maximisation* and safety, as well as improve our *environmental footprint* across our nucleus and plasma estates, refineries and mills. They are further guided by sound management practices that have supported regulatory compliance, process efficiency and better productivity.

We aim to obtain our raw materials from sustainable sources, which is in line with RSPO standards. With 61% of the palm oil processed in our refineries coming from our own estates, we have a high degree of influence in maintaining a high standard of food safety, quality and responsibility across our supply chain. Our **Safe and Traceable Products** Programme and **Smallholders** Programme provide the means for better *product traceability* and a structured approach to help smallholders achieve RSPO and ISPO certification. The Programmes involve active engagements with plasma and independent *smallholders* (from whom 25% of our total FFB is sourced) to understand how best to manage any social conflicts that may arise, as well as deliver change on the ground. The Programmes, coupled with our focus on product quality and safety, reinforce the approaches outlined in our Policy on Sustainable Palm Oil.

To maintain our product quality and safety, the **Safe and Traceable Products** Programme also serves to guide our processes, procedures and approaches to food safety systems, quality assurance and product labelling. It ensures that all products delivered from our estates, mills, refineries, as well as seed production facilities, are fully traceable, safe and beneficial for human consumption.

As a responsible employer and plantation owner, we are accountable for a high standard of welfare, health, living conditions, civic services and amenities, in addition to providing training and economic opportunities for our employees and their families who live on our estates. Our **Growing Responsibly** Programme offers a systematic approach to compliance in areas such as human resource training and management, stakeholder engagement and risk assessment. Our **Work and Estate Living** Programme complements this by covering the aspects relating to *occupational health and safety*.

Our **Smallholders** Programme and our **Solidarity** Programme guide our social development projects on *human rights* and community investment. Relationships with communities and smallholders are strengthened through regular engagement activities under these Programmes, which aim to alleviate conflict over *land rights* and strengthen business continuity, as well as improve community health, enterprise and education. Projects under these Programmes are prioritised based on the findings of social impact assessments.

TARGETS

We have goals and targets to help improve performance on each material issue. The key targets are as follows:

- Achieve RSPO and ISPO certification for all palm oil production, including plasma smallholders, by end 2019
- Implement HCV rehabilitation plan for each site by end of 2017
- Phase out Paraquat use by end of 2017 (the previous target was 2018)
- Achieve zero fatality in 2017
- Achieve 100% product traceability and sustainable palm oil sourcing by 2020
- Reduce water consumption in palm oil mills up to 3% by 2018 (*new*)
- Reduce energy consumption in palm oil mills and refineries up to 5% and 3% respectively by 2018 (*new*)