

CEO'S STATEMENT



DEAR STAKEHOLDERS,

Welcome to IndoAgri's fourth sustainability report, for the financial year ended December 2015.

We recognise the need for sustainable development as well as the need for current business models to evolve and adapt to such developments. Whilst managing sustainability risks and opportunities is at the core of what we do, the act of doing it resembles a challenging and complex journey, with a destination that is elusive at best. Our strategy is to keep true to our goal of securing a supply chain that is transparent, traceable, resilient and responsible. It is a matter of policy to know where our raw material comes from, and know that standards of quality and sustainability therein are maintained at the correct level. We have clear targets attached to our priority material issues and this report shows the progress we have made.

Our management approach is anchored in two policies, on Sustainable Palm Oil and Palm Oil Sourcing. They are publicly available on our website, and cover not only the crucial issues such as land management, biodiversity, community rights and traceability, but also human rights, food safety, energy efficiency, farmer relationships, innovation and yield. Working on internal systems as well as external accountability requires a dedicated and consistent approach to continuous improvement. Our sustainability team works with our Enterprise Risk Management (ERM) and Internal Audit teams to run and audit our systems and procedures.

Robust and safe operations are core to our business, we regret to report that we endured seven fatalities across the entire operations of IndoAgri in 2015. We take this seriously, our response was to meet the families involved and to analyse what can be done to avoid a recurrence. As an extensive series of improvements in human resources management in the Group, we continue to invest in training to improve skills as well as safety.

For agribusinesses, sustainability issues are complex and change rapidly. We account for sustainability risks in how we manage our supply chain and we have a high level of control over where our raw material comes from; we are not a trader. For our refineries, our strategy is to buy from our own plantations directly, supplemented by third party supplies. For our core palm oil business, we choose RSPO as our primary accreditation, supported by ISPO certification which is mandatory in Indonesia. For us, RSPO represents the highest and most comprehensive externally audited standard for demonstrating traceable, sustainable palm oil. Why? It has impartial objectives and clear definitions. Its multi-stakeholder representation and its requirement for external audits add credibility to the process. We are 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. As of December 2015, 38% and 18% of our CPO has been certified under RSPO and ISPO respectively. The first batch of 159 smallholders started the audit for RSPO certification in 2015. However, our Sustainable Palm Oil Policy released in 2013 already

goes beyond RSPO in areas such as no new development of peatland regardless of depth since 2013.

In 2015, regional air quality, as a result of haze, continued to put Indonesian palm oil companies under scrutiny. And whilst plantation estates are always vulnerable to fires in the dry season, the risks were exacerbated in 2015 by the worst El Niño effect in decades. Some areas saw no rain for three months, so the risk of uncontrolled fires, spread by windy conditions, was significant. Our dual-ringed fire monitoring, operated with the local authorities, is complemented by perimeter patrols, daily site inspections at fire-prone areas and hot spot detection using official satellite data. This means that our estate teams alert and support the authorities in a joint effort to fight any fires. Our Sustainable Palm Oil Policy commits us to zero burning in all our estates and I am impressed with how our people are acting on this important issue.

Since 2005, the way we manage plantings and conservation practices has aligned with the RSPO Principles and Criteria, and applies to all estates, whether certified or not. This is supported by our policy commitment to zero planting on peatland for new development, irrespective of depth, since 2013. In 2014, we completed the HCV assessment of our oil palm estates and identified HCV areas in Sumatra and Kalimantan totalling 4,225 hectares and 19,054 hectares respectively (representing 9% of our palm planted area). This process started in 2008, with each HCV area being clearly demarcated. We are concluding the mapping of these areas, and implementing a management plan for each, in close cooperation with the surrounding communities. This is just one of the areas of complexity we manage; yet we remain resolute in maintaining and conserving HCV areas.



Indeed, relationships are what count to progressing positively in sustainability management. Our business upstream relies on relationships with suppliers, farmers, employees and communities to stimulate socio-economic growth and to help alleviate poverty.

Working with suppliers, we are improving the traceability of CPO received at our refineries. As well as implementing traceable and transparent supply, we also track a product from the consumer back to its origin, either third party mills or for our own plantations back to the estate or smallholder. Doing this upholds the values and trust our customers place in us and our brands. By the end of 2020, we want 100% of our palm oil supply to be fully traceable and to comply with our Palm Oil Sourcing Policy and Responsible Supplier Guidelines. In 2015, we completed initial audits on 20 suppliers representing 80% of our supply chain. Around 64% of our CPO processed in our refineries comes from our own plantations, which is fully traceable back to the plantation.

As previously mentioned, local communities are part of our day-to-day operations. Going further afield, our flagship cleft lip programme has so far sponsored 32 operations for 30 children in Indonesia. I acknowledge here the dedication and skill of the surgeons and I thank all partners in this programme. We also continue to help alleviate blindness in the community with 571 cataract operations in 2015. Further, to build on what local government can offer, we improve the quality of life in nucleus and plasma estates through education, financial support and infrastructure. An example is the 20 Rumah Pintar (smart houses) at our plantations, set up to create jobs – other than those available at IndoAgri – that bring revenue to the community. We also sponsor medical clinics and emergency care units to help promote public health: we have provided 206 posyandu units (integrated health posts) as part of our programme to reduce infant mortality.

I hope this report demonstrates how we recognise the increasingly complex set of interconnected sustainability issues on the ground that affect our industry. We face issues on site and upstream that range from food security to land tenure, and from deforestation to farm management and protecting human rights. Thus, we must engage and operate with a steady, deliberate hand and with a relentless focus on achieving our targets. I appreciate the support and guidance offered by the Board of Directors in this task. Specifically, I would like to thank our sustainability team and my fellow management team, along with our employees as they rally behind our sustainability efforts to produce tangible results.

Mark Julian Wakeford
 Chief Executive Officer