

PT Sinar Mas Agro Resources and Technology Tbk
Global Compact – Communication of Progress
April 2015

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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	:	139,100 ha
Fresh Fruit Bunch Production ²	:	3,094,000 tonnes
Mills Annual Capacity	:	4,050,000 tonnes
Crude Palm Oil Production	:	752,000 tonnes
Palm Kernel Production	:	182,000 tonnes
Kernel Crushing Plants		
Annual Capacity	:	480,000 tonnes
Refineries Annual Capacity	:	2,580,000 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 2014
2. Including plasma (plantations belong to smallholders, in which we assist them in terms of managing their plantations)

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 Indonesian labour laws, 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 employment 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 Occupational Health and Safety (OHS) Management System as an essential working condition at all levels of our business units, in accordance with the Decree of Minister of Manpower of the Republic 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 regular basis.
- In recognition of our good OHS management and implementation, SMART received the OHS management system certification (*Sistem Manajemen Keselamatan dan Kesehatan Kerja* or “SMK3” Certification) for six mills awarded by the Indonesian Ministry of Manpower and Transmigration in 2014. We also received from the Ministry, Zero Accident Awards for four estates, one mill and one subsidiary company for one million accident-free hours.

Area 1: Human Rights (Continued)



We ensure that all our policies and practices 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.

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 have developed new guidelines and continued to build capacity in areas such as mediation, conflict management and participatory planning to facilitate the successful implementation of the SCEP on the ground.
- 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 helped to develop and support the establishment of 93 schools that employ 852 teachers and educate 13,743 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. During 2014, we also donated books, school uniforms and teaching equipment to more than 550 students in East Kalimantan and South Kalimantan.



Area 1: Human Rights (Continued)

- Sekolah SMART, a strategic collaboration with Eka Tjipta Foundation, is a 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 Indonesian Ministry of Education.
- 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 2014, Sekolah SMART programme has been implemented in four elementary schools and four junior high schools in Central and East 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 former First Lady, Mrs. Ani Bambang Yudhoyono. To date, we have nine Rumah Pintar across our plantations in Indonesia. 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)

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 our employees and their families as well as the local communities.
- Our community initiatives in 2014 included:
 - Free medical and dental services for more than 600 patients in East Kalimantan, Jogjakarta, and West Java;
 - Mobilisation of 118 medical personnel in our 57 plantation clinics to provide free treatment for about 380 patients daily;
 - Free surgery for more than 115 patients with conditions such as harelip, hernia, cataracts, cardiac abnormalities, kidney failure and cancers;
 - Health education, environmental and other awareness programmes for approximately 5,900 participants in East Kalimantan, Jakarta, Jambi, Jogjakarta, North Sumatra and South Kalimantan. Topics included clean environment, dental health, general health, family planning, breast-feeding and children's health, as well as smoking and drug prevention.



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 2014 included the sale of more than 330,000 litres of our branded cooking oil at below market prices in impoverished areas, mainly in Jakarta, Greater Jakarta 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 urge employees and tenants at our corporate headquarters in Jakarta and our operations units in Jambi, North Sumatra and South Kalimantan to participate in regular blood donation drives for the Indonesian Red Cross. More than 1,700 participants were recorded in 2014. 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

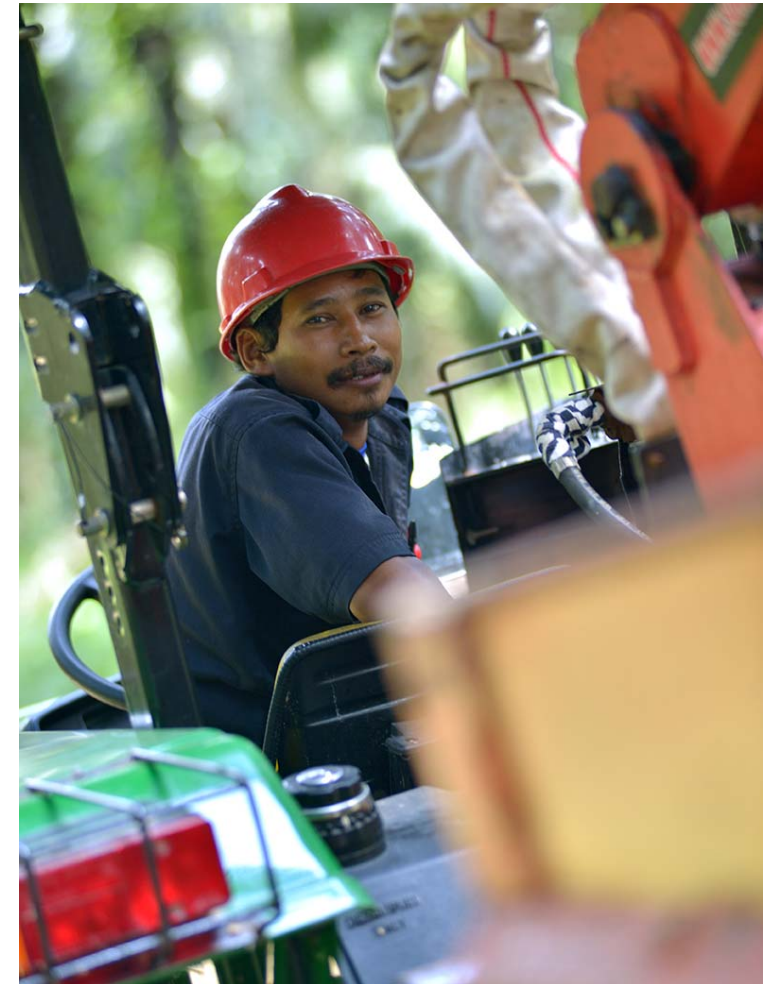
Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining

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 emphasised in our employee handbook and employment practices. The company has an equal opportunities policy on employment, banning discrimination based on race, national origin, religion, disability, gender, sexual orientation, union membership and political affiliation.



Area 2: Labour (Continued)



- We are totally against any form of child labour. We rigorously enforce this principle at all our plantations, mills and other places of work. Our recruitment officers check the identification card against the prospective employees' schooling records such as their school diplomas, to ensure that we do not employ children. In our plantations, we encourage parents to send their children to schools and complete nine years of compulsory education.
- 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, all of our units provide a day care centre.
- We also have a clear anti-sexual harassment policy integrated into our Standard Operation Procedure ("SOP") to protect our female employees. The implementation of this SOP includes extensive training and socialisation for all estate and mill workers. We also establish gender committees, comprising representatives from the labour unions and management, to promote female participation and advancement in the workplace. These committees also handle sexual harassment complaints. When a case of harassment is reported either formally or informally, the relevant committee investigates to determine whether further sanctions or law enforcement action are needed. During the investigation, the committee provides assistance and support to the victim.
- 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 is supported by our management and Board of Commissioners. 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.

A holistic approach towards sustainability

SMART's Forest Conservation Policy ("FCP"), Social and Community Engagement Policy ("SCEP") and Yield Improvement Policy ("YIP") set the framework for our approach to sustainable development.

Area 3: Environment (Continued)



Our FCP focuses on: no development in high carbon stock (“HCS”) forests, high conservation value (“HCV”) areas 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.

Building on the FCP are our SCEP and YIP. The SCEP ensures that our palm oil operations improve the lives of the communities they impact while the YIP leverages technology and innovation to increase crude palm oil (“CPO”) yield, in order to improve the livelihoods of smallholders and reduce the pressure to open new land.

ADVANCING THE MULTI-STAKEHOLDER ENGAGEMENT PROCESS

Our stakeholder engagement involves 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.

Engaging stakeholders on high carbon stock forests conservation

Since we launched the FCP in February 2011, there has been an increasing number of producers and consumer companies making similar FCP commitments, referencing the HCS methodology first developed by SMART and our holding company, Golden Agri-Resources Ltd (“GAR”), Greenpeace and The Forest Trust (“TFT”).

In February 2014, we made further advances with our pioneering FCP by extending it to our downstream operations, thus expanding our “no deforestation” commitment to our entire supply chain. SMART and GAR are partnering with TFT to ensure that the palm oil for both our upstream and downstream operations complies with our FCP. In 2015, we will review our FCP to align with our goals and meet new challenges as our sustainability journey progresses.

Area 3: Environment (Continued)

In September 2014, at the United Nations (“UN”) Climate Summit, through GAR, we declared our commitment to forest protection in the New York Declaration on Forests, a collective vision by the public and private sector to address deforestation and promote forest restoration. We also signed the Indonesia Palm Oil Pledge (“IPOP”), an initiative led by the Indonesian Chamber of Commerce and Industry (“KADIN”). We are collaborating with KADIN and other IPOP signatories to engage the industry and Government of Indonesia on regulatory reforms to foster conservation. An industry workshop on HCS and HCV conservation was held on 12 December 2014 in Jakarta.

During the year, SMART and GAR continued to progress with our HCS forest conservation pilot project in PT Kartika Prima Cipta, West Kalimantan, Indonesia. As announced in March 2013, the purpose of the pilot is to establish a framework for successful HCS conservation by the broader palm oil industry. We will publish a final report on the pilot project in mid-2015.



Working with industry certifications bodies

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

Area 3: Environment (Continued)



Roundtable on Sustainable Palm Oil ("RSPO")

SMART continued to progress in its RSPO certification plans. To date, 12 mills, and 107,171 hectares of its supplying estates (including smallholder plantations of 4,236 hectares), as well as three refineries, one kernel crushing plant and one oleochemical plant have received RSPO certification. This brings SMART closer to our overall target of obtaining RSPO certification for all our existing palm oil operations (as at June 2010) by December 2015. Palm oil operations established after 30 June 2010 will be part of a separate time-bound plan.

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.

Area 3: Environment (Continued)



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. To date, we have received ISPO certification for 23,186 hectares of plantations and two mills in North Sumatra

International Sustainability and Carbon Certification (“ISCC”)

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. To date, we have obtained ISCC certification for 82,442 hectares of plantations including smallholder plantations of 3,987 hectares, 12 mills, two kernel crushing plants, three refineries and seven bulking stations.

Strengthening customer relationships

We remain focused on engaging with our customers to ensure we deliver on our commitments. SMART is committed to “no deforestation” palm oil in our entire supply chain. We are partnering with TFT to 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. 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. We have developed the necessary standard operating procedures and work instructions for achieving traceability and segregation from estate through to refinery.

SMART believes that multi-stakeholder collaboration is the best way to achieve solutions for sustainable palm oil and will engage constructively with leading palm oil players to share, learn and implement best practices for the upstream and downstream business.

Area 3: Environment (Continued)



SMART continues to be a member of the London-based Supplier Ethical Data Exchange (“SEDEX”), an online 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.

Engaging beyond the industry

SMART also reaches out to stakeholders such as investors, academia and those in the supply chain to enable a better understanding of our business and the industry.

In 2014, we presented our approach to sustainability at various forums involving customers, investors, supply chain personnel, government officials and NGOs.

These events included the UN Climate Summit held in New York in September 2014 and the 4th International Conference on Oil Palm and Environment (“ICOPE”) in Bali in February 2014. ICOPE was jointly organised by SMART together with the Centre de coopération internationale en recherche agronomique pour le développement (“Cirad”), France, and World Wildlife Fund (“WWF”) Indonesia to develop best practices and solutions for sustainable palm oil.

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.

Area 3: Environment (Continued)



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.

Reducing greenhouse gas emissions

Peat is a major source of greenhouse gas (“GHG”). 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 3 metres deep. This builds on our pioneering zero burning policy established in 1997. We use only mechanical means in our land preparation for oil palm development.

In February 2011, we committed to conserving HCS forests and HCV forest areas under our FCP, further reducing our carbon footprint significantly.

As part of our commitment to reducing GHG, we have also taken steps to capture methane gas, a greenhouse gas 21 times more potent than carbon dioxide, from our palm oil mill effluent (“POME”).

In 2011, we invested in a bio-digester system to capture methane gas produced from POME treatment at our Sei Pelakar mill in Jambi, Sumatra. This project was developed under the Kyoto Protocol as a Clean Development Mechanism. This project was officially registered in United Nations Framework Convention on Climate Change under project no. 7031. Beside reducing GHG, it has provided an alternative source of electricity for our mill operation, reducing our diesel consumption by 85%. Such technology to convert methane gas into energy is being implemented progressively in our operations.

Area 3: Environment (Continued)

Preserving High Conservation Value areas

We support efforts to preserve HCV areas. HCV areas are made up of wildlife habitats, rare ecosystems and cultural areas. They are found across land for development and in our existing plantations. As part of our HCS collaboration, we are working with partners to improve the HCV assessment and reporting processes to ensure that they are more robust and comprehensive.

Protecting rare and endangered species

There is a rich and immensely varied eco-system where we operate in Indonesia. We recognise the need to protect and conserve the habitats of rare and endangered species as part of our commitment to sustainable palm oil production.

We have a Zero Tolerance Policy towards hunting, injuring, possessing and killing of rare and endangered wildlife within our plantations. We have been educating our employees and local communities as well as related stakeholders on the importance of conserving rare and endangered species.

Through a partnership programme with Orangutan Foundation International (“OFI”) to support the protection of orangutans in Kalimantan, Indonesia, we have supported the release of 40 wild-born, ex-captive orangutans into their natural habitat in Seruyan Forest.



Two of the 40 orangutans that were released into the Seruyan Forest as part of our partnership with OFI.

Area 3: Environment (Continued)



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.

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 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 INDUSTRY

SMART has been leading the industry in palm oil productivity. In 2014, the Company achieved a CPO yield of 5.21 tonnes per hectare, higher than the industry estimated average of 3.78 tonnes per hectare. Our plasma smallholders attained 4.10 tonnes per hectare last year.

Yield Improvement Policy

SMART and GAR launched our Yield Improvement Policy (“YIP”) in February 2012. The policy leverages technology and innovation to improve CPO yield. Increasing productivity enables 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 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, agronomy, plantation management and land suitability. It applies to SMART’s total cultivated area of 139,103 hectares as at 31 December 2014, which included 18,000 smallholders with a total of 31,169 hectares.

Area 3: Environment (Continued)



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.

SMART is committed to taking a multi-stakeholder approach towards developing and implementing the YIP. This includes on-going consultations with the Government of Indonesia, palm oil associations, academics, research institutions, civil society organisations, key players in the Indonesian palm oil industry and local stakeholders. The consultations are aimed at providing a platform for all stakeholders to share experiences and challenges with regard to increasing productivity in the palm oil industry, in order to move the industry forward in sustainable palm oil production.

SMART and GAR published the first progress report of the YIP implementation in July 2014. The report is available on the SMART website: http://www.smart-tbk.com/pdfs/sustain_policies/YIP%20report_FINAL_23Jul14.pdf

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.

Our research institute, SMARTRI, continues to push the frontiers of innovation to enhance productivity 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.

We have been an active participant in 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: Anti-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 embraced by all our staff, from management to plantation workers on the ground. 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 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: Anti-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.



smart
agribusiness and food

Thank You