

Staying the course

SUSTAINABILITY REPORT 2019

Golden Agri-Resources Ltd



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WE SUPPORT



The cover photo shows employees at one of our oil palm nurseries



About This Report

[102-50, 102-54, 102-55]

This is the ninth edition of the GAR Sustainability Report. It provides a summary of our progress and challenges in managing our most critical sustainability issues in FY2019. Unless otherwise stated, this report does not include the Company's activities outside of Indonesia, where the majority of our operations are based. We have prepared this report in accordance with Global Reporting Initiative (GRI) Standards – Core option. We have used the GRI reporting framework since we began reporting on our ESG performance in 2011 and continue to use it as it is the most widely-used reporting framework globally. GRI

disclosures are included throughout the report using the notation: [XXX-XX] and the full GRI content index can be found on the [GAR website](#).

This year, our report also contains disclosures recommended in the Agricultural Products Sustainability Accounting Standard (Industry Standard, Version 2018-10) that was developed by the Sustainability Accounting Standards Board (SASB). These disclosures are referenced throughout the report using the notation: [FB-AG-XXXX.X], and are included in the SASB disclosure index found on [our website](#).

ASSURANCE

[102-56]

We have not sought third party assurance on our sustainability report. However, the information related to our material topics including High Carbon Stock (HCS), High Conservation Value (HCV) and Free, Prior and Informed Consent (FPIC) is reviewed by certification bodies such as the Roundtable on Sustainable Palm Oil (RSPO). This provides verification and credibility to the information and data submitted in this report. We have also commissioned PT Lloyd's Register Indonesia to verify the greenhouse gas emissions for our subsidiary PT SMART Tbk.

Chairman's Statement

[102-14]

Dear Stakeholders,

As we move into the decisive decade to achieve the UN's vision of sustainable development, Golden Agri-Resources (GAR) continues to work steadily towards achieving our sustainability commitments. Guided by the [GAR Social and Environmental Policy \(GSEP\)](#), our approach to sustainability is centred on balancing the need for environmental conservation and economic development. This is no easy task as the challenges faced by the industry are multi-faceted and success in facing them relies upon the collaboration of many stakeholders.

As we look back at our performance over the last decade, we have seen much progress in areas such as helping our supply chain transform through our traceability efforts. We have also progressed on other fronts such as delinking deforestation and production. At the same time, we recognise that much remains to be done and we will continue to carry out work on the ground to ensure that what we started in previous years is followed through.

ROBUST 2019 PERFORMANCE

GAR ended 2019 on a high note. The good performance of our downstream business balanced the adverse impact of lower average Crude Palm Oil (CPO)

prices during the year. This validates GAR's strategy of investing in and growing a diverse, fully integrated business over the last several years, providing business resiliency against price fluctuations of the type seen for most of the FY2019.

Over the years, we have successfully broadened the global market for palm-based value-added products. This covers an extensive portfolio of sustainably produced and quality products for food, industrial and bio-energy usage. We also plan to expand the capacity of our biodiesel facility in Kalimantan in order to support the government's biodiesel programme. A full report on our financial performance can be found in the [GAR Annual Report 2019](#).

ON TRACK TOWARDS FULL TRACEABILITY AND SUPPLY CHAIN TRANSFORMATION

In 2019, we forged ahead with our Traceability to the Plantation (TTP) efforts. As of end 2019, 78 percent of the FFB processed in GAR-owned and third party supplier mills is fully traceable.

Aside from providing our customers with verified information on where and from whom we source our raw materials, we have been using traceability to strengthen our relationship with our suppliers. This has enabled us to help them further

progress towards compliance with our sustainability commitments.

In 2019, **we forged ahead with our Traceability to the Plantation (TTP) efforts.**

As of end 2019,

78%

of the FFB processed in GAR-owned and third party supplier mills is fully traceable.

To help accelerate the TTP process amongst our suppliers, we were pleased to launch the [Ksatria Sawit](#) programme. The programme reaches out to areas where many of our supplier mills are buying from smallholders and traces their agents and farmers. Since its launch in April 2019, we have covered provinces such as Aceh, North and South Sumatra, Riau, Jambi, Lampung, and Bangka Belitung. We estimate that the programme will help us trace almost 60,000 smallholders. Through this programme we also hope to develop new mechanisms to help smallholders and agents adopt sustainable practices.



Franky Oesman Widjaja
Chairman and Chief Executive Officer

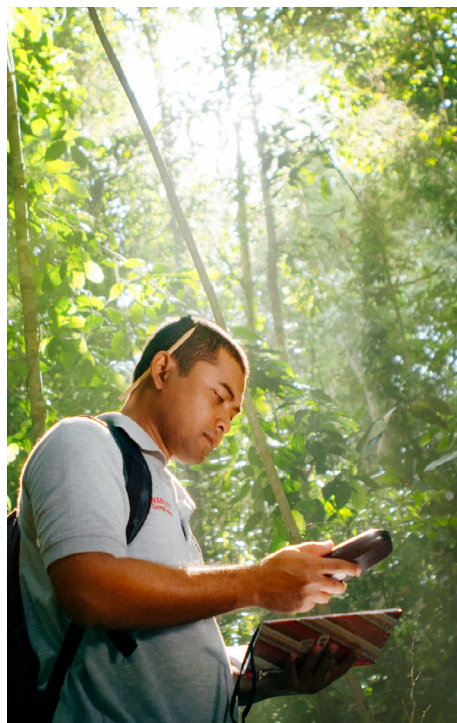
We continue to support our suppliers through targeted training on key issues like human rights, Free, Prior and Informed Consent (FPIC) implementation and responsible labour practices. We have also shared and emphasised the importance of adhering to GSEP with all our 424 suppliers.

We extended support to independent smallholders through the Independent Farmers Replanting Programme and other schemes. These programmes are aimed at improving their productivity, livelihoods and income.

PROGRESS ON OTHER FRONTS

In 2019, GAR joined a pioneering industry initiative to improve surveillance of deforestation in Indonesia. Together with nine major palm oil producers and buyers, we are funding the development of a new, radar-based forest monitoring system known as Radar Alerts for Detecting Deforestation (RADD). This will make it easier for us to see deforestation happening in near-real-time and to take speedy follow-up actions.

A challenging fire season in 2019 put our fire management procedures to the test. With our strict adherence to the Zero Burning Policy and our strengthened fire management processes, we were able to keep the fire-affected areas contained,



and 99.5 percent of our area was not affected. With Global Forest Watch reporting that the vast majority of fires occurred outside palm oil plantations, we remain committed to long-term fire prevention with communities around us through our Desa Makmur Peduli Api programme.

Looking ahead, we will continue to work on our many initiatives including achieving full TTP.

Our efforts continue to strategically support the UN Sustainable Development Goals especially goals 2, 12 and 15 which focuses on food security, responsible production and consumption and protection of life on land.

FUTURE OUTLOOK

As I write this, the world is facing unprecedented challenges due to the COVID-19 pandemic. The disruptions and uncertainties experienced by communities and businesses have been and continue to be profound. It is during such times that we need to remain true to our values and keep all our stakeholders at the heart of our decision-making. Our immediate priority is to safeguard the wellbeing of everyone, including our employees and smallholders and local communities, while minimising business disruptions. We are committed to addressing the need for protective equipment for our employees and local communities surrounding all our operational locations globally during the pandemic. Especially in Indonesia, we are working together with the Government of Indonesia to alleviate the pandemic in collaboration with Indonesia Chamber of Commerce and Tzu Chi Foundation Indonesia.




Longer-term measures include maintaining our many partnerships and alternative livelihood programmes with local communities aimed at diversifying their income streams and building food security and resilience. The global pandemic has shown us that it is critical to ensure that farming communities, who form the basis of food supply chains and global food security, are taken care of and empowered.




This crisis will be a true test for companies. GAR's strong vertically integrated business model and sustainable operations provide resilience during industry volatility and disruption, including the current COVID-19 pandemic. With the momentum we have gained over the years, we remain hopeful that we will stay on track and continue to provide sustainably produced and superior quality palm oil products, while creating value for all our stakeholders.

Franky Oesman Widjaja
Chairman and Chief Executive Officer
30 June 2020




Key Targets and Performance




[103-3]

Key Material Issues	2019 Performance	Future Targets/Commitments	Status
 <p>Conservation of High Carbon Stock (HCS) and peatlands; Conservation of biodiversity and High Conservation Value (HCV) areas; Preventing Fire and Haze</p> <p>Contributing to UN SDGs</p> 	<ul style="list-style-type: none"> Conservation planning with communities temporarily on hold to prioritise completion of Participatory Mapping (PM) Physical rehabilitation of 2,600 ha Peat Ecosystem at PT AMNL, West Kalimantan: maintaining water levels and buffer zone/revegetated area of 350 ha Maintained over 2,700 ha of rehabilitated riparian buffer zones Replanting of native plant species carried out in 18 concessions (96% of the rehabilitated riparian zones) 99.5% of GAR area NOT affected by fire Strengthened fire mitigation procedures focusing on preparedness; early warning systems and quick response team Released 8 orangutans under renewed programme with Orangutan Foundation International (OFI). Released total of 116 since 2011 	<ul style="list-style-type: none"> Resume rollout of conservation planning with communities. See schedule on GAR website (subject to delays due to COVID-19 pandemic) Continue the physical rehabilitation of 500 ha of peat area and revegetation of the surrounding area Run peat awareness programme in two schools in PT AMNL Complete revegetation of riparian zones Continue maintaining riparian buffer zones Continue to strengthen fire mitigation procedures Continue to work with communities on long-term fire prevention through the Desa Makmur Peduli Api programme Release 160 orangutans by 2021 	<p>NEEDS WORK</p> <p>ON TRACK</p> <p>ON TRACK</p> <p>ON TRACK</p> <p>ON TRACK</p>
 <p>Rights of communities and indigenous peoples</p>	<ul style="list-style-type: none"> Rolled out Participatory Mapping (PM) to respect and safeguard community FPIC rights in 93 villages to date No incidents of FPIC violations or violations of rights of indigenous peoples in 2019 	<ul style="list-style-type: none"> Continue with PM programme. See schedule on GAR website (subject to delays due to COVID-19 pandemic) 	<p>ON TRACK</p>




Key Material Issues	2019 Performance	Future Targets/Commitments	Status
 <p>Labour relations and Human rights; Occupational Health and Safety and Employee wellbeing; Talent Retention, Development and Training</p>	<ul style="list-style-type: none"> No significant incidents of discrimination or abuse reported in 2019 121 unions representing 81,000 workers (79%) 	<ul style="list-style-type: none"> Continue to maintain peaceful and productive industrial relations through open dialogue, fair labour practices, and respectful communication in the workplace 	ON TRACK
 <p>Traceability and Supply Chain Transformation; Supplier Inclusiveness and smallholder livelihoods</p> <p>Contributing to UN SDGs</p> 	<ul style="list-style-type: none"> Maintained 100% Traceability to the Mill (TTM) Achieved 78% Traceability to Plantation (TTP) for GAR's third-party suppliers Launched Ksatria Sawit programme to accelerate TTP (see p 30) Assessed all 424 third-party mills through desk research and spatial analysis 167 suppliers engaged through deep engagement and targeted training 165 engaged suppliers with time-bound action plans 65 suppliers showing improvement on time-bound action plans 	<ul style="list-style-type: none"> 100% TTP for third-party suppliers mills by 2020 (subject to delays due to COVID-19 pandemic) 	ON TRACK
	<ul style="list-style-type: none"> Conducted annual SMART SEED and SMART SPOT workshops in traceability, responsible labour practices, implementation of FPIC and human rights Began guiding suppliers to design more targeted and needs-based CSR programmes using Social Impact Assessments Shared the GSEP with 100% of our suppliers Support provided to 100% of plasma smallholders Supported Independent Farmers Replanting Programme and other financial and technical schemes to help independent smallholders 	<ul style="list-style-type: none"> Continue with capacity building events to assist and support suppliers to improve practices Extend engagement and sustainability support efforts beyond the mill to suppliers at plantation level, including Tier 2 suppliers such as agents and smallholders Facilitate collaborations on a landscape level between GAR, suppliers, farmers, government, and civil society to improve responsible practices Continue to promote smallholder support schemes 	ON TRACK

Key Targets and Performance

Key Material Issues	2019 Performance	Future Targets/Commitments	Status
 <p>Corporate governance, ethics and integrity</p>	<ul style="list-style-type: none"> No significant cases of bribery or corruption in 2019 Continued online refresher courses and mandatory e-testing on the Code of Conduct for employees 	<ul style="list-style-type: none"> Continue to aim for zero cases of bribery and corruption Continue to ensure employees understand the standards of ethical behaviour required 	ON TRACK
 <p>Yield Improvement</p> <p>Contributing to UN SDGs</p> 	<ul style="list-style-type: none"> Produced about 2.5 million clones of Eka 1 and Eka 2 capable of producing more than 10 tonnes/ha/year of CPO to date 	<ul style="list-style-type: none"> Continue cloning programme for replanting Continue R&D into other aspects of yield improvement including climate change resilience/adaptation 	ON TRACK

Key Material Issues	2019 Performance	Future Targets/Commitments	Status
 <p>Product quality and safety</p>	<ul style="list-style-type: none"> Reformulated nearly all (98%) margarine, shortening and specialty fat products to be trans-fat free Continued with mitigation processes to eliminate co-contaminants (for e.g., 3-MCPD) Conducted R&D activities into new high oleic palm oil hybrid to meet demand from global customers 	<ul style="list-style-type: none"> Fully remove trans fatty acids from products by 2023 Continue R&D into new high oleic palm oil hybrid 	ON TRACK
 <p>Community relations and empowerment</p>	<ul style="list-style-type: none"> Maintained social and community programmes for 100% of our estates Supported 40 Alternative Livelihood programmes to improve community livelihoods and resilience 	<ul style="list-style-type: none"> Continue to empower communities and multiply the positive impacts of our business through a range of educational, healthcare, social and economic empowerment programmes Continue to support Alternative Livelihood programmes to improve rural community resilience especially in light of COVID-19 pandemic 	ON TRACK
 <p>Women, diversity and inclusion</p>	<ul style="list-style-type: none"> No significant incidents of discrimination or harassment Achieved an average female to male salary ratio of 1.04 	<ul style="list-style-type: none"> Continue to ensure equal opportunities regardless of race, colour of skin, religion, gender, national origin or any other class Increase women representation in Senior Management and Board 	NEEDS WORK

Key Targets and Performance

Key Material Issues	2019 Performance	Future Targets/Commitments	Status
 <p>Operational footprint: Greenhouse Gas (GHG) emissions; water; use of fertilisers, pesticides and chemicals; waste</p> <p>Contributing to UN SDGs</p> 	<ul style="list-style-type: none"> Reduced 40-55% of methane emissions through methane capture at mills Water consumption not decreasing Continued with Intergated Pest Management to minimise use of herbicides and pesticides (see p 56) Reused or recycled 100% of liquid and solid waste from CPO production process (see p 55) 	<ul style="list-style-type: none"> Continue to explore the expansion of methane capture activities Explore the use of advanced technology (e.g. AI) to maximise the efficient use of water and fertiliser Intensify efforts to develop practices that reduce the use of pesticide Continue Integrated Pest Management to minimise herbicide and pesticide use Maintain 100% reuse of solid and liquid waste generated from CPO production process Explore further reduction/recycling of waste in downstream ops 	<p>NEEDS WORK</p> <p>NEEDS WORK</p> <p>ON TRACK</p> <p>ON TRACK</p>
 <p>Climate change adaptation</p>	<ul style="list-style-type: none"> Continued R&D efforts to produce more drought and disease resistant seeds at SMARTRI Continued R&D on adaptive agronomic practices to adapt to climate change 	<ul style="list-style-type: none"> Continue R&D on adaptive planting materials and agronomic practices 	<p>ON TRACK</p>

About GAR

[102-2, 102-5]

Listed on the Singapore Exchange since 1999, GAR and its subsidiaries form one of the leading integrated palm oil plantation companies in the world. GAR's primary activities are located in Indonesia and

range from cultivating and harvesting oil palm trees, through processing fresh fruit bunches (FFB) into crude palm oil (CPO) and palm kernel (PK), to refining CPO into industrial and consumer products.

Per 31 March 2020, GAR's shares are 49.48 percent publicly owned and 50.52 percent owned by Flambo International Ltd, an investment company owned by The Widjaja Family Master Trust (2).

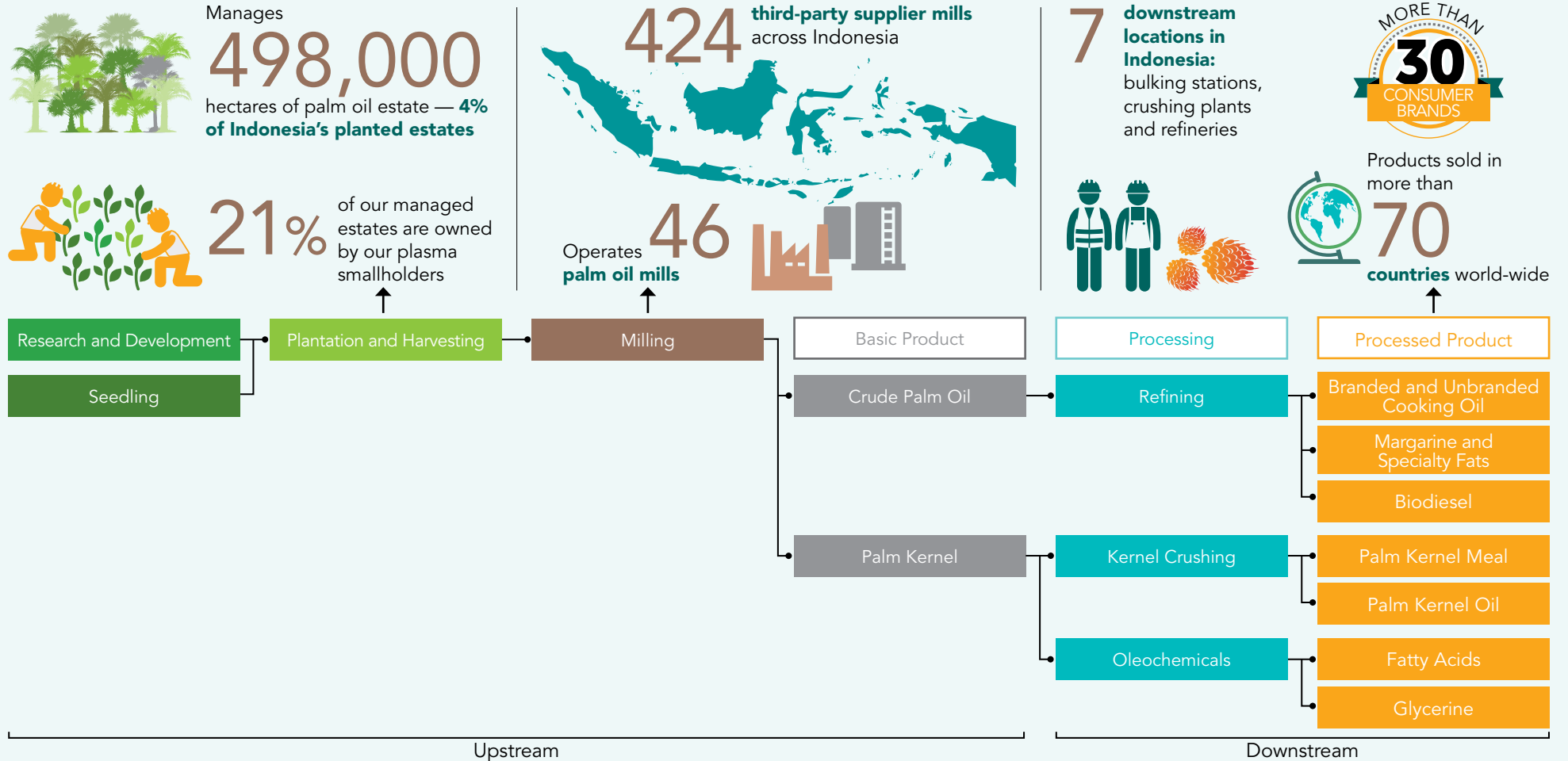
A simplified corporate structure including principal operating subsidiaries can be found on our [website](#).



About GAR

VALUE CHAIN OF OUR BUSINESS IN INDONESIA

[102-7] [FB-AG-000.B, FB-AG-000.C]



OUR FINANCIAL PERFORMANCE

REVENUE



EBITDA¹

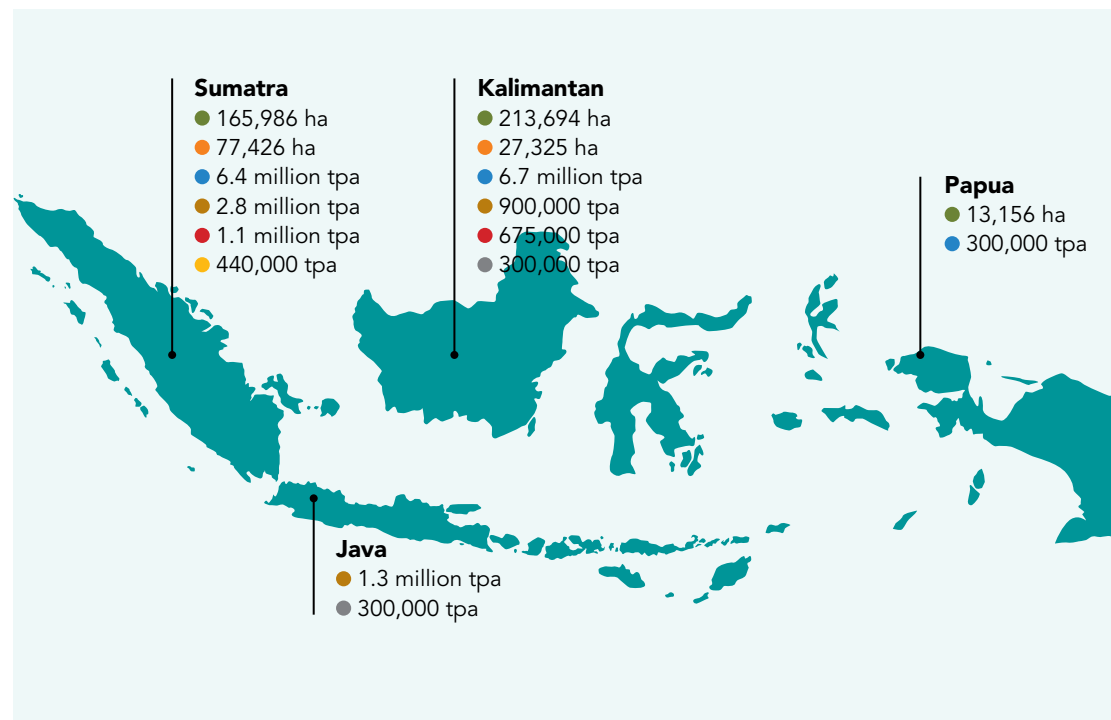


UNDERLYING PROFIT²



1 EBITDA = earnings before tax, non-controlling interests, interest on borrowings, depreciation and amortisation, net gain from changes in fair value of biological assets, foreign exchange gain and exceptional items.
2 Underlying profit = net profit attributable to owners of the Company, excluding net effect of net gain from changes in fair value of biological assets, depreciation of bearer plants, exceptional items, foreign exchange gain, and deferred tax income.

OUR OPERATIONAL CAPACITIES IN INDONESIA



- Nucleus planted area (in hectares)
- Plasma planted area (in hectares)
- CPO mills capacity (in tonnes per annum)
- Refinery (in tonnes per annum)
- Kernel crushing plant (in tonnes per annum)
- Oleo-chemicals plant (in tonnes per annum) - including operations under JV
- Biodiesel plant (in tonnes per annum)

OUR JOB CREATION IN INDONESIA

[102-8]



Over

171,100
jobs in Indonesia

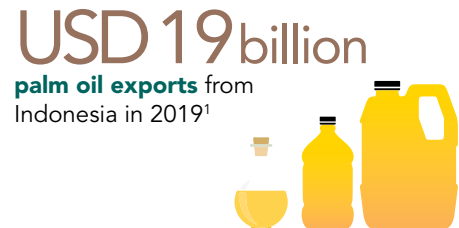
70,120
permanent employees

30,623
fixed-term employees

70,300
plasma smallholders

About GAR

PALM OIL'S IMPACT ON INDONESIAN ECONOMY



OUR ACHIEVEMENTS IN 2019



- Winner of the Winsemius Award 2019 in the Manufacturing and Supply Chain category, awarded by ADB-DutchCham (GAR)



- Ranked as an Achiever in the Children's Rights Benchmark assessment by Global Child Forum and Boston Consulting Group (GAR)

SINGAPORE ENVIRONMENTAL ACHIEVEMENT AWARDS



- Merit winner of the SEC-CITIC Telecom Singapore Environmental Achievement Awards (GAR)
- Awarded Special Recognition, Community, at the Sustainable Business Awards 2019 (GAR)



- Winner of the Indonesia Most Innovative Business Award 2019, as the most innovative company in deforestation monitoring technology (PT SMART Tbk, GAR's main subsidiary)

Asia Sustainability Reporting Awards

Asia's Best Sustainability Report (Digital)

FINALIST 2019



Asia Sustainability Reporting Awards

Asia's Best Materiality Reporting

FINALIST 2019



- Finalist in Asia Sustainability Reporting Awards for: Asia's Best Sustainability Report (Digital) and Asia's Best Materiality Reporting

1 Source: GAPKI

Palm oil and its place in sustainable development

Palm oil attracts more controversy than many other agricultural commodities with many detractors claiming it has detrimental impacts on the environment and rural communities. Yet, at the same time, palm oil which is responsibly produced has a crucial role to play in sustainable production, consumption and food security.

The tropical crop has the highest yield of any oil crop and makes more efficient use of land in its production than any other vegetable

oil. It is extremely versatile and can be processed to form a wide range of products with different melting points, consistencies and characteristics, serving a myriad of uses, from food to cosmetics to cleaning products.

Economically, the development of palm oil plantations has been a boon to tropical developing countries. In Indonesia, the sector has helped to lift millions of rural farmers out of absolute poverty. A palm oil farmer can earn up to seven times more than a subsistence farmer. Palm oil estates provide critical infrastructure and facilities

for rural, remote areas allowing access to healthcare and education, further improving standards of living.

The challenge for the sector is to correct unsustainable practices in some parts of the industry while strengthening its positive role in contributing to socio-economic development.

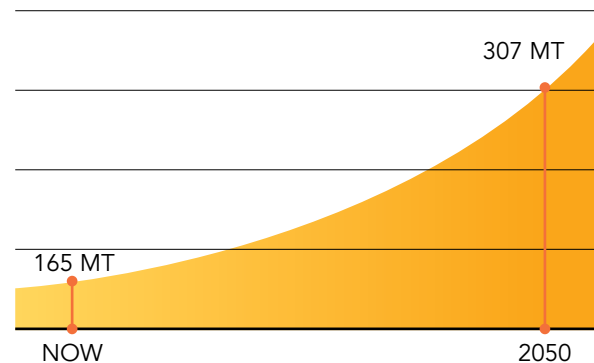
GAR, as a leader in responsible and sustainable production, recognises these challenges and opportunities. As we enter this decisive decade in meeting the UN

Sustainable Development Goals (SDGs) we are committed to working collaboratively with all stakeholders along our value chain to create a responsible palm oil industry.

We believe that when done right, palm oil can take the lead, amongst agribusinesses, to delink production from deforestation and contribute to a more sustainable future focused on conserving the environment, ending poverty, providing decent work and economic growth, reducing inequalities, and championing responsible production and consumption.

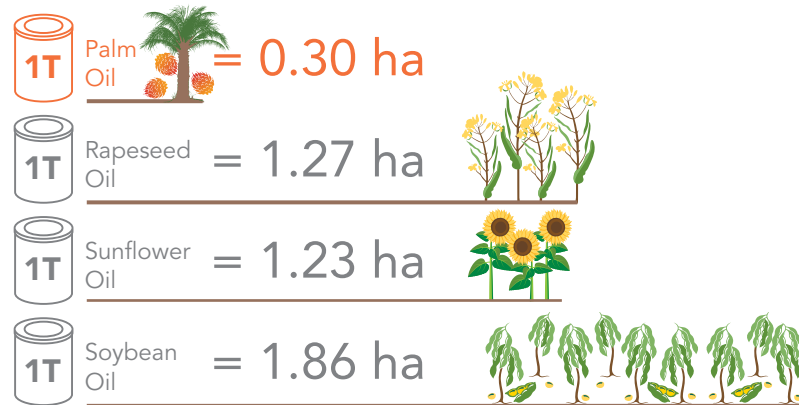
PALM OIL CAN CONTINUE TO FEED AND FUEL THE WORLD SUSTAINABLY

Global demand for vegetable oils

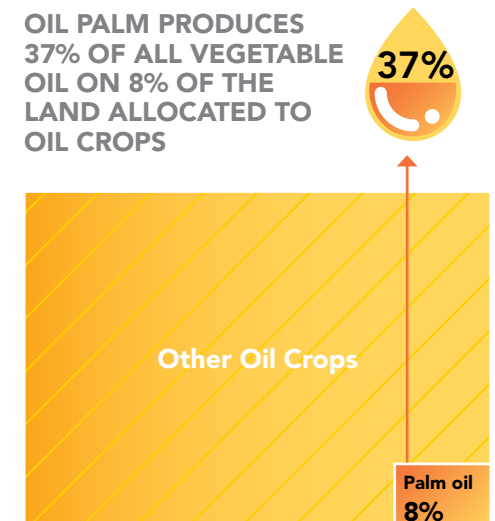


Source: IUCN and Oilworld

LAND REQUIRED TO PRODUCE 1 TONNE OF MAJOR TYPES OF OIL:



OIL PALM PRODUCES 37% OF ALL VEGETABLE OIL ON 8% OF THE LAND ALLOCATED TO OIL CROPS



Our Approach to Sustainable Palm Oil

[102-11, 102-12, 103-2]

As an agribusiness, GAR understands that our long-term success relies on adopting sustainable business practices.

We recognise the value of conserving the natural environment, which houses rich biodiversity and provides vital ecosystem services. At the same time,

we are aware that growth in the palm oil industry supports millions of livelihoods in Indonesia. Our business needs to balance both realities.

At the heart of our approach to sustainability is the [GAR Social and Environmental Policy or the GSEP](#). The GSEP embodies

our belief that economic growth, social progress and environmental protection can and should go hand-in-hand.



























The GSEP establishes firm commitments that support these beliefs and we have set stretching targets to drive progress. Over time, we will update our approach to keep

up with emerging concerns, as well as global and local trends.

GAR provides ongoing training for employees on the GSEP. In 2019, around 1,230 employees received GSEP training. We have also shared the GSEP with all our 424 third-party suppliers.



OUR SUSTAINABILITY MILESTONES

1997	January 2005	February 2010	February 2011	April 2011	May 2011	November 2011	February 2012	March 2013
<p>First Indonesian palm producer to establish Zero Burning Policy</p> 	<p>SMART joins RSPO</p> 	<p>Zero development on peat regardless of depth</p> 	<p>GAR launches pioneering Forest Conservation Policy (FCP)</p> 	<p>GAR joins RSPO</p> 	<p>GAR publishes first Sustainability Report</p> 	<p>GAR launches Social and Community Engagement Policy (SCEP)</p> 	<p>GAR and SMART launch Yield Improvement Policy (YIP)</p> 	<p>GAR and SMART implement HCS Forest Conservation Pilot</p> 
February 2014	May 2014	September 2014	March 2015	April 2015	September 2015	November 2015	November 2015	December 2015
<p>GAR's FCP extends to downstream operations</p> 	<p>GAR launches Sustainability Dashboard</p> 	<p>GAR endorses New York Declaration on Forests</p> 	<p>GAR implements Participatory Mapping as part of FPIC</p> 	<p>GAR and HCS Approach Steering Group publish HCS Approach Toolkit</p> 	<p>GAR rolls out updated Social and Environmental Policy (GSEP)</p> 	<p>GAR launches peat rehabilitation project in PT AMNL</p> 	<p>GAR launches Community Conservation Partnerships</p> 	<p>GAR completes 100% mapping of supply chain to mills (Traceability to the Mill)</p> 
February 2016	April 2016	January 2017	April 2017	September 2017	December 2017	June 2018	October 2019	
<p>GAR launches Desa Siaga Api to help villages stay fire-free</p> 	<p>GAR announces Traceability to the Plantation (TTP) Plan</p> 	<p>GAR expands fire-free programme into Desa Makmur Peduli Api</p> 	<p>Launch of super high-yielding non-GMO clonals Eka 1 & Eka 2</p> 	<p>GAR debuts on Dow Jones Sustainability Indices</p> 	<p>GAR-owned mills complete 100% TTP</p> 	<p>GAR debuts on FTSE4Good Index</p> 	<p>GAR joins & funds RADD deforestation radar monitoring initiative</p> 	

Our Approach to Sustainable Palm Oil

GAR AND THE UN SUSTAINABLE DEVELOPMENT GOALS (SDGS)



In 2015, the 193 member states of the United Nations adopted the Sustainable Development Goals (SDGs), a new agenda for sustainable development. The SDGs represent an interrelated and holistic framework of the most pressing challenges facing humanity and require urgent actions from all actors.

As a business operating in the palm oil industry, GAR has a role to play in supporting many of the 17 SDGs. As part of our strategic approach, we have chosen to focus our efforts on the goals where we can make the most meaningful contributions.

Following an assessment of the goals and their underlying targets, we have identified three SDGs – SDG 2, SDG 12 and SDG 15 – which we believe align best with our strengths and our areas of impact as a company. They also represent the greatest opportunities to partner with other stakeholders and work together on sustainable development in support of SDG 17.

ACTIONS SUPPORTING THE SDGS



With the global population expected to continue growing exponentially, reaching an estimated 10 billion by 2050, food security is becoming increasingly challenging. More food will have to be grown in the face of decreasing arable land and climate change.

As an agribusiness, GAR is committed to the sustainable production of palm oil as a key food ingredient. While palm oil is already the highest-yielding vegetable oil crop in the world, we have continued with R&D of even better yielding seeds and planting materials. These will reduce pressure on the need for more agricultural land. We are also exploring the development of seed stock that is more resilient to the increasing threat of droughts and diseases stemming from climate change.

Another area of R&D involves developing high oleic palm oil which has a better nutritional profile. Our focus on productivity and improving agronomic practices extends to our plasma and independent smallholders. We support them to earn decent incomes, while adopting practices that protect the environment.

(Relates to SDG Targets: 2.3; 2.4)

For more information please see, p 31-32, 36, 49, 57



Achieving responsible consumption and production is essential to ensure that the natural resources we depend on are not depleted and are used efficiently, while minimising the impact to human health and the environment.

At GAR we do this through actions that include minimising waste through recycling and reuse, as well as phasing out harmful chemical substances in our operations. Since 2015, we have recycled 100 percent of waste from the production of CPO in our upstream operations. We have stopped using the herbicide paraquat, while continuing to use a combination of natural solutions and biological controls for pests.

These commitments which are in our GSEP also apply to our supply chain. We are currently guiding our suppliers to improve their processes in these areas.

(Relates to SDG Targets 12.2;12.4;12.5)

For more information please see p 29-32, 55-57



Forests provide critical ecosystem services, host a large amount of biodiversity and support the livelihoods of indigenous peoples. As a palm oil company, we acknowledge that we have an important role to play in ensuring the protection of forest areas. This is an area which we have been working on for many years.

GAR oversees and supports the conservation of 144,000 hectares of conservation areas, directly and indirectly. This includes 72,000 hectares of HCS and HCV areas across our operations. On a landscape level, through partnerships with local communities, we have obtained agreements to protect over 7,700 hectares of forests. Through the engagement of our suppliers we are supporting their commitments to conserve 65,000 hectares of forests.

GAR is also taking part in an industry initiative to fund radar monitoring aimed at improving surveillance of deforestation in Indonesia.

(Relates to SDG Targets 15.1;15.2;15.3;15.5)

For more information please see p 51-56



To achieve sustainable development, partnerships between governments, the private sector and civil society is required.

All of our efforts are underpinned by local and global partnerships. These range from collaborations with communities and suppliers on conservation; working with top research facilities and universities on improving biodiversity; and with customers

to help smallholders improve livelihoods and sustainability.

(Relates to SDG Targets 17.16)

For more information please see p 20, 32, 49, 51, 52, 53

GOVERNANCE AT GAR

[102-18, 102-19, 102-20, 102-21, 102-22, 102-23, 102-26, 103-2]

We are committed to the highest standards of corporate governance, and to complying with the principles of the [Code of Corporate Governance](#), reviewed last in 2018.

The make-up of our board is an important part of our approach to corporate governance. Currently, the board has eight members, including five independent directors, who exercise objective judgment in our corporate affairs. The board is headed by GAR's Chairman and CEO, Mr Franky O. Widjaja, and is responsible for overseeing all aspects of our business. A full list of our board of directors and their profiles can be found on [our website](#) and in the [GAR Annual Report](#).

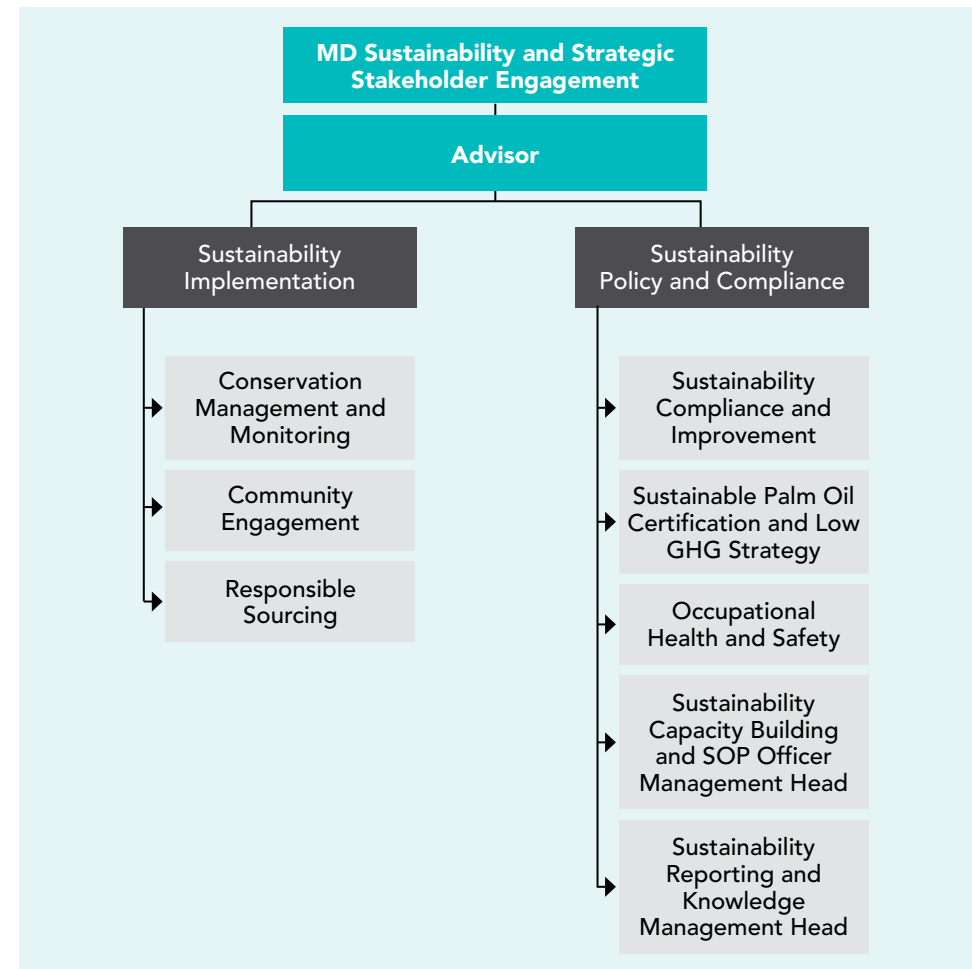
The board and senior management are fully involved in and support GAR's sustainability commitments under the GSEP. A Sustainability Committee (SC), which is chaired by Ms Jesslyne Widjaja, Corporate Strategy and Business Development Director, oversees all matters related to responsible business. The SC comprises the senior leadership team from the upstream, downstream and corporate business units as well as the head and other staff members of the Sustainability Department. The SC reports directly to

Mr Franky O. Widjaja, and meets regularly to oversee the development, implementation and monitoring of the GSEP and our performance across all our business operations.

Over the years we have continued to invest additional resources with the aim of embedding responsible palm practices in our day-to-day operations. We have a sustainability team of about 370 staff in Jakarta and in the field working to implement our sustainability measures.

We employ specialists to oversee and handle key areas such as conflict resolution, HCS/HCV management, fire prevention, community consent (FPIC), responsible sourcing, grievance management and health and safety. The sustainability department also works with colleagues in Human Resources on labour issues to ensure fair labour practices are upheld, in line with the GSEP.

OUR SUSTAINABILITY AND STRATEGIC STAKEHOLDER DIRECTORATE



Our Approach to Sustainable Palm Oil

ETHICS AND COMPLIANCE

[102-16, 102-17, 205-3, 406-1, 415-1]

At GAR, we are committed to pursuing our business objectives with integrity and in compliance with the law. We comply with applicable laws in all the countries in which we do business, including all anti-bribery and corruption regulations. Additionally, GAR does not make any corporate political contributions. No significant cases of bribery or corruption were reported in 2019.

We expect all our employees, contractors, suppliers and business partners to adhere to the [GAR Code of Conduct](#), which is communicated to our existing and new employees. The Code is purposefully designed to be practically applicable to our day-to-day business, with definite guidelines on acceptable and unacceptable behaviour. It applies to all employees as well as Board members. It also details avenues for raising concerns and whistleblowing procedures, encouraging employees to report any possible improprieties, in confidence and without fear of retaliation.



The Code also emphasises the Company's commitment to fair employment practices; diversity; and its stand against discrimination and zero tolerance for harassment or abuse. No significant cases of harassment and abuse were reported in 2019.

Following internal review as a result of a closed corruption case in 2018¹ involving three former employees at a GAR subsidiary, PT BAP, we have continued with annual mandatory refresher courses and online e-testing on the Code of Conduct for our employees. Executives also signed Integrity Pacts committing them to ethical and lawful behaviour.

We also require our suppliers to comply with the [Supplier Code of Conduct](#), which obligates them to adhere to our policies including the GSEP.

RESPONSIBLE HANDLING OF COMPLAINTS AND GRIEVANCES

[103-2, 103-3]

In 2015, GAR established a Grievance Procedure to ensure that as a company, we are responsive to any grievances raised by external parties which may

involve our third-party suppliers. It helps us to address a wide range of concerns, including those related to our most material issues. The full list and details of our grievances, both closed and ongoing, is updated regularly, and can be viewed on the [GAR Sustainability Dashboard](#).

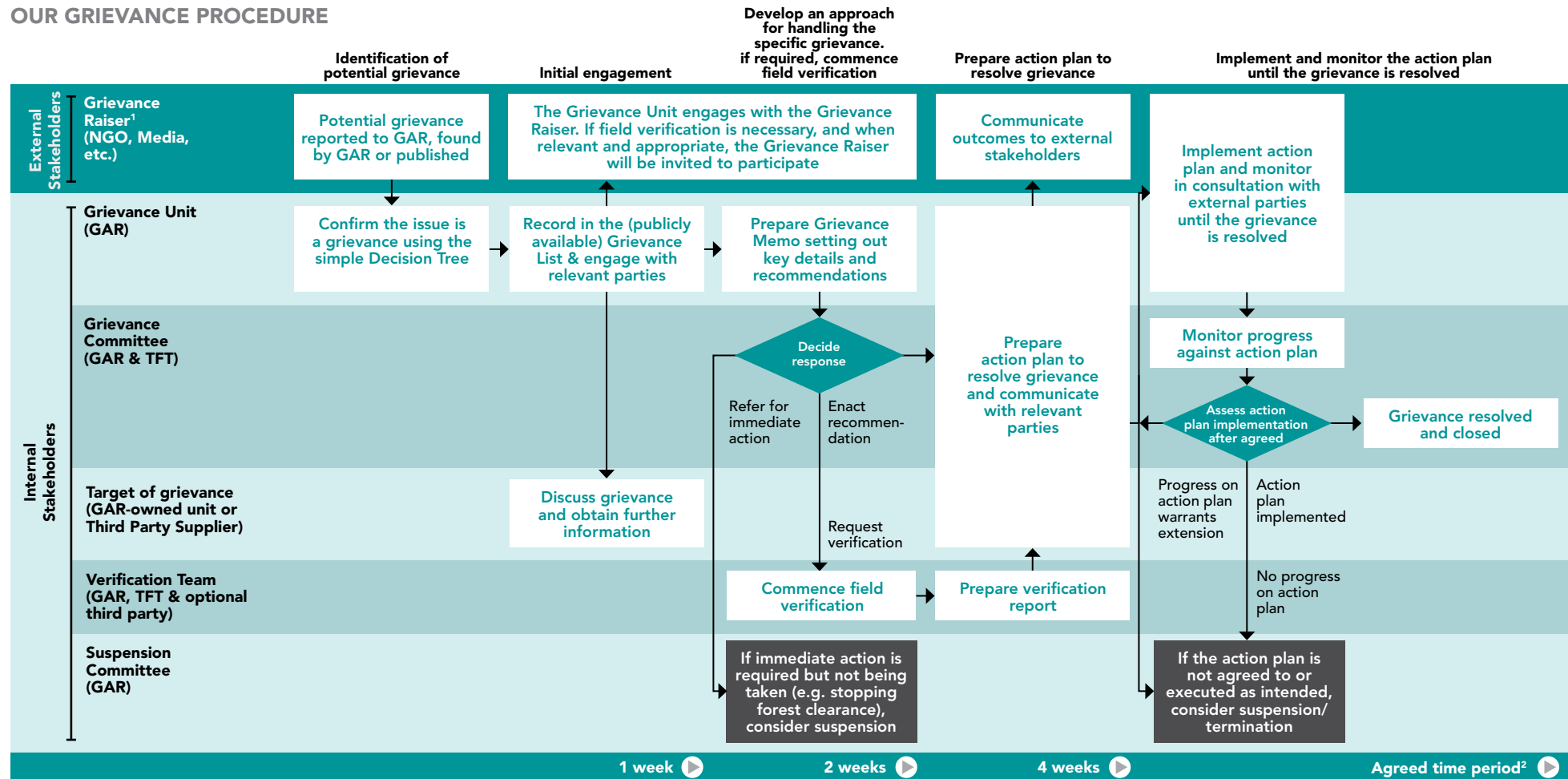
Grievances raised in 2019	32
Grievances closed in 2019	11
Pre-2018 grievances closed in 2019	2
Verification site visits	29
Suppliers showing progress (time-bound action plans)	24

As of May 2020, Mighty Earth, an organisation which carries out environmental protection campaigns, [ranked GAR top amongst palm oil trading companies for tackling and resolving complaints](#) with a 76 percent rate of resolution.

We also have a [grievance mechanism](#) in place for stakeholders including employees to raise grievances involving our own operations as well as [social conflict handling procedures](#).

¹ The 2018 case is considered closed following the end of the court case and court ruling. See our statement on p 42 of the [GAR Annual Report 2018](#).

OUR GRIEVANCE PROCEDURE



1 The Grievance Raiser may nominate a third party to act on their behalf.

2 Action plans will work to agreed timelines of no more than three months to reach resolution. However, where circumstances prevent resolution within that time – for example, where legal proceedings are involved – progress at three months will be reviewed to assess whether there is clear evidence of a resolution process being actively implemented.

Our Approach to Sustainable Palm Oil

MONITORING, EVALUATION AND REPORTING

[103-3]

Under the GSEP we are committed to monitoring, evaluating and reporting our performance. We provide regular updates on our progress on several key using a variety of channels. For example, our [Sustainability Dashboard](#) initiatives is regularly updated with information on TTP, fire incidents, conservation, community engagement and grievance cases. Other channels of reporting include the [GAR website](#), as well as reports such as the [GAR Annual Report](#) and the [GAR Sustainability Report](#). We also participate in several disclosure platforms including CDP (which incorporates Task Force on

Climate-related Financial Disclosures (TCFD) recommendations, and elements of the Accountability Framework Initiative), SPOTT, FTSE4Good and DJSI.

PARTNERSHIPS FOR RESPONSIBLE PALM OIL

Finding the best way to operate sustainably often requires new, innovative solutions to thorny issues. We recognise that this is only possible through working collaboratively with relevant experts and key stakeholders. Partnership (UN SDG17) is the cornerstone of our approach to achieving our goals. We do this in recognition of our limits as a private company and we seek to learn and gain valuable feedback from our stakeholders

such as local communities, smallholders, government, Civil Society Organisations (CSOs), academia, suppliers, the Roundtable on Sustainable Palm Oil (RSPO), our industry peers, customers, and implementation partners.

In several instances, we have worked with CSO stakeholders like Greenpeace to develop new guidelines and standards such as the [High Carbon Stock Approach \(HCSA\)](#) to address deforestation concerns. This approach is increasingly being adopted, not only in our industry, but also in other sectors such as forestry.

Our main sustainability roadmap, the GSEP, was developed with feedback and input from key stakeholders including

CSOs such as Greenpeace, Rainforest Action Network (RAN), Forest Peoples Programme (FPP) and our implementation partner, Earthworm Foundation (formerly The Forest Trust). We continue to improve our Standard Operational Procedures (SOP) for carrying out FPIC, handling grievances, conflict resolution and participatory mapping, often with input from external stakeholders such as CSOs.

We also have several partnerships with customers and academic institutions designed to further our progress towards responsible production. Read more about our partnerships on our [website](#).

Our Materiality Assessment

[102-29, 102-46, 102-47]

Key to our approach in responsible palm oil is our identification and management of material issues. This ensures that we are prioritising and focusing on the most significant economic, environmental, social and governance issues that shape

our success and that are of greatest importance to our stakeholders.

In 2017, we worked with specialist sustainability consulting firm Corporate Citizenship to update and refresh

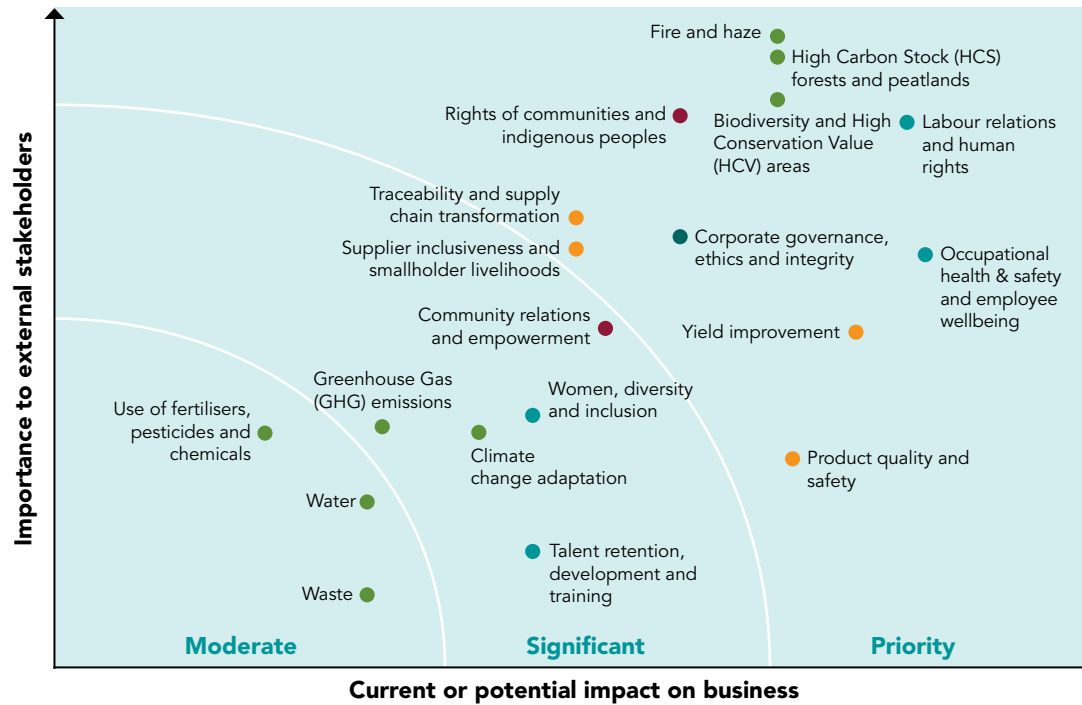
our understanding of our material sustainability issues. Our approach followed the principle of materiality as set out in the GRI Standards and included the assessment of sustainability issues across our entire value chain. We gathered

a balance of internal and external stakeholder perspectives, through a mix of qualitative and quantitative methods. This included desk research, surveys and interviews. The detailed process can be seen on the [GAR website](#).



Our Materiality Assessment

OUR MATERIALITY MATRIX



- Environmental Management
- Marketplace and Supply Chain
- Work Environment and Industrial Relations
- Social and Community Engagement
- Governance

Issues that have grown in importance since our last materiality assessment




- ▲ Talent retention, development and training
- ▲ Labour relations and human rights
- ▲ Women, diversity and inclusion
- ▲ Occupational health & safety and employee wellbeing

MATRIX KEY




- **Priority issues** are the most material sustainability issues with high impact on society and the environment, and of high concern to stakeholders. These form the focus of GAR's sustainability policy, strategic approach to responsible palm oil, and sustainability reporting. Reporting on priority issues aims to fully meet the requirements of the GRI Standards: Core Option.
- **Significant issues** are of ongoing importance to GAR and typically of medium concern to stakeholders. They are actively managed by the business. Updates on management and performance in relation to these issues is included in external reporting as relevant, based on sustainability context and stakeholder interest.
- **Moderate issues** are of lower relative importance to both GAR and external stakeholders. However, these issues are still part of GAR's responsible business practices and are managed as part of the company's sustainability agenda. These are reported where relevant, based on sustainability context and stakeholder interest.

Understanding where impacts (actual or potential) occur in our value chain

[102-15, 102-47, 103-1]

Material Issues	Description	Value Chain		
		Plantation 	Processing 	Distribution & consumption 
Fire and haze	No burning in our operations, working with the community to prevent forest fires and responding to any fires that occur in order to minimise the harmful effects on the environment and people.	●●●	●	●
High Carbon Stock (HCS) forests and peatlands	Identifying, protecting and restoring HCS forests, as well as protecting and managing peatlands storing high levels of carbon.	●●●	●	●
Biodiversity and High Conservation Value (HCV) areas	Preventing deforestation or development of HCV areas with high biological, ecological, social or cultural values; to protect habitats and maintain biodiversity.	●●●	●	●
Labour relations and human rights	Promoting fair, ethical, and positive relations with our workforce, respecting human and labour rights, ensuring no child or forced labour.	●●●	●●●	●●
Rights of communities and indigenous peoples	Respecting community rights through the Free, Prior and Informed Consent (FPIC) approach. Maintaining community dialogue and engagement, and promoting peaceful resolution of any conflicts.	●●●	●	●
Occupational health & safety and employee wellbeing	Fostering a safe and healthy work environment, preventing any work-related illness, injury and accidents, and promoting the wellbeing of employees.	●●●	●●●	●
Traceability and supply chain transformation	Achieving traceability of palm oil products to mill and to plantation, and engaging with suppliers to ensure compliance with our policy to promote responsible and ethical practices.	●●●	●●●	●
Corporate governance, ethics and integrity	Conducting all business activities with integrity and in accordance with the highest ethical and governance standards, in line with the Company Code of Conduct.	●●	●●	●●
Supplier inclusiveness and smallholder livelihoods	Supporting the socio-economic development and inclusiveness of smallholder suppliers.	●●●	●●●	●

Our Materiality Assessment

Material Issues	Description	Value Chain		
		Plantation 	Processing 	Distribution & consumption 
Yield improvement	Investing in research and development to improve yield and reduce pressure on opening new land.	●●●	●	●
Community relations and empowerment	Empowering the community and supporting livelihoods by employing locals, implementing community programmes in education, healthcare, and building and providing public infrastructure, housing and facilities, etc.	●●●	●●	●
Women, diversity and inclusion	Empowering women across the business and promoting a culture of diversity and inclusion in our workforce and operations.	●●	●●	●
Product quality and safety	Adherence to best practice product quality and safety standards, as well as safeguarding consumers' health.	●	●●	●●●
Greenhouse Gas (GHG) emissions	The measurement, monitoring and reduction of GHG emissions across our operations.	●●	●●	●●
Climate change adaptation	Developing crops resilient to the effects of climate change (e.g. extreme weather events such as drought, flooding). Building community resilience to climate change.	●●●	●●	●●
Use of fertilisers, pesticides and chemicals	Minimising contamination and pollution from fertiliser, pesticide and chemical use, while maintaining soil fertility and high crop yield.	●●●	●●	●
Water	Reducing water use, recycling and reusing water, management of effluents, and preventing water pollution.	●●	●●	●
Talent, retention, development and training	Managing current and future talent needs through attraction, retention, training and development.	●●	●●	●
Waste	Managing our waste by reducing, reusing and recycling waste generated, as well as the safe handling and disposal of hazardous waste.	●●	●●	●

Key (actual or potential impact): ●●● Significant impact ●● Moderate impact ● Little to no impact

Stakeholder Engagement

[102-21, 102-40, 102-42, 102-43, 102-44]

The issues facing palm oil production are complex and multi-faceted. This is why a key element of our approach to responsible palm oil relies on engagement and close collaboration with stakeholders.

Our stakeholder engagement focuses on trying to better understand stakeholders' needs and concerns. At the same time, we want to build our stakeholders' understanding of our business and the realities of the palm oil industry on the ground.

We believe that enhanced mutual understanding will support the development of more effective solutions and partnerships, which can better balance environmental protection with

the economic and social needs of our stakeholders.

For more details on our stakeholder engagement, including how we engage them, see our [website](#).

OUR KEY STAKEHOLDERS

Customers and consumers



Employees



Financial community (investors, banks, financial analysts)



Governments and regulatory bodies



Industry bodies and trade associations



Local communities



Media



Civil Society Organisations (CSOs)



Suppliers



Certification bodies: RSPO, ISPO, ISCC



Some key outcomes of our stakeholder engagement:

- Participatory Conservation Planning with the community and Alternative Livelihood programmes (see [p 51-52](#))
- Long-term fire prevention programme with the community (see [p 54](#))
- Supply chain transformation (see [p 28-31](#))
- Smallholder support programmes (see [p 31-32](#))
- Active participation in the RSPO (see [p 34](#))

Transforming our Supply Chain



In order to meet our sustainability commitments, we recognise we must source our raw materials from suppliers who agree to follow the same high standards of responsible production. We continue to make substantial investments in time and resources to help our supply chain transform and change for the better.

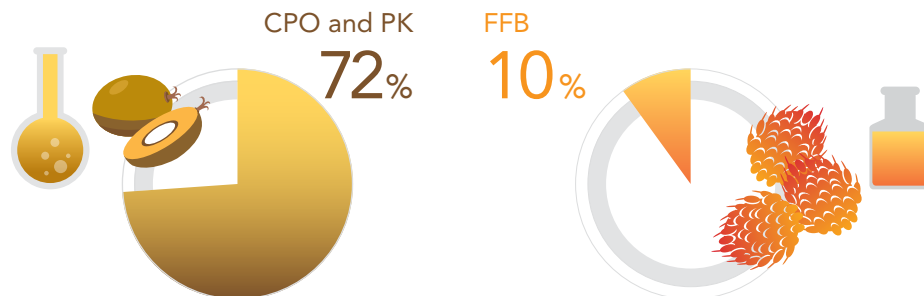
OUR PALM SUPPLY CHAIN

[102-9]

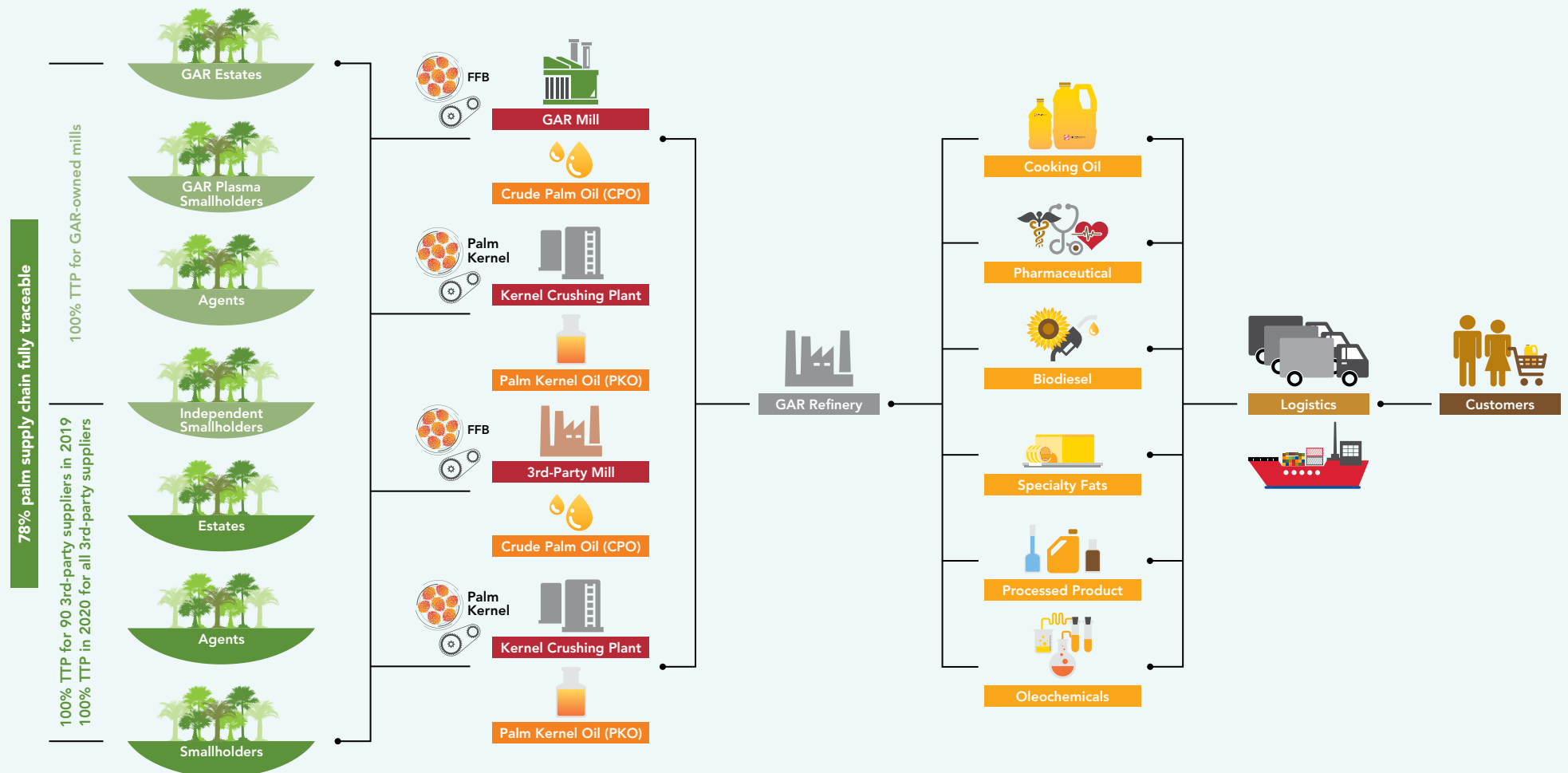
The bulk of our procurement comprises crude palm oil (CPO) and palm kernel (PK) for our downstream business in Indonesia. In 2019, these raw materials were sourced from 424 third-party mills

and 46 GAR-owned mills in Indonesia. Fresh fruit bunches (FFB), the feedstock for the mills, are in turn supplied by our own nucleus estates, third-party estates, thousands of individual farmers (plasma and independent), as well as brokers and agents who buy from farmers. Procurement of CPO and PK, and procurement of FFB, accounts for around 72 and 10 percent respectively of our Indonesian subsidiaries' procurement spend. Based on the high purchasing volume, and the potential environmental and social risks associated with the purchase of CPO, PK and FFB, these are considered GAR's critical suppliers.

SHARE OF PROCUREMENT SPEND ON CRITICAL RAW MATERIALS



PALM SUPPLY CHAIN



Transforming our Supply Chain

OTHER SUPPLIERS

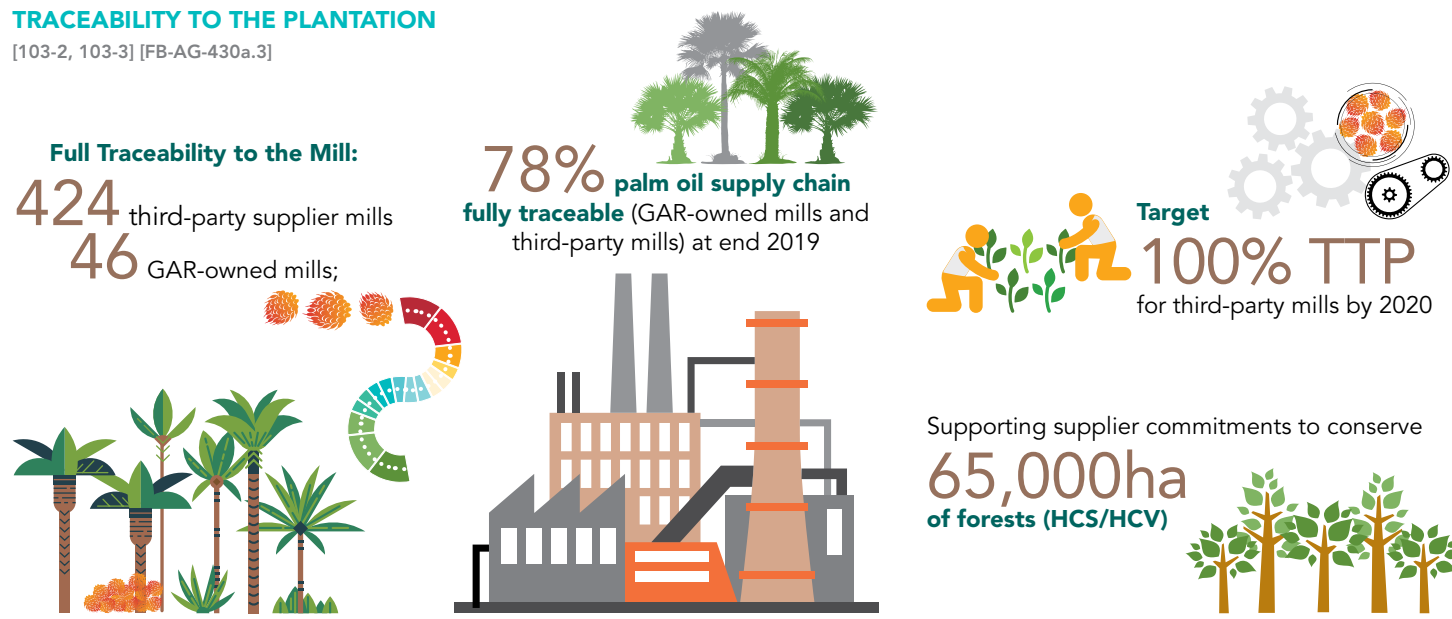
[102-9, 204-1]

We also procure other products and services to run our business. Of our non-palm procurement, our most significant spend for our upstream operations is on fertilisers sourced from 35 Indonesian companies which accounted for 32 percent of procurement spend. We also procure non-palm materials, spare parts and services; fuel and tires; food; and tools and consumables. Food such as rice, noodles and milk are procured for our employees and form part of their non-monetary benefits. In 2019, we spent about IDR 126 billion to buy over 13 kilo tonnes of food.

Around 46 percent of products and services are purchased from local vendors close to our operational sites. We also support many small businesses with more than 80 percent of our procurement sourced from small and medium-sized enterprises (SMEs).

TRACEABILITY TO THE PLANTATION

[103-2, 103-3] [FB-AG-430a.3]



Since 2015, we have engaged in a massive traceability exercise and we are aiming to have a fully traceable palm oil supply chain by end 2020. We continued to make significant progress towards full Traceability to the Plantation (TTP) in 2019, achieving nearly 80 percent TTP for GAR-owned and third-party mills. We believe we are on track to hit our target of 100 percent TTP by end 2020, (subject to possible delays due to the COVID-19 pandemic).

Aside from being able to tell our customers where and from whom we source our raw materials, traceability provides us with a ready-made and invaluable platform for relationship-building with our suppliers. Through this, we work with them to transform our supply chain and by extension, the industry.

One of the tangible results of our efforts is progress in extending forest conservation in our supply chain. We are doing this

through sharing the importance of complying with our no-deforestation commitments as well as guiding our suppliers in adopting best practices and helping them formalise their own no-deforestation policies. Since we began our deep engagement with suppliers, 10 of them have carried out HCV and HCS assessments, which involves a high degree of commitment, time and monetary resources.

SUPPLIER ENGAGEMENT, ASSESSMENT AND TRAINING

[308-1, 308-2, 414-1, 412-2] [FB-AG-430a.2]

We engage intensively and extensively with our critical suppliers through multiple avenues, gaining their trust and confidence.

Aside from commercial considerations, all new suppliers are screened using environmental and social criteria, in line with our commitments in the GSEP.

For our existing suppliers, all GAR-owned and third-party mills are assessed for GSEP compliance on an annual basis through desk research and spatial analysis.¹

Based on our findings, we can determine a risk ranking for each supplier. High-risk suppliers are prioritised for site visits and deep engagement. Every year, we aim to visit at least 20 critical, high-risk suppliers.

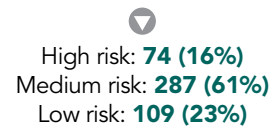
GAR details the findings from the site visits, including recommendations and actions for improvement, in reports that are shared with

the suppliers. We then work with the mills to develop and implement time-bound action plans for us to monitor progress against. To date, we have completed site visits and assessed both Tier 1 and Tier 2 suppliers at all our downstream processing locations. Reports can be viewed on our [website](#).

New Supplier in 2019:

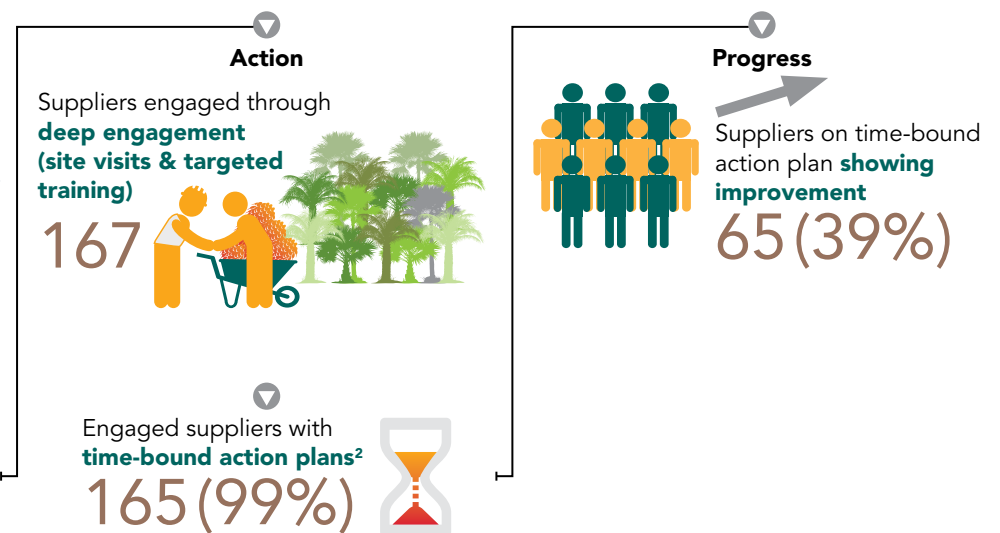


Existing Supplier Assessment in 2019:



Types of risk

Potential deforestation, waste management, GHG emissions, labour practices, OHS and FPIC implementation



1 Spatial analysis refers to analysing the mill location relative to areas of sensitive eco-systems such as peat areas, key biodiversity habitats and forest areas. Desk research involves looking for any publicly reported information on environmental and social issues linked to the potential supplier.
2 Examples of action plans for improvement include achieving TTP, strengthening of SOPs, formalisation of sustainability commitments etc.

Transforming our Supply Chain

GAR is also using the [No-deforestation, No-peat and No-exploitation Implementation Reporting Framework \(NDPE IRF\)](#) to track progress in delivering NDPE commitments across our supply chain. The tables below show the percentage of CPO volume of supply classified by NDPE criteria.³

No-deforestation progress at production level⁴

Allocation Criteria: No-deforestation	Percentage (CPO)
Awareness	17
Commitments	10
Progressing	2
Delivery	71

No-peat progress at mill level

Allocation Criteria: No-peat	Percentage (CPO)
Awareness	18
Commitments	15
Progressing	7
Delivery	60

Based on assessments of our suppliers' most pressing needs, we continued to

help them with training through SMART SPOT and SMART SEED workshops in traceability; responsible labour practices; and implementation of FPIC and human rights. We are guiding them to design needs-based CSR programmes using Social Impact Assessments. As of 2019, we have shared and emphasised the importance of the GSEP with all (100 percent) of our suppliers.

We are proactively helping suppliers review their policies, including providing recommendations on how to strengthen SOPs in various areas such as environmental management and labour relations.

Ksatria Sawit programme to accelerate TTP



To help accelerate the TTP process amongst our suppliers, we launched the [Ksatria Sawit](#) programme. The programme reaches out to areas where many of our supplier mills are buying from smallholders, and traces their agents and farmers. Since its launch in April 2019, we have covered provinces

Spotlight on Ksatria Sawit – helping more suppliers achieve traceability



What is Ksatria Sawit and what are its goals?

“Ksatria Sawit” is a Bahasa Indonesia term meaning ‘palm oil warrior’ in English. The name is also a Bahasa abbreviation which means transforming the supply chain through independent smallholders and agents, that’s why we chose the name. This programme reflects one of the pillars of our GAR Social and Environmental Policy (GSEP) which is to build a traceable and transparent supply chain that extends to farmers, and is a continuation of our efforts since 2015.

At the end of 2018, we were 62 percent traceable to the plantation. From our research, we found the majority of our supply chain that had not yet been traced were mills who bought a lot of raw materials from agents who collect Fresh Fruit Bunches (FFB) from

independent smallholders. These two groups of people – independent smallholders and agents – are an important part of our supply chain, and we needed to make an effort to understand the problems they face and work with them to improve their practices.

We initiated Ksatria Sawit where we work together with palm oil mills, agents and independent smallholders, to achieve full traceability.”



*Justinus Kriswantoro,
Head of Traceability
in GAR's Responsible
Sourcing Team*

Read more about [Ksatria Sawit](#) on our website.

³ Note that the set of allocation criteria for “no-exploitation” is still under development.

⁴ Based on estimate of proportion of FFB from directly managed estates.

such as Aceh, North/South Sumatra, Riau, Jambi, Lampung, and Bangka Belitung. We estimate that the programme will help us trace almost 60,000 smallholders. Through this programme we also hope to develop new mechanisms to help smallholders and agents adopt sustainable practices.



Suppliers who participate in our engagement and assessment processes are generally receptive to proposals for improvement. However, suppliers deemed non-compliant will no longer form part of our supply chain. In 2019, we stopped procuring from about 0.5 percent of our suppliers for non-compliance with our GSEP commitments, and from over seven percent since 2015.

We operate a transparent and accountable system where stakeholders can inform us of issues within our supply chain using our grievance process. As part of this process, we conduct ad-hoc site visits where an issue has been raised by an external stakeholder or discovered through our own monitoring. Our engagement is reported in our [Grievance List](#). In 2019, 32 new grievances were raised involving our third-party suppliers. We have resolved 11 of the new cases and two older cases (see [p 18](#)). Case studies which highlight action plans or our suppliers are published on our [website](#).

SUPPORTING SMALLHOLDERS

[103-2, 103-3]

Support for
70,300
plasma smallholders



Smallholders are a critical part of the palm supply chain in Indonesia with about two million farmers controlling around 44 percent of palm oil estates in the country. Improving their livelihoods and responsible practices is key to improving the industry.

We have been supporting and helping all our plasma smallholders achieve responsible farming for almost three decades. In 2019, around 70,300 plasma smallholders supplied FFB to GAR, about 21 percent of our total intake of FFB.

While GAR does not own the plasma plantations, they are closely integrated into our management system and we take the lead in promoting their success while adhering to the GSEP. In 2019, our smallholders achieved a CPO yield of around 4.8 tonnes per hectare, which is among the highest in the industry in Indonesia.

Through our partnership, we provide plasma smallholders access to high-yielding seeds and good quality fertilisers. We also ensure knowledge transfer and capacity building through regular training on Good Agricultural Practices.

GAR also extends support to a few thousand independent smallholders through the Independent Farmers Replanting Programme and other technical and financial schemes.

The Independent Farmers Replanting Programme was set up to encourage independent smallholders to replant with better quality, higher-yielding seeds which will help boost productivity and incomes, while potentially reducing the demand

for new agricultural land. It gives farmers access to financing, helping them sustain their livelihoods during the four years it takes for the new seedlings to mature. Since 2014, GAR has helped independent farmers secure loans of nearly IDR 400 billion from state-owned banks.

We continue to run other finance and support programmes for independent smallholders. Through the Smallholders Development Programme, GAR has provided technical assistance and long tenure interest-free credit to independent farmers in East Kalimantan since 2013. Farmers have access to high-yielding seeds, fertiliser and herbicides, and heavy equipment rental, at below market rates. To date, we have disbursed more than IDR30 billion in interest-free loans and other aid.

Our R&D division, [SMARTRI](#) runs regular training programmes for smallholders. Each year, they train several hundred farmers in agronomic practices focusing especially on integrated pest management and fertiliser management. Beneficial plants are given to the farmers at the end of the training session, to be planted in their field to contribute to the biological control of herbivories. In addition, SMARTRI staff also visit smallholder farms when requested, to help solve pest outbreak issues or nutrient deficiency cases.

Transforming our Supply Chain

PARTNERSHIPS TO HELP SMALLHOLDERS

GAR is partnering with customers and other stakeholders on projects aimed at helping to transform the palm oil industry. These projects include support for smallholders to boost their sustainable practices and improve their livelihoods.

A [full list of our partnerships and projects](#) can be found on our website.

RESPECTING HUMAN RIGHTS IN OUR SUPPLY CHAIN

[408-1, 409-1, 407-1, 412-1]

As we continue to progress with our palm supply chain mapping and develop deeper support for our key suppliers, we are taking steps to address salient labour and human rights issues within our supply chain.

While we have not detected actual forced or child labour cases amongst our suppliers, we have noted that there



Partnership with customer: Smallholder Mapping Project

GAR signed an MOU with one of its major customers, Nestle, to help boost independent smallholder sustainability. The project is based in Indonesia and will focus on a group of farmers in the Siak District in the Riau province. The two parties are collaborating to enable Smallholder Group Certification for the supply of certified palm oil. The project will help independent farmers adopt sustainable practices and gain wider market access, in line with the objectives of the companies' sustainability policies.

Learn more [here](#)



are risks amongst some of our suppliers whether through lack of formal policies or through certain actions which can be perceived as indications of irresponsible labour practices.

We are therefore proactively helping our suppliers review their labour policies. This includes providing recommendations to strengthen SOPs and recruitment mechanisms. We are training and supporting suppliers to formally implement no child labour practices and protect children within their operations. We have helped several suppliers create

action plans for improvement and we monitor their progress.

In 2019, we organised three workshops on the topic of child labour prevention in East Kalimantan, Langkat and Central Kalimantan. We also developed a video to help educate suppliers on child labour risks.

Aside from child labour issues, we are carrying out a workload study to help design guidelines for suppliers on setting workload incentives that are achievable by individual workers.

Caring for our Customers and Consumers

OUR CUSTOMERS

[102-2]

The bulk of our palm oil is distributed through our customers, which include

traders, distributors, wholesalers, retailers as well as other businesses in the food and manufacturing industries that use our oil as a raw material in

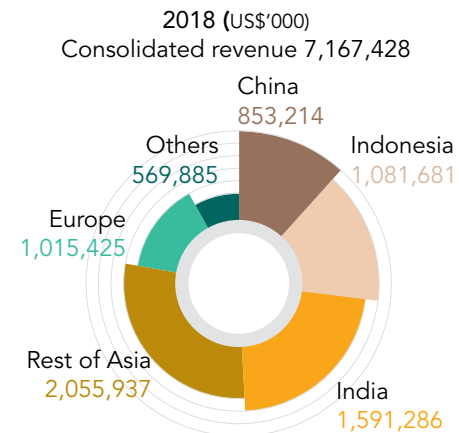
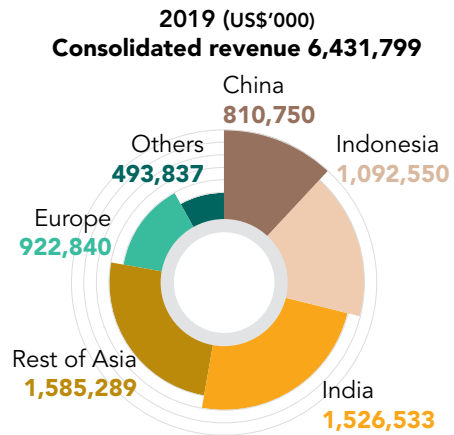
the production of secondary goods. Palm oil is an extremely versatile raw material used to make many daily products ranging from cooking oil to

household cleaners – view the wide range of products on our [website](#).



Caring for our Customers and Consumers

REVENUE BASED ON GEOGRAPHICAL LOCATION OF CUSTOMERS



We sell our products across the world, deriving the bulk of our revenue from markets in Asia.

In recent years we have been extending our product range into high-value areas such as low 3-MCPD products, biodiesel, and palm-based oleochemicals, which are used to manufacture soaps, detergents and other personal care products.

GAR is also proactively responding to the growing market demand for traceable and certified sustainable palm oil.

PROVIDING CERTIFIED SUSTAINABLE PALM OIL

[102-13] [FB-AG-430a.1]

Our Indonesian operations were early adopters of certification of sustainably produced palm oil - SMART became a member of the Roundtable on Sustainable Palm Oil (RSPO) member in 2005 shortly after RSPO was founded. We also play an active role in RSPO participating in the Board of Governors and various working groups.

Industry certification is part of GAR's on-going commitment to adopt best practices and standards in responsible production while allowing us to meet growing demand for certified sustainable palm oil. Our latest certification data is on our [website](#).

ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO) CERTIFICATION

To date, over 268,000 hectares of plantations including smallholder plantations of over 51,000 hectares, 31 mills, nine kernel crushing plants, six refineries, seven bulking stations and one oleo-chemicals plant have received RSPO certification.

GAR plays an active role in the RSPO. In 2019, Mr Agus Purnomo, GAR's Managing Director of Sustainability and Strategic Stakeholder Engagement was re-elected to the RSPO Board of Governors representing the Indonesian Growers Caucus (IGC) within RSPO. He

will hold this position until 2021. He is also Co-Chair of the Assurance Standard Committee of RSPO and our SVP for Group Corporate Communications, Ms Anita Neville is Co-Chair of the Market Development Standing Committee.

We also participate in the RSPO working groups on deforestation; peatland; biodiversity; human rights; jurisdictional working group; and outreach and engagement. We are also involved in the RSPO task forces on HCV; FPIC; independent smallholders; compensation; Supply Chain Certification (SCC); trademark; as



well as Indonesia National Interpretation and review for the Principles and Criteria (P&C); and the Resolution Task Force.

INTERNATIONAL SUSTAINABILITY AND CARBON CERTIFICATION (ISCC)

GAR maintains ISCC certification, a global certification which aims to ensure sustainable production and use of all kinds of biomass in global supply chains. ISCC is based on the implementation of the highest sustainability requirements in ecological sustainability, social sustainability, compliance with laws and international treaties, monitoring of GHG emissions and good management practices.

To date, over 288,000 hectares of plantations including smallholder plantations of over 54,000 hectares, 30 mills, five refineries, 14 bulking stations and two biodiesel plants have received ISCC certification.

All biomass intended for biofuels in destinations like Europe are ISCC certified, ensuring that our products meet the highest responsible palm oil standards in the international market.

INDONESIAN SUSTAINABLE PALM OIL (ISPO)

GAR also supports the ISPO Scheme developed by the Indonesian Ministry

of Agriculture to improve the competitiveness of Indonesian palm oil in world markets and to meet Indonesia's commitment to reduce greenhouse gases and focus on environmental issues.

To date, over 217,000 hectares of plantations and 34 mills have received ISPO certification.

DEVELOPING A BIOFUEL MARKET FOR PALM OIL

We have a biodiesel plant near Jakarta and another in South Kalimantan. Biodiesel in Indonesia is a growing market with the government's commitment to implement a progressively larger biodiesel mixture mandate. Accordingly, we have received 41 percent larger allocation from the government for 2020 delivery as the B30 programme is implemented starting January 2020. We plan to expand biodiesel capacity in South Kalimantan by 450,000 tonnes annually which is estimated to be completed in 2021.

OUR CONSUMERS

Aside from distributing palm oil to industrial customers, we also sell edible oil and food products directly to the end consumer in large markets like Indonesia, China and India.



Caring for our Customers and Consumers

For a full list of our products and brands, please see our [website](#). Please refer to the [GAR Annual Report 2019](#) for more information on our consumer markets and future business strategy.

ENSURING CONSUMER SAFETY, WELL-BEING AND PRODUCT QUALITY

[103-2, 103-3, 416-1]

Our consumers rely on GAR brands for safe and high quality products that they can trust. We use international standards to ensure the quality of our products, bar codes for traceability, and we systematically record expiry dates and batch data.

All six palm oil refineries in Indonesia are accredited with ISO 9001 and three plants have ISO 22000 certification, which recognises that they adhere to strict international food safety standards. Three plants also have FSSC 22000 food safety certification. The six facilities also have OHSAS 18001, ISO 14001, Halal and Kosher certification. In addition, the refineries in Lampung, Belawan, Marunda, Tarjun and Lubuk Gaung have FDA accreditation and we have GMP+B2 certification for lauric products at the Belawan, Lampung, Lubuk Gaung. Five of our plants

also have CPPOB certification (Good Manufacturing Practices for Processed Food).

We are also committed to rolling out the Hazards Analysis and Critical Control Point or HACCP food safety system across our operations.

We are aware of consumer concerns about the health and safety aspects of our end products. Our Downstream Research and Development department is actively addressing this area. GAR continues to focus on minimising occurrence of 3-monochloropropane diol (3-MCPD) precursors following the European Food Standards Authority revision of 3-MCPD and glycidyl fatty acid esters (GE) levels. Our business is successfully tackling the 3MCPD/GE issue holistically, for example by minimising Free Fatty Acids (FFA) in CPO and optimising refining techniques. We are also continuing to optimise identification methods for 3-MCPD and GE esters. In 2019, GAR participated in the FAPAS UK 3-MCPDE, 2-MCPDE and GE proficiency tests with satisfactory results. These tests are conducted yearly. Read more about our efforts [here](#).

We have put considerable effort into removing trans fatty acids from all our products and as of end 2019, we

achieved this for 98 percent of all margarine, shortening and specialty products. While we aimed to be fully trans-fat-free by 2019, we have a small number of customers wishing to keep their existing formulas. This represents less than two percent of our total products and is mainly for local Indonesian consumption. Nevertheless, we continue to work towards the WHO target to eliminate industrial trans fatty acids by 2023.

The Indonesian government mandates fortification of Vitamin A in cooking oil. We comply with this and are making sure we provide healthy fortified cooking oil. In addition to Vitamin A, our Filma margarine is also fortified with vitamins B1, B2 and B3.

Following interest from several global customers, we have started exploring the development of a non-GMO high oleic palm oil (all our palm oil raw materials are non-GMO). High oleic oil is high in monounsaturated fats and has a better nutritional profile. In 2019, a joint research project between upstream and downstream R&D began to explore developing new hybrid high oleic palm oil. Several hybrids have been selected and tested at pilot scale.



Our People

We created over
171,100 jobs in Indonesia



including **70,300** plasma smallholders



Our People

The palm oil industry supports economic growth, especially in rural areas, helping to lift incomes and living standards of local communities. We provide employment for over 171,100 people in Indonesia including 70,300 plasma scheme smallholders. As a major employer, GAR is committed to providing fair employment opportunities by respecting labour and human rights. We aim to foster a safe working environment, provide learning and development opportunities, empower women and promote a culture of diversity.

PAYING FAIR WAGES AND EMPLOYEE BENEFITS

[103-2, 103-3, 401-2, 403-6]

We are committed to ensuring that all employees of GAR receive a wage that is equal to or above the minimum wage set for their respective province, in addition to a range of additional benefits.

Minimum wages in Indonesia are set by provincial and district authorities, and take into account the local prices of goods and services, and therefore the amount required for living.

In terms of benefits, full-time workers receive free healthcare for themselves and their family, company housing,

water, electricity and free education for their children from kindergarten to junior high. GAR also provides its full-time workers with basic necessities such as rice.

Our part-time workers receive free medical services at our polyclinics and their children have access to education at our estate schools.

RECOGNISING, RESPECTING AND STRENGTHENING WORKERS' RIGHTS

[103-2, 103-3, 409-1]

We believe in the fair, equal and respectful treatment for all our employees. Through the GSEP, we have reinforced our commitment to ensuring that the rights of all people working in our operations are respected. The company also fully complies with local, national and ratified international laws. We adhere to all Indonesian labour laws covering issues such as freedom of association for our employees, decent pay and working hours, non-discrimination and the complete elimination of child and forced labour. Where legal frameworks are not yet in place, we defer to the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work.

Our commitment to fair labour is also emphasised in our company Code of Conduct and employment practices. We



have an equal opportunities policy on employment, banning discrimination based on race, national origin, religion, disability, gender, sexual orientation, union membership and political affiliation. Employees enter into employment freely as we do not require our employees to deposit identity papers or money.

We are also engaging our supply chain on our labour standards, including prohibiting child labour, as part of our efforts to help them comply with the GSEP and adopt responsible practices. For more information on how we work on human rights in our supply chain, see the section on [Transforming our Supply Chain](#).

PROHIBITING CHILD LABOUR

[408-1]

In accordance with regulations, the minimum age for employment in GAR in any capacity is 18 years. We aim to prevent all forms of child labour, and we rigorously enforce these principles at all our plantations, mills and other places of work. Our recruitment officers check identification cards against the prospective employee's schooling records, such as their school diploma, to ensure that we do not employ children. We also provide schools and day care centres for our workers' children to

ensure that parents have somewhere safe to send their children while they are at work.

DIVERSITY AND GENDER EQUALITY

[103-2, 103-3, 405-1]

We believe in promoting gender equality in the workplace. However, the manual nature of agricultural work means that certain jobs continue to be more suited to male rather than female employees. Male workers perform heavier physical tasks such as harvesting FFB (which can weigh between 23- 27 kg) and carrying them to trucks for transport to the mills. Women generally work on weeding and collecting loose fruits that have fallen on the ground.

Many women in rural areas also prefer to take on part-time jobs, as it gives them the flexibility for other responsibilities such as tending to the household; childcare; family gardens and other income-earning businesses.

We have zero tolerance for sexual harassment. We conduct extensive training and socialisation for all estate and mill workers to ensure this is understood. Gender committees with representatives from labour unions and management have been set up 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 the situation to determine whether further sanctions or law enforcement actions are needed. During the investigation, the committee also provides assistance and support to the victim. In 2019, no significant cases of harassment or abuse were reported.

FREEDOM OF ASSOCIATION AND TRADE UNION MEMBERSHIP

[102-41, 407-1]



121 labour unions representing

>81,000 employees

Freedom of association is mandated by Indonesian Law and Regulation No. 21/2000 on Trade/Labour Unions and is in line with International Labour Organization Convention No. 98 on the freedom of organisation and collective bargaining.

Each of our units has union representatives, elected by members. They meet with local management representatives regularly in bipartite forums, to discuss and resolve issues. In 2019, there were 121 labour unions across

our operations representing over 81,000 employees (79 percent).

TRAINING AND DEVELOPING OUR PEOPLE'S SKILLS

[103-2, 103-3, 404-2, 404-3]

We see training and development as an investment that delivers benefits to both employees and the employer.

GAR spent nearly USD 4 million in 2019 on training and development in our Indonesian operations.

To develop talent, we have launched several key initiatives linked to GAR's Competency Model, such as Managing for Results, Interaction Management, Situational Leadership and Myers-Briggs Type Indicator (MBTI). Compulsory training that focuses on preparation of the individual's career progression is ongoing through the Basic Management Development Programme, Supervisory Management Development Programme, Middle Management Development Programme, General Management Development Programme and Executive Development Programme.

We have also introduced the Objective & Key Results (OKR) approach to achieve business results. Through OKR, every individual will work towards concrete, action-oriented and results-driven

Our People



targets. Regular performance feedback is one of the important aspects to ensure the effectiveness of OKR. This can now be carried out through Workday, a HR digital platform. Using Workday, all GAR employees will undergo a career development and Key Performance Indicator (KPI) review at least once a year.

For more details on employee training see the [GAR Annual Report 2019](#).

CREATING A SAFE AND HEALTHY WORKPLACE

[103-2, 103-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-7, 403-9]



With thousands of employees across our operations, we take our responsibility in providing a safe and healthy workplace very seriously. Our Occupational Health and Safety (OHS) management system aims to minimise workplace accidents, fatalities and other negative health impacts and covers all employees. The OHS systems that we implement are based on national and international frameworks.

National requirements include Indonesian national OHS standards (regulation no. 50 (2012)). We also base our OHS system on various certifications including ISO 14001, OHSAS 18001 and ISO 45001. Sustainable palm oil certification OHS requirements are also taken into consideration including the Principles and Criteria of RSPO, ISCC and ISPO.

Additionally, our Indonesian operations under SMART are certified under the SMK3 (Sistem Manajemen Keselamatan dan Kesehatan Kerja) OHS management system, in recognition of good OHS management and implementation. Fifteen mills and one estate have been reviewed and certified under SMK3. These certifications are valid for three years and a fresh audit is carried out prior to renewal.

We currently have over 220 OHS experts within our workforce and conduct periodic training for all employees in accordance with national regulations. In 2019, more than 480 of our employees received OHS training conducted and certified by Ministry of Manpower of the Republic of Indonesia.

In compliance with Law No. 1 of 1970 on Occupational Safety, each of our units has an OHS Supervisory Committee, which promotes cooperation between management and employees on OHS.

On average, the committees for our plantations and mills have 40 members, with 60 percent worker representation. The committee meets monthly to review OHS data and performance. Monthly safety briefings are given to employees.

We also assess work-related hazards through Hazard Identification and Risk Analysis, and by conducting OHS Cross Inspection to record unsafe actions and conditions. Examples include no or inadequate covers on rotating objects, lack of employee awareness and knowledge. The OHS Committee will consider these hazards and risks and determine suitable action to address gaps such as additional training; reviewing and strengthening safety SOPs; and ensuring Personal Protective Equipment (PPE) is adequate and worn by employees.

All our downstream facilities have Occupational Health Service Centres. The centres conduct Health Risk Assessments (HRA) annually to identify occupational health hazards and establish control measures to minimise such risks.

Workplace accidents

We regret to report six fatalities in 2019 involving our workers. The fatal

incidents were related to accidents when using tractors; falling FFB; being struck by lightning; being caught or struck by machinery; and falls.

We take the health and safety of our employees and contractors very seriously and to address this, we have investigated each accident thoroughly and implemented various action plans to safeguard against future occurrences such as improved or targeted safety training. We will continue to work on instilling a stronger OHS awareness and practices throughout our operations as well as continuing to aim for a declining trend in workplace accidents and fatalities.

Healthcare and Well-being

[403-6]

We are committed to providing our entire workforce access to healthcare, including in remote rural areas where there is less incentive for healthcare professionals to practice. We have 140 clinics, which cover all our estates, and more than 330 medical personnel providing free medical services for our workers.

The medical care that our facilities provide includes pre-employment medical check-ups for new recruits, and special medical check-ups for workers who are exposed to potential health and safety hazards. The medical check-

GAR's COVID-19 response

GAR has been progressively implementing OHS measures in light of the COVID-19 pandemic in 2020 and in line with government directives in countries where we operate. In Indonesia where we remain operational, we are protecting the health and wellbeing of our employees while preventing spread of the disease. More information on the measures being implemented in Indonesia can be found [here](#). In Singapore, GAR is complying with the government's Safe Management Measures at the workplace. We have resumed China operations whilst following government guidelines. Read about our global response to the pandemic [here](#).

up programme is part of our effort to prevent and treat work-related illnesses through early detection.

To promote employee wellness, talks on various health topics are held regularly. Examples include talks on the prevention of HIV and the dangers of drug addiction. Information is also disseminated on ergonomics and work fatigue. We also provide healthy menus based on medical advice at staff canteens, in an effort to promote better nutrition for our employees. Sports and fitness facilities

for employees such as basketball and badminton courts are also available.

Security guards

[410-1]

The safety of our workers and their families is of utmost importance, particularly in isolated rural areas. We employ security guards for our operations in Indonesia to ensure that our plantations and surrounding communities are secure. Our security guards are required to

undergo a 21-day comprehensive training programme by the Bhakti Manunggal Karya Centre of Education and Training (BMK). Upon completion, they receive a certificate from the Indonesian National Police. The programme covers human rights standards as well as professional ethics.

Our security guards do not carry firearms but are equipped with standard defensive security tools such as batons and handcuffs.



Our People

DATA SUMMARY

Profile of employees

[102-8, 401-1]

	2017		2018		2019	
	Male	Female	Male	Female	Male	Female
Permanent	44,382	6,600	45,897	16,231	51,996	18,124
Fixed-term	28,196	25,452	23,788	16,387	18,589	12,034
Full-time	64,300	17,167	64,735	25,749	67,285	26,388
Part-time	8,278	14,885	4,950	6,869	3,300	3,861
New hires	2,646	1,014	1,937	502	1,418	408
New hire rate	6.0%	15.4%	4.2%	3.1%	2.7%	2.3%
Turnover	3,387	669	1,821	470	1,425	385
Turnover rate	7.6%	10.1%	4.0%	2.9%	2.7%	2.1%

Lowest wage rate and minimum legal wage¹

[202-1]

Region	GAR lowest monthly wage (IDR)	Provincial minimum wage (IDR)	Ratio of GAR's lowest monthly wage and provincial minimum wage
Sumatra	2,855,667	2,855,667	1:1
Kalimantan	2,780,000	2,780,000	1:1
Papua	3,241,000	3,241,000	1:1

Ratio of basic salary of women to men

[405-2]

Category	Ratio (average female salary/average male salary)
Staff	1.04
Middle management	1.03
Senior management	1.04

Diversity and gender indicators

Employee gender profile

[405-1]

	Male	Female
Board	100%	0%
Senior management	81.2%	18.8%
Middle management	82.8%	17.2%
Junior management	82.2%	17.8%
Average	82.3%	17.7%

Employee age profile

Age group	Board	Senior management	Middle management	Junior management	Average
<30	0%	0%	1%	35%	30%
30 – 50	0%	59%	68%	57%	58%
>50	100%	41%	31%	8%	12%

¹ This refers to the lowest legal minimum wage listed among the provinces where GAR has operations. Indonesia's 2019 list of legal minimum wages in different provinces can be found at wageindicator.org.

OHS indicators

[403-9] [FB-AG-320a.1]

	2017	2018	2019
Number of fatalities (US)	6	9	5
Rate of fatalities (US)	-	0.05	0.03
Number of fatalities (US contractors)	-	0	0
Rate of fatalities (US contractors)	-	0	0
Number of fatalities (DS)	0	0	1
Rate of fatalities (DS)	0	0	0.09
Number of fatalities (DS contractors)	0	2	0
Rate of fatalities (DS contractors)	0	0.45	0
Number of recordable work-related injuries (US)	1,861	717	781
Rate of recordable work-related injuries (per 1,000,000 work hours)	9.97	4	4.09
Number of recordable work-related injuries (DS)	47	25	25
Rate of recordable work-related injuries (per 1,000,000 work hours) (DS)	4.81	2.8	2.5
Number of recordable work-related injuries (US contractors)	-	0	1
Rate of recordable work-related injuries (US contractors)	-	0	0.32

	2017	2018	2019
Number of recordable work-related injuries (DS contractors)	24	6	15
Rate of recordable work-related injuries (DS contractors)	51.06	1.36	2.65
Lost time Injury Frequency Rate (US)	0.03	0.05	2.88
Lost time Injury Frequency Rate (DS)	0	0	0.12

Training and development

Average hours of training

[404-1]

Employee level	2019
Staff	6
Middle management	7
Senior management	6

Employee gender	2019
Male	8
Female	5

Engaging and Empowering the Community

[413-1]



100%
plantations have Social and Environmental Impact Assessments



100%
plantations have social and community development programmes



Providing public infrastructure:
roads, bridges, places of worship, community halls



The palm oil sector has helped to accelerate economic and social progress in tropical countries like Indonesia and Malaysia. Millions of farmers have seen their livelihoods and living standards improve in the past few decades, thanks to a boom in demand for palm oil.

As one of the largest palm oil companies in Indonesia, we have created thousands of jobs in rural and remote areas. We have also helped provide public infrastructure such as roads, bridges, community halls and places of worship. Prior to developing an estate, we carry out Environmental and Social Impact Assessments (EIA and SIA) at the site of our operations. The results are shared with the local communities. All our plantations also have social community engagement and development plans. What we do in the community helps to contribute to the aims of UN SDGs especially in terms of tackling poverty,

improving infrastructure and reducing inequalities.

At the same time, we recognise that the establishment of plantations creates changes for local communities and indigenous people. As stated in the GSEP, we are committed to respecting human rights and fulfilling Free, Prior and Informed Consent (FPIC) requirements before any operations begin.¹ GAR is also committed to improving its processes and procedures with regards to respecting the customary rights of local and indigenous communities.

RESPECTING HUMAN RIGHTS AND FREE, PRIOR AND INFORMED CONSENT (FPIC)

[103-2, 103-3, 411-1]

Participatory Mapping:

93 villages since 2015



FPIC is a central tenet of the GSEP and part of our commitment to upholding human and community rights. We implement FPIC in all our plantations. Respecting FPIC means we ensure that decision-making by indigenous peoples and local communities regarding the presence of our operations is done without pressure and intimidation (free), performed before an activity that has impact on the surrounding communities is carried out (prior), and with sufficient knowledge about the activity and its impact on the surrounding communities (informed), so they may express agreement or disagreement to such activity (consent). Our FPIC SOP can be found [here](#).

Our rollout of Participatory Mapping (PM), including land tenure studies, seeks to ensure FPIC is implemented properly. In 2019, we focused more

resources on PM to accelerate the process throughout our concessions. The PM status at 18 of our concessions can be found on our [website](#). See the section on Environmental Management or our [website](#) for further details.

We continue to carry out FPIC remediation in our concessions in Central and West Kalimantan following feedback that initial FPIC requirements were not fully met. This process is being conducted with local CSO, LINKS and Ekologika consultants. It involves fresh consultations with local communities and conducting PM to ensure that the community's land rights are fully respected. To date, the remediation process has been carried out in over 30 villages.

In 2019, there were no incidents of FPIC violations or violations of the rights of indigenous peoples.

¹ Since 2014, GAR has stopped opening new nucleus estates, choosing instead to focus on yield improvement.

Engaging and Empowering the Community

RESPONSIBLE CONFLICT RESOLUTION

Our policies and practices are designed to minimise the likelihood of any conflicts arising from our operations. However, when these conflicts do arise, we are committed to working towards a responsible resolution.

Our conflict management system maps all conflicts related to our operations and develops action plans to address them. It incorporates transparent monitoring and reporting, the option for local community and customary groups to access independent legal and technical advice, the ability for complainants to choose individuals or groups to support them or act as observers, as well as the option of a third-party mediator. We categorically reject the use of violence in any dispute.

Our SOP for conflict resolution can be viewed [here](#).

INVESTING IN COMMUNITIES

[103-2, 103-3]

GAR aims to help multiply the positive impacts of the palm oil business through a range of educational, healthcare, social and economic programmes for communities.

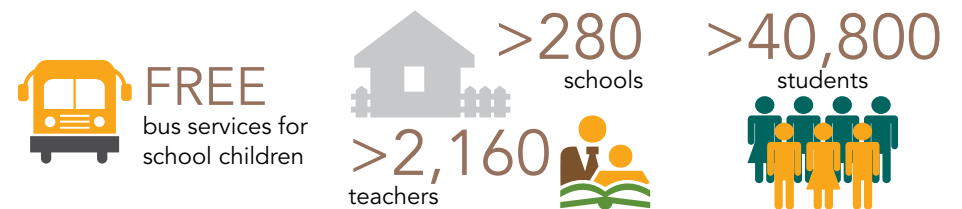
On some of these programmes, we work with a wide range of partners including

government agencies, local communities, as well as the Eka Tjipta Foundation (a non-profit social organisation founded by the family of the late Eka Tjipta Widjaja in 2006) and the Tzu Chi Foundation in Indonesia (affiliated with the non-denominational global Tzu Chi organisation established in Taiwan).

GAR believes education is a powerful enabler which helps to break the cycle of poverty in rural areas. We strive to provide quality education to children and young adults living in and around our concessions.

All children of workers living on our estates receive free education from kindergarten to junior high school and heavily subsidised higher education. We also offer heavily subsidised education at all levels for children living near and around our estates.

In line with the nine years of compulsory education required by the Indonesian government, we ensure that each estate has educational facilities ranging from kindergarten to sixth grade. Additionally, we make sure that every region has a junior high school for the children of our employees and local communities. Currently, GAR supports over 280 schools²



² We support educational establishments through financial aid, wages for teachers and provision of infrastructure and facilities.

FREE medical & dental services for **5,900** patients



Mother & child health education for **4,000** beneficiaries



Planting **120,000** beneficial, medicinal and fruit trees



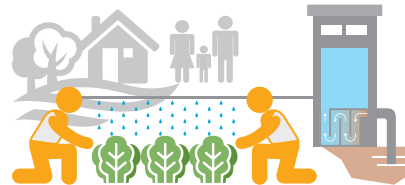
with over 2,160 teachers for more than 40,800 students across our concessions. We also donated books and educational materials to over 14,300 students.

In 2019, we also provided about USD\$2.4 million in scholarships for higher education at Indonesian and international universities and institutes.

Sale of **176,300** litres of branded cooking oil at below market prices in impoverished areas



Safe Water Garden Project:



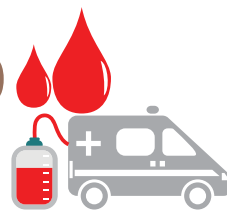
10 installations to treat household wastewater & fertilise gardens

We have constructed 36 *Rumah Pintar* or Smart Houses since 2011 to support community training programmes. Each *Rumah Pintar* has a library and play room and is equipped with computers. There is a particular focus on early childhood and women's education.

Aid for **18,200** victims of natural disasters



4,700 blood donors



Visits to **6,200** people in orphanages and nursing homes



We help improve the well-being of local communities by providing access to healthcare in remote and rural areas. We currently mobilise more than 330 medical personnel at 140 clinics which serves over 380 patients daily. Our other annual programmes include free medical and dental services to over 5,900 patients and other initiatives as illustrated in the infographic.

40 communities with Alternative Livelihood programmes: increase income; improve food self-sufficiency & resilience; support conservation goals



100% plantations have social and community development programmes



Environmental conservation training programmes for **2,900** participants



Engaging and Empowering the Community

Spotlight on Safe Water Garden Project - A low-tech solution to treat wastewater in rural communities in Indonesia



GAR installing SWGs in Indonesia

100 million safe water gardens for villagers around the world

By Dr Marc van Loo

In tropical villages, wastewater is typically released untreated into the environment. The result is a health tragedy. Worldwide, about 2,000 children die every day as a result, 370 in Indonesia alone.

The world's most cost-efficient sanitation system

A combination of septic tanks and leach-fields (one set per household) has long been recognised as a viable solution. Using these, UNICEF, Red Cross and others developed a practical and economical solution for Aceh's villagers after the 2004 tsunami.

Inspired by this life-saving work, in 2016, we started working with governments, schools, world-class universities and companies—notably

the palm oil and plastic sector in the form of Sinar Mas Agribusiness and Food, Musim Mas and Borouge— to optimise the solution and make it even cheaper and easier to build locally.

After three years of extensive testing, in 2019, we had our result – the Safe Water Garden (SWG). It features 4 main components: a closed tank, a leach field (the garden), a pipe system connecting the parts, and a separate kitchen sink (not pictured). The Indonesian government quickly recognised the SWG's

potential to address the rural sanitation issue, and declared it fit for use early 2020, making the SWG officially the world's most cost-efficient sanitation system.



Dr Marc van Loo, Founder of Loola Resort and alliance for bringing Safe Water Gardens to villagers globally.

Read more about GAR's work in this area [here](#).

PROMOTING SMALL AND MICRO ENTERPRISES

Our presence plays an important role as an economic driver and multiplier and has helped in the development of various businesses in the remote areas of Indonesia.

We actively help promote small and micro enterprises that contribute to increased income for the community. Our ongoing goat breeding programme in 11 villages around PT Ivo Mas Tunggal in Riau is one example. The company has donated over 260 goats to the villages. Local communities are able to earn extra income through the sale of milk and meat. As the villagers breed more goats, these will then be given to a Farmers Group in another village to grow and expand the scheme.

OUR EMPLOYEES IN THE COMMUNITY

We involve 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 Central Kalimantan, South Kalimantan, East Kalimantan, Lampung, Riau, West Kalimantan, Jambi, North Sumatra, South Sumatra, West Java and Papua to participate in regular blood donation drives for the Indonesian Red Cross. More than 4,700 blood donors comprising employees and members of local community participated in 2019. We also encourage our employees to contribute funds regularly to the Tzu Chi Foundation.

Supporting the community during the global pandemic

The COVID-19 pandemic has highlighted the importance of food security and we continue working with local communities around our estates to ensure they have sufficient and varied food sources. We do this through our Alternative Livelihood programmes. To date, this programme has helped more than 40 communities across Indonesia improve their agricultural

practices and grow crops ranging from organic vegetables to coffee. Read more about our programmes [here](#).

We are also addressing the need for protective equipment for our employees and local communities during the pandemic. We are organising the making and distribution of 30,000 masks in collaboration with Tzu Chi Indonesia. Read more [here](#).



Our Environmental Management

Environmental management is a key tenet of our sustainability policy. Indonesia, where we mostly operate, is home to some of the richest biodiversity on Earth

and providing important ecosystem services we all rely on. We are committed to protecting this ecosystem by focusing on protecting and conserving High

Carbon Stock (HCS) forests and High Conservation Value (HCV) areas, tackling climate change, minimising waste, and using water responsibly. We believe this is

imperative not just to safeguard the health of our planet and its population, but also the longevity of our business.





Supporting commitments to conserve
65,000 ha
of forests by our suppliers



GAR joins & funds
RADD deforestation radar monitoring initiative

FOREST AND BIODIVERSITY CONSERVATION

[103-2, 103-3, 304-1, 304-2]

We continue to implement our long-term forest and biodiversity conservation initiatives. These require substantial investment of time and resources to execute. Tangible results include the maintenance of 72,000 hectares of conservation area consisting of [High Carbon Stock \(HCS\)](#) forests and [High Conservation Value \(HCV\)](#) areas. This is roughly equal to the size of Singapore.

The mapping lays the foundation for further dialogue on conservation through our [Participatory Conservation Planning](#) process. Our intensive consultative approach takes into account local community concerns, needs and aspirations. These include food security requirements, the ability to earn a decent living and maintain a stable quality of life. Part of this process involves designing suitable alternative livelihood projects for the local community.

We have rolled out PM in 93 villages across our concessions to date. As part of our landscape approach to forest conservation, we will continue to roll out our conservation planning programmes with local communities.¹ To date, we have convinced 13 villages to set aside over 7,700 hectares of HCS forests for conservation.

We are also supporting our suppliers' commitments to protect 65,000 hectares of HCS and HCV areas. We are doing this through sharing the importance of complying with our no deforestation commitments as well as guiding them in best practices and helping them formalise their own no deforestation policies. Since we began our deep engagement with suppliers, 10 of them have carried



Protection production partnerships:
>7,700 ha
of forests under community conservation planning



CDP rating A- for forests

We take a landscape approach to conservation, beyond the boundaries of our concessions. One approach is through our community conservation partnerships. These began in 2015, when we started to formally map their villages through [Participatory Mapping \(PM\)](#) – a process for helping villages map out critical areas such as customary boundaries and land necessary for food security. This map is then lodged with and formally recognised by the authorities, serving amongst other things to clarify land tenure rights and enabling villages to gain access to government development funds for the first time.



72,000 ha conservation area (HCV/HCS); **Forest conservation** helps store large amounts of carbon and maintains fresh water resources

40 communities with Alternative Livelihood programmes: increase income; improve food self-sufficiency & resilience; support conservation goals

¹ In 2019, we temporarily halted our conservation planning with communities in order to focus our resources fully on completing Participatory Mapping with communities.

Our Environmental Management

out HCV and HCS assessments, which involves commitment, time and monetary resources.

Through our landscape approach and work with the local community and suppliers, we currently support, directly and indirectly, the conservation of over 144,000 hectares of forest.

In 2019, GAR joined a pioneering industry initiative to improve surveillance of deforestation in Indonesia. Together with nine other major palm oil producers and buyers, GAR is supporting and funding the development of a new radar-based forest monitoring system known as Radar Alerts for Detecting Deforestation (RADD). This partnership between ourselves, Bunge, Cargill, Mondelez International, Musim Mas, Nestlé, Pepsico, Sime Darby Plantation, Unilever and Wilmar will make it much easier for companies and other stakeholders to see deforestation happening in near-real-time and with greater accuracy. With this information, GAR and other companies can speed up follow-up actions on the ground and work to improve the sustainability of supply chains. RADD is unique in that it is the first radar-based monitoring system of this scale that will make deforestation alerts publicly available.² Once the system is

complete, the alerts will be available on [Global Forest Watch](#) and [Global Forest Watch Pro](#), and the methodology behind the alerts will be published. Read more on RADD on our [website](#).

For further details on our forest conservation efforts as well as risk mitigation please see our latest [CDP disclosure on Forests](#). Since 2018, the CDP has awarded us a score of A-

PEAT ECOSYSTEM REHABILITATION

[304-3]

Peat Ecosystem Rehab in West Kalimantan:

350 ha revegetated;
water levels maintained



We are using our model of community conservation partnership to carry out the rehabilitation of 2,600 hectares of degraded

Spotlight on GAR's Alternative Livelihood Programmes

One of GAR's sustainability initiatives is to build rural resilience to help ensure food security while conserving ecosystems. The Forest Village Conservation project in Gunung Mas and Seruyan Districts includes the development and improvement of organic farming and coffee cultivation.

To date, four villages (two villages in Gunung Mas District and two villages in Seruyan District) have received technical and financial assistance from GAR and our partner, Wageningen University (WUR) to develop more areas for organic farming and coffee.

Coka Coffee (a coffee buyer, processor and trader) was brought in to develop the SESAMA programme where farmers are trained on Sustainable Agricultural Practices (SAP) for coffee cultivation and taught to prepare land without fire. Village heads are assisted to develop a conservation plan, which aims to tap ecosystem services from protected areas. Read more about the project [here](#).

Projects like these have become even more important in light of the COVID-19 global pandemic,, which has highlighted the importance of safeguarding the food security and resilience of rural farming communities. Read more [here](#).



² This will be made progressively public once the pilot phase is completed.

peatland in the PT Agro Lestari Mandiri (AMNL) concession in West Kalimantan. This project was launched at the end of 2015. To date, we have revegetated 350 hectares of the area as a buffer zone and we continue to monitor and maintain optimum water levels to keep the peat wet. We aim to revegetate up to 500 hectares of the area. From the beginning of the project, we have also worked on alternative livelihood projects for the local community in tandem with the physical rehabilitation of the area. This helps on two fronts: improving food security and livelihoods; and forest conservation. We are working with partners including [the University of Tanjungpura \(UNTAN\)](#), [L'Oréal and the South Pole Group](#) in this area.

GAR is also working with various partners and stakeholders on peat ecosystem management including:

- Mapping the characteristics of peat with the Centre for Agricultural Land Resources in Central Kalimantan
- Collaborating with the Peat Restoration Agency or Badan Restorasi Gambut to implement best practices in Riau and Jambi
- Working with RSPO to report peat inventory

Read more about our peat management practices on our [website](#).

RIPARIAN ZONE REHABILITATION



SMARTRI and Cambridge University research riparian zone restoration

Our management of HCV areas involves the rehabilitation of riparian zones that have previously been cleared or planted. These riparian buffer zones play a crucial role in providing wildlife habitats and maintaining water systems.

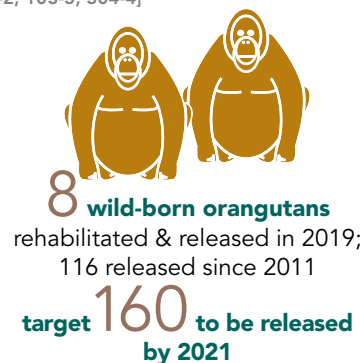
Since 2015 GAR has been carrying out a riparian rehabilitation programme in our 18 concessions. By 2018, we completed the rehabilitation of over 2700 hectares of riparian buffer zone. To date, we have revegetated 96 percent of these riparian zones with native trees and vegetation.

To further improve our understanding of riparian zone rehabilitation, we are participating in the Riparian Ecosystem Restoration in Tropical Agriculture (RERTA) Project with Cambridge

University. This project will provide specific recommendations on the most appropriate options for restoring riparian margins in established oil palm plantations, and an evidence base to improve sustainability in tropical agricultural landscapes. Data will be collected on biodiversity, ecosystem functions, and crop yield before, during, and after riparian restoration. Outputs will be published in high-impact peer-reviewed academic and industry journals, presented at conferences, and delivered as policy guidance for the industry. For more information, see the [RERTA Project](#).

PROTECTING BIODIVERSITY

[103-2, 103-3, 304-4]



Operating in Indonesia places us in or near areas of rich biodiversity. Through HCV assessments carried

out by licensed HCV assessors, we have identified the rare and endangered species within our concessions and surrounding areas. For our full list of threatened species under Indonesia's National Law of Protected Species (Indonesian Government Regulation No. 7 of 1999) or on the IUCN Red list, please see our [website](#).

We continue to work to preserve and protect HCV areas and operate a strict Zero Tolerance Policy towards hunting, injuring, possessing and killing of rare and endangered wildlife.

We continuously educate our employees, local communities and related stakeholders on the importance of protecting rare and endangered species. GAR also continues to work on orangutan conservation as a special focus area. Under a continued partnership with [Orangutan Foundation International \(OFI\)](#), we supported the release of another eight orangutans back to the wild. We aim to release a total of 160 orangutans by 2021 back to the Seruyan Forest in Central Kalimantan. Since 2011, we have released 124 primates. Our OFI partnership agreement also focuses on local community and school education programmes on orangutan conservation. Read more about our orangutan rehabilitation efforts on our [website](#).

Our Environmental Management

LONG-TERM PREVENTION OF FIRE AND HAZE

[103-2, 103-3]



32 villages in
Desa Makmur Peduli Api programme
to reduce fires

Zero Burning Policy:
99.5% of GAR area
NOT affected
by fires in 2019



10,000 Emergency
Response personnel to suppress fires



**Fire monitoring and reporting
continuously improved**

Warmer and drier climate conditions in 2019 led to a challenging fire season in Indonesia. Due to our strengthened fire mitigation and fire-fighting procedures we were able to keep the fire-affected areas relatively contained, and as a result, 99.5 percent of our production area was unaffected.

Our fire prevention measures include having more than 10,000 Emergency Response Personnel on standby across all our plantations. Our estates are also equipped with fire-fighting equipment. For more details on our approach to fire management, see our [website](#).

As monitoring by the non-profit Global Forest Watch showed that the vast majority of the fires in 2019 occurred in areas other than palm oil plantations, we remain committed to our long-term fire prevention community programme or Desa Makmur Peduli Api (DMPA). In 2019, we focused on strengthening our fire prevention and mitigation procedures amongst the villages taking part in DMPA. This involved a four-pronged approach:

- Prevention: raise fire prevention awareness, increase community empowerment and improve water management system
- Preparedness: have well-trained and well-equipped personnel and improve infrastructure
- Early warning systems: monitor hot

spot maps; have effective and efficient fire patrol systems; implement a rating system for potential for fires; use social media channels to disseminate fire prevention messages

- Quick response: deploy fire-fighting team that is on standby to suppress fires quickly.

This exercise helped us prepare for and tackle the 2019 fire season.

In addition, we collaborated on fire prevention with stakeholders and related technical agencies including:

- Signing an MoU on fire and haze prevention with GAPKI and PT BGA in the Nanga Tayap District, Ketapang
- Development of cluster-based forest fire prevention and control with the Coordinating Ministry for Economic Affairs
- Holding meetings and workshops to prevent and control fires with local governments and technical agencies in several regions including South Sumatra, Jambi, Riau and West Kalimantan

REDUCING GHG EMISSIONS

[103-2, 103-3] [FB-AG-110a.2]

We are committed to reducing the Greenhouse Gas (GHG) emissions from our operations.

We recognise that emissions resulting from land use change and cultivation is

naturally one of the most significant impacts for any agribusiness. Our conservation of HCS forests, which retain large stores of carbon, is one way we are contributing to avoidance of emissions. Another significant source of GHG emissions comes from Palm Oil Mill Effluent (POME), the wastewater from processing fresh fruit bunches (FFB) which emits methane if left untreated. POME treatment therefore remains one of our main GHG emissions reduction activities. We also carry out methane capture at some of our mills.

Emission Reduction from Methane Capture and Composting

Methane capture facilities
reduce **40-55%**
GHG emissions

To treat POME, we mix it with shredded empty fruit bunches to produce compost, which is used as organic fertiliser, in some of our estates. This contributes to a reduction of chemical fertiliser consumption, which is the second largest source of GHG emissions after GHG emissions of POME. In addition, since early 2020 we have implemented the use of coated urea fertiliser, which further contributes to reduction of GHG emissions³.

3 We will provide updates on the impact of the use of coated urea fertiliser on our GHG emissions in future reports.

We continued to reduce GHG emissions in our operations through our facilities to capture methane gas at seven mills in Central Kalimantan, Jambi and Riau. The facilities capture methane gas which is then used as an alternative energy source, generating electricity for our palm oil mills. These facilities can reduce between 40-55 percent of operational emissions on site. We also reduced GHG emissions through composting.

See our [CDP disclosure on climate change](#) for more information on our GHG emissions.

WASTE RECYCLING AND REUSE

[103-2, 103-3]



100% organic CPO production waste reused/ recycled as fuel & fertiliser

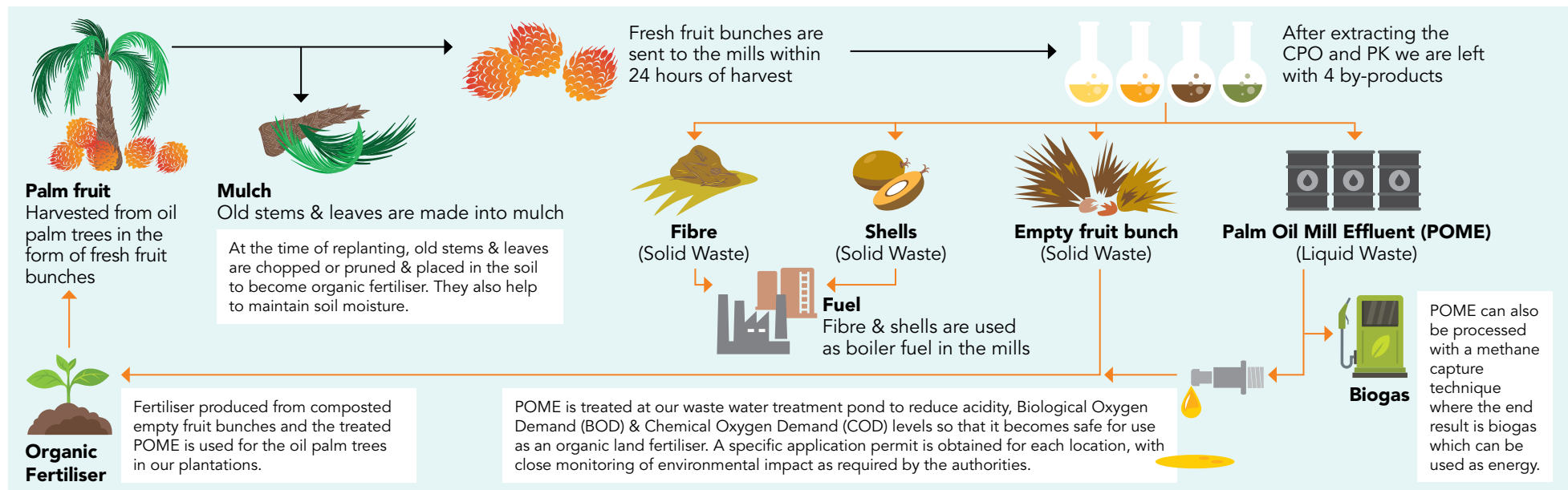
Under our Zero Waste Policy we aim to reuse, recover and recycle. Since 2015, we have achieved 100 percent recycling of waste from the CPO production process in our upstream operations.

The waste includes solid and liquid waste. Solid waste consists of empty fruit bunches (EFB) of oil palm, fibre and shells. Liquid waste or POME is

generated from the processing of FFB to CPO. We use both types of waste as organic fertiliser and fuel.

Our downstream waste is disposed of at municipal landfills or incinerators. Hazardous waste is collected for proper disposal by authorised third parties.

RECYCLING WASTE AT EACH CPO PRODUCTION STAGE



Our Environmental Management

MANAGING OUR WATER FOOTPRINT

[103-2, 103-3] [FB-AG-140a.2]

Water is a vital resource for our operations and the communities where we operate. We recognise that water availability is an increasingly important issue in the face of climate change and we are looking at ways to minimise our water footprint.

We strive to meet all our water needs through surface water that is processed to meet the quality standards required for production. We use ground water only in very limited quantities in locations where no surface water is available. We continue to improve our water efficiency by recycling and reusing where appropriate.

Palm oil trees require adequate amounts of water in order to grow. As such we have not developed plantations in water-stressed areas. Our plantations are rain-fed and not irrigated.

We also follow strict land management practices that are designed to reduce the risk of surface and ground water pollution. These include not applying herbicides or chemicals near and around riparian areas; restricting the application of treated liquid waste (POME) which is used as fertiliser to 50 metres from riparian areas; and planting vetiver grass to minimise soil erosion at riparian areas. We submit water sample analyses to the environmental agencies at least twice yearly.

We have noted the increasing occurrence of extreme weather phenomena like El Niño which can lead to severe draught. We are now exploring ways to optimise water use in our plantations through the use of advanced technology including AI.

For more information on our water footprint please see our [CDP disclosure on water](#).

INTEGRATED PEST MANAGEMENT

[103-2, 103-3]



We have adopted an Integrated Pest Management (IPM) approach which combines cultural, mechanical, biological and chemical means to control pests while minimising economic, public health and environmental risks.

Natural solutions and biological controls are our preferred method for controlling pests across all our plantations, including beneficial plants that attract parasitoids to control pests, pathogens or bacteria, and natural predators. We supplement this approach using handpicking and mechanical traps.

Examples of this include breeding barn owls to control the rat population;



encouraging leopard cats which also prey on rodents; controlling leaf-eating caterpillars through diversity of flora; and encouraging beneficial plants and pheromones to control rhinoceros beetles.

Monitoring and minimising the use of pesticides



IPM and selective weed control are the basis of the utilisation of pesticides in GAR plantations:

- Insecticides and rodenticides are used only as a final resort, when the population of herbivories and rats are above an acceptable level and are no longer controllable through natural or biological solutions.
- The utilisation of herbicides is mainly to maintain an appropriate access to the palms, for their maintenance and for harvesting. A selective strategy is implemented in order to minimise the use of herbicides.
- In addition, SMARTRI is continuously looking for alternative solutions in order to reduce the utilisation of herbicides, through the use of more efficient and less environmental

damaging new molecules, or through innovative products.

Overall, the quantity of chemical pesticides used in GAR plantations has declined in the last few years.

In 2016, GAR stopped using paraquat. In addition, pesticides that are categorised as World Health Organization Class 1A or 1B, or that are listed by the Stockholm or Rotterdam Conventions are not used, except in specific situations identified in national best practice guidelines, such as during an extreme pest infestation.

In parallel to minimising the use of chemical pesticides, GAR is promoting the use of biopesticides, to enhance the health condition of the soils and the palm trees.

MAINTAINING SOIL FERTILITY

GAR implements best agricultural management practices to maintain and enhance soil fertility through a comprehensive mineral nutrition management plan. We aim to minimise the quantity of fertiliser applied whilst maximising yields. This reduces the pressure to open more land and minimises the risk of soil degradation from oil palm cultivation.

We have SOPs which specify that the use of fertilisers should be tailored to the texture of the soil and its capacity for retaining nutrients; that fertilisers should not be applied during periods of heavy rain; and that there should always be an appropriate interval between applications. We also recycle palm fronds and other organic products to increase the fixing capacity of soils.

YIELD IMPROVEMENT

[103-2, 103-3]

Super high-yielding non-GMO clones Eka 1 and Eka 2 can potentially produce

> 10 tonnes/ha/year CPO



We focus on improving yields of oil palm as part of our long-term strategy for responsible and sustainable agriculture. The ability to obtain higher yields from existing agricultural land through better seed stock means higher revenue while potentially reducing the need for more agricultural land.

Following years of R&D, GAR launched super high-yielding seeds Eka 1 and Eka

2, capable of producing over 10 tonnes/hectare/year of CPO in 2017 (the average national yield in Indonesia is around 3.6 tonnes/hectare/year). SMARTRI and [SMART Biotechnology Centre](#) are now working on creating sufficient clonal seed stock to be planted in the estates in the next few years. To date, around 2.5 million clones have been produced for replanting.

Our biotech division has also succeeded in finding and developing genes related to resistance to the Ganoderma⁴ disease. These can be used as molecular markers to select seeds and clones that are resistant to the disease.

In light of climate change, SMARTRI is also continuing to work on developing more climate-resilient seed stock such as seeds which are more drought-resistant as well as looking at strains which can better adapt to high CO₂ content in the atmosphere. The biotech division is also looking into developing genetic molecular markers for selecting seeds and clones that are drought-resistant.

MONITORING ENVIRONMENTAL IMPACT

[103-3, 307-1]

We manage and regularly monitor every aspect of our operations in

4 Ganoderma boninense is a major pathogen that affects the oil palm tree and eventually kills it.

Our Environmental Management

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 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.

In 2019, GAR's operations received two administrative sanctions from Indonesian authorities. The sanctions involved our downstream operations at Tarjun and Lampung, and were related to various matters including environmental quality tests and waste disposal. Corrective actions were implemented, with reports submitted to the relevant authority and the cases were subsequently resolved.

GAR did not otherwise incur any fines or penalties for violations of environmental regulations.

PROPER ACHIEVEMENT

Since 2007, GAR has participated in the Indonesian Ministry of Environment's national public environmental reporting initiative known as the Programme for Pollution Control, Evaluation and Rating (PROPER). The programme uses a colour-coded rating to assess water and air pollution control, hazardous waste management and environmental impact. PROPER also considers other indicators, including the impact of a company's community development programmes; progress of biodiversity conservation efforts; efficiency of water management; and innovations in emissions reduction, waste management and energy efficiency.

In 2019, 31 GAR mills passed the PROPER assessment with Blue rating. Four of our downstream facilities have also achieved Blue rating.

To ensure that we are aligned with PROPER requirements, internal audits and training are carried out in the company's mills.

PROPER RATING SYSTEM

Gold	For businesses/activities that have successfully displayed environmental management effort and achieved excellent results.
Green	For businesses/activities that have displayed environmental management effort and achieved results better than those required by regulation.
Blue	For businesses/activities that have displayed environmental management effort, and have achieved the minimum standard required by regulation.
Red	For businesses/activities that have displayed environmental management effort, but have achieved only part of the minimum standard required by regulation.
Black	For businesses/activities that do not display significant environmental management effort.



ENVIRONMENTAL MANAGEMENT DATA

Direct (Scope 1) GHG emissions

[305-1] [FB-AG-110a.1]

Scope 1 GHG emissions (tCO ₂ e)	2018 ⁴	2019 ⁵
Gross direct emissions (tCO ₂ e)	2,046,551	2,094,250
Biogenic emissions (tCO ₂ e) ⁶	2,552,614	2,465,726
Emissions intensity (tCO ₂ e/tonne CPO produced)	0.84	0.91

Note: Scope 1 GHG emissions calculated following the ISO 14064-1:2006 standard, using an operational control approach. Direct scope 1 emission sources include emission from stationary combustion, mobile combustion, synthetic fertiliser application, and POME treatment. Calculation includes: CO₂, CH₄, N₂O.

Emission reduction through methane capture 2019

[305-5]

Biogas plant	Emission reduction (tCO ₂ e)
Semilar	68,706
Pelakar	33,522
Hanau	24,558
Libo	38,753
Ramarama	53,880
Sungai Rungau	115,716
Perdana	96,025
Belian	4,620
Total	435,780

Methodology: CDM AMS-III.H. version 19

GHG measured: CH₄

Note: All mills have low emission intensity and with the exception of Belian, are ISCC-certified.

Emission reduction through composting 2019

[305-5]

Composting plant	Emission reduction (tCO ₂ e)
Jelatang	25,410
Sako	59,712
Kuayan	67,231
Total	152,353

Methodology: CDM AMS-III.F. version 12

GHG measured: CO₂, CH₄, N₂O.

- 4 2018 data covers 129 oil palm estates (nucleus only) and 46 mills in Indonesia. 2018 data is restated in this report to correct an error. Data is pending third party verification by PT Lloyd's Register Indonesia
- 5 2019 data covers 128 oil palm estates (nucleus only) and mills in Indonesia. Data is pending third party verification by PT Lloyd's Register Indonesia.
- 6 Biogenic emissions come from burning of biomass and biodiesel and biogas consumption.

Our Environmental Management

Water consumed and recycled (m³)

[303-5] [FB-AG-140a.1]

	2017	2018	2019
Freshwater consumption ⁷ (flowmeters)	12,933,990	13,584,151	15,926,850
Seawater consumption	906,631	2,495,496	2,956,312
Third party (for eg. municipal) water consumption	477,544	1,035,000	1,283,532
Produced water consumption	16,349	9,566	11,481
Downstream groundwater consumption	1,652,315	302,341	335,548
Water consumption per metric tonne of CPO ⁸	3.39	3.46	4.27 ⁹
Water recycled ¹⁰	182,426	284,800	236,866

Hazardous waste (tonnes)

[306-2]

	2017	2018	2019
Upstream hazardous waste ¹¹	–	–	558
Downstream hazardous waste ¹¹	80,684	107,340	104,413

Upstream non-hazardous waste (100% reused)

Type of Waste	Total Quantity Produced (tonnes)	Total Quantity Reused (tonnes)	Reused as
Fibre	1,475,243	1,475,243	Fuel
Shell	678,611	678,611	Fuel
EFB	2,478,408	2,478,408	Organic fertiliser
POME ¹²	6,491,069	6,491,069	Organic fertiliser

Downstream non-hazardous waste (tonnes)

	2017	2018	2019
Domestic waste ¹³	2,329	3,757	2,821

Pesticides used (kg or litre/ha)

	2019
Acaricides*	0.000
Fungicides*	0.006
Herbicides**	0.506
Insecticides	0.037
Rodenticides	0.004
Total	0.553

* Used only in nurseries ** Zero paraquat since January 2016

Biopesticides used (kg)

	2019
Bacillus thuringiensis	0
Cordyceps	24
Mycorhyza	64,146
Trichoderma	64,335
Virus	0
Total	128,505

7 Source of freshwater for CPO processing and supporting activities (office buildings, employee housing, laboratory, canteen): river and surface water.

8 Based on water used solely for production process.

9 Less CPO was produced in 2019 compared to previous years, due to drier climate conditions which resulted in less yield in fruit.

10 Figure does not include POME which is a mix of solids and wastewater and which is 100% recycled.

11 100% disposed by authorised third parties.

12 POME: 100% is applied in the field after traditional anaerobic and aerobic treatment to render the chemical and physical characteristics compliant with national regulations. A specific application permit has been obtained for each location, with close monitoring of environmental impact as requested by the authorities.

13 100% disposed through municipal collection.

United Nations Global Compact COP

UNITED NATIONS GLOBAL COMPACT (UNGC)

[102-12]

The United Nations Global Compact (UNGC) is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. GAR, through its subsidiary SMART has subscribed to the UNGC principles since 2006. In 2018, GAR became a signatory of the UNGC signifying our continuing commitment.

Progressively, we take appropriate actions in line with the principles as fundamental guidelines for the sustainable 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.

As an active participant of the UNGC, this report also serves as our Communication on Progress Report (COP) to the UNGC. In our opinion, we meet the requirements for the Global Compact Active reporting level. Please refer to the UNGC reference table for our implementation of the ten principles of UNGC.

Human Rights	<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p>	<p>p 5, 32, 34, 38, 39, 41, 45</p>
Labour	<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: the effective abolition of child labour; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>	<p>p 4, 18, 32, 38-39</p>
Environment	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>	<p>p 4, 8, 16, 28-30, 50-60</p>
Anti-Corruption	<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>p 6, 18</p>



Our sustainability efforts also support these specific UN SDGs:



Glossary

3-MCPD	– 3-monochloropropane diol	ISPO	– Indonesian Sustainable Palm Oil
AR	– GAR Annual Report	PCP	– Participatory Conservation Planning
CFA	– Carbon Footprint Assessment	PK	– Palm Kernel
CPO	– Crude Palm Oil	PM	– Participatory Mapping
CSO	– Civil Society Organisation	POME	– Palm Oil Mill Effluent
CSR	– Corporate Social Responsibility	PT	– Perseroan Terbatas (Limited Liability Company)
EFB	– Empty Fruit Bunch	PT AMNL	– PT Agrolestari Mandiri
FFB	– Fresh Fruit Bunch	PT BAP	– PT Binasawit Abadipratama
FPIC	– Free, Prior and Informed Consent	RSPO	– Roundtable on Sustainable Palm Oil
GAR	– Golden Agri-Resources Ltd	SASB	– Sustainability Accounting Standards Board
GHG	– Greenhouse Gas	SDGs	– Sustainable Development Goals
GRI	– Global Reporting Initiative	SMART	– PT SMART Tbk
GSEP	– GAR Social and Environmental Policy	SMART SEED	– Social and Environmental Excellence Development
HCS	– High Carbon Stock	SMART SPOT	– Sustainable Palm Oil Training
HCV	– High Conservation Value	SMARTRI	– SMART Research Institute
HGU	– Hak Guna Usaha (Right to Cultivate)	SOP	– Standard Operating Procedure
IPM	– Integrated Pest Management	TTP	– Traceability to the Plantation
ISCC	– International Sustainability and Carbon Certification	UNGC	– United Nations Global Compact

Feedback and Contact

[102-53]

We see our Sustainability Report as part of our continuous engagement with our stakeholders and would welcome your feedback.

Please contact our Head of Sustainability Reporting and Disclosure, Lim Shu Ling, at shuling.lim@goldenagri.com.sg

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