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PT Sinar Mas Agro Resources and Technology Tbk.

Global Compact - Communication on Progress

April 2008

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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.

We steadily 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 intertwining the ten principles in the way we do business, which helps making us a better corporate citizen in Indonesia.

About SMART



- Listed on Indonesia Stock Exchange since 1992
- The most prominent 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	: Approx. 125,000 ha
Fresh Fruit Bunch Production ²	: 2,025,010 tons
Mills Annual Capacity	: 2,875,000 tons
Crude Palm Oil Production	: 509,095 tons
Kernel Crushing Plants	
Annual Capacity	: 219,000 tons
Palm Kernel Production	: 111,637 tons
Refineries Annual Capacity	: 840,000 tons

Notes:

1. As at 31 December 2007
2. Including plasma (plantations belonging to smallholders, where we assist them in terms of financing and managing the plantations)



Products

- Crude palm oil (CPO)
- Palm Kernel (PK)
- Palm Kernel Oil
- Palm Kernel Meal
- Cooking Oil
- Margarine
- Shortening
- Butter Oil Substitute
- Stearin
- Cocoa Butter Substitute

Implementation of Global Compact's Principles – 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

- We ensure that every policy concerning manpower is aligned with national manpower policy, that has been endorsed by the tripartite of company, employee (as represented by Labor Union) and Indonesian government.
- We follow standard regulation for working hours, minimum wages, overtime payment, minimum working age, and make sure that employees' rights are respected. Some policies surpass the government's standard; such as pension plan, personal accident and health allowance.
- 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 have been actively involved in open dialogues with government, labor, NGOs and institutions to regularly discuss human rights issues especially within palm oil plantation sectors.
- We ensure that all the regulations are updated by continuously benchmarking the working conditions to other companies; such as housing and social facilities, meal and transportation, health issues, salary and benefit standard.

Implementation of Global Compact's Principles – Human Rights (continued)



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- Before developing a new area for expansion, we carefully assess local human potential and cultural issues, and make sure that business activity would strengthen and benefit local people as one of the most important stakeholders.
- In remote areas where our plantations are located, we provide general health facilities (clinics) and doctors. With special awareness of AIDS, we conduct seminars and invite employees to voluntarily join the blood test while maintaining utmost confidentiality.
- Believing that education is an active way to brighten the future of Indonesian children, we build elementary and junior high schools in the estate units, hire and develop capable teachers, and equip the schools with learning facilities.

Implementation of Global Compact's Principles – 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

- Whether it is internal or external, the employees are given constructive opportunity to express their opinion through labor association. The labor associations is considered as mutual partner whose opinion is taken seriously especially to improve employees' welfare.
- To comply with ILO Convention, we set a strict recruitment policies concerning the minimum working age of 18 years. This mechanism starts when we receive applications and verify the candidates' date of birth from their identity cards or birth certificates.
- At the very front page of our recruitment policy, it is stated that the hiring decision is based on organization planning and focuses on competency; eliminating any form of discrimination (race, religion, gender or ethnicity). The same applies for salary setting, training opportunity and career development.

Implementation of Global Compact's Principles – Labour (continued)



- As a company whose operations cover large palm oil plantations mostly in remote areas, we care for the safety and comfort of our field assistants. Therefore, the priority of new hires as field assistants is males. As for females, we assign them to office or laboratory areas. This policy is applied to respect the differences in gender and to best employ each based on field situation.
- We assess the local indigenous communities with great care; due to the fact that there have been conflicts based on ethnicity or race. To respect the interest of native people, community development programs must address this issue promptly. We also provide opportunities of recruiting local people, as long as they follow the standard selection procedures, such as technical test and interview.
- At head office; which is likely in the city or metropolitan Jakarta; we eliminate gender, religion, or any other types of discrimination.
- To embrace the diversity of culture and religion, we provide freedom for Muslims, Catholics, Protestants, Hindus, and Buddhists to perform religious activities without interrupting working hours.

Implementation of Global Compact's Principles – 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

We have institutionalised best practices of Environmental Management in our operations, while making concrete efforts to adhere to the stringent sustainability guidelines, so as to conserve the natural resources and biodiversity in all the communities we operate in. We regard the above three principles as being related to one another and we implement these principles simultaneously. The principles have materialised in a series of ongoing and/or specific programmes, as discussed below.

- Zero Burning

As one of the pioneers in the industry, we established our zero burning programmes for land clearing as far back as 15 years ago, in accordance with the ASEAN Zero Burning Policy. We do not deploy burning as a means of land clearance, mindful of air pollution and the negative impact on the soil nutrient content. Instead we adopt manual methods, such as cutting and chopping the trees with chainsaws and other mechanical tools.

Implementation of Global Compact's Principles – Environment (continued)



- Zero Waste

Our zero waste policy advocates “3R” (Reuse, Recover, and Recycle), to ensure a cleaner production programme. For instance, organic compost and empty fruit bunches are used as organic fertilisers; and the solid waste from the fibre mills (the fibre of husks from fresh fruit bunches) is used as fuel, to increase energy efficiency. We also use palm oil mill effluent, a liquid waste from the mill, as organic fertiliser in the Land Application method. Prior to this, the effluent is treated in the waste water treatment plant to decrease several parameters in accordance with Decree of Minister of Environment of Indonesia Number 29 Year 2003.

- Fertiliser Management

In addition to recycling waste and by-products as an organic substitute of fertiliser, we also apply a very accurate, site specific fertiliser plan conducted through leaf sampling (similar to a blood test for human beings), thereby limiting the usage of mineral fertilisers. In order to reduce usage of Nitrogen fertiliser, we maximise the use of leguminous cover crop, to take advantage of Biological Nitrogen Fixation. We manage the dose of fertiliser to achieve the optimum economic performance as well as the maintenance of soil fertility, while preserving natural resources.

Implementation of Global Compact's Principles – Environment (continued)



- Integrated Pest Management

We adopt environmentally friendly methods through Integrated Pest Management to minimise usage of pesticide. One of the objectives is to reduce any side effect on biodiversity, as well as promoting biodiversity in our plantations, as we believe that biodiversity helps in controlling pests and diseases. Pests and diseases are managed through biological controls by deploying natural predators and pathogens or bacteria; and mechanical/manual controls by handpicking or using light traps. The application of the above-mentioned methods is strictly limited to the infected or attacked areas. In any case, the usage of chemical control or pesticide is used as a last resort and should be approved by the Indonesian Pesticide Committee.

Introduction of beneficial plants is also a common practice in our plantations. In addition to that, weeding is done selectively, in order to take out only those plants that result in significant negative impact on palm growth.

- High Conservation Value Forest

We work closely with World Wildlife Fund (WWF) Indonesia to identify and prevent cultivation of new and existing areas of high conservation value forest. We do not open plantations in primary rain forest.

Implementation of Global Compact's Principles – Environment (continued)



- Research Institute

We have an in-house research institute called SMARTRI (SMART Research Institute) established in Riau, Sumatra. SMARTRI undertakes a full range of research in agronomic and environmental activities and these research activities are undertaken in collaboration with national and international research institutions and universities, including Centre de coopération Internationale en Recherche Agronomique pour le Développement (CIRAD) from France. SMARTRI has been certified by ISO 9001:2000 for its Quality Management System in 2003 and ISO 17025 in Laboratory Accreditation for its analytical laboratory in 2006. Research and Development efforts of SMARTRI will continue to support the Company in achieving greater sustainability in the cultivation of oil palm through increasing productivity and efficiency, as well as preserving the environment for the well-being of future generations.

- Environmental Impact Assessment (EIA)

For every new project development, EIA is carried out as part of our permitting process. The assessment includes social and environmental baseline scans, stakeholders' engagement process, public consultations, etc. The main purpose of the assessment is to ensure that the stakeholders are well informed about the risks associated with them, alternatives are investigated, and residual impacts are mitigated.

- Regular Environmental Management and Monitoring Reporting

Every six months, the Company submits an environmental management and monitoring report to the local government. The report includes the Company's commitment and activities in managing and monitoring the environmental and social impact of its operations.

Implementation of Global Compact's Principles – Environment (continued)



- Environmental and Quality Management System

Our regular monitoring and assessments are guided by the ISO 14001: 2004 Environment Management System and ISO 9001:2000 Quality Management System. Since 2003, two of our palm oil estates in North Sumatera and our palm oil mill in South Kalimantan have attained ISO 14001:2004. Since 2002, two of our palm oil mills in North Sumatera have also been granted ISO 9001:2000.

- Participation in Roundtable on Sustainable Palm Oil (RSPO)

We have been an active member of the RSPO since February 2005. RSPO is an organisation formally established in April 2004 to promote the growth and use of sustainable palm oil. The mission of the RSPO is 'to advance the production, procurement, and use of sustainable oil palm products through the development, implementation, and verification of credible global standards; and the engagement of the stakeholders along the supply chains'.

We have been actively involved in developing verification systems as guidelines for sustainable and environmentally friendly plantation practices in the palm oil industry. We support and lead programmes with the Indonesian National Interpretation Working Group (INA-NIWG) in furthering the national interpretation of RSPO Principles and Criteria for Indonesia. The National Interpretation is developed through the consensus of participating multi stakeholders from the palm oil industry in Indonesia, such as NGOs, financial institutions, government bodies, the Indonesia Palm Oil Association, etc, and will be used as a guideline for sustainable palm oil implementation in Indonesia. Our Vice President Director, Mr. Jo Daud Dharsono, has been appointed as the Chairman of INA-NIWG of RSPO since 2007. Our plantations in North Sumatera and South Kalimantan are registered with the RSPO Executive Board as trial locations of the RSPO principles and criteria model.

Implementation of Global Compact's Principles – Environment (continued)



Since 2005, we have conducted in-depth RSPO gap analysis, an evaluation of current performance of palm oil production, as stipulated by the RSPO generic principles and criteria, for some of our estates and mills. The positive gap analysis results will go further to strengthen our application for RSPO Certification.

As an active member of RSPO Indonesia Smallholder Taskforce, we play an integral role in establishing national standards for RSPO applications for smallholders (farmers), together with other palm oil stakeholders in Indonesia.

We carry out comprehensive training programmes for RSPO Principles and Criteria for our new and existing workers, to provide a strong foundation and understanding to our employees before the application of RSPO Certification.

- International Conference on Oil Palm and Environment (ICOPE)

Our Company champions long-term commitment as an engaged corporate citizen, leading the industry's efforts in ensuring sustainable palm oil cultivation. As part of this commitment, we have collaborated with the WWF Indonesia and CIRAD to host the ICOPE in November 2007.

The ICOPE took place in Bali and gathered over 300 scientists and practitioners from more than 17 countries. The objectives of the conference were to highlight environmental issues in the palm oil industry, and allow industry players to share their experience and pool resources to seek possible solutions for the betterment of the industry.

Implementation of Global Compact's Principles – Anti Corruption



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

- We set a strict policy on corruption and bribery with zero tolerance for such actions. Built by our founder, Eka Tjipta Widjaja, more than 30 years ago, we strongly believe in the values of integrity. One of the key behaviors of integrity is honesty; meaning that all employees of SMART must be honest about the data, report, and process. The spirit is internalized by top management as the role models; and spread down to each level of staff.
- We apply zero tolerance for actions such as corruption and bribery by imposing a severe penalty for employees who are proved conducting those actions; i.e. punishment by law.
- Activities involving purchasing, for example, must follow certain procedures. Before the purchase decision is made, there must be comparison of more than one supplier to ensure that the Company gets the best benefit in terms of price, service and product quality.
- There is a separate mechanism for payment of purchased goods. The invoice must be verified by another department before getting approval for payment. The process takes place in a different department (i.e. finance) to eliminate the opportunity of collusion or corruption.
- To avoid conflict of interest, we also prohibit employees' spouse to work in SMART. This policy also applies to those who get married to their workmate; one of them must voluntarily resign.

Implementation of Global Compact's Principles – Anti Corruption (continued)



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