



smart
agribusiness and food

PT Sinar Mas Agro Resources and Technology Tbk

Global Compact – Communication of Progress

April 2014

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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.

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	:	138,900 ha
Fresh Fruit Bunch Production ²	:	2,984,000 tonnes
Mills Annual Capacity	:	3,900,000 tonnes
Crude Palm Oil Production	:	730,000 tonnes
Palm Kernel Production	:	172,000 tonnes
Kernel Crushing Plants		
Annual Capacity	:	480,000 tonnes
Refineries Annual Capacity	:	2,280,000 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 2013
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



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Implementation of Global Compact's 10 Principles

Integrity Positive Attitude Commitment Continuous Improvement Innovative Loyal


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. We are strengthening our procedures in community engagement to forge better understanding, plan and implement more effective programmes to meet community needs.
- In collaboration with The Forest Trust (“TFT”), a global non profit, we have been implementing a Social and Community Engagement Policy (“SCEP”) 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.
- Together with TFT, we continue to develop new guidelines and build capacity in areas such as mediation, conflict management and participatory planning to facilitate the successful implementation of the SCEP.
- We mobilise stakeholders such as local communities and government bodies as we actively participate in and drive our comprehensive community programmes, which range from education and energy self-sufficiency, to healthcare and disaster relief.

Area 1: Human Rights (Continued)

EDUCATING THE NEXT GENERATION

- Education is a pillar of our community development programmes. We see it as a key to unlock the potential of Indonesia and as an effective way to break the poverty cycle that affects many of its people. Through our education programmes, we also support the Government of Indonesia's human resource development efforts in building high quality human capital.
- To date, SMART has established 88 schools that employ 854 teachers and educate 13,419 students, ranging from kindergarten to junior high. In support of the nine years of compulsory education required by the Indonesian Ministry of Education, we have ensured that each estate has educational facilities for kindergarten to sixth grade schooling and every region a junior high school that adequately meets the needs of our employees and the local communities.
- Children of our employees and casual workers living in the estate receive free education from kindergarten to junior high school and heavily subsidised higher education. In the wider community, children living around our estates receive heavily subsidised education at all levels. To further encourage our employees to send their children to school, we provide free school bus services for all students.
- Sekolah SMART, a strategic collaboration with Eka Tjipta Foundation, is a school quality improvement programme for schools located in our plantations. Its main aim is to prepare those schools for the National Standard School Certification from the Ministry of National Education.



Area 1: Human Rights (Continued)

By focusing on quality training for teachers, school management and community involvement, Sekolah SMART also aims to create schools that combine social conduct, ethics and academics to foster character development and care for the environment. Participating teachers receive instructions on pedagogical approaches to school principal leadership and capacity building. As of 2013, 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”). We completed construction of nine Rumah Pintar across our plantations and officially launched them in the second half of 2012. The goal of Rumah Pintar is to empower children, women and other community members, in order to create educated 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. It comes with a library, a play room and an arts and culture corner, and is equipped with computers and multimedia stations.



Area 1: Human Rights (Continued)

- Each Rumah Pintar is managed by two specially trained tutors. The programmes for the women mainly focus on cooking and sewing, while children are taught art, music, multimedia and technology.
- With their new skills, many women have independently opened their own tailor business and catering and home baking services.
- In early February 2014, trained women from four Rumah Pintar in Jambi, North Sumatra, and Central Kalimantan participated in producing about 500 environmentally friendly goody bags for the fourth International Conference on Oil Palm and Environment (“ICOPE”), a conference that focuses on environment issues and identifying solutions and resources for sustainable palm oil. During the same event, two children from Rumah Pintar in Jambi and Central Kalimantan won the second and third place in a drawing competition that was organised alongside ICOPE. The opportunities have served as an encouragement to these beneficiaries.



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 2013 included:
 - Free medical and dental services for more than 2,700 patients in Jambi and Central Kalimantan.
 - Mobilisation of 110 medical personnel in our 56 plantation clinics to provide free treatment for about 440 patients daily.
 - Free surgery for approximately 190 patients with conditions such as harelip, hernia, cataracts and tumors.
 - Providing food supplements and multivitamins for mothers and infants in East Kalimantan and Jakarta
 - Health education and awareness programmes for more than 1,800 participants in Jambi, East Kalimantan and South Kalimantan. Topics included dental health, sex education, pregnancy, breast feeding and children's health.
 - Addressing mosquito problems in Surabaya.
 - Donation of about 32,000 kg of rice to 3,200 flood victims in Jambi and East Kalimantan.



Area 1: Human Rights (Continued)



EMPOWERING 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 2013 included the sale of more than 250,000 litres of our branded cooking oil at below market prices in impoverished areas, mainly in Jakarta, Greater Jakarta, several cities in Java, North Sumatra, South Sumatra, West Kalimantan and South Kalimantan.
- 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 and our office in Surabaya to participate in regular blood donation drives for the Indonesian Red Cross. About 1,100 bags of blood were collected in 2013. 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. The team is guided with a strategic CSR plan to ensure that we continue to develop and implement community development programmes to empower and meet community needs.

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 money.
- Our commitment to fair labour practices is also reiterated 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. We rigorously enforce this principle in all our plantations, mills and other places of work by conducting thorough checks 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.

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 training and socialisation 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 training 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. 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

Our stakeholder engagement involves equipping, connecting and mobilising investors, customers, employees, the Government of Indonesia, civil society organisations, local and indigenous communities, our peers and other stakeholders in the palm oil industry.

We believe that multi-stakeholder collaboration is the best way to achieve solutions for sustainable palm oil production. To succeed, SMART cannot act alone.



Area 3: Environment (Continued)

Engaging stakeholders on high carbon stock forests conservation

In March 2013, SMART and our parent company Golden Agri-Resources Ltd (“GAR”), announced the implementation of a High Carbon Stock (“HCS”) forest conservation pilot project in our affiliate, PT Kartika Prima Cipta (“PT KPC”) West Kalimantan, Indonesia. During the pilot, SMART and GAR in collaboration with The Forest Trust (“TFT”) continued 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 plasma 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.
- 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.

Area 3: Environment (Continued)

- Industry – buy in, where at least 10 key growers would adopt the HCS forest conservation strategy and implement their respective pilot projects before GAR rolls out the next phase of its HCS forest conservation. In addition, industry bodies such as the Indonesia Palm Oil Association (“GAPKI”) would adopt an HCS conservation policy.

In October 2013, GAR and SMART published a 6-month progress report of the pilot. The overall HCS approach has worked well, including the application of the stratification by GAR in Central and West Kalimantan. The approach needs to be built on robust High Conservation Value (“HCV”) assessments and participatory processes with the community (through free, prior, and informed consent (“FPIC”) and land use planning) if we are fully implement the Forest Conservation Policy (“FCP”) component of a “no deforestation” footprint. To ensure that HCVs have been fully captured, several HCV assessment are being revised and updated.

During the final phase of the pilot, there was outreach to relevant experts to peer review and finalise the HCS decision tree. We also ensured that:

- There will be an ongoing focus on the pilot site in PT KPC to socialise HCS conservation and to roll out its participatory mapping exercise, including for non-forest timber products.



Area 3: Environment (Continued)



- Work is in progress to engage with the relevant government bodies to address the challenges posed by the Abandoned Land Policy and opportunities offered by land swap.
- We continue to engage with key industry players to consider the benefits of implementing HCS conservation in their operations. This is being done through face-to-face meetings and industry forums like the inaugural Tropical Forest Alliance 2020 workshop held in Jakarta in June 2013.

We have also approached local NGOs to collaborate with us in community engagement. In July 2013, Forest Peoples Programme (“FPP”) and its local partners conducted a survey with a cross-section of the communities in the pilot site, and submitted an interim report summarising the testimonies collected from stakeholders during the survey process. GAR and SMART have had meeting with FPP and have been discussing the situation at PT KPC since early July 2013. Their additional findings have assisted our own field audit of PT KPC, conducted in partnership with TFT. We are implementing an action plan to address the issues identified.

We have been implementing the pilot for 12 months. We expect to publish a full report on the pilot around mid-2014.

Area 3: Environment (Continued)



INDUSTRY CERTIFICATIONS

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")**

SMART continued to progress in its RSPO certification plans. To date, six mills and 73,704 hectares of its supplying estates (including smallholder plantations of 3,259 hectares) as well as two refineries and one kernel crushing plant have received RSPO certification. We aim to obtain RSPO certification for all our palm oil operations as of June 2010 by December 2015. Together with TFT, we have implemented a scorecard system to optimise efforts in RSPO certification. As an analytic management tool, it enables the Company to efficiently map progress across all estates and mills.

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

SMART is also working towards ISPO certification. ISPO is a policy implemented by the Indonesian Ministry of Agriculture to improve the competitiveness of Indonesian palm oil in world markets; to meet Indonesia's commitment to reduce greenhouse gases and to focus on environmental issues. We have received ISPO certification for 14,964 hectares of plantations and one mill in North Sumatra.

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

To date, we have obtained ISCC for 83,260 hectares of plantations including smallholder plantations of 4,805 hectares, 12 mills, two kernel crushing plants, five bulking stations and three refineries. The objective of the ISCC is the establishment of an international, 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)



Strengthening customer relationships

We remain focused on engaging with our customers to ensure we deliver on our commitments. GAR is committed to “no deforestation” palm oil in our entire supply chain. We are implementing processes to ensure that the palm oil for both our upstream and downstream operations complies with our FCP.

We take a pragmatic approach towards the growing market demand for traceable, deforestation-free palm oil. To this end, we are taking practical, commercially viable steps to achieve traceability that makes business sense. Ensuring traceability is more challenging in the downstream business, as compared to the upstream business where more than 90% of the fresh fruit bunches come from our own plantations, and therefore multi-stakeholder collaboration will be vital.

We will engage constructively with leading palm oil players to share, learn and implement best practices for the upstream and downstream business.

To implement the FCP, we need the buy-in from multi-stakeholders – communities to value and protect HCS land; government to implement policies that enable HCS forest conservation and industry players to adopt a similar forest conservation policy.

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

Area 3: Environment (Continued)



ENSURING ENVIRONMENTAL SUSTAINABILITY

As a natural resource based company, we have a fundamental responsibility to manage the environmental impacts of our activities throughout the entire value chain – 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. We want to ensure that our palm oil operations have a “no deforestation” footprint. The FCP ensures that we conserve HCS forests while building on our existing commitments not to develop on HCV forest areas and peat lands regardless of depth.

We recognise that the Government of Indonesia plays a critical role in HCS conservation, particularly with respect to adopting new regulations and enacting relevant legislation to enable the transformation of the palm oil industry (including establishing and implementing a land swap process). Key players in the Indonesian palm oil industry should address the conservation policy with respect to HCS, while civil society organisations, local and indigenous communities and other stakeholders must engage in the process to transform the industry.

Conserving peat land and pioneering zero burning policy

Peat is a major source of greenhouse gas. In February 2010, we made an important decision not to develop on any peat land regardless of depth although the Government of Indonesia allows planting on peat land less than three metre deep.

SMART led the industry in being the first palm oil producer to establish a zero burning policy in 1997. We use only mechanical means in our land preparation for oil palm development and monitor our operations stringently to ensure strict adherence to the policy.

Area 3: Environment (Continued)



In mid-2013, several countries in the Southeast Asian region, including Malaysia and Singapore, experienced severe haze, mainly due to smoke from illegal wildfires in some parts of Sumatra island, Indonesia. To contribute to the fire-fighting efforts, we deployed our resources and worked closely with the Indonesian government and all relevant parties such as civil society organisations, local communities and other growers. We believe that businesses must act responsibly and a multi-stakeholder collaborative approach is the best way to find solutions for the haze issue.

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.



Area 3: Environment (Continued)



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 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.

Through a two year partnership programme with Orangutan Foundation International (“OFI”) to support the conservation and protection of orangutans, SMART supports the release of 40 wild-born ex-captive orangutans into their natural habitat. To date, 32 orangutans have been released back into their wild habitat, in addition in 2013 SMART also conducted a training programme with OFI for employees on conserving orangutans in Kalimantan.

In recognition of our support towards the programme by OFI, we were named a Biodiversity Conservationist of Indonesia Green Awards 2013 presented by The La Tofi School of CSR in June 2013.

Beyond our plantations, we planted 15,000 seeds of Rhizophora sp in North Sumatra and South Kalimantan to preserve marine ecosystem last year.

Monitoring environmental impact

We manage and regularly monitor every environmental aspect of our operations in order to minimise adverse impact on 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 set out in the Social Environmental Impact Assessment (“Analisa Mengenai Dampak Lingkungan”) documents submitted to the Government of Indonesia.

Area 3: Environment (Continued)



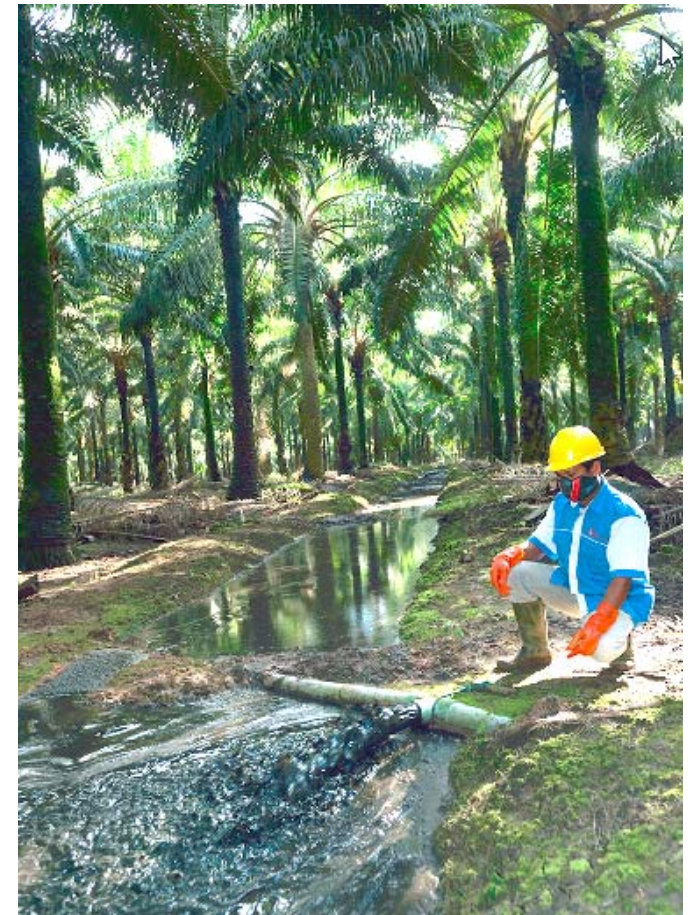
The assessment of the environmental parameters is conducted by SMARTRI, our ISO 9001:2008 and ISO 17025-accredited internal laboratory, as well as external laboratories referred by the Indonesian authorities. Our regular internal monitoring and assessments are guided by the ISO 14001:2004 Environment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

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.

These 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.



Area 3: Environment (Continued)



Integrated Pest Management is an essential part of oil palm cultivation and we are careful 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.

We recognise the concerns about 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

Yield Improvement Policy

GAR and SMART launched its 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.

Under the policy, we aim to achieve by 2015 an average CPO yield of 5.8 tonnes per hectare from oil palm trees in the prime age of 7-18 years.

The YIP focuses on best practices in planting material, agronomy, plantation management and land suitability. It applies to SMART’s total cultivated area of 138,900 hectares as at 31 December 2013, which included 17,600 smallholders with a total of 30,968 hectares.



Area 3: Environment (Continued)



SMART has been leading the industry in palm oil productivity. In 2013, SMART achieved a CPO yield of 5.10 tonnes per hectare, higher than the Indonesian industry average of 4.00 tonnes per hectare.

Together with the Indonesian Oil Palm Seed Producers Forum, 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.

In August 2013, the Ministry of Agriculture of Indonesia presented SMART with the Agriculture Innovation Award. The award recognizes the Company as the most innovative oil palm company with innovations in increasing oil palm yield through seed development and advanced plantation management.

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.



Area 3: Environment (Continued)



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.

In February 2014, SMART together with the Centre de cooperation Internationale en Recherche Argonomique pour le Development (“CIRAD”) France, and the World Wildlife Fund (“WWF”) Indonesia jointly organised the fourth International Conference on Oil Palm and Environment (“ICOPE”) to develop best practices and solutions for sustainable palm oil. With the theme “Oil Palm Cultivation: Becoming a Model for Tomorrow’s Sustainable Agriculture”, the event gathered more than 350 participants consisted of growers, researchers, academics, NGOs, government agencies, local communities, traders, consumers, and institution members from 19 countries.

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 comprises 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 in a different department (e.g. Finance) to eliminate opportunity for corruption.
- To avoid any potential conflict of interests, we do not hire the spouses 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 prevention of corruption. 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 the review 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 audits to the Audit Committee on a regular basis.



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Thank You