



**SUSTAINABLE AGRICULTURE
RESPONSIBLE BUSINESS**

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SUSTAINABILITY COMMITMENT

Meeting the world's food needs sustainably through innovation and management of excellence.

VISION

To become a leading vertically integrated and diversified sustainable agribusiness, and a world-class agricultural research and seed breeding company.

MISSION

- To be a low cost, and low impact producer, through high yields and cost-effective and efficient operations.
- To continuously improve our people, processes and technology.
- Exceed our customers' expectations, whilst ensuring the highest standards of quality.
- Recognise our role as responsible and engaged corporate citizens in all our business operations, including sustainable environmental and social practices.
- To continuously increase stakeholders' value.

VALUES

With **DISCIPLINE** as the basis of our way of life; we conduct our business with **INTEGRITY**. We treat our stakeholders with **RESPECT**; and together we **UNITE** to strive for **EXCELLENCE** and continuous **INNOVATION**.

INTRODUCTION



AT A GLANCE

Indofood Agri Resources Ltd (IndoAgri) is a vertically integrated and diversified agribusiness group with activities spanning the entire supply chain from research and development, seed breeding, oil palm cultivation and milling; as well as the production and marketing of cooking oil, shortening and margarine. As a diversified agribusiness group, IndoAgri also engages in the cultivation of sugar cane, rubber and other crops.

ABOUT THIS REPORT

This is IndoAgri's first sustainability report based on the principle of materiality. We have chosen to adhere to the Sustainability Reporting Guidelines version 3.1 of the Global Reporting Initiative (GRI) and the AA1000 Accountability Principles (2008) of inclusivity, materiality and responsiveness to disclose how IndoAgri achieves its profits while working alongside local communities and stakeholders to improve the welfare of society and sustainability of the environment.

The scope of this report covers IndoAgri's oil palm plantations and mills in Indonesia only, and addresses material issues most questioned by our stakeholders. It presents information on key topics of sustainability achievements that include economic, environmental and social aspects. The report includes the implementation of our corporate social responsibility (CSR) efforts from 1 January 2012 to 31 December 2012.

The information covered in this report is provided by IndoAgri. In this first report, we limit description of sustainability principles to our oil palm plantations, palm oil mills and palm oil refineries. Our environmental quantitative data is based on our plantations certified by the Roundtable of Sustainable Palm Oil (RSPO) and mills audited by Indonesia's Programme for Pollution Control (PROPER) unless otherwise stated. We have chosen this approach as the RSPO estates are audited according the guidelines of the RSPO and the data of these estates have been verified. We will continue to RSPO-certify our estates and mills and these will be covered in future reports as will be our other crops. The RSPO estates covered in this report are from PT SIMP and PT Lonsum, the main operating subsidiaries of IndoAgri. The financial and employee data covers the entire Group unless otherwise stated. IndoAgri has not performed any assurance on this report.

We welcome feedback on this report. Please send feedback to sustainability@indofoodagri.com.










FUTURE REPORTING

This report will be published annually. As this is the first sustainability report, there is neither revision on information presented previously nor changes to previous reports. We hope this report will be useful to all stakeholders, including shareholders, government, financial and capital market authorities, the public, academia, research organisations and other interested parties.

LOCATION MAP



LEGEND

- | | | | |
|---|------------|---|-------------|
|  | Oil Palm |  | Refinery |
|  | Sugar Cane |  | Sugar Mill |
|  | Rubber |  | Copra Mill |
|  | Cocoa |  | Town / City |
|  | Tea | | |

OIL PALM ACREAGE
(NUCLEUS)

230,919
HECTARES

SMALLHOLDERS
(PLASMA)

83,010
HECTARES

APPROX

50,000
FARMERS

SUSTAINABLE
PALM OIL

248,000
TONNES

OUR
PEOPLE

37,201
EMPLOYEES



SUSTAINABILITY MILESTONES



22 NOVEMBER 2012

Attained RSPO certification for an additional 53,000 tonnes of CPO, bringing IndoAgri's total RSPO-certified CPO output to 248,000 tonnes.

1 MAY 2012

Acquired 26.4% interest in Heliae, a development stage algae technology solutions company, for US\$15 million. This solution potentially contributes to the development of both a sustainable biofuel, but also a vegetable source of Omega 3 and 6 nutrients, avoiding the reliance on fatty acids derived from fish oils, as fish stock becomes depleted from global overfishing and contamination.

27 OCTOBER 2011

Attained RSPO certification for an additional 25,000 tonnes of CPO, bringing IndoAgri's total certified CPO to approximately 195,000 tonnes.

18 JUNE 2009

Attained RSPO certification for PT Lonsum's North Sumatra estates, covering 170,000 tonnes of CPO.

17 FEBRUARY 2009

PT SIMP increased its shareholding interest in PT Sarana Inti Pratama (PT SAIN) from 70% to 100%. Acquisition of PT SAIN is in line with IndoAgri's strategy to merge the seed business and breeding expertise of PT SIMP and PT Lonsum to bring about greater value and higher yields through seed breeding, best-practice agronomy and crop protection; thus minimising environmental impact while meeting palm oil demands.

2006

PT SIMP acquired an equity interest of approximately 70% in PT SAIN via the exercise of convertible bonds purchased at an aggregate consideration equivalent to Rp160 billion. PT SAIN is an R&D and oil palm seed breeding company that owns three plantation companies, with an aggregate land bank in West Kalimantan of approximately 42,000 hectares.

CEO'S STATEMENT



As an integrated agribusiness, the sustainability of our operations is at the core of what we do. I am therefore pleased to present IndoAgri's inaugural sustainability report that is based on the principal of materiality.

We have chosen to adhere to the Sustainability Reporting Guidelines version 3.1 of the Global Reporting Initiative (GRI). The GRI framework is recognised and used globally to promote good corporate governance and transparency. We have submitted this report to GRI Report Services, who have concluded that this report fulfils the requirement of Application Level C.

Global challenges such as food security, climate change, nutrition and sustainability of farmlands have put tremendous pressure on the agricultural sector to be more proactive in issue resolution and to be part of the sustainability solution.

The World Economic Forum has developed the New Vision for Agriculture 20-20-20. The principles are based on a 20% yield increase, 20% CO2 emission reduction and 20% poverty reduction every decade. This initiative has been an inspiration for many and is a chief catalyst in the formation of the Partnership for Indonesia Sustainable Agriculture (PISAgro) in Indonesia.

To become part of the sustainability solution, IndoAgri is pursuing a vertically integrated agribusiness model that enables us, through various sustainability efforts, to create a traceable and sustainable food value chain "from farm to fork".

Another important initiative at the global level is the RSPO, which regulates sustainable management of oil palm and palm oil processing. The effort has placed the palm oil industry in the lead of sustainable agriculture. IndoAgri is an active member of the RSPO. In 2012, 28% of our Crude Palm Oil (CPO) production has been RSPO-certified. We are committed to have all our current estates RSPO-certified by 2019.

We adopted the RSPO framework as the blueprint for our sustainable agricultural practices and invested readily in Research and Development (R&D), in areas such as improving the yield of palm oil seeds and applying precision agronomy to manage the estates. Today, we are one of the world's top oil palm seed breeders - enabling greater efficiency and higher yields in the palm oil industry with our seeds.

Precision agronomy, in combination with advanced Information Technology (IT) infrastructure and Geographic Information System (GIS) technology, allows us to narrow yield variance for each 30-hectare block and engineer more specific strategies on fertiliser recommendation, pest control and disease management. This leads to maximum yield while maintaining a balanced nutrient input and output programme for sustainable growth. By increasing yields per hectare, we are able to address global demands for palm oil efficiently without compromising sustainable land use.

Besides palm oil, we are taking steps towards sustainable agriculture for the rest of our crops. We are now a member of the Cocoa Sustainability Partnership.

We can only be successful by supporting global sustainability initiatives, developing local partnerships and adopting a transparent framework of best practices. Towards these ends, we opted to report our sustainability progress and practices using the GRI guidelines. We seek to report performance data so that we can benchmark ourselves against the industry and use this report as a platform for continued dialogue with our stakeholders.

In 2013, we will continue to invest in RSPO certification. Besides channelling more resources into R&D and the sustainability teams, IndoAgri is stepping up on community development programmes and dialogues with local villagers living around our estates.

I am truly proud to be a part of the sustainability journey. As one of the largest palm oil producers in Indonesia, IndoAgri has and will continue to increase yields per hectare in a sustainable manner, improving the welfare of people living on and around our plantations, and supporting Indonesia to meet its sustainability targets.

Our sustainability journey is not taken alone. I would like to thank the Board of Directors for their leadership and guidance, and to pay special tribute to our 37,201 employees who have worked hard and rallied behind our sustainability efforts to turn an ideal into tangible results.



MARK WAKEFORD
Chief Executive Officer and Executive Director
IndoAgri

CHALLENGES IN INDONESIA



**WEF VISION
20:20:20**

**FOR EVERY
DECADE**

↑20%

Yield



↓20%

CO2 Emission



↓20%

Poverty



According to McKinseyⁱ, Indonesia will become the 7th largest economy in the world by 2030. Indonesia's middleclass will grow by another 90 million. This rising demand will eventually take a toll on the country's natural resources.

In terms of food security, Indonesia is pursuing an ambitious programme to increase yields and output so that it can become self-reliant and a net exporter of basic food staples. Indonesia also aims to strengthen the value chains in industries where it has global competitive advantages, such as the palm oil sector.

However, agricultural expansion, driven by both smallholders and large-scale agriculture organisations, has become the country's major contributor of carbon emissions and environmental issues. Land-use changes account for 70% of Indonesia's total Green House Gas (GHG) emissions, and the attrition of Indonesia's unique ecology and rainforests. A significant part of the solution lies in sustainable farming.

In 2012, the Indonesian government developed the Partnership for Indonesia Sustainable Agriculture (PISAgro) with both Indonesian and international companies. PISAgro leverages on the World Economic Forum's (WEF) New Vision for Agriculture as its dialogue platform.

The Public-Private Partnership provides an innovative, multi-stakeholder model for addressing Indonesia's agricultural challenges. The principle of this partnership is based on the WEF Vision of 20-20-20. PT Indofood Sukses Makmur Tbk (ISM) is one of the founding members of this partnership.

Since 2010, the Indonesian government, through its Indonesia's National Mitigation Actions programme and National Action Plan for Reducing Greenhouse Gas Emissions (RAN - GRK Rencana Aksi Nasional Penurunan Emisi Gas Rumah Kaca), has aimed to cut carbon emissions from "business as usual" by 26% by 2020, with an additional 15% contingent upon receiving international support. The focus sectors for GHG reductions are forestry, peat lands, agriculture, energy, industry, transportation, and waste sectorsⁱⁱ.

These global initiatives have led to new legislations in Indonesia. By the end of 2014, all palm oil plantations will have to start ISPO certification process. In May 2013, Indonesia's President, Susilo Bambang Yudhoyono, further imposed a two-year moratorium, covering 64 million hectares of primary forests and peat lands, on new forest concessions.

Indonesia has over eight million hectares of oil palms to date. It is projected to reach 10 million hectares by 2015. Small farmers account for 40% of total planted area. As the industry grows, there is a need for a clear system of measurement and monitoring by the government and industry leaders in order to move towards sustainable practices in agricultureⁱⁱⁱ.

SIGNIFICANCE OF PALM OIL



The use of oil palm has increased significantly in recent years, largely due to its efficiency as an oil-bearing crop. According to the OECD-FAO 2010-2019 Agricultural Outlook, global consumption of vegetable oil was expected to increase by 30% between 2010 and 2019. Growth would come mainly from developing countries, in view of the population growth and rise in average income.

While the expansion of oil palm plantations across Southeast Asia has received considerable public attention, there is a need for a balanced assessment by considering the economic advantages of palm oil to the Indonesian economy, local farmers and global food production.

MOST EFFICIENT OIL-BEARING CROP

The table below shows that in comparison with other major oil crops, oil palm produces the highest tonnage of oil per hectare per year with a minimum use of land, making it the most efficient oil-bearing crop in the world^{iv}. This efficiency means that oil palm is able to meet global demand with less land, and thereby conserve more areas of forestry. The table below shows that oil palm accounts for almost 36.6% of production from just 5.5% of total harvested area.

COMPARISON MAJOR OIL CROPS

OIL CROP	OIL PRODUCTION (MIL TONNES)	% OF TOTAL OIL PRODUCTION	AVERAGE OIL YIELD (T/HA/ YEAR)	HARVESTED AREA (MIL HA)	% OF TOTAL HARVESTED AREA
Soyabean	40.18	28.7	0.39	102.73	44.1
Sunflower	12.43	8.9	0.51	24.25	10.4
Rapeseed	23.79	17.0	0.76	31.40	13.5
Oil Palm	51.10*	36.6	3.99	12.82	5.5
Total**	139.79			233.14	

* Combined tonnage of palm oil and palm kernel oil

** Only for the seven major oil crops, i.e. cottonseed, groundnut, coconut and the four listed above.
Source: Oil World (2011)

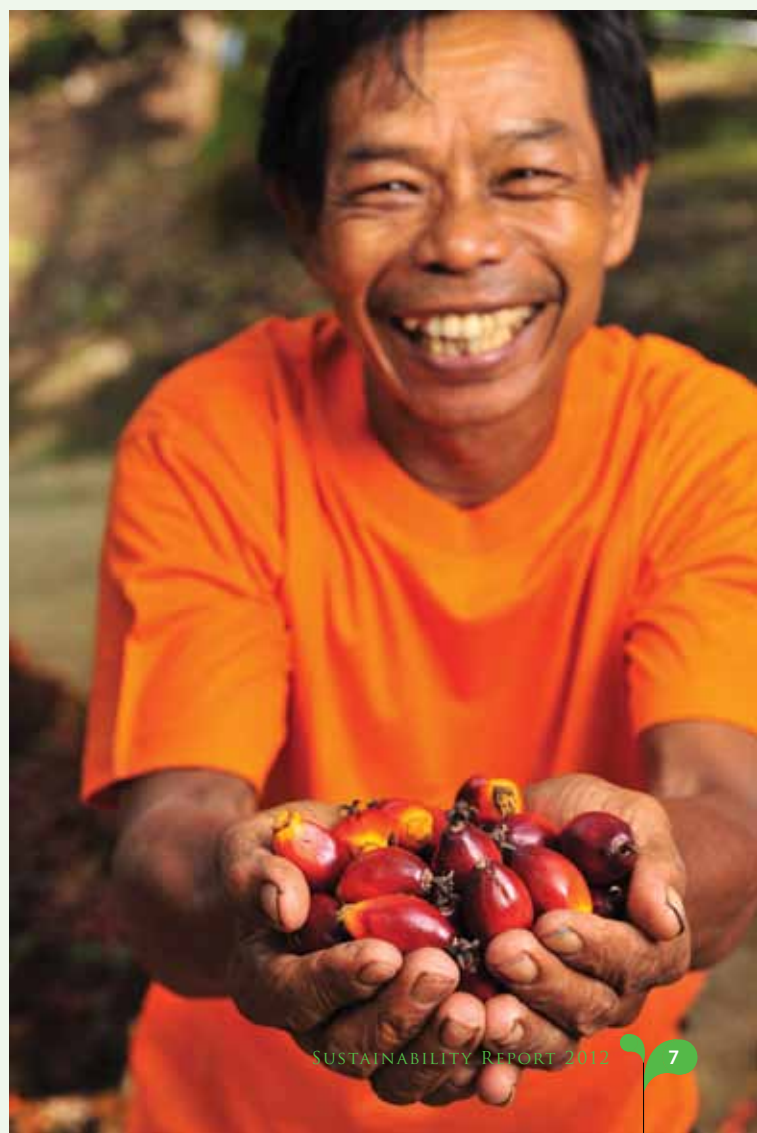
HIGH NUTRITIONAL VALUE

The human body requires fat and vitamins to stay healthy. An adequate amount of fat is necessary in the human diet for proper digestion and nutrient absorption. Vitamins A and E are essential for healthy growth and development of the human body. While vitamin A stimulates the immune system and controls the growth and functions of body tissues, vitamin E is a powerful anti-oxidant, capable of reducing the harmful free radicals in the body, protecting humans from certain chronic diseases, and delaying the body's ageing process.

Palm oil provides both fat and carotenoid, a rich source of vitamin A and E. No other vegetable oil has more vitamin E than palm oil. Palm oil is cholesterol and trans-fat free. It is composed mainly of triglycerides of fatty acid with a balanced composition between saturated and unsaturated fatty acids. The latter comprises 40% monounsaturated and 10% polyunsaturated fat.

POVERTY REDUCTION

Currently, Indonesia has some 1.5 million farmers growing oil palms, mostly under the nucleus-outgrowers scheme. Malaysia has approximately 500,000 small growers, with most of them under centrally managed schemes. The oil palm industry created millions of farm and non-farm jobs, and brought agriculture exports to high levels. District authorities and smallholder cooperatives participated actively to realise these economic benefits. Expert studies showed that oil palm has been instrumental in reducing, and in some cases, eliminating rural poverty in these developing countries.





SUSTAINABILITY TARGETS AND MATERIALITY ISSUES

RSPO CERTIFICATION TARGETS

YEAR	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
Nucleus (hectares)	54,769	16,097	43,449	57,140	59,464				230,919
Plasma (hectares)				1,675		14,432	48,199	18,705	83,010
Palm oil mills	6	2	5	5	3				21

PROPER CERTIFICATION TARGETS (MINIMUM BLUE RATING)

YEAR	2012	2013	2014
Palm oil mills	8	1	2
Refineries	1		3

Note:

The above targets for RSPO and PROPER certification are based on the current certification requirements and subject to the accreditation period of the certifying body.

PROGRESS AGAINST OUR KEY MATERIALITY ISSUES

RSPO covers a large part of our key materiality issues and risks identified by our Enterprise Risk Management (ERM) system. We are committed to have all our estates RSPO-certified by 2019 as part of our strategy to become sustainable leaders in the industry. In the section “Materiality, Commitment and Policies”, you can read about our key materiality issues, and in section “Corporate Governance and Management”, we have outlined the ERM sustainability risks.

The table below describes our key materiality issues and progress. In 2013/2014, we shall be reviewing other materiality issues and the extension of the sustainability framework to other crops produced by IndoAgri.

MATERIALITY ISSUE	DESCRIPTION	PROGRESS 2012/2013
Carbon footprint, including no peat planting and deforestation (See page 41)	Planting on peat land and deforestation contributes to global carbon emissions. The RSPO carbon workgroup has developed guidelines for members to calculate the carbon footprint and seek advice on carbon reduction.	We developed policies to reduce our carbon footprint: <ul style="list-style-type: none"> - Zero burn policy since 2007. - No planting on peat land.
Environmental footprint, including biodiversity (See page 34-42)	Our environmental footprint includes use of pesticides, inorganic fertilisers, water usage, waste generation and biodiversity. RSPO provides guidelines on best practices and High Conservation Value areas. ERM risk: environmental compliance and operational risk	We developed policies to reduce our environmental footprint: <ul style="list-style-type: none"> - Implementation of integrated pest management system (policy). - Waste reduction by recycling the by-products - Palm Oil Mill Effluent (POME) and Empty Fruit Bunches (EFB) - as fuel and fertiliser. - Assignment of 1,398 ha of HCV area in 54,769 hectares of RSPO-certified estates.
Occupational Health and Safety (See page 49)	Workplace safety and zero accidents and fatalities. ERM risk: health and safety	Implementation of SMK3, including accidents and fatalities monitoring and evaluation system in all our operations. Disclosure in future reports.
Smallholders (See page 30)	Smallholders, including social conflict resolution. ERM risk: social conflict	Developing programmes for smallholders, including RSPO certification for plasma smallholders.
Land rights (See page 28)	Social conflict resolution. ERM risk: compliance permits, licenses, land ownership and social conflict	Implementation of grievance mechanism.
Governance and transparency (See page 23)	Clear business direction and disclosure on RSPO website.	Whistle-blowing mechanism in place. Restructuring the sustainability teams and reviewing policies for public disclosure on the RSPO website.
Yield maximisation (See page 14)	Agricultural best practices.	Per 30 hectares block nutrition management and owner of two out of the 10 seed breeding facilities in Indonesia.
Human rights (See page 25 and 46)	Protection of human rights.	Employee policy covers no child labour and supports diversity in the company.





BUSINESS OVERVIEW



IndoAgri is one of largest plantation companies in Indonesia. As of 31 December 2012, our nucleus planted acreage covers 268,725 hectares, including 230,919 hectares of oil palm, 21,802 hectares of rubber, 12,333 hectares of sugar cane and 3,671 hectares of other crops. Our sustainability efforts resulted in approximately 248,000 tonnes of CPO certified as sustainable by RSPO which represented 28% of the Group's total 2012 production.



“FRANK MARS AND I ARE OF ONE MIND ON DEVELOPING THE SOLUTIONS TO ADDRESS TODAY’S ISSUES WITH SOIL FERTILITY, FRESH WATER, GROWING DEMAND FOR FISH AND ANIMAL FEEDS AND ULTIMATELY SUSTAINABLE FUEL. WE ARE COMMITTED TO IMPACTING THE WORLD’S FUTURE IN A POSITIVE WAY. BOTH THE LARGE IMPACT WE SEE WITH ALGAE AND HELIAE’S COMPREHENSIVE APPROACH TO DEVELOPING ALGAE TECHNOLOGY SOLUTIONS FORMED OUR RATIONALE FOR THIS STRATEGIC INVESTMENT.”^v

ANTHONI SALIM

President Director, PT Indofood Sukses Makmur Tbk

IndoAgri is a vertically integrated agribusiness group with activities spanning the entire supply chain from R&D, seed breeding, oil palm cultivation and milling; as well as the production and marketing of cooking oil, shortening and margarine. As a diversified agribusiness group, IndoAgri also engages in the cultivation of sugar cane, rubber and other crops.

IndoAgri’s headquarters are located in Singapore and we are listed on the Singapore Exchange (SGX). IndoAgri has a 72% stake in PT SIMP and a 59.5% stake in PT Lonsum. Collectively with our subsidiaries, IndoAgri’s plantations covered 268,725 hectares, with an additional 83,010 hectares of oil palm estates that are managed by smallholders under the plasma scheme. As of 31 December 2012, all our plantations are located in Indonesia.

FINANCIAL HIGHLIGHTS

Despite a challenging year with softer commodity prices for plantation crops, IndoAgri reported a consolidated revenue of Rp13.8 trillion for financial year 2012, a 10% increase over last year’s Rp12.6 trillion. The improved sales performance was achieved on the back of higher CPO sales volume and edible oils products to external parties as well as positive sales contribution from our sugar operation.

Bottom-line pressure from reduced average selling price of plantation crops and higher production costs resulted in a dip of attributable profit by 30% from Rp1.5 trillion to Rp1.0 trillion.

2012 EXPANSION

Several significant changes occurred in 2012. The total planted area for oil palm, rubber and tea was expanded as part of the business strategy to ensure sustainable raw material supply for the processing plant and refinery production. We achieved new plantings of over 16,002 hectares of oil palm plantations, of which 13,383 hectares were nucleus plantation and 2,619 hectares under smallholders surrounding the plantation (plasma).

In addition, we completed a new oil palm processing plant in West Kalimantan, increased the capacity of our sugar mill in Central Java, and added a margarine factory packing facility in Tanjung Priok.

In May 2012, we acquired a 26.4% stake in Heliae Technology Holdings Inc. (Heliae), headquartered in Gilbert Arizona, United States of America. Heliae’s capability in algae technology allowed IndoAgri to develop advanced algae strains, production technology, and downstream processing to optimise algae production for a range of product targets, such as vegetable Omega 3&6 fatty acids.

Scientific evidence shows that dietary Omega 3&6 fatty acids are beneficial for heart health and brain development. Vegetable Omega fatty acids can be an excellent substitute for Omega fatty acids derived from fish oils, as fish stock becomes depleted from global overfishing and contamination.

Heliae’s ground-breaking technology can potentially offer the world a renewable source of vegetable Omega fatty acids to maintain balanced diet and wellbeing. While this is still under R&D, we hope that the technique developed by Heliae can be extended to support sustainable biofuel production.

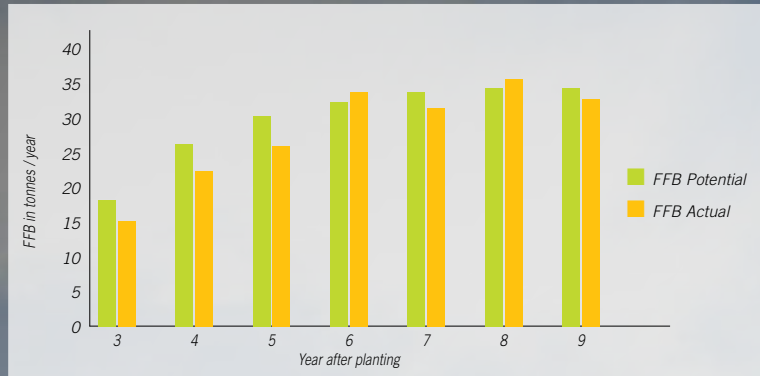
BUSINESS IN BRIEF



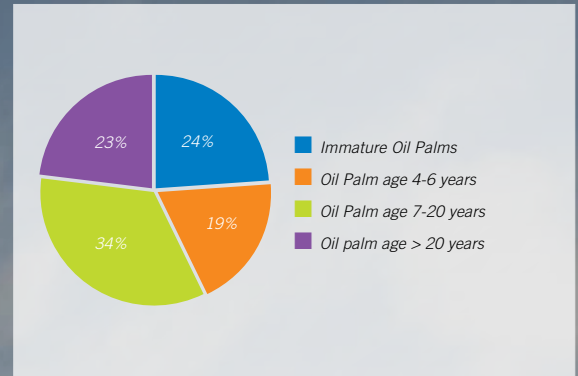
VISION 30:30:25

IndoAgri has access to high quality oil palm seeds through its breeding centres. Over time all our plantations will be planted with these seeds. We manage our oil palm plantations in blocks of 30 hectares. We strive towards yields of 30 tonnes of Fresh Fruit Brunches (FFB) per hectare and a palm oil extraction rate of 25%, during the peak production phase. We want to achieve productivity growth by closing the gap between potential and actual yield.

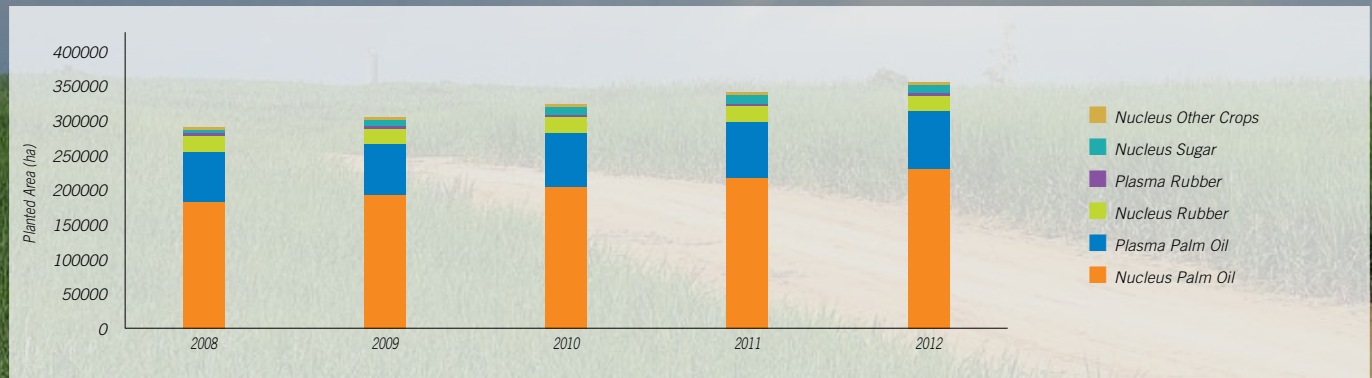
PT SAIN FFB yield potential versus actual in Riau province on S2 soil classification



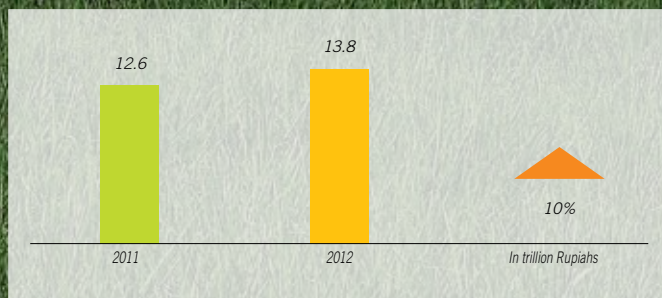
Age of Our Oil Palm Trees



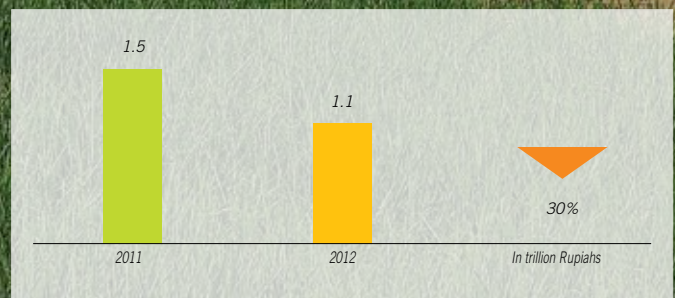
Planted Area 2008-2012 (by crop)



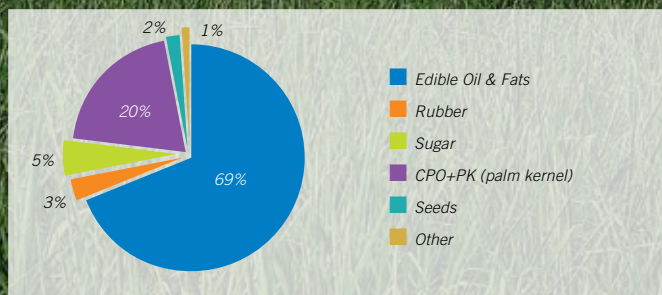
Net Sales



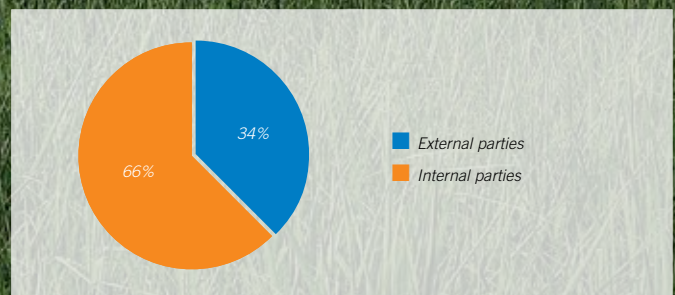
Attributable Profit



2012 Contribution to Revenue by Product Category



CPO Sales Volume 2012



PRODUCTS: FROM FARM TO FORK



OIL PALM

Palm oil is IndoAgri's key product. Our Edible Oils and Fats (EOF) Division procured approximately 65% of the Crude Palm Oil (CPO) produced by IndoAgri. Sales of CPO and Palm Kernel (PK) to external parties accounted for 20% of 2012 revenue. The primary market for our palm oil products is in Indonesia and less than 1% of our CPO is exported.

CPO prices (CIF Rotterdam) in 2012 averaged on a full year basis at USD 1,006 per tonne, compared to USD 1,128 per tonne in 2011. The lower CPO price reflected the slowdown of the global economy, particularly in Europe and China, slow off-take of biodiesel in Europe than forecast and increasing palm oil stocks.

The outlook of the palm oil industry remains positive as global demand is well supported by consumption growth in emerging Asian economies. Indonesia, with its large population of 240 million people, is one of the largest palm oil consumers after China and India. Indonesia's thriving food and beverage industry is also expected to add to the domestic demand for palm oil products.

OIL PALM SEEDS

IndoAgri operates two advanced R&D centres: Sumatra Bioscience (SumBio) in Bah Lias, North Sumatra, and PT SAIN in Pekanbaru, Riau. They are also two of ten oil palm seed breeding centres in Indonesia. In 2012, IndoAgri sold 24.7 million seeds compared with 23.5 million seeds in 2011.

SumBio is a premier producer of oil palm seeds in Indonesia, producing up to 25 million superior and high yielding oil palm seeds annually. The seeds are sold in the market at a price of USD 1.50 per seed. A barcode system is used to track each batch of germinated seeds, which eliminates missing records, increases accuracy, speeds up administrative work and eases tracing, checking, reviewing and execution of data throughout the entire process. Each germinated seed is further marked with "BLRS" (Bah Lias Research Station) to authenticate its source of origin.

PT SAIN obtained seed certification from the Indonesian Government in September 2011 for four premium DP varieties: SAIN-1, SAIN-2, SAIN-3 and SAIN-4 and produces up to 8 million seeds per year, bringing IndoAgri's production to 33 million high quality seeds per annum. The seeds are sold domestically and also used in IndoAgri's own plantations. In addition to the sales to plantation companies, PT SAIN also sold seeds to smallholders in small quantities, some as low as 500 seeds, at the same price, i.e. at Rp. 9,000. SumBio also sold three month old seedlings at Rp. 15,000 and ready to plant oil palm seedlings to the farmers at Rp. 39,500 each. Since the quality of the seedling can affect the yield of the oil palm over its lifespan, the farmers would be more assured of building a successful agriculture business using good quality seedling that were carefully nurtured by IndoAgri's professional teams.

In our Vision 30:30:25, we strive for precision agronomy per 30 hectares, FFB yields of 30 tonnes per hectare and 25% CPO extraction rates from the new plantings using our latest seed material. Both Sumbio and PT SAIN seeds have proven in field trials to achieve these target results.

CHARACTERISTICS OF OUR OIL PALM SEEDS

CHARACTERISTICS	PT SAIN	SUMBIO
Potential bunch production (FFB)	31–34 tonnes/ha/yr	30–35 tonnes/ha/yr
Potential palm oil production (CPO)	8.7–9.0 tonnes/ha/yr	8.1–9.3 tonnes/ha/yr
Potential kernel oil production (PKO)	0.4–0.9 tonnes/ha/yr	0.9–1.2 tonnes/ha/yr
Oil extraction rate (OER)	26.0–26.5%	27.2–29.6%
Height increment	63–67 cm/yr	69–80 cm/yr
Planting density	143 palms/ha	143 palms/ha

Note: PT SAIN uses parent palm materials from ASD Costa Rica and OPRI from Ghana, derived from renowned breeding populations and breeding centres of Southeast Asia and West Africa. Sumbio uses palm materials from elite Harrisons & Crosfield Del dura and AVROS populations from Dani, Papua New Guinea, and various African breeding populations including Cameroon, Congo, Ivory Coast, Nigeria and Tanzania.



SUGAR

IndoAgri owns and operates two sugar mills and refineries located in South Sumatra and Central Java. The two sugar mills process some 1 million tonnes of sugar cane harvested from our estates as well as cane supplies from 700 local farmers in Java into 60,000 tonnes of sugar. The refined sugar is packed primarily in 50-kilogram bags, which are sold primarily to industrial users in the Indonesia market.

IndoAgri supports smallholders by providing them credit for seed cane and fertiliser purchases, and planting costs; and advising them on ways to improve yield and productivity.

Indonesia has remained a net sugar importer and we expect further growth in the domestic sugar market. Key drivers of demand include the population growth and rising middleclass, the rapid development of local food and beverage industries, and the expansion of biofuel industries, such as ethanol processing that uses molasses, a by-product of the sugarcane refining process, as raw materials.

RUBBER

Global demand for rubber slowed down in 2012 due to the adverse global economy and a drop in tyre replacement sales, resulting in a 30% decline in rubber price (RSS3 SICOM). Our rubber sales, which are generated entirely from export, accounted for 3% of our total revenue in 2012. Demand is expected to improve in the long term, especially for China which is the world's largest consumer of natural rubber with 35% of the global demand.

EDIBLE OILS AND FATS

Our oil palm plantations produce CPO for the EOF Division to manufacture cooking oil, margarine, shortening, Crude Coconut Oil (CNO) and other by-products derived from palm oil refining, fractionation and crushed copra.

The Bimoli, Bimoli Spesial, Delima, and Happy Salad Oil range of cooking oils are leading brands in the Indonesian market, together with our margarine and shortening products, which are sold under the Simas, Palmia, Simas Palmia, Amanda and Malinda brands.

The EOF Division operates four refineries with a combined CPO processing capacity of 1.4 million tonnes per year. The edible oils and fats products are mostly sold in Indonesia, with 13% exported to 50 countries.

According to market research, IndoAgri is one of the major players in Indonesia's consumer market. Our products are delivered to customers through direct channels as well as local and national distributors serving more than 326,000 retail outlets across the Indonesian archipelago.

2012 INDUSTRY ACCOLADES

DATE	AWARDS	AWARDED BY	CATEGORY	RECIPIENT/SUBSIDIARY
26-Jun-12	SRI Kehati Appreciation 2012	Indonesian Biodiversity Foundation (Kehati)	25 Listed Company in Sustainable Responsible Investment (SRI) Kehati Index	PT Lonsum
1-Jul-12	Bisnis Indonesia Award 2012	Bisnis Indonesia	Category Best Agriculture Sector	PT Lonsum
Nov-12	Indonesia Best Companies 2012	Warta Ekonomi	The Biggest Growing Profitable Agriculture Company	PT Lonsum
Nov-12	Best Under A Billion Award 2012	Forbes Asia	The Region's Top 200 Small and Midsize Companies	PT Lonsum
Dec-12	SAP Award 2012	SAP Indonesia	Best SAP Implementation Project – Overall	PT Lonsum
Sep-12	Indonesia Best Brand Platinum Award	SWA Mars	Brand	PT SIMP
2012	Indonesia Customer Satisfaction Award (Diamond level)	SWA Frontier	Customer Satisfaction	PT SIMP



RSPO & ISPO



ROUNDTABLE OF SUSTAINABLE PALM OIL (RSPO)

The RSPO is a Non-Governmental Organisation (NGO) formed by palm oil producers, end-users and other NGOs. The RSPO represents the highest environmental and social standards in the palm oil industry. Several principles and criteria have been established by the RSPO to determine the sustainability of palm oil production.

For an organisation to be RSPO-certified, its palm oil plantations and mills must fulfil 39 criteria and 139^{vi} indicators that are grouped under eight overarching principles covering transparency, compliance to laws and regulations, long term economic and financial viability, best practices, environmental and community responsibility, responsible development of new plantings and continuous improvements.

DEMAND FOR RSPO-CERTIFIED PALM OIL

The demand for sustainable palm oil was originally driven by Europe, with large food manufacturers like Unilever committing to 100% sustainable palm oil sources by 2020. India and China, two of the world's biggest purchasers of palm oil, are increasingly looking for responsible and sustainable sources that are not linked to peat land and rainforest destruction. According to an RSPO report, several major Indian companies have already started sourcing palm oil from sustainable sources or have expressed similar interest. The global export of CPO to India and China is equivalent to 3.5 million hectares of planted area^{vii}.

RSPO SUPPLY CHAIN SYSTEM^{viii}

Seven million tonnes, or 14%^{ix} of the world's total palm oil production is now RSPO-certified. Of this, 45.5% comes from Indonesia. IndoAgri's contribution accounts for roughly 8% of Indonesia's total output of sustainable palm oil, or 248,000 tonnes of Certified Sustainable Palm Oil (CSPO) in 2012, up from 195,000 tonnes in 2011. We will continue to seek RSPO certification for all our oil palm plantations.

There are four different RSPO supply chain mechanisms. Each system comes with its own advantages, requirements and pre-approved consumer claims. The main difference is in level of traceability of CSPO with "Identity Preserved" having the highest traceability and the "Book and Claim" the lowest.

Currently, our CSPO is sold to the market via the "Book and Claim" mechanism from GreenPalm. The Book and Claim supply chain model provides tradable certificates of RSPO-certified palm oil to the palm oil supply base, who can transact these certificates online to interested parties supporting specific volumes of RSPO-certified palm oil or their derivatives.

INDONESIA SUSTAINABLE PALM OIL (ISPO)^x

The ISPO is a government effort led by Indonesia's Ministry of Agriculture to support the following national agenda:

- Raise awareness on the importance of sustainable palm oil production and accelerate the implementation of sustainable production system and certification.
- Enhance the competitiveness of Indonesian palm oil in world market.
- Reduce GHG emissions from oil palm plantations.

The main difference of the ISPO scheme compared to the RSPO certification is in its legality. While RSPO is a voluntary organisation with global representation, ISPO has a clear legal framework specific to Indonesian interests as well as concerns of the Ministry of Agriculture, State Ministry for the Environment, Ministry of Forestry and National Land Agency.

As a government certification scheme, the ISPO is legally binding, and all the oil palm producers in Indonesia have to follow its guidelines and definition, such as the derivation of High Conservation Value (HCV). In ISPO, the definition of HCV is inferred from the national environmental assessment platform (AMDAL) and other government regulations.

While RSPO prohibits any new plantation development to replace natural forest or areas required to maintain or enhance high conservation value, the ISPO does not have such requirement other than the assurance from plantations that their lands are free from conflict with the local community and district smallholders. Many plantation owners are still trying to grasp the extent of involvement with the local community to fulfil the ISPO requirement.

Both RSPO and ISPO require audit by a recognised independent party for certification. However, separate audits will still have to be performed for each framework because of the difference in their guidelines and definitions. The ISPO is still evolving and remains a local but important sustainability framework for oil palm plantations.

INDOAGRI'S COMMITMENT TO RSPO AND ISPO

IndoAgri is a member of the RSPO and aims to obtain RSPO certification for all its plantations. We are also preparing our plantations for the ISPO audit.

ISPO: 7 PRINCIPLES, 29 CRITERIA *	RSPO: 8 PRINCIPLES, 39 CRITERIA **
Mandatory, M. Agriculture No.19/2011	Voluntarily
P1. Licensing & Management System: 7 criteria	P1. Commitment to transparency: 2 criteria
P2. Implementation of guideline on agronomical practices and oil palm processing: 2 criteria	P2. Compliance with applicable laws & regulations: 3 criteria
P3. Environmental Management & Monitoring: 10 criteria	P3. Commitment to long-term economic & financial viability: 1 criterion
P4. Responsibility to workers: 5 criteria	P4. Use of best practices: 8 criteria
P5. Social & communities responsibility: 2 criteria	P5. Environmental responsibility & conservation: 6 criteria
P6. Empowerment of communities' economic activities: 2 criteria	P6. Responsible consideration to employees & communities: 11 criteria
P7. Sustainable business improvement: 1 criterion	P7. Responsible development of new plantings: 7 criteria
	P8. Commitment to continuous improvement: 1 criterion

Note:
* Source: www.ispo-org.or.id/
** Source: www.rspo.org



IndoAgri





PT SALIM IVOMAS PRATAMA Tbk



GOVERNANCE AND ENGAGEMENT



At IndoAgri, sustainability entails managing what we do, and how we do it. We achieve sustainability results through robust governance, compliance with industry regulations, and proactive stakeholder engagement.

CORPORATE GOVERNANCE AND MANAGEMENT



The Board and Management of IndoAgri are committed to enhance the standard of corporate governance and the processes in managing the business and its affairs, so as to improve performance, accountability and transparency of the company.

The Board is chaired by an independent non-executive director, and comprises four executive directors, four independent directors and two non-executive directors. Of these directors, six are Indonesians, three Singaporeans and one British.

The Board is assisted by various sub-committees in discharging its responsibilities, including the Executive Committee, the Audit Committee, the Nominating Committee and the Remuneration Committee.

ENTERPRISE RISK MANAGEMENT AND SUSTAINABILITY

Since May 2009, IndoAgri has implemented a comprehensive approach in managing risks across the Group. This is done through a systematic, integrated and coordinated risk management strategy and framework executed by the Enterprise Risk Management (ERM) unit. The ERM unit reports to the Executive Committee as well as to an independent Audit Committee. It works across all divisions and is supported by a committed Board leadership, and a strong management team who constantly promotes and emphasises the message that risk management is the responsibility of every employee.

The integrated ERM framework includes coordination across the “Lines of Defence” that involves all operating and functional units in the timely identification, escalation and resolution of risks and exposures that could compromise IndoAgri’s ability to achieve its business objectives and results. To reinforce our ERM strategy, we have implemented a Business Code of Conduct along with a whistle-blowing system.

As risk management and sustainability share many common issues, the Head of ERM is directly involved in advising the Board on the sustainability strategy and compliance. The respective risk owners and business unit managers conduct quarterly assessment of current and emerging risks and prepare the risk assessment reports.

The ERM unit analyses the risk assessment reports, reviews the ERM strategy, and proposes an action plan to address the issues. The risk assessment reports are shared with the internal audit team, who validates the reports and actions taken. The ERM team also ensures that the company complies with new regulations and updates the Standard Operating Procedures (SOP) accordingly.

Through our ERM system, IndoAgri has identified the following sustainability risks:

Strategic Risks

Sustainable palm oil – changing industry trends and requirements could threaten IndoAgri’s ability to ensure a sustainable business operation, resulting in an unfavourable perception among the stakeholders and the loss of competitive advantage for the Group.



**MR LEE KWONG
FOO EDWARD**
*Chairman and Lead
Independent Director*



**MR LIM HOCK
SAN**
*Vice Chairman and
Independent Director*



**MR MARK
WAKEFORD**
*Chief Executive Officer
and Executive Director*



**MR MOLEONOTO
TJANG**
*Executive Director and
Head of Finance and
Corporate Services*



**MR SUAIMI
SURIADY**
*Executive Director and
Head of Edible Oils &
Fats Division*

Operational Risks

Health and safety – failure to implement an occupational safety and health system to protect the employees and workers from accidents and to improve their health conditions will expose IndoAgri to costs associated with compensation liabilities, financial loss, negative business reputation and possible loss of lives.

Environment – failure to manage environmental risks will expose IndoAgri to costs associated with compensation liabilities, financial loss, negative business reputation and possible loss of lives.

Social conflict – existing conflict with local communities may affect operations, limit access to areas, and increase operating costs due to inefficiency and safety issues.

Compliance Risks

Permits/Licenses/Land Ownership – failure to secure the appropriate land permits and proper licenses on time, resolve overlapping ownership issues and process third party claims may expose IndoAgri to the loss of land rights.

Environmental – non-compliance of environmental laws may expose IndoAgri to regulatory sanctions, public protests, security problems and imposition of fines and penalties by the government.

IndoAgri closely monitors the risk factors above and puts in place programmes to mitigate our exposure.

OUR SUSTAINABILITY TEAMS

IndoAgri has two sustainability teams in PT SIMP and PT Lonsum respectively. The teams, which comprise full-time specialists in the field of Occupational Health and Safety (OHS), Environment, and Corporate Social Responsibility (CSR), make use of industry best practices to implement sustainability across our operations, and are responsible for the accreditation by RSPO, ISPO and PROPER.

In the refineries, the factory managers are responsible for the implementation of sustainability, environment and OHS regulation, policies and systems. They are supported by the Human Resources (HR) and Quality Assurance & Control (QAC) departments based in the Jakarta headquarters. The two factory managers in Jakarta report directly to the national manager, while the factories in Medan and Surabaya report directly to their respective branch managers and indirectly to the national manager.

The R&D team works closely with the sustainability teams to improve agronomical practices and support HCV area development. CSR programmes are implemented by the operational teams and coordinated by the HR department who reports the progress to the executive directors.

Currently, the plantation teams are reporting to either the COO or HR department. The ERM unit supports the plantation teams in policy development, strategy formulation and issue resolution in consultation with the CEO.

The full corporate governance statement, details of the committees, board remuneration and significant policies are disclosed in the IndoAgri Annual Report published in April 2013 and available at www.indofoodagri.com



MR SONNY LIANTO
Executive Director



MR TJHIE TJE FIE
Non-Executive Director



MR AXTON SALIM
Non-Executive Director

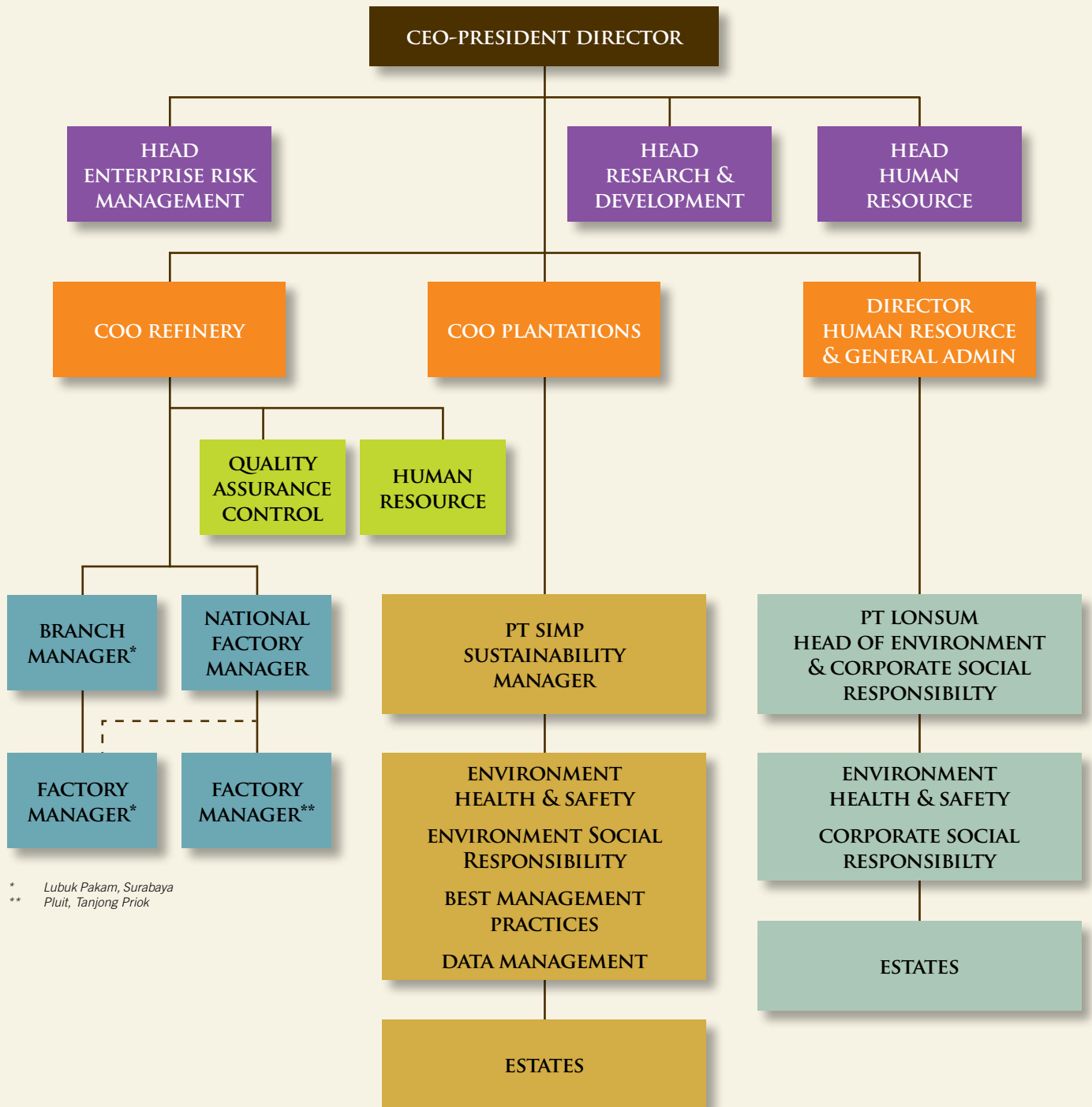


MR GOH KIAN CHEE
Independent Director



MR HENDRA SUSANTO
Independent Director

SUSTAINABILITY STRUCTURE



* Lubuk Pakam, Surabaya
 ** Pluit, Tanjung Priok

MATERIALITY, COMMITMENTS AND POLICY



As an agricultural group, IndoAgri is mindful of its environmental footprint. We are committed to sustainable farming practices that minimise degradation of the environment. We do this through the management of our oil palm plantations that is based on the principles and criteria of RSPO and ISPO.

Following the RSPO certification efforts, our Standard Operating Procedures were reviewed and new policies were developed to meet the stringent guidelines. These sustainable practices, together with our R&D investments to improve yield and agronomical practices, have enabled us to reduce our environmental footprint year-on-year.

IDENTIFICATION OF MATERIALITY ISSUES

While RSPO has provided a framework for sustainable operation, we want to ensure that all our stakeholders' concerns are addressed at the same time. Stakeholder issues are assessed based on the principles of AA1000 Accountability Principles (2008): stakeholder inclusivity, materiality and responsiveness. A "materiality matrix" is developed to map the key issues of mutual concern to both external and internal stakeholders.

We conducted a materiality workshop in the Jakarta headquarters involving members of the Board, and a workshop in Pekanbaru with representatives from PT SIMP. At the materiality workshop, we analysed and prioritised global and local issues through peer reviews, reviewed questionnaires from international NGOs and assessed the social impact of our operations locally.

Both workshops were facilitated by an independent sustainability expert. The Jakarta workshop was attended by three executive directors, namely Mark Wakeford, Moleonoto Tjang, and Suaimi Suriady, and representatives from the parent company, ISM.



MATERIALITY MATRIX



Key Material issues

- A. Carbon footprint include deforestation
- B. Environmental footprint include PROPER ISO14001
- C. Governance include transparency, business integrity & anti-corruption, risk management
- D. Landrights include scarce land resources
- E. Occupational health & safety
- F. Smallholders include PLASMA, social conflict resolution
- G. Product traceability / Sustainable sourcing include RSPO/ISPO
- H. Product quality and safety
- I. Yield maximisation include innovation
- J. Human Rights

Critical issues

- K. Halal
- L. Employee retention include engagement, development and labour relations
- M. Food security

Emerging / Moderately Important issues

- N. Socially responsible marketing
- O. Packaging

MATERIALITY MATRIX

Ten key materiality issues were identified (see materiality matrix above) by which we are establishing targets and key performance indicators to track progress. Other relevant issues highlighted will be closely monitored for changes and responded to accordingly.

INDOAGRI'S SUSTAINABLE PALM OIL POLICY

At the materiality workshops, IndoAgri's sustainability policy was redefined.

IndoAgri believes that ensuring a sustainable source of palm oil is integral to the long-term success of the company. We approach sustainable palm oil through three interlinked areas of focus: sustainable agriculture, sustainable communities and safe workplace.

SUSTAINABLE AGRICULTURE

- Building a strong sustainability team to implement action plans in all plantations and mills
- Enforcing the zero burn policy on-site
- Reducing Greenhouse Gasses (GHG) through no planting on HCV areas or peatland
- Implementing product traceability
- Adopting integrated pest management system and optimum nutrition to reduce chemical usage
- Reducing waste through recycling of by-products in all operational activities



- Maintaining biodiversity of HCV areas
- Encouraging energy conservation and environmental protection practices through AMDAL compliance and PROPER certification for the refineries and factories
- Maintaining product quality and safety through ISO 9001 certification for the refineries
- Increasing yield through precision agronomy, management best practices and use of high-yielding seeds
- Complying with all governmental laws and regulations relating to the company's operations
- Building capacity of smallholders to improve yields and be RSPO-compliant

SUSTAINABLE COMMUNITIES

- Engaging transparently to ensure Free, Prior, and Informed Consent of local communities and stakeholders
- Contributing to community development, healthcare and education

SAFE WORKPLACE

- Achieving compliance to SMK3, OHSAS and labour regulations in all workplaces
- Protecting employees from sexual harassment
- Protecting women and children's rights
- Providing adequate housing, education, religious and sports facilities in the plantations

IndoAgri follows the principles of RSPO and ISPO for our sustainability framework, and ISO 14001 for our environmental management system. We adopt the RSPO certification for our estates and mills. We follow the GRI framework for sustainability reporting, which allows for proper disclosure, transparency and accountability for our performance and operations.

IndoAgri is committed to develop the sustainability framework through stakeholder engagement and materiality assessments, while focusing on yield maximisation through innovative and sustainable means. Our sustainability target for 2013-2019 is to achieve RSPO and ISPO certification for all our plantations.



REGULATIONS AND VOLUNTARY CERTIFICATIONS

INDONESIAN REGULATORY ENVIRONMENT

The Indonesian palm oil industry is directly regulated by plantation, agrarian, conservation, forestry, cultivation system, land-use and environmental laws. In this section, we highlight a few of them.

ENVIRONMENTAL PERMITS

In Indonesia, a company is required by the Ministry of Environment under Regulation No. 5 of 2012 (Permen LH nomor 5 tahun 2012) to undertake an Environment Impact Assessment known as AMDAL before embarking on a project that can have substantial impact on the environment.

In addition, the company is required to implement an environmental management system for monitoring and managing the environmental impact caused by the business and its activities. The government will inspect the project every three to six months as directed in the Regulation No. 45 of 2007 (Permen LH nomor 5 tahun 2007).

IndoAgri complies with ISO 14001 guidelines for our environmental management system. All of PT Lonsum's RSPO estates are ISO 14001-certified.

Occupational Safety and Health (OHS)

The Government Regulation No. 50 of 2012^{xi} on the implementation of Occupational Safety and Health (OHS) management system is known as Sistem Manajemen Keselamatan dan Kesehatan Kerja (SMK3), which stipulates the following:

- Companies that employ 100 or more employees, or are categorised as high safety risk, must implement an OHS management system
- Companies must establish an OHS policy in the workplace
- Companies must inform all workers of the OHS policy
- Companies must have OHS planning, including hazard identification, emergency response plan, and risk management
- Companies must provide information and procedure, appoint a competent person-in-charge, document all safety related activities and accidents
- Companies must review and improve the performance of their OHS Management Systems

This regulation also includes the guidelines for evaluating the implementation of the OHS management system, as well as the audit criteria and results. SMK3 shares many similarities with the voluntary international OHSAS 18001:2007 certification standard.

FOOD SAFETY

Food safety in Indonesia is regulated by the Food Law Regulation No. 7 of 1996, Consumer Protection Law Regulation No. 8 of 1999 and Government Regulation No. 69 of 1999 on Food Labelling and Advertisement Regulation No. 28 of 2004 on Food Safety, Quality, and Nutrition. All our refineries have achieved ISO 9001 certification.

WASTE AND PACKAGING RESPONSIBILITY^{xii}

Extended Producer Responsibility (EPR) is one of the crucial waste management paradigm shifts stipulated in Regulation No. 18 of 2008 where individuals and communities are required to take responsibility in reusing, recycling and recovering waste.

The law's implementing Regulation No. 81 of 2012 was ratified in November 2012 to allow a transition period of 5 to 10 years for companies to institutionalise EPR. The law urges companies to go beyond CSR effort and seek solutions in new packaging materials that are biodegradable, reusable or recyclable and that can reduce landfill space.

In 2010, the Packaging Waste Coalition Forum, which comprises Unilever, Coca Cola, Danone, Nestle, Tetrapak and Indofood, was set up to address plastic waste issues. A pilot waste bank project was initiated in Northern Jakarta subsequently. In 2012, IndoAgri introduced a new pouch packaging for our edible oils and fats. Its collapsible design will significantly reduce landfill space.

VOLUNTARY CERTIFICATION

Programme for Pollution Control, Evaluation, and Rating (PROPER)

PROPER is a national-level public environmental reporting initiative^{xiii} launched by the Indonesian government in June 1995 to promote industrial compliance with pollution control regulations, facilitate and enforce the adoption of practices contributing to "clean technology," and ensure a better environmental management system.

Companies can request to be audited by PROPER voluntarily, or they can also be requested by the national or provincial government to undertake the audit.

A simple five-colour rating scheme comprising gold, green, blue, red and black is used to grade the different levels of pollution control practiced by factories against the regulatory standards informing the community and market of the environmental impact of the company.



PROPER PERFORMANCE AND CERTIFICATION EFFORTS

REGION	TYPE	NAME	2010	2011	2012
Jakarta	Refinery	Pluit		■	■
Riau	Palm oil mill	Kayangan Factory	■	■	■
Riau	Palm oil mill	Balam Factory	■	■	■
Riau	Palm oil mill	Sungai Dua Factory	■	■	■
Riau	Palm oil mill	Sungai Bangko Factory	■	■	■
Riau	Palm oil mill	Napal Factory	■	■	■
N-Sumatra	Palm oil mill	Turangie Palm Oil Mill (TOM)	■	■	■
S- Sumatra	Palm oil mill	Sei Lakitan Pom	■	■	■
E-Kalimantan	Palm oil mill	Pahu Makmur Mill (PM)	■	■	■

Sei Lakitan Palm oil mill received a red rating due to a land permit issue. The matter was resolved quickly and the permit granted by the local government.

PROPER RATINGS CRITERIA

- Gold - Levels of pollution control for air and hazardous waste similar to that for water; extensive use of clean technology; pollution prevention; recycling, etc.
- Green - Emissions less than 50% of regulatory standard; proper disposal of wastes; good housekeeping; accurate emissions records; reasonable maintenance of a waste water treatment system.
- Blue - Emissions below regulatory standard.
- Red - Some pollution control effort but emissions exceed regulatory standard.
- Black - Either no effort to control pollution or responsible for serious environmental damage.

By assigning companies with the appropriate colour codes that identify their pollution control performance, PROPER is able to harness public interest and market pressure to coax companies into complying with the environmental regulations and integrating sustainable development principles into their operations.



ENGAGEMENT PROCESS

We continue to communicate with our stakeholders proactively and engage them on topical issues. Our sustainability teams have developed effective community development programmes and maintained regular dialogues with the employees, workers, local community, governments and NGOs on issues of concern to them. This is done through public perception management, stakeholder social mapping, regular meetings and informal sessions.

SOCIAL MAPPING AND PUBLIC PERCEPTION MANAGEMENT

A public perception system is implemented to manage social unrest within our operations. The system performs a social mapping around the plantation to identify the stakeholders. Meetings, interviews and interactions with members of the community and other stakeholders are organised to gather information of the local community's needs and interests. This allows us to develop specific community development programmes that can effectively resolve local concerns. Most of our programmes involve local employment, partnership with local businesses and better remuneration. A feedback channel is established to monitor the programmes, complaints and community response. The CSR teams will follow through the investigation and resolution of incidents.

PARTICIPATION IN THE MUSRENBANG

In addition to the formal reporting process, local community engagement is managed through the musrenbang, a community development planning forum. The local community meets annually in January to discuss important issues affecting their communities and prioritise a list of improvement projects, which they submit to the Bappeda, the planning department of the local government, who then decides on the resources that would be assigned to the neighbourhood.

IndoAgri contributes in the preparation of musrenbang with the local community, and provides advice to address their needs.

RESOLUTION OF LAND DISPUTES

IndoAgri complies with all legal provisions regulating the use of land for plantations. The company has established a land conflict resolution mechanism in case of disputes on land ownership rights. Claims are investigated through this mechanism by involving the local government, village administrative team and community elders, and re-measuring the area of dispute. The local district government has the final jurisdiction.

MEMBERSHIPS AND PARTNERSHIPS WITH ACCREDITED ORGANISATIONS

IndoAgri is a member of the RSPO, the Cocoa Sustainability Partnership, as well as the rubber, sugar, vegetable oil and palm oil associations in Indonesia.

At ISM, partnerships are established focusing on the following key issues: food security, waste reduction, women and children's health and nutrition, and food fortification. For more information about these partnerships and memberships, please refer to Indofood Corporate Partnerships overview in the Appendices.

The stakeholder table below sets out each stakeholder group and how we are currently engaged with them.

STAKEHOLDERS	ISSUES	METHODS	OUTCOME
Shareholders, investors and bankers	Transparency and disclosure of environmental and social performance information	One-to-one meetings, surveys	Issue sustainability report
Customers and consumers	Product safety and health	Surveys, regular one-to-one meetings, customer support line	Provide certification and nutrition information on product label
Local suppliers	Local businesses want the opportunities provided by the projects, but lack the capability to deliver	Technical assistance to local businesses on construction of civil projects	Develop local community projects, e.g. mosques
Governments and regulators	ISPO certification, local laws and regulations	Public forums, regular meetings	Comply with local and international regulations, taxes and levies
Non-governmental groups	Loss of biodiversity, environmental rehabilitation, climate change and adoption of good agricultural practices	RSPO meetings, one-to-one meetings, local multi-stakeholder initiatives	Received training on HCV and peat land, social impact analysis (Free Prior Consent) and HCV assessment
Employees, workers	Employee development; working condition; occupational health and safety	Dialogue with trade unions, grievance procedure, whistle-blowing processes	Invest in employee capability development and OHS programmes
Smallholders (FFB supplier)	Sustainable agricultural practices	Development of platforms for cooperation (KUD) and socialization	Provide farmers with seeds, tools, training and financial support
Local community	Native customary rights	Regular feedback and awareness meetings, musrenbang for complaints, grievance resolution, and other ad hoc engagement	Improving living standards, such as providing education, medical facilities and infrastructure

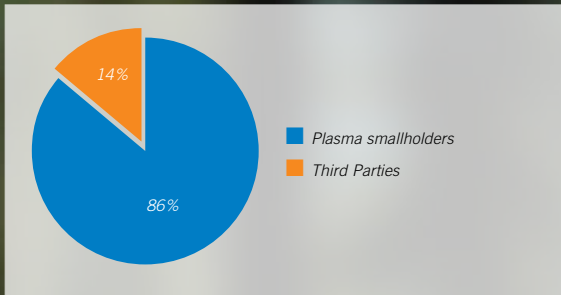


LOCAL ECONOMY AND SMALLHOLDERS

THE LOCAL ECONOMY

IndoAgri's stable growth and development directly affects our economic contribution – in terms of regional taxes and levies – to Indonesia and the local community. We actively involved local companies and smallholders in the supply chain. In 2012, 31% of the cost of goods sold of the plantations was attributed to purchases of Fresh Fruit Bunches (FFB) from plasma smallholders and third parties (see chart below).

FFB PURCHASES IN 2012



NUCLEUS PLASMA SCHEMES^{xiv}

IndoAgri fully supports the Nucleus-Plasma Scheme. In 2012, we managed 83,010 hectares operated by our smallholders.

The Nucleus-Plasma Scheme is created by the Indonesian government for plantation companies to develop oil palm plots for smallholders, known as plasma, on plots near to their plantations, or nucleus. The plasma plots are typically two hectares of oil palm plus one hectare of other crops.

Under the scheme, the nucleus assists the plasma farmers to develop and manage their plasma plantations up to a predetermined physical condition, typically within three to four years, before the management of the plasma plantations are transferred to the smallholders. After the transfer, plasma farmers under the Koperasi Kredit Primer Anggota scheme can continue to receive land management assistance from the nucleus for a management fee.

Most plasma farmers do not have sufficient capital resources independently and will usually seek external financing to develop and manage their plasma plots. Financing is provided by the local banks or the nucleus, and covers

the direct development costs for the preparation of the plasma plot until the transfer of the plasma plantation back to the smallholders.

Over the years, three main types of plasma schemes have been developed:

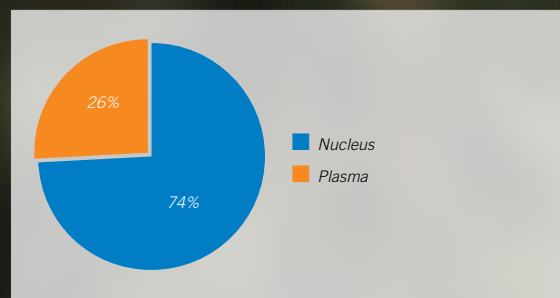
1. (1978-2001) Perkebunan Inti Rakyat Trans (PIR-TRANS): individual farmers who are appointed by regional government or transmigration minister.
2. (1986-2006) Koperasi Kredit Primer Anggota (KKPA): farmers are united under a village cooperative or Koperasi Unit Desa (KUD).
3. (2006-present) Revitalisation Programme.

Schemes 1 and 2 differ in that under KKPA, the plasma farmers contract the nucleus services for a management fee under the cooperation.

In 2007, the Indonesian Ministry of Agriculture Regulation No. 26 of 2007 has made it mandatory for new plantation developments to set aside at least 20% of net cultivated area of nucleus plantations for plasma plantations.

The Nucleus-Plasma Scheme is widely implemented in Indonesia today because plasma farmers can be assured of the productivity of their plasma plantations under the professional management of the nucleus. The cash flow from the plantations provides a source for loan payment and income to the farmers. The plasma farmers also benefitted from the transfer of knowledge and skills from the nucleus.

PLANTATION OWNERSHIP IN 2012









SUSTAINABLE MANAGEMENT PRACTICES



IndoAgri's sustainability objectives extend beyond the common environmental programmes. As a Group, we actively invest in innovation and precision agronomy for long-term growth with sustainable outcomes.



BIODIVERSITY AND CONSERVATION

HIGH CONSERVATION VALUE (HCV) AREAS

In 2012, IndoAgri has assessed 54,769 hectares of RSPO-certified estates and assigned 1,398 hectares of HCV areas.

IndoAgri has embarked on the process of HCV identification since 2008. The types of HCV areas identified on our estates include riparian, reservoir, bamboo garden, swamp, traditional graveyard and other important heritage and cultural areas.

Following the HCV identification, we organised a public stakeholder meeting with delegates from the government, local community and people living in and around the plantation in accordance with the RSPO guidelines. The meeting discussed the HCV analysis and confirmed the areas identified as HCV on the plantations. The agreed HCV areas were clearly demarcated after the meeting.

To restore the HCV and riparian areas, we planted trees that are beneficial to the wildlife. Oil palm trees within 20 meters from waterways were marked with white crosses to indicate the riparian areas. These trees would no longer be treated with pesticides and fertilisers so as to avoid contaminating the waterways.

While areas like the bamboo forests do not require replanting, the trees and plants in some areas have to be safeguarded from local villagers who would otherwise harvest them as food or resources.

In 2012, IndoAgri has planted a total of 14,159 trees in its plantations.

HCV MONITORING AND PARTNERSHIPS

Through daily communication with our employees, workers, and locals living on our plantations, we are able to gradually inform and guide them on the restrictions in the HCV areas. The treatment and protection of endangered species is one of the topics we covered during these sessions.

The monitoring of the HCV areas is done by the teams at the plantations and the process is audited annually. The parameters monitored include wildlife biodiversity, river water quality and level of disturbance caused by local villagers around the HCV areas. The estate teams are trained by our NGO partners and in-house sustainability teams. Guidebooks for accurate identification of local wildlife are also provided on the estates.



We engaged Aksenta, a local environment consultancy company, to assess the natural habitats at the HCV areas in South Sumatra and Kalimantan and review the findings and recommendations together with the World Wide Fund for Nature (WWF) Indonesia. We also received training from Wetland International, a not-for-profit organisation dedicated to the conservation and restoration of wetlands, to understand how to restore and conserve local peatland.

WILDLIFE PROTECTION

Nectariferous plants like *Cassia cobanensis*, *Turnera subulata*, *Antigonon leptopus* and *Euphorbia heterophylla* provide nectar and shelter for various species of beneficial insects, including parasitoids and other natural predators of bagworms and nettle caterpillar. By cultivating these plants on our plantations, we are able to use them as indirect bio-pest control and reduce the need for insecticides.

Beyond our estates, IndoAgri is actively supporting wildlife conservation in North Sumatra. We cooperate with the Sumatra Orang-utan Society to restore conservation areas for the orang-utan by enriching their habitat with beneficial tree species.

We display signs on wildlife protection on all our HCV areas. We also archive the wildlife species found on our estates that come under the International Union for Conservation of Nature (IUCN) Red List of Threatened Species and Indonesian Regulation No. 7 of 1999 (Pengawetan Jenis Tumbuhan dan Satwa) for the preservation of flora and fauna. The IUCN Red List sets out the precise evaluation criteria on the extinction risks of thousands of endangered species.

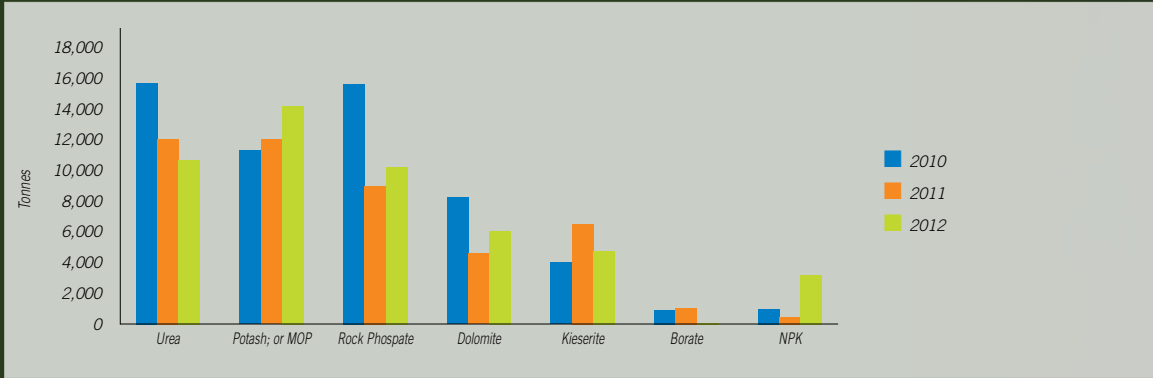
OVERVIEW OF SPECIES FOUND IN OUR ESTATES UNDER IUCN RED LIST AND PP7/1999

TYPE	COMMON NAME	SCIENTIFIC NAME	IUCN STATUS	PROTECTED UNDER PP7/1999
Birds	Black Eagle	<i>Ictinaetus malayensis</i>	Least concern	Yes
Birds	Black-shouldered Kite	<i>Elanus caeruleus</i>	Least concern	Yes
Birds	Black-winged Kite	<i>Elanus caeruleus</i>	Least concern	Yes
Birds	Blue-eared Kingfisher	<i>Alcedo meninting</i>	Least concern	Yes
Birds	Blue-rumped Pitta	<i>Pitta soror</i>	Least concern	Yes
Birds	Brown-throated Barbet	<i>Megalaima corvine</i>	Least concern	Yes
Birds	Cattle Egret	<i>Bubulcus ibis</i>	Least concern	Yes
Birds	Collared Kingfisher	<i>Todiramphus chloris</i>	Least concern	Yes
Birds	Crested Serpent Eagle	<i>Spilornis cheela</i>	Least concern	Yes
Birds	Crimson Sunbird	<i>Aethopyga siparaja</i>	Least concern	Yes
Birds	Eagle	<i>Accipiter sp</i>	Least concern	Yes
Birds	Egrett	<i>Egretta sp</i>	Least concern	Yes
Birds	Falcon	<i>Falconidae</i>	Least concern	Yes
Birds	Great Egret	<i>Egretta alba</i>	Least concern	Yes
Birds	Javan Kingfisher	<i>Halcyon cyanoventris</i>	Least concern	Yes
Birds	Kingfisher	<i>Alcedo sp</i>	Near threatened	Yes
Birds	Long-tailed Parakeet	<i>Psittacula longicauda</i>	Near Threatened	No
Birds	Northren Goshawk	<i>Accipiter gentilis</i>	Least concern	Yes
Birds	Olive-backed Sunbird	<i>Nectarinia jugularis</i>	Least concern	Yes
Birds	Pied Fantail	<i>Rhipidura javanica</i>	Least concern	Yes
Birds	Plain-throated Sunbird	<i>Anthreptes mallaccense</i>	Least concern	Yes
Birds	Pygmy Tit	<i>Psaltria exilis</i>	Least concern	Yes
Birds	Red-Crowned Barbet	<i>Megalaema rafflesii</i>	Near Threatened	No
Birds	Small Egret	<i>Egretta garzetta</i>	Least concern	Yes
Birds	Storks	<i>Ciconia sp</i>	Least concern	Yes
Birds	Sunbird	<i>Aethopyga sp</i>	Least concern	Yes
Birds	White-Throated Kingfisher	<i>Halcyon smyrnensis</i>	Least concern	Yes
Mammals	Banded Linsang	<i>Prionodon linsang</i>	Least concern	Yes
Mammals	Leopard Cat	<i>Felis bengalensis</i>	Least concern	Yes
Mammals	Long Tailed Macaque	<i>Macaca fascicularis</i>	Least concern	No
Mammals	Malayan porcupine	<i>Hystrix brachyura</i>	Least Concern	Yes
Mammals	Mouse Deer	<i>Muntiacus muntjak</i>	Data deficient	Yes
Mammals	Oriental Small-Clawed Otter	<i>Aonyx cinerea</i>	Vulnerable	No
Mammals	Otter	<i>Lutra sumatrana</i>	Endangered	Yes
Mammals	Pangolin	<i>Manis javanica</i>	Endangered	Yes
Mammals	Pig Tailed Macaque	<i>Macaca nemestrina</i>	Vulnerable	No
Mammals	Sumatran Gibbon	<i>Hylobates agilis</i>	Endangered	Yes
Mammals	Thomasi Langur	<i>Presbytis thomasi</i>	Vulnerable	Yes
Mammals	Three-striped Ground Squirrel	<i>Larsicus insignis</i>	Least concern	Yes
Mammals	White-fronted Leaf Monkey	<i>Presbytis frontata</i>	Vulnerable	Yes
Reptiles	Softshell Turtles	<i>Amyda cartilaginea</i>	Vulnerable	No
Reptiles	Phyton	<i>Phyton reticulatus</i>	Least concern	No
Reptiles	Monitor Lizard	<i>Varanus salvator</i>	Least concern	No
Plant	Nephentes	<i>Nephentes sp</i>	Least concern	Yes
Plants	Palm	<i>Livistona sp</i>	Not evaluated	Yes
Plants	Pinang Jawa	<i>Pinanga javana</i>	Threatened	Yes

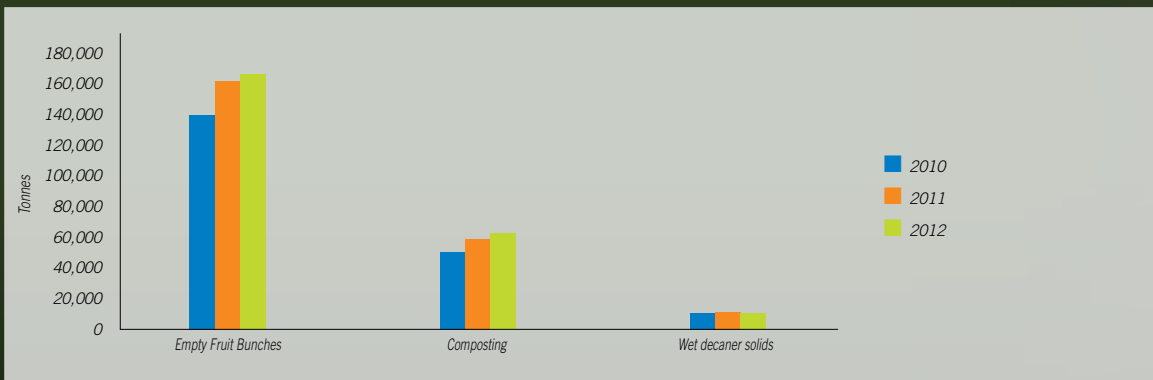


REDUCTION OF CHEMICAL FOOTPRINT

Inorganic Fertiliser Consumption Chart



Organic Fertiliser Consumption Chart (not include POME)



The data is based on RSPO certified estates only, covering 54,769 hectares.

ORGANIC FERTILISERS AND PLANTING LEGUME COVER CROPS

Before the planting of oil palms, or when the trees are still in the immature phase, our estates are planted with Legume Cover Crops (LCC) to prevent soil erosion. LCC helps to aerate, structure and moisten the soil and fixes atmospheric nitrogen into nutrients for the trees. This allows us to reduce the use of fertilisers and subsequently, our chemical footprint. As LCC also suppresses the growth of rhinoceros beetles (*Oryctes rhinoceros*), we are able to reduce the use of pesticides.

The LCC species planted on our estates are *Calopogonium caeruleum* (CC), *Calopogonium mucunoides* (CM), *Centrosema pubescens* (CP), *Pueraria javanica* (PJ), and *e. Mucuna bracteata* (MB). The coverage of LCC on our estates varies. Some plantations are fully covered with LCC while other areas, like the new estates in South Sumatra, are still cultivating LCC on the estates.

In Riau, we have been using Empty Fruit Bunches (EFB) as soil mulch since the mid 90s, and together with the use of Palm Oil Mill Effluent (POME) in land application, we have been able to reduce the need for inorganic fertilisers by 14% annually. We are now moving towards co-composting the EFB and POME, which can potentially replace up to 30% of the inorganic fertilisers annually.

The graph above represents our inorganic fertiliser usage between 2010 and 2012. Through the use of LCC and recycling of palm oil mill by-products as organic fertilisers, we are able to reduce

the use of inorganic fertiliser in our plantations. A site-specific fertilisation scheme is developed for each plantation to create a balanced nutrition for our crops based on yield, field inspection, analysis of leaves, soils data and land and climatic characteristics of each site.

PESTICIDES AND BIO-PEST CONTROLS

The monitoring of pest population is a critical process in preventing pest outbreak. We constantly assess the degree of pest damage and estimate the pest population through observation and census on the plantations.

Biological and integrated controls are applied when necessary. Biological control is always preferred to chemical treatments as an effective treatment of pests. Only in limited circumstances, and as a last resort, are chemical pesticides used to control pest populations.

We also cultivated the natural enemies of pests as an integrated approach to minimise the use of pesticides and our chemical footprint. We have been particularly successful in the use of entomopathogenic agents of viral origin in nettle caterpillar and the breeding of barn owls (*Tyto alba*) as natural predators of rats.

In 2012, 547 kg of viral material of infected nettle caterpillars was sprayed over 3,874 hectares of our Riau plantations. The stock of viral material was obtained by collecting infected caterpillars directly from the field after a treatment.



We have been using barn owls as bio-control of rats at PT SIMP Riau since 1997. The current owl population has achieved total rat control for the entire SIMP Riau oil palm plantation covering 57,000 ha, and no rodenticide has been used for more than 10 years.

The table below shows the number of new young birds produced yearly from nest boxes. The number of young owls fell below 8,000 in 2012 as some breeding pairs have migrated to neighbouring estates and villages in search of more food.

Number of young barn owls produced yearly at nest boxes of SIMP in Riau, 2003–2012.

YEAR	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
New young owls	10,846	9,675	10,468	11,306	11,533	8,962	9,563	9,301	9,034	7,668

We started another barn owl development project at PT SIMP South Sumatra where 507 nest boxes were installed and 3,574 young birds were raised between 2008 and May 2013. With our positive experience at PT SIMP Riau and South Sumatra, we hope to replicate the success of the barn owl development projects on other plantations, with the goal of setting up one nest box for every 30 hectares. Special permit is required from the government before we could introduce the barn owls in Kalimantan.

We also implemented the barn owl development scheme at PT Lonsum in 2008. The table below shows the number of nest boxes erected and young owls born annually between 2008 and May 2013.

Number of young barn owls produced yearly at nest boxes of PT Lonsum (2008–May 2013).

NUMBER OF	YEAR					
	2008	2009	2010	2011	2012	2013 (May)
Newly born Young owls	4	41	179	272	92	83
Nest boxes erected	16	122	131	149	129	135

Remarks: Summary data were recorded from four estates (Bah Lias, Riam Indah, Sei Lakitan, and Sei Kepayang Estate). The record on young owls was discontinued from 2012 at the Sei Lakitan estate.

REDUCTION OF CHEMICAL FOOTPRINT



The nest boxes are visually inspected monthly using a telescopic mirror mounted on a pole. We record the number of eggs laid, the number of chicks hatched, and the number of fledgings. The nest box is further assigned an occupancy status either as a “breeding site”, a “hunting perch” or “unused”. The R&D team will investigate all unused nest boxes as well as the degree of fresh rat damage on FFB.

We strive to minimise the use of pesticides through good management practices and integrated control. The graph below illustrates the pesticide usage. Due to severe infestations in 2012, the use of insecticides and herbicides, including paraquat, has increased.

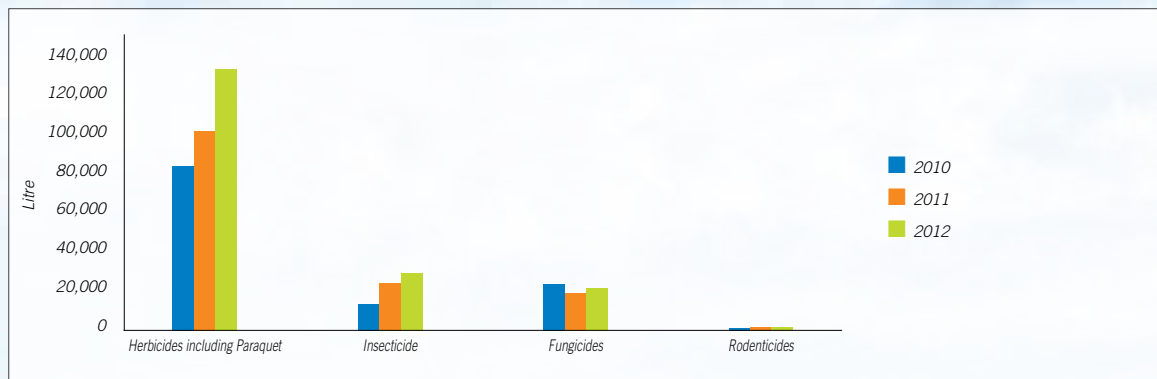
PARAQUAT

IndoAgri uses paraquat to control weeds. We intend to phase out the use of paraquat in stages, and look for other cost-effective herbicide alternatives.

The plantations adopt strict Occupational Safety and Health Management System practices when administering the paraquat. All our mandors and sprayers, including our paraquat distributors, are trained by Komisi Pestisida, the Indonesian government agency overseeing the use of fertilisers and pesticides, on the safe handling, administration and storage of chemicals, correct spraying techniques and the proper use of Personal Protective Equipment (PPE), which comprises an overall, protective guard, protective eyewear, boots, gloves and mask.

After spraying the paraquat, the workers will take a shower to remove all residual chemical. The PPEs are cleaned separately to remove all traces of the chemical. All the mandors and sprayers are required to undergo regular medical checkups. Pregnant and lactating women are forbidden to handle paraquat. We use only registered pesticides approved by the Indonesian Department of Agriculture.

Pesticide Consumption Chart



The data is based on RSPO certified estates only, covering 54,769 hectares.





WATER, EMISSIONS AND EFFLUENTS



CONSERVATION OF WATER

Water is a critical resource for both the plantations and the people living on the estates. As water resources are scarce, we have built dams, wells and water treatment facilities to ensure a steady supply. Water for domestic usage is drawn from ground water in several areas. In Riau, South Sumatra, North Sumatra, Java, Sulawesi and Kalimantan, we have installed 61 water treatment facilities to provide water for our employees.

OUR WATER RESOURCES

Our plantations are watered by rainfall. 95% of the water required by the factories to process the FFB is drawn from nearby rivers, with the remaining needs met by groundwater supplies.

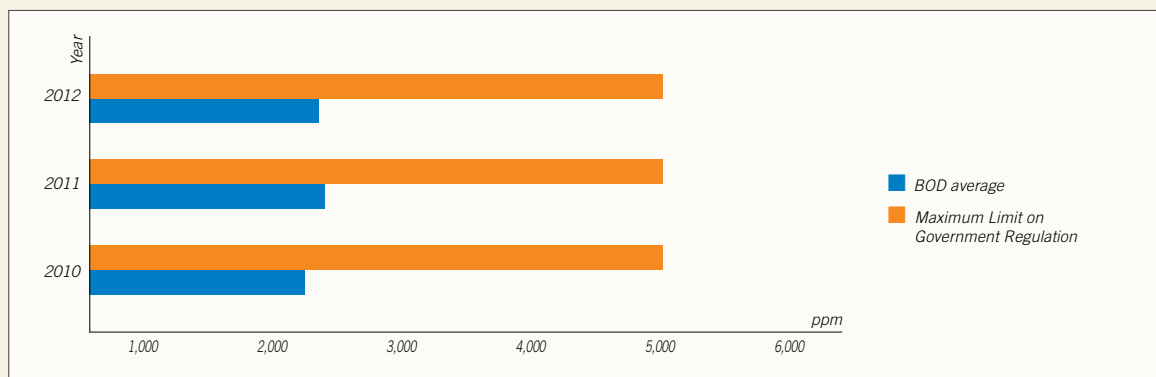
Average Water Consumption (m3/tonne of FFB processed)

	WATER CONSUMPTION RATIO		
	2010	2011	2012
Water Consumption Ratio	1.28	1.16	1.13

UTILISATION OF PALM OIL MILL EFFLUENTS (POME)

Effluents from palm oil mills have been used since 1992 in land applications and as an effort to replace chemical fertilisers. POME is collected in anaerobic open ponds on our estates for treatment. As the POME is intended for use as fertiliser, we maintain a moderate Biochemical Oxygen Demand (BOD) level to retain nutrients in the effluents. Our teams check and adjust the condition in the ponds every month to maintain the BOD level within the legal requirements limit of 5,000 ppm for effluent land application. Maximum care and supervision are carried out to ensure that no effluent would enter the river as surface run-off at all times.

Biochemical Oxygen Demand Level



Average BOD levels before land application in ppm.



WATER, EMISSIONS AND EFFLUENTS

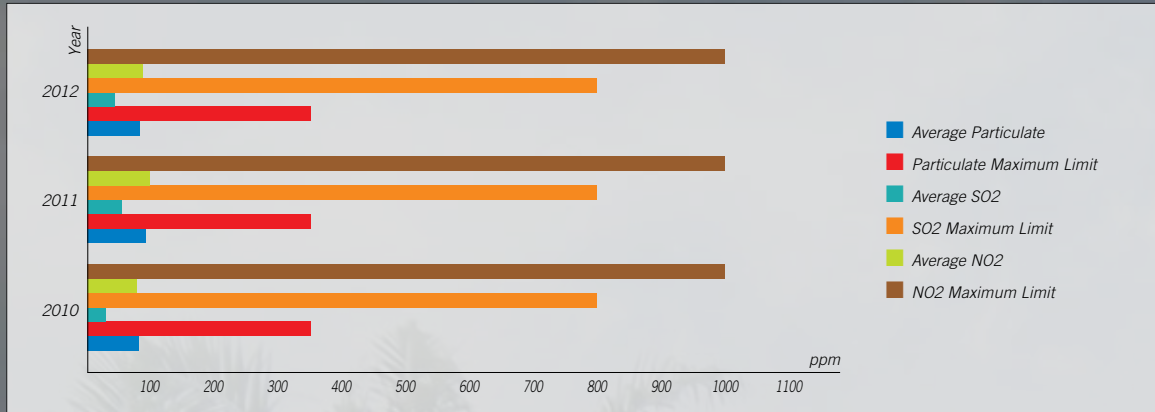
PREVENTION OF SPILLS

To prevent CPO or diesel spillage during production and transportation, we have set stringent procedures for the transport of CPO from the factories and storage tanks. In 2012, there was no CPO spills.

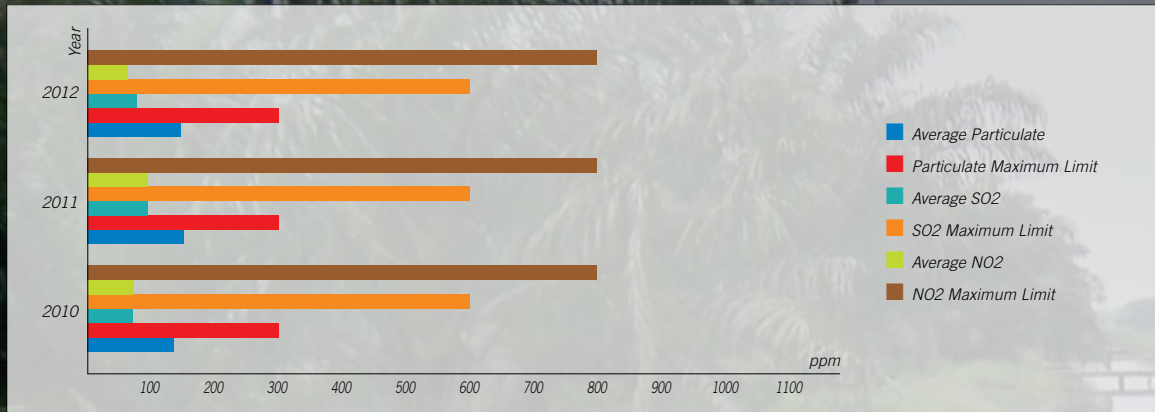
MANAGEMENT OF AIR EMISSIONS

We monitor emissions from the boilers and generators of the palm oil mills every six months. The graphs below show that all emissions are below the legal limits.

Generator Emission Monitoring Data



Boiler Emission Monitoring Data



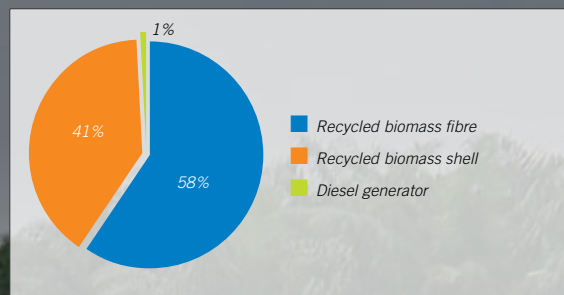
We also monitor and control the vehicle exhaust emissions of the transportation fleet. The emission control testing of vehicles is performed by PKB, the motor vehicle testing facility of the Ministry of Transportation. We only operate vehicles that pass the PKB's emission test and are safe to drive in.

To further reduce the volatilisation of ammoniac gas, and emission of nitrous oxide, which is a GHG, we avoid the use of nitrogen fertilisers during dry periods.

USAGE OF RENEWABLE ENERGY

Energy is another scarce resource on our plantations, which are located in remote areas. Energy conservation has become an essential practice in ensuring continual and smooth operations of our plantations. In order to reduce our reliance on non-renewable energy sources, we have designed our palm mills to use more than 99% of energy from renewable resources, such as palm and fibre shells to feed the boilers.

Fuel Consumption Ratio 2012 Chart



We provide electricity to the employees' homes on the estates during certain hours and use energy-saving electrical equipment and light bulbs. Our employees are fully informed and aware of the importance of energy conservation. Stickers are placed at various locations in our plantations, mills and living areas to remind our employees to conserve energy.

CARBON EMISSIONS AND THE EFFECTS ON AGRICULTURE

Climate change is one of the biggest challenges Indonesia agriculture industry will face in the coming decades. Our industry relies heavily on the rain to water the crops. A change in rainfall patterns and other climatic variables has direct impact on our operations across the entire supply chain.

We have therefore identified carbon footprint as a key materiality issues. We are inducing no planting on peatland, and working towards assessing our full carbon footprint. We have already taken steps towards lowering our carbon footprint by adopting sustainable practices, and developing environmental-friendly products. There are three key activities that produce carbon emissions in the palm industry, namely the planting of oil palm trees on virgin grounds and peatland, the transportation and collection of FFB, and the processing of palm oil in the mills.

CARBON FOOTPRINT REDUCTION

IndoAgri's sustainability policy does not permit the clearing of primary forests. We adopt a strict zero burning rule and we do not plant on peatland.

WASTE MANAGEMENT



We are committed to reducing waste through the recycling of by-products in all our operational activities. Colour coded bins are provided throughout the estates to separate the disposal of organic, non-organic and hazardous waste.

As a responsible manufacturer of consumer products, IndoAgri is starting to experiment with different packaging options that can minimise the environmental impact of consumer waste.

HAZARDOUS WASTE

All hazardous and toxic waste generated from the operations is collected and stored in Transfer Stations (TPS). The main hazardous waste is lubricants from the palm oil mills. On average, each mill produces around 0.64 tonnes of hazardous waste per year.

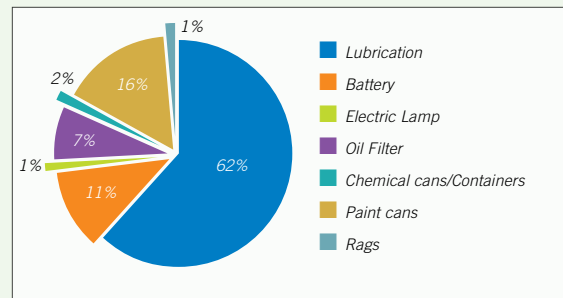
The maximum storage duration is 180 days. The hazardous waste, excluding lubricants and batteries, is collected by PPLi, a company licensed by the Ministry of Environment to destroy and dispose of hazardous waste, and transported to a hazardous waste processing factory in Bogor, West Java for proper disposal. Waste lubricants are handled by PT. Bintangmas Cahaya International and waste batteries are recycled by PT Non Ferindo Utama.

Another source of hazardous waste comes from the aid posts and clinics. Medical waste collected from these facilities is sent to local public hospitals that are authorised by the local government for proper disposal and destruction.

REDUCING LANDFILL SPACE THROUGH INNOVATIVE DESIGN

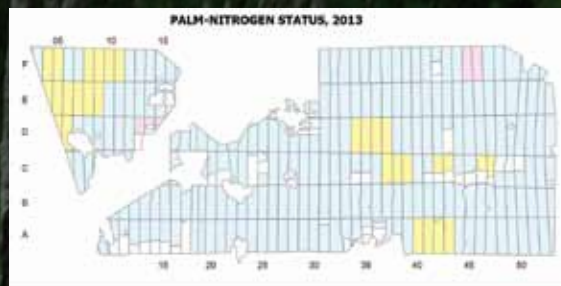
Through rigorous innovation, we are able to minimise environmental impact by using innovative packaging for consumer goods. In 2013, we will launch the 250ml and 500ml refill packs for Bimoli cooking oil. The popular brand is sold in supermarkets and local stores, including mini-marts and discount stores. The refill pack uses less raw materials to produce, and the empty pack is easy to collect and takes up less land fill space than other form of packaging.

Categories of Hazardous and Toxic Waste (tonnes)



(Data from Riau mills only)





PRECISION AGRONOMY FOR SUSTAINABLE GROWTH

With limited land for expansion and mounting environmental concerns, improving the yield of current planted areas has become a sustainable way of addressing the increasing food demand while keeping price competitive.

We are using precision agronomy as a means to improve the efficiency of the plantations. By using Global Positioning System (GPS) technology and mobile tracking and sensor devices, we are able to analyse and enhance the yield exploitation of the estates block-by-block. For IndoAgri, precision agronomy is one key tool to improve yield exploitation and reduce agrochemicals input for each 30-hectare block through specific strategies on fertiliser recommendations, pest control and disease as well as weed management.

DEPLOYMENT OF GEOGRAPHIC INFORMATION SYSTEM (GIS)

We make use of GPS surveys and remote sensing technology to generate detailed 2D and 3D topographic maps, and GIS tools to analyse the GPS yield and crop data to ensure optimum plantation management. GIS is a database system for organising, storing, retrieving, displaying and analysing GPS spatio-temporal data. The time-series yield map of the GIS simplifies the large database and allows us to quickly visualise and analyse the variables affecting yield and sustainability, such

as soil type, land productivity classes, palm nutrient status, pest and disease status and management. The GIS has helped the plantations make on-time informed and better decisions.

NUTRITION MANAGEMENT

IndoAgri has detailed soil survey maps that support site-specific, agronomic block management. Soil maps are created after a field survey of the spatial distribution of major soil types and soil fertility levels in the estates. The soil survey maps are consulted for various aspects of estate management, such as soil and water conservation methods, fertilisation and weed management.

For our nutrition management system, we use among others, GIS-based topical views of the oil palm plantation to map the soil fertility and palm nutrient levels against yield. The Lubuk Raja Estate example above illustrates the maps of FFB yields. In relation to the maps of the status of two of the macronutrients: nitrogen and phosphorus. The oil palm nutrient status is monitored annually to ensure optimal fertilisation and yield per block.





SOCIAL



Strong relationships with community stakeholders and employees are integral to IndoAgri's sustainability efforts. We advocate fair employment practices, support community programmes, and assist local smallholders whose livelihoods depend on us.

EMPLOYEE BENEFITS, DEVELOPMENT AND DIVERSITY



EMPLOYEE BENEFITS AND SALARIES

IndoAgri provides free housing for our employees working on the estates. This includes free electricity and water supplies. Our employees receive at least the minimum salaries mandated by local authorities, as well as other employee benefits listed below:

Employee Benefits

TYPE OF BENEFIT	DESCRIPTION
Education	Pre-kindergarten to 6th grade on each estate 7th - 12th grade for each region
Electricity	Provided free to all homes
Healthcare	Free on-site polyclinic
Housing	Provided free for all permanent employees
Meal allowance	Rice is provided free for estate workers and their dependents
Religious observance	Mosques and churches provided on each estate
Sports and recreation	Provided on each estate
Water	Provided free to all homes

FREE HEALTH SERVICES

We provide free medical services to our employees and their dependents living on our estates. Most estates have an aid post adjoining a central clinic. The clinic is attended to by a permanent or a visiting doctor. In emergencies, the ambulance will bring the patient to the nearest hospital. IndoAgri has established cooperation with 43 hospitals near its estates. All health facilities are paid for and managed by the company. An overview of our facilities per region can be found at the table below.

Health Services

MEDICAL FACILITIES	NS	SS	EK	WK	CK	RIAU	TOTAL
Aid posts	59	30	10	0	0	37	136
Central clinic	17	20	2	4	1	4	48
Ambulance	1	4	2	1	0	1	9
Doctors	1	1	1	0	0	3	6
Visiting doctors	9	17	0	3	0	0	29
Paramedics	53	51	9	7	3	81	204



SUPPORTING FORMAL EDUCATION ON OUR PLANTATIONS

Education is one of the most important employee benefits. All the children of our employees are provided free education. We also provide free transportation for the children if their schools are located outside the estates.

All of our estates have kindergartens and primary schools. In some estates, we also have junior and senior high schools. Apart from the kindergartens, all the schools are run by the Indonesian government. In 2012, we employed a total of 808 teachers in our schools.

IndoAgri continues to build schools on our estates. In 2012, we built 13 primary schools, 4 junior high schools (SMP) and 3 high schools (SMA) in Riau. We provided assistance to the local government-run junior high school in West Kalimantan and gave educational awards to local educators in seven schools in West and East Kalimantan. When the estates are at remote locations, the company will work together with the local government to develop school facilities on-site.

School Facilities in Our Estates

SCHOOL FACILITIES	N-SUMATRA	RIAU	S-SUMATRA	E-KALIMANTAN	TOTAL
Kindergarten	23	34	13	2	72
Primary schools	17	18	9	2	46
Secondary schools	5	4	0	0	9
High schools	2	3	0	0	5
Teachers	323	387	89	9	808

EMPLOYEE BENEFITS, DEVELOPMENT AND DIVERSITY



COMPENSATION AND BENEFITS

Employee compensation and benefits comprise a basic salary and a bonus that is tied to individual performance and company results. Managers and above are entitled to fringe benefits including car, telephone and clothing.

All our permanent employees are enrolled in the old age security program called Jaminan Hari Tua (JHT) under the pension fund, Jamsostek. Under this pension plan, the company and employees contribute 3.7% and 2% basic salary per month to the program respectively. Besides JHT, we provide pension scheme in accordance with government regulation.

For retiring employees, we provide severance pay and other benefits set out by Jamsostek. In 2012, PT Lonsum provided in-house courses on topics such as health and psychology, financial management, small business, agriculture, animal and fish farming to prepare 242 employees for their transition to retirement.

EMPLOYEE TRAINING AND DEVELOPMENT

IndoAgri believes in providing employees with career and personal development opportunities. Our training programmes cover occupational health and safety (Keselamatan dan Kesehatan Kerja or K3) training, food security, risk management, financial management, human resources management, LEAN management and leadership skills.

We have four training facilities supporting capability development, particularly in agronomy, agriculture and engineering:

1. Kayangan Training Centre in Riau
2. Rambong Sialang Training Centre in North Sumatera
3. Nanga Silat Training Centre in Borneo
4. IndoAgri Learning and Development Centre in West Jawa

Training courses focus mainly on skills development to support specific roles and job requirements. In addition, we provide in-house training, which is linked to practical experience in the field, for school leavers. We also have a comprehensive management training programme to develop management skills and prepare managers for future leadership roles. All employees from the Board level down will undergo some form of training each year.

To motivate our employees and to share knowledge we conduct monthly Friday afternoon sessions with a theme. Presentations are given by internal and external experts.

DIVERSITY IN THE WORKPLACE

IndoAgri has a diverse workforce and selects its employees based on the skills and capability of the candidates, rather than by individual characteristics, such as tribe, religion, race, gender or other discriminative factors. However, as the Indonesian agricultural industry is traditionally male-dominated, 13% our total workforce currently is female employees.

IndoAgri supports workforce diversity by providing maternity leave for new mothers and enabling our employees to take pilgrimage leave (Hajj). In 2012, 127 women went on maternity leave and 13 employees took the Hajj. All 140 employees have returned to work after their leave.

EMPLOYEE SAFETY AND WELFARE



OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT (OHS)

It is IndoAgri's firm commitment to provide a safe and healthy working environment. Everyone of our working facilities has an OHS management system (SMK3) that meets the local regulations. All our managers at the facilities have received training on proper operation techniques and safety.

The SMK3 implementation includes hazard source identification, risk assessment and management, hazard prevention programme, periodic medical examination and work programme evaluation. Workplace safety messages are disseminated and reinforced through our OHS pledge, K3 manuals and procedures, OHS regulations, working instructions, first aid practices, emergency response and other health and workplace safety activities.

At each estate and factory, we have a Health & Safety Committee and OHS Trustees Committee (P2K3). P2K3 consists of management and staff representatives who monitor SMK3 compliance with the company's OHS regulations and provide inputs for OHS implementation. Our OHS is incorporated into the Collective Labour Agreement with the workers union, and included provisions such as equipping all field workers with PPE, setting up an OHS committee to manage SMK3, providing employees with education and training, and developing a grievance mechanism. Periodic workplace inspection, SMK3 audit, and evaluation of work accidents are performed together with the employee representatives.

ACCIDENTS AND FATALITIES

Through the implementation of SMK3, we aim to achieve zero accident rate at all the workplace. The major cause of accidents is injury by sharp object when the workers were distracted momentarily by falling fruits, dust in the eyes or other triviality. Every work accident is recorded and evaluated, and the recommendation of the report is disseminated to all SMK3 teams for implementation to prevent recurrence of similar incidents. We are implementing our data collection system across the Group, and will disclose our performance in managing accidents and fatalities in future reports.

SAFETY AND HUMAN RIGHTS

Security guards are hired on the plantations to protect our employees and assets. All our security guards have undergone basic training with the police, where they were instructed on the principles of human rights and techniques to carry out their duties without violating human rights.

LOCAL COMMUNITY SUPPORT



AS OUR PLANTATION WORKERS AND THEIR FAMILIES ARE ALSO MEMBERS OF THE LOCAL COMMUNITY, WE HAVE EXTENDED MANY OF OUR COMMUNITY PROGRAMMES INTENDED FOR OUR EMPLOYEES TO VILLAGERS LIVING AROUND OUR PLANTATIONS AS WELL. THESE EFFORTS ARE CATEGORISED INTO HUMAN CAPITAL, ECONOMIC EMPOWERMENT, ENVIRONMENT, OUTREACH TO THE COMMUNITY AND SOLIDARITY. ENVIRONMENT AND HUMAN CAPITAL, IN PARTICULAR, ARE INTEGRAL ELEMENTS OF OUR SUSTAINABILITY STRATEGY.

CARING FOR THE NEXT GENERATION "1,000 days"

In Indonesia, chronic malnutrition, which is measured by height-to-age ratio, among children under five years of age is at 35.7%, while acute malnutrition, which is measured by weight-to-height ratio is at 13.3%^{xv}. When children do not receive the right amount of nutrition during the first 1,000 days of their lives from conception, their growth and mental development are adversely affected all the way into their adulthood.

To ensure healthy development of the children on our estates, and also keeping in line with the Millennium Development Goals (see Indofood Corporate Partnership in the Appendices), we have developed several programmes to look after the wellbeing of pregnant mothers and young children on our estates. A total of 1,118 pregnant mothers and 7,238 children below three years of age have benefited from these programmes.

Pos Pelayanan Terpadu (posyandu) is a monthly clinic for children and pregnant women that has contributed significantly to minimising infant mortality rates. We have 170 active posyandus providing free health checks, vaccinations and nutrition supplement for the women and children on our estates. The posyandus are run by woman volunteers and managed by doctors at our plantation clinics. IndoAgri fully finances the operations of the posyandus.

Providing Rumah Pintars

IndoAgri believes that young children should be inspired and intellectually stimulated during their formative years. We cooperate with the United Indonesian Cabinet Wives Solidarity (SIKIB) to build Rumah Pintar on our estates. Each Rumah Pintar has a book centre, a computer centre, a play centre, an audio visual centre and a craft centre to provide activities for both children and adults. The craft centre, in particular, has been able to enhance the entrepreneurship of local communities by developing skills that empower them economically. At the Rumah Pintar, women can learn to sew and craft while their children enjoy the facilities of the play rooms and libraries suitable for their age group.

SUPPORTING EDUCATION DEVELOPMENT

Lonsum Care is a scholarship programme helping capable under-privileged students to further their studies and improve their opportunities in life. The scholarship is awarded to primary and high school students living around the plantations. In 2012, we awarded a total of 164 scholarships to students in both junior and senior high schools.

In Sumatra, we built a laboratory unit at SMP Karyawan Turangie, renovated a library building at the SD Negeri Pandur Ido in Salapian district and set up early childhood education facilities (PAUD) at the Second Joint Division of Kebun Begerpang.

Together with the Indonesian Heritage Foundation (IHF), we introduced Character-Based Education (CBE) for the kindergartens on our plantations. The CBE programme is developed specifically for young children and takes the form of group play. In cooperation with the Department of Education and the local community, we started training teachers in CBE education for the local schools. In 2012, a total of 200 teachers were trained in CBE in Jakarta and they have been deployed to teach in 40 plantation schools.

In East Kalimantan, we launched a programme that aimed at improving the literacy rates among children. The reading centre's BUNGA (Books for Nation) programme provides books and materials that support the academic curricula for children of different age groups as well as a conducive space where the children can browse and read leisurely.

LOCAL COMMUNITY EMPOWERMENT

Our community empowerment programmes support micro-entrepreneurship and provide assistance to the entrepreneurs to sustain their businesses after they have received the initial support.

Pojok Selera, an Indofood corporate initiative, gives women the opportunity to learn flour-based baking and other skills through classes run by professional staff from Indofood's Bogasari subsidiary. Under this programme, women first receive training in both modern and traditional baking techniques. They are then taught basic business and entrepreneurship skills to turn their skills into an enterprise where they can earn some extra income.

These trainings are conducted at a number of IndoAgri plantations including Sumatra Island, Java, Kalimantan and Sulawesi. As part of the programme, we donated ovens and food mixers to the participants to help them kickstart their small business. In total, 456 women have participated in Pojok Selera at 18 estates in North and South Sumatra.

In Indragiri Hulu, near our Riau plantation, we supported "Program Kemitraan Keramba Jaring Apung" or the "Cage Fish Culture in Floating Net" programme, a partnership between PT Indriplant and local fish farmer groups in the village of Kuantan Serial Selunak District. The programme aims to raise a total of 10 fish cages and

1,000 DAYS PROGRAMME

8,356

PREGNANT WOMEN AND
YOUNG CHILDREN

EMPOWERED

573

ENTREPRENEURS,
SMALLHOLDERS & FISHERMEN

DONATED

1,433

BLOOD
UNITS

5,000 fishes for 20 members of the farmer group Kuantan Berseri in selunak village. The farmer group is responsible for maintaining the fish cages, as well as feeding and caring for the fish stock. The objective of this programme is for the farmer group to achieve sustainable operation independently for at least one crop cycle. The programme is also supported by the Inhu District Fisheries Office, and the Department of Animal Husbandry & Fisheries of Indragiri Hulu. Through our joint efforts, the pilot project seeks to encourage the growth of more fish cages and improve the livelihood of the fish farmers in selunak village.

Around our plantations, we give regular trainings to independent smallholders to improve their FFB production and assist them in fertilisation and pest management strategies. In 2012, we conducted trainings in Riau and North Sumatra for a total of 97 smallholders. This was in addition to the ongoing training and support provided to smallholders under the plasma scheme that covers approximately 83,000 ha.

OUTREACH TO THE COMMUNITY AND SOLIDARITY

IndoAgri promotes social harmony and community cohesiveness by donating regularly to infrastructure development, sports, culture and disaster recovery. We have built and repaired roads and bridges in Sumatra and Kalimantan, financed the construction of places of worship for our employees and their families as well as the local community. In 2012, we built Rumah Ibadah (places of worship such as churches and mosques) in North Sumatra.

Through PT Lonsum, we supported the Medan–Kualanamu Airport toll road access development plan by releasing the land rights to the government for 13.48 hectares in Sei Merah Village, Tanjung Morawa District, Deli Serdang Regency, and 22.43 hectares in

Firdaus and Cempedak villages, Sei Rampah District, Serdang Bedagai Regency. The land will become part of the toll road construction project.

As part of the community outreach effort, IndoAgri provides sports and recreational facilities for the local community. We also organise local tournaments, cultural and music performances regularly. We sponsored the organising committee of Mapangganro Cup 7 for soccer matches held in Gallarang, and provided assistance in the management of Persewangi Banyuwangi soccer club. We also supplied office space and sports equipment for local youth sports activities at the Lakitan Village.

We built a multi-purpose building in the capital of Bahorok-Langkat District, Langkat Regency, North Sumatra. The facility is used to develop and preserve the arts and culture of the surrounding community that comprises Malay, Karo and Javanese. In East Kalimantan, we conducted training for making Ulap Doyo crafts and organised an exhibition at the Jakarta Convention Centre in April 2012 to promote the Ulap Doyo artisans' works.

Together with the National AIDS Commission (KPA) in Pelalawan, Riau, we carried out an HIV/AIDS awareness programme SMK Putra Mandiri, Bandar Petalangan District. The programme aimed to provide accurate information to the students and public on the spread of HIV and the preventive measures.

We also supported the Indonesian Red Cross (PMI) blood donor programme. Our employees and the local community regularly donate blood. In 2012, 1,433 units of blood were donated to PMI.







APPENDICES



GLOBAL REPORTING INITIATIVE, G3.1 INDEX



This report uses the Global Reporting Initiative (GRI) guidelines for sustainability reporting. The guidelines contain principles and performance indicators and provide insights to the company's corporate governance, as well as social and environmental performance.

This report is GRI application level C accredited.

■ Fully

■ Partially

	GRI DISCLOSURE	LEVEL	LOCATION	PAGE No.
1	Strategy and Analysis			
1.1	CEO statement		CEO's Statement	5
1.2	Description of key impacts, risks and opportunities		CEO's Statement	5
			Challenges In Indonesia	6
			Significance Of Palm Oil	7
2	Organizational Profile			
2.1	Name of the organization		At A Glance	1
2.2	Primary brands, products, and/or services		At A Glance	1
2.3	Operational structure		Review 2012 Annual Report	12 5, 143-144
2.4	Headquarters location		Review 2012	12
2.5	Countries of operation		Review 2012 Annual Report	12 6-7
2.6	Nature of ownership and legal structure		Review 2012 Annual Report	12 5, 145-146
2.7	Markets served		Annual Report	19-32, 140
2.8	Scale of organization		At A Glance Business In Brief	1 13
2.9	Significant changes during the reporting period regarding size, structure, or ownership		2012 Expansion	12
2.10	Awards received during the reporting period		2012 Industry Accolades	15
3	Report Parameters			
3.1	Reporting period		About This Report	1
3.2	Date of most recent previous report		About This Report	1
3.3	Reporting cycle		Future Reporting	1
3.4	Contact point		sustainability@indofoodagri.com	1
3.5	Process for defining report content		About This Report Materiality, Commitments And Policy	1 23-25
3.6	Boundary of the report		About This Report	1
3.7	Limitations of the scope or boundary of the report		About This Report	1
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that could affect comparability		About This Report	1
3.10	Explanation of the effect of any restatements of information provided in earlier reports		No restatement. This is IndoAgri's first sustainability report.	-

	GRI DISCLOSURE	LEVEL	LOCATION	PAGE No.
3	Report Parameters			
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report		No significant change. This is IndoAgri's first sustainability report.	-
3.12	GRI content index		Global Reporting Initiative, G3.1 Index	54-59
4	Governance, Commitments and Engagement			
4.1	Governance structure		Corporate Governance And Management	20-21
4.2	Indicate whether the Chair of the highest governance body is also an executive officer		Corporate Governance And Management	20-21
4.3	State the number of members of the highest governance body that are independent and/or non-executive members		Corporate Governance And Management Annual Report	20-21 40-43
4.4	Mechanism for shareholders and employees to provide recommendations or direction to the board		Corporate Governance And Management Annual Report	20-21 46, 49, 52-53, 55
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)		Annual Report	49-51
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		Annual Report	46-55
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental and social topics		Annual Report	46-49
4.8	Statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation		Sustainability Commitment, Vision, Mission & Values IndoAgri Sustainable Palm Oil Policy (Materiality, Commitment and Policy)	Contents 24-25
4.9	Board procedures for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles		Corporate Governance And Management Materiality, Commitments & Policy	20-21 23-25
4.10	Processes for evaluating the board's own performance		Annual Report	46-49
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses		About This Report Regulatory And Voluntary Certification Systems	1 26-27

GLOBAL REPORTING INITIATIVE, G3.1 INDEX



■ Fully
 ■ Partially

	GRI DISCLOSURE	LEVEL	LOCATION	PAGE No.
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4.13	Memberships in associations or advocacy organisations		Stakeholder Engagement	28-29
4.14	List of stakeholder groups engaged by the organisation		Stakeholder Engagement	28-29
4.15	Basis for identification and selection of stakeholders with whom to engage		Stakeholder Engagement	28-29
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		Stakeholder Engagement	28-29
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting		Stakeholder Engagement	28-29
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Aspect	Market presence		Local Economy & Smallholders	30-31
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Aspect	Indirect economic impacts		Local Community Support	50-51
			Materiality, Commitments & Policy	23-25
Economic Performance Indicators				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments		Annual Report	62, 66-67
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change		Water, Emissions & Effluents	41
EC3	Coverage of the organisation's defined benefit plan obligations		Annual Report	82
EC4	Significant financial assistance received from government		None	-
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation		Employee Benefits, Development & Diversity	46-48
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation		Local Economy & Smallholders	30-31
			Materiality, Commitments & Policy	23-25
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement		Local Community Support	50-51

	GRI DISCLOSURE	LEVEL	LOCATION	PAGE No.
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Economic Performance Indicators				
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EN8	Total water withdrawal by source.		Water, Emissions & Effluents	39
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Biodiversity And Conservation	34-35
EN13	Habitats protected or restored.		Biodiversity And Conservation	34-35
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity		Biodiversity And Conservation	34-35
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		Biodiversity And Conservation	34-35
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		Water, Emissions & Effluents	41
EN20	NOx, SOx, and other significant air emissions by type and weight		Water, Emissions & Effluents	40
EN21	Total water discharge by quality and destination		Water, Emissions & Effluents	39
EN22	Total weight of waste by type and disposal method		Waste Management	42
EN23	Total number and volume of significant spills		Water, Emissions & Effluents	40
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		Sustainable Management Practices Section	32-43

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■ Fully
 ■ Partially

GRI DISCLOSURE		LEVEL	LOCATION	PAGE No.
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Aspect	Training and education	Fully	Employee Benefits, Development & Diversity Materiality, Commitments & Policy	46-48 23-25
Aspect	Diversity and equal opportunity	Fully	Employee Benefits, Development & Diversity Materiality, Commitments & Policy	46-48 23-25
Aspect	Equal remuneration for women and men	Fully	Employee Benefits, Development & Diversity Materiality, Commitments & Policy	46-48 23-25
Labour Performance Indicators				
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Fully	Employee Benefits, Development & Diversity	46-48
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Fully	Annual Report	36, 40-43
LA15	Return to work and retention rate after parental leave, by gender	Partially	Employee Benefits, Development & Diversity	48
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Aspect	Investment and procurement practices	Fully	Employee Safety & Welfare Materiality, Commitments & Policy	49 23-25
Aspect	Non-discrimination	Fully	Employee Safety & Welfare Materiality, Commitments & Policy	49 23-25
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Aspect	Child labor	Fully	Materiality, Commitments & Policy Sustainability Targets And Materiality Issues	23-25 9

	GRI DISCLOSURE	LEVEL	LOCATION	PAGE No.
Social: Human Rights				
Human Rights Performance Indicators				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening		Employee Safety & Welfare	49
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		Employee Safety & Welfare	49
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor		Sustainability Targets And Materiality Issues	8-9
Social: Society				
Disclosure on Management Approach (1/5)				
Aspect	Local communities		Stakeholder Engagement	28-29
			Local Community Support	50-51
			Materiality, Commitments & Policy	23-25
Society Performance Indicators				
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs		Stakeholder Engagement	28-29
			Local Community Support	50-51
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities		Stakeholder Engagement	28-29
Product responsibility				
Disclosure on Management Approach (1/5)				
Aspect	Product and service labeling		Regulatory And Voluntary Certifications	26-27
Product Performance Indicators				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		Regulatory And Voluntary Certifications	26-27



2012

Partnership
**THE UNITED NATIONS
WORLD FOOD PROGRAMME
(WFP)**

Indofood CBP (ICBP) partners with the United Nations World Food Programme (WFP) to achieve Millennium Development Goals (MDGs), particularly in reducing child mortality rates (goal 4).

Objective

To improve nutrition status at provincial and district levels in Nusa Tenggara Timur (NTT), focusing on infants between the age of one and two years.

Indofood Contribution

Support SUN MP-ASI to improve nutritional recovery for 10,000 infants between the age of one and two years in 32 maternal and child centres (posyandus) in NTT.

2012

Partnership
**PARTNERSHIP FOR
INDONESIA SUSTAINABLE
AGRICULTURE (PISAGRO)**

PISAgro is a partnership between the Indonesian Government and a number of Indonesian and international companies, with the World Economic Forum's (WEF) New Vision for Agriculture serving as the partnership platform.

Objective

To achieve the WEF's 20-20-20 target for every decade: 20% yield increase, 20% CO2 emission reduction and 20% poverty reduction.

Indofood Contribution

Provide leadership for the Potatoes Working Group and lead the development of crop-specific strategies and action plans that can be scaled up across Indonesia.

2012

Partnership
**OFFICE OF THE SPECIAL
ENVOY ON MILLENNIUM
DEVELOPMENT GOALS
(MDGS)**

Indofood partners with the Office of Special Envoy of the President of the Republic of Indonesia on MDGs to achieve development goals.

Objective

To accelerate the achievement of MDGs, particularly in reducing child mortality rates (goal 4) and improving maternal health (goal 5).

Indofood Contribution

Support SUN MP-ASI regularly to improve nutritional recovery for 10,000 infants between the age of one and two years in 32 maternal and child centres (posyandus) in NTT.

2009

Partnership
COALITION FOR SUSTAINABLE PACKAGING (CSP)

CSP is a coalition of six big FMCG companies in Indonesia: Indofood, Unilever, Coca Cola, Nestle, Tetra Pak and Danone, who have pledged responsibility for packaging waste. The collaboration was piloted in Pejaten, Pasar Minggu, South Jakarta. In 2012, following a series of discussions between the academia and government the pilot was expanded to include ten more areas in Jakarta, with waste banks expected to become part of the integrated environmental management solution.

Objective
To raise community and stakeholders' awareness about the importance of packaging waste management and increase multiparty partnerships through effective coordination.

Indofood Contribution
Provide a share of the annual budget for each project undertaken by the coalition.

2008

Partnership
KARYA SALEMBA EMPAT

In 2012, Indofood awarded scholarships to 270 students after a rigorous selection process. The recipients received intensive training in 5 levels of integrated learning tasks at the Indofood Leadership Camp.

The training aimed to enhance creativity, build confidence, cultivate discipline and inspire patriotism. Each BISMA recipient was able to learn work systems, procedures and culture through on-the-job training and internship programmes.

Objective
To provide scholarships for outstanding students with limited financial means at 11 reputable state universities in Indonesia, namely University of Indonesia, Bogor Institute of Agriculture, Bandung Institute of Technology, Padjajaran University, Gadjah Mada University, Sepuluh November Technology Institute, Andalas University and North Sumatra University.

Indofood Contribution
Provide full financial support for the scholarship programme.



GLOSSARY AND REFERENCES



AMDAL

Acronym for “Analisis Dampak Lingkungan”, or Environment Impact Assessment, which companies are required by Indonesian Government Regulation No. 27 of 2012 to undertake when starting a business or activity that will have a significant impact on the environment in Indonesia.

BIODIVERSITY

The variety of life forms within a particular ecosystem, biome, or habitat.

BIO-FUELS

Fuels derived from non-fossilised organic materials. Examples include biodiesel and ethanol which are produced from renewable crops such as vegetable oils and sugar cane respectively.

BIOLOGICAL OXYGEN DEMAND (BOD)

BOD refers to the amount of dissolved oxygen needed by aerobic biological organisms in a body of water to break down organic material. It is used as a measure of the degree of water pollution.

CARBON FOOTPRINT

The total amount of greenhouse gases (such as carbon dioxide, methane and nitrous oxides) emitted directly or indirectly by an organisation, event, product or person. It is usually expressed in equivalent tonnes of carbon or carbon dioxide.

CRUDE PALM OIL (CPO)

Oil produced from oil palm fruits in milling process.

EFFLUENTS

Liquid waste or sewage produced from the palm oil milling process.

GLOBAL REPORTING INITIATIVE (GRI)

A multi-stakeholder process and independent institution that develops and disseminates globally applicable sustainability reporting guidelines.

GREENHOUSE GAS (GHG)

Gases produced from human activities that trap solar radiation and contribute to climate change and ozone destruction.

HIGH CONSERVATION VALUE (HCV) AREA

Natural habitats considered of outstanding significance or critical importance in forest management certification.

INTEGRATED PEST MANAGEMENT (IPM)

The use of all available natural pest control techniques to reduce pest populations and the use of pesticides and other intervention so as to minimise risks to human health and the environment.

INDONESIA SUSTAINABLE PALM OIL (ISPO)

A government effort led by the Ministry of Agriculture to support the sustainable palm oil agriculture in Indonesia.

ISO 9000 SERIES

A family of International Standards addressing various aspects of quality management.

ISO 14000 SERIES

A family of International Standards addressing various aspects of environmental management.

ISO 22000 SERIES

A family of International Standards addressing food safety management.

IUCN RED LIST

A list for assessing the extinction risks of species.

KOPERASI UNIT DESA (KUD)

A village cooperative unit.

NON-GOVERNMENT ORGANISATION (NGO)

A non-profit, voluntary citizens' group, which is organised on a local, national or international level.

NUCLEUS

A system developed by the Indonesian government for plantation companies (nucleus) to develop oil palm plots (plasma) near their own plantation for smallholders.

OHSAS 18001:2007

An international occupational health and safety management system specification.

PALM KERNELS (PK)

The seed of the oil palm fruits, which can be further processed to extract palm kernel oil and by-products.



PEATLAND

Land consisting largely of partially decomposed vegetation (peat).

PLASMA

See Nucleus.

PALM OIL MILL EFFLUENT (POME)

See Effluents.

PROGRAMME FOR POLLUTION CONTROL, EVALUATION AND RATING (PROPER)

A national regulatory mechanism based on public disclosure of pollution records and environmental performance.

ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)

An NGO that promotes the growth and use of sustainable oil palm products through international standards and engagement of stakeholders.

SOCIAL IMPACT ASSESSMENT (SIA)

A methodology for analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programmes, plans and projects) and any social change processes invoked by those interventions.

STAKEHOLDERS

A person, group, organisation, member or system that affects or can be affected by an organisation's actions.

SUSTAINABILITY

A long-term balance of social, economical and environmental objectives.

End Notes:

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- iv <http://www.biofuelsdigest.com/bdigest/2012/05/04/advanced-algae-heads-for-asia-indonesia-food-giant-invests-in-heliae/>
- v RSPO certification systems 2007
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- xii A. <http://www.eco-business.com/news/govt-push-private-firms-using-more-biodegradable/>; B. <http://www.thejakartapost.com/bali-daily/2013-06-25/firms-must-be-responsible-handling-packaging-waste.html>
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- xiv Palm oil PWC report
- xv <http://www.irinnews.org/report/94946/indonesia-bid-to-revitalize-community-based-healthcare>



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Indofood
THE SYMBOL OF QUALITY FOODS