IndoAgri

SUSTAINABILITY REPORT 2016

JOURNEY TO A SUSTAINABLE FUTURE

WELCOME

WHO WE ARE
IndoAgri is listed on the Singapore Exchange (SGX) with headquarters in Singapore and Jakarta. The group's operations span the entire supply chain including research and development (R&D), seed breeding, plantation management, as well as the production and marketing of cooking oil, shortening and margarine. Oil palm is the dominant crop, followed by rubber, sugar cane, timber, cocoa and tea.

IndoAgri is fully committed to be a responsible agribusiness group with the publication of this fifth sustainability report, which embraces our approach to "Managing Sustainability" by integrating sustainable practices across our internal processes and supply chain. It also highlights the Group's sustainability journey, material issues and challenges. Our sustainability reports are available on our website www.indofoodagri.com.

This sustainability report is published in accordance with the Global Reporting Initiative (GRI) G4 guidelines: Core option. IndoAgri has not commissioned any third-party assurance on this report. We welcome your feedback at sustainability@indofoodagri.com.

SCOPE AND PROFILE [G4-17]
This report presents our sustainability performance for 2016, and covers our most dominant crop, oil palm, which occupies 82% of our total planted area. There is no significant change to the size, structure or ownership of our operations. There was no change to the scope of plantation, mill and refinery operations covered. Report data for responsible sourcing cover:
- RSPO-certified/audited oil palm plantations (31 sites)
- RSPO-/PROPER-certified mills (17 out of 24)
- Refineries (4 out of 5).

The scope of GHG data is expanded to 10 mills and 28 estates [G4-23]. We have a centralised Sustainability Management Information System (SMIS), which captures the sustainability data and targets. We have opted to include data from only certified/audited sites. The financial and employee data refer to the whole Group. We report restatements from previous reports relating to energy consumption on page 26, water consumption on page 32 and safety on page 47 [G4-22].

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

VISION
To become a leading integrated agribusiness, and one of the world-class agricultural research and seed breeding companies.

OUR MISSION
- To be a low-cost 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 stakeholder value.

OUR 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.

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THE POLICY THAT DRIVES US

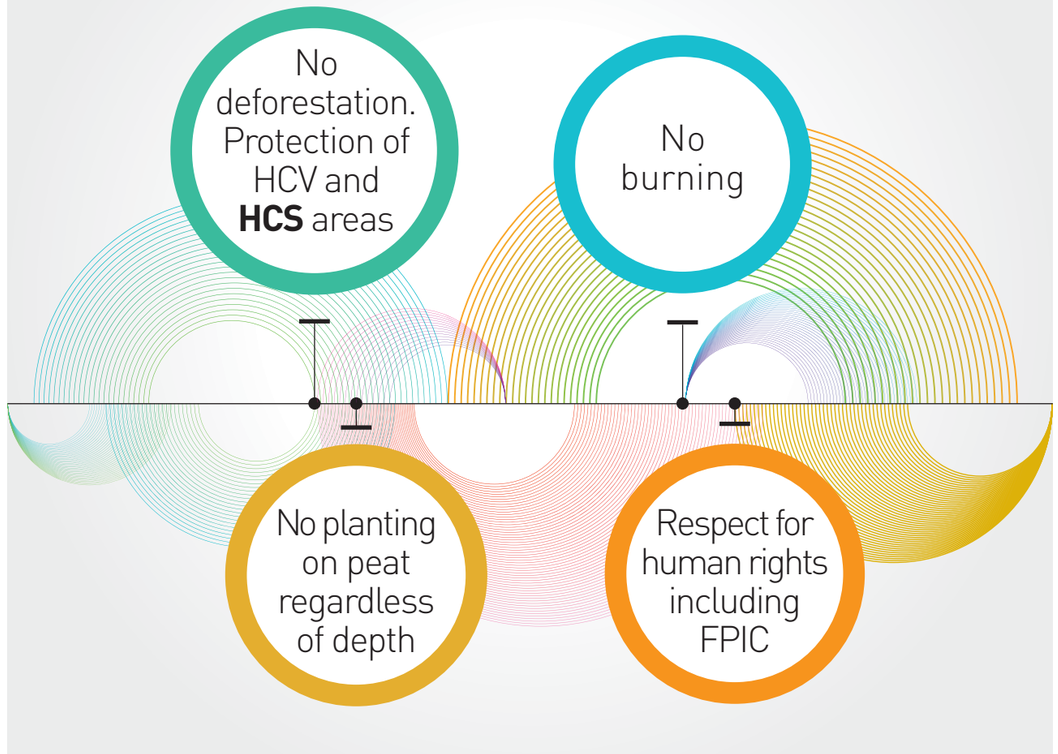
The Group's Sustainable Palm Oil Policy guides all of IndoAgri's sustainability programmes. It is applicable to all our oil palm operations, including those of our plasma smallholders and other third parties from whom we purchase CPO for our refineries. In line with a continuous process of review and improvement, an enhanced version of our Sustainable Palm Oil Policy was launched in February 2017. Our focus has been on attaining the RSPO and ISPO sustainability certifications.

This policy is underpinned by our core commitments to ensure safe, traceable and sustainably produced palm oil.

This policy also outlines our commitments on traceability, energy efficiency, agricultural best practices, as well as product quality and food safety.

A copy of IndoAgri's Sustainable Palm Oil Policy is available at www.indofoodagri.com/policies.html.

Our new Policy applies to all **our oil palm plantations, smallholders** and **third parties.** At its core are the following:



Our Sustainability Principles
These are the key principles and points of reference that guide how we work on a day-to-day basis.

Compliance	Healthy Living	Smallholders	Environmental Responsibility	Respect Human Rights	Innovation and Continuous Improvement

We buy into the global long-term goal of safe and sustainable food supplies.

For more than ten years, IndoAgri has been steadily improving its contribution to this goal through the delivery of safe, traceable and high-quality food products. Our focus has been on attaining RSPO and ISPO sustainability certification. We respect global institutional objectives on sustainable development. We listen to the wide range of stakeholders who highlight their concerns on material sustainability issues and risks relating to our operation.

We reaffirm our sustainability commitments and journey as outlined in our enhanced Sustainable Palm Oil Policy.

Our mill in South Sumatra

HOW WE DO BUSINESS

With a significant portion of the palm oil processed in our refineries coming from our own estates, we have a high degree of influence in maintaining a high standard of food safety, quality and responsibility across our supply chain. This enables us to offer our customers a safe, traceable and high quality product, while managing wider sustainability risks and opportunities. Our palm oil business is mainly composed of large plantation estates, smallholders, mills, refineries, laboratories and R&D sites. Our sustainability teams run programmes to deliver initiatives on the ground that meet our policy objectives, such as RSPO and ISPO certification, total quality management, forestry and conservation assessment, safety programmes and fire prevention.

FIRE, PEATLAND AND FORESTS

When we analyse commercial risk and strategy we automatically account for forest protection, fire risk and peatland use. We commit to no new planting on peatland, and prioritise careful moisture content management for peatland. 2016 saw significantly fewer hotspot and fire events compared with the exceptional conditions in 2015, but we remain on our guard. Our focus has been on demarcating and protecting HCV and HCS areas. Since January 2017, an HCV and HCS assessment must take place prior to any new planting. Our HCS projects have been done with an external partner.

KNOW THE SOURCE, ENABLE CHANGE

Responsible procurement is an issue facing intense scrutiny in most agribusiness sectors. The palm oil 'resource base' is finite, in a region of HCV and touched by social, political or economic vulnerability. We are focusing on traceability of supply and the delivery of more sustainable agricultural practices upstream. Our key target is to achieve RSPO and ISPO certification at all our mills and plantations, including those belonging to plasma smallholders, by end 2019.

We run a formal audit programme with key suppliers of CPO, we have a smallholder certification initiative with an external NGO partner, and seed origins are barcoded. This work should lead to strong yields, reduced pressure on land for new plantings and better agricultural techniques. In turn, over time, we expect to see improved profit and welfare, fewer environmental and labour rights risks, high quality product and lasting relationships.

Fire handling training and exercises in East Kalimantan

Students reading at our Smart House in North Sumatra estate

SAFE, NUTRITIOUS

Palm oil helps to extend the shelf life of products and maintains its properties under high temperatures. Customers more than ever expect high standards of quality and food safety achieving this is core to our commercial reputation and consumer expectations. We comply with international as well as local food safety standards and certifications. Our operatives live and breathe quality control in order to ensure hygienic and safe production. IndoAgri produces products with vitamin fortification in line with government regulations.

Our branded products are mainly cooking oils, margarine, shortening and refinery by-products. We sell these under the award winning brands of Bimoli, Delima, Palmia and Amanda.

OUR PEOPLE AND COMMUNITIES

Our approach to how we nurture and develop people continues to be delivered. Our vision and strategy put people and team work right at the centre. Our human resources team develops, evolves and champions our human ´capital' through training, evaluation, remuneration, and engagement. With our zero fatalities commitment in mind, we implement safety management across our sites and encourage safe behaviour at work.

We seek to improve the quality of life in our nucleus and plasma estates. We want to do this by improving the education, resilience and skills of people who live on our estates, or near to us. Our new PROKLIM project, part of an Indonesian government programme, for example, aims to improve communities through climate change projects. Our flagship cleft lip project continues to change people lives and we once again robustly acknowledge the contribution of the medical staff involved.

1983
SumBio, an R&D and oil palm seed breeding company started operations.

1997
Introduction of barn owls bio-control against rats.

2004
PT PP London Sumatra Indonesia Tbk (Lonsum) becomes RSPO member.

2006
Acquisition of an R&D and oil palm seed breeding company.

2007
PT Salim Ivomas Pratama Tbk (SIMP) becomes RSPO member.

2009
RSPO-certified CPO of 170,000 tonnes.

2011
RSPO-certified CPO of 195,000 tonnes.

2012
RSPO-certified CPO of 248,000 tonnes.

2013
- RSPO-certified CPO of 248,000 tonnes.
- First ISPO-certified CPO of 45,000 tonnes.
- First Sustainability Report.
- Sustainable Palm Oil Policy includes the commitment to no new planting on peatland.

2014
- RSPO-certified CPO of 332,000 tonnes.
- Palm Oil Sourcing Policy and Responsible Supplier Guidelines.
- Strategic partnership with IDH on smallholder programme.
- Development of SMIS.
- Launched cleft lip and cataract surgery programme.

2015
- RSPO-certified CPO of 377,000 tonnes.
- ISPO-certified CPO of 180,000 tonnes.
- FSSC 22000 certified for Tanjung Priok refinery.

2016
- Programme to revise our Sustainable Palm Oil Policy, which published in February 2017.
- RSPO-certified CPO of 388,000 tonnes.
- ISPO-certified CPO of 255,000 tonnes.
- Year two of our smallholder certification partnership project.

DEAR STAKEHOLDERS,

IndoAgri has taken another step forward on the journey to embed and strengthen sustainability in our corporate governance and operations. A process that began in 2016 has resulted in the publication of our revised Sustainable Palm Oil Policy on 13th February 2017. We have effectively unified our two existing policies on sustainability and sourcing to reflect the increasing focus on the supply chain, we have expanded on the previous policy to add greater clarity to all stakeholders and we have strengthened our approach on 'no deforestation', by restricting planting on HCS areas.

2016 saw some significant global headlines ranging from agreement at the UN Climate Change Conference of the Parties 21 (COP21) in Paris, to major political landscape changes in Europe and the US. Against this backdrop, food security and commodity supply chain impacts continue to be under careful scrutiny, and rightly so. Given this context the long-term aim of our business model is to become a leading, integrated agribusiness through low costs, high yields, efficient operations, strong teams and satisfied customers.

So whatever your stake in our business – customer, smallholder or environmental group, for example – our strategic goals and established management practices aim to deliver financial, environmental and social value. And our new policy pushes this aim beyond our operations to embrace suppliers.

> **AGAINST THIS BACKDROP, FOOD SECURITY AND COMMODITY SUPPLY CHAIN IMPACTS CONTINUE TO BE UNDER CAREFUL SCRUTINY, AND RIGHTLY SO.**

Let's look at how we work: in practical terms, our management approach is anchored in our policy framework and covers issues of land management, biodiversity, community rights and traceability, as well as food safety, energy efficiency, farmer relationships, innovation and yield. Management practices include Standard Operating Procedures, internal audit or formal training. I have a good team working hard to deliver this approach: our sustainability team works with our Enterprise Risk Management (ERM) and Internal Audit teams to run and audit our systems and procedures, as well as to demonstrate external accountability and a commitment to continuous improvement.

Safe operations are undeniably vital. Accidents are less frequent and less severe than last year but we regretfully report five fatalities in 2016. We take these seriously: our response is to meet the families involved and work on future prevention. As well as an extensive series of improvements in human resources management in the Group, we continue to invest in training as well as behavioural safety.

Our commitment to responsible sourcing ensures we have a high level of control over where our raw material comes from, our refineries' strategy is to buy from our own plantations directly, supplemented by third-party suppliers. By the end of 2020, we want 100% of our palm oil supply to comply with our policy. Based on 2016 CPO purchases, 100% of our CPO suppliers can be traced to the palm oil mill and 73% of our suppliers have been audited. In 2016, after a period of engagement, we decided to exclude certain CPO suppliers who were unable to meet our Responsible Supplier Guidelines. We use RSPO as our benchmark standard, supported by ISPO certification, to demonstrate traceable, sustainable palm oil via a credible and accountable third-party process. We are broadly on track to meet our aim to have all our mills, estates and smallholder plantings certified to RSPO and ISPO by the end of 2019. At the end of 2016, 47% and 31% of our CPO production in 2016 has been certified under RSPO and ISPO respectively.

Regarding forest risk, since 2005, the way we manage plantings and conservation practices has aligned with the RSPO interpretation of 'no deforestation', and applies to all estates whether certified or not. By the close of 2016 we identified HCV areas totalling 23,279 hectares (9% of our total plantings). We are setting up an HCV management plan for each site, working with surrounding communities. Our Sustainable Palm Oil Policy extends this further to include preservation of areas of HCS.

This is supported by our commitment to zero planting on peatland, irrespective of depth, since 2013. We continue with soil moisture control projects, working with various partners on assessment and delivery.

We constantly focus on fire prevention of course and whilst regional air quality significantly improved in 2016 we intensified our work to prevent uncontrolled fires. And this goes beyond our boundaries, as explained in our 2015 Sustainability Report; we acknowledge the challenges to eliminate fires and we continue to engage with host communities and local authorities to prevent fires far and wide.

With awareness and management responses come actions and relationships. Our business relies on relationships with suppliers, farmers, employees and communities to stimulate local development and to help alleviate poverty. Working with suppliers, we are improving the traceability of CPO received at our refineries. This helps to maintain the trust our customers place in us and our brands.

Our commitment to the local community deepens: our flagship cleft lip programme has now sponsored 137 operations for children in Indonesia. I acknowledge and thank the surgeons and partners in this programme. On nucleus and plasma estates we continue our community investments in educational, health and infrastructure projects. They breed enterprise, opportunity and access to medical support, to improve infant mortality rates for instance.

This report aims to show some of our work on the complex set of interrelated sustainability issues on the ground that affect our industry. I appreciate the support of the Board of Directors in this work, I thank our sustainability team, my fellow management team, and our employees working on our sustainability programmes.

I recognise the need for continuous vigilance of how current business models work. With my teams at IndoAgri, we assess sustainability risks as a mean to deliver a long-term strategy of a traceable supply chain, efficient operations, competitive delivery and high standards of quality. As we follow the path on this challenging and complex journey, we maintain our focus on securing a supply chain that is transparent and responsible. We have clear targets attached to our priority material issues to help make progress. This, our fifth sustainability report, for the financial year 2016, shows our progress.

Mark Wakeford
Chief Executive Officer

ISPO certification
for all estates and mills

Target date: End 2019
Status: Extended from 2017 to 2019 due to addition of new plantings

RSPO certification
for all estates, mills including plasma smallholder estates

Target date: End 2019
Status: On track

100% sustainable palm oil sourcing

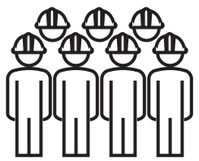
Target date: End 2020
Status: On track

Develop environmental **reduction targets for carbon emissions, energy and water**

Target date: 2016
Status: Achieved for energy and water consumption target

Implement the **Occupational Health and Safety programme** and complete the baseline assessment for all sites to reduce work related accidents

Target date: End 2016
Status: Not achieved. 89% completed, remaining sites for completion in 2017

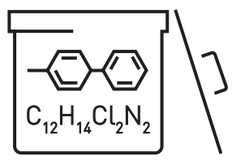


Zero fatalities

Target date: Ongoing
Status: Not achieved

Implement **HCV rehabilitation plan** for each site

Target date: End 2017
Status: On track



Phase out the use of Paraquat

Target date: 2018
Status: Will be achieved one year early, in 2017

RSPO and ISPO Certification Targets and Progress

		Achievement			Future target		
Coverage	Certification	2014	2015	2016	2017	2018	2019
Oil Palm Estate	RSPO Nucleus [a]	73,508	25,234	11,915 [b]	51,280	21,910	63,583
Oil Palm Estate	ISPO Nucleus [a]	8,056	172,574	23,147 [b]	42,278	–	1,375
Oil Palm Estate	RSPO Plasma [a]	–	–	–	14,573	48,437	24,194
Palm Oil Mills	RSPO	8	3	1 [b]	6	3	3
Palm Oil Mills	ISPO	1	20	1 [b]	2	–	–

a Hectarage data are based on planted areas as of 31 December 2016.
b Hectarage or number of mills that are already certified or underwent second stage audit of RSPO and first stage of ISPO. The issuance date of certificate is subject to the accreditation period of the certifying body.

Other Certification Targets and Progress

		Achievement			Future target		
Coverage	Certification	2014	2015	2016	2017	2018	2019
Palm Oil Mills	PROPER [c]	12	12	12	For the remaining 12 mills, the timing of the PROPER audit is subject to the audit appointment to be scheduled by the Indonesian Ministry of Environment and Forestry		
Refineries	PROPER [c]	4	4	4	1	–	–
Palm Oil Mills	ISO 14001	–	4	–	15	5	–
Refineries	ISO 14001	–	–	–	–	2	1
Refineries	RSPO Supply chain certification	–	–	1 [d]	1	1	–

c Target application dates for participation in the Indonesian government's PROPER audit. Participation is subject to approval by the Indonesian Ministry of Environment and Forestry.
d The audit process was completed in 2016 and is awaiting certificate in 2017.

Supply Chain Targets

	Achievement			Future target			
Target	2014	2015	2016	2017	2018	2019	2020
Responsible CPO supplier Programme	Suppliers that supply 97% of our CPO requirement have acknowledged our policy and guidelines	Suppliers that supply 80% of our CPO requirement have undergone initial audit against our sourcing policy	Enhanced and enforced our supplier guidelines, ceased sourcing from non-compliant CPO suppliers	Audit CPO suppliers and ensure compliance			100% sustainable palm oil sourcing

BUSINESS OVERVIEW [G4-17]

A diversified and vertically integrated agribusiness headquartered in Singapore and Jakarta, and listed on the SGX, we operate plantation and processing facilities for the production of palm oil, rubber, sugar, cocoa and tea. Our operations span the entire supply chain, from plantation management and crop production, through to refining, branding and marketing of edible oil products.

Our Production Facilities and Annual Capacities in Indonesia

300,536
hectares
Nucleus planted area in Indonesia, covering all crops

90,463
hectares
Plasma planted area in Indonesia, oil palm and rubber

2
Sugar Mills/ Refineries
Cane crushing – 2.2M tonnes

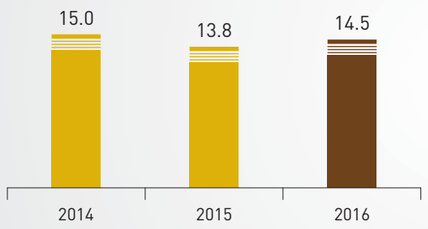
24
Palm Oil Mills
FFB processing – 6.4M tonnes

5
Refineries
CPO processing – 1.4M tonnes

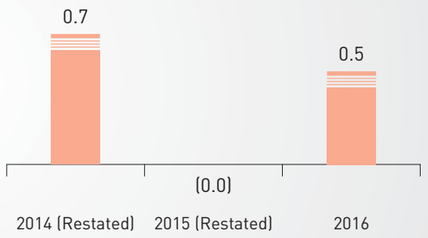
Harvesting of FFB ▶

Key highlights [G4-17]

Net Sales
(in Rp trillion)



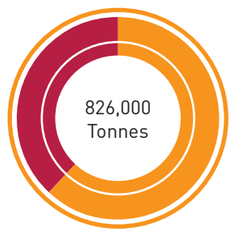
Net Profit/(loss) to Owners of the Company
(in Rp trillion)



Revenue (Internal and External) by Division 2016

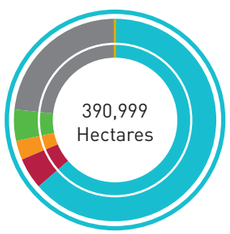
Plantation	**49%**
Edible Oils and Fats	**51%**

CPO Sales Volume 2016



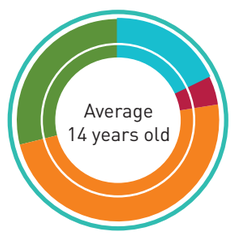
CPO sold to our Refineries	**62%**
CPO sold to External Parties	**38%**

Planted Area (Nucleus and Plasma) 2016



Nucleus Palm Oil	**63%**
Nucleus Rubber	**5%**
Nucleus Sugar	**3%**
Nucleus Other Crops	**5%**
Plasma Palm Oil	**23%**
Plasma Rubber	**1%**

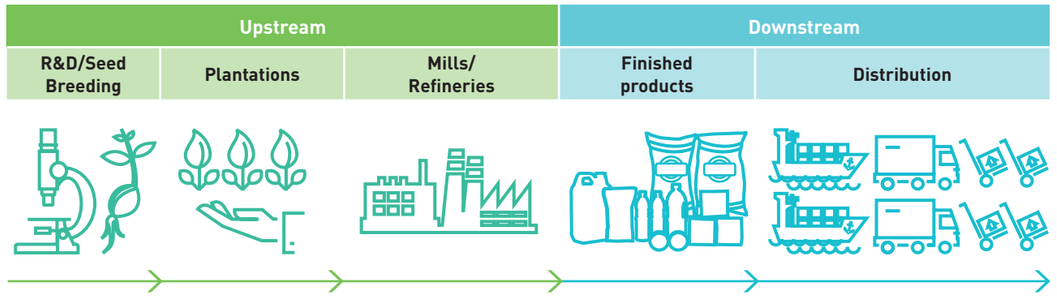
Age of Our Oil Palm Trees



Immature	**18%**
4 – 6 years	**5%**
7 – 20 years	**49%**
> 20 years	**29%**

From seed to sales [G4-17]

Capturing Value Across The Entire Supply Chain



OIL PALM

We develop and innovate seeds and planting materials. We engage in plantation operations. We harvest, mill, refine and process CPO into cooking oil, margarine and shortening. Since 61% of our CPO processed in refineries comes from our own plantations, we have greater control of 'value drivers' relating to how we manage sustainability risks and opportunities.

Our seeds are produced using world-renowned breeding populations from Southeast Asia and Africa. Our two top-tier seed breeding sites in Indonesia run extensive trials to produce high-yielding seed material. Free of genetic modification, our seeds are highly valued and are sold on the open market.

As at end 2016, the Plantation Division has total planted oil palm estates of 247,430 hectares, of which 18% were immature estates. The age of oil palms averaged 14 years. In 2016, we replanted 1,970 hectares of oil palms, and 1,025 hectares of nucleus new plantings.

In 2016, total FFB production from our nucleus estates, plasma and third parties was 3,964,000 tonnes. These FFB were processed into 833,000 tonnes of CPO.

OTHER CROPS

In 2016, we produced 15,000 tonnes of rubber in Indonesia, around half of which is exported to countries such as Singapore, the US and UK.

Our sugar operations in Indonesia, Brazil and the Philippines produced 725,000 tonnes of sugar, and 212,000m^3 of ethanol for export and domestic markets in 2016. We have investments in Companhia Mineira de Açúcar e Álcool Participações (CMAA) in Brazil and Roxas Holdings Inc (RHI) in the Philippines. CMAA achieved Bonsucro certification for 373,000 tonnes of sugar cane which harvested from 4,198 hectares, representing 22.0% and 17.5% of total production and planted area of CMAA's managed sugar cane area. The target is to achieve 100% Bonsucro certification for CMAA managed cane fields by the end of the 2020/2021 harvest season. Bonsucro is a globally recognised sustainability standard and multi-stakeholder non-profit organisation.

DOWNSTREAM REFINERY

In the domestic market, nearly 90% of our branded edible oils and fats in 2016 are sold by retail outlets across Indonesia. The remaining 10% is sold to export markets.

Our finished products – cooking oil and margarine

Where we operate [G4-17]

INDONESIA

247,430
Hectares of oil palm

20,115
Hectares of rubber

13,249
Hectares of sugar cane

19,742
Hectares of other crops

BRAZIL

53,826
Hectares of sugar cane

OUR PLANTATIONS AND REFINERIES

Indonesia
IndoAgri owns strategically located estates and production facilities across Indonesia. The Group's planted area occupies 300,536 hectares. Oil palm is the dominant crop, followed by rubber, sugar cane, timber, cocoa and tea. Our plantations are largely located in Sumatra and Kalimantan, while our refineries are mainly located at major cities including Jakarta, Medan, Surabaya and Bitung.

Brazil
IndoAgri has a 50% interest in CMAA. CMMA has 53,826 hectares of planted sugar cane in Brazil, of which 49% is company owned and 51% belongs to third parties.

Philippines
IndoAgri has a 30% interest in FP Natural Resources Limited, which owns a 59.7% shareholding in RHI, the largest integrated sugar business in the Philippines.

@ See also detail on our mill and plantation locations, on pages 156-157 of our Annual Report 2016.

INDOFOOD AGRI RESOURCES LTD
SUSTAINABILITY REPORT 2016

A SYSTEMATIC APPROACH

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

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

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

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

An oil palm plantation in North Sumatra

OUR PROGRAMMES

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

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

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

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

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

As a responsible employer and plantation owner, we are accountable for a high standard of welfare, health, living conditions, civic services and amenities, in addition to providing training and economic opportunities for our employees and their families who live on our estates. Our ***Growing Responsibly*** Programme offers a systematic approach to compliance in areas such as human resource training and management, stakeholder engagement and risk assessment. Our ***Work and Estate Living*** Programme complements this by covering the aspects relating to *occupational health* and *safety* (see page 44 for more details).

Safety briefing after harvesting

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

TARGETS

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

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

AT A GLANCE: HOW WE MANAGE EACH MATERIAL ISSUE [G4-19]

Issue	Management approach				
	Sustainable Palm Oil Policy 2017	Certification RSPO/ISPO	PROPER/ ISO/SMK3	FSSC	Other – ERM Framework, Whistleblowing Policy
Carbon management, including deforestation	✓	✓	✓		✓
Environmental footprint	✓	✓	✓		✓
Governance and transparency (integrity, anti-corruption, risk management)	✓	✓	✓		✓
Land rights	✓	✓			✓
Occupational health and safety	✓	✓	✓	✓	✓
Smallholders including social conflict resolution	✓	✓			✓
Product traceability/sustainable sourcing	✓	✓		✓	✓
Product quality and safety	✓	✓	✓	✓	✓
Yield maximisation, innovation	✓	✓			✓
Human rights	✓	✓			✓

Our rubber nursery in South Sulawesi

GOVERNANCE

IndoAgri commits to high standards of corporate governance and transparency to safeguard shareholders' interests and to comply with the relevant laws and regulations with regard to sustainability requirements and reporting.

The Group's sustainability management comes under the Sustainability Think Tank, which is led by the CEO. It comprises the Executive Directors of the Group and its principal subsidiaries, and is supported by the Chief Operating Officers, ERM unit, R&D team and sustainability representatives from all business units. The Sustainability Think Tank meets regularly to review the progress, improvement and direction of the Group's management efforts relating to environment, social and governance (ESG) issues.

The Board is updated on a quarterly basis through the Audit & Risk Management Committee on matters relating to material sustainability risks and concerns. The CEO also updates the Board on sustainability management initiatives, performance against the key ESG issues, material sustainability issues identified by stakeholders, as well as the responses and follow up measures taken.

STAKEHOLDER ENGAGEMENT [G4-24, G4-25, G4-26]

Close collaboration with our stakeholders has always been crucial to the Group's success in sustainable palm oil production. Free, Prior and Informed Consent (FPIC) is at the heart of the Sustainable Palm Oil Policy revised in 2017. In promoting Good Agricultural Practices, the Policy demands greater engagement with our key stakeholder groups, namely the employees, customers, investors, government and non-government agencies, suppliers, civil organisations and local communities. As we expand our RSPO- and ISPO- certified production, regular contact with our stakeholders has been an integral part of the process.

Community engagement activities could include HCV assessments and fire prevention work, while employee engagement efforts could cover endeavours to solicit staff feedback and inputs on matters such as safety management systems. Customer and stakeholders engagement is at the core of the Group's initiatives for product safety management, and activities could range from audits and R&D, to marketing and customer satisfaction surveys. We also listen to views from our investors on sustainability by participating in forums such as the United Nations' Principles for Responsible Investment (UNPRI) conference held in Singapore in 2016.

In further compliance with RSPO principles and criteria and improving community relationship, social impact assessments are conducted with local communities and authorities at our estates in order to understand their capacities and concerns. Regarding land ownership, we engage with local communities and governments to discuss new developments based on the FPIC principle. IndoAgri's land conflict resolution mechanism investigates claims and disputes with the involvement of local government, village administrative teams and community elders. A community development forum is held annually to discuss important issues affecting the community and to provide advice to address their needs.

The key issues for each of our stakeholder groups are relatively well known in the palm oil sector. Investors expect a risk-based approach to the management of supply chain resilience and labour conditions, while civil organisations prefer to track and analyse our risks and impact, as well as responses to issues on biodiversity and human rights. Suppliers and farmers are interested in matters pertaining to prices or assistance programmes on yield improvement and safety, while employees require assurance on job security, wages, safety and careers.

More information on how we engage the respective stakeholder groups in 2016 can be found in this Sustainability Report and online report supplement. [G4-26, G4-27]

MATERIALITY ASSESSMENT [G4-18]

The Group's material sustainability issues were formally identified during the period from 2013 to 2014, and revalidated at the Executive Committee level in 2015. The materiality of an issue is assessed based on its potential risk and impact on the Group's business, both internal and external stakeholders, and the environment. The Group's materiality assessments are carried out through internal workshops, peer reviews, engagement with international NGOs and social impact assessments at the site level.

In 2016, the Executive Committee also engaged with various investor stakeholders with regards to our material sustainability issues, ensuring such material issues remained relevant and valid. This process was in line with the GRI G4 Guidelines.

@ For detail on our materiality process, and where the impacts occur, please see http://www.indofoodagri.com/sustainability-approach.html [G4-18, G4-19, G4-20, G4-21]

@ For more on the key issues for our stakeholders, and how we engage with them, please see http://www.indofoodagri.com/sustainability-approach.html [G4-24, G4-25, G4-26, G4-27]

@ For detail on our sustainability governance arrangements, including sustainability management team structure, please see http://www.indofoodagri.com/sustainability-governance.html

@ For more on our corporate governance and ERM, please see http://www.indofoodagri.com/ir.html

ENVIRONMENTAL PERFORMANCE

CONSOLIDATING ACTION, MAKING PROGRESS

Progress headlines

- HCV management plan: 100% of areas, covering both RSPO-certified and non-RSPO land
- Fire prevention: training has intensified in 2016
- Peatland: a focus on water management projects continued in 2016
- Paraquat-free: all North Sumatra nucleus operations

61%
palm oil mills and estates that have an EMS in place, ready for audit

124
fire prevention training days delivered across 77 units

Zero
hectares of new planting on peat in 2016

Halcyon smyrnensis (Cekakak Belukar), a bird species which is protected under government regulation PP no 7/1999 found in our South Sumatra estate ▶

The Environment: Our approach

WHAT'S AT STAKE?

In a word: value. Our commercial risk assessment covers forest risk, fire risk, peatland and other soil risk. These risks not only affect the commercial value but also the intrinsic value of eco systems, riparian areas and local communities.

HCV land that harbours important species must be protected. Careful land management and tenure agreements help secure such value while respecting human rights and families' livelihoods. Forests lock in stocks of carbon and are habitats for a rich diversity of plants and animals. Peatlands are highly fertile: draining them brings huge negative environmental impacts, including methane emissions (from a lower water table) and transboundary haze risk. Changing biomes such as forest and peatland will exacerbate risk of global climate change. Fires mean high commercial risks, high potential cost and can threaten national climate change goals, environmental sustainability and poverty reduction.

Industrial sites should be operated efficiently within resource constraints, this is to minimise negative impacts on the stability of global climate systems. The other priority is to limit the local environmental footprint and pollution arising from processing, chemical inputs and transportation.

OUR RESPONSE

Our Sustainable Palm Oil Policy unites both supply chain and operational requirements. It commits us to support sustainable agriculture practices, sustainable communities and safer workplaces. It specifies that smallholders must be RSPO and ISPO compliant. It requires all our mills and plantations, including smallholders, to be RSPO-certified by 2019. It directs supplier engagement and audit.

We engage auditors accredited by the HCV Resource Network Assessor Licensing Scheme (ALS) to assess our HCV areas.

We have a set of Responsible Supplier Guidelines to establish supplier commitment to seven principles on traceability and environmental impact. An audit programme is in place across our operations to measure performance against these requirements and provide an impetus for continuous improvement.

Our Environmental Management Systems (EMS, which follows ISO14000), Enterprise Risk Management framework and Whistleblowing mechanism are in place to ensure compliance with the relevant requirements and manage environmental risks. Some 61% of palm oil mills and estates have an EMS in place, ready for audit; our Turangie mill is already formally certified.

Our product safety management is underpinned by a process of supplier engagement, notably with plasma farmers and independent smallholders. We have a significant control over product sourcing from our own plantations owing to a high degree of vertical integration across the supply chain. Our engagement with the suppliers are focused on agricultural productivity, environmental impacts and labour practices.

Our internal Programmes aim to deliver environmental improvements, see page 16.

RSPO CERTIFICATION UPDATE

By 2019 we aim to have all of our palm oil production (including plasma smallholders) certified to RSPO standards. Our RSPO-certified production was 388,000 tonnes, representing 47% of our 2016 CPO production. Good progress on the ground has been made to meet RSPO standards and meet our commitment to be fully certified by 2019. Our plantations are also audited for ISPO, the Indonesian mandatory standard: we have 255,000 tonnes certified under ISPO, representing 31% of our 2016 CPO production. Our membership of RSPO provides a mechanism for positive and negative feedback as we develop our practices.

@ For more on RSPO see http://www.indofoodagri.com/certification-and-standards.html

PROPER

The Indonesian government's environmental management programme grades the level of pollution control of a facility and communicates environmental performance. In 2016, 12 palm oil mills, three other crop factories, and four refineries were audited. 16 of the sites achieved a "blue" rating, while remaining three sites are still waiting for the results.

@ For more on PROPER ratings criteria and our PROPER achievement at http://www.indofoodagri.com/certification-and-standards.html

Forests and palm oil production

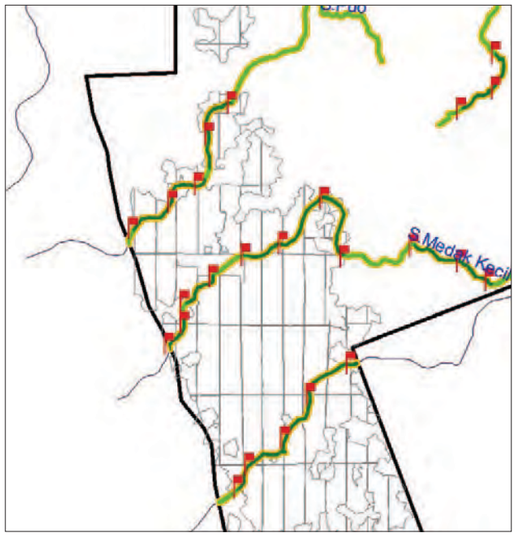
Protect forests: identify land of HCV and maximise HCS.

Our Sustainable Palm Oil Policy aligns with the Principles and Criteria of RSPO (and the Indonesian National Interpretation of them), including the definition of deforestation.

HCV land comprises certain critical ecological or socio-cultural attributes. Recording them is part of conservation, a process that aligns with RSPO's requirements. HCV assessments using accredited third-party assessors are now complete on all of our oil palm estates.

Of all our plantation assets, 100% have HCV management plans in place which incorporates a map where remote-sensing data is on the ground. They cover both RSPO-certified and non-RSPO land. The aim of each plan is to prevent clearance of HCV land.

Each estate's HCV team regularly monitors HCV area with local stakeholders as required. An HCV monitoring report includes information on the existence of wild flora and fauna, signage and borders, any disturbance or intrusion.



In this example, the green line indicates a riparian 'corridor' ecosystem, each red marker alerts workers to the presence of protected HCV land. (Source: extract from an HCV Management Plan from a Sumatran subsidiary, 2016)

When it comes to planning or planting, we assess carbon stock to identify deforestation risk and to build community trust. We used the RSPO Carbon Assessment Tool 2014 and we refer to the HCS Approach Toolkit 2015.

Since 2011, a global multi-stakeholder initiative has been developing a coherent set of rules to help companies implement commitments on deforestation in palm oil operations and supply chains. This is culminating in a revised HCS Approach Toolkit for 2017 that allows estates to quantify carbon stocks of their assets in a comparable way across the industry as well as support FPIC in community development and investment.

With effect from January 2017, a HCV and HCS assessment is required to be conducted prior to carrying out any new plantings. We have started using HCS measurement in South Sumatra and Kalimantan, which involves the use of field study techniques and Landsat imaging to identify areas of cover such as old shrub, grass land, oil palm plantation, built up areas, cleared land or water bodies. This leads to a figure for total of carbon stock at an estate and an average value of tonnes of carbon per hectare. We will then be able to identify the highest carbon stock density on an estate and compare it with the RSPO default value, and thus evaluate HCS risk. HCS projects are typically done with the help of expert external parties, and may take 2-3 months to complete using formal scientific methods in line with RSPO and other requirements.

During re-planting of 1,970 hectares of old palms in 2016, no primary forest nor HCV land were affected. Immature palms represent 18% of total planted palm.

On occasion, during planting projects, there is some need for clarity on land transactions as they may be subject to historic assertions of traditional ownership and land rights. Our land acquisition process complies with the Indonesian law and regulations, as well as applying FPIC principle under our Sustainable Palm Oil Policy. Our RSPO certification also covers land rights and ownership, while our HCV assessments in 2014 sought to identify culturally significant sites.

MINERAL SOILS, HIGH STANDARDS

Soil and water conservation is the key to the success of the sustainable plantation management programme in marginal lands. We have identified areas mainly located in Riau, Kalimantan and South Sumatra, which require specific water management measures and conservation techniques to control soil erosion on hilly areas, and to ensure good drainage on lowlands. In 2016, this featured bench terracing to maintain water on slopes of various gradients, avoiding soil exposure from excessive weeding and developing vetiver grass for land/canal stabilisation and water conservation.

@ For detail on Red List or other national conservation list species found on our estates, please see http://www.indofoodagri.com/environmental-stewardship.html

Peatland preservation

We commit to no new planting on peatland and prioritise careful moisture content management within it.

We prohibit new planting on peatland, regardless of peat depth. This is our policy since 2013 and is enshrined under the HCV and HCS approach described above, which also applies to our suppliers. We have no new planting on peatland in 2016.

All existing planting on peat prior to 2013 is maintained at a daily soil water table depth of 60 cm. We commit to manage any legacy peatland assets using the best agronomic practices and recommendations from RSPO technical working groups.

Peatlands contain high levels of embodied carbon. If they are drained and used for cultivation, this releases CO_2 emissions. Burning of peatland contributes significantly to particulate pollution and haze, as the fires are hard to put out, and sub-surface combustion can present a significant and often undetectable challenge. For this reason, we set our top priority to maintain a minimum water table depth for our cultivated peatland.

We are strict on prohibiting planting on peatland, and HCV land. Nucleus planting programmes are subject to approval processes that go right up to Executive Board level. With senior accountability governing what happens on the ground on our estates we also encourage plasma growers to use similar HCV assessment, both within our pilot project with The Sustainable Trade Initiative (IDH) but also outside it (see page 38).

We adopt various peatland moisture control measures, including the use of irrigation canals, water reservoirs, dams, water-gates and small-scale community projects.

MICRO WATER MANAGEMENT IN LOW-LAND MINERAL SOILS AND PEATLAND:

Our research team runs continuous water level monitoring in all of our estates. We have identified areas that require careful soil water management. Our efforts include the use of peat subsidence measurement and tools such as GIS/GPS water level remote sensing, 3D flood risk modelling for lowland areas and water level forecasting. Our estates have been affected by the severe droughts in the second half of 2015, since then we have installed additional drainage channels, water gates and overflows on main road drains to ensure water distribution during dry seasons, which aim to maintain the appropriate water depth depending on local circumstances.

Irrigation canal for water control in South Sumatra estate

Fire prevention operations

2016 saw fewer hotspot and fire events compared to 2015, but we remain on our guard.

Local knowledge of fire prevention has improved over last year, and engagement on fire risk with communities and local government is more rigorous. Our fire and hotspot patrols are more intense and frequent. We have added new equipments, fire towers, and steady delivery of training. 2016 was a wetter year but fire risk is ever present. Fewer hotspots and fires occurred at our estates compared to 2015.

We continue to adhere to our zero burning policy; all land preparation for planting at IndoAgri is done using mechanical clearing only in compliance with local regulations. This policy also applies to our suppliers. Our ERM team continues to guide our monitoring and response, and they coordinate daily communication between head office and the plantations on fire risk and incidents, using satellite data. We continue water management assessments and monitoring, checking that recommendations work on the ground. Results are shared, to raise awareness across other estates.

Field staff fire prevention training in collaboration with the government's Manggala Agni agency has resulted in 124 training days delivered across 77 units during 2016. Education and information ('socialisation') continues on estates, with smallholders, communities and contractors: small actions everywhere are of course collectively significant. This is vital as we attempt to turn the tide of traditional, ingrained cultural community habits of using fire to clear land. We recognise that modern techniques require resources and equipment, but also a concerted socialisation effort.

We also recognise the value of alliances and programmes involving villages and other voluntary stakeholders. One of the collaborations is "Fire Aware Community" (Masyarakat Peduli Api), which is based on forest and fire prevention initiatives with the close involvement of forest-dwelling communities who are often first on the scene to help minimise fire risk. The government supports such communities with resources for training, prevention, extinguishing and recovery. IndoAgri estates participate in helping to maintain high levels of awareness in the Fire Aware Communities, in line with the government programme. The principal focus is in high-risk areas such as Sumatera, Java, Kalimantan and Sulawesi.

Fire prevention training and exercises in East Kalimantan

Carbon footprint: Energy and GHG emissions

Treading more lightly through process efficiency, renewable power and behaviour change.

In 2016, our environmental teams continued to expand and consolidate our environmental management systems on site. This was complemented by a preliminary energy measurement study which will be used to improve our energy management in future.

Energy consumption per tonne of FFB processed at our mills increased 1.2 % from 2015 due to smaller volumes processed, but 99% of milling fuel is renewable: shell and fibre by-products fire our biomass boilers at our mills. Meanwhile, energy consumption per tonne of material produced at our refineries decreased by 6% from 2015, while 5% of fuel used in our refineries is from renewable biomass.

Energy savings continue

We completed energy audits and data collection for two more of our mills. As a result, we are implementing low cost process efficiency improvements. We continue to encourage employees to conserve electricity in housing facilities and offices, and we share information on the benefits of energy efficiency at the plantations, mills and in living areas.

Energy consumption in mills

Energy Consumption	2014		2015		2016	
	Giga Joule ('000)	%	Giga Joule ('000)	%	Giga Joule ('000)	%
Fibre	8,255	71	8,590	73	7,292	73
Palm shell	3,270	28	3,004	26	2,520	26
Total from renewable fuel	**11,525**	**99**	**11,594**	**99**	**9,812**	**99**
Diesel	119	1	94	1	110	1
Total from non renewable fuel	**119**	**1**	**94**	**1**	**110**	**1**
Total Energy Consumption	**11,644**	**100**	**11,688**	**100**	**9,922**	**100**
Giga Joule/tonne FFB Processed	**3.26**		**3.15**		**3.19**	

Note: Scope data from RSPO and/or PROPER audited and certified mills (17 Mills). Data are not currently available on the breakdown of electrical, heating, cooling and steam energy consumed: we are reviewing the data for these for future reporting. No energy is sold off site. Restatement of energy consumption per tonne FFB processed from previous years is due to changes in calculation approach [G4-22].

Energy consumption in refineries

Energy Consumption	2014		2015		2016	
	Giga Joule ('000)	%	Giga Joule ('000)	%	Giga Joule ('000)	%
Palm shell	81	5	89	5	96	6
Total from renewable fuel	**81**	**5**	**89**	**5**	**96**	**6**
Diesel *	138	8	102	6	198	11
Coal **	531	30	515	30	501	28
Gas	907	51	907	53	884	50
Electricity from grid	104	6	104	6	90	5
Total from non renewable fuel	**1,680**	**95**	**1,628**	**95**	**1,673**	**94**
Total Energy Consumption	**1,761**	**100**	**1,717**	**100**	**1,769**	**100**
Giga Joule/tonne material produced	**0.34**		**0.34**		**0.32**	

* *Diesel including High Speed Diesel Oil and Marine Fuel Oil.*

** *Coal including Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG).*

Note: Data from four refineries (80%) based on consumption per tonne of material produced, in six processes: (i) tank yard (ii) refining CPO (iii) fractionation (iv) margarine (v) cooking oil filling and (vi) finished goods warehousing. Data are not currently available on the breakdown of electrical, heating, cooling and steam energy consumed.

Greenhouse Gas Emissions

Principal sources of GHG emissions in our operations are carbon dioxide emissions from changes in carbon stock during the development of plantations, use of fuels, methane emissions from POME and nitrous oxide emissions from fertiliser.

Our two aerated bunker composting installations continue to help reduce methane emissions by around 30%-70% compared with standard, non-aerated windrow composting (reduction depends on the season and site).

In 2016, we expanded GHG emissions monitoring to ten RSPO-certified mills and 28 estates. Total net emissions for each tonne of CPO and PK were 1.79 tonne CO_2e per tonne of CPO production in 2016, no change to the intensity value in 2015. Data are shown in the table below. For clarity, we include calculations from the previous version of the RSPO Palm GHG calculator tool.

Emissions related to transport of CPO to four refineries amounted to 0.05 tonne CO_2e per tonne CPO transported; transport emissions data are not part of the RSPO Palm GHG calculator tool.

GHG Emissions

Emission Sources	Ref No *	Description	Emission(tonne CO_2e/tonne of CPO)		
			2016	2015	
				Restatement**	Original**
Direct Emission Estate	1	Land conversion	1.16	0.98	1.29
Direct Emission Estate	2	Peat emissions	0.78	0.69	0.69
Direct Emission Estate	3	N_2O from fertilisers	0.21	0.20	0.20
Direct Emission Mill	4	Methane from POME	0.46	0.47	0.55
Direct Emission Mill	5	Fuel usage in the mill	0.01	0.01	0.01
Indirect Emission	6	Fuel usage in the shipment of fertilisers	0.06	0.07	0.05
Scope 3/Transportation Emission	7	Fuel usage in the field	0.05	0.04	0.04
Direct Emission Estate	9	Outgrower	0.17	0.28	0.24
Total Emissions from Mills and Estates Operations		**A**	**2.90**	**2.74**	**3.07**
Carbon Sinks	10	**B** Crop & HCV sequestration	(1.07)	(0.92)	(0.73)
Carbon Credits	11 – 12	**C** Sale of palm kernel shells and export excess electricity to housing grid	(0.04)	(0.03)	(0.03)
Net Emissions from Operations		**A+B+C**	**1.79**	**1.79**	**2.31**

* *Reference numbers refer to the diagram overleaf, pages 28-29.*

** *We restate the 2015 data using the revised version of RSPO Palm GHG Calculator (V3.0.1). Original calculations were based on V.2.1.1. Detail on their differences can be found at http://www.rspo.org/certification/palm-ghg-calculator [G4-22].*

Note 1: Gases included in the calculations are carbon dioxide, nitrous oxide and methane. Calculations are based on site-specific data and published defaults (emissions factors and GWP's) using the RSPO Palm GHG Calculator V3.0.1. The calculation relates only to plantations and mill sites under our operational and financial control.

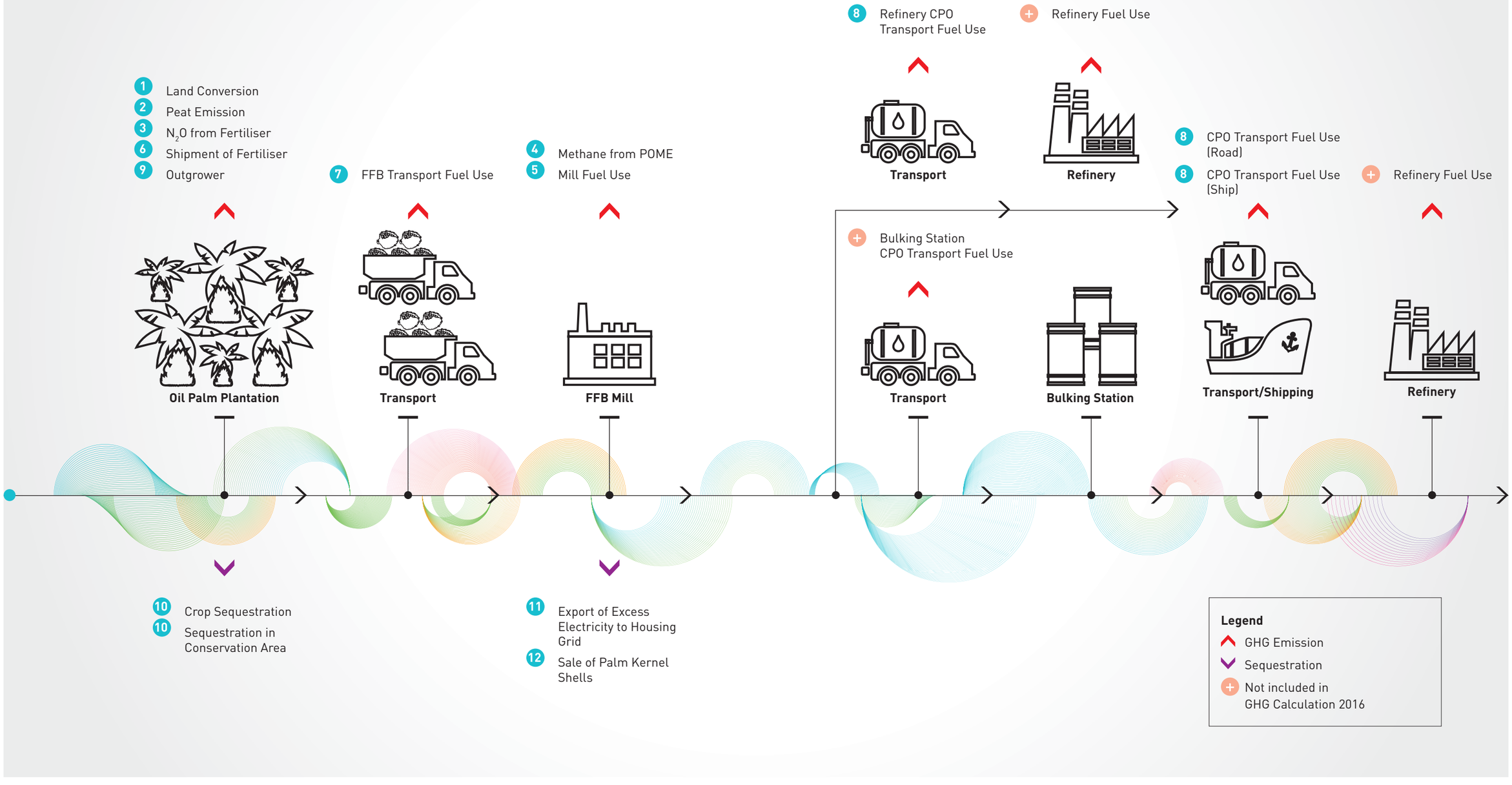
Note 2: The GHG emission sources in 2016 are based on ten RSPO-certified mills and 28 estates (2015: nine mills and 27 estates).

2016 GHG Emission Sources

Land Conversion	**39.8%**	Mill Fuel Use	**0.4%**
Peat Emissions	**27.0%**	Shipment of Fertiliser	**2.2%**
N_2O from Fertilisers	**7.3%**	Field Fuel Use	**1.5%**
Methane from POME	**15.8%**	Outgrower	**6.0%**

INDOFOOD AGRI RESOURCES LTD
SUSTAINABILITY REPORT 2016

GHG, Emissions and Sequestration



Agricultural inputs

Doing more with less is at the core of our research, development and operations in the field.

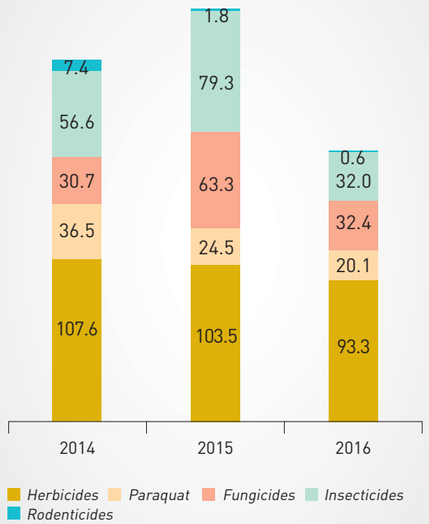
Land available for food crops is finite, and whilst oil palm is very efficient per hectare for the production of edible oils, we want to further maximise its yield. Preserving crop health by reducing pests and diseases is vital to productivity and to reduce waste. The fertilisers and crop protection agents we use are all government-approved. All designated operatives are trained and qualified on safe handling, storage and spraying.

COPING WITH EXTREMES

Annual rainfall in West and Central Indonesia is generally right for palm oil production but its distribution month-to-month is uneven, especially in South Sumatra and Kalimantan. Recently, the prolonged drought from the El Nino brings fire risk, but in the heavy rainy season brings flooding, destruction and plant loss. Extreme weather events such as these are more common these days and are accompanied by a higher frequency of outbreaks of pests and diseases.

To mitigate climate-related extreme weather impacts, our long-term strategy is to improve the hydrology and ecology of palm oil plantations and by promoting biodiversity, HCV monitoring and beneficial plants, insects, and soil micro-fauna.

Pesticide Consumption
('000 litres)



Note: Scope of data: RSPO certified/audited estates, 2016 (31 sites)

We have continued with our programme to apply precision agronomy techniques with the completion of remote sensing and drone surveys for most of the planted areas. Mapping and survey work also complements our biodiversity and fire prevention programmes.

Crop health
Pesticide use will always vary from year to year in agribusinesses, but will decrease where biological control is in place. Integrated Pest Management is also used to save cost and reduce risk to human health and the environment. Biological control in place on our estates include:

- Flowering plant species as natural habitats for parasitoids and predators of leaf-eating insects
- Barn owls for rodent control

We have bred barn owls since 1997. Each year, some 9,500 and 2,000 owlets are produced in our Riau and South Sumatra estates, respectively. We expanded this programme of pest control in our Kalimantan estates in 2016. Clear benefits result from lower use of rodenticides in our plantations.

We have a target to phase out Paraquat from our operations by end 2017 (the previous target was 2018). So far 12 out of 31 RSPO sites are Paraquat-free. We reduced its use on RSPO sites in 2016 by 18%, compared to 2015 (45% since 2014). We continue to test herbicide alternatives to control *Stenochlaena palustris* ferns and improve effectiveness. Our North Sumatra nucleus operations are now Paraquat-free. This thanks to internal teams across Lonsum and SIMP working together to make alternatives work without excessive cost impacts.

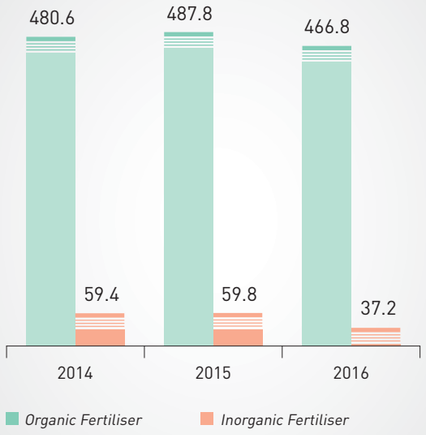
Oil palm plantation may be occasionally affected by leaf-eating caterpillars, so we grow certain flowering plants along site roads that host parasitoid and predator species for dispersal across the entire plantation. We prefer to use biological control as part of our Integrated Pest Management approach. We have reduced the use of chemicals in our estates over the years as a result of careful monitoring and biological control programmes.

Barn owls for rodent control, shown here in an estate in Riau

Fertilise with care
We work to improve our soils through careful inorganic fertiliser dosage and natural processes. The amount of fertiliser used is a function of soil productivity and the age of the palm trees.

We attempt to reduce chemical use on our estates. For example, during planting we use leguminous cover crops to manage atmospheric nitrogen, improve the soil and suppress weeds. We also recycle EFBs and POME for use as a soil improver. Such measures help to reduce fertiliser and pesticide use without compromising yield.

Fertiliser Consumption
('000 tonnes)



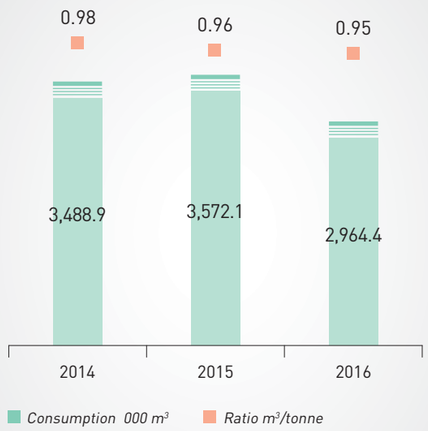
Note: Scope of data: RSPO-certified/audited estates, 2016 (31 sites).

Water Consumption

A vital resource to manage carefully at estates, mills and refineries.

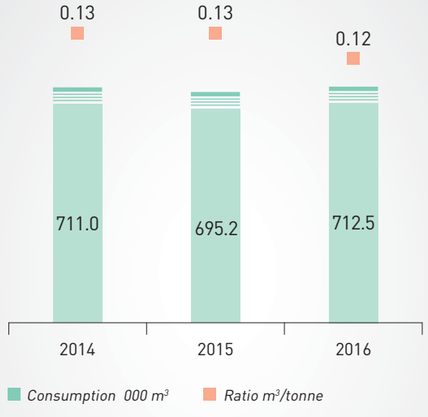
We report no change to where our process water comes from, whereby plantations watered by rainfall; 94% of mill water from rivers; 82% of refinery water from municipal water; all remaining input is from groundwater and a small amount via a reverse osmosis plant at our Priok refinery. Water for domestic use in plantation offices and accommodation is from rainwater collection. All plantation sites meet compulsory Environmental Impact Assessment (AMDAL) and water sources are within the scope of the HCV assessment (see page 23).

Water Consumption in Mills



Note: Data from RSPO- and PROPER-certified/audited palm oil mills (17 out of 24 mills). Water consumption ratio covers industrial usage per mill. Ratio is based on average consumption in m³ per tonne of FFB processed.

Water Consumption in Refineries



Note: Data from four refineries (80%) based on water consumption per tonne of material produced, in six processes: (i) tank yard (ii) refining CPO (iii) fractionation (iv) margarine (v) cooking oil filling and (vi) finished goods warehousing, up from four processes in 2015. We therefore restate the data for 2015 [G4-22]. Data collection excludes insignificant amounts of municipal water and groundwater for domestic usage. Calculations are based on metered volumes and water content of product is excluded.

Waste Management

The heart of environmental 'housekeeping'; systematic, guided by PROPER and ISO14000.

Most of our solid waste is reused: milling by-products and effluent becomes compost or feedstock for our boilers. All estates, mills and refineries separate their wastes for proper handling and disposal. We have yet to recycle packaging or use take-back systems for packaging materials.

We produce an average of 1.95 tonnes of hazardous waste at our mills (2015: 1.91 tonnes). It is collected and disposed of in accordance with Indonesian regulations. We produce an average of 6,867 tonnes of hazardous waste at our refineries, most of which is spent earth (2015: 5,837 tonnes). Office waste is not recorded.

Hazardous Waste from our Mills 2016

Lubricants	64%
Battery	12%
Oil Filter	8%
Chemical Pail	5%
Others	11%

Note: Data from RSPO and/or PROPER audited, certified mills. "Others" comprise rags, electric lamps, paint cans, clinical and laboratory waste, used cartridges, and contaminated goods.

Hazardous Waste from our Refineries 2016

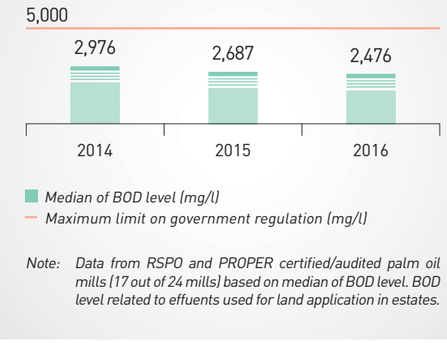
Spent earth	75%
Fly bottom ash	23%
Others	2%

Note: Data from 4 refineries (80%). "Others" consists of batteries, filter oil, lubricants, electric lamps, rags, clinical waste, carbon waste, sludge waste, used nickel catalysts, contaminated packaging and gloves, and used print cartridges.

Our waste water, such as POME, is sent for treatment on site. In 2016, we discharged 1,735,893m³ of wastewater from our 17 certified/audited mills, down 16.1% (2015: 2,069,148m³). In two of our mills, we treat POME using the Aerated Bunker Composting System, which also helps reduce GHG emissions (see page 27).

Effluent quality at our 17 certified/audited mills is expressed using a median Biological Oxygen Demand (BOD) level of 2,476 mg/l, this was lower compared to 2,687mg/l in 2015. Overall, each site operates within its site-level legal BOD limit of 5,000mg/l.

BOD Level of Mill Effluents for Land Application

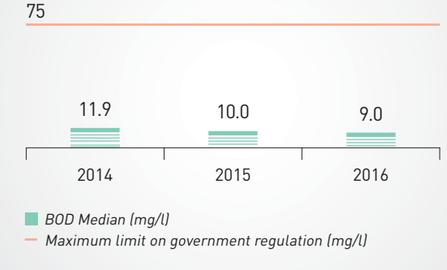


Note: Data from RSPO and PROPER certified/audited palm oil mills (17 out of 24 mills) based on median of BOD level. BOD level related to effluents used for land application in estates.

Refinery effluents are sent to waste water treatment plants prior to discharge into water courses or municipal sewers. In 2016, we discharged 288,239m³ of refinery wastewater (2015: 221,679m³). Each site operates well within the legal BOD limit of 75mg/l.

No spills of effluent, CPO or diesel were recorded in 2016 during harvesting, processing or transportation. No fines or sanctions related to environmental regulations were imposed on IndoAgri in 2016.

BOD Level of Mill Waste Water in Refinery



SUSTAINABLE SOURCING

A TRACEABLE, SUSTAINABLE SUPPLY

Progress headlines

- New Policy framework 2017 poised to intensify supplier engagement
- Smallholders are an important part of the company
- Building in RSPO/ISPO human rights risk assessment requirements into all future supplier audits

Palm Oil Mills

833,000
tonnes
of CPO produced in 2016

47%
of CPO produced in 2016
RSPO-certified

25%
of total FFB
are from plasma smallholders

100%
of FFB
arriving at IndoAgri mills are traceable back to nucleus or plasma sources

Palm Oil Refineries

73%
of our CPO
suppliers have been audited against our policy

61%
of CPO
arriving at refineries is sourced internally, giving us a high degree of sourcing integrity

100%
of CPO
arriving at our refineries
can be traced
back to the palm oil mill

Collection of FFB ▶

Sustainable: Our approach

WHAT'S AT STAKE?

The market demands increasing clarity about where palm oil comes from, how it is sourced and what are the impacts of the sourcing practices. We want our customers to have confidence in the products they receive: their purchasing has an impact, and good product information can help to create change. Our customers and other stakeholders want transparency on food safety, genetic reliability, cultivation conditions, processing and distribution. Our business success depends on it.

We recognise that a traceable and transparent supply chain breeds good engagement with growers, smallholders, and other suppliers. Such engagement – or working relationships – allows us to monitor impacts in order to boost yields and strengthen farmer profit. With these initiatives and engagements, we can promote wider economic development and build more resilient communities, since producer regions are touched by social, political or economic vulnerability. This also allows the promotion of safer and better agriculture with more positive environmental impacts.

A vessel at our Tanjung Priok Refinery

The complexity of upstream palm oil supply chains is significant. We are clear that it presents a challenge as the industry attempts to work with smallholders and enable more responsible practices for them and their communities.

OUR RESPONSE

Our company Policy commits us to deliver sustainable agriculture, sustainable communities and a safe workplace. We talk with suppliers and commit to audits at least every two years to check progress against our Responsible Supplier Guidelines which aim to establish traceability and encourage responsible sourcing in line with customer expectations.

A key target is for our mills, plantations and plasma smallholders to become RSPO-certified by 2019 (alongside their ISPO certification), this work will foster stronger relationships to help eliminate burning, peatland risk and deforestation.

An immediate advantage for us is that 61% of the CPO we source comes from plantations we own or control through our subsidiary companies, so we have direct control over the sourcing of this CPO.

Becoming traceable – know your source

If we know the source we can enable change.

The traceability of each tonne of palm oil is established using the following information:

- We can identify where it came from using nucleus or plasma organisation name, address and GPS coordinates
- A batch barcode system, which allows FFBs to be traceable back to sources is currently being used in our South Sumatra plasma estates.
- A KUD/*kelompok* (grower cooperative) grower profile and production data.
- Refinery dispatch number, tracked via our SAP system indicating CPO source, production line and date of manufacture; this is used for ISO, FSSC, SNI and Halal audits.
- Certification status (RSPO/ISPO).

Notably, our Medan refinery sources solely RSPO-certified CPO and its own RSPO Supply Chain Certification is due mid 2017.

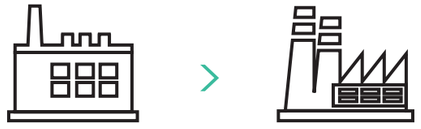
From seed to plantation

We aim for genetic reliability, high yields and accessibility to farmers. Our oil palm seeds are produced at our Bah Lias and SAIN Research Stations, some destined for our own plantations, but most is sold to other customers. Each Bah Lias seed is stamped with "BLRS". Every seed batch is barcoded to provide assurance to the buyer on the authenticity and quality of the seeds purchased.

From plantation to mill

We also audit our plantations which supply FFB to our mills – 75% of FFB comes from nucleus and 25% from plasma plantations. We audit plantations as part of the RSPO and ISPO certification process. This includes some plasma smallholders; and we have a significant project in progress, designed to achieve smallholder certification.

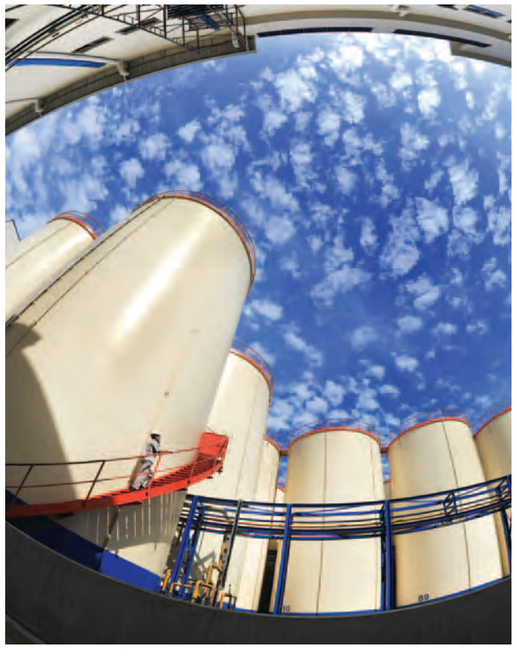
From mill to refinery



We want all CPO suppliers to refineries to comply with our Sustainable Palm Oil Policy and Responsible Supplier Guidelines by 2020. Refineries can receive crude palm oil supplies from individual mills, refinery transfers, traders, or bulking terminals. We have 56 mills supplying CPO to our refineries (24 are IndoAgri mills). So far 73% of them have been pre-audited against the Policy. We have 40 suppliers from the top five raw materials, packaging, and ingredients who provide 67% of our refinery input volume, including palm oil. All of them have been audited and confirmed as compliant on food safety according to IndoAgri's Policy.

Finally, we are developing our approach to assess which operations and suppliers face exposure to human rights related risk. Whilst our ISPO/RSPO process covers it, all future audits will now include specific criteria for assessing this risk for new suppliers.

High-yielding oil palm seeds produced by SumBio



Storage tanks at Tanjung Priok Refinery

Supply chain sustainability and quality

Engagement with smallholders to improve quality.

In line with our Sustainable Palm Oil Policy, we worked more closely with suppliers in 2016 on safety, human rights, biodiversity, peatland management and fire risk. This accompanies our ongoing focus on Good Agriculture Practices (GAPs), yield, soil health, and crop protection.

Our ***Smallholders*** Programme is aligned with the aim of 100% sustainable CPO supply. The Indonesian government requires oil palm plantation companies to develop new plantations with local smallholders under the Plasma Scheme[1]. Smallholders are an important part of the company (from whom 25% of our total FFB is sourced) and we work towards a common understanding of agricultural practices to achieve strong yields and safe methods. As we work to deliver the aims of the Programme, we recognise challenges along the way and resolve to tackle them head on.

RSPO wants to certify more smallholders to ultimately encourage higher FFB yields using less land and better technology such as integrated pest management. The aim is to improve access to new markets, raise incomes and reduce risk of land conversion and deforestation[2]. We are aware of cultural differences and limitations on resources to deliver technical advice on HCV. In recognition of the challenges in achieving RSPO certification for smallholders, RSPO provides resources and has set up a specific funding programme to support them. On top of supporting our plasma smallholders on RSPO certification, we also have a pilot project with IDH, a specialist external agency, which focuses on independent smallholders.

Our engagement with smallholders cover various matters, including price and quality of FFB, income and profit stability level, cooperations, cultivation practices, labour standards and attitudes to forest risk.

Take yield maximisation for instance: in 2016 each plasma estate continued to receive agronomic support from a specialist Plasma Assistants. Their work is part of the nucleus-plasma arrangement. We are collecting initial field data via the IDH Project to indicate yield uplift as a result of field support and certification.

Plasma and other smallholders are expected to meet the same quality criteria as other estate suppliers of FFB. Smallholders receive a number of benefits including training, better financial performance, and support from their cooperative.

SUPPLIERS AND THEIR COMMUNITIES

As we push forward to build relationships with suppliers at grass-roots levels, we also seek to collaborate with others. The IDH project is one example, and we also run community projects designed to improve local economic development, micro-enterprise opportunities and social deprivation. These take the form of health and education community investments. These projects have a wider aim of securing resilience in our grower base with the dual aims of better agricultural productivity and sustainability on the ground.

We have used community development plans and social impact assessments (SIA) to understand community needs. The overriding aim is community resilience. As part of the new planting procedures, an SIA along with HCV assessments are conducted to reveal any community issues and action required. See more on HCV on page 23.

IDH PROJECT UPDATE

CERTIFYING SMALLHOLDERS TO HIGHER STANDARDS
Long term goal: Achieve RSPO certification of 3,144 independent smallholders in South Sumatra.

Pilot project goal: Before scaling it up, certify 159 smallholders on 318 hectares of land.

Smallholder plasma plantations are closely integrated into our company management; we are proud of their successes and productivity. Plasma smallholders occupy 87,204 hectares and supply FFB to our mills. We are starting with a pilot group of 159 smallholders to achieve RSPO certification, adhering to the specific smallholder guidance under RSPO. In 2016, we anticipate some strong CPO yields by our smallholders and we are making preparations to track the performance. Smallholders are still willing to participate in RSPO/ISPO certification training; they understand that they will have improved access to markets, better agricultural practices and safer labour practices. The project saw slower progress in 2016 than expected, summarised as follows:

- 318 ha and 159 smallholders have been audited and completed the RSPO certification process in 2016 with issuance of certificate by mid 2017.
- 70% had yields below what they could achieve (no change compared to 2015)
- 25 days of training delivered to participant growers in 2016 (11 in 2015)

The IDH Project is using RSPO standards as a means to boost yields in ways that also improve fire prevention and forest protection. A related benefit is stronger relations and unified working approaches between the teams who manage plasma and nucleus.

1 *Once developed, such plantations are transferred to the smallholders as 'plasma plantations' managed under the supervision of the developer in line with government requirements. Their funding is provided by designated banks and/or by subsidiary companies, including corporate guarantees for the loans advanced by banks.*

2 *http://www.rspo.org/smallholders/rspo-certification.*

Smallholders training in South Sumatra

OUR PRODUCTS

CONSUMER SAFETY, PRODUCT INTEGRITY

Progress headlines

- All products are safe and meet nutrition requirements of regulations in our markets
- Our product and refineries are certified to Halal certification
- Customer satisfaction award: our Bimoli brand wins again

56
mills supply CPO
to our refineries
24 are IndoAgri mills

46%
of the production volume
is certified to Food Safety Management Standard (FSMS) for FSSC 22000

100%
of our branded products
comply with the mandatory nutrition labelling

100%
of our table margarine products
are fortified with eight vitamins

Our leading brand of cooking oil, Bimoli ▶

Safe, nutritious products: Our approach

WHAT'S AT STAKE?

Customers more than ever expect high quality edible oil products that are safe for human consumption and taste good. Food safety and quality are core to our commercial reputation and consumers' expectations. We are committed to responsible sourcing, as this is not only a significant market issue in some export markets, but it also helps assure safety and quality. We expect suppliers to meet our customers' quality assurance requirements.

Palm oil helps extend the shelf life of products owing to its high resistance to oxidation thus limiting stale odours that occur when other fats oxidise. It has a smooth, creamy texture and maintains its properties under high temperatures. So palm oil is found extensively in packaged foods on supermarket shelves.

OUR RESPONSE

We comply with international as well as local food safety standards and certifications.

Meeting global standards automatically means we comply with regulations in Indonesia, which is the market for 90% of our refined oil products. This compliance relates to safety, quality, nutrition, consumer protection, labelling and advertising. We apply standards such as FSSC 22000. Quality assurance audits for large industrial customers cover parameters that include food safety. All raw materials supplied to us can be traced back to their source, and batch numbers are found on all product packaging, so that our products are fully traceable. We use an approved Halal certification system. All our products and refineries are Halal certified by LPPOM MUI, the Research Institute for Food, Drugs and Cosmetics of the Indonesian Ulemas Council. Our R&D, marketing and sales teams use independent market testing to meet quality requirements. A dedicated customer support services line is available to respond on specific matters.

- See page 13 in this Report for more details on our products
- See page 34 for more details on responsible sourcing and traceability

Food safety

Quality control to ensure hygienic, safe production

Managers and staffs in our Quality Control teams are committed to hygienic, safe and Halal production. The teams undergo regular food safety management training to maintain awareness and management of food safety risks, and are responsible for ensuring quality control of our products.

Bimoli awarded Best Brand for the 14th consecutive year

Our operations and suppliers are audited annually to monitor management and performance relating to hygiene, sanitation and 'good housekeeping'. We recorded no incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products. High standards of manufacturing help minimise exposure to risks that may affect product quality. When we refine crude palm oil, we ensure high quality using stringent process controls to prevent contaminants entering the process. Information on how we mitigate contamination risk is available to our industrial customers upon request. All our customers can use various support services such as phone, e-mail and post to enquire matters relating to brand, distribution and others. We receive enquiries relating to promotional prizes, distributors, price and defects such as damaged packaging.

We are accustomed to prepare a site for compliance to the Food Safety Management Standard (FSMS) for FSSC 22000, witness the success at our Tanjung Priok refinery in achieving this two years ago. Our FSMS journey continues – at the end of 2016, 46% of the volume of our products is certified to FSMS.

Our food products are packaged using approved food-grade materials and our products passed the tests required by the Indonesian National food safety standards. Packaging materials comply with the Indonesian policy on Extended Producer Responsibility and our parent, PT Indofood Sukses Makmur Tbk (PT ISM), is a member of the Coalition for Sustainable Packaging. Currently we do not use recycled packaging or operate any take-back of packaging.

Nutrition

Fortifying consumer staples

Consumers of our products have processed foods such as rice and flour at the core of their diet. But in the absence of a balanced diet, they are at risk of vitamin deficiency. IndoAgri produces vitamin-boosting products. Correctly refined palm oil contains carotenoid and tocopherol, a rich source of vitamin E.

But that's not all. We go beyond compliance; we take fortification seriously. Our table margarine products are fortified with eight vitamins; in addition to vitamins A and D are which mandated by the Indonesian regulations, we add E, B1, B2, B3, B9 and B12 to benefit the diet of Indonesians who may particularly miss out on vitamin B. The cooking oils we export to the Philippines are further enriched with vitamin A as required by regulations in that market. This all means a more healthy diet, especially for children.

Vitamin A is great for the immune system, eyesight and the foetus during pregnancy. Vitamin E is excellent for proper cell development, enzymes and a healthy nervous system.

Palm oil is composed mainly of triglycerides of fatty acid in both saturated and unsaturated forms, and is free of cholesterol and trans-fat. The right sorts of fat are needed by the human body for healthy growth, supple skin and as an energy store.

Customer satisfaction

Accolades and awards continue to confer trust

IndoAgri products are recognised for quality, price and confidence.

In 2016, the Bimoli brand received a Platinum Indonesia Best Brand award for the 14th consecutive year from SWA magazine & MARS and the Indonesia Customer Satisfaction Award for the 17th consecutive year from SWA magazine & Frontier consulting under the cooking oil category.

We routinely engage with industrial bodies, consumers and distributors. Consumer engagement in 2016 focused on the Palmia brand. We continued our customer 'roadshow', set up in 2012, to increase Palmia's brand profile.

The baking roadshow ran events in 39 cities to promote creative cakes and savouries. An expert chef in May 2016, for example, showed industrial customers how Palmia inspires great Japanese sweets. Similarly, an entrepreneur forum was run for the small businesses to provide a demonstration on how to use Palmia as well as business advice such as pricing strategies.

Palmia road show

Food labelling & information

National and export markets require clear communication on product attributes

Our marketing practices comply with Indonesian regulations. Aside from nutritious ingredients such as vitamins, we show consumers that all our palm oil derived cooking fats and edible oil products are within the limits relating to saturated fat, trans-fat and sodium.

Information on the ingredients and nutritional values of each of our branded products is provided on the food label printed on the packaging. The labels also remind consumers to dispose the used packaging appropriately.

All of our products are subject to such information requirements. All our products and refineries are Halal-certified by an Ulemas Council accredited certification body and recognised internationally by the World Halal Council. Once more we achieved the highest certification grade with no advisories arising.

We recognise that food processing companies should understand that the burden of non-communicable diseases (NCDs) has increased and that unhealthy diets and a lack of physical activity are considered to be among the leading causes of the major NCDs. We note that some labelling of palm oil in product ingredient lists is required by law in some countries, while in others it is at the discretion of retailers and manufacturers. Our exports to markets with more stringent demands in this respect are all as a bulk ingredient, rather than as a retail product.

OUR PEOPLE AND COMMUNITY

HEALTHY WORKFORCE, PRODUCTIVE PEOPLE

Progress headlines

- Our operations continued to be safer again
- Our new policy framework not only focuses on employees but on suppliers too
- Talent management has intensified, staff turnover falls once again

89%
of all sites have a
health and safety management system in place.
31 sites formally certified to SMK3 in 2016

28
sites are at SMK3 Gold level

There are
182
schools and
977
teachers on our plantations: provide greater access for children

Weighing activity as part of monthly Posyandu event in our South Sumatra estate ▶

People: Our approach

WHAT'S AT STAKE?

In order to become a leading agribusiness, we need to produce high yields through cost effective and efficient operations. To achieve this, we must carefully support and manage our people: sustainable operations cannot be achieved without them. Our vision and strategy puts people and team work right at the centre. Our human resources (HR) team develops, evolves and champions our human 'capital' through training, evaluation, remuneration, and engagement. While the health of our employees is directly linked to their satisfaction at work, their productivity brings rewards. The end goal is a capable and productive workforce.

Underpinning all these are the safety and labour rights of employees and workers – they are enshrined in our Sustainable Palm Oil Policy and shape the wellbeing of our teams. Our stakeholders expect it. We expect it.

OUR RESPONSE

Our intention is to embed innovation in productivity, competence tracking, leadership and empowerment in the workforce.

Our HR management approach is around eight key areas. The first three look at recruitment, organisation and people development; which focus on strengthening processes, talent and succession. Then we focus on training, remuneration, merit and contribution; which aim to deliver change, formulate benefits and how to reward accordingly. We then focus on industrial relations and HR information management.

One of the key focus areas is respect for human rights, guided by our Solidarity Programme. Working practices and plantation labour arrangements are based on long established, tried and tested approaches. Integral to them are safety and basic rights, such as minimum wages and compliance with Indonesian labour rights regulations. Such practices also make good business and are part of RSPO and ISPO requirements. Our Work and Estate Living Programme promotes the safety, wellbeing and human rights of our workers and their families, and our Code of Conduct commits our workforce to respect the rights of employees, business partners and communities.

Our HR Policies are grounded in legal, moral and commercial principles to comply with the law and create 'human capital' and 'social capital' value for the long-term. Our HR procedures also include our anti-sexual harassment policy and encourage diversity in the workforce.

Quality is a prime measure of competence. We push Total Quality Management principles and practices, and quality is core to annual performance reviews at all management levels.

We are expanding and consolidating our formal SMK3 safety management systems at estates, mills and refineries (compatible with OHSAS18001:2007) and each has in place a Health and Safety Committee attended by managers and workers. The Collective Labour Agreement (CLA) covers safety, with reference to proper PPE for field workers, an OHS Trustee Committee, training, and grievance mechanisms. Periodic workplace inspection, safety audit, and accident evaluations are also completed with employee representatives.

Security training is also delivered via our training centre for our security guard and in partnership with military commando units for additional focus on strength, discipline, and human rights.

@ See our Code of Conduct, online content at http://www.indofoodagri.com/policies.html

WORKFORCE PROFILE

In 2016, IndoAgri employed 38,104 people (2015: 38,991) in permanent full-time positions, and 1,548 people (2015: 1,489) on short-term contracts in Indonesia. We also employed 34,782 casual labourers (2015: 39,796).

Around 92% of our employees work in the field, while the rest comprises management and executive staff. Nearly three quarters of our employees are based in Sumatra and Kalimantan, the rest are in Riau, Java and Sulawesi.

- See employees statistics for all IndoAgri assets on page 50.

Health and safety

A vital requirement: everyone goes home safe.

To deliver on our commitment to a safe workplace at estates, mills and refineries, we are improving our management systems: 115 of our sites (89%) had a certified health and safety management system in place in 2016 that complies with the government standard Occupational Health and Safety system (SMK3) or OHSAS. We report that 28 of our sites are at SMK3 Gold certification level. Estate and mill managers are trained in SMK3 workplace safety techniques. Every estate, mill and refinery has in place a Health and Safety Committee attended by management and operatives. Safety is also regularly communicated using SMK3 audits, manuals and procedures, morning briefings, work instructions and first aid procedures. Further, as a result of Hazard Identification and Risk Assessment (HIRA) we define what PPE is required on site. In line with SMK3, we have Policies for strict compliance on PPE. This is also stated in the CLA. We track our annual investment in PPE, and we have programme in place to render the workplace safer, such as Paraquat phase-out (see page 31).

Our policy is strict: all workers must use PPE. It is distributed to workers in line with their specific tasks and they are required to sign for PPE when it is received. Its correct use is governed by Working Instructions, backed up with training. Awareness-raising ('socialisation') is ongoing to influence behaviour of the individual, to stigmatise rejection of any PPE and to mandate its use. At safety committee (P2K3) meetings learning points are shared and resolutions to why some may shun PPE is discussed.

Workers mixing and spraying pesticide are required to complete a certified level of training from the Indonesian Pesticide Committee. There is an emergency medical supply point on each site, for workers and also for estate based families.

In 2016, we recorded an Accident Frequency Rate (AFR) of 1.6 accidents per million man-hours (three in 2015) and an Accident Severity Rate (ASR) of 243.3 (427.6 in 2015)[1]. Fatalities are still present in our industry and we endured five in 2016 (seven in 2015), one involved a casual worker. The causes of death related to harvesting and construction tasks. Whilst not formally recorded as a workplace fatality, we report a colleague's passing due to natural causes at a legitimate sports event during work hours. Senior managers visit the bereaved, every accident is formally investigated, and each one is also covered by Badan Penyelenggara Jaminan Sosial (BPJS), an Indonesian social security system.

AFR in 2016

Coverage	Male	Female
By Gender	1.9	0.5
By Region		
Sumatra	2.3	0.5
Kalimantan	1.5	0.9
Others	0.8	–

Group AFR: 1.6

ASR Rate in 2016

Coverage	Male	Female
By Gender	304.7	3.2
By Region		
Sumatra	496.0	3.6
Kalimantan	12.5	3.9
Others	7.9	–

Group ASR: 243.3

Note: We report our frequency rate per million worker hours, and severity rate by lost worker days. Severity rate calculations have changed since 2015 to align with those of IndoFood Group. We therefore restate the severity rate for 2015 [G4-22]. Data cover all IndoAgri palm oil estates, mills and refineries. Casual labour,are included since 2016.

Training you, retaining you

As an employee with us your career path builds on your talents.

Talent is also a springboard to improve performance. So, you tell us your aspirations and we gear the training accordingly, in line with your job. The training develops your skills: from core competencies to leadership, and is guided by Total Quality Management principles.

Our new appraisal process drives this, its consolidation and roll-out continued in 2016. From estates to offices, it dives into detail, using a balanced scorecard approach, to assess performance potential and reveals the main gaps to close. And it goes further, too! Professional development is core, but we also strive to effect wider business goals such as culture change and knowledge sharing. Such evolutions are underpinned by better information systems under SAP so that we can 'review and optimise' how we deliver a skilled workforce for the future of the business.

In 2016, IndoAgri reported permanent employees turnover of 6%, an improvement compared to 7% in 2015. So we recognise how welfare and career development contribute to the attractiveness and reputation of a workplace. Indeed, our engagement with employees indicates no significant levels of dissatisfaction. Our new hire data show how we are recruiting, including gender balance.

See charts on training, turnover and new hires data on pages 51-52.

Employee welfare

A fit and happy workforce makes for a productive business.

Our Work and Estate Living Programme sets out how we work with local governments and hospitals to provide essential medical support, facilities and infrastructure for the people living on our estates. Projects focus on household hygiene, healthy living and free access to medical facilities.

In 2016, we met our target on welfare (community welfare improvement plans for each site) and we are proud of the sanitation, clean water, waste collection and electricity facilities on our estates.

See page 52 for data on education and medical facilities provided which employees and their dependents enjoy free of charge.

1 ASR is calculated as follows: No. of Work Days Lost x 1,000,000 divided by Total Hours Worked (number of employees x 40 hours x 50 weeks). An ASR accident is recorded when an employee is referred to a clinic due to a workplace accident, and given leave of absence. In accordance with regulations, we count the accident if the lost day is more than one day.

We continue to work with more than 50 external hospitals near our estates in case of emergencies, as well as with day care centres and various schools

An appropriate workload
Daily quotas of harvesting are based on several considerations such as the age and height of the trees and the topography of the land. It is for commercial reasons that the quota is achievable within a day by a single harvester: a resilient and sustained workforce is crucial.

The daily quota is based on mutual agreement between the company and respective labour unions with representation from workers.

Access to benefits
We comply with government regulation on all aspects of equality for the workers. Employees are insured under the BPJS. Properly registered casual workers (with E-KTP identity card) have access to BPJS health insurance. We help workers obtain the appropriate documentation and liaise with the relevant Head of Village to facilitate worker registration.

In addition, clinics and first aid posts are provided on every estate for workers and their families. Community Health Centres ('Posyandu') are also available in the wider community for maternal and infant health care. We have 192 medical clinics in our estates, and 206 Posyandu, supported by 269 midwives/nurses and 50 doctors.

A clinic on site at Riau estate

Labour rights and human rights

Worker rights are respected and represented, employment is agreed, engagement on industrial relations and formal agreements with unions takes place regularly.

IndoAgri employees benefit from a government pension, additional contributions from the company, and retirement packages (in agreement with the BJPS). Our HR management approach, Solidarity Programme and Code of Conduct guide how we work. We aim to identify significant risk of human rights infringement. For 2016, no operations or suppliers have so far been identified where collective bargaining, or freedom from forced or child labour, are at significant risk.

In October 2016, three NGOs submitted a formal complaint to RSPO, following allegations of labour violations at one of our subsidiaries, Lonsum. We take such allegations very seriously, and have repeatedly requested the NGOs to provide supporting factual evidence to substantiate their allegations and enable us to fully investigate. Unfortunately no such evidence has been provided. We have complied fully with the information requested as part of the RSPO complaints process, and we have had two external audits from RSPO appointed auditors. The final audit report issued in January 2017 confirms we are in compliance with RSPO Principles and Criteria. All correspondence and evidence submitted by us, together with the external auditor's reports, have been uploaded on the RSPO website at http://www.rspo.org/members/complaints/status-of-complaints/view/92.

Diversity and equal opportunity
In accordance with our Code of Conduct, equal employment opportunity is given to every employee regardless of religion, ethnicity, gender and other discriminatory factors. There were no incidents of discrimination reported via our whistle-blowing facility during the reporting period. Agriculture is male dominated, only 13 % of the workforce is female.

We keep the jobs of new mothers open while on maternity leave. In 2016, 399 women (2015: 321) took maternity leave, 73% or 292 women returned to the same job position, as compared to 86% in 2015. The rest remained on leave or elected to leave the company.

Above the minimum wage
The structure and salary scale of our employees are based on experience, position and competency. We strictly comply with the minimum wage regulations set by the Government, and ensure that all employees are adequately compensated for their work. Wage agreements with all unions account for Provincial minimum wage levels which set by the Governor of each region. We have good relations with labour unions and local government (Disnakertrans) who routinely check minimum wage compliance. In 2016, we continued to focus on respecting minimum wage increases across our operations.

Freedom of association
IndoAgri strives to maintain good working relationship with unions. Government regulation[2] (as ratified by the ILO) is installed on the ground via company regulations and CLA. We collect various data to monitor this human right, such as a list of unions and unionised employees and their contributions as well as awareness-raising activities. We believe there are no sites where the right to freedom of association might be at risk. Further, each employee is free to choose to be a member of an union. The workers has the liberty to register themselves directly with their preferred labour union. The deduction of union membership fees from workers' pay is triggered once a letter of request is received from the union.

CLA are renewed every two years under law. The union works with our HR Team to guide workers about the CLA, the content of which is subject to mutual agreement. As at end 2016, 74% of operative employees were covered by a CLA, the remainder are covered by a company regulation known as Peraturan Perusahaan.

Casual labour
Casual labour is hired particularly for seasonal work such as weeding and peak crop season. We comply with government regulation[3] using company procedures, code of conduct, Sustainable Palm Oil Policy and in line with Principles and Criteria of RSPO. Each casual labour contract respects government regulation and we ensure that they understand their rights and responsibilities in that contract.

Casual work is offered to family members of full time workers in the first instance, as well as to workers from local villages. Promotion is possible too depending on skills and job availability.

Every casual worker is registered by our HR Unit and logged onto the fingerprint recognition system: this permits transparent payment and administration. It is company policy to forbid non-registered employees, we clearly communicate rules relating to unregistered, forced and child labour on sign-boards on site.

Child labour
Government regulation[4] is installed on the ground via company policies. Our Sustainable Palm Oil Policy strictly prohibits child labour. So how do we 'walk the talk'? In the field, we use Standard Operating Procedures to guide how employees work, we raise the issue using signs and posters on plantations, stating "Dilarang Mempekerjakan Anak di Bawah Umur" & "Tidak Diperkenankan Anak Masuk dalam Wilayah Kerja" ("Child labour is not allowed" and "Children are not allowed to enter working premises"). The aim is to remind workers not to bring children to the work area. In line with our Policy, we will issue warning letters to those allowing children to help with agricultural production work.

Free education, from kindergarten to secondary school levels, is crucial to draw children away from the fields: there are 182 schools and 977 teachers on our plantations. For children under five we provide day care facilities. According to the recruitment database, our employee age profile records show that no registered worker is below 18 years of age.

Land rights
We commit to uphold, and to deliver the FPIC principle which refers to the right of a community to give or withhold its consent to proposed projects that may affect the lands it customarily owns, occupies or uses. Land transactions may be subject to historic assertions of traditional ownership and rights. As described on page 23, every land transaction in which IndoAgri is involved follows Indonesian law and company policy.

One grievance was reported in 2009 relating to land rights dispute over 165 ha of land in North Sumatra. Cited land is under the HGU of Lonsum and has been operated by the company since 1916. Despite the decisions (legally awarding the land to Lonsum) issued by the Provincial High Court in 2008 and the Supreme Court of the Republic of Indonesia in 2011, and multiple meetings with the local community and local government, the complainants still have not agreed to a resolution. RSPO operates a formal process for such complaints; please refer to the relevant section of their website for details. We are working together with the government and related stakeholders to resolve the cases.

Sign posts stating "Unregistered workers are forbidden"

2 Undang-undang No13 Tahun 2003 Pasal 104 Serikat Pekerja/Serikat Buruh
3 Kepmenakertrans No 100/Men/VI/2004 tentang Ketentuan Pelaksanaan Perjanjian Kerja Waktu Tertentu
4 Undang-undang No 13 Tahun 2003 pasal 68, Pengusaha dilarang memperkerjakan anak

Community investment

Towards resilient and prosperous communities.

Each day sees a similar story play out: we create overwhelmingly positive effects on the income and livelihoods of farmers and suppliers, communities and families. Our Solidarity Programme seeks to improve the quality of life in our nucleus and plasma estates. It aims to do this by improving the education, resilience and skills of people who live on our estates, or near to us. Our new PROKLIM project aims to secure resilient communities through climate change projects (see below). Since we met our 2015 community development target successfully, we now understand the community needs of all sites based on Social Impact Assessment. When we plan community investment, we assess cultural context, literacy, living conditions and economic conditions on the ground before setting up a programme. Our community development projects cover education, health, infrastructure, microenterprise, farmer training, culture and humanitarian relief.

Community infrastructure and enterprise

Developing infrastructure and fostering enterprise are vital, and our Solidarity Programme guides community investment in these areas. Our Programme coordinator is based in Jakarta with team members in the Provinces. They coordinate community programme delivery on the ground. They listen to host community requests for support, and implement such programme based on merits and certain eligibility criteria.

We want to invest in projects that catalyse change. So we have set up 20 Rumah Pintar, or 'smart houses' in our oil palm plantations for locals to come together to sell artisanal products and learn new skills. Typically, it provides books, children's facilities, and a computer workstation. In 2016, we continued the work to consolidate emergent enterprises and monitor their progress. Our team offers training at the Rumah Pintar on entrepreneurship and effective communication.

Amongst our new projects is PROKLIM, a national Indonesian climate village programme to involve communities on climate change mitigation and adaptation actions. This project is sponsored by the Ministry for Environment & Forestry, which brings together livestock, fishing, apiculture and fruit tree growing, PROKLIM supports specific action on areas such as disease control, waste and biogas – to energy. We have a PROKLIM project in our Kayangan estate in Riau involving water catchment planning, soil protection, community housing and food security. The benefits of such a project include:

- Better community resilience in the face of climate variability;
- Greater GHG emission reductions to support the national reduction target;
- Clearer data and local level project support to help make climate change policies, strategies and programmes;
- Easier for local communities to adopt low-carbon technologies.

Early signs of progress include a national awards from the Ministry to two villages and three schools on one of our estates in Riau.

Medical aid matters

Central to the Solidarity Programme are the Posyandu infant and maternal health care clinics of which there are 206 in 32 districts across Indonesia. We continue to improve the quality of the clinic buildings, medical equipment as well as capabilities of Posyandu's personnel. Our team issued further implementation and monitoring guidance for it in 2016, following the recommendations of the University of Indonesia, and through our IndoAgri Sehati programme. The next steps are to improve leadership, structure, community empowerment, planning support, and support in preparing 'needs' assessments.

THE MOST BEAUTIFUL SMILES

As one of our flagship programmes, cleft lip surgery which was established in mid 2014, continues successfully to change people's lives. Our programme covers the cost of surgery, the logistic arrangement, pre and post operations medical needs. We wholeheartedly appreciate the dedication and skill of the surgeons and recognise and thank our partners in the project. Cleft lip is a common medical condition affecting many children in Indonesia. Many families cannot afford the simple operation that can transform their children's lives. Until 2016, we have sponsored 137 operations for 128 children under the programme.

OUR PEOPLE – DATA TABLES

EMPLOYEE STATISTICS

	18 – 25 Years		26 – 35 Years		36 – 45 Years		≥ 46 Years		Total	
Education	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Academy and University (Strata 1, 2 and 3)	214	115	969	338	562	153	475	84	2,220	690
Diploma (D1-D4)	114	49	388	176	180	116	124	49	806	390
Senior High School	1,279	251	4,752	425	4,480	394	2,520	232	13,031	1,302
Junior High School	525	45	2,844	285	2,561	403	1,269	173	7,199	906
Primary School	720	83	4,003	567	3,656	1,034	2,288	757	10,667	2,441
Total	**2,852**	**543**	**12,956**	**1,791**	**11,439**	**2,100**	**6,676**	**1,295**	**33,923**	**5,729**
Level										
Manager and Senior Manager	0	1	82	19	162	21	308	32	552	73
Supervisor	7	3	136	47	147	29	139	15	429	94
Staff	263	105	760	153	336	73	299	54	1,658	385
Administrative/ Operational	2,587	429	11,964	1,586	10,807	1,964	5,926	1,198	31,284	5,177
Total	**2,857**	**538**	**12,942**	**1,805**	**11,452**	**2,087**	**6,672**	**1,299**	**33,923**	**5,729**
Region										
Sumatra	1,595	185	8,229	969	7,536	1,480	4,563	914	21,923	3,548
Kalimantan	950	188	3,426	557	1,970	390	780	127	7,126	1,262
Others	336	141	1,284	282	1,927	236	1,327	260	4,874	919
Total	**2,881**	**514**	**12,939**	**1,808**	**11,433**	**2,106**	**6,670**	**1,301**	**33,923**	**5,729**
Status										
Permanent Employee	2,542	419	12,284	1,738	11,207	2,095	6,520	1,299	32,553	5,551
Non Permanent Employee	353	81	651	74	222	15	144	8	1,370	178
Casual Labour	6,764	1,861	9,317	3,021	5,717	2,788	3,554	1,760	25,352	9,430
Total	**9,659**	**2,361**	**22,252**	**4,833**	**17,146**	**4,898**	**10,218**	**3,067**	**59,275**	**15,159**

Note: Regarding ethnic diversity of the workforce, no significant difference exists between diversity of our workforce and the host regions where we operate.

TRAINING

	Training Hours		
Level	**Male**	**Female**	**Total**
Manager and Senior Manager	2,334	133	2,467
Supervisor	1,757	208	1,965
Staff	80,384	2,791	83,175
Administrative/ Operational	40,509	8,902	49,411
Total	**124,984**	**12,034**	**137,018**

OUR PEOPLE AND COMMUNITY – DATA TABLES

TURNOVER

	18 – 25 Years		26 – 35 Years		36 – 45 Years		≥ 46 Years	
Region	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Sumatra	7%	5%	4%	4%	2%	3%	9%	13%
Kalimantan	16%	11%	7%	11%	9%	9%	17%	18%
Others	12%	15%	5%	9%	2%	2%	8%	8%

NEW HIRE

	18 – 25 Years		26 – 35 Years		36 – 45 Years		≥ 46 Years		Total	
Region	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Sumatra	132	9	194	6	27	1	2	0	355	16
Kalimantan	70	19	146	29	51	5	1	0	268	53
Others	42	22	32	3	2	0	1	0	77	25
Total	**244**	**50**	**372**	**38**	**80**	**6**	**4**	**0**	**700**	**94**

WELFARE (MEDICAL FACILITIES – ESTATE AND OFF SITE)

Medical facilities on our plantations 2016							
Medical Facilities	**North Sumatra**	**South Sumatra**	**Kalimantan**	**Riau**	**Java**	**Sulawesi**	**Total**
Division Clinic	40	34	14	37	2	1	128
Central Clinic	14	25	17	4	2	2	64
Ambulances	1	14	7	5	1	0	28
Doctors	0	1	1	3	0	0	5
Visiting Doctors	11	21	10	1	2	0	45
Midwife/Nurses	57	76	45	84	5	2	269
Posyandu	59	38	48	42	17	2	206

EDUCATION FACILITIES

Education facilities on our plantations 2016							
School Facilities	**North Sumatra**	**South Sumatra**	**Kalimantan**	**Riau**	**Java**	**Sulawesi**	**Total**
Day Care Centres	29	30	52	39	1	0	151
Kindergarten	30	26	4	34	4	5	103
Primary Schools	22	18	2	17	4	4	67
Secondary Schools	3	0	0	4	0	0	7
High Schools	2	0	0	3	0	0	5
Teachers	317	183	29	411	23	14	977
Rumah Pintar	4	6	5	4	0	1	20

GRI CONTENT INDEX

This report uses the Global Reporting Initiative guidelines for sustainability reporting, in accordance to "Core option" of the GRI G4 guidelines. The guidelines contain principles and performance indicators, and guide reporting on a company's corporate governance as well as social and environmental performance.

IndoAgri has not performed any third-party assurance on this report.

GENERAL STANDARD DISCLOSURES

General Standard Disclosures		Page Number, Link or Direct Response
STRATEGY AND ANALYSIS		
G4-1	A statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	CEO Statement, page 6
ORGANISATIONAL PROFILE		
G4-3	Name of the organisation	Back cover
G4-4	Primary brands, products, and services	Business Overview pages 10-13; Annual Report page 36
G4-5	Location of the organisation's headquarters	Business Overview page 10; Back cover
G4-6	Number and names of countries where the organisation operates	Business Overview → Geographical presence pages 14 -15
G4-7	Nature of ownership and legal form	IndoAgri is 62.8% effectively owned by PT ISM. IndoAgri is listed on the Singapore Exchange. Annual Report Corporate Structure pages 4 and 158
G4-8	Markets served	Business Overview → From seed to sales page 13. Annual Report page 153
G4-9	Scale of the organisation	Business Overview pages 10-13
G4-10	Workforce statistics	Our People and Community pages 44, 46 and 51
G4-11	Percentage of total employees covered by collective bargaining agreements	Our People and Community → Labour rights and human rights page 48
G4-12	Description of our supply chain	Business Overview → From seed to sales page 13.
G4-13	Significant changes during the reporting period	The Policy that drives us page 1; Scope and profile: inside front cover
G4-14	Application of the precautionary principle	How we manage sustainability page 16
G4-15	Externally developed charters, principles, or other initiatives to which we subscribe or endorse	How we manage sustainability page 16; Environmental Performance → The Environment: Our approach page 22
G4-16	Memberships of associations and national or international advocacy organisations in which we are active or which we substantially fund	How we manage sustainability page 16; Environmental Performance → The Environment: Our approach page 22; Engaging with our stakeholders online supplement (http://www.indofoodagri.com/sustainability-approach.html)

GENERAL STANDARD DISCLOSURES

General Standard Disclosures		Page Number, Link or Direct Response
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	Scope of report (entities included and excluded in our financial statements)	Scope and profile: inside front cover; Business Overview pages 10 and 12-14; Annual Report 2016 → Business Overview pages 22-36, 78, 106-107, 116-128 and 156-157
G4-18	Process for defining the report content and the Aspect Boundaries, application of Reporting Principles for Defining Report Content.	How we manage sustainability page 19
G4-19	Material Aspects identified	How we manage sustainability page 18
G4-20	Aspect Boundary within the organisation	How we manage sustainability page 19; Where material impacts occur (online supplement) http://www.indofoodagri.com/sustainability-approach.html
G4-21	Aspect Boundary outside the organisation	How we manage sustainability → Our Programmes page 16; Materiality Assessment page 19; Where material impacts occur (online supplement) http://www.indofoodagri.com/sustainability-approach.html
G4-22	Restatements of information provided in previous reports	Scope and profile: inside front cover; Environmental Performance pages 26-27 and 32; Our People and Community page 47
G4-23	Significant changes from previous reporting periods	The Policy that drives us page 1; Scope and profile: inside front cover
STAKEHOLDER ENGAGEMENT		
G4-24	Stakeholder groups engaged by the organisation	How we manage sustainability page 19; Engaging with our stakeholders (online supplement) http://www.indofoodagri.com/sustainability-approach.html
G4-25	Basis for selection of stakeholders with whom to engage	How we manage sustainability page 19; Engaging with our stakeholders (online supplement) http://www.indofoodagri.com/sustainability-approach.html
G4-26	Approach to stakeholder engagement	How we manage sustainability page 19; Sustainable Sourcing pages 36-37; Our People and Community page 46; Engaging with our stakeholders (online supplement) http://www.indofoodagri.com/sustainability-approach.html
G4-27	Key topics and concerns raised through stakeholder engagement, our responses	How we manage sustainability page 19; Engaging with our stakeholders (online supplement) http://www.indofoodagri.com/sustainability-approach.html
REPORT PROFILE		
G4-28	Reporting period	Scope and profile: inside front cover
G4-29	Date of most recent previous report	Our sustainability reports are annual and available on our website www.indofoodagri.com.
G4-30	Reporting cycle	Our sustainability reports are annual
G4-31	Contact point for questions regarding the report or its contents	Inside front cover
G4-32	The 'in accordance' option, GRI Content Index	Inside front cover; GRI Index page 53
G4-33	Policy on external assurance for the report	Inside front cover
GOVERNANCE		
G4-34	Governance structure of the organisation	How we manage sustainability page 19; Please also see http://www.indofoodagri.com/sustainability-governance.html; Annual Report page 50
ETHICS AND INTEGRITY		
G4-56	Organisation's values, principles, standards and norms of behavior	Inside front cover; The Policy that drives us page 1; How we manage sustainability page 19

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators		Page Number, Link or Direct Response
CATEGORY: ECONOMIC		
MATERIAL ASPECT: PROCUREMENT PRACTICES/SOURCING		
DMA	Management approach, with due regard for the G4 Food Processing Sector Disclosure (page 20)	How we manage sustainability page 19; The Policy that drives us page 1; Sustainable Sourcing → Sustainable: Our approach page 36
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	Sustainable Sourcing → Becoming traceable – know your source page 36. Our new Policy builds on our 2016 souring policy and is applicable to a greater extent to third parties from whom we purchase CPO for our refineries. We have a pilot smallholder project to pursue compliance with policy and possible RSPO certification; therefore data to express a specific percentage of purchased volume is not available (Note, this is a declared reason for omission).
FP2	Percentage of purchased volume verified as in accordance with responsible production standards (RSPO)	Supply chain sustainability & quality, and Certifying smallholders to higher standards page 38
CATEGORY: ENVIRONMENTAL		
MATERIAL ASPECT: MATERIALS		
G4-DMA	Generic Disclosures on Management Approach	Environmental Performance → The Environment: Our approach page 22; How we manage sustainability pages 16-17
G4-EN1 (incl. G4 FP Sector Discslosure EN1 Supplementary)	Materials used by weight or volume	Environmental Performance → Agricultural inputs page 30
MATERIAL ASPECT: ENERGY		
G4-DMA	Generic Disclosures on Management Approach	Environmental Performance → The Environment: Our approach page 22; How we manage sustainability pages 16-17
G4-EN3	Energy consumption within the organisation	Environmental Performance → Carbon footprint: energy and GHG emissions page 26
G4-EN6	Reduction of energy consumption	Environmental Performance → Carbon footprint: energy and GHG emissions page 26
MATERIAL ASPECT: WATER		
G4-DMA	Generic Disclosures on Management Approach	Environmental Performance → The Environment: Our approach page 22; How we manage sustainability pages 16-17
G4-EN8	Total water withdrawal by source	Environmental Performance → Water consumption page 32
MATERIAL ASPECT: BIODIVERSITY		
G4-DMA	Generic Disclosures on Management Approach	Environmental Performance → The Environment: Our approach page 22; How we manage sustainability pages 16-17
G4-EN11 (incl. G4 FP Sector Disclosure EN11 supplementary)	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environmental Performance → Forests and palm oil production page 23
G4-EN13	Habitats protected or restored	Environmental Performance → Forests and palm oil production page 23
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Red list species (online supplement) http://www.indofoodagri.com/environmental-stewardship.html
MATERIAL ASPECT: EMISSIONS		
G4-DMA	Generic Disclosures on Management Approach	Environmental Performance → The Environment: Our approach page 22; How we manage sustainability pages 16-17
G4-EN18	Greenhouse gas (GHG) emissions intensity	Environmental Performance → Carbon footprint: energy and GHG emissions page 27
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Environmental Performance → Carbon footprint: energy and GHG emissions page 27

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators		Page Number, Link or Direct Response
CATEGORY: ENVIRONMENTAL		
MATERIAL ASPECT: EFFLUENTS AND WASTE		
G4-DMA	Generic Disclosures on Management Approach	Environmental Performance → The Environment: Our approach page 22; How we manage sustainability pages 16-17
G4-EN22	Total water discharge by quality and destination	Environmental Performance → Waste management page 33
G4-EN23	Total weight of waste by type and disposal method	Environmental Performance → Waste management page 33
G4-EN24	Total number and volume of significant spills	Environmental Performance → Waste management page 33
MATERIAL ASPECT: PRODUCTS AND SERVICES		
G4-DMA	Generic Disclosures on Management Approach	Environmental Performance → The Environment: Our approach page 22; How we manage sustainability pages 16-17
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Environmental Performance → Waste management page 33
MATERIAL ASPECT: COMPLIANCE		
G4-DMA	Generic Disclosures on Management Approach	Environmental Performance → The Environment: Our approach page 22; How we manage sustainability pages 16-17
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Environmental Performance → Waste management page 33
MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT		
G4-DMA	Generic Disclosures on Management Approach	Environmental Performance → The Environment: Our approach page 22; How we manage sustainability pages 16-17
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Sustainable Sourcing → Becoming traceable – know your source page 36. No new suppliers were screened in 2016; 86% of supply to our refineries is from CPO suppliers who have been audited against our Policy.
CATEGORY: SOCIAL		
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK		
MATERIAL ASPECT: EMPLOYMENT		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Our People and Community → Our People – Data tables page 52
G4-LA3	Return to work and retention rates after parental leave, by gender	Our People and Community → Labour rights and human rights → Diversity and equal opportunity page 48
MATERIAL ASPECT: LABOR/MANAGEMENT RELATIONS		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	No minimum notice period or specific provisions on consultation/negotiation are required to be stated in a CLA under Indonesian regulations. If new changes arise eg, a merger, we would follow Indonesia Financial Services Authority (Bapepam/OJK) laws. Other changes such as new policies that will impact on our workers are supported by awareness raising or training prior to implementation
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	No lost time reported for palm oil operations.

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators		Page Number, Link or Direct Response
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Our People and Community → Health and Safety pages 46-47
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Our People and Community → Health and Safety pages 46-47
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Our People and Community → Health and Safety pages 46-47
MATERIAL ASPECT: TRAINING AND EDUCATION		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Our People and Community → Training you, retaining you page 47; Our People – Data tables page 51
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Our People and Community → Our People – Data tables pages 51-52; Annual Report 2016 → Corporate Governance page 50
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Sustainable Sourcing → Becoming traceable – know your source page 36. No new suppliers were screened in 2016; 86% of supply to our refineries is from CPO suppliers who have been audited against our Policy.
SUB-CATEGORY: HUMAN RIGHTS		
MATERIAL ASPECT: NON-DISCRIMINATION		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Our People and Community → Labour rights and human rights → Diversity and equal opportunity page 48
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Our People and Community → Labour rights and human rights → Freedom of association page 49

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators		Page Number, Link or Direct Response
CATEGORY: SOCIAL		
SUB-CATEGORY: HUMAN RIGHTS		
MATERIAL ASPECT: CHILD LABOR		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Our People and Community → Labour rights and human rights → Child labour page 49
MATERIAL ASPECT: FORCED OR COMPULSORY LABOR		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Our People and Community → Labour rights and human rights page 48
MATERIAL ASPECT: SECURITY PRACTICES		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-HR7	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	Our People and Community → People: Our approach page 46; All security guards receive basic human rights training.
MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Sustainable Sourcing → Becoming traceable – know your source page 36; Our People and Community → Labour rights and human rights page 48; No new suppliers were screened in 2016; 86% of supply to our refineries is from CPO suppliers who have been audited against our Policy.
MATERIAL ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Our People and Community → Labour rights and human rights page 48; External link: http://www.rspo.org/members/complaints/status-of-complaints/view/92.

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators		Page Number, Link or Direct Response
SUB-CATEGORY: SOCIETY		
MATERIAL ASPECT: LOCAL COMMUNITIES		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Our People and Community → Community investment page 50. We understand the community needs of all sites based on Social Impact Assessment.
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY		
G4-DMA	Generic Disclosures on Management Approach	Our People and Community → People: Our approach page 46; How we manage sustainability pages 16-17
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Sustainable Sourcing → Becoming traceable – know your source page 36; Our People and Community → Labour rights and human rights page 48; No new suppliers were screened in 2016; 86% of supply to our refineries is from CPO suppliers who have been audited against our Policy.
SUB-CATEGORY: PRODUCT RESPONSIBILITY		
ASPECT: CUSTOMER HEALTH AND SAFETY		
DMA/Customer health & safety, healthy & affordable food	Generic Disclosures on Management Approach	Our Products → Safe, nutritious products: Our approach page 42; How we manage sustainability pages 16-17
G4-PR1 (G4 FPSD PR1 SUPPLEMENTARY)	Percentage of significant product categories for which health and safety impacts are assessed for improvement	Our Products → Food safety page 42; 100% of palm oil product categories are assessed for food safety
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products during their life cycle, by type of outcomes	Our Products → Food safety page 42; 100% of palm oil product categories comply with regulations and codes on food safety
G4-FP5	Percentage of production volume manufactured in sites certified by an independent third-party according to internationally recognised food safety management system standards	Our Products → Food safety page 42; 100% of palm oil product categories comply with regulations and codes on food safety
G4-FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars	Our Products → Nutrition page 43; Food labelling and information page 43
G4-FP7	Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives	Our Products → Nutrition page 43; Food labelling and information page 43
MATERIAL ASPECT: PRODUCT AND SERVICE LABELLING		
G4-DMA/Product labelling	Generic Disclosures on Management Approach/Policies on consumer communication about ingredients and nutrition beyond legal requirements	Our Products → Safe, nutritious products: Our approach page 42; How we manage sustainability pages 16-17
PR3 SUPPLEMENTARY	Type of information required by the organisation's procedures for product labelling, and percentage of significant product and service categories subject to such information requirements	Our Products → Nutrition page 43; Food labelling and information page 43

OUR ISSUES DEFINED

Issue	Definition
Carbon management, including deforestation	Greenhouse Gas (GHG) emissions are a major contributor to climate change which can adversely impact ecosystems, air quality, agriculture productivity and health. Land clearance and conversion including deforestation is a major risk in Indonesia and is a significant source of GHGs.
Environmental footprint	Modern industry must be guided by sound environmental management practices. This helps our estates, refineries and mills respond in a commercially robust manner to local regulations, changing energy availability and fuel prices, and productivity aspirations. All agribusinesses face environmental impacts such as deforestation, soil ablation, uncontrolled emissions, and water stress. We recognise that land related impacts present complex environmental and social challenges. Pollution is harmful to ecosystems and human health. We aim to adapt our business model accordingly and manage our inputs and outputs in compliance with governing legislations.
Governance & transparency (integrity, anti-corruption, risk management)	We adhere closely to the principles and guidelines of the SGX's Code of Corporate Governance 2012, IndoAgri's Code of Conduct and other applicable laws, rules and regulations. Corrupt and unethical behaviours violate our corporate values. We recognise that risk of bribery and corruption are present in commercial transactions across the regions where we operate. Due process on risk and mitigation is a core part of doing business.
Land rights	Land ownership is a deeply social, political, historical and religious issue in the agricultural industry. We uphold the principle of FPIC with regards to land purchases from local villages, and it is important to IndoAgri that the local villagers, in turn, have sufficient land for their own livelihoods over the long term.
Occupational health and safety	Agriculture, refining and milling operations are potentially dangerous vocations with risk of injury or accidents relating to the plantation environment, machineries and equipment, chemicals, confined spaces as well as operator errors. Providing a safe and healthy working environment is a primary commitment to our employees.
Smallholders including social conflict resolution	Supplier relationships count, notably when dealing with smallholders. It is crucial to prevent any threat to the quality of the ingredient they supply to us. So we work with them on good agricultural practices, safety, business practices, land ownership and forestry for instance, to underpin a resilient supply base. This helps us manage commercial risk and collect information of value to our customers on sustainable, resilient supply chain management.
Product traceability/Sustainable sourcing	To produce sustainable products, it is important to know whether the raw materials originate from sustainable sources. This is particularly crucial from a food safety perspective. For this purpose, we have extended our sustainability efforts beyond our operations to include our supply chain. We adhere to the principles and criteria of the RSPO, the highest sustainability benchmark for the palm oil industry.
Product quality and safety	In the food industry, it is important to know precisely where ingredients come from and how they are produced in order to establish full traceability. We closely monitor the supply chains so that our objectives for product quality and safety can be achieved. Ensuring traceability provides quality assurance to our customers and deters counterfeit products from entering the market. We ensure that our product labels accurately describe the food quality, properties and brand claims.
Yield maximisation, innovation	Achieving good yields through the correct plantation management practices is core to our business. The ability to maintain the best yields coupled with careful cost control and competitive pricing will enable us to remain resilient and productive. To raise our operational productivity, we strive towards better precision agronomy, higher yields from innovation in seed breeding, and careful use of crop protection agents for instance. Getting these elements right will contribute to a more environmentally and socially responsible operations upstream.
Human rights	As an agribusiness, there is constant pressure to demonstrate how human rights are respected. IndoAgri is committed to dealing fairly and transparently with all employees and business partners. The management of risks relating to diversity, employee retention, labour conditions, freedom of association, child labour and forced labour is core to this effort. In the plantations, which are often remote, we provide a range of essential amenities and facilities to cater to the needs and comfort of our employees.

GLOSSARY

ANALISIS DAMPAK LINGKUNGAN (AMDAL)
An environment impact assessment which companies are required by law to undertake when starting a business or activity that will have an impact on the environment in Indonesia.

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

BIOLOGICAL OXYGEN DEMAND (BOD)
A measure of the degree of water pollution by the amount of dissolved oxygen needed by aerobic biological organisms in a body of water to break down organic materials.

CARBON FOOTPRINT
A measure of the total amount of greenhouse gases, including carbon dioxide, methane and nitrous oxides, emitted directly or indirectly by an organisation, event, product or person.

CHILD LABOUR
A person under 18 years of age, according to Indonesian law, who is engaged in work that is mentally, physically, socially or morally dangerous and harmful, and that interferes with that person's schooling.

CRUDE PALM OIL (CPO)
Oil produced from oil palm fruits in milling process.

FOOD SAFETY SYSTEM CERTIFICATION (FSSC) 22000
A food safety certification scheme based on the existing internationally recognised standard ISO 22000 and complemented by other technical standards. This certification aims to provide an effective framework for the development, implementation and continual improvement of a Food Safety Management System (FSMS).

FORCED LABOUR
A person who is coerced to work under the threat of violence, intimidation, or undue stress of penalty.

FREE, PRIOR AND INFORMED CONSENT (FPIC)
The principle that a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use.

FRESH FRUIT BUNCH (FFB)
The fruit bunch harvested from the oil palm tree.

GLOBAL REPORTING INITIATIVE (GRI)
A non-profit organisation that promotes economic sustainability and develops an international standard for sustainability reporting.

GREENHOUSE GAS (GHG)
Gases, such as carbon dioxide, methane and nitrous oxide, which trap solar radiation and contribute to climate change and ozone destruction.

HIGH CARBON STOCK (HCS)
An expression of the amount of carbon and biodiversity stored within an area of land, to help halt deforestation while ensuring the rights and livelihoods of local peoples are respected.

HIGH CONSERVATION VALUE (HCV) AREA
Natural habitat that is considered to be of outstanding significance or critical importance.

INTEGRATED PEST MANAGEMENT
The use of natural pest control techniques to reduce pest populations and replace pesticides and other harmful intervention to minimise risks to human health and the ecosystem.

INDONESIA SUSTAINABLE PALM OIL (ISPO)
A government effort led by the Ministry of Agriculture to support sustainable palm oil agriculture in Indonesia.

ISO 14000 SERIES
A family of international standards for addressing environmental management.

IUCN RED LIST
A list for assessing the extinction risks of species.

NUCLEUS
A system developed by the Indonesian government for estates (nucleus) owned by plantation companies 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 KERNEL (PK)
Seed of the oil palm fruit, which is processed to extract palm kernel oil and other by-products.

PANITIA PEMBINA KESELAMATAN DAN KESEHATAN KERJA (P2K3)
A Health and Safety Committee responsible for monitoring IndoAgri's compliance to the SMK3 in the estates, mills and refineries.

PLASMA
See nucleus.

PALM OIL MILL EFFLUENT (POME)
Liquid waste or sewage produced from the palm oil milling process or refinery.

PROGRAMME FOR POLLUTION CONTROL, EVALUATION AND RATING (PROPER)
An Indonesian regulatory mechanism based on public disclosure of pollution records and environmental performance.

ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)
A non-governmental organisation that promotes the growth and use of sustainable oil palm products through international standards and engagement of stakeholders.

SISTEM KESELAMATAN DAN KESEHATAN KERJA (SMK3)
Occupational Health and Safety system management according to Indonesia regulation.

SOCIAL IMPACT ASSESSMENT
A methodology for analysing, monitoring and managing the social consequences of planned interventions and the social change processes arising from these 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, economic and environmental objectives.

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