



smart
agribusiness and food

PT Sinar Mas Agro Resources and Technology Tbk
Global Compact – Communication of Progress
April 2013

Table of Contents



smart
agribusiness and food

Statement of Continued Support

SMART at Glance

Implementation of Global Compact's 10 Principles

Area 1 Human Rights

Area 2 Labour

Area 3 Environment

Area 4 Anti Corruption

Statement of Continued Support



PT Sinar Mas Agro Resources and Technology Tbk. (SMART) has been a participant of the United Nations Global Compact (“UNGC”) since May 2006. We understand the importance of UNGC’s ten principles in the areas of human rights, labour, environment, and anti-corruption.

Progressively, we take appropriate actions in line with the principles, as fundamental guidelines for sustainable and socially responsible development of our business. We continue to support UNGC by incorporating the ten principles in the way we do business, which helps make us a better corporate citizen in Indonesia

SMART at a Glance



- Listed on the Indonesia Stock Exchange since 1992
- The leading integrated producer of palm oil-based products in Indonesia
- Filma and Kunci Mas are the flagships of our leading value-added branded cooking oil



Operational Statistics¹

Planted Area ²	:	139,200 ha
Fresh Fruit Bunch Production ²	:	3,094,000 tonnes
Mills Annual Capacity	:	3,900,000 tonnes
Crude Palm Oil Production	:	765,000 tonnes
Palm Kernel Production	:	178,000 tonnes
Kernel Crushing Plants		
Annual Capacity	:	480,000 tonnes
Refineries Annual Capacity	:	1,980,000 tonnes

Products

- | | |
|--------------------|------------------|
| ▪ Crude Palm Oil | ▪ Cooking Oil |
| ▪ Palm Kernel | ▪ Margarine |
| ▪ Palm Kernel Oil | ▪ Shortening |
| ▪ Palm Kernel Meal | ▪ Specialty Fats |
| | ▪ Stearin |
| | ▪ Oleochemicals |

Notes:

1. As at 31 December 2012
2. Including plasma (plantations belong to smallholders, in which we assist them in terms of managing their plantations)

Integrity Positive Attitude Commitment Continuous Improvement Innovative Loyal



Implementation of Global Compact's 10 Principles

Area 1: Human Rights



Principle 1: Support and respect the protection of internationally proclaimed human rights

Principle 2: Make sure that we are not complicit in human rights

LABOUR RELATIONS

We ensure that our manpower policy is aligned with national manpower policy, and is endorsed by the tripartite partners – the company, employee (as represented by the Labour Union) and the government.

- We comply with the standard regulation for working hours, minimum wages, overtime payment, minimum working age, and ensure that employees' rights are respected. Some of our policies such as pension plan, personal accident and health allowance surpass standards set by the government.
- We apply a strict Health and Safety Management System as an essential working condition at all levels of our business units, in accordance with the Decree of Minister of Manpower of Indonesia Number PER-05/MEN/1996 regarding Health and Safety Management System. We conduct training programmes for our Health and Safety Specialists on a continuous basis.
- We ensure that all our regulations are updated by continuously benchmarking our working conditions against other companies; such as housing and social facilities, meals and transportation, health issues, salary and benefit standards.



Area 1: Human Rights (Continued)



SOCIAL AND COMMUNITY RELATIONS

We have been actively engaging the government, labour unions, NGOs and other institutions to address human rights issues within the palm oil sector.

- We recognise that wherever we operate, the local communities are important stakeholders. We respect and recognise the long term customary rights of the indigenous and forest dwelling communities to their traditional land and commit to ensuring free, prior and informed consent from these communities prior to commencing any operations. Before developing a new area, we carefully assess the potential local social and cultural issues, and ensure that the business activity would strengthen and benefit the local communities as important stakeholders. Through participatory community needs analyses and open dialogues, better understanding can be forged and more effective programmes can be planned and implemented to better meet community needs.
- Together with The Forest Trust (“TFT”), a global non profit, we launched a Social and Community Engagement Policy (“SCEP”) in November 2011 to ensure that our palm oil operations improve the lives of the communities they impact. The SCEP guides and shapes the Company’s decisions in engaging with communities.
- Since the launch of the SCEP, we have been working with TFT to review our existing SOPs relating to the SCEP and to develop an action plan to incorporate the findings and recommendations into the SOPs. Together with TFT, we are also developing new guidelines and capacity building in areas such as in areas such as mediation, conflict management, grievance handling and participatory CSR planning to facilitate the successful implementation of the SCEP on the ground.
- Wherever we operate, our social activities will continue to focus on the empowerment of surrounding communities, which range from education and energy self-sufficiency, to healthcare and disaster relief, with the goal of helping them to flourish in a harmonious and healthy environment.

Area 1: Human Rights (Continued)



EDUCATING THE NEXT GENERATION

- Education is a key pillar of community development. We continue to support the Government of Indonesia's efforts, especially among promising but under-privileged students, through five scholarship schemes.
- In addition to scholarships, we provide funding to build and maintain schools and other educational facilities in our plantations. This complements the efforts of local authorities to provide a good education to children of our employees as well as children living around our plantations. To date, we have built 88 schools for more than 14,200 students in our estates
- Free education is provided from kindergarten to junior high school, while education for higher school levels is heavily subsidised for children of our employees in the estates. For the wider community, children living around our estates receive heavily subsidised education at all levels. Free transport to and from school is also provided for students who need it.
- Sekolah SMART, a strategic collaboration with Eka Tjipta Foundation ("ETF"), is a school quality improvement programme for schools located in our plantations. Its main aim is to prepare those schools for National Standard School certification from the Ministry of National Education. The programme also focuses on character development in students within an environmentally friendly school community, and quality training for teachers, school management and community involvement.



Area 1: Human Rights (Continued)

Participating teachers receive instructions on pedagogical approaches to school principal leadership and capacity building. Our Sekolah SMART programme was awarded runner up in the 2012 Millennium Development Goals (MDG) Awards for Education in the Private Sector category. This award is an acknowledgement of our continued efforts in improving the quality of schools where we operate. As of 2012, Sekolah SMART programme has been implemented in four elementary schools and two junior high schools in Central Kalimantan.

- In mid-2011, we started building Rumah Pintar (“Smart House”) in some of our concessions, in support of the programme initiated by Indonesia’s First Lady, Mrs. Ani Bambang Yudhoyono who is a member of Solidaritas Istri Kabinet Indonesia Bersatu (“Solidarity of Spouses of United Indonesia Cabinet”). The goal of Rumah Pintar is to improve the quality of Indonesian people through the empowerment of children, mothers and other community members, in order to create smart and prosperous communities throughout Indonesia. Each Rumah Pintar is designed as a community learning centre focusing on early childhood education, education of women in empowerment activities and nurturing of family health. We completed construction of nine Rumah Pintar across our plantations and officially launched them in the second half of 2012.



Area 1: Human Rights (Continued)

MEDICAL CARE

- We believe that having access to basic medical care is a basic human right. To meet this need, we have built healthcare facilities in most of our estates and staff them with qualified medical professionals to serve the local communities.
- Our community initiatives in 2012 included:
 - Free medical and dental services for more than 1,500 patients in Jogjakarta, Central Kalimantan and East Kalimantan.
 - Mobilisation of 98 medical personnel in our plantation clinics to provide free treatment for about 460 patients daily.
 - Eye check-ups for almost 31,700 students and teachers in Jambi, Java, South Kalimantan and North Sumatra, where about 7,800 were provided with free spectacles.
 - Surgery for about 150 patients with conditions such as harelip, hernia, cataracts and tumors.
 - Health education and awareness programmes for more than 1,300 participants in Central Kalimantan, South Kalimantan and North Sumatra. Topics included dental health, sex education, pregnancy, breast feeding and children's health.
 - Seminars on drug abuse and HIV/AIDS awareness, conducted in Medan and Surabaya.



Area 1: Human Rights (Continued)



ENGAGING OUR EMPLOYEES IN THE COMMUNITY

- We also seek to meet the needs of our employees and the people living near our operations by:
 - building and maintaining public infrastructure such as roads, bridges, and places of worship such as mosques and churches;
 - providing the facilities and know-how to run cooperatives that ensure basic necessities are available at affordable prices;
 - constructing well-built dwellings and health, education and sporting facilities; and providing financial help for communities to celebrate festive and religious events.
- Our community efforts in 2012 included the sale of more than 185,000 litres of our branded cooking oil at below market prices in impoverished areas, mainly in Jakarta, Greater Jakarta, South Sulawesi and several cities in Java.
- As part of our humanitarian efforts, we continue to engage and mobilise our staff for various causes. For example, we mobilised our employees and tenants at our corporate headquarters in Jakarta to participate in regular blood donation drives for the Indonesian Red Cross. About 820 blood bags were collected in 2012. Our employees are also encouraged to contribute funds regularly to the Tzu Chi Foundation. A dedicated team sees to the distribution and responsible use of these donations.
- With the establishment of a dedicated CSR department in 2008, we have been driving comprehensive community programmes focusing on education, healthcare, and social-economic empowerment to improve the lives of the communities where we operate. Currently, the team is developing a 5-year CSR strategic plan to ensure that we continue to develop and implement empowering community development programmes to meet community needs and deliver optimal results for the local communities.

Area 2: Labour



Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4 : Elimination of all forms of forced and compulsory labour

Principle 5 : Effective abolition of child labour

Principle 6 : Elimination of discrimination in respect of employment and occupation

- We continuously maintain industrial peace and productivity of the company and the welfare of our workers through maintaining harmonious working relations with focus on open dialogue, fair labour practices, care and respectful communication in the workplace. Almost all our employees are represented by labour unions.
- Employees enter into our employment freely. As a policy, we do not require our employees to deposit identity papers nor deposit money.
- Our commitment to fair labour practices is also emphasised in our employee handbook and employment practices. The company has an equal opportunities policy for employment banning discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership and political affiliation.
- We are totally opposed to any form of child labour and we rigorously enforce this principle in all our plantations, mills and other places of work. Thorough checks are made during our recruitment and selection process. Our recruitment officers check the identification card against the employees' schooling records such as their school diplomas. In our plantations, we encourage parents to send their children to schools and complete nine years of compulsory education instead of getting them to help out in the estates.

Area 2: Labour (Continued)

- We promote the employment of women. However, due to the manual labour required in our field operations, certain jobs are more suited to male employees rather than female employees. To support our female employees and care for our employees' children at the same time, we provide day care centres in our units. We also have a clear anti-sexual harassment policy which is integrated into our Standard Operation Procedure ("SOP") to protect our female employees against sexual harassment. The implementation of this SOP includes extensive trainings and socialisations to all estates and mill workers. We also establish local gender committees to handle any case related to sexual harassment and to promote women participation in the workplace.
- We provide extensive training for our workers and staff, including safety training for the handling of chemicals (such as fertilisers and pesticides) and other mandatory trainings that are specifically designed to enhance job safety and the protection of the environment.



Area 3: Environment



Principle 7 : Support a precautionary approach to environmental challenges

Principle 8 : Undertake initiatives to promote greater environmental responsibility

Principle 9 : Encourage the development and diffusion of environmentally friendly technologies

Our mission and values commit us to being the leader in sustainable palm oil production by adopting the best industry practices and standards, managing the environment responsibly, creating employment and empowering the communities where we operate, while maximising long-term shareholder value.



Sustainability has always been an integral part of our business and has the backing of our management and Board. Our sustainability strategy focuses on engaging multi-stakeholders proactively, implementing the best practices holistically, benchmarking against industry standards, and reporting our progress in a timely and open manner.

ADVANCING THE MULTI-STAKEHOLDER ENGAGEMENT PROCESS

Recognising that SMART cannot act alone, we have made a commitment to engage with all our key stakeholders to develop solutions for sustainable palm oil production.

Area 3: Environment (Continued)



Throughout 2012, we actively engaged with our customers, the Government of Indonesia, civil society organisations, local and indigenous communities, and other key players and stakeholders in the palm oil industry.

Partnering with TFT to conserve forests

On 9 February 2011, we launched the Forest Conservation Policy (“FCP”) in collaboration with TFT, a global non-profit. Various stakeholders including Greenpeace have also provided inputs for the policy. The FCP seeks to conserve forests and



REDD+ Task Force seminar on 5 June 2012 in Jakarta. From left: Arief Muria Perkasa (Group Manager-Production of TFT), Bustar Maitar (Head of Indonesia Forest Campaign, Global Forest Network, Greenpeace), Kuntoro Mangkusubroto (Chairman of REDD+ Task Force and Head of President's Delivery Unit for Development Monitoring and Oversight, Indonesia), Daud Dharsono (President Director of SMART), Scott Poynton (Executive Director of TFT)

ensure that our palm oil operations have no deforestation footprint. It focuses on no development on land containing High Carbon Stock (“HCS”) forests, High Conservation Value (“HCV”) forests and peat lands; free, prior, and informed consent from indigenous and local communities; and compliance with all relevant laws and internationally accepted certification principles and criteria.

Following the launch of the FCP, we, together with our parent company Golden Agri-Resources Ltd (“GAR”), TFT and Greenpeace (the “Team”) conducted fieldwork in West and Central Kalimantan to develop a practical, scientifically robust and cost effective methodology to define and identify HCS areas for conservation.

Area 3: Environment (Continued)



On 4 June 2012, GAR and SMART published the HCS Forest Study Report in collaboration with TFT and Greenpeace. The report was presented at an Indonesian REDD+ Task Force seminar in Jakarta on 5 June 2012.

Since then, the Team has been holding wider discussions with various stakeholders to gather feedback on the study and its outcomes. Feedback from meetings with representative from the Government of Indonesia, including the Bupati (district head) and local leaders, has been open and constructive.

Furthermore, an HCS methodology Focus Group Discussion was held on 17 July 2012 in Bogor, Indonesia. Experts attended the meeting from local academia, government, trade organisations, TFT, Greenpeace, SMART and GAR. The meeting concluded that overall, the HCS methodology detailed in the Report is scientifically acceptable, and a number of recommendations for improvement were made.

On 13 March 2013, together with GAR, we announced the implementation of an HCS forest conservation pilot project in our affiliate, PT Kartika Prima Cipta, West Kalimantan, Indonesia. The purpose of the pilot is to establish a framework for successful HCS conservation by the broader palm oil industry. The pilot acts as a catalyst to foster further multi-stakeholder dialogue on solutions to conserve HCS forests. During the pilot, the Team continues to engage with the Government of Indonesia, civil society organisations, local and indigenous communities, key growers and other stakeholders in the Indonesian palm oil industry to address the following key success factors:

- Community buy-in, which would require palm oil companies to fulfill their commitments to smallholders by compensating them for not being able to plant on HCS land. In addition to a compensation plan for HCS land, there would need to be a plan for the community to be involved in protecting HCS land.

Area 3: Environment (Continued)



- Government of Indonesia buy-in, whereby the government would take an active role in formulating policies to further promote HCS conservation. These would include amending the policy on abandoned land and implementing a land swap policy to facilitate the exchange of HCS land for alternative planting sites. The government would also map no-go HCS zones to indicate land on which there is to be a moratorium on clearing and planting.
- Industry buy-in, whereby ten key growers would adopt the HCS forest conservation strategy and implement their respective pilot projects before GAR and SMART rolls out the next phase of their HCS forest conservation . In addition, the Indonesia Palm Oil Association (“GAPKI”), Gabungan Pengusaha Perkebunan Indonesia (“GPPI”) and Roundtable on Sustainable Palm Oil (“RSPO”) would adopt an HCS conservation policy.

Under this multi stakeholder engagement process, the Team seeks to rally all stakeholders to identify HCS areas, develop an enabling legal framework for HCS conservation, and implement measures to conserve HCS. The pilot is expected to take 12 months. We will provide timely reports on our progress.

Adopting a holistic approach : complementary policies

The FCP is part of SMART’s holistic approach towards sustainability. In addition to the SCEP launched in November 2011 to ensure that our palm oil operations improve the lives of the communities we impact (see Social and Community Relations on slide 7), we also launched a Yield Improvement Policy (“YIP”) in February 2012, to leverage technology and innovation to improve CPO yield, in order to improve the livelihoods of smallholders and also to reduce the pressure to open new land.

SMART has taken a multi-stakeholder approach in developing these policies. We have collaborated with TFT and consulted the Government of Indonesia, local stakeholders and NGOs such as Yayasan Dian Desa and Greenpeace.

Area 3: Environment (Continued)



Working with industry certification bodies

We comply with all relevant laws and internationally accepted certification principles and criteria. Industry certification is part of SMART's on-going commitment to adopt best practices and standards in sustainable palm oil production.

- **Roundtable on Sustainable Palm Oil ("RSPO")**

As a RSPO member since 2005, we are committed to the National Interpretation of the RSPO Principles and Criteria. SMART has progressed in its RSPO certification plans. To date, 57,844 hectares of plantations including smallholder plantation of 3,259 hectares and 5 mills have received RSPO certification. SMART has engaged TFT to help us prepare for RSPO certification. To optimise our certification efforts, we are deploying a scorecard system in collaboration with TFT. We aim to obtain RSPO certification for all our palm oil operations as of June 2010 by December 2015.

- **Indonesian Sustainable Palm Oil Scheme ("ISPO")**

SMART is also working towards ISPO certification. ISPO is a policy taken by the Indonesian Ministry of Agriculture to improve the competitiveness of Indonesian palm oil in world markets and to meet Indonesia's commitment to reduce greenhouse gases and to focus on environmental issues. SMART took part in the ISPO field trials in early 2011 to provide feedback and input on the implementation of ISPO standards.

- **International Sustainability and Carbon Certification ("ISCC")**

To date, 47,119 hectares of our plantations, 4 mills and 3 bulking stations have obtained ISCC certification. The objectiveness of ISCC are the establishment of an internationally oriented, practical and transparent system for the certification of biomass and bioenergy. ISCC is oriented towards the reduction of greenhouse gas emissions, the sustainable use of land, the protection of natural biospheres and social sustainability.

Area 3: Environment (Continued)



Engaging with customers

SMART is a member of the London-based Supplier Ethical Data Exchange (“SEDEX”), a database of socially responsible suppliers supported by a number of global multinationals like Unilever, Nestlé and Kraft as they seek contacts and information on suppliers based in developing countries that adhere to internationally recognised sustainability standards.

We remain committed to actively engaging with all our customers to address any sustainability concerns they may have. Our customers have indicated that they are encouraged by the implementation of our FCP, SCEP and YIP with TFT. We have continued to engage our customers and stakeholders by sharing with them our progress as we move towards higher standards of sustainability.

Traceability represents an important milestone in our journey towards sustainable palm oil production. We have developed the necessary SOPs and work instructions for achieving traceability and segregation from estate through to refinery. The option for full traceability and segregation can be applied as required by any client but not implemented by default.

ENSURING ENVIRONMENTAL SUSTAINABILITY

As a natural resource based company, we have a fundamental responsibility for the effective management of the environmental impacts throughout the entire value chain of our activities – from the acquisition of land and its development to the management of our plantations and mills, our manufacturing operations, the use of our product, and where appropriate, its recycling and disposal.

Cultivating on land designated and approved by the Government of Indonesia

We operate strictly on land designated and licensed by the Government of Indonesia for oil palm cultivation. The land designated for oil palm cultivation is described as degraded land, where earlier widespread logging, shifting cultivation and other activities have exposed the land to damaging erosion by rain and wind.

Area 3: Environment (Continued)



Conserving peat land and pioneering zero burning policy

In February 2010, we made an important decision to stop any development on peat regardless of depth. This builds on our pioneering zero burning policy. Since 1997, we have established policies on zero burning and adhered to the ASEAN Policy on Zero Burning. Our land is cleared using manual methods such as bulldozing and stacking of trees, thereby preventing air pollution, preserving the soil structure and retaining nutrients in the soil as the biomass decomposes.

Preserving High Conservation Value areas

We support efforts to preserve HCV. Our HCV assessments are benchmarked against best practices and are incorporated into management plans for plantation development. Where necessary, we engage external experts to provide input to these HCV assessments. If an HCV area is found in our plantations, we take the following measures to enhance its natural value and biodiversity:

- protecting the flora and fauna, especially endangered species, by eliminating threats from illegal activities such as poaching;
- avoiding degradation and deterioration;
- continuously reviewing management plans to conserve HCV; and
- monitoring the HCV regularly and enriching or rehabilitating, if necessary.

Fauna and flora biodiversity in established plantations is promoted through the conservation of adequate habitats.

Protecting rare and endangered species

The Company has a Zero Tolerance Policy towards hunting, injury, possession and killing of rare and endangered wildlife within our plantations. We have been educating our employees, contractors and local communities as well as related stakeholders on the importance of conserving rare and endangered species. Disciplinary measures, including termination of

Area 3: Environment (Continued)



employment will be enforced for any infringement of this policy. We also collaborate with the government or related organisations and NGOs on the management of rare and endangered species.

An example is our commitment to conserve the important orangutan. SMART has entered into a two-year partnership programme with Orangutan International Foundation (“OFI”) to further support the conservation and protection of orangutans. Under this partnership programme, SMART supports the release of 40 wild-born ex-captive orangutans into their natural habitat. SMART will also jointly develop a training programme with OFI for its employees on conserving orangutans in Kalimantan.

Monitoring environmental impact

We manage and regularly monitor every environmental aspect in order to minimise adverse impact to the natural environment. The monitoring is in accordance with the Environment Management Plan (“Rencana Pengelolaan Lingkungan”) and the Environment Monitoring Plan (“Rencana Pemantauan Lingkungan”), as approved in the Social Environmental Impact Assessment (“Analisa Mengenai Dampak Lingkungan”) documents submitted to the Government of Indonesia.

The assessment of the environmental parameters is conducted by SMARTRI, our ISO 9001:2008 and ISO 17025-accredited internal laboratory, as well as external laboratories referred by the Indonesian authorities. Our regular internal monitoring and assessments are guided by the ISO 14001:2004 Environment Management Systems and ISO 9001:2008 Quality Management Systems.

Zero waste and integrated pest management

Our zero waste strategy is to reuse, recover and recycle. We recycle all production waste as organic fertiliser and as a source of energy. For example, we return nutrient-enriched waste from harvested fruit bunches and palm oil mill effluents to the plantations as organic fertiliser. This practice is fully integrated in our fertiliser management plan.

Area 3: Environment (Continued)



We have invested in technology to convert the methane gas that is produced by the nutrient-enriched waste into energy. This technology is being implemented progressively in our operations. In addition, solid waste from the mills, such as the fibre from oil palm mesocarp and shell from the nuts, is used as fuel.

The zero waste practices not only minimise the impact on the environment, but also result in significant cost savings. Regular control of soil fertility is implemented throughout our plantations in order to ensure that our nutrient management practices maintain, or when required, improve the soil fertility.

We are committed to implementing tight control over the use of chemical pesticides. We have been researching and applying alternative methods of managing pests and diseases that affect oil palms. Since the early development of our operations, we have advocated the use of Integrated Pest Management approach on our plantations to minimise and mitigate the impact of chemical pesticides on the environment.

The preferred method is to deploy biological controls. We use beneficial plants, natural predators and pathogens or bacteria, and handpicking or mechanical traps. Pesticides are deployed only to control outbreaks of infestation when biological controls are not successful. In such cases, pesticide is used carefully in compliance with national laws.

We recognise the concerns over the use of chemical fertilisers and pesticides. Over the long term, by collaborating with national and international institutions, we will continue to research and investigate ways to phase out the use of such chemicals. We will then implement such solutions together with other key players in the industry.

PROMOTING PRODUCTIVITY OF THE INDONESIAN PALM OIL INDUSTRY

We are committed to a holistic approach towards sustainability. As part of this process, we are always looking at ways to increase productivity and thus reduce the impact on our land.

Area 3: Environment (Continued)



We achieved a significant milestone when we launched our Yield Improvement Policy (“YIP”) in February 2012. The policy leverages technology and innovation to improve SMART’s CPO yield. Increasing productivity will enable SMART to produce more palm oil from less land, reducing the impact of the palm oil industry on the environment. Higher yields will also help to improve the livelihoods of smallholders and at the same time reduce the pressure to open new land.

The YIP focuses on best practices in planting material, agronomical practices, plantation management and land suitability. It applies to SMART’s total cultivated area of 139,200 hectares as at 31 December 2012, which included 17,200 smallholders with a total of 30,391 hectares.

SMART has been leading the industry in palm oil productivity. In 2012, SMART achieved a CPO yield of 5.45 tonnes per hectare, higher than the Indonesian industry average of 4.08 tonnes per hectare.

Collaborating with smallholders

Our collaboration with smallholders (plasma) has been successful. To reach out to smallholders who have not yet taken advantage of our expertise, largely because of limited financial means, we supply fertilisers together with the usual agricultural advice and allow them to pay in affordable installments.



Area 3: Environment (Continued)



Together with the Indonesian Oil Palm Association, smallholders and government bodies, we promote the use of seeds that are derived from selected highly productive oil palms. We also encourage prudent use of pesticides and biological pest control to enhance the productivity of the entire industry.

Working with the industry and research institutes

Our research institute, SMART Research Institute (“SMARTRI”), continues to push the frontiers of innovation to enhance productivity of palm oil production in our estates as well as in smallholdings. The oil palm breeding programme at SMARTRI complements the traditional improvement of crops with new biotechnological techniques which enable important genetic enhancements of the plant.

SMARTRI is actively collaborating with several reputable national and international research institutions and universities. Significant collaboration is the Oil Palm Genome Project, a worldwide initiative by a consortium of 16 reputable research organisations from seven countries. The project uses molecular biology as a tool to support conventional breeding. The main objective is to map the entire genome spectrum of oil palm varieties, including identification of specific traits such as disease resistance, drought tolerance, superior quality oil, and high yield. As an active participant in this project, we have formed a dedicated team in our biotechnology division, and our staff has been involved in related research activities in Spain and France.

Area 4: Corruption



Principle 10 : Work against corruption in all its forms, including extortion and bribery

- We do not tolerate any form of bribery and corruption in our Company. The spirit of integrity, which is an integral part of our Shared Values, is to be internalised by all our staff, from management to our plantation. Any employee found to have engaged in bribery or corruption will be severely dealt with by the Company and to the full extent of the law.
- All staff are required to attend “Value is Power”, a one-day training to assist them in implementing our Shared Values in their daily work activities.
- We have a transparent procurement process. At least three qualified suppliers are invited to tender for purchases above Rp 1 billion and the decision to award a contract is made by a formally constituted Tender Committee based on price, quality and delivery capacity. The Tender Committee is comprised of representatives from Central Procurement, Business Control Division and the operating units within the purchasing unit.
- There is a separate mechanism for the payment of purchased goods. The invoice must be verified by another department before approval is given for the process of payment. The process takes place different department (e.g. Finance) to eliminate opportunity for corruption.
- To avoid any potential conflict of interests, we do not hire the spouse of our employees to work in SMART. This policy also applies to employees who get married to their co-workers. In such marriages, one of the couple must voluntarily resign.

Area 4: Corruption (Continued)



- The Company has developed a strong internal control framework to safeguard its assets, which includes corruption prevention. We have three separate internal audit departments, namely:
 - Corporate Internal Audit
 - Plantation Internal Audit
 - Downstream Internal Audit
- The responsibility of internal audit is to review our internal control framework in a timely and systematic manner, so as to provide reasonable assurance that framework is adhered to, and remains sound and effective.
- As a publicly listed company, we also have an Audit Committee that reports to the Board of Commissioners. Its responsibilities include ascertaining the enforcement of appropriate control policies, prevailing laws, rules and regulations in the Company's business. Internal audit departments are also required to report the results of their audit to the Audit Committee on a regular basis.



smart
agribusiness and food

Thank You