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Creating a New Business Paradigm

COMMUNICATION ON PROGRESS 2009

Indonesia Global Compact Network

December 29th , 2009

COMMIT TO PERFORM

RANCH  MARKET[®]

it's a balanced life

FARMERS  MARKET

— *fresh and friendly* —

From CEO

Making a commitment to corporate social responsibility

To make the world a better place for living and secure a bright future for our coming generations, Ranch Market and Farmers Market as a supermarket has a commitment on corporate social responsibility. We define sustainability through our values, which give rise to our policies and company culture.

With Global Compact, Ranch Market and Farmers Market believe that the company can support universal human rights, environmental and social through 10 principles initiatives by the United Nations Global Compact.

Ranch Market & Farmers Market put the principles of Global Compact as one of company objectives, to ensure its implementation throughout the employee.

We look forward to a prosperous and sustainable future.

Nugroho Setiadharma

President Director of PT. Supra Boga Lestari
(Ranch Market & Farmers Market)



- ❖ When we opened the first Ranch Market in Indonesia, we had simple mission: creating a wonderful shopping experience through fresh quality food, unique atmosphere, and excellent service, without forgetting community's value.
- ❖ During our journey for almost 10 years, we commit to provide more natural food alternative in our supermarket to drive a balanced grocery shopping lifestyle that synthesizes health and pleasure.
- ❖ The combined passion of more than 1500 team members, hundred of vendor partners and thousands of customers has helped us to become a respected, loved, and trusted supermarket in Indonesia. With more than 2000 natural and organic products, we are the largest food retailer of healthy food in Indonesia.
- ❖ Pursuing different format on 2007:
Establishment of Farmers Market, bigger supermarket concept (4,000 m²) with heavy emphasis on fresh products



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OUR STORES

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- 7 Ranch Market stores and 3 Farmers Market stores in Indonesia
- Fresh products contribute more than 40% of total sales, the most in Indonesia supermarket industry
- Food Safety (HACCP) certified by SAI Global since 2003, and upgraded to Food Safety Management System (ISO 22000) on early 2009
- Voted as the marketing pioneer of organic product in Indonesia and awarded MAPORINA AWARD in December 2005 by Minister of Agriculture
- 4 consecutive years on The Best Australian Meat Seller (2004 - 2007)



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Expansion & Market Share

- ✚ Expansion plan of 2010:
 - ~ another 3 Ranch Market & 2 Farmers Market stores
- ✚ Company drivers:
 - ~ Operational focus & continuous improvement
 - ~ Large store format with heavy fresh emphasis
 - ~ Differentiated lifestyle brand
 - ~ Corporate culture/Team Member





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What is the Purpose of Business?

- ☺ Customers want high quality, low prices, and good service
- ☺ Employees want high wages and benefits, good working conditions, fulfilling work
- ☺ Shareholders want increasing sales, profits, and shareholder value
- ☺ Communities want jobs, taxes, donations, minimal harmful environmental impacts
- ☺ Business is fundamentally a community of people working together to fulfill its collective mission and to create value for other people
- ☺ Business by its very nature is part of society and it is intrinsically an ethical institution existing to create value for all of its stakeholders (the greater society)



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10 Principles of Global Compacts

➤ Human Rights

1. Not complicit in human rights abuse
2. Protect internationally proclaimed human rights

➤ Labor

3. Freedom of association and effective recognition of the right to collective bargaining
4. Elimination of all forms of forced and compulsory labor
5. Effective abolition of child labor
6. Elimination of discrimination in respect of employment and occupation.

➤ Environment

7. Precautionary approach to environmental challenges
8. Promote greater environmental responsibility
9. Development and diffusion of environmentally friendly technologies
10. Work against corruption in all its forms, including extortion and bribery



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New Business Paradigm

Corporate Social Responsibility

Core Values Business Mission :

The Products

We obtain our products locally and from around the world, often from small, uniquely dedicated food artisans or farmers. We strive to offer the highest quality, flavorful and naturally preserved foods, because foods in its purest state is the best tasting and most nutritious food available.

The People

We recruit the best people we can to become part of our team. We empower them to make their own decisions, creating a respectful workplace where people are treated fairly and are highly motivated to succeed. We look for people who are passionate about food. Our team members are also well-rounded human beings. They play a critical role in helping build the store into a profitable and beneficial part of its community.

The Community

We support organic farming-the best method for promoting sustainable agriculture and protecting the environment and the farm workers. We actively involved in our communities by sponsoring neighborhood events, raising fund for disasters, sharing knowledge to others, etc.



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Core Values

- Selling the highest quality, safe-to-eat products available, natural, and organics
- Hosting wonderful shopping experience to our customers
- Team member happiness and excellent
- Creating wealth through responsible profits and growth
- Caring about our communities and our environment



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Selling the Highest Quality, Safe-to-Eat products available, natural and organics

- We are the leading retailer of natural & organic foods in Indonesia supermarket industry
- We help improving the health, well-being, and longevity of thousands of customers
- Resisting the trend towards degradation of our food through the industrialization of food production
- Helping small yet dedicated farmers to grow and have direct access to urban customers

Principle 1 : Business should support and respect the protection of internationally proclaimed human rights



Selling the Highest Quality, Safe-to-Eat products available, natural and organics

- We are the first and only supermarket which implement food safety management system (ISO 22000) for the safety of our customers
- Helping the farmers to improve their knowledge on producing quality instead of quantity and on marketing site
- Through our supervision, we help our farmers to get Good Agricultural Practices Certification from Indonesian Ministry of Agriculture (Prima Certification Program).
- We are the first supermarket which NKV Certified (HACCP Certification for meat product) by Dinas Peternakan, Perikanan dan Kelautan Jakarta



Principle 1 : Business should support and respect the protection of internationally proclaimed human rights

Hosting Wonderful Shopping Experience to Our Customers

- ☑ Provide total food solution and healthy meal according to customer preferences
- ☑ Teach the customers to become “great chef” and encourage them to have family meal at home
- ☑ Let the children learn about how we farm organic vegetable, process foods, nutritious foods, and how to make cake for mothers day
- ☑ Team members are empowered to give solution to customers and delight them
- ☑ We are continually redefining the marketplace and further differentiating our stores and customer experience

Principle 1 : Business should support and respect the protection of internationally proclaimed human rights





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Team Member Happiness & Excellence



- ☺ Happy Team Members results in happy customers - our standard pay and benefits are above industrial standard
 - ☺ Health insurance covers the whole family
 - ☺ Full scholarship given to well performed Team Members' children who do well in school
- 2 employees get the scholarship for their children on 2009

Principle 3 : Business should uphold the freedom of association and the effective recognition of the right to collective bargaining



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Team Member Happiness & Excellence



- ☺ Encouraging Team Members to improve themselves by internal training or taking relevant courses
→ generate 2 certified SAP internal consultant
- ☺ We always do internal promotion by tendering open positions to existing and capable Team Member first
- ☺ Self-managing Teams are the organizational cells of the business

Principle 3 : Business should uphold the freedom of association and the effective recognition of the right to collective bargaining



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Team Member Happiness & Excellence



- ☺ Self-managing Teams are the organizational cells of the business
- ☺ Policy & procedures of our recruitment, placement, training & advancement of our staff at all levels are based on qualification, skill & experience. More than 36% of our employee and 39% of our managerial level are women.
- ☺ SBL gives full maternity leave to female employee.

Principle 6 : the elimination of discrimination in respect of employment & occupation

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Data of SBL Employee

	Total Male Employee		Total Female Employee		Total Employee whose Pregnant & take Maternity Leave	
	963 person	63.77%	547 person	36.22%	24 person	4.38%
Staff & Supervisor	929 person	60.13%	525 person	36.11%		
Manager	34 person	60.71%	22 person	39.28%		

Total employee : 1510 (per 17th Dec 2009)



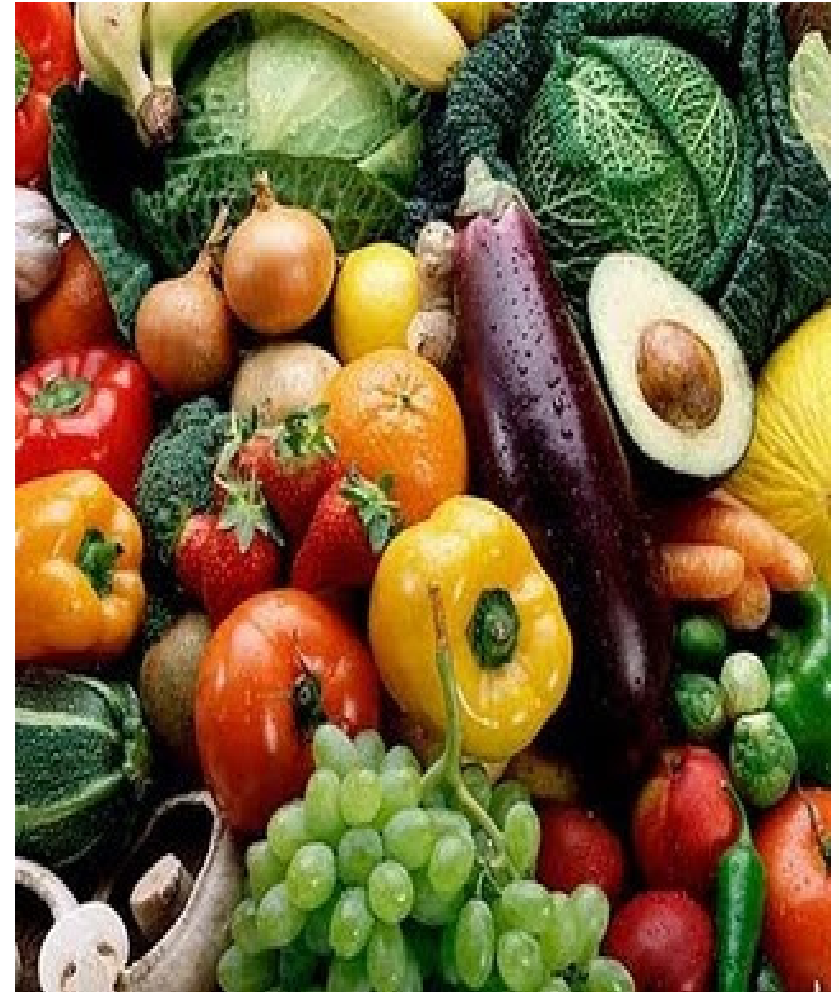
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Creating Wealth through Responsible Profits & Growth

- ☑ Profits are created through voluntary exchange, not exploitation
- ☑ Profits create wealth, capital, and prosperity
- ☑ Capital is the fuel for all technological innovation and progress
- ☑ Business has the fundamental responsibility to create prosperity for society and the world

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Caring About Our Communities & Environment

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- ✎ We strongly support organic & sustainable agriculture.
- ✎ We are committed to buy from local producers whose fruits & vegetables meet our quality & safety standard.
- ✎ We value natural diversity from every part of Indonesia, which has its way of farming and produce different kind of tropical produces & varieties.
- ✎ Hosting local farmers & UKM in our store

Principle 7 : Business should support a precautionary approach to environmental challenges;

Principle 8 : undertake initiatives to promote greater environmental responsibility.



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There Are Many Reasons for Supporting Local Farmers

1. A friendly and fresh connection:

Supporting local farm production puts a “face” behind foods we consume and keeps us connected to the seasons, as well as the unique flavor and diversity of local crops.

2. Local means Green:

Buying produce from local growers reduces the environment impact and costs of transporting products, which gives farmers maximum return.



There Are Many Reasons (cont'd).....



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3. Preserving character :

Small local farmers are valuable component of a community's character, helping maintain agriculture heritage, preserve land use diversity, and moderate development.

4. Crop diversity & quality:

Many farmers producing for a local market choose to diversify, growing a variety crops instead of just one. This is a boon for biodiversity and your palate, since local crops are harvested at their peak of freshness and flavor.





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Caring About Our **COMMIT TO PERFORM** Communities & Environment



Fair Trade Program instead of Trading Term:

- ✎ With the market's inevitable price & production fluctuations, purchase guarantee and paying producers better price for their quality products cover their cost and more.
- ✎ It makes sure that they can always afford to create, harvest or grow their products so that they do not have to abandon their work or jeopardize the well being of their family

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***Paying producers premium price
for their quality products:***

- ☑ Is an investment in producers and their communities
- ☑ Puts money back into their operation
- ☑ Enables them to invest in training and education for workers
- ☑ Ensures more take home pay to help support better life

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Caring About Our Communities & Environment



GREEN Mission program

- ✎ Working together with WWF to end poverty and conserve our environment.
- ✎ Ranch Market in partnership with WWF do the conserving of environment through replanting in Gunung Rinjani forest protected national park, Lombok.
- ✎ The growth of the trees will be monitored through geotags (precise latitude and longitude coordinates).

Principle 7 : Business should support a precautionary approach to environmental challenges;

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Caring About Our Communities & Environment



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newTrees

**Donate
your change &
Grow a tree with
Ranch Market**

Principle 7 : Business should support a precautionary approach to environmental challenges;

Principle 8 : undertake initiatives to promote greater environmental responsibility.

- ✎ Ranch Market and Farmers Market also invite the customers through Green Mission NEWtrees program to join the replanting project.
- ✎ For each reusable bag sold under Green Mission Program, IDR 50.000 will go to WWF, which is creating real results in the fight against poverty and at the same time conserving our environment.
- ✎ The mission of the program is to create economic partnership with the poor that can supply our stores with local products.



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Principle 7 : Business should support a precautionary approach to environmental challenges;

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GREEN Project in Farmers Market

- ✎ Collaborate with newspaper printing company and WWF, Farmers Market provide reusable bag from newspaper for the customers.
- ✎ Conduct “clipping competition” & “cerdas cermat” for student of elementary school to enhance awareness of caring their environment which at the same time conserving our environment.



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Food for Life program



Principle 10 : Business should support a precautionary approach to environmental challenges;

Principle 8 : undertake initiatives to promote greater environmental responsibility.

- ✎ Together with 10 professors & nutritionists, published book about Balance Life thru Balance Nutrition (Hidup Sehat melalui Gizi Seimbang).
- ✎ Working together with UNICEF to reduce child mortality and improve their life.
- ✎ For each books sold, Rp 1000 will go to UNICEF, which is creating real results in improving children well being and in the same time reducing child mortality.



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**Let's share and give,
We care on
West Sumatra
earthquake
disaster**

Through Indonesia
Global Compact
Network (IGCN) Ranch
Market and Farmers
Market also donate the
victim of earthquake
disaster in West
Sumatera and West
Java.

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Conclusion



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- ☛ The old business paradigm of maximizing profits and shareholder value has failed to create the “good society”
- ☛ Ranch Market & Farmers Market is helping to pioneer new business paradigm with company mission & core values at the center of the business model
- ☛ Business is fundamentally a community of people working together to create value of other people - customers, employees, shareholders, and the greater society
- ☛ We believe that much of our success to date is because we remain a uniquely mission-driven Company. Our vision reaches far beyond just food retailing



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